



# Department of Health

Secretary

EMAIL RCVD 11/07/2014

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11 JUL 2014

Mr David Morris MP  
Chair  
Public Accounts and Estimates Committee  
Level 3, 55 St Andrews Place  
EAST MELBOURNE VIC 3002

Dear Mr Morris

I am writing regarding your correspondence of 23 June 2014, requesting responses to:

- Questions on Notice arising from the PAEC 2014-15 Budget Estimates into the Health portfolio
- Clarification Questions pertaining to the PAEC 2014-15 Budget Estimates Questionnaire.

I am pleased to provide you with responses to the Questions on Notice and Clarification Questions identified in your correspondence (Attachments 1 and 2).

Please do not hesitate to contact Mr Greg Stenton, Chief Finance Officer, on 9096 1415 for clarification and any other matters regarding the attached responses.

Yours sincerely

**Dr Pradeep Philip**  
Secretary

Encl: Attachment 1 & 2

## Attachment 2: Budget Estimates Questionnaire 2014-15: Clarification Question

### Department of Health response

Regarding the Department's response to Question 12 from the Committee's 2014-15 Budget Estimates Questionnaire<sup>1</sup>, the Department has indicated that:

1. ... savings were achieved through improved efficiencies and costs [containment across portfolios, including a focus on improved purchasing practices through enhanced contract management by Health Purchasing Victoria, improvements in patient flow, both within hospitals and community health services, and reduction of administrative overheads].

Please indicate:

- a. examples of improving purchasing practices implemented by the Department;
- b. examples of administrative overheads reductions;
- c. how improvements in patient flow have been achieved; and
- d. what evidence the Department considers when determining if savings targets have been achieved.

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- **examples of improving purchasing practices implemented by the Department**

The Department has implemented a range of changes to purchasing practices, including improvement of procurement and contract management via Health Purchasing Victoria (HPV). HPV has increased the dollar value of contracts by extending their contract base, resulting in \$30 million of annualised cost reductions in 2013-14 and assisting Ambulance Victoria with the Helicopter Emergency Medical Services (HEMS) tender.

Further, by promoting greater standardisation and rationalisation (including bulk purchasing and greater use of generic drugs) costs of pharmaceuticals have reduced.

The Department implemented a new procurement model based on the new Victorian Government Purchasing Board (VGPB) Supply Policies (Procurement Reform) on 1 July 2014. The new model supports a more strategic and efficient approach to procurement, with the main emphasis on planning, planning and more planning, to enable more appropriate and efficient procurement processes. The 'go-to-market' approach for large procurement projects is based on a strategic analysis of the 'spend' category. Through this revised procurement process the benefits to the Department include streamlining of contracts, providing savings through reduced timelines, resources, etc.

Further savings and efficiencies have been realised through introduction of increased market competition and patient choice. This has been achieved by contracting the majority of pathology services in public hospitals to the private sector, improving the capture of private revenue in public hospitals, through greater declaration and usage of private health insurance, with increased commitment to ensure all private patient activity is billed appropriately and reducing public provision of residential aged care in areas where the market is willing and able to provide services.

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- **examples of administrative overheads reductions**

Overhead reductions pertain to a very broad range of examples that affect specific programs and outcomes. Through establishment of the Commission for Hospital Improvement (CHI) in 2012, has supported Health Services to deliver measurable improvement in the quality, safety, efficiency and effectiveness of services provided.

The overarching framework of CHI has facilitated cost control measures through process improvements, including through the use of benchmarking and performance data. For example, the Redesigning Hospital Care Program (RHCP) is an initiative delivering significant health system improvements through the application of process redesign methodologies in Victorian public hospitals. Other large-scale initiatives that focus on reducing administrative overheads include the 'Victorian Innovation and Reform Impact Assessment Framework' (focused on workforce innovation), the 'Competitive Elective Surgery Initiative', and 'Health literacy: Enabling communication and participation in health' (providing increased information for the Victorian public to make more informed choices regarding their own health options).

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<sup>1</sup> Department of Health, response to the Committee's 2013-14 Budget Estimates Questionnaire, Received 8 May 2014, p. 10



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Development of specific guidelines such as the 'Guide to patient transfer' have reduced workplace injuries and days lost due to injury as reflected through reduced WorkCover claims by nursing staff. The 'Skin integrity booklet: Its maintenance and support' is designed to minimise the hospital stay of older, especially frail patients, patients' whose skin can be compromised very easily. Complemented by the guidelines on 'Minimising the Risk of Falls and Fall-related Injuries', these resources reduce patients' longer hospital stay or readmission.

By implementing 'Transfer of care from acute inpatient services', with its advocacy of associated care plans, discharge summaries and clinical follow up to ensure appropriate management of the transfer of care of acute inpatients from Victoria's public health services to other services or the home environment, the need for readmissions is decreased and costs reduced.

Further, by promoting optimised staff mix through more proactive management, particularly of nursing ratios and medical staff overtime has resulted in increased efficiencies of healthcare practitioner skills and costs.

Finally, the Department of Health has implemented a new structure, making it easier to navigate for employees and stakeholders, generating greater collaboration, more open connections and a clearer focus on health priorities. The new structure enables the Department to drive a whole-of system focus; stimulate innovation; facilitate improved use of data and analytics to guide program and system design and support key investment decisions; and, support improved efficiency and effectiveness by bringing together 'like with like', for example, program management, regulation and corporate services.

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#### **c. how improvements in patient flow have been achieved**

A patient's journey through the emergency department can become blocked due to delays in accessing inpatient hospital beds or community-based services. The Department has worked with health services to establish protocols and linkages between emergency departments and other parts of the hospital and broader health system to ensure effective patient flow. An example of this is the implementation of the recent Ambulance Transfer Taskforce recommendations to improve transfer times between the ambulance and emergency department. Another example of this is \$8.7 million provided in the 2014-15 Budget for the expansion of the short stay unit at the Austin Hospital. This addition of 12 beds will provide capacity to improve patient flow through the emergency department for patients with an expected length of stay of less than 24 hours.

The Department's Health Independence Program (HIP) focuses on strengthening the hospital to community interface and enables services to use funding flexibly to support substitution and diversion from hospital, improving access and patient flow. HIP services can avoid unnecessary emergency department presentations as health services provide appropriate care in home and community settings, and they also enable earlier discharge from hospital.

In addition, the use of models that support early discharge from hospital such as the Department's stroke pathways projects support patient flow by ensuring that care is delivered in the least restrictive setting by the right provider such as early supported stroke projects underway at Eastern Health and Peninsula Health which show promising results in reducing acute length of stay.

The Hospital in the Home (HITH) program also supports patient flow by the provision of acute admitted care in the home or other suitable environment.

The work of the department's Clinical Networks (including emergency, stroke, and cardiac) helps to drive evidenced-based clinical practice, reduce variation in practice, increase effectiveness and efficiency of care and improve patient flow.

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#### **d. what evidence the Department considers when determining if savings targets have been achieved**

The Department achieves savings targets by adjusting program budgets at the start of the financial year. The Department then assists health services to find their share of savings through the mechanisms described above. Due to the efficiencies created, in some cases, health services benefit from a small surplus.