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Public Accounts and Estimates Committee
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Victorian Healthcare Association

Impact on Victorian Government Service Delivery of Changes to National Partnership Agreements

28 July 2015

1. Introduction

The Victorian Healthcare Association (VHA) is the peak body representing the public healthcare sector in Victoria. Our members include public hospitals, rural and regional health services, community health services and aged care facilities. Established in 1938, the VHA promotes the improvement of health outcomes for all Victorians, from the perspective of its members.

The VHA welcomes the opportunity to contribute to the inquiry into the impact of changes to National Partnership Agreements (NPAs). The VHA agrees to this submission being treated as a public document and being cited in any reports that may result from this consultation process.

2. Impact of changes

The original intent of the National Health Reform Agreement was to improve sustainable funding arrangements for the Australian health system. Despite this, there have been examples in recent years of health related NPAs being changed or ceased mid-term, lapsing without certainty about their likely continuation or else being deferred unilaterally.

Victorian health services are a significant part of the public and not-for-profit sectors and employ well in excess of 80,000 staff statewide. It is essential that health services have full confidence that the services and healthcare to which they dedicate time and resources will be funded for the full term of NPAs. Members of the public reasonably expect a high level of service provision and system performance in regards to healthcare. Any funding changes can jeopardise the standards of health service delivery, impact performance and ultimately impact patients.

In circumstances where the main funder reduces or halts its contribution in a manner that departs from the parameters set out in the relevant NPA, if State and Territory governments are not prepared to fill funding gaps, health services are left with little option but to reduce capacity or service delivery.

The VHA believes that, as a minimum, NPAs should not be changed unilaterally during their agreed term and where possible, successful agreements should be extended in a manner that allows health services to plan for any changes to their workforce and service provision arrangements.

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3. Background

In 2009, the Commonwealth in partnership with the States and Territories implemented the Intergovernmental Agreement on Federal Financial Relations.[1] The intent of the Agreement was to ensure that collaboration on policy development and service delivery could occur, and to facilitate the implementation of economic and social reforms. Following this in 2011, the Commonwealth and the States and Territories, through the Council of Australian Governments (COAG), agreed on the "shared intention of the Commonwealth, State and Territory governments to work in partnership to improve health outcomes for all Australians and ensure the sustainability of the Australian health system".

This was the foundation for the National Health Reform Agreement (NHRA),[2] aiming to improve sustainable funding arrangements for the Australian health system. This facilitated the Commonwealth to act as a funder for health services across the country, with the States continuing to act as the system controllers. NPAs and Specific Purpose Payments (SPPs) were closely linked to the introduction of the NHRA, and provided targeted funds to address health priorities. Under the NHRA, funding is linked to the level of services delivered by public hospitals, where the level of funding is directly linked to the growth in public hospital activity provided in each area as well as the National Efficient Price as determined by the Independent Hospital Pricing Authority.

The Commonwealth Government has announced its intention to modify the NHRA, and to cease or modify a number of NPAs. Changes to the NHRA will lead to changes in the way that hospitals are funded from the Commonwealth, with plans to index Commonwealth hospital contributions against a combination of Consumer Price Index and population growth. This is intended to be introduced from 2017-18. The review and rationalisation of a number of specific NPAs was recommended by the Commission of Audit report in 2014,[3] in order to reduce the number of NPAs and to streamline funding arrangements.

Below are examples of health related NPAs and in particular those that have ceased, been deferred or had their funding reduced. The list is by no means exhaustive and does not represent all health related NPAs between the state of Victoria and the Commonwealth. It does, however, offer an insight into the impact that these NPAs have on service delivery in Victoria.

2.1. NPA on Improving Public Hospital Services

Original period of agreement: July 2010 – June 2016

Agreement 1st revision: February 2011 – June 2017

Agreement 2nd revision: July 2011 – June 2017

Actual period of agreement: July 2010 – June 2015

Under the NPA on Improving Public Hospital Services, Victoria was to receive $821.9 million to improve public patient access to elective surgery, emergency department and subacute care services by improving efficiency and capacity in public hospitals. This funding was provided on a flexible basis,

[1] Source: http://www.federalfinancialrelations.gov.au/content/intergovernmental_agreements/IGA_federal_financial_relations_aug11.pdf
[2] Source: http://www.federalfinancialrelations.gov.au/content/npa/health_reform/national-agreement.pdf
[3] Source: http://www.ncoa.gov.au/report/docs/phase_one_report.pdf

allowing states and territories to redirect funds across elective surgery, emergency department and subacute services to ensure areas of highest priority were addressed, with agreement from the Commonwealth. Specific program arrangements were developed for each area, including NEST (National Elective Surgery Target) and the National Emergency Access Target (NEAT) to address priority areas.

2.2. NPA on Closing the Gap in Indigenous Health Outcomes

Original period of agreement: October 2008 – June 2013

Actual period of agreement: October 2008 – June 2013

The NPA on Closing the Gap in Indigenous Health Outcomes was signed in 2008 after COAG agreed to six national targets that would contribute to closing the gap between Indigenous and non-Indigenous Australians' health. These included priorities relating to: life expectancy, child mortality, early childhood access to early education, improvements in numeracy and literacy achievements, improvements in high school completion at year 12 levels, and improvements to employment outcomes. The total cost to all governments for the measures included in the NPA was $1.58 billion. Of this, $805.5 million was proposed as Commonwealth expenses, and $771.4 million as State and Territory expenses, including $57.97 million from Victoria.

The NPA expired in June 2013 in the midst of significant uncertainty as to the Commonwealth's intent to renew it.

2.3. NPA on Treating More Public Dental Patients

Original period of agreement: December 2012 – December 2015 or on completion of the project

Actual period of agreement: December 2012 – June 2015

This NPA on treating more public dental patients was intended to relieve pressure on public dental waiting lists, with a focus on Indigenous patients, patients at high risk of major oral health problems, and patients in rural areas.[4] Victoria received $85.4 million, which ceased on 30 June 2015, and over its duration provided treatment for approximately 110,000 people.

Good oral health is essential for general health and evidence shows that Australia's lowest income-earners are more likely to experience complete tooth loss, live with toothache, or avoid food due to pain. This pain will usually worsens, until sufferers with preventable dental disease visit their GP or the Emergency Department of local hospitals which are generally not equipped to offer dental care.

Increased funding through the NPA (NPA) for treating more public patients saw access to public dental services for the Victorian community improved with wait lists reduced by over 32% for general care in 2014 and wait times down to as low as 8.8 months during March 2014.[5]

[4] Source: http://www.federalfinancialrelations.gov.au/content/npa/health_service/public_dental/VIC_dental_patients.pdf
[5] Source: Dental Health Services Victoria Annual Report 2013/14, Page 7, available from https://www.dhsv.org.au/__data/assets/pdf_file/0006/39678/DHSV_AR_2014_WEB.pdf

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2.4. NPA on Adult Public Dental Services

Original period of agreement: July 2014 – June 2018

Period of new agreement: July 2015 – June 2016

Actual period of agreement: July 2015 – Ongoing

The new NPA, worth $155 million and announced in the 2015-16 Commonwealth Budget, will replace the NPA for Adult Public Dental Services, which was deferred from the 2014-15 Commonwealth budget for a saving of $390 million. Following the deferral of the NPA on Adult Public Dental Services, Victoria saw dental patients waiting over 12 months for general dental care in the January to March 2015 quarter, a 25 per cent increase when compared to the same period last year.

Regarding the Victorian context, the revised NPA represented an approximate $11 million reduction in Commonwealth dental funding to Victoria. No further commitments have been made by the Commonwealth, resulting in a significant degree of forward uncertainty.

2.5. NPA on Preventative Health

Original period of agreement: January 2009 – June 2015, to be extended to June 2018

Actual period of agreement: January 2009 – June 2014

This NPA was provided over six years to support settings-based interventions outside of health services to support behavioural changes related to chronic disease risk factors, social marketing addressing obesity and tobacco, and enabling infrastructure to monitor and evaluate progress made by these interventions.[6] In Victoria, this funding was used, among other initiatives, to establish Healthy Together Victoria (HTV), evaluated to be a highly successful program encouraging preventative health measures within local communities. This NPA was due to be extended under the previous Commonwealth Government to June 2018, but was ceased prior to its expiration date in June 2014. This cessation was expected to generate savings of $367.9 million over four years.[7]

The impact of the cessation of funding has meant that HTV may no longer be delivered without additional funding from Victoria. The communities that have received the program have reported its importance and success in engaging not just the broader community, but providing a successful framework for a multi-platform delivery of prevention and health promotion programs across local government, community health service and in community settings. Rather than extending the successful HTV model into communities in need, the Victorian Government is instead in a position of managing how a drastically reduced model might be applied.

Given the projected growth in health spending requirements, the VHA strongly supports the delivery of prevention and health promotion programs that are underpinned by population health approaches to planning. The outcomes associated with the reduced funding of the HTV program are disappointing in this context.

[6] Source: http://www.federalfinancialrelations.gov.au/content/npa/health_preventive/national_overview.pdf
[7] Source: http://www.aph.gov.au/about_parliament/parliamentary_departments/parliamentary_library/pubs/rp/budgetreview201415/healthfunding

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2.6. National partnerships for infrastructure and capital improvements

Individual Victorian health services have regularly been the recipients of specific NPAs that fund one-off capital projects. Examples include:

- Victorian Comprehensive Cancer Centre[8]
- Redevelopment of Kerang District Health[9]
- East Grampians Health Service dialysis unit[10]
- Redevelopment of Echuca Regional Health[11]
- Colac Area Health Youth Hub.[12]

The VHA notes that NPAs that have delivered capital upgrades and infrastructure have been viewed as largely successful and a useful means of combining Victorian Government and Commonwealth funding for specific projects and initiatives. Large investments, such as the Victorian Comprehensive Cancer Centre, require substantial capital outlays and as the effects of the world class research that will be undertaken there will improve the understanding and care of cancer nationally, this and similar NPAs should be considered appropriate.

2.7. NPA on Hospital and Health Workforce Reform

Original period of agreement: November 2008 – June 2013

Actual period of agreement: Expired.

This NPA was agreed to in 2008 and sets out four key reform components to improve the efficiency and capacity in public hospitals. The four components were:

a) Introducing a nationally consistent approach to Activity Based Funding
b) Improving health workforce capability and supply
c) Enhancing the provision of subacute services
d) Taking pressure of public hospitals.

The NPA included funding of $3.042 billion, consisting of $1.383 billion Commonwealth transfers to the States and Territories, $1.119 billion Commonwealth own purpose expenses and $0.529 billion State and Territory contributions to workforce components of the NPA.

Of the four components, Victoria was estimated to contribute and receive the following amounts:

- Provide $133.65 million over four years to the National Health Workforce Agency;
- Receive $25.4 million to facilitate the development of a nationally consistent activity based funding model
- Receive $125.1 million to increase the volume and quality of subacute care; and
- Receive $181.267 million to relieve pressure on public hospital emergency departments.

[8] Source: http://www.federalfinancialrelations.gov.au/content/npa/health_infrastructure/cancer-centres/VCCC_IP.pdf
[9] Source: http://www.federalfinancialrelations.gov.au/content/npa/health_infrastructure/hospital_fund/Kerang_NP.pdf
[10] Source: http://www.federalfinancialrelations.gov.au/content/npa/health_infrastructure/hospital_fund/East_Grampians_NP.pdf
[11] Source: http://www.federalfinancialrelations.gov.au/content/npa/health_infrastructure/hospital_fund/Echuca_NP.pdf
[12] Source: http://www.federalfinancialrelations.gov.au/content/npa/health_infrastructure/hospital_fund/Colac_NP.pdf

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4. Further information

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