ST VINCENT'S HEALTH AUSTRALIA

UNDER THE STEWARDSHIP OF MARY AIKENHEAD MINISTRIES

# Submission to Productivity Commission

# Human Services: Identifying sectors for reform

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**Key messages**

- **Competition in human services has huge potential. But human services are complex.**
- **We believe there is scope to expand competition, contestability and user choice in the delivery of hospital services.**
- **There is an opportunity to increase the contestability of some public hospital services, but careful commissioning is needed.**
- **Not for Profit providers deliver intangible social benefits – particularly for the poor and vulnerable.**
- **Improved information for patients on performance and costs is required to support choice.**

## 1. Introduction

St Vincent's Health Australia welcomes the Productivity Commission Inquiry into Introducing Competition and Choice into Human Services.

St Vincent's Health Australia already delivers human services in a regulated but competitive market through our private hospitals and residential aged care facilities. Rather uniquely, we also own and operate tertiary public hospitals on behalf of the New South Wales and Victorian Governments. Further, we deliver services to public patients from our Brisbane private hospitals under contract with the Queensland Government.

### *Competition in human services has huge potential*

The reach of human services across all Australian households means that increased competition has the potential provide huge potential benefits. It also means that getting changes wrong can have equally significant but adverse consequences.

Human services are very complex relative to other government services or infrastructure. Human services:

- are by definition tailored to each individual's needs (compared to say, electricity which is distributed on a usage basis);
- are disproportionately accessed by the sick, poor and vulnerable who face particular barriers to exercising choice including lack of confidence, experience and resources;
- often need to be integrated between providers and service systems to deliver quality end-user outcomes – for example, people experiencing mental illness often require health and community services to work together; and
- can be highly specialist, making it hard for consumers to reasonably direct the most effective care pathway for them – particularly in health care.

These complexities in no way preclude greater competition, contestability and user choice. But they mean a considered approach is required to ensure the most vulnerable members of our community share in the benefits of any reform.

### *Our submission to Stage 1 of the Inquiry*

We understand that the Commission's objective in this initial stage of the Inquiry is to identify the services that are likely to be best suited to reform – for further analysis and consideration in Stage 2.

To this end, St Vincent's Health Australia is providing some brief comments to 'make the case' for the Commission to include the hospital sector in its second stage analysis.

We believe there is scope to deepen and expand competition, contestability and user choice in the delivery of hospital services (for both public and privately-insured). For example, a number of jurisdictions internationally have substantially more information available to consumers about the performance of medical professionals and hospital services to support user choice. And here in Australia, a number of state governments are trying new approaches to increase contestability in the delivery of public hospital services.

However, the extent and scale of additional benefit that can be achieved by such reforms – in quality; equity; efficiency; responsiveness and accountability – is unclear and requires more detailed investigation. Critically, efficiency gains should not be delivered at the expense of quality or equity. The likely benefits also need to be weighed against the costs (tangible and intangible). We envisage that the Productivity Commission would conduct this analysis in Stage 2.

St Vincent's Health Australia also provides residential aged care. We have not addressed aged care in this submission, but support the submission made by Catholic Health Australia.

### *Competition reform is not health reform*

Finally, we note that this Inquiry is not a review of the health system, or the hospital system.

There are much needed reforms that will not be delivered through increased competition and contestability, although they may be part of the solution. Fragmentation between primary care and acute care, far too little focus on preventative health, affordability issues in some parts of the sector, poor management of chronic disease in the community – are all issues that must be tackled in the short-term.

To this end, St Vincent's Health Australia believes that we need a shared national vision for our health system, and a clear plan on how to get there. We support the establishment of a permanent Australian Healthcare Reform Commission, led by trusted experts from the sector, to develop such a plan and oversee reforms.

## 2. Is there scope for improved performance?

*Improved equity, efficiency and effectiveness are the key objectives of any reform*

There is an agreed national performance framework for public hospitals under the National Health Reform Agreement. It uses the Report on Government Services (RoGS) general framework of three key domains – equity, effectiveness (including access, quality & appropriateness) and efficiency. The 17 indicators in the hospital performance framework RoGS would largely be appropriate for the private hospital sector also.

*Australia performs well by International standards*

Australia's heath system performs well by international standards. On the simplest measure of effectiveness – life expectancy – Australia is the 6th highest in OECD. And we deliver these outcomes relatively efficiently. Our health expenditure as a proportion of GDP is just below the OECD average.

*But there is scope for improvement in all domains*

Notwithstanding our headline performance, there are significant and well-documented variations within Australia in health outcomes. Indigenous Australians, Australians with chronic mental illnesses, people living in rural, regional and remote areas and people from lower SES households have significantly poorer health outcomes.

The 2015 Australian Atlas of Healthcare Variation showed significant variations in health service provision between geographical areas[1]. The report highlights both:

- inequitable access to services; and
- inappropriate provision of services leading to inefficient use of resources, and likely poor quality outcomes.

Further, there is evidence of considerable variation between public hospitals in the costs of providing similar care to similar patients[2]. Although there are not publically available data comparing private hospital costs, it is likely there is similar variation. Productivity Commission research in 2010 estimated that hospitals in all sectors (public, NFP and private) were operating at least 10% below technical efficiency[3]. Given the significant expenditure on hospitals nationally ($58.8 billion in 2013-14), even small improvements in efficiency would deliver significant financial benefits to governments, taxpayers and consumers.

[1] Australian Commission on Safety and Quality in Health Care & National Health Performance Authority (2015), Australia Atlas of Healthcare Variation.
[2] National Health Performance Authority (2016), Hospital Performance: Costs of acute admitted patients in public hospitals from 2011–12 to 2013–14.
[3] PC 2010, Measuring the technical efficiency of public and private hospitals.

## 3. Key opportunities for enhanced competition, contestability & informed user choice

*Greater contestability of public hospital services could deliver efficiency outcomes*

St Vincent's Health Australia considers that expanding competition in the delivery of public hospital services would deliver benefits – particularly in efficiency.

Competition and contestability in the delivery of public hospital services is currently limited. Public hospital services are largely delivered by state governments (with some exceptions, including St Vincent's Health Australia's public hospitals). Some state governments are testing new approaches to increasing competition in the delivery of public hospital services including Public Private Partnerships, contracting private hospitals to deliver certain services to public patients (eg. elective surgeries) and increased contestability for government service providers.

St Vincent's Health Australia considers that State and Territory governments should commission a proportion of 'routine' hospital services from the private and NFP sector.

A Productivity Commission analysis in 2009 found that private hospitals are at least 10% more efficient than public hospitals for most (60%) surgeries[4]. In our experience, orthopaedic and most heart surgeries can be delivered cheaper in the private setting. These are areas of strong growth into the future. Shifting the delivery of a proportion of these services to the private sector should free up resources in the public system to meet rising demand for more complex services.

We also welcome moves by a number of state governments to develop new public-private partnership (PPP) models for public hospital services. Key benefits PPP models can deliver are:

- Long-term funding contracts offered under PPPs provide activity certainty for private providers to make investments in new infrastructure.
- Co-located private and public hospital services can deliver efficiencies through shared facilities.
- Separating responsibility for providing high quality clinical services from constructing, owning and maintaining physical infrastructure can allow providers to focus on what they do best.

However, increasing competition in the delivery of public hospital services requires extra care. Given the complexity of public hospital delivery as a universal service for all Australians including those most marginalised, commissioning approaches must take account of the importance of access, equity and quality objectives (as well as efficiency and value for money).

*But sometimes, the type of provider does matter*

There are some services that will not be attractive to the private sector (under current funding models at least). There are also some services that rely on scale and diversity. For example, public hospitals currently fulfil an important role in teaching and research.

In addition, we believe that the 'intangible' social capital that not for profit providers bring to government service delivery – particularly for the most vulnerable consumers – should not be underestimated and simply will not be provided by for profit private providers. This includes:

[4] PC 2009, Performance of Public and Private Hospital Systems.

- values-based service delivery – the experience and willingness through our mission to engage with the poor and vulnerable;
- community networks – the ability to collaborate and cooperate with other organisations;
- a lack of profit motive – which allows the organisation to work with more complex and expensive patients (eg. the homeless), and invest any surplus funds into improving service quality or enhanced support where there are service gaps (known as 'community benefit expenditure'); and
- the proven ability for NFP operators to attract significant levels of philanthropy from the community to augment services commissioned by governments.
- High levels of public trust, particularly among disadvantaged groups. Providers with a strong community presence and a track record of accountable, inclusive service delivery are more likely to receive public support in delivering what are seen as essential government services.

*Enhanced choice for patients*

In Australia, the information available to patients and the level of choice patients can exercise varies by type of service and sector: medical services (out of hospital), public hospital; private hospital.

| **Health service** | **Choice available** | **Information available to support choice** |
|---|---|---|
| Primary care – GPs | Patients can choose provider. | No performance information available*.<br><br>Cost information supplied by provider. |
| Specialist consultation – out of hospital | Mediated choice – requires referral from GP.<br><br>In practice, patient exercises little choice in most cases. | No performance information available*.<br><br>Cost information supplied by provider when booking / attending appointment, not at the time of receiving referral. |
| Public hospital outpatient clinic | Mediated choice – requires referral from GP or ED.<br><br>In practice, patient exercises little choice in most cases.<br><br>Can change hospitals if unhappy with service / wait times but will require a new referral, and have to wait again. | Some performance information available on public hospitals. |
| Public hospital emergency department presentation | Patients can access any public ED – but generally access closest.<br><br>In ambulance, will be taken to closest ED or to specialty hospital if appropriate. | Some performance information available on public hospitals. |
| Private hospital ED | Patients can access any private ED – but generally access closest. | No performance information available.<br><br>Cost information supplied at ED. |

| | | |
|---|---|---|
| Public hospital admission | Patients admitted through ED or outpatient clinic.<br><br>Can change hospitals if unhappy with service / wait times (eg. for elective surgery) but will require a new referral, and have to wait for outpatient appointment again. | Some performance information available on public hospitals. |
| Private hospital admission | Mediated choice – patients admitted under a specialist / surgeon.<br><br>In practice, specialists choose hospital on patients' behalf. May offer limited choice.<br><br>Insurers will only pay full benefits for services delivered at facilities where the insurer has a contract – ie. the insurer makes some choices about providers on behalf of their customers. | No performance information available for specialists / surgeons.* Very limited information available about private hospitals.<br><br>Out of pocket costs can be charged by hospital (excess on insurance policies), specialists / surgeons, pathology and diagnostics, and pharmacy. Cost information for each component is supplied separately and often supplied too late for a consumer to make an alternative choice. |

* The Australian Health Practitioner Regulation Agency (AHPRA) provides information on health practitioners' registration status and practice restrictions but limited other information.

Health is certainly an area of human services where making choices about alternative providers can require a level of expertise to assess and compare quality and safety outcomes. But this should not preclude consumers having a more active role in these choices. Further, patients should have clear and readily available information about providers' costs.

Publically-available national public hospital data has improved significantly since the 2009 National Health and Hospital Reforms through the myhospital.gov.au website – but is still fairly limited. There is very little publically available data on the performance of private hospitals or private providers (GPs and specialists).

St Vincent's Health Australia supports greater provision of information to patients to support their choices. This information should include measures of hospital performance, but should also include information on health providers' performance and costs.

The Commission may also wish to consider reforms to funding and regulatory arrangements that could support enhanced choices. The UK National Health Service (NHS) Choices reforms may provide a useful example of such reforms but are yet to be thoroughly evaluated. These reforms are also possible given primary care and public hospital services are delivered by a single level of government.

Under NHS Choices:

- For elective procedures, patients now have a legal right to be given a choice of both hospital and specialist within that hospital, by their GP when they make a referral – except where they need emergency, cancer or maternity care.
    - Patients can choose between both public and private hospitals that are registered for the NHS.
    - There is extensive information available online about health services and health professionals including on patient outcomes and user feedback.
- Patients can choose to transfer to a different hospital if the waiting time for non-urgent treatment at the hospital / consultant they have been referred to exceeds set timeframes. Further, if the patient is unhappy with the hospital they originally chose, they can transfer to a different hospital.

## About St Vincent's Health Australia

St Vincent's Health Australia is the nation's largest not-for-profit health and aged care provider. We are a clinical, research and education leader working in private hospitals, public hospitals and aged care services in New South Wales, Victoria and Queensland.

Our services comprise 27 facilities including six public hospitals, eight private hospitals, a growing number of aged care facilities and three co-located research institutes (Victor Chang Cardiac Research Institute, Garvan Institute of Medical Research, and St Vincent's Institute of Medical Research).

From the health services established by the Sisters of Charity in 1857 at Woolloomooloo in Sydney, St Vincent's Health Australia has grown to operate more than 2,500 hospital beds, 1,100 aged care places, employs over 17,000 staff, works with over 2,500 medical practitioners and draws on the talents of over 1,300 generous volunteers. Each year we provide care to more than 250,000 inpatients and over 1 million episodes of care through our outpatient services.

We are a clinical and education leader and have a national and international reputation in various fields of medical research. Our areas of expertise crosses a large domain including: heart lung transplantation; bone marrow transplantation; cardiology; neurosurgery; cancer; HIV medicine; respiratory medicine; mental health; drug and alcohol services; aged psychiatry; homeless health care and urban Aboriginal health.

Grounded in our history and Catholic values, we are leaders in delivering healthcare to the most vulnerable Australians including people with mental illness and drug and alcohol addictions, the homeless, urban Indigenous communities and prisoners.