I start by acknowledging the traditional owners of the land, pay my respects to elders past and present, and I wish also to acknowledge:

- Richard Guest, Vice President, HealthCare, Pacific Region, Siemens
- Suzanne Rickard, State Director NSW/ACT CEDA
- Ladies and gentlemen

Thank you for the opportunity to address you today on the topic “The State of Health”.

I would like to start by making a couple of observations that may seem self-evident but which are central to an understanding of the current “State of Health”.

First, we are all stakeholders in relation to health and health care. We will all, at times in our lives, need to access health care.

Our health is vitally important to us, even though we tend to take it for granted until we, or someone we know, gets sick. We all want to feel confident that we will have access to high quality health care services, when and where we need them.

And we all have an interest in ensuring that providers of our health services are able to address our needs in a timely and appropriate way.

My second point is that health care is big business. It involves a substantial investment of resources by governments, by the private and not-for-profit sectors, and by individuals.

According to data published by the Australian Institute of Health and Welfare recently, total expenditure on health in Australia in 2009-10 was around $121.4 billion.

Health expenditure now represents 9.4% of the country’s GDP. So, nearly one dollar in every ten dollars spent in Australia is spent on health care services.

In 2009-10, governments – state and federal – funded nearly 70% of health expenditure with the Commonwealth contributing 43.6% and the State and Territory governments contributing 26.3%. The non-government sector, including private health insurance funds and individuals, funded the balance of 30.1%.

This funding covers the Medical Benefits Scheme (covering GP services), the Pharmaceutical Benefits Scheme (pharmacy) Hospital and community based care.

Taken together, these two observations – that health care is everyone’s business and is big business – lead to the inevitable conclusion that health care will continue to demand serious and sustained attention by policy makers.
There are challenges facing the health system

We all know that health systems around the world are under constant pressure and face ever increasing demands from:

- A growing and ageing population
- Increasingly complex and expensive medical technology
- Rising levels of preventable chronic disease, and
- Increasing utilisation of health services by individuals.

All of these pressures are leading to health care costs rising at a much greater rate than general economic growth.

This means that health care expenditure by both state and commonwealth governments is accounting for a growing share of total government budgets.

For example, in the early 1970s in NSW, the health budget represented around 14% of total State expenditure. It now accounts for around 27% of the State’s budget. In other words, more than 1 in every 4 dollars spent by the State now goes to health care.

That expenditure will amount to $17.3 billion in 2011/12.

This is an increase of $953 million or 5.8% over last year’s budget. It comprises a recurrent budget of $16.4 billion, an increase of $949 million or 6.1%. It also accounts for a record investment in health infrastructure, with $4.7 billion over the next four years; $1 billion this financial year.

We are also aware of challenges relating to health inequity. While Australians today enjoy one of the longest average life expectancies in the world, we know that there are groups of people within our society who experience significant health disadvantage and higher rates of premature death.

A disproportionately large number of Indigenous Australians fall into this category and this has been recognised as a priority for action by COAG, as evidenced by the significant ‘Closing the Gap’ reform initiatives which all jurisdictions have signed up to.

Then there are a range of challenges relating to what have been described as the ‘enablers’ of the health care system.

Three major challenges include:

- Ensuring an appropriate supply and distribution of a skilled clinical workforce, with particular attention being given to addressing problems attracting clinical staff to work in rural and remote parts of the country;
- Maintaining and improving health infrastructure, including physical assets (that is, buildings and medical equipment); and,
- Strengthening the information and communication technology platform to promote e-connectivity among health providers practising in many different settings.

None of these challenges is easily addressed. And all must be managed within finite resources. Even in the best resourced health systems, demand tends to exceed supply and tough decisions have to be made about investment priorities within a defined budget envelope.

In terms of these investment priorities that I have just mentioned, I would like to expand a little more on our e-health priorities.

Last year I said that I wanted the NSW health system to lead the nation in the e-health area. I said that as Minister, I will not sit on the sidelines waiting for national action. And we are now delivering that action in government, with commitments worth nearly $400 million in new ICT spending over the next four years.
Major ICT projects include:

- $170 million for a new electronic medications management system to prevent errors and reduce adverse drug events.
- $85 million on electronic medical records systems to prepare for the National Personally Controlled Electronic Health Record and to improve patient tracking, clinical documentation, scheduling and reporting.
- $43 million on new ICU clinical information systems to provide a single point that collates all relevant data to assist clinicians in ICU. This system will also integrate with the electronic patient record and the medications management system.
- We are also investing over $90 million to upgrade our corporate systems and to build new networks, data centres and messaging solutions, which will allow us to implement Telehealth on wide scale and allow for a common access email system that will connect all staff in all areas of NSW Health.

E-health is crucial to our health system and I am a passionate believer that it will complement the best medical workforce in the country.

As I have said many times, e-health is not just about technology. It’s about improving patient care. Nothing will substitute for the high quality care provided by well-trained, experienced clinicians. But by providing those same clinicians with the modern tools and information they need, when they need it, it will enable them to achieve so much more for their patients.

There is also no doubt in my mind that the new investments we are making in preventative health, chronic disease management and community health will assist us to prevent unnecessary hospitalisations and enable us to meet the growing demand for health services.

**National Health reform - COAG Agreement**

Within the context of the many challenges the system faces, I want to talk to you briefly about what it is that we are doing in the national reform process.

The National Health Reform Agreement signed by COAG in August this year, is already providing additional impetus to the reform program being pursued by the NSW Government to ensure that the people of NSW have access to improved health services.

The COAG agreement primarily focuses on:

- Organisational reforms;
- Funding reforms; and,
- Performance accountability reforms

To address the challenges I’ve identified, the NSW Government has embarked on organisational reforms which include:

- A devolved governance structure where decisions are made as close to the patient as possible;
- Adoption of the CORE values of Collaboration, Openness, Respect and Empowerment;
- Enhancing the role of our clinicians;
- Reliance on strong evidence-based policy to guide us; and,
- A commitment to greater transparency and public accountability.

The central plank that will deliver many of these key areas and one that I have personally championed for many years, is the devolution from a highly centralised model of administration with many layers to one of local decision making.

The government’s reform agenda is about getting the right structures that will deliver better health care.
The new administrative structure that we are putting in place is designed to empower local decision making and build a more responsive health system.

15 Local Health Districts in New South Wales will have greater authority and responsibility. They will be responsible to their local communities and they will determine the service configuration they need to meet performance targets and health outcomes.

They will have greater flexibility to recruit and to allocate resources within their District to meet local needs.

Specific changes include the following:

Structurally, the NSW Department of Health has become the Ministry of Health. This is a clear indication that its primary focus is the development of policy and not the delivery of services.

The Ministry will be reorganised around four Divisions which will deal with:

- Strategy and Resources
- Service Purchasing and Performance
- Population and Public Health
- Governance, Workforce and Corporate Services.

The new Ministry will be leaner with major devolution of functions to the LHDs and to the Pillars, enhanced in line with recommendations made by Peter Garling following his review of the health system.

These are:

- **The Clinical Excellence Commission** which will play a lead role in policy and strategy related to the system-wide improvement of quality and safety and will take over many of these responsibilities from the Department.

- **The Agency for Clinical Innovation** which will undergo a major reorganisation to concentrate on the design and implementation of new models of care and improved patient pathways.

- **The Bureau of Health Information** which will be augmented, so that it is more independent and its remit widened. It will take over responsibility for the Patient Survey and will be encouraged to publish as widely and as transparently as possible to bring relevant facts and data into the public debate.

- **The Clinical Education and Training Institute** which will be restructured and expanded with an increased focus on clinical and non-clinical leadership development and undergraduate and vocational training in addition to postgraduate services. It will be renamed the Health Education and Training Institute (HETI).

The Ministry will negotiate a Service Agreement with each LHD, specifying which services will be purchased or funded, the volume and price for Activity Based Funding (ABF) services, and/or block funding as appropriate for some rural and regional services.

The LHDs, which will be enhanced by increased resources devolved through the abolition of the layer of middle bureaucracy – the ‘Clusters’.

The LHD will be responsible for determining how it will deliver services and meet its Service Agreement responsibilities. In this they will be empowered to:

- Delineate the role of hospitals and health facilities within each District
- Employ staff, including the Chief Executive Officer, to achieve these objectives
- Purchase appropriate services from Affiliated Health Organisations and other NGOs.
In general terms, the newly defined Ministry is the purchaser and Local Health Districts (responsible for hospitals and other health services within their boundaries) are the providers.

LHDs may choose to continue or form new purchaser/provider relationships with other providers, including private hospitals and other non-government health service providers.

I am confident that this model of greater local control, greater local decision-making joined with a strong accountability framework will build the more flexible and resilient health system we are going to need into the future.

In terms of shared strategic priorities, both state and federal governments have identified the primary health care sector as an important area for joint policy development and statewide planning – and this commitment has been written into the National Health Reform Agreement.

There is strong international evidence to indicate that strengthening the capacity of the primary health care sector to provide preventive health services, early intervention and continuing care in the community, has the potential to yield benefits for individuals, communities and the wider health system.

To this end, the Commonwealth is funding the establishment of primary health care organisations (called ‘Medicare Locals’) across the country, with four having already been announced in NSW out of a total of 18 that will be operational by late 2012.

The plan is that Medicare Locals will develop a close working relationship with their ‘matching’ Local Health District (or Districts, if the boundaries overlap), to analyse local health care needs, assess any service gaps, and undertake joint planning to improve residents’ access to the health care they need.

With respect to funding reforms, the new Agreement commits the Commonwealth government to contribute 45 per cent of efficient growth funding for public hospital services from 2014-15, increasing to 50 per cent from 2017-18.

Under the Agreement signed in August, $9.5 billion of the $16.4 billion guaranteed Commonwealth funds will be distributed to states and territories on an equal per capita share basis from 2014-15. Under this arrangement, NSW will gain an additional $3 billion over six years. This has been a great win for NSW negotiated largely by the O’Farrell Government.

In advance of these funding formula changes, from 1 July 2012, all jurisdictions will be moving to a national system of activity based funding.

Preparing for the introduction of this new funding model in NSW Health is involving considerable effort at a number of levels, including:

- At the level of the clinician and their patients;
- At the hospital and District management level; and,
- At the level of the Ministry of Health, as system manager and purchasing authority.

With respect to performance accountability reforms, the new National Health Performance Authority (NHPA) will monitor and report publicly on the performance of public hospitals, LHDs, private hospitals and Medicare Locals.

NSW Health already has in place a well-developed Performance Framework and public reporting process – I have already mentioned the independent Bureau of Health Information – and we look forward to participating in national arrangements in this regard.

You may have heard me speak elsewhere of my guiding vision for the health system. It bears repeating because it indicates the set of issues I regard as being most important and worth striving for.

My vision for where I want to be in this next five to ten years will require willing partnerships which can benefit the participants, but more importantly the patients we serve.
I want to see a system where patient care is seamless and integrated. Where the patient – respected, listened to and informed – is the focal point of an integrated service which involves all elements of health care, in a way which flows seamlessly, easily and efficiently.

I want us all to be part of a health system in which people are proud to work, and in which they derive personal satisfaction and reward from their work. That applies equally no matter in what part of the system a person is engaged. I want cleaners and wards people, record keepers and security officers, managers and administrators, nurses and clinicians, head office personnel and Board members, all to derive satisfaction, pride and personal self-fulfilment from being part of our team and working in the NSW health system.

I want the people of New South Wales to have realistic and sound expectations of what the health system can do for them – and what it cannot. I want them to understand what they have a right to expect and to what they are entitled, but equally to understand what their own responsibilities are for the care of their own health and that of their families.

Conclusion

In closing, I hope that I have given you a sense of the far-reaching reforms in our health system that are underway nationally and in New South Wales.

As I noted at the outset, we face myriad challenges in the funding, organisation and delivery of health care to the people of NSW;

And I want New South Wales to be up to those challenges.

I want a resilient, but flexible system, which is able to meet the challenges that I have identified.

But above all, I want a health care system that can deliver consistently high quality care to our patients and to our communities.

In the relatively short time I have been NSW Minister for Health, I have been heartened by the willingness demonstrated by so many people – both those in the health system and from the wider community – to take on the challenges we face and to work together to build a better health care system for everyone.

There is much to be done and we have already made a strong start in NSW.

ENDS