

# Report of the NSW Health Council



A Better Health System for NSW

03/2000

Report of the NSW Health Council – A Better Health System for NSW

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ISBN: 0 7347 3138 8

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March 2000

**NSW Health Council**

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25 February 2000

The Hon Craig Knowles, MP  
Minister for Health  
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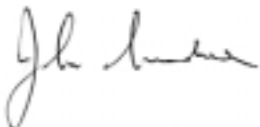
Dear Minister

It is with pleasure that I submit to you the report of the NSW Health Council.

I believe we have put forward an achievable, exciting and lasting set of recommendations which will improve the quality of health care for the people of NSW. I also believe that we have laid the foundations for a more responsive and adaptable health system as we move into the 21st Century. The changes we have recommended will significantly enhance the role of consumers, the community and clinicians.

I would like to express my appreciation to the Council, to the Resource Group headed by Jennifer Westacott who assisted the Council and to the many people who gave so willingly of their time to assist us to prepare our report.

I commend to you our report and wish you well with its implementation.



John Menadue, AO  
Chairman



## Hospitals or Health?

In the course of our work I often speculated that we should have been called the Hospital Council. So much of our work and so much of the 'health debate' is really about hospitals and sickness, rather than health. The desire of many clinicians and managers to shift resources and provide more care in the community with an increased emphasis on both early intervention and keeping people well, gets lost in the clamour for more beds and more expensive facilities in hospitals.

About 12% of the population is admitted to hospital in any one year. Yet public hospitals absorb approximately 57% of the total State Government health expenditure. By international standards, there is not a strong case for more hospital beds. In 1997/98 the New South Wales rate for overnight hospital admissions was 157 for 1,000 population. In Canada it was 105, in the US 116, and in the UK about 130.

We know that preventive measures – better diet, more exercise, anti-smoking and anti-drink driving and immunisation campaigns – can produce dramatic reductions in sickness. But preventive measures do not deliver immediate health dividends and they don't have the same high profile champions that hospital services do.

Services should be based primarily around where patients and consumers live. The autonomy and dignity of each patient is best served by providing services wherever possible outside a hospital. So a shift to community multi-disciplinary health teams is a major issue still ahead of us. In our report we have not had time to sketch out how this might be achieved. Clearly, it is necessary to improve linkages between GP services in the community which are funded by the Commonwealth, and hospital services which are managed by the State.

Even more important in my view and what I regard as the key issue for the long term, is informing consumers and involving the community in their health care. Under day-to-day pressures, it is possible to lose sight of the big picture. Every organisation and every system needs to be firmly and consistently called back to its primary purpose. In this case, it is the health of people. If our recommendations in this regard such as the 24-hour Health Call Centre, the Electronic Health Record and participatory structures are implemented and driven with enthusiasm, the health of the community will prosper. Informed patients and an informed community are the best judges of the priorities for their own health system.

Behind all that we have described and recommended in this report, there is a major problem in an ever-growing demand for health services. The more facilities that are provided, the more they will be utilised. Doctor and patient pressures will not abate. It is similar in transport. The more money is spent on roads, the more cars are attracted onto them and Governments are then under pressure to build more roads.

We seem to want more of almost everything, including more and better health. We are inclined to believe there is a cure for almost everything, even inconveniences. With these high expectations, we don't discuss whether we are prepared to pay more taxes for better health, and tax is the most equitable and efficient way to raise money for health. At the end of the day the money has to come from somewhere. In New South Wales about 24% of the State budget is spent on health. Are we prepared to pay more taxes to spend more on health or would we prefer to cut back on education or other Government programs? Because health resources are limited, they have to be rationed. That is what waiting lists and waiting times in Emergency Departments are about. But instead of publicly debating the resources available for health and how priorities should be allocated within those resources, the current debate is about the symptoms, the closure of beds and even whether hot breakfasts in hospitals are going to be cut. How can we decide, for example, the merits of spending public money on the last few days of a patient's life rather than on babies, children and mothers? We need an informed and serious public discussion about health directions and priorities.

That is why we highlighted honesty as an important value and principle, particularly honesty about the resources available and what it is reasonable to expect from the highly professional staff within the system. We need to be open and honest with each other about what we are prepared to pay for our health services and how we want the money spent: on community and preventive care or acute care in hospitals?

My final comment goes to implementation. Much of what we have recommended is based on what we have seen working in the State's health care system.

I want to put on record my and the Council's recognition of the many innovations in health care delivered by dedicated managers and clinicians in Area Health Services and the NSW Department of Health. The challenge is to ensure that excellence and innovation are not confined to one hospital, or one Area Health Service. There must be widespread implementation so that everyone in New South Wales shares the benefits of advances in technology, improvements to clinical practice, improved efficiency and better communication.

This will require the highest levels of leadership and commitment by clinicians, by local managers, by Area Health Services and by the Department of Health.

Health systems around the world have different strengths and weaknesses. I believe in NSW we do very well by world standards. But we have a lot of hard work and hard decisions ahead. I believe this report helps us along the road.

Thank you to my colleagues on the Council who gave so much of their expertise and time to assist with this report.

John Menadue, AO  
Chairman

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## TERMS OF REFERENCE

1. To deliver a plan to the NSW Minister for Health that provides effective strategies  
to improve the delivery of quality health services, better manage costs, and improve the health outcomes of people in metropolitan, regional and rural NSW.
2. The strategies in the plan will address the following objectives:
  - to improve the health of the people of NSW and ensure that patients and the community are the objectives of change
  - to ensure quality of care
  - to provide accessible and equitable health services across NSW
  - to increase the effectiveness and efficiency of the clinical services, Area Health Services, the NSW Department of Health, and the private and non-government sectors
  - to reform the Commonwealth-State relationship to deliver better systems, funding structures and arrangements
  - to better manage costs by fostering productivity and best practice, and clearly defining performance indicators
  - to enhance management and information systems in order to ensure the adoption of clinical and industry best practice
  - to determine the training needs of the future health workforce
3. The NSW Health Council will have regard to the following documents and issues:
  - Strategic Directions for Health 1998-03 – Better Health, Good Health Care
  - community awareness and understanding of health service provision issues and health service delivery trends
  - Australian Health Care Agreement
  - the role of the public, private and non-government sectors
  - best practice case studies
  - the location of health services
  - partnerships for comprehensive service delivery
  - information technology strategies for better delivery of administrative efficiencies, telemedicine, information sharing and cross-agency collaboration
  - appropriate frameworks for education, training and research
4. In developing the plan the NSW Health Council will further consider:
  - the need to ensure a flexible, effective, quality health system which responds to community needs, population growth, ageing and changes in clinical practice and technology
  - the need to ensure that the unique and diverse health needs of rural and remote communities are recognised
  - the available research findings on health policy, service delivery and health financing

## **MEMBERS OF THE NSW HEALTH COUNCIL**

### **Mr John Menadue (Chairman)**

Mr Menadue has held a range of positions including Secretary, Department of Prime Minister and Cabinet Office, Ambassador to Japan and Chief Executive Officer of Qantas.

### **Mrs Gabrielle Kibble (Deputy Chairman)**

Mrs Kibble is the Chairman of Sydney Water.

### **Professor Stephen Leeder**

Professor Leeder is Dean of the Faculty of Medicine and Professor of Public Health and Community Medicine at the University of Sydney.

### **Professor Margaret McMillan**

Professor McMillan is Dean and Professor of the Faculty of Nursing at the University of Newcastle.

### **Professor Ian Webster**

Professor Webster is Professor of Public Health in the School of Community Medicine at the University of NSW and Director of Population Health, South Western Sydney Area Health Service.

### **Associate Professor Brian McCaughan**

Associate Professor McCaughan is Clinical Associate Professor of Surgery in the Faculty of Medicine at the University of Sydney and President of the NSW Medical Board.

### **Associate Professor Jane Hall**

Associate Professor Hall is the founding Director of the Centre for Health Economic Research and Evaluation (CHERE) and Associate Professor in the Department of Public Health and Community Medicine at the University of Sydney.

### **Dr Barry Catchlove**

At the time of conducting our review, Dr Catchlove is Executive Director with Mayne Nickless Limited.

### **Dr Heather Dalgety**

At the time of conducting our reviews, Dr Dalgety was Deputy President of the NSW Rural Doctors Association.

### **Mr Paul Gross**

Mr Gross is Chairman of the Board for Health Group Strategies Pty Ltd in Australia, France and Japan.

### **Ms Kate Quirke**

Ms Quirke is Executive Director of Product Strategy and Marketing in the Asia-Pacific for iSOFT.

### **Mr Michael Reid**

Mr Reid is Director-General of the NSW Department of Health.

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## OVERVIEW

### Conduct of the review

The NSW Minister for Health ('the Minister'), The Hon Craig Knowles, MP, established the NSW Health Council ('the Council') in July 1999. The Council was required to undertake a review of the State's health care system<sup>1</sup> in accordance with the terms of reference set out in this report. Listed in the Appendices are the names of individuals and organisations from whom we received submissions and with whom we met.

When Council commenced this review, the State's health care system was under considerable pressure. This was particularly the case in areas such as access to Emergency Departments, access to Intensive Care services and waiting times for public hospital admissions.

Council believed that the most appropriate way to approach its task was to begin with an examination of the factors that were contributing to this pressure.

We met with a range of clinicians, health managers, consumers and stakeholders in order to hear from the people who were dealing with these challenges on a daily basis. We sought their views about what needed to be improved, what was working well and what they considered to be the practical and lasting changes that would relieve the pressure on health workers and improve access for consumers.

### Findings

Specifically we found that:

- The State's health care system performs very well and generally provides excellent, accessible and affordable health care to the people of NSW.
- The system is feeling the pressure of increased patient demand and rising costs.
- These pressures are not confined to NSW or Australia, but are common to many other health systems.
- The annual process of setting and allocating budgets limits the ability of clinicians and managers to plan their staffing and resource levels to meet peaks in demand.
- Clinicians and managers highlighted the need to understand the importance of linking various parts of the health system in the delivery of patient care. In their view, hospitals, specialists, general practitioners (GPs), community health teams, mental health teams and allied health workers all need to be linked together to provide continuity in patient care. They urged us to focus on these links in order to deliver lasting improvements to health services. For example, pressures on Emergency Departments are often caused by blockages in another part of the hospital, such as lack of access to a bed in a ward or access to an operating theatre.

*The State's health care system performs very well and generally provides excellent, accessible and affordable health care to the people of NSW.*

*The system is feeling the pressure of increased patient demand and rising costs.*

***More incentives are needed to promote widespread implementation of innovations in health care across NSW.***

- There is an emerging need to provide more coordinated care to people with chronic and complex health conditions such as heart and lung disease and cancer. Many of these people have multiple hospital admissions each year, and frequent urgent admissions through the Emergency Department.
- There are many innovative approaches to tackling the challenges facing Emergency Departments, Intensive Care Units and hospital waiting lists, and the treatment of conditions like diabetes, cancer, asthma and HIV/AIDS.
- More incentives are needed to promote widespread implementation of innovations in health care across NSW. These could include funds to support particular service improvements in addition to any overall growth funds in the health budget. This would allow new ideas to be tested without having to take funds away from other services.
- Clinicians must be more involved in setting and monitoring standards of clinical practice. This will provide a way of evaluating new approaches to providing care and will help ensure that the highest standards of quality are maintained.
- Consumers need more access to information about the nature of local services and easy access to advice and support about particular health problems, treatments and the performance of health care providers.
- There is a need to examine the role and distribution of health services in both metropolitan and rural NSW so that services meet the different needs of communities. This will require better planning, including greater community involvement.

### **Focus of the review**

In response to these findings we have focussed on the following key issues. We believe our recommendations provide practical solutions to current pressure points and will have positive, flow-on effects to other areas.

- We wanted to ensure that **access to health services** and the **quality of patient care** will continue to improve. Our recommendations therefore address the following key areas:
  - improving service delivery in the areas of critical care (Emergency Departments and Intensive Care Units) and planned and acute hospital admissions
  - enhancing services to rural communities
  - changes to the way care is provided to people with chronic and complex conditions like heart disease and cancer
  - improving patient information systems so that there are better links between health care providers
  - strengthening efforts to recruit and retain a skilled nursing workforce
  - improving the planning of metropolitan health services



- We devoted considerable attention to improving **funding** arrangements for the State's health care system. This includes recommendations about overall funding levels, the importance of funding certainty and improving the way individual services are funded to support the implementation of recommended clinical practice.
- We identified ways that **clinicians** can be encouraged to take a greater **leadership** role in setting and monitoring standards of clinical practice.
- We examined ways of increasing the involvement of individual **consumers** and **communities** in decision-making.
- We believe there are opportunities for greater cooperation with the **private** and **non-government** sectors in the planning and delivery of health care, and have identified some areas where further work is needed to foster that cooperation.
- Finally, we examined ways in which **planning, accountability** and **governance** arrangements could be improved throughout NSW Health<sup>1</sup> to support the implementation of our recommendations. This will need to be supported by a two-year change management and implementation plan led by the NSW Department of Health ('the Department').

*We believe that consumers of health care have a right to information and choice about the services and treatments available to them, and a right to information about the success of medical interventions and the performance of all health care providers in hospitals and medical practices.*

## VALUES AND PRINCIPLES

We believe that the following set of values and principles are fundamental to an effective and sustainable health system, and must guide the implementation of this report.

### The role of a health system

We believe that the fundamental role of a health system is to improve the health of the population and to provide care to sick and injured people.

### Equity

We believe that everyone in NSW should have equitable access to quality health care for comparable need, regardless of where they live, regardless of where they enter the health system and irrespective of whether funds are provided by the State or Commonwealth Government.

### The right to information and choice

We believe that consumers of health care have a right to information and choice about the services and treatments available to them, and a right to information about the success of medical interventions and the performance of all health care providers in hospitals and medical practices.

### Value for money

We believe that the community is entitled to expect that resources will be used efficiently, and will be prioritised to the areas of greatest need.

*We believe that a commitment to honesty is crucial – honesty about what medical intervention can achieve, honesty about the resources available and honesty about the expectations placed on managers and clinicians.*

### **Rewarding excellence**

The fundamental strength of any health system is the people who work in it. Innovation and excellence must be valued and rewarded.

### **Personal responsibility**

Individuals must be assisted to take more responsibility for their own health, through better information and more active involvement in decision-making about their health care.

### **Social responsibility**

The responsibility for a successful health system rests more widely than with health providers and managers alone. We acknowledge the need to address the social, economic and environmental factors which lead to poor health.

### **Honesty**

We believe that a commitment to honesty is crucial – honesty about what medical intervention can achieve, honesty about the resources available and honesty about the expectations placed on managers and clinicians.

### **Compassion and dignity**

We share a strong belief that health care must preserve and enhance autonomy and dignity, and be delivered with compassion and sensitivity.

## **DIRECTIONS FOR CHANGE**

### **Improving service delivery**

Based on the many excellent examples which exist in NSW, Australia and around the world, we recommend that service delivery should be improved in the following three areas:

- the management, funding and coordination of critical care (Emergency Departments and Intensive Care Units)
- the management of planned and acute hospital admissions
- the coordination of care of people with chronic and complex conditions, such as cancer and heart disease

#### **Critical care**

In December 1999 the NSW Government announced the provision of \$45 million additional funding over three years to relieve pressure on Emergency Departments and Intensive Care Units (\$15 million over three years to Intensive Care Units and \$30 million over three years to Emergency Departments). We recommend that these funds should be linked to the following improvements to service delivery:



- **Intensive Care Units**

We conclude that with the growing complexity of medical intervention there is a need to increase access to intensive care services. We have outlined changes which need to occur in the coordination, funding and quality of Intensive Care Unit services. We recommend that additional funds be tied to changes in those areas.

- **Emergency Departments**

This report highlights some of the problems facing Emergency Departments – including a 7.2% growth in demand between 1997/98 and 1998/99,<sup>2</sup> and pressure on Emergency Departments caused by demands on other parts of hospitals, such as operating theatres and Intensive Care Units. We have also highlighted the difficulties associated with patients who have frequent and urgent admissions to Emergency Departments – such as people with mental health conditions or drug and alcohol problems, and elderly people with respiratory problems or heart disease.

We are concerned about the growing use of Emergency Departments as alternatives to GPs. This is especially true in rural communities, where access to a GP is limited or where doctors do not bulk-bill.

We recommend that NSW Health develop a three-year emergency care plan to ensure the widespread implementation of initiatives which will improve the relationship between each Emergency Department and the rest of the hospital.

The three-year emergency care plan should ensure that the additional \$30 million over three years provided by the NSW Government is directed to finding sustainable solutions by drawing on the innovative approaches already operating in many hospitals in NSW. These solutions should extend beyond Emergency Departments.

The three-year emergency care plan should also consider the role and distribution of Emergency Departments, particularly in metropolitan Sydney.

### **Planned and acute hospital admissions**

Hospital admissions account for 57% of all NSW Government expenditure on health care.<sup>3</sup> Hospital resources should therefore be effectively utilised, admissions should be appropriate and hospital care should be better linked with other parts of the health system, so there is continuity of care and an emphasis on improving health outcomes.

Drawing from the successful implementation of initiatives under way in many NSW hospitals as part of the National Demonstration Hospitals Program, we have examined how hospital resources could be better utilised. Improved utilisation of hospital resources will assist with waiting list management and in reducing cancellations of elective surgery.

***Hospital admissions account for 57% of all NSW Government expenditure on health care.<sup>3</sup> Hospital resources should therefore be effectively utilised, admissions should be appropriate and hospital care should be better linked with other parts of the health system, so there is continuity of care and an emphasis on improving health outcomes.***

***Our primary objective is to improve quality of life for people with these conditions, their families and carers.***

We have recommended a number of changes to clinical practice in public hospitals, including:

- The majority of elective patients should be admitted on the day of their treatment or surgery.
- Day-only admissions should increase.
- Clinical pathways should be more widely used in all NSW public hospitals.
- A common discharge summary should be developed, and the Commonwealth and State Governments should work together to increase computerised links between GPs and hospitals so that discharge information can be transferred quickly and easily.
- Clinical case management should be more widely used in all NSW public hospitals for patients having very complex treatment.

#### **Priority Health Care programs for people with chronic and complex health conditions**

There is a compelling case for both Commonwealth and State Governments to improve the coordination and quality of health care to people with chronic and complex conditions. Many of these people have as many as three or more hospital admissions per year, of which as many as 30% are unplanned, urgent admissions through Emergency Departments.<sup>4</sup>

We recommend an enhanced, State-wide approach to the provision of health care to people with chronic and complex conditions, through three Priority Health Care programs. These will focus on early intervention, more care in the community and strategies to minimise crisis situations and unplanned hospital admissions. We have identified three key areas in addition to existing programs for mental health, Aboriginal and Torres Strait Islander health and drug and alcohol services: cardiovascular conditions, respiratory conditions and cancer. Our primary objective is to improve quality of life for people with these conditions, their families and carers.

The Priority Health Care programs will include:

- individual care plans delivered by teams of health workers such as GPs, community nurses, allied health workers and services such as Home and Community Care
- new patient information systems which give a complete picture of an individual's health and treatment history, so that vital information about diagnosis and treatment is easily accessible and the onus is removed from individuals to coordinate their own care and retain and recall complex medical information

The NSW Government has agreed to provide \$45 million over three years to the Priority Health Care programs. We recommend that these funds should be applied to improving information technology systems, supporting the introduction of individual care plans (which in some cases might involve increasing the availability of clinical case managers in the community and in hospitals), training clinicians and supporting public education and health promotion activities.



## **Recruiting and retaining a skilled nursing workforce**

A valued, respected and sustainable nursing workforce is essential to the future success of the State's health care system and to the quality of health services. Our report highlights the current shortage of nurses, particularly in midwifery and mental health. We are also aware of the number of registered nurses (up to 40,000) who are not pursuing an active nursing role, and the implications of this shortage for patient care.<sup>5</sup> We believe that urgent action is needed to target those nurses who are registered but who are working in other professions or leaving the workforce. We recommend that NSW Health continue with its research to identify the key triggers which would encourage nurses to return to the workforce, and that the outcomes of this research be supported and funded. We also recommend that the Commonwealth Government be encouraged to increase the number of training opportunities for nurses in NSW.

## **Using information technology to optimise the delivery of patient care**

We recommend significant changes to patient information systems in the State's health care system over the next three to five years. We believe that the health systems in both NSW and Australia have been slow to follow the lead of other industries, where information technology systems have become a core feature of responsive service delivery.

We recommend the following changes:

- That NSW Health and the Commonwealth Government work together to develop an Electronic Health Record for every individual in NSW.
- That as a first step towards developing Electronic Health Records, NSW Health take action to improve the links between patient information systems within hospitals (such as transferring information from an Emergency Department to the wider hospital), between hospitals and community health teams and between hospitals and GPs.
- That NSW Health establish a Unique Patient Identifier for every individual in NSW, so that health care providers can identify with certainty the particular patient they are dealing with, irrespective of where the patient has entered the health system.
- That telemedicine be fast-tracked and the telecommunications system upgraded, so that clinicians can exchange diagnostic information and provide immediate care and advice regardless of where a patient is located.

All these initiatives will require an agreed plan between NSW Health and the Commonwealth.

We recommend that the NSW Government lead the way in ensuring that the highest standards of security and confidentiality are met, in order to protect the individual's right to control both the type of information recorded in their Electronic Health Record, and the type of information which may be exchanged between providers.

*We believe that the health systems in both NSW and Australia have been slow to follow the lead of other industries, where information technology systems have become a core feature of responsive service delivery.*

*We recommend that the NSW Government lead the way in ensuring that the highest standards of security and confidentiality are met, in order to protect the individual's right to control both the type of information recorded in their Electronic Health Record, and the type of information which may be exchanged between providers.*

***We recommend the need for greater networking of health services throughout metropolitan Sydney. We emphasise that it is neither safe nor cost-effective to provide all health services from every location.***

***We believe that improving services to rural communities is vital to the success of the State's health care system. Our recommendations seek to improve the certainty and predicability of services to rural communities.***

## **Improving the planning of metropolitan health services**

This report highlights the need to improve planning and decision-making about the future role and distribution of Sydney's health services.

We recommend that the Department immediately establish a Metropolitan Planning Taskforce to develop a plan for the whole of Sydney's population. This will identify both those services which need to be provided locally, and the current gaps in the distribution of those services across metropolitan Sydney. The Metropolitan Planning Taskforce will oversee the implementation of clinical service plans for metropolitan Sydney. The priority will be:

- Intensive Care Units
- Trauma
- Emergency Departments
- Neurosurgery
- Interventional cardiology/cardiac surgery
- Renal transplantation
- Paediatrics
- Obstetrics
- Long-stay mental health services

We also recommend the need for greater networking of health services throughout metropolitan Sydney. We emphasise that it is neither safe nor cost-effective to provide all health services from every location. There are many excellent examples of Area Health Services creating specialised roles for each of their hospitals, thereby improving the quality of patient care and avoiding costly duplication of resources. It will be essential to continue to network hospitals, both within Area Health Services and across NSW – that is, some hospitals will provide specialty services for the entire State.

Finally, we recommend that there should be much greater networking of metropolitan and rural health services, to ensure that everyone in NSW has equity of access to affordable and appropriate care. The availability of telemedicine and advanced telecommunications provides new and innovative ways of providing care, supporting greater networking of both metropolitan and rural health services.

## **Improving services to rural communities**

We believe that improving services to rural communities is vital to the success of the State's health care system.

Our recommendations seek to improve the certainty and predicability of services to rural communities. We are conscious of the important role played by health services in contributing to the overall well-being of a community, for example by providing employment opportunities.



We recommend the following improvements:

- That new funding arrangements be introduced for rural communities – both to improve funding certainty, and in recognition of the higher costs of providing services in remote locations.
- That the Commonwealth and State Governments work together to ensure that all rural communities receive their fair share of health dollars. We note that in some cases, lack of access to a GP means that communities are not able to access potential Commonwealth-funded health expenditure.
- That the Commonwealth and State Governments take immediate action to improve accommodation options for elderly people living in hospitals due to the lack of Commonwealth-funded nursing home or hostel accommodation.
- That key clinical services in rural referral hospitals – in areas such as acute psychiatric services, oncology, orthopaedics and renal services – should be upgraded, so that travel to receive appropriate care is reduced. Decisions about specific services will obviously be a matter for individual Area Health Services.
- Formal networks between rural and metropolitan Area Health Services.
- That the installation of telemedicine be fast-tracked to an increased number of sites, and the telecommunications network improved.
- That NSW Health expand initiatives to attract and retain a skilled workforce, including an expansion of scholarship programs for nurses and allied health workers and an expansion of rural clinical schools.
- That NSW Health strengthen the role of smaller local hospitals by co-locating as many services as possible – including GPs, ambulance services, community health workers and mental health workers.
- We recommend that improvements to rural health services be overseen by an implementation group made up of both independent and NSW Health representatives, in order to bring together the recommendations contained in this report with those of the Ministerial Advisory Committee on Health Services in Smaller Towns.

***That NSW Health expand initiatives to attract and retain a skilled workforce, including an expansion of scholarship programs for nurses and allied health workers and an expansion of rural clinical schools.***

## **Additional funds, more equitable funding and improving value for money**

We examined approaches to funding health care in other parts of Australia and elsewhere, and conclude that there are aspects of the NSW approach which can be improved. In order to give better support to patient care and achieve the best value for money in expenditure on health care, we recommend the following improvements:

### **Three-year budgets and growth**

Early in our review, we considered whether the level of funding was adequate to meet the demands on the State's health care system. We observed that the annual approach to funding such a complex system was both inflexible and ineffective.

***The methods according to which individual services are funded can provide powerful incentives to implement recommended clinical practices.***

During the course of our review we held discussions with the Minister about funding options, and made the following recommendations:

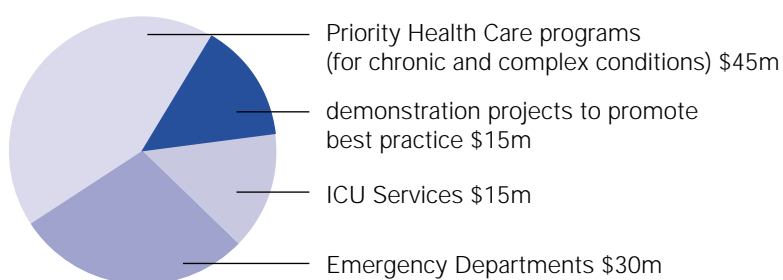
- that the NSW Government should agree to three-year budgets for NSW Health
- that additional funds should be provided in response to increased demand and costs
- that in addition to growth, funds should be provided to support the service improvements we recommend in areas such as chronic and complex conditions, Emergency Departments and Intensive Care services

At the time of preparing our final report the Minister advised that the NSW Government had agreed to these recommendations – that is, to a three-year rolling budget for NSW Health plus additional funding to respond to growth in demand. The Minister advised that the NSW Government would provide additional recurrent funds (that is, additional to growth funding) totalling \$105 million over three years to support the service improvements we had recommended, as set out in Figure 1.

The Council strongly believes that the drawdown of these additional funds should be linked both to performance and to the implementation of our recommendations.

*Figure 1*

**NSW Health Council Funding for Service Improvements**  
\$105m over 3 years



**Responding to growth and more equitable funding arrangements**

We make a number of recommendations about how resources should be distributed to improve the effectiveness of health care.

First, we recommend that NSW Health develop an agreed growth formula, in order to guide NSW Government allocations to health beyond the agreed three-year budget.

Secondly, we recommend that NSW Health retain the system of population funding.

Thirdly, we recommend that expenditure of growth funds be prioritised to assist those Area Health Services whose funding has not kept pace either with the growth in their populations and/or with changes to the characteristics of their populations. This must be done in the context of robust planning in rural and metropolitan communities, as outlined in this report.



### **More effective and efficient funding of specific services**

We conclude that the methods according to which individual services are funded can provide powerful incentives to implement recommended clinical practices. We believe that the community is entitled to expect that expenditure on health services is efficient, that care is appropriate and that there is effective monitoring and analysis of variations in costs, admission rates and waiting times between providers.

### **Episode funding for all planned and acute hospital admissions**

We recommend that NSW Health introduce an episode funding system for all planned and acute hospital admissions other than those in Emergency Departments, those in Intensive Care Units, admissions to local rural hospitals and admissions to hospital of people with mental health conditions.

While an episode funding approach is already in use in some NSW hospitals, most hospitals are funded by way of fixed grants which are determined historically. Historic funding takes insufficient account of a hospital's real performance, whether the number of admissions is appropriate or whether the cost of treatment is consistent between similar hospitals.

All Area Health Services will be required to fund the planned and acute activity component of a hospital's budget using an episode funding approach.

This component of a hospital's budget will be based on the following: the price for each category of treatment (following clinical advice which reflects recommended clinical practice) and the planned volume of patient activity which reflects the needs of the population.

We believe there are a number of advantages to an episode funding approach, as set out below.

#### **Cost variation**

An episode funding approach allows managers and clinicians to analyse variations in cost of an episode of care. We are concerned that a hip replacement in one hospital can cost up to 1.5 times more than in another hospital of similar size and function, with no discernible difference in quality of care or severity of condition.

#### **Appropriateness**

This report highlights the need for more appropriate medical interventions. Episode funding should mean that clinicians and managers can compare admission rates and length of stay for certain conditions, analyse variations and assess the appropriateness of care. Again, we question why a woman living in one Area Health Service is twice as likely to undergo a hysterectomy than women living in other Areas.

***We are concerned that a hip replacement in one hospital can cost up to 1.5 times more than in another hospital of similar size and function, with no discernible difference in quality of care or severity of condition.***

***We question why a woman living in one Area Health Service is twice as likely to undergo a hysterectomy than women living in other Areas.***

### ***Quality***

The episode payment to the hospital must make provision for pre-admission planning, and for after care such as a comprehensive discharge plan or follow-up by a community nurse. There must be a financial incentive to get the right care at the right time at the right cost.<sup>6</sup>

### ***Difference in the proposed approach for NSW***

We believe episode funding is important in order for NSW Health to be able to monitor and minimise variations in cost, admission rates and length of stay. The approach we recommend has three characteristics specifically designed to differentiate it from the experience of other States:

- This method of funding must be seen in the context of a population funding approach. Area Health Services will retain the right to move funds between services such as hospitals and community health teams, in order to achieve the best outcomes for their community.
- It must be complemented by a focus on measuring health outcomes. NSW Health should improve its capacity to monitor the success of medical intervention, and this will require better monitoring of unplanned admissions, particularly admissions through Emergency Departments.
- We are recommending the introduction of episode funding in the context of increased funding and budget certainty, and not as a means of cutting costs.

### **Improving funding certainty to Intensive Care Units and Emergency Departments**

We recommend changes to funding arrangements for Intensive Care Unit services and Emergency Departments to improve the predictability of their funding.

We recommend that Area Health Services should provide both Intensive Care Units and Emergency Departments with an annual grant allocation which reflects the staffing and equipment required to meet peaks in demand.

### **Funding to community, mental health and primary health services, research and population health**

We recommend that the existing methods of providing annual grants to these services continue. However, to improve funding arrangements for these services we recommend two areas for change:

- That NSW Health introduce more consistent classifications about the types of services funded under activities such as population health, community health, mental health, research and public health.
- That there be clear performance agreements for these services, specifying the standard of service to be provided, clearly stipulating the priorities for service provision and clearly identifying required service outputs.



## Cooperation between the private and other non-government sectors

Our work on improving funding arrangements highlights the need for NSW Health to identify opportunities for greater cooperation between public, private and other non-government health care providers. This is essential both to achieve value for money in health care expenditure and to foster diversity and innovation in the delivery of patient care. We recognise the achievements of the many private and other non-government providers throughout the State's health care system, and recommend:

- That Area Health Services be required to involve other sectors in Area Health Service planning. We acknowledge that this is already the case in many Area Health Services. This report highlights a number of areas where greater collaboration in planning and priority setting are important. These include involving the Divisions of General Practice in dealing with peaks in demand in Emergency Departments, and looking for opportunities to contract with the private and other non-government sectors to provide new services as part of the allocation of growth funds.
- Greater involvement by other sectors in capital investment, in order to optimise the use of existing capital infrastructure (including hospitals and community health centres) and to generate funding for new capital projects.
- That Area Health Services continue to work together to identify opportunities for greater efficiency in the management of contracts such as cleaning, catering and corporate transactions. These should identify further opportunities for other sectors to become involved in the delivery of these services.

We believe that NSW Health must take a number of actions to foster greater involvement by private and other non-government sectors:

- As recommended above, more specific performance agreements should be established with all health service providers. These should specify service standards, outputs and budgets. This will allow an Area Health Service to compare the performance of all public, private and non-government providers.
- NSW Health should move to a common set of measurable performance indicators which relate to health outcomes, quality and financial performance. Again, these would allow for greater comparison of the performance of all providers.
- Greater transparency of costs should be achieved, together with full costing of clinical and non-clinical services. This will allow for market-testing and benchmarking of different providers.
- The Department should strengthen its capabilities to assist Area Health Services to manage contracts with other providers.

*We recognise the achievements of the many private and other non-government providers throughout the State's health care system.*

***The involvement of leading clinicians in setting and monitoring standards of clinical practice will be vital to the success of our recommendations.***

## **Promoting clinical leadership and accountability**

The involvement of leading clinicians in setting and monitoring standards of clinical practice will be vital to the success of our recommendations. This will also ensure that the system remains responsive to both changes in clinical practice and advances in technology.

We believe that there must be a change in the relationship between clinicians and managers in order to create an open, consumer focussed, accountable and financially responsible culture for NSW Health.

We recommend a number of changes:

- That permanent Clinical Implementation Groups be established to sponsor clinical involvement in setting and monitoring standards of clinical practice.
- That a Clinical Council made up of the Chairs of the Clinical Implementation Groups and other leading clinicians be formed to advise on State-wide strategy and clinical priorities.
- That NSW Health establish a website to provide information relating to the performance of providers.

## **Informed consumers and involved communities**

We believe that our recommendations will require an increased capacity both to engage and involve communities in planning at a local and State-wide level. We also believe that individuals are entitled to better information about local services and treatment options.

We recommend that:

- NSW Health establish a 24-hour telephone information and advice centre, referred to in this report as the Health Call Centre. This will provide information about the availability of local services, and access to a registered nurse for advice about health problems.
- NSW Health establish an Internet site where consumers and clinicians can access information on reviews of evidence of the effectiveness of treatments.
- That local community participation structures be enhanced. This includes the appointment of dedicated staff in each Area Health Service, to assist community organisations to participate in planning the role and distribution of health services.
- That a new, State-wide consumer forum be established to provide input into State-wide policy development and resource allocation.

## **Planning and governance: achieving greater accountability**

We have examined the planning, accountability and corporate governance arrangements of NSW Health with a view to identifying areas where improvements are necessary to support the implementation of our recommendations. We have put forward some medium-term priorities for greater devolution of decision-making to Area Health Services and their Boards. We believe this will make administrative arrangements more effective in the long term.



This report does not recommend structural changes such as reducing the numbers of Area Health Services. We believe that this would be potentially disruptive and destabilising during a period of significant reform, and that the resources of NSW Health will be better applied to the implementation of changes to clinical practice, improving services to rural communities, upgrading information technology systems and involving consumers and clinicians in decision-making. This will have a direct and immediate impact in improving health care to consumers, and should take priority in the short- and medium-term.

### **Short-term priorities to support Council's recommendations**

We believe there are a number of areas where the current accountability and governance arrangements should be improved to support our recommendations, including:

- A strengthening of the Department's strategic and funding roles, as well as its capabilities to perform these roles. We recommend that the strategy for NSW Health should be updated to reflect the changes we propose and to take account of the NSW Government's new budget and funding arrangements.
- Improvements to planning and accountability arrangements, so the overall strategy for NSW Health is more clearly linked with Area Health Plans and budget allocations.
- Simplifying Area Health Service performance agreements for Boards and Chief Executive Officers and linking them more closely to the Area Health Plan.
- Improving the purchasing role of Area Health Services by requiring that they enter into formal performance agreements with providers such as hospitals and community health teams, based on expected outputs and performance targets.
- Improving efficiency by implementing immediate changes to the purchasing of corporate services and the sharing of corporate activities between Area Health Services.
- In the short term, greater authority for Area Health Service Boards to develop and monitor local strategy. We also recommend that the skill mix of Area Health Service Boards should reflect the scale and complexity of the services they provide – including clinical input, business, finance, legal and facilities management. Community-based representation is also essential.

### **Medium-term priorities**

In the medium term we believe that NSW Health must further devolve decision-making to Area Health Services and their Boards. This is essential in order for the State's health care system to reflect the diversity of needs across the communities of NSW.

***We recommend a strengthening of the Department's strategic and funding roles, as well as its capabilities to perform these roles.***

***In the medium term we believe that NSW Health must further devolve decision-making to Area Health Services and their Boards. This is essential in order for the State's health care system to reflect the diversity of needs across the communities of NSW.***

A move to greater devolution of decision-making can only occur when there is a well articulated, measurable strategy for the State's health care system and a strong performance management environment which ties Area Health Plans with the broader strategy for NSW Health.

## **IMPLEMENTATION**

### **Change management strategy**

Our recommendations will require a concerted and comprehensive approach to implementation. We therefore propose the following:

- That a coordinating group with independent representatives (reporting to the Minister) should be established to oversee and assist with implementation and change management. We believe that this group should be made up of representatives from the structures we have recommended to guide specific reforms – including the Clinical Council, the Metropolitan Planning Taskforce, the State-wide Consumer and Community Forum and the Rural Services Steering Committee. The group responsible for overseeing implementation and change management should also include central agencies such as the Cabinet Office and the Treasury, and a person or group to foster private and non-government cooperation.

The coordinating group would have three primary functions. First, it would establish and monitor a detailed implementation plan. Secondly, it would advance some of the issues we have identified as needing further work – such as private/non-government cooperation, population health, mental health and Aboriginal and Torres Strait Islander health. Thirdly, it would subject the outcomes of our recommendations to continuous appraisal and review.

- This report identifies a number of key recommendations whose implementation is essential – both to the achievement of other objectives and to the overall effectiveness of the State's health care system. We believe these recommendations should be included in all executive level performance agreements.
- The majority of reforms should be completed in two years.

### **Commonwealth-State reform**

We make a number of suggestions about ways to improve Commonwealth-State relationships in health care. Our suggestions for change concentrate on the need to improve the links between GPs, hospitals and community health teams, and opportunities to improve the effectiveness of funding arrangements. We are primarily concerned about the lack of parity in funding contributions between the Commonwealth and State Governments. We note that while State-funded contributions increased by 5.3% per year in real terms between 1991/92 and 1998/99, Commonwealth contributions increased by only 3.9% per year over the same period.<sup>7</sup> We conclude that a national review of health funding arrangements is necessary, and must be a key priority in the implementation of this report.



## Demonstration projects

This report opens with a discussion about the need for a more informed and balanced debate about health care in Australia, and the need to address increasing demand. We argue that a successful health system cannot be measured by the number of hospital beds alone. Instead, both the State and Commonwealth health care systems need to strike a balance between early intervention, early detection, community education, lifestyle, providing more care in the community and tackling the links between disadvantage and poor health outcomes. To start this process of longer term reform, we recommend the establishment of two demonstration projects.

In the same way that we recommend that early implementation of the Unique Patient Identifier and Electronic Health Record should be focussed on the most vulnerable (that is, people with chronic and complex conditions), we also believe there could be substantial benefits in fast-tracking implementation for an entire population. This will harness the benefits of our recommendations more quickly.

The two demonstration projects – one of which must focus on a rural community – will fast-track the implementation of all our recommendations, together with a greater involvement of consumers and other human services agencies.

These projects should be characterised as follows:

- a concerted effort to link health care providers with information technology and telemedicine
- with each patient's consent, the use of Unique Patient Identifiers to assist in providing continuity of care to patients
- sponsoring teams of clinicians to implement the Priority Health Care programs, with an emphasis on community education and health promotion
- fast-tracking the implementation of our recommendations to improve clinical practice in areas such as same-day admission and clinical pathways
- linking human services agencies in the development of a single plan for each community
- developing budgets which reflect the totality of Commonwealth Government, State Government and non-government investment in health care, so that a community can see the full range of health care resources
- establishing a single community consultation forum to provide advice to a range of Government agencies on needs for health care, education, housing and employment

The Government has provided \$15 million over three years for these projects, which we propose should be overseen by the coordinating group responsible for overall implementation.

*We feel strongly that additional funding should be closely tied to the program we have outlined.*

*This report must be seen within the context of the continuous improvement of health services. Reform must not stop when the implementation of our recommendations is completed.*

## **CONCLUSION**

We have put forward a practical and achievable set of reforms that will deliver affordable and effective health care. We feel strongly that additional funding should be closely tied to the program we have outlined.

This report must be seen within the context of the continuous improvement of health services. Reform must not stop when the implementation of our recommendations is completed. Advances in technology, improvements to clinical practice and the changing nature of consumer expectations will require a process of ongoing change and adaptation. We believe that in areas such as funding arrangements and the involvement of consumers and clinicians, we have laid a strong foundation which will ensure that the State's health care system remains responsive and appropriate to the needs of the community as we move into the 21st century.

1 The term **State's health care system** is used to describe all health services/organisations within the State, including the public, private and non-government sectors. The term **NSW Health** is used to describe the public health system in NSW. This includes the NSW Department of Health, the 17 Area Health Services and the three State-wide services, namely the Ambulance Service of NSW, Corrections Health Service and the New Children's Hospital. The term **the Department** refers to the NSW Department of Health.

2 NSW Health Annual Reports, 1997/98 and 1998/99, NSW Department of Health.

3 NSW Health Unaudited Annual Returns, 1998/99.

4 Analysis undertaken by NSW Department of Health, Structural and Funding Policy Branch, 1999.

5 Information received from the Chief Nursing Officer, NSW Department of Health, 1999.

6 We acknowledge the value of the work carried out by the NSW Ministerial Advisory Committee on Quality in Health Care, The State Continuous Improvement Steering Committee, 'A Framework for Managing the Quality of Health Services in New South Wales', February 1999.

7 ABS Australian Government Financial Estimates, Cat No. 5501.0 and Commonwealth and State Government Budget Papers, 1990/00.