INDEPENDENT PRICING AND REGULATORY TRIBUNAL
OF NEW SOUTH WALES

NSW Health

FOCUSING ON PATIENT CARE

August 2003

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New South Wales Health: Focusing on patient care

An overview

The provision and use of health services is unique. Almost every one of us makes some direct use of health services at some stage in our lives. Many of us are carers for others who use the health system. Few of us are sufficiently well informed or qualified to make specific decisions about the health services best suited to our particular needs, even though we are the ultimate 'consumer'. Few health services are directly paid for in full, if at all, by those who consume them. 'Health' is different.

Not surprisingly, we expect the 'best' possible health care—everywhere and always. And the best possible health care is increasingly more costly. New expensive technology and equipment, new expensive drugs and new procedures, combined with an ageing society with increased expectations, is placing substantial pressure on our health system. This pressure will increase dramatically over coming years.

In twenty years' time health priorities will continue to be driven by the increasing prevalence of chronic disease related to lifestyle (diabetes, hypertension, chronic respiratory disorders) and living longer (dementias and other neurodegenerative disorders), mental disorders, cardiovascular disease and cancer.

We cannot expect the nature of health services in 2023 to be an image of those in 2003 simply adjusted for population growth. There is little doubt that the health services in 2023 will be as different to those in 2003 as today's services are different to those of 1983. To take just one example, many of the same-day surgical procedures performed today required lengthy hospital stays twenty years ago. Just as there will be increasing demands on the health system driven by demographic and societal factors, the way in which the system delivers health care is more than likely to further change. Hospitals will increasingly become centres for high dependency care and specialisation, with a pronounced shift from acute hospital care to community and domiciliary services and improved interfaces between acute and residential aged care. The system must be capable of both planning to meet future pressures while being sufficiently flexible to meet changing health structures and protocols.

Our health system is not a single or simple system. Health care covers a range of activities and involves a variety of providers. It covers preventative and community health programs; primary GP, specialist physician and other clinician care, in-patient and outpatient hospital procedures and, increasingly, at-home chronic and acute care. Health care is funded by the Commonwealth, the States and Territories, as well as by private health funds and individuals through out-of-pocket payments. Hospital-based care is provided by the public and private sectors, both profit and non-profit institutions.

NSW Health is responsible for a substantial part of health care delivery in the State and received some $9.8 billion in funding in 2003/04, about 27 per cent of the State budget. By any measure and on any basis of comparison with other countries or other Australian States or Territories, it does a good job. It does a remarkably good job, as do other Australian jurisdictions, given the relatively modest proportion of the nation's resources (the percentage of GDP) that is spent on health.

However, no health system is perfect. There are obvious areas where the NSW Health system has failed to deliver fully: mental health and indigenous health stand out (as they do in other States and Territories). There are other areas where different stakeholders call for improvement in the system. Waiting times for some in-patient hospital procedures may be too long; at times emergency departments have unacceptably long waits; in some areas, both metropolitan and regional, not all services are readily or conveniently available; on occasions health care intervention has poor quality outcomes. The system is by no means in crisis, but there is room for improvement—particularly improvements which will deliver better patient care.

Perhaps the single most important message from this review is our conclusion that the NSW health system can deliver significant improvements—which it must do in order to maintain, let alone improve, patient care over the next five, 10 and 20 years as pressures on the system increase as the system itself evolves. While it is always open to governments to spend more on health, it is not obvious that increased government expenditure necessarily results in 'better' health outcomes. Governments have many demands to spend more of our money on many worthwhile things, ranging from schools, police, roads, public transport and a number of community and human services, including health care.

The major conclusions and recommendations arising from our review are unashamedly focused on system changes which are most likely to improve patient care and community health outcomes. This report is not about serving any narrow interests of clinicians and other health workers, hospital administrators, other health bureaucrats, Area Health Service Directors or community groups. These groups play an important part in our system. But the health system must deliver the best possible health outcomes for the people of the State within the constraints of the available resources, rather than meet particular sectional interests that may compromise these outcomes.

We believe that implementing the main recommendations in this report has the potential to improve patient care and community health in NSW. Our key recommendations revolve around better governance and institutional arrangements. We are not proposing that the Department of Health and the Minister give up responsibility and controls over the NSW health system. Rather, we are proposing that the roles and responsibilities of the key layers in the health system—the Department and the Areas—are clarified so that their accountabilities are strengthened. We believe that unless the health system functions more effectively, it will be much more difficult to maintain, let alone improve, the current level and standard of community health outcomes in NSW over the next 5, 10 and 20 years.

The major recommendations include:

- The Commonwealth and the States and Territories must rationalise funding arrangements and responsibilities to better coordinate health care delivery. The current system fails to coordinate GP, specialist, in-patient, ambulatory, pharmaceutical, public health and nursing home funding and activities; this leads to inefficient use of resources and, importantly, does not support better patient care and health outcomes. We recommend a national inquiry under the auspices of COAG to address these funding arrangements and responsibilities.
- The Department of Health and the Area Health Services must rationalise and clarify their roles and responsibilities and strengthen accountabilities in order to better deliver patient care and

community health. To put it simply: the Department and the Areas need to get on with the jobs for which they are best suited. As IPART noted in its 1998 review of NSW Health, there was a lack of clarity of roles, responsibilities and accountabilities. Little has changed.

- The Department devotes too much effort to micro-management, where the Areas should be responsible and accountable for service delivery; too much effort to day-to-day ‘issues’ management, with too little to overall policy and long-term strategy formulation and coordination. Operational responsibilities between the Department and Areas are often confused; Areas often spend too much time ‘managing upwards’, rather than managing the delivery of services. There is some duplication and confusion in the development of detailed service delivery plans and strategies. There is a massive amount of *data* generated and relatively little timely, quality *information* that can be used by the various layers in the health system. There is surprisingly limited sharing of experience and best practice between the major service providers within the NSW Health structure, despite the seemingly endless number of circulars, written policies, committees and meetings.
- In terms of broad roles and responsibilities, the Department of Health should be responsible for transforming government’s health policy objectives into broad strategies and targets, fully reflected in a State health plan. The Department should take responsibility for longer-term population health scenario planning so that likely emerging trends and pressures can be better anticipated and reflected in the State health plan. The Department should direct overall funding in an equitable and efficient manner, primarily to Area Health Services, consistent with the State health plan specifically to ensure that the government’s health priorities and objectives are met. The Department should monitor the Area Health Services in terms of meeting specific health targets and outcomes, including quality outcomes. Areas must be fully accountable for meeting these obligations. The Minister and the Department will continue to have powers of direction and intervention.
- The main roles and responsibilities of the Area Health Services should be the delivery of quality health care to its population via a mix of the most effective in-patient, ambulatory and at-home services, as well as population health programs directed towards improved health of the community. Area Health Services are funded and need to be accountable for delivering the bulk of the activities and programs responsible for quality patient care and community health. Areas should prepare detailed service delivery plans that must be consistent with the State health plan. These detailed Area plans should cover immediate demands on health resources as well plan for the likely emerging demands of the future—such as community health services for an ageing population.
- A number of specific things are required for clear responsibilities and accountabilities to work. One of these is timely and meaningful performance indicators. The report proposes as a basis for this, the set of 20 key performance and management indicators developed by the Department of Health that can be tailored so that all layers of the health system have access to the information necessary to monitor activities and performance. It is essential that patients and their carers, clinicians, the community, hospital management, Area executives and Area Boards, as well as the Department of Health and the Minister, have timely access to meaningful and reliable information that is relevant and useful to their particular roles and responsibilities. Without such information, accountability mechanisms will be at best tenuous. More work still needs to be done to fully develop the various sets of indicators to be made available to the various participants in the health system.

- Accountability requires all parties to be clear about their roles and the roles of others. In particular, the Department and the Areas should not duplicate activities. The Area CEO and executive as well as the Area Board must be fully accountable for the delivery of quality patient care and community health improvements for which the Area is funded. Areas which fail to deliver must be held to account; with the ultimate sanction of the Minister replacing the Board and/or the Executive. This requires a strong monitoring and auditing capacity by the Department. Monitoring and auditing must focus on clearly specified outcomes and key activities; it must not be another form of micro-management or duplication of functions.
- In order for Areas to deliver quality patient care and community health to their residents (as well as residents from outside the Area), funding arrangements must be consistent with accountabilities. Most government budget funds will continue to flow via the Department to Areas to meet the resource needs of the Areas. The Department may directly fund some specific activities if that better meets government policy objectives—such as indigenous health and mental health for example. The resource distribution formula (RDF) is being refined by the Department to better reflect the Areas' population health and community needs as well as the nature of the facilities and their workloads. The allocation of funds to Areas must have regard to equity of access to facilities as well as the best possible outcomes in terms of quality patient care. With the greater certainty of four-year rolling budgets, together with the publication of individual Area budgets in the State's budget papers, Areas should be both better placed and more clearly accountable for the delivery of quality patient care and improved health outcomes to their community.
- Rationalising and clarifying the roles of the Department and the Areas will allow for a number of organisational and system improvements. A major area where there is scope for rationalisation is corporate and system support services. There is widespread agreement that many corporate and overhead activities, such as IT, food, laundry, telecommunications, energy and drugs and equipment purchasing, for example, can be more efficiently and effectively delivered by some level of shared services. Communications and IT systems are critical to patient management as well as system efficiencies. There is substantial scope to improve performance in the IT and systems area. This does not mean that all corporate and shared services should be delivered by one State-wide agency. Many services will be better delivered at an Area level. Others will be more effectively delivered across several Areas. We recommend that a statutory health shared services corporation be established which will develop a clear business case for the most effective structures for purchase and delivery of such services from the perspective of improving quality patient care.
- Workforce issues should also be better managed with a clearer delineation of roles and responsibilities. Labour costs are by far the largest single item of expenditure by NSW Health. However, there remain serious shortages of skilled workers overall, particularly in the rural and regional areas of the State. This will worsen as demands on the health system increase. The Department should put in place a single workforce planning unit to develop an integrated State-wide workforce plan to ensure an adequate skilled and flexible workforce across the State, including overseas recruited clinicians as appropriate. This will require working with the Commonwealth and the Colleges. The Department also has a role in ensuring that Areas are able to develop, train and retain a pool of nurses (including casual pools) and other health workers that maximises retention and flexibility. Areas will continue to have responsibility for specific workforce management, which must be consistent with

the State-wide workforce plan, including the best use of salaried and visiting medical officers and other health workers to best meet the needs of quality patient care.

- One of the most notable changes in the NSW Health system since the 1998 IPART review has been the greater role of clinicians and, to a lesser extent, the community as a part of the decision-making structures of the health system. Clinicians deliver health services and patient care; they have expertise in the technology and procedures involved in patient care and the activities that may improve community health. Clearly, clinicians have a legitimate and important role in informing the broad health policy debates as well as in the development of specific strategies to deliver better health outcomes.

  In recent years, clinicians increasingly have engaged with the Minister and the Department through a variety of clinical reference and advisory groups. On occasions, some of this engagement has been seen to conflict with the work of the Department and some of the Areas. There is also a concern that too many bodies have been created, often with duplicate responsibilities and confused outcomes. Notwithstanding such concerns, it is clear that in general clinicians, the Department and the Areas are more aware of the nature of the pressures and constraints on the system and the need to work together to deliver better quality patient care. This can be seen in the work of the Clinical Council and the clinical streams that are being established in some of the Areas.
- A key recommendation in this report is to build on the work of the various clinical and community groups that have been established in recent years across both the Department and the Areas. A new umbrella advisory body, the Health Care Advisory Council, should be formed to provide advice to the Department on clinical and health issues, including guidance in the development of the State health plan. Health Priority Taskforces within the new Council would also work with the Department on developing detailed guidelines for both clinical practice and quality indicators for the major clinical and operational areas such as aged and continuing care; mental health; critical care services; public health; rural health; workforce development and information management and technology. Areas should have parallel structures (appropriate to the Area) for community and clinical input to the development and delivery of detailed service delivery strategies. There is no doubt that improvement in the health system must strengthen the involvement of clinical leaders working with other stakeholders within the health system.
- Perhaps not surprisingly, in parallel with increased clinician involvement in the ‘administration’ of the health system there has been an emphasis on ‘quality’ outcomes and ‘quality’ care. While managing financial outcomes and corporate governance are critical to the longer-term sustainability of the health system, quality and safety in patient care is a fundamental obligation and an ongoing challenge. There have been several initiatives directed to improving quality, ranging from aspects of the work of the Greater Metropolitan Taskforce and other clinical groups in their development of specific service plans designed to enhance quality care, to the specific activities of the Institute for Clinical Excellence. We believe even more can and should be done. We recommend a stronger role in setting standards and developing guidelines for quality patient care and safety by a better resourced Institute for Clinical Excellence and Patient Care, with monitoring, auditing and transparent reporting by the Department of Health on quality compliance and performance by the Areas and facilities.

Health is different. It is important to all of us and it is emotive; we all have stories of how wonderful the nurses, doctors and other health workers are. We also know the horror stories of how things go wrong. Health is complex, involving many layers and many stakeholders—all of whom in their own way want the system to be as good as possible. There is no doubt that the NSW health system is good, and it delivers. There is also no doubt that the pressures on the system are not going away; indeed, they will increase as the system itself transforms. The system has the capability to improve, delivering better quality patient care and health outcomes for the community. We believe that if implemented properly the reforms proposed in this report will go a long way to ensuring that improvement.

This review of NSW Health by IPART has benefited from the input of many people working in the health system. The IPART team has benefited from and acknowledges the input from and support of many people in the Department, the Areas, clinicians, and community representatives. We have been privileged to have been invited to undertake this review.

Thomas G Parry
August 2003