

AUSTRALIAN PRIVATE HOSPITALS ASSOCIATION

PRESIDENT, CHRIS REX

AUSTRALIA'S PRIVATE HOSPITALS: WE DO SO MUCH MORE

NATIONAL PRESS CLUB, 29 APRIL 2010

Check Against Delivery

Thank you Chris and Members of the Board for this opportunity to address the National Press Club today.

I am pleased that so many members of the APHA Council could be here today. I am reliably informed that this is the first time a President of the Australian Private Hospitals Association has addressed the National Press Club.

Hard to believe, but it is true.

The Association has a diverse membership that includes large and small hospitals and day surgeries, for profit and not for profit hospitals, groups as well as independent facilities, located in metropolitan and regional areas throughout Australia.

Our members include:

- Medical/surgical hospitals;
- Specialist psychiatric hospitals;
- Rehabilitation hospitals; and
- Also free-standing day hospitals.

What drives private hospitals is the delivery of high quality patient care. It is at the heart of everything we do. This is a unifying theme across health care systems around the world.

Another unifying theme is the constant need to re-evaluate the sustainability of the world's health care systems to be fit for purpose into the future.

Governments from all developed countries are currently looking for ways to meet the challenges of ageing populations, of increasing chronic disease, of high patient expectations.

When we put those issues in the context of the other fiscal challenges that governments must confront, the task of getting value for money is perhaps harder than it has ever been.

Here in Australia, the recently released Intergenerational Report recognised the significant increase in costs for the health care system that an ageing and expanding population will create.

Everyone in this room is aware of the statistics – it paints a formidable picture:

- Population projections show that Australia will add 6.9 million people over the next 16 years to 2026.
- Today, over 65s make up 13% of the Australian population but by 2056 they will account for 25%.
- There is increased demand on the health system because of Baby Boomers who will use more health care resources per person than past generations.
- Boomers not only will live longer, but are likely to suffer from multiple chronic conditions and therefore will have to manage more complex health issues.
- This will put increased pressure on health resources – on the workforce and on infrastructure.
- And new and costly health technologies are improving life expectancy, which in turn will also increase demand for health services.
- People aren't the only ones ageing. Our health infrastructure is getting older. Retrofitting new technology or building new facilities comes at a cost.

But we also hear much in Australia about our current healthcare crisis.

The public hospital system in particular is often depicted as being on the point of collapse. It is hard to resist the lure of a good story – and, let's face it, health disaster stories make good copy.

But paradoxically, other countries frequently look to the Australian balanced public and private health care system with envy, and to see how they could improve their own systems by emulating it. Both the United States and the United Kingdom are doing this.

The important question is whether the total Australian health system – not only hospitals, which are one very large part of the system - is sustainable in the long term. And to secure a robust future, we need lasting reform in the near term.

If I can focus on hospitals, it has always been APHA's desire and intention to see the public and private parts of our hospital system working well together for the benefit of the patient and the community as a whole.

But unfortunately the learning, experiences and opportunities private hospitals provide aren't always part of the main game - and they need to be.

We argue that it is in Australia's best interests for the often ideological barriers between the sectors to be removed.

Before that can happen, there needs to be a greater understanding of what our private hospitals do – and it's our responsibility to promote that understanding.

So with the nation focussed on hospitals, it is time for private hospitals to promote the things we do that you, and the broader community, might not know about.

That is why the Australian Private Hospitals Association has embarked on an information campaign on behalf of our members beginning with Private Hospitals Week this week.

This is the first ever Private Hospitals Week, created to share with the community some facts and personal stories about the diversity of our hospitals and the care we provide to Australians around the country.

We're also encouraging people who have experienced our care to share their stories about why they value private hospitals. Each day this week we're focusing on a particular theme.

We began the week on quite a solemn note, to honour and remember those who have fought and died for our country, at ANZAC Day services for veterans and their family members in a number of our hospitals. Private hospitals treat 62% of all hospital patients funded by the Department of Veterans' Affairs – that's over 200,000 patients every year.

As in all hospitals, our staff are our most important asset. So on Tuesday we celebrated the passion and commitment of the 80,000 staff employed throughout Australia and the role they play every day in making lives better.

Today I'm talking about private hospitals and health reform. Tomorrow we'll turn the spot light on our regional private hospitals and the great work they are doing in local communities.

Finally, we will close the week showcasing private hospitals' investment in clinical research, again something that few in the community automatically associate with the private sector.

Today, I want to talk to you about some of the things Australia's private hospitals do, the role we play in sustaining Australia's health system – as well as the hot topic of health reform.

As the Prime Minister and Health Minister have said, when ideology is put to one side, private hospitals are an essential element of Australia's world class health system and we do a great job.

Patients and their families and carers tell us why they value private hospitals, yet the wider community is less aware of what we do.

Late last year we commissioned some research to understand the level of knowledge and depth of feeling in the community about the health care system, about private hospitals services, and about our role.

As most in this room would expect, the majority of people expressed concern about the state of Australia's health system.

Again, unsurprisingly, the majority said public hospitals would not cope if people left the private system.

And two-thirds agreed that Australia needs both public and private hospitals to meet the health care needs of Australians.

That was good to know and it reinforces the need for both sectors to work together to create a system that is robust and also resilient in the face of increased pressures and demands.

But when we asked questions about people's understanding of what private hospitals do on a day-to-day basis, their level of knowledge was, at best, patchy and many of the old myths still remain.

As many as one-third of respondents did not know that private hospitals offer the same services as public hospitals.

There is still a perception that what we do is limited to minor conditions and maternity services or "lumps and bumps" as it's sometimes described.

In fact the range of treatments and support we provide is virtually identical to public hospitals.

Of the total 660 procedures and treatments undertaken in Australian public hospitals we provide 653 of them.

The exceptions are things like care for severe burns cases and organ transplantation (and it is worth noting that very few public hospitals provide these highly specialised services).

That private hospitals undertake major complex surgery, such as neurosurgery, cancer surgery and cardio-thoracic surgery is less well known by those who have not had direct experience as a patient or family member.

That we provide accident and emergency services is not well-known.

That our hospitals provide psychiatric care, rehabilitation, chemotherapy and palliative care again is not well-known unless someone has been a patient or knows someone who has.

And even our patients do not always know about our contribution to education, training and research.

During Private Hospitals Week and over the coming year, we are aiming to bridge that knowledge gap.

We will be talking about the great work our hospitals do, the diversity of our hospitals and the services they provide. We are also encouraging community debate and comment online about our services and how we can improve them even further.

At this point I want to be very clear.

Private hospitals are speaking up through this campaign to showcase who we are and what we do but not to criticise the public system or to blame anyone for perceived shortcomings in the health system (unfortunately there is more than enough of that already).

Our focus is on showing how essential private hospitals are in the health system, and that by working together, the public and private sectors make up a hospital system that is highly regarded around the world.

No one can dispute the fact that without us, Australians would not get the care they need when they need it – 3.1 million patients each year in fact.

That figure equates to 40% of patients attending a hospital each year going into a private hospital, yes, that's right, 40%!

If the current rate of growth in hospital admissions in Australia continues, private hospitals can expect to be treating 50% of all hospital patients by 2021. This represents 6.5 million patients.

Imagine if the public sector alone had to undertake all this work.

Even without the challenge of health reform, private hospitals already are a major part of the system – not a stop gap or a short term solution to meet a specific need.

I'd now like to talk for a few minutes about the vital role that private health insurance plays in funding healthcare in Australia.

For example, in terms of that funding, in the last 12 months alone, private health insurance contributed over 11 billion dollars towards the provision of health care in this country. Without that contribution that is another 11 billion dollars at least that would have been required from Australian taxpayers.

And if we now turn to the issue of the health insurance rebate which is the subject of much current debate. If you strip away the subjective commentary around the effectiveness or otherwise of the rebate and examine the facts, a picture quickly emerges of a very efficient health funding mechanism.

We have calculated if the rebate hadn't been in place, then 8 million additional episodes of care would have had to be undertaken in public hospitals over the last ten years at a cost of around 26 billion dollars to the taxpayer.

But in fact, over the same time period the rebate has helped to fund those 8 million additional episodes of care in private hospitals at a cost to the taxpayer of 14 billion dollars. That represents a significant saving to the public purse.

Now to return to the range of activities undertaken by private hospitals. In the area of surgery, we perform 64% of all elective surgery in Australia, an enormous contribution.

And of the top ten treatments provided by both public and private hospitals, five are identical procedures – with private hospitals performing the majority in four out of the five.

Complex procedures and treatments are more commonly associated with public hospitals. However, for many of these, private hospitals now do the majority of the work.

For example:

- 66% of all knee replacements;
- 54% of all hip replacements;
- 52% of all coronary angiography;
- 65% of all complex prostate surgery;
- 56% of all musculoskeletal procedures; and
- Private hospitals also do 45% of all cardiovascular procedures.

As I mentioned earlier, it is not well known that a number of private hospitals provide accident and emergency services – but last year more than half a million people were seen at private hospital emergency departments.

Care for the elderly is a prominent feature of the current health reform debate.

Private hospitals treat over one million patients aged 65 and over each year.

Over 20% of total admissions in private hospitals are for the care of those most frail in our society – patients aged 75 years and over – a slightly higher proportion than public hospitals.

And, as I mentioned, over 200,000 Department of Veterans' Affairs patients are cared for in private hospitals each year.

I would now like to turn to the current issue of health reform and its impact on hospital financing, patients, staff – and private hospitals.

Almost two years ago, APHA addressed the National Health and Hospitals Reform Commission to share information about the vital role private hospitals play in delivering health care services and the scope of this contribution.

What we asked for specifically was a seat at the table of reform. There have been in-roads but the effort continues – there is a long way to go, but we would argue strongly that the private sector should be a genuine participant in any health reform process.

The agreement reached by almost all of COAG last week has been described as the biggest health reform since the introduction of Medicare.

There is no doubt the agreement represents additional funding and some structural changes.

Whether these changes constitute real reform will of course depend on the significant detail and implementation arrangements that are yet to be determined.

The goal of a national health system managed locally is one which we support. Clearly, in the negotiation process a number of compromises had to be made to get most of the States to sign up to the plan.

Our concern is that too much real control is retained by the States, but hopefully this is just the first stage of a reformist journey.

Unlike the original proposal, announced by the Prime Minister in this room on the 3rd of March, where the Local Hospital Networks were the centrepiece, it appears the states will now retain a large amount of control. Indeed, the COAG Communiqué clearly says that;

“State Governments will remain system managers for public hospitals, and will be the single purchasers – through Service Agreements – of all public hospital services to be delivered by Local Hospital Networks.”

The Commonwealth will play no role in the negotiation or implementation of these agreements.

So it appears that the Local Hospital Networks may now become no more than a traditional area health service, totally dependent on a centralised state bureaucracy.

This closed system of purchasing, provision and monitoring makes it very difficult for innovative and progressive changes to come about and benefit patients.

What is missing at this point in the reforms and would stimulate real improvement in efficiency and outcomes is competition. At least, competition amongst public providers and potentially, between public and private providers.

Another theme in the health reform discussions, and an issue discussed by the Health and Hospital Reform Commission, is that of transparency and accountability.

The APHA has long advocated a single national reporting regime for hospitals, especially as we believe this would reduce the regulatory compliance burden of multiple reporting regimes that we currently face.

Private hospitals currently report data to State Governments - usually to several government agencies - the Commonwealth Government, and health insurers.

We are asked for the same data in different ways by different arms of government, and rarely receive any feedback or follow-up on this data. This is a heavy impost on private hospitals. But this is not the only reason for our advocacy of reform in the area of data and reporting.

APHA believes that the interests of neither patients, funders nor the broader community are well served by the current complex arrangements.

In practical terms, it is next to impossible to get a clear picture of how Australia's hospital sector performs. The Productivity Commission commented that it faced significant barriers in trying to get information from the States, even to the extent of being denied access to data.

Access is not the only problem. Every jurisdiction collects different safety and quality data.

APHA believes that it is not only possible, but highly desirable, for Australia to have a single national collection of information on how hospitals perform against a single national set of safety and quality indicators.

We are also a strong supporter of the Australian Safety and Quality Commission, and we urge that the National Standards they are developing for use by all hospitals, public and private, replace the current complex State and Territory regimes. This would provide much greater clarity and transparency and would also free up significant resources at the State level.

And once we have a single national collection of information then we should share that information with the public.

Let me state categorically that private hospitals are not opposed to public reporting of performance indicators, subject to two important qualifications.

Firstly, there must be genuine engagement and consultation with the private sector about what is reported, how it is reported and to whom it is reported.

Secondly, any national data collection must replace the current system of multiple reports, rather than simply adding yet another layer of compliance burden.

Another interesting feature of the reform proposals is mandatory performance targets. At present, 84% of public hospital elective surgery patients are treated within the clinically recommended times.

Remember of course, that even this level of achievement would not be possible if private hospitals were not treating more than 3 million patients each year.

Private hospitals provide the bulk of elective surgery, and I might add, do it 30% cheaper than the public sector according to the Productivity Commission although you would need to examine the raw data in the report rather than the narrative which obscures this fact.

Under the elective surgery access targets agreed by COAG (which will not be fully implemented until December 2015) 95% of patients will be treated within clinically recommended times. If this target is met it will obviously be a significant improvement for patients.

But how will it be met?

The additional funding for surgery provided to the States will pay for 22,000 surgery procedures in 2013-14 (when this additional funding ends). But based on current growth rates in demand for surgery, we estimate that the States will have to provide around 123,000 additional procedures by 2014-15 to meet the targets.

One option, of course, would be to develop policies that promote greater leverage of personal contributions, either through private health insurance or other means, allowing greater access to private hospitals thus reducing the burden on the public hospital system.

Another option is to use the skills and expertise of the private hospital sector in the public environment.

There has been mention of using private hospitals in this context, and there now needs to be serious engagement with the private sector about how this might be achieved. And this engagement should move away from the traditional short term ad hoc use of private hospital capacity.

For example, imagine a progressive Local Hospital Network that realised it could partner with an efficient private provider who could provide specified surgical services at a lower cost than the Network could.

If the Network was willing to enter into arrangements to guarantee patient volumes over an extended period of time, it is likely there would be significant appetite for private sector capital to build new capacity in the system. This could be a dedicated elective surgery facility that could treat public patients on contract.

Given the concerns that I have just articulated about the way the system will operate within the States, we are concerned that the Local Networks may not be given enough autonomy to allow innovative arrangements like this to develop, or that the states will not broaden their current thinking to seriously entertain such options.

Another key access issue in hospital care is emergency care. The health reform plan includes both extra funding and the implementation of operating targets.

Whilst there are a substantial number of emergency departments in private hospitals, the fees associated with attending one are either only partially covered by health insurers, or are paid out of the patient's pocket.

The COAG agreement proposes funding emergency department attendances on an activity basis using a 'nationally efficient price'.

This raises the option of the Commonwealth funding any emergency department attendance, be it in a public hospital or a private hospital.

This would not only increase emergency department capacity in the system overnight, but could indeed stimulate private investment to increase that capacity further thus providing much needed assistance in improving waiting times for emergency care.

In regards to workforce training, which is a big issue for both public and private hospitals, private hospitals are already significant contributors to the training of Australia's future health workforce. For example, since 2005, we estimate that private hospitals have invested over \$250 million in training doctors, nurses and allied health care workers. This is a direct investment by hospitals, not public funding.

APHA is encouraged by the signs of an increasing realisation by the Federal and some state governments that private hospitals are not only a valid provider of clinical training, but also that it is essential this training role be expanded if we are to have the health workforce to meet the future needs of the entire Australian health system.

The additional funding the Commonwealth is providing for the private sector is welcome – and again, private hospitals are enthusiastic about the possibility of expanding our role in workforce training. This is a very good example of how government and our sector can work together for the benefit of the system.

Private hospitals have a valid role to play in health reform and want to be part of the solution. This goes beyond issues like investment in new capacity and delivery of vital services.

We need to have greater involvement in key areas like service planning, clinical training, safety and quality and e-health implementation, but this needs to happen in partnership with the rest of the system from the beginning, not as an afterthought.

For example, buried in the COAG document is the announcement that Victoria and the Commonwealth will lead work on the most effective cancer diagnosis, treatment and referral protocols.

This will be done under the auspices of Health Ministers but there is no mention of private hospitals, which deliver the majority of chemotherapy and 55% of all surgery and treatment for major malignant breast conditions. I think we are justified in saying that the private sector has some relevant experience to bring to the table here.

It is also worth noting that the private hospital system is larger than the combined public systems in Queensland, Western Australia, South Australia, Tasmania, the ACT and the Northern Territory. It is the only hospital system that operates across state borders. A genuine attempt at health reform should recognise this fact and seek to ensure deeper engagement with us.

With much of the fine detail and implementation strategies to be determined, we believe it is not too late.

In conclusion, this first Private Hospitals Week is all about showcasing the high quality range of services we provide in the private hospital system. But it is also an attempt to demonstrate to the community and to Government the major role we play in the provision of hospital services and to see us as part of the solution to health care reform in this country.

Private Hospitals – We Do So Much More.