Public hospital funding in Australia

Country: Australia
Partner Institute: Centre for Health, Economics Research and Evaluation (CHERE), University of Technology, Sydney
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Author(s): Gallego, Gisselle
Health Policy Issues: Funding / Pooling, Access

Current Process Stages

<table>
<thead>
<tr>
<th>Idea</th>
<th>Pilot</th>
<th>Policy Paper</th>
<th>Legislation</th>
<th>Implementation</th>
<th>Evaluation</th>
<th>Change</th>
</tr>
</thead>
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1. Abstract

One of the main characteristics of the Australian Health Care system is the division of responsibilities between the Commonwealth and State governments. The State, with diverse levels of financial assistance from the Commonwealth, are primarily responsible for the funding and operation of public hospitals. In August 2007 the Federal Government announced an unprecedented decision: to fully fund a small regional public hospital in the State of Tasmania.

2. Purpose of health policy or idea

Funding of public hospitals in Australia has been a particularly contentious issue due to the division of responsibilities between the Commonwealth and State governments. The debate has been underlined by a series of claims and counter claims over the adequacy of expenditure by each jurisdiction on public hospitals. The Commonwealth considers that resource management is not undertaken efficiently by the States whilst the States argue that the Commonwealth does not provide enough funding for public hospitals. As a result there is a constant "blame-shifting" or "bucking-passing" between the Commonwealth and the States (Buckmaster and Pratt, 2005).

There have been calls for changes to the way in which health care is funded and managed and for the States and the Commonwealth to work together and find a better way to provide health care and reduce duplication. Some have also called for the Commonwealth to increase their funding of the public hospital system to match the increased funding to private hospital services which have resulted from the private health insurance rebate.

A few years ago, the current federal Minister for Health, the Hon. Tony Abbott, made public comments about his desire for a federal take-over of funding of public hospitals. However, he then retracted those comments and opted for the status quo. The policy initiative reported here appears to be a federal take-over - albeit - limited thus far to one small district hospital.

The Mersey, a 96 bed hospital located in the town of Devenport, Tasmania, was battling to find and keep medical specialists. The Tasmanian Government decided to downgrade the services provided by the hospital to a level of general practitioner care and day surgery unit. Local residents who need more specialised care can travel to Burnie hospital (160 beds) 20 minutes away from Mersey or Launceston Hospital (250 beds) which is 80 kilometres away.

The decision made by the State government to downgrade the hospital followed research and consultation (Richardson, 2004). According to the Australian Healthcare Association (AHA) it followed a thorough planning
exercise to ensure high quality services in the area. The Commonwealth government decided to intervene and directly fund the hospital. According to the prime Minister the government will provide funding to maintain surgical procedures at the hospital. The take over will cost A$ 45 million a year and will make Mersey the first direct Commonwealth funded public hospital in Australia. According to the health minister Tony Abbott "this project if successful could validate a new model for running public hospitals, especially in regional areas”.

Meanwhile, the federal opposition party has outlined its plan for public hospitals. It states that it will work co-operatively with the State and Territory Governments to improve public hospital performance over a period of two years. If, at the end of that period, no improvements have been achieved it will seek a mandate from the Australian people for a federal take-over of public hospital funding. Details on how such a funding model would operate have not been clarified.

**Main objectives**
The main objective of this initiative is to guarantee the continued funding of a wide range of services (in-patient and out-patient) at the Mersey hospital. Allow for the hospital to be operated as a community-controlled and Commonwealth-funded institution (Prime Minister, 2007).

**Type of incentives**
Financial

**Groups affected**
Patients, medical staff, community

### 3. Characteristics of this policy

<table>
<thead>
<tr>
<th>Degree of Innovation</th>
<th>traditional</th>
<th>innovative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Degree of Controversy</td>
<td>consensual</td>
<td>highly controversial</td>
</tr>
<tr>
<td>Structural or Systemic Impact</td>
<td>marginal</td>
<td>fundamental</td>
</tr>
<tr>
<td>Public Visibility</td>
<td>very low</td>
<td>very high</td>
</tr>
<tr>
<td>Transferability</td>
<td>strongly system-dependent</td>
<td>system-neutral</td>
</tr>
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</table>

### 4. Political and economic background

The Australian Health Care Agreements between the Federal and State and Territory Governments are the main policy instruments by which the Federal Government can influence the financing and performance of public hospitals. The Agreements run for five years and the current set is due to expire in 2008. The Agreements are highly controversial with claims and counter claims over inadequate funding support, inefficient management and cost-shifting. Recently, the State and Territory Governments released a report, titled *Caring for Our Health*, on how the the Federal Government is under-funding public hospitals. The Federal Government suspended negotiations for the next agreement, pending the outcome of the election in July 2007 (State and Territory health ministers, 2007).

The announcement of a local hospital closure is according to some a "far too familiar headline for Australians living in rural and remote communities" (Hobbs and O'Sullivan, 2007). However what makes this hospital decision different is
that it was taken on an election year and viewed by some as a short term political end. The Mersey hospital is located in the key marginal Liberal seat of Braddon. This seat according to current polling is in great danger of falling into the opposition party (Labor). Commentators have suggested that this intervention is opportunistic in nature and some stakeholders were sceptical about the announcement.

5. Purpose and process analysis

### Origins of health policy idea
According to the Commonwealth, the initiative was a response to the community concerns about plans of the Tasmanian Government to downgrade or close many of the services at the Mersey hospital (Prime Minister, 2007).

### Initiators of idea/main actors
- Government
- Providers
- Opinion Leaders
- Political Parties

### Stakeholder positions
The Tasmanian Premier reluctantly accepted the Commonwealth's offer to take over Mersey hospital. The premier remains "deeply concerned that the take over is not sustainable or safe and that it does not represent good public policy".

The State premiers also voiced their concerns and considered the move was politically motivated.

Even though the Tasmanian president of the Australian Medical Association (AMA) described the initiative as "highly destructive"; overall the AMA as well as the Australian Health Care Reform Alliance supported the initiative.

The Australian Health Care Association (AHA) considers that additional public hospital system funding is needed. However the AHA considers this funding should be targeted towards delivering high quality care to the community and not in a way which serves short term political ends. AHA also believes that the Commonwealth should focus on strategies that support the public hospital system (AHA, 2007).

The Rural Doctors of Australia Association welcomed the recognition of the problems faced by regional hospitals but were sceptical about the timing of the announcement, just weeks out from a federal election campaign.

Australian Nursing Federation expressed serious concerns at what was described as Howard's "power driven political stunt".

### Actors and positions
Description of actors and their positions

**Government**  
State Government: **very supportive** strongly opposed
Actors and influence
Description of actors and their influence

Government
State Government
very strong  strongly opposed

Providers
Health care providers
very strong  none

Opinion Leaders
Academia
very strong  none

Political Parties
Labor Party (Opposition)
very strong  none

Positions and Influences at a glance

Adoption and implementation
Implementation arrangements are currently being negotiated with the Tasmanian Government. An Interim Mersey
Community Hospital advisory committee was appointed on the 5th of September and its main role will be to ensure there is a "smooth" transition to a community-controlled and Commonwealth funded-hospital (Hobbs and O'Sullivan, 2007).

Monitoring and evaluation
No formal evaluation of the initiative has been announced.

6. Expected outcome

The Federal Government has stated that Mersey hospital will continue providing services including emergency department, aged care and obstetrics. The question remains if Mersey will be able to recruit and retain specialists. It is also unknown what impact this initiative will have on the neighbouring hospital of Burnie which serves the same population and as previously reported competes for patient numbers and local workforce. According to this report the population catchment area implies the need for only one hospital and it will be hard to maintain two hospitals with the same characteristics (Richardson, 2004).

This new hybrid also seems an unnecessary addition to an already fragmented health care system. It is uncertain how this new model will improve health care and deliver better outcomes as proposed by the Commonwealth. It will be important to evaluate its impact on the safety and quality of health services for the region.

<table>
<thead>
<tr>
<th>Quality of Health Care Services</th>
<th>marginal</th>
<th>fundamental</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level of Equity</td>
<td>system less equitable</td>
<td>system more equitable</td>
</tr>
<tr>
<td>Cost Efficiency</td>
<td>very low</td>
<td>very high</td>
</tr>
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7. References

Sources of Information


Other sources: www.media.tas.gov.au/

Author/s and/or contributors to this survey
Gallego, Gisselle

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