

**LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY**

**REVIEW OF  
AUDITOR-GENERAL'S REPORT  
NO 13, 1997**

***Management of Nursing Services***

**STANDING COMMITTEE FOR THE CHIEF MINISTER'S PORTFOLIO  
(INCORPORATING THE PUBLIC ACCOUNTS COMMITTEE)**

Public Accounts Committee Report Number 6

August 1998

## **RESOLUTION OF APPOINTMENT**

The Standing Committee for the Chief Minister's Portfolio was appointed by the Legislative Assembly on 28 April 1998 to examine any matter under the responsibility of the Chief Minister's portfolio. The Assembly also resolved that the committee perform the duties of a public accounts committee, specifically:

- (a) to examine:
  - (i) the accounts of the receipts and expenditure of the Australian Capital Territory;
  - (ii) the financial affairs of authorities of the Australian Capital Territory; and
  - (iii) all reports of the Auditor-General which have been laid before the Assembly;
- (b) to report to the Assembly, with such comments as it thinks fit, on any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Assembly should be directed; and
- (c) to inquire into any question in connection with the public accounts which is referred to it by the Assembly and to report to the Assembly on that question.

## **MEMBERSHIP OF THE COMMITTEE**

Mr Ted Quinlan MLA Committee Chair

Mr Trevor Kaine MLA Deputy Committee Chair

Mr Greg Cornwell MLA

Secretary: Bill Symington

## **1. INTRODUCTION**

1.1. Auditor-General's Report No 13, 1997 was presented to the Assembly on 11 December 1997.

1.2. The Canberra Hospital employs about 1,150 nursing staff who comprise about 45% of the Hospital work force. Approximately 270 nurses at Calvary Hospital comprise about 52% of its work force and overall nursing staff expenditure is some \$64m.

1.3. The performance audit was undertaken because of the significance of the expenditure and national data implications.<sup>1</sup>

## **2. AUDIT FINDINGS**

2.1. The audit considered the effectiveness, efficiency and economy of nursing services and arrived at the following conclusions:<sup>2</sup>

- (i) nursing services are provided effectively
- (ii) although the number of nurses in wards and clinical units is generally at efficient levels, nursing costs are higher than interstate comparisons because of the nursing staff profile and other reasons
- (iii) the cost of nursing services in The Canberra Hospital is adversely affected by the method of managing nursing services within the clinical services structure
- (iv) the cost of nursing services is also affected by the lack of planning of clinical services
- (v) improvements in the organisation of clinical services, particularly in The Canberra Hospital, have the potential to save up to \$2m
- (vi) latest available comparative data on the casemix adjusted cost of nursing services in Australian public hospitals is likely to be unreliable.

2.2. In general observations, the audit noted that:

- (i) staffing costs are high due to low staff turnover leading to a higher proportion of nurses at the top of the salary incremental ranges, and a smaller proportion of lower paid enrolled nurses, including a lower percentage of new graduate registered nurses
- (ii) the introduction of a divisional/unit structure at The Canberra Hospital has increased the involvement of clinicians but the effectiveness of this structure requires review as part of its overall Hospital management and planning strategies

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<sup>1</sup> Audit report p1

<sup>2</sup> ibid p3

(iii) the overall rate of sick leave for nurses in the ACT was well above interstate averages and there is a need to manage such unproductive time as well as annual leave cover, and other special leave entitlements

(iv) there is a level of duplication of clinical services at the Calvary Public and The Canberra Hospitals.

### **3. GOVERNMENT COMMENT ON THE AUDIT CONCLUSIONS**

3.1. The committee sought and received from the Minister for Health and Community Care comment on the audit conclusions<sup>3</sup> and where those comments indicate an issue has been addressed or there is disagreement with the audit findings these are outlined in this section of the report.

#### ***Management of nursing services***

3.2. The Minister advised that the introduction of a divisional/unit structure at The Canberra Hospital has achieved the aims of increasing the involvement of clinicians in resource management, and improving the collaboration between medical and nursing staff.

3.3. The Minister further advised that inadequacies in the effective management of nursing services as a whole are being addressed through the devolution of resource management practices targeted to specific problem areas, such as the management of unproductive time and leave entitlements.

3.4. With regard to devolution of nursing resource management to the ward or unit level the Minister advised this is in accordance with trends nationally and is supported by the Government. However, The Canberra Hospital has difficulty with the nursing career structure and lines of responsibility as the nurse who heads the ward/unit is a clinical nurse and not a manager.

3.5. The Minister challenged the audit finding that there is no single person who has overall responsibility for the management of nursing services at The Canberra Hospital and linked this to an argument for increasing centralised control. However, the Minister noted it is argued elsewhere in the audit report that greater efficiency and effectiveness of nursing resources is to be gained through the reduction of central control and greater use of local or devolved responsibilities. (The committee observes the audit did not argue for a reduction of central control or greater use of local or devolved resources, nor did it argue the opposite. The audit did seek to point to areas of inefficiency or ineffectiveness whatever the cause).

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<sup>3</sup> Minister for Health and Community Care, letter dated May 1998

3.6. The Minister further advised that the nurse manager who is responsible for the human and material resource utilisation within a ward/unit is a staff position which does not have line authority over the staff within the ward.

3.7. The Minister went on to state that the audit opinion that the cost of nursing services in The Canberra Hospital is adversely affected by the method of managing nursing services within the clinical services structure is contradictory to the findings of the report. The Minister stated the audit clearly identifies that by improving the management of nursing services unproductive time, leave entitlements and other related issues, greater efficiency would be gained and therefore there would be a greater potential to reduce costs.

### ***Review of wards and clinical units***

3.8. Noting that the audit suggested The Canberra Hospital make available to staff, on an annual basis, anticipated fluctuations in bed demand, operating and diagnostic usage in order to improve the efficiency of staffing allocation to the clinical units, the Minister advised this has been reviewed as part of Hospital management and planning strategies.

### ***Average salary cost per nurse***

3.9. The audit found that the difference in the average salary cost per nurse results in higher costs to the ACT of approximately \$3m annually, that a high proportion of nursing staff are at the top steps of the salary incremental ranges adding at least an annual \$1.8m and a smaller proportion of lower paid enrolled nurses also contributes to the ACT's higher costs by at least \$0.5m per annum.

3.10. The Minister advised that the low ACT nursing staff turnover leading to a higher proportion of nurses at the top of salary incremental ranges, and a smaller proportion of lower paid enrolled nurses contributed to the added costs. However, the Minister noted the Hospital has implemented a program whereby staff turnover is managed by replacing staff in the area of need either with new graduates or by enrolled nurses as appropriate.

3.11. The Minister further advised there are signs of a nation-wide shortage of registered nurses. The Minister also agreed it would be appropriate to increase the number of new graduate nurses, where possible, because the salary for new graduate registered nurses differs little from experienced enrolled nurses, who by virtue of training, are limited in the duties they can perform. However, the Minister cautioned that a significant change in nursing staff proportions cannot be achieved immediately and nor may it be appropriate, but agreed a change toward a more standard population of both new graduates and enrolled nurses is an appropriate goal to work actively towards.

### ***Unproductive time***

3.12. The audit noted that sick leave by The Canberra Hospital of 13.2 days per year compares with 8 days in Calvary Hospital and 9 days in NSW hospitals and if sick leave relief arrangements in The Canberra Hospital were consistent with those in NSW and Calvary potential savings of up to 16 nurses (\$0.76m annually) would be realised. The audit further noted that adjustments in ward nurse allocations in Calvary Hospital would provide potential savings of approximately \$140,000. The audit also noted that the level of worker's compensation cases in The Canberra Hospital is considerably in excess of other jurisdictions.

3.13. In response, the Minister advised The Canberra Hospital has moved to ensure that people on sick leave are no longer automatically replaced but that relief is dependent upon workload.

3.14. The Minister further advised there has been a significant decline in worker's compensation claims since the audit with the Comcare premium falling from \$9.8m in 1996/97 to \$4.753m for 1997/98 and that The Canberra Hospital has taken steps to reduce the incidence of compensation cases by implementing a management strategy which aims to reduce incidence but also improve support for claimants. In addition, the Minister advised that the current enterprise agreement for nurses allows for gain sharing of workers' compensation premium rate savings on a graduated scale detailed in the agreement.

### ***ACT clinical services planning***

3.15. The audit noted there was no plan available which established objectives and priorities for the delivery and development of health services for the ACT and observed that the absence of a system wide clinical services plan has led to the duplication of some clinical services between The Canberra Hospital and the Calvary Hospital.

3.16. While the Minister accepted that improved clinical planning is important in enabling hospitals to target staff and facilities more effectively, planning needs to take a broad view of service needs rather than be restricted only to clinical services. The Minister stated that the audit did not give enough weight to the importance of linkages between current purchase contracts and the clear directions these set in establishing clinical services planning.

3.17. The Minister confirmed the audit advice that the Department is currently preparing a strategic plan for health services to the year 2005 which is expected to be finalised by the end of 1998. The Minister advised the strategic plan will involve significant input from the community and providers and will improve the efficiency of the delivery of health services.

### ***Management of clinical services***

3.18. The audit noted several matters relating to the management of clinical services which went beyond issues specific to nursing services but, if addressed, have the potential to improve clinical practice and reduce operating costs at The Canberra Hospital.

3.19. The audit questioned the practice in three medical units of routinely reserving two beds each for emergencies and the Minister advised that this practice has ceased since the beginning of the 1997 financial year with the beds now being open.

3.20. The audit found scope for the incorporation of a surgical high dependency unit within the Intensive Care Unit and the Minister advised the establishment of such beds will be considered as part of a review of critical care beds by the surgical services management team.

3.21. The Minister also advised The Canberra Hospital has ceased some of the practices identified in the audit relating to storage and equipment which were impairing bed management procedures. In particular, an equipment store was planned to open this year (1998) as part of the building refurbishment program and the resulting potential to open additional beds or to reorganise ward arrangements will be assessed in light of the purchase agreement service requirements.

### ***National data on hospital and nursing costs***

3.22. While the audit found that nursing costs are higher than interstate benchmarks the relative and absolute significance of the variations is difficult to quantify.

3.23. In response, the Minister acknowledged ACT costs are high compared to the casemix adjusted cost of nursing services in Australian public hospitals. However, he advised the Department noted that more recent data (ie data for 1995/96) than that used by the audit shows nursing costs in the ACT are being contained while the Australian average has continued to rise.

3.24. The Minister further advised that the first report from the National Costing Study data expected to be available in April 1998 for which both the Calvary and The Canberra Hospitals were participants is likely to be more current as it contains costing information along with a benchmarking exercise against peer hospitals and will be of significant benefit in assessing the performance of the two ACT hospitals.

## **4. COMMITTEE COMMENT**

4.1. The committee notes the Minister's comment about the audit finding that no single person is responsible overall for the management of nursing services and a perceived argument that this would be at odds with other audit opinion about reduction of centralised control and devolution of responsibilities (paragraph 3.5 above). The Minister also asserted the audit opinion about the method of management of nursing services within the clinical services structure is contradictory (paragraph 3.7 above).

4.2. The audit findings in this area are directly linked to the need for the overall nursing resource to be effectively managed on a whole of hospital basis as distinct from the operations of nurses within each ward or unit level.

4.3. The thrust of the audit in this area is that the Executive Director of Nursing does not have many of the powers and responsibilities concerning nurse resource management usually associated with such a position, and the existing arrangement has the potential to blur the accountability at the ward/unit and Executive Director levels. Such a blurring of responsibility may hinder the efficient deployment and use of nursing staff.

4.4. The committee is concerned that this important distinction should be seriously addressed by The Canberra Hospital management.

4.5. The committee notes that a strategic health services plan to the year 2005 is expected by the end of this year, and the committee will recommend that the Government report during December 1998 on progress in completing the plan and that the plan be presented to the Assembly at the earliest opportunity.

4.6. The committee will also recommend that the Government present to the Assembly the first report from the National Costing Study which was expected in April this year.

## **5. RECOMMENDATIONS**

**5.1. The committee recommends that the Minister:**

- (i) advise the Assembly on the extent to which The Canberra Hospital has taken action to address the issue of increased administrative costs, economies of scale and resource management identified by the audit;**
- (ii) provide to the Assembly documentary evidence that devolution of nursing resource management to the ward/unit level is in accord with national trends and has resulted in the claimed improvements;**

- (iii) inform the Assembly during the December sittings of the Assembly on progress in completing the strategic plan for health services to the year 2005, and provide the plan to the Assembly at the earliest opportunity; and**
- (iv) noting that the first report from the National Costing Study was to be available in April 1998, provide the report to the Assembly.**

Ted Quinlan MLA  
Chair