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**THE LEGISLATIVE ASSEMBLY FOR
THE AUSTRALIAN CAPITAL TERRITORY**

GOVERNMENT SUBMISSION TO

Standing Committee on Health, Ageing and Community Services

Inquiry into the Future Sustainability of Health Funding in the ACT

**Presented by
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Terms of Reference

The Standing Committee on Health, Ageing and Community Services (the Committee) notes the following;

- a. A feature of Australia's health system is that both the Australian and State and Territory governments fund public hospitals with some private funding.
- b. State and Territory Governments fund the majority of the hospital system in Australia at approximately a 50 per cent share.
- c. The Australian Government funds a major share of private hospital costs, albeit indirectly through the private health insurance rebate, which is uncapped up to 35 per cent.
- d. The ACT Government expenditure on health is \$1.63 billion in 2017-18, or 31 per cent of the ACT Budget – the largest proportion of expenditure compared to any other output.
- e. Australian Government support for public hospitals is now capped: it can grow no faster than 6.5 per cent each year.
- f. The ACT has an ageing population and there is an increase in chronic disease and increasing complexity of disease and co-morbidity rates; and
- g. Discussion has started between the Australian and State and Territory governments on new national health agreements.

The Committee resolves to inquire into and report on the future sustainability of health funding in the ACT, with particular reference to:

- a. The efficiency of current health financing; particularly examining the alignment of funding with the purpose of the ACT's health services, including the provision of quality and accessible health care to patients when they need it.
- b. The nature of health funding and how it improves patient outcomes including innovative or alternative programs such as hospital in the home and walk in centres.
- c. The sources and interaction of health financing in the ACT including:
 - a. ACT Government funding;
 - b. Australian Government funding including Medicare;
 - c. private health insurance;
 - d. consumer out of pocket payments; and
 - e. other sources.
- d. The impact on health financing of:
 - a. population growth and demographic transitions in the ACT and the surrounding region; and
 - b. technological advancements and health innovation.
- e. The relationship between hospital financing and primary, secondary and community care, including the interface with the National Disability Insurance Scheme and residential aged care.
- f. Funding the future capital needs of the health system in the ACT.
- g. Relevant experiences and learnings from other jurisdictions.
- h. Any other relevant matter.

Website link: [Inquiry into the future sustainability of health funding in the ACT](#)

Executive Summary

The ACT Government welcomes the opportunity to respond to the Standing Committee on Health, Ageing and Community Services (the Committee) Inquiry into the future sustainability of health funding in the ACT.

Rising health costs, changing demographics and new treatment options are putting pressure on health budgets and systems. These challenges are not unique to the ACT; they exist nationally and even internationally.

Commonwealth funding for public hospitals nationally is forecast to increase to \$22.7 billion in 2020-21, based on the national capped growth rate of 6.5 per cent. In the past five years, ACT Health's total health expenses (not including capital) has increased from \$1.29 billion to \$1.61 billion, a growth of around \$317 million or 5.6 per cent per year.

However the growth in expenditure levels alone is not an accurate measure of the sustainability of the Health system. Sustainability is a long term endeavour, and is achieved through strategic management of all elements of the system to achieve appropriate efficiencies consistent with the provision of quality services to consumers.

In Australia, state and territory governments are responsible for managing, planning and providing healthcare services at a secondary and tertiary level. The Federal Government is responsible for primary care including, importantly, general practice. With no single system manager, there are challenges to achieving a coordinated and efficient approach to managing the various stages of a patient's health journey through the system.

Sustainability must be considered in the context of this broader system, and recognise the elements of that system which the ACT Government can influence and the dependencies which exist on the contributions of others such as the Federal government.

For its part, ACT Health is developing a Territory-wide Health Services Framework, which provides the strategic framework for the planning and delivery of territory-wide health services over the next decade. Together with a comprehensive System Innovation Program, ACT Health is pursuing reform to improve the efficiency and quality of publicly funded health services within the ACT. The reform objectives include improving access to services, increasing efficiency and freeing up hospital capacity through contemporary service delivery solutions and models of care. It will progress strategies in alignment with the seven key themes for ACT Health:

- Quality;
- Access;
- Mental Health;
- Sustainability and Innovation
- Infrastructure;
- Strategic Partnerships; and
- Workforce and Culture.

ACT Health places a high priority on Preventive Strategy for establishing the sustainability of the health system. It has been recognised that there needs to be a shift away from focusing on high-cost complex tertiary interventions in the hospital system towards a system designed to prevent, delay and maintain chronic conditions and other illnesses. Such an approach not only contributes to improved length and quality of life but also allows for a more efficient and cost effective health system.

In response to the need for leadership in mental health and to provide better focus and coordination, the ACT Government has created the unique portfolio of Minister for Mental Health.

The ACT Government has also recognised that long term sustainability may require investment now to position the system to respond to the known challenges of the future. Through its commitment to investment in a comprehensive infrastructure renewal and innovative digital technology the government is making a meaningful contribution to the longer term efficiencies of the health system.

ACT Health Directorate

ACT Health's vision is 'Your Health – Our Priority'. Our vision and values, developed by our staff, represent what we believe is important and worthwhile. We continue to provide services where the patient is our central focus and this patient-centred care is delivered within a workplace culture that showcases our values of care, excellence, integrity and collaboration.

ACT Health strives to deliver better service to our:

- Community, on behalf of Government; and
- Government, to meet the needs of our community.

We aim for improved efficiency in the use of resources by designing sustainable services that deliver outcomes efficiently and embed a culture of research and innovation within the organisation.

ACT Health also aims to help staff reach their potential, by providing high-level leadership and promoting a learning culture.

ACT Health partners with the community and consumers to improve health outcomes by:

- delivering patient and family-centred care;
- strengthening partnerships;
- promoting good health and wellbeing;
- improving access to appropriate health care; and
- having robust safety and quality systems.

ACT Health also works closely with other ACT Government agencies such as the Community Services Directorate, Justice and Community Safety Directorate, Education Directorate, Chief Minister Treasury and Economic Development Directorate (CMTEDD), and emergency services providers such as the ACT Ambulance Service and the Australian Federal Police.

Formalised consultative arrangements exist with a range of agencies, including the Health Care Consumers' Association (ACT), Capital Health Network and mental health, alcohol and drug, and other community service providers.

The tertiary and training sectors remain key partners in the planning, development and delivery of healthcare services. Partnership arrangements with the Australian National University Medical School, University of Canberra, Australian Catholic University and Canberra Institute of Technology are well established and serve to assure the future supply of skilled health professionals.

The territory is not alone in facing the challenges of changing demographics and new treatments options, and the demand pressures this brings to the health system.

ACT Health System

In 2016-17, over 143,000 people presented to the ACT's two Emergency Departments: Canberra Hospital and Calvary Public Hospital Bruce. This is the highest number of Emergency Department presentations on record in the Territory, and a six per cent increase compared to 2015-16.

We conducted over 12,500 elective surgeries and saw about 36,500 people at our two Nurse lead Walk-in-Centres. We also recorded over 5,000 births for the year.

In the same year, our Hospital in the Home program at Canberra Hospitals provided almost 10,000 bed days of care for patients. This program enables patients to be released from hospital earlier and get home, so they can recover more quickly.

The new dedicated paediatrics streaming area of the Canberra Hospital Emergency Department, which had more than 19,900 presentations in 2016-17, has received positive feedback on the significant difference it has made for young families.

Our Emergency Departments continue to respond to sometimes unpredictable levels of presentations and timeliness has improved. An estimated 73 per cent of patients were treated within defined timeframes across all categories, up from 65 per cent in 2015-16.

National Context

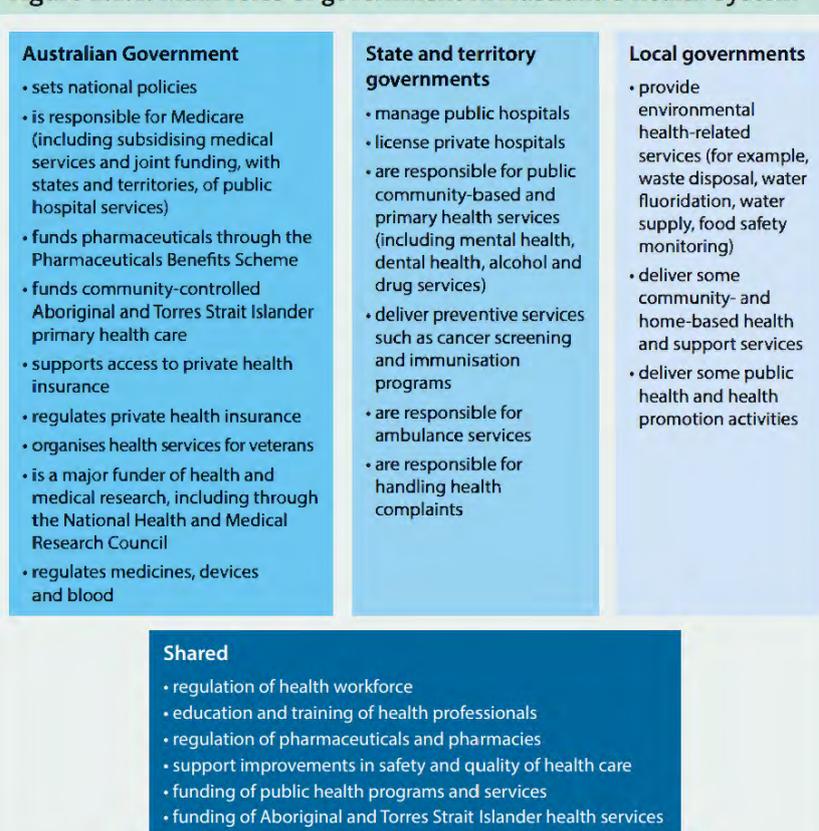
Governance

The Council of Australian Governments (COAG) is the peak intergovernmental forum in Australia. Its principal role is to promote policy reforms that are of national significance or which require a coordinated response across all Australian governments. COAG representation is at the level of the Prime Minister and state/territory First Ministers.

The COAG Health Council (CHC) provides a mechanism for governments to discuss matters of mutual interest concerning health policy, services and programs. Ms Meegan Fitzharris MLA, ACT Minister for Health and Wellbeing is the current Chair of the CHC which will be of significant benefit to the ACT in terms of influence, reform and setting priorities. All Australian Government Ministers, state and territory Ministers and Ministers from the New Zealand (NZ) Government with direct responsibility for health matters, including the Australian Government Minister for Veterans' Affairs, are members of CHC.

The Australian Health Ministers Advisory Council (AHMAC) is the advisory and support body to the COAG Health Council. AHMAC membership comprises the heads of the department for each Minister represented on the CHC. It operates to deliver health services more efficiently through a coordinated or joint approach on matters of mutual interest. It also contributes funding for hospitals.¹

Figure 2.1.1: Main roles of government in Australia's health system



Sources: Biggs 2013; COAG 2012; Department of Health 2015b; Duckett & Willcox 2015; PM&C 2014.

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The healthcare system in Australia

Australia's health system is a multifaceted web of public and private providers, settings, participants and supporting mechanisms. There are divided responsibilities for funding that involve all levels of government (federal, state and territory, and local) as well as non-government organisations, private health insurers, and individuals who pay for some services out of their own pockets.

¹ Australian Institute of Health and Welfare 2016. Australia's health 2016. Australia's health series no. 15. Cat. no. AUS 199. Canberra: AIHW.

Health services are provided by a variety of organisations and health professionals, including medical practitioners, nurses, allied and other health professionals, hospitals, clinics, pharmacies, and government and non-government agencies. Together, they deliver a wide range of services, from public health and preventive services in the community, to primary health care, emergency health services, hospital-based treatment in public and private hospitals, and rehabilitation and palliative care.

These health services are supported by many other agencies. For example: research and statistical bodies provide information for disease prevention, detection, monitoring, diagnosis, treatment, care and associated policy; consumer and advocacy groups contribute to public debate and policy development; and universities and health services (among others) contribute to the training of health professionals. Voluntary and community organisations and agencies also make important contributions, including raising money for health services and research, running educational and health promotion programs, coordinating voluntary care, and funding and delivering a range of health services.²

In addition, as technology and medical and scientific understanding improves, so has life expectancy. In 1960 an Australian male's expected life span at birth was 67.9 years and a female's projected life span at birth was 74.2 years. Comparatively, data from the Australian Institute of Health and Welfare (AIHW) in 2015 showed that an Australian male can expect to live to 80.4 years and an Australian woman 84.5 years, an increase on their 1960 counter parts of 12.5 years and 10.3 years respectively³.

This increase in life expectancy is positive however it does present a challenge for the overall system. Greater longevity results in greater demand and increased complexity for a health system founded on a basis of intervening in acute and time limited fashions.

The management of an ageing population, the increases in prevalence of chronic disease and significant and ongoing co-morbidities challenge the existing system and its associated funding models.

It has been recognised that there needs to be a shift away from focusing on high-cost complex tertiary interventions in the hospital system towards a system designed to prevent, delay and maintain chronic conditions and other illnesses. Such an approach not only contributes to improved length and quality of life but also allows for a more efficient and cost effective health system. Accordingly all health systems are driving innovation and reform to better utilise the available resources to greater effect.

The demands on modern healthcare systems have changed significantly over a relatively short period of time. No longer can healthcare systems rely on being a service that simply responds to sickness; a modern health system must place high value on early access and prevention models.

Primary Healthcare Networks

The Federal Government has recently introduced Primary Healthcare Networks (PHN) to develop the primary care sector to improve the coordination of care in their given location. The intellectual inspiration for these is derived from the development of Primary Care Trusts in England and a similar structure of Primary Health Organisations (PHOs) in NZ.

However comparisons to systems in NZ and England can be problematic when considering policy architecture, as both countries are a single payer system where the national government has control over and responsibility for the entire health system. This means that there is only one system manager for any given location and these agencies have a financial interest in ensuring that people receive care at the right place, at the right time.

² Australian Institute of Health and Welfare 2016. Australia's health 2016. Australia's health series no. 15. Cat. no. AUS 199. Canberra: AIHW.

³ <https://www.aihw.gov.au/reports/life-expectancy-death/deaths-in-australia/contents/life-expectancy>, Table 1: Life expectancy (expected age at death in years) at different ages by sex, 1881-1890, 1960-1962 and 2013-2015

The Australian system currently does not create the same policy and financial incentives with primary care largely funded by the Federal Government and acute care in hospitals by the states and territories. This can have significant implications for patient care where, for example, efforts relieving pressure on primary care, can shift the pressure on to acute care and vice versa, influencing which part of the health system carries the financial burden.

In addition, PHN's do not directly contract with General Practice, meaning that their influence over the role of GPs in their locality is reliant on the power of persuasion as there are ordinarily no contractual positions to enforce policy direction.

PHN's also create issues of coordination as there is no overarching formal requirement for a PHN to partner with the respective state or territory government. This creates the potential for duplication and misaligned systems that lead to increased complexity in interactions between the primary health system and the state government controlled secondary and tertiary systems. This also negatively impacts the ability of patients to manage their own health journey and increases overall costs in the system.

Local Hospital Networks

Local Hospital Networks (LHN) are independent authorities set up by the states and territories to manage public hospital services and funding. There are more than 135 LHNs in Australia and they are directly accountable for hospital performance.

The ACT Local Hospital Network (ACT LHN) consists of a networked system that includes Canberra Hospital and Health Services, Calvary Public Hospital Bruce, Clare Holland House and Queen Elizabeth II Family Centre (QEII). The ACT LHN has a yearly Service Level Agreement (SLA) which sets out the delivery of public hospital services and is agreed between the ACT Minister for Health and Wellbeing and the Director-General of the ACT LHN (also the Director-General of the Health Directorate in the ACT). This SLA identifies the activity to be delivered by the ACT LHN and key performance priority targets.

The ACT Government manages system-wide public hospital service delivery, planning and performance, including the purchase of public hospital services and capital planning and is responsible for the management of the ACT LHN.

ACT Context

ACT Environment

Population growth and demographic change will have a significant impact on the demand for health services in the ACT in coming years. ACT Health currently provides services for a catchment of approximately 400,000⁴ people in the ACT and a further 200,000⁵ people from the surrounding Southern NSW area.

The latest population projections for the ACT, released 13 March 2017⁶ indicate:

- average population growth of 1.5 per cent per annum between 2017 and 2027, representing an average increase of 6,208 persons per year over that period; and
- that the ACT population will increase from 400,000 persons now to over 470,000 persons in 2027, representing a 16.9 per cent growth in the population over this period.

Further growth, if at slightly lower levels, can be expected in the broader catchment area of the Southern NSW region. This provides a significant challenge to the management of the ACT health care system.

Canberra Hospital is the region's major tertiary public hospital, providing specialist and acute care to up to 600,000 people, currently. A comprehensive range of services is delivered from the Canberra Hospital

⁴ ACT Population Projections: 2017 to 2041 (by district), ACT Government, Chief Minister, Treasury and Economic Development Directorate, Policy and Cabinet Division, Economic, Regional and Planning, <http://apps.treasury.act.gov.au/demography/projections/act>, Accessed 16 March 2017

⁵ (202,654 persons) Based on ABS Population by Age and Sex, Regions of Australia – LGA, 2013 (cat.no. 3235.0); Inclusive of Southern NSW Local Health District LGAs as defined by NSW Health (Bega Valley, Bombala, Cooma-Monaro, Eurobodalla, Goulburn Mulwaree, Palerang, Queanbeyan, Snowy River, Upper Lachlan Shire, Yass Valley).

⁶ ACT Population Projections: 2017 to 2041 (by district), Op Cit.

campus, including acute inpatient and day services, outpatient services, mental health, women's and children's services, paediatrics and pathology services.

Canberra Hospital, as the Southern NSW tertiary referral facility, faces particular challenges and needs to be considered in that context. Fourteen per cent of all ED presentations at Canberra Hospital are NSW residents, and a significant number of these patients are high acuity/critical referrals. NSW residents present 30 to 35 per cent of all admissions to Canberra Hospital.

The CHWC is the only Level 3 tertiary referral centre for the ACT and surrounding region, meaning that patients who cannot be accepted by non-tertiary facilities are accepted due to their high clinical needs. There is increasing high demand on maternity services at the CHWC in the context of:

- Canberra families being attracted to the modern facilities, particularly single room accommodation; and
- Changes to the Medicare Safety Net in 2010 under which the Medicare gap increased, increasing costs for private maternity patients, which resulted in more women choosing the public hospital system for maternity care.

Primary Health in the ACT

While it is clear there is a need for all Australian governments, the ACT included, to encourage a shift towards preventative and primary care, this has unique challenges in the ACT. While the number of full service equivalent (FSE) GP's in the ACT has continued to increase over the years, the ACT still has one of the lowest rates of FSE GP's in the country, with 68.6 GP's per 100,000 people compared to an Australian average of 93.1.⁷

In addition, the ACT has a bulk-billing rate significantly below the Australian average with 58.1 per cent of non-referred attendances being bulk billed compared to an Australian average of 84.6 per cent.⁸ In addition, 9.7 per cent of people in the ACT reported deferring access to GP's due to cost compared to a national average of 5 per cent⁹.

The consequence of these circumstances is two-fold: delays in care which may lead to greater complexity at later stages of life and with declining outcomes; and/or early escalation in treatment category as people seek alternative access to care such as presenting to emergency departments for conditions normally in the domain of general practice. Both consequences result in cost pressure on the public health system.

Importance of Prevention

Evidence shows that preventive approaches are cost effective in both the short and longer term. Investment in preventive health generates cost-effective health outcomes and can contribute to wider system sustainability, with economic, social and environmental benefits.

Evidence-based interventions that target disease prevention (such as vaccination, screening etc.), social and environmental determinants (such as promoting physical activity, active travel, safe transport and healthier food environments) and that affect healthy behaviours and enhance resilience (including improving mental health and increasing knowledge of factors that impact health) are generally very cost effective, and contribute to health system sustainability.

⁷ Report on Government Services 2016, Productivity Commission, Primary and Community Health, Page 1 of Table 10A.10
<http://www.pc.gov.au/research/ongoing/report-on-government-services/2016/health/primary-and-community-health>

⁸ Ibid, Page 2 of Table10A.36

⁹ Ibid, Page 1 of Table 10A.37

The ACT Government has a priority focus on preventive Strategies and accordingly has a range of preventive health initiatives in place which contribute to positive health outcomes for our community. Examples include:

- the Towards Zero Growth Healthy Weight Action Plan (targeting overweight and obesity, physical inactivity and poor nutrition).
- innovative health promotion programs, including the *Ride or Walk to School*, *Fresh Tastes* and award-winning *It's Your Move* programs.
- The expansion of the pharmacist vaccination program (targeting vaccine preventable disease).
- The introduction of a range of legislative measures targeting tobacco smoking, pharmaceutical safety, etc
- In addition, the ACT Government committed an additional \$4 million as part of the 2017/18 budget to a range of prevention initiatives targeting preventable chronic disease.
- The ACT Government launched a new whole of government approach to preventive health in late 2017, aiming to position Canberra as a centre of excellence for preventive health.

Funding Sources

ACT Health receives funding from several sources including Commonwealth funding under the *National Health Reform Agreement 2011* (NHRA) and various partnership agreements and Appropriation funding through the ACT Government Budget.

Other funding sources include user charges and cross border revenue in relation to interstate (NSW mainly) patients and other minor, miscellaneous streams of income (such as donations and patient revenue).

National Funding

The Commonwealth funding to states and territories for public hospital services in 2017-18 is based on activity based funding (ABF) predominantly (with some elements of block funding).

The National Health Reform Agreement (NHRA) and the *National Health Reform Act 2011* (the Act) gave rise to the national implementation of ABF from 1 July 2012 and the creation of statutory bodies such as the Independent Hospital Pricing Authority (IHPA), Administrator of the National Health Funding Pool and the National Health Funding Body.

ABF is informed by the IHPA's pricing model and pricing framework. ABF is intended to provide a transparent model of funding which reflects the level of patient activity and an efficient price for that activity.

A key element of the IHPA pricing model is the national efficient price (NEP) which is a measure of the standardised national cost of efficient service provision for a unit of activity.

The National Weighted Activity Unit (NWAU) is the measure of patient activity which reflects resource utilisation in the treatment of patients – the more complex the treated medical case, the greater the unit value (weighting).

In March 2017, the Commonwealth and States signed an addendum to the National Health Reform Agreement, effective from 1 July 2017 for three years. This interim agreement provides continued Commonwealth funding for public hospitals at a funding growth rate capped at 6.5 per cent per annum in aggregate (that is, nationally). The ACT and the Commonwealth also signed a separate bilateral agreement providing a guaranteed minimum Commonwealth financial contribution for ACT public hospital services for the period of the interim agreement.

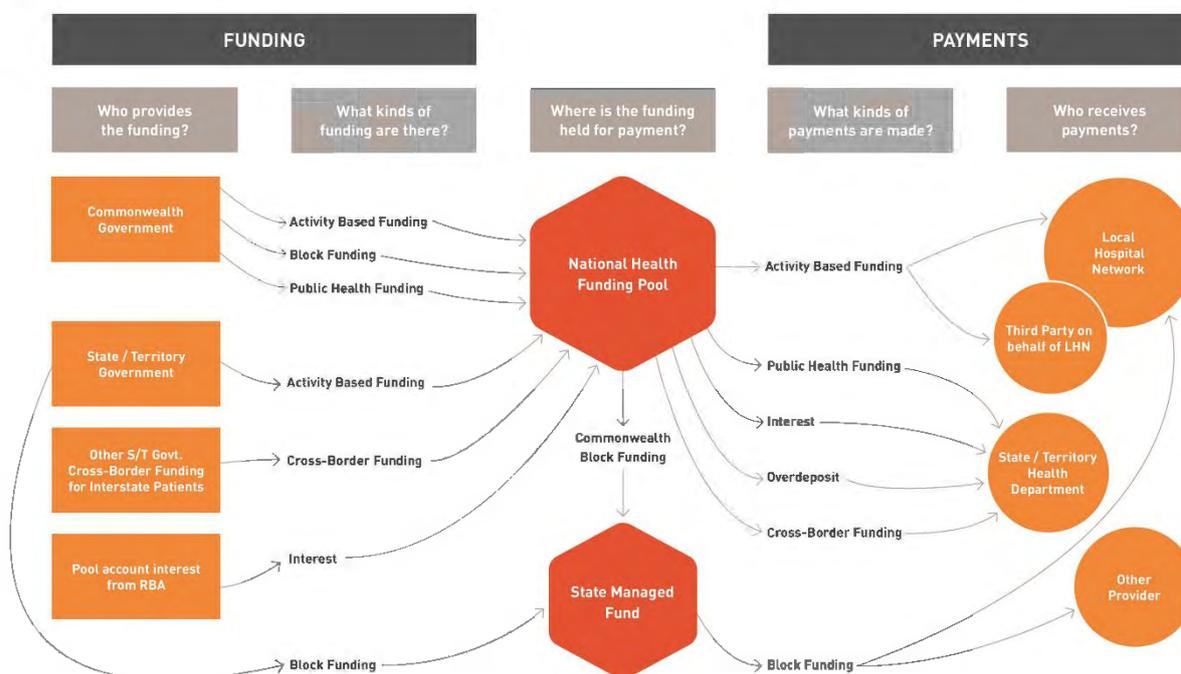
Under the interim Agreement, the Commonwealth’s funding for each category of Activity Based Funding Service is calculated individually for each State by summing: the previous year amount, the price adjustment and the volume adjustment. This calculation is done at the beginning of each financial year, and may then be revised based on actual levels of public hospital services as submitted to, and assessed by, the Administrator of the National Health Funding Pool, in a final reconciliation and payment process. An annual adjustment is conducted in arrears once actual volumes have been validated through a reconciliation process, it is designed to ensure the Commonwealth meets its agreed 45 per cent contribution to the funding of efficient growth under that interim agreement.

A longer-term public hospital funding agreement between the Commonwealth and the States is proposed to commence on 1 July 2020. The draft agreement is currently being negotiated through COAG - with the current proposal being a continuation of the interim agreement terms for a further period of three years from 1 July 2020.

The relative cost of hospital services in the respective State/Territory does not impact the funding received from the Commonwealth as it is based on National Efficient Price. Those jurisdictions who exceed the cap do so purely as a result of activity levels driven by underlying consumer demand.

As the diagram¹⁰ below shows, under the Agreement, the scope of public hospital services that are funded on an activity or block grant basis and are eligible for a Commonwealth funding contribution currently includes: all admitted and non-admitted services; all emergency department services provided by a recognised emergency department; and other outpatient, mental health, sub-acute services and other services that could reasonably be considered a public hospital service.

Public hospitals also receive funding from other sources, including the Commonwealth, states and territories, and third parties for the provision of other specific functions and services outside the scope of the Agreement, for example, dental services, primary care, Home and Community Care, residential aged care and pharmaceuticals.



¹⁰ Administrator of the National Health Funding Pool, National Health Reform funding flows, <https://www.publichospitalfunding.gov.au/national-health-reform/funding-flows>

ACT Health receives a number of payments under National Partnership Agreements (NPAs) as well as the Specific Purpose Payments (SPPs or the NHRA) from the Commonwealth. These sources of funding are to deliver specific, nationally coordinated health programs. A breakdown of these payments is as follows:

Table 7.2.7: Total Commonwealth Funding to the ACT

2016-17 Budget	FUNDING CATEGORIES	2016-17 Est. Outcome \$'000	2017-18 Budget \$'000	2018-19 Estimate \$'000	2019-20 Estimate \$'000	2020-21 Estimate \$'000
334,734	Health Services					
	National Health Reform Funding – Hospital Services ¹	334,782	356,640	378,326	401,326	0
6,096	National Health Reform Funding – Public Health ¹	6,048	6,344	6,655	6,985	425,296
340,830	Total Health Services SPP	340,830	362,984	384,981	408,311	425,296
	Health Services NPPs					
0	Public Dental Services for Adults ^{2,3}	0	0	0	0	0
0	Encouraging More Clinical Trials in Australia ³	0	0	0	0	0
2,402	Essential Vaccines	2,402	2,416	2,452	2,475	2,542
263	Health Services – BreastScreen Australia – Expansion of Program ⁴	263	0	0	0	0
35	Health Services – Vaccine Preventable Diseases Surveillance	35	36	37	38	0
151	National Bowel Cancer Screening Programme – Participant Follow-Up Function	151	184	0	0	0
141	OzFoodNet	141	143	145	147	0
0	Suicide Prevention ³	0	0	0	0	0
2,992	Total Health Services NPPs	2,992	2,779	2,634	2,660	2,542
343,822	Total Health Services	343,822	365,763	387,615	410,971	427,838

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In addition to these payments, the Directorate is entitled to payments for eligible services provided under a number of schemes such as the Medical Benefits Schedule, Pharmaceutical Benefits Schedule, Highly Specialised Drug Scheme, Department of Veterans' Affairs and Transition Care.

ACT Government Health Funding

Health Funding Envelope (HFE)

The ACT Government has agreed a rate of growth for Health services reflected in expenses in the ACT Budget (the Health Funding Envelope) to recognise the demand growth in health services and to provide funding certainty for ACT Health.

Since the 2015-16 Budget, the HFE growth rate has been budgeted at between four and six percent, with budgeted growth in 2017-18 currently being 5.69 per cent, which excludes items considered as 'outside the HFE' such as the expense costs of some major new policy and infrastructure investments.

¹¹ 2017-18 ACT Budget Paper 3, Page 266, https://apps.treasury.act.gov.au/_data/assets/pdf_file/0006/1069989/Budget-Paper-3.pdf

In 2016-17, ACT Health received 11.8 per cent of its budget from non-ACT Government user charges and 2.4 per cent from other revenues sources such as, interest, gains and resources received free of charge including, for example, rebates from pharmaceutical companies. If there are increases in revenue, this does not flow through as an increase in the expense envelope. As with any agency that increases own-source revenue, the Government determines in each Budget process how much of that estimated revenue should be available for use in budgeted expenditure, or used to offset new investments or other activities.

Capital funding decisions by Cabinet, such as those in relation to the current Infrastructure program, are outside the HFE arrangements. This is because the HFE is premised on providing budget certainty for overall net Controlled Recurrent Payments as expenses (less depreciation) rather than for capital funding. Major capital health infrastructure investments may have their own provisions made in the ACT Budget until the Government considers and allocates detailed budgets for those initiatives.

The current arrangements provide a degree of Budget certainty for ACT Health, regardless of the funding changes from the Commonwealth, and as such, provide the basis for long-term planning and investment decisions, with the ACT Government able to readily adjust the year on year budget as needed, on the basis of advice from those delivering our health services, and in response to local needs, latest forecasts and plans. However, funding changes from the Commonwealth, notably cuts that occurred in the 2014-15 Commonwealth Budget place the burden on state/territory governments to make up any shortfall.

Health Financing in the ACT

Bulk Billing

To improve bulk billing rates, in the 2017-18 Budget the ACT Government has provided \$1.05 million over three years (\$350,000 per year) as an incentive for general practice groups to provide more bulk billed health care, including bulk billed allied health care services. This initiative, which forms part of the ACT Government's 10 Year Health Plan, will not only make primary health care more affordable to our community but will also facilitate better coordinated care for patients, as they will be able to access other health services in the one location, such as psychologists, dieticians and physiotherapists. Improving the coordination of care is particularly important as our population is ageing and the incidence of chronic conditions is increasing.

Private Health Insurance

Between 2007 and 2017, the Territory has had the highest proportion of the population with hospital insurance cover. As at 30 June 2017, 56.1 per cent of the ACT's population had total hospital treatment cover, compared to 46.0 per cent nationally.

When accessing services at ACT public hospitals, patients can elect to use their private health insurance for admission. To assist patients and their families to make an informed decision regarding their admission, a team of private patient liaison officers is available at the Canberra Hospital.

Health Reform

National Reforms

At the 1 April 2016 COAG meeting, a time-limited addendum to the NHRA in the form of an additional schedule to operate from 1 July 2017 to 30 June 2020 was agreed. The Heads of Agreement (HoA) outlines that the Commonwealth will fund 45 per cent of the efficient growth of activity based services, subject to a cap in the growth of the overall Commonwealth funding of 6.5 per cent per annum during this period.

The HoA also provides for new commitments relating to coordinated care, funding and pricing for safety and quality reforms, and a commitment from states and territories to reduce the level of avoidable hospital readmissions. With effect from 1 July 2017, admissions involving a sentinel event will receive nil Commonwealth funding. In addition, all hospitals across Australia will be more rigorous in ensuring that when patients are discharged from hospital their follow-up care is well coordinated to minimise readmissions.

COAG has committed to settling the 2020 public hospital funding agreements in 2018. In addition to establishing the funding formula, which is expected to continue to reflect an activity based funding approach, a new HoA could also include outcomes or performance measures to which the Commonwealth will seek commitment from those states and territories yet to accept what has been offered.

The AHMAC Health Reform Working Group (HRWG) has developed six long-term reform proposals that aim to make the health system outcomes-focused and person-centred. These proposals could be included in the next COAG NHA, alongside reforms in public hospitals.

The long-term reform proposals are:

- Joint planning and funding at a local level;
- Paying for value and outcomes;
- Nationally cohesive Health Technology Assessment;
- Prevention and wellbeing;
- Empowering people through health literacy; and
- Enhanced health data.

The reforms will need to be further developed and agreed as part of negotiations on the next NHA. Some reforms require national cooperation to deliver a consistent approach to reform (e.g. Nationally Cohesive Health Technology Assessment). Some reforms require flexibility in how they are implemented, recognising variation in local circumstances and readiness of individual jurisdictions. These may be progressed via bilateral agreement between the Commonwealth and individual jurisdictions and some reforms may not be a priority for implementation for some jurisdictions at this time.

A proposed architecture for the next NHA reflects a CHC decision to shift the health system to an outcomes-focussed, person-centred model. It structures schedules to the agreement around the following shared priorities:

- Delivering safe, high-quality care in the right place and time;
- Prioritising prevention and helping people manage their health across their lifetime; and
- Driving best practice and performance using data and research.

Reform in ACT Health to respond to Sustainability Challenges

The continuing challenge for ACT Health is how to respond to the current demands, and create a system which shifts its focus to prevention and primary care, noting that the federal nature of Australia's health system places most of the levers for this in the hands of the Commonwealth.

Despite this, because of the positive impact on Canberrans, the ACT has been pro-active in supporting effective initiatives in prevention and primary care. There has been a number of innovative policy changes and services designed to try and influence a move towards primary care and prevention. This includes the establishment of alternative primary care services such as the ACT nurse led walk-in centres, and the Hospital in the Home initiative.

ACT Health has introduced a number of preventative measures into existing tertiary setting. For example the Older Person's Oncology Clinic whereby all persons referred to Medical Oncology were given a comprehensive screening for cognitive decline, falls risks, nutrition, family support and depression. In addition, it is undertaking a number of projects and programs designed to improve the health literacy of Canberrans leading to a stronger ability to manage and respond to their own health conditions effectively. Improved health literacy leads to increased consumer participation in preventative health care and better engagement in their health outcomes, including their likelihood of accessing disease prevention services such as screening programs.

By supporting the development of clear, accessible information, dedicated consumer pathways and coordinated engagement strategies relevant to the ACT community, it is possible to increase consumer participation in health management. This in turn improves social, emotional and physical health outcomes through early intervention, prevention and proactive health management and leads to reduced expenditure on intensive tertiary treatment in favour of primary care and prevention services.

ACT Health's Key Initiatives

ACT Health has three key initiatives underway: a preventative health strategy, quality strategy, and speciality service plans and models of care in accordance with the new Territory-wide Health Services Framework. The objectives of national reform are consistent with the initiatives being pursued in the ACT: more patient-centred, cost-effective, coordinated, quality care with an emphasis on prevention.

ACT Health is currently in the process of planning clinical services as part of a new Territory-wide Health Services Framework. This work is about providing a pathway over the next decade to strengthen the delivery of ACT health services, connecting preventative health services to primary and community-based care and through to hospital-based services. This work will transform how patients receive person and family-centred care in our system.

Underpinning the Territory-wide Health Services Planning work is an integrated and coordinated service model that keeps people healthy. This is supported in the 2017-18 Budget by an additional \$4 million for preventive health initiatives.

The ACT Government wants to ensure that people are provided with as many opportunities as possible to prevent the development of chronic health conditions or, if they do, to live healthy lives while managing these conditions. We know that so many chronic diseases can be prevented, most notably diabetes and heart disease. We know the major risk factors, including obesity, lack of physical activity, as well as smoking and alcohol use, and our preventative health work will develop initiatives to tackle these.

Improving healthcare quality is a key strategic priority and ACT Health is developing a new Quality Strategy, focusing on safe and effective care. This will set out strategic projects to improve the safety and quality of care, reducing unnecessary variation, waste and harm. It will be developed over the next few months and use this opportunity to better understand what quality and person-centred care means to staff, consumers and families. This will help to build capacity and capability in quality improvement and patient safety across the health service.

The focus on improving the health service in the ACT also extends to technological and innovative advancements. The development of a Digital Health Strategy 2018-2028 provides a plan for ACT Health to build the digital health capabilities necessary to support a sustainable, innovative and world-class health system for the ACT.

The Digital Health Strategy establishes the overarching principles to guide the design and development of digital health capabilities to support the delivery of person-centred, safe and effective care. ACT Health is committed to developing its health IT infrastructure to meet the health needs of the ACT and surrounding regions over the next decade. Global, national, and regional considerations along with key technical advancements have been incorporated into this Strategy to ensure ACT Health is strongly positioned to meet future demands and challenges.

As evidence of this commitment, ACT Health was recently awarded the *GS1 Healthcare Best Provider Implementation Case Study Award*. The award recognises ACT Health's development of a barcode standards framework to support the implementation of the electronic Positive Patient Identification (PPID) system at Canberra Hospital.

The system is about improving patient safety through enhanced identification procedures and more efficient pathology ordering, collection and reporting processes. It also ensures accuracy for blood samples.

The ACT Government has continued to see quality health care as a priority and has therefore made a significant investment towards infrastructure; investing now to secure the future of our health system. The Government's health infrastructure program began in 2008 as part of the single largest capital works program in the Territory since self-government. This program has delivered several significant new facilities to assist in meeting the growth in demand of the ACT's health service, in particular the Adult Mental Health Unit, the Centenary Hospital for Women and Children (CHWC), the Tuggeranong and Belconnen Walk in Centre's, the Ngunnawal Bush Healing Farm and Dhulwa Mental Health Unit.

The ACT Government has developed a comprehensive plan to keep Canberrans healthy. This Plan will see contemporary and innovative infrastructure built across the Territory and, along with more frontline health staff and a focus on prevention, will result in the continuation of new and even better services to Canberrans into the future.

The 2017-18 Budget expanded the infrastructure program as part of the delivery of the Plan, with early feasibility and design work on the Surgical Procedures, Interventional Radiology and Emergency (SPIRE) Centre and new walk-in centres. It has mapped out a further \$262 million investment in renewing and expanding local public health infrastructure, on top of the delivery of upgrade and renewal activities already underway.

The Centenary Hospital for Women and Children (CHWC) will be expanded to become a centre of excellence in women, youth and children's health care. It will include a new 12-bed child and adolescent mental health unit, an adolescent gynaecology service, a paediatric high-dependency unit and paediatric intensive care beds.

Major projects already well advanced include, construction of the Rehabilitation Hospital at the University of Canberra, to be opened in 2018. This project will be Canberra's third public hospital and as a stand-alone sub-acute rehabilitation hospital the first of its kind in the Territory.

Mental Health

Mental Health as a Priority

It is becoming a well-known statistic that 1 in 5 Australians will be affected by poor mental health at some stage in their lives, with 4 million Australians experiencing some form of either chronic or episodic mental health issue at a clinical level in any given year¹². As a result mental health has become an important priority for all state and territory governments and the Commonwealth.

In response to the need for leadership in mental health and to provide better focus and coordination, the ACT Government has created the unique portfolio of Minister for Mental Health. The Minister for Mental Health has established two strategic priorities. The first priority is the establishment of an Office for Mental Health to better co-ordinate the delivery of mental health services across both government and community mental health services. The second priority is to prevent and reduce the rates of mental illness, suicide and self-harm across the ACT.

In recognition of the importance of mental health, all health ministers recently endorsed the Fifth National Mental Health and Suicide Prevention Plan (the Plan), which aims to improve the lives of people living with a mental illness and the lives of their families, carers and communities. The Plan commits all governments to a nationally agreed set of priority areas and actions, that are designed to achieve a more integrated, transparent, accountable, efficient and effective mental health system. The Plan also sets a clear direction for co-ordinated actions by all governments on suicide reduction.

While the ACT offers a range of high quality mental health services, there are ongoing challenges, including increasing consumer demand, recognition of the need for treatment of mental health co-morbidities such as drug and alcohol dependence and chronic disease, and ensuring access to services especially for high risk groups. The ageing population also presents a greater incidence of older people's mental health, which has implications for service demand. The recruitment of key clinicians such as psychiatrists remains an ongoing challenge both in the ACT and nationally, and presents risks to the sustainability of services. In a service system that is growing to meet a wider range of demands, this is particularly problematic.

Like most regional health systems however, in order to adapt and respond to emerging mental health needs over time there needs to be a coordinated and integrated approach to service delivery in the ACT.

¹² Australian Institute of Health and Welfare (AIHW), Mental Health Services in Australia – Prevalence and policies, Updated 2 February 2018, <https://www.aihw.gov.au/reports/mental-health-services/mental-health-services-in-australia/report-contents/summary/prevalence-and-policies>

Mental Health and the NDIS

The development of National Disability Insurance Scheme (NDIS) has created specific cost pressures for state and territory governments, particularly in the field of psycho-social disability.

The experience of ACT Health is that successful engagement of people with psychosocial disability depends on strong clinical engagement and advocacy from the clinician who is working with the client. This engagement includes clients who may be subject to Mental Health Orders who are unwilling to engage or those unable to engage meaningfully in terms of making an application to NDIS.

Some clients have experienced difficulty in engaging with the NDIS, which also provides cost pressures for ACT Health funded services. In response, ACT Health has made a provision of approximately \$500,000 to be available to community organisations during the NDIS transition to support eligible mental health consumers whose transition to the NDIS was delayed.

There are also particular challenges when a person with a psychosocial disability may have a co-morbidity with a psychiatric condition. The episodic nature of mental illness means that plans often need to be modified quite rapidly to support someone who is becoming unwell. The timing of support, visibility of plans for inpatients and participation in the plan reviews by the person's support coordinator all contribute to better outcomes.

These issues have been the subject of ongoing advocacy and discussions between the ACT, the Commonwealth and the NDIA. The NDIA acknowledge that the participant experience has not always been positive. In response they have developed a new participant pathway. Key features of this new pathway include:

- pairing participants with a consistent point of contact based on an individual's needs
- a re-designed plan to make it easier for participants to see how their goals have been recorded and linked to community, other government services and funded supports
- face-to-face planning meetings with a Local Area Coordinator, the participant and an NDIA planner to finalise their NDIS plan
- participants being able to see a working version of their plan as it is being developed and having the opportunity to ask questions and provide feedback during the planning meeting, to allow for any queries to be discussed and addressed before the plan is finalised.

As part of the pathway work the NDIA has acknowledged that some people with disability will need a tailored response and this includes people with psychosocial disability. Other groups include young children, people with more complex needs, Aboriginal and Torres Strait Islander communities, people from culturally and linguistically diverse backgrounds, and people in remote and very remote locations

The NDIA is currently holding extensive consultations to develop the new tailored pathways. The ACT Government has expressed a strong interest that the trial of the Psychosocial Disability Pathway be in the ACT given the significant expertise of the ACT sector.

Office for Mental Health

The model for the Office for Mental Health is currently being developed, with significant community and stakeholder consultation and engagement. The four key objectives in establishing the Office for Mental Health are to:

- provide comprehensive oversight and increased understanding of the Mental Health system and how it could be improved in the ACT;
- ensure person-centred and needs-based approaches across government initiatives;
- improve the coordination, integration and targeting of services and facilities; and
- drive a reduction in mental illness incidence, frequency and impact through the development and oversight of a comprehensive Mental Health and Wellbeing Framework.

The benefits of an integrated and more efficient mental health system that the Office for Mental Health will help to realise include improving the quality of care for mental health consumers and their carers, catering for an increased demand for services and reducing costs for the ACT health system overall by reducing duplication and strengthening processes and communication between services and service sectors.

Preventing mental illness

The ACT Government is committed to promoting mental health and wellbeing, preventing mental illness and providing timely intervention for those experiencing mental illness.

Timely support is an important consideration, as early intervention can prevent more costly acute interventions in the future. To work towards this priority the ACT Government provides funding to a number of Non-Government Organisations for mental health and wellbeing services. This includes direct service providers such as Woden Community Services and Wellways, in addition to community peak organisations such as the ACT Mental Health Community Coalition.

ACT Health is implementing the LifeSpan framework developed by the Black Dog Institute. The LifeSpan framework will involve the implementation of nine evidence based strategies for the prevention of suicide across the ACT. LifeSpan aims to build a safety net for the community by connecting and coordinating new and existing interventions and programs across the service system.