STANDING COMMITTEE ON HEALTH AND DISABILITY

Report on Annual and Financial Reports 2005-2006

MAY 2007

Report 3

Committee Membership

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Terms of Reference

On 17 October 2006 the following motion was moved and passed by the Legislative Assembly:

1) the annual and financial reports for the calendar years 2005 and 2006, and the financial year 2005-2006 presented to the Assembly pursuant to the *Annual Reports (Government Agencies) Act 2004* stand referred to the standing committees, on presentation, in accordance with the schedule below;

2) notwithstanding standing order 229, only one standing committee may meet for the consideration of the inquiry into the calendar years 2005 and 2006 and 2005–2006 annual and financial reports at any given time; and

3) the foregoing provisions of this resolution have effect notwithstanding anything contained in the standing orders.[1]

Resolution of appointment

On 7 December 2004, the Legislative Assembly for the ACT resolved to establish the Standing Committee on Health and Disability to:

> examine matters related to hospitals, community, public and mental health, health promotion and disease prevention, disability matters, drug and substance misuse targeted health programs and community services, including services for older persons and women, housing, poverty, and multicultural and indigenous affairs.[2]

[1] Legislative Assembly for the ACT, *Minutes of Proceedings* No. 77, 17 October 2006, p 835

[2] Legislative Assembly for the ACT, *Minutes of Proceedings* No. 2, 7 December 2004, p 12

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Recommendations

Recommendation 1

2.15 The Committee recommends that information about the cross - border agreement between NSW and the ACT, with particular reference to the nature, duration and benefits to the ACT community, be included in future Annual Reports.

1 INTRODUCTION

1.1 On 17 October 2006 annual and financial reports for all ACT Government agencies for 2005 - 2006 were presented to the Legislative Assembly and referred to the relevant Standing Committee.

1.2 In accordance with the schedule defined by the speaker, the following annual and financial reports were referred to the Standing Committee on Health and Disability:

- ACT Health
- ACT Health Promotion Board (Healthpact)
- Community and Health Services Complaints Commissioner
- Department of Disability, Housing and Community Services.

1.3 On 27 September 2006 the Committee considered how these reports should be dealt with and resolved that it would examine a small number of key areas in detail rather than conduct a broad ranging review as in previous years.[3]

1.4 On 10 October 2006 the Committee wrote to all members of the Legislative Assembly outlining the proposal to take a more systemic look at two important aspects of the Health, Disability and Community Services Portfolio that were identified in the last budget:

a) the distribution of funds within the Health portfolio

b) the current financial position of Housing ACT.

1.5 In relation to ACT Health, the 2006 - 2007 budget noted that the growth rate in expenditure on health "cannot be sustained". Thus the Committee considered it timely to examine the distribution of funds within the Health portfolio, identifying the proportions that go to each level of care and comparing both the overall expenditure and the distribution of that expenditure with the situation in the States and the Northern Territory.

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[3] Standing Committee on Health and Disability, Minutes of Meeting No. 42, 27 September 2006

1.6 In relation to Housing ACT, the 2006 – 2007 budget foreshadowed significant changes over the next three years including:

- savings in operational and management costs of $10m per year
- investing $30m over the next three years to reconfigure housing stock
- exploring the option of selling some 500 public housing dwellings.

1.7 The Committee agreed that by examining the current financial position of Housing ACT the Committee and the Assembly overall would be better equipped to monitor the progress of these changes.

Purpose and Intent of Annual Reporting

1.8 The primary function of annual reports by government agencies is to report to the Legislative Assembly and the public on the work of the agency for the financial or calendar year under review. Annual reports are also an important means through which the Legislative Assembly can review the actions of the Executive.

1.9 Annual reports are key accountability documents as they are:

- the principal way in which agencies account for their performance through Ministers to the Legislative Assembly and the wider community;
- tabled in the Assembly and form a key part of the historical record of government and public administration decisions, actions and outcomes;
- a source of information and reference about the performance of agencies and service providers for stakeholders, educational and research institutions, the media and the public; and
- key reference documents and documents for internal management.[4]

1.10 Annual reports are assessed each year by the Institute of Public Administration (ACT Division) against formal criteria as follows:

> *The assessment method for IPAA (ACT)'s awards consists of two main elements: Compliance with formal guidelines and requirements; and Internationally acknowledged attributes of good quality reporting.*

[4] Chief Minister's Annual Report Directions 2005-2006, p 5

Reports must demonstrate compliance with government and parliamentary guidelines of mandatory requirements as a minimum standard to be considered for an award. [5]

1.11 Given the comprehensive nature of the IPAA's assessment, the Committee considered that its limited resources are better utilised by taking a more systematic look at key aspects of the Health, Disability and Community Services portfolio.

1.12 Members of the Legislative Assembly also use the opportunity provided by the scrutiny of annual reports to follow up on issues of concern to themselves or that have been raised by their constituents. The Committee noted this when deciding on its approach to conducting this year's inquiry. To accommodate Member's concerns outside the aforementioned areas, members were asked to raise additional concerns through supplementary questions.

Conduct of Inquiry

1.13 On 20 November 2006, the Standing Committee on Health and Disability held a public hearing with the Minister for Health and departmental officials in relation to the Annual Report 2005 - 06 of the Department of Health. A full list of participants is included at Appendix A.

1.14 On 5 December the Committee held a public hearing with the Minister for Housing and departmental officials from Housing ACT. A full list of participants is included at Appendix A.

1.15 In relation to the annual report for ACT Health, nine supplementary questions were asked and answered.

1.16 In relation to the annual report for Housing ACT, 13 supplementary questions were asked and answered.

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[5] Institute of Public Administration Australia (ACT Division), *Judges Report 2003-2004*, p 5

2 ACT HEALTH

2.1 The ACT Health Annual Report 2005 - 06 was prepared under section 5(1) of the Annual Reports (Government Agencies) Act 2004 and in accordance with the requirements referred to in the Chief Minister's Annual Report Directions.

2.2 The budget speech given by the Chief Minister on 6 June 2006, stated that "the growth rates in health expenditure in the ACT cannot be sustained". The Chief Minister then went on to say "that both the hospital system and the community health costs are well above the national benchmark and higher than average".[6]

2.3 In light of these statements the Committee was particularly interested in examining the financial and other pressures on ACT health. By conducting the inquiry in this way the Committee hoped to gain a thorough understanding of the pressures impacting on the ACT Health system and of the areas where savings might be made.

2.4 ACT Health has six key health service delivery divisions:

- The Canberra Hospital (TCH)
- Calvary Public Hospital (run by Calvary Health Care Limited)
- Community Health
- Mental Health ACT
- The Capital Region Cancer Service
- The Aged Care and Rehabilitation Service.[7]

2.5 ACT Health costs are currently 20% higher than other state peer organisations.[8] By improving the efficiency of the Health system and reducing the public hospital care, ACT Health has set a target to move within 10% of the national peer group average costs over the next five years.[9]

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[6] Budget 2006-2007, Australian Capital Territory, Paper No 1 Speech, p 14

[7] ACT Health, Annual Report 2005-06, p 2

[8] Transcript of Proceedings, 20 November 2006, p 3

[9] ACT Health, Annual Report 2005-06, p 6

2.6 The main issues that were discussed throughout the public hearing as placing pressure on ACT Health included:

- staff costs
- cross-border services
- the rise in chronic diseases
- community health partnerships
- the shortage of GPs in the ACT.

Staff Costs

2.7 The Committee noted a significant increase in staff costs between the financial years 2004-05 and 2005-06. The increase was a result of growth in staff numbers between the years due to increased activity through emergency departments, public hospitals and elective surgery.

2.8 Further, administration and staff costs are higher in the ACT compared with the other states and the Northern Territory.

> The ACT is a small jurisdiction and has the normal fixed costs that you would get with any jurisdiction. We have the same legislative responsibilities, we have the same policy responsibilities, and the fact that we're a lot smaller doesn't necessarily mean we have a correspondingly smaller overhead. There is a minimum critical mass required to support the requirements of government and the administration of the health care system itself.[10]

The Northern Territory also reflects higher costs for similar reasons.

2.9 Superannuation rates in the ACT are derived from the Commonwealth, the former CSS and PSS superannuation schemes and are significantly more generous than other jurisdictions. While most jurisdictions offer the nine percent superannuation arrangements, ACT employees can get a higher rate

[10] Transcript of Proceedings, 20 November 2006, p 4

depending on which scheme they belong to. This also contributes to the higher salary costs.[11]

2.10 The Committee noted that improving efficiencies was something that ACT Health was working on – particularly in the area of improving rostering practices in hospitals to ensure appropriate levels of staff are available to avoid the need to pay staff overtime.

> We are particularly focused on doctors and nurses. They are the two largest groups of employees. We are very keen to ensure that, by rostering our staff correctly and appropriately, rather than leaving it to the last minute, we avoid the need to put people on overtime to cover short shifts. And we can avoid the need to engage locum services or agency services, which all come at a very significant premium, through not managing our rosters appropriately.[12]

Cross-Border Agreement

2.11 The Canberra Hospital is a regional hospital servicing the ACT and the surrounding region. To manage this NSW and the ACT have a cross-border agreement.

> Each time there is an Australian health care agreement – or before that a Medicare agreement, which was a five-year agreement – a certain arrangement is built into that agreement as to how transfers of patients and corresponding transfers of funds will work across jurisdictions. Each agreement gives you the opportunity to renegotiate the arrangement, and I think on each occasion NSW has taken up that opportunity.[13]

2.12 The Committee was interested in the potential cost impacts on the ACT of accepting patients from NSW. The renegotiation of the 2003-2008 Australian Health Care Agreements (which provides Commonwealth funding for State and Territory Health Services to support provision of public hospital services) is yet to be finalised in the ACT. While the ACT does receive cross-border

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[11] Transcript of Proceedings, 20 November 2006, p 4

[12] Transcript of Proceedings, 20 November 2006, p 9

[13] Transcript of Proceedings, 20 November 2006, p 6

revenue in most areas, the continuing negotiations are primarily focussed around elective surgery.[14] The Committee was concerned at the length of time it was taking to renegotiate the agreement.

2.13 In the 2003 ACT Health Review, the recommendation was made that 'ACT Health should use the renegotiation of the 2003-2008 Australian Health Care Agreement to negotiate a five year agreement with NSW health regarding cross-border payments for hospital care. It was suggested that such an agreement would facilitate consideration of the of the longer term role of The Canberra Hospital in a more temperate environment'.[15] While the Government noted this recommendation pending further investigation the Committee was interested in the progress, given the current pressures on TCH for ACT patients.

2.14 The Committee was interested to find the particulars of the cross-border agreement but could find no reference to this in the Annual Report. Given the importance of this agreement the Committee considers that more information and updates about the agreement would be of major interest to the Assembly and the community.

RECOMMENDATION 1

2.15 **The Committee recommends that information about the cross-border agreement between NSW and the ACT, with particular reference to the nature, duration and benefits to the ACT community, be included in future Annual Reports.**

Chronic Disease

2.16 The rise of chronic disease in the ACT (along with the rest of Australia), particularly heart failure, respiratory illness and diabetes are a cause of concern for ACT Health.

> The principal areas of concern there are that these conditions can be better managed than they currently are and they can be managed in a

[14] Transcript of Proceedings, 20 November 2006, p 6

[15] Mr Mick Reid, ACT Health Review, 2003

number of ways. They can be managed through more effective partnership arrangements between patients, general practitioners and specialist services in hospitals, and we are working in that area. There is also increasing recognition of the importance of patient self-management; that is, patients taking more responsibility for looking after their chronic conditions.[16]

2.17 Developing educational programs that enable people to better mange their chronic conditions is one of the strategies being adopted by ACT Health to ease the financial burden of this problem.

2.18 The Committee noted that diabetes in Canberra was slightly lower than the national average. While it was only marginally lower, ACT Health advised that the overall expectation of future trends indicate an expected increase in the number of people diagnosed with diabetes over the next five to twenty years in the ACT.[17]

2.19 The Committee noted that making inroads into the management of chronic conditions, by utilising specific allied health clinics, will result in savings to the health budget over time. The initial outlay, which can be resource intensive, is offset by the long term health benefits, not only to the patient but also to the community.

Community Health Services

2.20 Community Health provides a range of community-based health service responses across the ACT. Their services meet the needs of people with chronic conditions and primary health care needs as well as providing pre and post-hospital care responses. Community Health also provides:

- dental care
- alcohol and other drug services
- health services for women
- services for children with special needs

[16] Transcript of Proceedings, 20 November 2006, p 7

[17] Transcript of Proceedings, 20 November 2006, p 7

- counselling services
- other specialised services.

2.21 Community Health services operating programs that support hospital care, particularly at The Canberra Hospital are unique to the ACT. The Committee noted with some concern that while the increased reliance on Community Health services reduced pressures on hospitals it also created the potential for excess pressures to be placed on these services.[18]

2.22 The Committee noted that ACT health was considering introducing a system of co-payments or restricting eligibility, or both, to some community health services to alleviate some of the financial pressures from the community health sector. The Minister noted that this is not an entirely new approach as the ACT dental program currently operates under similar arrangements in that the service is restricted to health-care cardholders as well as co-payments being sought for access to those services.[19]

Shortage of GPs

2.23 While the latest national figures indicate an increase in bulk billing GPs, the ACT continues to have to the lowest rates of bulk billing in the country despite an increase in the latest figures of 15.2 points taking the rate to 50.1%.[20]

2.24 While GPs in the ACT provide good service, there simply are not enough GPs. Some regions of the ACT have been identified by the Commonwealth Government as having special needs, which means that GPs are offered incentives by the Commonwealth to move to these areas. This has resulted in an additional eight GPs moving to the ACT region.

2.25 The Committee considers that continued negotiations with the Commonwealth would be to the advantage of ACT, particularly in the area of increasing the training places provided at the ANU Medical School. It is

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[18] Transcript of Proceedings, 20 November 2006, p 8

[19] Transcript of Proceedings, 20 November 2006, p 4

[20] Medicare Statistics, December Quarter 2006

hoped that a longer term outcome will be that increasing numbers of graduates from the Medical School will remain and work in the Canberra region.

2.26 An exponential annual growth in emergency department presentations is expected as a result of an aging population and normal population growth, however the shortage of GPs generally, and more specifically the shortage of after hours GPs, further contributes to demands.[21]

Overall Comment on Health

2.27 The Committee heard evidence that ACT Health are developing strategies with the aim of reducing spending.

2.28 While this is to be commended, the Committee agrees that a multi-faceted approach will best address the increasing pressures on health, particularly the area of the community's increasing demands and expectations.

2.29 One area of this approach must be in the area of prioritising health promotion and prevention, in order to avoid the high costs of health care in the hospital setting.

[21] Transcript of Proceedings, 20 November 2006, p 11

3 HOUSING ACT

3.1 Housing ACT is part of the Department of Disability, Housing and Community Services. Its' output description is: *Provision and management of public housing tenancies and properties, and provision of support and resources to community housing providers.* Its' services description is: *To provide safe, affordable and appropriate housing that supports the needs of tenants and applicants in a sustainable environment.*[22]

3.2 Recorded savings made by Housing ACT over the 2005 - 06 year were achieved through higher rental receipts, higher interest receipts and decreased expenditure on employee cost, repairs and maintenance and other administrative costs.[23]

3.3 While rental receipts are the major source of revenue to fund operations rental income is constrained by:

- Policy that tenants pay no more than 25% of assessable household income as rent; and
- Increased targeting of assistance to those with high and complex needs resulting in higher rental rebates being provided to tenants and the associated higher costs of providing support and assistance.

3.4 Under the Commonwealth State Housing Agreement (CSHA) the allocation of housing assistance is targeted towards clients most in need.[24] The Committee was pleased to note that 99.8% of ACT Housing tenants are paying their rent. However, with the shift in policy, concerns were raised about a possible increase in rental arrears due to the increased targeting of high-needs tenants. Housing ACT did not consider that the change in the eligibility criteria would have any significant impact as housing assistance was already strongly targeted to those most in need.

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[22] DHCS/ ACT/ Annual Report 2005 – 2006, p 50

[23] DHCS/ ACT/ Annual Report 2005 – 2006, vol 2, p 108

[24] ibid, p 51

3.5 Housing ACT tenants who lose their Centrelink payments for a period of up to 8 weeks as a result of being breached under the welfare-to-work activities tests are now deemed to have no income and are charged a minimum rental fee ($5.00) to maintain the tenancy.[25] While the Committee considers this to be an appropriate policy there was some concern, that with the high numbers of "breaches" being reported by Centrelink and welfare groups, that this could have an impact, slight though it may be, on rental revenue.[26]

3.6 Housing ACT staff receive a range of training programs to manage clients in the high-need category including debt management for those who fail to pay part or all of their rent.[27] Rental debt is often symptomatic of issues and crisis in the life of a tenant and their families. The priority of Housing ACT is to keep tenants in their tenancies.

> *The position of Housing ACT to not require rent and arrears payments to exceed 30% of household income creates an environment where repayment arrangements are sustainable, but may take considerable time for arrears to be repaid.*[28]

3.7 Housing ACT has seen a reduction in evictions over the last three - four year period. A significant amount of time is spent working with tenants to try to sustain them in their tenancy. This leads to high levels of rent collection, as Housing ACT can continue to ensure that rent is paid. It is harder to collect a debt once a tenant is evicted or moves out owing money.[29] Eviction is the last resort taken.

3.8 75% of tenants currently pay their rent by direct debit. While this is a voluntary arrangement that is encouraged by Housing ACT, the Department does not have the legal authority to garnishee wages for the purposes of rental payments or to enforce direct payments from Centrelink. Conditional orders for this to occur through a legally enforceable and binding

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[25] Transcript of Proceedings, 5 December 2006, p 7

[26] The latest figures are available at workplace.gov.au

[27] Transcript of Proceedings, 5 December 2006, p 6

[28] DHCS/ ACT/ Annual Report 2005 – 20006, p 52

[29] Transcript of Proceedings, 5 December 2006, p 8

arrangement can be made through the Residential Tenancies Tribunal if required.

3.9 The Total Facility Management (TFM) maintenance contract, which commenced in July 06 has seen improved client satisfaction and improved value for money. Having the one contractor now enables the Department to concentrate a certain amount of its funding on planned maintenance, reducing the overall number of responsive repairs.

> The contract [also] emphasises innovations and initiatives that the TFM and the ACT government can leverage across their national business - Spotless is a national company – and of course other jurisdictions. To date these have been in the form of product rebate schemes that return money to the budget based on quantity of sales.[30]

3.10 Further savings are expected with the discontinuation of Organisational Services as described in Output 1.3 of the Annual Report:

> Provision of a range of services supporting the Commissioner for Housing and Housing ACT including organisational governance and accountability, internal audit and review services, procurement, finance and budget services, workforce development and training, complaints handling, communications, policy analysis and development and information technology services.[31]

As a result of financial arrangements with Housing ACT for the provision of organisational support services Housing ACT staff will provide these services directly, from 2006-07.[32]

3.11 Making savings of $10 million per year over the next 3 years is a difficult task that will require careful management. The Committee will continue to monitor ACT Housing's progress with interest.

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[30] Transcript of Proceedings, 5 December 2006, pp.16-17

[31] DHCS/ ACT/ Annual Report 2005 – 20006, vol 1, p 30

[32] DHCS/ ACT/ Annual Report 2005 – 20006, vol 1, p 31

4 CONCLUSION

4.1 By focusing the inquiry on two specific areas of the annual reports the Committee feels it has gained a solid understanding of the issues facing both ACT Health and Housing ACT.

4.2 The Committee is pleased to see that significant measures have been adopted by both ACT Health and Housing to mange their respective budgets.

4.3 The Committee wishes to thank the Ministers and Department officials and representatives for their contribution to the Annual and Financial Reports inquiry process.

Karin MacDonald MLA

Chair

9 May 2007

APPENDIX A: Witnesses who appeared before the Committee

20 November 2006

The following people appeared before the Committee with the Minster for Health, Ms Katy Gallagher:

Mr Mark Cormack	Acting Chief Executive, ACT Health
Ms Jenelle Reading	a/g Deputy Chief, Executive
Adj Prof Joy Vickerstaff	a/g Deputy Chief, Executive
Ms Karen Murphy	Allied Health Advisor
Mr John Mollett	General Manager, Canberra Hospital
Dr Deborah Cole	Chief Executive, Calvary Health Care, ACT
Dr Charles Guest	Acting Chief Health Officer, Executive Director, Population Health
Ms Megan Cahill	Executive Director, Government Relations & Planning
Mr Ian Thompson	Executive Director, Policy
Mr Andrew Hewat	Manager, Financial Management Unit
Mr Owen Smalley	Chief Information Officer
Ms Judi Childs	Director, HR Management Unit
Dr Peggy Brown	General Manager, Mental Health ACT
Prof Robin Stuart-Harris	Director Capital Region Cancer Service
Dr Catherine Jones	Operations Manager, DON Capital Region Cancer Service
Mr Philip Moss	a/g Health Services Commissioner, Human Rights Commission
Ms Roxane Shaw	Principal Investigations Officer, Human Rights Commission
Mr Bill Stone	Director, Aged Care and Rehabilitation

5 December 2006

The following people appeared before the Committee with the Minister for Disability, Housing and Community Services, Mr John Hargreaves MLA:

Department of Disability, Housing and Community Services

Ms Sandra Lambert	Chief Executive
Mr Martin Hehir	Deputy Chief Executive
Ms Maureen Sheehan	Executive Director, Housing and Community Services
Mr Ian Hubbard	Director, Budget and Finance
Mr David Collett	Director, Housing and Community Services
Ms Bernadette Maher	Director, Housing and Community Services
Ms Bronwen Overton-Clarke	Executive Director, Policy and Organisational Services
Mr Adam Stankevicius	Director, Governance, Strategy and Community Policy