

Australasian College for Emergency Medicine

Submission to the Productivity Commission Study into Public & Private Hospitals

Summary:

- Private emergency departments are generally able to provide services at a lower cost per patient than public emergency departments
- Waiting times at private hospital emergency departments are generally less than their public hospital counterparts
- Reasons for this include a senior staffing model, alternate medical remuneration models, department sizes that are efficient, and the relatively low burden of training junior medical and nursing staff. Private hospitals are under pressure to increase their training of junior medical staff. It must be recognised that there will be significant costs in undertaking this training
- The availability of private hospital emergency departments reduces the demand for inpatient beds in public hospitals. Even a modest transfer of patients from the public sector to the private sector will have a significant effect on public emergency department overcrowding by increasing the availability of inpatient beds.
- Access and availability of private emergency departments is limited by the substantial out-of-pocket costs for patients and by the significant financial barriers faced by private hospitals wishing either to open a new department or to expand an existing one.
- As a result, private emergency departments see approximately 7% of total national emergency department attendances compared to 45% of total national same day separations.
- A viable and expanded private sector component of emergency medicine clinical practice will produce significant workforce advantages for both public and private hospitals.
- To relieve pressure on public emergency departments and stimulate growth in the private emergency department area, strategies to allow private hospitals to recover some of the practice costs of running an emergency department are needed. This should include health insurance funds rebates to patients attending private emergency departments.

Background of Australasian College for Emergency Medicine

The Australasian College for Emergency Medicine (ACEM) is the peak body for Specialist Emergency Medicine Practice in Australasia. ACEM's functions include (but are not limited to):

- a) Development of the Specialist Emergency Medicine curriculum
- b) Training of Emergency Medicine Specialist
- c) Accreditation of Emergency Medicine Specialists
- d) Setting of standards in Emergency Medicine practice
- e) Accreditation of Emergency Departments for training

ACEM has been recently inspected by the Australasian Medical Council, which has confirmed ACEM's role as the accreditation and standard setting body for Emergency Medicine.

ACEM currently has 1181 Fellows with a further 1682 trainees undergoing Specialist Emergency Medicine training.

There are currently 105 emergency departments accredited for training of emergency medicine specialists by ACEM. This represents the vast majority of emergency departments in Australia. A number of rural & remote emergency services remain unaccredited for training as they do not have enough senior staff to supervise and mentor trainees.

Private Emergency Departments

Private hospitals began establishing emergency departments from the late 1980s and into the 1990s for a number of reasons:

- a. Emergency departments are the safest and most efficient way to provide acute, unscheduled care whether in public or private hospitals.
- b. As private hospitals began to expand their range and complexity of services, a mechanism was needed to provide acute care whether to new patients or to patients post-discharge.
- c. Private hospitals needed to respond to the expectation from insured patients that they should be able to choose private hospital care in the event of an emergency and not have to attend a public hospital. Some private hospitals, in particular the church and charitable organisations, felt they had an obligation to their communities to provide an alternative to public hospital emergency departments, albeit at a cost to the patient.
- d. An emergency department gave the hospital a source of patients that was independent of their attending specialists. It also attracted patients at times and on days when elective admissions were less frequent such as weekends thereby increasing the productivity of hospital facilities.
- e. In general, health insurance rates were declining during the 1990s. Therefore, ensuring 24-hour availability and expanding services beyond elective or scheduled care gave private hospitals with an emergency department a competitive edge.
- f. Patients who were admitted via an emergency department represent a casemix and complexity that helps attract new specialists to a private hospital.
- g. For some private hospitals, an emergency department was the only way they could fund a medical staff presence on the campus 24-hours a day.

There are currently 22¹ private hospital Emergency Departments in Australia. Of these, 3 are accredited for training of Emergency Medicine and are staffed with a high proportion of Emergency Medicine Specialists.

The casemix and practice of emergency medicine in the private sector is similar to that for public hospital emergency departments. There is no published research on this. However, reports produced by the College over the years indicate that overall it is the same although there will be differences in the detail.

Table 1² reflects this similarity.

	Attendances	Departments	%
Public	4,509,500	153	93%
Private	350,500	21 ³	7%

	Attendances	Admissions	% of attendances who are admitted
Public	4,509,500	1,199,774	27%
Private	350,500	101,315	29%

As can also be seen from the table, private Emergency Departments take a significant burden of patients from public Emergency Departments. The impact is even greater when looking at the local geographic area in which they operate.

However, it should be noted that private hospitals undertake 31% of total overnight separations and 45% of total same-day separations⁴, considerably more than the 7% of total Emergency Department attendances. Therefore, there are obviously barriers to private Emergency Medicine.

Cost of Emergency Departments

Public Emergency Departments are funded by the State Governments through a variety of funding models including per patient basis, casemix and/or staffing profiles.

Patients attending private Emergency Departments are charged a practice cost fee (which varies from \$100-\$250). Medical, diagnostic and pathology services are billed based on the MBS schedule and the gap payment required from patients varies. The practice cost fee and out of pocket expenses are not reimbursable from Health Funds as Emergency Department visits are classed as outpatient services.

In 2001, the (then) Department of Health and Aged Care approved a schedule of fees for emergency physician attendances that included the premise that the CMBS was not intended to cover the cost of

¹ Australian Bureau of Statistics, Private Hospitals, 2006-7

² ACEM Submission to the National Health and Hospitals Reform Commission

³ 2005 numbers

⁴ AIWH Hospital Statistics, 2006-7

infrastructure (i.e. practice costs) required to provide the service. This differs from all the other CMBS fees, which do have a practice cost component.

While the structure of that schedule of fees reasonably described emergency medicine practice, the rebates provided were completely inadequate. A typical emergency physician in full time private practice generates around \$150,000 in annual Medicare rebates. This compares with public hospital salary packages for emergency physicians in the order of \$250,000-\$400,000.

If a private hospital is to staff its emergency department, it must structure a competitive remuneration package that covers the difference. The private hospital also has to cover the other costs associated with running the emergency department including the provision of 24-hour nursing and receptionist cover; provide equipment, drugs and dressings along with utilities.

Despite this, however, the cost of running private emergency departments is generally significantly below their public hospital counterparts. Table 1 shows the comparative costs of per patient attendance in Western Australian metropolitan emergency departments and selected private emergency departments – for commercial in confidence reasons, actual hospitals or states are not identified.

The reasons for the reduced cost of private emergency departments include:

- a. A staffing model that is comprised of mainly senior medical decision makers
- b. Incentive based pay scales rather than flat hourly rates to improve productivity
- c. Low burden of teaching / training of medical students and junior medical staff

WA ⁵	Private ⁶
\$427	\$328, \$287, \$354, \$340

Table 1. Cost to hospital per Emergency Department attendance. Does not include any revenue offset

Out of Pocket Expenses

Patients can be considerably out of pocket after an attendance at a private hospital emergency department. There is the initial upfront practice cost fee (up to \$250) and then the gap payment for each medical, diagnostic and pathology service rendered.

As the encounter is regarded as an outpatient visit, under current legislation, this fee is not recoverable from private health insurance funds.

There is an unsustainable, relentless growth in demand at public hospital emergency departments. The ability for private emergency departments to buffer this workload is limited by the inability for patients to access health insurance benefits for private emergency services resulting in considerable out of pocket expenses. It is recommended that health insurance funds are able to offer members the ability to insure for these out of pocket expenses.

Performance

Upon arrival at an emergency department, patients are allocated an urgency score (Triage category) from 1-5 with one (1) being the highest priority patient. ACEM has recommended maximum waiting times for each category. As can be seen in Table 2, compliance with ACEM recommended waiting

⁵ http://www.health.wa.gov.au/publications/documents/annualreports/2008/MHS_Part2_Key_performance_indicators.pdf

⁶ Costs of various private departments where the data was available and permission granted for publication.

times is generally better in private emergency departments. Some of this is can be related to casemix, however, other reasons include:

- a. Incentive based pay scales aligned with patient throughput
- b. Commitment from hospital to ensure patients are admitted to wards promptly
- c. Efficient processes and systems designed to reduce waiting times and improve efficiency.
- d. Senior decision making medical staff
- e. Efficient department size - private emergency departments generally see up to 30,000 attendances per year, which allows for efficient running. Bigger departments are inherently inefficient.

WA ⁷	Qld ⁸	SA – 2007/8 ⁹	Victoria ¹⁰	NSW ¹¹	Private
46%	62%	55%	68%	68%	70%

Table 2. Percentage of ATS 3 (urgent category) of patients seen within the recommended time of 30 minutes

Training Role

There has been a large increase in the number of medical students being trained by universities. The traditional teaching hospital clinical placement system is saturated and alternative locations are being sought for medical students to undertake their training. Private emergency departments are one such resource. However, it must be acknowledged that training comes at a financial and efficiency cost.

Whilst most private emergency departments would embrace and welcome involvement in medicine training, it must be recognised that if students are placed without adequate resourcing and process re-engineering, it is likely that the performance (both financial and throughput) of private emergency departments will deteriorate.

Continued Viability of Private Emergency Departments

As mentioned above, there is limited ability of the hospital to recover practice costs associated with running emergency departments. Practice cost fees are in the order of \$150-\$250, however, the actual costs faced by the hospital are closer to \$350. Therefore, private emergency departments are loss makers for the hospital.

In the current financial squeeze, the ability of the hospital to subsidize emergency department costs from inpatient activity is diminishing. As a result, the viability of many departments is questionable.

It is noteworthy that many private hospitals have undertaken major capital works to expand theatres, wards and critical care units, however, no private hospital has undertaken a major emergency department expansion in the last few years. Similarly no new private emergency departments have been built in the last few years.

⁷ March 2009 qtr: http://www.health.wa.gov.au/publications/documents/health_performance_report_jan-mar_09.pdf

⁸ March 2009 qtr: http://www.health.qld.gov.au/performance/docs/QPHPR_Mar_Qtr_09.pdf

⁹ 2007/8:

http://www.health.sa.gov.au/DesktopModules/SSSA_Documents/LinkClick.aspx?tabid=59&mid=437&table=SSSA_Documents&field=ItemID&id=825&link=T%3a%5c_Online+Services%5cWeb+Admin%5cIndividual_site_correspondence%5cProject+Correspondence%5cAnnual-Report-20

¹⁰ 2007-8 qtr: <http://www.health.vic.gov.au/yourhospitals/yourhosps1208.pdf> - 2007/8

¹¹ March 2009: http://www.health.nsw.gov.au/resources/reports/2009/pdf/200903_perftimespercyrahs.pdf

Conclusion

Public hospital emergency departments are under considerable pressure with increasing attendances and worsening overcrowding. Private emergency departments generally operate at lower costs per patient and reduced waiting times than their public counterparts. Reasons include senior staffing, alternate remuneration models, efficient department sizes and relatively low training burden. Increasing medical training obligations may reduce these efficiencies if additional resources are not provided to private departments to meet these obligations.

A viable private emergency department system alleviates a significant amount of pressure on the public system. Factors limiting expansion of the private emergency department system include inadequate Medicare rebates and significant out of pocket patient expenses as patients cannot access private health insurance for private emergency department attendances. To ensure viability of private emergency departments, consideration needs to be made to allow private hospitals to recover a greater proportion of practice costs than they currently can.

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