

Hospitals Performance Study
Productivity Commission
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PUBLIC AND PRIVATE HOSPITALS PERFORMANCE STUDY: PRODUCTIVITY COMMISSION DISCUSSION DRAFT

The National Coalition of Public Pathology (NCOPP) makes this submission on the Productivity Commission's *Public and Private Hospitals Discussion Draft, October 2009*.

About NCOPP

NCOPP represents the interests and values of public pathology services in Australia. Our members are the major publicly owned and operated pathology services in each State and Territory. They provide the vast majority of pathology services to patients of Australia's network of public hospitals. They also provide pathology services to some private hospitals on a contracted basis, in community care settings and in the wider community across urban, rural and remote parts of Australia. Members provide routine and complex diagnostic testing and consultative services, health protection services, teaching at undergraduate and post graduate levels and research, and take leading roles in many aspects of the clinical governance of Australia's public hospitals and health services. Further information about NCOPP is available at our website at www.ncopp.org.au

General Comments

NCOPP welcomes the release of the discussion draft and associated consultations. The report gives a fair and well reasoned assessment of Australia's public and private hospital systems while highlighting data gaps and deficiencies that make comparisons of performance within and between the two systems difficult. It represents the most substantial performance assessment conducted to date of Australia's hospitals. The draft findings are not surprising to those who work in the public hospital system and proposed areas for refining analyses and data improvements are sensible. NCOPP hopes that the draft and subsequent final report will contribute to better informed public discussion and debate about the performance of Australia's public hospitals and debunking many of the myths that are often driven by ideology and media sensationalism, not evidence.

Data Availability – Draft Finding (DF) 1.1

NCOPP supports the call for improving availability and accessibility of hospital related data to a range of users. This is fundamental to creating a self improving health system as recommended by the National Health and Hospitals Reform Commission¹.

¹ *A Healthier Future for All Australians – Final Report of the National Health and Hospitals Reform Commission – June 2009*. Commonwealth of Australia 2009.

Australia's Public and Private Hospital Systems – DF 4.1

The study gives a sound analysis of the characteristics, differences, similarities and overlaps of the two systems and the roles and services they provide. The following two comments are provided in respect of the analysis:

- Firstly, we note the comment made on page xxxii that - "The main service provided by hospitals is the treatment of acutely ill people but many provide a broader range of services including radiology, pathology and outpatient care (such as rehabilitation and physiotherapy)". NCOPP disagrees with this implied view of pathology as an ancillary service. Pathology investigations are integral to the treatment of acutely ill people by supporting accurate and timely clinical diagnosis, indicating prognosis, monitoring disease progress, giving crucial information to altering therapies and evaluating effectiveness of treatment. Overseas studies show that 70-80 per cent of all health care decisions related to diagnosis and treatment in hospital settings involve a pathology investigation and that pathology provides source information for 90% of diagnostic health care records². Similar Australian data are not available.
- Secondly, the draft report refers to the role of for-profit companies in the private hospital sector (p. 39). It does not mention the trend towards vertical integration of various health care business interests (e.g. private hospitals, medical centres, pathology and/or diagnostic imaging) under the one corporate umbrella and discuss implications. For example, Healthscope Limited operates private hospitals across Australia as well as has pathology interests³.

Comparing Performance: Costs – DF 5.1 to 5.4

NCOPP notes that the estimates of costs for the public and private hospital sectors presented (costs per casemix adjusted separation) are experimental, and the Commission's plans to refine them where the data allows for the final report.

In terms of the cost component estimates, NCOPP notes the preliminary finding that medical and diagnostic costs are estimated to make up a greater proportion of total costs in private hospitals than they do in public hospitals (DF 5.1 and p.95). This result is likely to reflect data gaps and deficiencies, including the public system where some medical and diagnostics costs may be recorded under other items (p.95), and the different funding mechanisms and financial incentives. In addition, an integrated private business providing both medical and diagnostic services will have an incentive to maximise pathology and diagnostic imaging ordering. In a public facility, funded primarily under the capped budgetary approach of a National Healthcare Agreement with funds allocated to hospitals via a casemix or activity based scheme, the cost of investigation will contribute to overall cost, not profit.

NCOPP notes the Commission's intention to examine the role that different financing mechanisms have on hospital performance in its proposed multivariate analysis and looks forward to the results (pp. 300 – 301). In any costing exercise, it is important to control for severity of illness, with Diagnosis Related Groups (DRGs) a reasonable substitute, but further correction for age and socio-economic status is also essential, as this can have not appreciated effects on the model and results. We welcome the Commission's efforts to do this.

NCOPP supports the Commission's call for improved data collection and recommended areas for improvement (5.4) and welcomes its recognition of the regulatory burden on reporting hospitals and need to reduce duplicate and encourage use of cost effective electronic reporting of data.

² UK Department of Health (2006) *Report of the Review of NHS Pathology Services in England, chaired by Lord Carter of Coles. An Independent Review for the Department of Health*. Forsman FW (1996) Why is the laboratory an afterthought for managed care organizations? *Clinical Chemistry*. 42: 5 813-816.

³ Healthscope Limited website at www.healthscope.com.au

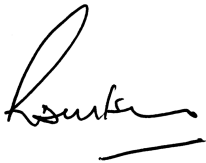
Hospital-Acquired Infections – DF 6.1 and 6.2

The report highlights the challenges faced in making meaningful comparisons between individual hospitals and the two hospital systems and the importance of adjusting for relative risk of patients while recognising inherent methodological difficulties. NCOPP supports the general thrust of the Commission's finding, in particular the proposal that private hospitals are included national reporting arrangements.

NCOPP thanks the Commission for the opportunity to comment on the draft report and looks forward to the release of the study's final results.

Please contact our Chief Executive Officer, Penny Rogers, 02 62479310 or at progers@ncopp.org.au if you require any further information.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R. Wilson', with a horizontal line underneath.

A/PROF. ROGER D WILSON
President, NCOPP