

19 November 2009

Productivity Commission
LB 2 Collins Street East
Melbourne Victoria 8003

Attention: Roula Yerondais
Hospital Performance Study Unit

Productivity Commission Draft Report on Public and Private Hospitals

I refer to the above draft report which was issued in October 2009 and invited examination and written comments to be submitted to the Commission by 9 November 2009. Regrettably we have been unable to meet this deadline, however we have undertaken an analysis of the Commission's draft report and believe there are some worthwhile contributions that Epworth can make.

We have outlined below some specific comments for the Commission's consideration.

Similarities between the public and private hospital system

We agree with the Commission's key points that there is merit in benchmarking performance between public and private hospital systems. Many of these issues could be addressed by having standardised data requirements and having data collected through the Australian Bureau of Statistics.

Existing data sets

While we agree that there are inconsistency in collection methods, Epworth believes that a Hospital Case Mix Protocol extended data set introduced nationally could provide a consistent basis of measuring across all hospital sectors. The extension of the existing HCP data set would cover clinical and quality indicators. Epworth is undertaking internal work in this regard and would be happy to share this work with the Commission.

Similar average costs

The Commission has concluded there are similar average costs between the public and private hospital systems. Epworth believes this analysis is flawed and from our analysis. Epworth believes there is in the order of a 30% differential in cost between the public and private hospital system with the private system being some 30% more efficient. Epworth has undertaken an analysis using:

- National Hospital Cost Data collection round 12
- Australian Bureau of Statistics (AABS), 1301.0, Year Book Australia, 2008
- Australian Hospital Statistics 2005-06, produced by the Australian Institute of Health and Welfare (AIHW)

Epworth would be willing to discuss in confidence its methodology and the outcomes of these studies with the Commission.

One of the major cost drivers in hospitals are labour costs and Epworth has also undertaken studies using Australian Bureau of Statistics and Australian Institute of Health and Welfare data. These studies also show lower staffing levels in the private sector relevant to the public hospital system. Epworth would be willing to discuss in confidence its methodology and outcomes of these studies with the Commission.

Capital Costs

Epworth believes that the Commission should also consider the factors which result in variations in the costs of hospital projects such as: role delineation, building type, works type, procurement method and regional market price. Costs provided to Epworth during recent planning for major redevelopments, along with recent construction experience at Epworth Eastern, when compared with public developments and available data, suggest that capital costs in the public sector can be far greater for infrastructure and design.

It would be worthwhile for the Commission to liaise with a number of Architects who service both the Public and Private Hospital systems to discuss this matter and obtain comparable information between the two sectors.

Epworth would be willing to discuss in confidence the costs information it has in detail.

We would welcome the opportunity to meet with the Commission to discuss the above and the various studies that Epworth has conducted.

Yours sincerely

Alan R Kinkade
Group Chief Executive Officer
Epworth HealthCare