

Improving Australia's health system: what we can do now

Australia's health care system produces good outcomes by international standards, but parts of the system are not performing as efficiently as they could be. There is scope for improvement through incremental, 'within system' reforms, as proposed in a recent Commission Research Paper on efficiency in health care.



There is evidence of inefficiency in some parts of Australia's health system. This can manifest as wasteful spending, reduced access to health care and substandard quality and safety outcomes. Improving efficiency would mean achieving better 'value for money' from health spending: better health outcomes, higher quality of care, improved access to health services or less waste, for a given level of funding.

Based on a roundtable the Commission held with health policy experts in November 2014, the report identifies opportunities to improve the efficiency of Australia's health care system through reforms that can be delivered *without* changing existing institutional and funding structures, and without delay. The Commission noted that a comprehensive and independent review of Australia's health system could identify more substantive efficiency gains. However, in the meantime, there are immediate gains that can be secured by progressing with 'no regrets' actions that would be beneficial under any future set of institutional or funding arrangements.

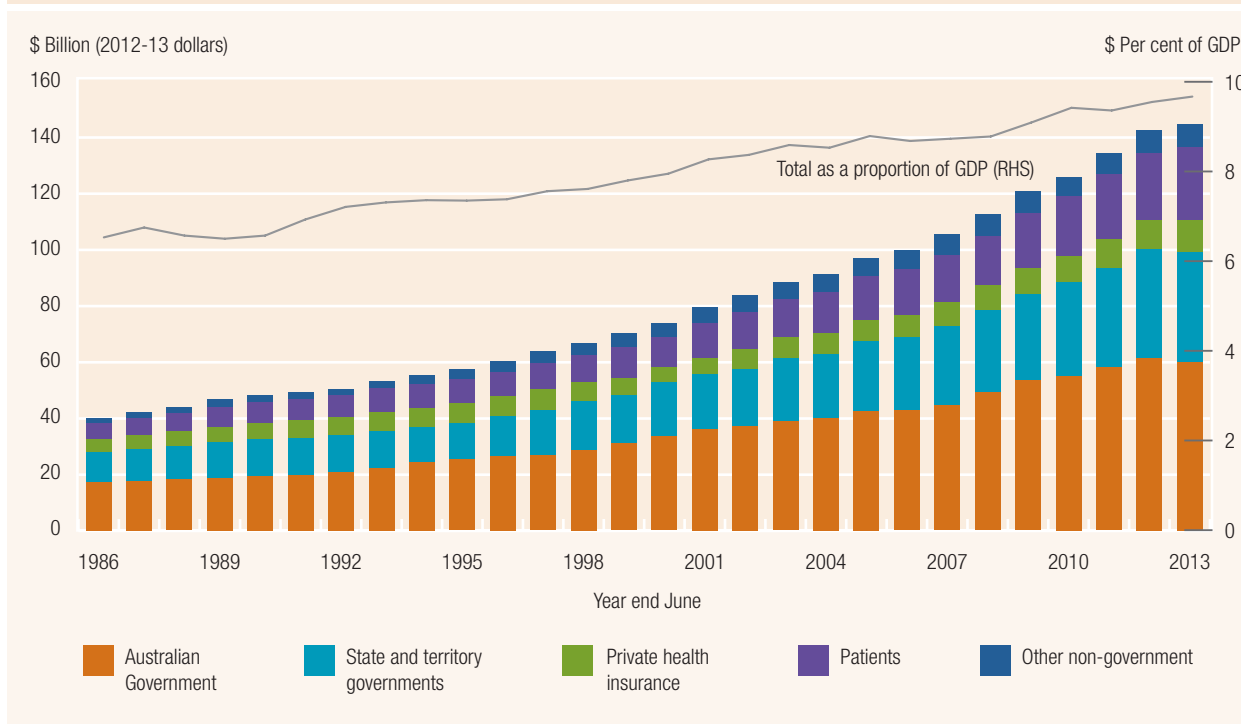
Key themes of the Commission's research paper, released in April 2015, are outlined below.

Health expenditure is large and growing

Australians spend a lot of money on health – through taxes, insurance premiums and direct payments. About 10 per cent of Australia's GDP is spent on health care each year (\$147 billion in 2012-13), and governments account for about two-thirds of this expenditure.

Health care spending has been growing faster than the broader economy. In the decade to 2012-13, total health spending grew by an average of 4.7 per cent each year in real terms (figure 1). This trend is expected to continue, driven by the increasing burden of chronic disease, the ageing population, rising incomes and changing consumer expectations, as well as the effects of new medical technologies.

Figure 1 Australia's health expenditure has been growing



More can be done to promote clinically and cost effective health care

Australia is spending a considerable amount of money on health interventions (tests, procedures, medicines and so on) that are irrelevant, duplicative or excessive, provide very low or no benefits (relative to the risks and costs), or, in some cases, cause harm.

Processes to assess whether health treatments warrant government funding, and to reduce or remove public subsidies where they are not justified, do not work as well as they should. This means that governments subsidise many health interventions that do not meet present day clinical and cost effectiveness ‘thresholds’ – and may even cause patient harm. The Australian Government Minister for Health could take steps immediately to reduce wasteful spending through accelerated reviews of subsidised medicines and health services.

Often health care providers do not realise that they are providing inappropriate or even harmful treatments. Clinical guidelines can help to promote high value medicine, but are often too complex, out of date, lack credibility or are poorly implemented. Getting guidelines right requires getting clinicians involved in guideline development and implementation, such as through the use of clinician expert panels.

Health care providers may also lack strong financial incentives (and the financial ability to choose) to deliver

clinically and cost effective medicine. While the payment models used in Australia have advantages (fee-for-service in primary care, activity-based funding in public hospitals), there is evidence that these models can encourage over-servicing, reduce quality and safety, and lead to fragmented care and cost shifting.

There is broad agreement that Australia should be investing more in preventive health, but it is not always clear how to do so cost effectively – especially for complex health problems such as obesity. More evidence on the clinical and cost effectiveness of specific preventive health measures is needed, and should be gathered through advice from private insurers, and trials and evaluations.

Regulations can be made to work better

Governments regulate many aspects of the health system, in order to protect patient safety and promote affordable and accessible health care. But there is evidence that some regulations are not achieving their objectives as efficiently as they could be.

Restrictions on health professionals’ scopes of practice (the tasks they are allowed to perform) can limit the flexibility of health care services to respond to patient needs. Researchers have identified some tasks that could be performed just as safely and effectively by other professionals, (table 1). Such role expansions

Table 1 Potential opportunities to expand workforce roles

Tasks	Currently done by	Potential for expanded duties
Performing basic personal care (washing patients) and indirect care (clerical work)	Registered nurses	Nurse assistants
Performing endoscopy and sedation procedures	Medical practitioners	Nurse practitioners
Assisting with patient procedures, administration tasks and patient transfer	Allied health professionals	Allied health assistants
Administering vaccines, monitoring blood pressure, diabetes testing, and issuing some medical certificates and repeat prescriptions	General practitioners	Pharmacists or nurse practitioners
Diagnosing patients, performing examinations, prescribing medicines, and referring patients to specialists	General practitioners	Physician assistants
Diagnosing and treating some patients within hospital emergency departments	Medical practitioners	Physiotherapists
Treating patients in their usual place of residence rather than in hospital emergency departments	Medical practitioners	Paramedics

could result in better coordinated patient care and improved job satisfaction for health professionals. State and territory governments are best placed to lead this work, by initiating and evaluating trials and using the results to expand workforce scopes of practice.

Restrictions on the location and ownership of retail pharmacies limit competition, raise prices and make it harder for some consumers to access pharmacy services. There would be significant potential benefits from governments removing these rules and targeting safety and access objectives more directly.

There is evidence that the Australian Government and patients pay far more for prescription medicines (through the Pharmaceutical Benefits Scheme) than do governments and patients in other countries. More competitive pharmaceutical prices could be achieved through changes to the arrangements for pricing medicines, and, potentially, through the establishment of an independent price-setting authority.

Regulations on private health insurance may be limiting the ability of insurers to develop new and innovative products that better meet their customers' needs. There could be benefits in amending these restrictions to enable insurers to play a greater role in supporting better health outcomes and lowering health care costs. However, a careful, incremental approach to reform is needed, so as not to undermine the multiple objectives of private health insurance regulation.

More information can be made available

Good information is a prerequisite for an efficient and effective health care system. The complex and technical nature of health care means that patients, governments and insurers do not have the same information and expertise as health care providers, and so can find it difficult to control the quality and cost effectiveness of health care.

Information and transparency are vital for helping the community and governments to hold health care providers to account, and to promote clinically and cost effective patient care. However, inadequacies in the collection and dissemination of data on individual hospital costs and quality, and the performance of individual clinicians, have impeded transparency. Australia performs poorly compared to other countries in terms of releasing detailed performance and administrative data, and in the uptake of nationally consistent electronic health records.

Transparency can be improved by all health ministers taking steps immediately to publish more information on health care provider and clinician performance. Cost effective practice can be better identified by providing researchers greater access to government datasets (subject to privacy safeguards). And increased uptake of electronic health records can promote better coordination and management of patient care.

Improving health system efficiency: Summary of reform ideas*

Improve health technology assessment processes and reviews

The Australian Government Minister for Health can: accelerate reviews of existing MBS and PBS items; review and revise Australia's health technology assessment arrangements to reduce duplication and fragmentation and improve disinvestment mechanisms; and share Australian Government HTA assessments with the states and territories.

Promote evidence-based clinical practice

The Australian Government Minister for Health could establish expert panels of clinicians to assess and endorse clinical guidelines, and to advise on dissemination, implementation and review.

Improve financial incentives for better quality patient care

The Independent Hospital Pricing Authority can introduce a quality and safety dimension to pricing within activity based funding (subject to feasibility assessment currently underway).

Australian, state and territory health ministers can trial and evaluate alternative payment models.

Encourage cost-effective investment in preventive health

Australian, state and territory governments can routinely trial and evaluate prevention initiatives.

Increase health workforce flexibility

State and territory health ministers are best placed to initiate health workforce role expansions, based on evaluations of past and current trials, and amend scopes of practice accordingly.

The Australian Government Minister for Health could identify where there would be benefits in expanding the types of health professionals that can access reimbursement for MBS or PBS items, and can also champion workforce reforms at the national level.

Increase competition in retail pharmacy

The Australian Government can remove restrictions on retail pharmacy location.

State governments can remove restrictions on retail pharmacy ownership.

Increase competitiveness of pharmaceutical prices

The Australian Government Minister for Health could: eliminate delays in price disclosure processes; consider applying a larger statutory price reduction to PBS items when a generic alternative is listed; and examine the case for a statutorily independent PBS price-setting authority.

Promote a more competitive, innovative health insurance sector

The Australian Government Minister for Health can facilitate trials of expansions in the role of private health insurers including in managing chronic conditions and in preventive health, and evaluate these trials.

Improve information availability and dissemination

Australian, state and territory health ministers can release more data on the performance of individual health care facilities and clinicians, and drive greater uptake of electronic health records.

Australian Government social policy ministers can give researchers greater access to MBS, PBS, Centrelink and other government-held datasets.

** Full details of the reform opportunities are available in the research paper.*

Efficiency in Health

> Commission Research Paper

> Released April 2015