“Healthcare Reform and Economic Growth”

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<Keynote Speech>

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"The next health reforms and the role of Area Health Service arrangements in Australia"

In today's symposium, we have heard discussion of the status of and issues in health reforms in developed nations such as Japan and the US. I would like to continue this discussion by adding to the other speakers by offering my personal opinion on how far Australian health reforms have progressed, the role played by vertically integrated IHN healthcare providers in health reforms, and so on.

Australia's current health system faces the same problems as Japan and other developed nations. First, the current health system has not prepared for the future. Second, with nine governments involved, there is blame-shifting between the national and state governments. Third, there are gaps and a lack of mechanisms for cooperation in the health services that people need. Integration is needed. Fourth, as one of the Japanese speakers mentioned, there is too much pressure on public hospitals and health professionals in Australia as well. I will present some data later, but the funding system for Australia's health system is not sustainable. Furthermore, it is inefficient and wasteful. Improvement by drawing doctors, nurses, and medical staff into health reforms is therefore being considered.

What, then, is the government doing? Two-thirds of Australia's health funding comes from the government and one-third from the private sector. My understanding is that in the US, the private sector's share of health funding is high, and in Japan, it is also higher than in Australia. Australian health reforms are led by the government. This is because the government accounts for the higher share of funding. Australian health reform has already begun. Their centerpiece is increasing government expenditures on health. This is based on the idea that health costs are low compared with other OECD countries, and health funding is inadequate. Our policy is to train and employ more doctors, nurses, and other health professionals. In particular, the plan is to increase the number of general practitioners, who are close to home. The government believes that by focusing on prevention rather than cure, it can improve overall national health. An issue peculiar to Australia is the health gap between indigenous and non-indigenous people. By improving indigenous people's access to health, the government aims to close the life expectancy gap between indigenous and non-indigenous Australians.

The government worked to listen to the community and experts in order to advance health reforms. The National Health and Hospitals Reform Commission's report made three recommendations. They are "Tackle major access and equity issues that affect health outcomes," "Redesign our health system

so that it is better positioned to respond to emerging challenges," and "Create an agile and self-improving health system for long-term sustainability."

The following measures are to establish the foundation of a new health system: "The Commonwealth taking the dominant financial role for public hospitals," "The Commonwealth taking full funding and policy responsibility for GP and primary health care," "Rebalancing financial responsibility between the Commonwealth and the states," "National standards for a unified health system," "Local hospital networks to drive accountability and performance," and "The Commonwealth paying local hospital networks directly for the services they provide."

There are projections for the Australian government's health expenditures from now until the middle of the 21st century. According to these projections, aging and population increases will have only a modest effect on increasing spending. This is because Australia actively welcomes immigrants, which slows the speed of the increase in the elderly population. However, the projected increases from new demand for health services are quite large. This will be brought about by advances in medical technology, which will lead to a succession of new health services.

Supposing that the health reforms that the government is currently proposing are the right ones, how will they be implemented? A tentative schedule has been decided. Payments to hospitals are currently made by bureaucrats and involve a lot of red tape. Beginning July 1, 2011, state governments will collect and make the payments. During this period, local hospital networks will be formed. From July 1, 2012, the Commonwealth will pay local hospital networks directly. From July 1, 2013, the share of Goods and Services Tax revenue devoted to healthcare costs will be fixed. Subsequently, the share will be increased every year in order to guarantee funding for healthcare. Clearly setting forth how Goods and Services Tax revenue will be used is important to the public, who are the ones paying the tax. Australians will be able to access any medical institution. To do so, they need to be able to access transparent and nationally comparable performance information on hospitals and health services. The government will create the national standards data that will become the infrastructure for this.

Local hospital networks are small groups of public hospitals with a geographic or functional connection. They combine elements of horizontal and vertical integration. A number of types can be imagined, depending on the size and functions of the participating hospitals. What they have in common is their resemblance to the integrated healthcare networks that the other speakers have discussed.

Looking at roles and responsibilities if local hospital networks are operated, the national government has four roles: "Determine efficient price, pay 60 percent for each service provided, and pay 60 percent of other costs, including capital," "Performance metrics and target setting," "Standards setting, guidelines, quality and safety and national clinical leadership," "Hospital workforce planning along with state governments." State government roles include: "Pay remaining costs, including any costs above the efficient price," "Capital planning and management," "Capital

ownership," "Performance management and remediation," and "Industrial relations negotiations." Local hospital networks themselves would be responsible for receiving Commonwealth funding for health services, agreeing with state governments on local activities and health services mixes, managing operational budgets, and efficiently providing high-quality health services. However, breaking up Area Health Services and transferring their functions to small local hospital networks would decrease efficiency, so I think that large-scale public medical corporations and Area Health Services that have already formed should remain in place.

In these ways, health reforms designed to raise quality and efficiency and build a financially sustainable health system have already begun in Australia. They reflect the idea of integrated healthcare networks.