

Health Funding Crisis

The call has been made. Health system in crisis! Health budget out of control! Government resorting to desperate measures! Hospital beds to close! Elective surgery to be cut! Staff to be laid off! Health is a monty to get a headline, especially if it contains bad news. There is nothing quite as emotive as health.

But do the headlines tell the full story?

Health, excluding Human Services (ie housing, child services and disability services), can be considered as 3 separate elements, being preventative and public health, intensive health (ie hospitals) and finally chronic, palliative care and rehabilitative health.

The last is a nightmare of complex funding arrangements and responsibilities between the Commonwealth and the State, and is in urgent need of reform. A matter for another day.

However, it is the first two that are getting the attention at the moment.

At \$1.8 billion, the overall health budget presently consumes around 40% of the State's budget. And is growing at a rate of some 7% pa (or 65% over the last 6 years) in comparison with the State budget of 3.5% pa (or 35% over the same period). Such a growth rate is obviously unsustainable and if allowed to continue, would consume the entire State budget within 10 to 15 years.

So steps must be taken to bring the health budget under control, unpalatable as they might be, and the Government has determined to find savings of \$100 million.

First and foremost we need to distinguish between the administration of health and the delivery of health services, principally through the hospitals.

The numbers in the health bureaucracy have been relatively stable for the last 5 years at around 600 persons (EFT's). So arguments concerning a burgeoning bureaucracy do not correlate with the statistics, and action has already been taken to reduce the numbers.

Which leaves the hospitals. Over the last few years, hospital budgets have exploded and hospital staff numbers have increased by over 30%. A serious issue for Government.

With a population of around 500,000 - the same size as Geelong - Tasmania boasts 3 public hospitals, and 4 if we include the Mersey General. Each hospital has its own administration and each is attempting to provide a full range of services. As admirable as this may be, is this realistic? As a community we need to recognise that health is not a bottomless pit in which to pay more and more tax-payers dollars, and the limited financial resources available need to be effectively managed to maximize adequate patient care.

There have been calls for hospitals to become a Commonwealth responsibility, and this call seems to be supported by the present State Government. I regard such a call as being politically inept. If funding and thus control is to move from the State to the Commonwealth, then all decisions pertaining to hospitals will also move to the Commonwealth, and the State will lose control over one of its core functions. As the Federal minister said when denying this request “The States are best placed to understand local needs”. So true.

And it misses the fundamental point that the health budget will still need to be brought under control, and tough decisions will still need to be made. I believe we have a vested interest in controlling our own destiny rather than have a distant bureaucracy in Canberra do it for us.

But the State must get its house in order. Negotiating a better deal overall with Canberra is part of the story.

The real issue is not who provides and controls the funds but ensuring an effective system of management. Do we really need three separate managements to run our hospitals? And stories of duplication and waste abound. Hospital IT systems cannot speak with each other, even within hospitals, and it is obvious that specialists are gaming the system because there are few productivity measures and controls in place.

The Government has been forced to the starting line in directing its approach to health care expenditures, and has made decisions which to date have been limited to trimming the bureaucracy and non-essential surgery. These decisions do not affect emergency and essential care. However, it has yet to articulate a longer term strategy other than the spinning-the-wheels approach of balancing the budget. And this is its problem. There is no vision.

Without an overall strategy regarding its spending priorities, other than balancing the books, the government leaves itself open to attack from all quarters. On what basis was the quantum of cuts (some \$100 million) determined? What is the overall policy relating to health care? What direction will be taken to provide a more effective and care-orientated hospital system? What priorities were considered more essential to keep than elective surgery? The list goes on.

Left to the hospitals to decide priorities, then of course they will choose the most sensitive areas to cut, then stare their Minister down. It is certainly a technique that has worked to their advantage in the past and has caused massive blowouts of past budgets.

Yet statistics are not the whole story.

Cutting elective surgery may be a short-term fix, but with longer-term consequences, both in terms of the health status and suffering of the patients, and the extra cost of treatment later on.

And a Government being seen to walk away from people in need, in misery, and in pain is an appalling look, and the Government stands condemned for the insensitivity shown in this present circumstance.

Superimposed on the decision to cut back elective surgery is the leverage effect of an additional Commonwealth payment of \$141 million. Although there are serious caveats to this funding, it is not smart financially - and dumb politically - to simply walk away from such offers. The signals given by such an approach are diabolical.

I have argued long and often that Tasmania needs to encourage wealth-generating activity. Not just income generating (eg Commonwealth payments) but wealth-generating. In order to spend it we first need to earn it. If we walk away from our wealth-generating industries, such as forestry, mining and manufacturing, then the inevitable consequence will be less money to fund the services we expect to be provided, such as hospitals.

It may be an inconvenient truth, but a truth it is, nonetheless. We deny it at our peril.