

Summary of COAG agreement April 2010

By Sim Mead

what was agreed?

Additional funding for NSW

Figures provided by the NSW Premier indicate that if the pre-COAG announcements about additional funding are combined with the funding promised at COAG, NSW will receive a total of \$1.225 billion in the period 2010-11 to 2013-14. This includes:

ED four hour national access target	\$308m
Elective surgery	\$260m
Rural multi-purpose services	\$39m
Long-stay older patients in hospitals	\$91m
Sub-acute care	\$268m
Acute care	\$259m

Some of this funding is dependent on achieving performance targets, e.g. the emergency department four hour national access funding is divided into upfront payments, reward payments over four years and funding for capital.

The Commonwealth Government has also guaranteed that the growth funding in the period 2014-15 to 2019-20 will be no less than \$4.893 billion. It has committed additional funding amounting to \$497 million for 2010-11 to 2013-14 for Commonwealth responsibilities in NSW e.g. GP training and aged care.

Compromises

A number of compromises were reached between the Prime Minister and the NSW Premier. In return for agreeing that the Commonwealth will retain one-third of the NSW GST revenue the Prime Minister agreed that:

- Local hospital networks (LHNs) will be limited to 90 nationally, rather than 150.
- The States will determine the size, number and location of these LHNs.
- The States will appoint the LHN managing councils.
- There will be block funding for small rural hospitals.
- States will be represented on the Independent Pricing Authority to ensure that differences in wages and costs in each jurisdiction are taken into account.
- Commonwealth activity-based funding will be paid into a pool in each State that is controlled by the State rather than a single national pool controlled by the Commonwealth.

how will it work?

Public hospitals – the State Government will be the purchaser of public hospital services, which will be delivered by LHNs. The Commonwealth will have no role in the LHN Service Agreements negotiated between LHNs and the State Government.

LHNs – will be the direct managers of single or small groups of public hospitals through a professional governing council in order to devolve operational management to the local level. They will be held directly accountable for hospital performance. LHNs will work with PHCOs to support integrated care.

Funding arrangements – the reforms will be financed through a combination of:

- Funding sourced from the National Healthcare Specific Purpose Payment.
 - An agreed amount of State GST revenue which would then be allocated on States' behalf to health and hospital reform.
 - Additional top-up funding to be paid by the Commonwealth.
- The Commonwealth's funding contribution will be paid into the National Health and Hospitals Network Fund (NHHNF). State-based intergovernmental authorities will receive funds from the NHHNF and State governments and pay LHNs on an activity basis.

These State-based funding authorities will have a board of three members: an independent chair chosen jointly by the Commonwealth and the State, one member appointed by the Commonwealth and one member appointed by the State. They will have no policy or operational role.

The NHHNF will also direct payments to States for the Commonwealth's contribution to 60 per cent of the cost of research and training, large-scale capital investment and block funding for agreed services and functions. The NHHNF will also provide a stream of funding to states for the continued delivery of GP and primary healthcare services for which full funding and policy responsibility is being transferred to the Commonwealth.

The Commonwealth has guaranteed that the top-up payment during the period 2014-15 to 2019-20 will be no less than \$15.6 billion (nationally). If the health system growth does not reach this figure states will spend the residual as additional funding for any health service that will assist in ameliorating the growth in demand for hospital services including programs for chronic disease management, preventive health, mental health, hospital admission avoidance programs and hospital early discharge programs.

Commonwealth funding under the National Health and Hospitals Network Agreement is ongoing and automatic. This means that top-up funding would not be subject to annual Budget processes or alternation by the Commonwealth executive and States will be able to legally enforce Commonwealth top-up payments.

Independent Hospital Pricing Authority – the IHPA – at arms length from Commonwealth and State Governments will set the national

efficient price for the Commonwealth's contribution to public hospital services. It will also be responsible for determining the Commonwealth's payments for block funding.

Primary care and aged care – the Commonwealth will have full funding and policy responsibility for GP and primary healthcare including community health centres, primary mental healthcare, immunisation and cancer screening programs. PHCOs will be responsible for integration of services and reducing access gaps. The Commonwealth will also have full funding and policy responsibility for aged care including HACC (except in Victoria).

Performance reporting – a new independent National Performance Authority (NPA) will be responsible for local level performance reporting. The Hospital Performance Reports prepared by the NPA will show how LHNs and private hospitals perform against new national standards and other performance indicators including:

- Public hospital emergency department and elective surgery waiting times.
- Adverse events in hospitals.
- Patient satisfaction.
- Financial management.

New clinical safety and quality standards will be developed by a permanent Australian Commission on Safety and Quality in Healthcare. The NPA will be responsible for reporting on performance against these standards across both primary care and public hospitals.

AMA Federal President, Dr Andrew Pesce:

"Clinicians need to be fully involved in the setting of targets, the development of service agreements and the monitoring of the system.

"There is still a concern however that State bureaucracies could seek to control Local Hospital Networks. This would work against the spirit and intent of the COAG agreement and must not be allowed to happen.

"For the hospital reforms to be truly effective it is vital that general practitioners are adequately resourced and supported to treat people in the community."

know your health acronymns

- NHHNF** – National Health and Hospital Network Fund
- LHN** – Local Hospital Network
- PHCO** – Primary Health Care Organisation
- IHPA** – Independent Hospital Pricing Authority
- NPA** – National Performance Authority