

Summary of the Council of Australian Governments Heads of Agreement: National Health Reform (February 2011)

The following is a summary by Health Consumers Queensland (HCQ) of the Heads of Agreement for National Health Reform (the HoA) reached at the Council of Australian Governments (COAG) meeting on Sunday 13 February 2011. This summary also compares the key reforms under the HoA with key reforms in the National Health and Hospitals Network Agreement 2010 (see Attachment A).

The Commonwealth Government and all State and Territory Governments have signed the HoA. The HoA will form the basis of negotiations towards a new National Health Reform Agreement, which will replace the National Health and Hospitals Network Agreement reached by COAG in April 2010 (a summary of that Agreement is contained in Attachment B). A new National Health Reform Agreement will be developed and signed by the parties by 1 July 2011.

All other elements of the National Health and Hospitals Network Agreement 2010 and the National Partnership Agreement on Improving Public Hospital Services that are not amended by the HoA are preserved.

Senior State/Territory and Commonwealth officials will undertake further work towards a new National Health Reform Agreement. Once the National Health Reform Agreement is signed the HoA will lapse.

HCQ has endeavoured to summarise the Agreement while remaining faithful to its overall content and wording. The full Agreement is approximately 13 pages and can be viewed at <http://www.coag.gov.au/>.

A. Key reforms in the 2011 Heads of Agreement

- The Heads of Agreement (HoA) sets out the shared intention of the Commonwealth and State/Territory Governments to work in partnership to improve health outcomes for all Australians and ensure the sustainability of the Australian health system.
- The HoA notes that the reforms will deliver better health and hospitals by:
 - a. helping patients receive more seamless care across sectors of the health system;
 - b. improving the quality of care patients receive through higher performance standards, unprecedented levels of transparency and improved engagement of local clinicians; and
 - c. providing a secure funding base for health and hospitals into the future.

1. Role of the Commonwealth and States/Territories

The reforms will deliver a nationally unified and locally controlled health system.

The Commonwealth Government and State/Territory Governments will:

- Share equally the costs of growth in the public hospital system.
- Work together on system-wide policy and State-wide planning for GP and primary health care services.
- Work on further reforms to mental health, dental health and aged care over the next three years.

The Commonwealth Government will:

- Be responsible for primary health care reforms including:
 - Establishing Medicare Locals (primary health care organisations)
 - Establishing 64 GP Super Clinics and providing grants to upgrade 400 existing practices
 - Investing in training, including up to 1,200 more GPs a year, more allied health professionals and supporting up to 4,600 practices nurses in general practices.
- Bring forward the establishment of more Medicare Locals to ensure the benefits of integration occur more quickly.
- Bring forward after-hours GP care to enable Medical Locals to plan and support GP services outside normal hours, thereby reducing strain on public hospitals.
- Over time, empower Medicare Locals with flexible funding to target services to their local community's specific needs.
- Have full funding, policy, management and delivery responsibility for a national aged care system.
- Have funding and policy responsibility for Home and Community Care Services (HACC) for persons aged 65 years and over (over 50 for Indigenous Australians) in all states except WA and Victoria.

The State/Territory Governments will:

- Remain managers of the public hospital system and will negotiate service level agreements with Local Health and Hospital Networks.
- Be responsible for:
 - day-to-day hospital system operation,
 - system-wide public hospital service planning and performance,
 - purchasing of public hospital services,
 - planning, funding and delivering capital, and

- planning, funding (with the Commonwealth) and delivering teaching, research and training in public hospitals;
- Continue to play a significant role in the delivery of primary health care services.

It is understood that the States/Territories will continue to share funding responsibility for primary health care, but that the Commonwealth will lead primary health care reform efforts.

2. Funding

- The HoA sets out the following key elements of funding of public hospital services by the Commonwealth and States/Territories. Funding arrangements for the reforms are as follows:
 - The States/Territories will therefore no longer transfer 30% of the GST to the Commonwealth.
 - The current base funding for hospital and health services in the Special Purpose Payment linked to the National Healthcare Agreement signed in 2008 will continue;
 - The efficient growth of hospital services will be equally funded by the Commonwealth and States/Territories from 1 July 2017
 - The Commonwealth will increase its contribution to efficient growth funding for hospitals to 45% from 1 July 2012 to 50% commencing 1 July 2017. From 1 July 2012 the Commonwealth will contribute half of every dollar needed by the States for increases in the efficient price of hospital services and service provision growth.
 - The Commonwealth guarantees their contribution to growth will be a minimum \$16.4 billion nationally between 2014-15 and 2019-20. If their share is less than \$16.4 billion, any residual funds will be provided to the States/Territories as additional funding for hospital services including chronic disease management programs; preventative health programs; mental health programs; hospital admission avoidance programs; and hospital early discharge programs as jointly agreed by the Commonwealth and States.
 - The Commonwealth's contribution for hospital services will include funding for public hospital services for public patients; block funding for hospital services including those in regional and rural areas; teaching, training and research functions in public hospitals; and public health programs.
 - The Commonwealth and States/Territories will contribute hospital funding into a single national pool to be administered by an independent national funding body from 1 July 2012. The funding pool will include base and growth funding on an activity basis, and additional streams of funding agreed by COAG. Money will be identified in state accounts within the national funding body and transferred from the pool direct to Local Health and Hospital Networks (LHHNs).

- Commonwealth and State/Territory legislation will be jointly developed to give effect to these funding arrangements.
 - The national funding body's key functions will be to provide for the transparent and efficient administration of funding the national public hospital system. Monthly reporting on the flows of money in and out of State accounts will be undertaken by the independent national funding body.
 - A national system of activity based funding (ABF) will continue to be implemented – public hospital services will be funded on the basis of the national efficient price for each public hospital service provided to public patients (except for some small rural hospitals who will be funded by block grants where ABF is not appropriate). The national efficient price will be set by the Independent Hospital Pricing Authority.
3. States will determine the level of activity to be purchased from networks and will be responsible for any difference between the nationally efficient price and the price at which services are actually delivered.

Local Health Networks

- There are no changes to the governance arrangements for Local Health and Hospital Networks (LHHNs) which will be established as separate and autonomous.
- LHHNs will be single or small groups of public hospitals with a geographic or functional connection and will provide a range of hospital services. As separate legal entities under State legislation, they will operate with a Governing Council and CEO with responsibility for delivering services agreed with their State Government.
- LHHNs and Medicare Locals will work together to integrate services and improve the health of local communities.

4. Medicare Locals

- Medicare Locals will be responsible for coordinating and better integrating primary health care services in their local communities and regions.
- Medicare Locals and State-funded health and community services will work cooperatively to achieve these objectives in each local community.

5. Aged Care and Home and Community Care

- The Commonwealth Government will have full funding, policy, management and delivery responsibility for a national aged care system, as well as funding and policy responsibility for Home and Community Care Services (HACC) for persons aged over 65 years of age (over 50 for Indigenous Australians) in all states except WA and Victoria.

6. Performance and Accountability Framework

- The implementation of strong national standards for public hospital services will continue.
- A revised National Partnership Agreement on Improving Public Hospital Services has been agreed which retains the performance targets for elective surgery and emergency departments as well as funding for new subacute beds. New targets have commenced for 2011 and include:
 - a new emergency department four hour target for category 1 patients, and
 - a set of interim elective surgery targets for patients being seen within the clinically recommended time.
- An expert panel is to be established to advise COAG on the effective implementation of the national standards and the right balance between reward and facilitation payments.
- The Australian Commission on Safety and Quality in Health Care will develop national standards for clinical safety and quality improvement.
- The **National Performance Authority (NPA)**, which is to be established from 1 July 2011, will monitor performance of Medicare Locals and Local Health and Hospital Networks, and produce public reports on the performance of hospitals and health care services that are uploaded to the MyHospitals website

B. Comparison of key reforms: the 2011 Heads of Agreement v. the 2010 National Health and Hospitals Network Agreement

A comparative summary of the key reforms under the 2011 COAG Heads of Agreement and the 2010 National Health and Hospitals Network Agreement is detailed in Attachment A.

Significant changes include:

- **Funding for public hospitals:** The States/Territories will no longer transfer 30% of their GST to the Commonwealth to fund the national health and hospitals reforms. Rather, the Commonwealth and States/Territories will equally fund the efficient growth of hospital services.
- **Primary health care:** It is understood the States/Territories will retain policy and funding responsibility for primary health care, rather than transferring policy and 100% funding responsibility to the Commonwealth. The Commonwealth will be responsible for driving primary health care reforms inclusive of establishing Medicare Locals, GP super clinics, after-hours GP care and training of health professionals. Joint work will occur in relation to system-wide policy and State-wide planning for GP and primary health care services.
- Joint work around reforms to mental health, dental health and aged care will also be undertaken over the next three years.

- **Funding authorities:** Rather than multiple funding authorities at the State and Commonwealth levels, the Commonwealth and States/Territories will contribute hospital funding into a single national pool to be administered by an independent national funding body.