

4: Public hospitals

Public hospitals provide essential care for sick and injured people. They are fundamentally different from private hospitals. They provide:

- care to all, not only those who can pay for it
- the most complex, specialised services for people who are critically ill
- free emergency care at all hours to all people who need it.

Public hospitals tend to treat seriously ill people with complex conditions, where private hospitals tend towards more surgical and elective work.

Public hospitals are under pressure. They continue to treat people with very complex conditions and face growing demand for their services. In just five years, the number of inpatient admissions has grown by about 400,000 people.

The states and territories are committed to improving the performance and accountability of the public hospital system. That is why we contribute data to a number of national, state and territory reports.

Public hospitals are funded by a combination of Australian Government money and money from the relevant state or territory government. Free access to public hospitals is a fundamental component of Medicare, and a continuing responsibility of the Australian Government.

Over the years, the proportion of public hospital costs paid by the Australian Government on one hand, and the states and territories on the other, has fluctuated. But that proportion has always hovered around a 50:50 share.

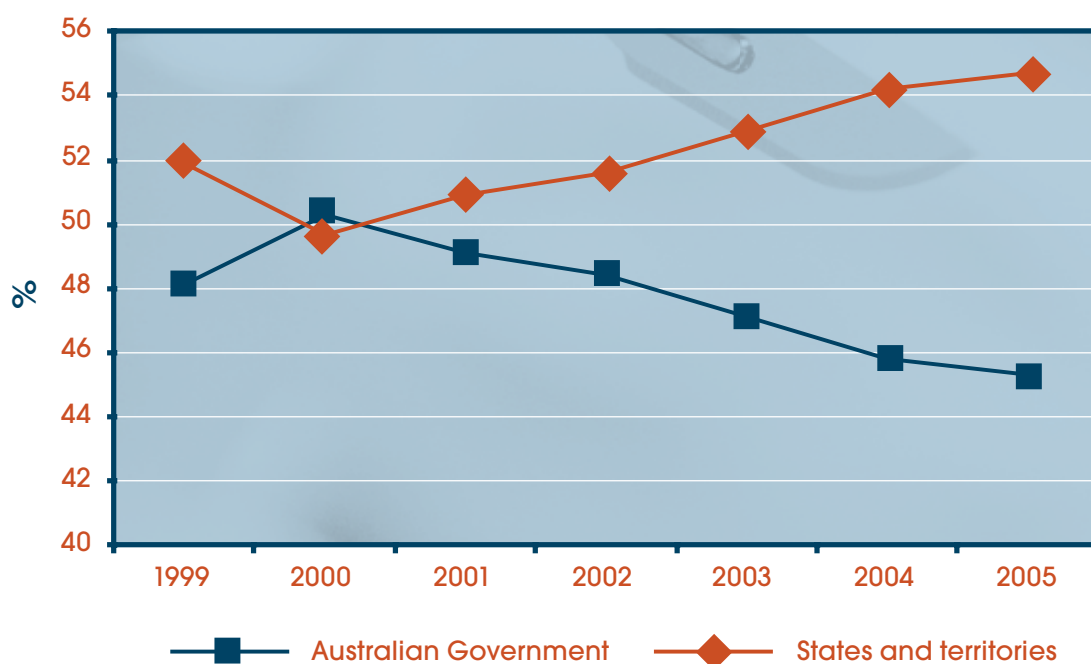
But since 2000, the Australian Government has gradually reduced its share of the funding of public hospitals (see figure 12). The states and territories are having to put in more and more.

In 2000, the Australian Government contributed 50% of the cost of running and maintaining public hospitals. In 2005, that share had dropped to 45%.

The states and territories have picked up the shortfall. Their share of funding of public hospitals has risen from 50% in 2000 to 55% in 2005.

If this trend continues, then in 20 years' time the Australian Government's share of public hospital funding will have declined to about 25%, and the states' and territories' share will have risen to about 75%. This would affect the states' and territories' ability to look after other essential services such as schools, police, public transport and roads.

Figure 12: Share of funding for public hospitals (%)

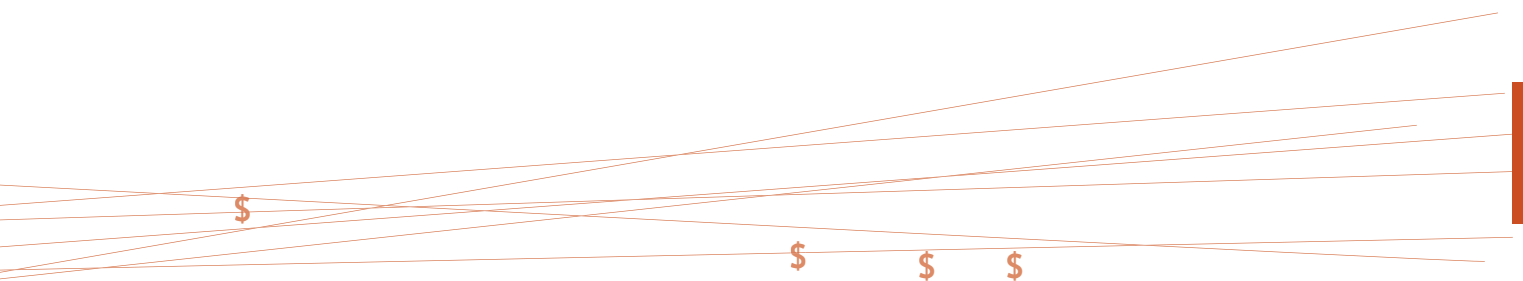


In 1998 the Australian Government negotiated, with the states and territories, a new round of funding for public hospital services. There was a disagreement over figures used to adjust funding for annual price rises. The parties agreed to use an independent arbiter.

The arbiter recommended that, as prices in health care rise faster than inflation, the Australian Government's contribution to public hospital funding should be increased by 0.5% more than the inflation rate.

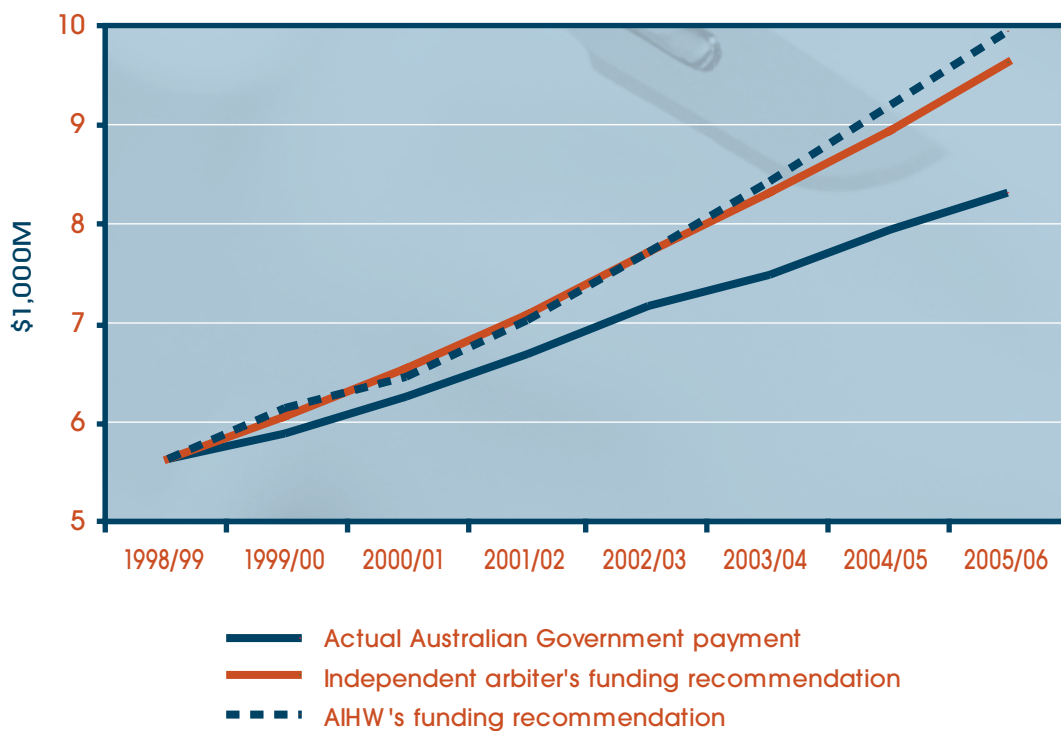
The Australian Government ignored that recommendation. It also ignored statements made by the Australian Institute of Health and Welfare, an expert body funded by the Australian Government, that health prices should be adjusted by a figure higher than the inflation rate.

Instead, the Australian Government has adjusted funding by a figure lower than the inflation rate. The result is that it has contributed far less to Australian public hospitals than the arbiter recommended, and than the Australian Institute of Health and Welfare would expect. That shortfall is now \$1.1 billion per year (see figure 13), and growing.



What could \$1.1 billion a year buy? About 350,000 admissions to public hospitals. That is quite a shortfall.

Figure 13: Australian Government spending: actual versus recommended (\$1,000M)



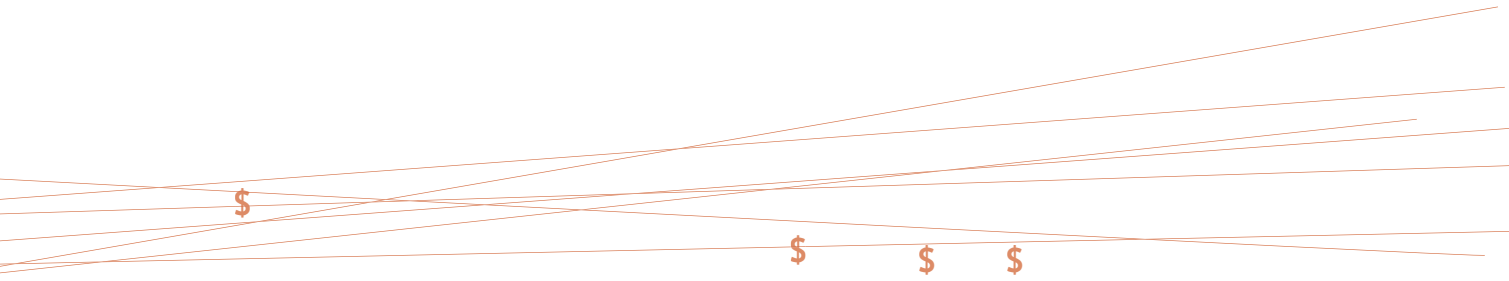
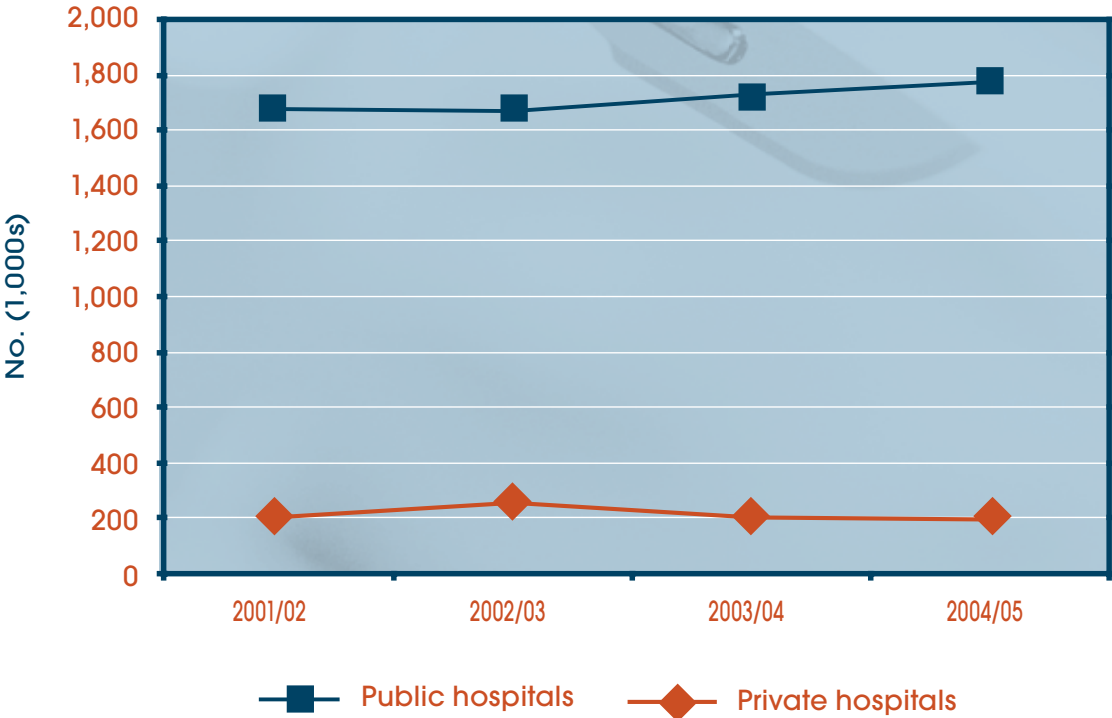
The Australian Government's contribution to public hospitals under the current funding agreement (which is different from the overall funding) has dropped to about 40%. Under this agreement, which is up for renewal next year, the states and territories pay about 60% of the costs of running public hospitals.

Emergency work

Emergency admissions are an important measure of what a hospital does. People admitted through the emergency department are the sickest people. They need the most time, staff, technology and medicines to look after.

Figure 14 shows that by far the majority of emergency admissions are through public hospitals, not private hospitals. In fact, the number of emergency admissions in private hospitals is falling while the number of emergency admissions in public hospitals is rising.

Figure 14: Number of emergency admissions (1,000s)



This rise in public hospital emergency admissions is partly due to difficulties people have in seeing GPs, so people might not get the care they need, when they need it. Hospitals find people attending now are more likely to be seriously ill than they were 10 years ago.

And because emergency admissions take priority, sometimes public hospitals find it difficult to admit as many people for elective surgery as they would like.

It is worth adding that public hospitals are banned by the Australian Government from charging private health insurance funds for their members who attend public hospital emergency departments (although private hospital emergency departments are allowed to charge).

Older people in public hospitals

Older people tend to need more complex care, and to spend more time in hospital, than younger people. People over 65 account for about a third of total hospital admissions, and use almost half of all beds.

In August 2006, there were about 2,300 older people in public hospitals who should have been in an aged care facility. But the aged care places, which are largely the responsibility of the Australian Government to fund, were not available.

This is a problem for both patients and hospitals. From the patient's perspective, a busy hospital ward is not the best place to stay if they don't need to be there. And from the hospital's perspective, a bed used by someone who doesn't need it is a bed that is not available to someone who does.

There are many important questions which are not being answered by the Australian Government.

They include the following.

- How many residential aged care places and community-based support packages have been approved but are not yet available to the public in different local government areas?
- What are the waiting times for older Australians, once they have been assessed as requiring residential aged care placement or a community-based support package, in different local government areas?
- What is the true cost to the public health system of leaving older Australians who are waiting for a place in an aged care facility in a hospital each night?

Summary

The Australian Government is paying a smaller and smaller share of public hospital costs each year. It is now paying about \$1.1 billion a year less than recommended.

If it paid the extra \$1.1 billion a year as recommended, public hospitals around the country could manage an extra 350,000 admissions a year.

Many older people are waiting in acute hospital beds for places in aged care facilities because of a shortage of Australian Government funded aged care places.

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