Unhealthy NSW on brink of dying

There is financial chaos in parts the NSW health sector. Story after story has surfaced about the inability to pay suppliers and the flow-on effect this has on clinical treatment and nursing care for patients.

The cash-flow crisis is worst in regional communities. Only the dedication of our health professionals, who work around the problems, underpins the high standards of care achieved.

And it is through their determination to ensure better services that they have bravely come forward to provide us with some insight into the nature and extent of the problems.

In Australia, health is a public good. Demand for this essentially free service now outstrips the capacity to supply.

So it's not surprising there are significant financial pressures on the system. As a nation, we are ageing and living longer. This compounds the demand side of the equation.

The health budget has grown significantly and is currently around 28 per cent of the State's total spending.

This ongoing growth in health spending is unsustainable. This was made clear by Peter Garling SC in his Final Report of the Special Commission of Inquiry into NSW Hospitals delivered in 2008. Garling concludes the hospital system is "on the brink".

He also concluded the funding arrangements between the Commonwealth and the states needs to be re-examined, along with the way in which funds are allocated by the State to area health services and, subsequently, hospitals.

A budget is only a budget if management work to it, is transparent, and those responsible are clearly accountable.

Garling is spot on when he states: "It is essential the individual hospitals within an area, and the individual units within each hospital, know precisely what amount of money is allocated for that hospital or unit under the budget and have unconditional access to the figures showing the ongoing balance against the budget allocation.

"It is also important all levels of the organisation have some degree of understanding and ownership of the budget and can input into budget setting, review and feedback.

"Budgets also need to be attainable and it is important to clearly communicate the governance expectation that the budget will be the spending guide.

"For health this will require a realistic relationship with activity."

He says the current health budget is "unsustainable" and "efficiencies and rationalisations must occur".

Another important aspect of effective budgeting is that those responsible for the budget can exercise control over the level of activity.

Hospitals cannot control the flow of emergency patients and even co-locating with GP clinics has not stemmed the growth in emergency presentations. For this reason, hospitals need to have as much activity-based information as possible so that the relationship between activities and costs can be clearly understood.

The continued growth in uncontrolled costs can only be addressed if local management are able to adjust for controlled activities to offset outlays consistent with their budgets.

Again, Garling's report has captured these issues and what needs to be done.

He found "clinicians and managers complain they have lost the ability to make decisions at the local level". He also found many clinicians and managers felt disenfranchised from the budget process and even the actual budget, and that budgets are overly centralised and there were insufficient spending delegations at the local level.

This was highlighted by a Dr Chapman at Westmead Hospital, who told the inquiry he was responsible for a budget of $50 million a year, but under existing delegations wasn't able to authorise a replacement pager worth $169 for a staff member. Management feel they cannot support the activities that they are accountable to provide.

This lack of capacity on the part of local management is compounded by a lack of any incentives to keep within the budget or to save money in medical practice. In addition, if practitioners are effective, they are penalised by having their budgets cut.

Performance against budget should be readily available. Local management needs to be empowered to make decisions in applying their budgets, and incentives should be in place to not only meet budget but to make savings.

Measures of performance need to relate to outcomes and quality of service delivery, rather than simple outputs-based data. As Garling found, Emergency Department admissions are measured by the time in which a patient is processed, rather than the quality of care patients receive.

The $750 million proposed by former Premier Morris Iemma to implement an electronic medical record (EMR) for NSW would save money and lives.

The system would allow for more effective treatment, track duplication and provide an immediate review of prior patient tests and tests conducted by GPs before they present at emergency — significantly lowering errors, reducing periods of hospital stay, recovery times and readmissions.

This view was endorsed by Garling, who concluded the introduction of the ERM "should go a long way to solving some of the immediate problems I have observed, and set up NSW's health system for the future".

There is enough evidence about what needs to be done to reform the sector. The question is: will both tiers of government have the political will to get on with it before it tips over the brink?

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