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Reimagining Healthcare in Australia

Budget 2017 – Progress towards reform

Progress towards reform

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Early progress, but more needs to be done to drive system-wide health reform

We believe that Australia has one of the best health systems in the world. But, the challenge facing healthcare systems today are monumental. As people live longer and incidence of non-communicable diseases increases, so does the cost for governments. Customer expectations are also changing, shaped by seamless, digital, marketplace experiences in other sectors. Consumers want to be able to access healthcare in a way that suits them – and have rapid access to the latest medical advances.

New approaches are needed to continue to deliver universal access to affordable quality healthcare, now and in the future. Healthcare that delivers better outcomes for all Australians and the economy more broadly. As well as the intrinsic social benefits, the health of a population is key to economic productivity and the health sector has potential to be an important contributor to the economy both domestically and in Asia. A "whole-of-government" approach and multi-sectorial partnerships are required to address social determinants of health, promote prevention, provide consumers choice, facilitate delivery of patient-centric services with more care in the community, develop the workforce and adopt innovative outcome-based financing.

Fundamentally, the focus needs to shift from treating illness to keeping people healthy.

Reforming our health and care system requires a system-wide approach utilising six central policy levers to have the greatest impact:

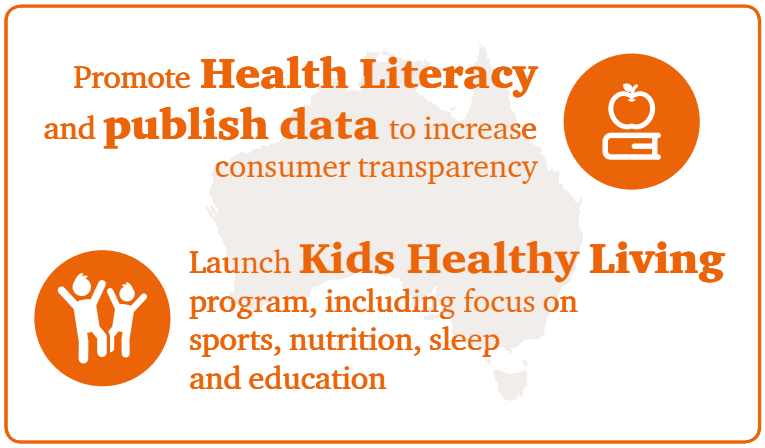
1. Consumer empowerment, education and transparency
2. Wellness and prevention
3. New models of integrated care…
4. …driven by outcomes-based funding and management….
5. …enabled by connected electronic health networks…
6. …and delivered by a health workforce that has the right capabilities

This paper looks at each of these levers and assesses the progress that could be made based on the 2017 Budget. We also present our point of view on what more needs to be done.

Taking all the Budget changes together, our perspective is that it was a good first step with some really important commitments that will help support and build the foundations for change. Investing $10B in healthcare, including areas like mental illness and medical research, fully funding the National Disability Insurance Scheme (NDIS) and changes to Medicare to rebuild trust and protect the system and support more vulnerable members of society are good examples. But more needs to be done to transform what is currently an unsustainable model. All players across the sector need to work together to continue the journey of long-term reform to ensure all Australians continue to have universal access to affordable quality healthcare.

1. Consumer empowerment, education and transparency

Encourage Australians to take greater responsibility for their own health by improving health education in schools, driving greater transparency, enabling consumer choice, and providing incentives to adopt healthier lifestyles



How the 2017 Budget has supported this theme:

- Increasing the funding and suppport for the NDIS provides a strong message that reinforces that consumer empowerment and decision making in health and care is here to stay. This is part of a broader shift from payment and focus away from the "funder + provider" towards the "consumer" – sometimes referred to as consumer directed care.
- Linking the funding of the NDIS to the increase in the Medicare levy and establishing the Medicare Guarantee Fund makes the cost and benefit of healthcare more explicit and transparent. This will help in building trust as a "fairer Australia" – but also shine the spotlight on the need for value from our spend on healthcare.

What more needs to be done:

- Embracing the NDIS and its shift in consumer directed care can enable the Government to become bolder and expand this approach to other parts of health and social care; empowering consumers to choose and determine their own care.
- Over the coming years there will be a dramatic increase in the volume and quality of health data. The Government has a responsibility to protect this data and maintain the community's trust. However, there is a significant trade-off between privacy and transparency. Other countries have done much more to make their health systems transparent and accountable to their public. Examples would include publishing, or making available on-line, performance data around health providers and facilities. Supreme Court Justice Louis Brandeis' 1913 maxim that "sunlight is said to be the best of disinfectants"[1] is a useful reference point, and this approach is certainly being adopted by some in Australia in the area of safety and quality.
- There is an opportunity to develop easy to access customer health data portals with properly validated data ("evidence based medicine') to increase information transparency and enable consumers to make more informed decisions about their health and care.
- Good health and wellbeing starts in children in their early childhood years and at school. Education can play a key role in increasing health and wellbeing programs. This should be a specific feature of future education reforms to increase health and wellbeing for life – establishing healthy habits from the start. Providing education early so people can make informed choices will help avoid a sense of a "nanny state" later.

[1]http://www.brandeis.edu/legacyfund/bio.html

2. Wellness and prevention

Place much greater emphasis on preventive approaches to keep people healthy and slow the growth in demand for health services, and tap areas such as predictive analytics to assist with prioritising interventions and catchment area planning. Focus on whole-person care – physical, social and mental wellbeing.

Set up national **Obesity commissioning** platform

Super-charge **Healthcare Homes** with additional focus on Mental Health

Ensure Mental Health is an integral part of all health care provision, integrate Federal and State based approaches

Implement changes, in consultation with the **Private Health Insurance** industry to enable and incentivise insurers

How the 2017 Budget has supported this theme:

- **Mental Health:** An injection of $115m for Mental Health, including funding for rural tele-health psychological services, mental health research and suicide prevention. Another $350m has been allocated to be spent on Veterans' mental health. The proposal is that Veterans will be able to access support services rapidly when they need them. Mental Health is a current and growing chronic disease for Australians, and more needs to be done to understand the risk factors, prevention measures and treatment pathways, as well as ensure access to those who need immediate support and treatment.
- **Medical research:** A big boost for medical research, with $1.4b over 4 years, including $66 million for research, with an allocation for children's cancers. This is pivotal to the wellness and prevention agenda. Australia has a proud history of medical research breakthroughs, and supporting this sector is critical to identifing future treatments as well as accelerating the time from 'bench to bedside' for new models of care.
- **New medicines:** Provision for new medicines, specifically $1.2 billion for new and amended listings on the Pharmaceutical Benefits Scheme (PBS). New medicines have the potential to prevent the onset of serious disease as well as treat people more effectively. These prevention measures are cost effective and enable people to continue to live in their community, rather than in hospital. In the past, there was no provision for new medicines, so, this forward-thinking is prudent, given that many new listings are eagerly awaited by patients.
- **Vaccination:** $5m is allocated to promoting the benefits of immunisation in areas like the far north coast of NSW where a higher portion of the community refuse to vaccinate their children. It's just unfortunate that the Government has to spend money promoting the benefits and safety of vaccination - but these are the times we live in. In addition, families who have missed vaccinations and want to catch up will be able to, at a estimated cost of $14m in the budget. If you are reading this, for your children's sake and the community, please vaccinate!

- **Private Health Insurance:** The budget did not specifically call out Private Health Insurance, which, by implication, ensures support for this important component of our healthcare system. There was speculation that the Government were considering a range of changes, including removing the rebate on ancillary cover.

What more needs to be done:

- **The private health insurance sector is under pressure.** Despite consultations to assess the value and long term sustainability of the sector (given factors like the aging population, the rise of chronic disease and the increasing cost of care), no new measures were introduced in the budget. We expect reform in the private health insurance sector as part of a second wave of changes, post budget.

  Ensuring a strong private health sector is integral to Austalia's balanced public-private healthcare model relieving pressure on the public system and and freeing it up for those that need it most. As well as maintaining "carrots and sticks" to support take-up of private health insurance, we believe that the Government should implement changes, in consultation with the Private Health Insurance sector including:

  – develop new effective and efficient models of care for private health insurance customers (e.g. pregnancy, rehabilitation, mental health)
  – actively manage chronic disease patients to reduce hospitalisation; and
  – develop and implement prevention programs to reduce the burden of care for those most at risk.

  Finally, the Government has previously raised prosthesis reform as an issue, to reduce the cost that private patients pay versus the public system. We would recommend that this issue is progressed in consultation with both the private health insurers and the medical devices sector to ensure the appropriate balance of quality, choice and affordability.

- **Chronic Diseases: More needs to be done to address the chronic disease challenges that our country faces, by focusing on prevention and early intervention.** Investing in wellness and prevention is critical to reducing the future cost burden of health on the Australian tax-payer. Without intervention, the modelling is worrying.

PwC's recent research on Obesity, for example, indicates that if no further action is taken to curb the growth in Obesity, there will be a total of $88b in additional direct and indirect costs to Australia accumulated across the 10 years to 2025. We know the interventions that make sense, from both an individual health perspective and a long term cost viewpoint. It is critical to act now to reduce the burden of chronic disease. In this instance, "a stitch in time saves nine" – paying for nine in the future will exhaust all Federal and State Government budgets to deal with this. Prevention is the best medicine. Obesity is a good place to start, with well researched and evidence-based intervention and prevention measures, across personal, education, environment and medical categories tailored to risk which can optimise return-on-investment.

The final aspect here is about the right setting for caring for people with chronic conditions. Australia's health and care systems are set up on a medical model that typically organises and funds around post-hoc care in a medical setting, typically a hospital or in the case of elderly Australians, a residential aged care facility. This was appropriate for the last century and the challenges of acute care – however it is not appropriate for this century and the challenges of chronic disease. We know from our own analysis that supply of aged care facilities for example will be outstripped by demand in the coming years, and also that care outcomes are often better (and more in keeping with preferences of the individual and their family) when people are looked after closer to their homes and communities. Fundamental changes are needed to shift from a model of treating illness to one where we keep people well (thereby reducing demand) in our systems to support a greater focus on keeping people well, rather than post-hoc care (and therefore reducing demand) and care for them in the right setting. This requires integrated action on prevention, new models of care and aligned funding. Health Care Homes makes a start in this direction. We note the allocation of $30 million for Pharmacists and $5 million to the RACGP towards Health Care Homes initiatives in the budget, but more needs to be done.

3. New models of integrated care....

Many see integrated care as relating only to health care and being about joining up the dots on what is currently done. Our focus here is about ***whole person care*** *– addressing all the factors that keep Australians well, with an integrated system pursuing this outcome, rather than the disparate inputs or activity in silos that current arrangements incentivise.*

We should introduce new models of care, leveraging best practices globally. These have the "right care in the right place at the right time" end-to-end with more emphasis on prevention, quality care in the best setting and targeted interventions using predictive analytics to assist with risk stratification and place-based planning.

Focus on wellbeing rather than post-hoc care – make this an explicit objective for health and care systems. Adopt a whole-person approach to care – physical, social and mental wellbeing and integrate on that basis.

Use risk stratification and predictive analytics to support earlier and better targeted interventions.

Recognise safety and quality performance in healthcare funding; raise the profile and teeth of the Australian Commission on Safety and Quality in Health Care. Invest in capacity building in this area as a key focus for prevention.

Pilot wellbeing programs, led by Primary Health Networks (PHN) and working with Local Hospital Networks (LHN) in the same geography that are designed to reduce presentations and admissions and also reduce length of stay and readmission rates. Better leverage PHN networks. Empower them to have a stronger role and demonstrate benefits to their communities.

How the 2017 Budget has supported this theme:

- Safety and quality: New agreements have been reached to measure hospital acquired complications and avoidable hospitalisations as part of the Australian Government's funding of hospital care. These measures will help the Government to measure the safety and quality of the care that it is funding and bring a level of transparency.
- Hospital funding: $2.8bn additional investment for hospitals. Australia needs safe and high quality hospitals. But, the investment should also reflect new models of care, focused on prevention and management of chronic conditions, outside of a hospital setting. Health Care Homes is a great example of this work, but it is still in the trial and test phase and being rolled out on a relatively small scale.

What more needs to be done:

- Adopt a greater focus on outcomes and in particular on wellbeing. Incentivise systems and providers across the country to work together to secure this whole-person outcome rather that the siloed provider-push model (that incentivises activity) that currently prevails.
- Trial better joint working between PHNs and LHNs to adopt a more integrated approach to securing health and wellbeing outcomes – support these trials to address issues such as joint leadership, governance, funding, technology, commissioning and measurement.
- Make greater use of the existing richness of big data that is available from the current health and care systems – supporting the work of the Australian Digital Health Agency on interoperability – to better link data and use analytics to risk stratify populations and predict future unwellness. Use the results to support more targeted programs of integrated early intervention.
- Drive new and more integrated health care pathways. For example, private health insurers are restricted to the existing 'in-hospital' models of care. There is the opportunity to explore new care models that take an integrated and community care approach. Across Australia and New Zealand, organisations responsible for workcover/accident cover are starting to explore more outcome oriented fee structures, that pay for a 'return to health'/'return to work' outcome. These payment approaches send a message that the quality of the care that produces an outcome is what really matters, and encourages providers to innovate their models of care.
- More broadly "long-tail" insurers have an inherent incentive to invest early to deliver better long-term health and financial outcomes, so it is worth reviewing regulations on what insurers can pay for and adopting this "Investment Approach" mindset more broadly with more population health type of approaches.

4. ...driven by outcome-based funding and management....

Move to a single or pooled source of government funding to incentivise a more whole-system cost and benefit perspective and eliminate cost shifting and duplication, combined with more private sector contributions and alignment to outcomes.

Work between Federal and State government(s) to pilot pooled funding and joint outcome-based commissioning for integrated care, including care in the community e.g. establish a joint, outcomes-based commissioning pilot for integrated care, including care in the community.

Medicare Benefits Schedule (MBS) and PBS reform. Build off the Healthcare Homes model to fix the system challenges, such as creating better outcomes-based payment models. Focus initially on those clinical events for which there is a clear path from 'diagnosis' to 'wellbeing'.

Sponsor Social Impact Bonds to incentivise long-term investments with specific targeted outcomes.

How the 2017 Budget has supported this theme:

- Unfreezing of the MBS rebates, costing $2.4bn over four years. Sequencing the un-freezing was very prudent and thoughtful, with bulk billing at GPs (the area that has greatest impact on the most vulnerable in society) to be prioritised and start from 1 July 2017. This initiative will re-build the trust with clinicans, better support more vulnerable Australians and also emphasises the importance of primary health in our community.
- PBS: savings on some medicines, up to $1.8 b over five years, by extending or increasing the price reduction for medicines listed on the PBS, as well as measures to try to ensure that lower-cost generic medications are prescribed, rather than a (usually more expensive), branded version.

What more needs to be done:

- MBS and PBS reform. Whilst "unfreezing" is an appropriate first step, the Government should continue its journey to reform the MBS system. Measures include: rapidly implementing the recommendations of the MBS review (in particular delisting treatments that are deemed ineffective and investing more in those that are effective), and pushing towards pathway-based payment models, where there is a clear path from diagnosis to wellbeing, enabling outcome-based payments.

  Health Care Homes is making some movement towards more capitated funding but international jurisdictions have gone further. Activity based funding is not seen as a tool for securing long term health system value for money or affordability, and certainly does not promote a greater outcome focus.

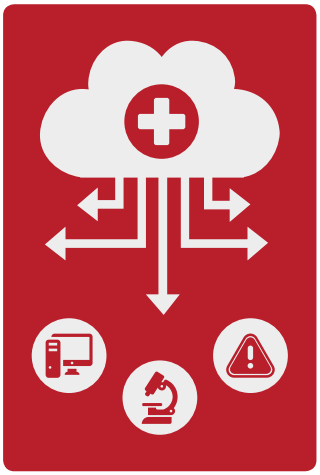
There is much more to be done to really see significant reform on the funding and integration of healthcare. On more structural funding reform and integration of healthcare, the opportunity exists for PHNs to play a stronger and more active role in hospital avoidance and readmissions. There is also the opportunity to trial some joint, outcomes based commissioning pilots for integrated care. These pilots would see key stakeholders including both Federal and State government funds, PHNs and the Local Health Networks. This would be a real shift in the way that healthcare is both delivered and funded in Australia. In our view, this is vital for long-term reform: Australia has a good healthcare system, but our "Achilles Heel" is the fragmented funding model which incentivises the wrong behaviours. We should pilot new approaches as soon as possible.

Overall, there is a real need to shift the dial on paying for and incentivising healthcare outcomes. Current Australian arrangements are almost wholly activity based and as such incentivise disjointed activity. Three key changes are needed: Firstly, a shift to paying for outcomes that matter (clinically and for the consumer) rather than inputs and activity. Secondly, what we would describe as "looking at things from the other end of the telescope" – from the recipient's rather than the provider's end. Starting with the outcomes and working backwards to co-derive services and other interventions that would secure these. Such services will almost always be multi-disciplinary and require joint working by providers, old and new. Providers are not used to working or being paid in this way. Thirdly, putting in place the arrangements that make this a reality – such as commissioning for outcomes, pooling budgets and incentivising what needs to be achieved, not what's done.

Some international jurisdictions have already moved this way (parts of Spain and Germany for example). As noted earlier, Australia and New Zealand's accident compensation bodies are doing this now – how can we pay based on getting people back to work etc.

The way forward, in our view, is trialing such arrangements at a local level – not a top down approach that will take too long to effect. PHN and LHN based joint commissioning pilots could test and develop this approach. Once pilots have been successful, this is the time for the Federal and State governments to play a key role in scaling these across the country.

5. …enabled by connected electronic health networks….



Adopt widespread application of **integrating technologies** to empower consumers, help clinicians improve patient outcomes, embrace non face-to-face channels and harness the power of analytics, whilst ensuring protection from **cyber-security risks**.

Support a staged roll-out of **My Health Record**, insist on national **interoperability** standards and mandate that meaningful patient information is populated to ensure benefits are delivered for both consumers and the health industry.

Set up **National Integrated Data** Hub for health analytics.

How the 2017 Budget has supported this theme:

- My Health Record will move to "opt-out" after the success of the trial sites for this program. This will be supported by $374m over two years to provide all Australians with a My Health Record, unless they choose not to have one. This is another critical milestone in Australia's progression to e-health and integration of data on a person-centric basis. Australia has invested heavily in My Health Record, but if only a small proportion of Australians have a medical record in the system, then it is impossible for the system to produce improvements in our health outcomes. As more and more Australians are enrolled into the system, then the network effect benefits start to kick in. Clinicians will turn to My Health Record for information, patient notes can be easily shared, and it becomes easier to track patients through the health system. The data can be used for research and innovation and improvements in care.
- Health Payments System replacement: $67m has been allocated to replace the IT systems used for health, aged care and veterans' payments. The aspiration is to introduce a digital payments platform, enabling more flexibility and control of the health payments. A request for information for this system was released in March this year. The cost of implementation will be much higher, but the new payments platform is a crucial enabler of the reform agenda.

What more needs to be done:

With so much investment in the My Health Record infrastructure (the "system"), and in enrolling patients (accelerated by the new opt-out rules), the next three challenges are interoperability, securing data and leveraging insights.

- Interoperability: it is critical that other health technology systems can share information with the My Health Record. There are many health systems in use today, in hospitals and primary care settings. The interoperability, authentication and security requirements are significant, making interoperability a key requirement to enable the benefits to flow. This is a high priority for the Australian Digital Health Agency and must be progressed – so much depends on it.

- Cyber-Security: many health systems are vulnerable to and have suffered cyber issues and attacks. The most recent has impacted people around the world, and in particular in the National Health Service (NHS) in the UK. It is critical to be proactive in assessing vulnerabilities, implementing solutions and equipping people to deal with problems when they do happen.
- Insights and Transparency: With the My Health Record up and running, there will be an abundance of health data generated. An integrated data hub for data analyics is important to turn the health data into health insights to support decision making – thereby capturing the full value of the My Health Record investment.

6. ...and delivered by a health workforce that has the right capabilities

Successful change and implementation has the potential to deliver real gains in the consumer experience, as well as better health outcomes and lower total healthcare costs. But, the transition will have a massive impact on the health workforce; new skills and capabilities will be required.

Whole system change: Develop new skills to operate in the future environment, including a focus on outcomes and wellbeing, more integrated approaches to delivery, more co-creation and collaboration and a better balance in provider/recipient relationship.

Clinicians: Deliver health IT training, to support the transition to e-health (e.g. secure messaging, My Health Record) and decision support tools.

New workforce types: Identify and trial new healthcare workforce capabilities; e.g. care coordinators, integrated health and social care case managers, mobile health workers, health data scientists.

Leadership: Develop and run leadership development programs for health stakeholders, with emphasis on leading through transformational change.

What more needs to be done:

- Understand the impact of potential changes on workforce: The change on the health and care systems planned and envisaged in this paper would have a profound impact on the workforce operating within it. These changes need to be forecast and understood; change will not happen without the support and buy-in from those working in the system. We understand that health workforce is another key element of the second wave of post budget health reform.
- Plan for and support this impact: Having understood the changes, and these will inevitably evolve over time, governments need to invest significantly in supporting these changes – both in existing and in new workforce entrants. This will need a program of development for existing workers and investment in learning through universities and TAFEs that reflects new, rather than traditional ways of working.
- Trial new health workforce capabilities in integrated care trials. For example, we have suggested above that these pilots should be deployed to test areas such as focus on wellness, outcomes based thinking, joint place based commissioning and new payment models, all underpinned by enablers such as leadership, governance, technology and data, funding and incentives. The workforce needs to develop these approaches and develop along with them.

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