

BOARD OF TREASURERS

TRS19D3019

The Hon Josh Frydenberg
Treasurer
Parliament House
CANBERRA ACT 2600

Josh
Dear Treasurer

NATIONAL HEALTH REFORM – OPTIONS FOR A FORWARD WORK PROGRAM

I am writing on behalf of the Board of Treasurers (the Board) to request the Commonwealth Government's commitment to progress a number of important productivity enhancing national health reforms.

The Board recognises that improving the efficiency and effectiveness of Australia's health system has substantial scope to increase the wellbeing of Australians and their ability to work and participate in society. The Board has a shared interest in the health system, given its fiscal significance and the impact of better health outcomes on the broader economy.

The Board is concerned that while the draft National Health Reform Agreement (NHRA) includes a range of proposed areas of reform, the agreement does not set out specific deliverables, implementation timeframes or funding mechanisms to drive development and delivery of these reforms. The Board considers that the NHRA should be amended to include clear accountability and timelines for the six reform areas that best suit local needs and support local health systems.

Accordingly, at the Board meeting on 22 November, the Board agreed to seek the Commonwealth's commitment to the following reforms.

To strengthen current NHRA and provide greater emphasis to key reforms, the Board requests that the NHRA includes:

- Establishment of a Prevention Investment Fund from 1 July 2020 with an initial Commonwealth funding commitment of \$200 million per annum for five years with the potential for state partnering.

- Introduction of flexibility to convert Activity Based Funding to alternative arrangements that provide the most appropriate care, including through out-of-hospital services.
- Implementation of a series of trials of hospital avoidance programs funded 50/50 with the Commonwealth that will inform a future national approach.
- Implementation of a rigorous process to remove from the Medicare Benefits Schedule low value care interventions from the Medicare list. It is proposed that the Commonwealth and States agree an initial list of low-value care interventions to be removed from the approved Medicare list by 1 July 2020 as well as a reformed process for timely review and disinvestment of low-value care procedures during the term of the NHRA.
- Implementation of pilots that provide incentives and shift funding for health services from activity volume to patient outcomes. The Board requests that the Commonwealth develop a pilot for funding GPs on an outcome based approach to provide incentives for primary health care to support health and wellbeing. This will be supported by patient-level primary and community care data sets that allow comparison with public hospital costs and activity.
- Agreed appropriate cost allocation arrangements where Commonwealth managed NDIS and Aged Care systems interface with public hospital care. Acknowledging the role of public hospitals as the natural safety net for this cohort, this is considered an important part of the Commonwealth adequately funding and managing recommendations arising from the Royal Commission into aged care.

COAG took the decision that as a general principle all significant national funding agreements will be agreed by Treasurers, through CFFR, prior to COAG consideration. This agreement is the first significant agreement that should be considered by CFFR under this principle.

The Board will be keen to see these elements, as well as the principles set out in my earlier letter to you in the finalised draft agreement that will be provided to CFFR for review before being considered by COAG. Given this, the Board also requests that Treasury officials be given the opportunity to participate in future Negotiation Group discussions that will finalise the draft agreement.

The Board also discussed the need to continue to pursue longer term reforms outside of the NHRA. The Board requests the Commonwealth's commitment to progressing a number of longer term reforms through the Treasuries Working Group including:

- Reform of private health arrangements to allow insurers to cover gap payments arising out of hospital services/procedures funded by Medicare.
- Development of a new funding model where the Commonwealth and the states appropriately share hospital funding costs and funding models to

reward improved health outcomes rather than being solely activity based.

- Investigating policy and regulatory levers to achieve the objectives of the NHRA.
- Agree to an appropriate national approach to the funding of health technology assessments to ensure that technologies that are in the public health interest are funded through Medicare in a timely manner.

I would appreciate you confirming that the Commonwealth Government will incorporate the shorter term reforms in the NHRA and partner with State Treasurers to consider and progress the longer term reforms identified by the Board of Treasurers that are seen as important to the states. Please do not hesitate to contact me or the Board of Treasurers Secretariat (BoardofTreasurers@sa.gov.au) should you wish to discuss this proposal.

Yours sincerely



Hon Rob Lucas MLC
Treasurer of South Australia
Chair of the Board of Treasurers

5 December 2019

Cc. Hon Dominic Perrottet MP, Treasurer of New South Wales
Mr Tim Pallas MP, Treasurer of Victoria
Hon Jackie Trad MP, Treasurer of Queensland
Hon Ben Wyatt MLA, Treasurer of Western Australia
Hon Peter Gutwein MP, Treasurer of Tasmania
Mr Andrew Barr MLA, Chief Minister and Treasurer of the Australian Capital Territory
Hon Nicole Manison MLA, Treasurer of the Northern Territory