

National Healthcare Alliance

Breaking down the barriers to information exchange, and promoting
a positive environment for health systems reform in Australia

3rd May 2004

Australia's Demographic Challenges
Social Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir/Madam,

Submission re: Australia's Demographic Challenges

Please find enclosed a copy of a Submission from the National Healthcare Alliance to Treasury's Inquiry into Australia's Demographic Challenges.

You will see that this Submission was originally lodged as part of the pre-budget round of Submissions to Treasury in the lead up to this year's budget. However, since the subject matter and thrust of this Submission is of particular relevance to the present Treasury inquiry, we are lodging the submission with this inquiry as well.

When the Australian Government released the Intergenerational Report in 2002, one of its aims was to trigger constructive reconsideration of how Australia would cope with demographic ageing, in particular the health and economic aspects of that challenge. In response, the National Healthcare Alliance was established, with the aim of engaging constructively with that challenge. Alliance membership and principles are set out in the early sections of the Submission.

Whilst disagreeing strongly with the approach to the IGR, and believing that a cost rather than investment orientation is a recipe for failure in meeting that challenge, we decided that to criticise without constructive suggestions was of limited value to Australia.

Accordingly we embarked on an extensive process of constructive engagement with the issues, including many interviews and discussion groups, the conduct of a national Symposium using Value Management techniques (see attached Report on the Symposium), and the commissioning of a model that would articulate the understanding of our member organisations and other stakeholders. Our aim was to provide a solid basis for constructive discussion of how to thrive as a society with an ageing demographic. We sought to frame our views in the language of policy makers, rather than in the language of health professionals, to assist in this dialogue.

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Whilst everyone appreciates the need for short term fixes to problems as they emerge, it is the view of the National Healthcare Alliance that a series of such fixes will not be effective in meeting the dual economic and social challenges highlighted by the Intergenerational Report. Health is a complex system, and can only be managed effectively by an integrated approach to strategy formulation and service delivery. We are keen to work with the Government to achieve this, for it is in the interests of us all to have a healthy and robust economy, made possible by a healthy and robust community.

Yours faithfully



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National Healthcare Alliance

2004 Federal Budget strategy submission

TOWARDS A HEALTHY AND PRODUCTIVE OLDER WORKFORCE

An effective health system is fundamental to having a healthy and productive older workforce, which is the key to maintaining national prosperity.

An effective health system cannot be had without investing to ensure a skilled and motivated workforce of professionals and carers, with the health technologies at hand to do the job.

Neither can we have a healthy and productive older workforce without investing in assisting them to help themselves remain healthy and productive.

These are the fundamental facts on which we base our proposals for investment in a healthy and productive future workforce.

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EXECUTIVE SUMMARY

The National Healthcare Alliance is made up of leading organisations operating at the interface between the patient, the carer, and the health professional. The underpinning purpose of the Alliance is to improve health policy decision-making, through positive engagement with government, and the promotion of evidence-based and inclusive processes.

The Federal government's approach to health has been insufficiently informed by an appreciation of the importance of a strong healthcare system as the basis of economic productivity, and oriented towards a narrow focus on cost without counting value. This negative framework is akin to running a major enterprise without considering the returns that may be made by entrepreneurial investment. A naïve cost-obsessed investment approach will lead to only buying what is cheap, and more often than not result in poor returns on that investment.

This submission highlights the relationship between economic wealth and the health of the ageing population, and between population health and the need for high quality health professionals and carers. Niggardly investment will result in a failure to attract and hold highly skilled health service providers, declining productivity of the national health investment, and a loss of the capacity of the Australian workforce to deliver sufficient growth to pay its way as we age. The central propositions made in this submission are:

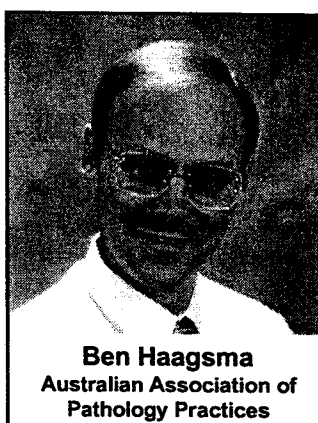
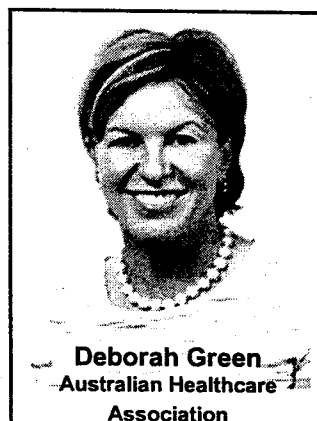
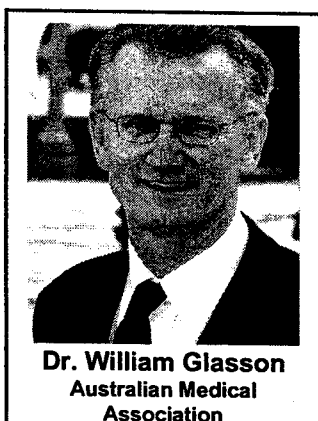
- First. With an ageing population, economic health will only be delivered through a healthy and productive older workforce. We demonstrate that the difference in Gross Domestic Product outcomes from different health strategy choices could exceed \$100 billion per annum by 2043.
- Second. Having a population of healthy, older workers depends on having a highly effective health system. We demonstrate that such a system contributes to workforce participation, and workforce productivity, and that the economic benefits attributable to these contributions are no less important than other government priorities such as taxation or micro-economic reform.
- Third. We show that at the front line of health services, virtually all workforces are showing a pattern of insufficient recruitment and retention. We demonstrate that this is substantially attributable to system-wide failings, and that these should be addressed as a whole rather than 'muddling through' in a piecemeal fashion. Creating more training places, importing more professionals and addressing 'crises' as they arise, are all necessary but far from sufficient to meet the challenge.
- Fourth. Fully cost-effective health services cannot be provided unless there is a strategy that deals with the total system, and which directly addresses the decline in the health workforce that arises with failures in that system. We demonstrate that the health workforce is under increasing stress because of fragmented management,

persistent under-investment, and resultant break-downs at the front line of service delivery.

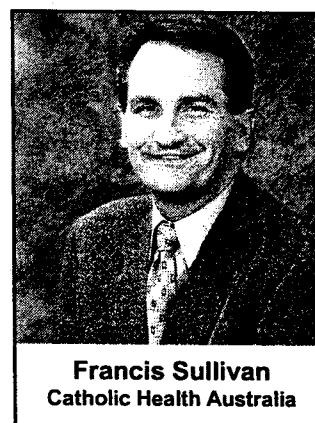
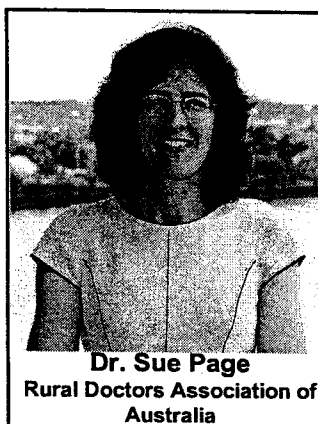
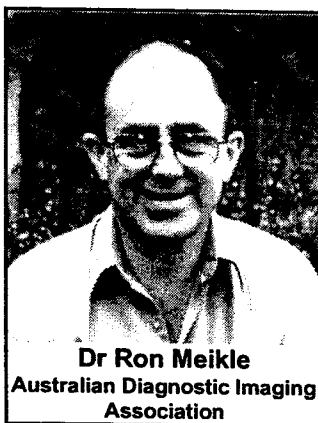
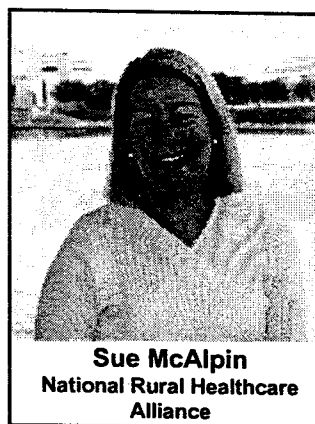
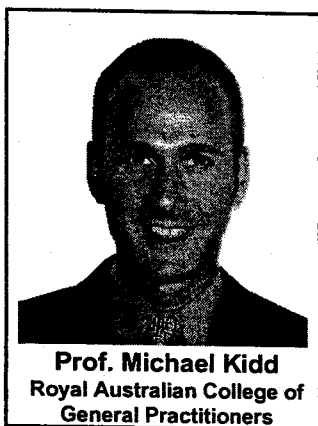
The most equitable and viable strategy for economic growth with an ageing population is to invest in ensuring that older workers are able and willing to maintain productive working lives. This requires that the health professionals and unpaid carers who make this possible are in place, are rewarded and fully resourced with the best technology to do the job, and are operating as an effective network to ensure that as many Australians as possible are able to continue productive working lives. This will not be achieved if our government remains preoccupied with cost, and attempts to manage the healthcare system as a series of weakly inter-related elements.

We ask government to change how it goes about the formulation of health policy and strategy. Creating an effective system requires the many different perspectives on its operation to be brought together, using a process that is open, transparent and robust. This is, we believe, the precondition to having an optimally cost-effective healthcare system, delivering the workforce participation and productivity that is needed for Australia to thrive with an older population.

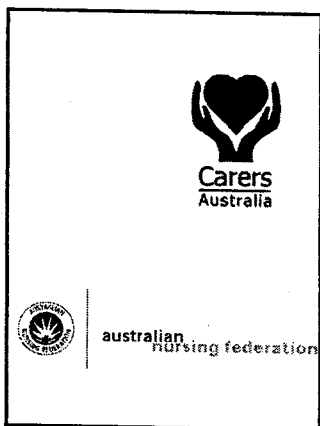
Endorsed by the member organisations of the National Healthcare Alliance



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NATIONAL HEALTHCARE ALLIANCE PRINCIPLES

The National Healthcare Alliance was established by organisations representing those at the front line of health care, to promote well-informed healthcare reform. The following principles underpin the approach of the Alliance.

1. The aims of Australia's health strategy should be health and social justice outcomes; acknowledging the economic contribution of a healthy population and a viable health industry.
2. Our national health strategy should provide clear principles on which resource allocation is based, and against which allocations can be judged.
3. A financially viable national health strategy will require significant innovation. This includes new policies, financing mechanisms, taxation arrangements, health service networking, government administrative processes, and more effective collaboration.
4. Developing this strategy requires proper evaluation of the full spectrum of health service delivery models and options, and the full spectrum of health financing approaches.
 - a. This evaluation needs to consider fully the contribution which healthcare makes to economic performance and other societal values.
 - b. The heart of healthcare is the health workforce. There must be sufficient economic incentives and support so that skilled people are attracted to deliver services for all sectors of society.
 - c. Strategy needs to be based on a sophisticated understanding of how health needs will evolve with a changing population and changing policy contexts, and the health, social and economic impacts of different types of healthcare strategy.
5. Prevention needs to be valued, understanding that it is more likely to shift costs through time than reduce them outright.
6. A key aim of a national health strategy should be social inclusiveness, not minimal safety nets.
7. Social justice is central to national health strategy, in particular with regard to Aboriginal and Torres Strait Islander peoples.
8. The needs of regional and disadvantaged communities should be carefully considered as part of such a strategy.
9. Any such strategy has to tackle the problem of institutional complexity and the transaction costs of administration. This includes better specification of federal/state and public/private roles, and the removal of silos that inhibit efficiency.
10. A sustainable healthcare system has to be fair and efficient, and deliver health outcomes that the community wants, and will value.

Creating that strategy requires a process that is open, which takes fully into account the knowledge and needs of the people who deliver healthcare

services, and the people who use them. Achieving a process that ensures this is an initial objective of the Alliance.

This budget submission carries a message to government and the community.

To overcome the economic challenge of ageing we need a healthy and productive, inevitably older, workforce. If Australia wants this workforce, we must have an effective healthcare system. This requires a skilled and well-coordinated network of health professionals at the 'coalface', armed with the specialised resources and supports needed to deliver effective services. Australia also needs the commitment of unpaid family and other carers, without whom the costs of care would escalate, and the quality of care decline. We also need a community that is actively responsible for its own health and wellbeing, and in maintaining their personal capacity.

The operation of the healthcare system is driven by choices by individuals to invest their energies and their resources. Policy decisions merely establish the balance of incentives, disincentives and messages that will either discourage or promote the behaviours that are needed to make the system work.

If 'doing the right thing' comes at too high a personal cost, or is too difficult, then people will make choices to do more rewarding things with their lives. We will not get the health professionals, carers or individuals to do what we need them to. Australia is experiencing the early stages of what will become a flood of problems if we do not invest to get individuals to commit themselves to creating a healthy and productive future workforce. Doctors, nurses, pharmacists, physiotherapists, other allied health professionals and volunteers are all signalling with their feet that the personal costs are too high and the incentives and supports are too weak to invest their lives in delivering healthcare.

At a time when the challenges of an ageing population suggest the need for confidence to innovate in healthcare, members of the Alliance are seeing:

- expensively trained young people leaving professions, discouraged by what they experience;
- older professionals leaving, forced out by the personal costs and risks of their involvement; and
- decisions being made to narrow the services offered, to reduce the risks and the costs of participation.

The costs of these deficiencies is falling upon those in need of care, other professionals in the health system, and family carers who in turn are forced to undertake burdens which penalise them in their economic and personal lives.

The Intergenerational Report (IGR) rightly pointed to the economic challenge of an ageing population. It wrongly focused on answering the question 'how can we constrain federal government expenditures in the face of an anticipated decline in economic productivity due to ageing?' It did not tackle the more important question 'how can we prevent a decline in economic productivity due to ageing?'¹ It did not pursue the possibility of longer and

¹ Such 'type 2' errors, asking the wrong question leading to a counter-productive answer, are well documented in science.

more productive working lives, nor consider the fact that to achieve this requires sustained investment in the health sector.

The IGR's counsel of despair is not supported by Australia's historical performance, nor is it consistent with our national aspirations. Neither is it supported by international experience of ageing workforces where there are effective health and social policies in place. Australia demonstrably has a world leading healthcare system that can (provided that it is not degraded) ensure ageing Australians will pay their own way for much longer than narrow economic pessimism would suggest. The IGR's mis-diagnosis leads to a prescription for shrinking our future economy, not to a program for strengthening it.

That is not to say that reform is unnecessary. There is waste and inefficiency in the healthcare system that need to be eliminated. High transaction costs of administration, insufficiently close coordination between specialised roles, mistakes, and resource consuming political and health cost shifting and bargaining are just some of the problems that do need to be tackled. We do need to reduce the costs of health services, but not at the price of reducing essential services. Achieving this will not occur through a naïve approach that is largely uninformed by those who operate on the front line of healthcare. Neither will it be achieved by tackling issues in silos, instead of addressing the total system. Open systems are characterised by complexity and interdependencies. Action in one part gives rise to unplanned consequences elsewhere. Strategies that are not directed to the effectiveness of the whole system typically do not work. Strategies that are informed by only a limited range of perspectives are high risk under such circumstances. To achieve system reform requires full engagement of those who understand that system.

Economic modelling conducted for the National Healthcare Alliance shows that investment in health will more effectively lead us out of the older workforce dilemma, than would reducing investment and lowering the quality of the health services that are available. This is consistent with other economic modelling of future Gross Domestic Product (GDP) given different levels of workforce participation and productivity. Astute health investment, coupled with system reform and innovation in services delivery will be the most effective way of building the social and economic capital of Australia as we age.

Reports from the front line

The human capabilities to provide healthcare are falling short of what will be required to deliver the productivity that will be needed by Australia. There are many illustrations and studies which demonstrate that the balance of incentives and costs for health professionals, carers and self-care is increasingly adverse. This is being reflected in declining availability of the required human capital throughout the health system, with consequent increases in pressures and reduction in service capacity. With this section, we provide a 'snapshot' of what is occurring throughout the healthcare system, and what is indicated for the future unless we reinvest wisely to ensure the future productive lives of Australians as we age².

The vicious cycle

Under-rewarding and under-resourcing healthcare workers, in the face of increasing demand, leads to increased pressure and reduced incentive for that extra effort. In turn, this adverse shift in the balance of incentives makes the profession less attractive. Over time it is harder to attract and retain the required expertise. In turn this increases the pressures, and a vicious downward spiral is initiated. The effects are systemic, for failures in one part of the system spill over into pressures in other parts, over time infecting the whole system with a pattern of pressure, disincentive and declining employment attractiveness. The National Healthcare Alliance is of the view that we are in this dangerous spiral for a large part of the Australian health system. The costs of failing to pull out of this decline will be erosion of both the productivity and the participation of our ageing workforce. This will result both in reduced GDP, a reduced ability to save for retirement, earlier entry into dependence on retirement savings and pensions, and in higher costs of healthcare through:

- increased dependency of the unwell, causing a second-order effect of people leaving or reducing their inputs to the workforce so as to support their dependents;
- adverse psychological and social effects through withdrawal from the workforce, reflected in otherwise avoidable health problems;
- increases in direct health costs.

Satisfaction with the work done at the end of a shift, has a positive impact on feelings of self esteem and well being. These feelings of well being and positive self esteem extend beyond the workplace into family and social life. Nurses report that they do not feel satisfied with the care they are currently able to provide in a health care environment that is characterised by a minimalist bottom line and translated into inadequate staffing levels and inappropriate skills mix. This dissatisfaction is negatively affecting the way nurses are interacting with their families and in their social contacts. For a nursing career to be family friendly, the environment in which nursing is provided must contribute to positive feelings of self esteem and wellbeing. Nurses report that inadequate staffing levels resulting in unreasonable workloads are the major factor affecting their job satisfaction.