

SECOND READING SPEECH

Tasmanian Health Organisations Bill 2011

I move that this Bill now be read a second time.

Introduction

I am pleased to introduce the *Tasmanian Health Organisations Bill 2011*. This important Bill will change the way health services are funded and delivered in Tasmania by establishing three Tasmanian Health Organisations to provide and coordinate public hospital and health care services in Tasmania.

With this Bill the Tasmanian Government is continuing with its commitment to reform the Tasmanian health care system – to ensure our services are operating as efficiently and as effectively as possible, and that health care is delivered to Tasmanians where and when they need it.

In August 2011 Tasmania reached an agreement with the Commonwealth, along with all states and territories, to implement national health reform through the National Health Reform Agreement. These reforms will deliver more resources and better health and hospital services for Tasmanians, along with greater local control, greater efficiency and improved responsiveness.

The reforms will see the Commonwealth share in the growth of the cost of health care, and secure up to an additional \$350 million in funding for the Tasmanian health system by 2020.

Healthcare in the twenty-first century is changing at an extraordinary rate. Our health system has to balance an ageing population, high rates of chronic disease, more mental illness and rising patient expectations. This is made even more challenging by workforce shortages and rising healthcare costs. We cannot afford to do nothing and we are committed to these reforms because they will secure a sustainable health system into the future.

The National Health Reform Agreement will result in major funding and structural changes to the Tasmanian health system. This Bill has been drafted with the future challenges of delivering health care in mind. This is particularly sensible as many aspects of the national health reforms are still being finalised, such as local Lead Clinician Groups and the Independent Hospital Pricing Authority. The flexible nature of this Bill will allow the Tasmanian health system to adapt and make the most of these reforms as they come online.

The Bill has been independently assessed by KPMG to ensure that it meets the principles, guidelines and requirements of the National Health Reform Agreement.

As part of the new reforms a national funding pool and administrator will be established which will distribute funds to THOs. This will make funding of health care services more transparent, ensuring that money committed to health services is only spent on those services. The Government will be introducing separate legislation to Parliament to establish this in early 2012.

Central to these national health reforms is the creation of the Tasmanian Health Organisations, known as Local Hospital Networks under the National Health Reform Agreement. They have been called Tasmanian Health Organisations because they will focus on the health needs of the entire THO population. This name also reflects the intention to have integrated health systems across hospitals, primary care and aged care.

THOs will be responsible for providing and coordinating health care services in their local areas and their boundaries will mirror those of the existing Area Health Services. As required by the National Health Reform Agreement, this legislation will allow the THOs to be operational by 1 July 2012.

There are strong and opposing views in the State over how many THOs Tasmania should have. Some argue that one THO will be more efficient and allow for greater statewide service delivery coordination that best utilises our scarce resources. Others are firmly of the view that THOs must be regional organisations to reflect the National Health Reform Agreement intent that local decisions are devolved to the local level.

At the end of the day, there are costs and benefits for either option, and the Government has decided to establish 3 THOs. This decision followed an extensive consultation process in 2010 and a review of the 2010 cabinet decision in June of this year which considered the changed budget context.

In August and September this year the draft Bill was released for a consultation period of one month. During this time thirteen written submissions were received and over 120 people attended nine focused discussion forums held across the State. The valuable feedback obtained from clinicians, departmental staff, key stakeholders and the public was used to further refine the Bill.

The creation of the THOs will result in increased local decision making and greater clinician engagement. The creation of Area Health Services a few years ago began the journey of devolving decision making to the local level, and the establishment of THOs is the next logical step.

However, along with the devolution of responsibility comes accountability. Hence the Bill contains a number of accountability measures that are borrowed from the *Government Business Enterprises Act 1995*. The GBE Act was chosen because it provides standard features for arms length from Government bodies, while also providing good corporate governance arrangements for the THO governing councils.

In this way, the THOs will be free to determine their own day-to-day operational matters without interference from the Minister or Department, but in return their governing councils will be accountable for how they deliver services and how they spend taxpayer dollars in doing so.

Essentially the state's role is to determine 'what' will be done while the THOs will be free to determine 'how' it will be done. This clarity in roles will allow the Department to reduce in size and have a more tightly defined function as the health care 'system manager' as specified in the National Health Reform Agreement.

Establishment of THOs

As stated in the Bill, the object of this legislation is to assist in establishing a public sector health care system that delivers safe, high quality hospital and health services to improve, promote, protect and maintain the health of persons in Tasmania.

This Bill provides a comprehensive legislative basis for establishing and supporting the new THOs, their governing councils and chief executives. THOs will be independent statutory authorities and will have governance arrangements similar to that of Tasmanian Government Business Enterprises.

The purpose of THOs, as defined by Section 10 of the Bill, is to provide relief to sick and injured persons through the provision of care and treatment; and to promote, protect and maintain the health of persons.

The THOs are given a range of functions under Section 11 including:

- to improve, promote, protect and maintain the health of persons;
- to provide effective, safe and patient centred care;
- to conduct and manage public hospitals and other health services under their control;
- to provide training and education and undertake research and development; and
- to manage the organisation's budget to ensure the efficient and economical operation and delivery of public hospitals and health services and use of organisational resources.

Governing Councils

Each THO will be overseen by a governing council, of between four to eight members plus a chair, accountable to the responsible Ministers for the performance of its functions and execution of its powers. The chairperson and members of the governing councils will be appointed through an independent process similar to that used for government business enterprises. Expressions of interest have been sought for a common chair of all three THOs.

Section 15 sets out the skills and expertise that will be required of members of governing councils. This will ensure that governing councils will comprise members with an appropriate mix of skills and expertise to oversee and provide guidance to large and complex organisations. To this end, the Bill requires that governing councils include members with expertise and experience in such matters as health management, business management and financial management, clinical expertise and an understanding of the health needs of the THO population.

The Bill also includes provisions for acting members, disclosure of member interests and offences as members, which are generally consistent with standard corporate governance arrangements.

Section 22 of the Bill provides for the functions of the governing councils, including ensuring that the THO provides effective, safe and patient-centred health care to, and improves health outcomes for, the THO population as defined in the service agreement.

The governing council will be responsible for agreeing the service agreement with the Minister, and ensuring that the agreed services are delivered and performance targets are met. The governing council must also ensure that appropriate clinical and corporate governance frameworks are established. These functions will ensure that governing councils maintain a proper strategic oversight and monitoring role in relation to THO activities.

Operation of THOs

Each THO will have a chief executive who will be responsible for the day-to-day administration and running of the THO and accountable to the governing council for the performance of their functions.

The Bill provides CEOs with ‘Head of Agency’ powers and accordingly the authority to appoint staff under the *State Service Act 2000*. This will ensure that all staff continue to be employed under the provisions of the *State Service Act 2000* and the Tasmanian industrial relations system.

The Bill also prescribes the accounting records and financial statements governing councils are required to keep to correctly record and explain transactions and the financial position of the THO. The Treasurer’s Instructions will apply to members of governing councils, the CEOs and THO employees.

Section 38 allows the Minister to direct a THO to use certain services or enter into particular contracts or arrangements. The intent of this provision is ensure efficiency and statewide consistency of operations across all THOs, as well as the department, by directing that some services, such as business support services, should be provided centrally.

It is envisaged that this will include services such as information technology, human resources, and asset management services. It is also recognised that there will need to be greater transparency for these services to ensure they are efficient and return value for money.

Performance framework

Parts 5 and 6 of the Bill set out the THO performance framework, establishing the accountability relationship between the responsible Ministers and each THO.

The National Health Reform Agreement recognises that the State has the overall responsibility for managing the public health system. Therefore, the national agreement provides that the State has responsibility for being the statewide system manager, for system-wide planning and policy, and for managing local hospital network performance. It is important that the State has the capacity to give directions to THOs both to ensure that they fulfil their statutory and financial obligations and to assist the State to meet its own obligations as system manager.

Ministerial Charters will assist THOs to understand the policy priorities that the Government, on behalf of the Tasmanian community, wants them to pursue. Ministerial Charters are standard features for all Government Business Enterprises. The governing council will be responsible for ensuring that THO business is conducted in a manner consistent with these broad policy expectations. In response to the Ministerial Charter each THO will produce a corporate plan outlining the THO's strategic direction consistent with the Ministerial Charter.

THOs will enter into an annual service agreement with the Minister, consistent with the requirements of the National Health Reform Agreement. This service agreement will identify the services to be provided, the standard to which they are to be provided, and the funding to be made available. A THO cannot have a budget without a service agreement.

The annual business plan of the THO will specify how the THO intends to meet the requirements of the service agreement and how THO funds are to be expended in meeting the requirements of the service agreement. THO corporate plans, business plans and annual reports will ensure greater transparency and accountability to the public for how services are delivered and how taxpayer money is spent.

To assist the State in performing its obligation as system manager, Section 42 provides the responsible Ministers with the power to require the THOs to implement specified policies. This will ensure statewide consistency so that Tasmanians have equitable access to services regardless of where they live. It will also ensure that the 3 THOs will continue to operate as part of an integrated Tasmanian Health Network. For instance this power will be used to ensure the state wide application of programs such as the Patient Travel Assistance Scheme and the Community Equipment Scheme and compliance with national and state clinical standards.

Section 43 allows the responsible Ministers to give directions to governing councils in relation to their functions and powers or the functions and powers of the THO. It is expected this power will be seldom used, however it is a necessary power for the Ministers to possess in their role as system managers with ultimate accountability to Parliament for the performance of the health system. This power is expected to be used to clarify the Government's expectations if needed, but it also provides a mechanism to give direction quickly to resolve critical issues.

The THOs will also be required to have strong clinician, consumer and community engagement processes in place to ensure that their decisions are responsive to local needs and priorities. As part of its functions, THOs are required to consult and collaborate, as appropriate, with other providers of health and health support services in relation to the planning and delivery of services.

This will ensure that THOs work collaboratively with other providers such as the Tasmanian Medicare Local. While the details of that particular relationship are still being worked through it will ensure that the Department, the THOs and the Medicare Local work together to jointly plan for the provision of health care in Tasmania.

As part of the broader national health reforms a Tasmanian Clinical Council will be established in Tasmania, with the purpose of providing specialist clinical advice to the three THOs and the Medicare Local. The Tasmanian Clinical Council will also provide authoritative clinical advice to the department on the planning of health services and the development of service agreements with the THOs.

Performance management

The governing council and the chief executive will have substantial obligations in relation to the effective and efficient operation of the THO, and for ensuring appropriate standards of care for their patients. Consequently it is critical where there are performance issues, government can take actions to ensure the THO and its governing council can perform its functions and meet its service agreement obligations. This is consistent with the fact that under the National Health Reform Agreement, ultimate accountability for system performance rests with the 'system manager'.

The Bill establishes a range of performance measures that may be put in place, depending on the severity of the problem and action required. These measures range from:

- a performance review or audit,
- the production of a performance improvement plan;
- the appointment of ministerial representatives to a governing council;
- the appointment of a performance improvement team; and,
- as a last resort, the power to dissolve a governing council and appoint administrators.

Most of these measures are designed to provide temporary assistance and/or additional resources to a THO and/or its governing council, rather than being punitive. They are designed so that there are graduated measures that can be used, rather than the Minister only having the sole option of dissolving a governing council.

Other provisions

The Bill contains a number of transitional and savings provisions which will allow for the transfer of employees and property on the date from which the THOs are established under this legislation. These provisions also allow for the appointment of an interim chair if necessary.

All staff, whether they work for a THO or not, will continue to be employed under the provisions of the *State Service Act 2000* and the Tasmanian industrial relations system. The Bill contains transitional provisions that will ensure that if someone works for an Area Health Service the day before it becomes a THO, that person will work for the THO on the day it is established. They will do the same job, and will carry over all their entitlements and conditions, including leave, salary packaging, allowances and superannuation arrangements.

A comprehensive planning process for the establishment of THOs is currently being undertaken. Any issues relating to the transition to the new structure will be closely monitored and the Government will make sure that there is a clear process for any implementation issues, should they arise, to be quickly addressed. Government will review the implementation process after 12 months of operation.

Conclusion

The national health reforms represent a significant opportunity to secure a sustainable health system for Tasmania. The establishment and operation of these Tasmanian Health Organisations are a critical part of these reforms and will bring greater local control, greater efficiency and improved responsiveness to our health system.

I would like to express my thanks to the many clinicians, community members, health managers and stakeholder organisations that have provided valuable input and assisted with the development of this Bill. Their input has improved the Bill since it was released for public comment.

This Bill continues the State Government's positive agenda for health in Tasmania and its ongoing commitment to deliver the right care in the right place and at the right time for all Tasmanians.

I commend the Bill to the House.

