Tasmanian budget cuts – an opportunity for the health care system?

A/Prof Geoff Couser

The recent Tasmanian budget has confirmed the old saying that when the tide goes out you get to see who's been swimming naked. Yes, Tasmania is deeply in the red and serious budgetary cuts need to be made. The DHHS budget, rising at a rate faster than CPI just like all other health budgets around the country, is targeted for significant spending cuts. There has been much outrage from the community and interest groups about such proposed changes, yet to date the government has shown little sign that it has the capacity to implement the necessary changes. The state opposition has been calling for maintenance of full services and no job losses in the public sector despite there being no money in the bank. This is on a background of a federal government floundering on what appears to be ill-defined health "reform" but really achieving very little true reform. This is also occurring where state and federal politicians perennially promote the concept that the health outcomes of the community are related to large tangible projects, such as the redevelopment of the Royal Hobart Hospital.

As someone who works in the health sector I'm going to put my neck out and welcome these cuts in spending. Additionally, having recently experienced a political campaign from the inside, I feel I can confidently say that no-one in politics really understands health. We need to seriously examine the way healthcare is delivered in Tasmania and we need to support our political leaders to implement the necessary changes. I'd like to initiate this sort of conversation.

A bit of a background first – health inflation has been well documented to be in excess of 6% per year. With a CPI of less than 3% this is clearly unsustainable growth. Total health spending is probably in excess of $130 billion dollars per year. Our health system is geared towards acute conditions, being reactive and healing illness – when it should be re-gearing itself towards dealing with chronic conditions, being proactive and maintaining wellness. Whilst this might sound like a glib big picture statement, the future health needs of our community are indeed confronting: the massive projected increases in the incidence of diabetes and other chronic conditions and the well documented challenges coming in aged care are just two issues which will demand that our health system re-gears itself towards prevention and primary care. The increases in costs are unsustainable and at this point in time our massive spending does not seem to correlate with improved health outcomes of our community. These are not new ideas nor are they controversial.

Put simply, the health system is a bubble and it's set to burst in the next few years regardless of where you live and your insurance status. And a warning: those of you who have "private health insurance" and think you're immune from this think again – over 50% of your care is funded by public money, either through Medicare rebates or the private health insurance rebate. Hence the community does have a say in how those dollars are being spent. Very few people can actually afford true private health care, where the entire cost of healthcare is met by the patient. So, when you have an operation in a private

hospital think of it as being the federal public system. The feds can't keep paying for this forever either because the costs will ultimately catch up. I think they're short of cash too at the moment.

So what's the answer?

We need to have a good long hard look at ourselves and realise that health is not just provided by the health department – social, environmental and economic factors play a dominant role. **We need to have a conversation about what we're prepared to pay for and what we're not.** We need to look at the whole health system and ensure that it is providing health outcomes acceptable to our community as whole. Pockets of public spending that contribute little or nothing to the overall health of the community need to be identified and stopped. Bear in mind that this applies across the entire health system and principles of equity need to be considered. However, with rights come responsibilities, and the transition to a whole-of-community-focussed and patient-centred system could be hard for some.

We can actually learn from business as how best to run an efficient organisation: this may sound harsh, but when US companies were hit by the GFC in 2008-9 they laid off many staff. With the initial shock over they didn't re-hire. Why? They were forced to be more efficient, lift productivity, and trim their structures. They then realised that they were able to provide a similar or even better service with less.

In the short term our health system needs to do the same while it re-positions itself for the long term. When times are tough, whether you're a family, a public institution or a private company, it's essential to examine spending and decide what's essential and what's not. It's a matter of bankruptcy or survive. But such change seems impossible in such a huge system. I seriously doubt whether our politicians or health bureaucrats are able to do this – I believe they lack both the political courage and the capacity for genuine innovation to proceed in the re-tooling of the major consumer of public monies in this state. I'm not saying this in a bad or critical way – it's just not what they're trained or able to do within the constraints of such an enormous entrenched system. To her credit, Lara Giddings raised this issue when she was health minister and attempted to initiate change but a laudable plan lacked follow through.

I wonder if our health system needs an external body or administrator to come in, work out what we need as a community based on evidence, and then enact the changes to ensure that the community is indeed getting an acceptable return for what it's paying a rather high and ultimately unaffordable price. Real patient-centred care demands no less.

Some examples as to where attitudes and practices must change include:

- **the provision of high cost medical services for little ultimate benefit**
    - as clinicians we do have to act as gatekeepers and recognise that there is a broader "cost" for every procedure we do.

- **a shift to broad-based preventive health and primary care**
    - This is easy to say and unfortunately takes generations to realise a positive effect. In the meantime, effective management of elective waiting lists is essential to prevent "cost shifting" to the acute part of the system at a later date.
- **workforce reform, cost containment (for example, a federal approach to awards would circumvent the current practice of each state out-bidding each other for scarce staff and driving costs forever upwards)**
    - Tasmania could have an opportunity to trial new ways of doing things as part of a federally funded trial – the issues facing our state are not isolated and will affect every jurisdiction in time. We can put ourselves forward as the solution, not the problem.
- **Productivity**
    - Productivity in the health care sector has always been difficult to measure but there is an acknowledgement that productivity where elective and emergency admissions are mixed is poor (ie, the public system) and productivity in an elective-surgery only system is higher (ie, the private system). Lean thinking (the sharing of common processes) might improve outcomes.
- **and, ultimately, each of us taking direct responsibility for our health.**

Tasmania has an opportunity to reconfigure its health system and take the lead in preparing for a true 21st century health system that is evidence-based and will provide for our community in a sustainable way. The current situation is the ideal catalyst for such change. We all have a responsibility to make it happen.

The current situation of cutting costs in response to budgetary pressure is reactionary and will have long-standing consequences. A carefully planned strategic re-positioning will ensure both cost savings and a sustainable health system.

However, there are some up-front costs required to achieve this transition. Similarly, politicians should not be blinded by the need for large capital works projects to act as a proxy for effective health policy. It's the systems, the people and the processes that require the investment.

To paraphrase former treasury secretary Ken Henry, this is our burning platform. We either adapt or we fail.

Disclosure: A/Prof Geoff Couser is Associate Professor of Emergency Medicine at UTAS and a staff specialist in emergency medicine and retrieval medicine at the Royal Hobart Hospital. He was the Greens candidate for Denison in the 2010 federal election where he tried to talk about this to no avail. These views are his alone and do not reflect any institutional or political policy. A shorter version of this was published as an opinion piece in the Mercury on July 29 2011.