

FACT SHEET

Review of the framework for performance improvement in health in NSW

The Independent Pricing and Regulatory Tribunal of NSW (IPART) has reviewed the framework for health service performance management and funding in NSW. This fact sheet provides a short summary of IPART's report. The full report is available on IPART's website (<http://www.ipart.nsw.gov.au>).

Overview

The operation of our health system is complex. How well it performs is influenced by many factors, including the way that services are planned for and funded, how changing demand for services and associated pressures on resources are managed, and the systems in place for managing the quality and efficiency of services.

IPART has reviewed the way that the performance of health services is managed in NSW. In doing so, IPART considered national and international best practice for health performance management within both the public and private sectors. IPART previously examined performance management by NSW Health in its 2003 review *Focusing on Patient Care*.

The Australian health system's performance compares favourably with those of most OECD countries. On a wide range of indicators, including life expectancy and mortality rates from lung cancer, stroke and heart disease, Australia compares favourably relative to other countries. However, some groups of Australians, including indigenous people, have not benefited from improvements to the same extent as the general population. In addition, as seen in other developed countries, there is an increasing incidence of chronic diseases, including heart disease, diabetes and asthma. Chronic disease impacts the quality of life of increasing number of people and places additional demands on the health system.

Australia's health system is characterised by fragmented and complex service delivery and funding arrangements. Health care covers a range of activities and involves a variety of providers. There is limited influence over a large number of independent providers (eg, GPs) and only limited oversight of parts of the public system (eg, community care).

The complexity of arrangements means that there are incentives to shift costs between governments or between the public and private sectors. In addition, there is poor integration of health services across the different settings in which services are provided, and little incentive to pursue overall cost effectiveness or value for money.

As in most developed countries, health expenditure in Australia is rising as a proportion of GDP. Total expenditure on health services in 2006/07 was \$94.0 billion, 9 per cent of GDP, up from 7.7 per cent of GDP in 1996/97. Demand for health services will continue to grow as the Australian population ages, community expectations increase and new technologies and treatments become available. Around two-thirds of health expenditure is by governments and one third by individuals, health funds and other sources.

NSW Health is responsible for a substantial part of health care delivery in the State. Health expenditure represented 27 per cent of the total State Budget in 2008-09. NSW Treasury estimates that on present policies this expenditure will grow to 36.6 per cent of Budget expenses by 2044. Given this, it is important that funding, resource allocation and service delivery decisions help to make the achievement of desired health outcomes more affordable in the future.

IPART's review analysed elements of best practice frameworks for performance in Australia and overseas: safety and quality; patient focus, equity; the efficiency of services; the quality of integrated care for patients with chronic disease. The recommendations for improvement made by IPART are intended to build upon, and not detract from, 'what is being done right' already within the health system.

Broad frameworks for planning, performance management, benchmarking and performance monitoring and reporting in NSW

IPART examined the current framework for planning, performance management, benchmarking and performance monitoring and reporting used by NSW Health, at both the state-wide and area health service levels. IPART found that NSW Health's framework has improved since IPART's review in 2003, but it identified scope for further improvement by:

- ▼ improving performance agreements between the NSW Department of Health and the area health services, by linking performance agreements and funding and allowing increased autonomy as a reward for good performance
- ▼ improving the effectiveness of performance indicators by ensuring that all indicators are useful and cover all the major areas of service delivery, expanding the use of outcome measures and establishing feedback loops on performance to clinical units
- ▼ accelerating the implementation of IT systems that streamline and systematise performance reporting to and from clinical units

- ▼ reviewing public reporting of performance by public hospitals with a view to moving towards the more informative format used by Queensland Health
- ▼ improving the sharing of information on best practice among area health services and hospitals (eg, on clinical practice, planning and financial management).

Safety and Quality

It is estimated that between 15 and 20 per cent of hospital overnight stays in Australia result in an adverse event. Further, adverse events and mistakes potentially cost Australian health systems up to \$2 billion a year. Improving the safety and quality of health systems improves the quality of life for patients and their families, and can have a positive impact on the efficiency and effectiveness of service delivery. IPART considers that NSW Health should use a combination of strategies to improve the safety and quality of health services. In particular, IPART recommends that NSW Health should do more to:

- ▼ expand the range of clinical areas in which evidenced-based pathways are used to improve the management of patients
- ▼ foster collaboration among clinicians on safety and quality issues, including by examining the use of clinical practice improvement mechanisms such as 'breakthrough collaboratives', where teams of health professionals collaborate over a short time to drive improvements in safety and quality in areas where significant gaps exist between best and typical practice
- ▼ ensure transparency in reporting and monitoring systems, including by: working towards nationally consistent definitions of sentinel events to aid inter-jurisdictional comparisons; increasing public reporting of hospital performance on against clinical process indicators and clinical outcome indicators; expanding the coverage of clinical registries; and investigating models used in other health services, such as Queensland's model of charting hospital performance, to see if they are appropriate to adopt in the future
- ▼ in conjunction with other incentives such as public reporting of performance and greater autonomy, provide financial incentives to clinical units in appropriate circumstances to improve clinical practice.

Patient focus

Almost every person makes direct use of health services at some stage in their lives, and many are carers who use the health system. It is important that the perspectives of 'consumers' of health services are taken into account when assessing the health system's performance. IPART has found that, since its 2003 review, NSW Health has sought to improve its understanding of patient needs and experiences. NSW Health has also increased patient input to the design of health services. IPART considers that NSW Health could further improve its patient focus by:

- ▼ Using information reported by patients on their health status before and after treatment to derive performance measures on health care interventions and to increase understanding of how patients view service outcomes.
- ▼ Publicly reporting the findings of the NSW Department of Health's patient experience surveys at the hospital/health facility level and, given its recent experience in this area, taking a leading role in the development of a nationally-agreed patient experience survey.
- ▼ Considering patients' experiences with service integration across multiple health service providers. This would improve improved NSW Health's understanding of patients' experiences, and help it effectively integrate care within the health system.

Equity

There are significant inequities in health outcomes and access to services between different socio-economic groups and across geographical areas. Public hospitals and community-based services play an important role in promoting equity, for example by providing services that would not otherwise be available in rural and remote areas, and providing services to disadvantaged groups free of charge or at low cost. IPART considers that NSW Health's use of a Resource Distribution Formula (RDF) to help allocate resources to area health services based on areas' needs and the provision of comparable services is generally fair and should continue.

The only indicators used by NSW Health that measure equity of access to health services or health outcomes for different population groups are for indigenous health services. There are no indicators for health services to other disadvantaged groups. The Commonwealth and States are currently considering the establishment of performance indicators as part of negotiating a new funding agreement. NSW Health should include at least one of the equity indicators in its dashboard of indicators for the department as a whole and for each area health service.

Efficiency

Choices about health care delivery and treatments should be made to maximise the total benefit derived from the available health resources. IPART considered the performance of NSW Health against three measures of efficiency: technical efficiency - delivering a given health service for least cost; allocative efficiency - providing the optimal mix of services to maximise health outcomes; and dynamic efficiency - adopting new techniques or technologies to increase outputs.

Technical efficiency: IPART found that NSW has higher costs for acute hospital services than some other States. This reflects a range of factors, such as higher payments to clinicians that can help to retain staff in light of worldwide workforce shortages, in addition to performance on efficiency. IPART recommends that NSW Health:

- ▼ Introduce episode funding to allocate funding to hospitals. Episode funding is a system of funding based on the number and types of cases treated, rather than the resources used or historical levels of funding. Episode funding will help to improve transparency and enable hospitals to identify where their costs are higher than their peers’.
- ▼ Improve clinical practices in line with best practice, which can result in significant and sustained improvements in efficiency.
- ▼ Introducing non-financial incentives for improved efficiency, in particular by rewarding area health services, hospitals/regional sub areas and clinical streams that achieve financial performance and access targets with more autonomy over their operations and subjecting them to less intensive monitoring.

Allocative efficiency. NSW Health recognises that there needs to be shift in focus from acute in-hospital treatment to prevention, early intervention and the use of community-based settings for some treatment. This shift is supported by the State Health Plan and other state and national initiatives. IPART’s recommendations relevant to allocative efficiency are primarily focused on the management of chronic diseases, which are outlined below.

Dynamic efficiency. IPART considers that there is scope to enhance the dynamic efficiency of NSW health services, which will assist the health system to meet increasing demands placed on it in the future. IPART recommends that NSW Health takes steps to:

- ▼ Improve workforce flexibility. Realigning existing health workforce roles to reflect changing needs, and reforms to the demarcation of roles, work practice, and training and accreditation would increase the efficiency of patient care and make better use of limited skilled staff. A national approach on this issue is desirable.
- ▼ Assist the Commonwealth to rollout e-health standards and infrastructure, which will improve the communication of important clinical and administrative information between healthcare professionals and improve safety.

- ▼ Continue to expand the use of telehealth to enable new models of service and greater clinical networking. This will provide additional service capacity, particularly to areas where there is a shortage of health care professionals.

Integrated care for patients with chronic disease

Chronic disease is likely to impose the greatest disease burden on Australian society and the greatest financial burden on the health system over the coming years. The NSW health system needs to be able to provide effective integrated care and focus on preventing the development of chronic disease. Whilst there has been some effort to improve the management of chronic diseases, integrated care is in its infancy in Australia, and there is currently no plan for an effectively integrated system of health care in Australia or NSW. International best practice indicates that the primary care sector is best placed to lead integrated chronic care with a common pool of funding and a single budget holder.

IPART considers that the limited progress is due to structural obstacles rather than a lack of understanding of the importance of integrated care to manage chronic diseases – particularly the complex nature of funding arrangements and the different incentives faced by different parts of the system.

IPART has identified a number of steps to promote integrated care in NSW, many of which require action at both the national and state levels. These include:

- ▼ as an immediate step, pursuing a State based ‘coordinated care’ arrangement for people with serious chronic diseases
- ▼ working towards the establishment of a national, chronic care management strategy that strengthens the role of GPs in parallel with the public hospital and community health sectors
- ▼ developing a payment and performance system that encourages GPs to play a leading role in providing integrated care for patients and working towards the establishment of a single budget holder for chronic care management
- ▼ regularly assessing how effectively chronic diseases are being managed
- ▼ providing effective and reliable integrated care programs and services
- ▼ developing more clinical pathways for managing patients with chronic disease.

A complete list of IPART's recommendations is contained in Appendix A to this fact sheet.

Michael Keating
Chairman

A List of IPART's recommendations

- 1 That the annual performance agreement cycle between NSW Department of Health and area health services be linked to the financial allocation process.
- 2 That NSW Department of Health ensure its agreements with area health services cover the full scope of activity expected from area health services - for example, by aligning agreements with the health program categories listed in State Budget Papers.
- 3 That NSW Department of Health develop and include in the performance framework for area health services (and hospitals) agreed and audited cost efficiency measures, such as cost per casemix-adjusted separation, for the full scope of activities.
- 4 That NSW Department of Health aim to include measures of performance based on outputs and outcomes.
- 5 That NSW Department of Health and area health services work towards establishing feedback loops to clinical units on their activity, staffing, cost, safety and patient satisfaction relative to their peers.
- 6 That NSW Department of Health review the reporting requirements under Health Service Performance Agreements, sub-agreements, allocation letters, Commonwealth programs and ad hoc reporting, and reporting for central agencies to reduce duplication and reduce the burden of reporting.
- 7 That a designated executive member within the NSW Department of Health have responsibility for overseeing the number of indicators collected, their benefits and ease of collection with the aim of limiting the number of indicators collected and improving their effectiveness.
- 8 That NSW central agencies and NSW Department of Health use the current COAG, Heads of Treasuries and Health Ministers' working groups to ensure that Commonwealth performance indicators are meaningful, their collection is streamlined and they do not create an unreasonable burden. This process should be led by the designated executive member within the NSW Department of Health responsible for performance data and reporting.
- 9 That NSW Department of Health extend its performance indicator framework to capture major areas of service delivery that currently are not monitored, including community-based, outpatient and rehabilitation and extended care services, and teaching and research.
- 10 That NSW Department of Health and the Clinical Excellence Commission extend the use of outcome measurement for a wider range of health outputs, with a progressive roll-out directed at the clinical areas that are assessed by NSW Department of Health and the Clinical Excellence Commission to provide the greatest benefits.
- 11 That NSW Department of Health review current public reporting of public hospital performance in light of the format for the quarterly hospital report published by Queensland Health.

- 12 That NSW Department of Health establish a 'best practice information exchange' as part of its intranet system to help promulgate best practice across area health services and hospitals in administration, planning, financial management, performance monitoring and clinical practice.
- 13 That NSW Department of Health, the Clinical Excellence Commission and relevant clinical groups work together to expand the range of clinical areas that have documented evidence-based clinical pathways.
- 14 That the Clinical Excellence Commission examine using clinical practice improvement mechanisms, including breakthrough collaboratives, to further drive improvements in safety and quality in areas where significant gaps exist between best and typical practice.
- 15 That NSW Department of Health work towards harmonising its sentinel event definitions to aid comparability of data between jurisdictions.
- 16 That NSW Department of Health increase public reporting of hospital performance against clinical process indicators and clinical outcome indicators.
- 17 That NSW Department of Health investigate models in other health services, such as Queensland's model of statistical process control charting, and monitor their impact to see if they are appropriate to adopt in the future.
- 18 That the Clinical Excellence Commission and relevant clinical groups aim to increase the number of clinical units participating in clinical registries and the range of clinical activity (clinical specialisations) captured.
- 19 That the Clinical Excellence Commission and relevant clinical groups encourage clinical registries to follow the national guidelines being developed on behalf of the Australian Commission on Safety and Quality in Health Care.
- 20 That NSW Department of Health conduct a pilot financial incentive scheme based on the Queensland Clinical Practice Improvement Payment scheme and review its effectiveness after a three-year period. The pilot should allow funds to flow directly to clinical units for reinvestment and reward.
- 21 That NSW Department of Health implement a pilot program to collect patient-reported outcome measures for a small range of surgical procedures. The pilot should be based on the program used by the United Kingdom National Health Service. If successful, NSW Department of Health should look at expanding it to other surgical procedures, as well as into other areas such as medical and outpatient.
- 22 That NSW Department of Health regularly provide data from patient-reported outcome measures to area health services, hospitals/health facilities and clinicians. NSW Department of Health should also regularly publish data from patient-reported outcome measures at the hospital/health facility level on its website.
- 23 That NSW Department of Health publish a summary of its annual patient experience survey's findings at the hospital/health facility level on its website.
- 24 That NSW Department of Health take a leading role in developing a nationally agreed patient experience survey.

- 25 That the Clinical Services Redesign Program expand the focus of the Patient and Carer Experience Project, Service Co-design Project and Patient Journey Study to consider patient experiences with service integration across multiple health service providers.
- 26 That NSW Department of Health include at least one of the equity indicators in the final set of indicators agreed by the Commonwealth and States in its dashboard of indicators for the organisation as a whole and for each area health service. NSW Department of Health and each area health service should report on its performance against this indicator by indigenous status, socio-economic status and geographical location.
- 27 That the resource distribution formula be retained as a guide to the allocation funds to area health services.
- 28 That NSW Department of Health support the introduction of episode funding and that the NSW model for episode funding be developed over the coming three years to a system closer to the Victorian model.
- 29 That NSW Department of Health develop an overall funding policy for state-wide services in the context of the introduction of episode funding in New South Wales.
- 30 That NSW Department of Health recommence the annual publication of detailed casemix costing information in a format similar to the “Yellow Book” to enable greater transparency on costs between peer hospitals.
- 31 That NSW Department of Health identify beneficial practices and policies from the Clinical Services Redesign Program that can be promulgated to hospitals across NSW, and consider mandating changes to practice that have proven effectiveness and are readily applicable across the system.
- 32 That NSW Department of Health and the Clinical Excellence Commission accelerate the alignment of clinical decision-making with evidence-based best practice by using clinical IT systems and clinical audits.
- 33 That NSW Department of Health introduce non-financial incentives for improved efficiency by providing area health services that meet financial performance and access targets with more autonomy over their operations and subjecting them to less intensive monitoring.
- 34 That area health services introduce non-financial incentives for improved efficiency by providing hospital/regional sub areas and clinical streams that meet financial performance and access targets with more autonomy over their operations and subjecting them to less intensive monitoring.
- 35 That NSW Department of Health continues to use COAG and related processes to advocate for a national, chronic care management strategy that strengthens the role of GPs in parallel with the public hospital and community health sectors. In the absence of an imminent, national coordinated chronic-care model, that NSW Department of Health pursue its proposed State-based ‘coordinated care’ arrangement for people with serious chronic diseases.

- 36 That NSW Department of Health monitors the performance of any State-based 'coordinated care' arrangement for people with serious chronic diseases, using indicators specific to each disease. For example, these indicators might include the reduction in acute episodes (related to their chronic condition) for people registered in a chronic care management program.
- 37 That NSW Department of Health continues to work with other jurisdictions and the Commonwealth Government, through COAG, to decide on the most suitable performance indicator(s) for assessing the effectiveness of MBS items for chronic disease management.
- 38 That NSW Department of Health and the Clinical Excellence Commission develop and refine clinical pathways, particularly for the more common chronic diseases, preferably in collaboration with other jurisdictional and national bodies and representatives of General Practice.
- 39 That NSW Department of Health and the Clinical Excellence Commission collaborate with the Aboriginal Health and Medical Research Council and Aboriginal medical services to develop clinical pathways that reflect the needs of Indigenous people.
- 40 That the Commonwealth and States work together to improve workforce flexibility through training and accreditation arrangements, developing common accreditation standards and overcoming regulatory constraints.
- 41 That funding for improved IT and related systems should be considered a high priority within the NSW Department of Health's forward capital program and budget allocation process in order to facilitate improvements in efficiency, safety, patient focus and integration of care across health settings.
- 42 That NSW Department of Health use the COAG process to request the Commonwealth to fund and fast-track the development and roll out of 21st century e-health initiatives, such as electronic health record systems and related health infrastructure, across the health system to support performance improvements in health.
- 43 That NSW Department of Health seek Commonwealth MBS funding of selected services provided through telehealth arrangements to enable GPs and other health care professionals to provide more services to patients in rural and remote areas.
- 44 That NSW Department of Health widen the use of telehealth capacity to help promote in clinical, financial, educational and administrative best practice.