BusinessSpectator

How to save our sick health system without the GST

ROBERT GOTTLIEBSEN

21 MAY 2014
HEALTH AND PHARMACEUTICALS

At this point, Australia does NOT -- repeat NOT -- need an increase in GST to fund the shortfall in health.
The waste in health administration is so immense that there is enormous scope to cut costs and improve services.
Most attempts to reduce the health system's costs have failed, but two recent events provide real hope that we are close to a breakthrough and can realise the sector's cost-cutting potential. Only after we have fully pursued both of these new avenues should we consider increasing the GST.

The Australian health system is made up of about 100,000 small enterprises plus a few big hospitals, medical funds and, of course, government organisations. And in most sectors, apart from money matters, they don't talk to each other electronically, so the data collection duplication costs are mind-blowing. It could represent 20 or 30 per cent of costs. This is compounded by the paper-based internal workings of most hospitals.

Big projects to digitise communication, like the previous federal government's $1 billion effort and similar exercises in the states, fail because big international systems groups can't work out how to link together the tens of thousands of small businesses in the numerous areas of our health system.

Government departments feel safe in using large overseas information systems providers, but our medical industry is different to the US and Europe. We are not large on a global scale. Accordingly, the large international medical systems groups usually send us the 'C' team rather than the 'A' team. The government or hospital money is then wasted.

The first promising sign that we might be on track to realise our huge cost-saving potential is buried deep in the budget documents. Currently, the federal government has around 60 Medicare regions that operate in isolation to other large areas of the medical system. The Hockey plan is to bring that down to at least 13, with one region likely in the Northern Territory, Tasmania and ACT plus two in the other states. (My medical industry friends say they will need more than 13 regions but nothing like 61.)

On its own, that is of marginal advantage, although there is a danger that it is just a smokescreen for bigger bureaucracies. But there is a promising addition to the plan: that these new Medicare areas should work with the regional hospital networks.

There are about 140 regional hospital networks. The hospital networks are under state jurisdiction but, leaving out federal/ state duplication cost reductions, this is the first sign that Canberra understands that cost reduction in medicine must be about connecting electronically most of the 100,000 or so small enterprises that operate in all areas of medical system from GPs to aged care and mental health.

The second item of good news is that at least one region (Geelong's Barwon region) has shown that it is possible to synchronise electronic data collection between general practices, specialists, pathology providers, public and private hospitals, medical funds, aged care, mental health and other parts of the regional health industry. Privacy is protected and it does not cost a lot of money. The savings and increased services that are available are immense.

Of course, Barwon is by no means perfect -- we have a house in the area -- but it is a lot better than most other regions. Barwon medical service providers are now exchanging 30,000 messages a month -- and that number is rising. Rather than use international groups, Barwon has harnessed the systems of small local company Global Health.

Here is the opportunity. If Australia were to form, say, 20 regions and not allow the bureaucrats to spend big sums money on technology systems that don't work, but instead embrace proven low-cost link systems developed in Australia for Barwon, then it is unlikely that we will need extra GST revenue for health. This is especially the case if we stop federal-state duplication and extend the Barwon systems into those hospitals using paper-based administration.

BusinessSpectator

But I fear the public servants and big hospital managers are too powerful. Once again, they will spray billions of dollars at the problems because it keeps their jobs. Meanwhile, the Barwon/Australian systems operated by Global Health are becoming internationally recognised as best practice.
The Chinese and Indonesians are looking for us to help their countries while we risk raising extra taxes to spray money up against a wall to the detriment of patient care. A GST for health before we have tried the Barwon system means that those public servants and hospital managers wanting lots of duplication and costs have won. Patients and taxpayers will be the losers.

http://www.businessspectator.com.au/article/2014/5/21/national-affairs/how-save-our-sick-health-system-without-gst