

Healthcare reform

Why the stars are finally aligning



How environmental factors, combined with more powerful and integrated technologies are creating opportunities to significantly improve Australia's healthcare system

Preface

The right ideas at the wrong time

Fifteen years ago as a bright-eyed graduate I was thrown into evaluating Australia's second-round coordinated care trials. There were several trials across the country, exploring better ways of managing chronic diseases through a mix of different models of care.

Care coordination was a foundation principle of the trials, which also explored the use of new funding mechanisms, such as capitated funds pooling. Capacity building, particularly for indigenous populations, also featured.

When, with a few exceptions, the fruits of these trials were not implemented within our health system, I wondered why? What I didn't know then but realise now was that these were the right ideas at the wrong time.

Fast forward 15 years and we are now witnessing real movement towards a health system that is better integrated and fit for the future needs of Australian healthcare. We now have a real chance of creating a more connected healthcare system capable of treating the multiple, chronic diseases that an increasing number of us face.

This paper is unashamedly positive. It has been written to recognise the developments that are occurring after all these years, to motivate leaders in our health system to continue to innovate and agitate, and to highlight to consumers the impact their engagement in their health can have on the system.



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Ripe for reform

The conditions for genuine healthcare reform appear to be emerging – finally

It has long been apparent that Australian healthcare needs to change to manage multiple challenges, not the least of which is a sharp rise in the demand for care of chronic illnesses, driven primarily by an ageing population and lifestyle factors.

Trials of more coordinated models of care conducted 15 years ago saw some changes to how care is funded and delivered, but far too few. Now, we have little choice. The way healthcare is delivered and its quality and value has to change.

Broadly, transformation in healthcare must result in a system that does not incentivise activity for the sake of activity but instead values outcomes and the *right activity* happening in the *right place*. It will be a system that looks at the delivery of care from the consumer's viewpoint rather than through the lens of a particular healthcare setting or medical profession.

The solutions to these opportunities won't be entirely new. However, more powerful and better integrated technologies are opening up opportunities to make significant improvements.

The environmental factors that could finally enable a shift to coordinated, patient-centric care are now present and becoming aligned. These factors will support the spread of innovation that can already be seen in some geographical and sectoral pockets. They should also add new life to earlier reform efforts and trials

that were limited due to an environment not ready for change.

So why now? This paper explores five leading indicators that more fundamental change is finally on its way.

What is the goal?

- A reorientation of healthcare delivery towards proactive primary and community services, rather than reactive and often preventable hospital care.
- Funding models that incentivise quality and outcomes.
- Care focused on the prevention of chronic and long-term illness and early intervention to reduce acute demand.
- The empowerment of those who use health services and a relentless focus on patients' experiences and needs.
- Integrated services and systems across public and private providers, including shared patient records and telehealth.
- A reconfigured health workforce that works more as a team around the patient's needs and allows health professionals to work to the top of their profession.

1. The platform is getting hotter

We know Australia has a great health system in comparison with other countries and we should be proud of this. But we have also heard for decades that the funding needed to pay for this great system is not sustainable. As the chart below shows, Commonwealth health expenditure is on track to exceed 7 per cent of gross domestic product (GDP) by 2050. As of today, combined Commonwealth and consumer spending on health is nearly 10% of GDP.

Some countries have already hit a crisis point, Brazil being a recent example. While people may still question whether there is a crisis in Australia, there is clear evidence that the main payer, the Australian Government, strongly believes that things have to change. For instance, healthcare funding was recently used as a key driver for the debate about tax reform.

There is also growing recognition that funding focused on activity rather than on value or outcomes is wasting valuable health dollars. Pressure to reduce this wastage is also growing, with a recent

Four Corners TV program, “Wasted”¹, taking the issue into the mainstream.

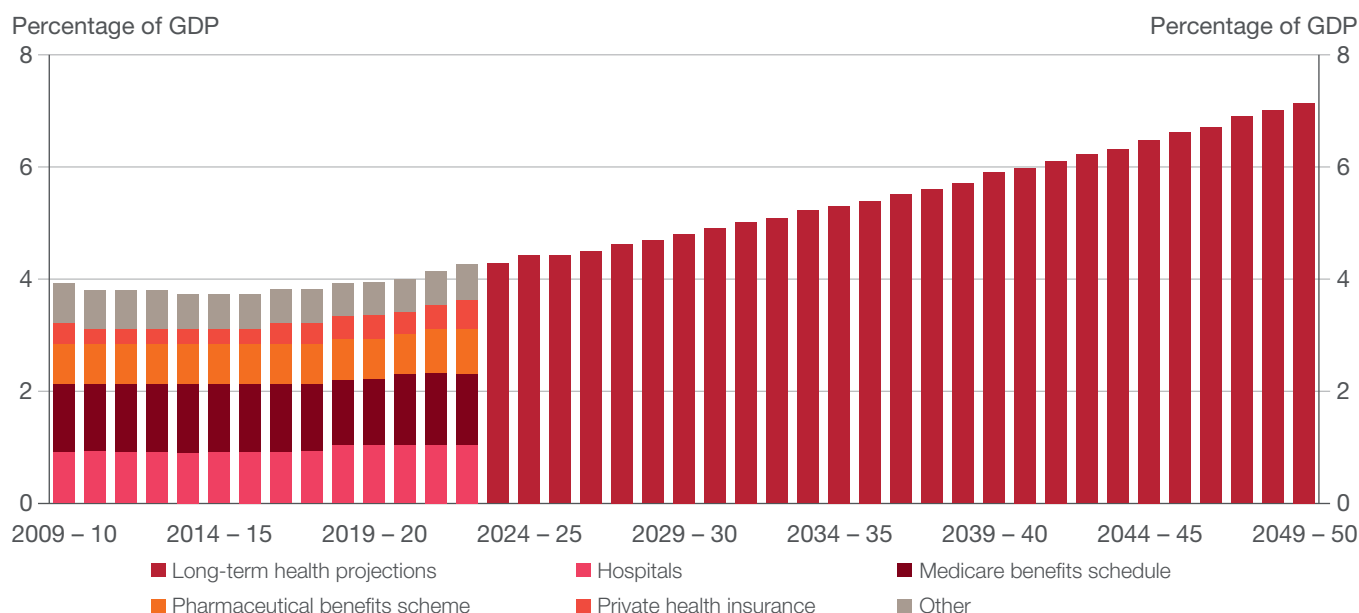
The federal government is also reviewing the 5,700 items funded through the Medicare Benefits Schedule to remove funding for practices with little clinical value.

2. The evidence base is growing

The second round of coordinated care trials, between 2002 and 2005, was a significant joint initiative of the federal, state and territory governments aimed at strengthening primary healthcare. They built on learnings from an earlier round of trials between 1997 and 1999.

They demonstrated early signs of improvements in access to services and self-reported health, greater self-management and reduced use of hospitals. However, this sort of evidence has been few and far between within Australia. Instead, health system innovations in other parts of the world have tended to encourage action in Australia.

Projected Commonwealth health spending²



Being bold: the example of Counties Manukau Health

Counties Manukau Health is one of 20 district health boards delivering public services across New Zealand. Based in multicultural South Auckland, the board's catchment includes many underprivileged housing areas.

As such, Counties Manukau is on the front-line of New Zealand's health funding crisis, facing burgeoning care demand for chronic conditions such as heart disease and diabetes. The organisation is responding with a bold health integration program. Four Locality Clinical Partnerships (LCPs) spanning the catchment area have been formed between the board's hospitals and primary care clinicians to treat patients.

Services are being redesigned so healthcare professionals work more closely together, with clear goals of increasing and improving community care and preventing chronic disease through early identification of those at risk.

Armed with training, resources, shared data and clarity regarding care pathways – including virtual healthcare – LCPs are funded along with hospitals through a global budget. The more acute hospital care is avoided, the more funding flows to preventative primary care.

Counties Manukau Health has to be bold to be effective in the face of growing demand for ever more costly services and to ensure equitable healthcare for underprivileged people. Its Community Integration program aims to create a smoother and more visible patient journey through the system, extend the capacity of community teams to deliver timely, proactive services, and boost efficiency through better use of technology.

“Our teams will be mobile, multi-skilled and equipped to work together to enable the first best response for our patients.”

— Counties Manukau Health

Global examples of tangible improvements across the triple aims of improved patient experiences, better health outcomes and reduced per capita cost include:

- integrated systems such as in Counties Manukau³ and Canterbury⁴ in New Zealand
- the introduction of the Nuka System of Care that has helped indigenous communities in Alaska by giving them greater control over their health services⁵
- public–private partnership models such as Alzira in Spain⁶
- outcomes-based commissioning models such as *Gesundes Kinzigtal* in Germany.⁷

Even reforms within the United States health system – which historically has delivered poor outcomes overall, despite high expenditure – are finally delivering pointers to possible changes here in Australia. Using the principles of increasing access to care, assuming accountability for population health and incentivising quality, *Obamacare* appears to be working better than expected and slowing the pace of medical inflation while increasing health coverage.⁸

The core features of all these leading models include a focus on population health and patient empowerment; the use of health analytics and linked data; the use of financial incentives and contractual methods to encourage siloed healthcare and social care groups to work toward shared outcomes; investing in the right technology to share information; and encouraging scaled-up primary care systems.

These re-modelled health systems demonstrate a better fit with the healthcare needs of today and tomorrow, and we should continue to engage with and learn from them. Their successes are having an impact in Australia by encouraging debate, inviting groups to question the status quo and motivating actual reform at a local level. We see this more than ever before.

3. Medical professions are more supportive

The Australian health system we see today hasn't fundamentally changed much since its core tenets of Medicare, the Pharmaceutical Benefits Scheme (PBS) and private health insurance were introduced.

There have been significant advances in areas of need such as mental health funding, the National Disability Insurance Scheme (NDIS), activity-based funding for hospitals and more consumer-directed aged care. However, medical profession power brokers have been less proactive to explore more fundamental reforms to the way health is funded and managed in Australia.

This situation is now changing. At the macro and micro levels we are seeing greater support for change from the medical profession. Both the Australian Medical Association (AMA) and Royal Australian College of General Practitioners (RACGP) have released position papers on how our system needs to change to better account for the management of chronic diseases and care of elderly people. The RACGP, for example, advocates the "patient-centred medical home" model in primary care.

This is a really positive development. We have had the former AMA President leading a review of how primary care needs to change to better support the burden of chronic disease, including both the model of care and funding approach.

More clinicians are becoming involved in cross-profession initiatives such as Health Pathways and Map of Medicine. These methodologies, which are often promoted and backed by Primary Health Networks (PHNs), are bringing specialists, GPs and allied health professionals together to work collaboratively on evidence-based and consistent care pathways for diseases. If implemented well, these approaches should reduce the number of times patients are transferred between the silos of professional practice within our healthcare system.

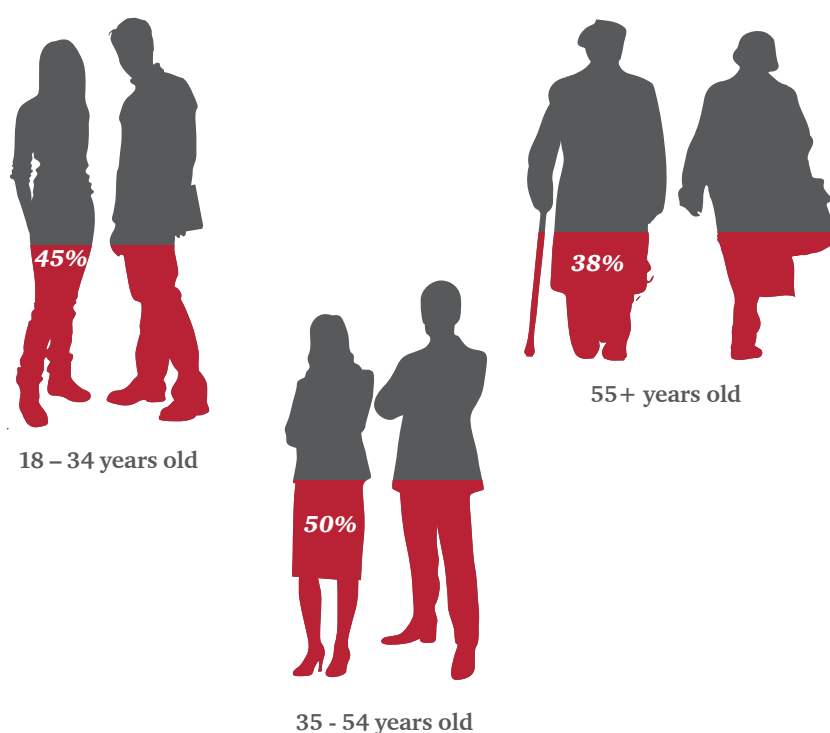
4. Consumer empowerment is facilitating new private sector entrants and innovations

This new age of healthcare, characterised by the need for more integrated services, the influence of digital technology and greater consumer empowerment, is presenting new opportunities for health entrepreneurs and innovators. The private sector are innovating around new models of care and technology to enable a shift in health care delivery.

PwC recently released a paper that illustrates how new entrants in healthcare globally – from the retail, technology, telecommunications, consumer products and automotive industries – are moving fast to capitalise on the shift toward consumer empowerment in healthcare.⁹

Middle-aged consumers are most likely to choose new options¹⁰

Percentage answering they would be "very likely" or "somewhat likely" to choose new healthcare-style options



A recent survey conducted by PwC's Health Research Institute also found that consumers are willing to abandon traditional care venues for more affordable and convenient alternatives – often closer to their homes and communities.¹¹ Not coincidentally, this is a central principle of the successful integrated health systems introduced previously.

This shifting preference for localised care is threatening the income of traditional health providers. Nearly half of the respondents to the survey said they would choose new care options for more than a dozen common medical procedures, such as using a kit in their own home to diagnose strep throat or having chemotherapy administered at home.

We are also seeing innovative developments from the private sector in Australia. Private health insurers, for instance, are moving beyond their core role of paying for private healthcare and embracing the need for more integrated care.

One major health insurer is funding GPs to operate within its aged care homes to bolster teamwork with care workers and reduce the number of hospitalisations. In another example, an insurer has been running numerous trials to boost the effectiveness of primary care in battling chronic illnesses amongst its members.

While some view these initiatives as moves to develop a two tiered system, it is the investment that is going into these innovations that will encourage further and positive change across *both* public and private sectors in health.

The nature of new entrants to Australia's health marketplace is also changing. Today one of Australia's largest health technology suppliers is the leading provider of mobile phones and devices, and home phone and Internet services. Much of what this company is building is focused on the value proposition of keeping people well and closer to their homes and communities for longer.

Other technology vendors have entered the market with solutions for referral sharing, shared care planning and digital applications to support self-management.

We are even seeing property managers and hotel operators targeting opportunities in new care models aimed at reducing the use of hospitals.

Finally, governments are encouraging investment from the private sector in different ways to get access to the right resources and deliver outcomes, such as in NSW and Queensland's social investment strategy. In these models financial institutions are being encouraged to put forward the resources needed for private sector providers to deliver innovative services and models of care delivered through outcomes-oriented contractual models.



5. Collaboration is growing

While you could argue that each wave of reform has increased the need for dialogue between different levels of government, there seems to be a growing collective recognition of the need for change. This is important as the Organisation for Economic Co-operation and Development recently assessed the quality of Australia's health system and concluded:

“Complications arising from a split in Federal and state government funding and responsibilities are central to these challenges... This fragmented health care system can disrupt the continuity of patient care, lead to a duplication of services and leave gaps in care provision.”¹²

The bilateral discussions between federal and state governments on primary care and Medicare reform seem to be more open and collaborative than in the past. We know of various state governments that are actively exploring ways to ensure the success of the necessary changes to our primary care system. There are more and more joint working sessions between Primary Health Networks and state health departments. There is also good dialogue to encourage more sharing of joined up data to provide a clearer picture of the entire patient journey.

The integration of healthcare and social care is also on the rise. In Victoria, healthcare and social services have come together in the newly formed Department of Health and Human Services. In NSW, the health department now oversees women's health (including domestic violence), and drug and alcohol abuse services. Also in NSW, mental health reform is a cross-agency government initiative.

This connection between healthcare and social care is critical given evidence that social determinants have a large impact on health and wellbeing. For instance, in a recent integrated care project PwC undertook in a region in NSW, there was clear evidence that social issues such as poor transport and housing, and social isolation were unnecessarily increasing pressure on the hospital system.

We are also seeing more and more genuine collaborations on the ground. There are public hospital services collaborating with primary care system managers, PHNs, in many areas across the country. These initiatives are trying to better connect the patient's experience between primary and acute services. Public hospitals are increasingly commissioning private and not-for-profit health providers to help achieve their aims of hospital avoidance and shifting care “left” closer to people's homes and communities. There are also some real bright spots being lit around the issue of health promotion and prevention. A great developing example is in Western Sydney with the Western Sydney Diabetes Prevention Alliance, a collaboration across government agencies including transport and infrastructure, universities, food retailers, sports groups and the community itself.

A large open question remains as to how the incentive model can be reformed for greater collaboration across silos. Reforms underway in primary care hold part of the answer to this but it is still very difficult for a public hospital CEO to incentivise more out-of-hospital activity to avoid unnecessary hospital use and better connecting the patient with the primary and community oriented parts of their journey.

From little things big things grow

We believe that real change to the Australian healthcare system will emerge from the many exciting pockets of innovation that are already developing around the country.

In addition to those already mentioned, other examples include the Gold Coast health system's Integrated Care Program, an impressive four-year proof of concept based on a partnership between Gold Coast Hospital and Health Service and the PHN. It aims to deliver improved, patient-centric holistic care, optimise the management of chronic disease, and involve GPs to focus on disease prevention and reduce the need for acute hospital care.

Sites in NSW, with some seed funding from the Ministry of Health, are also looking at both disease-specific and whole-of-population integrated care models. Both the Queensland and Victorian governments are also now pursuing "integrated care" strategies with innovation funding and the HealthLinks program respectively.

Increasing use of electronic health records in the Northern Territory, which began in 2002 as part of the federal government's HealthConnect trials, is a great example of how technology is supporting integration.

Recent developments to link data across service providers will encourage us to think about healthcare from a whole-of-system perspective, focusing on patient pathways.

Finally in March 2016, The Federal Health Minister announced the Healthier Medicare package trial aimed at improving access to GPs for chronic care patients and giving GPs more control over the care of those patients. The 'healthcare home' concept, which is based on the patient centred medical home model, aims to improve continuity of care through better coordination, use of electronic health records, pooled funding and scrutiny of patient data to track progress – all features of what the coordinated care trials all those years ago were testing out.

The sparks of reform are clearly lit, the path forward is becoming clearer, the evidence is growing, and politicians and the private sector are listening. Change will not occur rapidly as healthcare requires a measured and incremental approach. However, unlike in earlier attempts, it seems that the flames of reform that will lead to truly integrated care are now more likely to catch.

Further information

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PwC's National Health Practice provides a range of expertise that can assist across the health system including health analytics, integrated care, productivity and digital health.

The practice works with clients to help solve the complex challenges health organisations face, including developing and implementing the most appropriate health policies and strategies.

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Endnotes

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