

**REVIEW OF PROGRESS OF
INTEGRATION OF HOSPITAL SERVICES
IN ALBURY WODONGA:
RECOMMENDATIONS FOR MOVING FORWARD**

January 2006

Executive Summary

- The review identified considerable benefits and widespread local support for the integration of acute health services in Albury Wodonga. It is the Review's view that integration is essential to meet the long term health needs of the border area. There is also local dissatisfaction with the current rate of progress with integration.
- Ministers should reaffirm their government's support for integration and commit to an ambitious timetable for the next steps in the integration journey.
- Health Albury Wodonga should be established immediately as a new regional health service under the (Victoria) Health Services Act. Four members of the Board of the new health service should be appointed on advice from the New South Wales Minister for Health, and four by the Victorian Minister. The Chair should be jointly agreed by the two Ministers.
- Health Albury Wodonga should assume responsibility for all services provided by Wodonga Regional Health Service on 1st July 2006 and Wodonga Regional Health Service should then be disestablished.
- Albury Base Hospital should become a Third Schedule hospital under the New South Wales Act on 1st July 2006, with Health Albury Wodonga being designated as the managing entity for that Hospital.
- A Transition Team should be appointed to manage the assumption of responsibilities by Health Albury Wodonga.
- Assuming the two governments have reaffirmed high level commitment to progressing Health Albury Wodonga, the new organisation should have a single service contract negotiated jointly by New South Wales and Victoria with the service. Financial management risk should be carried jointly by New South Wales and Victoria.

Recommendations

1. That a new organisation, Health Albury Wodonga, be created as a new public health service under the Victorian Health Services Act.
2. The board of the new organisation should comprise of nine members, remunerated in line with the remuneration arrangements for other large regional health services.
3. Four members of the board of the new organisation should be appointed (by the Victorian Governor in Council) following advice to the Victorian Minister for Health from the New South Wales Minister for Health. Four members of the board should be appointed on advice from the Victorian Minister for Health. The two Ministers should liaise closely to ensure that their nominees collectively have the appropriate mix of skills for proper functioning of the board. One of the eight members nominated should be able to represent the interests of consumers of health services.
4. The two Ministers should also consult to appoint a jointly agreed chair for the new entity.
5. Health Albury Wodonga should be created by March 2006, although it should not have any service delivery responsibilities at that stage.
6. A transition team be appointed by the two Departments to manage the assumption of responsibilities by Health Albury Wodonga. Health Albury Wodonga should assume full service delivery responsibilities from 1st July 2006 for all acute health services in the immediate border region currently delivered by Albury Base Hospital and Wodonga Regional Health service. Wodonga Regional Health Service should be disestablished from that date, with Health Albury Wodonga being recognised as the successor in law to Wodonga Regional Health Service.
7. A dedicated budget, which would be additional to the existing budgets of Albury Base Hospital and Wodonga Regional Health Service, needs to be identified and allocated for the transition team
8. Albury Base Hospital should become a third schedule hospital under the New South Wales Act. Health Albury Wodonga would be designated as the managing entity of Albury Base Hospital. All staff currently employed at Albury Base Hospital would

remain on their existing terms and conditions of employment. The transfer of assets, liabilities, and contractual obligations and benefits from various NSW Health entities to Health Albury Wodonga would need to be negotiated

9. The new Health Albury Wodonga should be designated as a Level 5 service in terms of the New South Wales role delineation arrangements and designated as a regional health services as described in Victoria's *Rural directions for a better state of health*.
10. The service agreement for Health Albury Wodonga should include an explicit requirement that the service at least maintain its current service level and type.
11. Health Albury Wodonga should identify and address, with the support of the two state departments, major frictional hindrances to operational integration by September 2006.
12. Health Albury Wodonga develop a clear two-year work plan for progressing full integration of corporate and clinical services for which it is responsible by September 2006.
13. The basis for contracting with Health Albury Wodonga should be a service or output basis.
14. New South Wales should assess, as a matter of urgency, whether payment to Health Albury Wodonga for services and/or outputs be on the basis of the currently prevailing Victorian case mix funding arrangements. The payment rates may need to be varied to reflect the NSW cost structures and policy objectives.
15. That the service contracting arrangements for Health Albury Wodonga be on the basis of a single service contract negotiated by the two States jointly with an annual reconciliation between the two States based on utilization by their respective residents.
16. New South Wales and Victoria develop clear mechanisms for managing the establishment of and the joint relationship with Health Albury Wodonga

17. An independent financial consultant be retained to help resolve any budget or cost allocation disputes which may arise, particularly in regard to the Greater Southern Area Health Service managed support services.

Introduction

1.1 Albury Wodonga is one of south-eastern Australia's largest regional cities with a total population (2003) of 79,000 but serving a population of over 100,000. It ranks fourth in each state in terms of population outside the capital cities, but its relative size is obscured by the fact that it is in fact two cities: Albury in New South Wales with a population of 45,000 and Wodonga with a population of 34,000.

These communities are truly integrated, and this was demonstrated on many occasions as part of the consultations: staff representing Wodonga-based organisations often lived in Albury and vice versa. Travel time between the two communities is measured in minutes.

1.2 There are three public hospitals in Albury Wodonga: Albury Base Hospital (with 151 beds), Wodonga Regional Health Service (128 acute beds plus 10 sub-acute beds) and Mercy Hospital which focuses on rehabilitation and palliative care.

1.3 There has been a long standing policy focus on addressing border anomalies in the Albury Wodonga region, with working parties and policy proposals being a regular feature of health service development over the last twenty years. Cross-border anomalies working parties have made recommendations about registration of professionals, ambulance services and hospital services over this period.

1.4 The most recent development was the announcement on the 25th July 2003 of 'an Albury Wodonga integrated health service' and on that day NSW Health Minister Iemma and Victorian Health Minister Pike signed a 'one health service agreement' which according to the media release "effectively removed the border for Albury and Wodonga residents needing hospital care from today".

1.5 The agreement provided for a mid term review of the progress on achieving this goal. This report is the outcome of that review.

2. Process

- 2.1 The review was undertaken by Professor Stephen Duckett, Ms Lucy Hunter and Mr Ken Taylor. A key component of the review was extensive consultation in Albury Wodonga conducted in mid September by Professor Duckett who met with more than sixty people including staff of the hospitals, and representatives of the Border Medical Association, general practice, local government, consumers, and staff from other health agencies. Professor Duckett also had meetings in Sydney, Melbourne and Queanbeyan, and telephone consultation with people unable to attend the face-to-face meetings.
- 2.2 A consultation paper synthesising the outcomes of this first round of consultations was released in early December, followed by a further round of consultations in Albury Wodonga. The consultation paper outlined options for progressing integration and the consultations focused on assessing community reaction to the choices and options outlined in the paper.
- 2.3 The review process also involved analysis of the extensive legal and policy documentation which surrounds the integration and the steps leading to the decision.
- 2.4 This paper is the outcome of the two rounds of consultation and the documentary analysis. The second round of consultation found broad endorsement of the diagnosis and general conclusions of the consultation paper. This final report incorporates much of the text of the consultation paper, appropriately modified as a result of the consultations.
- 2.5 The process of integration has been slow. Although there has been some achievement, there is considerable scepticism in the community about the progress to date. However, there is also considerable optimism and enthusiasm about the policy direction.
- 2.6 The summary of views incorporated in this report represents the dominant views from the consultations. It is important to note that there is not a simple consensus or unanimous view in the community on any of the issues raised in the report.
- 2.7 As mentioned above, there is considerable scepticism about progress, sometimes expressed as opposition to further integration, although this latter position is a

minority one. There is a widespread view that there has been plenty of talk about integration with only small change in the reality of service delivery to benefit the communities. The twenty year history of failed attempts to address border anomalies and to enhance integration leads to two alternative conclusions: the scepticism referred to above but alternatively, great expectations for 'Health Albury Wodonga' and an impatience to see the espoused benefits delivered. Reversing integration is probably not feasible. The Albury Wodonga community is too small to support two separate hospitals, with separate on-call rosters, each pursuing their own development strategy independently.

Review observation

If integration is to occur, there needs to be clear evidence that it is still supported by both New South Wales and Victoria.

2.8 Considerable frustration was expressed by many people consulted about the different level of services provided on the different sides of the border. This was most notably the case with respect to community-based services. The different states accord different priority to community services in different parts of the health sector, with the inevitable result that in some areas Wodonga has stronger community services than Albury, and vice versa. Consumers find it difficult to understand why there are the different levels of access on the different sides of the border.

Although integration may not address this issue, it is certainly one where community groups have great expectations that integration will lead to better community services on both sides of the border. Because of the high demand for these services, additional resources may be required to meet these expectations.

3. The current arrangements

3.1 The announcement by the two Ministers foreshadowed an integrated health service. This has not eventuated to date. The announcement was not accompanied by any transition plan, transition team or transition funding. Integration has thus been considered as a marginal add-on to existing tasks and roles, rather than a significant project to be managed.

- 3.2 As would be expected given the state-based regulation of health services, very different organisational structures exist on the two sides of the border. Business processes for the two hospitals that are to comprise "Health Albury Wodonga" are also very different.
- 3.3 Albury Base Hospital is an integrated part of Greater Southern Area Health Service, which in turn is integrated into New South Wales Health. Greater Southern is the successor to Greater Murray Area Health Service. Greater Southern provides services across a large area of regional NSW including Queanbeyan, Wagga and Albury. While there is delegation to local management at Albury Base Hospital, final responsibility rests with the Area Health Service.
- 3.4 In contrast, Wodonga Regional Health Service is an incorporated body with a local board of management appointed by the Victorian Minister for Health. Within the Victorian accountability framework, the local board and the local hospital has autonomy in terms of the clinical services it provides and how it is organised, with accountability to the Victorian Department of Human Services in terms of services and budget.
- 3.5 The integration agreement provided that the Chief Executive of the Wodonga Regional Health Service would become the General Manager of Albury Base Hospital and be responsible for certain aspects of the Albury Base service. This has been more effective since July with the departure of the previous General Manager of Albury Base Hospital.
- 3.6 The general management of Albury Base Hospital is constrained by the context of the overall Area structure of Greater Southern Area Health Service which provides for integrated management across the Area. Under these arrangements for example, linen services to Albury Base Hospital are provided by a central linen service accountable directly to area management not to the management of Albury Base Hospital, pathology and radiology contracts are negotiated centrally, porter and cleaning staff are also seen as a corporate Area responsibility.
- 3.7 Budgets for corporate services at Albury Base Hospital are managed at Area level and budget reporting, even for services in the purview of Albury Base Hospital's general management, is usually monthly in arrears (or longer). Budget allocation for services provided by the Area (or contracted by the Area) are often not determined in advance but assigned at year end. These arrangements do not

provide for budget control for these services by the General Manager of Albury Base Hospital as they are managed by the Area Health Service. The integration agreement made specific provision about visiting medical officers.

- 3.8 Under the current arrangements there is significant perception of dual accountability to Greater Southern Area Health Service and Wodonga Regional Health Service in the management arrangements of Albury Base Hospital. This has led to some difficulties in effecting the integration of the two services, particularly in terms of managing budgetary arrangements. Integration of services may assist both hospitals to meet their budget targets by obtaining the best elements of externally contracted services or achieving economies of scale.
- 3.9 The current arrangements provide for Wodonga Regional Health Service to have a greater role in managing Albury Base Hospital rather than vice versa. There was almost no criticism of this direction of management. There was no portrayal (or criticism) of the situation as being a 'Wodonga takeover'. What was particularly emphasised in consultations was the need for local management and decision-making. This Wodonga Regional Health Service was able to provide and this was universally welcomed. Extension of Wodonga Regional Health Service's responsibilities is only appropriate for the short term: stable arrangements must be seen to involve a more unified (cross-border) management. However, Victorian structural arrangements, with a significant role for a local board, were generally preferred by people consulted as providing the appropriate base for development.

4. Perceived achievements to date

- 4.1 The consultations reviewed four areas where the integration seemed to have achieved benefits. However, in each of these areas there were detractors who questioned either processes or outcomes.

4.2 Communication processes

One of the claimed benefits of integration was improved communication processes. The links between Albury Base Hospital and Wodonga Regional Health Service in terms of management, and the integration for payment of visiting medical offices at Albury Base Hospital, were seen as facilitating communication between senior staff on both sides of the border, providing a better basis for dealing with management

and development issues and providing a platform for further improvements in services.

4.3 *Maternity services*

The reconfiguration of maternity services took place before the 2003 announcement with all maternity services in the cross border region now provided from Wodonga Regional Health Service. There are a number of benefits of this integration including consolidation of on-call rosters, greater viable size of the unit and the potential to attract additional specialists. The integration occurred by administrative fiat, led to considerable community concern and subsequent legislative action with New South Wales domiciled births occurring in Wodonga being deemed as having occurred in New South Wales.

4.4 *Paediatric services*

A partial consolidation of paediatric services has occurred, with the predominant paediatric unit now established at Albury Base Hospital. Wodonga Regional Health Service continues to provide a minor paediatric service, with admissions originally to be consolidated to two days a week but it has been reported that admissions occur over a number of days of the week. Wodonga's specialist paediatric nursing staff did not transfer employment to Albury Base Hospital and there appears to have been a loss of paediatric nursing expertise within the Wodonga Regional Health Service. There is still some community concern about the access to Albury Base Hospital for people from the Wodonga side of the border because public transport arrangements are poor. There is also some concern about the loss of nursing expertise, the failure to consolidate all services as part of the process, and the appropriateness of separating maternity and paediatric services on separate sites. Consumers consulted were obviously unsatisfied with ongoing consultative arrangements concerning paediatric services.

4.5 *Mental health services*

There is an effective consumer/community group advocating improved mental health services and certainly there are now improved communication linkages between the health services on both sides of the border. Effective clinical links are still developing. It is important to stress that mental health services, like other services, cater for people in outlying areas on both sides of the border. Travel time for clients and carers can become a very important issue. There are organisational

complexities on both sides of the border which present issues for the integration process.

- 4.6 In addition to these service benefits, the integration process has provided the two State departments with a greater level of understanding of the issues associated with moving to the next stage of integration.

5. Perceived potential benefits

The perceived benefits of integration were articulated forcefully by both clinical staff and consumers, all identifying potential benefits that could derive from an integrated health service. As would be expected in any health service (where a high proportion of funding is for staff), many of the benefits are about addressing workforce issues.

5.1 Recognition

There was a strong belief that the development of health services in Albury Wodonga was handicapped by the fact that both states saw Albury Wodonga as being 'the end of the line'. From the New South Wales side, Albury was the southernmost large hospital with a perceived void across the river. So, too, from the Victorian side, with Wodonga perceived as a relatively small service with nothing on the other side of the river. As a result, the local perception is that on the New South Wales side of the border the former Greater Murray Area Health Service seemed to support development at Wagga which appeared to be seen by them as more centrally located within their region. Similarly, on the Victorian side of the border, Shepparton is a larger provider and appears to be seen as more central and a place for service consolidation.

The view from both local clinicians and consumers was that a united Albury Wodonga service may redress this perception. Following integration Albury Wodonga would be an integrated large specialty centre seen differently by the two states. One expression of this was by one person who referred to the 'psychological river' which was much more important than the physical river in terms of the way the services were perceived. In this regard, the perception of the two distinct services affects both the visibility of the combined services but also creates opportunity costs in terms of location of other services.

5.2 Recruitment and Retention

There was a strong and committed view expressed that a larger, integrated service would be better able to recruit and retain specialists. There are a number of elements to this, including that the integration of the two services would mean integrated on-call rosters for the two services. For example, if there were three specialists on either side of the border under separate provision, each group would be required to work a one in three roster. A single integrated roster would allow one in six days on call which is a much healthier arrangement in terms of family and private life. For smaller services, healthy on-call rosters can be an important contributing factor in attracting specialists.

Integration also creates a larger 'mass' of specialists and facilitates other quality enhancing practices including improved peer review, enhanced specialisation and so on. The Australian Medical Workforce Advisory Committee produced a report in 1998 which showed the typical catchment population sizes where various specialist services could be normally expected to be viable. (See Table 1)

Table 1: Population catchment requirements for a viable resident service as defined by specialist medical colleges, 1998

10 000 – 20 000	20 000 – 50 000	50 000 – 80 000	80 000 or more
General Surgery Anaesthesia	General Physician /Cardiology Obstetrics & Gynaecology Paediatric. Medicine Psychiatry Orthopaedic Surgery Geriatric Medicine Pathology	ENT Surgery Dermatology Rehabilitation Medicine Neurology Thoracic Medicine	Urology Diagnostic Radiology Cardiology Intensive Care Nephrology Medical Oncology Radiation Oncology

This table shows that taken separately Albury and Wodonga should expect to see a range of specialties as displayed in the population range 20,000-50,000. At present taken in aggregate, Albury Wodonga enjoys all specialties but cardiology and thoracic medicine in the 50,000-80,000 range and 80,000 plus range. Integration as proposed would assist the retention of the current range of specialties and assist the recruitment of a specialist cardiologist and thoracic medicine physicians.

The failure to establish specialties is a significant opportunity cost leading to lower self-sufficiency, longer travel times for these services and possible loss of quality.

A larger integrated service was seen, especially by clinicians, as being a key to the further development of medical services in Albury Wodonga and to the ability to recruit specialists to the area in a range of sub-specialties. For example, following

the reconfiguration of maternity services, despite the difficulties of recruiting obstetricians to rural and regional areas, an additional obstetrician has been recruited to Albury Wodonga (and the pre-existing obstetricians retained).

An integrated service would both be better able to organise a registrar training program, but it would also be able to gain more accredited registrar posts because of the higher volume of activity and the broader range of specialties represented.

Integration was also perceived as providing benefits to non-medical staff. For nurses, for example, an integrated service was seen as being more attractive than two separate services because it would give staff an opportunity to work across a broader range of specialty areas.

5.3 *Staff development*

A number of staff indicated that an integrated service, providing greater levels of specialisation, would provide greater opportunities for staff development so that staff from each of the hospitals, and from smaller out lying hospitals, could benefit from periods of interchange (one or two weeks working in a different location) or from an organised staff development program.

5.4 *Elimination of duplication*

In general, arguments for the benefits of integration were cast in terms of improved services and quality rather than efficiency gains. However, there were some suggestions that the duplication of services on both sides of the border did lead to efficiency loss and that with integration, money saved could be reinvested in services. There was also some suggestion that integration of non clinical services on both sides of the border could lead to efficiency improvements.

Review observation

Integration will bring demonstrable benefits in the areas articulated above. It will also provide a platform for change and the ability to address further opportunities which may arise.

5.5 *Opportunity costs*

There were a number of examples given during the consultation periods of missed opportunities for services because an integrated cross-border health service did not exist. Cancer care provides an example. There has been considerable development involving all stakeholders in the border area in terms of cancer care. A cancer care coordination project has run for some time, and is now winding up the pilot stage and looking to embed an ongoing arrangement into service delivery. An integrated

Health Albury Wodonga would be an ideal vehicle for such an ongoing service because none of the existing services provides an appropriate ongoing home. The existence of Health Albury Wodonga would thus provide a platform for growing new services and for providing an appropriate auspice for services which currently fit uneasily into one or other of the existing organisations.

In the longer term Health Albury Wodonga could also provide a more integrated base for development of primary care within the border region and for more effective liaison with other stakeholders in the area, such as the Aboriginal Health Service.

6. Unfinished business

There were two areas where consultations revealed concern about aspects of integration: industrial issues and other border anomalies.

6.1 Industrial issues

Visiting medical officers are currently negotiating their contract of employment with separate negotiations taking place for Albury Base Hospital and Wodonga Regional Health Service. The contractual arrangements will be somewhat different between the two hospitals. Similarly, nursing staff have very different conditions of employment on the two sides of the border with the industrial award on the Victorian side providing explicit staff patient ratios which are not regulated on the NSW side and the NSW nurses having somewhat higher rates of pay than Victorian nurses.

Some concern was expressed that industrial relations harmonisation could lead to cherry picking of the most advantageous of the conditions of the extant arrangements with consequential increased costs.

There is also considerable concern among staff on both sides of the border about potential loss of conditions if conditions are harmonised at the lowest common denominator: many staff are long time employees on their respective sides of the border and have accumulated substantial entitlements in terms of superannuation, long service and sick leave. One of their concerns was that integration may mean they lose some of these conditions of employment.

A number of people argued that dealing with industrial relations issues is a condition precedent for integration and that progress on integration was a *sine qua non* for any further development of integration.

Industrial integration need not be a condition precedent to integration. The number of staff who would be expected to work on both sides of the border in the short term is probably very limited and staff interchange in these few situations could probably be dealt with on a case by case basis.

In the medium term there needs to be progress on industrial integration:

- To give a greater sense of staff identity for the new organisation; and
- To move case by case arrangements to a more systematic service rather than individually oriented basis.

One of the benefits of service integration would be in terms of recruitment and retention of nursing staff, who may be attracted by the more diverse range of experiences possible in an integrated organisation. These benefits would only be fully realised if they were facilitated by industrial integration.

Substantial benefits could be expected to accrue for service integration in a number of strategic areas including theatre, high dependency services and anaesthesia. Such service integration will require harmonised industrial arrangements.

6.2 *Cross border anomalies*

There were a number of border anomalies identified in the consultations. These included requirements to rewrite drug orders for a patient transferred between the two hospitals and to obtain additional consents for transferred patients.

It is certainly widely perceived that there are legislative and policy requirements that generate additional paperwork. These 'frictional' issues were seen as examples of failure of the existing system and of failure of the current process of integration.

It is unclear to this review whether the anomalies have a policy or legislative base or are myths, the product of history and perceptions of legislative requirements. Whatever their basis, they do need to be addressed over time. However, again it is a moot point as to how and in what timeframe these issues need to be addressed.

Review observation

Not everything needs to be done on day one. However, there needs to be a plan to address the barriers and frictional border anomalies.

There are a number of services, especially for Wodonga residents, which could be provided at Albury Base Hospital if the Victorian government had contracted with New South Wales agencies to expand capacity. There has been relatively little use of specific contracts for services across the border (e.g. Victorian funding to expand

Nolan House) rather than require consumers and their families to use services which involve a longer travel time.

7. Proposed organisational arrangements

- 7.1 The consultation document identified a number of options for progressing the development of Health Albury Wodonga. These included a backwards step of reversing integration and re-establishing two separate hospitals, and *status quo* arrangements.
- 7.2 The general tenor of the consultation document was that two-stage implementation for Health Albury Wodonga was required, with an interim model being implemented as soon as possible. This approach was generally supported in the consultations.
- 7.3 The importance of demonstrating clear political commitment to the further development of Health Albury Wodonga cannot be underestimated. If there is to be any further progress on Health Albury Wodonga, there needs to be a demonstrated ability for both New South Wales and Victoria to work together to overcome the barriers that have been erected in the way of progress. If the two governments are able to demonstrate that they are able to meet a significant hurdle in terms of integration interim arrangements, it would give one greater confidence that the longer term, more significant barriers, will also be able to be addressed.

Review observation:

Development of Health Albury Wodonga will require clear political commitment, supported by appropriate structures to ensure effective working between the two state departments

- 7.4 A two-stage implementation process is recommended. In the first stage, an integrated organisation would be created, leaving the employment arrangements for staff in New South Wales and in Victoria unchanged. The second stage implementation would involve addressing these industrial and other issues.

Recommendations

1. That a new organisation, Health Albury Wodonga, be created as a new public health service under the Victorian Health Services Act.
2. The board of the new organisation should comprise of nine members, remunerated in line with the remuneration arrangements for other large regional health services.
3. Four members of the board of the new organisation should be appointed (by the Victorian Governor in Council) following advice to the Victorian Minister for Health from the New South Wales Minister for Health. Four members of the board should be appointed on advice from the Victorian Minister for Health. The two Ministers should liaise closely to ensure that their nominees collectively have the appropriate mix of skills for proper functioning of the board. One of the eight members nominated should be able to represent the interests of consumers of health services.
4. The two Ministers should also consult to appoint a jointly agreed chair for the new entity.
5. Health Albury Wodonga should be created by March 2006, although it should not have any service delivery responsibilities at that stage.

7.5 The development of Health Albury Wodonga should be seen as a complex change management process that requires resourcing. As with most public hospitals, the budgets of both Albury Base Hospital and Wodonga Regional Health Service are under pressure. Management rightly tends to focus on day-to-day issues, limiting the time for strategic development.

7.6 The initial task of Health Albury Wodonga should be to negotiate a health service agreement for the 2006/2007 financial year. It should be the employing authority for a transition team. The roles of chief executive of Wodonga Regional Health Service and head of the transition team should not be undertaken by the same person as the tasks of each one are highly challenging and require individual full-time attention.

7.7 A dedicated budget, which would be additional to the existing budgets of Albury Base Hospital and Wodonga Regional Health Service, needs to be identified and allocated for the transition team. Commitment of additional funds would also demonstrate commitment of the two governments to progressing the development of Health Albury Wodonga.

Recommendations

6. A transition team be appointed by the two Departments to manage the assumption of responsibilities by Health Albury Wodonga. Health Albury Wodonga should assume full service delivery responsibilities from 1st July 2006 for all acute health services in the immediate border region currently delivered by Albury Base Hospital and Wodonga Regional Health service. Wodonga Regional Health Service should be disestablished from that date, with Health Albury Wodonga being recognised as the successor in law to Wodonga Regional Health Service.
7. A dedicated budget, which would be additional to the existing budgets of Albury Base Hospital and Wodonga Regional Health Service, needs to be identified and allocated for the transition team.
8. Albury Base Hospital should become a third schedule hospital under the New South Wales Act. Health Albury Wodonga would be designated as the managing entity of Albury Base Hospital. All staff of Albury Base Hospital would remain on their existing terms and conditions of employment.
9. The new Health Albury Wodonga should be designated as a Level 5 service in terms of the New South Wales role delineation arrangements and designated as a regional health services as described in Victoria's *Rural directions for a better state of health*.
10. The service agreement for Health Albury Wodonga should include an explicit requirement that the service at least maintain its current service level and type.

- 7.8 The interim model proposed for Health Albury Wodonga would involve retention of the existing industrial and employment arrangements for staff of both Albury Base Hospital and Wodonga Regional Health Service, and so this phase of Health Albury Wodonga would be an interim one pending further negotiations on industrial and other matters.

The early tasks of Health Albury Wodonga

- 7.9 It is important that integration progress quickly, and that there be clear progress on a number of frictional issues which are perceived to inhibit service delivery in the

border region. It is proposed that Health Albury Wodonga adopt a “first hundred days” program which would be designed to address some key issues such as development of integrated medication orders, admission consent documentation, etc.

7.10 The first hundred day plan should also include a longer term work plan of issues to be addressed over the next two years.

Recommendations

11. Health Albury Wodonga should identify and address, with the support of the two state departments, major frictional hindrances to operational integration by September 2006.
12. Health Albury Wodonga develop a clear two-year work plan for full integration of corporate and clinical services for which it is responsible by September 2006.

7.11 The work plan for Health Albury Wodonga should incorporate a clear plan to address service development in a number of critical areas including cardiology, general medicine, general surgery, mental health, orthopaedics and vascular surgery. Consideration should be given to ensuring an appropriate equipment allocation to the new entity as a high priority.

8. Proposed service contracting arrangements

8.1 There are three broad options as to the service contracting arrangements which could apply for Health Albury Wodonga.

- New South Wales and Victoria contributing to a funds pooling arrangement with a single service contract with Health Albury Wodonga;
- Dual contracting arrangements where New South Wales and Victoria separately contract with Health Albury Wodonga; and
- A single service contracting arrangement where one State (e.g. Victoria) contracts with Health Albury Wodonga for all services.

8.2 These arrangements have different strengths and weaknesses. Single contracting arrangements are more consistent with an “integrated approach”. The single

contracting arrangements could either be based on funds pooling or a single State contract.

8.3 The basis for dual contracting could either be site specific contracting or population specific contracting. In either event, dual contracting arrangements are inherently unstable and may be inappropriate.

8.3.1 Under site specific contracting the relevant State would contract for the services provided by the service site located in that State (New South Wales contracting for all services provided at Albury Base Hospital; Victoria contracting for all services provided at the existing Wodonga Regional Health Service site).

8.3.1.1 Site based contracting arrangements are more similar to the contemporary arrangements for services, i.e. New South Wales provides the budget for Albury Base Hospital and Victoria provides the budget for Wodonga Regional Health Service.

8.3.1.2 In the very short term there should be further service redevelopment so that the historic site specific budgets would not be appropriate.

8.3.1.3 There could also be opportunities for support service integration where site specific budget arrangements would not be appropriate.

8.3.1.4 Site based contracting may reinforce the separate history of Health Albury Wodonga and thus may not facilitate the future integrated development.

8.3.2 An alternate to site specific contracting is population based contracting, where New South Wales contracts with Health Albury Wodonga for services for New South Wales residents, and Victoria contracts with Health Albury Wodonga for services for Victorian residents.

8.3.2.1 Population contracting may involve different service caps for the different States and may therefore require Health Albury Wodonga to give preferential access based on a person's residential address rather than clinical need.

8.3.2.2 This arrangement is probably not consistent with the Australian Health Care Agreement.

8.4 For the reasons outlined above separate contracting arrangements are not supported.

- 8.5 The second cluster of service contracting types provides for one State to contract on behalf of both States. Under this model either State could have the contracting responsibility for all services at Health Albury Wodonga. In this way the services would come within the scope of the cross-border flow arrangements and the contracting State would be compensated by the other State through those cross-border arrangements. This model is the simplest and requires the least coordination of the contracting model arrangements and therefore has very many attractions.
- 8.6 A key weakness of the delegated contractor model is the lag time in terms of recouping funding under the cross-border arrangements. In a stable environment such a lag time would have few disadvantages. However in the situation of rapid population growth (which applies in Albury Wodonga) and rapid growth in service complexity (which applies to health services in Albury Wodonga), then a lag in payment arrangements could represent a significant underfunding of services. The contracting State therefore would carry a service development risk which may or may not offset the complexity risk inherent in the alternate option.
- 8.6 The alternate single contractor model is a funds pooling option which requires New South Wales and Victoria to agree on a joint contract for services with Health Albury Wodonga.
- 8.7 The basis for any contract with Health Albury Wodonga should be on a service or output basis. Funding to Areas in New South Wales is on the basis of population, but funding from areas to hospitals is either on an output basis or a negotiated budget basis.
- 8.8 It is difficult to see how a negotiated budget arrangement (i.e. not output related) would be appropriate for an arm's length contractual arrangement with Health Albury Wodonga. Greater Southern Area Health Service already has experience with service based contracting for the Third Schedule hospitals within its area, and a service or output based contract with Health Albury Wodonga is proposed.

Recommendation

13. The basis for contracting with Health Albury Wodonga should be a service or output basis.

8.9 Assuming an output based contract is to be adopted, the two States would need to negotiate the payment rate for services. It is difficult to see that Victoria could agree to any other basis for setting the service rate than the current Victorian case mix arrangements. It is unlikely that Health Albury Wodonga would agree to a rate lower than that currently applying at Wodonga Regional Health Service as, unlike the situation where there is a newly built facility, there is no immediate reason why the average rate applying at other hospital sites should not apply at Health Albury Wodonga. Similarly the Victorian Department of Human Services could not agree to a higher payment rate for Health Albury Wodonga as this would create an undesirable and inappropriate precedent for other Victorian health services.

8.10 In the event that New South Wales could not agree to fund at the Victorian case mix payment arrangements, then it would be appropriate to consider the alternate single contracting arrangement where recoupment of costs to Victoria occurs through the cross-border financing arrangements.

8.11 Internal modeling provided to the review team suggests that funding of the Victorian case mix arrangements would represent a marginal increase in the effective current budget of Albury Base Hospital, although the increase may not be as great as would be foreshadowed with the application of the New South Wales based COMBO arrangements. The review team was not able to verify these data.

Recommendation

14. New South Wales should assess, as a matter of urgency, whether payment to Health Albury Wodonga for services and/or outputs be on the basis of the currently prevailing Victorian case mix funding arrangements. The payment rates may need to be varied to reflect the NSW cost structures and policy objectives.

8.12 As has been mentioned earlier in this report, development of Health Albury Wodonga has been slow and the responsibility for the lack of progress cannot be assigned exclusively to Albury Base Hospital and Wodonga Regional Health Service and some of the responsibility for the lack of progress must fall on the New South Wales and Victorian departments/governments.

8.13 Based on this experience the review team does not have confidence that a joint negotiating position and a funds pool could be created and a service agreement negotiated by 1st July 2006. There could be greater confidence that speedy

negotiations of this type may occur if there was a stronger degree of overt political commitment to the process. This has been addressed in the earlier sections of this report.

8.14 Assuming there is a newly reinforced overt political commitment, the funds pooling option would be preferred to the other funding options.

8.15 The precise division of funds sourcing should be determined by an annual adjustment in arrears, with the two States being responsible for weighted service activity of their residents.

Recommendation

15. That the service contracting arrangements for Health Albury Wodonga be on the basis of a single service contract negotiated by the two States jointly with an annual reconciliation between the two States based on utilization by their respective residents.

9. Accountability and financial risk management arrangements

9.1 Regardless of the nature of the service contracting arrangements, consideration also needs to be given to the assignment of risk for financial management and other concerns. Although it is to be hoped that Health Albury Wodonga would live within its budget, there is the inevitable risk of a budget overrun which would have to be managed. Budget overruns can occur at any time in the financial year and the relevant funding/purchasing authority may need to react swiftly to ensure appropriate management action within Health Albury Wodonga.

9.2 There are a number of risks inherent in the creation of Health Albury Wodonga which are outlined in Table 2. The critical risks are financial management, activity growth and service risk. These risks can either be borne by the Victorian Department of Human Services (given that Health Albury Wodonga would be created under the Victorian Health Services Act) or could be managed jointly by the two States.

Table 2: Risk assignment matrix

	Financial management risk	Activity growth risk	Service risk
Current situation	<ul style="list-style-type: none"> • New South Wales carries risk for Albury Base Hospital • Victoria carries risk for Wodonga Regional Health Service 	<ul style="list-style-type: none"> • New South Wales carries risk for increases in New South Wales patients treated at Wodonga Regional Health Service • Victoria carries risk for increases in Victorian patients treated at Albury Base Hospital 	<ul style="list-style-type: none"> • New South Wales carries risk for Albury Base Hospital • Victoria carries risk for Wodonga Regional Health Service
Pooled funding, shared risk (Preferred option)	<ul style="list-style-type: none"> • Shared between New South Wales and Victoria • Assumes acceptable budget can be negotiated • Assumes satisfactory interdepartmental risk monitoring/responding arrangements can be developed • Transition risks to be managed 	<ul style="list-style-type: none"> • Risk transferred to Health Albury Wodonga 	<ul style="list-style-type: none"> • Risk shared between New South Wales and Victoria
Dual contracting, Victoria bears risk	<ul style="list-style-type: none"> • Risk carried by Victoria • Assumes Victoria agrees to budget arrangements to be negotiated by New South Wales with Health Albury Wodonga • Transition risks to be managed 	<ul style="list-style-type: none"> • Depending on nature of service contracts, risk transferred to Health Albury Wodonga 	<ul style="list-style-type: none"> • Each State carried risk for adequacy of contracts
Single contractor model, Victoria bears risk	<ul style="list-style-type: none"> • Risk carried by Victoria • Assumes Victoria has negotiated satisfactory cross-border funding arrangements with New South Wales • Transition risks to be managed 	<ul style="list-style-type: none"> • Risk transferred to Health Albury Wodonga 	<ul style="list-style-type: none"> • Risk shared between New South Wales and Victoria

- 9.3 If the funds pooling solution is adopted, a joint accountability arrangement would seem a logical parallel to dealing with financial risk.
- 9.4 A risk sharing arrangement must be predicated on establishing joint monitoring arrangements which would be able to function effectively and swiftly in the event of financial problems being identified at Health Albury Wodonga. Again, the track record to date does not give this review confidence that such a *modus operandi* could be created. However, if there is strong evidence of Ministerial and government commitment to the creation of Health Albury Wodonga, these concerns could be alleviated.
- 9.5 A joint monitoring arrangement would also be predicated on the assumption that the two States would agree that the budget established for Health Albury Wodonga is a fair one. Health Albury Wodonga would not be able to be reasonably expected to live within a budget if, for example, from a Victorian perspective the payment per service is lower than prevailing payment arrangements in other hospitals in Victoria.
- 9.6 The review team was not able to identify accurately current levels of spending for all services at Albury Base Hospital that would be encompassed within any service agreement with the new entity, Health Albury Wodonga. Although the direct levels of expenditure and budget for Albury Base Hospital are identifiable, the assignment of corporate overhead costs usually occurs retrospectively. A basis for allocating overhead costs appropriate in terms of finalising Greater Southern Area Health Service annual accounts may not be appropriate if Greater Southern Area Health Service no longer had direct responsibility for Albury Base Hospital and the relationship with Albury Base Hospital was in the nature of a service based contract.
- 9.7 In these circumstances there is a high transition risk involved in any service contract for Health Albury Wodonga, i.e. Health Albury Wodonga may need to commence operation without knowing precisely the cost structures for which it is responsible. Although the transition team may be able to make some progress on this matter once it is appointed, there will still be a residual risk that some issues of budget allocation, expenditure responsibilities, and cost assignment will not be finalised until well into the financial year.

9.8 Accordingly it is recommended that an independent financial consultant be retained to assist in resolving any financial disputes about the nature of the ongoing budget arrangements for Health Albury Wodonga. The independent financial consultant should only be required for the 2006/2007 financial year.

Recommendation

16. New South Wales and Victoria develop clear mechanisms for managing the establishment of and the joint relationship with Health Albury Wodonga.
17. An independent financial consultant be retained to help resolve any budget or cost allocation disputes which may arise, particularly in regard to the Greater Southern Area Health Service managed support services.

9.9 Health Albury Wodonga will reduce some of the risks which currently fall on government. For example, both New South Wales and Victoria carry risks in terms of activity growth under the cross-border funding arrangements. If there were a jointly negotiated contract for the new Health Albury Wodonga, this would typically involve identification of activity caps for the new integrated service. The Victorian funding arrangements provide for marginal funding for activity growth up to a second tier cap. Arrangements such as these should apply to the new Health Albury Wodonga.

9.10 Currently New South Wales bears the service risk for services provided through Albury Base Hospital, and Victoria the service risk for services provided through Wodonga Regional Health Service. Under any arrangement responsibility for service risks will be shared between the two states in some way.

10. Implementation

10.1 A major theme of this final report is the need for clear political/government commitment and resourcing for implementation. The recommended ongoing arrangements for Health Albury Wodonga will require close working relationships on both sides of the border. The current track record of these arrangements is not good and a reaffirmation and revitalisation of these arrangements is necessary to give confidence that the recommendations incorporated in this report are viable.

10.2 This report recommends a tight timetable for implementation. Again, achievement of the timelines incorporated in this report will give confidence that the ongoing

relationships will be able to work effectively. If the timelines are not achieved, there can be little confidence that the ongoing relationships will work effectively. In these circumstances it would be far better for governments to recognise these failings and to develop Albury and Wodonga health services separately. However it is the review team's view that this would be a backward step for the people of Albury Wodonga.

10.3 The new entity should have formal mechanisms for community and consumer consultation. These could be modelled on the community advisory committee structures of the public health services in metropolitan Melbourne and regional Victoria. Strong community links and strong community consultation will be essential for this new development of Health Albury Wodonga and will assist the organisation both in ensuring that the services that are developed are patient centred and truly responsive to community needs, but members of the committee will also be able to act as conduits to provide information about developments in Health Albury Wodonga to the community.

10.4 The proposals in this paper relate to the organisation of acute services, recognizing that both Albury Base Hospital and Wodonga Regional Health service deliver integrated sub-acute, community, public health and mental health care. Attention also needs to be paid to links with primary care services and to the smaller hospitals serving the Border hinterland. Victorian public health services are required to establish a 'Primary Care and Population Health Committee' to provide a formal consultative mechanism with relevant organisations. Consideration should be given to similar structural arrangements to facilitate links with other local services in Albury Wodonga and environs. These arrangements could include:

10.4.1 A Board Committee;

10.4.2 Establishing a Cross-border Area Health Council to facilitate broader liaison with local services

10.4.3 Merge the new organisation with some of the other relevant local services

10.4.4 Developing a service development strategy and service profile that is authorised by NSW and Victoria each year.

These options are not mutually exclusive.

10.5 2006/2007 will be a transition year for Health Albury Wodonga. This report proposes a two-stage implementation. The work plan for Health Albury Wodonga should clearly identify developments to further enhance administrative integration, as well as service development. In the long term employment relationships should

be harmonised and it may be appropriate to revoke the Third Schedule status for Albury Base Hospital. The various milestones along the way towards further integration will need to be approved by the two governments and subject to further review.

10.6 In the long term Health Albury Wodonga will thus evolve into the integrated organisation that was foreshadowed in the Ministerial announcement of July 2003.

10.7 During the consultations there was considerable support for the development of Health Albury Wodonga into a pilot scheme for a direct Commonwealth role in health care in the border region. If this were to occur, an appropriate target date would be the start of the 2008/2013 Australian Health Care Agreement.

10.8 It is possible to envisage a situation where the border population would be funded directly for health services by the Commonwealth Government, with direct Commonwealth accountability. This would be analogous to the new Commonwealth technical colleges. The stage is not yet set for direct Commonwealth responsibility for health care in the border region. However, the interim structures proposed here could evolve in that direction. Despite the benefits of a greater Commonwealth role, the first task of the management of Health Albury Wodonga should be focused internally within the border region to promote service development, and to ensure recruitment and retention of the critical specialties for the region and, of course, bedding down the implementation of Health Albury Wodonga. This internal focus is critical so that the residents of Albury Wodonga are able to see demonstrable improvement in the services available to them.

10.9 Community support for integration needs to be developed. If integration is to progress then there is a need for a community engagement strategy which will inform the local community about plans for "Health Albury Wodonga". The strategy needs to make explicit:

- Why integration is occurring; and
- What is to be achieved and by when.

The community engagement strategy will need to be accompanied by a formal advisory committee with appropriate support staff.

In the interim, the transition team should include community engagement and communication skills.