NSW Legislative Assembly Hansard

Health Services Amendment Bill

Extract from NSW Legislative Assembly Hansard and Papers Thursday 28 October 2004.

Second Reading

Mr MORRIS IEMMA (Lakemba—Minister for Health) [4.17 p.m.]: I move:

That this bill be now read a second time.

I am pleased to introduce the Health Services Amendment Bill. This bill is central to the Government's Planning Better Health reforms to the New South Wales public health system, which I announced on 27 July this year. Among other things, the reforms I announced on 27 July include the amalgamation of the 17 area health services into eight larger health service areas. The new area health services will be formed on 1 January 2005, in accordance with the Governor's order of 20 October 2004. I take this opportunity to remind the House of the benefits of the new area structure, which this bill will support.

Area health service boundaries were drawn up almost 20 years ago and no longer reflect New South Wales's population distribution, make-up and growth, health work force distribution, and patterns of clinical referrals and patient flows. Since then improvements in communications, transport and travel times have also impacted on the way that health services can be delivered. The new area boundaries have been developed to meet current and future health needs, with the key principle underpinning the area health service reforms being that more of NSW Health's resources should be spent on direct patient care and less on administration. The new area health service structure will reduce administrative duplication and inefficiencies and improve consistency in the way health services are delivered.

It will encourage the building of better clinical networks and enhance academic and teaching links. The new structure will also assist in improving the distribution of the health work force. For example, it is estimated that in the inner city there is a neonatologist for every 4,000 babies born, while in the outer metropolitan areas there is one for every 12,000 babies born. This is despite higher levels of births in outer metropolitan areas. Establishing a single service covering central and south-western Sydney will allow neonatologists and neonatal services to be more easily redistributed to the areas of greatest need. The new area structure will also facilitate much-needed corporate service reform. Instead of each area providing its own corporate and business support services, some of these services will be able to be delivered on a statewide or regional basis.

The reforms to area health service boundaries and shared services arrangements are, over time, expected to free up $100 million annually, with the savings being reinvested in additional frontline health services in the areas where they are realised. The September 2003 report of the Independent Pricing and Regulatory Tribunal [IPART], entitled "NSW Health—Focusing on Patient Care" gave impetus to the reform of health administration in New South Wales. IPART found that pressures on the public health system will increase dramatically over the years, and the task of providing the best possible health care will become increasingly costly. The IPART outlined a series of recommendations for better governance and institutional arrangements in NSW Health, including streamlining administration and reducing identified areas of duplication between the department, areas and hospitals, the reform of area health boards and improved clinician and community involvement in health service decision-making processes.

The reforms outlined in this bill are designed to address board governance arrangements to cope effectively with the demands of modern health care delivery, the need to improve accountability in health administration and the important role clinicians, health consumers and the community should have in health service decision-making processes. The first key change provided for in the bill is the abolition of area health boards as the governance model for area health services. The changes in models of care, health service delivery and technology, and the expansion of clinical networks across area boundaries signal the time for change. It is now time to move to an administrative model that better facilitates these networks and ensures a systemic approach to service delivery and clinical governance in the public health system.

The bill abolishes area boards, with area health services being controlled and managed by a chief executive, supported by an executive management team. It provides clear lines of accountability from the chief executive to the director-general, who in turn is accountable to the Minister. This simpler governance structure will make accountability in health administration clearer and better enable NSW Health to progress reforms that involve statewide initiatives or have cross-area impacts, such as shared corporate and health support service reform. The current Act provides for the establishment of statutory health corporations, of which there are currently five. These are Justice Health, the Royal Alexandra Hospital for Children—more commonly known as the Children's Hospital at Westmead—the Clinical Excellence Commission, HealthQuest and the Stewart House Preventorium. Those bodies are currently also subject to board governance.

The more specialised and focussed nature of some statutory health corporations has enabled their boards to operate. However the Children's Hospital at Westmead, like other area health services, has an integral role in health service delivery within the public health system. There is a need to improve the manner in which the Children's Hospital's services and administration are integrated with the area health system, whilst maintaining its own distinct expertise and branding. In the case of the Children's Hospital, there is a need for simpler, more direct and more accountable governance arrangements of the kind proposed for area health services.

The bill therefore amends the Health Services Act to enable the Governor to order whether the affairs of any particular statutory health corporation are to be controlled by a board or a chief executive. Where the Governor orders that the affairs of a statutory health corporation are to be controlled by a chief executive, the bill applies similar governance arrangements to those that will apply to area health services. The bill's amendments to schedule 2 to the Act provide that all of the current statutory health corporations, with the exception of the Children's Hospital at Westmead, will continue to be governed by boards. Board-administered health corporations remain accountable to the Minister and chief executive administered health corporations will be directly accountable to the director-general.

While the board governance model has generally outlived its usefulness in the delivery of public health services, its abolition represents an ideal opportunity to establish improved clinical, consumer and community participation arrangements. IPART identified the need to reform clinical and community participation arrangements at the State level and in health priority areas, and to establish permanent structures for community participation at the area level. The Health Services Act already provides some recognition of the importance of community and clinical consultation. Some clinician input is currently provided through area clinical councils and health care quality councils. However, consumer and community participation structures in areas are established on an ad-hoc basis and are variable in their effectiveness.

New structures are needed to give health professionals, health consumers and community representatives an enhanced role in the administration of our health system and in setting directions for the delivery of health services. This involvement is critical in keeping area management informed of issues relating to patient care and promoting continuous improvement in patient care and health care quality. Given the critical importance of clinical, consumer and community participation, I established the clinical and community advisory group, jointly chaired by the Rt Hon. Ian Sinclair, AC, and Ms Wendy McCarthy, AO, to recommend an appropriate model for area health advisory councils. The committee received 190 written submissions and held more than 60 meetings, involving more than 2,300 people in 35 locations across New South Wales.

The results of the work of the advisory group is contained in the report I tabled yesterday entitled, "A Clear Voice for Clinicians and the Community". I take the opportunity in this reading to congratulate the Rt Hon. Ian Sinclair and Wendy McCarthy and thank them for their leadership of the advisory group. The Rt Hon. Ian Sinclair has also taken the time to assist in settling the provisions of the bill relating to area health advisory councils. I also thank the advisory group members Professor Judy Lumby, Noel O'Brien, Professor John Overton, Dr Sue Page and Tom Slockee for their valuable contribution.

The second key reform in the bill is the culmination of this process and will legislatively enshrine robust clinical, consumer and community participation structures for area health services in the form of area health advisory councils [AHACs]. The bill legislatively enshrines an area health advisory council for each area health service, whose membership will comprise up to 13 ministerially appointed clinicians and community-based consumer representatives, with a requirement that there must be a reasonable balance between these two groups. Members may be appointed for terms up to four years and may serve a maximum of no more than eight years in total to ensure there is an appropriate balance of experience and fresh ideas within each advisory council.

There will be at least one person on each AHAC who has expertise, knowledge or experience in relation to Aboriginal health. It would obviously be my strong preference that these representatives are members of the Aboriginal community. The new area health advisory councils are in no way intended to replace already well-developed local health participation councils that have direct links with area management. Rather, the new structures will build on this good work and serve as a focal point for local health participation councils' issues. The legislative framework is sufficiently flexible to meet local needs, with the broader council functions and appointment arrangements being provided for under the bill and matters of detail, such as council procedures, being the subject of regulation.

The bill also provides for the establishment of an area health advisory council charter, as recommended by the clinical and community advisory group, which will further develop the way councils operate over time. The charter must be publicly available on the Department of Health and area health service web sites. The incoming council chairs will assist in the development of the charter. Chief executives will continue to require the advice and support of committee structures and medical staff councils, similar to those currently established under existing by-laws. Accordingly the model area health service by-laws will be amended to ensure these committee and council structures are appropriately constituted under the new system. The bill also provides that the Minister may establish advisory committees for chief executive governed health corporations, the precise functions of which will vary depending on the nature of the corporation. This provision will be used to provide for appropriate clinician and community input into the work of the Children's Hospital at Westmead.

The third key reform in the bill, which will complement the simpler, more direct and accountable governance arrangements for health administration, is the establishment of a health executive service. Members will be aware that area chief executive officers are currently members of the senior executive service [SES]. With the abolition of area boards and the introduction of new accountability arrangements for chief executives, it is proposed that the director-general, as the Health Administration Corporation, be their employer, including being responsible for appointment, contracts of employment, performance review and termination of appointment.

Greater consistency with other public sector executive arrangements is also desirable in terms of performance review and management of other executives within NSW Health. The performance of such executives is pivotal to the fulfilment of the duties and responsibilities of public health organisations, including the achievement of targets and objectives set in the performance agreements with the director-general. Executive performance is also pivotal to the management accountability of the chief executives of public health organisations.

Under section 115 of the Act the Health Administration Corporation already has the central role of determining consistent employment and remuneration conditions for these health service executives. Moving to establish the corporation as their

legal employer will facilitate an integrated approach to executive development and promotional opportunities within the public health system, a consistent approach to executive performance management and review within NSW Health, and clear lines of accountability of senior health executives, through chief executives to the director-general, consistent with the director-general's already established role in monitoring the public health system and performance review of public health organisations and chief executives.

The bill applies similar employment and compensation provisions to those applying to senior executive service officers under chapter 3 of the Public Sector Employment and Management Act 2002. This gives greater certainty to health service executive employment arrangements, rather than leaving them to be determined solely by the Health Administration Corporation. The bill retains scope for employing board-governed statutory health corporation chief executives as SES officers, as it would be appropriate to maintain more of an arm's-length relationship between the director-general and such chief executives where the statutory health corporation has some form of broad health oversight role, as is the case with the Clinical Excellence Commission. The bill also makes minor consequential amendments to the Public Sector Employment and Management Act 2002 to recognise the new Health Executive Service regime.

The proposals contained in the bill represent the next major step forward in health system reform. Together with the area amalgamations I have already initiated, they will streamline area management and administration, simplify health system governance and management, better support the development of health executives and make them more accountable, improve clinical and community participation in public health service delivery, enhance system-wide approaches to critical issues like strong clinical governance and patient safety, support shared services reform, and facilitate clinical networking across area boundaries. These reforms provide a framework for the public health system for the twenty-first century. They will mean more resources for front-line services and stronger clinical support for outer metropolitan and rural health services—in short, better, more accountable health services for the people of New South Wales. I commend the bill to the House.