HEALTH SERVICES AMENDMENT (LOCAL HEALTH DISTRICTS AND BOARDS) BILL 2011

Bill introduced on motion by Mrs Jillian Skinner.

Agreement in Principle

Mrs JILLIAN SKINNER (North Shore—Minister for Health, and Minister for Medical Research) [10.03 a.m.]: I move:

That this bill be now agreed to in principle.

I am pleased to bring before the House the Health Services Amendment (Local Health Districts and Boards) Bill 2011 as the first piece of health-related legislation by the O'Farrell Government. The bill paves the way for giving effect to one of our key election promises, that is, devolution of responsibility and accountability in the health system and a return of decision-making closer to our patients. A key problem of the former New South Wales Labor Government's management of the health system was its policy of overcentralisation, added layers of bureaucracy and red tape and remote decision-making. When Peter Garling, SC released his report on the review of acute hospital care he warned that the New South Wales health system was on the brink. The Garling report focused on the disconnect between clinicians and local communities and the administrators who made decisions about hospitals and health services.

The New South Wales Liberals and Nationals believe that those closest to the patient are best equipped to make best decisions about improving health care. We need to ensure that local clinicians and the local community have a real say in decision-making at their local hospital or health service and that they have access to transparent information to make those decisions. That is why we committed to removing the huge, inefficient area health services and creating a flatter administrative structure based on districts that cover hospitals and other health services in a particular region. We said in our policy that health districts would facilitate the development of partnerships to provide seamless health care to people, whether that involved hospital treatment or community-based health care services provided by general practitioners, pharmacists or other allied health professionals. We announced that board members would be appointed on merit to include people who have medical expertise, financial and risk management skills and good standing in local communities. We committed to further develop clinical networks that link medical experts across the system. We pointed out that certain back-office corporate support functions would continue to be provided as a centralised service.

Our 2009 policy titled "Making It Work" was about devolution. I emphasise the date of that policy—March 2009. It proposed a flatter management structure with devolution of responsibility to health district boards and hospital general managers, doctors and nurses in charge of units and wards having a say in running their services. The requirement to wait for approvals from distant administrators should be reduced. As I said, our policy was released in March 2009. In response, the former New South Wales Labor Government took every opportunity in Parliament, through the media and in speeches to criticise our policy. It did so relentlessly until former Prime Minister Kevin Rudd announced before the National Press Club the Council of Australian Governments [COAG] reforms, which were based on giving greater control of health care to local communities. New South Wales Labor had to eat its words, get rid of the dysfunctional area health services and create local health networks. The problem is that it did not go far enough. It did not give proper control to the networks and governing councils that were established. That is the basis for this bill, which I introduce to Parliament today as my first piece of legislation as Minister for Health. I am proud that in the first sitting week of the new Liberals-Nationals Government I am introducing legislation that we promised.

The key changes in this bill are to provide for local health districts and district health boards in lieu of

the 15 geographic-based local health networks and their governing councils. I trust that the Parliament will support this legislation so that local clinicians and local communities will have a greater say in how their local health services are run and another election commitment is kept. The revised structures will allow us in an orderly process and fashion to transfer greater degrees of responsibility and accountability to locally based decision-makers where the interests and involvement of patients and community can find a more immediate expression and response. As I previously indicated, changes were made to the structure of the New South Wales public health system in 2010, including the abolition of the area health services. The focus of these changes was to bring the New South Wales governance structures in line with the April 2010 Council of Australian Governments agreement on health reform, to which I previously referred.

A revised emphasis on local responsibility and accountability in part will be built upon two changes that will be made by this bill. First, item [1] of schedule 1.1 replaces the geographic local health networks with local health districts. The districts will retain the primary purpose of public health and hospital services, which is to provide relief to sick and injured persons through the provision of care and treatment. There will be a clear identification of each local health district with a particular geographically defined region, reflecting the broad remit of local health districts for the overall health of their communities. The districts will be responsible for the delivery of safe, high-quality and appropriate clinical services to their local communities as well as facilitating access to clinical services outside their districts where necessary and appropriate. At this stage I am not planning any revision of the existing geographic boundaries. However, I have indicated to the chairs of the current local health districts—or networks, as they are presently referred to—that minor variations may be contemplated at some time in the future, although none of these would be undertaken without a detailed process of local consultation and discussion. That includes discussions with local clinicians, communities and members of Parliament.

The second change set out in item [2] of schedule 1.1 to the bill concerns the governance of the local health districts and specialty health networks. The term "governing council" directly reflected the provisions of the National Hospitals and Health Network Agreement. I intend to adhere to the localism provisions dictated by that agreement. However, the policy of this Government is to ensure that the governing bodies function as the core accountable bodies and undertake the core accountabilities of boards of statutory corporations, with significant public responsibilities and accountability. It is proposed to reflect that through greater statutory recognition by replacing governing councils with district health boards and specialty network boards. The latter are non-geographic health providers such as the forensic mental health network, which provides mental health services to people in custodial care, and the Children's' Hospital network. The St Vincent's speciality network already has its own board.

The role of the boards will be focused on leading, directing and monitoring the activities of their services in a way that is responsive to their local patients, clinicians and communities. The functions are set out in the legislation and include: ensuring effective clinical and corporate governance frameworks are established, and approving those frameworks; approving systems that support the efficient and economic operation of the district, to ensure that the network manages its budget to ensure performance targets are met and to ensure that resources are applied equitably to meet the needs of the local community; ensuring strategic plans to ensure the delivery of services is developed and approving those plans; conferring with the chief executive in connection with the operational performance targets and performance measures to be negotiated in the service agreement for the network and approving the service agreement; providing strategic oversight of financial and operational performance in accordance with the statewide performance framework; seeking the views of providers and consumers of health services and the local community on policies, plans and initiatives; providing information on the district's policies, plans and initiatives to the community; liaising with other districts and speciality networks on both local and statewide initiatives for the

provision of health services; and approving the annual report.

The chief executive of each health organisation will be responsible for controlling and managing day-to-day operations and performance of his or her district or specialty network in line with the Government's policies and local needs or priorities identified by the board. The chief executive is accountable to his or her board for the way in which he or she undertakes these functions. The board has the power to recommend the appointment or the removal of the chief executive. No board can be effective unless this central responsibility lies clearly with it. Devolving this responsibility to the boards is the clearest possible indication of how serious this Government is about enhancing local responsibility and accountability.

The boards will comprise 6 to 13 members who will be appointed by the Minister for Health and who have an appropriate mix of skills and expertise to oversee and provide the guidance necessary for a complex health organisation as well as ensuring local community and clinician representation. The current selection criteria for membership will be retained. It is critical that the boards and members of the boards have the necessary skills in health management, business and financial management and expertise as well as experience in the provision of clinical and other health services, research activities and indigenous health. The devolution of new responsibilities and accountabilities to boards in some instances will require that those boards have greater expertise around the board table in matters such as financial planning and strategic asset management or legal services. I identified those skills in my policy entitled "Making it Work", which was released in March 2009, so the expertise required should come as absolutely no surprise to anyone who works in the health system.

At the same time I draw attention to the specific retained requirement that boards also have members with special knowledge of Indigenous health as this Government is determined to work to close the gap in terms of the continuing and unacceptable lower level of health outcomes for our Indigenous people. In my other capacity as Minister for Medical Research I am also determined that board membership will include people who are qualified to provide guidance and leadership in this field, which is a priority area for the O'Farrell Government. As the Minister I also will be responsible for the appointment of board chairs, although I have already indicated that when a particular board wishes to appoint a deputy chair, I will be pleased to leave that decision and choice of such a person up to the board. Most importantly, knowledge and understanding of the community served by a local health district is essential to ensure that local health districts are responsive to their local patient and communities' needs. It is also my intention to ensure that different communities and health service providers at hospitals within a district are fairly represented on boards.

The bill also makes amendments in relation to certain statutory health corporations. Items [3] and [4] of schedule 1.1 amend the Health Services Act to provide for specialty health networks and specialty network boards in lieu of the current non-geographic local health networks and their governing councils. Currently there are two non-geographic based local health networks that will be affected by this legislation—the Sydney Children's Hospitals network and the forensic mental health network. They now will be established as specialty health networks to better recognise the specialist nature of the services they provide. Item [5] of schedule 1.1 completes the changes by applying the local health district board governance structure to these bodies. For the sake of completeness I should note that at this stage changes are not being made in arrangements that cover the operations of Justice Health, nor to the four so-called pillars established as a result of the Garling review of 2008—the Agency for Clinical Innovation, the Bureau of Health Information, the Clinical Education and Training Institute or the Clinical Excellence Commission.

Schedule 2 of the current Act identifies three health reform transitional organisations or cluster services. I have announced already that the Government intends to abolish the clusters as they are an unnecessary level of bureaucracy within the health system and are incompatible with our

commitment to devolution. I am currently in discussion with the Director-General of the Department of Health to determine where the existing responsibilities of these clusters should be located and which of those responsibilities is appropriate for delegation to the new districts. I anticipate that the new arrangements will be in place, subject to parliamentary approval of this legislation, by 1 July 2011. I emphasise that in the meantime, until the formal changes are made, all existing arrangements, appointments and responsibilities remain in place exactly as they are at present.

By-laws and instruments of delegation will continue to progress the devolution of accountability for decision-making and performance to the districts and specialty networks. It is my hope that over time as the expertise and experience of boards increases so too will the pace of devolution. The primary instrument of accountability will be the annual service and performance agreement between the State and the district or specialty network. The boards and their chief executives will be accountable for meeting a clear set of financial and service key performance indicators set out in the agreements.

I emphasise that these amendments mark merely the beginning of a process for change. We are nowhere near the end. We are sending a clear message to the community about the Government's commitment to increasing local decision-making and local accountability and to honouring its election commitments in health. More work will need to be done. I have met a number of the clinicians in the workforce in rural New South Wales—in Dubbo, yesterday in Tamworth, and in western Sydney during my visits to Penrith and the Nepean Hospital and to Westmead—and this has been warmly welcomed by all. Clinicians very much want to have the opportunity to influence decision-making at their local level.

There will be incremental devolution of decision-making to the front line as the boards and their executive teams settle into their roles and develop their own expertise and capabilities. At the same time we need to ensure that all local health districts and specialty networks receive equitable access to expert support. In an address I gave to the chairs of existing governing councils in the week I became Minister I assured them of this support. I also advised them that they could call upon the expertise of the department in managing this challenging transitional phase. As I said in my policy "Making it Work", there are functions that will need to continue to operate at a statewide level or to be coordinated between districts. We need to maintain a robust performance management framework for our system.

We also need to support and retain clinical networks that link medical experts across the health system. These and other similar functions will need to operate through statewide structures such as the various statutory health corporations and the Health Administration Corporation shared services program. I have therefore asked the Director General of the Department of Health to undertake a more general governance review of the health system. The outcome of this review will involve further administrative changes to redefine how different functions will be undertaken, all with the aim of supporting a system that has the patient at the front and centre of everything we do.

Furthermore, I am well aware that the transition to the 15 existing networks, soon to be districts, has not yet itself been completed. While I am determined that we move swiftly on the necessary changes, I recognise that there is a need for stability in the delivery of health services as we move forward. The work of the transition will continue and, as I have already indicated, the health reform transition organisations that were established to support that transition will continue this role but only until the necessary administrative changes have been achieved.

Policy and administrative changes such as those proposed in this bill do not occur in a vacuum or without an underlying rationale. In this first piece of health-related legislation to come before this Parliament it is appropriate that I speak in more detail about the policy environment in which the New South Wales health system will be nurtured and developed by the O'Farrell Government. In the first

instance this Government requires that everything done and everyone employed in the New South Wales health system has as a principal focus the welfare of patients. Every outcome must have a patient focus and every proposal must include a patient-centred justification. Patient access to timely, quality health care must be improved, and this Government is determined to enhance that at all levels.

Secondly, both best medical practice and simple common sense indicated that our primary activity focus should be upon preventive health measures. Indeed, keeping people out of hospital in a way consistent with their best medical interests is vital. I acknowledge the very important work that my colleague the Minister for Healthy Lifestyles and the Minister for Mental Health will be doing in this regard. Thirdly, in order to allow patients to make better informed decisions about their own health care and that of their families there needs to be greater transparency and access to information across the system. The Bureau of Health Information will have a vital role to play in relation to that and I have already met with the bureau to encourage it to undertake more research and publication of health data and information upon which both governments and individuals can rely to make better decisions and choices. No-one should fear the truth; no-one should fear transparency. The era in which both were actively discouraged and notoriously absent from the New South Wales health system is over.

Fourthly, the entire tenor of this bill is to encourage and promote devolution in decision-making and accountability. New South Wales has some of the best and most qualified health professionals available. But under Labor policy the system has become too centralised and too unresponsive, especially to the needs of patients and the advice of clinicians. Devolution and discussion will be the hallmarks of the new O'Farrell Government. Fifthly, I say quite clearly that no health system can be truly effective if there is not a real culture of service about it. I have already had discussions with the Director General of the Department of Health about the need to eliminate bullying and harassment from any part of the health system and to move towards the development of a new code of conduct based on what I have called the core values of collaboration, openness, respect and empowerment. Culture change is an absolutely necessary precursor to enhanced outcomes for both the patients and all the people working in the health system at whatever level they may be.

Once it is clear that those of us placed at the leadership level of the health system—the Minister, the director general, senior executive staff, all chairs and chief executive officers—are utterly committed to these principles then I have no doubt that we will find willing and indeed enthusiastic supporters of our reform agenda through every nook and cranny of the New South Wales health system. There are wonderful employees in the health system and they have been busting to have the shackles of the policy of the former Labor Government in central control removed, which took no action in relation to bullying and harassment. A commitment to major reform in the health system of this State was at the very front and centre of the last election campaign which resulted in the New South Wales Liberals and Nationals Government, led by Premier O'Farrell, being entrusted with one of the greatest and most comprehensive electoral mandates in the history of not only the State but also of Australia. The damning verdict pronounced upon 16 years of Labor failure and incompetence speaks for itself. Those days are well and truly over.

The SPEAKER: Order! The member for Canterbury will come to order. The member for Wollongong will come to order.

Mrs JILLIAN SKINNER: This bill represents a first step in honouring our commitment to the people of this State to work to make it great once again. I commend the bill to the House.