



'Health Sector Regulations strangling health care services'

Canberra, 21 July 2010

Burdensome regulation in the health care sector, much of it with very little identifiable benefit, is slowly strangling the capacity of Australia's health care businesses to deliver the services expected by Australians, according to a Report released today.

According to the Report, health care providers labour under more than 300 different Acts of Parliament containing 22,600 pages of combined state and federal legislation, a feature of which is many unnecessary disparities between states that confuse and increase barriers to establishing new health care facilities.

The Report, released in Canberra, entitled: **"The Impact and Cost of Health Sector Regulation"** was researched and written by Julie Novak, Chris Berg, and Tim Wilson, and commissioned by the Australian Centre for Health Research (ACHR).

ACHR Executive Director, Neil Batt, said the Report shows that regulations, interference and bureaucratic and ministerial discretion had developed beyond a sensible benchmark.

"The health sector is one of the most highly regulated in the Australian economy and we believe it's helpful to bring to the attention of governments regulatory impositions that are excessive and add needlessly to costs that are already growing too quickly.

"We do not want to weaken regulation of matters critical to standards and safety. This is essential and is recognised. However, as the Report identifies, regulation in Australia appears to have blown out to include everything that was, at one time or another, a good idea with a raft of unpredicted, undesirable outcomes," Mr Batt said.

Julie Novak, who is a Research Fellow with the Institute of Public Affairs, said the study showed that the cost of regulation was rising rapidly. "For example, the total cost of labour for general practice compliance in the area of enhanced primary care has grown by nearly 900 per cent between 2001-02 and 2007-08. In a submission to the Productivity Commission in 2009, the AMA suggested general practitioners spend up to nine hours per week complying with red tape obligations. 'Every hour a GP spends doing paperwork equates to around four patients who are denied access to a GP'.

"Bureaucratic burdens feed directly into the three major causes of stress in general practice – excessive workload, the economic factors necessary to run a business, and 'medico-political' factors, that is, the political and regulatory environment within which practices operate."

New South Wales alone has 37 different Acts of Parliament; Victoria has 27; the Commonwealth with no constitutional responsibility for health care service delivery has 59 Acts. Each state has between 15 and 20 different health care regulatory agencies and there are also nearly 80 at a Commonwealth level.

"The result is that a single health care facility in only one state faces the prospect of having to work with up to nearly 100 different regulating entities. Arguably, health regulation in Australia has become a nightmare," Ms Novak said.

The Report also estimated the regulatory impact on bringing medicines and other equivalently regulated products to market.

"The pharmaceuticals industry faces annual costs of at least \$89 million to receive regulatory approval for sale. Much of this cost is duplicating work to seek regulatory approval already started or resolved overseas.

"In the area of safety and quality, States and territories enforce a range of provisions affecting the care provided in private hospitals that are likely to impose a range of administrative and substantial compliance burdens. Some of the provisions are vague in their interpretation while others are highly prescriptive or unnecessary." (See text box in Report, page 61 for examples). "In addition, in private hospitals there is a clear overlap between commonwealth and state regulations and a lack of logical consistency between regulations in different states, particularly in the area of licensing."

Ms Novak said many of the regulations that exist in health serve very little identifiable benefit beyond giving a broad sense of confidence to the public. But, in the process, costs are raised, impinging on the quality or degree of access to health care services. "Apart from the sheer weight of legislation, the number of health care regulators interpreting and implementing this legislation is also on the rise.

"Regulatory reform cannot come soon enough. Cutting regulation will be crucial to ensure private providers can ease demand strain on health services by an ageing population. Indeed, the flexibility and innovation of the private sector will be limited by heavy regulation," Ms Novak added.

For its part, the ACHR urges the federal government to reduce the burden of regulation – not regulation which protects quality and standards, but regulation that needlessly adds time and/or cost to healthcare delivery.

"Every dollar spent on needless compliance or paperwork for doctors and nurses results in less money or time spent on improving or extending the lives of Australians," Mr Batt added.

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Additional Information

- About 85% of Australians visit a doctor at least once a year
- There were 25,564 GPs who provided at least one Medicare service during 06-07
- In 2006-07, there were 39,000 medical practitioners engaged by the private sector
- In 2006-07, about \$87.3 billion was spent on recurrent health care services by governments, private health insurance funds, individuals and others. Of this amount, about \$45.3 billion was spent on private hospitals, medical services, private dental services, community health and medications
- On a typical day, there are 20,000 admitted services and 124,000 non-admitted services provided by hospital emergency departments and outpatient clinics
- According to the OECD, the proportion of health expenditure attributable to the private sector was 32.3% in 2006, above the average of 27% for nearly 30 OECD countries
- Excluding veterinary and community services in nursing homes, the private health care sector generated about \$19 billion in gross value added in 2003-03.
- ABS statistics on the characteristics of Australian industries for 2002-03 show that, at that time, there were 84,400 establishments in the private health care sector. This included about 49,300 medical and dental practitioners, 34,000 services in other health areas such as pathology, optometry and physiotherapy, and over 1,000 private acute care hospitals.