

PARLIAMENTARY BRIEFING

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PRIVATISATION RISKS AT NORTH SHORE HOSPITAL

In our last *Parliamentary Briefing* (18 January) we summarised our major issues of concern. One of these was threats to the new 'elective surgical centre' (ESC) planned for North Shore Hospital.

Establishing a dedicated ESC at North Shore Hospital as a 'model of care' for patients has wide support, including from hospital specialists. The experience of both Counties-Manukau DHB with its Manukau 'super clinic' and Canterbury DHB's use of Burwood Hospital demonstrate that significant benefits and efficiencies can be achieved (including for patients), particularly in larger population catchments, through a separation of acute and elective surgery and doing each set of procedures in different facilities. This 'model of care' is also well supported in the international literature.

But this excellent innovation is threatened by ideological agendas poorly grounded in practicality. They involve live options to partially privatise the ESC and also introduce divisive selective personal financial incentives to drive the 'model of care'.

Privatisation by Stealth: Governance & Operation

While the physical structure that houses the ESC will remain in public DHB ownership, there is a proposal to leave responsibility for the governance and operation of the ESC in the hands of a separate legal entity such as a joint venture, some lease-back arrangement with a private facility or operator, or some other form of allowing profit-driven private interests to have undue influence on this part of the public health service.

Such an arrangement would need to return a "profit" for the shareholders or owners of these private financial interests. There would be increased transaction costs, muddled accountabilities, and scope for confusion and tension in the necessary interactions between the ESC and other North Shore Hospital services.

Discriminatory Personal Financial Incentives

The second threat to the viability of the ESC is the proposed use of discriminatory financial incentives for selected specialists to 'drive' the model of care at the ESC. This raises some serious concerns and the real prospect of unintended consequences that need to be considered.

Why should elective surgery alone attract financial incentives to increase productivity? Ignoring for the moment how does one fairly measure productivity, why should other clinical services be discriminated against in the "productivity stakes" (e.g. acute surgery, diagnostic services, psychiatry, ED admissions and ICU) and be offered no incentives?

Why should SMOs working diligently in these services be paid less than their surgical colleagues undertaking "low risk" electives? There is no good answer to this question. Inevitably this unfairness and discrimination will result in a high level of specialist dissatisfaction across the organisation which will undermine the strong culture of collaboration and team work that is at the heart of the ethos of public hospital healthcare delivery.

Across the other side of Auckland, Counties Manukau's dedicated facility for elective operations functions as effectively and efficiently as the planned ESC at North Shore aspires to. But it does not require personal financial incentives to make it happen. Professionalism and teamwork do the trick.

I was struck by research published in the *NZ Medical Journal* (16 December 2011) about a trial on the use of non-contact first specialist assessments (NCFSA) at Palmerston North Hospital. It concluded that a "significant proportion (around 20%) of new referrals to a neurology clinic can be treated safely as NCFSA. This may not only improve the capacity for non-urgent appointments, but also increase resources and reduce waiting time for more urgent referrals."

A new or revised model of care equivalent to a clinic a week arising out of this in Palmerston North Hospital would be a worthy achievement. Financial incentives did not drive this; professionalism did. What would make this sort of model of care any less valuable for a DHB than one shaped by personal financial incentives.

Proponents of financial incentives refer to the evaluation of the "Waitakere Pilot" undertaken by Professor Toni Ashton. This pilot involved examining the performance of using an operating theatre at Waitakere Hospital as an ESC and using financial incentives for selected specialists to drive the service. Waitemata Board chair Lester Levy has claimed that the use of these financial incentives has been a great success and that this would be confirmed in Professor Ashton's work.

Subsequently we received under the Official Information Act a copy of Professor Toni Ashton's evaluation report.

But it does not say what the proponents of personal financial incentives claim it says about the claimed success of these incentives. Instead it highlights the divisiveness of this approach, particularly among those involved in the 'pilot' and gives weight to other factors leading the results that were achieved.

The best one could say is that the report is equivocal. But arguably it could also be said that implicitly it is critical.

This proposed model also creates serious risks for the training of resident (junior) doctors. Much of the "service" requirements of resident doctors come from working with acute cases while their training is largely achieved with elective cases. The use of personal incentives linked to arbitrary 'efficiency' or 'productivity' targets will undermine the ability to provide quality training.

Kind regards

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EXECUTIVE DIRECTOR

The Association of Salaried Medical Specialists (ASMS) represents salaried senior doctors and dentists. The large majority of our members are employed by DHBs. Outside the College of GPs we are the largest organisation representing doctors in New Zealand. Central to our existence is to promote the right of equal access for all New Zealanders to high quality public health services.

The ASMS publishes the ASMS Parliamentary Briefing to provide considered advice to MPs of issues and concerns where we believe we have the experience and expertise. We encourage MPs to access our website www.asms.org.nz which also has regularly updated news on the homepage.