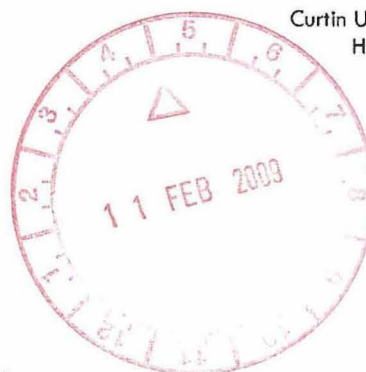




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The Hon Sue Ellery MLC  
Acting Convener  
Sub-Committee Inquiry into Public Sector Expenditure  
Legislative Council  
Parliament House  
PERTH WA 6000

### **Sub-Committee Inquiry into Public Sector Expenditure 3% Efficiency Dividend**

This submission briefly addresses concerns about the proposed 3% Efficiency Dividend, and in particular its application to the Health Department and health services.

I am aware that submissions to the Inquiry closed on 30 January. I only recently became aware of the Inquiry, and hope that this late submission will be acceptable.

I wish to note two areas for concern.

#### **1. Application of a 3% Efficiency Dividend to Health Department and health services**

It would be naive not to recognise the current global, national and local financial pressures. Recognising these pressures, it is nonetheless a matter of concern that the Health Department and health services are apparently to be subjected to the same cut or "efficiency dividend" as other agencies.

The health system is already under significant pressure. Demands on health services show no signs of abating, particularly in the context of an increasing and ageing population.

Health services traditionally require levels of funding over and above inflation. "Health inflation" is invariably greater than normal inflation. Health systems are subject to costs, whether from salaries, equipment or medications that cannot be contained within normal inflation, let alone subjected to a 3% cut.

The pressures faced by the health system are all the greater in the light of not only public expectations and demands, but also the very clearly expressed and recognised needs to increase the levels of service provided to particular sectors of the community, e.g. rural and remote populations and disadvantaged groups across the State.

Health systems have over the years been subjected to a number of cuts and "dividends". While it may in theory be possible to argue that there is always scope for efficiencies to be found, the reality of the health system is that further cuts of any kind will inevitably affect the level and quality of services provided. Some of the impacts may be direct rather than indirect, but they will occur nonetheless. Even if some savings can be found, they are needed to support developments across the system and to meet the needs of the community. The sad consequence of any cuts or "dividends" is that new, innovative and important projects will not be funded. This will further disadvantage both the health system and the health of the community.

## **2. Prevention and other special considerations**

There must always be a concern that in times of pressure, some areas in the health system will be inappropriately targeted for cuts or reductions because they are not seen as delivering front line services.

The advances that have led to our current remarkable life expectancy have resulted in large part from public health measures and activities. Public health still has the scope to influence the health of the community at large more than any other part of the health system; there is scope for improvement; by contrast if public health activities are not supported, the community will be less healthy than it might have been. Public health activities, from monitoring and surveillance to health protection programs or activities designed to promote the health of the community should be seen as all the more important at a time when the health system overall will clearly be under severe pressure. It may seem a simple matter to remove or delay the appointment of an officer here or an officer there, but public health is already severely under-funded (attracting at most 2% expenditure a figure described by the Prime Minister as "crazy"). It will be vital to ensure that public health and prevention are not seen as soft targets in the interests of ensuring that other parts of the system (or governmental activity as a whole) are protected.

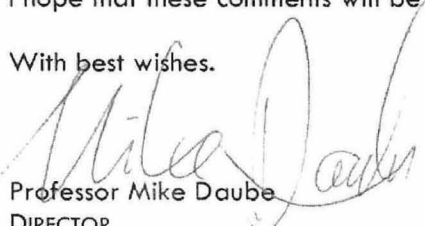
This submission does not seek to argue that public health should attract funding away from other parts of the health system: it must, however, be a priority to ensure that public health and prevention services are not adversely affected, for if they are the adverse consequences will be felt by the community as a whole. There may also be a case for seeking more support for prevention, given the known benefits and the costs of preventable death and disease to the community and the health system.

I would therefore urge that:

1. The Health Department and health systems be quarantined from the 3% efficiency dividend.
2. Special care be taken to ensure that prevention programs are not seen as soft targets.
3. Services for the disadvantaged and in areas that often lack popular appeal (such as mental health services) should also receive special consideration.

I hope that these comments will be of some assistance in the Committee's deliberations.

With best wishes.

  
Professor Mike Daube  
DIRECTOR