



**Australian Government**  

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**National Health and Hospitals  
Reform Commission**

**Media Release**

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**NHHRC BACKGROUND PAPER ON THE POTENTIAL FOR EFFICIENCY  
GAINS IN THE AUSTRALIAN HEALTH SYSTEM**

The National Health and Hospitals Reform Commission (NHHRC) today released a background paper – *The Australian Health Care System: The Potential for Efficiency Gains (A Review of the Literature)*.

The paper reviews the available literature on the efficiency of the Australian health care system and the potential areas where efficiency gains might be made.

NHHRC Chair, Dr Christine Bennett, said today that the Commission believes that eliminating waste and inefficiency from the health system is an integral part of health reform.

“While Australia’s health system performs relatively well on efficiency measures when compared to other developed countries, there is still room for improvement across all parts of the system,” Dr Bennett said.

The paper identifies a number of areas for possible efficiency improvements, many of which were discussed in the Commission’s Interim Report, which was released in February this year.

Areas for improvement could include:

- Ensuring patient care is being driven by clinical best practice through the alignment of funding and remuneration arrangements;
- Improving hospital efficiency - the Productivity Commission has estimated that the greatest gains in health system efficiency may be through reforms that impact on hospitals, largely due to the sheer size of the sector;
- Paying all hospitals the most efficient price, as determined within peer groups, for the services they perform is expected to drive efficiencies;
- Reducing preventable adverse events could potentially free up an estimated \$1 billion per year (in 2003-04 dollars) in hospitals for other services;
- Making primary health care the health system hub for patients through a ‘health care home’, as better health outcomes are expected through improved coordination, community orientation, and continuity for patients;
- Implementation of patient-controlled individual electronic health records is expected to yield efficiencies across the health sector, and particularly in primary health care;

- Almost 10 per cent of hospital stays (separations) are potentially preventable if timely and adequate non-hospital health care was provided;
- Minimising preventable hospitalisations enable a greater focus on those patients requiring treatment in a hospital setting;
- Improving the allocation of resources across sectors by getting the balance right between prevention, primary health, sub-acute, hospital and aged care services would improve efficiency; and
- Only funding interventions that prove to be cost-effective. A single mechanism that assesses the cost-effectiveness of medical interventions, including preventive, pharmaceutical, medical and prostheses would be optimal.

*The Australian Health Care System: The Potential for Efficiency Gains* is available on the NHHRC website at [www.nhhrc.org.au](http://www.nhhrc.org.au) under 'Background Papers'.

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