



Public Pathology
AUSTRALIA



Submission:

Select Committee on matters
relating to SA Pathology

Putting **patients** first



Email: contact@publicpathology.org.au

Phone: +61 7 3102 4094

Fax: +61 7 3112 6838

Web: www.publicpathology.org.au

Mail: Suite 154, 4/16 Beenleigh Redland Bay Road, Loganholme QLD 4129

15 February 2019

Table of Contents

<i>Executive Summary</i>	4
<i>Background</i>	5
<i>Submission</i>	6
a) The importance of high standards of safety and quality in the provision of pathology	6
b) The importance of timeliness on the provision of pathology and the impact of delayed results on patient outcomes and the broader South Australian health system	8
c) The importance of South Australian-based research and teaching associated with pathology	9
d) The importance of access to pathology in primary health including the role of SA Pathology in ensuring accessibility of health care and the provision of bulk-billed services.	10
e) Staff workloads within SA Pathology and the impact on unsafe workloads on staff health and wellbeing and the quality of service provided.	11
(ea) The former Labor Government’s Efficiency Improvement Program including the potential and actual impact of staff, the quality of service provision, patient outcomes, teaching and research.	11
(eb) The former Labor Government’s Enterprise Pathology Laboratory Information System and its implementation, including the impact on staff the quality of service provision, patient outcomes, teaching and research.	13
f) The impact of the 2018 State Budget in regard to SA Pathology, including the impact on staff, the quality of service provision, patient outcomes, teaching and research.	14
g) The effects of potential privatisation of SA Pathology as foreshadowed in the 2018 State Budget, including the impact on staff, the quality of service provision, patient outcomes, teaching and research.	16
<i>Conclusion</i>	20

Executive Summary

Public Pathology Australia is the national peak body for government owned and operated pathology services. Public Pathology Australia has 18 members across every jurisdiction, most of which are state-wide public pathology services.

Pathology is an essential medical service. Public pathology services, such as SA Pathology provide a high-quality service to the local population. In comparison to private pathology, public pathology provides the full range of diagnostic tests including complex, time critical, and public health tests, as well as integrated clinical consultative services to patients and their Specialists and General Practitioners wherever they are located in South Australia.

Integrated public pathology services improve the patient experience and generate downstream savings by improving patient flow through the health system; from general practice to hospital, outpatients, and back to the community. Unlike private pathology services who are accountable to shareholders for maximising profit, public pathology services are accountable to patients and the government, they provide stewardship in relation to appropriate testing and are not incentivised to over-service.

Teaching, training and research is embedded within SA Pathology, as is the case with other public pathology providers across Australia. SA Pathology is the only pathology provider who trains Doctors to become Pathologists in South Australia. SA Pathology clinicians also have close collaborative links to world-leading research institutions and universities to expedite research into clinical practice to improve patient outcomes.

SA Pathology plays an extremely important role in ensuring equitable access to pathology in primary health. SA Pathology:

- has more patient specimen collection centres and laboratories located in regional areas compared to private pathology providers.
- bulk bills all Medicare-eligible patients.

SA Pathology needs certainty of continuity in order to progress the initiatives that it believes will improve service delivery, including those that have already commenced such as the Enterprise Pathology Laboratory Information System (EPLIS) optimisation program. There needs to be recognition that the Efficiency Improvement Program and 2018 budget announcement has placed undue pressure on a system which is still stretched from the EPLIS transition and the move to the new Royal Adelaide Hospital.

It is important that the Government supports SA Pathology to make the necessary changes to deliver value to South Australian taxpayers. It should be recognised that some barriers to instigating change lay outside the control of SA Pathology and would be also experienced by a private pathology provider should services be rendered contestable.

Privatising a whole state-wide public pathology service is unprecedented. Privatising part of a public pathology service carries significant clinical and political risk. Outsourcing pathology services destroys the benefits of economies of scale and exposes patients to quality issues associated with the vagaries of contract management which may include clinical risks associated with slower turn around times for pathology testing.

Background

Public Pathology Australia has represented government owned and operated pathology services (public pathology services) since 2001. Public Pathology Australia has 18 members across every jurisdiction in Australia including the public pathology service in South Australia, SA Pathology. Public Pathology Australia has extensive knowledge of the provision of pathology services across Australia.

Pathology providers compete on the speed and accuracy of results; location; the range of services offered, referral networks and price.¹ The demand for pathology services is driven by population growth, ageing and emerging or heightened disease states, and pricing policies. Pricing in the pathology market is influenced by Commonwealth, State and Territory health, funding and billing policies.²

Full service public pathology providers undertake diagnostic testing, clinical consultative and governance roles, research, teaching and training. They cover the full breadth of service provision from pathology services to patients based in the community, outpatient department, inpatient wards, mortuary (and in some jurisdictions forensic services) and commercial (food and environment, toxicology) services.

Public pathology providers play a vital role in ensuring equitable access to pathology tests for all patients by providing tests that are under remunerated or not covered by the Medicare Benefit Schedule (MBS); servicing patients located in areas where the cost of transporting specimens and conducting tests is high; and by bulk billing Medicare-eligible patients.

In order to meet increasing demand, the high cost of diagnostic technology, workforce challenges and to maximising use of limited financial resources, the majority of public pathology services are provided by [state/territory-wide organisations](#).

Jurisdiction	Public Pathology Provider	Model
ACT	ACT Pathology	Territory-wide public pathology service
Queensland	Pathology Queensland	State-wide public pathology service
New South Wales	NSW Health Pathology	State-wide public pathology service
Northern Territory	Territory Pathology	Territory-wide public pathology service
South Australia	SA Pathology	State-wide public pathology service
Tasmania	Royal Hobart Pathology (RHH) & Launceston General Pathology Service	2 Local Health Network based services with RHH hosting some state-wide pathology functions
Victoria	Alfred Pathology, Austin Pathology, Eastern Health Pathology, Goulburn Valley Pathology, Melbourne Health Pathology, Monash Health Pathology, Northern Pathology Victoria, Peter Mac Pathology, The Royal Women's and Children's Pathology, Victorian Cytology Service (VCS)	Local Health Network based services. The majority of the metropolitan services are provided by public pathology providers. Some public pathology providers have state-based functionality.
Western Australia	PathWest	State-wide public pathology service.

¹ IBISWorld, *Pathology Services in Australia*, 2011.

² Department of Health and Ageing, *Review of the Funding Arrangements for Pathology Services – Final Discussion Paper*, 2011.

Submission

a) The importance of high standards of safety and quality in the provision of pathology

Pathology is a medical service. As such, high clinical standards must be applied to every specimen received, test conducted and reported. All pathology providers have to abide by regulatory requirements and pathologists have a duty of care to provide the accepted medical standard of care to patients. However, there have been mixed degrees of accountability and fragmentation of care in outsourced arrangements. Loss of scale due to outsourcing a state-wide public pathology service or part thereof also has implications for accreditation, training and financial sustainability.

Pathology is the medical specialty concerned with the study of the nature and causes of diseases. Pathologists are sometimes referred to as the “Doctor’s Doctor”.³ Pathology underpins every aspect of medicine. Pathology is used to:

- predict susceptibility to disease;
- prevent disease by identifying risk factors in patients that can be modified;
- diagnose many diseases. 70% of all diagnoses involve pathology and every case of cancer is diagnosed by pathology;
- determine patient prognosis;
- show the presence or absence of infection;
- monitor disease, identifying whether treatments work or should be adjusted or avoided; and
- personalise treatment to get the best results.⁴

Public pathology services must adhere to the national health care standards, such as the Australian Council on Healthcare Standards ([ACHS](#)) and [Australian Commission on Safety and Quality in Healthcare’s](#) National Safety and Quality Health Service ([NSQHS](#)) Standards, together with Commonwealth regulatory instruments. These requirements reflect the level of care that should be provided by health care organisations to protect the public from harm and improve the quality of health care.⁵

Since 1986, pathology providers whose patients access the Medicare Benefits Schedule (MBS) must meet the Commonwealth accreditation system established under the Health Insurance (Accredited Pathology Laboratories – Approval) Principles. The objects of the [Approval Principles](#) are to:

- (a) support the diagnosis and treatment of illness in the community by providing Medicare benefits in relation to pathology services that provide reliable results; and
- (b) reduce the risk of misdiagnosis through misleading results being provided by pathology services that do not provide reliable results; and
- (c) maintain public confidence in pathology services that provide reliable results; and
- (d) protect limited public funds available for Medicare benefits by only providing Medicare benefits in relation to pathology services that provide reliable results; and
- (e) ensure that, as far as practicable, premises will be approved in principle, and will remain approved under section 23DN of the Act, for the kind of pathology services and for the category, only if it is established with a high level of confidence that the pathology services

³ Royal College of Pathologists of Australasia, <https://www.rcpa.edu.au/>, accessed 14 February 2019.

⁴ The Centre for International Economics, *The Economic Value of Pathology: Achieving Better Health and a Better Use of Health Resources*, 2018, p 1.

⁵ <https://www.safetyandquality.gov.au/our-work/assessment-to-the-nsqhs-standards/> accessed 29/1/19.

to be rendered, or rendered, at the premises meet, and can be expected to continue to meet, relevant standards for those kinds of services and for that category.⁶

In order secure and maintain the necessary Accredited Pathology Laboratory status under the Approval Principles, the views of National Association of Testing Authorities Australia (NATA) are considered. NATA assessors determine compliance with the accreditation material which is developed and maintained by [National Pathology Accreditation Advisory Council](#) (NPAAC).⁷ NPAAC [Requirements](#) have recently been framed in the context of clinical risk and “describe the optimal supervision and clinical governance arrangements in pathology laboratories that promote the safe performance of pathology services and improve patient outcomes.”⁸

In addition to external quality assessment programs, laboratories undertake internal quality activities. There is a team of dedicated quality managers, discipline heads and laboratory managers which play a critical role in ensuring SA Pathology delivers high quality pathology services in a safe manner every day. Staff are trained in and utilise a clinical incident management system called Q-Pulse. Public pathology also has expertise in infection control, antimicrobial stewardship, management of blood products, complex medicine and managing public health outbreaks. This is in contrast to private pathology providers.

Outsourced pathology arrangements have been associated with variable reporting against local and national parameters and clinical incidents. For instance, Ireland’s cervical screening programme outsourced processing to accredited laboratories. After one of the pathology companies involved settled a case with a terminally ill woman with no admission of liability, an audit revealed a significant number of false negatives and delays in notification which impacted on women receiving timely diagnosis and treatment.⁹

NPAAC Requirements and Royal College of Pathologists of Australasia (RCPA) guidelines state the minimum volumes of pathology tests and standards that are must be conducted in order to maintain accreditation. It is imperative that current volumes of testing be maintained. If a Local Health Network (LHN) were to outsource its pathology testing to a private pathology provider in South Australia, this could reduce testing volume to the extent that SA Pathology would not be able to maintain its accreditation. The public pathology provider would have difficulty recruiting and retaining skilled staff and could no longer support trainee pathologists. Furthermore, depending on the extent of the reduction in activity, SA Pathology may be not financially viable or be significantly fiscally impaired as additional testing is provided at marginal cost.

One of the significant clinical benefits of a state-wide public pathology service is the provision of integrated, multidisciplinary care. For patients to have a seamless journey through the health care system, it is beneficial for clinicians to work together and for pathology tests to be consistently reported into a single state-wide electronic medical record. Where there are multiple pathology providers involved in a patient’s journey through the health system, optimal management is compromised as different pathology providers have difference reference intervals used in reporting results. That means that similar numerical results can be interpreted differently in different laboratories even if collated in a state-wide repository. While the My Health Record serves an important role in communicating results from various providers, this does not resolve difference reference intervals and reporting modes. Also, the large private pathology providers are still not uploading pathology reports to the My Health Record.¹⁰

⁶ S6(2) *Health Insurance (Accredited Pathology Laboratories – Approval) Principles (Cwth)*.

⁷ NPAAC is established under subsection 9(1) of the *National Health Act 1953 (Cwth)*.

⁸ *Understanding the NPAAC Requirements for Supervision in the Clinical Governance of Medicare Pathology Laboratories (Fourth Edition) 2018*.

⁹ <https://www.irishtimes.com/news/ireland/irish-news/three-women-at-centre-of-legal-cases-over-false-smear-tests-have-died-1.3488379>

¹⁰ <https://www.myhealthrecord.gov.au/about/who-is-using-digital-health/diagnostic-imaging-and-pathology-providers-uploading-my-health>, accessed on 4 February 2019.

b) The importance of timeliness on the provision of pathology and the impact of delayed results on patient outcomes and the broader South Australian health system

Timely results are critical to ensuring patients receive optimal care in the SA Health system. Test results are needed to determine diagnoses or the next step in treatment or management of a patient's care. To provide optimal patient outcomes, improve patient flow and reduce downstream costs, it is important that pathology providers turn around pathology results in a timely manner.

Public Pathology Australia has endorsed the Australasian Association of Clinical Biochemists (AACB) and Royal College of Pathologists of Australasia (RCPA) [Consensus Statement for the Management and Communication of High Risk Laboratory Results](#). This assists laboratories in the reporting and management of high-risk results. SA Pathology follows the recommendations contained within the Consensus paper to confirm that results are accurately and effectively communicated for patient safety.

Hospital requirements such as ACHS reporting, the four-hour Emergency Department rule, patient flow and admission and discharge planning are impacted by pathology turn around times. It may be less expensive overall to pay more for locally based pathology services to ensure that results are available in a short timeframe due to the downstream savings of pathology in terms of early diagnoses facilitating earliest possible treatment and improving patient flow through the health system.

An example of the impact of timely pathology results on patient flow is troponin testing in hospital Emergency Departments to distinguish between patients with benign chest pain and those experiencing acute coronary syndrome (myocardial infarction and unstable angina pectoris). Pathology directly managed reductions in costs of \$188.8 million a year for patients who need not stay within Emergency or be admitted to hospital due to benign chest pain.¹¹

¹¹ The Centre for International Economics, *The Economic Value of Pathology: Achieving Better Health and a Better Use of Health Resources*, 2018, p 28.

c) *The importance of South Australian-based research and teaching associated with pathology*

South-Australian based research and teaching associated with pathology is important to provide optimal services to the local and wider community. Teaching, training and research is embedded within SA Pathology, as is the case with all public pathology providers across Australia.

SA Pathology is the only pathology provider who undertake the training of Doctors to become Pathologists in South Australia. Although the Commonwealth Government incentivises private pathology providers to supervise trainee pathologists under the [Specialist Training Program](#), private pathology providers located in South Australia do not participate in the Specialist Training Program. SA Pathology also trains scientific, technical staff, phlebotomists, and junior medical officers across all medical specialities. If adequate training and development opportunities are not provided, recruitment and retention issues will affect the ability of the pathology provider to operate a high quality, timely service. This is confounded by the ageing pathology workforce in South Australia.¹²

SA Pathology's clinicians have close collaborative links to world-leading research institutions and universities. Having patients and a pathology laboratory in close proximity to those engaged in research facilitates higher quality research and quicker translation of findings into clinical practice for the optimal treatment of patients. One such example is the Centre for Cancer Biology (CCB) which is an alliance between SA Pathology and the University of SA.

"The CCB is a medical research institute which carries out a world-class program of innovative research which boasts the largest concentration of cancer research in South Australia...The co-located CCB laboratories carry out research in leukaemia, breast cancer, prostate cancer, skin cancer, brain cancer and colon cancer, focussing in the specialised areas of gene regulation, molecular signalling, translational oncology and cancer genomics. In addition...[the] ACRF Cancer Genomics Facility [provides] state-of-the-art genomics research equipment, computing technology and bioinformatics expertise to Adelaide BioMed Precinct and the wider research community. Translation of new discoveries into clinical practice is strengthened by the co-localisation of the laboratories within a single Institute, as well as its proximity and close collaboration with the Royal Adelaide Hospital, the University of South Australia, the University of Adelaide and SAHMRI."¹³

¹² RCPA, *The RCPA Pathologist and Senior Scientist Workforce Modelling Final Report*, July 2018 found that almost half of the SA pathologist workforce is older than 55 years.

¹³ <http://www.centreforcancerbiology.org.au/> , accessed on 4 February 2019.

d) The importance of access to pathology in primary health including the role of SA Pathology in ensuring accessibility of health care and the provision of bulk-billed services.

SA Pathology plays an extremely important role in ensuring equitable access to pathology in primary health (the community pathology market). Primary health care providers are generally the first point of contact patients have with the health system. Access in the primary or community pathology market refers to both physical location or the geographical spread of collection centres and laboratories, and affordability of the fee for pathology services.

Primary health care (general practice) is often the first point of contact for patients with the health system.

- One in every two GP visits involve a pathology referral;
- One in every three problems presented to a GP involve a pathology referral, most commonly for the management of diabetes, general health checks, hypertension, and lethargy; and
- Sixty per cent of GP referrals for pathology relate to preventative health and chronic illness, which are essential to population health.¹⁴

In South Australia, \$194,527,839 MBS benefits were paid to pathology providers for 10,204,211 services during 2017/18.¹⁵ Approximately half of all pathology episodes managed by SA Pathology are referred from clinicians outside the South Australian public health system. SA Pathology occupies a large part of the community pathology market at 35% market share.¹⁶

SA Pathology has more patient specimen collection centres located in regional areas compared to private pathology providers.¹⁷ SA Pathology has a relatively equal distribution of collection centres between metropolitan and regional areas. To deliver tests in a timely manner, 85% of pathology requests are tested in a local laboratory by SA Pathology. This is unlike the common practice of private pathology providers who refer tests to centralised laboratories which may be located a considerable distance from patients, delaying access to timely pathology reports.

SA Pathology bulk bills all Medicare-eligible patients. There are four pathology providers in South Australia: SA Pathology, Abbott (Healius, formerly Primary Healthcare Ltd.), ClinPath (Sonic Healthcare Ltd.) and Australian Clinical Labs (Crescent Capital Partners, private equity). Although pathology has one of the highest levels of bulk billing compared to other medical services, it is estimated that around 3 per cent of patients delay or avoid having a pathology test because of cost.¹⁸ In the absence of this competitive pressure in a highly consolidated pathology marketplace, the introduction of co-payments for pathology would pose a significant barrier to accessing pathology services for patients in low or moderate income households.¹⁹

¹⁴ The University of Sydney (2016) *A decade of General Practice Activity 2006-07 to 2015-16*, General Practice Series number 41, p. 116.

¹⁵ http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp, accessed 14 February 2019.

¹⁶ Ibid.

¹⁷ <https://www2.medicareaustralia.gov.au/pext/pdsPortal/pub/approvedCollectionCentreSearch.faces> accessed 25 November 2018.

¹⁸ Department of Health and Ageing, *Review of Funding Arrangements for Pathology Services: Final Discussion Paper*, March 2011 updated with 2011 ABS survey results.

¹⁹ http://medicarestatistics.humanservices.gov.au/statistics/do.jsp?PROGRAM=%2Fstatistics%2Fmbs_group_standard_report&DRILL=on&GROUP=6&VAR=benefit&STAT=count&RPT_FMT=by+state&PTYPE=finyear&START_DT=201707&END_DT=201806, with Australian Bureau of Statistics *Patient experiences in Australia: Summary of Findings 2017/18*.

*Where public pathology providers are present in the community pathology market, improved access and higher bulk billing rates result.*²⁰ This is supported by a review of private pathology billing policies which shows that where public pathology has a strong presence in the community, the 'gap fee' or out-of-pocket cost charged by private pathology is lower.²¹ ACT Treasury has reviewed community pathology arrangements and found that: "Public pathology provision in the community therefore serves important public health policy objectives...Outsourcing public pathology services is essentially contracting out "access" to bulk billed pathology services. It reduces competition and removes the downward pressure on out-of-pocket costs for patients."²²

e) Staff workloads within SA Pathology and the impact on unsafe workloads on staff health and wellbeing and the quality of service provided.

Staff employed by public pathology providers are committed to the delivery of quality pathology services requested by clinicians for the diagnosis, treatment and management of patient care. They work to the best of their ability within organisational policies and practices. Directors of public pathology providers ensure that workplaces are safe and compliant with all relevant regulatory requirements.

The staff of SA Pathology are to be highly commended for simultaneously moving to the new Royal Adelaide Hospital, at the same time as implementing new automated track systems and transitioning to a new laboratory information system. Any of these projects alone would place considerable pressure upon staff and have an impact on workload.

A contestable environment may place pressure on public service staff in terms of employment uncertainty and this can detrimentally affect staff morale and organisational culture.

ea) The former Labor Government's Efficiency Improvement Program including the potential and actual impact of staff, the quality of service provision, patient outcomes, teaching and research.

The Efficiency Improvement Program stemmed from an Ernst & Young (EY) Review to assess the efficiency, effectiveness and financial performance of SA Pathology. The value of SA Pathology was acknowledged in the EY Review where it was stated that there was "support for ongoing state-wide public pathology service from LHNs with a desire to further strengthen the existing professional relationship."²³ However, the EY Review made several recommendations pertaining to SA Pathology services on the basis of flawed assumptions and benchmarking.

It is important to note that recommendations contained in the EY Review were founded on the incorrect premise that public pathology services can be provided at 85% Medicare Benefits Schedule (MBS). Public pathology services cannot be provided at 85% MBS in the absence of significant external source funding to offset the sunk capital and recurrent operational costs of the full range of testing and other services undertaken by public pathology providers.

The EY Review stated that SA Pathology's cost structure is 126% of the MBS compared to an industry accepted benchmark of 85% MBS or less. There is no agreed industry benchmark in Australia for the provision of pathology services. Public Pathology Australia understands that 85% MBS was selected by SA Pathology as its charging mechanism when the state-wide service was formed a decade ago. Many

²⁰ ACT Treasury, *Competitive Neutrality of Community Pathology Services Summary Paper*, June 2012.

²¹ Public Pathology Australia, *Billing Policy Survey*, 2018.

²² ACT Treasury, *Competitive Neutrality of Community Pathology Services Summary Paper*, June 2012.

²³ Ernst & Young, *Review to assess the efficiency, effectiveness and financial performance of pathology services*, 17 December 2014, p.27.

complex pathology tests are insufficiently funded or not funded through the MBS. A charging mechanism or reimbursement rate does not represent an industry benchmark.

The MBS does not reflect the actual cost of providing pathology tests. MBS fees reflect what the Commonwealth Government is prepared to pay for eligible MBS items. Pathology MBS items are not properly costed by different pathology provider types when they are listed on the MBS. MBS fees are subject to negotiation with pathology peak bodies such as Public Pathology Australia, together with the private sector and the Royal College of Pathologists of Australasia. Public pathology providers also receive less MBS fees per pathology episode as they receive a lower Patient Episode Initiation fee and Bulk Billing Incentive compared to private pathology providers.²⁴

Typically, pathology providers achieve significant efficiencies by consolidating and automating services where possible. SA Pathology is already highly consolidated and has achieved significant efficiencies during its 10 years of operation as a state-wide service. SA Pathology has consolidated automated chemistry and haematology. SA Pathology is highly integrated and has standardised testing across a Roche platform which is common across the State. Other State-wide services are currently tendering for state-wide analysers. As public pathology providers benefit from the knowledge and experience of their interstate peers, SA Pathology may consider organisational learnings from PathWest's consolidation of Anatomical Pathology services as it strives for further efficiencies.

SA Pathology has a long history of providing high quality pathology services to the population of South Australia. SA Pathology needs to be empowered to make the changes SA Pathology deems necessary to provide a high quality, effective and efficient service. SA Pathology must be supported with an appropriate capital and recurrent funding allocation to implement change and be given support to resolve industrial relations issues. The delays in commissioning new automation and IT systems did not appear to be adequately considered in light of the unrealistic timeframe and savings targets associated with the EY Review.

SA Pathology needs certainty of continuity in order to progress the initiatives that it believes will improve service delivery, particularly those initiatives which have already commenced. There are needs to be recognition that the Efficiency Improvement Program and budget announcement has placed undue pressure on a system which is still stretched from the Enterprise Pathology Laboratory Information System implementation and the move to the new Royal Adelaide Hospital.

²⁴ Patient Episode Initiation Fee is \$2.40 for public providers compared to \$5.95 - \$17.60 for private providers, and the Bulk Billing Incentive for public providers is \$1.70 compared to \$2-4 per episode for private providers:
<http://www.mbsonline.gov.au/internet/mbsonline/publishing.nsf/Content/Home>

eb) The former Labor Government's Enterprise Pathology Laboratory Information System and its implementation, including the impact on staff the quality of service provision, patient outcomes, teaching and research.

SA Health's Enterprise Pathology Laboratory Information System (EPLIS) program continues to have a significant impact on the laboratory workflow at SA Pathology.

The Enterprise Pathology Laboratory Information System (EPLIS) deployed in SA Pathology is a Cerner product. Cerner is a widely used vendor of clinical software in Australia. Alfred Health in Victoria had Cerner Classic since 1996, Cerner Millennium in the broader clinical areas since 1999 and the Laboratory Information System (LIS) PathNet Millennium since 2014. PathNet Millennium is used in some but not all NSW laboratories where they have different set ups (i.e. in south, east, west and rural and regional NSW). Cerner is also used as a clinical system at a number of Victorian and Queensland hospitals but there are no other users of the pathology LIS. Interestingly in recent LIS tenders, the Cerner LIS has not been adopted by state-wide public pathology services, nor by a consortium of smaller public pathology services in Victoria. PathWest are transitioning to ICC Soft, Pathology Queensland are transitioning to SunQuest and Royal Melbourne, Peter MacCallum and Austin recently transitioned to Auslab. Northern Pathology Victoria upgraded their Ultra LIS in January this year when Australian Clinical Labs departed and the service was insourced.

The Cerner pathology LIS has known issues – it is difficult to customise and is dependent on electronic orders. The delayed full implementation of the Allscripts EPAS across SA Health facilities materially impacted the ability of SA Pathology to use Cerner efficiently. While Cerner LIS modules are functional, they still need refinement and staff need considerable time to learn the new system. Organisational learning takes over two years for Cerner LIS as the system logic is not straight forward for laboratory staff. Being a hospital-based product, the Cerner LIS does not sufficiently cater for community requested pathology and the customised reports required to meet the needs of requestors.

Transitioning to a new LIS is always an extremely difficult process. Recent LIS transitions have run over time. To give an example of the magnitude of the change, one could draw a parallel with replacing all the analysers in SA Pathology in a single roll out. During transition, running two systems in parallel is a reasonable given the significant clinical risk associated with a slow or less than optimal LIS, but this cannot be sustained for many months due to the impact on staff who have to undertake double data entry. As it stands, the manual data entry required to address the failure to fully adopt electronic ordering in SA Health has created a significant bottleneck at the entry point of specimen collection which impacts the flow of tests through the laboratory.

Another concerning aspect of the Cerner LIS roll out was the transition of IT staff from SA Pathology to SA eHealth prior to the LIS transition. Dedicated pathology LIS staff and direct analyser interface support is necessary to ensure the project achieves milestones and to minimise downtime and maintain pathology turnaround times when transitioning to a new LIS. Reporting lines also need to be clear and unambiguous to achieve customer support for the IT needs of pathology, and this may not have been the case in South Australia when the EPLIS was implemented.

Given the level of investment in the EPLIS, it is important that SA Pathology be supported to embed the Cerner LIS and resolve any ongoing issues in order to maximise the benefit of the new LIS.

f) The impact of the 2018 State Budget in regard to SA Pathology, including the impact on staff, the quality of service provision, patient outcomes, teaching and research.

The 2018 State Budget has had a major impact across SA pathology with potential flow on effects to patients and the public health sector, as outlined in the following response to the 2018/19 Budget Measures statement.²⁵

“Previous external reviews analysing the efficiency of public pathology services suggested that South Australia delivers services at significantly higher cost than similar services interstate and in the private sector. The level of inefficiency has previously been estimated at more than \$40 million per year.”

The pathology savings targets in the 2018/19 South Australian Budget are \$25m in 2019/20, \$35m in 2020/21 rising to \$45m in 2021/22. Despite stating that “the Government considers that the savings targets for health over the forward estimates that it inherited from the former government are not realistic or achievable,” the pathology savings measures appear to be based on the discredited EY Review. As previously outlined in response to *item ea*), the EY Review targets were formed on the basis of inaccurate benchmarking of pathology services. It is reasonable to apply considered savings targets following consultation and negotiation with SA Pathology. However, the current approach is inconsistent with the Treasurer’s statement of “ensuring the budget is more sustainable over the forward estimates, and ... the system continues to provide the necessary services required by the community.”

“Pathology services are a contributing factor to the South Australian health network operating above the national efficient price in the delivery of public health services.”

Pathology services contribute to the costs of public health services as assessed against the National Efficient Price. However, the amount of private pathology work, both hospital and community based, as well as right of private practice arrangements, have a direct impact on the public hospital charge for public patients. Funding arrangements for research and training, and services such as mortuary and bone marrow transplant are disparate across jurisdictions, either being pathology or hospital controlled. Additional services such as finance, human resources and information technology and communication are disparately controlled and budgeted at each jurisdiction as well as how landlord (utilities, rental) are managed and charged. Appropriation funds can also affect the pathology amount in the activity-based costing model, dependant again on local arrangements. Therefore, it is inappropriate to use the pathology cost per episode in the National Efficient Price as a way to benchmark pathology services unless there has been accompanying analysis to ensure services are matched like for like.

“Efficiencies will therefore be pursued in SA Pathology, with the intent of delivering a service consistent with interstate peers. With the implementation of local health network boards from 2019–20, the public pathology service will be accountable for its performance. Should efficiencies not be achieved, it will be open to those boards to procure services from alternative providers.”

Public pathology providers are accountable for the services they deliver. They report against performance measures and engage with LHNs in order to improve the services provided and contain costs where possible through demand management and other initiatives. The service mix between LHNs may be different and this may be reflected in individual service level agreements with LHNs, alongside a state-wide service overhead for specialist referral services. Differences in the service mix must therefore be considered when drawing any comparisons to interstate public pathology services.

²⁵ SA Government, *Budget Measures Statement*, 2018, p.77 and 78 are quoted in this section: <file:///C:/Users/jenny/Downloads/BP5%20-%202018-19%20Budget%20Measures%20Statement.pdf>

A systematic review of studies on economic and quality effects of contracting out found that: cost savings decrease over time; and cost savings are much greater in technical services (e.g. hotel services) than in social services (i.e. medical services such as pathology).²⁶ Outsourcing does not remove the cost of state-wide service functionality such as public health and crisis management. Outsourcing also incentivises over-servicing.

The most common way to achieve significant savings in pathology is to consolidate services. However, services have been increasingly consolidated since the formation of SA Pathology a decade ago. As such, the savings targets outlined in forward estimates are extraordinary. The previous Government allocated a longer time to achieve a fewer savings. It is concerning that the Budget sets up a state-wide public pathology service to fail and this may have ramifications nationally. Disbanding a state-wide public pathology service would be an unprecedented move which would carry significant risks to patients and the public health sector at large.

There are efficiencies that can be made in SA Pathology and the organisation is progressing key savings strategies. Targets and timeframes should be negotiated in consideration of the fact that SA Pathology still needs to iron out residual issues with its EPLIS. It takes time and commitment to build and strengthen relationships with customers and staff and improve service delivery following the transition to a new LIS. The EPLIS roll out also resulted in a backlog of billing which still needs to be processed. The reduction in revenue, while temporary, significantly impacts SA Pathology's bottom line. Measures such as the EPLIS optimisation program and improving data entry, improving access to testing in regional areas (e.g. through Point of Care Testing) and optimising the skill base and mix of staff should be given due consideration.

“If the government makes the judgement that SA Pathology is either unable to or unwilling to meet that level of savings on behalf of the taxpayers of South Australia, then there will be the option...for alternative provision of those services.”

SA Pathology has demonstrated with serious intent, its willingness to progress savings measures. There are challenges with implementing particular savings strategies which lay outside the control of SA Pathology, such as external stakeholder resistance to change, investment in facilities and intra-agency support (e.g. facilities management and eHealth systems). It is important that the current government supports SA Pathology in making the necessary changes to deliver value to South Australian taxpayers, whilst recognising that some factors lay outside the control of SA Pathology and would be also experienced by a private pathology provider should services be contestable.

²⁶ Petersen, O.H, Hjelmar, U. & Vrangbaek K., Is Contracting out of Public Services still the Great Panacea? A Systematic Review of Studies on Economic and Quality Effectives from 2000 to 2014, *Social Policy & Administration*, 2017.

g) The effects of potential privatisation of SA Pathology as foreshadowed in the 2018 State Budget, including the impact on staff, the quality of service provision, patient outcomes, teaching and research.

The effects of potential privatisation of SA Pathology will have significant impact on staff, quality of service provision and could have an adverse impact on patient outcomes, teaching and research. Public Pathology Australia bases this assessment on its knowledge of previously outsourced and recently insourced public pathology services.

In South Australia, as in other jurisdictions, public pathology providers provide state-wide access to results to assist in the care and management of patients as they move through the health system. They also use state-wide economies of scale to drive down costs. Fracturing a state-wide service by outsourcing pathology services destroys the benefits of economies of scale, and outsourced arrangements expose patients to quality issues associated with the vagaries of contract management including clinical risk typically associated with slower turn around times for pathology testing. This has been observed in Victoria and NSW recently.

An international study has concluded that any generalisation of effects from contracting out should be made with caution.²⁷ Often outsourced arrangements are not reflective of a full-service public pathology with clinical, diagnostic, teaching and research functionality. Also charging arrangements between pathology providers and LHNs vary across Australia. Some are based on a percentage of the MBS, others are based on cost. Some services have a fixed or capped budget for all services or just for the community service obligation component. The private sector's outsourced contract rates for provision of public hospital pathology services and performance against quality measures are not publicly available. It may be that the most recent outsourced pathology arrangement for the NSW Northern Beaches Hospital is based on fee for service over 100% MBS. Private pathology providers who service private hospital patients generally have Medical Purchaser Provider Agreements with private health insurers for payment at 110-145% MBS. This reflects what private insurance companies deem is a reasonable cost for a 24/7 service for an acute care hospital that does not provide the degree of complexity and esoteric testing that the public sector provides.

Public pathology services strive to deliver quality services at exceptional value for their customers and patients. They aim to be the best provider of public pathology services that they can be. They are or are working towards being true partners with their customers – requesting clinicians and the LHNs – and take steps to meet their needs and find practical solutions to improve patient outcomes.

Since its formation, SA Pathology has been working towards better service, more accountability and greater responsiveness. An example of improving access to and responsiveness of pathology services to meet the needs of patients and clinicians is SA Pathology's Point of Care Testing (PoCT) network. SA Pathology is also taking steps to become more transparent and accountable by improving performance reporting to LHNs.

This is in contrast to private pathology providers who are solely responsible and accountable to their shareholders / investors and not requesting clinicians, LHNs, and government funders. Private pathology providers are incentivised to over-serve, maximise the use of highly profitable tests and do not integrate less expensive point of care solutions into their laboratory framework.

While it may be considered useful by Government to define the non-core or contestable business of SA Pathology, a narrow definition limited to diagnostic services only, would underrate the many value adds that public pathology provides to the benefit of the SA Health system and its patients.

²⁷ Petersen, O.H, Hjelmar, U. & Vrangbaek K., Is Contracting out of Public Services still the Great Panacea? A Systematic Review of Studies on Economic and Quality Effectives from 2000 to 2014, *Social Policy & Administration*, 2017.

Public pathology services such as SA Pathology:

Provide comprehensive access for all patients



Public pathology organisations have an extensive network of laboratories and technologies to provide access to the tests and analysis patients need, regardless of their income and location.

Public pathology provides 24/7 services in teaching hospitals and major centres as well as services in regional and remote settings.

Provide high quality, integrated care



Public pathology provides high quality services across all settings: from in the community, to the hospital. Being linked directly to hospitals enables integrated care and greater continuity of care. This leads to efficient diagnosis and timely access to the care required to achieve the best possible outcomes for patients.

Provide expertise in complex medicine



Public pathologists are experts in diagnosing patients with the most complex and life-threatening conditions (e.g. in public hospital emergency departments, intensive care and oncology units). Public pathology develops and are often the sole provider of specialised tests not funded through the Medicare Benefits Schedule. Public pathologists and scientists are some of the most prestigious and well-regarded experts in their fields. Their expertise leads to more effective, personalised care.

Help protect our communities



Public pathology plays a vital role in responding to public health emergencies at the local, state and national levels. Public pathology has extensive experience working with other agencies to deliver effective response efforts. Public pathology has surge capacity when it is needed most. Public pathology helps prevent and control the spread of disease in our communities every day.

Undertake research, education and training



Public pathology is innovative and translates research into new testing methods that improve healthcare. Public pathologists and scientists collaborate with clinical teams to inform new models of care and help ensure appropriate and timely use of pathology. Public pathology provides teaching and training to support the development of new staff and enhance the skills of healthcare professionals. All leaders in public and private pathology have at some stage been trained in the public pathology system.

Operate for the benefit of the public health system and its patients



Public pathology operates for the good of the broader government funded health system.

Public pathology is committed to patient safety, quality assured services and improving health outcomes for patients. Timely, accurate diagnosis leads to better and faster clinical decisions. Public pathology focusses on rational, evidenced based testing. This drives efficiencies and provides value for money.

Public pathologists provide direct care to patients on wards or in outpatient clinics. Public pathologists and scientists also have wider clinical governance, health policy and management responsibilities in the health system.

It was noted in the EY Review that regional public services are considered core business for SA Pathology and that LHNs value the state-wide service.²⁸ Public service obligations are also stated as core business, and these include the provision of pathology services in regional locations and in categories where no other provider will compete. This fits with the public sector philosophy of ensuring access to all patients for health services. Public pathology services critically support the needs of small country hospitals and their patients. They are also essential in metropolitan areas where in addition to processing high volume tests, they run complex and rare tests including state-wide referral services (e.g. for organ transplants), undertake confirmatory testing for regional services, play an important public health and crisis management role, as well as providing teaching and undertaking research.

The relevant perceived risks and barriers associated with contesting services were not identified in the EY Review and it is unclear whether these will feature in Price Waterhouse Coopers (PwC) Sustainability Report which has been commissioned by SA Health for delivery by the end of March 2019. Fragmenting the service by outsourcing some services may compromise patient access and lead to inefficiencies. It will potentially make the access of prior pathology results more difficult when very ill patients are transferred from regional hospitals to a major tertiary referral centres. The primary business model of pathology services across the country is one of volume based on economies of scale. When services are fragmented, the same level of savings cannot be made for procuring consumables and equipment and to efficiently run courier networks, and there may be greater redundancies in equipment utilisation. This will lead to higher test costs for the remaining public pathology services and impact on continuity of care as patients move through the health system.

²⁸ Ernst & Young, *Review to assess the efficiency, effectiveness and financial performance of pathology services*, 17 December 2014, p.108, p.27 respectively.

It is important to reflect on some of the issues associated with outsourced pathology arrangements across Australia. These include:

- The impact on patient care when a private pathology provider ceases service delivery or closes a collection centre based on lack of profit. For instance, a private pathology provider ceased providing pathology services in Victoria requiring a public pathology provider to commence on short notice.
- Lack of effective contract management and poorly drafted contract terms (e.g. test catalogue drafted without specialist pathologist and requestor input, lax or no penalties for failing to comply with contracted turn around times).
- Escalating costs on a fee for service basis, overcharging against an outdated Medicare Benefits Schedule and a lack of demand management.
- Issues with integrating pathology into hospital electronic medical records.
- Failure to deliver the contracted full range of testing onsite.
- Not providing or charging excessive fees for attending multi-disciplinary team meetings.
- Delays in turnaround time due to tests being sent away to core laboratories some distance away and failure to adequately maintain equipment, for instance.
- Poor quality of performance reporting and failure to report and manage incidents such as missing specimens.
- Industrial issues, such as scientists taking strike action over low award wages in Victoria in 2017.

Conclusion

Public pathology services, such as SA Pathology, provide high-quality integrated, medical services to the local population. In comparison to private pathology, public pathology provides the full range of diagnostic tests including the complex, time critical, and public health tests, as well as integrated clinical consultative services wherever patients are located in South Australia. This improves the patient experience and generates downstream savings by improving patient flow through the health system.

Unlike private pathology services who are accountable to shareholders for maximising profit, public pathology services are accountable to patients and the government, they provide stewardship in relation to appropriate testing and are not incentivised to over-service.

SA Pathology is the only pathology provider who trains Doctors to become Pathologists in South Australia. SA Pathology also has close collaborative links to world-leading research institutions and universities, which expedites translation of research into practice to improve patient outcomes.

SA Pathology plays an extremely important role in ensuring equitable access to pathology in primary health. SA Pathology has more patient specimen collection centres and laboratories located in regional areas compared to private pathology providers. SA Pathology bulk bills all Medicare-eligible patients.

SA Pathology needs certainty of continuity in order to progress the initiatives that it believes will improve service delivery, including those that have already commenced. It must be recognised that some barriers to instigating change lay outside the control of SA Pathology and would be also experienced by a private pathology provider should services be contestable.

Privatising a whole state-wide public pathology service is unprecedented. Privatising part of a public pathology service carries significant clinical and political risk. Outsourcing pathology services destroys the benefits of economies of scale and exposes patients to quality issues associated with the vagaries of contract management which may include clinical risks associated with slower turn around times for pathology testing.

This page is intentionally blank

