1.4 Strategic Review

Review of Administrative Arrangements in the Health and Ageing Portfolio

In 2010, the Australian Government commissioned a review of the administrative arrangements in the Health and Ageing portfolio (strategic review). The purpose of this review was to examine the alignment of resources within the portfolio to ensure it is best placed to implement and manage the government’s key health and ageing priorities and programs, including the National Health Reform agenda, as well as position the portfolio to respond to emerging health and ageing challenges over the medium and longer term.

A thorough analysis of the portfolio has been undertaken, including examination of its approach to program and grant management and corporate services. The Government has decided to implement a range of changes within the portfolio which will result in a more efficient portfolio with a more flexible approach to the funding of health priorities.

Actions for Improvement

Program Consolidation

The vast majority of funding administered by the Department of Health and Ageing is delivered through five major programs of the Australian Government health system: Medicare; Pharmaceutical Benefits; Private Health Insurance rebates; residential aged care; and hospital funding via payments to the states. However, the portfolio also administers funding across a large range of small programs which have been implemented over time to address specific health and ageing needs in the community, which may not be fully addressed through the larger scale programs. These programs tend to be small in scale but high in complexity and diversity.

Examination of these smaller programs through the strategic review has revealed an opportunity to consolidate a large number of these into flexible funding pools. The purpose is to improve the way the department manages its grants and other programs, reduce red tape and increase flexibility and evidence based funding for the delivery of better health outcomes for the community.

The establishment of larger, flexible funding pools will simplify and streamline grant funding processes for stakeholders. Over time, many grant recipients, currently maintaining and reporting against multiple funding agreements, will move to an arrangement where they operate under one single agreement with the Department. This will reduce the administrative burden for grant recipients, leaving them more time to focus on their core business.

Establishing flexible Funds

From 1 July 2011, a total of 159 predominantly grant programs will be consolidated into 18 new or expanded flexible Funds, with a further six programs transferred from the department to the portfolio agencies of Cancer Australia and the National Health and Medical Research Council.
A number of the flexible Funds are comprised of predominantly grant-based programs and these Funds have been designed to continue to support health priorities through the provision of grants, but in a more streamlined and flexible manner.

No program funding is being reduced through the consolidation process, with all existing program funding to be included in the flexible Funds. The Government is committed to its health reform targets, which will not be affected by the changed program arrangements.

From 1 July 2011, individuals and organisations currently receiving grant funding for existing ongoing services through one or more of the consolidated programs will continue to be funded until 30 June 2012 or until their current agreement(s) expires, whichever is later. Further funding will need to be applied for through grant funding rounds under the new Funds.

A number of non-grant related Funds will also be established by consolidating programs which fund a range of different activities across the portfolio, such as incentives for general practice (the Practice Incentives for General Practice Fund), medical indemnity support (the Indemnity Insurance Fund) and health protection priorities (the Health Protection Fund), among others. These Funds have been established to improve administrative arrangements and to provide greater policy flexibility over time.

The table on page 819 maps a concordance between the former and new position in the outcome structure for those activities captured by consolidation into flexible Funds.

The new grant related Funds will provide the following benefits:

**Reduced red tape**

Red tape will be considerably reduced through the consolidation of 159 programs into 18 new or expanded flexible Funds. Across the 159 programs to be consolidated, there are around 2,200 direct funding recipients (not including people or organisations who receive payments through third parties, such as Medicare Australia), and many of these are grant recipients who have multiple funding agreements with the department. These recipients often operate against separate program guidelines and reporting requirements and are required to liaise with multiple contact points within the department.

Under the new arrangements, funding recipients will benefit from a significantly streamlined set of arrangements. In many cases the number of funding agreements will be reduced over time to just one, meaning fewer contact points within the department and a resultant reduced administration and reporting burden.

**Increased flexibility to respond to emerging issues and anticipate change**

A key outcome from the establishment or expansion of the Funds is the increased flexibility to respond to emerging health and ageing priorities.
The component programs that establish the Funds represent government efforts over time to address emerging health and ageing challenges. In their consolidation, a funding base is created to ensure the ability to tailor responses and focus effort as new health system risks and challenges arise.

**Better value for money, quality and evidence based funding**

Grant funding is an important mechanism used by Government to support activities across a large range of priority areas, with the ultimate goal of delivering better health and ageing information and outcomes for the community. Bringing together small programs to create a number of larger funding pools will increase the number of applicants seeking funding from the one source, improving the quality of applications and consistency of merit between funded projects.

Under the new arrangements Fund guidelines and the approach to Fund management will emphasise the need for high quality evidence based submissions demonstrating relevance to contemporary health challenges and identified priorities, as well as a focus on value for money.

**Implementation**

The flexible Funds will be in place from 1 July 2011.

**Grant related Funds**

From 1 July 2011, funding recipients receiving grants for ongoing services will continue to be funded under existing agreements until 30 June 2012, or until their funding agreements expire, whichever is later. This lead time will enable the department to work closely with grant funding recipients and other key stakeholders on implementation arrangements, including the establishment of guidelines and timelines for new grant rounds.

All affected grant funding recipients will be contacted as a priority with details about the new arrangements and what it means for them.

**Non-grant Funds**

These Funds consolidate a range of programs to achieve streamlined administration and provide greater policy flexibility over time. Stakeholders will be consulted as part of the ongoing management of the Funds, in keeping with the Department’s usual practice of working closely with its stakeholders in the design, implementation and management of programs.

**A More Efficient Portfolio**

The strategic review also provided an opportunity for a close examination of the portfolio’s corporate processes and structures, building on a program of work already underway within the portfolio (the Business Process Review). This included examination of opportunities to capitalise on the size of the portfolio and generate efficiencies through the introduction of whole of department and whole of portfolio approaches to systems and processes.
The result of this analysis is a move to a more efficient organisation with resources directed where they are required to support the government’s priorities. Efficiencies will be gained through measures such as streamlining financial services and human resources, improving governance of IT spending and introducing shared corporate services across the portfolio, such as for payroll, accounts receivable and accounts payable. Investment in new and improved corporate systems and processes will enable the portfolio to continue to realise efficiencies over the medium and longer term.

The identification of efficiencies has also enabled the redirection of resources to some critical priority areas such as health reform activities, management of the Health and Hospitals Fund and establishment of a regional health agency to advise the public on regional health and aged care matters.

In total, these investments and improvements in operational efficiency will generate net savings of $53.5 million over four years, supporting a smaller, more efficient department. These savings, combined with broader whole-of-government efficiency measures will lead to net reductions in the number of staff in the core department from some 4,060 in 2010-11 to an estimated 3,900 in 2011-12 and an estimated 3,640 in 2012-13 - a reduction of some 12 per cent over the two years.

The savings realised through departmental efficiencies will be reinvested directly into new measures in health policy areas.