



Department of Human Services

Incorporating: Health, Community Services, Housing and Senior Victorians

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21 MAY 2002

Mr Tim Grimwade
The General Manager
Adjudication Branch
Australian Competition and Consumer Commission
PO Box 1199
DICKSON ACT 2602

Dear Mr Grimwade

Application for Authorisation lodged by Health Purchasing Victoria (HPV)

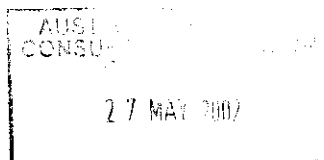
It is my understanding that you are currently considering the above application by HPV in the context of the direction given by the Secretary Department of Human Services (DHS) under Section 42 of the Health Services Act 1988 (Vic) on 1 March 2002. In particular, whether there are any additional public benefits and effects on competition of the proposed tender process given that the written direction is already in place. It is in that context that the following comment is made.

The effective and efficient use of agency nurses in the Victorian Public hospital system is a priority for the DHS. Increased costs, increasing staff turnover and opportunities for improving quality of care and training of staff were all factors that were identified in the problems associated with the utilisation of agency nurses. The Section 42 direction was given as the DHS and the Victorian Public Hospital system required action immediately.

In relation to the utilisation of agency nurses, the Section 42 direction

- Sets a pricing mechanism and policy
- Links to awards rather than a fixed price
- Sets the benchmark.

It should be noted, however, that the DHS views the Section 42 direction as a short term measure and that the nurse agency strategy includes both the direction by the DHS under Section 42 of the Health Services Act **and** the tender by HPV. The terms and conditions provided for in the Section 42 direction will form the basis for a more normalised, bilateral contract between the suppliers (nurse agencies) and the public hospital system.



The proposed HPV tender and resulting contracts would :

- Maintain competition in the nurse agency industry
- Establish an ongoing contract for the supply of agency nurses through the establishment of a 'panel' of nurse agencies that met the necessary requirements
- Adhere to and consolidate the items in the Section 42 direction into a contract
- Establish service level (performance) targets to ensure that nurse agencies meet obligations (eg provision of nurse within specified turnaround times, accreditation, qualifications and skills of the nurses supplied, etc)
- Provide for price reviews associated with CPI changes
- Provide a mechanism to scope demand thereby assisting providers with future planning
- Formalise and create transparency in dealings between the hospitals and nurse agencies
- Establish regular performance level reporting including utilisation rates and trends, performance levels and demand characteristics.

It is for these reasons that the Minister for Health has requested that the HPV progress their application to the ACCC and, if successful, proceed to tender as soon as possible.

Yours sincerely



Patricia Faulkner
Secretary

20/5/02.