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From: Stan Capp [s.capp@southernhealth.org.au]
Sent: Friday, 4 January 2002 1:00 PM
To: adjudication@accc.gov.au
Subject: Support for Authorisation Nos A90811 & A90812



Submission to
ACCC.doc

Dear Mr Grimwade

I attach a submission that supports the application for authorisation lodged by Health Purchasing Victoria.

Regards
Stan Capp

4 January 2002

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

Dear Mr Grimwade

**Your Reference A90811
Application for Authorisation Nos A90811 & A90812
Lodged by Health Purchasing Victoria**

Thank you for your letter of 10 December 2001 inviting Southern Health to make a written submission to the Commission regarding the likely public benefits and effects on competition of the application lodged by Health Purchasing Victoria (HPV).

Background:

Southern Health is incorporated as a metropolitan health service under the provisions of the Health Services Act 1998 as amended, and delivers public health services to the south eastern suburbs of Melbourne. Southern Health is dependent upon Government funding to deliver these public health services.

Southern Health engages approximately 2,280 nursing full time equivalents (FTE's), of which on average 150 FTE's are supplied by nurse agencies. Nursing enterprise agreements that were finalised in 2001, contain provisions that prescribe nurse to patient ratio requirements in wards and emergency departments. If there are insufficient nurses available to comply with the ratios prescribed, beds and emergency department cubicles are closed, preventing services from being provided. While Southern Health endeavours to recruit sufficient nurses to meet these requirements, it does have a dependency on the 150 FTE of agency staff to deliver these public services. Due to the variable nature of demand with some services, it makes sense to have a relationship with nurse agencies to provide "ad-hoc" nurse requirements on an as required basis.

While we see an important role for nurse agencies to supplement our nursing workforce in meeting unplanned and exceptional circumstances, we would prefer to permanently employ the major part of the 150 FTE's currently being sourced from agencies. To this end, Southern Health has embarked on an extensive recruitment program and over the past 12 months we have been successful in recruiting many nurses. However, the rates being paid by agencies have escalated to such an extent that we have experienced a constant departure of our permanent staff as they leave to take up agency work. In short, we need to recruit extensively just to maintain the status quo with agency dependence.

In recent times, particularly since the introduction of nurse to patient ratios, Southern Health has seen the price of agency staff escalate significantly as depicted in the graphs attached. During the period from July 1999 to November 2001, nurses have had salary increases of approximately 8% passed on via the award, while Southern Health has seen the average cost per agency FTE increase by over 90% from \$76,000 to \$145,000, for essentially the same nursing staff.

Public Benefits:

Understandably, Southern Health receives no additional funding for the incremental additional cost of agency staff from Government. While it is accepted that a level of agency utilisation is appropriate, the escalating price for agency staff, which is significantly out of step with changes to the nurse's award, is not sustainable. We believe we have little choice but to engage agency staff, as without them, we would experience significant closure of beds and emergency department cubicles. This would have a major adverse impact on the delivery of public health services to our community. However, the current cost and continuing rate of escalation in cost of agency staff is unsustainable. Indeed, should the current rates of agency expenditure continue, even with a levelling out of the extraordinary escalations that have occurred over the past several months, the future financial viability of Southern Health and its ability to deliver the current level of public health services is placed in doubt.

Within a relatively dry nursing labour market, the drift of nurses towards agencies with in some cases, significant financial incentives being offered, is resulting in major pressures on the level of permanent nursing staff available to Southern Health.

Nurses are being actively encouraged to reduce their permanent shifts with us in order to take up the same shifts with an agency. As bizarre as this seems, nurses are frequently working similar shifts in the same work areas but under two different employment arrangements – one as a Southern Health employee, the other as an agency employee. Given the huge pay differentials, the implications on the remaining permanent employees are obvious and this is causing considerable stress on our permanent nursing workforce. The pressure of managing a nursing unit with significant rotations of agency staff results in an increased workload and responsibility and in turn reduces the attractiveness of this vital role.

The major intent of the proposed tender arrangement is to reduce the overall nursing staff costs to health services including Southern Health. An alternative to this option is to reduce the level of public health services being provided and transfer the funding for these services into meeting the costs of nurse agency staff. This does not seem to us to be in the public interest.

Effects on Competition:

It is anticipated that the proposed tendering arrangement would result in Southern Health having a commercial agreement with a selected agency or agencies for the supply of agency staff at agreed rates. The intent is to bring these rates back to realistic levels that more accurately reflect the award structures that apply throughout the public health system. It is submitted that the tender process would provide all agencies with a fair basis to compete for this work.

Conclusion:

Southern Health views the proposed tendering process as a legitimate way in which the public health system can manage a material expense. At Southern Health, expenditure on agency nursing has grown from \$10.2m in 1999/00 to a projected \$19m in 2001/02. Given

the magnitude of expense, we believe it is appropriate to tender this expenditure, as we would with all other major lines of expenditure from time to time. The proposed arrangements will be conducted by Health Purchasing Victoria in accordance with Victorian Government Purchasing Guidelines and will be an open and transparent process. The appropriate management of our expenditure is critical to Southern Health being able to guarantee delivery of its public health service obligations.

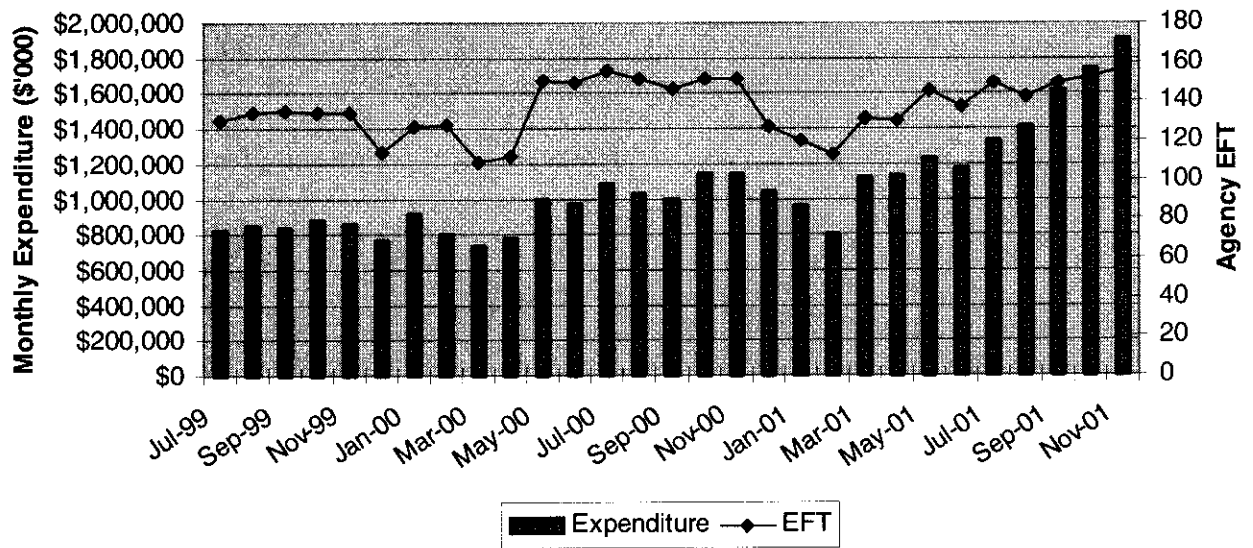
We strongly recommend that the Application for Authorisation lodged by Health Purchasing Victoria be approved.

Should you have any queries or concerns over any aspect of this submission, please do not hesitate to give me a call on (03) 9594 2738. Regardless of the outcome of this submission, I would be pleased to further discuss the issues raised in this letter.

Yours sincerely,

Dr Stan Capp
Chief Executive

Nurse Agency



Nurse Agency Rates

