



4th January 2002

The General Manager,
Adjudication Branch
Australian Competition & Consumer Commission
P.O. Box 1199
DICKSON ACT 2602

Including The Royal Women's Hospital
and Royal Children's Hospital
Melbourne

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Dear Sir,

Thank you for the opportunity to make a submission in reference to the interim authorisation submitted by Health Purchasing Victoria on behalf of various Victorian Health Services.

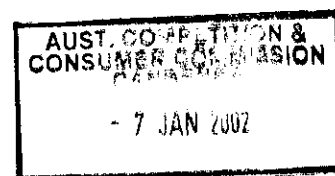
Women's & Children's Health, Melbourne, supports this interim application and has outlined our specific reasons and the public benefits favouring this application, as well as the effects on competition.

It is our intention to proceed with a further submission in support of the substantial application by the 1st February 2002.

Yours sincerely,



Dr Kathy Alexander
Chief Executive Officer



**SUBMISSION TO AUSTRALIAN COMPETITION & CONSUMER
COMMISSION ON AWARDING OF A TENDER FOR
EXCLUSIVE ACQUISITION OF TEMPORARY AGENCY
NURSING STAFF BY HEALTH PURCHASING VICTORIA**

Agency Use At Women's & Children's Health

BACKGROUND

Women's & Children's Health (W&CH) consists of the Royal Women's Hospital and the Royal Children's Hospital. As two specialist public hospitals in Victoria, we have a clear preference to employ Registered Nursing staff with specific specialist skills in order to provide high quality care to women and children. The current utilisation levels and costs of agency nurses has placed a major cost pressure on W&CH which adversely impacts upon the provision of health services to the Victorian public.

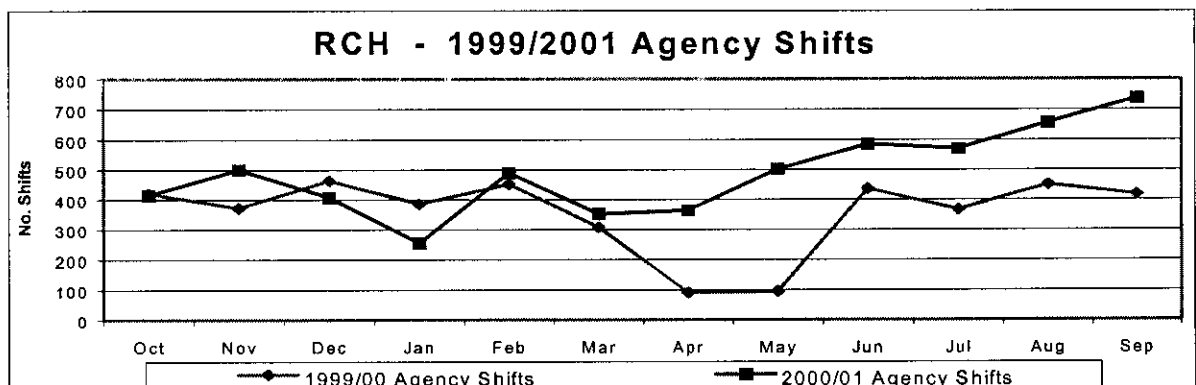
Despite the major efforts by Victorian Health Services, the State Government and the Department of Human Services to recruit nurses during the past 12 months, there remains vacancies in nursing and in particular the specialist areas such as critical care and midwifery. The use of staff from agencies has been necessary to fill this gap and enable services to be maintained.

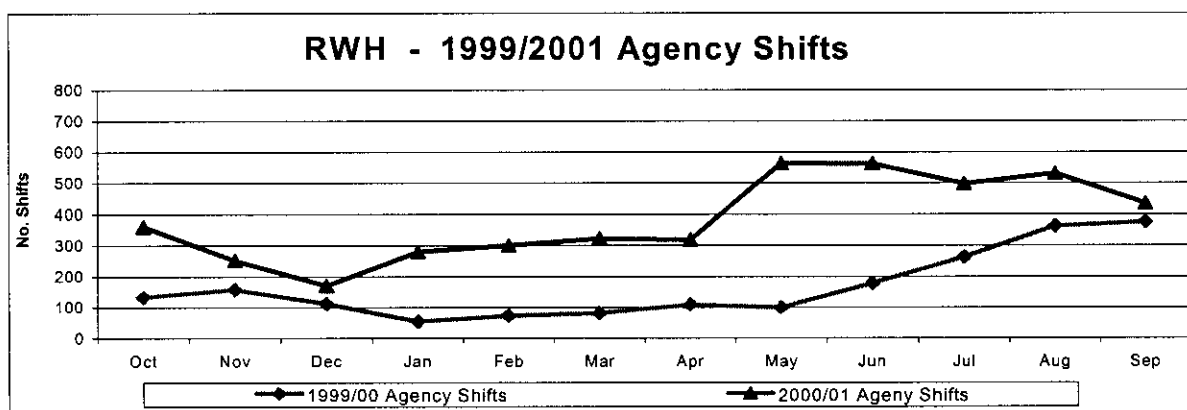
The Royal Women's and Royal Children's Hospitals have always had a requirement for the use of Agency staff to meet patient care demands, particularly at peak activity times. This agency use was always considered a last resort after offering extra shifts to part time staff, and/or exhausting the Health Service's own casual bank of employees. However, over the last twelve months agency pay rates have increased by 25% resulting in many W&CH part time staff electing to undertake extra shifts through an agency.

1. ISSUES FOR WOMEN'S AND CHILDREN'S HEALTH

1.1. Agency Use

During the past twelve months agency usage at the Royal Women's Hospital (RWH) and Royal Children's Hospital (RCH) has increased by 72% from a total of 6,033 agency shifts in 99/2000 to a total of 10,350 shifts during that same time period in 2000/01.





1.2. Agency Costs

The total expenditure on agency staff at W&CH was:

	RCH	RWH	
2000/01	\$2.5M	\$1.85M	= \$4.35M
2001/02 (est.)	\$4.56M	\$2.7M	= \$7.26M

Projecting for agency costs to the end of this financial year, W&CH would experience a 66% increase in nursing agency expenditure.

1.3. Specialist Skills

As specialist hospitals, the Royal Women's & Royal Children's Hospitals have a specific need for staff with specialist skills. Not only are staff required to be registered as a general nurse but they also require further qualifications and skills specific to our specialty and sub specialties such as Midwifery, Paediatrics, Women's Health, Neonatal and Paediatric Intensive Care, Paediatric Oncology etc. These sub-specialities are seen as a small niche area of nursing in comparison to the general skill sets required in adult public hospitals.

1.4. Equity

Many permanent staff have identified how difficult it is to work alongside agency staff earning up to twice their hourly rate and without the same level of responsibility. An individual agency nurse's level of competence may not be known when they attend for a shift, as a result they are more likely to be allocated less acute or complex group of patients.

1.5. Winter Staffing Pressure

W&CH, particularly the Royal Children's Hospital, experience greater demands for resources during the winter period due to increased childhood respiratory illnesses. Hospital admissions increase at this time, resulting in greater staffing requirements. To meet this peak demand, the organisation is forced to use agency staff to supplement an already stretched nursing workforce.

1.6. Morale

Quality of care issues may arise when W&CH staff continually divert their focus from providing patient care to support agency staff unfamiliar with the specialised environment. This contributes to low morale and dissatisfaction in the workplace, leading to staff reducing their hours or leaving the organisation, therefore increasing

the reliance upon agency staff. Without intervention, these issues will continue to escalate.

2. PUBLIC BENEFITS AND ADVANTAGES

The major benefit of the Application for Interim Authorisation by Health Purchasing Victoria on behalf of the Victorian Health Services is to assist hospitals recruit Registered Nurses and ensure public funds are directed towards patient care and not Private Agency fees. We believe that Registered Nurses would chose to move back to hospital employment because the cost differential between Hospital paid employment and the Agency would be decreased significantly. Thus hospital's would be able to fill their vacancies and only use nurse agency staffing for the relief of sick leave and periods of peak activity as directed under clause 185 of the "Blair decision" 31st August 2000.

The public would benefit from this Interim Authorisation as quality of care should be improved for the following reasons:

- ❖ Agency nurses are often unfamiliar with their changing work environment as they move from hospital to hospital or ward to ward on a daily basis. Therefore, they require orientation and support from permanent W&CH nursing staff. W&CH staffing resources that would usually be dedicated to direct patient care are diverted to the training and supervision of these agency staff.
- ❖ The number of actual staff required per shift is often increased to allow for safe patient care as Agency staff are unfamiliar with the ward, the hospital policies and procedures, and specific clinical practice guidelines or care pathways.
- ❖ Agency staff are less able to manage a similar patient workload in comparison with permanent staff.
- ❖ Continuity of care is often sacrificed to ensure a safe patient care environment.
- ❖ Discharge Planning is interrupted as coordination of care and home-based teaching programs are not able to be completed by staff unfamiliar with care routines.
- ❖ Hospital's are currently directing a major component of their nursing operating budgets to Private Agencies and therefore some clinical improvement activities are unable to be initiated due to the high costs of providing direct patient care.
- ❖ Winter periods place significant demands on hospitals and planning for the recruitment of staff vacancies needs to occur early in 2002.

3. EFFECTS ON COMPETITION

Currently Women's and Children's Health Service has no current contracts with any Nursing Agency and is therefore under no contractual obligation to any Private Nursing Agency. The current proposal would alter this position.

WCH require specialist staff and Private Nursing Agencies are aware of this special training need. They are currently taking advantage of this requirement by passing on premium costs for the staff that they provide. This represents anti-competitive practice as WCH pays Award rates of pay and therefore can not compete with the costs that the Agencies are charging hospitals and paying the Registered Nurses.

Nursing Agencies are hindering the ability of hospitals to conduct their business in a cost-effective manner. Funds are being diverted to Private Nursing Agencies from hospitals and the costs of providing staff versus the benefits are outstripping the Health Services capacity to pay.

In summary it is our view that if the Commission grants authorisation the public benefits, as outlined above, would outweigh the anti-competitive elements in this proposal. Currently the Agencies have an unfair advantage as they are passing on excessive costs to the Health Services as consumers of their services. Public Hospitals and Health Services are unable to pass these direct costs onto their consumers or back to the Department of Human Services. Hospitals have capped budgets and they are required to spend public money judiciously. Further Health Services are obliged to balance their budgets. The current position, where Private Nursing Agencies are paying Registered Nurses significantly above Award rates is not sustainable and requires urgent redress.