[redacted]

From: Woolley, Susan [S.Woolley@alfred.org.au]
Sent: Friday, 4 January 2002 1:33 PM
To: 'adjudication@accc.gov.au'
Subject: FW: Submission - Application for Authorisation Nos A90811 & A9081 2 lodged by Health Purchasing Victoria

ACCC SUBMISSION - 4 January 20...

> To The General Manager,
>
> A submission regarding the Application for Authorisation Nos A90811 &
> A90812 lodged by Health Purchasing Victoria from The Alfred in Melbourne
> is attached.
>
> We would be very happy to speak with you further about any aspect of the
> submission or related matters.
> <<ACCC SUBMISSION - 4 January 2002.doc>>
>
> Yours sincerely,
>
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Cain,
Could you please confirm the submission can be placed on the public register
Thanks
[signature] 9/1/02

Oic for public register

Regarding the Application for Authorisation Nos A90811 and A90812
Lodged by Health Purchasing Victoria

Submission from The Alfred, Melbourne, Victoria

January 4 2002

BACKGROUND

Agencies, companies that provide casual nursing staff to hospitals, have been part of the health care industry for many years. They provided a service to individual nurses and hospitals. The Agency frequently paid the nurse better than the hospital would and charged the hospital a service fee. The nurse was compensated for the lack of benefits associated with permanent employment (annual leave, sick leave etc) and the Agency was paid for its administrative services. The cost to a hospital of an Agency nurse has always been more than that of an employed nurse.

The Nurse
Historically a small number of nurses chose Agency work. Most, however, used Agencies for short periods, for example moving from one place to another, when looking for a permanent job, while studying, during periods of personal life changes and for a little extra money when saving for vacations, buying a house etc. Nurses working in Agencies ostensibly had the flexibility to work when and where they wanted to. This came at a price. They could not be assured of work. They may have had preferences for particular hospitals and shifts but, at times, would have to work where and whenever they could. In times of relative nursing shortage they had more choice. In times of relative surplus, they did not. This was unsustainable for most nurses and is why most only worked with Agencies during periods of transition or for a little extra income.

The Hospital
Historically hospitals used Agency nurses to replace unplanned, last minute staffing shortfalls (for example, sick leave) when these could not be filled from their own resources which included nurses who worked on the hospital's Nurse Bank. The latter are nurses who are employed by the hospital but who do not work a set number of hours per week. They are usually available for covering sick calls but Agency nurses are often needed as well. In addition hospitals have used Agency nurses to "top up" permanent and Bank staff numbers during periods of higher than expected patient acuity and/or demand. Workforce dynamics of the moment also played a role. In periods of relative shortage hospitals depended more on Agency nurses to fill staffing gaps. In periods of relative surplus, they did not need the Agency nurses and developed relatively inflexible ways of dealing with all nurses - permanent, Bank and Agency. Particularly in the latter circumstances, the Agency nurse was often seen as a burden, someone who did not know the patients and/or processes and was not warmly welcomed by the hospital staff.

The Current Situation
A number of things have happened over the last 2-3 years which have changed the patterns described above and are contributing to the problem we are now experiencing. An international nursing shortage has begun to have an impact in Australia and Victoria making it more difficult for many hospitals to maintain adequate nursing staff levels. In order to maintain clinical services, hospitals face the choice of reducing services and/or using Agency nurses when their resources are depleted. In response to an increased demand for Agency nurses, the Agencies in Victoria became particularly aggressive and markedly increased the rate they paid to nurses, in an attempt to lure them from hospitals. As more and more nurses joined the Agency and became less available for permanent work, hospitals became more dependent on Agency nurses to maintain service levels.

Employment statistics in general report an increase in the casualisation (non full time employment) of all workers and this has occurred in the Nursing workforce too. One contributing factor is that as the

amount of money nurses earned working Agency increased, they could work fewer hours and receive the same or more money. This was an attractive option for many nurses who were already working part time and/or on a hospital's Bank. Also as hospital staffing gaps increased, Agency nurses could more regularly work where and when they wished, thus being assured of whatever income they wanted. Even though the shortage has compelled hospitals to develop more flexible options for their own part-time and Bank staff, they cannot compete with the dollars a nurse earns working for an Agency.

These factors resulted in the vicious cycle within which we now find ourselves. The implications of these changes for one hospital, The Alfred, are outlined below.

THE ALFRED

The Alfred is a large tertiary teaching hospital in Melbourne. We provide a number of state wide referral services including trauma, heart-lung transplant, burns, cystic fibrosis and HIV. The quaternary and time critical nature of our services means that we must have access to nurses so we can care for patients who require services at this level. The level of patient acuity at The Alfred is particularly high in specialty areas such as Intensive Care, Emergency and Operating Suite but is consistently high in all other clinical areas as well.

The ways in which the nursing workforce at The Alfred varies from the average are outlined below.

- The average age of a nurse in Victoria is 44 years (Nurses Board of Victoria, November 2001). The average age of a nurse at the Alfred is 33 years. Our large number of Intensive Care Unit beds (27), for example, means we need more critical care nurses than most hospitals that have far fewer and less acute Intensive Care Unit beds. The Emergency Department and Trauma Centre also require higher staffing levels than Emergency Departments in many other hospitals. The need for higher levels of staffing in specialty areas puts greater demand on the need for nurses in these areas to work more unsociable shifts (nights) and be on-call for quaternary services. For a young nursing workforce, in particular, the need to work these hours is considered a burden. By joining an Agency a nurse can avoid working nights or at least work fewer at a higher rate of pay. This is turn requires that permanent staff work more of these unsociable hours. This creates another vicious cycle of sorts.

- A significant number of nurses begin their careers at a hospital like The Alfred and then move to other hospitals at different phases of their lives. As an urban hospital we do not have easy access to nurses who prefer to work closer to where they live.

- As a large teaching hospital we also support extensive educational programs at the undergraduate and post graduate levels for nurses. Nurses come to The Alfred for educational experiences and then move to other hospitals that often offer less unsociable working hours and less acute clinical environments.

NURSING WORKFORCE AT THE ALFRED

In order to meet service level targets at The Alfred we need to employ a total complement of 797 direct care nursing staff. The unique features of our workforce and the vicious cycles referred to above have contributed to a rise in vacancies. Since September 1999 the number of nursing vacancies at The Alfred has increased by 50 %. On a day to day basis unfilled nursing positions and sick leave produce a "gap" or vacancy factor that must be filled to maintain desired service levels. This vacancy factor is filled by a combination of overtime, working short, deferred leave entitlements, Bank and Agency staff.

Over the last 18 months our use of Agency nurses has increased significantly, by 45%. This has allowed us to substantially meet designated service level targets. If Agency nurses were not employed, however, service levels could not be maintained, beds would close and Emergency Department workloads would be unacceptably high.

Despite the fact that we are substantially meeting service level targets, it is our view that our level of Agency use is unacceptably high for three reasons - cost, quality of care and the impact on the nursing workforce.

Cost
The wages of an employed nurse are governed by a federal award. The cost of an Agency nurse to The Alfred is 51% more than the cost of an employed nurse in the in-patient, overnight, non-specialty ward areas and 120% of the cost of an employed nurse in specialty areas such as Intensive Care, Emergency and Operating Suite. The cost is made up of the nurse's wage and the Agency administrative fee. As the disparity is greatest in the specialty areas the discussion will focus there.

Nurses who work in specialty areas usually earn more than nurses who work in non-specialty areas. This variation occurs across the board and applies for employed nurses as well. Most nurses who work in specialty areas have more years of experience and qualifications for which they receive an allowance. Agencies, however, have been paying nurses who work in specialty areas an hourly rate that is considerably higher than that which an employed nurse receives, even taking the allowance into account, in an effort to lure them to the Agency. Nurses can work fewer hours and make the same or more money, which reduces their overall availability.

At The Alfred we need large numbers of specialty nurses and as the differential between what they earn working for the Agency increased, they have drifted to the Agency and our vacancies have increased. As we are dependent on the nurses to maintain services (keep Intensive Care Unit beds open, for example) we have been forced to pay the higher costs. The table below illustrates the problem.

Specialty Nurses	**Hourly Rate**	**Night Allowance**
Employed RN at The Alfred	$24.02 (YS9)	$38.90

Agency RN	$46.00	$105.00
Agency Fee	$20.70	$15.00
Total Agency Costs	$66.70	$120.00

In addition the Agency manipulates its fee (30% for the hourly rate and 12% for the night duty allowance). This increases the money an Agency nurse receives for a night shift and increases the disparity between the Agency and employed nurses.

The premium paid by The Alfred to Agencies from June to December 2001 is $2.1 million dollars. The premium is the cost to The Alfred that is in excess of the cost of an employed nurse. Assuming that Agency use remains at the same level and the costs remain as at present (the latter is highly unlikely given rises over the last 6 months), a minimum of another $2.1M will be needed to meet service demands for the remainder of the financial year. If the cost cannot be borne, beds would have to be reduced to meet costs and services to the community decreased.

Quality
Given a greater dependence on Agency nurses a hospital can no longer be assured of a regular, dependable and appropriately skilled workforce. It is becoming increasingly difficult to predict which nurses with what skills will be available when, so that quality, safety, continuity and appropriate care planning is assured. As the number of Agency nurses increases in a ward or department, their lack of knowledge about the patients and systems becomes a significant issue. Small numbers of Agency nurses can be absorbed within a larger contingent of permanent, employed nurses. This is the reason that the use of relatively small numbers of Agency nurses was acceptable in the past.

Today the ratio of permanent to Agency nurses must be carefully monitored to ensure that patient care needs are met. Even if the required number of nurses can be met by using Agency nurses, it is often unacceptable to do so. Their lack of knowledge of the systems and processes and the lack of continuity that occurs threatens our ability to provide care safely. At The Alfred we have closed beds under these circumstances.

Impact
With the increase in the use of Agency nurses, an insidious undermining of the nursing workforce is occurring as a result of the differences in wages earned between nurses working side by side. An

Agency nurse who essentially comes in, works and goes home with very little involvement in the numerous other activities required to support direct care delivery, earns considerably more than an employed nurse. The phrase "all care and no responsibility" is frequently quoted. Employed nurses grow to resent this disparity and increasingly Agency nurses exacerbate the problem by actually taunting employed nurses for working for so much less while assuming more responsibility. The dynamic that this behaviour sets up is unhealthy and undermines the teamwork that is so essential in today's complex health care environment.

Most recently we observed that a number of our own part time nurses in areas such as Intensive Care and Emergency Department worked as Agency nurses over the Christmas/New Year period. Some even worked for the Agency on the public holidays, earning penalty rates that are much higher than they earn when working for us. So, essentially our own nurses are working for us part time and the Agency part time at much higher rates of pay. If we do not deal with this disparity, it is inevitable that more nurses will drift to Agency work.

FOCUS GROUPS

As part of an overall strategy to better understand the dynamics of the nursing workforce, we engaged Irving Saulwick and Associates to conduct independent market research in November 2001 to, among other things, "understand the criteria nurses use to decide where and for whom they will work."

One of the groups included nurses working for Agencies. Saulwick reported that Agency nurses indicated that they "...enjoyed the freedom to choose when and where they would work. The money was good, there was plenty of work available, they had few ongoing responsibilities, they could choose convenient times to work – for the moment, they implied, what more could they want?" Most also indicated that they did not know how long this would last but that they would take advantage of it for as long as they could.

SUMMARY

There are no simple solutions to the nursing workforce problems we are experiencing. The solutions must be driven by the profession and will require the cooperation of many. New models of nursing practice that are forward looking and that meet the needs of today and tomorrow, not yesterday, are needed.

In the meantime it is obvious that the money currently being spent for Agency nurses could be better spent in increasing services to the community. It is difficult to fault individual nurses for the choices they are making. The system has created this situation and a systematic response is needed.

There is also no simple answer to the question being debated in relation to the "proper" role of Agencies within the health care system. An attempt to restore a reasonable balance between the various parties is needed. This process provides an opportunity for that work to begin.

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