

# Briefing Paper

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## Primary Health Care – the landscape in 2014

AUSTRALIAN FEDERATION OF AIDS ORGANISATIONS INC.  
PO BOX 51 NEWTOWN NSW 2042 AUSTRALIA  
PH +61 2 9557 9399 FAX +61 2 9557 9867  
Email: [afao@afao.org.au](mailto:afao@afao.org.au)  
[www.afao.org.au](http://www.afao.org.au)

The first budget of the new Coalition government in May 2014 announced the termination of Medical Locals, with their replacement - Primary Health Networks (PHNs) – slated to commence operation from 1 July 2015. This briefing paper explains what this new health architecture might look like, and how it might differ from the Medicare Locals model.

### Background

Medicare Locals began under the (federal) Labor Government in 2011, with aim of being primary health care organisations established to coordinate primary health care delivery, address local health care priorities, support health professionals and improve access to primary care. In total, 61 Medicare Locals are operational across Australia.

In late 2013, the Coalition Government announced a review of Medicare Locals, headed by former Commonwealth Chief Medical Officer, John Horvath (known generally as the Horvath Review). This followed advocacy from the Australian Medical Association (AMA), which claimed that Medicare Locals failed to adequately engage with GPs, and in some instances also duplicated already existing services.<sup>1</sup> The Horvath Review found that many patients were continuing to experience fragmented and disjointed health care that negatively impacted on health outcomes and increased health system costs. It also identified a genuine need for an organisation that could link up the parts of the health system to improve outcomes and productivity.<sup>2</sup>

### Primary Health Networks

According to the Department of Health<sup>3</sup>, PHNs will differ from Medicare Locals, in that:

- they will offer savings through economies of scale and greater purchasing power, have better planning capacity and increased authority to engage with Local Hospital Networks (LHNs) and jurisdictional governments.

<sup>1</sup>Harrison, D., Sydney Morning Herald, Medicare Locals need overhaul: AMA, 20 December 2013, available at: <http://www.smh.com.au/federal-politics/political-news/medicare-locals-need-overhaul-ama-20131219-2zo83.html>

<sup>2</sup>Horvath, J., Review of Medicare Locals – Report to the Minister for Health and Minister for Sport, 4 March 2014, available at: <http://www.health.gov.au/internet/main/publishing.nsf/Content/review-medicare-locals-final-report>

<sup>3</sup> Establishment of Primary Health Networks, Frequently Asked Questions Version 1.2 – last updated 11 July 2014, available at: <http://www.health.gov.au/internet/main/publishing.nsf/Content/establishment-primary-health-networks-faqs>

- PHNs will have greater local GP involvement to ensure optimal patient care. GPs will lead Clinical Councils and have a direct say in the activities of PHNs.
- Community Advisory Committees will work with Clinical Councils to ensure local consumer engagement, patient-centred decision-making, and PHN accountability and relevance.
- PHNs will not be providers of health services. Instead, they will be regional purchasers of health services with the flexibility to stimulate innovative public and private health care solutions to improve frontline services and better integrate health service sectors.<sup>4</sup>

### **PHN structure/make-up**

According to the Department of Health (DoH), the PHNs are due to commence operation on 1 July 2015. However, key information remains unknown. For that reason, some commentators are speculating that the date of commencement may have to be pushed back to 1 July 2016.

### **PHN locations**

According to DoH, compared with the current 61 Medicare Locals, there will be significantly fewer Primary Health Networks. However, at the date of publication, the number is unknown. Likewise, the boundaries of the PHNs are unknown. According to information provided by DoH in mid-2014, these details should be released by November 2014.

### **Consumer engagement**

According to DoH, PHNs will be required to establish Community Advisory Committees to ensure that PHN decisions are patient-centred and address the needs of the community.

At recent a consumer forum, it was suggested that DoH would be interested in seeing proposals from potential PHN operators that are innovative, which may include initiatives to engage with local NGOs. Also raised at the consumer forum was the need to ensure that the new Primary Healthcare Networks do not come to represent single-constituents i.e. private sector organisations.

### **PHN relationship with Local Health Networks**

DoH has said that the boundaries of the PHNs, as well as their Clinical Councils and Community Advisory Committees, will align with LHNs. This is aimed at facilitating collaborative working relationships and reduce duplication. Boundaries are being established with consideration to population size, LHN alignment and patient flow.

### **Transition from Medicare Locals to PHNs**

At the recent consumer consultations, peak health organisations, including the Public Health Association of Australia (PHAA), emphasised that plans and processes that have been undertaken to date with Medicare Locals, should be able to transition to the relevant PHN. PHAA encouraged the community representatives and organisations to follow up their agendas in regard to primary care planning already in train with their Medicare Local, with the new PHNs.

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<sup>4</sup>According to DoH, PHNs will only provide services under exceptional circumstances, including where there is demonstrable market failure. Market failure is yet to be defined.