



Blood feuds

NEW ZEALAND PATHOLOGY SERVICES HAVE BEEN GIVEN A MASSIVE OVERHAUL, BUT NOT EVERYONE IS HAPPY WITH THE RESULT, AS MARILYN HEAD REPORTS.

In Aotearoa, the Land of the Long White Cloud, things are looking particularly cloudy when it comes to the delivery of pathology services.

Over the past three years, the pathology scene in New Zealand has seen massive change as services have moved away from central government control.

Pathology will now be provided by regional contractors, who will tender for the work from each of the country's 21 autonomous district health boards (DHBs) and be paid on a bulk-funding basis.

This is a move predicted to save millions – but at what cost?

There are fears the change might see a drop in service quality – and that patients will lose out.

Some regions have opened their services for tender, and others have retained the status quo, but the regime change has been far from seamless.

The transition has been overcast with vociferous criticism from unions and professional associations, intervention by business watchdog the Commerce Commission and a high-profile court case.

Added to the melee is the Ministry of Health's steady refusal to intercede, and an information void from the health boards' representative body, the DHBNZ – all of which has enshrouded the process in unwarranted mystery.

It seems the bunfight has resulted in diverting public attention from a crucial question: can restructuring the funding

and delivery of New Zealand's pathology services result in better healthcare delivery?

New Zealand's population of 4.25 million is getting older, more urban and Auckland-centred.

These major demographic changes, combined with new technologies that could deliver superior diagnostic testing, are behind the moves to look at pathology resources differently.

Automation has reduced costs (and increased volumes) for specific schedule tests, but an ever-expanding list of new ones – including genetic and 'wellness' testing – has sent costs spiralling.

And despite all the news-column centimetres devoted to the changes, the debate about how far the public purse should be stretched has never emerged.

Necessity for change

As pathologist Dr Ian Beer points out, preserving free testing for ill patients in the face of uncapped costs was a major motivation for reform.

"The risk was really that if testing kept growing at the same rate, the system might have fallen over," says the director of Pathology Associates Ltd, a private lab that has won extra contracts under the new system.

"There's a whole range of testing for symptom-free patients like ferritin tests for athletes, which could be paid for by patients, and others – such as monitoring

diabetes and other recognised risk factors – which should be funded."

Despite this view Dr Beer can see the flip side of change.

"The tendering process is fairly brutal," he says.

"It's a bit disastrous for the industry in that somebody has to lose and some lab has to go under, fold up, or go away."

Another problem with the old system however, was the *ad hoc* distribution of pathology services. In Auckland, for example, there are not enough services – and they're often not situated where the population is.

Now it's estimated there will be a 50% reduction in the number of laboratory collection centres, where testing is free, in favour of GP collection, which is usually not.

But those collection centres that do remain will be located more appropriately.

And then there's the issue of over- and under-testing. Under the centralised regime, pathology providers were paid on a fee-for-service basis, so there was no incentive to monitor what level of schedule tests were necessary.

While there have been some concerns about over-testing, Canterbury DHB in fact felt pathology services were being under-utilised, with people ending up in hospital as acute cases when they should have been treated earlier.

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“[Bulk funding] means the lab is going to become responsible for managing the volumes because the bureaucrats believe that the pathologists should be sorting out what is more appropriate testing,” Dr Beer says.

“That’s probably a fair call. The gatekeeper responsibility has changed from GPs to pathologists. There’s a real incentive to discuss things with doctors. We haven’t got the time to review every doctor’s decision, but we can review ordering patterns using ICT, and look for people who are being over-tested.”

It’s also envisaged DHBs will be able to better control costs. They’ll know upfront what their costs will be, as providers will sign contracts on the basis of an agreed price.

Models galore

Some believe that in the variety of cooperative and competitive tendering models that have emerged, there is a wonderful opportunity to assess what works and why.

But this variety of models has also caused a few raised eyebrows – and each DHB has approached the new system in its own way (see page 12).

And while this might be a way of tailoring local services to the local community, there is no central control authority for pathology services to deal with national areas of concern such as training and workforce retention.

RCPA chief executive Dr Debra Graves says this is a major concern. The college wants a national framework developed for laboratory services but is getting nowhere fast.

PHOTO CREDIT: NICOLA TOPPING

THE CHANGES: region by region

NORTHLAND: separate providers for hospital and community services, the latter provided by Northland Pathology Laboratory (18-month contract). Review of services currently underway.

AUCKLAND, COUNTIES-MANUKAU AND WAITEMATA: have negotiated an 18-month contract for transitional services with Diagnostic Medlab following a High Court decision to overturn the contract to newcomer Labtests as sole provider for the greater Auckland Region. Contract exclusive for first 12 months only. Both companies intend re-tendering for sole provision of services.

WAIKATO: selected Pathology Associates over the incumbent Medlab Hamilton for community services. Hospital laboratories remain with the DHB.

BAY OF PLENTY: opted for a sole provider, NZ-owned Pathology Associates trading as Medlab Bay of Plenty.

LAKES (ROTORUA): a proposal for a joint venture between a private provider and the hospital laboratory likely to be signed off later this year.

HAWKES BAY: has a single provider – a partnership between the hospital laboratory and Southern Community Laboratories (SCL). Hospital lab covers hospital services, all histology and non-gynaecology and certain automated biochemical and haematology tests. SCL responsible for all sample collections, microbiology and the remainder of tests.

TAIRAWHITI (GISBORNE): will have a sole provider (joint venture between hospital laboratories and Medlab Central) for hospital and community services, to start in September.

TARANAKI: has retained its hospital services and contracted Taranaki Medlab for community work (three-year+ contract).

WHANGANUI: announced the first preferred tender for all services to Medlab Central last October. Contract is yet to be signed.

WAIRARAPA: selected Medlab Central as the sole provider from 1 March.

MIDCENTRAL DHB (PALMERSTON NORTH): tender evaluation process complete and preferred single supplier selected, but contract not yet signed off.

CAPITAL AND COAST (WELLINGTON) AND HUTT VALLEY: will maintain their respective hospital laboratories and jointly tender out community work. Contract awarded to Aotea Laboratories Limited, a merger between private providers Hutt Valley Diagnostics and Medlab Wellington.

NELSON MARLBOROUGH: five-year contract to single provider, Medlab South.

CANTERBURY: has kept hospital laboratory, and opted to keep both private providers Medlab South and Southern Community Labs for community schedule work with capped agreements.

SOUTH CANTERBURY: the first DHB to tender services three years ago, it selected the incumbent Medlab South. It says it has made significant savings without compromising service.

WEST COAST: smallest DHB has opted to maintain the status quo – hospital services provided by the hospital lab, and community services from Medlab South and the hospital lab.

OTAGO AND SOUTHLAND: joint call for a sole provider of hospital and community services was won by Southern Community Laboratories, after the Commerce Commission forbade the merger of the private providers.

