

# The threat to public hospital laboratory services

The three district health boards (DHBs) that provide health care for people in the Wairarapa and greater Wellington region are considering privatising their public hospital laboratory services. If this proceeds, it will have a significant impact on health services, patient care and the people working in the region's hospital laboratories. There is a high likelihood of unintended risks that affect clinical hospital services and fiscal prudence.

## What's happening?

The Capital & Coast, Hutt Valley and Wairarapa DHBs want to merge hospital and community laboratory services to improve efficiency and save money. Merging these services is a challenge at the best of times but particularly risky in the absence of specialists and other health professionals in the engine room of decision-making. Of greater concern, however, are the options the DHBs are considering to achieve this merger.

The DHBs are considering two options (the first is likely to lead to privatisation and the second definitely will):

- a partnering arrangement between a private laboratory and DHBs (including the possibility of a new company being set up for this purpose); or
- a single, private laboratory provider.

The DHBs called for submissions on a Request For Proposal (RFP) based on these two options. Recommendations from the groups set up to oversee the laboratory project will go to the DHB Boards soon for them to make a decision next month.

## So what's the problem?

The privatisation pathway the DHBs' process is heading down is fraught with risk.

For a start, the assumptions underpinning their proposed two privatisation options are flawed. The region's laboratory service is not broken and does not need fixing. The DHBs' own documents show the service is working well and just needs fine-tuning. Privatising the laboratories based on this type of faulty thinking is like taking your car to the wrecker because it has a broken headlight.

Secondly, privatisation would have a serious impact on the people working in the laboratories. It would create new arrangements that could leave people uncertain about their professional and employment relationships and accountabilities. If that happened it could lower morale and result in a loss of laboratory staff as well as making it harder to recruit replacements in a competitive national, let alone international, labour market, including outside the health sector for scientists and technical staff. This workforce is already vulnerable and the DHBs cannot afford to destabilise it.

The DHBs have not produced any evidence to show that privatisation of the laboratories would actually deliver the financial savings they want. In fact, the financial risks of privatising the laboratories appear to significantly outweigh the cost of fine-tuning the services by investing in the establishment of a recommended shared data repository.

The DHBs have not engaged properly with affected health professionals throughout the process (in the case of specialists this has been well below the standard required by their collective agreement and government policy). They have been secretive with core documents, failed to provide adequate opportunities for clinical leadership, and have sought feedback within very tight timeframes. This has forced specialists and other health professionals into a position where they are only able to react to the proposals before them, instead of being able to contribute their expertise to influence the future shape of the regional laboratory services.

The importance of laboratories to the safe and effective delivery of patient care across the public health system cannot be over-stated. More than 70% of all clinical diagnoses involve pathology tests, and pathology also plays an important role in infection control and monitoring disease.

## What are the current laboratory arrangements?

### HOSPITAL LABORATORIES

CCDHB has two hospital laboratories, in Wellington Regional Hospital (the main laboratory) and Kenepuru Hospital (satellite laboratory). HVDHB has one hospital laboratory at Hutt Hospital. In the Wairarapa, hospital laboratory services are contracted to Medlab Central, which operates from the Wairarapa Hospital laboratory and Medlab's laboratory at MidCentral DHB.

### COMMUNITY LABORATORY SERVICE

Aotea Pathology provides community-referred laboratory services for Capital & Coast and Hutt Valley DHBs under a five-year contract, and Medlab Central provides both hospital and community-referred laboratory services for Wairarapa.

Both contracts were due to expire in October 2014 but have been extended to October 2015.

## What would be the impact of privatisation?

Any adverse effects of privatisation on the laboratory workforce or the DHBs' ability to manage their diagnostic workload will inevitably affect the quality, speed and safety of patient care in the region. If laboratory staff leave and it is difficult to recruit replacements, then the region will lose expertise. If relationships and accountabilities are unclear as a result of changes, then there is more potential for issues of quality and patient safety to arise.

A big concern for senior doctors and dentists will be the risk of laboratory services not functioning as well as they have been, thereby affecting clinical decision-making and treatment. The DHB's proposal has failed to take into account the need for strong links between the hospital laboratories and other hospital services that depend on them for diagnostic and other expert advice.

Possible consequences of privatisation include:

- potential delays in cancer diagnosis
- compromises in infection control, leading to further spread of illnesses
- risks to safety in blood transfusions, affecting surgery and the management of emergency trauma cases
- bed blockages in wards and emergency departments when pathology results are delayed
- delays in diagnosis for people who have had heart attacks or kidney failures, flowing through to delays in receiving appropriate treatment
- variation in the quality of laboratory results and reporting.

Private companies taking over laboratories may have a very different approach to managing services than currently, and will come under pressure to do more for less.

Other issues include:

#### CAPITAL & COAST AND HUTT VALLEY DHB:

- If DHB laboratory staff shift to a new employer, under the Employment Relations Act they would take their existing terms and conditions but would not remain covered by their union's employment agreement. Specialists, for example, would not stay under the ASMS-negotiated MECA covering their core terms and conditions of employment, and as a result would have only limited protection. Their ability to collectively negotiate a suitable collective agreement would be noticeably diminished.
- There is also a question about the employment arrangements of specialists who work for both a DHB and a university. Their employment situation, including maintaining their current access to laboratory work, would further complicate any changeover to a new employer.
- Laboratory staff are currently DHB employees and they interact with other DHB employees on the same basis. It is unclear what the implications for that relationship might be if they are no longer employed by the DHB.

#### HUTT VALLEY DHB:

- For specialists working in the Hutt Valley hospital laboratory there is also a risk the laboratory will be downsized and become a satellite to Wellington's laboratory, in order for a private company to maximise its profits.

#### How have DHBs got themselves into this avoidable situation?

There are four main reasons for the position the DHBs find themselves in:

1. Proactive genuine clinical leadership has been marginalised. The scope of clinical engagement has been confined to a reactive role and narrowed down to a limited range of matters. In particular, the identification of options, which has then dictated the subsequent process, was unilaterally determined by senior management.
2. In the pursuit of integration between hospital and community laboratories, those driving this process have severely underestimated the greater importance of the high level of integration between hospital laboratories and the hospital 'end users' that they serve and who are dependent on them.
3. They have also been blindsided by a limited understanding of 'conflict of interest' and failed to learn from the advice of the Ministerial group established to report on the debacle over the community testing contract involving the three Auckland DHBs in the late 2000s.
4. Those with the most operational and clinical expertise and experience have not been in the engine room to shape the process.

#### How can DHBs improve the laboratory service without going down the path of privatisation?

The ASMS believes the three DHBs can enhance the region's laboratories in a way that would build on the existing strengths of the regional laboratory service and avoid the risks associated with privatisation.

It is asking the DHBs to review their process in order to (a) confirm that hospital laboratories will continue to be publicly provided and their staff DHB-employed, and (b) work with the Association to establish a process for clinical leadership in the development of a more integrated relationship between the hospital laboratories and between them and the community testing provider based on enhanced collaboration.

This would include addressing the needs of Hutt Valley DHB's laboratory services to maintain integration with hospital clinical services and re-establish a level of certainty about the future direction of the laboratory. It would also include development of a shared data repository.

This approach, which is in line with international evidence for achieving greater integration, would not involve transferring skilled hospital laboratory staff to a new employer (and possible loss of staff in the process) and would have a stabilising rather than destabilising impact on staff.

#### We're concerned about the path the DHBs are heading down.

Laboratory services are at the heart of New Zealand's public health system and hospital laboratories are at the heart of public hospitals. If the DHBs decide to privatise the laboratories, it will be a costly mistake.

It will also be the biggest privatisation of public health services in New Zealand in the 25-year history of the ASMS.