

The Solicitors Assisting the Inquiry
For the attention of Stuart Jacobs
Special Commission of Inquiry into Healthcare Funding
GPO Box 5341
Sydney NSW 2001

BY EMAIL summons.hfi@specialcommission.nsw.gov.au

Dear Stuart,

Special Commission of Inquiry into Healthcare Funding – Closing Submissions

Thank you for your letter of 19 February regarding response to Counsel Assisting's Outline of Submissions, and the upcoming final hearing block.

There are two matters that St Vincent's Hospital Sydney (SVHS) seeks to clarify arising out of the NSW Health written submissions published on the Inquiry's website. Those matters are set out below.

Recording of Own Source Revenue

NSW Health's Submission at paragraph 11.45, page 112 -113 addresses accounting for own source revenue, including philanthropic donations, in service agreements with Affiliated Health Organisations (AHOs). NSW Health proposes that this is "appropriate...if that revenue relates to the provision of public health services", drawing a comparison with philanthropic contributions made to Local Health Districts. NSW Health then proceeds:

"That said, as a general matter, given the limited visibility that NSW Health (including Local Health Districts) have in relation to Affiliated Health Organisations' cash inflows and own source revenue, in general revenue accounted for in service agreements between Local Health Districts and Affiliated Health Organisations consists predominantly of patient fees. The limited visibility is exemplified by the St Vincent's Service Agreement: it records no 'own source revenue' ²⁹⁸ despite being the recipient of charitable donations and other revenue streams." (our emphasis)

Footnote 298 refers to "Exhibit G.29.8, Service Agreement between St Vincent's Hospital Sydney and NSW Health 2022-2023 [SVH.9999.0002.0066] (Service Agreement showing 0 for all own source revenue categories)".

This submission fails to identify that SVHS's Own Source Revenue is recognised in SVHS's Service Agreement through another mechanism, known as the Schedule 3 Adjustor.

The Schedule 3 Adjustor was expressly designed to recognise SVHS's "Own Source Revenue", including private patient fees, facility charges and other non State Government revenue

streams. The mechanism adjusts for SVHS's ability to raise such revenue, and reduces the subsidy paid by the Ministry accordingly.

The effect of the Schedule 3 Adjustor may be seen in Exhibit G.29.8 on page 14, where a negative line item of \$88.9m is recorded against "Third Schedule Gross-Up". Likewise for Exhibit G.029.9, Service Agreement between St Vincent's Hospital and NSW Health 2023-24 [SVH.9999.0002.009] where page 16 records a negative line item to the value of \$68.1m against "Other Services".

Given this mechanism is in place and applied for capturing SVHS's Own Source revenue, it is not correct to say that SVHS records no own source revenue under the Service Agreement, and that NSW Health has limited visibility of such revenue. SVHS requests that this clarification is noted by the Inquiry for the purposes of its final report.

Visibility of financial position through established reporting channels

In addition to the above cited paragraph 11.45, paragraph 11.39 at page 110 of the NSW Health Submission states that

"Ministry and Local Health Districts should not be expected to accept costs presented by Affiliated Health Organisations without appropriate supporting data providing NSW Health visibility in relation to asserted underfunding. Ministry and Local Health Districts thus rely on the co-operation of and transparency by Affiliated Health Organisations to enable review of their financial position".

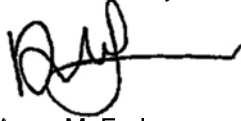
In response to this submission, we note that the financial reporting arrangements established for SVHS, and augmented in recent years, provide the Ministry with ongoing visibility of SVHS's financial position. Evidence in Exhibit G.29 Statement of Anna McFadgen [SVH.9999.0002.0001] [34] was that historically SVHS has had quarterly performance review meetings with the Ministry about SVHS' performance against the NSW Health Performance Framework. Since March 2024 SVHS has also commenced submitting detailed monthly reports to NSW Health, with Ms McFadgen's evidence that "[a]s a networked AHO receiving significant public funding and providing essential public services, I consider this level of monitoring and reporting to be appropriate" [para. 36]. The monthly reports show cost, staffing levels, budgeting and forecast data and a narrative regarding the results, as well as progress with Efficiency Improvement Plans. SVHS provides such financial reporting in the same format and to the same cadence as the Local Health Districts and Specialty Health Networks, under the NSW Health Performance Framework.

It is not clear whether NSW Health's submissions regarding visibility of AHO financial data recognise this distinction for SVHS.

Subject to this letter being brought to the attention of the Inquiry, having clarified our position on these matters above, we do not intend to seek leave to appear at the upcoming hearing, or to make any other oral submissions.

Should the Commission require any additional information, please do not hesitate to contact Genevieve Wallace, Senior Legal Counsel at [REDACTED] or [REDACTED]
[REDACTED]

Yours sincerely,

A handwritten signature in black ink, appearing to be 'AM', with a long horizontal stroke extending to the right.

Anna McFadgen
Chief Executive Officer
St Vincent's Hospital Sydney Limited

Date: 24 February 2025