Health Services Association NSW Submission to the Draft Recommendations of the Special Commission of Inquiry into Health Care Funding in NSW

10 February 2025

Ms Kathleen Hainsworth
Principle Solicitor
Special Commission of Inquiry into Healthcare Funding

Dear Ms Hainsworth

The NSW Health Services Association (HSA), a collective which includes Affiliated Health organisation service members, welcomes the opportunity to respond to the draft recommendations of the Special Commission of Inquiry into Health Care Funding in NSW.

The recommendations that the HSA responds to are as follows:

11.8 Conclusion and key recommendations (Page 281)

881. Each Affiliated Health Organisation should enter into a single service agreement with the Secretary – in much the same way as is currently contemplated for networked Affiliated Health Organisations – and negotiations with those organisations regarding funding and the nature and location of services to be delivered under those agreements should principally occur at Ministry level.

882. Planning around what services are to be provided by each Affiliated Health Organisation and where those services are to be provided should form an integral part of the wider service planning process identified above and discussed elsewhere in this outline.

883. On an annual basis, and in conjunction with the planning and identification of the services to be provided by each Affiliated Health Organisation under their respective Service Agreements, Schedule 3 to the Health Services Act should be reviewed to ensure that it accurately records the recognised services and establishments of each of them and amended to the extent necessary to reflect those services.

884. A structured process should be implemented to promptly resolve any dispute between the Ministry and an Affiliated Health Organisation regarding the extent to which funding offered is sufficient to meet the cost of delivering the level of service required under a proposed service agreement. Whatever process might be adopted, it must be independent, able to be unilaterally triggered by either the Affiliated Health Organisation or the Ministry in the event of a dispute,

and capable of meaningfully regulating the "purchaser/provider" nature of the relationship to be reflected in any subsequent service agreement"

Response to Draft Recommendations

As Affiliated Health Organisations (AHO) that are both embedded within a single Local Health District (LHD), and those that deliver care across multiple LHD sites & Statewide, we acknowledge the Special Commission of Inquiry's efforts to strengthen healthcare funding frameworks. While we acknowledge and broadly accept recommendations 882, 883 and 884 regarding AHO's, we have some concerns regarding Draft Recommendation 881, particularly in relation to the wording of "… a single service agreement with the Secretary…" We believe that this may negatively impact AHOs that operate only in one LHD and request consideration of the following word change (in red): -

881. Each Affiliated Health Organisation should enter into a single **individual** service agreements **for respective AHOs** with the Secretary – in much the same way as is currently contemplated for networked Affiliated Health Organisations – and negotiations with those organisations regarding funding and the nature and location of services to be delivered under those agreements should principally occur at Ministry level.

In addition, for recommendation 881 we note the following concerns: -

1. Elevating understanding and dedicated resources within NSW MoH to support AHOs

The implementation of any new funding model or governance changes requires a deep understanding of how AHOs operate within LHDs. We urge the Ministry of Health to identify resources and/or dedicated Ministry contacts for AHOs to elevate the understanding of AHO structures and contributions to ensure that adequate resources are allocated.

2. Integration with Local Health Districts

Given our close integration with LHD's, we seek clarity on how Draft Recommendation 881 will impact the working relationship between AHOs and LHDs. Any changes in funding flows, reporting structures, or governance frameworks must not disrupt the collaborative approach that ensures patients receive seamless and high-quality care. AHOs embedded within a single LHD will require direct collaboration with LHD Executives to ensure funding flows support integrated service delivery and continue to provide seamless care to the communities we serve. For AHOs spanning multiple LHDs, there needs to be a clear, consistent funding mechanism that avoids duplication of funding agreements and ensures transparency and equity across districts. We call for a structured consultation process to engage AHOs based on their single or multi LHD- status.

3. Operational Key Performance Indicators (KPIs)

Performance measures should be relevant and flexible, reflecting the different service delivery models across AHOs. Those services embedded into single LHD's should continue to actively

contribute to the LHD's operational, clinical and service delivery KPI's. Whereas those with cross LHD or Statewide services should have KPI's reflective of the services they have been contracted to deliver. The funding model should avoid overly bureaucratic KPI requirements that do not add value to patient care. A revised funding model must align with meaningful operational KPIs that reflect the unique contributions of AHOs within LHDs. Standardised funding or performance measures that do not account for the specific service delivery models of embedded AHOs may create unintended financial and operational burdens. We advocate for the development and maintenance of operational KPIs that consider the complexity of our work while maintaining transparency and accountability.

We strongly recommend that before implementing Draft Recommendation 881, the Ministry of Health engages in targeted consultation with AHOs and LHD leadership to ensure that funding reforms enhance patient care and service delivery.

Should draft recommendation 881 be accepted, a tailored funding framework will need to be developed. The Ministry of Health (MoH) must differentiate between AHOs embedded within a single LHD and those operating across multiple LHDs when determining funding structures. A one-size-fits-all approach may not account for the governance, reporting, and operational variations between these different models. Multi-year funding agreements should also be considered to support medium to longer term capital, services and workforce planning and service sustainability.

Efficiency Reviews, if undertaken, should be conducted by an independent body separate to NSW MoH and have a defined methodology and common terms of reference if applied across different AHOs. Such matters, as overheads and indirect costs for AHOs need to be determined based on the size and scale of the organisation. A one size fits all approach to indirect costs for AHOs is inappropriate.

Single Digital Patient Record (SDPR)

As a collective, we remain committed to working collaboratively with the Ministry of Health, LHDs, and other stakeholders to ensure that healthcare funding reforms enhance, rather than hinder, our ability to deliver quality care to the communities we serve.

One pressing example of this challenge, as evidenced in the submissions (pg 142) regarding the Strengthening Medicare Taskforce Report Dec 2022, is the implementation of the Single Digital Patient Record (SDPR) across NSW. The SDPR aims to create a seamless digital health record for patients, ensuring that all healthcare providers have real-time access to essential clinical information. However, despite working within and alongside LHDs, some AHOs have been advised that they will be required to self-fund their participation, covering costs such as:

- Implementation costs (project management, technical integration)
- Training for clinical and administrative staff
- Upgrades to IT infrastructure and hardware
- Ongoing software licensing and support

Key issues and risks should any AHO, no matter whether they are multi or single LHD service providers, choose to not participate in the rollout of the SDPR include:

1. Fragmentation of Patient Care

If AHOs cannot afford to participate in SDPR due to a lack of funding support, patients receiving care across different settings will face fragmented records, leading to clinical risks, inefficiencies, and duplication of services.

2. Inequitable Financial Burden on AHOs

AHOs are integral to the public health system, yet in the case of HNELHD (so far) are expected to fund their own participation in essential digital infrastructure. This creates an uneven playing field, where LHDs receive some funding for SDPR adoption and the AHOs don't. There is one current example of an AHO with an expectation from their LHD (HNELHD) to divert financial resources away from frontline care to cover these costs.

3. Operational and Workforce Challenges

Without funded training and implementation support, staff within AHOs may struggle to effectively use the system, reducing the effectiveness of the SDPR rollout. A lack of integrated records could create inefficiencies for clinicians, who rely on real-time access to patient information across different care settings.

To ensure that AHOs continue to be fully integrated into the NSW health system, we strongly recommend that:

- AHOs are recognized as an embedded part of the public health system.
- Funding for the Single Digital Patient Record (SDPR) expressly include AHOs from the outset or if distinguished, that the funding is extended to AHOs, covering implementation, training, hardware, and licensing costs.
- AHOs be formally recognised as essential partners in digital health initiatives and system-wide programs, with equitable access to funding and resources.
- The Ministry of Health ensure documented inclusion or establish a dedicated funding stream for AHOs to participate in critical infrastructure projects, ensuring that cost is not a barrier to system-wide improvements.
- A joint consultation process between the Ministry of Health, LHDs, and AHO representatives be established to guide the implementation of Recommendation 881 and prevent unintended consequences. The rollout of the Single Digital Patient Record is just one example of how inadequate funding models create barriers to integration for AHOs within the NSW health system.

Relative to other content within the draft report Special Commission of Inquiry into Health Care Funding in NSW, the HSA would like to commend the content and findings specifically within Sections 5 & 9.

Section 5 The Health needs of the Population and the Shifting burden of Disease

Where there is acknowledgement of the ageing population growth reality, alongside the escalating burden of funding chronic disease management, AHO's are well positioned and proven in their interface between acute and primary healthcare. The suggested focus on preventative and early intervention healthcare are models of care provided by many AHOs. We welcome the consideration of funding integrated preventative healthcare models to address the budgetary and population health challenges ahead. AHOs have good examples of those healthcare models already in place. Some of those models are subject to short term 'pilot funding' which is a challenge in sustainability and scalability.

Section 9 Primary & Aged Care

Relevant membership of the HSA membership acknowledges the challenge in whole of government funding, whereby sustainable funding of community health services in the primary care setting offer a solution to the demand on acute healthcare services. Where AHOs are often delivering care in the interface between the two settings, we highlight the value and role AHOs can play into the sustainable healthcare landscape.
We thank you for the opportunity to respond to the draft report and if required for any further clarification, the Health Services Association would be pleased to attend a Hearing if invited.

Yours Sincerely,

Matt Mackay

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