



ST VINCENT'S
HOSPITAL
SYDNEY

The Special Commission of Inquiry into Healthcare Funding

St Vincent's Hospital Sydney

Submission – February 2025

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Special Commission of Inquiry into Healthcare Funding

St Vincent's Hospital Sydney Response

Background

1. This is a response by St Vincent's Hospital Sydney Limited (St Vincent's) to the closing submissions of Counsel Assisting the Special Commission of Inquiry circulated on 20 December 2024 (the Submissions).
2. St Vincent's views the Special Commission of Inquiry into Healthcare Funding (the Inquiry) as an opportunity for meaningful reform. An initial written submission was made to the Inquiry by St Vincent's on 13 December 2023, and St Vincent's provided information and evidence during the course of the Inquiry.
3. St Vincent's has appreciated the engagement from the Inquiry on the matters raised by St Vincent's as the sole networked Affiliated Health Organisation¹ (AHO) within the New South Wales (NSW) public health system, and welcomes the opportunity to respond to the Submissions.

Executive Summary

4. St Vincent's is broadly supportive of the findings and recommendations proposed by Counsel Assisting, and considers the focus on system reform and improvement to be constructive.
5. From the perspective of a networked AHO, St Vincent's submits that certain additional recommendations should be made to address the design and funding of St Vincent's participation in the NSW public health system, as outlined at paragraphs 7 to 18 of this response. The proposed additional recommendations complement Counsel Assisting's recommendations in the Submissions, or arise from the matters addressed in the Submissions (see paragraph 1.4 (d) of the Submissions).
6. St Vincent's also responds to the recommendations of Counsel Assisting, in respect of AHOs, as outlined at paragraphs 19 to 24 below.

Request for additional recommendations

7. While broadly supportive of Counsel Assisting's recommendations related to AHOs, there are additional matters raised in the Submissions that warrant the Commissioner making further recommendations relevant to St Vincent's. The Inquiry process has engaged closely with evidence on the challenges and opportunities consequent on St Vincent's position as the sole networked AHO, which call for further recommendations than those proposed in the Submissions.
8. Reform in these areas is essential to the sustainability of St Vincent's role and contribution within the NSW public health system, which has significant implications across the wider health system, given the scope and nature of services provided by St Vincent's. As concluded at paragraph 795 of the Submissions "As a networked

¹ St Vincent's is an AHO listed in Schedule 3 of the *Health Services Act 1997* (NSW) in respect of our establishments (St Vincent's Hospital, Darlinghurst and the Sacred Heart Health Service). St Vincent's is also declared as a Network in respect of these facilities, for the purposes of the National Health Reform Agreement. The declaration recognises that, through these facilities, St Vincent's provides State-wide services, and services of State significance. St Vincent's is the only 'networked' AHO in NSW.

Affiliated Health Organisation, there is a high degree of integration between the St Vincent's Health Network and the wider public health system. It is seemingly uncontroversial that there are ongoing system benefits in those arrangements, as opposed to NSW Health attempting to replicate or duplicate the highly specialised and state-wide nature of many of the services offered by the St Vincent's Health Network".

9. St Vincent's requests that the Commissioner consider the following matters, and make the following recommendations in his Report.

Single Digital Health Record

10. In considering the importance of data to system planning and service delivery, Counsel Assisting addresses the introduction of the Single Digital Patient Record (SDPR) across the NSW public health system, and some barriers to effective integration including a concern at paragraph 463a. that

"Not all parts of the public health system are presently included. In this respect, it is not immediately clear whether the St Vincent's Health Network will be included in the project. As a significant part of the New South Wales public health system as its only networked Affiliated Health Organisation, there does not appear to be any good reason why it ought not be included, and funded appropriately to facilitate that inclusion".

11. It is proposed that a recommendation be made for St Vincent's to be included in the SDPR, and fully funded to facilitate that inclusion, commensurate with St Vincent's status as the only networked AHO and the role St Vincent's performs within the NSW public health system.

Funding model to recognise independent entity constraints and need for sufficient funding

12. The Submissions recognise that it should not be open to debate that AHOs should receive funding sufficient to cover the costs of delivering services on behalf of the NSW public health system (paragraph 800). AHOs are not NSW Health agencies or government agencies, but rather independent entities with their own legal obligations. *"Whilst a series of negative results against budget for a Local Health District is not an optimal result, it does not risk the survival of the organisation, nor does it expose those responsible for directing the Local Health Districts to action for trading whilst insolvent. The same cannot be said of Affiliated Health Organisations and their directors. Each AHO had experience of material shortfalls when the amount of funding received is compared with what they contend are the costs of delivering those services required of them"* (paragraph 801).
13. Likewise, proposed observations and findings are made regarding the service agreement process and, in particular, the short-term nature of the existing arrangements hampering the ability to engage in long term planning, with the Submissions including a reference to the 20 year funding agreement in place for St Vincent's Hospital Melbourne in Victoria (paragraphs 827-835).

14. St Vincent's proposes that a recommendation be made that any funding model and negotiation process applicable to St Vincent's recognise:

- a. That whilst St Vincent's is, by reason of its status under the *Health Services Act 1997* (NSW), part of the public health system, St Vincent's remains an independent entity, with its own legal obligations.
- b. Sufficient funding to cover the cost of delivering all services under the Services Agreement must be provided to avoid risk to St Vincent's sustainability, and to enable St Vincent's and its directors to meet their governance obligations relating to solvency; and
- c. The need for a longer-term agreement to inform long term planning and provide the confidence needed for a not-for-profit company and its directors to meet solvency obligations and assess financial sustainability.

Philanthropic funds

15. The Submissions include a proposed finding that "there is no apparent reason why philanthropic funds donated to not- for-profit organisations should be utilised to subsidise the delivery of public health services in circumstances where funding provided by the State does not meet the cost of delivering them" (paragraph 842). St Vincent's, which has relied on philanthropic funding in areas that could and should otherwise reasonably be funded by the State, supports this position.

16. A recommendation is warranted that recognises that the primary role of philanthropy in health care is to de-risk innovation; supporting the introduction and development of new models of care and new technologies. There should be no expectation that philanthropic funds donated to St Vincent's, or any provider of public health services, be utilised to subsidise the delivery of general hospital operations in circumstances where funding provided by the Ministry does not meet the cost of delivering them.

Capital funding

17. Finally, the Submissions examine the difficulties AHOs' experience regarding lack of funding for capital investment and maintenance, and the financial pressures consequent on self-funding this critical expenditure. Particular attention is given to St Vincent's experience, and it is noted that lack of infrastructure investment was a principal factor in the decision to close St Joseph's Hospital in June 2003. The Submissions state that:

"the evidence supports a conclusion that the existing processes for Affiliated Health Organisations to secure capital funding would benefit from improved transparency and certainty to promote longer-term capital planning. Capital investment is an essential part of healthcare service delivery and for Affiliated Health Organisations, several, of which operate facilities and equipment solely or primarily for the public health system, there are significant budgetary and governance implications if they are unable to maintain the capital required to operate their services. Those risks flow to the public system as a whole, which is heavily reliant on those organisations for the delivery of a range of services, including highly specialised services".

18. It is submitted that a recommendation be made for:

- a. NSW Health to improve transparency and certainty around capital investment processes and allocation of capital funding in the short, medium and longer term, to enable LHDs and AHOs to effectively plan and invest in assets requiring replacement and refurbishment. For the purposes of capital expenditure, St Vincent's should be treated consistently with other public facilities, in circumstances where it operates its facilities and equipment at St Vincent's Hospital Sydney and the Sacred Heart Health Service solely for the benefit of the public health system; and
- b. Capital investment commitments to be addressed in the longer-term agreement between the Ministry and St Vincent's proposed at point 14.c above.

Response to Counsel Assisting's proposed recommendations

19. As recognised throughout the Inquiry and in the Submissions, St Vincent's is in a somewhat different position to other AHOs flowing from it having a service agreement in place with the Secretary, NSW Health.
20. St Vincent's responds to the recommendations applicable to it in Part 11.8 (paragraphs 881 – 884), and makes the following comments:

New dispute resolution mechanism

21. Paragraphs 33 and 884 of the Submissions recommend the establishment of a new structured process for resolving disputes between the Ministry and an AHO regarding the extent to which the funding proposed is sufficient to meet the cost of delivering services required under a proposed service agreement. The Submissions recommend that this process be independent and able to be unilaterally triggered by either the AHO or the Ministry.
22. St Vincent's supports the principle behind this recommendation, and greater regulation of the "purchaser/ provider" nature of the relationship in service agreement negotiations and allocation of funding. If committed to by the NSW Government, this would be a positive step in resolving differences that may arise between the NSW Ministry of Health (the Ministry) and St Vincent's as to whether funding is sufficient to cover the cost of delivering services required under service agreements, and to minimise delay and uncertainty for both parties.
23. St Vincent's welcomes the opportunity to work with the Ministry to develop and incorporate an appropriate expert determination mechanism into service agreements, and where applicable, any longer-term agreements.

Including AHOs in a new system wide planning process

24. St Vincent's supports the recommendation in paragraphs 31 and 882 of the Submissions to include AHO services and locations in a new system wide planning process. This is aligned with St Vincent's current arrangements, under which St Vincent's enters into a service agreement with the Secretary, which is subject to the same planning and performance frameworks as its Local Health District/ Specialty Health Network counterparts.

Conclusion

25. St Vincent's has valued the opportunity to participate in this Inquiry. St Vincent's is proud of its enduring partnership with the State and committed to continuing to work with NSW Health and other key stakeholders to drive innovation and reform across the system to deliver better and fairer care. We look forward to the delivery of the Commissioner's report and recommendations, and welcome the opportunity for further involvement in any structures or processes to be established as a result, with the objective of achieving recommendations made through this Inquiry.

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Signed (Chief Executive)

10th February 2025

Date

