

Special Commission of Inquiry into Healthcare Funding

Statement of John Slaven

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Occupation: Director of Finance and Performance, Mid North Coast Local Health District

1. This statement made by me accurately sets out the evidence that I would be prepared, if necessary, to give to the Special Commission of Inquiry into Healthcare Funding (“**the Inquiry**”) as a witness. The statement is true to the best of my knowledge and belief.
2. This statement is provided in response to topics identified by the Inquiry in a letter to the Crown Solicitor’s Office dated 14 August 2024 (MOH.0010.0542.0001), to the extent that such topics are relevant to my role, and to the Inquiry’s letter to the Crown Solicitor’s Office dated 22 August 2024 (MOH.0010.0541.0001).

A. INTRODUCTION

3. My name is John Slaven. I am the Director of Finance and Performance, Mid North Coast Local Health District (**MNCLHD, the District**). I returned to this role in January 2024, after two years as the Chief Financial Officer at St Vincent’s Health Network Sydney. Before my St Vincent’s role, I was Director of Finance and Performance at MNCLHD for approximately three years, from September 2018 to September 2021. Overall, I have approximately 16 years of experience in executive team positions in large public health services since 2008, in both Queensland and NSW Health. A copy of my curriculum vitae is exhibited (MOH.0010.0597.0001).
4. My current role involves leading financial performance, revenue, budget development, cash flow management, procurement, and planning. It also supports Business Management Units, Revenue, Fleet Management, Capital Works, and Physical Resources in MNCLHD. I am also responsible for fixed assets, maintaining delegations, and staff travel.
5. A copy of the organisational structure for my Directorate is exhibited (MOH.0010.00635.0001). I have approximately 75 staff within my Directorate. People reporting to my role are:
 - a. Commercial Manager, Strategy, Contracts, and Procurement - manages and coordinates contract, tender, and procurement governance for MNCLHD. This

role provides strategic management and advice for MNCLHD contract and procurement services, as well as overseeing Salary Packaging, Travel, and Fleet Services used by MNCLHD.

- b. Associate Director of Finance and Performance - is responsible for the MNCLHD's financial control and performance, budget development, and cash flow management. The role also manages the MNCLHD Finance Team and supports the Business Management Units of each directorate.
- c. District Revenue Manager - identifies and realises revenue opportunities across MNCLHD services. This position maintains compliance with revenue policy and optimises the revenue received from private health insurance. Additionally, the role oversees the administration of Staff Specialist Rights of Private Practice, Training, Education and Study Leave (**TESL**) and the governance of Restricted Financial Assets and Trust funds.
- d. Manager Clinical Information, Analysis and Performance - provides District-wide leadership and management in developing and delivering timely, accurate clinical activity analysis. It supports organisational reform, informs management decisions, optimises funding under an activity-based casemix model, and enhances patient care through precise patient journey documentation.
- e. Manager Capital Works and Asset management - oversees the LHD's building fabric through its Capital Works programs, Physical Resources teams for maintenance, and Asset team for planning and systems management. This role includes planning, funding submissions, allocation, prioritisation of works, and overall management and maintenance of assets.
- f. Project Management Officer - provides centralised coordination for developing and timely implementing of the Financial Sustainability Program, including creating reporting and project documentation to meet internal and NSW Ministry of Health requirements. The role involves engaging with executive and operational leads across the District to ensure the timely delivery of key program deliverables. Additionally, the role initiates and coordinates analyses to identify and develop initiatives that improve efficiency and enhance operational performance.

- g. Manager of Planning and Service Development - leads and coordinates strategic and service planning processes for the MNCLHD. This role is responsible for cultivating effective planning initiatives aligning with the District's objectives.
- h. The Business Manager for Integrated Mental Health, Alcohol and other Drugs, Business Manager for the Integrated Care Allied Health and Community Services, Business Manager for the Mid North Coast Cancer Institute, the Coffs Harbour Clinical Network Business Manager and Hastings Macleay Clinical Network Business Manager also report indirectly to me.

B. FUNDING OF MNCLHD FACILITIES

6. MNCLHD hospital facilities are funded as follows:

Facility	Funding type
Bellinger River District Hospital	Small Rural Hospitals Funding Model
Coffs Harbour Health Campus	Activity Based Funding (ABF) Hospital
Dorrigo Health Campus	Small Rural Hospitals Funding Model
Kempsey District Hospital	ABF Hospital
Macksville District Hospital	ABF Hospital
Port Macquarie Base Hospital	ABF Hospital
Wauchope District Memorial Hospital	Small Rural Hospitals Funding Model

7. MNCLHD community health centres are funded as follows:

Community Health Centres	Funding type
Bellingen Community Health	ABF Community Health Non Admitted
Bowraville HealthOne	ABF Community Health Non Admitted
Camden Haven HealthOne	ABF Community Health Non Admitted
Coffs Harbour Community Health	ABF Community Health Non Admitted
Dorrigo Community Health	ABF Community Health Non Admitted
Kempsey Community Health	ABF Community Health Non Admitted
Macksville Community Health	ABF Community Health Non Admitted
Nambucca HealthOne	ABF Community Health Non Admitted
Port Macquarie Community Health	ABF Community Health Non Admitted
South West Rocks Community Health	ABF Community Health Non Admitted
Wauchope Community Health	ABF Community Health Non Admitted
Woolgoolga Community Health	ABF Community Health Non Admitted
Dorrigo Residential Aged Care	Commonwealth Residential Aged Care

8. Mental Health, Alcohol and Other Drugs (**MHAOD**), and Dental services are funded in MNCLHD as follows:

MHAOD, Dental services	Funding type
Mental Health Inpatient Units	ABF
Mental health Non Admitted	Block funded
Alcohol and Other Drugs Outpatients	State Only Block and ABF Non Admitted
Dental	ABF Non Admitted - Dental

C. CHALLENGES – FUNDING

9. The main funding challenges facing the District include the nature of funding models, issues with obtaining funding for services required by the community outside of the ABF model, the impact of nursing/medical workforce challenges, and the age of the capital infrastructure within the District.

(i) The nature of ABF

10. The nature of ABF is that the funding is based on historical information on the location, demand, community needs, and potential growth. Consequently, what's happening "on the ground" is not reflected in the funding until two years later. Given the lag, the funding provided is usually insufficient to meet the present-day costs of running the services.
11. The nature of ABF also does not take into account the greater costs of delivering services in small rural hospitals. This is because the small rural hospitals operate with lesser patient volume but still require the same level of clinical care and quality controls as larger metropolitan hospitals and thus have large associated overheads and fixed costs on a per patient basis.
12. Further, budgets are provided on a year-to-year basis, which means that it is difficult to plan for future services, including new services to respond to changing community needs or cessation of services that do not accord with the relevant clinical services plan.

(ii) Lack of sufficient funding

13. The District often acts as the "provider of last resort" in the community. An example is the Refugee (New Arrival) Clinic (**Refugee Clinic**), which operates out of the Coffs Harbour Health Campus. The Refugee Clinic provides medical care, health education/information, and referrals to further services for newly arrived refugees. The District set the Refugee Clinic up in response to the area's lack of sufficient GP services.

The Refugee Clinic faces increasing costs due to the increased number of refugees in the region and the added expense associated with using interpreters when providing services.

14. However, the Refugee Clinic, which incurred a cost of \$0.9million in 2023/24, is not funded by ABF and it has received one-off budget supplementations from the Ministry of Health of \$0.22 million in 2023/24. This funding expires 30 June 2027. As it does not meet the full cost of providing the service, the Public Health MNCLHD directorate has allocated other internal general funds to supplement the service. Other services in the MNCLHD also bear additional incremental costs associated with this service, with interpreter costs increasing to \$0.4 million in 2023/24 (Dental, Public Health and Community Health Services related).

(iii) Workforce Challenges

15. MNCLHD faces challenges in attracting and retaining medical/nursing staff, particularly in small rural hospitals. As a result, MNCLHD has experienced significant increases in workforce costs since 2018, with the increasing costs of temporary, locum, and agency workforces being a big driver of the increase.
16. For the last two financial years, locum medical expenditure was \$17.8 million on medical agency costs in 2022/2023 (comprising medical agency salaries and wages of \$14 million, and \$3.8 million on medical agency Fees) as well as \$21.7 million on Medical Locum Visiting Medical Officer (**VMO**) costs. In 2023/24, MNCLHD incurred \$17.8 million on medical agency costs (comprising medical agency salaries and wages of \$14.5 million and medical agency fees of \$3.3 million), as well as Medical Locum VMO costs of \$23.1 million. These figures exclude any additional expenditure incurred in relation to travel and accommodation expenditure and staffing rental costs.
17. For the last two financial years, agency nursing expenditure was \$9.8 million in 2022/23 (comprising \$4.3 million in Salaries and Wages and \$5.5 million in Nursing Agency Fees), and \$11.5 million in 2023/24 (comprising \$3.6 million Salaries and Wages, and \$7.9 million in Nursing Agency fees).
18. The MNCLHD has incurred additional associated expenditures on agency medical and agency nursing staff, with notable expenses including staffing accommodation costs increasing to \$3.5 million in 2023/24 (\$3.4 million in 2022/23), and clinical travel and accommodation costs increasing to \$1.6 million in 2023/24, primarily for medical agency and nursing staff.

(iv) Age of Capital Infrastructure

19. Another financial challenge is the age of the District's capital infrastructure. MNCLHD has an ageing building profile, with many small community hospitals over 30 years old that require significant maintenance and further refurbishment costs to ensure they meet contemporary standards.
20. An example is Wauchope District Memorial Hospital, which has several sections that are over 30 years old and some areas that are 70 years old. We are no longer able to offer eye surgery services at the facility, as the floors of the operating theatres are not stable enough to safely perform eye surgery.

D. OPPORTUNITIES/IMPROVEMENTS

21. I consider that the health system in NSW would benefit from more statewide clarity and consistency in the standards regarding service delivery. Developing a single consolidated statewide Costed Clinical Services Plan (**CCSP**), supported by more descriptive policies, is paramount for the NSW Health system. This comprehensive CCSP would be designed to ensure critical elements and minimum consistent service delivery requirements are met within the available fiscal envelope. This would play a crucial role in the more effective allocation of resources. It would allow the development of three-year operational plans for the Ministry of Health and Local Health Districts to deliver the services the community should reasonably expect. By providing a unified and financially sound framework, the CCSP would ensure the effective and equitable allocation of resources for capital and operational budgets. A strategic approach of this kind is critical to delivering consistent, efficient, and sustainable health care across the state.
22. This methodology would also identify and reduce expensive delivery solutions, by planning statewide for more cost-efficient models within a constrained financial environment. This is crucial in a resource-constrained environment where spending optimisation is necessary to maintain broad access to care while avoiding unnecessary costs.

E. FINANCIAL PERFORMANCE

23. MNCLHD had a budget shortfall in FY24, and its financial sustainability is a key challenge.

24. We are currently working with the Ministry of Health on a financial recovery plan that will be implemented in two stages over the next two financial years.
25. Stage 1, which relates to FY25, focuses on returning to baseline levels for locum usage, premium labour hiring, and procurement costs, comparable to pre-COVID times. We thoroughly examine our systems and processes to re-establish solid fiscal controls, ensuring that all expenditures are justified, necessary, and aligned with our goals. This will help us re-establish financial stability and accountability as we move forward.
26. Stage 2, which focuses on FY26, involves a review of services across MNCLHD, emphasising, where appropriate, the consolidation of services and management to achieve economies of scale. This is particularly important given the presence of our two major hospitals, Coffs Harbour Health Campus and Port Macquarie Base Hospital. We are working on standardising policies and procedures across these facilities to reduce duplication and create consistent processes. This standardisation will allow staff to move more freely between locations, enhancing flexibility and efficiency across the District.



 John Slaven

 11 September 2024

Date



 Witness:

 11/9/24

Date