

Special Commission of Inquiry into Healthcare Funding

Supplementary Statement of Alfa D'Amato

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1. This is a supplementary statement to my statement dated 9 April 2024 (**MOH.9999.0763.0001**) and accurately sets out the evidence that I would be prepared, if necessary, to give to the Special Commission of Inquiry into Healthcare Funding as a witness. The statement is true to the best of my knowledge and belief.

A. INTRODUCTION

2. My name is Alfa D'Amato. I am the Deputy Secretary, Financial Services and Asset Management, NSW Ministry of Health (**MOH**) and Chief Financial Officer (**CFO**) of NSW Health.
3. In this role, I am responsible for the financial performance and strategy of NSW Health, including governance frameworks, accounting, insurance, financial data analysis and reporting, strategic procurement, corporate services and business improvement, and statewide strategic management.
4. This statement is provided to address NSW Health's response to St Vincent's Health Network Sydney's (**SVHNS**) expression of concern regarding its financial sustainability in the 23/24 financial year and request for additional funding.
5. As an Affiliated Health Organisation under Schedule 3 of the *Health Services Act 1997* with a direct Service Agreement with MOH, SVHNS is funded similarly to a Local Health District (**LHD**) but with two key differences. The first is that MOH does not have the same degree of visibility of SVHNS's financial position and cashflow as compared to a LHD, and the second is that MOH does not have visibility of SVHNS's costs incurred for providing services additional to those required under its Services Agreement or charged by St Vincent's Health Australia (**SVHA**).
6. In assessing and responding to SVHNS's expression of concern regarding its financial sustainability, MOH therefore relies upon SVHNS's co-operation and transparency in providing cashflow forecasts to enable MOH to review SVHNS's financial position.

B. REQUEST FOR ADDITIONAL FUNDING BY SVHNS

7. I am aware that on 15 November 2023, Ms Anna McFadgen, Chief Executive Officer (CEO) of SVHNS wrote to Ms Susan Pearce AM, Secretary, NSW Health expressing concern about the ongoing sustainability of SVHNS's provision of health services under the 2023/2024 Service Agreement (SVH.0002.0001.0281). [Exhibit G.44]
8. On 11 December 2023, Mr Steven Carr, Deputy CFO, MOH attended an introductory meeting with Mr Abbas Alibhai, interim CFO, SVHNS, who was newly appointed to his role. As a result of my discussions with Mr Carr, I understand that during the meeting Mr Alibhai presented a spreadsheet comparing FY22/23 to FY23/24 funding from NSW Health, advised SVHNS was forecasting liquidity shortfalls in the last quarter of FY23/24 and asked whether MOH would contemplate providing financial support towards the back end of quarter three of FY23/24.
9. During the meeting, Mr Carr reviewed the spreadsheet and identified some shortcomings in the assumptions underlying SVHNS's forecasts. In particular, he advised Mr Alibhai that some of the funding provided by MOH for FY22/23 could not be compared with the funding of FY23/24 as corresponding costs would vary between years. For example, the funding provided for deferred care elective surgery in FY22/23 would not be comparable to funding in FY23/24 due to reduced waiting lists for such surgeries in FY23/24, and the funding provided in FY22/23 in response to COVID-19 as a result of the National Partnership on COVID-19 was reduced in FY23/24 because of reduced pandemic related activity and the winding down of the COVID-19 national response.
10. I understand that Mr Carr requested that SVHNS undertake further work to outline the assumptions made and impact on cash flow analysis in order to allow MOH to understand the forecasted liquidity shortfalls more precisely and clarify in advice back to the CEO and SVHA Board that differences in funding between years were not necessarily underfunding but may relate to changes in corresponding costs being incurred. Mr Carr also advised Mr Alibhai that any request for liquidity support would need to be escalated through the CEO of SVHNS seeking a meeting with me, as CFO, to present SVHNS's financial position.
11. On 20 December 2023, Ms McFadgen emailed me to advise of a newspaper article to be published regarding SVHNS's projected shortfall. A copy of that email is exhibited to this statement (MOH.0010.0245.0001).

12. On 21 December 2023 I had a meeting with Ms McFadgen. During this meeting, I raised the issue of MOH having limited visibility over SVHNS's cashflow and gave the example that MOH had no visibility over the corporate charges paid by SVHNS to SVHA. I requested a further breakdown in order to understand SVHNS's financial position and determine whether MOH would provide additional funding. We also discussed SVHNS preparing a three-to-five-year Recovery Plan to respond to the projected shortfall. During this meeting, Ms McFadgen also stated she would consider the proposal for SVHNS's co-contribution to the Statewide Single Digital Patient Record (**SDPR**).
13. On 22 December 2023, I received an email from Ms McFadgen confirming her agreement to update their cashflow forecast to reflect a breakdown of their revenue and net position and also to provide a three-to-five-year Clinical Services Plan to inform future discussions. A copy of that email is exhibited to this statement (**MOH.0010.0249.0001**).
14. Also on 22 December 2023, I received the updated cashflow forecast from SVHNS from Mr Alibhai. The updated cashflow forecasted a deficit of \$19,712,575 for FY 23/24, after savings of \$30 million achieved through "intervention impact". A copy of that email is exhibited to this statement (**MOH.0010.0250.0001**).
15. On 11 January 2024, I received an email from Ms McFadgen confirming that she would further breakdown SVHNS's cashflow to set out Own Source Revenue and SVHA's corporate charges and to confirm that a further conference would be arranged for the week commencing 22 January. A copy of that email is exhibited to this statement (**MOH.0010.0250.0001**).
16. On 15 January 2024, I discussed SVHNS's financial position with NSW Treasury during our regular fortnightly discussions and advised that further analysis was underway.
17. On 23 January 2024, I attended a meeting with Ms McFadgen to discuss SVHNS's proposal for additional funding. In advance of the conference, Ms McFadgen provided SVHNS's revised cashflow position. A copy of that document is exhibited to this statement (**MOH.0010.0251.0001**). The revised position was substantially different from the figures previously provided by Mr Alibhai on 22 December 2023. The forecast no longer included the potential offsets as a result of savings ("other interventions") for FY23/24 and FY24/25 and projected a deficit of \$44 million. SVHNS provided a commentary on the revisions at page 2 of the document. Amongst the reasons provided by Ms McFadgen for the deficit were: the slower than anticipated pivot back to an efficient operating tempo following COVID, the closure of St Joseph's Auburn including

decommissioning costs, inflationary pressures impacting wages and other costs and activity pressures. As a result of the document provided to me by Ms McFadgen lacking efficiency savings, I advised Ms McFadgen that we needed more detail in order to assess SVHNS's forecasted shortfall and required a detailed financial recovery plan. The financial recovery plan subsequently became a condition of the offer of the one-off additional funding by MOH.

18. On 2 February 2024, I received an email from Ms McFadgen providing a draft letter, later finalised and sent to me on 19 February 2024. A copy of that email and draft letter is exhibited to this statement (**MOH.0010.0252.0001**).
19. On 14 February 2024, I received a further email from Ms McFadgen providing some additional information on costs pressures faced by SVHNS. A copy of that email is exhibited to this statement (**MOH.0010.0254.0001**).
20. Given SVHNS's substantial variation in the three deficit forecasts provided and MOH's lack of visibility into SVHNS's financial position, I considered that I required further information to properly understand SVHNS's financial position as the data provided to me was fairly rolled up and didn't breakdown the figures allowing me to accurately see the bases from which the forecasts were calculated. This concern was discussed at the meeting. During our analysis of SVHNS's forecasts, my team and I identified two primary observations. Firstly, we considered the forecasted inflows were relatively conservative estimates, acknowledging that it was difficult to estimate at that point in time given the closure of St Joseph's Hospital affecting the operating cashflow from the second quarter, including expense impacts relating to finalising operations at the facility. We also questioned some of the assumptions which formed the bases for the forecasts.
21. On 19 February 2024, I received a letter from Ms McFadgen formally requesting \$60 million in funding to address SVHNS's financial uncertainty in the last quarter of FY 23/24 (**SVH.9999.0002.0255**). This was more than expected based on information provided [\[Exhibit G.29.19\]](#) by SVHNS to date.
22. To avoid the projected shortfall in the final quarter of FY23/24, I was aware that SVHNS required additional funding urgently to address cashflow needs. Accordingly, on the basis of the data received from SVHNS to date and as an assessed figure based on the various deficit forecasts provided to me, I recommended that an amount of \$30 million be provided to SVHNS subject to conditions, including that it prepare a Financial Recovery Plan articulating its cashflow of future savings and provides monthly financial

reporting. I expected that a detailed Financial Recovery Plan and monthly financial reporting would provide greater visibility to MOH in order to monitor the forecast deficit and enable MOH to properly consider SVHNS's financial position and any further action required by MOH.

23. After approval was granted by Ms Susan Pearce AM, Secretary, NSW Health, to provide additional funding, on 1 March 2024 Mr Carr emailed the letter from the Secretary, NSW Health, to Ms McFadgen dated 28 February 2024 (**SVH9999.0002.0259**), requesting a response by close of business 5 March 2024. A copy of that email and Ms McFadgen's email acknowledging receipt, are exhibited to this statement (**MOH.0010.0246.0001**). [Exhibit G.29.20]
24. On 7 March 2024, Ms McFadgen sent a letter to Ms Pearce AM formally accepting the offer, stating that the additional amount enabled SVHNS to meet cash requirements for the remainder of the financial year (**SVH.0001.0001.0664**). On 7 March 2024, I also received an email from SVHNS setting out their revised cashflow position in light of the \$30 million allocation of funding from MOH. A copy of that email is exhibited to this statement (**MOH.0010.0247.0001**). [Exhibit G.67]
25. The conditional offer was made as an interim measure to resolve SVHNS's financial shortfall during the final quarter of FY23/24 and to ensure that increased visibility over SVHNS's financial status would occur moving forward. I understood that further discussions regarding any additional funding to offset forecasted deficits in FY24/25 would be addressed following the development the Financial Recovery Plan and during the upcoming annual Service Agreement negotiations overseen by Mr Matthew Daly, Deputy Secretary, System Sustainability and Performance, MOH. I considered this to be an appropriate course because I expected SVHNS's forecasted cashflow would become more accurate closer to the commencement of FY24/25 and take into account its efficiency gains, the ending of fixed costs associated with the closure of St Joseph's Hospital and any additional forecasted changes in activity.
26. In reaching the figure of \$30 million, I considered the range of forecasted deficits provided by SVHNS including its projected savings initiatives and the variables identified by my team. As part of the decision to provide this amount, which was paid on a weekly basis, MOH understood that SVHNS had been through a large restructure arising from the closure of St Joseph's Hospital which caused variability in its cashflow and accordingly, difficulty with projecting its future cashflow. MOH was also aware that the operation and performance of every facility was facing significant change as a result of

the aftermath of the COVID-19 pandemic which had also impacted SVHNS's ability to forecast its cashflow.

27. NSW Treasury has oversight over NSW Health's expenses and by virtue of that, was aware of the \$30m payment to SVHNS. However, although NSW Treasury was advised of SVHNS's forecast deficit during our fortnightly meeting on 15 January 2024, NSW Treasury does not seek oversight over MOH's discussions with SVHNS's regarding their financial or service performance, nor do they seek oversight over any LHD or individual facility's financial position. NSW Health's financial performance is discussed with NSW Treasury on a holistic basis.

C. INCREASED TRANSPARENCY FOLLOWING ADDITIONAL FUNDING AGREEMENT

28. As part of the agreement to provide the additional funding, MOH now receive a monthly report from SVHNS (first received 11 April 2024 in respect of March 2024) setting out their financial performance and cashflow forecasts. This is now in a format consistent with reporting provided by LHDs across NSW Health and provides disaggregated data, which wasn't available when we started the discussion in December 2024/January 2024. The reporting sets out SVHNS's budget including a summary of costs incurred and forecasted revenue. SVHNS have been cooperative throughout this process and have been understanding of MOH's need to have increased visibility over their cashflow on an ongoing basis in order to ensure SVHNS is appropriately funded for the services purchased by MOH and operates efficiently within NSW Health Funding parameters. On 3 July 2024, I received a document dated 14 June 2024 entitled "St Vincents Network Narrative – May 24" from Ms McFadgen containing the monthly report for May 2024. The report showed a balanced cashflow projection, indicating that SVHNS no longer has a deficit. A copy of that document is exhibited to this statement (**MOH.0010.0298.0001**).
29. On 19 March 2024, SVHNS participated in a Purchasing Roadshow meeting which included discussion of ongoing funding sustainability and on 25 March 2024, SVHA Chair Paul McClintock wrote to the Secretary seeking formal discussions about a sustainable funding arrangement. On 3 April 2024, SVHNS participated in a performance meeting activity discussion, and it was agreed that additional activity will be funded in FY 23/24 given their activity performance. Funding for FY24/25 will be decided through the Service Agreement process, noting the activity performance in FY 23/24.

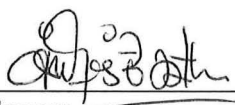
30. On 2 April and 3 May 2024, SVHNS provided my team with working copies of the Financial Recovery Plan for consultation. Copies of the plans are exhibited to this statement (MOH.0010.0269.0001) and (MOH.0010.0270.0001), respectively.



Alfa D'Amato

23/07/2024

Date

 Windy Winston-Booth
Witness: _____ 2024

23/07/2024

Date