Special Commission of Inquiry into Healthcare Funding

Statement of Mark Spittal

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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.

A. BACKGROUND

2. My name is Mark Spittal. I am the Chief Executive of Western NSW Local Health District (**WNSWLHD**). A copy of my curriculum vitae is at Exhibit 12 NSW Health Tranche 2 Consolidated Exhibit List

3. I was appointed Chief Executive in January 2022 having acted as Chief Executive of the Local Health District (**LHD**) for six months in the two years prior. Prior to that I was employed as the Executive Director of Operations for the WNSWLHD, and I have worked for NSW Health in Western New South Wales (**NSW**) for approximately five and a half years.

4. I have a Masters in Public Management from Victoria University of Wellington, Te Herenga Waka, New Zealand. I have an extensive background in health services leadership with over 30 years' experience working in the public health sector in both NSW and New Zealand.

5. WNSWLHD, geographically, is the largest LHD in the State covering an area of almost 250,000km^2, across 22 Local Government Areas, of which seven are classified as remote or very remote. WNSWLHD is around the same size as the state of Victoria or the entire United Kingdom. There are approximately 280,000 people living within the WNSWLHD catchment, with 14.5% of residents identifying as First Nations. WNSWLHD has 38 inpatient facilities including 3 rural referral hospitals, 4 procedural hospitals, 6 community hospitals, and 25 multipurpose services (**MPS**), in addition to 50 community health centres, 23 community mental health services and 14 inpatient mental health, drug and alcohol units.

6. In addition to providing services to its local population the WNSWLHD provides a limited range of shared services to the Far West LHD, some virtual clinical services to Southern LHD and a range of state-wide Mental Health services.

7. In the financial year ending June 2023, the LHD had an operating budget in the order of $1.187 billion, and employed approximately 8,635 people.

B. SCOPE OF PROCUREMENT AND SERVICE DELIVERY

8. This statement addresses the questions raised in the Inquiry's letter dated 22 December 2023 and also broadly addresses Term of Reference E. On direction from the Inquiry, this statement does not address WNSWLHD's procurement of capital (less than $10

million) or WNSWLHD's interaction with Health Infrastructure (in relation to procurement of capital greater than $10 million) or WNSWLHD's procurement in relation to workforce.

9. In discussing delivery of services, this statement focusses on the shared services provided by HealthShare NSW (**HealthShare**) and eHealth NSW (**eHealth**) and the statewide health service provided by NSW Health Pathology (**NSWHP**). On direction from the Inquiry this statement does not address delivery of health treatment services, other than the diagnostic and treatment services of NSWHP.

10. This statement does, however, reference the provision of clinical services by third-party contractors under multi-year agreements and the various Public Private Partnerships (**PPP**) overseen by the LHD.

11. Examples of the former are the multiyear contract for outsourced General Practitioner Visiting Medical Officer services in the six northern-most MPSs operated by the LHD, and the multiyear contract for radiology reporting services. The PPP arrangements cover maintenance and support services at Bathurst Health Service, and capital financing, maintenance and support service arrangements at Orange Health Service.

12. In addressing procurement, this statement relies on the definition of procurement in s. 162 of the *Public Works and Procurement Act 1912*, being:

    "procurement of goods and services means the process of acquiring goods and services by—

    a) identifying the need to purchase goods and services, and
    b) selecting suppliers for goods and services, and
    c) contracting and placing orders for goods and services,

    and includes the disposal of goods that are unserviceable or no longer required".

    WNSWLHD considers that the definition of contracting includes contract management, which is a substantial part of WNSWLHD's procurement role.

13. The process by which WNSWLHD receives services delivered by the shared services and statewide health services agencies is distinct from procurement as WNSWLHD is not involved the selection of or contracting with suppliers in respect of shared services.

14. Section 126G of the *Health Services Act 1997* provides that the Minister may direct that a Public Health Organisation acquire specified services from the Health Secretary:

    "**126G Directions by Minister in relation to acquisition of services**

    (1) The Minister may, by order in writing, from time to time—

    a) require a public health organisation to acquire specified services from the Health Secretary or some other specified person if and when such services are required, and

    b) give a public health organisation any necessary directions for the purposes of paragraph (a).

(2) The following conduct is specifically authorised by this Act for the purposes of the *Competition and Consumer Act 2010* of the *Commonwealth and the Competition Code of New South Wales*—

a) a requirement or direction of the Minister given under subsection (1),

b) the entering or making of a contract, agreement, arrangement or understanding as the result of such a requirement or direction,

c) conduct authorised or required by or under the terms or conditions of any such contract, agreement, arrangement or understanding,

d) any conduct of the Health Secretary in carrying out the Health Secretary's functions or exercising the Health Secretary's powers under this Part,

e) any conduct of a public health organisation, its agents, a person concerned in the management of the organisation or a person who is engaged or employed by the organisation—

i. in relation to obtaining services in accordance with this Part, or

ii. in complying with a requirement or direction of the Minister given under subsection (1).

(3) Conduct authorised by subsection (2) is authorised only to the extent (if any) that it would otherwise contravene Part IV of the *Competition and Consumer Act 2010* of the *Commonwealth and the Competition Code of New South Wales.*"

15. WNSWLHD is directed to obtain certain services from HealthShare, eHealth and NSWHP in accordance with the Direction of the Minister s. 4.1 of the *Accounts and Audit Determination for Public Health Entities in NSW 2020* (**the Determination**, Exhibit 35 NSW Health Tranche 2 Consolidated Exhibit List).

16. The determination provides:

"**4.1 NSW Health Shared Services**

a. Unless otherwise approved by the Health Secretary, PHEs [public health entities] other than AHOs must use the following NSW Health shared services:

i. *HealthShare NSW*:
   1. Transaction services such as accounts payable, including VMO payment processing, accounts receivable, payroll, and general ledger reconciliations, interfaces and journal postings associated with transaction services
   2. Procurement services, including purchasing, warehousing and distribution
   3. Hotel and support services, including food and linen
   4. Disability support services through Enable NSW
   5. Asset register;

6. Payment services, such as payments for accounts payable, including VMO payments, payroll and PAYG from a HealthShare NSW bank account.

ii. *NSW Health Pathology* for pathology services, including public pathology, forensic and analytical services;

iii. *NSW eHealth* for Statewide information and communication technology services;

iv. *Health Infrastructure* for the delivery and management of major capital works projects, and

v. *NSW Ambulance Service* for ambulance services (excluding Non-Emergency Patient Transport).

...

c) unless otherwise approved by the Secretary, PHEs receiving services from a NSW Health Shared Service must pay the Shared Service recovery charge set out in the respective Shared Service Customer Service Charters, as adjusted from time to time. The Shared Service recovery charge will be paid by the Ministry on behalf of the PHE;

d) if no applicable Shared Service recovery charge is included in the Customer Service Charters, PHEs must, subject to the receipt of a correctly rendered Tax Invoice, promptly pay the Shared Service for services received, within normal trading terms;

e) PHEs must appropriately record in the PHE accounts all Shared Service Recovery charges paid by the Ministry to a NSW Health Shared Service on behalf of the PHE and other NSW Intra-Health payments made on behalf of the PHE by the Ministry through the Ministry of Health State Pool, as set out in the Accounting Manual for Public Health Organisations; and

f) PHEs must promptly pay for other services received from other NSW Health entities on receipt of a correctly rendered tax invoice.

Use of HealthShare NSW for payments

a) PHEs, other than AHOs, must use HealthShare NSW for all payroll and accounts payable transactions unless exempt by the Ministry and where the payment is urgently required and cannot be processed by HealthShare on the same or next Business Day; and

b) if an urgent payment directly by the PHE is required, the payment must be made by cheque or electronic funds transfer and the payment approved by two officers authorised to do so under approved delegations."

C. THE WNSWLHD PROCUREMENT POLICY CONTEXT

17. Procurement works in WNSWLHD only follow statewide policies and whole-of-government procurement policies. Of primary relevance are the policies and frameworks set out below.

18. The *NSW Government Procurement Policy Framework 2022* (***NSW Government Procurement Framework,*** Exhibit 16 NSW Health Tranche 2 Consolidated Exhibit List) requires that each agency or cluster appoints a Chief Procurement Officer and, in addition to legislative requirements, mandates compliance with a range of NSW Government policies, as set out below.

19. As a regional LHD, the Small to Medium Enterprise and Regional Procurement Policy is particularly relevant (Exhibit 18 NSW Health Tranche 2 Consolidated Exhibit List). Wherever possible WNSWLHD actively tries to engage and award contracts to Small to Medium Enterprises in the first instance. Current examples include numerous contracts for Transitional Aged Care Providers with local Allied Health Small to Medium Enterprises.

20. All NSW Health entities are subject to a range of statewide NSW Health frameworks and policies concerning procurement, primarily through the NSW Health Procurement Policy and Procedures and statewide service delivery. In particular, I note that WNSWLHD complies with the mandatory *NSW Health Procurement (Goods and Services) Policy* and *NSW Health Procurement Procedures (Goods and Services)* June 2022 Version 1, ensuring compliance to NSW Procurement Board policies and directions (Exhibits 13 and 14 NSW Health Tranche 2 Consolidated Exhibit List).

21. In WNSWLHD, unsolicited proposals are extremely rare, and none can be recalled in recent years. The LHD is compliant with the NSW Health Procurement Policy (Exhibit 13 NSW Health Tranche 2 Consolidated Exhibit List), section 8.2.

22. In relation to conflicts of interest and integrity, PD2015_045 *Conflicts of Interest and Gifts and Benefits* (Exhibit 29 NSW Health Tranche 2 Consolidated Exhibit List), and PD2015_049 *NSW Health Code of Conduct* (Exhibit 30 NSW Health Tranche 2 Consolidated Exhibit List), apply to all WNSWLHD staff. They operate to ensure that staff act with integrity, perform duties in a fair and unbiased way and do not make decisions which are affected by self-interest or personal gain; this involves avoiding actual or perceived conflicts of interest and not accepting gifts of a non-token nature. PD2015_045 requires WNSWLHD to have systems in place to address the management of conflicts of interest and gifts and benefits and to ensure staff are aware of these issues and how to deal with them. PD2016_029 *Corrupt Conduct - Reporting to the Independent Commission Against Corruption (ICAC)* (Exhibit 31 NSW Health Tranche 2 Consolidated Exhibit List), sets out procedures for compliance with the *Independent Commission Against Corruption Act 1988* including internal reporting system to the Chief Executive to facilitate the reporting of corruption.

23. In addition, pursuant to the *Public Interest Disclosure Act 2022* the WNSWLHD has implemented a comprehensive framework for reporting and dealing effectively with suspicions of corruption, serious and substantial waste of public money or

maladministration that could potentially arise in connection with procurement processes. This framework is modelled on the requirements of PD2023_026, *Public Interest Disclosures* (Exhibit 118 NSW Health Tranche 2 Consolidated Exhibit List), PD2015_049, the *NSW Health Code of Conduct*, PD2016_029, *Corrupt Conduct – Reporting to the Independent Commission Against Corruption (ICAC),* PD2015_045, *Conflicts of Interests and Gifts and Benefits,* and PD2018_031, Managing Misconduct (Exhibit 119 NSW Health Tranche 2 Consolidated Exhibit List). These policies, in turn, provide implementation guidance on relevant provisions of the *Public Interest Disclosures Act 2022,* the *Independent Commission Against Corruption Act 1988*, and the *Health Services Act 1997*. The framework includes the following key provisions:

a. Consideration of the risk of conflicts of interest, fraud or corruption as part of the procurement process;

b. The design and implementation of appropriate controls as part of risk treatment plans;

c. Protections against detrimental action for people making disclosures;

d. Mandatory training for people managers on how to identify and deal with matters of this nature;

e. Roles and responsibilities, including designation of Disclosure Officers and provision of specialised training to them so that they can function as contact points and perform a governance function;

f. Escalation procedures and notification of regulatory, law-enforcement and integrity bodies;

g. Comprehensive investigation processes; and

h. Procedures for resolving and acting upon findings, including guidance on disciplinary measures.

24. Since its establishment in its current form in 2011, WNSWLHD has not been subject to any reports of material fraud or corruption, whether in relation to procurement or other aspects of its operation.

25. In addition to the NSW Government Procurement Framework, WNSWLHD is also subject to a rigorous governance process as specified in the *Corporate Governance & Accountability Compendium for NSW Health* (Exhibit 25 NSW Health Tranche 2 Consolidated Exhibit List).

26. While the Ministry of Health develops these policies, procedures to put these policies into effect are developed at local level by WNSWLHD.

D. THE WNSWLHD PROCUREMENT STRUCTURE

27. NSW Government procurement operates under a devolved governance structure, and WNSWLHD is responsible for managing its procurement in compliance with procurement

law and government policy, and contracts are entered into on behalf of WNSWLHD, or on behalf of whole-of-government if allocated responsibility by the Procurement Board.

28. At WNSWLHD, procurement is governed by the Contracts and Procurement Unit, within the Finance and Corporate Directorate, and governance overseen by the WNSWLHD Internal Audit Unit. A copy of the Organisation Chart is at Exhibit 156 NSW Health Tranche 2 Consolidated Exhibit List.

29. Operationally, WNSWLHD ensures compliance and governance to procurement policies through a dedicated Contracts and Procurement unit. This unit comprises 5 full-time equivalent staff, managing both procurement and contractual matters. The unit reports to the Corporate and Finance Directorate.

30. The WNSWLHD has a close working relationship with the NSW Health Chief Procurement Officer (**CPO**). In addition, the Ministry of Health's Savings Leadership and Comprehensive Expenditure Review Committee meets regularly to monitor the financial and sustainability outcomes being achieved across a broad range of shared service and statewide procurement initiatives. This committee is comprised of a range of Deputy Secretaries, Chief Executives and subject-matter experts. I am a current member of the committee.

31. Procurements are completed in compliance with the WNSWLHD Delegations Manual. This manual specifies the authority for decision making within WNSWLHD for financial management, contract management, human resources, property, risk management, commercial activities and policy and procedure matters approved by the WNSWLHD Board and delegated by the Chief Executive, in accordance with the *Health Services Act 1997* and the Accounts & Audit Determination. The WNSWLHD Delegations Manual is currently in the final stage of a comprehensive review. An updated manual is anticipated to be approved by the WNSW LHD Board in February 2024 and will be implemented thereafter.

32. In accordance with requirements, the structures and functions of the LHD have been designed to ensure that:

    a. There is clear direction to officers engaging in the procurement process so that they are well informed of the objectives of the procurement process and compliance, ethical and probity requirements;

    b. There is skilled implementation of guidance in relation to procurement;

    c. There are well-designed and effective controls to ensure compliance;

    d. There are effective monitoring and testing processes with provision of feedback; and

    e. Issues identified during monitoring are actioned effectively.

33. Integrated into this governance framework are the assurance and process improvement services provided by the LHD's Internal Audit function, which reports directly to an Audit

and Risk Committee that is wholly independent of management to ensure objectivity and freedom from conflict of interest.

34. Internal Audit, and the Audit and Risk Committee operate in accordance with the NSW Health Policy Directives *Internal Audit* and "Enterprise-wide Risk Management", and the Global Internal Audit Standards (Exhibits 158, 165 and 159 respectively, NSW Health Tranche 2 Consolidated Exhibit List).

35. Each year, WNSWLHD Internal Audit undertakes a work program that includes testing of specific elements of the procurement process, and prioritised based on assessed levels of risk. Over several years, this assurance work has found the implementation of procurement process to be compliant with relevant legislation and policy. In addition to directly testing elements of procurement processes, the effectiveness of the governance framework itself is tested annually by the Internal Audit Team and, on that advice, attested to by the Chief Executive and the Board Chair in the Corporate Governance Attestation Statement. A copy of the WNSWLHD Corporate Governance Attestation Statement for the financial year ending 30 June 2023 is at Exhibit 120 NSW Health Tranche 2 Consolidated Exhibit List.

E. HOW WNSWLHD OBTAINS GOODS AND SERVICES

(i) centralised procurement

36. WNSWLHD is required to procure goods and services, excluding professional services, ICT and certain exempt procurements (such as enforceable procurement provisions or those approved by the NSW Health CPO), as follows:

    a. WNSWLHD must use whole-of-government or whole-of-health contracts and pre-qualification schemes for obtaining goods in accordance with Procurement Board Direction 2021-04 *Approved Procurement Arrangements* (Exhibit 33 NSW Health Tranche 2 Consolidated Exhibit List), including for procurement under $10,000 (with the exception of certain capital procurement).

    b. Procurements outside of existing procurement arrangements and valued at more than $250,000 are referred to HealthShare. This is a requirement due to HealthShare being the accredited NSW Health Procurement Agency. At times WNSWLHD has sought procurement exemptions from the CPO; recent examples include direct engagement of Security Services at Bourke and direct engagement of the Royal Flying Doctor Service at Wanaaring.

37. WNSWLHD's procurement relationship with HealthShare is as follows:

    a. The majority of WNSWLHD procurement is provided directly by HealthShare under whole-of-health contractual arrangements. This includes a significant number of clinical and corporate contracts relevant to all agencies. In addition to whole-of-health State contracts, HealthShare supports WNSWLHD through their local tenders' team. This allows WNSWLHD to approach the market in collaboration and consultation with HealthShare for any unique goods and services procurement valued at over $250,000 not covered by whole-of-health or whole-of-government contracts.

b. The number of unique goods and services procurements valued at over $250,000 (excluding shared services provided directly by HealthShare) outside statewide contracts whereby HealthShare's local tenders team have conducted the procurement for WNSWLHD, is currently 6 open procurements.

c. WNSWLHD currently manages a number of procurements under $250,000 not referred to HealthShare. That is, below $250,000 for the life of the contractual period (including any optional terms) where there is no statewide contract in place. These contracts tend to be services rather than goods. Examples of these contracts include maintenance agreements and clinical services provided by The Outback Eye Service.

d. HealthShare assists all Health Agencies by managing, coordinating and administering whole-of-health procurements greater than $250,000 that demonstrate a universal agency need. These contracts may be clinical or corporate in nature. As these are mandatory contracts WNSWLHD's role is in the implementation of these contracts.

e. At times WNSWLHD needs to engage HealthShare to undertake procurements for goods and services over $250,000. In this scenario, (depending on the level of support required) WNSWLHD is supported and charged for this service, by HealthShare.

38. Prior to any new procurement of a value greater than $30,000, WNSWLHD seeks financial approval for any new approach to market. Approval is sought in the form of an internal briefing note through the chain of command as per the Delegations Manual.

39. When procuring ICT-related goods and services, WNSWLHD:

a. Uses whole-of-health or whole-of-government contracts for ICT-related procurements of any value, where available on an existing contract;

b. Uses the ICT Services Scheme where the ICT-related goods or services are valued at less than $150,000 and are not available on an existing contract. WNSWLHD follows this scheme and complies with scheme conditions by accessing relevant information including contractual templates and documents off the Buy.NSW website. Furthermore, WNSWLHD utilises eHealth procurement services for all large value procurements, if it is on contract or not.

c. Refers ICT procurement outside of whole-of-health or whole-of-government contracts valued at more than $150,000 to eHealth. WNSWLHD utilises eHealth procurement services for all large value procurements, if it is on contract or not.

d. Obtains approval from eHealth before commencing procurement involving laptops, desktop computers of any value. This policy is currently under review, and WNSWLHD is awaiting further advice on from eHealth for situations where the vendor does not service the geography WNSWLHD covers.

40. Where WNSWLHD does not procure ICT goods and services which are 'state-preferred' they do so within existing State schemes. Deviation from the state-preferred option is largely attributable to:

a. Vendors not servicing the whole geography WNSWLHD; or

b. State contracted suppliers not providing value for money;

c. Contracted suppliers do not meet the documented requirements for WNSWLHD.

41. WNSWLHD utilises the services of the eHealth procurement team to assist in contracting for procurement greater than $150,000 utilising the ICT Purchasing Framework to determine the appropriate contracting path. Once the contract is in place WNSWLHD manages the contract from that point forward. Where there is a statewide contract in place WNSWLHD will in the first instance, assess merit against documented requirements and value for money. The exception is where goods are on the PD2021_043 *NSW Health Foundation Information and Communication Technology (ICT) Services and Platforms* policy, when WNSWLHD will maintain the role of raising requisitions for these procurements.

42. Procurements valued at $30 million or more, of any type, are also to be approved by the NSW Health CPO. WNSWLHD currently has one procurement arrangement whereby it was granted CPO and Secretary approval for a procurement valued greater than $30 million. This is the multi-year engagement with Ochre health Pty Ltd for the supply of medical workforce (GP VMO services) across the six northernmost multipurpose services operated by the LHD sites.

(ii) Engagement of centralised services

43. WNSWLHD engages HealthShare to perform services offered by HealthShare, being:

    a. Accounts Payable – processing invoices on behalf of WNSWLHD;

    b. Employee and Financial Shared Services – which primarily relates to employee and payroll services;

    c. Enable NSW – assistive technology and related services to assist people to live safely at home;

    d. Patient meals at the Orange campus. The rest of patient meal services are provided by WNSWLHD with two exceptions:

        i. Catholic Health Care Ltd provides meal services to WNSWLHD's sub-acute rehabilitation facility in Dubbo (which is co-located with a residential aged care facility operated by Catholic Health Care);
        ii. Cobar Shire Council provides meal services to Cobar Health Service (which is collocated with a residential aged care facility operated by the Shire).

    e. Linen services;

    f. Non-emergency patient transport flights. Road based non-emergency patient transport by road is provided by WNSWLHD;

    g. Uniforms.

44. WNSLHD provides a range of shared services to Far West LHD (primarily for corporate functions such as Health Information & Communications Technology, and risk management), and provides the Virtual Rural Generalist Service to Southern LHD. The LHD also provides data information and analytics services to the WNSW Primary Health Network under a Service Level Agreement.

45. In relation to eHealth, WNSWLHD engages the following services or utilises the platforms or systems managed by eHealth. These are broadly categorised as Business Services, End User Services, Infrastructure Services, Platform Services & Shared Services with numerous sub-categories.

46. eHealth Business Services currently includes:

    a. Core Applications - Data and Analytics: Business Intelligence Platforms, Real Time Emergency Department;

    b. Core Applications - Education and Training: ClinConnect, My Health Learning;

    c. Core Applications - Research and Trials: Research Ethics and Governance Information System Portal;

    d. Core Applications - Workforce Engagement and Business;

    e. Management: Critical Care Overbed Network, Power Billing and Revenue Collection System Australian Edition, Clinician Billing Portal, Visiting Medical Officer Incident Reporting System, VMoney Web, eCredentialing, HealthRoster, Food Management (Orange only), Healthroster, ims+ Incident Management System, Incident Information Management System;

    f. Information and Info Sharing - Data and Analytics: Pharmalytix as a service, Health Information Resource Directory, Statewide Management Reporting Service (SMRS), Synaptix, Business Intelligence Reporting Services, Corporate Analytics and Reporting, Hospital Pharmacy Product List (HPPL), Health Establishment Registration On-Line (HERO), Enterprise Data Warehouse for Analysis, Reporting and Decision Support (EDWARD), NSW Health Enterprise Data Lake;

    g. Manage Facilities - Health Facilities Management – AFM Online;

    h. Manage ICT - ICT Lifecycle Management: Discovery as a Service (DiaaS), Service Desk, Customer Relations, and ServiceNow;

    i. Software Licensing.

47. eHealth Infrastructure services include:

    a. Core applications – Data and analytics: Power Business Intelligence (Power BI), Conferences Services – Video;

    b. Security and Infrastructure - Compute and storage: File Sharing Service, Endpoint Protection for Desktop, Storage, Hybrid Compute Services, Backup and Recovery,

Application Virtualisation – Citrix Service, NSW Health Cloud Service, and Managed Hosting Services;

c. Security and Infrastructure - ICT Security: ICT Security – Identity & Access Management;

d. Security and Infrastructure - Network Infrastructure: HWAN Secure Service Edge, Firewall, HWAN, and Internet Gateway.

48. eHealth End User Services include:

a. Core Applications – Access – Channel and Devices: Email, SMS Service, Intranet, Mobile Device Management;

b. Core Applications - Patient and Population Health Patient and Guest Wifi, and Patient Reported Measure;

c. Security and Infrastructure - Network Infrastructure - Multi Factor Authentication, Remote access.

49. eHealth Platform services include:

a. Security and Infrastructure – Enterprise Privileged Account Management;

b. Core Applications – Workforce and Business Management: Major Incident Management, Sharepoint;

c. Manage ICT – ICT Lifecycle Management: System Centre Configuration Manager.

50. eHealth shared services include:

a. Core Applications - Workforce Engagement and Business Management: Stafflink Human Capital Management (HCM), StaffLink Finance, StaffLink Procurement, Recruitment and Onboarding, and StaffLink Human Resources and Payroll

b. Security and Infrastructure - ICT Security - Security Vulnerability Assessment Service: Enterprise Vulnerability Management System (EVMS).

51. WNSWLHD also uses eHealth clinical care digital systems such as the electronic Medical Record (eMR), Sepsis dashboard, electronic Medication Management (eMeds), Medical Imaging (RIS-PACS), Incident Management System (IMS), Clinical Health Information Exchange (CHIE), HealtheNet, NSW Health Providers and Services Directory (NHPSD) and Enterprise Imaging Repository (EIR) with the following systems either being piloted or in very early stages of implementation; Clinical Device Notification Platform (CDNP), SafeScript and Virtual Medication Management (ePrescribing).

52. WNSWLHD elected not to utilise the eRIC solution largely due to an existing contract with a supplier who provides better value for money and meets the documented requirements for WNSWLHD. WNSWLHD will await the inclusion of the Intensive Care in the Single Digital Patient Record (SDPR).

53. WNSWLHD does not utilise the electronic Transfer of Care (eTOC) solution. WNSWLHD is aware the eTOC solution was developed as a system agnostic solution thus has submitted a request for costings to utilise this solution and is currently awaiting a formal response.

54. WNSWLHD uses eHealth patient electronic services such as Health Outcomes and Patient Experience survey (**HOPE**) and Engage Health.

55. For vaccine management, WSNWLHD uses the statewide system.

56. Virtual Care systems such as NSW Telestroke Service and Medsync are used, while Clinical Care Overbed Network (CCON) has been implemented in a limited number of sites, and Virtual Care Remote Patient Monitoring is scheduled for implementation in 2024.

57. Business and Workforce Systems such as Assets and Facilities Management (AFM), StaffLink, VMoney web, Search and request Anything (SARA), Health Roster, My Health Learning (MHL), Performance and Talent (PAT) and Recruitment and Onboarding (ROB), are utilised by WNSWLHD.

58. NSW Health Pathology provides WNSWLHD with a centralised service that would otherwise be performed by WNSWLHD or procured from a third party. WNSWLHD uses NSW Health Pathology for:

    a. all pathology services including anatomical pathology, clinical pathology, haematology, immunology, microbiology, pre and post analytical and transfusion,

    b. Genomics,

    c. Point of Care Testing.

F. WNSWLHD's SPEND ON SHARED SERVICES

59. In terms of paying for Shared Services, WNSWLHD is advised through the annual Service Agreement process with NSW Ministry of Health, of charges to be incurred for Shared Services for the financial year ahead. The charges are pre-determined by Ministry of Health through the Service Agreement process.

60. In the financial year ending 2024 escalation of 1.5% for eHealth, 3.6% for Health Share and 2.2% for Pathology was applied to WNSWLHD's budget allocation through the Service Agreement process. The charges for Shared Services are received via an internal pre-approved invoice directly to WNSWLHD's accounting system by the Ministry of Health.

61. If WNSWLHD was to reduce spend in a shared service category, the corresponding budget can be reduced by Ministry of Health resulting in no net benefit to WNSWLHD.

62. The WNSWLHD total expense budget as per the current Service Agreement (Exhibit 160 NSW Health Tranche 2 Consolidated Exhibit List) is $1,164,750,000 (excluding any subsequent budget adjustments)

Intra Health Supplier	% of Total expense Budget
NSW Health Pathology	1.99%
HealthShare including procurement charge	1.76%
HealthShare Procurement management charge	0.07%
eHealth	2.01%

63. In respect of the last two financial years the LHD's total expenditure on goods and services for each financial year and the LHD's total expenditure on HSNSW, eHealth and NSWHP have been:

	2021/22	**2022/23**
Total expenditure on goods and services	301,893,497	283,452,334
Total Expenditure per Shared Service supplier	**2021/22**	**2022/23**
eHealth	21,130,110	23,062,501
Pathology	34,534,562	25,489,977
Health Share	21,277,283	22,801,447

Notes:

i. The stated sums are a combination of shared services and procurement services and support, in regards to HealthShare and eHealth;

ii. The amount LHD contracts under statewide contracts is a figure that rests with Ministry of Health;

iii. The value or percentage of procurements referred to eHealth or HealthShare for support and management is not routinely reported on, given that the procurement contracts referred to eHealth and HealthShare are awarded and executed by the LHD and form part of the LHD's total expenditure on goods and services.

G. ADVANTAGES OF CURRENT SYSTEM, INCLUDING RECENT DEVELOPMENTS

64. The procurement framework, and the procurement reforms such as DeliverEASE, Telematics, pharmaceutical and other pricing contracting and utilisation provide significant financial benefits. There are significant advantages across a state health system for negotiated whole-of-government contracts.

65. The Procurement Reform was established in 2020/21 following an audit report and learnings from COVID-19 which identified procurement and supply chain challenges across the NSW Health network. It aims to enable and strengthen the end-to-end procurement and supply chain process.

66. The five key workstreams are, and the advantages include:

a. Operating Model: clear roles and governance, statewide coordination of annual planning, health contract management framework;

b. Pharmaceutical reform:

i. Medicines Formulary: a statewide medicines formulary of medicines approved for initiation in inpatients in NSW public hospitals and health services (including NSW Ambulance). The formulary includes the approved indication, dose formulations and prescribing restrictions for individual medicines, where applicable;

ii. Contracts: the state has negotiated for all of the hospitals the best price on the formulary medicines which means that we utilise the collective buying of the state which results in a more efficient price. The other benefit of this negotiation was a forward prediction of the amount of stock that NSW health would need – reducing the volume of out of stock medicine and allowing improved forewarning to plan around this (better stock management).

c. DeliverEASE: implementation of more efficient/ effective inventory stock management at hospitals, simplified and reliable ordering processes;

d. SmartChain: single integrated end to end supply chain, improved data management, improved supply with right equipment to right place at the right time;

e. IT Systems and Technology: clear IT roadmap and investment portfolio enabling more effective local solutions for LHDs and reliable procurement data and single source of truth.

67. WNSWLHD (with the exception of the onset of the COVID-9 pandemic in 2020) has not experienced any significant supply shortages.

68. In addition, Telematics reform is underway. Vehicle telematics refers to satellite technology that uses a device installed in the vehicle to gather data including vehicle location, route taken for business travel, driver behaviour and vehicle activity. The devices are referred to as GPS devices. Data is transmitted via mobile phone or satellite networks and is presented on a software platform in real time. The GPS device is fitted inside the vehicle and will have a mobile data terminal (MDT), which is a screen near the dash of the vehicle. The GPS unit will track the vehicle. This tracking is ongoing and continuous regardless of whether the engine is off or on as long as there are satellite or mobile telephone signals. The data collected will be used to improve asset management and utilisation, and the introduction of electronic logbooks (ELB) will improve the efficiency and compliance of FBT data collection. WNSWLHD has reduced the size of its fleet in recent years and anticipates that the use of vehicle telematics will further enhance the opportunity for further operational efficiencies.

H. DISADVANTAGES OF THE CURRENT SYSTEM

69. WNSWLHD is unable to fully leverage statewide procurement initiatives due to geographic remoteness. This is because whole-of-government contracts can be metropolitan-centric, with limited opportunity for the savings to be realised in the regions particularly if contractors choose not to service the regions. A key local example is the centralised metropolitan warehouse model which results in significant freight costs to

stock WNSWLHD facilities. WNSWLHD are on track to spend $1M per annum on freight costs from Onelink (NSW Health State warehouse) to get warehoused stock to its facilities. These costs are high as deliveries are to individual sites and due to remoteness and geography distances are large. These additional supply-chain costs are not carried by metropolitan LHDs and are not fully recognised in the models that determine the funding for services. WNSWLHD is negotiating to rekindle a partnership with HealthShare linen to share logistic networks to reduce these freight costs.

70. The distances between health facilities in WNSWLHD results in additional charges relating to travel and accommodation for the majority of the State led procurement initiatives. For example, WNSWLHD paid almost double the price per treatment than Western Sydney LHD for renal dialysis patients. This was due to distances that technicians needed to travel to service equipment plus the cost of freight for consumables. These additional supply-chain costs are not carried by metropolitan LHDs and are not fully recognised in the models that determine the funding for services. In circumstances where these differences are unavoidable, rural districts need to be compensated for them.

71. Many vendors cannot service WNSWLHD's vast geography, or alternatively are required to enter into subcontractor arrangements which become time consuming to contract manage. The whole-of-government Security contract is an example of a contract whereby the contracted vendors were either unable or unwilling to service the remote areas of the District and additional costs have been incurred by WNSWLHD in comparison to metropolitan areas. As an example, recently WNSWLHD undertook a procurement process utilising the whole-of-government security contract for the provision of security services at Bourke MPS. This contract is designed to cover all of NSW. All contracted vendors for WNSWLHD, a total of 9, were contacted to provide the service. No contractors responded to the expression of interest. This forced WNSWLHD to seek a CPO exemption for the engagement of a local vendor. This vendor's pricing was substantially above Government set pricing therefore value for money was not achieved.

72. WNSWLHD considers there is an opportunity for further refinement of the market-based contracts in existence across the State by not limiting them to LHD boundaries. As one example current orthopaedic joint prothesis contracts are based on market share price benefits between LHD hospitals. This limits the opportunity for the state and LHDs to realise full value. In WNSWLHD some senior surgeons undertake work at both a WNSWLHD hospital and metropolitan Sydney hospitals. An individual clinician's practice will likely base preference on a particular brand of joint determined by where they undertake most of their work. If that differs from the prosthesis used by most of their colleagues in another LHD where they also work then hospital-level determined market share contracts can be problematic. NSW Health operates as a single networked health system and market share contracting would almost certainly generate higher returns for the NSW government if it reflected that single-system construct rather than a hospital centric one. The volume opportunities to obtain best price in this instance is not accessible in current procurement practice due to LHD boundaries dictating the market and volume relevant to price.

73. Current arrangements constrain WNSWLHD in terms of service delivery and service planning. An example of this is WNSWLHD's inability to attract medical workforce at six of its rural and remote sites. This has led to a significant tender and contractual

arrangement with Ochre Pty Ltd for the provision of a medical workforce. In addition, due to workforce failure, WNSWLHD has had to outsource its radiology reporting services. Again creating a situation whereby contractor management is key in order to achieving value for money from outsourced, highly complex, vital service.

74. Some HealthShare market share arrangements based at a hospital or facility level disadvantage rural and remote LHDs due to the nature of service delivery and volume discounts. With a fly in fly out workforce WNSWLHD is not able to leverage prosthetics standardisation at one of its major sites (Dubbo). Therefore, making it impossible to leverage better pricing. Market share arrangements at a statewide or subregion level rather than facility level would better assist in supporting rural and remote LHDs. This contract is substantial not only in cost, complexity, and criticality but also in relation to ongoing vendor management.

I. OPPORTUNITIES

75. The NSW Health system of procurement and centralisation has overall conferred a benefit. Bespoke issues become harder to deal with in a centralised system, however the ability to opt out of a centralised service based on logical reasons is the right balance, and by and large bespoke issues are dealt with satisfactorily.

76. Further procurement efficiency opportunities exist to be explored in the areas of statutory planned testing and maintenance.

77. Services which are technically complex and rely on highly specialised expertise can face challenges to long-term sustainability. Sometimes the asymmetry of information that the relevant technical experts acquire means that LHDs can have limited ability to manage either in-house or third-party provision thoroughly and can become captured by 'experts' when assessing the quality, efficiency and sufficiency of service. The characteristics of services of this type may mean that they are better suited to delivery through a shared service model so that quality frameworks, economies of scale, specialisation of expertise and workforce planning can be addressed more sustainably.

78. As one example, biomedical services employ highly specialised technicians to undertake clinical equipment selection, maintenance (including statutory electrical testing) and periodic instrument calibration. The consequences of this work not being done to a high standard and in a timely way could affect the accuracy of clinical diagnosis and patient or staff safety. The standardisation and centralisation of this type of service through a statewide shared service model might present opportunities for more sustainable delivery than is achievable by each LHD.

79. This is one example of a set of characteristics related to particular supporting services – particularly the scarcity of technical experts, the criticality of the service to the functioning of healthcare and the high degree of information asymmetry held by the providers of the service relative to those who manage them – which can suggest that standardisation and centralisation can offer both economic and quality benefits for the system as a whole.

J. ANY OTHER MATTER RELEVANT TO TERM OF REFERENCE E

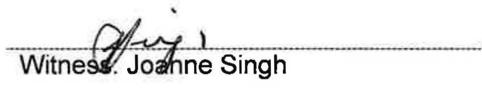
80. WNSWLHD has two facilities operating under a PPP Model (Bathurst and Orange Health Services). This arrangement adds significant complexity to any procurement, decision

making and ongoing funding within these facilities. As an example, Bathurst Health Service is currently in the planning stages for a $200M redevelopment. Whilst the $200M has been committed, it essentially only covers construction associated costs, so WNSWLHD will be left with a funding deficit related to ongoing operational costs associated with the PPP contractual obligations. These include additional workforce, increased cleaning costs associated with a larger footprint and additional staff, increased maintenance and life cycling requirements associated with the new and associated assets.

81. The PPP arrangements largely preclude the LHD from leveraging the opportunities provided by the state-wide shared service agency, HealthShare, for support services in the facilities to which they apply.

82. These additional costs and constraints are not reflected in the current funding model and subsequently become an additional cost borne by the District.

Mark Spittal



Witness: Joanne Singh

6/2/2024
Date

6/2/24.
Date