Special Commission of Inquiry into Healthcare Funding

Statement of Margaret Bennett

Name:	Margaret Bennett
Professional address:	PO Box 1845, Queanbeyan, NSW 2620
Occupation:	Chief Executive, Southern NSW 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 (**Inquiry**) as a witness. The statement is true to the best of my knowledge and belief.

A. BACKGROUND

2. My name is Margaret Bennett. I am the Chief Executive, Southern NSW Local Health District (**SNSWLHD**). A copy of my curriculum vitae is exhibited to this statement (Exhibit 9, NSW Health Tranche 2 Consolidated Exhibit List

3. I was appointed Chief Executive of SNSWLHD in March 2020. I was previously the CEO of Northeast Health Wangaratta in Victoria for nine years.

4. My qualifications include a Graduate Diploma Business Administration (Management), Post Graduate Certificate Cardio Thoracic/Coronary Care, Registered Midwife and Registered Nurse.

5. The SNSWLHD's healthcare facilities are divided into two geographic networks across 15 sites enabling people in each region to receive the right care at the right time and in the right place. SNSWLHD has 12 public inpatient facilities including nine hospitals and three multipurpose services (**MPS**). Our MPS combine a range of health and aged care services. Each MPS is tailored to meet the community's unique clinical needs. Hospitals with higher level services are strategically connected to smaller facilities providing emergency and basic care. SNSWLHD partners with ACT Health and major Sydney hospitals for those who require high-level specialist care.

6. The District encompasses seven local government areas (**LGA**s) spanning the tablelands to the ACT, the Snowy Mountains, and the far south coast to the Victorian border. It encompasses the Upper Lachlan, Goulburn Mulwaree, Yass Valley, Queanbeyan-Palerang, Eurobodalla, Bega Valley, and Snowy Monaro LGAs, and incorporates the traditional lands of five Aboriginal nations of the Gundungurra, Ngunnawal, Ngambri, Ngarigo and Yuin peoples.

B. SCOPE OF STATEMENT

7. This statement addresses the questions raised in the Inquiry's letter dated 20 December 2023 and 22 January 2024 and also broadly addresses Term of Reference E. On direction from the Inquiry, this statement does not address SNSWLHD's procurement of capital (less than $10 million) or SNSWLHD's interaction with Health Infrastructure (in relation to procurement of capital greater than $10 million) or SNSWLHD's procurement in relation to workforce.

8. 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.

9. I note that the role of Health Infrastructure within any hospital redevelopment greater than $10 million does include the procurement of medical equipment, furniture, fittings and information and communication technology (**ICT**) equipment where budget allows.

10. 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".

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

C. PROCUREMENT POLICY CONTEXT

12. The main NSW Health procurement policy, which sets procurement requirements that apply to all NSW Health agencies, is PD2023_028 *NSW Health (Goods and Services) Procurement Policy* and *NSW Health Procurement Procedures (Goods and Services*), which are designed to be read together and are referred to collectively in this statement (***NSW Health Procurement Policy and Procedures***). Copies of the *NSW Health Procurement Policy and Procedures* are exhibited to this statement (Exhibit 13 and 14 respectively, NSW Health Tranche 2 Consolidated Exhibit List).

13. The *NSW Health Procurement Policy and Procedures* incorporate:

    a. legislative requirements;

    b. the *NSW Government Procurement Policy Framework 2022* (***the NSW Government Procurement Framework***), which is exhibited to this statement (Exhibit 16 NSW Health Tranche 2 Consolidated Exhibit List), including NSW Government policies within that framework and Directions issued by NSW Treasury and the NSW Procurement Board;

    c. NSW Government priorities; and

    d. NSW Health objectives, as set out in:

        i. *Future Health: Guiding the next decade of health care in NSW 2022-2032* (***Future Health***), a ten-year plan to deliver a vision for a sustainable health system. Future Health is made up of a Strategic Framework, a Summary and

a Report, copies of which are exhibited to this statement (collectively Exhibit 23 NSW Health Tranche 2 Consolidated Exhibit List); and

ii. *Regional Strategic Plan 2022–2032,* a copy of which is exhibited to this statement (Exhibit 24 NSW Health Tranche 2 Consolidated Exhibit List).

14. The NSW Health Procurement Policy and Procedures also reflect the probity aspects important to undertaking procurement. These reflect the requirements of:

a. PD2015_045 *Conflicts of Interest and Gifts and Benefits* and PD2015_049 *NSW Health Code of Conduct*, copies of which are exhibited to this statement (Exhibit 29 and 30 respectively, NSW Health Tranche 2 Consolidated Exhibit List) which apply to all NSW Health 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; PD2015_045 requires all NSW Health agencies to have systems in place to address the management of conflicts of interest.

b. PD2016_029 *Corrupt Conduct: Reporting to the Independent Commission Against Corruption (ICAC)*, which is exhibited to this statement (Exhibit 31 NSW Health Tranche 2 Consolidated Exhibit List), sets out procedures for compliance with the *Independent Commission Against Corruption Act 1988* including an internal reporting system to the Chief Executive to facilitate the reporting of corruption.

c. PD2023_26 *Public Interest Disclosures*, which is exhibited to this statement (Exhibit 118 NSW Health Tranche 2 Consolidated Exhibit List) sets out the requirements for compliance with the *Public Interest Disclosure Act 202*2 and the reporting of wrongdoing.

d. PD2022_044 *Asset Management* (Exhibit 43 NSW Health Tranche 2 Consolidated Exhibit List).

e. *Procurement Cards within NSW Health* PD2022_038 (Exhibit 32 NSW Health Tranche 2 Consolidated Exhibit List) sets out requirements for purchase of goods and services up to $10,000 where viable.

15. In addition to operating within policies and procedures governing procurement, SNSWLHD is also required to obtain certain shared services from the Health Administration Corporation (**HAC**), subject to approved exceptions. 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."

16. The direction requiring SNSWLHD to obtain services from HealthShare, eHealth and NSWHP is contained in s. 4.1 of the *Accounts and Audit Determination for Public Health Entities in NSW 2020* (**the Determination**), a copy of which is exhibited to this statement at Exhibit 35 of the NSW Health Tranche 2 Consolidated Exhibit List.

17. The Determination provides:

"**4.1 NSW Health Shared Services**

a. Unless otherwise approved by the Health Secretary, PHEs 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).

b. An AHO may, with the approval of the Secretary, use the services of a Division of the Health Administration Corporation as listed in a) above;

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."

D. THE SNSWLHD PROCUREMENT STRUCTURE

18. SNSWLHD does not have a local procurement policy as it follows the NSW Health Procurement Policy and Procedures. SNSWLHD developed a local Guideline to support the operationalisation of the statewide policies and procedures. Exhibited to this statement is a copy of the SNSWLHD Procurement Guidelines (Exhibit 179 NSW Health Tranche 2 Consolidated Exhibit List). In addition, the SNSWLHD Delegations Manual (Exhibit 180 NSW Health Tranche 2 Consolidated Exhibit List) provides local directions, including authorisation and quantification of expenditure.

19. The annual LHD Service Agreement, a copy of which is exhibited to this statement (Exhibit 181 NSW Health Tranche 2 Consolidated Exhibit List), entered into between the Ministry of Health and the LHD sets out the requirements to be met and the KPIs against which the LHD is to be assessed. Relevant to procurement, the Service Agreement sets out requirements that the LHD:

    a. Ensure services are delivered in a manner consistent with the NSW Health Governance Framework,

    b. Ensure procurement of goods and services complies with the NSW Health Procurement Policy and Procedures,

    c. Apply the Aboriginal Procurement Policy to all relevant procurement activities,

    d. Comply with standards set out in PD2019_007 Public Health Emergency Response Preparedness Minimum Standards, and

    e. Adhere to the roles and responsibilities set out in PD2023_008 Early Response to High Consequence Infectious Disease.

20. The Service Agreement includes detailed KPIs regarding procurement, reflective of the NSW Government procurement objectives, directions and policies and the NSW Health priorities and policies:

    a. Asset maintenance expenditure as a proportion of asset replacement value,

    b. Capital renewal as a proportion of asset replacement value,

    c. Annual procurement savings target achieved,

    d. Reducing free text orders catalogue compliance,

    e. Reducing off-contract spend,

    f. Use of Whole of Health contracts,

    g. Desflurane reduction,

    h. Nitrous Oxide reduction,

    i. Energy use avoidance,

    j. Passenger vehicle fleet optimisation,

k. Waste diversion from landfill,

l. Reporting on improvements to procurement capability, including:

   i. Local resources including FTE and supporting guidelines and training to uplift procurement capability of non-procurement staff such as education roadshows to facilities, and

   ii. Procurement staff attend Procurement Academy training.

m. Reporting on procurement compliance, including:

   i. Goods and services procurements and Information and Communication Technology (**ICT**) procurements valued over $30,000 and outside existing arrangements are tested against the Risk Assessment Tool,

   ii. Disclosure requirements for contracts with private sector entities (including purchase orders) valued at $150,000 or more are met, including that contracts/purchase orders are disclosed on eTendering and are saved on PROcure (where relevant),

   iii. Procurements outside existing arrangements for goods and services that are valued over $250,000 are referred to HealthShare or ICT procurements valued over $150,000 are referred to eHealth to conduct the procurement (unless an exemption applies),

   iv. The ICT Purchasing Framework contract templates (Core & contracts; Master ICT Agreement/ICT Agreement contracting framework) are used when engaging suppliers on the ICT Services Scheme (where relevant) unless an exemption applies.

n. Reporting on social and sustainable procurement.

21. SNSWLHD has a procurement team which comprises 10 Full Time Equivalent (**FTE**) roles. The District's procurement team has increased by three FTE positions in the past six months due to an increase in procurement reform projects. The procurement team is made up of:

a. One Strategic Procurement Manager who has been working in SNSWLHD since 2013 in the procurement team, and for the past 18 months as the Manager;

b. Two clinical products staff, who are both registered nurses and have extensive experience in NSW Health and in procurement;

c. Two procurement support staff with one working in SNSWLHD for ten years in procurement, and the other commencing with the procurement team in 2022;

d. One contracts manager with 10 years of experience in SNSWLHD, the last eight in contract management;

e. One procurement compliance officer who reviews all requisitions for policy and procedure compliance, a relatively new appointment in 2023; and

f. Three staff to roll out procurement reform from the Ministry of Health, including SmartChain and DeliverEase, all appointed over the last six months.

E. HOW SNSWLHD OBTAINS GOODS AND SERVICES

(i) Procurement

22. SNSWLHD undertakes the majority of its procurement utilising existing arrangements, either whole of Government/Whole of Health contracts or selecting a panel supplier under the pre-qualification scheme.

23. Under the *NSW Health Procurement Policy and Procedures* SNSWLHD is responsible for conducting its own procurement (with the exception of some ICT procurement) by:

a. Using existing procurement arrangements, including whole-of-Government and whole-of-Health contracts for goods or services of any value, in compliance with NSW Procurement Board Direction PBD 2021-04 *Approved Procurement Arrangements*, a copy of which is exhibited to this statement (Exhibit 33 NSW Health Tranche 2 Consolidated Exhibit List);

b. Otherwise approaching the market for goods or services valued at $250,000 or less;

c. Referring goods and services procurement to HealthShare if valued over $250,000, subject to specified exceptions, including procurement-connected exemptions under:

i. *The Small and Medium Enterprise (SME) and Regional Procurement Policy and Regional Policy*, a copy of which is exhibited to this statement (Exhibit 18 NSW Health Tranche 2 Consolidated Exhibit List) , which allows SNSWLHD to negotiate directly with and engage a SME or regional supplier for goods and services up to $250,000, even where there is a whole-of-government arrangement in place and requires that a SME or regional supplier be first considered for procurement up to $3 million.

ii. The *Aboriginal Procurement Policy*, a copy of which is exhibited to this statement (Exhibit 21, NSW Health Tranche 2 Consolidated Exhibit List) applies to procurement contracts over $250,000 and is designed to support employment opportunities for Aboriginal and Torres Strait Islander peoples and sustainable growth of Aboriginal businesses by driving demand via Government procurement of goods, services, and construction.

24. If there is an applicable exemption under a procurement-connected policy such as the SME and Regional Policy or the Aboriginal Procurement Policy, SNSWLHD may procure outside the above arrangements. Any other exemption must be approved by the NSW Health Chief Procurement Officer (**CPO**). There have been instances within SNSWLHD where a statewide contract exists, however the supplier does not service all or part of the District. This then requires the District to seek an exemption from the CPO to undertake a local procurement. This does provide some governance benefits as it communicates to HealthShare the complexities that exist in rural areas, although it does require the District (assuming an exemption is granted) to run a local process. A recent example where this occurred was the statewide fire services contract, with the suppliers not servicing SNSWLHD.

25. Where SNSWLHD undertakes its own procurement outside these arrangements, but below the $250,000 threshold for referral to HealthShare, we are required to utilise the NSW Health Risk Assessment Tool, available through the NSW Health Procurement Portal. The Risk Assessment Tool used to categorise procurement levels within NSW Health incorporates the requirements of Treasury policies TPP18-06 *NSW Government Business Case Guidelines* and TPG23-08 *NSW Government Guide to Cost Benefit Analysis*, copies of which are exhibited to this statement (Exhibit 44 and 45 respectively, NSW Health Tranche 2 Consolidated Exhibit List). SNSWLHD only has a small number of procurements that fall into this category per year

26. SNSWLHD utilises P-Cards for any purchases below $10,000 as per the P Card policy (previously exhibited at Exhibit 32 NSW Health Tranche 2 Consolidated Exhibit List)**;**

27. When procuring ICT-related goods and services, SNSWLHD:

    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 (contained at Exhibit 34 of the NSW Health Tranche 2 Consolidated Exhibit List) where the ICT-related goods or services are valued at less than $150,000 and are not available on an existing contract.

    c. Refers ICT procurement outside of whole-of-health or whole-of-government contracts valued at more than $150,000 to eHealth;

    d. Obtains approval from eHealth before commencing procurement involving laptops or desktop computers of any value in line with the NSW Health Procurement Policy.

(ii) Centralised procurement

28. SNSWLHD utilises centralised procurement in four key areas:

    a. Strategic procurement services, including:

        i. Tenders and contracts negotiated by HealthShare or eHealth on behalf of the Whole of Health using collective buying power to support and oversee the whole of health savings program (noting NSW Buy for whole of government mandated schemes for good and services) including preferred supplier lists from which the SNSWLHD can procure from,

        ii. Advice and or assistance for high risk, complex or high value procurements,

        iii. Provide policy, procedures, templates, and guidance on procurement,

        iv. Potential involvement in local tender process to ensure quality assurance,

        v. HealthShare/NSW Health maintains level 2 accreditation with the NSW Procurement Board and be the accredited ‘advanced procurement agency’ to undertake advanced procurement (between $250,000 and $30 million) without reference to the NSW Procurement Board,

vi. Health infrastructure for capital works procurements for projects greater than $10 million (managed by Health Infrastructure), and

vii. Procurement reform and support (e.g., SmartChain traceability, DeliverEase)

b. Warehousing and Distribution:

i. Onelink warehouse (single statewide warehousing and distribution service),

ii. Contract management of the onelink warehouse contract,

iii. Procurement of goods into the onelink warehouse including standard and specialised items,

iv. Procurement of goods to address heightened activity (e.g., RAT tests, PPE over COVID), and

v. Freight to facilities from Onelink warehouse.

c. Information and Communications Technology (ICT):

i. eHealth managed software and infrastructure – Whole of Health contracts for equipment, licences and professional services in areas such as cloud services, analytics, some clinical systems, some infrastructure and some corporate systems, and

ii. LHD managed software, telephony, and infrastructure – Whole of Health or Whole of Government contracts are used where available, otherwise pre-approved suppliers are utilised. Locally managed services include end user devices, local servers, duress, and various clinical and corporate systems not provided by eHealth.

iii. Cyber security and emerging technology advice, guidance, solutions, and support.

iv. Strategic procurement advice.

d. Other Procurement (i.e. pharmacy procurement support (HealthShare), Pcard (corporate credit card), Vcard (virtual credit card) to pay large suppliers, Tcard (corporate travel card) allocation and reconciliations, vendor creation team to set up vendors in the system after our checks and approval, dashboard development for procurement and supply chain (and training), and iProcurement system training to educate our users) (discussed further below).

29. Procurement for shared services provided by the Shared Service and Statewide Health entities is undertaken by the entity (e.g., HealthShare, NSW Ambulance, NSWHP and eHealth) to provide service to SNSWLHD (discussed further below). Similarly, the Pillar Organisations who provide support to SNSWLHD undertake their own procurement.

(iii) Shared services

30. SNSWLHD engages HealthShare for the following services:

    a. Accounts Payable – processing invoices and payments;

    b. Accounts Receivable – raising invoices and debt collection;

    c. Employee and Financial Transactional Services – which primarily relates to employee payroll services;

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

    e. Food - Patient meals and discretionary food services for patient family members and staff;

    f. Linen services;

    g. Cleaning services;

    h. Warehousing.

31. In relation to eHealth, under NSW Health Policy Directive PD2021_043 *NSW Health Foundation Information and Communication Technology (ICT) Services and Platforms* (contained at Exhibit 105 of the NSW Health Tranche 2 Consolidated Exhibit List), there are mandated statewide ICT infrastructure services that LHDs must use. Services engaged by SNSWLHD include ICT support services such as ICT infrastructure, software management for some clinical and non-clinical applications, wide area network management, audio visual services, cloud hosting arrangements, business analytics, strategy, and cyber security services. More recently the management of local networks has been added to the service portfolio.

32. SNSWLHD has transitioned to using NSWHP to perform all pathology tests within the District apart from breast endocrine surgery tests in South East Regional Hospital (Bega) which have not been performed in a timely manner by NSWHP historically. This discrete testing is outsourced locally to a private company and is currently under review with a plan to bring testing back to NSWHP in 2024.

(iii) Supply chain disruption

33. SNSWLHD has experienced supply chain disruption largely caused by natural disasters and the global environment rather than inefficiencies in the system.

34. During the 2019-2020 bushfire season, the closure of highways caused significant disruption to supply. Our local procurement team liaised between freight companies and emergency services to get stock to sites. Due to existing good relationships with NSW Ambulance, NSW Police, and other government agencies, we were able to obtain supplies through other means, for example police transporting supplies from Queanbeyan to Bega.

35. COVID had supply chain affects that were worldwide. HealthShare sourced in bulk, and we had limitations on how much stock we could order to ensure even distribution across the state. However, we had no major disruptions / clinical impacts at a facility level as we managed and distributed stock according to clinical requirement. During COVID we also utilised local police to deliver clinical supplies. We also developed good relationships with local universities, which allowed us, for example, to investigate whether face shields could be made using their 3D printer.

36. Since COVID and due to a number of political factors particularly internationally and the increasing cost of inputs such as fuel for transport, there has been a significant increase to the price of consumables including a raw material shortage, with some vendors increasing costs by 70%. This is not aligned to the recent budget increase for consumables.

F. SNSWLHD'S SPEND ON PROCUREMENT AND SHARED SERVICES

(i) Spend

37. SNSWLHD total expense budget for the financial year 2022-2023 as per the Service Agreement was $504 million, and $540 million when including supplementation. Of this budget, SNSWLHD spent $94.4 million on goods and services, including things such as repairs, maintenance and renewal and excluding eHealth, HealthShare, NSWP, Hosted Services (where one LHD runs a service over multiple LHDs and seeks cost reimbursement from the other LHDs) and NSW Ambulance. This represented 17% of the total budget. Of this amount, $43.7 million (i.e. 8% of the total budget) was spent on medical and surgical goods and services including drugs, prosthesis, imaging, outsourced pathology, dental, dialysis and medical and surgical consumables. In 2022-2023, the District spent another $67.7 million on goods and services supplied by NSW Ambulance, NSWHP, eHealth, HealthShare and Hosted Services. This represented 15% of the total budget.

38. In respect of the last two financial years:

    a. SNSWLHD's total expenditure on goods and services for each financial year including repairs, maintenance and renewal was;

        i. $166.5 million in 2021-2022, and
        ii. $162 million for 2022-2023.

    b. SNSWLHD's total expenditure on HealthShare, eHealth and NSWHP;

        i. In 2021-2022, $49 million, and
        ii. In 2022-2023, $53.4 million

        Note that this figure is a combination of shared services and procurement services and support, in regard to HSNSW and eHealth;

    c. Statewide contract negotiation for whole of health contracts are managed by HealthShare and eHealth. The District utilises these contracts however does not record or report to the Ministry of Health or HealthShare on the usage on these contracts;

d. The District does not report on procurement contracts referred to eHealth and HealthShare that are awarded and executed by SNSWLHD which form part of the LHD's total expenditure on goods and services. The District has requested support from HealthShare for three tenders over $250,000 in the past 18 months.

39. SNSWLHD consumes services from eHealth that on occasion include overheads or services that are not required but which cannot be separated, resulting in avoidable additional cost for SNSWLHD. Several examples include:

a. eHealth has negotiated an agreement with Microsoft which includes a licence for Mobile Device Management (**MDM**) as part of our total SNSWLHD cost. eHealth has added a support cost which LHDs must consume. There are two levels of support cost: a fully managed service by eHealth; or a partially managed service whereby the LHD takes on some of the administration. Both of these levels are provided at the same cost. There is no option for SNSWLHD to administer the system and not pay the additional professional services overhead, even though capability exists within SNSWLHD. This means that SNSWLHD pays for the MDM licence as well as a professional service cost that is not required. Although security reasons are noted as the driver due to the shared tenancy across the state, this could be managed by an appropriate accreditation and governance structure which would be expected to reduce any non-licence costs charged to the LHDs.

b. A new initiative to upgrade local networks and wireless networks across the State requires SNSWLHD to contribute 0.35% of our total annual budget to a statewide funding pool. There are a number of benefits associated with this model, which ensures a structured refresh and standardised equipment across the state. Although recent SNSWLHD estimates using incumbent suppliers on the approved supplier list indicate a lower cost could be achieved (for SNSWLHD sites) than the statewide initiative, these suppliers have not submitted state-wide pricing.

c. Provisioning an extra network link to sites for internet access to various systems is managed through eHealth. Where a redundant link at a site is provisioned to provide a backup if the main internet access is affected, eHealth includes the network carrier service installation cost and eHealth professional services cost. Local expertise is still required but the eHealth professional services are combined with the overall cost so there is no choice but to pay the additional cost.

d. Two years ago, SNSWLHD evaluated and declined the new statewide medical imaging platform comprising the Sectra Picture Archiving and Communication System (PACS) and the Kestrel Karisma Radiology Information System (RIS) on the basis of functionality and cost. The cost of the statewide solution was higher than the local solution, inclusive of hardware upgrades, licences and support. The statewide solution is expected to uplift the functionality over the 10-year contractual period, however at the time of evaluation the cost was higher than what SNSWLHD currently pays, and the overall functionality was less. Of note is that the statewide offering includes the implementation cost spread over the 10 years, however it was not considered sufficient value for money to make the change at the time of the evaluation. The statewide solution continues to mature and SNSWLHD is open to revisiting in the future based on a value for money assessment.

40. SNSWLHD is not aware of any benchmarking undertaken with external providers comparable to eHealth or HealthShare, however this may exist or be in process.

(ii) Performance

41. There are currently no service level agreements between SNSWLHD and HealthShare and/or eHealth regarding performance. For centralised services, SNSWLHD has quarterly meetings with HealthShare and NSWHP and monthly meetings with eHealth which provides an avenue for performance discussions. The performance meetings with NSWHP and eHealth have been occurring for several years, and the HealthShare meetings are more recent, commencing around 10 months ago. These meetings are more focused around services provided and less about procurement. Any performance issues can be escalated by SNSWLHD to the Ministry of Health should they arise. HealthShare also run topic specific meetings quarterly with subject matter experts within LHDs, for example P-Card user group, to discuss upcoming changes, listen to issues and barriers, and work to address these.

42. SNSWLHD has good working relationships with HealthShare and find they provide our District with good procurement support, both where referrals are required for over $250,000 procurements but also those under the threshold. For under $250,000 procurements, the SNSWLHD procurement team will still go through relevant contacts at HealthShare for assistance.

43. Procurement involving ICT can be more challenging as there are gaps in the available services on statewide contracts. For example, there is a statewide contract for telephony through Telstra however there is not a statewide contract for replacement of phone systems or duress systems. There are, however, statewide pre-approved suppliers that can be accessed which assists with reducing the contract management administrative burden.

44. Except for ICT services, SNSWLHD generally uses goods and services available on statewide contracts and it is rare that the District would need to advocate for the addition of goods and services to statewide contracts. Where there is a particular need for a good or service to be included on statewide contracts, the District's procurement team will usually discuss with relevant contacts at HealthShare. If this does not address the issue, it is raised as part of the regular performance meetings referred to at paragraph 41 above. A recent example where this occurred was the lack of a statewide contract for shelving, which the tender is now being rolled out by HealthShare
.

45. For ICT services, there is a regular forum attended by Chief Information Officers and key eHealth representatives at which service changes, enhancements or additions can be raised and agreed as a collective. A recent example is the establishment of a wireless network standard and service to be implemented across the state.

G. ADVANTAGES OF CURRENT SYSTEM, INCLUDING RECENT DEVELOPMENTS

46. The current procurement arrangements are particularly beneficial for smaller districts such as SNSWLHD as we can achieve greater savings through increased volume and buying power than what could be achieved negotiating individual contracts.

47. The Statewide frameworks, policies and procedures ensure consistency, compliance, and best practice across the state. This reduces procurement costs, eliminates duplication of resources and different contracts across the state, simplifies ordering and enables consistent statewide practices. Statewide frameworks also involve support for the roll out of procurement reform projects to enable best practice. These benefits in turn have allowed SNSWLHD to keep the FTE in procurement to a minimum.

48. Centralised procurement has enabled NSW Health to procure timely clinical supplies, for example PPE, ensures consumables are best practice and meet clinical safety standards, and ensures appropriate recall of products.

49. Technical support for high-risk procurement reduces legal risk.

50. Establishment of statewide ICT standards that are embedded in procurement agreements reduce risk and support volume-based buying power. The recently enhanced relationship between eHealth and Health Infrastructure ensures consistency across redevelopments to improve interoperability, ongoing support, and management.

H. DISADVANTAGES OF CURRENT SYSTEM

51. There is not sufficient SNSWLHD capital budget to replace clinical equipment and ICT, increasing pressure on repairs and maintenance, and at times to the point they are no longer supported. This can create additional procurement pressure in sourcing consumables for equipment no longer supported as well as increasing safety, operational and security risks.

52. Our experience with procurement reform, which includes for example implementation of medical consumable supply chain process optimisation, is that it increases staff workload which cannot necessarily be picked up by the District with the available FTE. Resourcing and support are usually available for the implementation stage when rolling out new technology and/or procedure, however once the implementation is complete it is up to the Districts to fund any ongoing costs. As an observation, business cases do not always consider the whole of sector cost, including LHD costs for the life of the initiative/system, which could impact the viability of proposals.

53. There are additional challenges with centralised service delivery due to the remoteness of some parts of SNSWLHD. This has required SNSWLHD to outsource some specific pathology services, such as those for breast endocrine surgery (referred to at paragraph 32 above). In addition, some statewide contracts are not suitable for regional areas or parts of the District where the supplier is unable to provide services or the delays to reach a site are unacceptable. An example of this would be the statewide fire services contract referred to at paragraph 24 above. The process to undertake local procurement and then manage the contract adds administrative burden to the District.

54. Another example of challenges arising from remoteness is patient transport. SNSWLHD does not have a tertiary facility within the District and our main referral point is the Canberra Hospital in the ACT. SNSWLHD runs its own patient transport services as patient transport services via HealthShare apply increased costs for longer trips and are therefore more expensive to rural LHDs. When it comes to Ambulance costs and transporting patient's interstate particularly via rotary transfer, SNSWLHD must pay the

full cost of the trip, rather than an inter-NSW LHD transfer which is shared across both LHDs. This means that SNSWLHD bears the total transport cost for transfers to the ACT.

55. There has been an increase in freight costs due to the complexity of our diverse geographical locations and the general cost of freight. Prior to 2016, NSW Health had multiple warehouses run by HealthShare that the LHD's could liaise with directly for urgent orders in times of natural disasters/pandemics. Prior to 2016 there was a warehouse situated in Wagga Wagga and covered both SNSWLHD and Murrumbidgee LHD. These warehouses were all closed in 2016 and warehousing was outsourced and centralised. The newly established warehouse is located in Sydney and services the entire state. Although concerns were expressed by SNSWLHD during consultation about there being a single warehouse, it is understood there was overall a state saving from the implementation of the new warehouse. However, for rural LHD's it has meant a decrease in service and an increase in freight fees to some sites due to the complexity of our diverse geographical areas. Most of our sites receive one order from the warehouse per week, although some of our smaller and more remote sites such as Bombala and Delegate receive fortnightly orders. We manage stock control quite well however given the nature of the business, sites may need to place an outside routine or urgent order. South East Regional Hospital in Bega is our furthest site from the warehouse and if they require an outside routine order the cost increases significantly. A review conducted by SNSW procurement staff into freight costs when the warehouse was closed in 2016, found that to maintain the current service arrangement in place, there would be a 92% increase in freight costs for the District under the new model, or a $132,000 increase. Two options were provided with SNSWLHD, one to maintain existing service delivery schedules and one to reduce service delivery schedules, which required SNSWLHD to select the option that did not mirror existing practices with decreased services, which still indicated an increase of $76,000 or 53% in freight costs increase at the time of modelling.

I. OPPORTUNITIES

56. There is a high-level issue around gaps in provision of legal advice as part of the assistance provided for high-risk high value procurement. During a high value (multi-million) tender process (CPO approved and run by HealthShare) over five years, the appointment of probity and legal advisors was very late in the tender process. Following the tender, further independent legal advice was required appointed locally by the District to resolve contract negotiations. There is opportunity for earlier inclusion of probity advice, and engagement of legal services with high risk, high value tenders. In addition, there is currently a disconnect between the financial and non-financial components of high-risk tender evaluation. There is opportunity to look at how the interface between the evaluation of financial and non-financial components of the tender responses could be improved to support overall assessment of value for money.

57. There are some gaps in the services that are provided by statewide contracts which are required by all Districts. This includes services such as duress systems and the Employee Assistance Program. As there is no statewide contract for these services, SNSWLHD is required to undertake its own risk management, insurance checks and procurement. SNSWLHD would like to see these services brought into the statewide approach via HealthShare and eHealth.

58. SNSWLHD would like to see the number of warehouses across the State increased and run by HealthShare, even if the non-Sydney based warehouse was not an all-encompassing warehouse and instead had a select listing of consumables. Pre-2016, SNSWLHD would contact HealthShare direct for warehouse supplies, whereas the current arrangement has HealthShare as the liaison between LHD's and an outsource warehouse provider. Having direct contact with HealthShare would support ad hoc and urgent orders not ordered using the weekly ordering system and improve the relationship with HealthShare. The District does note this may have a financial impact for HealthShare and may not be viable. Having one warehouse poses many risks, for example if the warehouse is required to be closed/quarantined and cleaned as it was throughout the pandemic when warehouse staff fell ill with COVID.

59. The experience at SNSWLHD is that there is a lot of procurement reform occurring simultaneously which can have significant impacts on the smaller procurement teams. Planning should be undertaken so multiple services are not being reformed concurrently. In addition, there should be greater consideration of how statewide procurement impacts small procurement teams. For example, the District has one FTE position in contracts and numerous (estimated up to 15) new statewide contracts to be rolled out in early 2024. Although there is temporary funding for two FTE positions to support contract roll out which ceases early 2024, due to lack of permanency with the funding, the roles are not able to be continued. In relation to reform projects, although the Ministry of Health/HealthShare/eHealth provide upfront funding for additional roles to rollout projects, there is not ongoing funding after implementation which results in ongoing financial and FTE position increases. These ongoing costs to Districts should be factored into business cases (usually prepared by eHealth or HealthShare) which in some cases they are not. The workload of multiple projects is not sustainable on top of local tenders / contracts and agreements we are trying to manage. In addition, the projects rolled out concurrently may require one to be implemented first before the second is rolled out, which is not possible with a concurrent roll out and therefore creates complexity and duplication of work.

60. There is opportunity to extend the consultation between HealthShare and LHDs on decisions that impact on LHDs. For example, the Statewide Master Catalogue implementation aims to create one source of truth for consumable ordering which creates efficiencies for HealthShare and potentially costs savings for LHDs, but due to an increase in catalogue items (over 500% increase in items), this may cause both a clinical risk and financial impact due to staff placing consumable orders that are non-compliant with equipment, staff may not be trained to use, or staff placing incorrect orders for consumables required. There is potential for wastage and over ordering with the incorrect consumables ordered, which may not be identified until they are required for a procedure. A second example would be consultation without rural LHD representations means assumptions made by the project are not reflective of practices in rural LHDs. For example, in procurement reform projects, when consultation undertaken by HealthShare on the end-to-end inventory procurement (deliveries) there is an assumption that procurement and dock staff are available at all rural LHD facilities which is not the case.

61. There are ICT related services or systems provided by local Districts that could benefit from the negotiation of statewide contracts to leverage the collective buying power if agreed by the statewide CIO and eHealth executive leadership group. Duress systems

are an example where few solutions comply with the NSW Protecting People and Property Policy so many Districts utilise the same system but procure individually.

62. eHealth services could be provided at a tiered level based on an opt in model to meet local requirements, capability and capacity. This could range from a fully managed service to procurement only with local implementation, support, and management. The cost to the consumer would need to reflect the level of service provided.

63. Currently there are no consequences associated with poor performance or non-compliance with Service Level Agreements for eHealth or HealthShare shared services. There is an opportunity to establish a District level agreement that reflects industry standard commercial shared service arrangements and includes contractual remedies to ensure minimum standards are met.

Margaret Bennett

Margaret Bennett

Date: 09/02/2024

Karina de Brueys-Diessel

Witness: Karina de Brueys-Diessel

Date : 09/02/2024