

## Special Commission of Inquiry into Healthcare Funding

### Statement of Vanessa Janissen

**Name:** Vanessa Janissen

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**Occupation:** Chief Executive, NSW Health Pathology

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 Vanessa Janissen. I am the Chief Executive of NSW Health Pathology (**NSWHP**) and make this statement in that capacity.
3. Before commencing as the Chief Executive of NSWHP on 9<sup>th</sup> October 2023, I held a number of leadership positions at Calvary Healthcare, most recently as the National Director, Strategy and Service Development. Prior to that, I was NSWHP's Executive Director Strategy and Clinical Services Transformation between 2013 and 2019. I have also held multiple operational roles in Hunter New England Health District. A copy of my CV is exhibited to this statement (Exhibit 6 NSW Health Tranche 2 Consolidated Exhibit List).
4. As a statewide clinical and scientific service, NSWHP provides quality, reliable public pathology, forensic and analytical science services for the community across NSW.
5. This statement addresses a request from the Inquiry set out in its letter dated 20 December 2023. On direction from the Inquiry, this statement does not address procurement or service delivery in relation to capital or workforce.

#### **B. CREATION OF NSWHP**

6. NSWHP was established in 2012 as an administrative division of the Health Administration Corporation (**HAC**) for the purpose of exercising functions relating to statewide pathology, forensic and analytical science services under section 126B under the *Health Services Act 1997*. The formation of NSWHP was prompted by the 2011 Director-General's review of the governance of NSW Health. The report that resulted

from the review, *Future Governance Arrangements for NSW Health – Report of the Director-General* released on 24 August 2011, is exhibited to this statement (Exhibit 36 NSW Health Tranche 2 Consolidated Exhibit List). That report recognised that the establishment of a fully integrated statewide public hospital pathology service (similar to that which had already been established by other states) was necessary in order to achieve the scale and logistics needed for both quality outcomes and efficiencies, and recommended that a business case be developed to consider the cost-benefit of establishing a statewide entity to comprise:

- a. the four existing public hospital pathology hubs (Pathology North, Pathology West, South-Eastern Area Laboratory Services and Sydney South-West Pathology Service), and
  - b. the pre-existing statewide forensic medicine service and Division of Analytical Laboratories that provided services to the NSW Justice Cluster, which includes the NSW Police Force.
7. The Director-General appointed an NSW Health Pathology Initiative Team, of which I was a member, to develop the business case described in paragraph 6 in consultation with key stakeholders across the NSW Health system. NSWHP was initially established on a transitional basis on and from 31 May 2012, via an Instrument of Establishment signed by the Director-General on 8 May 2012, to manage and coordinate the continued provision of pathology services pending the review and approval of the business case by the Director General. The business case was delivered to the Director-General in late 2012. Subsequently, a new Instrument of Establishment was signed by the Director General on 9 December 2012 to formalise the establishment of NSWHP as a statewide provider of pathology, forensic and analytical science services on and from 1 May 2012. A copy of the Instrument of Establishment is exhibited to this statement (Exhibit 81 NSW Health Tranche 2 Consolidated Exhibit List). An updated Instrument of Establishment was signed by the NSW Health Secretary on 6 June 2019, a copy of which is exhibited to this statement (Exhibit 173 NSW Health Tranche 2 Consolidated Exhibit List).
8. The inaugural NSWHP Board was appointed by the Director-General on 8 November 2012 pursuant to s 126C of the *Health Services Act 1997*.

### **C. NSWHP GOVERNANCE**

9. The current roles, responsibilities and authority of the NSWHP Board are set out in the Instrument of Constitution dated 8 October 2018, a copy of which is exhibited to this statement (Exhibit 82 NSW Health Tranche 2 Consolidated Exhibit List).
10. The Board oversees the strategic direction, performance, and governance of NSWHP. It includes senior representation from the Ministry of Health and other NSW Health agencies including the Sydney Children's Hospitals Network and HealthShare, and independent members with extensive private and public sector experience. The functions of the NSWHP Board as detailed in the Instrument of Constitution include:
  - a. Endorsing the strategic direction and plan for NSWHP and approving and monitoring compliance with the strategic and annual operational plans,
  - b. Ensuring effective and comprehensive corporate and clinical governance frameworks are established to support the maintenance and improvement of standards and quality of services provided by NSWHP,
  - c. Providing strategic oversight of and monitoring NSWHP's performance in accordance with the objectives and measures set by the Secretary,
  - d. Ensuring appropriate internal controls and robust systems are in place including financial and other internal reporting mechanisms and a risk management framework, and
  - e. Ensuring effective clinical and capital planning within NSWHP which also aligns with NSW Health's strategic goals.
11. As NSWHP Chief Executive, I am ultimately responsible for the operations and corporate governance practices of NSWHP, under the guidance and direction of the NSWHP Board and Health Secretary.
12. NSWHP's functions are detailed in the Instrument of Establishment. NSWHP's powers are set out in a Delegations Manual signed by the NSW Health Secretary and published on the NSW Health website. The Delegations Manual, a copy of which is exhibited to this statement (Exhibit 83 NSW Health Tranche 2 Consolidated Exhibit List), was last reviewed in June 2023.

13. Pursuant to PD2022\_04 *NSW Health Policies and Other Policy Documents*, NSWHP is required to comply with all NSW Health policy documents issued through the Policy Distribution System on the NSW Health website. The NSW Health *Application of Policies for NSW Health Agencies* IB2020\_014 provides that older policies, procedures and guidelines issued through the Policy Distribution System that applied to “Area Health Services”, “Local Health Networks” and “Local Health Districts” also apply to NSWHP. Copies of these policies are exhibited to this statement (Exhibits 57 and 84 respectively NSW Health Tranche 2 Consolidated Exhibit List).
14. In addition, NSWHP also has its own policies, procedures and protocols that are either specific to NSWHP’s operations or provide instructions or guidance on how NSW Health policy documents are implemented or operationalised within NSWHP. NSWHP’s approach to implementing NSW Health policies and its own NSWHP-specific policies is described in the NSWHP *Policy Framework* (NSWHP\_CG003), a copy of which is exhibited to this statement (Exhibit 85 NSW Health Tranche 2 Consolidated Exhibit List).

#### **D. NSWHP’S ROLE AND FUNCTIONS IN RELATION TO SERVICE DELIVERY**

15. This section provides information on the delivery of pathology, forensic and analytical science services by NSWHP (including a small number of instances where such services are commissioned by NSWHP from other providers as part of its responsibility for statewide service delivery). Paragraphs 51 to 58 separately address questions raised by the Inquiry in relation to the procurement of goods and services in support of NSWHP’s operations.
16. NSWHP’s functions under its Instrument of Establishment are:
  - a. operating on behalf of the Health Secretary as the preferred provider and commissioner of pathology, forensic and analytical science services for the NSW Health system,
  - b. undertaking pathology, forensic and analytical science services for such other persons or entities outside the NSW Health system as approved by the Minister for Health under s 126B(2) of the *Health Services Act 1997*, and
  - c. undertaking other functions as the Health Secretary may request from time to time.
17. In relation to paragraph 16.a above, an order was made by the Health Minister under s 126G(1) of the *Health Services Act 1997* on 13 June 2019, requiring each NSW public

health organisation to acquire pathology, forensic and analytical science services, and procurement commissioning services for those services, from either the Health Secretary, or where they are provided by HAC, from HAC. A copy of the s 126G(1) order is exhibited to this statement (Exhibit 86 NSW Health Tranche 2 Consolidated Exhibit List). In addition, section 4.1(a)(ii) of the NSW Health *Accounts & Audit Determination for Public Health Entities in NSW (Accounts and Audit Determination)*, a copy of which is exhibited to this statement (Exhibit 35 NSW Health Tranche 2 Consolidated Exhibit List), provides that, unless otherwise approved by the Health Secretary, public health entities must obtain pathology, forensic and analytical services from NSWHP.

18. Pathology services provided by NSWHP to Local Health Districts (**LHDs**) and Speciality Health Networks (**SHNs**) are governed by an annual Customer Charter. There is a separate Customer Charter for each LHD/SHN which documents the services to be provided by NSWHP and the charges payable by the LHD/SHN. A copy of the generic 2023-24 Customer Charter is exhibited to this statement (Exhibit 87 NSW Health Tranche 2 Consolidated Exhibit List).
19. There are a number of arrangements where NSWHP is not the sole provider of public pathology services to NSW Health. These include:
  - a. Paediatric pathology services provided by the Children's Hospital Westmead, which continues to operate as part of the Sydney Childrens Hospital Network,
  - b. A number of specialised diagnostic laboratories with a strong research component have continued to be funded and governed by their host LHDs, including neuropathology and nerve/muscle services at Royal Prince Alfred Hospital. NSWHP assists these laboratories where appropriate (for example, by providing after hours coverage, access to NSWHP laboratories for teaching and training purposes, and use of NSWHP's quality system). NSWHP also manages some specialised diagnostic laboratories requiring professional oversight by highly specialised expertise within host LHDs (for example the fertility service on the Randwick campus),
  - c. NSWHP and LHDs partner in the provision of clinical haematology laboratories. Many pathologists have dual clinical and laboratory roles (e.g. clinical and laboratory haematologists, clinical and laboratory immunologists and microbiologists with infectious diseases responsibilities), and as a consequence NSWHP employees are responsible for the provision of some clinical services on

behalf of LHDs. Equally, some LHD clinicians with dual Physician and Pathologist qualifications contribute to the supervision of NSWHP diagnostic laboratories. These arrangements are bespoke according to local needs and the capabilities employed at a local level, and

- d. Historical contracts entered into between LHDs (or predecessor Area Health Services) with private pathology providers, for example, all on-site pathology services at Moree and Narrabri Hospitals (currently provided by SydPath) and Port Macquarie Base Hospital (previously provided by Laverty Pathology but provided by NSWHP since 2022), and anatomical pathology services at Wollongong Hospital (previously provided in part by Southern IML but which are to be solely provided by NSW from 21 July 2024).
20. In relation to paragraph 19.d above, NSWHP assists LHDs to undertake future service reviews at the time of contract expiry or termination (including cost-benefit analyses and comparison of the private supply arrangements versus service provision by NSWHP laboratories) as part of its commissioning function. NSWHP is able to provide recent examples of such reviews, subject to commercial-in-confidence obligations.
  21. In relation to paragraph 16.b above (provision of services outside NSW Health), the Minister for Health has formally approved NSWHP undertaking pathology, forensic, analytical science and training and research services on behalf of certain types of entities outside the NSW Health system, including other government agencies, GPs and other private health services providers and universities, provided that the provision of such services does not materially and adversely impact the provision of services by NSWHP to the NSW Health system. A copy of the current approval dated 13 June 2019 is exhibited to this statement (Exhibit 172 NSW Health Tranche 2 Consolidated Exhibit List).
  22. In undertaking its functions, NSWHP's responsibilities under its Instrument of Establishment include:
    - a. Delivering better health and justice systems through an integrated, whole of state model of service,
    - b. Developing and implementing rigorous clinical and corporate governance frameworks that provide sustainable, responsive, efficient, high-quality pathology, and forensic and analytical science services,

- c. Operating services with transparency and clear accountabilities, ensuring organisational performance and financial management meet the requirements of the Health Secretary,
  - d. Providing teaching and training, and undertaking research and development relevant to the provision of pathology, forensic and analytical science services, and
  - e. Building strong relationships with NSW Health agencies, the Department of Family and Community Services and Justice, NSW Police and other key stakeholders and contributing to the achievement of NSW Government priorities.
23. NSWHP enters into an annual Statement of Service with the Ministry of Health which sets out additional requirements to be met by NSWHP in delivering its services and the Key Performance Indicators against which its performance will be assessed. A copy of the 2023-24 Statement of Service is exhibited to this statement (Exhibit 92 NSW Health Tranche 2 Consolidated Exhibit List). NSWHP's obligations under its Statement of Service include:
- a. Complying with the various Conditions of Subsidy set out in the *Financial Requirements and Conditions of Subsidy (Government Grants)*, a copy of which is exhibited to this statement (Exhibit 100 NSW Health Tranche 2 Consolidated Exhibit List),
  - b. Ensuring that services are provided in a manner consistent with all NSW Health policies, procedures and plans and statutory obligations,
  - c. Ensuring it meets accreditation requirements under the *Health Insurance Act 1973* in relation to pathology services and under ISO17025 and ISO15189 in relation to forensic and analytical science services (accreditation of NSWHP laboratories is required under the *Health Insurance Act 1973 (Cth)* in order for NSWHP to claim Medicare benefits in respect of private patients. It is also required pursuant to NSW Health Policy Directive PD2017\_005 *Accreditation of Pathology Laboratories in NSW Health*, a copy of which is exhibited to this statement (Exhibit 171 NSW Health Tranche 2 Consolidated Exhibit List), and
  - d. Ensuring services are delivered in a manner consistent with the *NSW Health Corporate Governance and Accountability Compendium* (Exhibit 25 NSW Health Tranche 2 Consolidated Exhibit List).

24. In addition to the services provided to NSW Health agencies, NSWHP provides services to privately referred inpatients and non-inpatients with arms-length referrals seen on public hospital campuses. Private insurers and Medicare are invoiced for these respective services. In addition, NSWHP operates 158 collection centres in the community – these offer diagnostic services to patients of general practitioners and specialists.
25. Revenue received from private patient testing performed by staff specialists employed by NSWHP is managed in accordance with the NSW Health Staff Specialists Determination and the NSW Health Policy Directive PD2017\_002 *Staff Specialists Rights of Private Practice Arrangements*, a copy of which is exhibited to this statement (Exhibit 88 NSW Health Tranche 2 Consolidated Exhibit List). This funding contributes to salaries of NSWHP Senior Medical Officers through their Rights of Private Practice (**ROPP**) election. Funding at the end of the year in these trusts are rolled over and supports the Training Education and Study Leave (**TESL**) and contribution to teaching, research and capital purchases where appropriate.
26. NSWHP pathology laboratories have a differentiated service offering as compared to private pathology providers. This includes:
  - a. The range of testing provided to support acute hospital services (over 1500 unique tests in our catalogue). This includes tests that are not on the Medicare Benefits Schedule (**MBS**) that the private sector does not provide,
  - b. The need to have a laboratory network that is closely integrated with public hospital campuses to meet clinically critical timeframes across the State,
  - c. The need for pathologists and scientists to be readily accessible for clinical consultation and participate in multidisciplinary team reviews,
  - d. The provision and management of point of care and related medical devices to support near patient testing,
  - e. The requirements to support teaching, training and research within a public hospital campus,
  - f. The provision of statewide reference laboratories and specialised public health testing requirements, and



- g. The provision of bespoke clinical support services such as perinatal post-mortems, non-coronial post-mortems, and biobank services.
- 27. Because of the scope and form of the services provided to LHDs and other NSW Health agencies by NSWHP, a direct comparison of NSWHP with private providers is difficult.
- 28. NSWHP participates in benchmarking of its services with other state public pathology providers. This benchmarking provides a market comparison against like providers of public pathology. This benchmarking is undertaken by Public Pathology Australia (**PPA**) and compares key performance metrics across each of the public pathology providers in Australia. The PPA Benchmarking program enables public pathology jurisdictions to benchmark workload and clinical indicators to investigate best practice options for laboratories. This enables jurisdictions to establish workforce profiles and better meet clinical indicators. The most recent studies indicate that NSWHP is operating at an optimal level of efficiency compared to peers (removing COVID testing impacts) for Anatomical Pathology and Microbiology.
- 29. NSWHP's Forensic and Analytical Science Service (**FASS**) provides a range of services to different agencies including the Ministry of Health, NSW Police Force, NSW Coroner, the Department of Communities and Justice, Roads and Maritime Service, Corrective Services and Community Corrections. The services include:
  - a. Forensic Medicine - NSWHP conducts post-mortem examinations at the direction of the NSW Coroner to help investigate the more than 6,000 unexplained or unexpected deaths each year in NSW and provides social work support for bereaved families. Forensic Medicine also provides a non-Coronial autopsy service for certain cases at the request of NSW Health clinicians.
  - b. Criminalistics - a forensic science that uses state-of-the-art laboratories, robotics systems and DNA analysis technologies to examine evidence from crime scenes and provide independent, objective analyses to the NSW Police Force to assist with investigations into criminal matters including homicide, sexual assault, arson and illicit drugs.
  - c. Forensic and environmental toxicology testing and evidence recovery services for matters including coronial cases, drug-affected individuals, drinking and environmental water and public health investigations.

30. FASS operates from Newcastle, North Ryde, Wollongong and a dedicated facility at Lidcombe which includes a Forensic Science Centre and the purpose-built Forensic Medicine and Coroner's Court Complex which is owned by HAC and managed by NSWHP in consultation with the Department of Communities and Justice.

#### **E. FUNDING OF NSWHP**

31. In addressing how NSWHP is funded, I have only included limited information concerning capital funding. Should detailed information on capital funding be required by the Inquiry I can provide a further statement on such funding.
32. NSWHP primarily operates on a cost recovery business model. Public patient charges are levied to LHDs and SHNs based on activity ordered. Revenue from private patients and corporate customers supports the provision of public pathology. Funding for FASS and other public health services are managed through a combination of block charges and activity recovery charges.

#### **NSW Government funding**

33. NSWHP is primarily funded from the service recovery charges with LHDs and SHNs (i.e. using an internal transfer pricing methodology), which is provided for in section 4.1c of the *Accounts and Audit Determination*. In the 2023/24 budget this equated to \$533m (75% of revenue). LHDs receive Activity Based Funding which includes a component for pathology testing. The Independent Health and Aged Care Pricing Authority calculates a National Weighted Activity Unit based on patient complexity that includes the pathology cost component.
34. Public patient charges are outlined in the annual Customer Charters entered into with each LHD and SHN. The majority of service charges are levied on a per test basis using the MBS as a rate card. This allows LHDs and SHNs to better understand test ordering activity and the cost within budgets at a local level. The price of pathology services outlined in the Customer Charters only changes year to year with agreement of the LHDs and SHNs. Typically, this will be where new or additional services are requested by LHDs and SHNs (e.g. additional collection/testing services to support opening of new hospital or clinic).
35. Each year, consideration will be given by Ministry of Health for additional funding to support LHD and SHN activity growth and cost indexation. Where growth funding is allocated, a related proportion will be included on the pathology expense line in the LHD's

and SHN's budget and recovered by NSWHP through activity based charges as and when activity increases are realised. If an LHD's and SHN's growth exceeds that of the funded amount, NSWHP provides a rebate back to the LHD and SHN so the cost of the activity is charged at a marginal cost (although this approach was placed on hold during COVID and is under review). Where rebates are provided to a LHD and SHN, the price of pathology for that LHD and SHN for the following financial year reduces, reflecting a higher volume of activity in the base budget for both services. This requires NSWHP to achieve productivity efficiencies to continue to provide the additional growth at a marginal cost.

36. Ministry of Health applies a weighted average CPI escalation each year to the pathology charges included in each LHD's and SHN's budget. Any CPI increase is included on the pathology line in LHD's and SHN's budgets and, in most instances, recovered by NSWHP through an increase in price for public testing. If the CPI increase is insufficient to meet the actual cost to NSWHP associated with inflation, then NSWHP bears the gap. In several instances NSWHP has not increased its prices by the full amount of the funded CPI increase, allowing the LHDs and SHNs to reinvest the savings in support of other services.
37. The cost of pathology services differs between LHDs and SHNs. LHDs have different service needs and complexity of hospitals within their footprints. These will result in differences in pathology support including for factors such as the hours of operation, range of tests provided, the mix of scientific and pathology staff required, support for specialised clinical services, operation of statewide reference laboratories, and level of support for research, teaching and training, and infection control. In addition, there are historical differences relating to the systems used and therefore how billing is applied in each LHD. NSWHP manages these differences by applying a LHD specific indexation against the MBS price list and in some cases separate block charges as agreed with the LHDs to meet their budget needs and governance requirements.
38. The indexation rate applied against the MBS for LHDs is reduced where productivity and cost savings are achieved by NSWHP.
39. NSWHP is currently developing a new pricing methodology for services with the intent to apply the model on a consistent statewide basis across LHDs and SHNs. This would replace the use of the MBS as a rate card with a more accurate cost driven pricing model at an orderable level. This will provide NSWHP and LHDs more accurate information on the cost of pathology at a unit level and therefore inform better planning and funding

considerations for new or changing service models. The new pricing methodology will be assessed against existing methodologies (via 'shadow pricing') over the 2024/25 financial year to identify any significant issues and budget implications, prior to implementation in future years

### **Funding of the Forensic Analytical Science Service**

40. The FASS division of NSWHP operates under a different funding model to the pathology divisions. FASS is primarily funded under two mechanisms. The Criminalistics division that performs NSW Police testing is effectively funded by recharging actual costs to NSW Police. The remainder of the FASS testing operations are funded by Ministry of Health block funding (\$33m for the 2023/24 financial year) and a small amount of external testing revenue (\$6m budgeted for the 2023/24 financial year). The total budgeted recharges to NSW Police for the 2023/24 financial year are \$22m. The FASS operational expense budget constitutes 8.3% of the overall NSWHP operational expense budget for the 2023/24 financial year.

### **Subsidy funding**

41. In addition to the \$33m subsidy funding NSWHP receives from the Ministry of Health to operate FASS, NSWHP receives subsidy funding from the Ministry of Health for other block funded services including the operation of the NSW Health Statewide Biobank, perinatal post-mortem service and public health services (including essential outbreak surveillance monitoring in the community). For the 2023/24 financial year the total budgeted subsidy is \$47m.
42. The Ministry of Health subsidisation of NSWHP's operational and capital expenses has fluctuated over the past 11 years. However, following the introduction of annual efficiency targets in 2019, there has been a cumulative reduction of \$63 million in NSWHP's annual subsidy. A summary of NSWHP's cumulative efficiency targets from the Ministry of Health is as follows:

Amounts in '000				
Fin Year	MoH Expenditure Targets	MoH Revenue Targets	Total MoH Targets	Cumulative MoH Targets
FY2018/2019	414,003	4,507,617	4,921,620	4,921,620
FY2019/2020	13,428,875	-	13,428,875	18,350,495
FY2020/2021	7,293,944	11,931,376	19,225,320	37,575,815
FY2021/2022	12,786,672	259,087	13,045,759	50,621,574
FY2022/2023	1,833,647	1,214,442	3,048,089	53,669,663
FY2023/2024	7,925,366	1,804,863	9,730,229	63,399,892
<b>TOTAL</b>	<b>43,682,507</b>	<b>19,717,385</b>	<b>63,399,892</b>	

### Private and other funding

43. NSWHP is also funded through Medicare rebates for private inpatient and outpatient work.
44. NSWHP operates community and hospital-based collection centres across NSW, to provide collection services for non-admitted patients. Eligible privately referred outpatient testing from these facilities is bulk billed to Medicare, while some pathology testing not prescribed in the MBS is billed to the patient.
45. A share of claims paid to NSWHP for private inpatient and outpatient pathology testing is provided to staff specialists as a salary supplementation. This process is governed by the ROPP entitlements across NSWHP and the NSW Health Staff Specialists Determination, to recognise the component of private patient work performed by staff specialists. This salary supplement reduces the requirement on the operating budget of NSWHP to provide full salary support. ROPP arrangements are discussed further in paragraph 84 below.
46. Where an inpatient elects to be treated as a private patient in a public hospital setting the pathology testing associated with their stay is able to be claimed via Medicare (75%) and the patient's health fund (25%). Under the NSW Health PD2010\_048 policy, *Pathology Services provided to Private Inpatients in Public Hospitals Policy Directive*, pathology services for private inpatients in NSW public hospitals must, except in the circumstances set out in that policy, be supplied by NSW Health public pathology services, which are now primarily provided by NSWHP. As indicated on the NSW Health website, patients who elect to be treated as a private patient when admitted to NSW public hospitals will not have any out of pocket expenses in respect of pathology testing

during their hospital stay, and so NSWHP charges the LHDs for any pathology charges that aren't able to be claimed under the MBS.

47. NSWHP levies an infrastructure fee on the private revenue generated by staff specialists employed by NSWHP through private inpatient and outpatient testing. The private revenue infrastructure fee budget for NSWHP is \$133m for the 2023/24 financial year. This represents 19% of the total revenue budget for NSWHP. Infrastructure fees are charged in accordance with the PD2021\_020 *Infrastructure Charges for Visiting Medical Officers and Salaried Medical Practitioners* (Exhibit 170 NSW Health Tranche 2 Consolidated Exhibit List).
48. NSWHP also generates revenue through commercial arrangements such as undertaking work for private pathology laboratories and any other customers external to the NSW Health system, including private hospitals, universities, and other government agencies. NSWHP's budget for other user charges for the 2023/24 financial year is \$38m, which represents 5% of the total revenue budget.
49. Capital funding for NSWHP is provided by NSW Health as well as from an equipment replacement reserve that NSWHP has invested in to fund its capital requirements.
50. Finally, NSWHP has received approximately \$3.637 million in Commonwealth Government grant funding since the 2014/15 financial year, with the primary funding agency being the Department of Health and Ageing (for programs such as Pneumococcal Disease Surveillance).

## **F. NSWHP'S ROLE AND FUNCTIONS IN RELATION TO PROCUREMENT**

51. 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”.

52. The definition of contracting at subparagraph c. above is interpreted in this statement to include contract management. The provision of services by NSWHP to other NSW Health agencies does not constitute procurement as it does not involve selection of or contracting with a supplier. Accordingly, this section deals specifically with NSWHP’s involvement in the procurement of goods and services, and not the provision or commissioning of pathology services for NSW Health agencies.
53. NSWHP does not have any procurement function in relation to LHDs and SHNs but is required to comply with NSW Health policies, procedures and guidelines relating to the procurement of goods and services, in undertaking its own procurement, including *PD2023\_028 – NSW Health Procurement (Goods and Services) Policy* and *NSW Health Procurement Procedures (Goods and Services) June 2022 Version 1* (collectively the ***NSW Health Procurement Policy and Procedures***), copies of which are exhibited to this statement (Exhibits 13 and 14 respectively NSW Health Tranche 2 Consolidated Exhibit List). NSWHP also follows the overarching whole of government procurement policies, including:
  - a. The *NSW Government Procurement Policy Framework*, a copy of which is exhibited to this statement (Exhibit 16 NSW Health Tranche 2 Consolidated Exhibit List),
  - b. The *Small and Medium Enterprise and Regional Procurement Policy* a copy of which is exhibited to this statement (Exhibit 18 NSW Health Tranche 2 Consolidated Exhibit List),
  - c. The *Aboriginal Procurement Policy*, a copy of which is exhibited to this statement (Exhibit 21 NSW Health Tranche 2 Consolidated Exhibit List), and
  - d. The *ICT Purchasing Framework* a copy of which is exhibited to this statement (Exhibit 80 NSW Health Tranche 2 Consolidated Exhibit List).
54. The NSWHP local policy documents that are relevant to procurement are:
  - a. *Emergency Procurements Procedure* NSWHP\_PR\_047, a copy of which is exhibited to this statement (Exhibit 91 NSW Health Tranche 2 Consolidated Exhibit List) which details the requirements for obtaining internal endorsement before a request for authorisation of an emergency procurement is made to the Secretary,

NSW Health in accordance with the NSW Health *Procurement (Goods and Services) Policy* PD2023\_028, and

- b. the NSWHP *Delegations Manual* NSWHP\_CG\_001 (Exhibit 83 NSW Health Tranche 2 Consolidated Exhibit List), which reiterates the requirements for NSWHP decision-makers to comply with NSW Government and NSW Health procurement-related policies and approval processes.
55. The extent of autonomy able to be exercised by NSWHP in undertaking procurement, turns on the value and nature of the procurement. NSWHP utilises Whole of Government and Whole of Health contracts and pre-qualification schemes where available, otherwise undertakes procurement itself or, depending on the value of the procurement, refers the proposed procurement to HealthShare or eHealth.
56. In accordance with the *NSW Health Procurement Policy and Procedures*, in undertaking procurement (other than for professional services and certain exempt procurements), NSWHP:
- a. Can procure autonomously under \$10,000 (excluding ICT),
  - b. Must use Whole of Government or Whole of Health contracts and pre-qualification schemes for obtaining goods and services over \$10,000 (or of any value for ICT services), where available, in accordance with NSW Procurement Board Direction *Approved Procurement Arrangements* PBD2021-04, a copy of which is exhibited to this statement (Exhibit 33 NSW Health Tranche 2 Consolidated Exhibit List),
  - c. Must obtain one written quote, for procurement of goods and services outside existing arrangements and valued at between \$10,000 and \$30,000,
  - d. For procurement of goods and services outside existing arrangements and over \$30,000, NSWHP must use a Risk Assessment Tool, available through the NSW Health Procurement Portal, to determine the procurement level and comply with the applicable procedures for the procurement level,
  - e. For ICT procurement outside of existing arrangements and valued at \$150,000 or less, must use the ICT Service Scheme, a copy of which is exhibited to this statement (Exhibit 34 NSW Health Tranche 2 Consolidated Exhibit List),
  - f. For ICT procurement outside of existing procurement arrangements and valued at more than \$150,000, refer the proposed procurement to eHealth,





- v. Goods and services spend / Activity.
- e. Provide quarterly reports on local resources and training to uplift procurement capability of non-procurement staff and procurement staff attendance at Procurement Academy training,
- f. Provide quarterly reports on compliance with:
  - i. Goods and services procurements and ICT procurements valued over \$30,000 and outside existing arrangements being tested against the Risk Assessment Tool,
  - ii. Disclosure requirements for contracts (including purchase orders) valued over \$150,000,
  - iii. Referral of ICT procurements valued over \$150,000 outside existing arrangements to eHealth and non-ICT procurement outside existing arrangements that are valued over \$250,000 to HealthShare to conduct the procurement (unless an exemption applies), and
  - iv. Use of the ICT Purchasing Framework contract templates (Core & contracts; Master ICT Agreement/ICT Agreement contracting framework) engaging suppliers on the ICT Services Scheme (where relevant) unless an exemption applies.

58. NSWHP's procurement budget is \$277m for the 2023-24 financial year. For the 2022-23 financial year, 55% of goods and services were procured under Whole of Government and Whole of Health contracts and local or pathology contracts or pre-qualification schemes.

**G. SHARED SERVICES OBTAINED FROM HEALTHSHARE AND EHEALTH**

59. NSWHP receives shared services delivered by HealthShare (accounts payable, accounts receivable, payroll, purchasing, procurement and supply chain operations services) and eHealth. NSWHP is required to obtain these services from HealthShare and eHealth in accordance with s 4.1 of *Accounts and Audit Determination*. NSWHP's budget for these shared services for the 2023-24 financial year is \$20.3m, with:

- a. \$7.1m of services obtained from HealthShare, and

- b. \$13.2m of services (including some third-party ICT goods and services licensed via eHealth) obtained from eHealth.

#### **H. ADVANTAGES OF A STATEWIDE PATHOLOGY AND FORENSICS SERVICE**

60. NSWHP laboratories operate as a single statewide integrated service delivery model to support the delivery of safe and high quality clinical and scientific services. It is important to note that pathology is a clinical diagnostic service that is essential for timely and effective clinical decision making and streamlined care pathways and experience for patients (both in hospitals and in community settings). Pathology achieves this through its underpinning logistics capability that coordinates the movement of specimens and their processing through laboratory technology with analysis provided to scientific and pathologists for interpretation and the distribution of clinical information and results to treating clinicians. This is overseen and enabled by highly skilled scientific and pathologist professionals. The nature of this logistics backbone makes pathology suitable for operating as an integrated service across multiple sites, leveraging coordination and scale economies. As an integrated operating model NSWHP has and will continue to benefit from advancement of science and technology including in the areas of digitisation, robotics, automation, miniaturisation of point of care, machine learning and artificial intelligence to improve the productivity and cost effectiveness of delivering services.
61. The advantages of a single statewide pathology delivery model have been demonstrated to include:
  - a. Improved planning, operational delivery and governance of laboratory services across NSW. This allows local clinical care to be supported with access to timely diagnostic advice whether it is provided onsite or offsite,
  - b. Enhanced laboratory operations through standardisation of protocols, testing equipment, accreditation and quality control practices and workforce training,
  - c. An enhanced ability to maximise economies of scale in test production including better utilisation of high-cost technology and improved labour productivity,
  - d. An enhanced ability to consolidate high-cost low volume testing into centres of excellence and increased agility to support public health surveillance and response including for pandemic outbreaks,

- e. Improved purchasing power in procurement of equipment and consumables,
- f. An enhanced ability to support training and development of pathologist and scientists over greater footprint and retain valuable connections into the public hospital system,
- g. An enhanced ability to develop, pilot and deploy at scale new testing protocols and new technologies. Example of this includes use of point of care testing that improve real-time care and outcomes particularly in rural and regional communities,
- h. Consolidation of service data allows NSW Health to better understand the pathology ordering volumes and activity across the system, and consequently the impact on clinical workflows and where there maybe unwarranted variation. The data analysis supports targeted education to reduce unnecessary or low value ordering,
- i. An enhanced ability to target investment in research and development in an efficient manner,
- j. Better transparency and ability to monitor and benchmark laboratory service performance across the state including across domains of operations, finance, quality and safety, workforce and patient safety and satisfaction,
- k. Improved clinical and corporate governance oversight. This has included introduction of workforce programs to support safety and wellbeing supporting lower sick leave and workers compensation rates,
- l. Improved private revenue opportunities and collection through introduction of a statewide billing platform and improved debt management,
- m. Improved business continuity planning and risk management,
- n. Improved statewide transport and logistics optimisation including introduction of better specimen tracking,
- o. Statewide discipline-based clinical engagement forums that ensure timely reviews of emerging science and technology, currency of practice and implementation of improved statewide standards, policies, procedures and processes. These clinical communities of practice were immensely valuable during the COVID-19 pandemic with collaboration and decision making across NSWHP, LHDs, Ministry of Health

Public Health and other health pillars, and the model continues to be utilised by NSWHP to progress further standardisation initiatives as part of the statewide Laboratory Information Management System program and instrument rollouts, and

- p. Enabling a strategic statewide approach to ongoing service reform and improvement. NSWHP is currently developing a comprehensive program of work to design future services and laboratories that: support new models of care (including access to high quality, timely pathology results regardless of location); maximise the use of digital technologies to ensure efficiency, capacity and agility to meet future demand; and promote financial and environmental sustainability by reducing waste and unnecessary testing. The program of work aligns with the Comprehensive Expenditure Review program and Ministry of Health Efficiency Improvement Initiatives and will be guided by NSWHP's new strategic plan that will commence in 2025. A more detailed description of this work is provided in paragraph 92 below).

#### **Investing in statewide tenders**

- 62. NSWHP has undertaken statewide laboratory instrument and consumable tenders as part of our ongoing reform and improvement strategies since commencement. These consolidated procurement activities are designed to deliver cost efficiencies using our statewide purchasing scale while also driving harmonisation of diagnostic equipment platforms allowing us to benefit from standardisation of workflows and training of staff.
- 63. As at 2023/24, our statewide laboratory equipment tenders have generated over \$8m in recurrent savings.
- 64. An example of one tender strategy is the Transfusion Solution. Prior to tendering, 65 laboratories were using Transfusion testing solutions from 3 of the major suppliers in the Australian market. This mix of suppliers meant patient antibodies and other immunohaematological markers were resulted differently depending on which site the testing was performed, with the possibility of clinical uncertainty and conflicting results. The equipment was close to end of life, and there appeared to be pricing variations. The outcome of the Tender resulted in a sole supplier being awarded the contract, based on technical capability, training, customer support, best fit for the organisation and optimal financial offer. Over an 18-month period the solution was rolled out to all sites, recording a saving of \$780k during the reportable period with an expected \$3.8m over the life of the contract.

**Productivity and efficiency increases since NSWHP's inception**

65. In 2022/23, NSWHP processed 11.1 million pathology requests (up 24% since 2015/16), the result of population growth, ageing and a greater proportion of more complex conditions (this excludes the FASS, which is a different kind of service. It also excludes the direct effects of COVID). This was done with a full-time equivalent workforce of 3,950 people in 2022/23 (up 10.5% since 2015/16, this allocates head office staff between Health Pathology and FASS based on the relative sizes of those two parts of NSWHP).
66. As a result, NSWHP delivered an increase in productivity (request activity per hours worked) of more than 22% over this period, with the average improvement in regional and rural areas being 27%. This does not take account of productivity gains in the first three years following NSWHP's establishment, for which comparable data is not available.
67. While COVID testing and associated FTE have been removed from these numbers, it is evident from the drop in activity in 2019/20 that the pandemic had a major impact on productivity. Moreover, since 'activity' does not account for complexity, and since the complexity of some tests has increased over time, this also underestimates the actual improvement.
68. NSWHP levies annual charges to each LHD based on reported activity. Over the period 2015/16 to 2022/23, charges declined 14% in real terms across the state as a whole. regional and rural charges declined by 19%. The savings passed on to LHDs since the establishment of NSWHP have been somewhat greater than this, since this does not include the first three years of operation, when prices were fixed in real terms.
69. COVID testing has been removed from the activity numbers, but COVID also had an impact on other activity, which decreased by 2% in 2019/20 and by 1.4% in 2021/22, after consistent increases in the previous years. In the absence of the pandemic, the savings passed on to LHDs would have been significantly more.
70. The ratio of public and private patients has also changed in the period since 2015, due to factors beyond the control of NSWHP. If these changes had not occurred, charges to LHDs would have fallen even further.
71. Productivity savings were reinvested in a variety of other ways – to repay an advance of \$3m from the Ministry of Health to establish corporate support functions when NSWHP

was originally created, and by way of working capital on a variety of new initiatives over time.

72. Over the seven years to 2022/23, NSWHP reduced spending on goods and services through better procurement by 14% in real terms. The cost of consumables was reduced from 2013/14, as NSWHP bought back equipment leasing contracts that were highly unfavourable to the organisation.
73. Savings to the health system from productivity and procurement efficiency is estimated at \$256m from 2015/16 to 2022/23. This is calculated based on the difference between actual charges and the application of full CPI increase.

### **Partnerships**

74. NSWHP partners across the health system to enable the delivery of safe, high-quality care for the people of NSW. As a statewide service that touches every LHD and SHN, NSWHP is a critical enabler of emerging clinical and scientific practice. This includes adoption of new innovative technologies on a statewide scale. It:
  - a. Has a dedicated statewide Public Health Pathology Service to provide specialist, timely advice and testing for NSW Health that is critical to disease and outbreak detection, planning and responding to emerging diseases and pandemics, and research and education. This is supported by NSWHP's expert pathogen genomics service enabling rapid tracing of outbreaks in hospitals and the community. NSWHP also operates the only PC4 containment laboratory in NSW, conducting safe investigations of deadly pathogens such as Ebola and SARS-2-CoV.
  - b. Offers an exome sequencing service and performs diagnostic testing for inherited diseases and cancer predisposition that is closely integrated with the clinical genetics services they support. Cancer genomics testing capability to support accurate diagnosis of cancers and ensure access to targeted therapeutics is being further enhanced, and the service is participating in a landmark national study (PrOSPeCT) to identify opportunities for patients with advanced and life-threatening cancers to access cutting edge clinical trials.
  - c. Manages and operates a statewide point-of-care testing (**POCT**) service, with more than 1100 devices in 190 health services across NSW. POCT uses mobile devices to analyse pathology samples, like blood and finger prick tests, to provide on-the-spot results at a patient's hospital bedside or in the community (e.g. in urgent care

centres or a patient's home) for conditions such as heart disease, sepsis, kidney damage, COVID-19, and diabetes. Samples are processed instantly, rather than transported to a lab for testing, delivering accurate results in minutes to inform clinical decision-making and improve patient triage, treatment and outcomes. Results are transmitted to the relevant hospital electronic medical record to ensure continuity of care and a comprehensive cumulative record. Access to POCT for regional and remote communities is particularly important, especially for patients requiring urgent diagnostic care and triage decisions e.g. patients who are suspected of having a heart attack or sepsis infection. POCT devices augment laboratory services after hours in rural and regional locations with a suite of tests tailored to the emergency setting. POCT equipment allows 24/7 access to critical testing in areas where staffing.

- d. As part of its POCT service, NSWHP has developed Internet of Things capabilities and technology to secure digital connection via the Telstra mobile network of POCT devices with the electronic medical record. Initially developed to support rural applications, this capability is now utilised as a standard connection route across all LHDs providing flexible connection options for remote, mobile or rapid deployment of equipment. The capabilities also form part of our disaster management strategy, allowing us to move quickly to provide support in any location we are needed.
- e. FASS provides expert scientific analysis to NSW Health to inform community alerts about harmful substances and to support the treatment of critically ill patients presenting to emergency departments.
- f. Delivers training and education for the future medical and scientific workforce including specialist medical and scientific training programs in all pathology specialties (Anatomical Pathology, Chemical Pathology, Forensics, Haematology, Immunology, Genetic Pathology and Microbiology). In the 2022/23 clinical year, NSWHP provided a total of 137 pathologist trainee placements and 28 scientific and technical trainee placements across its laboratories.
- g. Has strong partnerships with TAFE and universities, and regularly provides advice regarding curricula and offers student placements and traineeships (110 placements offered in 2022/23). Many senior NSWHP senior staff hold conjoint appointments with universities and contribute to teaching and research conducted by these partner organisations.



- h. The presence of NSWHP laboratories in regional environments creates scientific and health employment opportunities for employees in their home community. 30% of NSWHP staff live in regional communities.
- i. Operates the NSW Health Statewide Biobank on behalf of NSW Health's Office of Health and Medical Research Institute, which is a state-of-the-art storage facility for biospecimens – tissue samples, tumour cells, DNA and blood samples. This supports translational research to help improve the health, safety and lives of our communities.
- j. Supports clinical and other research programs of its LHD and forensic partners and collaborates with their researchers and with those of partner universities and medical and scientific research institutes.

### **COVID-19 response**

- 75. To assist the NSW Health system to manage the COVID-19 response and related supply chain issues NSWHP undertook the following actions:
  - a. Developing the first diagnostic PCR tests in Australia on 25 January 2020 and performed 7.8 million PCR tests between January 2020 and August 2022, including on behalf of private providers during surge periods,
  - b. Growing the SARS-CoV-2 virus in its PC4 containment laboratory from infected patients' samples and distributed this across Australia as the reference material for assay validation studies,
  - c. Performing rapid real-time whole genome sequencing for cases informing the cluster, outbreak and virus variant detection and evolution across NSW,
  - d. Quickly adapting its POCT network to accommodate rapid testing platforms so contact tracing and patient management could be expedited,
  - e. Developing and initiating the first direct to patient COVID-19 SMS notification service in April 2020 and created the digital patient results portal and the vaccination and COVID-19 status 'smart card',
  - f. Performing 1.04 million COVID-19 saliva screening tests for hotel quarantine, airport and transport workers between December 2020 and December 2021,

- g. Establishing the most comprehensive and specific COVID-19 serology assay in Australia that informed the progress and timeline of confronting outbreaks, such as the Ruby Princess and Dorothy Henderson Aged Care, and indicated the viability of vaccine- and infection-induced immune response,
- h. Supporting testing of 15,000 HSC students whose access to exams appeared compromised by the large Western Sydney outbreak, and
- i. Providing rapid COVID-19 testing to regional hospitals improving time to results for clinicians and patients and provided testing for remote NSW Aboriginal communities.

### **NSWHP's role in the industry and market**

76. NSWHP delivers value not just to the system but is also critical to the industry and market. It:
- a. Operates with strong strategic alignment with its partners across the public health and justice systems, and regularly collaborates and reinvest savings in the broader system,
  - b. Supports a diverse, skilled and dedicated workforce including over 30 per cent of whom live in regional NSW,
  - c. Helps ensure Australia maintains a competitive marketplace for pathology, particularly given consolidation in the private sector. Note that 70% of private pathology activity is undertaken by 3 providers across Australia,
  - d. Provides access to highly complex and/or low volume diagnostics essential to the health and safety of patients, which it often performs on behalf of private pathology providers for a recovery fee,
  - e. Delivers critical onsite 24/7 support for Emergency Departments, Intensive Care Units and specialised complex care functions such as neonatal transfusion,
  - f. Has the capabilities to develop highly specialised assays in response to emerging public health threats such as SAR-CoV-2 and M-pox,
  - g. Is committed to ongoing investment in research, innovation and new and novel testing that can also be shared with public pathology providers across Australia,

- h. Collaborates with and reports to internationally recognised health and forensic organisations such as the World Health Organisation and the International Association of Forensic Sciences, and
- i. Is a leader in education and training, including the delivery of Australia's largest anatomical pathology training program for which there is a global workforce shortage.

## **I. SERVICE DELIVERY CHALLENGES**

### **MBS Patient Episode Initiation**

- 77. In relation to private inpatients, NSWHP is significantly disadvantaged by allocation of a lower MBS Patient Episode Initiation (**PEI**) fee compared to our private pathology counterparts for the same service.
- 78. PEI fees range from \$5.95 to \$17.60 for the private sector but are a nominal \$2.40 for every public pathology episode. PEI fees cover the collection costs of pathology specimens. NSWHP claims approximately 3 million PEI item numbers per year, based on 2022/23 activity.
- 79. Public pathology providers receive a nominal \$1.60 in Bulk Billing Incentive compared to between \$2.00 and \$4.00 for private pathology providers. This fee is tied to the PEI.
- 80. NSWHP has over 158 collection services as of 12 January 2024 right across the state, including in rural and remote locations where private providers are less willing to service because of increased courier costs and recruitment challenges and low population densities. There is a growing demand for home collections to streamline patient care in metropolitan hospitals.
- 81. MBS Bulk Billing and PEI parity is important to ensure healthy market competition, increased patient choice, improved continuity of care and to provide bulk billed services in areas of need.
- 82. In its Budget Submission 2022/21, Public Pathology Australia noted the introduction of funding parity between pathology providers for PEI and Bulk Billing would require an investment of approximately \$20 million per annum. In addition to this, NSWHP incurs intrinsically higher operational costs for the provision of rapid 24/7 turnaround for acute care plus highly specialised services such as cellular therapies.

83. In relation to the COVID-19 pandemic, from 1 January 2022 until 1 January 2024, there was significant disparity in funding for COVID-19 PCR testing between public and private pathology providers, with private providers able to claim \$100 per test, while public providers could claim only \$50 per test. This positioned the private providers with a market advantage given the high volume of tests performed. Since 1 January 2024, private and public COVID testing has been covered under the same MBS item.

#### **Other challenges**

84. Other challenges that may impede the service delivery of NSWHP include:
- a. Workforce supply challenges in key medical, scientific and collection staff disciplines, especially in rural and regional areas. Of particular concern is the shortages of Anatomical, Forensic and Genetic Pathologists,
  - b. Pathology is a technology heavy service and requires regular investment in new digital, scientific and logistics capability to deliver service performance enhancements and contemporary diagnostic capabilities to the community. The funding of capital required to invest in new emerging technologies remains a challenge. Delayed involvement and/or lack of priority access to capital for the infrastructure requirements of laboratories in existing or new hospital developments. This means that pathology laboratories are not always being refurbished in a timely way to support new technologies or contemporary workplaces to attract and retain staff,
  - c. The operation of ROPP within NSWHP is challenging because of the inequity it creates in remuneration between pathologists of different clinical disciplines in different geographies. ROPP revenues generated from private patient testing are made available for the pathologist to draw a salary supplementation from and to fund TESL. The amount of private patient revenue available for pathologists will be different depending on the clinical discipline (e.g. the MBS rate for chemistry testing is more significant than that for immunology testing) and the rates of private health insurance in different geographies (e.g. some metro centres have higher rates compared to rural communities). These factors are largely unable to be influenced by the pathologists. The result of these variabilities means that some pathologists will have significantly different rates of remuneration compared to peers despite undertaking the same work and with the same skills, experience and qualifications.

This disparity creates difficulties in the recruitment and retention of pathologists in key disciplines and geographies.

Further, due to these differences in disciplines and geographies, the balances that remain in ROPP accounts after salary supplementation entitlements have been paid are also inequitably distributed across the State in support of TESL, equipment and research.

- d. Perceptions from some LHDs, SHNs or individual clinicians that local decision-making and efficiencies are disadvantaged by a statewide service delivery model.
85. In relation to subparagraph 84.d, it is important to note that, due to the unique nature of public pathology, there are no direct competitors available to acquire the same scope of services or provide comparative market testing. As described in paragraph 20, target market reviews have been conducted and in a number of cases the LHDs have supported the transition of pathology services that were historically outsourced from an external private provider to NSWHP to gain integration and cost benefits.
  86. Individual LHDs may consider the opportunity to outsource a subset of pathology services to the private sector in an attempt to achieve more favourable terms such as highly automated processing of higher volume, lower complexity tests. However, NSWHP believes that any benefits in terms of potentially lower cost-per-test would be offset by the reduction in scale economies, the loss of integration benefits and the concentration of potentially unsustainable high-cost services (i.e. specialised testing) to be retained within the public sector for provision due to limited availability of these services in the private sector (refer to paragraph 26). This disaggregation would also impact the ability of NSWHP to attract and retain scientists and pathologists across disciplines and in regional and rural geographies, and also creates risks associated with service disruptions to hospitals if the private provider withdraws from the contract.
  87. LHDs will always hold NSWHP to account for the cost and effectiveness of services. NSWHP works closely with LHDs on demonstrating the performance to required standards through regular performance meetings supported by detailed data analytics. In addition, NSWHP collaborates with LHDs on programs that inform how their clinicians best use pathology services to minimise duplication or waste in activity they order. This relies on NSWHP's statewide reach and data analytics capabilities to provide insights to the LHDs on inexplicable increases in pathology ordering.

88. NSWHP also benchmarks the cost of pathology tests between hospitals to inform operational improvement activities. The performance of NSWHP laboratories is also benchmarked with other public pathology laboratories across Australia through the Public Pathology Australia Benchmarking program.

### **Supply chain disruptions**

89. NSWHP encountered significant supply chain issues during the COVID-19 pandemic, including:
- a. Difficulties in obtaining consumables, testing and ICT equipment due to restrictions in local manufacture and limited delivery into Australia. NSWHP's key suppliers attributed their supply chain issues to raw material shortages, international freight and shipping issues, and immense demand for these goods both nationally and internationally.
  - b. Workforce supply issues due to managing the increased workload for COVID-19 testing whilst simultaneously managing furloughed workers, high levels of staff fatigue and inability to recruit to vacant positions.
90. NSWHP was able to respond to limited availability of essential products and services by:
- a. Implementing a single point of contact for the ordering of high demand, low availability consumables to ensure stock was not depleted from our suppliers and was evenly distributed across the state in line with testing numbers. The single point of contact also worked closely with our suppliers to assist with forecasting and direct allocation and deliveries to NSWHP's laboratories.
  - b. Working with new local manufacturers of consumables (such as respiratory swabs).

## **J. NSWHP'S FUTURE PLANS AND OPPORTUNITIES**

91. NSWHP is implementing a range of strategies and initiatives to further improve the delivery of clinically relevant high quality pathology services including ways to combat escalating costs of care across the system, reduce wastage, minimise overservicing and further improve financial and operational management to create and deliver future-ready services. This includes:

- a. A new Strategic Plan and Clinical Services Plan to replace the existing NSWHP Strategic Plan, Towards 2025, and Clinical Services Plan. These plans will provide a blueprint for the co-design of NSWHP's laboratories and future pathology service models towards 2035, taking into account innovations in science, data and technology; workforce and financial pressures; modern capital and digital infrastructure; evolving clinician and community needs and expectations and improved sustainability. They will build on NSWHP's current plans and initiatives regarding digital connectivity and off-site processing that will increase the capacity for adoption of new technologies, maximise clinical impact and support, broaden economic health benefits by reducing unnecessary patient transfers and testing, support faster diagnosis and treatment, and minimise patient length of stay.
- b. LHD partnerships to co-design new models of care that transform the delivery of healthcare and meet new and future patient needs by leveraging emerging digital health technology, real-time data analytics and generative artificial intelligence.
- c. Improving data analytics and benchmarking, including NSWHP's Atlas of Variation, which provides comparative pathology ordering data in Emergency Departments and Intensive Care Units to form the basis of understanding and reducing unwarranted variation in pathology utilisation.
- d. NSWHP is working with LHD clinicians to develop appropriate care sets, reduce the duplication of test ordering within inappropriate time intervals, and to build decision-support into electronic medical records as pop-ups at the time of ordering, and to ensure that these tools are based on credible evidence-based guidance. NSWHP will assist LHD clinicians in the clinically appropriate use of "add-ons" (additional tests ordered from a single patient episode) to minimise inappropriate "scattergun" ordering and to reduce the number of venepunctures to which patients are exposed. NSWHP is also working on a JMO training program to inform the appropriate use of pathology as part of its pathology stewardship program and is working with research collaborators at Macquarie University to examine the effectiveness of the implementation of these strategies.
- e. Developing and implementing a single statewide digital quality management information system to drive greater efficiencies and improvements in safety and quality for our workforce, customers and communities including patients.

- f. Expanding NSWHP's support of virtual care services working with LHDs and other health providers to support the shift to the provision of safe, equitable, quality care in the community across the state, as NSWHP already demonstrated through its response to COVID-19.
- g. Continuing to expand POCT platforms to provide timely pathology results to communities without access to a local laboratory, or to LHDs in a more cost-effective manner.
- h. Co-design and delivery of a statewide digital e-reporting solution to deliver more timely, reliable pathology results and reports to referring clinicians providing care in the community, including GPs.
- i. Further leveraging NSWHP's digital expertise to ensure clinicians and, in future, patients have timely access to results when they need them, and to enhance communication of high risk and critical results using NSWHP's PathWorks app.
- j. Completing implementation of a new centralised digital statewide billing service replacing four legacy systems to standardise and improve timeliness, compliance, customer experience and reporting.
- k. Further enhancing the effectiveness and efficiency our statewide logistics network including through trial and adoption of emerging technology such as drones to transport pathology samples, consumables, blood and blood products across rural and remote areas of NSW.
- l. NSWHP is also working towards a digital haematology morphology service and is currently piloting this technology with a view to complementing an existing capability for remote reporting of microbiology culture.
- m. NSWHP is currently developing the business case for the introduction of digital anatomical pathology. This will enable the reporting of this highly specialised service to be conducted remotely from the patient treatment location. The introduction of this technology will enable AP slides to be viewed and reported across the state enabling a better utilisation of this highly specialised workforce that is under critical shortages in Australia. These technologies, together with NSWHP POCT services, will underpin equity of access to diagnostic services for patients in regional and rural NSW.



- n. NSWHP has prepared an Investment Decision Document (**IDD**) for the development of a new laboratory precinct at Lidcombe. This would replace the ageing infrastructure of the FASS service that presents both financial and WHS risks for NSWHP. In addition, this IDD considers the development of a centralised offsite processing laboratory for pathology specimens that could be integrated with FASS and reduce the cost of operation and increase productivity of sample processing.
- o. The introduction of automated track systems to integrate sample loading, processing and storage in our larger laboratories and the rollout of chemistry analysers with an expanded repertoire of tests that is currently underway will reduce turnaround times and increase capability for on-site testing in regional laboratories.
- p. Streamlined support for research and clinical trials that allows NSWHP to partner in the development of translational medicine by providing access to its extensive body of clinical expertise, data and specimens.

#### **Standardisation of single LIMS and QMIS systems**

- 92. NSWHP is currently leading a program of work to build and implement a single statewide laboratory information management system (**SWLIMS**) as part of NSW Health's Single Digital Patient Record in partnership with eHealth, to replace the existing fragmented nine electronic medical record systems, five patient administration systems and four pathology LIMS. NSWHP is committed to investing \$148 million (including \$81 million in NSW Treasury funding) in the design, build and implementation of the SWLIMS via its Capital Reserves fund.
- 93. The implementation of the SWLIMS is anticipated to result in significant benefits for patients, clinicians, NSWHP workforce and service provision as well as the broader health system.
- 94. The benefits of the SWLIMS include:
  - a. Reduction in unnecessary health interventions due to clinically unwarranted duplication of pathology tests, which will improve patient care and experience and result in financial benefits to the overall NSW Health.

- b. Staffing efficiencies associated with the operation of a single LIMS as opposed to the current four disparate LIMS. This will allow either the redeployment of staff or redefinition of roles and responsibilities and provide productivity capacity to account for the continued trend of workload increases.
- c. Rationalisation of LIMS support services.
- d. Qualitative or intangible benefits such as improved ability to benchmark across the state, reduced training requirements, optimisation of processes and services, and improved efficiencies.
- e. Improved workforce engagement, morale and retention, wellbeing, flexibility and mobility, flowing from increased time spent on clinical work rather than administrative tasks.
- f. Financial benefits, including:
  - i. Potential for increased revenue form new markets such specialist practices and general practitioners as a result of increased efficiencies and capability to deliver integrated services electronically as a result of implementing a standardised system and processes.
  - ii. Additional unquantified benefits derived from increased billing accuracy.
- g. Economic benefits including:
  - i. Digital capacity to respond to disease outbreaks,
  - ii. Improved usage of blood products,
  - iii. A reduction in hospital length of stay for some patients,
  - iv. An improvement in test turnaround times especially for regional patients requiring specialist diagnostic testing,
  - v. Enhanced data access and clinical decision support to aid more timely, targeted treatment,
  - vi. Faster and more streamlined recruitment of patients for clinical trials and research,

- vii. Improved access to services for Aboriginal and Torres Strait Islander and regional and rural communities,
- viii. Increased laboratory optimisation through service reconfiguration, and
- ix. Increased disaster management responsiveness.

### **Other opportunities**

- 95. ICT and data analytics to underpin benchmarking of services and clinician decision-making regarding the utilisation of diagnostic services and will in time make test results available to patients. Artificial intelligence capability is being introduced with a view to streamlining processes and augmenting image analysis to support reporting by haematologists and anatomical pathologists.
- 96. The introduction of automated track systems to integrate sample loading, processing and storage in our larger laboratories and the rollout of chemistry analysers with an expanded repertoire of tests that is currently underway will reduce turnaround times and increase capability for on-site testing in regional laboratories.

### **Funding opportunities**

- 97. NSWHP considers that funding models could be transformed to ensure:
  - a. Funding flows directly from Commonwealth Government to public pathology providers (rather than via MBS or activity-based funding mechanisms) specifically to support the shift to models that increasingly link hospital and community-based care,
  - b. Parity for public pathology and private pathology providers for MBS charges,
  - c. Ongoing strategic investment in a highly specialised workforce, emerging innovative technology and capabilities, and modern capital and digital infrastructure,
  - d. Creation of laboratories and models of care of the future with modern capital and digital infrastructure aligned to evolving local Clinical Services Plans,
  - e. Adoption of clinical, scientific and technology advances including the emerging capabilities in data analytics, automated platforms and artificial intelligence, and

- f. Ensuring retention and sustainability of our specialist clinical and scientific services and highly skilled, dedicated workforce.

**Conclusion**

98. In light of the matters discussed above, I believe that the establishment of NSWHP as an integrated statewide health service has demonstrated significant benefits to the NSW Health System and the people we care for in NSW, and will continue to do so.



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Vanessa Janissen



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Witness: Tammy Boone

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08/02/2024

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Date

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08/02/2024

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Date