Special Commission of Inquiry into Healthcare Funding

Statement of Carmen Rechbauer

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Occupation: Chief Executive, HealthShare NSW

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

1. My name is Carmen Rechbauer. I am the Chief Executive of HealthShare NSW (**HealthShare**). A copy of my curriculum vitae is exhibited to this statement (Exhibit 2 NSW Health Tranche 2 Consolidated Exhibit List).

2. I began my career within the hospitality industry and hold a Master of Business Administration qualification. I have held senior roles in NSW Health for almost 30 years. I was the first employee of HealthShare (then called Health Support Services) in 2005. I have been the Chief Executive of HealthShare since August 2018.

3. HealthShare supports NSW Health to deliver clinical care and help drive system-wide improvements. HealthShare is the largest and most diverse shared service provider in Australia. We exist to enhance health care delivery and to generate value for the NSW Health system.

B. SCOPE OF STATEMENT

4. 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".

5. On direction from the Inquiry, this statement does not address procurement in relation to capital or workforce. This statement addresses service delivery by reference to the shared services delivered by HealthShare.

C. ROLE OF HEALTHSHARE

6. Following the 2011 report of the then Director-General, '*Future Arrangements for* Governance *of NSW Health'*, a copy of which is exhibited to this statement (Exhibit 36 NSW Health Tranche 2 Consolidated Exhibit List), Health Support Services (other than ICT) became HealthShare. HealthShare was created with a Board with majority LHD representation and an independent Chair. HealthShare was to enter into Service Level Agreements with Local Health Districts (**LHDs**) and tasked with developing a stronger customer focus and contestability of pricing.

7. HealthShare remains a Board governed division of the Health Administration Corporation (**HAC**) (a copy of the Delegation of Functions of the HealthShare Board is exhibited to this statement (Exhibit 37 NSW Health Tranche 2 Consolidated Exhibit List)) although it no longer enters into Service Level Agreements with LHDs, which is discussed further below.

8. In 2023, HealthShare completed a reshaping of the organisation, including the renaming of directorates and the movement of several business functions to better align with our *Strategic Plan 2020-2024*, a copy of which is exhibited to this statement (Exhibit 38 NSW Health Tranche 2 Consolidated Exhibit List) and Horizon 1 deliverables within *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).

9. HealthShare's *Strategic Plan 2020 – 2024* sets out key priorities for the four year period and is a guide for HealthShare's vision to connect with and understand the needs of our people, patients, NSW Health staff and the community. HealthShare's three key priorities are to:

a. **Focus on people**, through supporting patient care, nurturing a safe and constructive culture for HealthShare staff and providing seamless support for NSW Health staff,

b. **Be sustainable**, through providing value for money, reducing NSW Health's environmental footprint **and** futureproofing,

c. **Collaborate**, through timely delivery of care, use of data to connect and integrate and in driving system wide improvement.

10. The recent reshaping of HealthShare is currently being formalised by the preparation of a new Instrument of Functions to be approved by the Secretary, NSW Health.

11. The reshaping will provide a foundation to support the Shared Service Evolution Program to achieve our goals and address future challenges. A copy of the Shared Service Evolution Program Comprehensive Expenditure Review is exhibited to this statement (Exhibit 176 NSW Health Tranche 2 Consolidated Exhibit List) Newly established directorates include:

a. System Service Delivery welcomed the addition of Linen Services and Make Ready Service. The alignment of these services with Patient Transport Service and EnableNSW supports the 'collaborate' pillar of HealthShare NSW's Strategic Plan, with a shared focus on providing services that support patient flow and contribute to improved outcomes and experiences for patients and carers.

b. Partnerships and Projects was established to enhance the customer experience, by combining several business delivery functions such as the project management office, project delivery and project implementation. By prioritising customer engagement and insights, and consolidating our contact centres, HealthShare is focused on ensuring our staff are engaged and well supported, improving the customer experience and delivering better patient outcomes.

c. Clinical Governance and Safety expanded to include risk and corporate governance, and emergency management, to ensure that safe care is delivered across all settings

d. ICT and Digital Services was established to ensure HealthShare can support digital advances that inform service delivery

e. Capital Assets and Service Planning joined the Patient Services and Planning directorate to better align with food service reform and enhance the patient experience, while also aiming to reduce HealthShare's environmental footprint with prioritising innovation and sustainable practices

f. Strategy and Business Planning transitioned to the Office of the Chief Executive to support the Chief Executive and organisational direction

g. Employee and Financial Shared Services joined Finance and Business Performance to collaborate and use data insights to connect and innovate

h. Purchasing Operations transitioned to Employee and Financial Shared Services to better align and support business functions and drive system-wide improvements and change.

12. HealthShare's vision aligns with 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) and with NSW Government priorities and NSW Health's priorities as set out in *Future Health.*

13. HealthShare has an annual agreement with the Health Secretary, known as a Statement *of Service*. A copy of the *2023-24 Statement of Service* is exhibited to this statement (Exhibit 129 NSW Health Tranche 2 Consolidated Exhibit List). The principal purpose of this agreement is to set out the service and performance expectations for funding and other support provided to HealthShare. This ensures the provision of equitable, safe, high quality and human-centred healthcare services, and allows NSW Health to monitor HealthShare performance against agreed Key Performance Indicators (**KPIs**), Performance Deliverables and Budget in line with *NSW Health Performance Framework 2023*, a copy of which is exhibited to this statement (Exhibit 26 NSW Health Tranche 2 Consolidated Exhibit List)

14. HealthShare no longer enters into Service Agreements with LHDs and Specialty Health Networks (**SHNs**) as LHDs/SHNs instead enter into Service Agreements with the Secretary (akin to the Statement of Service between HealthShare and the Secretary), which include KPIs concerning procurement and addresses accountability, service delivery and funding.

15. HealthShare's interaction with NSW Health entities is instead provided for under policy, in relation to procurement, and by the Secretary's determination for provision of shared services.

16. The main 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**).* This policy and procedures incorporate legislative requirements, the *NSW Government Procurement Framework*, NSW Government priorities and NSW Health objectives. Copies of the *NSW Health Procurement Policy* and the *NSW Health Procurement Procedures* are exhibited to this statement (Exhibit 13 and 14 respectively, NSW Health Tranche 2 Consolidated Exhibit List)

17. The *NSW Health Procurement Policy and Procedures* provides that NSW Health agencies are responsible for conducting their own procurements (with the exception of ICT Procurement) by:

    a. Using existing procurement arrangements, including whole-of-Government and whole-of-NSW Health contracts for goods or services of any value, and complying 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

        i. Approaching the market for goods or services valued at $250,000 or less or

        ii. Referring goods and services procurement (other than ICT) to HealthShare if valued over $250,000 (subject to specified exceptions).

18. Traditional shared service organisations provide transactional finance, payroll and procurement services. However, HealthShare is unique as it also provides several 'centralised' essential services within the shared service model in addition to traditional shared service functions. These include:

a. Financial services such as accounts payable, accounts receivable and general ledger

b. Employee and Payroll services

c. Procurement, Warehousing and Distribution

d. Food and Patient Support services (including cleaning)

e. Linen Services

f. Provision of assistive technology and related services to people with a long-term disability or chronic health condition (via EnableNSW)

g. Patient Transport Services (PTS) for non-emergency patients

h. Make Ready Service in partnership with NSW Ambulance; and

i. Management of the NSW Government's supplies of personal protective equipment (PPE).

19. HealthShare partners with LHDs and SHNs to ensure the best patient experience. We also partner with suppliers across the state and around the globe to work towards economically and environmentally sustainable practices to support all of NSW Health. These services help achieve good patient outcomes, and ensure NSW Health staff, patients and the wider NSW community get the best use of the resources available to NSW Health.

20. In relation to shared services, s. 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. It authorises specified conduct, including the making of and compliance with such direction, entering into and performing a contract and obtaining services in accordance with the relevant Part of that Act, 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*."

21. An Order made pursuant to s. 126G by the then Minister for Health on 10 November 2008 is exhibited to this statement (Exhibit 39 NSW Health Tranche 2 Consolidated Exhibit List).

22. LHDs and SHNs (but not affiliated health organisations) are directed to obtain certain services from HealthShare, eHealth and NSWHP in accordance with the Direction of the Minister s. 4.1 of the *Accounts and Audit Determination for Public Health Entities in NSW 2020* (**the Determination**), a copy of which is exhibited to this statement (Exhibit 35 NSW Health Tranche 2 Consolidated Exhibit List).

23. Relevant to HealthShare, 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.*
>
> 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."*

24. In addition to its role in procurement and delivery of shared services, HealthShare also has an important role in leading innovation. HealthShare has collaborated with the Strategic Procurement Branch of the Ministry of Health to undertake the Procurement Reform Program in response to learnings during COVID and to address opportunities for improvement identified by the Audit Office of NSW in its 31 October 2019 report *Ensuring contract management capability in government - HealthShare NSW,* a copy of which is exhibited to this statement (Exhibit 15 NSW Health Tranche 2 Consolidated Exhibit List). This has involved streamlining and standardisation of ordering to reduce duplication and waste, including a pharmaceutical review, converting individual local level contracts into whole-of-NSW Health contracts, developing opportunities for supply chain enhancement and clearer delineation of procurement roles and responsibilities.

D.   FUNDING

25.   HealthShare's funding is provided via a combination of subsidy from Ministry of Health, and intra-health charges between HealthShare and other NSW Health entities (primarily LHDs) for the provision of services. Services are charged based on the HealthShare pricing model using a fixed or activity-driven model.

26.   HealthShare, as part of HAC, operates on a traditional salaries and wages and goods and services based budget build. Any escalations for wages, consistent with applicable industrial agreements, is incorporated in the recurring base funding.

27.   NSW Health Shared Services operate primarily on a cost recovery model through internal cross charges (intra-health) to Health Entities. NSW Health Shared Services budgets are block funded and set by the Ministry of Health, within the available funding envelope, taking into account the differing cost drivers and pricing methodologies across HSNSW's various services.

28.   There are three intra-health funding models within HealthShare:

   a.   Fixed price service model – used for procurement contract and tendering services, cleaning services for facilities (ABF Block Funded sites) and patient transport services operations for the management of bookings.

   b.   Volume based service model – used for the OneLink Warehouse where charging is based on the volumes and activity that a LHD access from the warehouse. The volume price incorporates a share of the operation model of the warehouse along with the price of the medical consumables and the freight cost for delivery. Other volume based service models include volume pricing for patient meals, linen items (eg sheets, pillow cases) and patient transport services (flag fall rate + km charge).

   c.   Pass through service model – Minor and incidental costs are incurred by HSNSW and passed through at purchase price. These include discretionary food items requested by staff for patient wards and clinics (e.g. sandwiches, biscuits and supplements) and staff supplies (e.g. milk, tea & coffee).

29.   HealthShare NSW FY24 Expenditure budget, issued under the NSW state government final budget is as follows:

HealthShare NSW Expense	Full Year 2023-24 Allocation in BTS	Budget Ref
Annualised Expense Budget	**$1,232,156,861**	
Escalation		
General escalation (excl. specific items)	$30,889,016	IB24-001
Add specific item escalations		
Intra Health Shared Services Expense Adjustment	$11,139,947	IB24-002
Intra Health Other Expense Adjustment	$1,977	IB24-003
IPTAAS	$825,715	IB24-001
Non-Government Organisations (adjustment to 5.75%)	$1,500	IB24-006
HealthShare Fixed Wing Escalation Top-up	$479,905	IB24-008
Total Composite Escalation ($)	**$43,388,060**	
Total Composite Escalation (%)	**3.52%**	
Other Initiatives & Priorities		
Comprehensive Expenditure Review Savings Allocation	($12,134,518)	IB24-046 to IB24-049
IntraHealth – eHealth 23/24 Adjustment	$1,202,819	IB24-065
Funding for HealthShare 23/24 IntraHealth Adjustments	$7,412,949	IB24-066 & N-IB24-066
IntraHealth – Pathology 23/24 Adjustment	$11,494	IB24-065
Better salary packaging for healthcare workers	$2,593,528	IB24-117
TMF Adjustment – Workers Compensation	$1,228,255	IB24-071
TMF Adjustment – Property	$7,356	IB24-071
TMF Adjustment – Motor Vehicle	$75,26	IB24-071
Total Other Initiatives & Priorities	**$397,109**	
Total Expense Movements ($)	**$43,735,169**	
Total Expense Movements (%)	**3.55%**	
Initial Expense Budget allocation	**$1,275,892,030**	

30. HealthShare NSW FY24 Revenue budget, issued under the NSW state government final budget is as follows:

HealthShare NSW Own Source Revenue	Full Year 2023-24 Allocation in BTS	Budget Ref
Annualised OSR budget	**($1,132,056,805)**	
Revenue		
Price Increase	($1,881,457)	IB24-250
Intra Health Revenue – Shared Services Escalation	($38,096,735)	IB24-252
Intra Health Revenue – Other Escalation	($4,170)	IB24-253
Intra Health – HealthShare 23/24 Adjustment	($30,053,809)	IB24-260 to IB24-264
Total Revenue Movements ($)	**($70,036,171)**	
Total Revenue Movements (%)	**6.19%**	
Initial OSR Budget Allocation	**($1,202,092,976)**	

E. PROCUREMENT

31. HealthShare undertakes procurement in a range of ways:

    a. Tendering of whole-of-NSW Health contracts of any value,

    b. Administration of statewide (whole-of Government and whole-of-NSW Health) contracts of any value, including catalogue management and the warehousing and distribution of goods available under these contracts,

    c. Procurement of goods and services required by NSW Health entities, including medicines, medical and surgical equipment, with a contract value of over $250,000 by undertaking tendering, oversight of procurement processes and contract management in partnership with the agency, usually an LHD or SHN, seeking to enter into the contract. For procurement of this type, the contract is executed and funded directly by the LHD or SHN,

    d. Supply of standardised, statewide shared services such as accounts payable and payroll, patient meals, patient linen and NSW Health uniforms,

    e. Fleet management,

    f. Management of supply chain information systems e.g. The Health Quality Reporting System (statewide registry of clinical product quality concerns accessed by Local Health Districts and other health agencies), Clinical Product Evaluation Registry (comprised of two modules, one for clinical consumables and the other for equipment), product catalogue.

    g. Maintaining Contact Centres and managing customer enquiries from NSW Health entities and suppliers,

    h. Other special procurement and project management activities as required.

32. In undertaking and overseeing procurement, HealthShare's responsibility is to act on behalf of the State ensuring the principles of equity to access of care are met. By acting as one system we ensure that both metropolitan and regional/rural LHDs get the best value from suppliers. For example, there have been examples of suppliers offering free-of-charge capital equipment and/or medical consumables as part of prosthesis deals. This can put regional/rural LHDs at a disadvantage.

33. HealthShare's Procurement and Supply Chain directorate is NSW Health's central point for goods and services tendering and contracting. It creates a central hub for procurement activity and helps lower purchasing costs, allowing us to reinvest savings back into frontline clinical care.

34. HealthShare procures 3 million different medical and surgical consumables worth $220 million annually and delivers these medical and surgical consumables to 400 sites every day.

35. HealthShare receives and responds to 231,000 telephone enquiries regarding payroll, recruitment and supply chain annually.

36. HealthShare receives and responds to approximately 197,000 emails from NSW Health staff annually, seeking assistance.

Probity requirements

37. The *NSW Health Procurement Policy and Procedures* sets out probity requirements and provides that the probity principles of 'fairness', 'impartiality', 'accountability', 'transparency' and 'value for money' must govern procurement decision-making by NSW Health agencies. This is to be read in conjunction with PD2015_045 *Conflicts of Interest and Gifts and Benefits* and PD2015_049 *NSW Health Code of Conduct*, copies of which are exhibited to this is 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.

38. In addition, 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. PD2023_026 *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 2022* and the reporting of wrongdoing.

39. In compliance with the probity requirements of the *NSW Health Procurement Policy and Procedures* HealthShare ensures that it:

    a. Records all procurement planning, management and decision-making

    b. Keeps confidential supplier information securely and treats it fairly and impartially,

    c. Requires all people involved in level 2 and 3 procurement to complete a Confidentiality and Conflict of Interest Undertaking. Level 1 does not require this undertaking due to the low value, low risk definition of the procurement, as outlined in the Procedure, Section 6.2.2,

    d. Requires all suppliers it deals with to adhere to the NSW Government Supplier Code of Conduct, a copy of which is exhibited to this is exhibited to this statement (Exhibit 17 NSW Health Tranche 2 Consolidated Exhibit List).

40. The *NSW Health Procurement Procedures* define the three levels of procurement (referred to in 39c above) as:

    a. Level 1: procurement valued at between $30,000 and $250,000, which is assessed as low or medium risk.

    b. Level 2:

        i. procurement valued at between $30,000 and $250,000, which is assessed as high risk, or

        ii. procurement valued at between $250,000 and $30 million but assessed as low or medium risk.

    c. Level 3:

        i. procurement valued at between $250,000 and $30 million, which is assessed as high risk, or

        ii. procurement valued at more than $30 million or

        iii. establishment or renewal a whole-of-government or whole-of-health contract and/or covered procurement.

41. Supporting these requirements, PD2018_021*Disclosure of Contract Information*, a copy of which is exhibited to this statement (Exhibit 28 NSW Health Tranche 2 Consolidated Exhibit List) is a policy to ensure NSW Health meets its contract disclosure obligations under the *GIPA Act*. It provides that NSW Health agencies must disclose a register of

government contracts with the private sector on the NSW Government tenders website. The register must include all contracts with private sector where the commitment value is, or is likely to be, $150,000 (inclusive of GST) or more. The private sector, for this purpose, includes not-for-profit organisations and NGOs.

Statewide Contracts

42. HealthShare has a role in tendering whole-of-NSW Health contracts and administering all purchasing, by way of purchase orders received from the LHDs, SHNs or other agencies seeking to procure under these contracts.

43. Importantly, HealthShare's centralised role in procurement outside of these existing arrangements (and over the $250,000 threshold for referral to HealthShare) allows it to gives oversight of common procurement requirements and new opportunities to convert procurement to whole-of-NSW Health contracts.

44. The NSW Health Standing Offer Agreement, a generic copy of which is exhibited to this statement (Exhibit 40 NSW Health Tranche 2 Consolidated Exhibit List), clauses 6.1(e)(2) and 11.2. provide that if a Supplier wishes to offer a lower prices to an Eligible Customer (including a NSW Health entity), the Supplier is required to either:

    a. Obtain HealthShare's consent; or

    b. Notify HealthShare and revise the prices for all Eligible Customers, so that they have the benefit of the lower prices.

45. Procurements to establish or renew whole-of-Government or whole-of-NSW Health contracts are led by HealthShare NSW (other than for ICT) on behalf of NSW Health entities. These procurements must follow the process for level 3 procurements (outlined in the discussion of referrals to HealthShare).

46. Decisions to lapse, renew or extend contracts managed by HealthShare must be made at least 12 months prior to expiry.

47. When establishing or renewing a whole-of-Government or whole-of-NSW Health contract, HealthShare must:

    a. Consult with the Ministry of Health in the early procurement planning stages

b. Obtain the approval of the NSW Health Chief Procurement Officer (**CPO**) for the Procurement Plan and Evaluation Report,

c. Obtain the approval of the Minister before entering into a whole-of-Government contract.

48. HealthShare follows section 6 of the *NSW Health Procurement Procedures* when approaching the market and tendering for statewide contracts. The flowchart at section 6.5 is used for level 3 procurements. Approvals for contracts are based on the appropriate delegations for either a level 2 or 3 procurement, noting that for procurements valued at $30 million or more, the Procurement Plan must be approved by the NSW Health Chief Procurement Officer.

49. Where NSW Health agencies procure using statewide contracts (either whole-of - Government or whole-of- Health), HealthShare has an ongoing role in contract management. For level 2 and 3 procurement, the following process applies:

50. The agency must handover and review the executed contract with the HealthShare contract manager, in consultation with the HealthShare procurement manager or category manager.

51. HealthShare works with the agency to confirm that:

a. All documents have been properly executed,

b. Expected outcomes and benefits have been recorded,

c. The contract is registered on PROcure,

d. Assets are recorded in the NSW Health Asset Register and the NSW Health Asset Management Plan for the relevant agency,

e. The supplier has been classified (as tactical, emerging, legacy or strategic) using the Supplier Segmentation Framework for contracts of $5 million or more, a copy of which is exhibited to is exhibited to this statement (Exhibit 28 NSW Health Tranche 2 Consolidated Exhibit List). For example, this framework is used to classify pharmaceutical suppliers into different categories which is then used to inform the strategy used to develop supplier relationships and achieve best value procurement.

52. HealthShare then administers the contract in accordance with its terms and conditions and:

   a. Ensures suppliers maintain insurances and licences,

   b. Seeks legal advice before agreeing to a material variation, obtains approval from the contracting delegate and financial delegate (and CPO if exceeding five years), record variations on PROcure and disclose the material change to contract term or price on NSW eTendering

53. In administering these contracts, HealthShare is required to comply with a number of NSW Government procurement requirements including:

   a. The NSW Government's *Faster Payment Terms Policy*, requiring (unless subject to alternative contract terms) all registered small businesses to be paid within 5 business days for goods and services worth up to $1 million. A copy of that policy is exhibited to this statement (Exhibit 41 NSW Health Tranche 2 Consolidated Exhibit List)

   b. The NSW Government's *Small Business Shorter Payment Terms Policy*, which requires large businesses who contract with NSW Government agencies at or above $7.5 million to pay small business subcontractors within 20 business days. A copy of that policy is exhibited to this statement (Exhibit 20, NSW Health Tranche 2 Consolidated Exhibit List)

54. Treasury policy TPP16-05 *NSW Government Commissioning and Contestability Policy*, a copy of which is exhibited to this statement (Exhibit 42 NSW Health Tranche 2 Consolidated Exhibit List).

55. Contract monitoring is undertaken to ensure performance and compliance and for emerging, legacy and strategic suppliers. HealthShare records non-compliance or performance issues and legal advice is sought before any dispute resolution actions are taken.

56. Contract spend is managed over the life of the contracts with emerging, legacy and strategic suppliers and reconciled against purchase orders. The contract or category manager also facilitates contract review meetings with emerging, legacy and strategic suppliers.

HealthShare involvement below the referral threshold

57. HealthShare has limited involvement in NSW Health agencies' procurement outside existing arrangements and under the $250,000 threshold for referral to HealthShare.

58. NSW Health Policy Directive *Procurement Cards within NSW Health* (PD2022_038) is exhibited to this statement (Exhibit 32 NSW Health Tranche 2 Consolidated Exhibit List) and requires NSW Health agencies, including the NSW Ministry of Health, to adopt the use of Procurement Cards and Virtual Procurement Cards, for purchase of goods and services up to $10,000 (only where procurement by existing arrangements is not available). Health agencies approve cardholders in line with local delegation requirements and HSNSW is responsible for end-to-end management of the system, including granting access to approved staff, managing enquiries and reporting requirements.

59. HealthShare also provides business partnering and advisory support to LHDs and SHNs who seek advice on procurement which falls under the threshold for referral but involves some level of complexity.

60. Category and contract managers also use detailed experience and knowledge of areas of spend across the system for the purposes of planning and decision-making through the Contract Networking Group, which meets once a quarter. A copy of the Contract Networking Group Terms of Reference is exhibited to this statement (Exhibit 177 NSW Health Tranche 2 Consolidated Exhibit List) This meeting includes all LHD and SHN procurement managers, as well as category representatives from HealthShare and eHealth. LHD and SHN procurement representatives share their recommendations and seek advice for local procurements or contract implementation they are managing and HealthShare provides detailed category and savings reporting and insights from the market and the supply base.

Procurement referred to HealthShare

61. Where a NSW Health agency refers procurement to HealthShare, HealthShare takes a number of initial steps. HealthShare first considers:

   a. The business need of the proposed procurement, both present and future,

   b. Whether the proposed procurement aligns with PD2022_044 *Asset Management*, a copy of which is exhibited to this statement (Exhibit 43 NSW

Health Tranche 2 Consolidated Exhibit List)]. this requires NSW Health agencies to ensure that asset-related decisions (for non-financial assets) represent a balance of cost, risk and performance, are based on the current and future contribution of the asset to service provision, and use a whole-of-lifecycle approach. This policy is relevant, for example, to the statewide Heating, Ventilation and Air Conditioning contract.

c. Whether it complies with the minimum standards set out in the *NSW Government Resource Efficiency Policy* a copy of which is exhibited to this statement (Exhibit 22 NSW Health Tranche 2 Consolidated Exhibit List),

d. What the estimated contract value is, to confirm that it reaches the $250,000 threshold for referral to HealthShare,

e. Whether there are any procurement-connected policy exceptions to the referral threshold,

f. Whether the goods or services can be purchased from a small or medium enterprise (for procurement up to $3 million),

g. Whether it is procurement for professional services, in which case it must be referred to the CPO (if over $30,000 or at any value for PWC or Scyne Advisory) and

h. What level the procurement is categorised at, using the Risk Assessment Tool available through the NSW Health Procurement Portal (required for all procurement outside existing arrangements and over $30,000) as there are additional requirements for category 2 and 3 procurement.

62. 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 is exhibited to this statement (Exhibit 44 and 45 respectively, NSW Health Tranche 2 Consolidated Exhibit List)

63. Procurement-connected policies frequently utilised by NSW Health agencies are:

a. 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) , allows NSW Health agencies 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 be fist considered for procurement up to $3 million. A regional supplier is a supplier outside the Sydney, Newcastle and Wollongong metropolitan areas).

b. 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.

c. The *Government Resource Efficiency Policy,* a copy of which is exhibited to this statement (Exhibit 22, NSW Health Tranche 2 Consolidated Exhibit List) ensures goods, services and construction projects meet minimum energy, water use and air emissions standards.

64. On determining that the procurement exceeds $250,000 and is appropriately referred, HealthShare will then:

a. Determine whether there is an available pre-qualification scheme,

b. Prepare a procurement plan for level 2 and level 3 procurements,

c. Determine whether to take:

   i. An open approach to market (mandatory for level 2 and 3 procurements over $250,000),

   ii. A limited approach to marked (level 1 only, unless there is a procurement-connected policy exemption) or

   iii. Direct source negotiation (CPO exemption required unless there is a procurement-connected policy exemption),

d. Consider modern slavery risks,

e. Obtain financial approval or in-principle commitment for funding from the financial delegate (from the LHD/SHN or other agency undertaking the procurement)

65. Approach to market is undertaken by preparing tender documentation which must include:

a. The nature, scope and quantity of the procurement,

b. The process and deliverables,

c. Any mandatory criteria (which cannot discriminate on the basis of size, location, ownership or experience unless approved by the CPO or in accordance with an approved policy),

d. Contact details,

e. Details of any intended supplier briefings,

f. Requirements for lodgement whether by email or upload to NSW eTendering,

g. The evaluation criteria

66. In managing the approach to market and contract award, HealthShare then:

a. Prepares an Evaluation Plan (for level 2 and 3 procurement) and has it approved by the procurement delegate (from the LHD, SHN or agency undertaking the procurement),

b. Confirms that legal advice is not required,

c. Prepares the proposed contract (for a period not exceeding five years unless approved by the CPO),

d. Obtains approval to commence procurement from the procurement delegate (at the LHD, SHN or agency undertaking the procurement),

e. Releases the approach to market documentation on NSW eTendering,

f. Manages the approach to market process and responses consistent with the approach to market documentation, ensuring that no supplier is given information that would give it an unfair advantage,

    g.   Evaluates responses using the Evaluation Plan,

    h.   Shortlists suppliers,

    i.   Records all evaluations and reasons and prepare an Evaluation Report (for level 2 and 3 recruitment),

    j.   Obtains approvals from the financial delegate (at the LHD, SHN or agency undertaking the procurement) to award the contract,

    k.   Hands over to the LHD, SHN or agency undertaking the procurement to award and execute the contract,

    l.   Discloses the award on NSW eTendering and saves the contract to PROcure,

    m.   Notifies and debriefs (if a reasonable request is made) unsuccessful tenderers.

67. After contract award, HealthShare then administers the contract through processing of purchase orders raised by the LHD, SHN or agency who awarded the contract.

F. SHARED SERVICE DELIVERY

68. LHDs and SHNs, with some exceptions, obtain the following shared services from HealthShare:

    a.   Financial services such as accounts payable, accounts receivable and general ledger

    b.   Employee and Payroll services

    c.   Food and Patient Support Services (including cleaning)

    d.   Linen Services

    e.   Provision of assistive technology and related services to people with a long-term disability or chronic health condition (via EnableNSW)

    f.   Patient Transport Services (PTS) for non-emergency patients; andMake Ready Service in partnership with NSW Ambulance

g. The Service Agreements negotiated between the LHDs/SHNs and the Secretary details the services each Health agency must obtain from HSNSW, with any variations negotiated as part of that process.

69. **Accounts payable** and **Employee and Financial Shared Services** are shared services provided to all of NSW Health, not only to LHDs and SHNs. HealthShare processes approximately 2.6 million supplier invoices, to a value of approximately $10.5 billion, annually and provides payroll to approximately 170,000 employees across NSW Health.

70. **EnableNSW** provides assistive technology and related services to assist people to live safely at home. HealthShare assists approximately 19,000 people with a chronic health condition or disability annually to get the help they need and 17,000 to have their equipment repaired.

71. HealthShare serves approximately 24 million **patient meals** annually to NSW public hospital patients.

72. HealthShare supplied **patient linen** to NSW public hospitals, delivering approximately 51.2 million clean bed sheets annually.

73. **Standardised uniforms** were rolled out in 2013 in response to Recommendation 62 in *The Final Report of the Special Commission of Inquiry into Acute Care Services in NSW Public Hospitals* (known as the *Garling Report, 2008*), that recommended NSW Health implement a standardised state-wide uniform policy that allowed easy identification of the different types of clinical and support staff through methods such as colour coding.

74. Uniform design and specifications were developed in consultation with many stakeholders including from within NSW Health, category specialists, industry associations and relevant unions such as the NSW Nurses and Midwives' Association.

75. HealthShare manages the whole of Health contract for uniforms (c637 - Total Apparel Management), which sees the supplier coordinating design, production, inventory management and distribution of all uniform items, as well as associated reporting and administrative activities.

76. The *NSW Health Uniforms Policy* (PD2019_012), a copy of which is exhibited to this statement (Exhibit 46, NSW Health Tranche 2 Consolidated Exhibit List) reinforces the need for a consistent approach across the cluster, including ensuring uniforms are sourced through the contracted supplier.

77. NSW Health non-emergency **patient transport** services are available to patients who require transport to, or from, a health facility such as a hospital, rehabilitation unit or aged care facility and are assessed as medically unsuitable for community, public or private transport by a medical practitioner or registered nurse.

78. HealthShare NSW's Patient Transport Service (PTS) vehicles undertake transports within greater metropolitan Sydney (including the Central Coast, Illawarra Shoalhaven and Hunter New England areas). It facilitates transport to approximately 240,000 patients who are transported a combined distance of 8.2 million km annually.

79. Non-emergency patient transport within some parts of NSW is managed locally, facilitated by Regional Transport Satellite operators, and NSW Ambulance.

80. NSW Ambulance coordinates non-emergency transfers for patients with higher clinical acuity, where there are concerns for deterioration during transport

81. In addition to these shared services offered across NSW Health, HealthShare also offers a number of specific services to particular areas within NSW Health.

82. Originally, **cleaning services** were not part of HealthShare's scope, however, as due diligence activities were undertaken it became apparent that some LHDs could not or did not want to separate their food and cleaning services. This led to a compromise that saw the transition of cleaning services to HealthShare being at the discretion of the LHD. HealthShare delivers cleaning services to Hunter New England LHD, Murrumbidgee LHD, Southern NSW LHD, parts of Northern NSW and Mid North Coast LHDs, and at Royal North Shore Hospital (within Northern Sydney LHD).

83. HealthShare delivers portering services at Moree, Tamworth and Royal North Shore hospitals, which includes limited duties associated with the care of patients and general assistance in wards and cleaning duties. This can also include additional duties such as transporting patients throughout the facility, supporting clinical staff with hands-on basic patient care (i.e. lift, push, pull), and delivering specimens and blood throughout the facility.

84. HealthShare also offers a "**make ready**" service to NSW Ambulance, which involves cleaning and re-stocking of ambulances each time they return to base. HealthShare restocks approximately 80,000 ambulance medical kits annually.

85. Multiple services at Royal North Shore Hospital were managed under a Public Private Partnership following the campus redevelopment work in 2010 that saw multiple non-clinical services being managed by private providers. Several facilities management functions were transitioned to HealthShare NSW's management in 2016, covering:

   a. Cleaning and Domestic Service

   b. Wardsperson and Portering Services

   c. Patient meals

   d. Security Services

   e. Internal Materials Management

   f. Internal Linen Distribution

   g. Internal Waste Management

   h. Mail Service

   i. Grounds and Gardens

   j. Security Services

   k. Pest Control

   l. Help Desk

   m. Management Services

G. HEALTHSHARE'S ROLE IN PROCUREMENT REFORM

86. HealthShare is collaborating with the Ministry of Health on NSW Health's Procurement Reform Program, designed to bring an improved procurement and supply chain system that provides efficiencies, maximises value, and importantly, supports value-based patient and clinical outcomes.

87. The three major benefits/outcomes of the NSW Health Procurement Reform include:

   a. Better care for patients,

   b. Better experience for clinical staff and

c. Improved procurement/supply chain practices.

88. HealthShare is leading several key projects that will support the reform programs aims, including:

a. Master Catalogue Solution (**MCS**),

b. DeliverEASE and

c. SmartChain

d. HealthSupply (formerly, Warehousing and Logistics Review).

89. **MCS** is the base foundation for many Procurement Reform activities. An outline of MCS is exhibited to this statement (Exhibit 132, NSW Health Tranche 2 Consolidated Exhibit List) The project's long-term objective is to develop a single Statewide Master Catalogue that all public hospitals can access. This can deliver potential cost savings through economies of scale and better use of available data.

90. A single catalogue allows NSW Health to standardise purchasing across the state and reduce the spend on catalogued items. It will also provide better visibility of purchasing trends and buying behaviours.

91. By providing reliable data, MCS will also facilitate equal access to contracted items for all Health Agencies and better meet patient and clinician needs.

92. **DeliverEASE** is a sustainable, scalable solution to gain visibility over medical consumables stock holdings across NSW public hospitals, of every item in every ward. An outline of DeliverEASE is exhibited to this statement (Exhibit 133, NSW Health Tranche 2 Consolidated Exhibit List). It is easy to use and implement, streamlining medical consumables inventory and supply chain processes from hospital delivery dock to storeroom and ward, ensuring items are in the right location at the right time, and purchased on contract at the best price.

93. DeliverEASE provides:

a. Efficiency: better ordering, delivery and storage practices, meaning more time for patient care,

b. Availability: better visibility of what stock is where and making items easy to find when needed,

c. Simplicity: easy to use processes and systems and

d. Enabling: create modernised hospital supply chains, enabling future digital transformation.

94. DeliverEASE brings innovative methodologies together with technological solutions that increase stock availability, provide savings and efficiencies and allows clinical staff to spend more time on patient care.

95. SmartChain is a shared service delivery project being undertaken by HealthShare in collaboration with eHealth. An outline of SmartChain is exhibited to this statement (Exhibit 134, NSW Health Tranche 2 Consolidated Exhibit List).

96. SmartChain sees the creation of a single integrated end to end procurement and supply chain system that will simplify and automate processes, making it easier and more efficient for users. This will transform the supply chain significantly and greatly improve how data is collected, used and managed by NSW Health facilities, ensuring decision making is based on reliable and trusted information.

97. SmartChain automates many manual procedures that will mean clinicians have more time for care, which will support better patient outcomes.

98. The completion of the Procurement Reform Program, including the Pharmaceutical Review Program, and the implementation of DeliverEASE and SmartChain programs are expected to significantly improve the procurement functions and service delivery within NSW Health.

99. In addition to the wider Procurement Reform agenda, HealthShare has conducted multiple projects and evaluations of procurement and statewide shared services since 2018, with many of these continuing as part of an ongoing reform program. Projects and evaluations that have been completed since 2018 include:

a. The Procurement Accelerated Savings Program (now Savings Leadership Program),

i. The purpose of the Accelerated Savings Program was to deliver consistent year on year savings. It achieved a savings total of $247.7M as at 30 June 2023 when the project evolved into the current and ongoing Savings Leadership Program in July 2023,

    ii.   The purpose of the Savings Leadership Program is to continue to deliver savings and create best value for NSW Health.

b.   Evaluation of the Procurement pharmaceutical category strategy (ongoing since 21/22):

    i.   The purpose of the evaluation was to improve cost, increase efficiency and improve service delivery across all hospitals in the state.

    ii.   The outcome for 21/22 was $11.9M in savings and for 22/23 was $35M in savings.

c.   *Future of Work – Understanding the Impacts of Technology on Shared Services* was an evaluation undertaken in 2020 by KPMG, a copy of which is exhibited to this statement is exhibited to this statement (Exhibit 178, NSW Health Tranche 2 Consolidated Exhibit List).

    i.   The purpose of the evaluation was to examine emerging technologies and resulting workforce changes that are expected in the future for the shared services health sector,

    ii.   The outcome of the evaluation was to identify that occupations and functions across the majority of the shared services workforce will be disrupted by AI, automation and robotics, requiring increase in digital literacy among the shared service workforce.

d.   Evaluation of the SASH Home Modifications Program administered by EnableNSW, an outline of which is exhibited to this statement (Exhibit 135 NSW Health Tranche 2 Consolidated Exhibit List)

    i.   The purpose of the evaluation was to better understand the impacts of the home modifications program, and saw the evaluation team consulting with both recipients of the program as well as their clinicians who prescribed the recommended modifications.

    ii.   The evaluation established that:

- 98% people who received home modifications said they felt it has improved their safety,

- 89% people feel more confident in their homes,

- 95% people were either satisfied or extremely satisfied with the process,

- 91% of people who had previously reported a fall, had not had one since their modification was completed.

100. The following projects and reforms that are currently underway include:

a. Project Chef, an outline of which is exhibited to this statement (Exhibit 136, NSW Health Tranche 2 Consolidated Exhibit List) is a pilot program for a more patient-centred model of food services, involving flexible mealtimes, submission of orders via patients' mobile device to a dedicated call centre and the use of a menu where patients can choose individual meal components. It is:

   i. Trialled by HealthShare at Bowral Hospital in collaboration with South Western Sydney LHD

   ii. Intended to improve patient experience and reduce waste,

   iii. Being undertaken in consultation with consumers, industry experts such as equipment suppliers, food manufacturers and ergo analysts, and expert advisory groups,

   iv. Now considered business as usual at Bowral Hospital, and further rollouts to three sites in Hunter New England LHD are planned for 2024.

b. The Task Allocation System, an outline of which is exhibited to this statement (Exhibit 137, NSW Health Tranche 2 Consolidated Exhibit List) is a pilot program improving the ability of facilities management staff to track and submit all cleaning and portering tasks through a single, online system, replacing verbal instruction and the use of handheld radio systems. It enables more efficient allocating of cleaning and portering tasks by providing complete oversight of staff workload and allowing management to provide surge capacity for areas in the hospital experiencing peaks in demand. It is:

   i. Being undertaken by HSNSW in collaboration with Royal North Shore Hospital (Northern Sydney LHD),

ii. The pilot was completed in 2023 with implementation of recommendations due to be completed by June 2024.

101. The development and implementation of the "Waste management strategy"; HealthShare NSW has identified opportunities for the management of waste from a whole system perspective and is developing a proposal for the Ministry's consideration to implement a scalable statewide program that aligns with the NSW Government's net zero targets and reduces waste associated costs.

102. In addition to review and evaluation of programs, HealthShare is working collaboratively with the Strategic Procurement Branch to assess NSW Health's contract management performance across the NSW Health System.

H.   ADVANTAGES OF A CENTRALISED SYSTEM

103. Although there are many organisations that operate shared service models, they are not always successful because the success of shared services relies heavily on standardisation of processes and the co-operation of all stakeholders.

104. The success of the shared service model in NSW Health is largely due to a continuous improvement philosophy with standardisation occurring over time as services transitioned to HealthShare. It is also due to the fact that NSW Health does not operate a truly centralised model of procurement of goods and services, rather it is best seen as a hybrid centralised model where the benefits of centralisation are harnessed, but locally devolved decision making is still supported and collaborative partnerships fostered.

105. Increased globalisation has combined with the move towards 'just-in-time' inventory management. This has resulted in undiversified global supply chains that operate on lean margins with limited capacity to respond to adverse shocks. Dependence on regular, predictable shipments further limit the flexibility of supply chains to respond to sudden shifts in demand. COVID-19 presented both a demand and supply side shock to global supply chains.

106. NSW Health's centralised procurement and service delivery functions through HealthShare NSW allowed it to be more resilient than other jurisdictions in the face of supply chain disruptions during the COVID-19 pandemic.

107. Like many organisations, public and private, the disruption to the supply chain during COVID created unprecedented challenges for NSW Health. Our 'centralised' approach

to procurement and supply chain activities proved to be the buffer we needed to navigate the supply chain challenges. Whilst we were very close to running out of some products and had significant challenges in procuring products in a high world-wide demand environment, we never ran out of those essential products.

108. Some examples were the challenges faced in procuring the right types of ventilators and personal protective equipment (PPE) products that clinicians were demanding. Initially NSW Health focussed on getting enough supplies, however, in the early days of the pandemic NSW Health recognised it also needed to focus on demand management.

109. This was due to there being not only a race for products at the international and national level, but also competition internally between LHDs. Despite HealthShare having visibility over stock held in the centralised warehouse, we did not have visibility of what was held by hospitals or LHDs. Some LHDs held more stock than they needed while others were close to running out – this in turn led to a perception among some clinicians that NSW health was running out of supplies. Another factor was demands for specific types of products. For example, some types of masks were in very short supply and others were purchased as substitutes.

110. The system quickly came together to address these challenges. Within a short period of time, with the collaboration of LHDs and SHNs, HealthShare had very good visibility of stock on hand across the state and was able to move supplies to where they were needed. Although it was very labour intensive, supplies were maintained and available to LHDs and SHNs when needed. Many lessons were learnt during that time.

111. Cross agency collaboration was critical. For example, although HealthShare had the ability to procure the products required, our expertise does not extend into the area of clinical safety of products. The CEC worked closely with HealthShare and liaised with clinicians across NSW to identify what PPE could be purchased and used safely, assisted by the hybrid centralised model operating in NSW Health.

112. In business-as-usual activities LHDs/SHNs order products at the local level (devolved model). This means that some hospitals may have more stock levels of a particular item than other hospitals. It is important to have visibility of this to be able to move stock around the system to avoid unnecessary duplication and waste. For example, Hospital A may hold significant stock of a particular product whilst Hospital B has almost none. Before Hospital B orders more stock there is an opportunity to 'purchase' stock from Hospital A. This principle can also be applied within a hospital (i.e. between

wards/departments). In times of crisis, such as when the supply chain is disrupted, this information and operating model becomes even more critical and is best managed centrally ensuring equity of access to all health sites based on activity data.

113. Although NSW Health encountered significantly less supply chain disruption during COVID than other jurisdictions, there were nevertheless opportunities to improve procurement policies and processes. A Ministry led review of supply chain protections commenced pre-pandemic, in 2019, including addressing NSW Audit Office recommendations relating to improved contract management, as per Section 7 of the NSW Health Procurement Policy and Procedures, and better delineation of procurement roles and responsibilities across NSW Health. This includes system wide application of a new Operating Model which includes updated contract implementation and management roles and responsibilities between HealthShare, LHDs and SHNs. HealthShare is working with the Chief Procurement Officer and the Strategic Procurement Branch of the Ministry of Health and the hybrid centralised system enables leadership of this reform in partnership with LHDs and SHNs.

114. These reforms are specifically aided by the two significant future proofing programs that are underway across the NSW Health system – DeliverEASE and SmartChain. The centralised role of HealthShare has allowed it to ensure the standardisation of storerooms in NSW public hospitals necessary to permit the implementation of these programs and as the preliminary step for stock automation. Similarly, this centralised role is enabling HealthShare and eHealth to work together with LHDs and SHNs to deliver increased traceability of implantable devices across the NSW Health system, and will in the case of product recalls, remove fragmentation for streamlined patient safety processes. The Traceability solution is live in four Local Health Districts with statewide implementation planned during 2025. The increased visibility of data will ensure decision-making is based on reliable information.

115. A centralised system enables better evaluation and monitoring of the procurement process from beginning to end, from the sourcing of suppliers, the creation of procurement categories and technical evaluation (using a technical evaluation committee).

116. There are financial advantages able to be achieved through savings leadership of a centralised procurement system, for example the establishment of long-term procurement category strategies led by category managers who are able to identify

savings opportunities, driven by data, and develop supplier relationships to ensure cost resilience.

I.   DISADVANTAGES OF A CENTRALISED SYSTEM

117. In a hybrid centralised system, ideally the benefits of centralisation are obtained while preserving local involvement and decision making. The disadvantage of this system is that the balance between centralised and locally devolved decision making can sometimes be difficult, particularly where local perspectives on that balance differ. For example, some LHDs may want greater centralisation and management by HealthShare, whereas others might prefer less.

118. This difficulty in balancing different local perspectives is addressed in a number of ways, at both a macro and micro level. At a macro level, HealthShare has Chief Executives of two LHDs on its Board, ensuring that there is LHD representation and a voice in oversight of HealthShare's operation.

119. The use of Statewide contracts enables local decision making and management, as does the setting of a threshold of $250,000 below which NSW Health permits procurement without the involvement of HealthShare. For those entities nevertheless seeking support, HealthShare operates a contact management system and fields telephone and email inquiries. HealthShare takes a flexible approach and, when requested, will assist in the tendering and contract management for procurement below a contract value of $250,000 involving some complexity or otherwise needing specialist procurement expertise.

120. A centralised system is designed to harness the buying power and volume discounts available as a statewide, rather than individual, purchaser. Procurement requires more than assessment of the cheapest price, rather it is the balancing of price against considerations of patient and clinician experience, outcome and safety. Centralised procurement necessarily involves a statewide assessment of value for money. This means that in determining that a particular good or service is the best value for the NSW Health system, LHDs and SHNs are not free to pursue "deals" offered by suppliers – often involving a product which is not identical or bundling of goods and services in such a way that a product appears cheaper than the statewide price but in fact requires additional expenditure.

121. The perception of this disadvantage to large metropolitan LHDs, for the benefit of the NSW Health system as a whole, is addressed through good communication but also

through market testing and statewide contract provisions which allow HealthShare to obtain lower prices where offered by vendors who are a party to those contracts.

J. OPPORTUNITIES

122. The HealthShare NSW Shared Services Evolution Program is a four year program, commencing 2023-24, of value and efficiency initiatives that builds on HealthShare NSW's success in delivering shared support services in health, with a focus on finding opportunities to standardise, digitise and improve shared health services across NSW Health. Value in this context is broadly defined, and includes savings, sustainability gains, efficiency improvements, consistency in process, reduced errors, enhanced patient flow and system performance, more patient-focused clinical time, and an improved employee and patient experience. A more standardised approach to delivering shared support services, whilst recognising local perspectives where practicable, would realise significant savings for the NSW Health system while increasing the overall standard of services for all. Examples of opportunities include:

a. Support Services Program aims to transition all back of house services to HealthShare NSW. For example, an end-to-end Materials Management model is being considered that will synchronise and enhance many of the back-end process that support hospital operations. This will:

   i.   Optimise loading dock processes and better coordinate supply trucks and waste stream movement,

   ii. Enhance stock management and storage of consumables or equipment and

   iii. Standardise the environmental services streams that are required to maintain cleanliness and infection control.

b. Patient Transport Reservations Model will implement an operating model that provides staff and patients certainty of the next available time for non-emergency transport, reduces on scene cancellations, increases timeliness and trips per hour.

c. Food Services Reform will implement a new service delivery model that removes manual processes with self-ordering, reduces food costs and waste, and improves patient nutritional outcomes and experience.

d. Employee and Financial Shared Services transactional services to standardise process, remove duplication of effort, digitise and facilitate intelligent automation once standardised processes are implemented.

123. HealthShare sees opportunities to further streamline logistics by moving to have dedicated logistics managers and reducing multiple supplier deliveries to achieve a single delivery service, as occurs with linen and meals delivered by HealthShare.

124. The expansion of Project Chef beyond the current pilot at Bowral Hospital, will enable the provision of a more patient-centred food service model, informed by patient experience data, which have the added benefit of reducing food wastage. There is also opportunity to incorporate a more standardised patient menu, to harness economies of scale.

125. The centralisation and standardisation of a range of localised administrative processes such as recruitment and patient billing would reduce the administrative burden on clinicians, allow for consistent processes to be introduced, create opportunity for automation to improve efficiency, and reduce errors resulting from manual handling.

126. By harnessing the benefits of a standardised approach, these initiatives have the potential to increase efficiency, eliminate bespoke over-servicing arrangements, reduce waste and create more service equity across metropolitan and regional LHDs, while simultaneously improving the overall service standard and providing time back to our busy frontline workers.

Carmen Rechbauer

12 February 2024

Date

Witness: Scott Falvey

12 February 2024

Date