Special Commission of Inquiry into Healthcare Funding

Outline of Evidence of Apsara Kahawita

Name: Apsara Kahawita

Occupation: Director of Finance and Corporate Services, Far West Local Health District

1. This is an outline of evidence that it is anticipated that the witness will give to the Special Commission of Inquiry into Healthcare Funding.

Role

2. I am the Director of Finance and Corporate Services for Far West Local Health District (**FWLHD**). I have held that role for the last 18 months. Prior to that I was the Director for the Program Management Office at Ministry of Health. Overall, from 2007 for 17 years, I have held various NSW Health finance positions in a number of Local Health Districts and the Ministry of Health including Deputy Director of Finance at NSW Ambulance, Deputy Director of Finance at Nepean Blue Mountains Local Health District, and Associate Director of Finance and Corporate Services of Health System Support Group at NSW Health. I started my career as an auditor, moved into investment banking, and then teaching before joining NSW Health. I hold a degree in Business Administration and I am a Certified Public Accountant of Australia together with the Institute of Chartered Accountants of Sri Lanka.

3. As the Director of Finance and Corporate Services at FWLHD, my role is to provide leadership to the Finance and Corporate Services Directorate that provides a range of functions to ensure responsible financial management of public funding; financial and management accounting; revenue; insurance; contracts and procurement, health information management, data analytics and performance, asset and facility management, health service planning, fleet, warehouse, Isolated Patients Travel and Accommodation Assistance Travel Scheme (IPTAAS), staff travel, staff accommodation and records management. My portfolio is broad compared to the Directors of Finance across the state because the FWLHD organisation is small. The Directorate is also responsible for monitoring recurrent and capital expenditures against the annual budget allocation and reporting on FWLHD's financial performance to the Ministry of Health and the Board.

4. I report to the Chief Executive of FWLHD, Brad Astill.

5. I have 8 direct reports as follows, and approximately 80 members in my Directorate overall:

    a. Team Leader, Finance and Financial Analytics – the substreams include:

        i. financial accounting functions such as the statutory financial reporting and auditing process, cash management, reconciliation, asset revaluation, and revenue,

        ii. management accounting functions such as monthly reporting, annual budget build process, forecasting, analysis, supporting the management for budgetary controls, and financial advice, and

        iii. other affiliated functions such as business case development, and undertaking forensic financial analysis.

    b. Senior Manager, Health Information Analytics and Performance - management of medical records, corporate records, clinical coding, health controls systems for the security of patient and staff privacy, and Key Performance Indicator (**KPI**) reporting.

    c. Senior Manager, Asset Facilities and Support Services - high level advice and support to FWLHD on matters such as facility and capital planning, priority setting, resource allocation and other business, manage financial and human resources for the engineering and maintenance services, manage, coordinate and report on FWLHD's Locally Funded Initiatives, minor works and equipment programs.

    d. Senior Manager Planning and Service Development – lead and develop service plans, asset management plans, business cases, project reports, managing FWLHD staff accommodation portfolio, and maintain the role delineation level database. This role was permanently recruited on 10 April 2024.

    e. Procurement, Fleet Manager – managing fleet, purchasing, warehouse, dispatch, and deliveries, management of invoices, delegations in the system, and purchases from state contracts.

    f. Contract Implementation Specialist - procurement advisory services, validate stakeholder business needs, compile and source market information, and

assist in analysing markets to inform implementation decisions and provide contract implementation expertise, using clinical knowledge to engage with FWLHD stakeholders and drive engagement with vendors on a day-to-day basis to facilitate uptake of new statewide contracts,

g. SmartChain Change Lead - a new role starting on 14 May 2024 to champion change in alignment with SmartChain objectives and will play a hands-on role, particularly during the pre-implementation and peak implementation phases of SmartChain solutions. SmartChain, which is co-led by HealthShare NSW (**HealthShare**) and eHealth NSW, forms part of the whole-of-health Procurement Reform program to transform procurement and supply chain across the public health system.

h. Executive Assistant.

6. I am based on the Central Coast of NSW, but travel to FWLHD on a monthly basis at a minimum. The position was categorised "hard to fill" and it offered the opportunity for the selected candidate to work anywhere within Australia.

Funding models

7. The FWLHD is funded by a combination of block funding, activity-based funding (**ABF**), and the Small Rural Hospital Funding Model (**SRHFM**).

8. Broken Hill Hospital is funded by ABF. The Broken Hill Hospital is categorised as an **outer regional facility** pursuant to the Australian Statistical Geography Standard (**ASGS**). The ASGS is used to classify patients' place of residence and locality of hospitals. The patients residing or receiving treatment in outer regional, remote and very remote areas are eligible for the price weight adjustments.

9. The ABF model is especially challenging for the FWLHD for a number of reasons:

a. The FWLHD has a small population of about 30,000 people. It is apparent that there are not enough people from the population becoming doctors, nurses, allied health professionals, or other non-clinical professionals to service FWLHD. FWLHD has in excess of 800 positions. That means workers need to be hired from outside the Far West region, which comes with additional costs for travel and accommodation. Those costs are especially pronounced for Broken Hill, which is a 13-hour drive from Sydney or a three-hour plane flight.

We have received funding under the Rural Health Workforce Incentive Scheme to increase FWLHD's workforce which is very positive. In a related manner, it would be of assistance if we could have provisions under the ABF model to cover these additional costs which FWLHD incurs relative to other districts.

b. Relatedly, staff in FWLHD are given an extra week of paid annual leave after twelve months service (5 weeks) compared to most of the other health entities with four weeks. This impacts the FWLHD's financial position, because staff accrue annual leave more quickly and there are more leave days to cover for.

c. The small size of the FWLHD means that facilities may not have similar level of activity each day of the year. For example, maternity, paediatric and renal wards in the Broken Hill Hospital do not necessarily perform similar levels of activity on each day of the year. However, the wards still need to be open every day, which requires highly specialised staff to be employed leading to a high fixed costs to be paid. The ABF model does not fully take account of this for Broken Hill Hospital.

10. FWLHD has eight small facilities. These are funded by SRHFM, a non-ABF methodology. SRHFM is based on fixed and variable cost and the national weighted activity unit (**NWAU**). Each FWLHD facility under SRHFM receives $0.878 million per facility in FY2023-24 as a fixed cost. FWLHD receives this adjustment only for six facilities because BurongaOne and White Cliffs Health Services do not have their own identity under the ABF model.

11. A financial policy implemented in FY2023-24 across the state "Comprehensive Expenditure Review Savings Allocation" through the Service Agreement process has a disproportionate effect on FWLHD. The travel target reduction is a reduction of roughly one third of the total travel expenses compared to last year. This poses a particular problem for FWLHD, because it is a highly remote district and lengthy travel is necessary to bring essential clinical workers, and other capabilities to FWLHD and staff travelling between facilities is necessary to continue services managed centrally (for example, maintenance, biomedical engineers).

12. FWLHD has extremely limited revenue generating opportunities. The budget has been stable over the past five years, whilst there has also been a significant reduction of revenue generating opportunities due to the changes to the models of care and the operating environment. For example, low and reducing levels of private health insurance,

a reduction in Department of Veterans' Affairs patients, and closure of the FastTrack Clinic in June 2021 in Broken Hill Hospital Emergency Department.

13. Revisiting the current "own source revenue" budget allocation process is imperative.

Capital developments

14. There are four major redevelopment programs happening across the FWLHD. They are the Broken Hill Emergency Department (which is designed to increase physical space but not capacity); the mental health inpatient services (adding two more beds); the rebuild of the Wentworth Hospital; and key worker accommodation. The key worker accommodation development has secured $15 million in funding and plans are to build 20 apartments in the next year in Broken Hill and Balranald. All four redevelopment projects are managed by Health Infrastructure NSW.

15. I am involved in capital developments directly through the steering committees and through my direct reports. As referred to in paragraph 5 above, the Senior Manager Planning and Service Development, and Senior Manager Asset Facilities and Support Services report to me. They are responsible for various activities throughout the life cycle of these projects.

16. My role in capital developments is to support building up the business case, including by providing information on capital or operational expenditure, sitting on the steering committee to optimise and approve funding, and assisting with the development of the Financial Impact Statement.

17. One of the major challenges in the development of the business case and financial impact statement is that in the practical world of economic appraisals quantitative measures such as population growth, increase in activity (especially in Broken Hill Hospital which is ABF funded) and reducing costs are considered clearly measurable benefits and provide strong evidence for the proposed change. Most redevelopment projects in the Far West region are associated with qualitative and/or unquantified benefits such as delivering culturally appropriate care, addressing health inequalities experienced by people in rural areas improving staff and consumer amenity/safety to comply with the current Australian standards, improved staff attraction, satisfaction and retention, reduce clinical errors (due to crowded space), improved building sustainability through modern design and positive social impacts etc. The current economic appraisals seem to have a lower weight on these indicators.

18. Further, the capital projects use a top-down approach for costing. It starts with a predetermined number by NSW Government as the total cost of the project and allocates it to the major components or phases of the project. When the project completes the bottom up costing it is always difficult to reconcile the two numbers. FWLHD capital projects are small compared to the rest of the state, lack of economies of scale, and there is significant cost in rural infrastructure development including a high cost for professional services. When the bottom-up costing is higher than the top-down approach and there is a need to make the solutions work for our community, FWLHD steps in to fill the gaps within its existing budget.

Procurement

19. My portfolio includes contracts and procurement. My team is responsible for providing advisory services to comply with the NSW Government procurement policy framework and NSW Health Goods and Services Procurement Policy.

20. HealthShare provides less services to FWLHD compared to other LHDs due to its rurality. FWLHD has its own warehouse, linen service, food services and patient transport services and has its own catalogue to buy products (other health agencies use OneLink inventory system). In the past it has been assessed that due to the remoteness it is not feasible to use these services via HealthShare.

21. FWLHD uses some state contracts. There are limitations in using those contracts, because it is too costly to ship goods and services from Sydney as it is a 13-hour drive. South Australia is six hours away from Broken Hill. For some goods and services it is practical and cost effective to rely on South Australia rather than Sydney. For example, it is efficient to have corrective and preventative maintenance contracts with companies in South Australia to avoid service disruptions.

22. FWLHD does use eHealth NSW services as the same geographic restraints are not applicable. In addition, FWLHD shares the Chief Information Officer with Western New South Wales LHD (**WNSWLHD**). This means that the WNSWLHD provides clinical analytics, such as how FWLHD is performing relative to its clinical KPIs. However financial data analysis is performed by FWLHD itself.

23. Some statewide KPIs that are part of the Service Agreement process are unrealistic targets for FWLHD. An example of one such KPI is the Fleet Management Consolidation initiative, which has mandated reducing 20% of the FWLHD fleet, which is roughly 14

cars. Currently the fleet has 71 passenger cars located in 12 locations and all facilities to which staff must drive are in isolated locations. As per the NSW Health Financial Requirements and Conditions of Subsidy (Government Grants) for the year ending 30 June 2024, it is an annual requirement for *"a 3% reduction in the total net passenger fleet operational costs from the previous reporting period".* Given that FWLHD covers an area of nearly 200,000 square kilometres with limited or no taxi like services, with a need to use cars for patient transport as required, a need to use cars to transport essential non-resident fly-in fly-out (FIFO) workforce, a need to travel longer distances, and a need to accommodate all practical scenarios with extreme weather conditions, meeting both KPIs is not feasible.

24. As the most rural LHD in the state, FWLHD is experiencing very different challenges to those that, I understand, are to be met by the rest of the rural and regional LHDs. The Ministry team sitting under the Deputy Secretary for Rural and Regional Health is a positive mechanism for rural and regional LHDs to have a voice in the Ministry of Health.