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# Special Commission of Inquiry into Healthcare Funding

## Witness Outline

**Name:** Grainne O’Loughlin

**Occupation:** CEO, Karitane

1. This is an outline of evidence that I would be prepared, if necessary, to give to the Special Commission of Inquiry into Healthcare Funding as a witness.

### A. Role

2. I am the CEO of Karitane. I have 33 years’ experience working in the public health service of NSW.
3. I am also a board member of the Health Services Association (“HSA”), which is an association comprised of various non-government public health service providers, including Karitane. I am the immediate past president of the HSA.
4. Karitane is a company limited by guarantee, and is classified as an affiliated health organisation (“AHO”) under the *Health Services Act 1997*, as it is listed in Schedule 3 (“the Schedule”).
5. Karitane is also a recognised registered charity through the Australian Charities and Not-for-profits Commission (“ACNC”) with full Deductible Gift Recipient Status.
6. Karitane operates under the governance of an independent Board of Directors.
7. Karitane offers statewide (secondary and tertiary) and national services in child and family health, perinatal infant and child mental health, parenting, preventative and targeted early intervention for families with children in the First 2000 Days (0-5 years).
8. Karitane primarily provides child and family health services to the NSW public health system through a Service Level Agreement (“SLA”) with the South Western Sydney Local Health District (“SWSLHD”).

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## Special Commission of Inquiry into Healthcare Funding

9. Karitane also provides virtual residential parenting services under a grant funding agreement with the Ministry of Health (see agreements at SCI.0008.0048.0001 and SCI.0008.0053.0001).
  10. Karitane also holds a partnership Agreement with South Eastern Sydney Local Health District for the provision of services at Wollli Creek.
- B. Schedule of *Health Services Act 1997*
11. Over time, the service locations offered by Karitane have changed, however, those changes have not been reflected in schedule 3 of the *Health Services Act*. In fact, since at least 2014, I am not aware of any changes having been made to the schedule of that Act in relation to Karitane.
  12. For example, we provided services to NSW Health in Camden for 14 years and now in Oran Park and Campbelltown but those services are not specified in the schedule. At the same time, Karitane no longer has a service in Liverpool but that service remains on the schedule.
  13. This is a concern from a governance perspective.
- C. Funding and Service Level Agreement
14. Karitane is “block funded” and receives an annual budget allocation from NSW Health through the SWSLHD as part of an annual SLA which runs each financial year and sets out a range of agreed performance measures and KPI targets which are reported on quarterly. A copy of the most recent service agreement, for financial year 2023/2024, which was signed by me on behalf of Karitane on 5 April 2024 is at SCI.0008.0169.0001.
  15. I note that the SLA is accompanied by a covering letter dated 5 April 2024, which I authored with Lee Carpenter, the Chair of the Board of Karitane. That letter sets out in some detail a number of issues with the SLA, some of which I will now set out.
  16. Historically, the funding provided to Karitane by SWSLHD under the SLA has fallen short of the cost to Karitane of operating the service volumes provided under the SLA. Karitane has

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## Special Commission of Inquiry into Healthcare Funding

nevertheless signed the SLAs in the interests of maintaining the services it provides, with a focus on serving the consumers who rely on Karitane's services.

17. Karitane receives funding from other sources (currently approximately 56% of its total funding). In recent years, that has largely been comprised of revenue from other funders for other services provided by Karitane, including from a range of NSW community and interstate programs, private health insurance, grants and philanthropy.
18. While it is not the intention behind offering these services, a proportion of this additional revenue from these services has been used to effectively offset the losses made by Karitane on the services provided under the SLA. Understandably, these alternate sources of funding also fluctuate from year to year.
19. Historically, the offsetting effect of these alternate sources of funding has allowed Karitane to operate on a cost-neutral basis or with only insignificant losses. However, over time, the size of the funding shortfall to provide services under the SLA has increased, largely fuelled by the increase in servicing families from more vulnerable communities leading to a significant drop in private health insurance revenue. As a result, Karitane has found it more difficult to offset the shortfall. A graph of funding trends from 2014 to 2024 is at SCI.0008.0165.0001. I note that the expected deficit, accounting for alternate funding for 2023/2024, is \$1.7 million, which is substantially higher than previous years.

### D. Impact on Services

20. On occasion, funding deficits have resulted in the need for Karitane's services to be reduced or discontinued. For example, in 2018, SWSLHD directed the closure of the Liverpool Parenting Centre due to the financial gap widening and a lack of funding by SWSLHD to continue to operate the service.

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## Special Commission of Inquiry into Healthcare Funding

### E. Addressing the Shortfall

21. Karitane's budget deficits have been well documented over time. The deficits are set out in the SLAs, along with the details of Karitane's contributions from alternate funding to support the services provided under the SLA. There has also been significant amount of correspondence between Karitane, SWSLHD, the Ministry and the NSW Government regarding the deficits, over a significant period of time. A recent example of this correspondence, which also provides further detail around the SLA and funding issues, is my letter to Deb Wilcox dated 18 December 2023, a copy of which is at SCI.0008.0293.0001.
22. Karitane has undertaken annual efficiency reviews/processes with SWSLHD since 2018, and also commissioned a separate third-party efficiency review in 2018. Karitane was advised by the SWSLHD that if no efficiency issues were identified through these processes, SWSLHD would continue to advocate to the Ministry for Karitane to receive additional funding.
23. Whilst there are current negotiations occurring in relation to services and additional funding, Karitane has not received additional funding to date commensurate with the cost of operating the services it is contracted to deliver under the SLA.
24. We are a company limited by guarantee with Board Directors having fiduciary responsibilities, including an obligation to not trade if insolvent. This means that annual budget setting and known revenue streams are critical for our sustainability, our balance sheet and to allow us to meet our corporate governance obligations.

### F. Transparency in Funding of AHOs

25. Over time, Karitane has on many occasions sought clarification as to how its budget is set. I have been informed by the Ministry of Health that the budget is set by SWSLHD, and by SWSLHD that it is set by the Ministry. I understand from my position on the board of the HSA that the lack of clarity and transparency around funding is an issue shared by other AHOs.

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## Special Commission of Inquiry into Healthcare Funding

26. Potentially, the funding and services of AHOs, particularly state-wide and tertiary services, would benefit from decisions regarding equitable, transparent, timely, data driven resource allocation and funding being centralised with the NSW Ministry of Health.

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