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HAWKESBURY DISTRICT HEALTH SERVICE (“HDHS”)

Pricing Proposal for
FY2021/22

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1 Context to Proposal

1.1 Proposed Pricing for FY21/22

SJGHC propose a schedule as shown below for service provision for the 21/22 financial year.

The pricing principles are as per the NBMLHD (Nepean Blue Mountains Local Health District) indication that the Ministry has confirmed support for a price top for HDHS at 100% of ABF activity at State Price, on the condition that an agreement is made as follows:

- 100% of NWAU activity allocated by NBMLHD to HDHS will be paid at State Price
- The price paid is inclusive of:
 - o Medical Indemnity o LSL
 - o Utilities
 - o RMR
 - o All operational expenditure.

It is noted that the State Price for the 20/21 financial year has been supported with a Transition Grant in recognition of the significant reduction in value from \$4,925 to \$4,727. A consistent and sustainable pricing structure is essential for maintaining health care provision at a quality standard, hence, it is proposed that any reduction in the State Price for FY21/22 be supported by a Transitional Grant.

1.2 Activity Levels

This proposal is based on the principle that the State Pricing and activity allocations are not interdependent. It is our expectation that each will be considered on their own merit and no offsets will take place as a function of a change in either State Pricing or our activity allocation.

In addition, should there be a material change in the cost weights for activity, we ask that this be taken into consideration in the allocation of activity levels.

It is also recognised that the 19/20 & 20/21 financial years have been impacted by significant events being COVID and to a lesser extent, flooding in the Hawkesbury. The combined impact on activity levels has been significant and has been normalised as part of this budget proposal based on historical trends.

1.2.1 Acute Services

The appropriate volume for acute services requires consideration of historical and current volumes.

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Period	Volume
20/21 Service Agreement	9,371 (including 186 COVID Waiting List Funding)
20/21 YTD Annualised & Normalised	9,531

Based on both YTD activity and comparison to the volume in prior years, the volume allowed this year is not sufficient to meet demand within the catchment and this is despite some lower activity periods experienced through the pandemic.

Accordingly, SJGHC propose a volume equal to the current year normalised with a growth factor of 2.5%.

This leads to a proposed NWAU value of **9,770 for acute activity**.

1.2.2 Emergency Department

The year-to-date volume for the Emergency Department, as shown below, indicates that the allocated volume is insufficient.

Period	Volume
20/21 Service Agreement	3,386
20/21 YTD Annualised & Normalised	3,465

Based on both YTD activity and comparison to the volume in prior years, the volume allowed this year is not sufficient to meet demand within the catchment and this is despite our Emergency Department seeing reductions in consumer demand through the pandemic.

Activity levels have recently returned to pre COVID levels and accordingly, SJGHC propose a volume equal to the current year normalised with a growth factor of 3.5%.

This leads to a proposed NWAU value of 3,586 for ED activity.

It is our understanding that there is a review underway of the possibility of reverting to a block funded model for Emergency Departments across the district. SJGHC would favour consideration in this process should it remain on the agenda for NBMLHD for the 21/22 financial year.

SJGHC also seeks your advice as to funding allocations to Emergency Departments to fully implement the recommendations of the Anderson Report. Initial calculations suggest this cost is in excess of \$480,000 for additional 24 hour security presence for our hospital. Without additional funding, this will be extremely challenging to implement.

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1.2.3 Sub-Acute

The year-to-date volume for Sub-Acute Activity, as shown below, indicates that the allocated volume is insufficient.

Period	
20/21 Service Agreement	1,068
20/21 YTD Annualised & Normalised	1,131

Based on both YTD activity and comparison to the volume in prior years, the volume allowed this year is not sufficient to meet demand within the catchment. Our ageing population and the challenges of accessing suitable rehabilitation and nursing home care have seen our demand for services increase, and unlike Acute Admitted Services, SJGHC saw no reduction in activity levels resulting from the pandemic, in fact, the opposite.

Accordingly, SJGHC propose a volume equal to the current year normalised with a growth factor of 2.5%.

This leads to a proposed NWAU value of **1,159 for sub-acute activity**.

1.2.4 Non-Admitted

The year-to-date volume for Non Admitted, as shown below, indicates that the allocated volume was sufficient for FY20/21, noting that there has been reduced services through the initial stages of the pandemic.

Period	
20/21 Service Agreement	1,530
20/21YTD Annualised & Normalised	1,389

It is proposed for the 21/22 financial year that the activity levels for Non-Admitted be based on current year levels normalised for COVID closure periods where there was an unprecedented reduction in activity due to COVID restrictions and time delays in converting service provision models to remote access. Normalisation adjustments have been incorporated into the FY20/21 actuals to account for this activity deficit.

This leads to a proposed NWAU value of **1,389 for non-admitted activity**.

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1.3 Other Elements for 21/22 Proposal

1.3.1 Teaching, Training and Research

SJGHC are proposing a consistent calculation, with the total for TT&R for 21/22 continuing as \$1,481,828, with **2% indexation leading to a budget value of \$1,511,465.**

1.3.2 Block Funded Services

Transitional Aged Care

This category covers the provision of transitional aged care.

Historically, SJGHC has supported 10 Transitional Care places in the community. Over many years, the occupancy has remained at high levels in excess of 90% and there has been no increase or temporary access to additional placements.

Our community has limited access to community-based services for patients discharged directly from hospital. Currently there is an 18-month wait for CHSP (Community Home Support Program), and the only other facility available is 1 COMPACs package.

Analysis of our waiting list and unmet referrals indicates a 30-40% shortfall in Transitional Care places to meet community demand, with at least 3-4 patients regularly awaiting support. On this basis, SJGHC seeks an increase to 12 Transitional Care placements for the 21/22 financial year.

Whilst we understand that this funding is Commonwealth based, your support in advising us of the mechanism for submitting for additional placements would be appreciated.

The 20/21 SA provides a value of \$916,099 (unindexed) for transitional aged care on the basis of 10 placements.

SJGHC proposes a value of \$1,099,318 (unindexed) for 12 places, with **2% indexation leading to a budget value of \$1,121,305.**

Other Elements for the 21/22 Proposal

Transition Grants

As noted above, the funding mechanism for the 20/21 financial year has incorporated a Transition Grant of \$2,096,878 to support the reduction in State Price from \$4,925 to \$4,727. In addition, SJGHC was compensated for the differential in Salaries and Wages indexation of \$1,584,407.

It is proposed that the same approach be applied for the 21/22 financial year, should the release of the State Price & Award determinations indicate a similar trend.

With allocation of **2% indexation this leads to a budget value of \$2,138,816 plus any variation in Salaries and Wages indexation to be determined.**

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Specific COVID Related Costs

The pandemic has necessitated a significant change in practice across our facility, which has resulted in additional costs that are not compensated through the historical NWAU pricing mechanism.

At the time of drafting this proposal, it is unknown how the State Price will be compensated for such costs on an ongoing basis, hence SJGHC would like confirmation that the existing reimbursement mechanism will remain in place should the financial impact of the pandemic continue beyond FY20/21.

CNC/CNE Delirium and Dementia

Research has shown that with an increasing aging population there has been a significant rise in the diagnosis Delirium and Dementia. Age is not the only contributing factor as 'risk taking' life style choices have also proven to have an impact on cognition. Patients with this condition admitted into acute care facilities can be difficult to manage and therefore a sensitive, experienced and educated workforce is required.

At SJGHC, there have been several patients admitted who have been diagnosed with age related conditions such as Delirium and Dementia however, other diagnosis e.g. serious falls in the community/frailty/malnutrition are becoming more prevalent. It is understood that this is an area of concern throughout NBMLHD, and resources have been allocated to focus on falls education to mitigate risks of serious harm. There is also a requirement to provide a safe work environment from a Work Health and Safety perspective when dealing with aggressive patients.

Until recently, SJGHC has had access to NBMLHD resources to support with management of this patient cohort and it has been very successful with less falls reported and lower levels of patient and caregiver harm experienced. It is believed that with the current activity levels that a dedicated SJGHC resource is required.

It is proposed that a Full Time dedicated Delirium and Dementia nursing position be allocated to SJGHC at a **value of \$164,450**.

1.3.3 Market Rent

\$1 proposed in 20/21 to remain in 21/22.

1.3.4 Depreciation (Capital and Lifecycle Expenses)

At this stage, we are yet to finalise a capital funding mechanism for the 5-year contract extension period for which FY21/22 is the final year. Unfortunately, despite our best endeavours this permanent solution remains outstanding.

Whilst we have had an interim solution in place, the condition of the major plant and maintenance of the high traffic public areas such as corridors and patient waiting areas has significantly deteriorated. On this basis, this financial year it is proposed that the interim capital funding be allocated in the following way:

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- An allowance of \$300,000 be set aside by SJGHC for capital purchases under \$10,000;
- An amount of \$410,000 to be "quarantined" for capital expenditure priorities greater than \$10,000 up to \$250,000 in value;
- A co-contribution by SJOG of \$90,000 to the capital fund for the proportion of private work undertaken in the facility;
- A dedicated funding pool of \$200,000 be made available for general refurbishments of the corridors and patient waiting areas outside of the above arrangements.

The joint steering committee established during the 20/21 financial year remains in place to govern capital expenditure to ensure a safe and compliant facility in the first instance.

Further, as agreed in our joint steering committee meetings, SJHGC will have equivalent access as other NBMLHD facilities to make submissions for ASP & ARRP funding for the 21/22 financial year to address major capital developments and urgent major infrastructure requirements.

The project status of ARRP submissions is represented in the table below.

Number	Opportunity Name	Cost	Assessment Status
1009565	RCD Protection in Electrical Installations	\$ 65,505	Awaiting Technical Assessment
1009563	BMS Replacement	\$ 980,000	Information Updated for Technical Assessment
1009560	No Compliance of Fire Dampers	\$ 185,210	Information Updated for Technical Assessment
1009525	Bedpan Flusher/Sanitiser & Utensil Washer Disinfectors	\$ 226,000	Awaiting Commercial Assessment
1009479	Replace Chillers & Compressors of HVAC System	\$ 1,235,740	Awaiting Commercial Assessment
1009465	CSSD Endoscopy Upgrade	\$ 3,920,238	Eligibility Assessment: Information Updated
1009428	Fire Rectification (A/C & BMS)	\$ 39,197	To be considered for future ARRP Funding
		\$ 6,651,890	

Of significant concern is our air conditioning system and CSSD upgrades.

Over the past 12 months our air conditioning system has required over \$200,000 in repairs to maintain operations and now over 25 years of age is at a critical replacement point. Similarly, the current CSSD footprint does not meet compliance requirements with WHS considerations, current relevant State, and National standards and guidelines (AS/NZS 4187) according to multiple independent reviews.

In addition, HDHS has an ASP submission lodged for the Emergency Department relating to the expansion of the service by 15 beds at an estimated cost of \$11m. The completion of this project would put HDHS in a stronger position to meet our ETP targets and allow for a more contemporary model of care to enhance patient experience.

Your advice as to the anticipated implementation timeframes of the above submissions is sought as part of the 21/22 financial year budget negotiations.

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1.4 Proposed Pricing Schedule

Applying the pricing outlined above gives the following format for a proposed Pricing Schedule for SJGHC.

Budget	NWAU	Price	Total(\$)
Acute		State Price	TBC
ED		State Price	TBC
Sub-Acute Admitted		State Price	TBC
Non-Admitted		State Price	TBC
TT&R		Block funded	TBC
Transitional Aged Care		Block funded	TBC
Transitional Grant		Block funded	TBC
S&W Indexation		Block funded	TBC
Specific COVID Related Costs		Block funded	TBC
CNC/CNE Delirium & Dementia		Block funded	TBC
Total			TBC

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Based on the FY20/21 State Price of **\$4,727 and Transitional Grant Supplementation**, this produces the following values for this proposal.

Budget	NWAU	Price	Total
Acute	9,770	4,727	46,182,790
ED	3,586	4,727	16,951,022
Sub-Acute Admitted	1,159	4,727	5,478,593
Non-Admitted	1,389	4,727	6,565,803
TT&R	-	-	1,511,465
Transitional Aged Care	-	-	1,121,305
Transitional Grant	-	-	2,138,816
S&W Indexation	-	-	(TBD)
Specific COVID Related Costs	-	-	(TBD)
Anderson Report ED Security Recommendations	-	-	(TBD)
CNC/CNE Delirium & Dementia	-	-	164,450
Sub Total			80,114,244
Adjustors			(TBD)
Common Area Capital Refurbishment			200,000
Capital < \$10k			Included in 100% State Price
TOTAL	15,904		80,314,244

1.5 Proposed Commonwealth changes to the ABF framework/State requirements:

Additionally, HDHS request consideration for inclusion into any funding determined available for quality & safety reporting; data/IT systems or project demands on an equivalent basis as any other NSW public hospital, as and where relevant.