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# HAWKESBURY DISTRICT HEALTH SERVICE (“HDHS”)

Pricing Proposal for  
FY2023/24

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## Hawkesbury District Health Service (“HDHS”) - Pricing Proposal for FY2023/24

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# 1 Context to Proposal

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## ***1.1 Proposed Pricing for FY23/24***

SJGHC propose a schedule as shown below for service provision for the 23/24 financial year, noting that the Service Agreement expires as of 31 December 2023.

The pricing principles are as per the NBMLHD (Nepean Blue Mountains Local Health District) prior year agreement 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 BAU operational expenditure.

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. Whilst a number of these costs have been reduced, there are several that remain in our cost structure on an ongoing basis as we transition to Business as Usual.

The proposal assumes S&W increases in line with historical pay rises of 2.5% pa + 0.5% super pa over the past number of years. Should the S&W move in excess of this % or introduce staffing ratios, this will need to be funded as additional supplementation.

Considering this, 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 FY23/24 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 & 21/22 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.

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Additionally, as February 2024 is a leap year with 29 days, an additional day of activity has been incorporated across all activity streams.

### 1.2.1 Acute Services

#### Acute Baseline (excluding Waiting List Backlog)

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

Period	Volume
22/23 Service Agreement	9,329
22/23 YTD Annualised & Normalised	9,539

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, even when not taking into consideration addressing of the backlog of patients resulting from the pandemic.

Accordingly, SJGHC propose a volume equal to the current year normalised with a growth factor of 2.5% as a baseline funding position which is an NWAU value of 9,777. An additional day activity adjusts this NWAU value to 9,804.

#### Acute – Waiting List

In addition to the above, funding is required to achieve 0-0-0 and address the significant backlog in patients requiring surgery.

To be included in baseline funding is an additional 104 NWAU for dedicated Waiting List surgery for ENT & General Surgery. This relates to 108 patients (72 ENT & 36 General Surgery) that will require surgery over and above our baseline funding requirement as per our Waiting List projection sent to you on 30 March 2023.

In addition to the above, a separate funding proposal has been sent to NBMLHD relating to a 'Private operator bid' for a Preferred Provider Agreement for orthopaedic surgery in our capacity as a licenced Private Hospital. Based on our projections, this is 112 Joint replacements with the estimated NWAU activity associated with this proposal is estimated as 377 NWAU.

This leads to a combined NWAU value of **10,285 for acute activity** taking into account the significant backlog in elective surgery to be addressed.

### 1.2.2 Emergency Department

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

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Period	Volume
22/23 Service Agreement	3,699
22/23 YTD Annualised	3,753

Based on both YTD activity and comparison to the volume in pre-COVID prior years, the volume allowed this year is not sufficient to meet demand within the catchment.

Activity levels this year have returned to pre-COVID levels and accordingly, SJGHC propose a volume equal to the current year annualised with a growth factor of 4%.  
An additional day activity adjusts this NWAU value to **3,903 for ED activity**.

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 (composite escalation factor to be included) for additional 24 hour security presence for our hospital. With this additional funding, we will be able to fully implement the recommendations.

#### 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	Volume
22/23 Service Agreement	1,166
22/23 YTD Annualised & Normalised (excluding GEM)	1,118

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 taking into consideration what SJGHC would be entitled to recognise as GEM activity.

As you are aware, SJGHC has been reviewing the potential impact of introducing GEM activity as part of our Sub-Acute profile having undertaken some benchmarking in relation to sub-acute conversions within peers. To date, due to the pandemic, delays in implementation have been experienced with a revised timeframe of 01 July 2023 being a target date.

It was identified that a potential additional 60-70 patient episodes of unrecognised activity sits within our patient cohort. Assuming an average NWAU weighting consistent with Nepean & Lithgow Hospitals of 2.7, this represents over 170 NWAU in funding.

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### CNC/CNE Delirium and Dementia

Until recently, SJGHC has had access to NBMLHD resources to support with management of patients with a diagnosis of Delirium and Dementia and it has been very successful with less falls reported and lower levels of patient and caregiver harm experienced.

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. As part of implementing the GEM classification, SJGHC is proposing to employ a Full Time dedicated Delirium and Dementia nursing position at our cost at an approximate value of \$180,000, noting this will only be possible with the additional activity requested.

Accordingly, SJGHC proposes to phase in GEM activity effective 01 July 2023 which leads to a proposed NWAU value of **1,316 for sub-acute activity** (including 2.5% base growth).

#### 1.2.4 Non-Admitted

The year-to-date volume for Non Admitted, as shown below, indicates that the allocated volume was not sufficient for FY22/23, noting that there has been increased demand for services post the pandemic.

Period	
22/23 Service Agreement	1,330
22/23 YTD Annualised	1,405

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 noting that community based service demand has significantly changed post a COVID-19 landscape.

Accordingly, SJGHC propose a volume equal to the current year annualised with a growth factor of the current year trend 4%.

This leads to a proposed NWAU value of **1,461 for non-admitted activity** including an additional day of activity.

### 1.3 Other Elements for 23/24 Proposal

#### 1.3.1 Teaching, Training and Research

SJGHC are proposing a consistent calculation, with the total for TT&R for 23/24 continuing as \$1,601,468 (including composite escalation factor), with **2% indexation leading to a budget value of \$1,633,498.**

#### 1.3.2 Block Funded Services

##### Transitional Aged Care

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This category covers the provision of transitional aged care.

Currently our service is consistently reaching occupancy levels of between 95-100% for the 22/23 financial year with high demand and reaching, and at times exceeding pre-COVID activity levels.

Historically, SJGHC has supported 10 Transitional Care places in the community. Prior to COVID-19, the occupancy was at high levels in excess of 90% and unmet demand with waiting list referrals indicating a shortfall in Transitional Care places of 30-40%, meaning 3-4 patients regularly awaiting support. On this basis, SJGHC seeks an increase to 12 Transitional Care placements for the 23/24 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 22/23 Service Agreement provides a value of \$925,160 (indexed) for our 10 transitional care placements.

On this basis, SJGHC proposes a value of \$1,110,192 (including composite escalation factor) for 12 places, with **2% indexation leading to a budget value of \$1,132,396.**

### Aboriginal Liaison Services

It is requested that the interim funding allocation for Aboriginal Liaison Services be rolled over to 23/24 pending finalisation of negotiations relating to long term renewal of our Service Agreement.

SJGHC are proposing a consistent calculation, with the value of the grant being **\$90,000 with 2.5% indexation leading to a budget value of \$92,250.**

## Other Elements for the 23/24 Proposal

### 1.3.3 Market Rent

\$1 proposed in 22/23 to remain in 23/24.

### 1.3.4 Depreciation (Capital and Lifecycle Expenses)

At this stage, we are yet to finalise a capital funding mechanism for future years. This may change the capital arrangements to reflect the new contractual agreement from 31 December 2023.

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:

- An allowance of \$300,000 be set aside by SJGHC for capital purchases under \$10,000;

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- An amount of \$500,000 to be provided by the LHD for capital expenditure priorities greater than \$10,000 up to \$250,000 in value which are not covered by the State Price NWAU value;
- SJGHC will make a co-contribution 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 and works extremely well.

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 23/24 financial year to address major capital developments and urgent major infrastructure requirements.

Several years ago, HDHS had an ASP submission lodged for the Emergency Department relating to the expansion of the service by 15 beds at an estimated cost of \$11m. This value will have substantially increased at today's costs. Current capacity demands and requirements for social distancing have highlighted the inadequacy of the Emergency Department footprint to meet basic care standards and ETP targets.

It is noted that the above capital requests will be considered as part of the scope of the upcoming Asset Condition Assessment that the NBMLHD is soon to undertake and we look forward to working through the recommendations of the report with you to achieve a long term sustainable Health Service from a capital perspective.

#### ***1.4 Your advice as to the anticipated implementation timeframes of the above submissions is sought as part of the 23/24 financial year budget negotiations. Proposed Pricing Schedule***

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

Budget	NWAU	Price	Total(\$)
Acute – Baseline		State Price	TBC
Acute – Waiting List Backlog (Orthopaedics)		PPA Price	TBC
Acute – Waiting List Backlog (Other)		State Price	TBC
ED		State Price	TBC
Sub-Acute Admitted		State Price	TBC



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Non-Admitted	State Price	TBC
TT&R	Block funded	TBC
Transitional Aged Care	Block funded	TBC
Aboriginal Liaison Services	Block funded	TBC
Anderson Report ED Security Recommendations	Block Funded	TBC
S&W Increases in excess of 2.5%	Block Funded	TBC
Common Area Capital Refurbishment	Block Funded	200,000
Capital > \$10k < \$250k		500,000
<b>Total</b>		<b>TBC</b>

Based on the FY22/23 State Price of **\$5,095 + \$30 COVID Supplement**, this produces the following values for this proposal.

Budget	NWAU	Price	Total
Acute – Baseline	9,804	5,125	50,245,500
Acute – Orthopaedic Waiting List Backlog	377	6,228	2,347,956
Acute –Waiting List Backlog (Other)	104	5,125	533,000
ED	3,903	5,125	20,002,875
Sub-Acute Admitted	1,316	5,125	6,744,500
Non-Admitted	1,461	5,125	7,487,625
TT&R	-	Block funded	1,633,498
Transitional Aged Care	-	Block funded	1,132,396
Aboriginal Liaison Services	-	Block funded	92,250
Anderson Report ED Security Recommendations			480,000

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S&W Increases in excess of 2.5%+0.5% super	Block Funded	TBC
<b>Sub Total</b>	<b>16,695</b>	<b>90,699,600</b>
<b>Adjustors</b>		(TBD)
Common Area Capital Refurbishment		200,000
Capital < \$10k		Included in 100% State Price
Capital > \$10k < \$250k		500,000
<b>TOTAL</b>	<b>16,695</b>	<b>91,399,600</b>

***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.