



Hawkesbury District Health Service

Operated by St John of God Health Care and providing public patient services under a public-private partnership with Nepean Blue Mountains Local Health District.

Lee Gregory
Chief Executive
NBMLHD
PO Box 63
Penrith NSW 2751

28th November 2023

Dear Lee

Re: **HDHS Service Agreement Budget FY2023/24**

Further to your letter of 25 October 2023 and meeting with our Group CEO, Bryan Pyne, I acknowledge receipt of the 2023/24 Service Agreement.

Comprehensive Expenditure Review (CER)

SJGHC acknowledges the work being undertaken at a Whole of Government level relating to effective measures and efficiency savings programs.

I highlight HDHS has had no involvement in discussions to date and would welcome any opportunities to be involved in programs which identify tangible cost savings.

Further, we note your reference to the savings targets identified in the Efficiency Improvement Program (EIP) at NSW Health. Could you please provide us with details of the savings required at NBMLHD and any strategies you have in place in relation to achieving these savings to ensure we are not disadvantaged as a Private Provider.

NSW State Price

I note the State Price of \$5,323 and advise that HDHS has recently had an efficiency review undertaken by St John of God Healthcare. It was a comprehensive review of Revenue rates and mix, LOS performance, work hour & roster management and other key expenditure areas.

As a result of the review it was highlighted that we have some LOS improvement areas around medical & sub-acute patients & our work hour management was exceeding peer benchmark, however, the following costs are unique due to being a stand-alone Private Facility delivering a public contract:

2 Day Street Windsor NSW 2756
Locked Mail Bag No. 10, Windsor NSW 2756
Hospital: T. (02) 4560 5555 F. (02) 4560 5563
Community Health: T. (02) 4560 5714 F. (02) 4560 5713
www.sjog.org.au/hawkesbury E. info.hawkesbury@sjog.org.au

St John of God Hawkesbury
District Health Campus Ltd
ACN 608 054 379



- A. Paediatric and Obstetric services: additional medical and nursing costs to provide for baseline infrastructure needed for low volume
- B. Medical Officers: additional medical costs to provide for high cost mid-level doctors working in ED and on ward after hour shifts that in other hospitals would be staffed by Senior RMOs and Registrars. Additional costs to cover agreed JMO positions not supplied by LHD
- C. Specialling: increased nursing hours to care for higher levels of elderly and confused patients
- D. 24/7 Emergency Theatre: high level costs compared with a relatively low level of elective surgery volumes
- E. Price increase above the 4.5% in the State Price for:
 - I. Electricity – 56% increase effective 01 January 2024
 - II. Gas – 42% increase effective 01 October 2023
 - III. Increased Workers Compensation costs of 33%
 - IV. Increased General and Medical Malpractice Costs of 20%

Taking into consideration the above, our end of year 2023/24 financial forecast has estimated a loss of \$4.8m which I propose that HDHS receive as ongoing (indexed) Block Funding Supplementation consistent with prior years.

HDHS Activity (NWAU) Budget

In addition to the above, additional activity of 280 NWAU is required to be funded. This is to address shortfalls in the budget allocation for 130 Sub-Acute NWAU and 150 Non-Admitted NWAU based on current activity levels.

The above does not include any additional Waiting List funding required to reach 0-0-0 before 30 June 2024. A detailed submission will be provided in the next 2 weeks in relation to this.

Capital Expenditure

HDHS is seeking advice as to when the \$500k funding identified in the Interim Service Agreement letter of 02 August 2023 will be forthcoming.

This is now well overdue and has reached a crisis point with several key pieces of plant and clinical equipment breaking down causing significant business interruption and risk to caregivers and patients.

Whilst we appreciate that NBMLHD is aware of our concerns and has commissioned an independent audit, this has been on the agenda for over 18 months. We understand the report is in the final



stages of finalisation, ahead of the release of the report, we refer to our submitted local risk assessment which has identified in excess of \$3m in capital required urgently or within the next 12 month period.

Failing any ability to meet additional funding requirements, HDHS will have no option other than to trigger the dispute resolution clause in the existing contract.

We value our partnership and would like the opportunity to discuss the potential of additional funding sources or advice on any other strategies that could be adopted within the CER framework before we get to this point.

Kind regards

A handwritten signature in black ink, appearing to read 'S1K', followed by a horizontal line that ends in a small flourish.

Strehon Billinghamurst