



**ST VINCENT'S
HOSPITAL**
SYDNEY

A FACILITY OF ST VINCENT'S HEALTH AUSTRALIA

AM-19

St Vincent's Hospital Sydney Limited
ABN 77 054 038 872

19 February 2024

Mr Alfa D'Amato
Deputy Secretary, Financial Services
Asset Management and Chief Financial Officer
NSW Health
1 Reserve Road
St Leonards, NSW 2065

By email: [REDACTED]

Dear Mr D'Amato

Alfa

Re: St Vincent's Health Network Financial Support 2023-24

I write to seek the urgent additional support of NSW Health for St Vincent's Health Network Sydney (SVHN) for financial year 2023-24.

Performance

SVHN is one of the most efficient providers of public health services in New South Wales, with a cost/NWAU23 of \$5,613; below the state average. This represents a ten place improvement in the State compared to the previous year. Activity performance year to date is strong, with December 2023 results indicating a 2.9% positive variance to target. Recent focused efforts to further improve our operating performance, particularly in relation to elective surgery and emergency access are now translating into impact, with further gains expected throughout the remainder of FY24. We are proud of the achievements of our people in delivering for their patients and the wider community of NSW.

Operating Environment

SVHN has a partnership with the Government of NSW spanning 167 years to provide services to the public in keeping with our shared Mission of delivering for those most in need.

Like all public hospitals, SVHN is experiencing material financial pressure as it shifts out of a COVID-response phase and returns to more predictable operating tempo. However,

this year has brought unprecedented financial pressure to SVHN, as a consequence of three major factors:

- Slower than anticipated recalibration to an efficient operating tempo following the COVID response period, including the impact of significant staffing challenges on premium labour costs, overtime and leave uptake;
- The closure of St Joseph's Auburn including decommissioning costs and concurrent impact of activity transfer to Western Sydney LHD;
- Inflationary pressures impacting wages, other expenses and internal charges; and,
- Activity pressures evident in current YTD performance to NWAU target.

Cash Forecast

In November 2023, I wrote to the Secretary of NSW Health regarding the 2023-24 Service Level Agreement for SVHN, noting that the parameters of that funding Agreement would result in a cash deficit position for SVHN in early 2024.

Further to that correspondence, and based on current projection shared with NSW Health, SVHN will enter negative cash flow from April 2024. Projections indicate negative closing cash balances of -\$21.5M, -\$39.6M and -\$60.2M for each month of quarter four 2023-24. These projections include reasonable assumptions related to MOH funding and Own Source Revenue based on current run rate, costs and revenue impacts associated with the closure of St Joseph's Hospital and other known expenses to be incurred for the remainder of the financial year.

This forecast also reflects the significant contribution of St Vincent's Health Australia and related entities to the current year position and ongoing financial sustainability of SVHS, including: provision of land and facilities, funding for asset maintenance and clinical and non-clinical equipment replacement and support for clinical education & development.

At present, without urgent support in addition to the existing 2023-24 Service Level Agreement, SVHN will be unable to pay staff and creditors in Q4 2023-24.

Response

SVHN has implemented a significant program of efficiency improvement initiatives and structural reform across the Hospital to respond to these pressures.

Firstly, a four-stream efficiency improvement program has been implemented to deliver an annualised \$24m in efficiency gains, comprised of:

- Optimised coding and own source revenue;
- Enhanced bed management;

- Improved workforce management including overtime and leave management, enhanced rostering;
- Procurement purchasing efficiencies, including continued transition to State contracts.

This program is underway and preliminary impacts based on December results have been included in the cash forecast. However, whilst every effort is being made to expedite implementation of these initiatives, the size of the forecast deficit for 2023-24 exceeds the gains that could reasonably be derived from these actions in the present year.

Additionally, a structural reform program is being finalised to deliver additional annualised savings. These savings are currently being quantified and impacts will be reflected in the 2024-25 financial year.

Support

In light of this challenging situation I am seeking the support of NSW Health for supplementary funding of \$60 million to address uncertainty in relation to the forecast position to end June 2024. I acknowledge that this assistance will be time limited and will be designed to support transition to a sustainable financial position.

St Vincent's and I are committed to working collaboratively and transparently with NSW Health to monitor the forecast position for the remainder of the financial year and making adjustments to any support provided as needed.

Recovery Plan

In addition to the efficiency measures outlined above I am also proposing that we prepare a joint recovery plan to support a financially sustainable future for SVHN.

This would be designed to avoid any future occurrence of the current short-term financial challenges that SVHN faces, which leaves both the Hospital and NSW Health in an unenviable position.

The SVHN Three Year Recovery Plan would:

- Confirm SVHN's role within the NSW health system;
- Set an agreed service level and mix based on modelled demand across the system;
- Set appropriate and agreed efficiency measures and dividends;
- Outline new areas for innovation and improvements, including virtual and home care, to further contribute to efficiencies and sustainability;
- Establish corresponding operational and capital funding.

The SVHN Three Year Recovery Plan would be designed to meet both St Vincent's Health Australia's and NSW Health's long-term strategic priorities and the needs of the NSW community. This would be a strong contribution to the rich shared history that we have and reflect the innovations and changing trends of health care.

SVHN values our enduring partnership with NSW Health and the NSW Government and is committed to robust financial stewardship to enable us to meet the needs of the people of NSW into the future.

I look forward to your response.

Regards

A handwritten signature in blue ink, appearing to read 'Anna', with a long horizontal stroke extending to the right.

Anna McFadgen
Chief Executive Officer
St Vincent's Health Network Sydney