

St Vincent's Health Australia

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Adjunct Professor Alfa D'Amato
 Deputy Secretary, Financial Services and Asset Management
 and Chief Financial Officer, NSW Health
 Email : MOH-InternalReportingFinance@health.nsw.gov.au

Dear Mr Alfa D'Amato,

FINANCIAL PERFORMANCE REPORT YTD Mar-24

St Vincents Public Hospital Sydney							
\$000	Mar-24			YTD Mar 24			Full year
	Act	Bdgt	Fav/(unfav)	Act	Bdgt	Fav/(unfav)	Bdgt
General Fund							
MoH funding	46,109	38,265	7,843	354,279	345,797	8,482	459,306
Private revenue	2,355	2,332	22	23,680	21,038	2,642	27,884
Facility fees	2,817	2,416	401	26,356	21,447	4,909	28,539
Other	4,669	5,358	(689)	43,144	44,582	(1,438)	60,310
Payroll	(37,436)	(33,504)	(3,932)	(333,332)	(314,844)	(18,488)	(412,274)
Patient related	(9,345)	(9,440)	95	(89,125)	(84,368)	(4,757)	(112,079)
Other operating	(6,951)	(6,676)	(275)	(62,489)	(61,912)	(577)	(81,510)
General Fund EBITDAR	2,218	(1,249)	3,467	(37,488)	(28,260)	(9,228)	(29,825)
Structural deficit		1,694	(1,694)		15,027	(15,027)	20,000
Depreciation	(1,320)	(1,454)	134	(12,294)	(12,904)	610	(17,171)
Non-operating contribution	709	0	709	10,937	0	10,937	0
Non-operating surplus / (deficit)	(611)	240	(851)	(1,357)	2,124	(3,480)	2,829
Adjusted General Fund EBITDAR	1,607	(1,009)	2,616	(38,845)	(26,137)	(12,708)	(26,996)
Trust Fund							
Grants contribution	(530)	1,545	(2,075)	8,946	13,903	(4,957)	23,682
Clinical trial and research contribu	918	1,598	(680)	13,825	14,383	(558)	19,177
Donations contribution	517	648	(132)	5,525	5,986	(460)	16,675
Private practise contribution	828	488	340	6,458	4,391	2,067	5,855
Investment contribution	1,117	440	676	6,492	3,961	2,531	5,282
Other contribution	157	547	(389)	4,728	4,922	(194)	6,562
Salary and wages expense	(2,494)	(2,368)	(126)	(22,891)	(21,309)	(1,582)	(28,412)
Goods and services expenses	(2,207)	(5,272)	3,065	(23,221)	(32,784)	9,563	(48,601)
Trust Fund surplus / (deficit)	(1,694)	(2,374)	680	(138)	(6,547)	6,409	219
Net entity surplus / (deficit)	(87)	(3,382)	3,296	(38,983)	(32,684)	(6,299)	(26,777)

High Level Summary

The Mar24 EBITDAR delivered a \$3.5m favourable variance to budget (\$2.3m actual favourable against a budgeted \$1.2m deficit). This result was driven by a \$7.75m favourability in subsidy funding receipts due to the additional supplementary funding (\$30M). Activity continues to drive performance - as at Feb24 YTD NWAU is 4.1 % above target.

Performance - Mar-24

The Mar24 YTD EBITDAR is \$9.2m unfavourable to budget, driven by unfavourable performance in salaries (\$18.5m unfavourable) and goods and services (\$5.3m unfavourable). This has been partially offset by increased income of \$14.6m mainly due to increases in Private Patient billing, one off catchup in SydPath billing in Aug23 and additional funding from MoH. The favourable variance of MoH funding is related to additional funding (\$7.75m received out of \$30m). Facility fees were \$0.4m favorable in Mar24 attributed to increase medical billing.

Analysis of the results to date has identified the following:

The most significant variance to budget is salaries and wages which is \$3.9m unfavourable for Mar-24 and \$18.5m unfavourable YTD Mar-24. The unfavourable variance is driven by the salary and wages of premium nursing cost (\$1m), under-achievement of efficiency savings (\$2.7m), increased VMO expenses and unfavourable workers compensation claims adjustment.

- **Medical, Nursing and VMO salaries** –The actual FTE YTD Mar24 is below budget and FY23 actuals; however, this is offset by increased agency use during this time. A significant program of workforce reform is being planned with implementation commencing in Q3 2024.
- **Heart / Lung Operational Costs** - Organ retrieval costs YTD Mar24 is \$3.1m. The medical and surgical/prostheses cost related to Heart/Lung (excluding organ retrieval) is \$2.1m unfavourable YTD Mar24. The full-year unfavourability is expected to be approximately \$3.7m based on current trend. SVHS has recently completed a comprehensive costing study for Heart Lung, including retrieval costs, which will be submitted to MOH in Q3 24 to inform State/Commonwealth funding discussions for 24/25 allocations. Funding models for SVHS Statewide services, including Heart Lung transplantation, is also a key part of the SVHS submission to the NSW Special Inquiry into Health Care funding.
- **Cath Lab Reconciliation \$1m** - A reconciliation indicated a Salaries and Wages adjustment for services provided by SVHNS to St Vincent's Private Hospital Sydney of \$1m. This reconciliation is forming part of the price setting for FY25.

Full Year Projection

Based on the final FY24 SLA, reconciliation of changes in funding (including a \$30m cash supplementation by MOH) and cost trajectories forecast based on FY23 actuals profiles, SVHNS is currently forecasting a full year deficit of \$9m against the target EBITDAR. In response to the forecast deficit position, a robust Efficiency Improvement Program (EIP) has been implemented, with an annual target totalling \$30m across key streams: Revenue, Operational Efficiency, Workforce, Service Optimisation and Procurement. Further strategies are being scoped to ensure SVHN achieves efficient operations within funding availability.

The size of the forecast deficit requires further actions to be taken in addition to the EIP and aligned to this Management has prepared a significant program of structural reform focused on reduction in non-front-line FTE and workforce right sizing to the scope and scale of clinical activity. This reform will be launched in Q3 FY24.

While significant progress is expected to be made in FY24, it is not anticipated that the impacts of any workforce changes will be able to fully close ongoing gap. As part of this initiative, Management have developed a 3yr recovery plan for SVHS. This Three Year Recovery Plan focuses on three pillars: cost reduction, revenue optimisation and service realignment.

Other active issues:

- Budget and reporting tools (as part of Oracle suite) – project commenced and ongoing.
- Procurement – project commenced, and it is expected to be completed during May24.
- Procurement of clinical supplies through the Healthshare project - master catalogue migration occurred on 29th January and one link transition was completed on the 11th of March 2024.

Trust Fund Performance

The net trust fund result for Mar-24 was a deficit of \$1.7m but \$680k favourable to budget. The monthly result was impacted by reversal of invoices which will be reissued (corrected amounts) during Apr-24. Trust Funds YTD Mar24 performance is a favourability of \$6.4m driven by clinical trials and research with private practice income continuing to play a strong part in performance.

FTE Performance

The following table compares the total March 2024 FTE against the budget, the previous three months, and YTD March 2024. FTE numbers include all business as usual, supplementary nursing, including nurse agency, except staff that are not paid via the payroll. Overall, total FTE numbers increased by 31 FTE in March compared to February. Business as usual FTE totalled 2,967, which is 242 below the budget of 3,209. It is mainly driven by the closure of St Joseph's Hospital in Nov (157 FTE) and vacant positions mainly from allied health and administration.

Significant gains were made during Dec23-Feb-24 in terms of use of premium labour, excess leave and ADO balances. Activity pressures during March 24 has seen an increase in use of overtime and agency nursing, but still below (15 to 20 FTE) first half of financial year. Recruitment initiatives have seen vacancies reduce but are still significant (68 temporary and 67 permanent vacancies).

FTE by staff category	Mar-24			Rolling 4 month actual					
	Act	Bdgt	av/(unfav)	YTD	Last year	Dec-23	Jan-24	Feb-24	Mar-24
Total	2,967	3,209	242	3,026	3,069	2,970	2,915	2,936	2,967
Admin and management	571	608	37	577	580	583	574	572	571
Ancillary support	179	181	2	180	179	182	180	178	179
Medical support	159	157	(2)	154	141	159	160	157	159
Junior medical staff	362	322	(40)	354	343	350	346	362	362
Senior medical staff	162	166	5	162	164	160	161	162	162
Nursing	1,154	1,219	66	1,147	1,136	1,153	1,113	1,126	1,154
Hotel and allied	381	398	17	376	364	382	380	379	381
St Joseph's Hospital	0	157	157	77	162	1	1	0	0

Activity Performance

YTD Feb 24 SVHS is 4.1% above target, mainly driven by increased activity in Acute and ED streams.

- Acute performance is driven by Cardiac/Lung transplants, Neurosurgery, Haematology, Colorectal Surgery, and Thoracic Medicine but Gerontology remains lower.
- Sub-Acute - Above target when estimated NWAU is used but there are 90 Ungrouped Episodes. There was an increase in NWAU as NSW Health provided the NWAU for all phases in Palliative Care.
- NAP NWAU continues to increase as data from previous months is loaded.

- Mental Health – is only an estimate as the data has been delayed due to the EDW transition.
- Drug Alcohol Non-Admitted – Review of targets has commenced, and it is recognised that the current target for this stream is overstated due to the reduction in NWAU for some D&A clinics.

SVHN full year forecast for 23-24 NWAU activity is 3% above target.

St Vincent's Health Network 2023/24 NWAU 22 Update as at: 8 Months ending

2024 St Vincent's Health Network Activity	Actual YTD NWAU Activity 2023-24	Budget YTD NWAU Activity 2023-24	Variance YTD NWAU Activity 2023-24	Var Fav / (unfav) % YTD NWAU Activity 2023-24
In-Scope for Commonwealth & State NHRA Contributions				
Emergency Department (NWAU 23)	5,496	5,065	430	8.5%
Acute Admitted (Excluding Drug & Alcohol & MH) (NWAU 22)	31,486	29,798	1,688	5.7%
Non Admitted Patients - Excluding D&A, MH & Dental (NWAU 23)	6,962	6,249	713	11.4%
Sub-Acute Services - Admitted (NWAU 22)	3,056	2,966	90	3.0%
Non Admitted- Dental (NWAU (DWAU*(615/5200)))	32	26	7	25.5%
Mental Health - Admitted (Acute and Sub-Acute)(NWAU 22)	2,833	2,731	101	3.7%
Drug Alcohol - Admitted Acute (NWAU 22)	1,051	1,031	20	2.0%
Non Admitted Patients - Drug & Alcohol (NWAU 23)	1,434	2,082	- 648	-31.1%
Total In-Scope for Commonwealth & State NHRA Contributions	52,350	49,949	2,401	4.8%
Mental Health - Non Admitted (Out of Scope)	929	1,214	- 285	-23.5%
Total State & Other Funding Contributions	929	1,214	-285	-23.5%
St Vincent's Health Network Total	53,279	51,163	2,116	4.1%

Conclusion

SVHS is committed to transforming its business so that it can continue to provide efficient and effective health care. Actions that will be taken in the coming months giving consideration to:

- **Governance & Leadership**
 - Continued leadership rounding with services
 - Strategy, Planning & Budget Day with clinical leaders held during Mar-24
 - Implementation of refreshed budget process for FY25
- **Workforces Efficiencies**
 - Recruitment to full staffing inc. branding of St Vincent's as Employer of Choice, leveraging off-recently-released St Vincent's Health Australia Strategy 2030 and community engagement campaign
 - Build strong process for Staffing Establishment/Rostering
 - Implement workforce restructure across corporate/nonclinical areas.
- **Quality Improvements and Models of Care Initiatives**
 - Activity Based Funding work group
 - Review of Service Provision in low value Care
 - Hospital in the Home efficiencies
- **Non-Workforce Efficiencies**
 - Procurement – complete move to State contracts for supplies
 - Review all major contracts with internal/external parties (inc. Cancer services)

- Own Source Revenue in Patient Fees/Medical Billing
- Accurate Coding and Data Capture across all ABF Streams

Certification

I certify that this narrative is reflective of the summary and detailed information contained in SMRS and that the "Official" for the month, YTD is truly reflective of the Health Entities YTD costs, budgeting and full year forecasts and agrees to the information provided to the Finance Committee.

All budgets received in the Top Level have been appropriately allocated down to cost centres and aggregated account groups in the submitted level and phased in accordance to anticipated expenditure and revenue generation.

Full Year forecast has been reviewed and devolved down to aggregated major accounting groups.

Kind regards,



Anna McFadgen
Chief Executive Officer

Date: 11th April 2024



Barry Mitrevski
Chief Financial Officer

Date: 11/4/24