



2023-24 NSW Health Purchasing Roadshow

8 March 2023

St Vincent's Health Network





2023-24 Purchasing Roadshow

Agenda

- Update on Service Agreement process and timelines
- Financial environment
- Impact on purchasing model for 2023-24
 - Activity growth
 - Purchasing adjustors
 - New builds / redevelopments
 - Activity based management
- 2023-24 Purchasing Workshop Outcomes
- District specific issues
- Summation of actions and next steps



Purchasing for 2023-24 – Service Agreement timeline

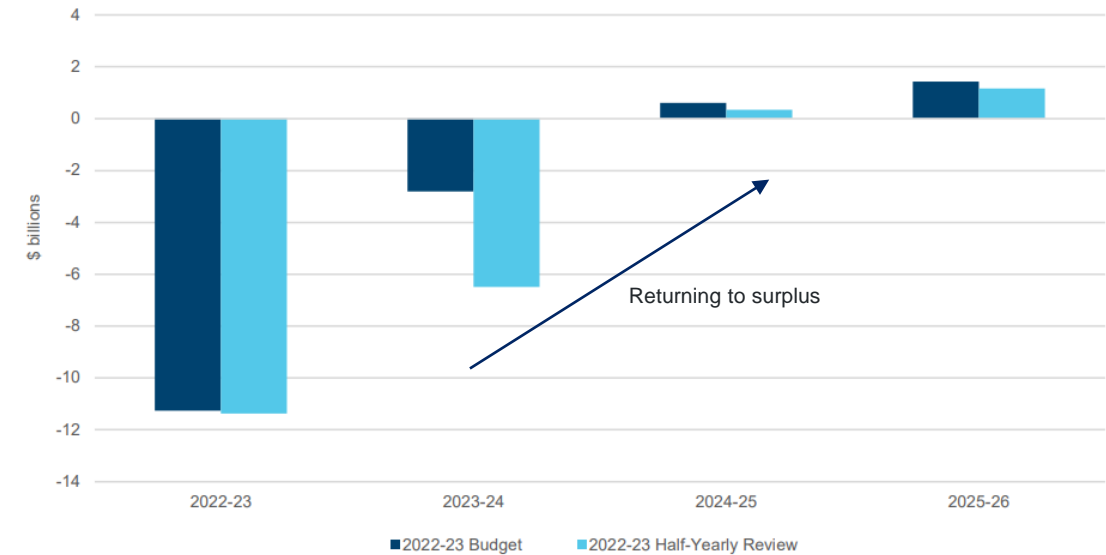
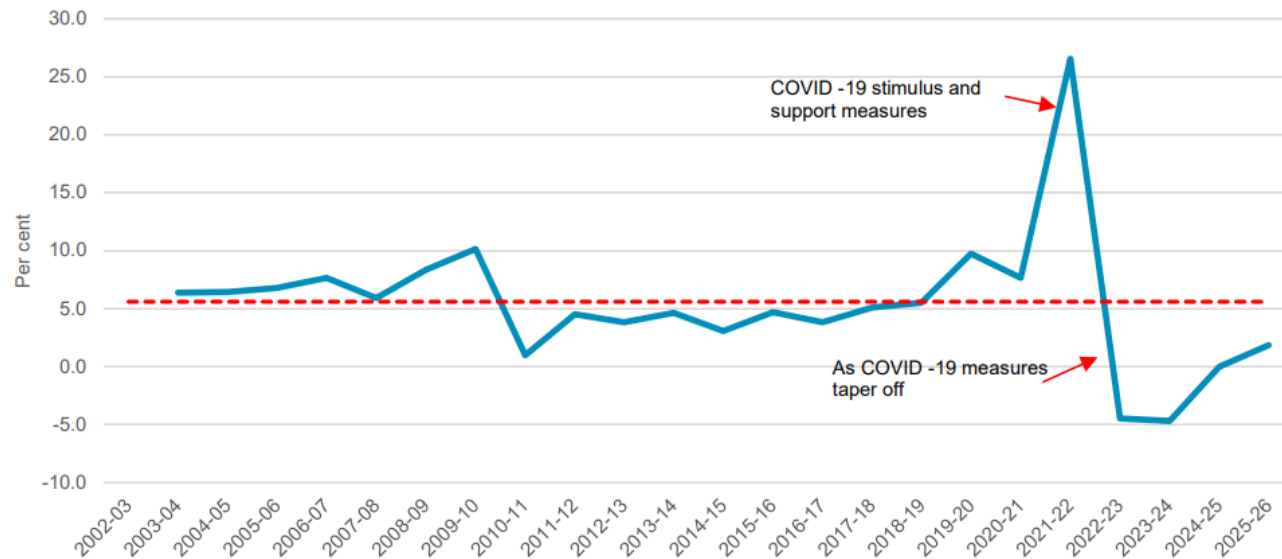




Financial environment

Steve Carr, Executive Director, System Financial Performance and Deputy Chief Financial Officer

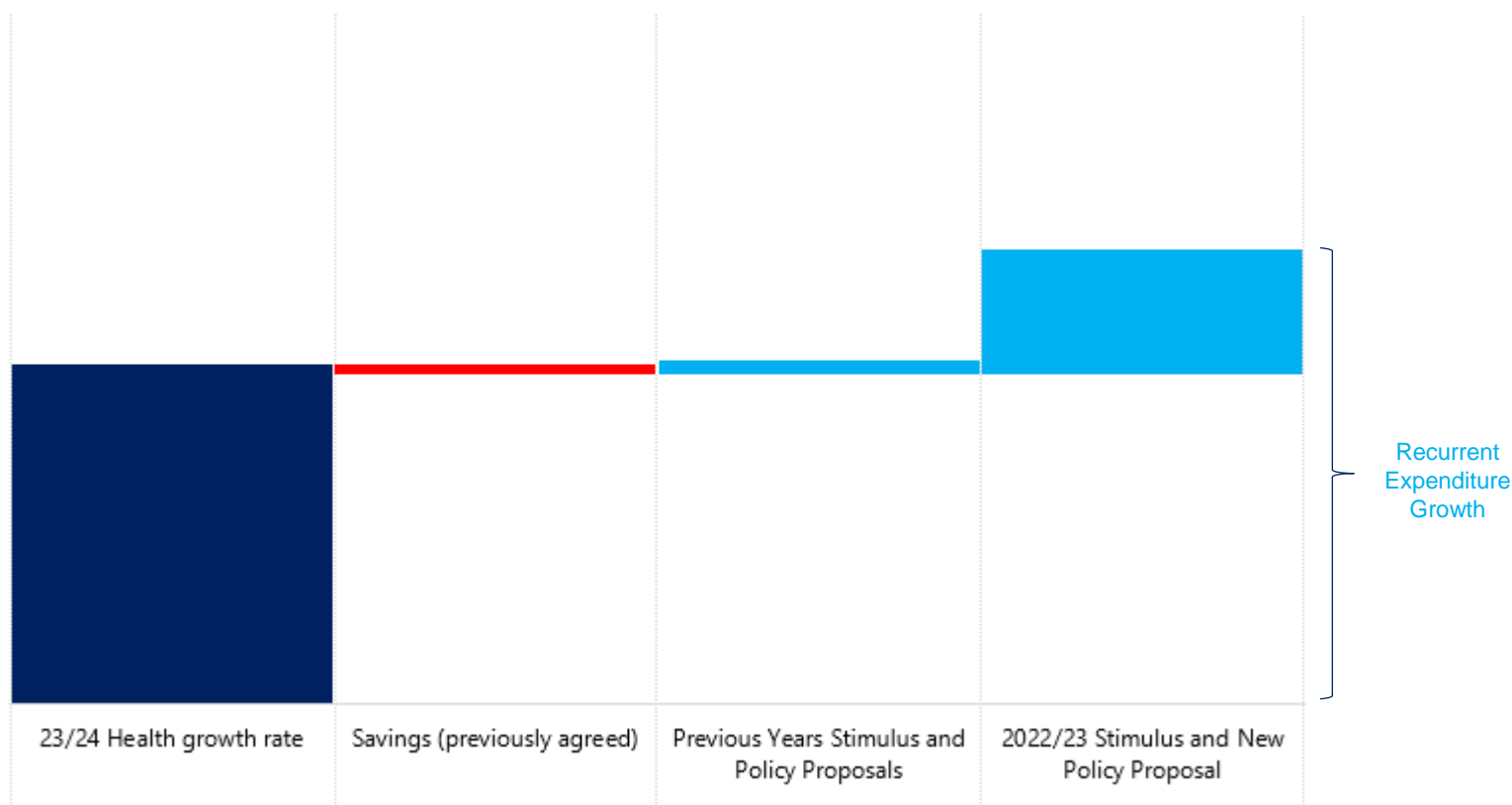
NSW Government is targeting a return to surplus



Chronology:

- Strong growth in expenses in 2020-21 and 2021-22, as the Government implemented substantial health and stimulus measures in response to the pandemic.
- The 2021-22 expense growth was projected to be 26.5 per cent as the Government supported public health and the economy during the Delta and Omicron outbreak.
- The 2022-23 Budget saw a moderation in expense growth with a decrease to 4.5 per cent as a result of the phasing out of some temporary COVID-19 support measures and conclusion of the Commonwealth NPCR.
- Lower expense growth is projected over the forward estimates as we transition out of the pandemic and the Government introduces new measures to return to a surplus in 2025-26

FY24 funding growth



Record FY23 growth of 10% advances funding from FY24



Health system has access to initiatives and extra funding one year early



FY 23-24 a mix of:

- Phase 2 FY22-23 strategies
- One off initiatives

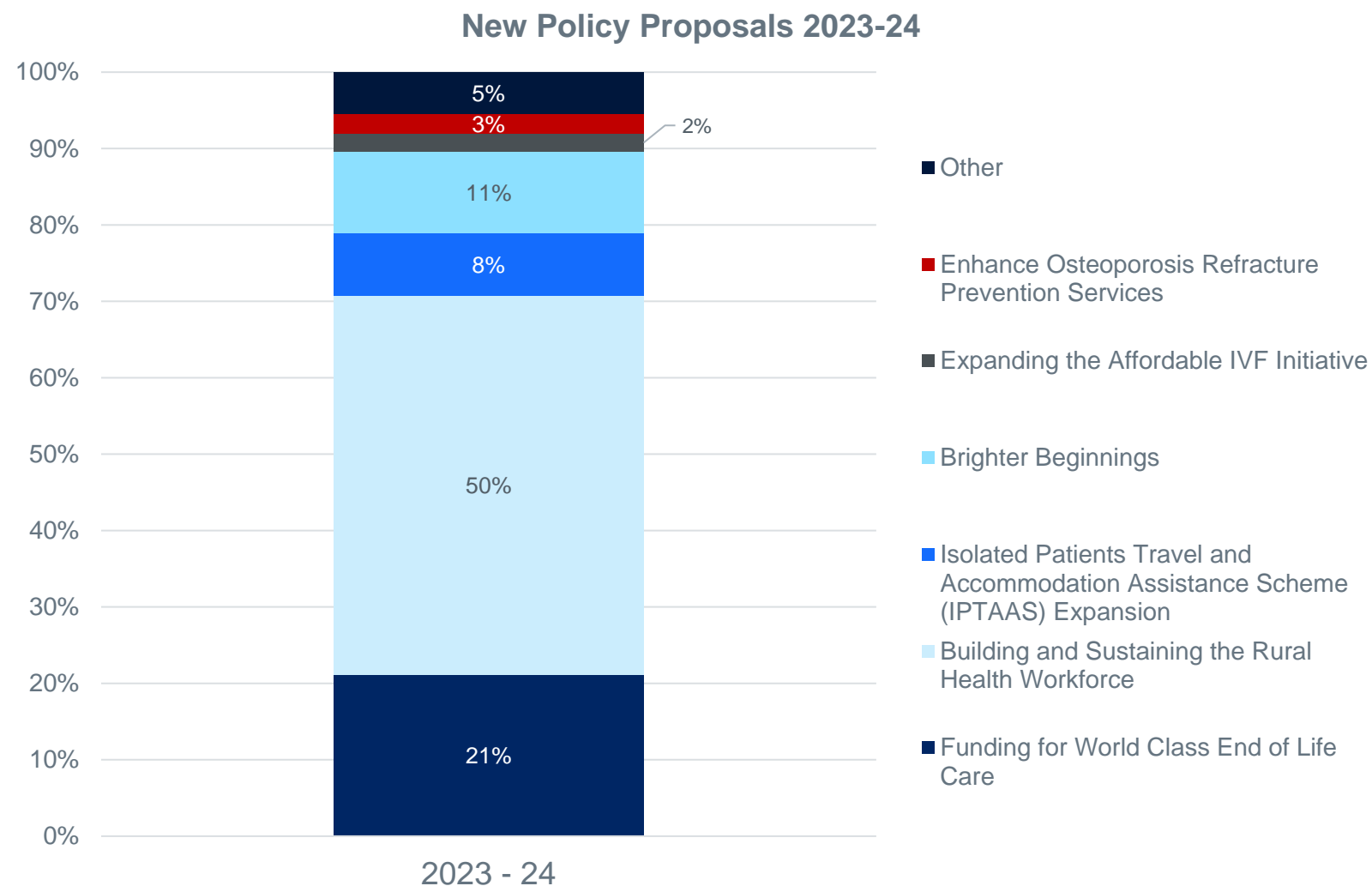
Key risks include:

- Upcoming election cycle
- Additional savings and efficiency targets
- Maintaining underlying expense growth at 4.0%
- Meeting existing commitments – Activity & FTE

New Policy Proposals being implement over 4 years



- Record investment of \$333M in 2022-23 to advance objectives of:
 - Expanding IVF
 - Brighter Beginnings
 - IPTAAS Expansion
 - Building and Sustaining Rural Workforce
 - End of Life Care
 - Closing the Gap & Other
- Each initiative expands in 2023-24 to \$448M



Record FTE growth funding - yet to be realised



- Record investment to boost the health workforce by more than 10,000 FTE over 4 years, which includes more than 7,600 in the first year
- Districts, Networks & Ambulance FTE growth 2.5% (3,354 FTE) behind target.
- FTE impacting on achievement of other initiatives eg deferred care

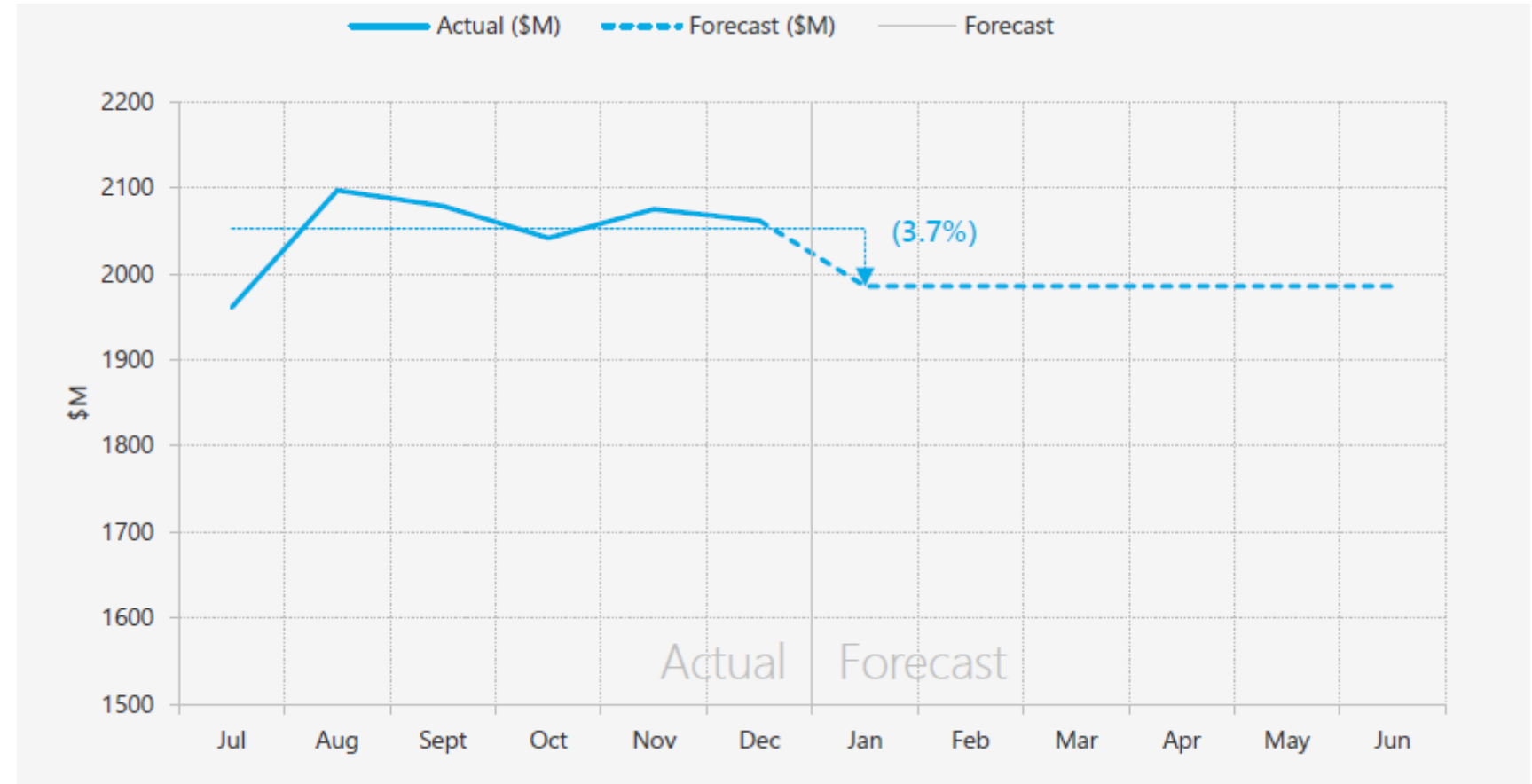
FTE is the modelled full time equivalent staff required to deliver the targeted initiative.

Program	Strategic Outcome	\$ '000	NWAU22	FTE	Outcome and performance metric
COVID Deferred Care - Elective surgery and endoscopy	2	900	177	-	Funding based on delivery of increased activity, calculated on a year-to-date basis by comparing removals from the waitlist (due to patient treatment) compared to the 2018/19 baseline. Key performance / outcome indicators <ul style="list-style-type: none"> Elective Surgery Overdue - Patients (Number) Elective Surgery Access Performance - Patients treated on time (%)
COVID Deferred Care - Dental	3	500	98	-	Outcome specific funding paid on evidence of DWAU in excess of baseline target and proportionate reduction in dental waiting list % of patients waiting longer than the maximum recommended waiting time. (Reported and paid monthly)
Workforce - Building and sustaining the rural health workforce	4	11,025	-	-	Funding based on delivery of production of evidence of incentivised positions and improvement in key measures (monitored monthly): <ul style="list-style-type: none"> Critical vacancy reduction Premium labour reduction Reduction in overtime
Workforce - COVID-19 Recovery and Workforce Resilience	4	-	-	26	Funding based on production of evidence of improvement in key measures (monitored monthly): <ul style="list-style-type: none"> Excess leave Reduction in excess leave Reduction in overtime Return premium labour to base year levels Increase in labour costs above baseline levels Evidence of recruitment to backfill leave

Forecast LHD/ SHN/ ASNSW run rate must fall further



- Jan – June 23 forecast run rate is \$1,985.5 million per month
- This is 3.7% below the average actuals run rate at December of \$2,061.5 million
- Significant improvement required by 30 June 23 to meet SA KPIs

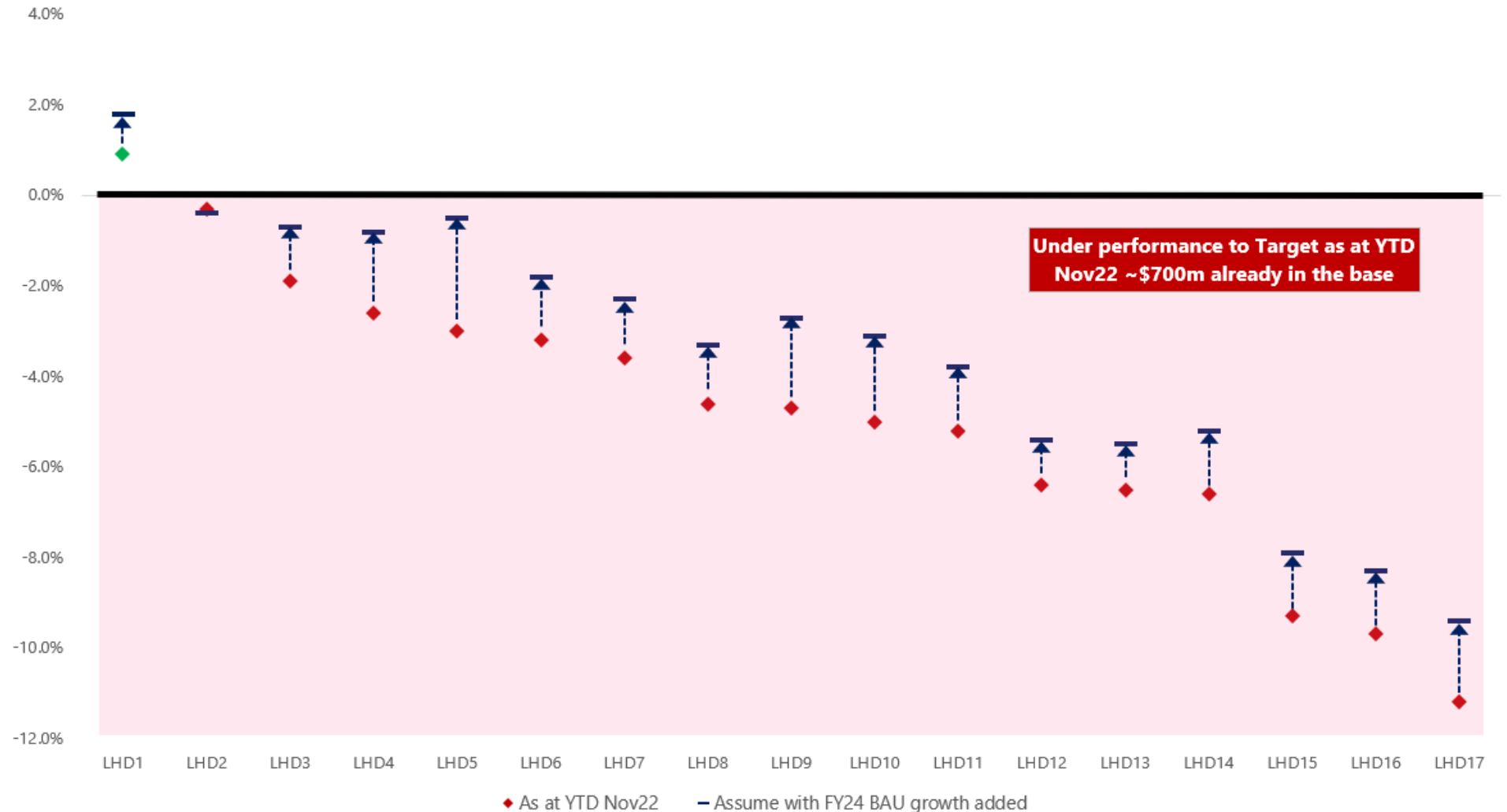


System productivity and efficiency



NSW Health Activity target performance as at YTD Nov 2022

- NWAU behind target despite no increase in targets in 2022-23 and \$84M YTD additional funding for Dental and Planned Surgery Wait Lists
- *Are we seeing a baseline shift in productivity and efficiency? Short term or long term?*



Embedding COVID-19 support in FY24



Activity Based Funding

- A \$xx/NWAU COVID-19 notional allocation separate to the 2023-24 State Efficient Price
- This will be an all inclusive funding allocation for LHDs/SHN/ Ambulance (incorporating RATS and PPE)

Public Health

- An allocation of \$3.6M (\$200,000 per LHD/SHN) to be included in the SA based on advice by the Chief Health Officer

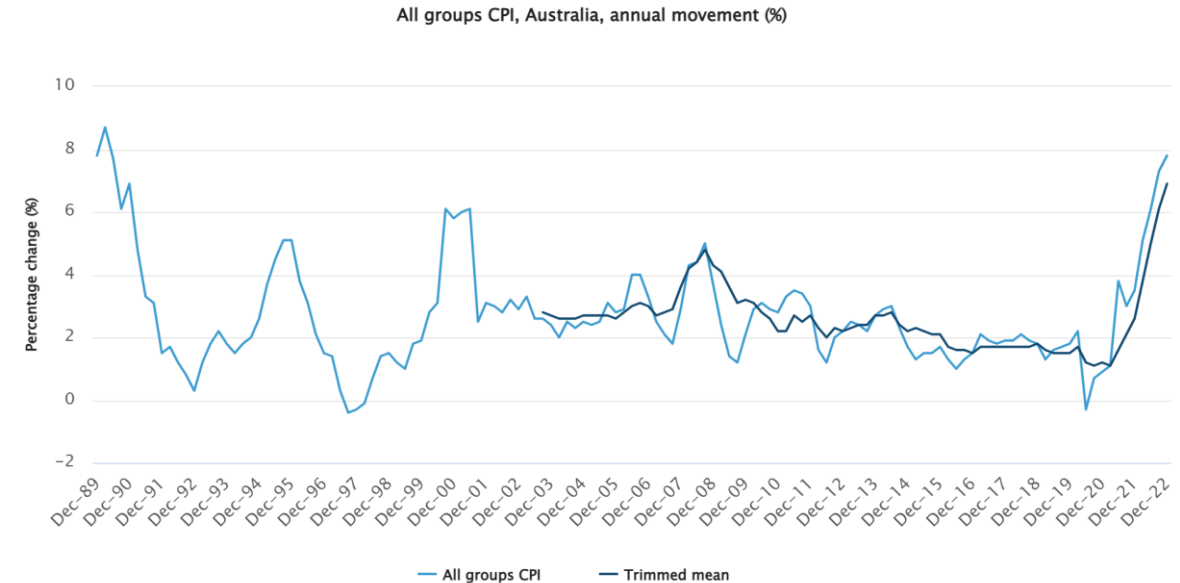
Outcomes to expect...

- Additional financial support for public health
- COVID-19 costs better reflected in the National Efficient Price
- Health entities have autonomy to manage COVID-19 funding according to local circumstances

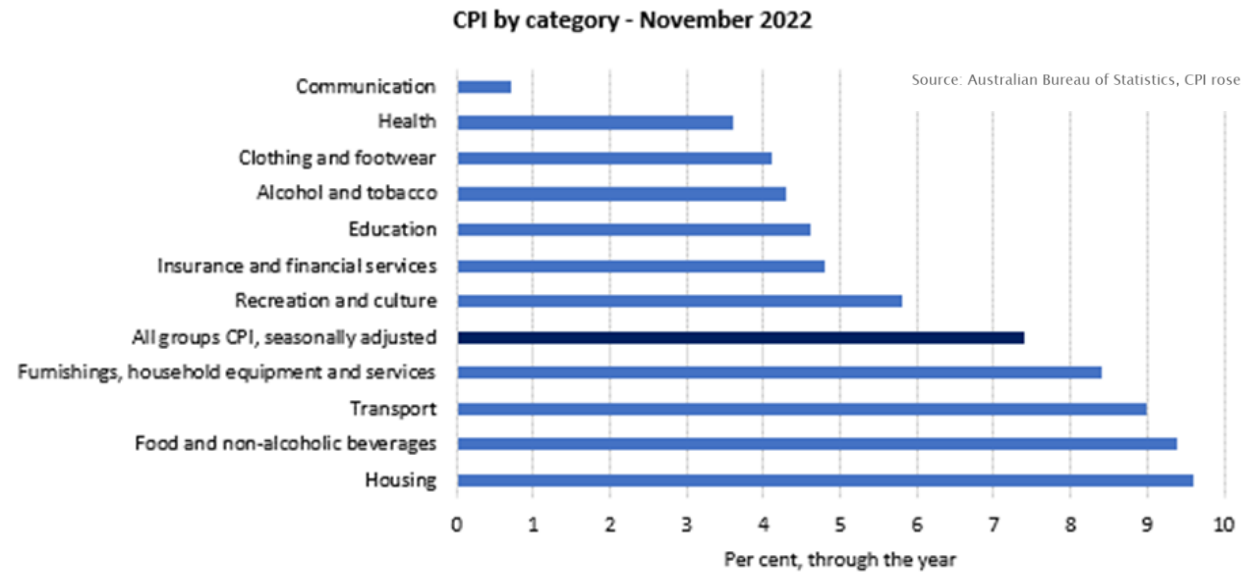
Inflation being monitored and supported



- Nationally over 12 months to the December 2022 quarter, CPI rose 7.8%. The highest since 1990. Expected to fall to 4.75% later in 2023.
- Sydney CPI was below the national average at 7.6%
- Health Sector relatively protected at 3.8%
- Additional financial support has been provided to the health system for gas and food in January 2023.



Source: Australian Bureau of Statistics, CPI rose 1.9 per cent in the December 2022 quarter 25/01/2023



NSW Health Capital Program Performance

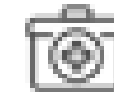


Capital Performance – Health Entities

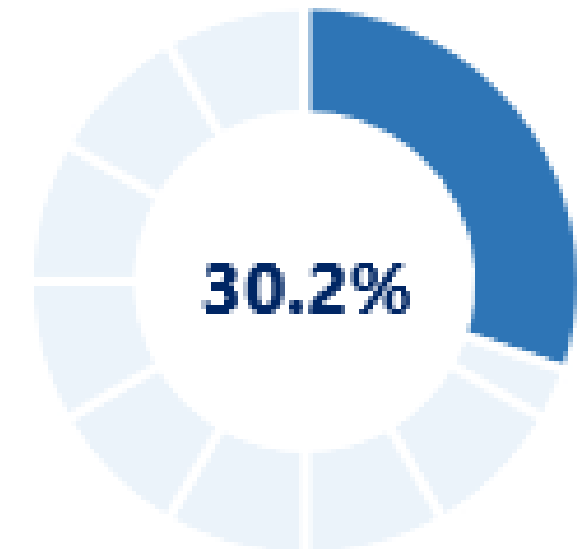
- Capital spend of Health entities (excluding HI, eHealth, NSW Ambulance but including the Ministry) are trailing full year forecasts for FY23.
- At Dec 22, YTD capital spend is \$192 million and represents only 30% of full year forecasts of \$638 million.
- Recurring capital project underspends increases the risk that continuing carry forward requests may not be approved by Treasury. An area where we need to improve.
- MoH is engaging directly with health entities with less than 15% actual spend to identify the reasons for reduced spend and assess capital project forecasts

Capital Mid-Year Review (commences February)

- DoF's to confirm capital works program expenditure forecasts for 2022-23
- Affords health entities with opportunity to request capital budget variations



Other Health Entities



YTD Actual: \$192.9M
Full Year Budget: \$611.1M
Full Year Forecast: \$638.4M

Proposed - FY24 revenue budget strategies



Ministry will continue to directly support LHD revenue improvement

- The new Revenue Portal has been successfully piloted and will be rolled out to all LHDs, commencing February 2023.
- The statewide Revenue Partnering Project, which has already driven identifiable revenue improvements, will continue into FY24 with a focus on supporting LHDs to implement sustainable revenue strategies.
- Ongoing hands-on resources and support to facilitate revenue uplifts, including:
 - Seconding a senior LHD clinical coder to the Ministry to conduct retrospective staff specialist billing for LHDs.
 - Reviewing compensable patient data to identify all billing opportunities.
 - Quantifying other quick-win revenue opportunities and providing step-by-step guidance to each LHD, e.g. acute care certificates, outpatient invoice error correction, ineligible patient occasions of service.

Proposed - NWAU as Own Source Revenue



Change in funding classification (inviting feedback on proposal)

- For FY24 explore conversion of Commonwealth NWAU funding from Subsidy to Own Source Revenue
- ABF becomes “Revenue” in the eyes of LHDs, GM’s and Medical Officers
- Dependant on weekly EDWARD NWAU reporting to LHDs and calculated monthly as revenue in financial reporting
- Advantages:
 - simplifies and aligns NWAU with other forms of revenue

NSW Health Account	FY23 January			
	Actual	Budget	Var	Var %
Employee Related				
VMO Payments				
Goods & Services				
Repairs, Maintenance & Renewals				
Depreciation and Amortisation				
Grants				
Recurrent Third Schedules				
Other Expenses				
Borrowing Costs				
Expenses				
Patient Fees				
User Charges				
Interest Revenue				
Grants and Contributions				
Other Sources of Revenue				
Own Source Revenue				
G/L Other				
Net Cost of Services				
MOHSUB MoH Subsidy				
NHRF National Health Reform Funding				
NHRF and MoH Subsidy				



Efficiency Improvement Plan (EIP) planning 2023-24

Rebecca Beech, Director, NSW Health Program
Management Office



Underlying Financial Position Assessment - Example District A

Districts, Networks and Ambulance

District A (Prior Year) Result FY22-23	\$5.0M UF
ADD	
<ul style="list-style-type: none"> One-off funding items (budget supplementation not annualised) 	\$2.0M
<ul style="list-style-type: none"> One-off savings in current year (e.g. delays in recruitment leading to savings in year, delay in opening of a re-development, timing benefit of allocations) 	\$1.0M
<ul style="list-style-type: none"> One-off underspend by program (funds not retracted) 	\$5.0M
LESS	
<ul style="list-style-type: none"> Expenditure brought forward into current year 	(\$2.0M)
<ul style="list-style-type: none"> Timing benefit of sustained improvement from current year efficiencies (e.g. Nursing Hours per Patient Day) 	(\$2.0M)
FY2023-24 UNDERLYING DEFICIT	\$9.0M UF
ADD	
<ul style="list-style-type: none"> Expenditure above the funding envelope (in Service Agreement) 	\$2.0M
FY2023-24 PRELIMINARY EFFICIENCY IMPROVEMENT PROGRAM TARGET	\$11.0M

EIP requirements for FY23-24



Following Forecast Certification and review by MoH of underlying financial position assessment, the timeline for EIP submission is:



Current summary and EIP templates are being reviewed in readiness for next FY along with preparation of new supporting workpapers to be provided in a toolkit seeking to streamline both the submission and QA process.



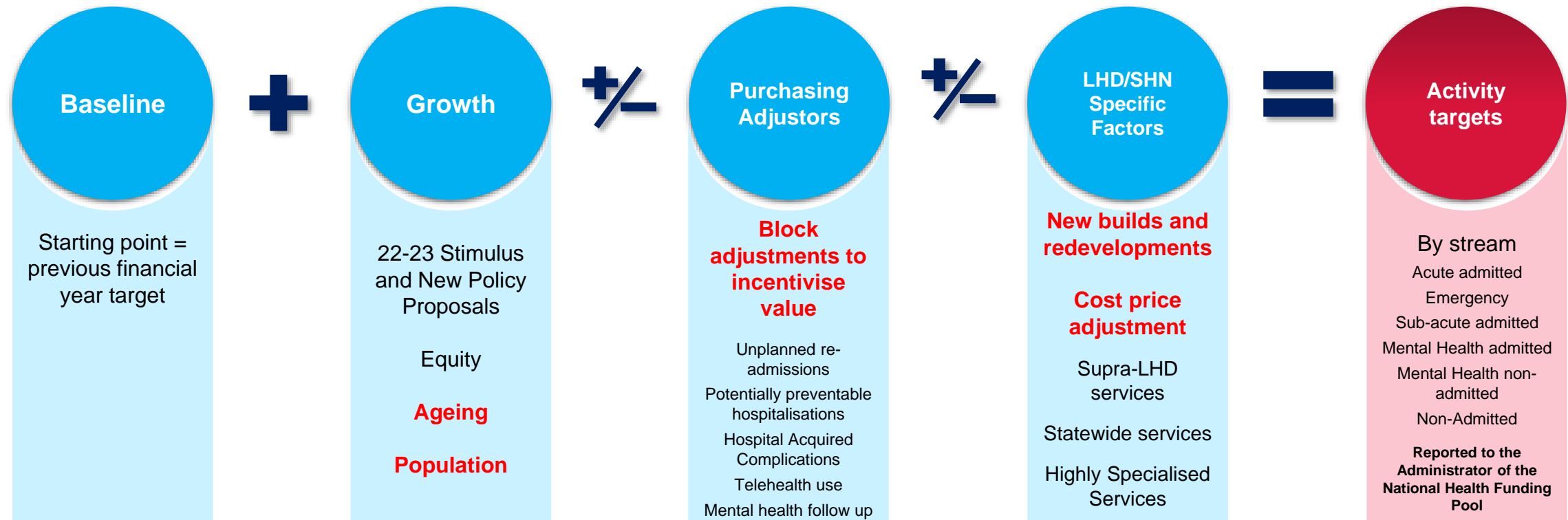
Impact on purchasing model for 2023-24

Joe Portelli, Executive Director, System Purchasing



NSW Health purchasing model

The fiscal outlook for 2023-24 will have a significant impact on NSW Health’s ability to purchase new services and implement initiatives previously embedded in the purchasing methodology.





Growth

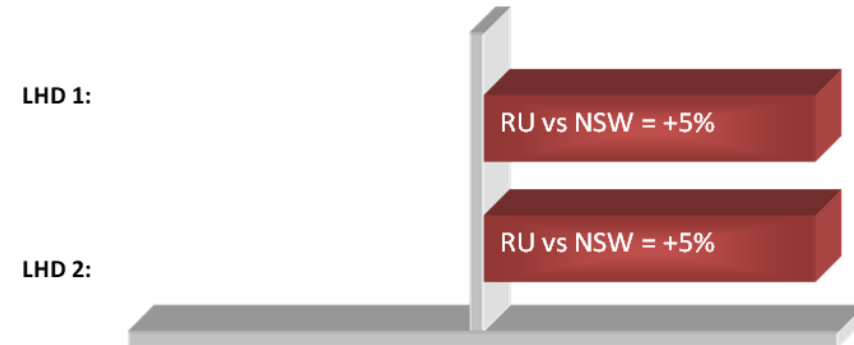
Ben Smith, Director, Service Utilisation & Activity Modelling

Equity Growth

- Allocated where the per capita consumption of hospital services by the LHD population is lower than the NSW average.
- Incorporates adjustments to account for the population's age and sex as well as socio-economic factors that can influence the quantity of services needed by the population.

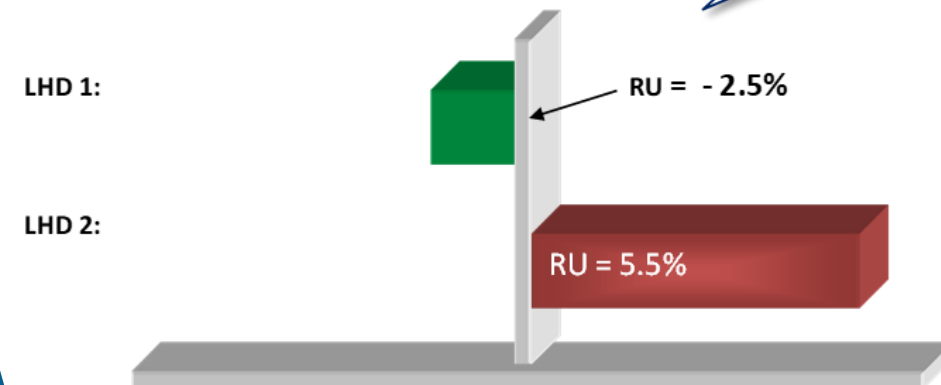
Potential to direct \$ to
new prevention
projects

Unadjusted Relative Utilisation – LHD



LHD 1 serves an
older, lower-
socioeconomic
population

Adjusted Relative Utilisation





Purchasing Adjustors

Ben Smith, Director, Service Utilisation & Activity Modelling, System Information and Analytics

Purchasing Adjustors - Updates

Modified Adjustors

- Stroke Service Model
- Virtual Health

Data Quality - Mental Health Records (important data elements for AMHCC)

- Missing HoNOS score
- Missing Phase



New builds

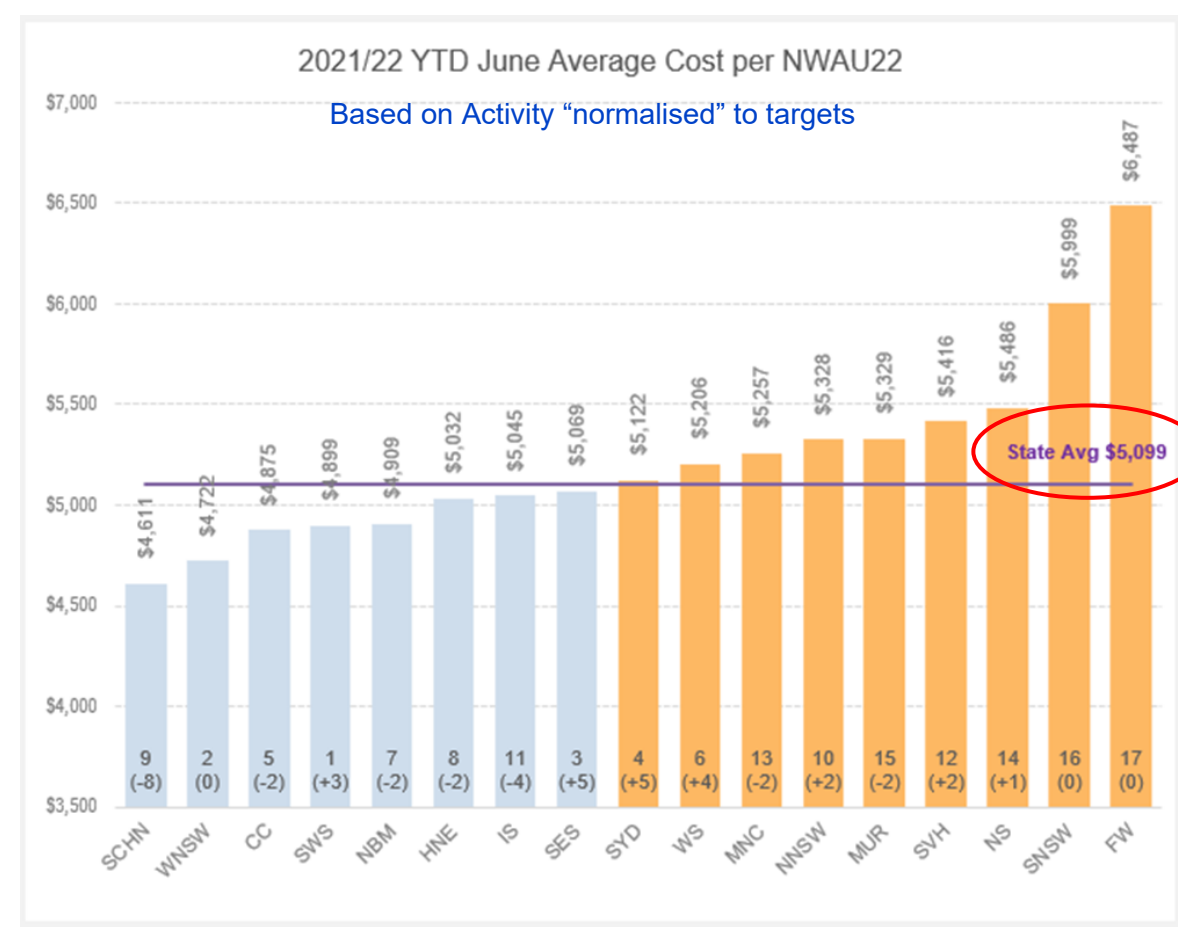
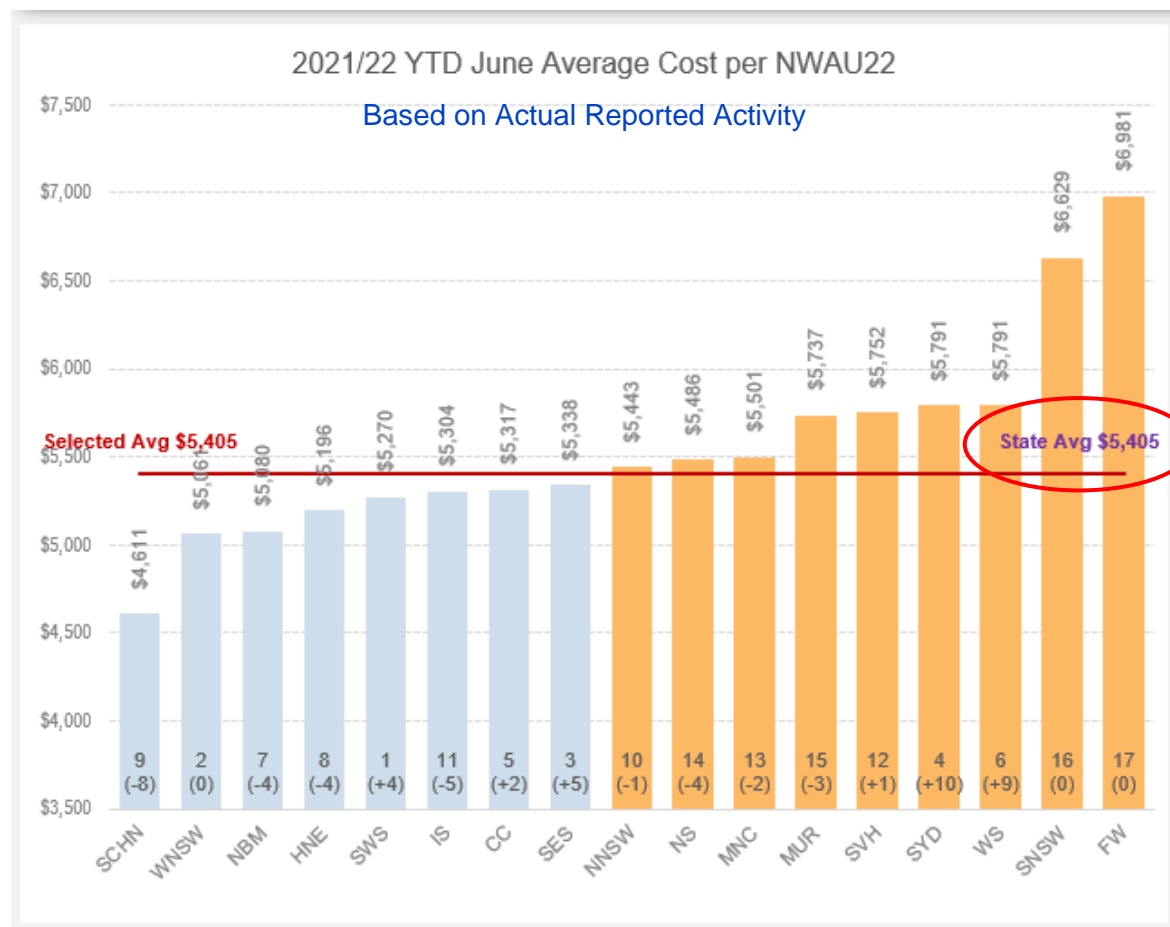
Joe Portelli, Executive Director, System Purchasing



Activity based management

Neville Onley, Executive Director, Activity Based Management

Activity Based Management 2021/22 DNR Costing Performance





2023-24 Purchasing Workshop Outcomes

Joe Portelli, Executive Director, System Purchasing
Branch

2023-24 Purchasing Workshop Outcomes



“How do we adjust or apply purchasing and performance levers to deliver the paradigm shifts we need to fulfil our Future Health vision while being responsible for our current commitments and political landscape?”

Short Term	Medium Term	Long Term
Virtual Care: Further shift to virtual care especially rural/remote areas, with more services to use telehealth in partnership with metros	Low Value Care: Incentivise high value care and create a criteria to minimise low value procedures	Key Performance Indicators: Gradual shift to more tangible outcome measures
Preventative Health: Incentivise keeping people out of hospital, including partnership with other organisations	Baseline Budget: Review of current baseline budget allocation, while reducing in year supplementations to provide more certainty	Rural Workforce: Look at ways to better incentivise and hold staff
New Builds: The impact of the amortisation methodology on long term fixed costs	Disinvestment in services: Create a mechanism to guide the disinvestment in services leading to overall system improvement	Review funding model between Commonwealth and State: Advocate for better GP access and collaborative models of care



District specific issues

Chief Executive, St Vincent's Health Network

Summation of actions and next steps

