



NSW Health

Information

Minister for Health and Minister for Regional Health

HIB-2023-0000211

Hawkesbury District Health Service Transition Planning

Analysis

Nepean Blue Mountains Local Health District (NBMLHD) and St John of God Health Care (SJGHC) were developing a new Service Agreement for the operation of Hawkesbury District Health Service (HDHS).

SJGHC Board has advised its intention to conclude their term as operator of Hawkesbury District Health Service (HDHS). SJGHC wish to hand back the facility to the District at the end of the contract date, 31 March 2024.

Representatives from SJGHC and NBMLHD have met to discuss establishing governance arrangements to oversee the transition as well as development of a communication plan. NBMLHD will work closely with SJGHC and the Ministry of Health to ensure the safe transition of services in 2024.

The Executive and Board of SJGHC have been briefed and the decision remains confidential. There is an ongoing risk that the information related to hand back of the facility may become public. The Ministry of Health have prepared the holding statement attached (**TAB A**).

For information

Noted by (signature)

Key issues

The SJGHC Board has advised they intend to hand back HDHS to NBMLHD

SJGHC has advised NSW Health of its intention to conclude its term as operator of HDHS in accordance with the contract date of 31 March 2024. However, in order to ensure a smooth transition, the SJGHC Board has given permission to extend the transfer date to 30 June 2024 but no later, noting there would an expectation of some financial arrangement to support this later date.

- SJGHC have advised their decision is due to a number of factors including: **Financial viability of HDHS:** In addition to the meeting on 23 October, the NBMLHD Chief Executive and members of the executive team met with the HDHS Chief Executive Officer (Strephon Billinghamurst), Director of Finance (Belinda Mott) and the Chief Operating Officer (Ben Edwards) on 10 October who advised HDHS is experiencing financial losses.
- **Funding for capital infrastructure:** Historically, HDHS has not been included in NBMLHD's annual asset management process. SJGHC has requested that a sinking fund be established to fund capital upgrades. This was not resolved as part of the Terms Sheet and will require negotiation between SJGHC and NBMLHD when developing the new Service Agreement. Most recently, NBMLHD has funded an asset condition assessment to understand capital works and engineering priorities for repair and or replacement. These opportunities inclusive of estimated funding requirements will be documented in the NBMLHD Asset Management Plan (AMP) FY 24. Currently, priority capital works are at the estimated value of \$10 million dollars required for FY 25/26. This sum mainly includes funding for facility compliance with Australian

Standards 4187:2014 and other fire, electrical, mechanical, hydraulic and civil engineering recommendations.

- **A shift in SJGHC's strategic vision for their presence in NSW:** when they commenced as operator in 2016, SJGHC had plans to expand their operations in NSW through further Public Private Partnership. This plan did not eventuate and the Board considers it no longer feasible to continue with such a limited presence in NSW. **Potential impact of the new Rouse Hill Hospital Redevelopment.**

There are a number of opportunities and risks associated with the hand back of HDHS to NBMLHD

A risk register is currently being developed by NBMLHD.

Opportunities include:

- **Integration of care:** HDHS is managed separately to NBMLHD. Integrating all aspects of HDHS into the network of NBMLHD services will enhance integration of services and continuity of care.
- **Integration of systems:** HDHS' systems, including patient medical records, are not integrated with NBMLHD. Integration will enhance the flow of information, continuity of care and accessibility.
- **Governance and performance:** NBMLHD do not have oversight over all performance metrics at HDHS. Integrating all aspects of governance and performance with NBMLHD will streamline performance management. A new management structure will be developed as part of the transition planning. This structure would be incorporated into the Project Steering Committee and implemented prior to the transition of HDHS to NBMLHD.
- **Cost savings:** There is a gap in funding between the price paid to NBMLHD by the Ministry of Health and price paid to SJGHC for services delivered. SJGHC is paid the state price for services while NBMLHD are funded at the State Efficient Price. There may be an opportunity to achieve cost savings due to integration of services and by providing a greater funding base to absorb fixed overheads, although further work will be required to establish if this is the case.
- **Efficiency:** Further to the above, there will be an opportunity to extend centralised corporate support to HDHS including support from Asset Management, biomedical equipment maintenance and loan services. This amalgamation will lead to cost savings and improved patient safety and clinical outcomes. NBMLHD have recently undertaken an asset audit at HDHS and have identified priorities for maintenance, capital works and replacement of clinical equipment.
- **Environmental sustainability:** To-date, HDHS has not been in scope for any sustainability initiatives. There will be opportunities to identify and support initiatives that have environmental and energy benefits.

Risks include:

- **Transition timeline:** The 31 March 2024 transition deadline is too short a timeframe to allow NBMLHD to feasibly take back operations. If SJGHC elect to hand back HDHS to NBMLHD, NBMLHD will request three months to understand the requirements to hand back services, including the cost and time required, and will develop a detailed Transition Plan.
- **ICT transition requirements and costs:** HDHS is not integrated with NBMLHD ICT systems and work will be required as part of initial transition planning to identify the requirements, including costs, of transitioning HDHS' systems to meet NBMLHD standards. This includes the EMR. It is anticipated that significant resources (financial and human resources) will be required to achieve this.
- **Transition costs:** Some costs have been identified including legal fees. Other costs will be identified by the Project Team when developing the Transition Plan. NBMLHD will require

additional temporary resources to support the transition and financial support from the Ministry of Health.

- **Reputation and service continuity:** Significant change management and communication with staff, community and partners will be required to ensure a smooth transition and ensure stakeholders are engaged throughout the process.
- **Industrial relations:** Transition planning will need to consider the industrial relations and workforce implications of the transition, and associated costs to NBMLHD.
- **Patient safety and quality:** During the transition, if performance measures such as triple zero targets and patient access targets are not continued to be prioritised there may be impacts to the safety and quality of services.

A Governance structure is being established to oversee the transition of the services

The Governance structure will include an overarching Steering Committee, Project Governance Group and a number of working groups to focus on key areas including Workforce, ICT, Finance and ABM, Services and Clinical Governance and Communications.

The Steering Committee and each Group will include representatives from NBMLHD, SJGHC and the Ministry of Health.

NBMLHD will require additional funding from the Ministry of Health to establish a Project Team or engage external consultancy services to facilitate the transition

Due to the complex and time-sensitive nature of the project, the volume of work required and resourcing constraints, external resources would be required to establish a Project Team or engage external consultancy services to identify transition requirements and facilitate the effective and timely handover of HDHS to NBMLHD. A brief has been provided to the Deputy Secretary Health System Strategy and Patient Experience estimating the resource requirements (HIB-2023-0000165).

Context

SJGHC and NBMLHD were developing a new Service Agreement

SJGHC operates HDHS through a public-private partnership with the NSW Government through NBMLHD. The current Service Agreement between SJGHC and NBMLHD expired on 30 June 2022 and an extension was executed to enable the two parties to negotiate a Terms Sheet which describes the key commercial principles of a new agreement.

The Terms Sheet was agreed by SJGHC on 2 September and NBMLHD on 15 November (delayed for a number of reasons including transition of the new NBMLHD Chief Executive).

Whilst NBMLHD's legal counsel Herbert Smith Freehills commenced work on the new detailed Services Agreement in September, SJGHC were expressing growing concerns regarding the financial sustainability of operating the service into the future during their monthly performance meetings with NBMLHD.

Under the current Amending Deed to the Deed of Extension to the Service Agreement executed in December 2022, if the Terms Sheet is not agreed by the two parties by 28 February 2023 HDHS will be transitioned back to NBMLHD by 31 March 2024. In June 2023 due to progress on the Terms Sheet, NBMLHD requested a further extension until 31 December 2023 to develop the Service Agreement, and failing this, HDHS would transition back to NBMLHD by 31 December 2024 (12-months to transition). SJGHC rejected this and proposed that the parties work to complete the detailed Service Agreement by 31 October 2023 or transition services back to NBMLHD by 31 March 2024.

An independent facility condition assessment of HDHS was undertaken

Following a recommendation by NBMLHD Asset Management, an independent condition assessment of HDHS was undertaken to understand the physical performance and functional suitability of HDHS. Historically, HDHS has not been included in NBMLHD's annual asset

management process however a request for funding to upgrade the HDHS Emergency Department was included in the 2023 NBMLHD Capital Investment Priorities submitted to the Ministry of Health.

Key outcomes of the condition report include non-compliance with fire, electrical, hydraulic, and CSSD standards, as well as general aging of the plant.

Consultation

Name	Position
Luke Bellman	Acting Deputy Director, Finance and Corporate Services, NBMLHD
Peta Fedeli	Acting Director, People and Culture, NBMLHD
Brett Williams	Director, Hospital Services, NBMLHD
David Holmes	Employee/Industrial Relations Manager, NBMLHD

Attachments

	Title
TAB A	Holding Statement

Contact

Name	Position	Mobile and email
Vanessa Clements	Director, Planning, Redevelopment and Strategic Office, NBMLHD	0419 242 618 Vanessa.Clements@health.nsw.gov.au

Endorser(s)

Lee Gregory Chief Executive 23/11/2023	Lee Gregory Chief Executive, Nepean Blue Mountains Local Health District 24/11/2023
Joe Portelli Executive Director, System Purchasing Branch 30/11/2023	Vince McTaggart Executive Director, Strategic Reform and Planning Branch 30/11/2023
Leanne O'Shannessy General Counsel 07/12/2023	Sharon Smith Executive Director, System Information and Analytics 07/12/2023
Joe Portelli Executive Director, System Purchasing Branch 07/12/2023	Eileen Albertini A/Director of Financial Performance & Reporting 08/12/2023

<p>Steve Carr Executive Director, System Financial Performance and Deputy CFO 11/12/2023</p>	<p>Alfa D'Amato Deputy Secretary and CFO 12/12/2023</p>
<p>Deb Willcox AM Deputy Secretary, Health System Strategy and Patient Experience 17/12/2023</p>	<p>Vince McTaggart A/Deputy Secretary, Health System Strategy and Patient Experience 22/12/2023</p>



Media Statement

Operational change at Hawkesbury District Health Service

HOLDING STATEMENT

XX December 2023

Please attribute to Nepean Blue Mountains Local Health District Chief Executive, Lee Gregory:

St John of God Health Care has advised it will not renew its contract to operate Hawkesbury District Health Service when it expires on 31 March 2024. St John of God Healthcare will continue to maintain the current services beyond 31 March 2024 while an orderly transition is undertaken.

Following a transition period, the service will transfer to Nepean Blue Mountains Local Health District (NBMLHD).

Continuity of safe and compassionate care for our patients is a key priority for NBMLHD and St John of God Health Care as we work together to ensure a smooth transition.

During the transition Hawkesbury District Health Service, also known as Hawkesbury Hospital, will remain open, including its 24-hour emergency department, operating theatres, community health services and outpatients' clinics.

Patient appointments and clinic hours are not changing.

NBMLHD will work with current staff to ensure their skills and highly valued local knowledge continues to play an integral role in providing health care to the community.

St John of God Health Care has provided services in The Hawkesbury since 2016 under a public private partnership with NBMLHD.

We will ensure there is communication and consultation with staff and the community on the transfer as the transition plan is developed.

We appreciate hearing of this decision at this time of year may be unsettling. We want to reassure the staff and the patients in their care that they will remain our priority as we work to ensure a successful transition.

About NBMLHD

Nepean Blue Mountains Local Health District delivers world-class and innovative health care from our four hospital campuses and nine community health centres.

We are proud of our enduring and deep connection to our community.

Seventy percent of our 7,000 staff live locally and we are uniquely placed to draw on over 150 years of continuously caring for the Nepean, Blue Mountains and Hawkesbury region.

From our humble beginnings in 1860, and our historic Blue Mountains District Anzac Memorial Hospital, to our brand new 14-storey state-of-art Nepean Hospital, today, we provide 24-hour comprehensive care to over 380,000 residents.

Ends