

## Special Commission of Inquiry into Healthcare Funding

### Statement of Matthew Daly

**Name:** Matthew Daly

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**Occupation:** Deputy Secretary, System Sustainability and Performance, Ministry of Health (**MOH**)

1. This statement made by me accurately sets out the evidence that I would be prepared, if necessary, to give to the Special Commission of Inquiry into Healthcare Funding as a witness. The statement is true to the best of my knowledge and belief.

#### **My role**

2. I have previously provided the Inquiry with a statement dated 9 April 2024 (MOH.9999.0976.0001) which sets out my roles and responsibilities and the governance relationship between MOH and St Vincent's Health Network (**SVHN**), including the role and structure of service agreements and the process by which those agreements are established and renewed.
3. This outline does not re-canvas my statement of 9 April 2024, unless necessary to explain the issues outlined below, and should be read in conjunction with my 9 April 2024 statement.

#### **Scope**

4. This outline addresses:
  - a. The benefits and limitations of a model in which a hospital offering public patient services is operated by an Affiliated Health Organisation (**AHO**), including in relation to funding and governance; and
  - b. The appropriateness and adequacy of current funding models for sustaining operations at SVHN, including in relation to complex/highly specialised services (I understand my colleague Deborah Willcox, Deputy Secretary, Health System Strategy and Patient Experience will address this in relation to state-wide/national services and capital and other non-recurring expenditure).

### MOH funding of SVHN

5. St Vincent's Hospital Sydney Limited is an Affiliated Health Organisation (**AHO**) under Schedule 3 of the *Health Services Act 1997 (Act)*, in respect of its two recognised establishments, St Vincent's Hospital, Darlinghurst and the Sacred Heart Health Service, and previously St Joseph's, Auburn (**St Joseph's**) that is now closed. Since 2011, St Vincent's Hospital Sydney Limited has been recognised as a Network under the Act for the purposes of the National Health Reform Agreement, and is known as SVHN. SVHN has a direct Service Agreement with the Secretary, NSW Health and is treated along the same lines as a Local Health District (**LHD**) for the purpose of funding and monitoring, even though it has AHO status.
6. The purpose of the Service Agreement is to set the service and performance expectations of SVHN for the funding and other support provided by the MOH each year. At [12] – [24] of my statement of 9 April 2024 I set out the process for negotiating Service Agreements, led by the System Purchasing Branch, including with SVHN.
7. The first stage of the annual process is the "Purchasing Roadshows," with each district and network which include a broad range of topics. This is followed up by the "Purchasing Discussions" which is at least one additional meeting to follow up on the actions from the roadshows and provide further feedback on the funding model. All districts and networks have the ability to request additional meetings if required.
8. Key topics in the Roadshow include:
  - a. Financial environment for NSW Health
  - b. Changes to the funding model
  - c. Updates to any strategic priorities
  - d. Changes to Key Performance Indicators
  - e. Impacts of additional new policy proposals that are known
  - f. Impacts of any hospital redevelopments in the district or network
  - g. Specific issues the network would like to raise, to be worked through with the Ministry of Health.
9. All districts and networks, including SVHN, have the ability to submit requests for new and existing services requiring funding beyond the base at any stage in the process.
10. The 2023-24 Service Agreement between the Secretary, NSW Health and SVHN provided an increase to the initial expenses budget of 3.8 per cent (\$16.7 million) to

\$451 million. However, the NWAU activity purchased declined by 2.5 per cent primarily as a result of the closure of St Joseph's and transfer of that activity to Western Sydney LHD. Between the financial years 2011-12 and 2023-24, the initial expenses budget allocated to SVHN has increased by 51.8 per cent.

11. New services funded through the purchasing model are included in the Service Agreement. In the past 4 years, SVHN has received funding through this process for initiatives including the PANDA (Psychiatric Alcohol and Non-Prescription Drug Assessment) Unit, a telemedicine model of specialist outreach drug and alcohol services, new heart surgeries called Transcatheter Aortic Valve Implantations (TAVI), more bone marrow, heart, lung and combined heart-lung transplants and Highly Specialised Services such as those for Huntington's Disease.
12. Some of the new services funded at SVHN have statewide benefit and are delivered for all residents of NSW. These services are assessed by the Ministry of Health to ensure that SVHN are adequately funded for the demand being experienced. SVHN has the opportunity to raise any issues with the volumes being proposed or purchased through the purchasing process.
13. Where SVHN, via the Board Chair or the Chief Executive, raises concerns about funding and activity allocations, the MOH liaises and coordinates with the relevant policy areas to consider these requests, linking in with the annual Service Agreement process for future years or providing funding in year through budget supplementations.
14. During this 2023-24 year, the SVHN Chief Executive and the Board Chair have written to the NSW Health Secretary and the Deputy Secretary Financial Services and Asset Management, and Chief Financial Officer (**DS FSAM and CFO**) primarily about financial pressures being experienced by SVHN and concerns that the parameters of the 2023-24 Service Agreement would result in a cash deficit for SVHN.
15. Where some pressures relate to the cost escalations for existing services or capital items, these are referred to the MoH Finance Division and/or the DS FSAM and CFO for their consideration. Where the discussion revolves around additional services or activity related issues, these are considered through the purchasing process.
16. I am aware from my review of correspondence that in February 2024, the SVHN Chief Executive wrote to the DS FSAM and CFO outlining the financial pressures being experienced by SVHN that resulted from the impact and recovery from the COVID-19

pandemic, the closure of St Joseph's and transfer of activity to Western Sydney LHD, inflationary and activity pressures. The letter also outlined recovery actions being undertaken by SVHN including a program of efficiency improvements. SVHN requested an additional \$60 million to address the uncertainty in relation to the forecast position to end June 2024. This request was considered and additional one-off funding of \$30 million was provided on the condition that a financial recovery plan is developed and that a corresponding amount of \$30 million is recouped across the 2024-25 Service Agreement, and advised by way of letter from the NSW Health Secretary. The decision to provide funding is at the discretion of the DS FSAM and CFO and I can make no comment on this.

17. SVHN accepted the \$30 million funding however noted its ongoing funding concerns which I am advised were discussed at purchasing discussions held with MOH representatives on 19 March and 9 May 2024. I did not attend these meetings, although I am advised that the funding issue is driven by the extra activity SVHN is performing above their targets. It was decided that for the 2024/25 financial year that this issue be worked through as part of the purchasing process.
18. In addition, a meeting was held on 3 April 2024 which I attended. At this meeting it was agreed that the funding issues largely related to additional activity being performed by SVHN above its activity targets, and discussions related to purchasing activity would continue to be conducted within the Service Agreement process.
19. Although the 2023/24 Service Agreement refers to St Joseph's as being part of the SVHS network, I understand SVHS formally ceased operation of St Joseph's on 8 November 2023 and its services were transferred to Western Sydney LHD. My colleague, Deb Willcox, was the MOH lead with respect to the transfer of St Joseph's to Western Sydney LHD, however my team was involved in confirming the volume of services purchased from SVHN that would then transition to Western Sydney LHD. This number was taken from the target allocation made by SVHN to St Joseph's Hospital and was provided to the Ministry by SVHN earlier that year.
20. I understand that SVHN made the decision to decommission the St Joseph's site citing reasons relating to viability and sustainability of the campus due to a lack of scale and ageing infrastructure.

**MOH governance of SVHN**

21. The Corporate Governance and Accountability Compendium (the Compendium) (SCI.0001.0008.0001) outlines the governance requirements that apply to NSW Health organisations and sets out the roles, relationships and responsibilities of those organisations, including SVHN.
22. The Service Agreement requires SVHN to comply with the Compendium and clinical governance policies.
23. SVHN's performance is monitored by MOH in the same manner as a LHD. The manner in which performance is monitored is set out at [25] – [35] of my statement of 9 April 2024.

**Benefits and limitations of an AHO offering public patient inpatient hospital services**

24. SVHN has a long standing history of service delivery to its geographical community and a significant part of its mission is the provision of services to the poor, disadvantaged and marginalised. It offers services to support homelessness and drug and alcohol treatment services that it delivers well and supplement the work of NSW Health.
25. SVHN also has a history of offering highly specialised services, including transplant and trauma services, that are of benefit to the State, beyond SVHN's geographic area. These are well established services and there is benefit to NSW Health in not replicating or duplicating these services, but instead funding these services to continue their work as state-wide services. It is a key reason why SVHN operates well as a standalone network rather than a facility providing a service within a district.
26. By having a direct Service Agreement, although SVHN is an AHO, it operates akin to a LHD in terms of funding and, to a lesser extent, governance. The Service Agreement sets out the legislation and governance arrangements under which SVHN operates and on page 4 specifically states that the AHO forming SVHN are companies incorporated under the *Corporations Act 2001 (Commonwealth)* and regulated under the *Australian Charities and not for Profit Commission Act 2012* (and related regulations) and the directors and officers of the company have statutory governance and compliance obligations under that legislation.

27. There are some limitations arising from SVHN's status as an AHO when compared to a LHD, such as where some key performance indicators that would apply to a LHD do not apply to SVHN as we do not and cannot monitor their financial performance. Financial performance is a consideration for the organisation.
28. Although SVHN is required to comply with NSW Health governance frameworks and policies, SVHN is not required to follow all NSW Health requirements, and while there are some areas where there can be a lack of integration between the SVHN and NSW Health system, SVHN does integrate with the public health system very well.
29. SVHN are strong users of the entire Patient Flow Portal (**PFP**) suite of functionality including the Incoming Patient Allocations Module, ICU Bed Management Module, Patient Flow Dashboards, Demand and Capacity Predictive Tool, Integrated Care Module and the Electronic Patient Journey Board (**EPJB**). NSW Health's Operational Data Store (**ODS**)/ PFP is integrated with SVHN CorePAS and the other state-wide systems that SVHN use, such as Electronic Record for Intensive Care (**eRIC**), Patient Transport Service CAD, Ambulance CAD, however there is no integration with their eMR or Radiology Information System (**RIS**). I understand SVHN has expressed interest in joining the Single Digital Patient Record (**SDPR**) program.
30. SVHN is required to and does comply with mandatory data reporting requirements in the same way as other districts and networks. To action this the organisation provides data to the statewide EDWARD data warehouse in line with the requirements and standards set by the Ministry of Health.
31. SVHN are included in all forums and executive level meetings held by the MOH, including the monthly Senior Executive Forum and also the Peak Activity Team meetings that are stood up with Chief Executives of districts and networks across the state at times of peak demand to ensure that patient flow is managed as best it can across the system as a whole, and SVHN are active participants and key contributors in those forums.
32. While there are some limitations arising from SVHN's status as an AHO when compared to a LHD (set out above), they are outweighed by the benefit to NSW of SVHN continuing to deliver services it specialises in. Where stronger integration is required, such as in relation to SDPR, this is able to be achieved by negotiation between MOH and SVHN rather than any takeover of SVHN services.



Matthew Daly

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Witness: \_\_\_\_\_

6 June 2024

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Date

6 June 2024

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Date