

Special Commission of Inquiry into Healthcare Funding

Statement of Deborah Willcox AM

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Occupation: Deputy Secretary, Health System Strategy and Patient Experience, Ministry of Health

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 am the Deputy Secretary, Health System Strategy and Patient Experience for the Ministry of Health (**MOH**). I have previously provided the Inquiry with a statement dated 9 April 2024 (MOH.9999.0981.0001) which sets out my role and responsibilities. A copy of my CV (MOH.9999.0004.0001) was exhibited to that statement.
3. This outline does not re-canvas my statement of 9 April 2024, unless necessary to explain the areas below, and should be read in conjunction with that statement. This outline addresses the request from the Inquiry of 19 April 2024 for an examination of:
 - a. The Hawkesbury District Health Service Ltd (**HDHS**) public private partnership (**PPP**) with Nepean Blue Mountains Local Health District (**NBMLHD**).
 - b. The appropriateness and adequacy of current funding models for sustaining operations at St Vincent's Health Network (**SVHN**) in relation to
 - i. complex / highly specialised services,
 - ii. statewide and national services and
 - iii. capital and other non-recurring expenditure.
 - c. The benefits and limitations of a "public" hospital operated as a PPP from my experience.

4. With respect to a., in my capacity as Deputy Secretary, my principal role has been to oversee the transition of HDHS to NBMLHD as part of the public health system.

PPPs and HDHS

5. NSW Health is not the policy holder for PPPs.
6. The NSW Treasury is the lead for PPPs policy and has developed the policy *NSW Treasury NSW Public Private Partnership Policy and Guidelines – Preparation, Procurement and Contract Management TPG22-21 (the Guidelines)*.
7. The Guidelines broadly define a PPP as a long-term arrangement between the public and private sector for the development, delivery, operations, maintenance, and financing of service enabling public infrastructure.
8. HDHS is a 131-bed hospital, providing both public and private hospital services, community and allied health services, including an after-hours General Practitioner service on one site located in the suburb of Windsor in the Hawkesbury Local Government Area.
9. HDHS is operated through a PPP arrangement between St John of God Health Care (**SJGHC**) and NBMLHD.
10. There is a Services Agreement between SJGHC and NBMLHD for the provision of inpatient and community health services for public patients at HDHS and SJGHC receives funding from NBMLHD to manage and operate HDHS within the scope of the Services Agreement.
11. The HDHS hospital site was leased by Health Administration Corporation (**HAC**) for 99 years at a nominal rent and will revert to the HAC upon the contract expiring which will terminate the lease.
12. At the expiry of the lease contract, the facilities, plant fixtures, furniture, and equipment will revert to NBMLHD at no cost.
13. NBMLHD are responsible for managing the HDHS PPP including the relationship, communication and engagement with SJGHC.
14. At the time of my appointment to my role in the MOH in September 2022, NBMLHD were negotiating the new Services Agreement with SJGHC.

15. NBMLHD were actively engaged in discussions with SJGHC and around this time, I was advised by the NBMLHD that SJGHC were raising concerns around the financial viability with respect to HDHS and were considering whether to renew the Services Agreement.
16. The former Chief Executive, NBMLHD, advised me of this matter and as such, I was aware of the concerns being raised by SJGHC, as set out in paragraph 15 above, with respect to renewing the Services Agreement.
17. Between May and December 2023, I attended meetings at which SJGHC representatives discussed concerns including the financial viability of HDHS, funding for capital infrastructure, and the potential impact of the planned new Rouse Hill Hospital Redevelopment on HDHS.
18. These meetings included the SJGHC Board Chair in May 2023 and a series of meetings with the Group Chief Executive Officer, SJGHC in October 2023, November 2023, and December 2023.
19. In correspondence (MOH.0002.0166.0001) from the Group Chief Executive Officer, SJGHC, dated 5 December 2023 to me, SJGHC advised they would be concluding their term as operator of HDHS and returning the service to NBMLHD.
20. In this correspondence, SJGHC advise their decision was due to:
 - a. Concerns about the ongoing financial sustainability of HDHS.
 - b. Operational challenges at HDHS.

Affiliated Health Organisations and SVHN

21. Affiliated Health Organisations (**AHOs**) are not-for-profit religious, charitable or other non-government organisations which provide health services and are recognised as part of the public health system under the *Health Services Act 1997 No 154 (the Act)*.
22. The *Act* states that the principal reason for recognising affiliated health organisations is to enable certain non-profit, religious, charitable or other non-government organisations and institutions to be treated as part of the public health system where they control hospitals, health institutions, health services or health support services that significantly contribute to the operation of that system.

23. Under section 65 of the *Act*, the Minister may determine the role, functions and activities of the recognised establishments and services of affiliated health organisations following consultation with the relevant organisation.
24. Where an affiliated health organisation has more than one recognised establishment or service, or provides statewide or significant services, the Minister may declare them to be treated as a network for the purposes of receiving funding under the National Health Reform Agreement (NHRA), with the consent of the organisation concerned.
25. As part of National Health Reform, the NSW government recognised St Vincent's Hospital, the Sacred Heart Hospice and the (former) St Joseph's Hospital, Auburn as a Local Health Network known as SVHN in January 2011.
26. The service and performance expectations for funding and other support provided to SVHN are set out in an annual *Service Agreement* with NSW Health, consistent with all Local Health Districts.

NSW Health relationship with SVHN

27. As described above, SVHN is both an Affiliated Health Organisation under Schedule 3 of the *Health Services Act 1997*, with listed facilities of St Vincent's Hospital Darlinghurst and Sacred Heart Health Service, and a network in a direct Service Agreement with MOH.
28. For all intents and purposes, SVHN is treated in the same manner as any other Local Health District or Local Health Network. This includes performance and budget processes, as well representation on peak NSW Health Executive Forums and state-wide governance meetings,
29. I understand my colleague, Matthew Daly, will provide evidence on the operation of the Service Agreement with SVHN. My portfolio responsibility includes the statewide planning for complex / highly specialised services, state-wide and national services and capital and other non-recurring expenditure.

Adequacy of funding models of SVHN in relation to state-wide and national services

30. SVHN is funded by MOH to provide services including state-wide speciality services:
 - a. Adult intensive care unit;

- b. Blood and marrow transplant laboratory;
 - c. Extracorporeal membrane oxygenation retrieval;
 - d. Heart, lung and heart lung transplantation;
 - e. Haematopoietic stem cell transplantation for severe Scleroderma
 - f. Organ Retrieval Services;
 - g. High risk transcatheter aortic valve implantation
31. Each year, the System Sustainability and Performance Division negotiates with Local Health Districts and Speciality Health Networks for the purchasing of health services including state-wide speciality services. The SVHN participates in this process.
32. The purchasing of state-wide speciality services as part of this process is informed by the Specialty Service and Technology Evaluation Unit, Strategic Reform and Planning Branch, within my Division. As part of state-wide service planning, demand and service needs are evaluated and are part of the input to the purchasing decisions for Local Health Districts and Speciality Health Networks including SVHN.

Adequacy of SVHN funding in relation to capital or other non-recurring expenses

33. SVHN are subject to the same capital planning process that is applied to all Local Health Districts and Speciality Health Networks. That is, any capital bids are considered as part of the annual budget and prioritisation process within the MOH.
34. The 2020-21 NSW State Budget included a \$25 million investment for the St Vincent's Darlinghurst Integrated Campus Redevelopment – Service Upgrade project to deliver priority capital works. The funding, provided via a grant to SVHN, enabled the detailed planning, design and development of a Full Business Case for the Cahill-Cater redevelopment project and delivery of priority capital works including a six-bed expansion of the intensive care unit (ICU), and 12 additional ambulatory care spaces in the Heart Lung Clinic.
35. SVHN also owns a private hospital on the campus and are solely responsible for any capital development of those premises and facilities.

Benefits and Limitations of PPPs

36. The NSW Treasury (website) states that the NSW Government is strongly committed to the delivery of infrastructure and services to the people of NSW. As described on the (website), PPPs are one of the options available to Government to procure infrastructure and offers opportunities to improve services and achieve overall better value for money outcomes, primarily through:
 - a. appropriate risk transfer,
 - b. encouraging innovation,
 - c. greater asset utilisation, and
 - d. integrated whole-of-life management.
37. The policy benefits of PPPs are outlined at a high level in NSW Treasury Guidelines and demonstrative the NSW Government's recognition of the benefits of the PPP approach as an effective delivery model in the appropriate circumstances. An excerpt from the Guidelines states that PPPs can offer a number of advantages over other procurement models, including greater time certainty of delivery and greater certainty of long-term maintenance of the infrastructure over its life and associated costs.
38. In my previous experience as a Chief Executive, I was responsible for the contract management of two separate PPPs.
39. To drive the objectives and outcomes of the PPP, both required:
 - a. Robust contract management
 - b. Staff with experience in contract and relationship management.
 - c. A performance framework.
 - d. Appropriate governance mechanisms including escalation pathways.
 - e. Access to legal and other specialist advisors.
 - f. A shared commitment to the relationship.

40. Those PPPs that I have worked with, both provided infrastructure advantages and as outlined in the Guideline, greater certainty of long-term maintenance of the infrastructure over its life and associated costs, as well as an allocation of risk in the interests of the State.
41. Given the size and complexity of these PPP arrangements, there were occasions when the parties had differing views and priorities including in relation to resourcing. The relationships and governance were critical at these times of difference.
42. My experience suggests that whilst the contract is the guiding document, open and timely communication at a senior level to enable effective response to these emergent issues, as well as having a clear pathway for early dispute resolution were critical.



Deborah Willcox AM

6 June 2024

Date



Witness: Lavena Ramdutt

6 June 2024

Date