Special Commission of Inquiry into Healthcare Funding

Statement of Elizabeth Hoskins

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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.

2. This statement is provided in response to the letters dated 28 June and 19 July 2024 issued to the Crown Solicitor's Office, and addresses the topics set out in the 28 June 2024 letter relevant to my role.

A. INTRODUCTION

3. I am the Chair of the Board of Southern NSW Local Health District (**SNSWLHD**, **the LHD**). I have held this role since January 2023. I have been a member of the SNSWLHD Board since January 2017 and was appointed Deputy Chair in 2019 and interim Chair in 2022. A copy of my curriculum vitae is exhibited (**MOH.0010.0444.0001**).

4. My background is in accountancy and business advisory services.

B. THE SNSWLHD BOARD

5. The role of the Board is set out in s. 28 of the *Health Services Act* 1997. The SNSWLHD Board is primarily responsible for effective governance of the LHD. The Board plays a role in strategic planning as well as providing strategic oversight and monitoring of the LHD's requirements as outlined in its Service Agreement. Exhibited to this statement is a copy of the SNSWLHD Board Charter (**MOH.0010.0421.0001**). The NSW Health Model By-Laws apply to the Board.

6. There are currently eight Board members including myself, with backgrounds in finance/accounting, senior public health management, public health policy, legal, local government, medicine, nursing and higher education. Two are also Indigenous leaders in our community.

7. An important component of good governance is the relationship between the Board, the CE and the Executive Leadership Team (**ELT**). At SNSWLHD there is a positive,

respectful, professional and communicative relationship between the Board and the ELT, that enables us to fulfil our roles in the best interests of the organisation. In addition, as Board Chair and together with our Deputy Chair, recognise an important aspect of our role is to support and encourage our Chief Executive and members of the ELT.

8. The SNSWLHD Board has seven subcommittees: the Health Care Quality Committee, Medical and Dental Appointment Advisory Committee, Performance Committee, Audit and Risk Committee, Aboriginal Health Governance Committee, Community Engagement Committee and People and Culture Committee.

9. I am the Chair of the Performance Committee and have held this role since January 2022. In addition, I have been a member of the People and Culture Committee since March 2024. Exhibited to this statement are copies of the Terms of Reference for these subcommittees (**MOH.0010.0440.0001** and **MOH.0010.0439.0001** respectively).

10. The SNSWLHD Board, Performance Committee and Medical and Dental Appointment Advisory Committee meet monthly. The remaining subcommittees meet bimonthly, other than Audit and Risk which generally meets seven times per year, and Community Engagement which generally meets four times per year. All Board Members sit on at least one committee, with most sitting on two committees. All members are also invited to attend all subcommittee meetings. The Board and subcommittee meetings will usually proceed over two days each month, to facilitate attendance by Board Members to all meetings in addition to Board meetings and their respective subcommittees. I attend most subcommittee meetings and encourage other Board members to do the same. Subcommittee meetings are usually held at different SNSWLHD sites to enable Board members to meet the staff and volunteers and to tour the facilities.

C. COMMUNITY ENGAGEMENT

11. The LHD completed a consultative process in November 2023, with the aim of developing a new framework to strengthen engagement with our community and to ensure we interacted with a wider and more diverse audience. The outcomes of the consultative process have been codified in the Southern NSW LHD Community Engagement Framework (**MOH.0010.0427.0001**)

12. The role of the Board in the area of community engagement is set out in s. 28(h) and (i) of the *Health Services Act* 1997. Board members participate in community engagement activities in both structured and unstructured ways, including via the Community Engagement Committee, participation in local Community Consultation Committees

(now Local Community Engagement Groups, as referred to in our new Framework noted above), attendance at LHD functions, events and forums, Clinical Services Plan workshops, medical engagement dinners, attendance at Local Government Area and Member of Parliament liaison sessions. The Board reviews and monitors reports including patient stories, consumer correspondence and patient survey data and feedback. Our Board members also live and work in our sub-communities and regularly receive feedback from community members.

D. INFORMATION AND PERFORMANCE METRICS

13. The Board receives information about the LHD's operations and performance from various sources, including summary performance data with financial results and metrics, monthly and year-to-date financial performance data, operational performance and health related Key Performance Indicators (**KPIs**). It receives reporting and updates on critical areas including strategic planning, Aboriginal health, patient stories, infrastructure, information communications technology (**ICT**), environmental sustainability, clinical service planning, operational planning, disaster management, risk and risk management, Transformation Unit work and workforce. All subcommittees, the District Clinical Council, and Medical Staff Council also report to, or address, the Board. Where particular negative trends are evident, there will usually be additional reporting undertaken by the LHD to the Board or respective committee to set out in detail what has occurred and provide mitigation actions.

14. The **Performance Committee** reviews reporting data including financial results and metrics against budget, site performance KPIs, summarised key LHD KPIs against peer LHDs, surgical performance KPIs, operational KPIs, workforce metrics, directorate updates, asset management and development summary, reporting against NSW Health Performance Framework, Efficiency Improvement Plan (**EIP**) performance, risk management reports and reporting against particular areas of concern or underperformance. The committee also reviews annual budgets, service agreements and financial statements.

15. The Performance Committee has been closely monitoring the LHD's financial result and performance against EIPs and referring up to the Board where appropriate. In the 2024 financial year, the LHD achieved a number of its EIP targets, but a number were not met. For key 2024 targets not met, the Performance Committee has requested provision of a narrative on the lessons learnt, and also for detailed analysis around key EIPs that are being reforecast for 2025. The use of locum medical labour is an example of this. The

Board has encouraged the LHD to commit to reliable, achievable and impactful EIPs, and reinforced the view that financial recovery strategies should not negatively impact the organisation's culture, or patient safety and quality.

16. The **People and Culture Committee** reviews information and data related to recruitment, retention, workforce incentives, injury management, performance reviews, mandatory training, exit interviews, full-time equivalent (**FTE**) performance, People Matter Employee Survey results and actions, plus work health and safety. Updates are provided from areas including Aboriginal Health, Nursing and Midwifery, Medical and Allied Health, covering current analysis and information with reference to areas of risk. Information on key workforce strategies, for example: People Strategy 2024 – 2026 (**MOH.0010.0430.0001**) psychosocial risk mitigation, Reconciliation Action Plan development progress, LGBTIQ+ promise (**MOH.0010.0443.0001**) and Elevate (our cultural reform program).

E. CHALLENGES AND OPPORTUNITIES

17. SNSWLHD has had a high unfavourable financial variance to budget for a number of years and reported the highest unfavourable variance to budget, in percentage terms for the 2024 financial year across all LHDs.

18. The LHD has provided information to NSW Health to demonstrate that approximately half of SNSWLHD's financial variance is a function of factors beyond the LHD's control, relating to the provision of safe clinical care in rural sites of low volume. For example, Batemans Bay and Moruya Hospitals are among the highest cost sites by type in the state. These facilities are low volume, high-cost Activity Based Funding (**ABF**) funded sites. The LHD has requested that a change in funding methodology be applied to recognise high structural cost. Both the Board and LHD recognise the current financially constrained environment NSW Health operates within but remain very concerned that this recognised structural cost is not funded.

19. SNSWLHD has always been reliant on using premium labour, but this has become a much more significant problem due to the demand driven by the COVID-19 pandemic. The dependence on, and high cost of, locum medical labour and agency nurses is a key contributor to the LHD's financial deficit. Reducing reliance on premium labour is a key area of focus for the LHD for stronger financial sustainability. The LHD welcomed the announcement of funding for a feasibility study into a NSW Health led locum agency program, as a mechanism to reduce locum rates and agency fees but remains concerned

about the high cost of our locum workforce while the LHD progresses strategies aimed at reducing dependence.

20. The funding model currently used in NSW does not adequately or sustainably provide for SNSWLHD to deliver services in line with community expectations. As explained above, the ABF model is unsuitable for low volume rural and regional sites, which have fixed costs of providing healthcare services to an appropriate clinical standard and in line with community expectations. In the current constrained financial environment, the LHD is limited in what additional services can be introduced. For example, the importance of introducing stroke units at key sites is recognised, however the LHD does not have the financial capacity to do so at this time without reducing or eliminating other existing services.

21. SNSWLHD's workforce continues to experience considerable fatigue as a result of being severely impacted by the 2019 bushfires, in addition to managing the COVID-19 pandemic, workforce shortages, and floods. SNSWLHD's workforce demonstrate their resilience every day and continue to provide outstanding care to the people of the LHD despite these challenges and the direct trauma suffered by some members of staff. Historically, SNSWLHD's workplace culture has also been impacted by a period of instability in executive leadership and the slow progression of a workforce restructure. Since the current Chief Executive joined the organisation in March 2020, completing the restructure, stabilisation of the leadership team and workplace culture have been key areas of focus for the LHD and a high priority for the Board. This resulted in the establishment of the People and Culture Committee and the implementation of the cultural renewal program, Elevate. Exhibited to this statement is the SNSWLHD Elevate Framework (**MOH.0010.0442.0001**).

22. The health of Indigenous members of our community and working towards Closing the Gap are a key focus of the LHD and Board. Oversight and governance is provided by the Board through our Aboriginal Health Governance Committee. Two of our Board members are Indigenous leaders who live and work in the district and provide important guidance and input to the Board and LHD on matters linked to Aboriginal health. The LHD has made progress in working with Indigenous communities and this is recognised, but we acknowledge that there is still a significant amount of work to be done.

23. The Board would welcome greater investment in areas of environmental sustainability in healthcare at LHD level, not only for the environmental and financial benefit this brings but also because it is a priority of SNSWLHD's workforce. At SNSWLHD, there is a staff

member leading the environmental sustainability strategies, under the guidance of the General Manager Clinical and Corporate Services and Projects. The team members are doing outstanding work and are making progress, but significantly more investment is required. The Board welcomes NSW Health initiatives like the Sustainable Futures Innovation Fund, however, it also believes it is important to increase funding for environmental sustainability initiatives at the LHD level. The Board recognises that most environmental sustainability initiatives will realise financial benefits over time, but many require upfront capital and operational funding that is currently unavailable.

24. There is an ongoing strategic opportunity to improve the financial sustainability of SNSWLHD and benefit the community by reversing the flow of patients to the Australian Capital Territory (**ACT**). This is a function of our geographic proximity to the ACT and the provision of services available in the ACT that are limited, or unavailable, in our LHD. The arrangement is currently funded retrospectively via an agreement between NSW Health and ACT Health, through which the ACT is reimbursed for the care provided to SNSWLHD's patients. The LHD would benefit from the retention of funds flowing to the ACT (including because it would allow the LHD to provide services to people within their local communities) and has undertaken some work to reverse the flow successfully. Building on these successes will require additional work and investment to enable the uplift in services available in the LHD.

25. Key health worker accommodation continues to be a barrier to attracting and retaining staff in rural and remote areas. The LHD and the Board were grateful for the commitment of $15 million towards key health worker accommodation in SNSWLHD and note the additional $200.1 million announced in the 2024-25 NSW state budget for NSW Health key health worker accommodation across the state. SNSWLHD will work with NSW Health with the aim of securing additional funding for key worker accommodation, which remains a key concern in the LHD, particularly in the Eurobodalla region as the new hospital build is progressed.

26. Historically, SNSWLHD has had a low allocation of funds for annual asset renewal and replacement, which has resulted in an estimated $86 million asset backlog. This provides significant risk for the LHD's operation of services. The LHD and the Board welcome the announcement that NSW Health has secured funding for the Critical Asset Maintenance Program (**CAMP**) and the LHD will engage with NSW Health to seek additional funds through this program to replace priority assets in line with SNSWLHD asset replacement priorities for end of life equipment.

27. The Board welcomes the current rollout of numerous reforms by the Ministry of Health and recognises the benefit these should provide, but notes that concurrent implementation can have a significant effect on rural LHDs due to lower resourcing and less specialised staff in comparison to urban LHDs. The current tranche of clinical and corporate system redesign initiatives, as well as IT infrastructure changes is putting additional strain on an already fragile workforce and is likely to result in additional costs being borne by the LHD. The LHD has provided the following examples of reform programs: DeliverEASE, a project to transform the medical consumables supply chain; SmartChain for connecting and digitising procurement and supply chain processes; Transition from Power BI on prem to Power BI online; Health Information Exchange (HIE) to Enterprise Data Warehouse for Analytics Reporting and Decision Support (EDWARD); and Management of the Enterprise Data Lake. In addition, work is underway for the Single Digital Patient Record which will consolidate the state's medical record systems for improved clinical and administrative processes and enhanced patient engagement; on premise server migration to the cloud to enhance reliability and recoverability; and the upgrade of local and wireless networks for improved mobility capabilities and cyber security mitigation.

28. The LHDs local Business Intelligence Development Team have developed local reports for internal and Board reporting purposes to ensure the availability of more timely data. The time lag of key reports such as the Health System Performance Report (HSPR), is 6-8 weeks after the reporting period, with some data sets for key performance indicators being 3-6 months old. With other data sets (e.g. pregnancy in smoking key performance indicator) the data lag can be over 12 months old.

29. Despite the many challenges faced, the incredible people who work for SNSWLHD continue focus on areas of transformation and innovation with the aim of improving the health of the communities we serve. The Board also recognises that the NSW Health system delivers very good healthcare overall, to the people of NSW and acknowledges the support and leadership provided to SNSWLHD by members of NSW Health, in particular the Secretary and Deputy Secretaries.

Elizabeth Hoskins

2ND AUGUST 2024

Date: 2 August 2024

Witness:

2ND AUGUST 2024

Date: 2 August 2024