Special Commission of Inquiry into Healthcare Funding

Statement of Sarah Wallace

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Occupation:	District Director Finance and Performance, Southern NSW Local Health District

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 letters of 28 June 2024 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.

3. I have read the statement of Margaret Bennett dated 9 February 2024 made in relation to Term of Reference E and I have nothing additional I wish to add regarding this Term of Reference.

A. INTRODUCTION

4. I am the District Director Finance and Performance at Southern NSW Local Health District (**SNSWLHD**). I have held that role for 2 years. Prior to that I was the Deputy Director of Finance and Analytics in SNSWLHD, Associate Director of Finance Murrumbidgee Local Health District (**MLHD**), and Manager Financial Services/ Reporting MLHD.

5. In my current role, I am responsible for planning and reporting on the use of financial resources, monitoring of SNSWLHD budget performance including management reporting to the Executive, Board and the Ministry of Health. I am responsible for statutory and professional reporting requirements for SNSWLHD including addressing audit matters and ensuring appropriate financial management controls and practices consistent with Ministry of Health and financial management policies and directions. Specifically, I oversee SNSWLHD's financial accounting function, financial reporting, strategic procurement and supply, revenue, debt collection, fleet, staff travel, management accounting and business partnering, data analytics, clinical costing, clinical coding, clinical documentation improvement support, data operations, and financial recovery.

6. A copy of my curriculum vitae is exhibited (**MOH.0010.0446.0001**).

7. A copy of the organisational structure for my Directorate is exhibited (**MOH.0010.0424.0001**). I have three direct reports in addition to my Executive Assistant and approximately 64 staff in my Directorate:

   a. Manager Financial Services – this team includes Managers of Revenue Strategy and Performance, Financial and Capital Accounting, Revenue, and Travel and Fleet, and their team members,

   b. Manager Strategic Procurement and Supply – this team includes a Clinical Product Manager, Strategic Procurement Lead, Contracts Governance Officer and Procurement Compliance Coordinator, and the teams that sit under those four roles, and

   c. Director Operational Performance – this team includes a Manager of Clinical Costing, Manager of Data Operations, Manager Business Analytics, Senior Finance Business Partners, Manager Strategic Performance Improvement, Clinical Coding Team Leads, and Clinical Documentation Improvement, and their teams.

8. I do not oversee SNSWLHD's corporate services, nor do I have a role with capital works other than supporting the development of financial impact statements for redevelopments, capital accounting and capital reporting.

B. FUNDING OF SNSWLHD FACILITIES

9. SNSWLHD's facilities are funded as follows:

   a. Activity based funding (**ABF**): South East Regional Hospital (Bega), Goulburn Base Hospital (noting the mental health inpatient unit is block funded), Batemans Bay – Eurobodalla Health Service, Moruya – Eurobodalla Health Service, Queanbeyan Hospital and Health Service, and Cooma Hospital and Health Service.

   b. NSW Small Hospitals Funding model: Crookwell District Hospital, Yass District Hospital, and Pambula Health Service.

   c. State and Commonwealth funded: Bombala Multipurpose Service, Braidwood Multipurpose Service and Delegate Multipurpose Service.

C. CHALLENGES

10. A key challenge for SNSWLHD is its financial sustainability. The relevant factors contributing to this relate to workforce, the ABF funding model, interhospital transfer costs, and funding for innovative models of care.

(i) Workforce

11. There are challenges recruiting and retaining a permanent workforce in SNSWLHD, due to reasons including geographic isolation, challenges in finding accommodation, lack of opportunities for medical staff to set up a viable private practice, and no tertiary hospital within SNSWLHD. Consequently, some services in SNSWLHD rely on fly-in, fly-out workers with SNSWLHD and have a high use of medical locums and nursing agency staff, which is a significant financial impost on SNSWLHD, with additional costs of transport and accommodation costs.

12. Premium medical labour use has generally been consistent over time and is slightly growing with local General Practitioners no longer working in the hospital setting and/or retiring.

13. Nursing agency expenditure grew exponentially after COVID-19 and has started to decrease as SNSWLHD invests in graduate nurses and overseas recruitment.

14. For the last two financial years, SNSWLHD agency nursing expenditure was $21.9 million (FY2022/2023) and $20 million (FY2023/2024). These figures reflect agency nurse expenditure through SNSWLHD payroll and payments made to the agency and its nursing staff. For the same period, locum medical expenditure on was $40 million (FY2022/2023) and $42.4 million (FY2023/2024). The above figures do not include additional costs associated with accommodation and travel.

15. In addition, with the new Eurobodalla Regional Hospital scheduled to operate as a role delineation Level 4 facility, transitioning from Batemans Bay Hospital (Level 2) and Moruya District Hospital (Level 3), additional workforce investment will be required so that the intended services can be operational by the time the Eurobodalla Regional Hospital opens. For example, the new facility will include an Intensive Care Unit, a service which was not previously available. This will add additional workforce pressures on financial sustainability.

(ii) Activity Based Funding

16. The ABF model/pricing structure does not adequately cater for low volume services in rural areas that are clinically necessary but inefficient due to minimum staffing levels versus population demand, and high fixed costs. For example, the maternity services at Cooma Hospital delivers approximately two to three babies per week, which is not enough activity to attract the appropriate ABF funding to provide a financially sustainable service. As this service is low volume, it is highly reliant on the fly-in, fly-out agency staffing model, increasing costs to roster the appropriately skilled staff.

(iii) Other

17. As SNSWLHD does not have a tertiary hospital, it incurs costs associated with patient transfers to tertiary hospitals outside of the state for higher acuity care and specialist trauma services. The relevant SNSWLHD tertiary referral hospital is often a hospital in the Australian Capital Territory, for which SNSWLHD pays for the patient transfer both ways, which adds additional cost.

18. SNSWLHD has a backlog of assets for replacement, and in these circumstances, it is difficult to allocate start-up capital funds on new or innovative models of care. This creates an ongoing challenge for SNSWLHD as innovation may be part of the financial sustainability solution. The Service Agreement capital allocation does not cover replacement of the existing backlog of assets including medical, building, non-medical equipment and ICT equipment in need of replacement, or have allowance for investment in new capital for innovation.

19. According to NSW Health Guideline GL2023_023 *NSW Health Fleet Management Guideline*, SNSWLHD must prioritise the purchase or lease of electric vehicles over hybrid or internal combustion engine vehicles. In SNSWLHD, there are limited electric vehicle charging stations and as such, there is a capital cost for SNSWLHD to install electric charging facilities, including ensuring that the electrical capacity of our facilities can support charging.

20. Rural LHDs are also challenged to meet the recent fleet reduction targets to reduce the fleet of 20% where there is little to no public transport, and very limited Uber or taxi options. In rural LHDs it is necessary for staff to travel to provide care in rural community settings.

21. Finally, the Comprehensive Expenditure Review targets, particularly for travel and accommodation, are difficult to meet for SNSWLHD as travel and accommodation costs are strongly connected to premium labour and the fly-in, fly-out workforce.

D. OPPORTUNITIES

22. There are several opportunities to improve SNSWLHD's financial sustainability, including:

    a. Stabilising the nursing and medical workforce where practicable will reduce the reliance on premium labour.

    b. Virtual care is currently utilised in five SNSWLHD facilities, and this could be expanded with further investment. However, it should be noted that there are costs associated with installing infrastructure at facilities to enable virtual care to be provided.

Sarah Wallace

Witness: Melissa Williams

2 August 2024

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