New South Wales

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Submission of the South Eastern Sydney Local Health District Board to the Special Commission of Inquiry into Healthcare Funding

South Eastern Sydney Local Health District (SESLHD) provides public health services to almost 1,000,000 citizens, from the CBD through to the Royal National Park in the South. Our services range from primary health care for some of the most vulnerable groups within our community, through to statewide services supporting all residents of New South Wales and beyond.

Our District has been able to demonstrate robust financial performance over recent years, juggling multiple challenges including responding to the COVID-19 pandemic, commissioning multiple major capital redevelopments and meeting growing workforce challenges. This has been achieved by a strong culture of empowerment and clinical engagement, from the Board to the bedside.

We welcome the opportunity to provide this submission to the Special Commission. We believe NSW Health oversees an excellent health system. However, as with every system, there are always opportunities to improve how this system functions. Below we have chosen to highlight opportunities that, in our opinion, would leverage the existing strengths of the system, while better delivering value to the public of NSW.

Activity Based Funding

It is certain that the Commission will receive multiple submissions regarding the appropriateness or otherwise of Activity Based Funding (ABF) models. It is also certain that there are positives and negatives regarding whatever funding model is utilized to support the delivery of health services. However, unless there is to be a shift at the Commonwealth level from funding a share of current and future activity, these discussions remain quite abstract.

There is benefit, however, in addressing how best the current ABF models could be applied in NSW to deliver the maximum benefit to our community, support innovation and ensure appropriate share of funding of services from all parties.

We would argue NSW Health currently does not operate in a true Activity Based Funding environment. Despite the recording of activity, there is no in-year correlation

between performance against the assigned activity target and the funding that is received. Annual rises in assigned activity are increasingly provided to support expenditure growth, with less obvious links to real activity changes. In effect NSW Health is block funding its services, with an overlaid activity measure.

An appropriate ABF environment can support local decision making and innovation as it provides a revenue stream to support new models of care. In a block funded environment, budgets are allocated primarily on a historical basis and, short of supplementation being provided or disinvestment from other services, there is limited opportunity to support local innovations.

As a direct consequence, there is chronic underinvestment in both resourcing and capability in clinical coding. In other jurisdictions, clinical coders routinely have tertiary qualifications and are paid consistent with this, given the ability to leverage activity to generate funding. Within NSW, given the funding environment and the lack of direct correlation between activity and funding, there is no tertiary institution offering qualifications in clinical coding. Clinical coders are paid around half of what could be obtained interstate and the capture of the activity that has been delivered is poor.

The consequence of this impacts in multiple ways. On a macro level, there is significant lost revenue in terms of Commonwealth co-contribution to activity. Under the current arrangements, the Commonwealth will provide for growth funding of up to 6.5% per annum based on activity. Creating the appropriate environment to maximize the capture of all activity could potentially be worth hundreds of millions in additional funding to NSW Health.

The inability to support local innovation is a significant tension point with our front-line teams. Our clinical teams regularly identify better ways to do things - improving services for those most vulnerable, embracing new technologies or extending services due to growth. An appropriate ABF environment would empower Districts to support local teams to make these changes.

Supplementation funding

Supplementation funding is funding that is received external to the Service Agreement to support in year activity. In a majority of cases, this should be term limited and often focused on specific initiatives. In FY23, SESLHD received more than $100M in supplemental funds during the financial year, excluding COVID-funding, or more than 5% in additional funding to the Service Agreement base funding.

Funding provided via supplementation often drives inefficiency. Funding provided through the Service Agreement at the start of the year is allocated through a detailed budget build process, and ensures local services are engaged in the process. Funding arriving via supplementation occurs outside this process. The later that this occurs within the financial year, the more challenging it is to appropriately implement the expected outcome of that funding given this funding must be expended before the end of the financial year.

In addition, this funding is often provided for a defined nature, be it a particular role or service. It is often focused on transactional measures, i.e. number of new staff employed to deliver a service. The specificity of this funding removes the ability for local decision making about how best to deliver a service or the required outcomes.

A rethinking of how supplementation funding should be managed would deliver better value while supporting local decision making around how services can best meet the need of the community.

Commission of new programmes

More thought needs to be applied regarding how we commission new programmes or services, including how these programmes will be evaluated through the implementation, what objectives need to be met to continue with the programme and under what funding arrangements will these programmes continue should the objectives be met.

Consistently new programmes are funded on a time limited basis with output rather than outcome measures and a limited transparency regarding the threshold for how the programme will continue beyond its current lifespan and, should it continue, under what funding arrangement it will continue.

The current programme commissioning process drives delays in initiation of programmes. Set up of the service, recruitment of staff and promotion to the community of the service and its objectives to build referral bases to meet the desired outcomes, all require formal confirmation of the funding allocation before they can proceed. At the end of the funding period, challenges regarding the retention of staff present as people start to look for alternative employment given the uncertainty of future funding. There are also challenges in managing community expectations if a referral base has been built and positive outcomes have been delivered.

This initial clarity of thought would allow for better engagement with all stakeholders involved in the programme. There would be improved clarity on what the programme is designed to achieve as an outcome, not just outputs, at the time of development. Those involved in the programme would have increased certainty regarding the future of the programme and therefore future employment, and we could engage the community early in the outcomes of the programme given there would be transparency regarding the outcomes being achieved.

New Infrastructure

The significant cost associated with the commissioning of new redevelopments has historically been poorly understood. With two large-scale redevelopments commissioned in the last five years, the District is well placed to understand the increased costs to the system just to open the doors of new builds.

Much of this is driven by demand requirements associated with the design of the new build. For example, within the acute services building at Prince of Wales Hospital, a like for like ward experienced a three-fold increase in floorplan to achieve an increase in single rooms, increased bathroom facilities, new technologies, staff facilities and travel space. While it is difficult to argue against the benefit of these features for our patients and staff, the design itself naturally drives additional costs. Within the acute services building, more than 48 additional cleaners alone were required to clean this new floorplan.

All of this additional cost comes without any new activity, hence becomes a financial pressure at all levels. Steps have been taken over the last few years to develop an appropriate funding model to support the commissioning of new builds, but this does not address the underlying issue. Similar to supplementation, the commissioning of a new build skews funding towards services that may not be consistent with where local priorities are determined for investment.

Shared Services

There is significant opportunity for shared services to further expand value delivered to the state, although this will require a reset of both the current models and an expectation to demonstrate benefit. Consistency in the delivery of support services, including cleaning, facilities management, ICT and other back of house services can realistically be expected to drive further savings, however this needs to be assessed fully before decisions are made.

One of the strengths of the NSW system is the size of the Districts, allowing scale to be achieved through the delivery of shared services within each District. As such, it is worth careful consideration of what further efficiencies can be achieved with increased consolidation and, wherever this consolidation occurs, there is a need to ensure that it remains orientated to supporting the services that are delivered at the front line.

To have assurance that shared services are delivering additional value, there is a need to ensure that they are optimized. In other jurisdictions this is achieved through contestability for these services, testing markets to determine whether the current internal offering is competitive with like services. While there is a resistance, with some rationale, to the privatisation of services, a failure to ensure that shared services are appropriately optimised does not ensure value for the public dollar.

A focus on prevention

If there is to be a focus on achieving more value for the current investment there needs to be a shift in how funding is allocated to investing in prevention and early intervention as a priority.

There is clear evidence that prevention and early intervention programmes such as the 'First 2000 Days', if implemented effectively, can lead to long term benefits that will reduce the future costs of health care for the community. To do this however the

investment needs to be appropriate and sustained. There is a risk that an increased focus on screening, which is evidence based, will only work to highlight existing gaps in the system where there has been an underinvestment in early intervention.

Similarly, investment in wellbeing in communities with social disadvantage has demonstrated long term benefits in the reduction of chronic disease and use of hospital-based services. Delivery of these initiatives is often complex due to the broad range of stakeholders that each need to collaborate to deliver a comprehensive offering. Often, Health is the most engaged in these initiatives as, in a number of cases, it is the entity that is ultimately the safety net for those most vulnerable in our community.

This is not an easy challenge to address with funding but there are consistent principles that are replicated in models that effectively deliver place-based care. These include a sense of ownership by the community of their services, local decision making and the ability for multiple agencies to pool funding and resources, and a long-term commitment to being present and partnering with community to build trust. These principles do not align well with the existing funding models we employ.

Financial planning would be enhanced by having a longer-term view of funding rather than the current year to year budget model. Rethinking how supplementation funding should be managed would deliver better value while supporting local decision making around how services can best meet the need of the community.

Dr Debra Graves OAM
SESLHD Board Chair

Date: 30/10/2023

Tobi Wilson
SESLHD Chief Executive

Date: 30/10/2023