New South Wales

Special Commission of Inquiry into Healthcare Funding

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Name: Health Services Association NSW

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Mr Richard Beasley SC

Commissioner of the NSW Government Inquiry into Healthcare Funding

Send via: submissions.hfi@specialcommission.nsw.gov.au

Dear Commissioner Beasley SC,

The NSW Health Services Association which includes Affiliate Health Service members, welcomes the opportunity to respond to the Special Commission of Inquiry into the funding of health services provided in NSW and how the funding can most effectively support the safe delivery of high quality, timely, equitable and accessible patient-centred care and health services to the people of NSW, now and into the future.

We are pleased to contribute as part of the public health system. As per the Health Services Act 1997 of New South Wales, "*an affiliated health organization (AHO) is an organization or institution that is affiliated under section 62 of the Act. An organization or institution is an affiliated health organization only in relation to any of its recognized establishments or recognized services. A recognized establishment of an affiliated health organization means a hospital or health institution of the organization that is listed in column 2 of Schedule 3 next to its name.*

The HSA appreciates the opportunity to make comment on the way NSW Health funds health services delivered in public hospitals and community settings, and the extent to which this allocation of resources supports or obstructs access to preventative and community health initiatives and overall optimal health outcomes for all people across NSW. Also, the balance between central oversight and locally devolved decision making, including the current operating model of Local Health Districts.

The HSA would like to make further comment on the need to further improve the equity, consistency, timeliness and transparency of the way these funds are currently distributed to the AHOs.

The Health Services Association would be pleased to attend a Hearing if invited.

Yours Sincerely

Grainne O'Loughlin
HSA President

About the Health Services Association (HSA) NSW

The Health Services Association of New South Wales is a unique and dynamic collaborative of non-government public health service providers whose membership includes primarily, Affiliated Health Organisations (AHOs)- and other Public and Incorporated companies, registered charities, Public Hospitals, and not-for-profit organisations registered with the National Disability Insurance Scheme.

The services provided by HSA member organisations are diverse and include:

- General and specialist rehabilitation
- Oncology
- Child & Family Health
- Mental health
- Palliative care
- Surgical services
- Counselling services
- Disability and aged care services
- Physical and mental wellbeing and treatment services

Collectively, our members provide many thousands of occasions of service each year which support the NSW Health system and communities of NSW.

The HSA is a company limited by guarantee incorporated in NSW under the Corporations Act 2001 (Cth). The Association is governed by a Board of up to 14 directors, nominated by its health service members and 1 each from its Associate Members.

The HSA provides a platform for individual members to form a collective voice and to advocate to the NSW Minister for Health, the NSW Ministry of Health and the NSW Health Pillar agencies.

The HSA is an influential advocate in representing the interests and involvement of its members in NSW Health Strategic and Service Planning.

The following organisations are members of the HSA:

- HammondCare,
- St Vincent's Health Network
- Karitane
- Tresillian
- Calvary Newcastle
- Calvary Kogarah
- Mercy Health Albury
- STARTTS,
- Royal Rehab
- War Memorial Hospital
- Hawkesbury Health Service
- Chris O'Brien Lifehouse.

The HSA Executive consists of:

A President, Treasurer, Executive Director and 3 Director Members. The Executive team provide the Board with accurate, timely and clear information on the entity's operations to enable the Board to perform its responsibilities. This includes financial performance, legal compliance and regulatory requirements.

President	Ms Grainne O'Loughlin
Treasurer	Robert Mills
Director	Dr Andrew Montague
Director	Strephon Billinghurst
Director	Matt Mackay
Executive Director	Mary Dowling

Engagement with NSW Ministry of Health
The HSA works closely with the NSW Ministry of Health. Executive Members of the HSA meet frequently with the NSW Health Secretary, the Deputy Secretaries, and other senior officers within the Ministry regarding topical issues. We are currently proactively working with NSW Health on a number of the identified issues listed within this document which we have aligned to the current Terms of Reference of the Inquiry.

RESPONSE TO TERMS OF REFERENCE

A. **The funding of health services provided in NSW and how the funding can most effectively support the safe delivery of high quality, timely, equitable and accessible patient-centred care and health services to the people of NSW, now and into the future**;

The intricacies of funding allocations for Affiliated Health Organisations (AHOs) in NSW raise concerns about equity, transparency, and efficacy. The current system, channelled through various Local Health Districts (LHDs), showcases inconsistencies, often misaligned with genuine service needs and overarching strategic directives. Coupled with ambiguous budgeting processes, short-term funding frameworks, and challenges in navigating governmental coordination, the present approach leaves AHOs, frequently, in a precarious operational sustainability position.

Funding Distribution and Accountability:

- **Inconsistent Funding Allocations & Processes:** Funding channelled through various LHDs results in inconsistent allocations among AHOs. These allocations often do not align with actual service requirements or the overarching strategic objectives. This is further impacted by the siloed funding negotiations/discussion with NSW Ministry of Health and LHDs.
- **Exclusion from New Programs:** AHOs are not consistently incorporated into newly launched programs or technology upgrades, including those from eHealth.
- **Tied Funding Constraints**: Funding is often linked to specific columns in the Health Services *Act (*Schedule 3, column 2), which can lead to selective financial constraints for both organisations and staff and is very out of date.

- **Ambiguous Budgeting Process:** The budgeting process lacks a clear structure, making annual negotiations for financial requirements challenging for all parties. The absence of a well-defined modelling (e.g. growth, Consumer Price Index (CPI)), mechanism, efficiency targets, timing to determine the budget and percentage contribution expectation from AHO's own revenue sources further complicates these discussions.
- **Short-Term Funding Frameworks:** The annual renewing of Service Level Agreements (SLA) introduces operational uncertainty, making it challenging for AHOs to plan and accommodate increases associated with the CPI, technology advancements, and capital investments.
- **Time-limited funding** results in AHO staff often being employed on year-to-year or temporary contracts, reducing staff retention as skilled workers seek greater job security. This funding model also results in uncertainty of service sustainability and at times remain completely unfunded by government, relying on philanthropic and/or scarce AHO resource funding to support the continual delivery of the service.
- **Lack of Capital Works support for AHOs -** AHO's should be incorporated into the LHD's future Capital Works Plan to ensure that their capital needs are met and assets are managed efficiently and effectively.

Intra-governmental Coordination Gaps: The absence of a holistic governmental strategy results in fragmented funding for AHOs that have multiple AHO partners. This often leaves service providers navigating between different government agencies, resulting in potential service delivery gaps and inefficiencies, escalating matters from LHDs to NSW MoH and government Ministers for resolution. This can also create relationship and trust issues and is time-consuming for all.

Transparency and Efficacy Concerns: There's a perceived opacity regarding the processes to secure funds. This, combined with a lack of clarity in tendering processes and funding negotiations, introduces challenges in strategic planning and resource allocation.

RECOMMENDATIONS:

1. **Transparent and Structured Funding Processes:** Introduction of a transparent mechanisms for budget-setting, ensuring an equitable and clear process for all stakeholders involved.
2. **Timely Budget Negotiation and Release:** Align the budgeting timelines, including for different government entities, for streamlined operations, ensuring timely and effective strategic and operational and management and resource allocation for AHO services to meet Board governance and fiduciary responsibilities.
3. **Refined Funding Mechanisms:** Emphasise the importance of longer-term funding contracts, fostering sustainable service delivery, job security and promoting staff retention. This will ensure consistent service delivery and better patient outcomes.
4. **Holistic Government Approach:** Implement a unified government approach to funding, ensuring clear roles and responsibilities among different government departments. This will prevent service providers from navigating between agencies, ensuring efficient government support. Funding allocation to be data-driven and decisions based on demand, priority groups, CPI growth and other wage escalations factors. This will ensure that resources are allocated where they are most needed and are sustainable.
5. **Funding Based on Demonstrated Efficacy and Outcomes:** Ensure all service providers consistently showcase efficacy and outcome data, demonstrating tangible benefits for clients and families under their care. This will ensure that resources are allocated efficiently and effectively.

Funding allocation is to be based on a data-driven approach, ensuring decisions are based on the actual needs and demands of the population. This will ensure that resources are used effectively and efficiently.

6. **Enhanced Collaborative Frameworks:** Foster an environment where service providers work collaboratively, ensuring resources are used efficiently and effectively. This will ensure that services are delivered in a timely and efficient manner, meeting the needs of the population.

B. The existing governance and accountability structure of NSW Health, including:

i. the balance between central oversight and locally devolved decision making (including the current operating model of Local Health Districts);
ii. the engagement and involvement of local communities in health service development and delivery;
iii. how governance structures can support efficient implementation of state-wide reform programs and a balance of system and local level needs and priorities;
iv. the impact of privatisation and outsourcing on the delivery of health services and health outcomes to the people of NSW;
v. how governance structures can support a sustainable workforce and delivery of high quality, timely, equitable and accessible patient-centred care to improve the health of the NSW population;

SLA Governance and Funding Dynamics: The management of SLAs and their interconnected reporting lines for AHOs present distinct challenges. Currently, AHOs operate within two primary funding governance frameworks:

1. An exclusive SLA partnership with one LHD
2. A main SLA with one LHD, complemented by additional SLAs or contracts with several districts.

Both models face the challenge of varied funding. The allocations, channelled through the LHDs, display variability among AHOs.

While some AHOs are tasked with delivering state-wide services, the funding conduit typically remains a single LHD. This arrangement can inadvertently create challenges for the funding LHD when allocating resources to services that cater to populations outside its immediate catchment. Centralised SLAs with a single LHD can lead to differing priorities. The absence of a clear distinction in the SLA that differentiates state-wide from local service provisions further adds to these challenges.

The secondary governance model, which involves a primary SLA alongside agreements with multiple districts, results in a multifaceted set of reporting and accountability standards. The regulatory landscape, shaped by diverse funders each with their set of reporting and accountability criteria, can increase corporate overheads, impacting funding efficiency. Traversing this landscape requires adherence to a variety of standards, demanding time and expertise. While HSA strongly supports robust accountability standards, the diverse nature of these requirements across funding channels can introduce financial challenges, potentially affecting organisational efficiency.

Financial Sustainability and NGO Dependency: As not-for-profit entities, AHOs grapple with uncertainty and a lack of clear direction regarding contributions from their own-source reserves, notably philanthropic contributions. Often, ambitious targets are set, requiring AHOs to address financial gaps through philanthropic means, health insurance, Medicare, or their limited reserves. This path could lead towards potential financial sustainability concerns. The current model

showcases a significant reliance on non-profits to address the governmental funding shortfall, a responsibility that isn't uniformly distributed, especially when philanthropic sources are in flux.

RECOMMENDATIONS:

1. Transparent Funding Allocation: To address the intricacies of SLA governance, a proportionate funding allocation system is essential. This system should clearly distinguish between state-wide and local service provisions associated with the designated LHD. Funding, provided through the LHDs, should be transparent in their allocations, designating clear portions for state-wide services and those intended for LHD-specific initiatives/services.

2. Evaluation of funding of State-wide Services: Re-evaluation of the funding mechanism for state-wide services is recommended to ensure equitable service access and delivery, irrespective of geographical boundaries and responsive to demographics and demand

3. Mutually agreed Revenue Goals: A forward-thinking fiscal approach involves setting collaborative revenue targets. Relevant targets for private health insurance income should be a realistic mutually agreed target within SLA, with a focus on achievable philanthropic and charitable contributions. AHOs should receive comprehensive/full funding for all state commissioned services. Revenues drawn from philanthropy and charity should be allocated towards innovative projects, addressing service gaps, and furthering cutting-edge initiatives, rather than merely offsetting the costs of state-commissioned services. Indeed, philanthropists and donors often determine on how and where they wish their money to be spent.

4. **Streamlined reporting and accountability standards:** Encourage regulatory requirements that are rigorous but streamlined, reducing the administrative burden on AHO/Service providers.

C. The way NSW Health funds health services delivered in public hospitals and community settings, and the extent to which this allocation of resources supports or obstructs access to preventative and community health initiatives and overall optimal health outcomes for all people across NSW;

Allocation for Preventative and Community Health Initiatives: The current funding strategy for preventative and community health initiatives lacks a forward-planning approach. Currently, resource allocation in these areas is rooted in traditional, block-funded activity, which doesn't account for the evolving demographic growth in LHD/regions or the increasing state-wide demands. This method of funding doesn't adjust for preventative care and community health services based on substantive data and forecast modelling. Instead of leveraging data to drive decisions, the funding model remains disconnected from forecasted demand and community needs. This is in contracts to the activity based funding (ABF) services, where services are directly funded by volume/forecasted activity.

There is a need to recognise the merits and sustainability benefits in advocating for expansion of community services, redirection of funding steams, to support anticipatory care models different to reactive acute care services.

Moreover, the funding approach is siloed, failing to consider cross-sector resources within regions, including existing services and initiatives. There is no comprehensive analysis to understand the gaps and responsibilities of the district, particularly in the context of contributions from Commonwealth-funded entities like the PHN and NGO health services

RECOMMENDATIONS:

1. **Transition to Evidence-based Funding for Preventative and Community Health Initiatives:** The core of the challenge lies in reliance on historical, non-evidence-based models. There is a requirement to a shift towards evidence-based, outcome-driven funding strategies. It is crucial to have transparency across different funding sources and establish a clear, accountable mechanism that details how funding amounts are determined for affiliated health organisations. This mechanism should elucidate how demands and growth are factored into the funding decisions, moving away from a discretionary funding model.

2. Strategy for Preventative Mechanisms and Community Health Services within Regions: The overarching aim should be to develop a regional holistic strategy that underscores both prevention and the broader spectrum of community health services. This approach ensures that resources are judiciously allocated to meet the diverse health needs of various communities. Achieving this requires a deep understanding of the service provider ecosystem, which includes state-run entities, Commonwealth providers, PHNs, NGOs, and other affiliated services. The strategy should encompass comprehensive community health services, focusing on both primary care and specialised services tailored to the unique needs of different community segments. By prioritising a data-driven, outcome-oriented approach, funding can be strategically allocated, ensuring that both preventative and ongoing health needs of communities are adequately addressed.

D. Strategies available to NSW Health to address escalating costs, limit wastage, minimise overservicing and identify gaps or areas of improvement in financial management and proposed recommendations to enhance accountability and efficiency

Siloed Service Planning: A significant challenge in the current system is the lack of an integrated and comprehensive regional strategic service plan, and siloed gap analysis and planning by all service providers. This limitation prevents a clear understanding of the entire ecosystem, encompassing social services, NGOs, primary care, and other integral service providers. Presently, organisations plan and operate in silos, with pockets of collaborative planning across the system, hindering the potential for holistic and integrated system planning. This fragmentation often leads to inefficiencies, as multiple entities may attempt to address identical or overlapping and underservicing challenges without coordination. Furthermore, potential chances for collaborative and complementary service provision to cater to a community's needs go unrealised.

Escalating Costs and Wastage: The absence of a cohesive strategy across LHDs/regions has repercussions beyond service delivery. It has a direct financial impact for the system by contributing to potential escalating costs and wastage. The current approach to planning of health services does not comprehensively address these challenges, resulting in potential overservicing and missed opportunities for financial optimisation.

Limited Philanthropic Partnerships and Allocations: The current framework does not fully harness the potential of philanthropy. While some entities might engage with donors and foundations, there

isn't a unified strategy to collaborate and partner with philanthropic organisations, leaving potential opportunities for joint or matched funding and resource enhancement untapped.

RECOMMENDATIONS:

1. **Better Integrated Service system** By shifting to a systems approach for assessment and planning, LHDs and AHO, and other service providers can ensure that resources are utilised effectively, and overlapping services and underservicing are minimised and meet the current and forecasted needs of the populations they serve. Breaking down existing silos is crucial. By fostering an integrated, holistic approach to service planning and delivery, all services can ensure that resources are allocated efficiently, services are streamlined, and gaps in the ecosystem are addressed. This will allow for rationalisation of the number of approved service providers in certain geographical regions and ensure there is structured collaboration between agencies to improve the coordination of service delivery.
2. **Strategic Engagement with Philanthropy:** To further enhance resource optimisation and address funding challenges, LHDs should establish a comprehensive strategy for engaging with philanthropic organisations. This involves understanding the broader philanthropic landscape, creating opportunities for collaborative projects/services, and ensuring that donations and foundations are leveraged in a manner that complements the overarching regional health service delivery goals.

F. The current capacity and capability of the NSW Health workforce to meet the current needs of patients and staff, and its sustainability to meet future demands and deliver efficient, equitable and effective health services, including:

i. the distribution of health workers in NSW;
ii. an examination of existing skills shortages;
iii. evaluating financial and non-financial factors impacting on the retention and attraction of staff;
iv. existing employment standards;
v. the role and scope of workforce accreditation and registration;
vi. the skill mix, distribution and scope of practice of the health workforce;
vii. the use of locums, Visiting Medical Officers, agency staff and other temporary staff arrangements;
viii. the relationship between NSW Health agencies and medical practitioners;
ix. opportunities for an expanded scope of practice for paramedics, community and allied health workers, nurses and/or midwives;
x. the role of multi-disciplinary community health services in meeting current and future demand and reducing pressure on the hospital system;
xi. opportunities and quality of care outcomes in maintaining direct employment arrangements with health workers;

Limited Access to Capacity Building and Training: AHOs currently face challenges in accessing the same capacity-building and training opportunities available to other entities within NSW Health. This includes, but is not limited to, training programs from the NSW Agency for Clinical Innovation, and First Nations and rotating new graduates and recruitment. Overhead costs for training and capacity building is often lacking.

Workforce Rotation and Shared Skill Sets: The health workforce is dynamic, with professionals rotating and migrating between various system entities, including AHOs and LHD services. This

movement emphasises the necessity for a uniformly trained workforce across all entities to ensure consistent service quality.

Uplifting the Entire Workforce: The goal of training and education programs within the health sector is to uplift the capabilities of the entire workforce. However, the current restricted access for AHO staff creates disparities in skill sets and knowledge bases.

RECOMMENDATIONS:

1. **Equitable Access to Training:** Ensure that AHO staff have equal access to all training and education resources available within the NSW Health system. This includes specialized training programs, capacity-building initiatives, and resources from agencies such as the NSW Agency for Clinical Innovation.
2. **Standardised Training Across Entities:** Recognise the fluid nature of the health workforce and implement training programs that standardise skills and knowledge across all entities, from AHOs to district health services.
3. **Holistic Workforce Development:** Prioritise a holistic approach to workforce development that ensures every professional, irrespective of their current affiliation, has the skills and knowledge required to provide high-quality care. This strategy acknowledges the interconnectedness of the health system and the shared goal of delivering efficient, equitable, and effective health services to the community.

H. New models of care and technical and clinical innovations to improve health outcomes for the people of NSW, including but not limited to technical and clinical innovation, changes to scope of practice, workforce innovation, and funding innovation; and

Connectivity with NSW eHealth: Whilst good relationships are established, AHOs currently encounter challenges in establishing seamless connectivity and collaboration with NSW eHealth.

Disparity in Access to Technological Advancements and Funding: There exists an evident lack of equity for AHOs in accessing new technologies, including both hardware and software. The lack of budgetary allocation and constraints for implementation of technological advancements further exacerbate this disparity, limiting AHOs' ability to invest in these essential technological tools required for delivery of contemporary, digitally enabled models of care and operations.

Significant investment is required for organisations to improve IT/Data collection portals and Business Intelligence systems to record activity and outcome measures and to meet accountability reporting capability. Currently, there is limited budgetary allocation for AHOs to meet these standards.

Limited Consultation on System Wide Technology Selection: Timely consultations with AHOs are often overlooked, creating a challenge to ensuring that their systems remain up-to-date and fit for their specific purposes.

Operational and Clinical Service Impacts: The existing gaps in IT infrastructure and eHealth access directly affect AHOs' operational efficiency and clinical service delivery.

RECOMMENDATIONS:

1. Enhanced Connectivity: Facilitate improved connectivity between AHOs and NSW eHealth, ensuring seamless integration and data flow.

2. Equitable Budgetary Allocations: Allocate dedicated budgets to AHOs for technological advancements, ensuring they can access and implement the latest hardware and software solutions.

3. Regular and Timely Consultations: Prioritise timely consultations with AHOs whenever there are system updates or changes, ensuring their IT systems remain aligned with the broader NSW health infrastructure.

4. Shared Responsibility for IT Selection and Implementation: Recognise the shared responsibility between LHDs, NSW eHealth, and AHOs. Collaboratively work to ensure AHOs are kept updated and aligned with the overarching IT growth strategies across the system, mitigating potential risks and enhancing clinical service delivery.

5. Equitable access to Services: Improve access to services for consumers across NSW by supporting new hybrid models of care (digital and face-to-face).

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