

# 8.0 Health

## STRATEGIC OBJECTIVE

**Support the health, wellbeing and economic participation of our growing population and contribute to the attractiveness of NSW as a place to live and do business**

## KEY CHALLENGES

- Service a growing and ageing population and manage the cost impacts of increased service expectations
- Extract greater value and efficiency from existing health infrastructure and explore new models of delivering services such as out-of-hospital services, multipurpose services and greater involvement of the private sector in delivering health services
- Adopt and adapt new technologies to improve health service delivery
- Explore ways to make capital and operating cost savings without compromising care

## OPPORTUNITY

### KEY Infrastructure NSW RECOMMENDATIONS

### COSTS & FUNDING

**Partner with the private and non-for-profit sectors**

- Pursue opportunities for a better mix of services from the not-for-profit and private sector for the delivery of infrastructure and public health services in NSW

Potential capital and operating cost savings

**New service delivery models**

- Prioritise configurations in health facilities that provide best practice clinical redesign and reduce operating costs
- Accelerate the modernisation of metropolitan, regional and rural health, delivering improvements progressively over the next 20 years
- Establish a *Care Co-location* program to accelerate the delivery of the NSW Primary and Integrated Care Strategy
- Establish a Regional Multipurpose Health Facilities Program

Expected efficiencies and reductions in recurrent spending growth for all initiatives

Reservation of \$100 million from the *Rebuilding NSW* initiative

Reservation of \$300 million from the *Rebuilding NSW* initiative

**Service fast-growing areas**

- Reserve \$600 million from the *Rebuilding NSW* initiative to contribute towards funding new health facilities, including growth hospital investment such as the north-west (Rouse Hill) and south-west (Campbelltown) of Sydney and a south-west Sydney paediatric facility
- Finalise business cases for potential future investments in metropolitan and regional hospitals that are prioritised to meet acute activity demand in growth areas
- Implement reforms that will increase the private and not-for-profit market capacity to reduce the need for investment in new public facilities

Reservation of \$600 million from the *Rebuilding NSW* initiative

**System-wide reforms**

- Continue to pursue system-wide reforms, including an e-enabled system, contestability initiatives across the spectrum of services and better coordination of local and State-wide asset planning

## Snapshot

- NSW Health is responsible for delivering health services to over 7 million people each year. On a typical day, 5,600 people are admitted to a public hospital, 6,500 people are being seen at Emergency Departments, 1,000 patients have surgery (emergency or planned) at a public hospital and 200 babies are born.
- The State's health infrastructure includes over 230 public hospitals, 280 community health centres, 226 ambulance stations and over 50 health centres across the criminal justice system. The health system employs over 100,000 staff.
- Health costs borne by the public purse in 2014/15 amounted to \$20 billion – 28 per cent of the total NSW budget – and included an infrastructure investment of about \$1.3 billion.
- Health facilities and precincts are anchors for employment. Twelve per cent of jobs in NSW are in the health industry. Employment in the sector is growing at 2 per cent a year. The health industry is the largest regional employer in NSW.
- NSW has a relatively smaller private hospital system and more public hospital beds per capita than other Australian States and territories.

## 8.1 Summary

Investing in health services supports economic growth by maximising workforce participation through improved health (particularly participation by older workers). A high quality, accessible and affordable health system also contributes to the attractiveness of NSW as a place to live and do business.

Across NSW, a number of factors are putting the health system under increasing pressure, including advances in the quality of services, the use of new technologies, increasing levels of chronic disease and a growing and ageing population.

While the NSW population is projected to grow by 28 per cent by 2031, Ministry of Health projections suggest demand for acute services will grow by 48 per cent over the same period – nearly double the rate of population growth. The number of people over 70 years of age is forecast to double by 2031; while this group represents only 15 per cent of the total population, it is expected to use 56 per cent of acute health services.<sup>102</sup>

Substantial investment in health infrastructure will be required over the next 20 years to service this growth in demand, particularly in the growing regions of Western Sydney and South Western Sydney, which are expected to experience the greatest increases in acute health service activity.

Partnering with the not-for-profit and private sectors to deliver services will improve competitiveness and deliver a more productive and efficient health industry in NSW. Infrastructure NSW recommends the pursuit of new

opportunities to increase participation by the private and not-for-profit sectors in the delivery of public health infrastructure and services.

Infrastructure NSW recommends the Government proceed with the development of detailed proposals for major hospital investments in growing metropolitan and regional locations. These proposals should include consideration of partnership opportunities and innovative models for delivering services. Infrastructure NSW endorses growth hospital investments such as a new health facility at Rouse Hill, the expansion of Campbelltown Hospital and a new south-west Sydney paediatric facility. A reservation from the *Rebuilding NSW* initiative of \$600 million should be directed towards funding new health facilities to respond to growth in health service demand.

Accommodating the predicted growing demand for health services will require services to be delivered in new, more efficient ways. This will require the reconfiguration and re-design of health facilities and infrastructure, as well as new models of care.

Infrastructure NSW is recommending several priority initiatives to drive reform in service delivery and slow down the need for hospital expansions. Recommended priorities from the *Rebuilding NSW* initiative include reserving \$100 million to develop integrated primary care ‘one stop shops’ that provide a range of health-related services and reserving a further \$300 million to redevelop small rural health services into multipurpose facilities that offer integrated health, community and aged care services outside hospitals. Infrastructure NSW also recommends reconfiguring existing facilities to implement best practice clinical redesign and increase efficiency, including initiatives being delivered through

the Regional and Rural Modernisation Program and the Statewide Neonatal Intensive Care Units / Paediatric Intensive Care Units Program.

## 8.2 Progress since 2012

Since the 2012 State Infrastructure Strategy, the NSW Ministry of Health has:

- Released the NSW State Health Plan Towards 2021 (the Plan) in June 2014, setting out the Government’s directions and health service strategies, outcomes and targets, including a commitment to design future-focused infrastructure
- Continued to implement a number of organisational and funding reforms, including the decentralisation of decision-making to Local Health Districts and Specialty Health Networks; the introduction of Activity Based Funding and the development of the Ministry’s role as system manager and ‘purchaser’ of health services to drive efficiencies
- Sought to improve capital asset planning at the Local Health District, Specialty Health Network level and delivered improvements to the State-wide planning and prioritisation processes
- Actively sought to expand the provision of public hospital capacity by the private sector, with the Northern Beaches Hospital as the lead project
- Continued to develop demand management strategies to respond to growth, including clinical services redesign, integrated care models and out-of-hospital care.

<sup>102</sup> NSW Ministry of Health, NSW Department of Planning and Environment 2014 population projections

## 8.3 Ongoing challenges

### 8.3.1 Servicing a growing, ageing population

NSW Ministry of Health projections suggest demand for acute services will grow by 48 per cent over 20 years – a faster rate than demand for health care in general and nearly double the rate of population growth.<sup>103</sup> Demand growth is driven by factors such as advances in the quality of services, new technologies and a growing, ageing population.

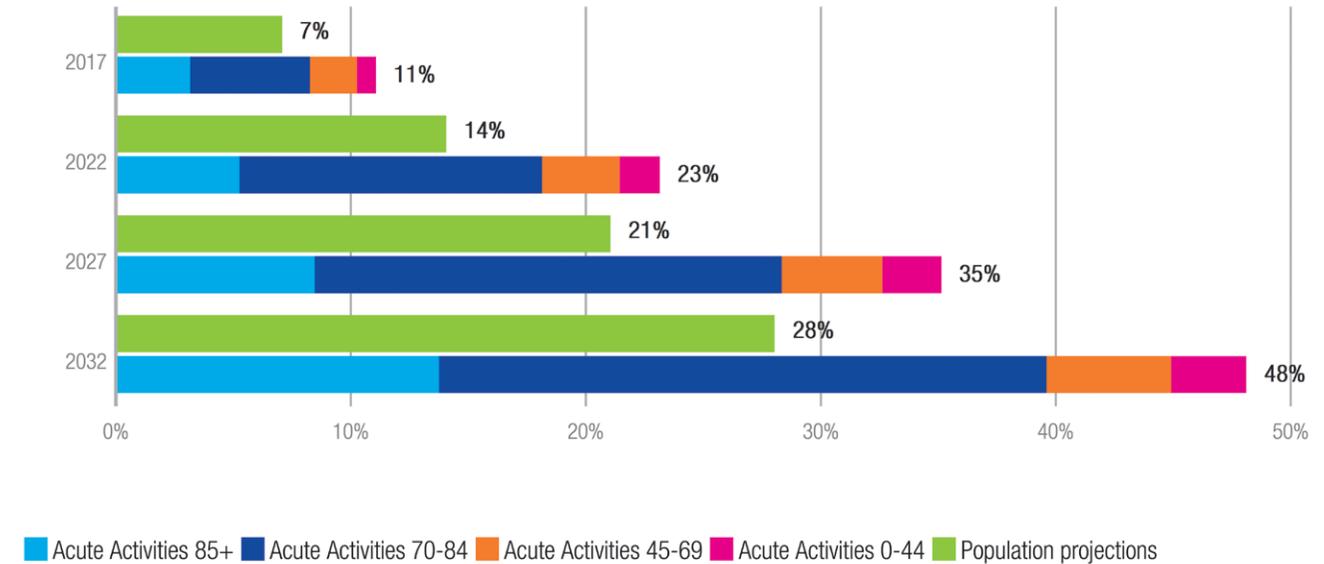
The NSW population is projected to grow by 2 million people to over 9 million by 2031, an increase from current levels of 28 per cent. The number of people over 70 years of age is expected to double by 2031. This cohort represents only 15 per cent of the total population, but is expected to use 56 per cent of acute health services.

### 8.3.2 Capital response – a prioritised investment program

Investment in existing hospitals in high demand areas will be required over the next 20 years to address the increase in demand for health services.

The heat-map (Figure 8.2 overleaf) shows that the Western Sydney and South Western Sydney Local Health Districts will experience the greatest increases in acute health service activity, with increases of 91 per cent and 80 per cent respectively by 2032, placing pressure on the region’s major hospitals at Liverpool and Westmead.

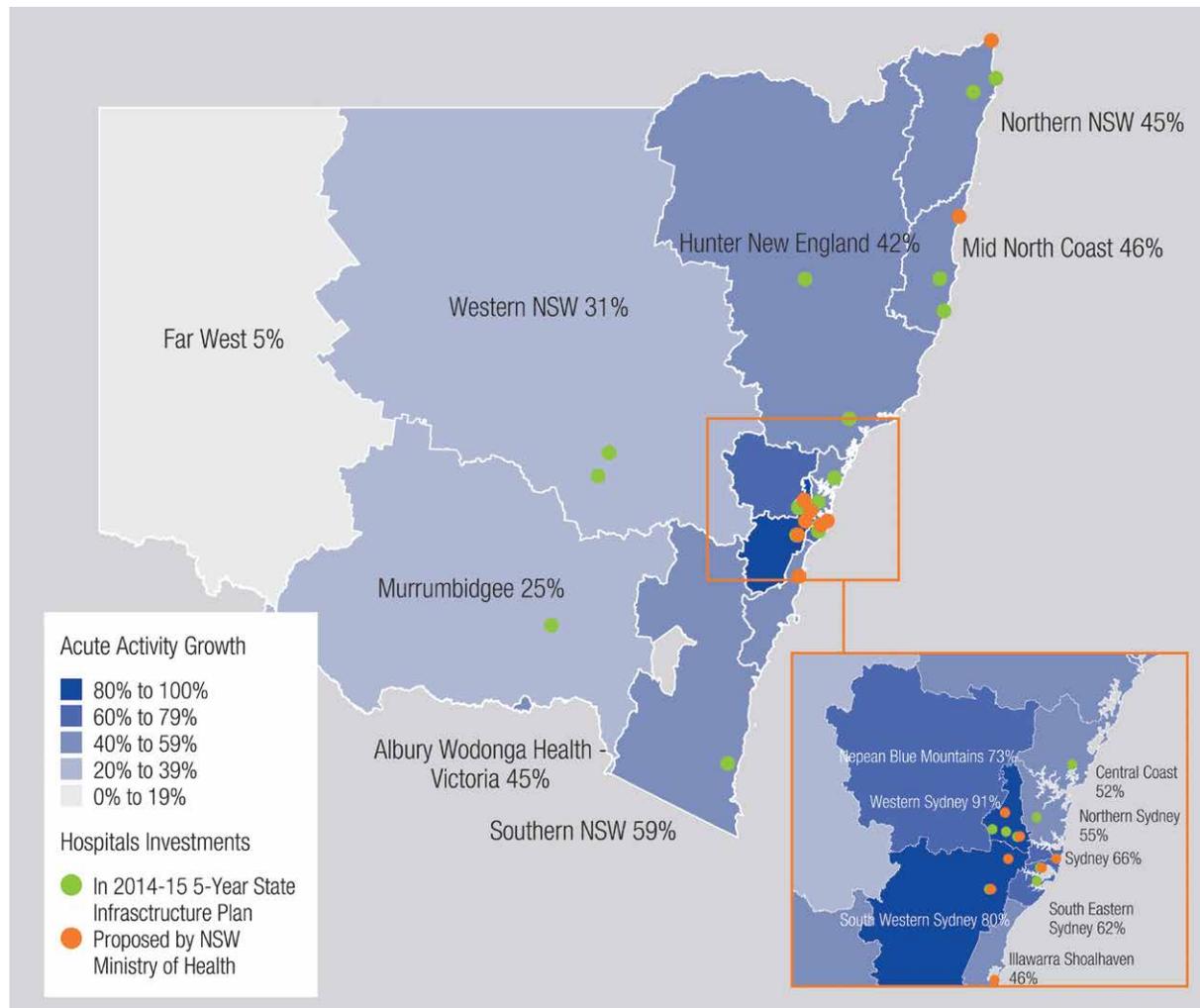
Figure 8.1 Population projections v acute activities projections (% growth from baseline, by age groups 2011)



Source: NSW Ministry of Health Acute Inpatient Modelling tool, Health System Planning Investment Branch, Department of Planning and Environment 2014 population projections

103. NSW Ministry of Health

**Figure 8.2 Local Health Districts' percentage increase in acute activity to 2032 and proposed hospital investments' following 2032**



Source: NSW Ministry of Health

As Principal Referral Tertiary hospitals, Liverpool and Westmead fulfil local and State-wide roles in the delivery of highly complex specialised services.

A new health facility at Rouse Hill and the planned expansion of the Campbelltown Hospital will ensure that future residents of Western and South Western Sydney have improved access to hospital and ambulatory care services closer to home. These new and expanded facilities will reduce local demand at Liverpool and Westmead Hospitals, allowing them to strengthen their State-wide roles.

Similarly, the growth in the number of children in Western Sydney forms a strong anchor for an expansion in the paediatric hospital network, with a new specialised children's hospital in south-west Sydney having the potential to improve access to services for residents in the Illawarra and South Coast regions, and the surrounds of the Australian Capital Territory.

Over the next 20 years, other metropolitan and regional hospitals will require expansion due to population growth. The Ministry of Health has identified priority projects in growth areas that are not included in the 5 Year State Infrastructure Plan. Infrastructure NSW is working with the Ministry of Health to update the tools used to appraise projects and develop infrastructure priorities. Figure 8.2 illustrates the projected increase in activity growth, confirmed government investment and possible future investment in facilities over the next two decades.

When developing options to service activity growth, non-build solutions should be considered, including reducing the use of public hospitals by private patients. Estimates show that, if 50 per cent of the private activity in public hospitals is moved to the private sector, the capacity freed-up would be the equivalent of five years of future demand growth.<sup>104</sup> To achieve this outcome, the private and not-for-profit market sector’s capacity needs to grow for patients to use their health insurance.

## **\$ Recommendation**

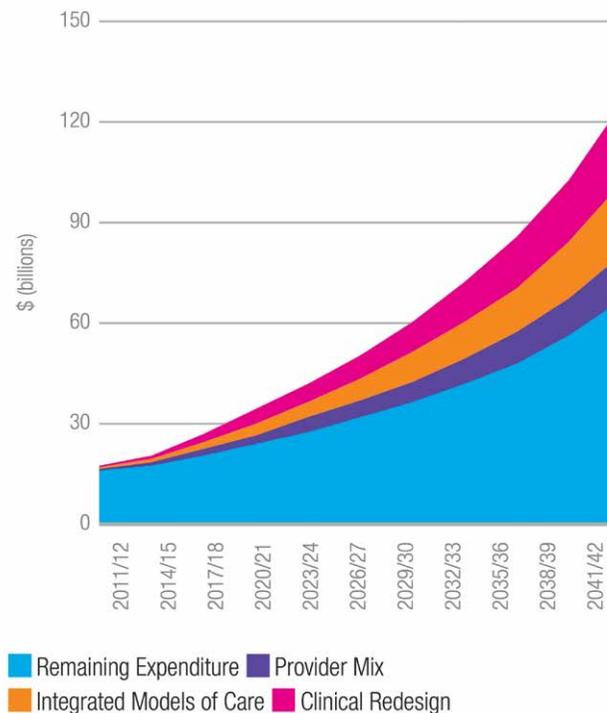
Infrastructure NSW recommends a reservation of \$600 million from the *Rebuilding NSW* initiative for a Hospitals Growth Program to contribute towards funding new health facilities.

## **Recommendation**

Infrastructure NSW recommends the Ministry of Health pursue reforms that will increase the private and not-for-profit market capacity in order to reduce the need for investment in new public facilities.

104. PwC 2012, NSW Infrastructure Baseline: Health Baseline Report, to Infrastructure NSW

**Figure 8.3 Reforms and their impact on expenditure growth**



Source: NSW Ministry of Health Internal Projections, A combined approach to ‘bending the cost curve’, September 2014

### **8.3.3 Reforming service delivery models**

The projected levels of activity growth cannot be accommodated without significant reforms to health service delivery models, which – in turn – will require changes to health network assets. The 2014-15 NSW Budget allocates \$20 billion to provide health services,

representing 28 per cent of total NSW Government expenditure. Without ongoing reform, a new hospital of the size and scale of Westmead Hospital would be required to be built every two years.

Consequently, a key objective for ongoing health infrastructure investment is the ability of assets and facilities to support more efficient service delivery models. Figure 8.3 shows the indicative contribution three key reforms can make in reducing the costs to government of meeting projected health demand.

Infrastructure NSW recommends the initiatives – clinical redesign, integrated models of care, and rebalancing the provider mix– be pursued as a priority and be included in *Rebuilding NSW* priorities to manage the long-term need for hospital expansions.

#### **Clinical redesign**

Clinical redesign refers to reform of work practices (based on feedback from staff) to ensure that patient care is managed efficiently to meet the needs of the patient, reduce delays (and costs) and improve the quality of care. Assets may need to be reconfigured to support these reforms to provide better access to technology and improve the functionality of working environments. For example, NSW Health has progressed implementation of the High Volume Short Stay model of care for suitable planned surgical cases. Preliminary analysis forecasts productivity gains in the order of \$100 million over 10 years based on reduced length of stay.

## Recommendation

Infrastructure NSW recommends giving priority to facility reconfigurations that implement best practice clinical redesign, increase efficiencies and reduce growth in operating costs. A program to accelerate the modernisation of metropolitan, regional and rural facilities should be developed to deliver improvements progressively over the next 20 years.

Ministry for Health should prepare business cases for these programs and for the Regional and Rural Modernisation Program and the Statewide Neonatal Intensive Care Units / Paediatric Intensive Care Units Program.

### Integrated models of care

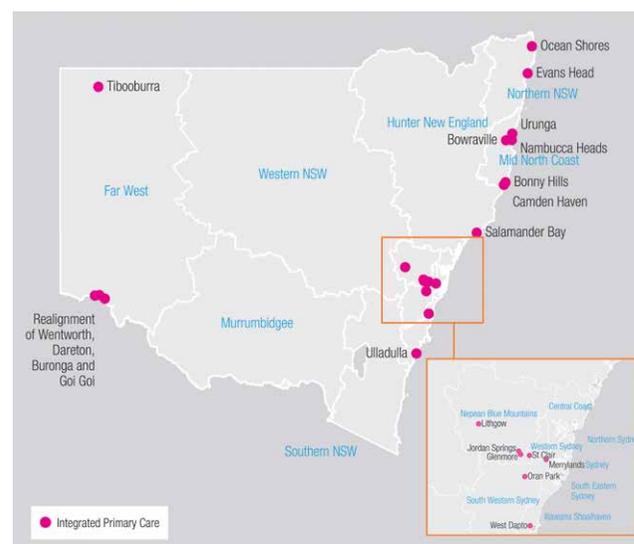
#### *Primary and Integrated Care Strategy*

Primary and integrated health care comprises universally accessible, generalist services delivered by a variety of providers that address the health needs of individuals, families and communities. A key aim of the initiative is to offer a 'one stop shop' for vulnerable members of the community to improve their health outcomes without the

need for hospital care. A typical site delivered under the Primary and Integrated Care Strategy could include core services such as allied health services (including oral health, physiotherapy and podiatry), early childhood and youth health services, nursing services, mental health services and aboriginal health services.

The Ministry of Health has nominated 19 sites for development, redevelopment or refurbishment.

**Figure 8.4 Priority sites for Integrated Care Co-location program**



Source: NSW Ministry of Health

## \$ Recommendation

Infrastructure NSW recommends a reservation of \$100 million from the *Rebuilding NSW* initiative for the Care Co-location Program.

The sites have been prioritised to respond to areas experiencing an ageing population and an increased demand for integrated community health services, including mental health, drug and alcohol services. There are opportunities to develop partnerships with a range of service providers, including integration with not-for-profit facilities and services and co-location with GP clinics.

### *Multipurpose Services (MPS) Strategy*

The MPS Strategy aims to improve access to health and aged care services in local communities through greater service coordination and more integrated, innovative and flexible services. The strategy also seeks to improve the economic viability and cost effectiveness of service delivery – leading ultimately to services that are easily accessible, locally targeted and sustainable.

The Ministry has nominated 11 small rural Health Services for redevelopment into MPS facilities to provide integrated health and aged care services outside hospitals.

**Figure 8.5 Multipurpose Services Strategy next stage**



Source: NSW Ministry of Health

The characteristics of communities and services that best support the implementation of the MPS model include:

- Insufficient catchment populations to sustain separate acute hospital, residential care, community health and home care services (generally from around 1,000 to 4,000 persons)
- Inability to access the mix of health and aged care services appropriate to the community’s needs due to isolation

- Complementary (rather than competing) services
- Support for the MPS from existing services, including local health professionals such as general practitioner(s).
- Capacity to achieve financial viability under MPS funding arrangements.

Where these characteristics are present, MPS facilities can offer a significant improvement in access to health services.

\$ Recommendation

Infrastructure NSW recommends a reservation of \$300 million from the *Rebuilding NSW* initiative for the Regional Multipurpose Health Facilities Program.

**Rebalancing the provider mix**

The NSW public sector delivers a higher share of health services, with less private sector participation and investment than in Victoria, Queensland or Western Australia. As the demand for new hospital capacity increases, partnerships with non-government providers will be needed to meet demand.

The Productivity Commission has produced estimates (albeit with significant caveats around the available data) that show the capital cost and operating costs per separation<sup>105</sup> are lower for private hospitals than for public hospitals, suggesting that greater private participation will deliver better value and productivity benefits.<sup>106</sup>

In 2012, Infrastructure NSW concluded that partnering with the not-for-profit and private sectors to deliver services would improve competitiveness and deliver a more productive/efficient health industry in NSW.

NSW Health is actively exploring opportunities for non-government provision of health services. The Northern Beaches Hospital is the lead project of this kind, with the NSW Government funding public beds and shared infrastructure only, and paying for public health services on an activity basis for the life of the concession period. This model is expected to lead to both capital and recurrent savings.

Future projects will be developed using this model. If brought to market, these opportunities would contribute to rebalancing the provider mix. However, efforts should be made to enhance competition by increasing the number of market participants to ensure that any partnership delivers value for money.

<sup>105</sup>. A separation is an event in which an episode of care for an admitted patient ceases.

<sup>106</sup>. Productivity Commission 2009, Public and Private Hospitals, quoted in PwC 2012, NSW Infrastructure Baseline: Health Baseline Report, to Infrastructure NSW

## Recommendation

Infrastructure NSW recommends pursuing opportunities for a better mix of services from the not-for-profit and private sector for the delivery of infrastructure and public health services in NSW. This should include all new major public hospital capacity projects fully considering opportunities for partnerships.

Infrastructure NSW also recommends that Health Infrastructure consider market capacity-building activities, such as the development of brownfield projects, multiple locations and measures to overcome the barriers to entry for international providers.

### 8.3.4 Planning, service procurement and system improvements

Infrastructure NSW notes that the NSW Ministry of Health has progressed reforms in the following system-wide improvements that will assist in the planning and procurement of health services:

- eHealth
- Contestability in the provision of clinical and non-clinical support services
- Better planning and asset management

While Infrastructure NSW has not proposed specific investment to prioritise these initiatives, they are vital to delivering value for money, as they offer both operating and capital savings. The design and implementation of these initiatives should be monitored by government to ensure the benefits are realised and savings achieved as soon as possible.

## Recommendation

Infrastructure NSW recommends that NSW Ministry of Health continue to pursue an e-enabled system and contestability initiatives across the spectrum of services, while also uniting local and State-wide asset planning.