

Submission
No 113

INQUIRY INTO OPERATION AND MANAGEMENT OF THE NORTHERN BEACHES HOSPITAL

Organisation: Northern Beaches Greens

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Northern Beaches Greens Submission - Inquiry into Northern Beaches Hospital

(a) THE CONTRACT AND OTHER ARRANGEMENTS ESTABLISHING THE HOSPITAL

The Northern Beaches Greens have campaigned with the community over many years to retain services at Mona Vale Hospital and to keep it in public hands. Our position is that essential public services are the responsibility of governments to deliver and maintain. The new NB hospital services a population of 256,000 yet there was a complete lack of community consultation over the deal.

We support the majority of residents on the beaches who are firmly opposed to the privatization of hospital services. The ongoing debacles surrounding the new hospital prove that our concerns are well founded. We need acute services kept at Mona Vale Hospital.

The contractual documents between Healthscope and the NSW state government were not available for community perusal. We do know that the new hospital cost \$600 million to build and that Roads and Maritime Services spent at least \$400 million on the upgrade of roadworks to access the hospital.

The absence of accountability and transparency with such limited access to the contracts for the transaction, plus the confidentiality agreements, have created a trust problem. Although this was paid for by the public purse, it's impossible to know what assurances have been given.

It is unacceptable that the real costs remain unknown, including the reason why \$2.1 billion was made in total payments to the private operator.

The carpark and hospital buildings haven't been sold, but the future cash flows have been – which include the profits obtained from patients, parking fees, privatized ancillary services and the money gained from private health funds.

It is particularly concerning that details of these arrangements, ongoing data, tax structures, public/private differentiation, clinical capacity, staff contracts and cost shifting were not made publically available.

The health minister Brad Hazzard has handed responsibility for running complex hospital services and the implementation of National Safety and Quality Health Standards (NSQHS) over to an unknown and ill equipped CEO of a multinational corporation, based in a foreign tax haven. This is an unacceptable abuse of public trust.

The mismanagement of the new hospital arises from the fact that the directors and boards of the companies involved, are from financial services and have no hospital experience.

(b) CHANGES TO THE CONTRACT AND OTHER ARRANGEMENTS SINCE THE OPENING OF THE HOSPITAL

Shortly after accessing the approximately \$2 billion tax payer funded deal to build the hospital, the operator Healthscope sold it on to Brookfield. Taxpayers have been denied essential information regarding who now controls this generous publically funded asset, as well as details regarding the complex tax haven connections.

Clearly for northern beaches residents this sale represents a breach of the ‘public interest’. People are unhappy that public subsidies used to build the hospital, plus money gained from sick people, are being re-directed to a tax haven for private profit. Not only has there been a lack of detail from Health Minister Hazzard about the benefits of this decision for users of the hospital and taxpayers, but he has also contradicted himself regarding the future of the former Mona Vale Hospital site.

Only this brief statement regarding the situation was provided by the Northern Sydney Local Health District prior to the hospital’s sale to Brookside:

Northern Beaches Hospital (NBH) will continue to provide quality healthcare services under the 20-year contract with Northern Sydney Local Health District (NSLHD). The recent takeover bid of Healthscope by Brookfield does not affect the contract in place.

The contract allows for the public portion of the hospital to be handed back to the NSW Government at no additional cost.

The operator then has, under the contract, a further 20 years to provide services to private patients before the remaining part of the hospital is returned to the State at the contemporary standards of the day.

The \$600 million Northern Beaches Health Service redevelopment includes the construction of Northern Beaches Hospital and three community health centres.

The NSW Government retains ownership of the land and the project deed (contract) between the NSW Government and Healthscope provides various protections and mechanisms for the State in consideration of a sale process.

The \$4.5 billion Brookfield takeover from Healthscope involved millions in fees for the teams of merchant bankers and lawyers acting for each side of the deal. UBS and Freehills were acting for Healthscope. We know the central duty of the company chair and directors is to maximise the return for shareholders, so there was plenty of money made in bonuses from the deal and from the complex arrangements that have been kept ‘in confidence’ from us, the taxpayers. Outsourcing is an extremely inefficient use of our health funds.

We expect the government to prioritise and protect the interests of its taxpaying citizens, not facilitate a wealth creation asset for its political donors.

Accountancy and auditing firm Deloitte (another big Liberal Party donor) facilitated Brookfield’s maze of engineered tax arrangements, purely to avoid paying any tax in Australia.

Despite an income of over \$8.7 billion over 4 years, zero tax was paid by Healthscope. Brookfield’s income of \$6.9 billion was also tax free over the last 4 years. The parent company BPIH features in the Paradise Papers according to ICIJ Offshore Leaks Database.

Such an excessive degree of tax avoidance not only insults the majority of taxpayers actually funding the hospital, but also appears inconsistent with the ASIC rules around company director's ethical obligations as outlined -

*Conduct of business according to the highest ethical and legal/regulatory standards
Governance, ethics, and fairness:*

Operate with high ethical standards by conducting business activities in compliance with applicable legal and regulatory requirements, and with our Code of Business Conduct and Ethics.

It is difficult to understand why the Foreign Investment Review Board would then reward such devious behaviour, when it robs the community of the tax base required to build and maintain all the infrastructure such as roads, public transport, ambulance services etc that service the hospital and are therefore essential to its viability.

The Northern Beaches Greens believe that this sale should have been rejected by the federal government, as stated here by Richard Di Natale.

The letter sent by Greens' leader Di Natale to the Treasurer:

I write to you regarding the takeover of Healthscope's 43 Australian hospitals, collectively valued at around \$4.5 billion to Brookfield Asset Management that was recommended for approval by the Foreign Investment Review Board Yesterday.

I ask that you reject the proposed takeover, but as a bare minimum to postpone any decision until after the caretaker period. The Implementation Deed of the sale lists the headquarters of BCP, the sole shareholder of Brookfield at Ugland House in the Cayman Islands – a notorious tax haven for 19,000 global companies that purposely circumvent tax systems in the jurisdictions in which their profits are derived. Brookfield's track record of tax avoidance is clear.

According to the ATO's tax transparency database, BPIH Pty Ltd had revenue from Australian economic activity last financial year of a staggering \$2,027,339,031 and didn't pay a cent in tax. For every year that this data has been produced, no tax has been paid off \$5.4 billion in revenue.

These hospitals that are subject to foreign investment review were built with public subsidies, for private profit.

Allowing this bad deal for the public's benefit to be compounded through the transfer of these assets into a known tax avoidance structure, would be a clear breach of the public interest test required under the Foreign Acquisitions and Takeovers Act 1975. The Private Health Insurance Rebate means that Australian taxpayers will pay for around 25 per cent of the fees that will go directly into Brookfield's accounts in the Cayman Islands. This should not be permitted to happen.

The subject of political donations arose during the 2019 federal campaign, when Greens candidate for Kooyong, barrister Julian Burnside questioned Treasurer Josh Frydenberg

regarding the issue of regular political donations to the Liberal Party from Brookfield, stating that “more was donated to the Liberal and Labor parties than they have paid in tax”.

It is of considerable concern that Brookfield is one of the largest corporate donors, having donated \$311,000 to the Coalition and \$263,000 to the ALP.

One can speculate how influential significant sums of money may be on decision making and how it is perceived by the stakeholders. We strongly object to the government doing deals facilitated by donors for the financial benefit of other donors. This represents a massive transfer of public assets over to private wealth.

Meanwhile Warringah candidates, Independent Zali Steggall, Green Kristyn Glanville and Mackellar candidates, Independent Alice Thompson and myself Pru Wawn, plus Pittwater state candidate for the Greens Miranda Korzy, all spoke out publically against the decision to sell, campaigning against it on the grounds that a tax dodging multinational company’s interests do not match public interest requirements. The Greens all remain solidly behind restoring Mona Vale Hospital’s acute services as a public level 3 facility with maternity, paediatrics and emergency.

It is now public knowledge that Brookfield has paid zero tax in Australia over the four years of available Tax Office transparency data thanks to the work of investigative journalist Michael West that we have referred to in this submission.

<https://www.michaelwest.com.au/saving-the-deal-cover-up-over-northern-beaches-hospital-sale-to-the-caribbean/>

When asked about the government supporting this sale to an entity not paying tax in this country, Mackellar’s Jason Falinski denied the information was accurate.

It now appears that his constituents were being misled.

(c) STANDARDS OF SERVICE PROVISION AND CARE AT THE HOSPITAL

This is not a comprehensive account of care and service standards at the hospital, but just a few of the concerns brought to the attention of Northern Beaches Greens members.

Having gained a far larger catchment area it has become apparent that NBH does not have the capacity to meet some needs already. There has been no substantial increase in the number of beds.

For example, while there has been an increase in private beds to treat mental health, public mental health bed numbers have remained the same, despite a widely acknowledged desperate shortage in this area.

The dependence on RNS hospital continues for quite a few health treatments, only now it is an even longer journey for peninsula residents, thanks to increased congestion in the vicinity of the new hospital. It’s location at French’s Forest has caused a far greater demand for ambulance services by those located too far away to drive there in an emergency. This has increased the financial burden for taxpayers and the pressure on an already overstretched ambulance service.

In maternity there has been an increase in medical interventions in childbirth delivery because midwife assisted births have become more difficult to access for patients.

Healthscope hospitals are statistically known for their high rate of doctor interventions. Medical specialists and other services required for such procedures have substantially increased costs for mothers when delivering their babies.

Statistics confirm that midwife group practice births are the safest, yet the maternity ward has yet to establish protocols that ensure evidence based care is prioritised and that mother's needs, birthing choices and financial concerns are being addressed.

Discharge summaries have often not been forwarded by NBH to the patient's local GP's so they remain unaware of treatment or prescribed drugs. Continuity of care is jeopardized and integration with other health services diminished. When discharge letters have actually been sent, doctors have found that patient details are insufficient, neglecting to include all procedures, medications and investigations.

The new hospital also has a lack of publicly funded out-patient services for GPs to refer patients. Local GP's had been hoping that key areas such as gastroenterology, ophthalmology and orthopaedics would now be offered at the new hospital. Instead cardiology and neurology out-patient clinics, previously at Manly and Mona Vale, are no longer available at NBH. Patient care and services have been reduced due to the lack of publicly funded outpatient clinics.

The recent sentinel event where the wrong body part was removed during cancer surgery seriously undermined public confidence in the system. It tells us that this hospital's clinical governance over its care standards and risk management system are certainly not functioning as they should. This must be addressed.

We object to the lack of oversight and public accountability of the services being provided. This is not an efficient use of taxpayers money.

STAFFING ARRANGEMENTS AND STAFFING CHANGES AT THE HOSPITAL

Financial gains can be made by reducing wages and conditions where possible, to increase profits for the shareholders. The Nurses and Midwives Association found negotiations over wages and awards for members a long and problematic process.

The terms of employment on offer at NBH have not attracted or kept a stable workforce. Chronic shortages and a reliance on overseas nurses, inexperienced, temporary and agency staff, have led to less continuity of care and many of the problems raised by patients describing their experiences. Despite all the new state of the art buildings and equipment, the most important component of patient care is dedicated staff, who are well co-ordinated.

In order to achieve the best performance and outcomes from staffing arrangements, a process of measuring safety and quality is required, particularly the reporting of clinical quality and the documenting of patient experiences. Numerous network and IT problems at Northern Beaches Hospital have prevented the accurate keeping of records such as outpatient wait times and follow ups, or whether patient's contact with the health services network and other hospitals are being monitored.

Patient harm is usually the result of systems failure and a poor organisational culture rather than human fallibility. Systems established in other public hospitals are usually co-ordinated by experienced staff operating under fair pay conditions, with award wages that deliver a happier workforce, capable of collaborating as a team more effectively.

There have been a number of high profile resignations and staff turnover at NBH, which indicate that all is not well with staff relationships, the organizational culture, clinical governance, work conditions and management. This needs to be addressed by the Minister.

(g) THE MERITS OF PRIVATE PUBLIC PARTNERSHIP ARRANGEMENTS FOR THE PROVISION OF HEALTH CARE

We object to the lack of oversight and public accountability of the services being provided by the PPP. It is not an efficient use of taxpayers money.

There is little to recommend this public/private partnership model for delivery of health care. An inevitable increase in costs for patients and the reduction of quality care appears to be a consequence when shareholder's profits are the priority for company directors, rather than patient outcomes. There is an agenda promoting private health cover at the hospital.

A number of contradictory circumstances put public patients under pressure to access private providers for services not available to them, or to make gap payments for treatments that had previously been available under Medicare.

The NBH is not well integrated into the area health services network. Patients have referred to the lack of efficient record keeping, measurement, reporting and data transfer between public, private and area network sectors, so that safety and quality of care is put at risk at all points of interaction.

The PPP is an unnecessarily expensive option. Patients have said they are being far too promptly discharged so their continuity of care is compromised. Avoidable readmissions are a huge cost to the health system. Patient safety lapses have a considerable personal and financial impact. Around 15% of most hospital's activity and expenditure is the direct result of adverse events. Unless this hospital drastically improves its clinical governance and organisational culture, it's likely to become a growing problem and an even bigger financial drain on the health system, while gaining itself a very negative assessment in the NSQHS standards accreditation process.

The Northern Sydney Local Health District has stated that -

The contract allows for the public portion of the hospital to be handed back to the NSW Government at no additional cost.

The operator then has, under the contract, a further 20 years to provide services to private patients before the remaining part of the hospital is returned to the State at the contemporary standards of the day.

The Greens would like to see the NB hospital returned to the NSW government and put back in public hands as soon as possible. We believe that on the basis of all previous PPP's elsewhere, and on the evidence building at French's Forest, that it is a failed model and that patient care and safety is at risk.

Mona Vale Hospital must be restored to level 3 as a specialist subsidiary hospital, fully integrated into the public network, alongside and complementing services at a totally public Northern Beaches Hospital. Let's not wait for a disaster before acting.