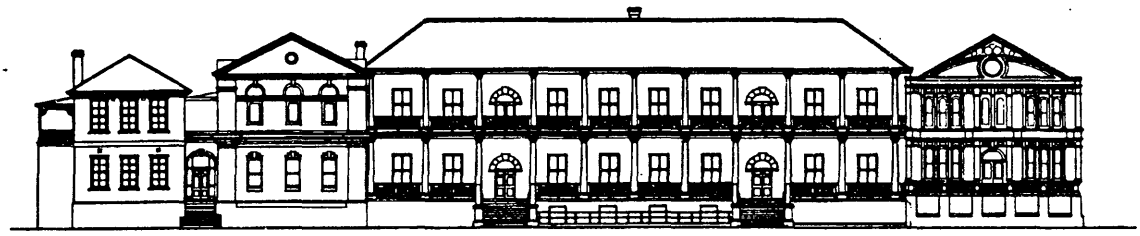
PUBLIC ACCOUNTS COMMITTEE

Expansion of

Hawkesbury District Health Services



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Mr Andrew Tink, BA, LLB, MP, Chairman

Before becoming Liberal Member for Eastwood in March 1988, Andrew Tink practised as a barrister in equity, commercial and shipping law. He has since served on numerous parliamentary and government committees, holding the position of Chairman of the Joint Committee on the Office of the Ombudsman prior to his appointment to the Public Accounts Committee. He is also a Temporary Chairman of Committees in the Legislative Assembly, its representative on the Macquarie University Council, and a member of the Committee on the Independent Commission Against Corruption.

Mr Peter Cochran, MP, Vice-Chairman

Following a background in farming, the Army, the Commonwealth Police, ASIO, and the Cooma-Monaro Shire Council, Peter Cochran won the seat of Monaro for the National Party in 1988. His other parliamentary responsibilities include the chairmanship of the Minister's Advisory Committee on Land and Water Conservation, deputy chairmanship of the Committee for Police and Emergency Services, and membership of the Committee for the Environment and the Select Committee on Public Sector Superannuation. He is also the Premier's representative on the Anzac House Trust and the Anzac Memorial Trust.

Mr Geoff Irwin, MBA, DipEd, ProdEngCert, DipTech, MP

Geoff Irwin was elected to Parliament in March 1984 as the Labor Member for Merrylands, and he has been the Member for Fairfield since March 1988. Before entering Parliament he worked in industry as a planning and supply manager and taught business studies at TAFE. He served as a member of the Select Committee upon Small Business and as Opposition Spokesperson on Business and Consumer Affairs.

Mr Terry Rumble, FCPA, MP

Terry Rumble was elected Labor Member for Illawarra in March 1988. Before entering Parliament he qualified as an accountant and was employed in public practice and in the coal mining industry. He has served as a member of the Regulation Review Committee and is the Chairman of the Leader of the Opposition's Backbench Committee which involves Treasury, arts and ethnic affairs.

Mr Ian Glachan, MP

The Liberal Member for Albury since 1988, Ian Glachan has had a varied background. He served five years at sea as a marine engineer, was a farmer for ten years, and operated a newsagency in Albury for 18 years. Mr Glachan is also a past president of the Albury-Hume Rotary Club and a Paul Harris Fellow, an active member of the Anglican Church, and the Legislative Assembly member on the Board of Governors of Charles Sturt University. Other parliamentary responsibilities include chairmanship of the Minister's Advisory Committee on Health, and vice-chairmanship of the Minister's Advisory Committee on Roads and Transport.

The Public Accounts Committee

From left: Geoff Irwin, Ian Glachan, Andrew Tink (Chairman), Terry Rumble, Peter Cochran (Vice-Chairman)

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1 CHAIRMAN'S FOREWORD

In November last year, the Minister for Health, the Hon. Ron Phillips, MP, gave the Public Accounts Committee terms of reference to inquire into the expansion of Hawkesbury District Health Services.

The Committee advertised the terms of reference and subsequently conducted public hearings which focussed on the adequacy of the planning and consultation process and the appropriateness of the Tender Brief and Framework for the Draft Services Agreement. In considering these issues, the Committee has *not* sought to resolve whether or not the provision of public hospital services by a private hospital operator is appropriate.

It is plain that community consultation has been a top priority for the Wentworth Area Health Service from the beginning and that the Hawkesbury Hospital Crisis Committee, which has been actively campaigning for a new hospital for many years, is representative of community opinion.

It is equally plain that the Crisis Committee and the community in general have a very strong preference for a new public hospital. However, the Crisis Committee acknowledges that the necessary funds will not be available, and that other options need to be considered. Of the remaining options, the community consultation process has resulted in a very strong preference for a not-for-profit operator. In that regard, the Uniting Church and the Catholic Church have been shortlisted.

The private for-profit hospital sector has vigorously objected to the shortlist excluding a for-profit operator, particularly when it was originally indicated that three proponents would be shortlisted. In considering this issue and the weight given to community opinion, the Committee believes that the shortlist is appropriate, and has been surprised that the private for-profit sector would wish to continue to spend money pursuing a tender which it plainly cannot win. This approach is in marked contrast to the Committee's experience with other infrastructure projects where private sector proponents demand to know at the earliest opportunity whether they are wasting their time and money.

From here on in, the Committee believes that the Area Health Service and the Department should make formal approaches to the relevant staff associations and unions on an ongoing basis. A regular means of communication to the wider Hawkesbury community, such as a letter or a regular column in the local press, needs to be established, and a reasonable time needs to be allowed for the Crisis Committee to consider and respond to the development of documentation.

As far as planning is concerned, the Committee is satisfied that the processes taken in the development of the various planning documents for the new Hawkesbury District Health Service are based on accepted health planning methodologies.

The Committee notes that the Framework for the Draft Services Agreement draws heavily on the experience gained from the Port Macquarie hospital project, and considers that the document provides adequate information on the nature of the services provided; the basis on which these services will be charged; the rights and responsibilities of each party under the terms of the contract; the rights of the community in regard to access to services and any

charges to be levied; the quality assurance requirements and mechanisms for monitoring performance; and the repercussions of non-compliance with the terms of the contract.

The Committee also believes that the proposed Services Agreement and other associated contracts indicate an equitable distribution of risk between the contracted parties given their respective capital, operating and service obligations.

The appointment of a Contract Manager by the Area Health Service and the service provider is a valuable initiative providing a focal point for discussion between the parties.

However, no reference is made within the Framework to rights of access by the Area Health Service or the Department to the records of the service provider for verification purposes, and the Committee believes that this area warrants further consideration. In that regard the Committee suggests that an independent body could be set up as an agency to do this job.

The Tender Brief and related documents have been reviewed by the Committee, which believes that they provide an adequate basis for the proponents to prepare a response to the invitation to tender. In particular, the Brief includes 62 individual criteria by which the tender submissions will be evaluated, and provides a comprehensive coverage of the issues.

The Committee has noted that the Tender Brief relies heavily on the Framework for the Draft Services Agreement for the specifications of the requirements, and the Committee's previous comments on these also relate to the Tender Brief.

Two other issues which emerged from the hearings require special mention. In that regard, the Committee believes that the Area Health Service and Department need to further investigate and resolve the issue of the staff's continued entitlement to participate in the State superannuation scheme to ensure that they are not disadvantaged under the development proposals.

In addition, the question of flooding is of great concern to Hawkesbury residents. Indeed, the site for the new hospital is the only flood-free site available. The Committee believes that the Services Agreement and other associated contracts should be concluded in such a way that there is a mechanism for the continued provision of public health services from the site beyond the term of the Agreement, especially if the Agreement is not extended beyond the initial term.

I would like to thank the consultants—Joe Scuteri and Jim Hales from KPMG Peat Marwick, Adelaide—and Committee staff members, especially Jozef Imrich, Wendy Terlecki and Ian Clarke, for their assistance.

Finally, I would like to thank my Committee members for their very careful consideration of the evidence and attention to detail, which allowed us to reach a bipartisan result.

Andrew Tink, MP
4 February 1994

2 EXECUTIVE SUMMARY

The Public Accounts Committee received a reference from the Minister for Health, the Hon. R. Phillips, MP, under section 57(1)(f) of the *Public Finance and Audit Act 1983*, to inquire into the expansion of Hawkesbury District Health Services.

The Committee's findings from the inquiry are presented in this report, and summarised under each of the terms of reference below. Full details are provided in Chapters 5, 6 and 7 of the report. A list of recommendations completes this executive summary.

In presenting its findings, the Committee emphasises that they should be considered as part of a continuing process. The process of selecting a successful proponent for the delivery of health services in the Hawkesbury district is continuing, and the final form of the Services Agreement will be determined only after a process of negotiation with the successful tenderer. As such, the Committee's findings should be seen as interim, reflecting its views on the process to date, and of the stated intentions of the various parties, as indicated in the documentation and evidence presented to the Committee. Only when the Services Agreement and other contracts are finalised can their contents and their impacts be properly assessed.

Planning and consultation processes

The Committee has considered the information provided by the Wentworth Area Health Service (WAHS) and the NSW Health Department in the various planning documents developed for the purposes of planning the new Hawkesbury District Health Service. Whilst the Committee is not in a position to evaluate the technical merits of these documents, and the proposed capacity and service levels contained therein, the Committee is satisfied that the processes taken in their development are based on accepted health planning methodologies.

The planning process has been cognisant of a range of factors affecting the demand for services, including projected population growth, population ageing, private health insurance rates, cross boundary patient flows and other demographic variables. Supply factors have also been considered, such as the effects of medical technology on service delivery methods, trends in health services provision, and the location and availability of other hospital services in the region. The levels of proposed services are consistent with the Health Department's guidelines for the planning of services for a hospital of this defined role, serving a population characterised by the Hawkesbury community. Accordingly, the Committee accepts that the planning processes adopted by the WAHS and the Health Department have been appropriate to meet the future needs of the Hawkesbury community.

Considerable evidence was provided to the Committee by the WAHS, the Health Department and members of the Hawkesbury community in relation to the nature and levels of consultation with the community. The Hawkesbury Hospital Crisis Committee has been the focal point for community consultation throughout the planning stages of the project, and continues to represent the community on the project team. Whilst some criticism has been made of the absence of a formal referendum or plebiscite among the full Hawkesbury community, the Committee considers that the long-standing interest by the

community in the development of a new hospital, the active role of the Crisis Committee, and the range of informal communication channels in the community, have enabled the views of the community to be expressed to the WAHS.

The Committee also recognises that the Health Department and the WAHS have undertaken a number of consultation and information initiatives to ensure that the community and staff have been informed of proposals, and have had the opportunity to respond to them. In general, the Committee considers these processes to have been adequate to date, but has made several recommendations as to how they may be improved in the future. The Committee urges the WAHS and Health Department to maintain their commitment to full and open consultation during the development stages, and to provide for ongoing community participation in the future operations of the new hospital.

Staff consultations to date have been relatively informal. No formal discussions appear to have been held with staff associations and unions, and there is a need to address this situation. Staff representatives have indicated that staff are generally satisfied with the consultation process to date, although concerns are held over the issue of continued participation in the SASS superannuation scheme. This is an area which requires resolution. Again, there is a need for ongoing consultation by the WAHS with staff at the health service to be maintained on a regular basis throughout the planning process.

Framework for the Draft Services Agreement

The Framework for the Draft Services Agreement is intended to provide a basis for proponents participating in the tender process for the provision of health services in the Hawkesbury district under contract with the WAHS, to prepare the essential documentation required in the tender. The Framework also provides an overview of the overall contracting process, and the rights and obligations of each party under the terms of the proposed Services Agreement, and as such provides an appropriate vehicle for a review of the proposed arrangements.

In its review of the Framework, the Committee has not sought to determine whether or not a services agreement between the Health Department and a private hospital operator (either for-profit or not-for-profit) is necessarily an appropriate means for the future provision of public health services to the Hawkesbury population. Rather, the perspective adopted by the Committee has been that, given that a contract for services is proposed, the review should focus on whether or not the documentation supporting the agreement is sufficient to ensure that the future health needs of the Hawkesbury community are catered for.

In making its observations on the documentation provided, the Committee recognises that the final contract will be completed only after a process of negotiation with the successful tenderer, and that the final contracts may differ in detail from that provided in this review. However, the documents reviewed by the Committee provide a framework for the final contract, and as such, represent the spirit which the Committee would expect to be incorporated in the final agreement.

The Committee considers that the Framework for the Draft Services Agreement provides sufficient detail for an appreciation of the main issues to be gained. It is clear that the

Framework draws heavily on the experience gained from the Port Macquarie project, and the Committee notes that the documentation incorporates consideration of many of the recommendations made by the Public Accounts Special Committee in relation to the Port Macquarie project.

In regard to the overall content of the Framework, the Committee considers that the document provides adequate information on the nature of the services to be provided; the basis on which these services will be charged; the rights and responsibilities of each party under the terms of the contract; the rights of the community in regard to access to services and any charges to be levied; the quality assurance requirements and mechanisms for monitoring performance; and the repercussions of non-compliance with the terms of the contract. In each of these areas, the Committee considers that the Framework represents an acceptable input to the tender process, and a provides a means for negotiations to be initiated.

The allocation of risk under the proposed Services Agreement and other associated contracts indicates an equitable distribution of risk between the contracting parties, given their respective capital, operating and service obligations.

The Committee notes that the issue of staff eligibility for continued participation in the State superannuation scheme remains unresolved, and considers that this issue should be addressed as a matter of urgency.

A further area for concern is the disposition of the site at the end of the contract period. The Committee understands that there is no alternative suitable site above the flood plain, and that loss of access to this site at the end of the contract period may jeopardise the future provision of hospital services in the Hawkesbury district. Accordingly, the Committee considers that there is a strong case to provide for continued access to this site for the delivery of public health services beyond the contract term.

In regard to the issue of equity of access, the Framework provides considerable detail on how equity of access would be ensured under the Services Agreement. Information is provided on the proposed arrangements in regard to public patients, privately insured patients, the range of services to be provided, the capacity for future expansion, and community participation in the operations of the hospital.

The requirements in regard to accountability processes to be adopted under the Services Contract are also specified in considerable detail in the Framework. The appointment of a Contracts Manager by the WAHS and the Service Provider is considered to be a valuable initiative, and will provide a focal point for discussions between the parties. Accountability in regard to adherence to defined quality standards is proposed through accreditation and peer hospital comparisons, while professional accountability is also promoted through focused reviews of high volume procedures.

Financial accountability is proposed through the invoicing and payment processes, linked to the detailed reporting procedures to be implemented on an ongoing basis. The Committee notes, however, that no reference is made within the Framework to rights of access by the WAHS or the Health Department (perhaps through an independent body) to the financial

records of the Service Provider for verification purposes, and considers that this is an area which warrants further consideration.

Accountability to the community is addressed through the participation of a Community Advisory Board to the Health Service, established mechanisms for complaints resolution, and the presentation of an annual report by the Health Service, to be made available to the public.

The reporting requirements of the Draft Services Agreement are extensive, and parallel those of the Port Macquarie contract. Detailed reports are to be submitted on a monthly basis, including detailed activity, financial and quality performance reports which monitor performance against budgets as well as peer hospital activities.

As stated previously, the Committee has not sought to resolve the issue of whether or not the provision of public hospital services by a private hospital operator is appropriate. However, within the confines of the conditions which should apply in the operation of such a contract, the Committee considers that the Framework for the Draft Services Agreement provides adequate information about the procedures to apply in regard to equity of access, accountability and reporting requirements. As such, with some modifications to matters of detail as contained in the Committee's recommendations, the Committee considers that the documentation in relation to the Framework is adequate for the tender process.

The Tender Brief

The tender process comprises two main stages—a call for expressions of interest, followed by an invitation to tender issued to a shortlist of applicants derived from the earlier stage.

The expressions of interest stage for the expansion of health services in the Hawkesbury district has been completed, and resulted in the shortlisting of two organisations—the Uniting Church of Australia and the Australian Catholic Health Care Association. These organisations are expected to receive invitations to submit detailed tenders which expand on their original submissions.

The role of the Public Accounts Committee in reviewing the Tender Brief and associated documentation at this stage is complicated by the fact that the process is a continuing one, and is not yet completed. The final outcome of the overall process can only be properly evaluated once the tender has been awarded, and a contract finalised. In this context, the findings of the Committee at this time should be seen as an evaluation of the process to date, and of the proposals presented for the future.

The Committee heard evidence concerning the expressions of interest process, and the views expressed by some that the process discriminated against for-profit hospital operators relative to not-for-profit operators. Whilst the Committee's role does not extend to a review of the outcome of this process, consideration has been given to the process itself.

The preference for a not-for-profit operator is a clear outcome from the consultations with the Hawkesbury community, and has been fundamental to the community's support for the proposed developments. However, the Committee notes that there was reluctant support for

a not-for profit hospital after the community was frustrated in its attempts to secure a public hospital.

The WAHS and Health Department have indicated that, whilst they are ambivalent as to the profit status of the operator, considerable weight is given by them to the community's expectations in general. Consequently, the weight given to this specific criterion was a combination of the weight given by the Department and the WAHS to community expectations, and the community's feelings on the issue of the profit status of the operator.

Without offering comment on any of the proponents who participated in the expressions of interest stage, the Committee considers that the processes applied during the expressions of interest stage in regard to the profit status of the proponents have been appropriate.

The Tender Brief itself is one of a number of documents to be provided to proponents for the provision of health services in the Hawkesbury district under a proposed Services Agreement with the WAHS. In combination these documents are intended to provided tenderers with sufficient information about the expectations of WAHS to enable them to submit a comprehensive proposal which reflects their intentions and capabilities.

Having reviewed these documents, the Committee considers that the Tender Brief and related documents provide an adequate basis for the proponents to prepare a response to the invitation to tender. In particular, the section in the Tender Brief titled "Submission Requirements" provides a succinct and comprehensive coverage of the issues to be addressed in the Tender responses. This is further assisted by the inclusion within the Brief of the criteria by which submissions are to be evaluated.

The Committee has also reviewed the evaluation criteria proposed for the evaluation of the tenders. Some 62 individual criteria are listed covering specific aspects to be addressed in the tender submission. The Committee considers this list provides a comprehensive coverage of the issues to be addressed in selecting a successful tenderer.

In regard to the specific issues of equity of access, accountability, and reporting requirements, the Tender Brief relies extensively on the Framework for the Draft Services Agreement for the specification of the requirements. The Committee's previous comments on each of these issues and the extent to which they are adequately addressed in the Framework documentation therefore apply equally to the Tender Brief.

The Committee notes that the issue of equity of access to health services is also addressed in a number of the evaluation criteria to be applied in the tender process. The Committee considers that this is indicative of the emphasis given to this issue throughout the development process, and welcomes its inclusion in the formal documentation.

Finally, the Committee notes that detailed financial proposals of the shortlisted proponents are required to be submitted as part of the tender process, and that these proposals will need to be carefully considered by the Department of Health and Wentworth Area Health Service.

LIST OF RECOMMENDATIONS

1. That the Wentworth Area Health Service and Hawkesbury Hospital Crisis Committee seek to ensure that the Hawkesbury Hospital Defence Committee is informed of, and where appropriate, participates in the planning process for the Hawkesbury District Health Service. (p. 28)

2. That the Wentworth Area Health Service and the NSW Health Department make formal approaches to the relevant staff associations and unions of the staff of the Hawkesbury District Health Service on the proposals for the development of the Health Service, and maintain such communication on an ongoing basis. (p. 28)

3. That the Wentworth Area Health Service and NSW Health Department further investigate and resolve the issue of staff continued entitlement to participate in the State superannuation scheme, and ensure that staff are not disadvantaged under the development proposals. (p. 28)

4. That the Wentworth Area Health Service and the Project Committee provide a reasonable time for members of the Hawkesbury Hospital Crisis Committee to consider and respond to the development of documentation relating to the development process, and where considered appropriate, allow them to seek wider input to this process. (p. 29)

5. That the Wentworth Area Health Service and the NSW Health Department seek to establish a regular means of communication to the wider Hawkesbury community (such as a newsletter or regular column in the local press) to inform them of developments or proposals as they occur in regard to the expansion of the Hawkesbury District Health Service. (p. 29)

6. That the Wentworth Area Health Service and Department of Health incorporate within the Services Agreement or other associated contracts, a mechanism for the continued provision of public health services from the site beyond the term of the Services Agreement, particularly in the event that the agreement is not extended beyond the initial term. (p. 41)

7. That the Services Agreement incorporate provision for the Wentworth Area Health Service, perhaps through the agency of an independent body, to have access to such records of the service provider as may be required for the purposes of validating information provided to the WAHS under the terms of the Agreement. (p. 42)

3 INTRODUCTION

3.1 BACKGROUND TO THE INQUIRY

In May 1992, the NSW Parliament determined that a Public Accounts Special Committee conduct an inquiry into the Port Macquarie Base Hospital Project. This was the first phase of a more general two-phase inquiry into the health system in New South Wales. The second phase examined issues in a wider context relating to the relative merits of various methods of financing health services and infrastructure in New South Wales. The Public Accounts Special Committee reports on each of these phases of the inquiry were subsequently tabled in Parliament. Contracts for the new Port Macquarie Hospital have since been signed, and the hospital is now under construction.

Planning for a new hospital at Hawkesbury has been underway for many years, but, in early 1992, advice was received that government funds were not available for its construction. As a result, consideration was given to the possibility of the Port Macquarie model being applied in the Hawkesbury. Discussions were held between the Department of Health, the Wentworth Area Health Service (WAHS), the Hawkesbury City Council and members of the Hawkesbury community to determine the acceptability of this concept. In May 1993, the Board of the Wentworth Area Health Service resolved to call for expressions of interest from not-for-profit organisations to construct and operate a new Hawkesbury Hospital.

As a result of these activities, two not-for-profit organisations have been short-listed for participation in the final tender process. In light of the role played by the Public Accounts Committee in the Port Macquarie project, the Minister for Health has requested that the Committee review the documentation prepared to date before proceeding to the tender stage. This report presents the Committee's findings from its review of the information presented to it.

3.2 TERMS OF REFERENCE

The Public Accounts Committee received a reference from the Minister for Health, the Hon. R. Phillips, MP, under section 57(1)(f) of the *Public Finance and Audit Act 1983*, to inquire into the expansion of Hawkesbury District Health Services.

The terms of reference of the inquiry are:

> That the Parliamentary Public Accounts Committee evaluate and review the proposal to call for tenders for the expansion of Hawkesbury District Health Services, with particular reference to:
>
> A. The adequacy of the planning and consultation process for ensuring that the health needs of the Hawkesbury community can be met.

B. The appropriateness of the Tender Brief and the Framework for the Draft Services Agreement, in particular the provisions relating to equity of access to services, accountability, and reporting requirements.

3.3 METHOD OF INQUIRY

The Committee considered information presented to it by written submissions and by examining witnesses.

Written submissions from interested parties and the general public were invited in newspapers published on 27 November 1993. Submissions were sent to the Director, Public Accounts Committee, and were due by 10 December, although submissions received after this date were also considered. A total of nine submissions were received. A list of persons and organisations making submissions is contained in Appendix 1 to this report. The Committee also considered additional printed information presented to it during the course of the inquiry, mostly during hearings.

A series of public hearings was also held in Sydney on 17, 20 and 22 December 1993. The hearings were open to the public, though some of the documents tabled at the hearings were subject to confidentiality provisions. A list of witnesses and, where applicable, the organisations they represented, is contained in Appendix 2 to this report. A list of exhibits tabled during the hearings is given in Appendix 3.

In the report, frequent references are made to Minutes of Evidence, submissions and exhibits. Minutes of Evidence and non-confidential submissions are produced in a separate volume available for loan through the State Library. References to submissions are made by using an "S" number as listed in Appendix 1. References to exhibits that are not also submissions are made by using an "E" number as listed in Appendix 3.

4 BACKGROUND

4.1 OVERVIEW OF THE HAWKESBURY DISTRICT

The catchment area of the Hawkesbury District Health Service encompasses the City of Hawkesbury, located in Sydney's outer western suburbs. Windsor, the location of the public hospital services, and the site for the proposed new hospital, is 56 kilometres from the Sydney CBD, and is a little over 1 hour's drive from the city. Adjacent local government areas (LGAs) include Penrith, the Blue Mountains and Baulkham Hills.

The municipality covers approximately 2,800 square kilometres and is the largest LGA in terms of area within Sydney's area health services. It has a low population density of approximately 19 residents per square kilometre. The large area of the LGA and its relatively low population results in private transport being the major means of transportation, although public transport is available, albeit on relatively limited timetables.

Within the Hawkesbury LGA, two main population centres exist—Windsor/South Windsor, which, in conjunction with eastern localities represent approximately 37% of the LGA's population; and Richmond, which, together with western localities, comprise the remaining 63%. The estimated population of the Hawkesbury LGA at June 1993 was 55,144 persons.

Over the past ten years, the area has experienced high population growth rates of almost 39%. Past and projected population growth rates for the catchment area are shown in Table 1.

TABLE 1

**HAWKESBURY LGA POPULATION—
PAST AND PROJECTED, 1986 TO 2016**

	1981	1986	1991	1996	2001	2006	2011	2016
Population	37,750	44,800	52,240	59,500	66,500	73,430	80,200	86,900
% Increase	27%	19%	17%	14%	12%	10%	9%	8%

Source: E5, p 5.

The rapid population growth is attributed primarily to the influx of young families and people as part of the continuing urban expansion of Sydney's western suburbs. With the area's young population, childbirth rates of approximately 1000 babies per annum contribute to the population growth. The young age profile is evident in the fact that 26.6% of Hawkesbury residents are under the age of 15 years, compared to the State average of 21.8%. The proportion of the population aged 65 years or more has remained relatively

constant over the past 10 years, and is expected to remain relatively constant over the next 10 years. The age profile of the Hawkesbury population is shown in Table 2.

TABLE 2

HAWKESBURY AGE PROFILES—PAST AND PROJECTED, 1981-2001

Age Groups	1981	1986	1991	1996	2001
0-19	14,075	16,036	17,939	20,350	22,170
20-64	20,759	24,861	29,958	35,220	39,920
65-74	1,468	1,792	2,113	2,380	2,710
75+	708	940	1,316	1,550	1,750
TOTAL	37,010	43,629	51,326	59,500	66,550

Source: E5, p 6.

Indexes of socio-economic status developed by the Australian Bureau of Statistics indicate that Hawkesbury lies in the second quartile of the State. This implies that there are proportionally fewer people in Hawkesbury earning higher incomes, generally lower levels of education, economic resources and proportionally fewer skilled workers compared to NSW as a whole.

4.2 HISTORY OF THE HAWKESBURY DISTRICT HEALTH SERVICE

The Hawkesbury Hospital is the oldest hospital still operating from its original site, and the second oldest hospital in the Commonwealth of Australia. Its history dates back to 1823 when a barracks for convicts and prisoners was converted to a Prisoners' Hospital. Major alterations in 1911 saw the addition of an operating theatre, and formed the fabric of the current hospital. The following is an outline of the major works undertaken at the hospital at its current site since its establishment:

1823 Conversion of a barracks into a Prisoners' Hospital.
1911 Construction of the main building on the present site.
1935 Construction of the Boiler House.
1945 Construction of the Nurses' Home.
1964 Construction of the Johnson Wing.
1968 Construction of the Main Entry.
1976 Construction of Services Building.
1977 Pathology and Dispensary relocated and the area renovated.
1983 Construction of Accident and Emergency facilities.
1987 Prefabricated Maternity Unit erected in the main hospital grounds.

Planning for a new hospital dates back to 1949, when the Hospital Board called for a new hospital. In 1957, the Annual Report of the Hospital stated:

> For many years your Board has been pressing for a new general hospital, and we are heartened to report that the Hospitals Commission is going to proceed with a plan with a view to the incorporation of same in the programme of works for 1958/59.[1]

Since that time, there have been numerous announcements concerning the commencement of a new hospital, the most recent being in May 1992, when it was announced that a new publicly funded and operated hospital of 203 beds capacity would commence in September of that year. However, in July 1992, the Health Department announced that public funds were not available for its construction in the foreseeable future, and that the possibility of private sector participation would be pursued for its construction and operation.

4.3 CURRENT HEALTH SERVICE OPERATIONS

The Hawkesbury District Health Service provides a range of consultant/specialist medical and community services within the City of Hawkesbury. The Committee has heard from a number of witnesses who have commended the dedication and efforts of the staff of the hospital, whose efforts have enabled the continued provision of services of high quality, despite the extreme limitations placed on them by the age and condition of the hospital buildings. The hospital is currently accredited by the Australian Council on Healthcare Standards (ACHS), which in itself is testament to the dedication of its staff.

A statistical summary of the activity levels over the past five years in each of the main service areas is presented in Table 3.

TABLE 3

HAWKESBURY DISTRICT HEALTH SERVICE
KEY ACTIVITY STATISTICS, 1988-89 TO 1992-93

	1988-89	1989-90	1990-91	1991-92	1992-93
Ave. Available Beds	98	96	96	96	96
Total Separations	4,892	5,201	5,350	5,828	5,927
Occupied Bed Days	21,498	23,615	23,542	24,448	24,813
Daily Average	58.9	64.7	64.5	66.8	68.0
Bed Occupancy Rates	60%	67%	68%	71%	71%
Ave. Length of Stay	4.4	4.5	4.4	4.1	4.2
Public Bed Days (%)	68%	71%	72%	76%	76%
Operations Performed	2,307	2,458	2,394	2,512	2,573
Births	640	681	708	709	752
A & E Attendances	16,383	17,735	18,325	17,281	17,502
Non-Inpatient Services	28,337	32,703	34,000	33,606	34,361
Community Health	n.a.	n.a.	27,358	31,951	27,696

Source: E5, Appendix 2.0, Table 12.

[1] E10, p. 3.

5 PLANNING AND CONSULTATION PROCESSES

5.1 PLANNING PROCESSES

Planning for a new hospital in Hawkesbury dates back as far as 1949, and has passed through a number of iterations since that time. The Committee's concern for this inquiry relates to the planning processes adopted in the current circumstances, particularly as they relate to the participation of the private sector in the future development and operation of the hospital, and their adequacy in providing for the future health needs of the Hawkesbury community.

The following is an outline of the recent planning processes undertaken for the expansion of the Hawkesbury District Health Services (HDHS), under the current proposal for private sector participation in this process. The summary is based on information provided to the Committee by the Department of Health and the Wentworth Area Health Service (WAHS), and in particular the following documents:

- *The Role Delineation of Health Services at Hawkesbury Hospital, based on the NSW Department of Health's Guide to the Role Delineation of Health Services, June 1991 edition incorporating November 1992 Revisions* prepared by the Service Development Branch of the NSW Department of Health (referred to in this report as the "role delineation document", E2).

- *Projected Bed Requirements for Hawkesbury Hospital* dated August 1993, prepared by NSW Health Services Research Group (HSRG), Department of Statistics, University of New South Wales on behalf of the Wentworth Area Health Service (WAHS) and the NSW Department of Health (referred to in this report as the "bed requirements document", E3).

5.1.1 Level of services

The levels of hospital and community services to be provided by the Hawkesbury District Health Service (HDHS) are defined in the role delineation document.

The proposed levels of service are consistent with the role of the Hawkesbury Hospital as a district hospital serving the local community, and take account of other services provided by referral hospitals in the region, namely Westmead and Nepean Hospitals. The level assigned to each service describes the complexity of the clinical activity undertaken by that service, and is chiefly determined by the presence of medical, nursing and other health care personnel who hold qualifications compatible with the defined level of care. In addition, the level of support services, staff profile, minimum safety standards and other requirements are defined to ensure that clinical services are provided safely and are appropriately supported. The clinical services covered in the planning process include inpatient care, hospital services which are integrated with community-based services and primarily community-based health services.

The approved levels for the new hospital and associated services, together with those levels for services currently provided at the existing Hawkesbury Hospital are summarised in Table 4.

TABLE 4

CURRENT AND APPROVED SERVICE LEVELS, EXISTING AND PROPOSED HAWKESBURY DISTRICT HEALTH SERVICES

Service Type	Current Level	Approved Level	Service Type	Current Level	Approved Level
Pathology	4	4	Neurosurgery	4	4
Pharmacy	3	4	Ophthalmology	3	3
Diagnostic Radiology	4	4	Orthopaedics	4	4
Nuclear Medicine	3	3	Plastic Surgery	0	0
Anaesthetics	4	4	Urology	3	4
Intensive Care	3	4	Vascular Surgery	0	0
Coronary Care	3	4	Obstetrics	4	4
Operating Suite	2	4	Neonatal	3	3
Emergency Services	4	4	Paediatric Med.	3	3
General Medicine	4	4	Paediatric Surgery	3	3
Cardiology	4	4	Fam./Child Health	3	4
Dermatology	4	4	Adolescent Health	2	3
Endocrinology	4	4	Adult Mental Hlth.	3	3
Gastroenterology	4	4	Child Protect. Serv.	1	3
Haematol. - Clinical	3	4	Drug & Alc. Serv.	1	3
Immunology	3	4	Geriatrics	3	4
Infectious Diseases	3	3	Health Promotion	3	4
Neurology	3	4	HIV/AIDS	2	3
Oncology - Medical	3	4	Palliative Care	2	3
Oncology - Radiation	0	0	Rehabilitation	3	4
Renal Medicine	3	3	Sex. Assault Serv.	1	1
Respiratory Medicine	3	4	Aboriginal Health	0	1
Rheumatology	4	4	C'ty Hlth. - General	4	3
General Surgery	4	4	C'ty Nursing	4	5
Burns	3	2	Dental Health	3	4
Cardiothoracic Surg.	0	0	Migrant Health	2	3
Day Surgery	3	3	Sex. Health Serv.	1	3
Ear, Nose & Throat	4	4	Women's Health	2	3
Gynaecology	4	4			

Source: E2, pp. 3.1.1-3.1.4

The Committee is not in a position to comment on the appropriateness or otherwise of the levels of service proposed for the new Hawkesbury Hospital, but recognises that this approach has been adopted for the planning of health services at both the regional and area levels since the mid 1980s. The Committee notes that the levels for nearly all proposed services are at least equal to, and in a number of instances are greater than, the levels currently available at the existing Hawkesbury Hospital. Further, these services are the

same as those which would be provided under a traditional public hospital model, and are not affected by the private sector participation approach.

Given the above qualification, the Committee is satisfied that the levels of services proposed for the new Hawkesbury District Health Services are consistent with the planning disciplines adopted by the Department of Health for a hospital of this role, size and complexity and the population it serves.

5.1.2 Hospital capacity

Planning for the expected bed requirements for the new Hawkesbury Hospital has been undertaken by the NSW Health Services Research Group (HSRG), Department of Statistics, University of New South Wales, on behalf of the Wentworth Area Health Service (WAHS) and the NSW Department of Health.

Details of the methodology used in, and the results of, the projections are contained in the bed requirements document submitted to the Committee. The approach taken by HSRG in preparing these projections takes account of:

- projected demographic trends in the catchment area of the hospital, including total population growth and the changing age profile of the population;
- historical patterns of service delivery in the catchment area, including cross boundary flows;
- general trends in service delivery and their impact on both the volume and type of health services required; and
- the defined role of the new hospital, (as described in the previous section) consistent with Department of Health guidelines and the availability of hospital services within the WAHS.

The total bed requirements projected by HSRG by sectional category for the hospital for the twenty year period commencing 1996 are summarised in Table 5.

TABLE 5

PROJECTED BED REQUIREMENTS, HAWKESBURY HOSPITAL, 1996 TO 2016

Bed Category	1996	2001	2006	2011	2016
Surgical Ward	25	29	29	29	30
Medical	54	64	72	81	89
Paediatric Ward	11	11	10	9	7
Obstetrics and Nursery	18	19	17	16	14
Endoscopy Unit	4	4	4	4	4
TOTAL BEDS	112	127	132	139	144

Source: E3, p. 2.

These estimates formed the basis for planning the size of the new hospital, and were provided to all proponents as part of the expressions of interest process recently completed. They will continue be used during the tender and design phases of the project.

Data provided to the Committee on the breakdown of beds in the existing Hawkesbury Hospital was in a different format to the categories identified in Table 5, although current total bed capacity is 96 beds. Whilst the final bed numbers at the new hospital will be determined during the design phase, the above estimates indicate the new hospital will initially have of the order of 15 to 20 more beds than the current hospital.

In regard to the anticipated growth in demand for services, as indicated in Table 5, the proponent is required to incorporate expansion capability in the design of the hospital, with such expansion to be negotiated with WAHS as the need arises. This approach is similar to that proposed at Port Macquarie.

The Committee is not in a position to make comment on the validity or otherwise of the results of the approach adopted by HSRG in projecting the future bed requirements of the hospital. However, the Committee recognises that the approach used is an accepted and appropriate methodology for the purposes of health services and facilities planning at the regional and area level. Accordingly, the Committee has no cause to question or dispute the outcomes of the approach, and accepts the projections as being reflective of realistic expectations. Similarly, the incorporation of expansion capability in the design of the hospital, and the proposed mechanisms for arranging such expansion, are reasonable approaches to ensuring that the future capacity of the hospital is commensurate with the demand for services from the population of the district.

5.1.3 Community health services

The range and level of community health services to be provided by the Hawkesbury District Health Service are specified in the role delineation document, and are described in the previous section of this report.

The Department of Health and WAHS have emphasised that the proposed Services Agreement with a private operator will encompass all hospital and community-based health services, and that they are to be considered as an integrated health service. Accordingly, proponents will be invited to specify the range of services they propose to deliver within the overall spectrum, and how those services will interface with other health services.

Within this context, WAHS has recognised that some services may continue to be provided by the public sector on a regional basis, particularly those services which are of a specialised nature, or which are of a comparatively low volume. Such services may include mental health services, drug and alcohol services, sexual assault services, school dental services, aged care assessment teams, public health unit services, and sexual health clinic services, including HIV/AIDS outreach services. Proponents will therefore be requested to specify which community health services they propose to provide under the Services Agreement. The approach proposed by WAHS is then to assess which residual services it will need to continue to provide in its own right, and how these services will dovetail with

those provided by the private operator. This assessment will be done as part of the tender evaluation.

The Committee recognises the efforts by WAHS and the Department in seeking to ensure that the complete spectrum of services are provided to the Hawkesbury community, and the inclusion in the Services Agreement documentation of the need to integrate services. In this context, the approach to planning these services proposed within the Framework for the Services Agreement provides for flexibility and the opportunity to ensure that service goals are met. The Committee is also aware of the practical difficulties of achieving co-ordination of activities when services are provided by different entities, especially when some are provided under contract by a private operator, and others through a traditional public service mechanism. Ultimately, the success of this approach can only be assessed in its actual operation. The Committee is encouraged by the fact that the WAHS is cognisant of this issue, and that it has sought to address it in its documentation and the evaluation process. Nevertheless, the Committee urges the WAHS to monitor and evaluate these issues on an ongoing basis, and to ensure that the quality and range of services are not diminished under the proposed service delivery model.

5.2 CONSULTATION PROCESSES

The history of the development of the Hawkesbury Hospital has, according to all the evidence submitted to the Committee, invoked a high level of interest and support from the residents of the Hawkesbury community. This point was repeatedly made to the Committee in both written submissions and in verbal evidence provided at the hearings. In her evidence to the Committee, the Mayor of Hawkesbury City Council, Ms Sledge stated:

> I would like to outline the feelings of the people of Hawkesbury. The hospital is a very strong focal point in the Hawkesbury, and a new facility is absolutely essential. The people feel very strongly about the hospital and feel very strongly that we have been promised a public hospital on many occasions. Their expectation is that the hospital will be a public hospital. However, we have to accept that funds will not be available. Actually, we do not accept that, but we have to recognise it.[2]

There is little doubt that the Hawkesbury community is somewhat embittered and disillusioned by the history of failures to construct and operate a new public hospital in the Hawkesbury over the years. As a result of this history, and in light of experience gained in the Port Macquarie project, the Department of Health and WAHS have evidently sought to provide for community participation in the process of involving the private sector in the development of a new hospital in the district.

The following is a summary of the forms that consultation that have occurred during 1993, together with the key community organisations involved in the consultative process.

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[2] Minutes of Evidence, p. 24.

5.2.1 Seeking residents' views

Evidence provided to the Committee by the Department of Health, the WAHS, representatives of the Hospital Crisis Committee and the Mayor of Hawkesbury indicates that there has been a concerted effort to involve the community in the decision-making processes during the current development. The Department's submission stated:

> Initially there were two public hearings called by the Hawkesbury Hospital Crisis Committee to discuss the concept of the Services Contract model. From these meetings the public perception was clearly gained that only a 'not-for-profit' operator would be accepted, if a traditional public hospital operation was not to be provided.[3]

Once the Board of the WAHS endorsed this position, a Project Steering Committee was formed, which included three representatives from the Hospital Crisis Committee and the Mayor of Hawkesbury City Council. The Project Steering Committee has been responsible for developing the expressions of interest, Tender Brief, and Framework for the Services Agreement documentation.

The Department of Health stated that it has circulated over 80 copies of the information brochure titled "Expansion of the Hawkesbury District Health Services" (E1) to community groups, inviting them to attend public meetings or to seek additional information. The Department also referred to extensive local newspaper coverage of public meetings and of various public announcements.

The Mayor of Hawkesbury City Council and the representatives of the Hospital Crisis Committee in their evidence to the Committee referred on several occasions to the excellent "bush telegraph" that operates in the district, which has served to ensure that residents are kept informed of developments.

Two public meetings have been held since the calling for expressions of interest—on 13 October and 3 November 1993. Attendance at these meetings was approximately 85 and 40 people respectively, which was considerably lower than the attendance at earlier meetings. Nevertheless, it appears that the public sentiment towards a public hospital, a not-for-profit private hospital and a hospital run by a for-profit operator was consistent with that exhibited at earlier meetings. This was further evidenced by a questionnaire circulated at those meetings, wherein over 70% favoured a public hospital and none favoured a hospital operated by a for-profit operator.

The Committee notes the decline in attendance at the most recent meetings, although it is unclear whether this represents an acceptance of the proposals, whether the community is disheartened by the process, or possibly a combination of both factors. Notwithstanding the reduction in attendance at these meetings, the view was put to the Committee by the Mayor of Hawkesbury and the representative of the Hospital Crisis Committee that outcomes of those meetings were representative of the mood of the wider community of the Hawkesbury District.

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[3] S5, Appendix C, p. 1.

The Committee also notes the heavy weighting given to community expectations within the expressions of interest and tender evaluation processes. This was particularly evident in regard to the issue of the preference given to a not-for-profit operator compared to a for-profit operator by the community. The Department of Health made it clear that it is ambivalent on the issue of for-profit versus not-for-profit service providers, and that the sole reason for the inclusion of this criterion in the evaluation process has been the concerns of the local community.

The issue of conducting a referendum or plebiscite in the Hawkesbury district was also considered by the Hawkesbury City Council. The decision was made by Council not to do so, primarily due to concerns as to the jurisdiction for health services being with the State government rather than with local government authorities. Concern was also expressed as to whether or not the Minister of Health would be cognisant of the outcome of such a poll, given that a similar poll in Port Macquarie was not accepted by the Minister. Nevertheless, representations were made to the Public Accounts Committee by the Hospital Defence Committee for the conduct of a plebiscite in the Hawkesbury in order to properly assess the views of the community on the service delivery proposals under development.

5.2.2 The Hawkesbury Hospital Crisis Committee

From the evidence provided, it is clear that the Hawkesbury Hospital Crisis Committee has had a significant role in the consultation process between WAHS, the Department of Health and the Hawkesbury community. In this context, the representativeness of the Hospital Crisis Committee of the broader community is particularly important in assessing the adequacy of the consultations undertaken and proposed.

The Hawkesbury Hospital Crisis Committee was formed in November 1986 as a result of a public meeting held in Windsor concerned about bed closures and a restriction on emergency surgery because of financial considerations. The meeting was attended by an estimated 700 people. Since that time the Committee has been active in lobbying for improvements to the Hawkesbury Hospital. In papers tabled at a hearing,[4] the Hospital Crisis Committee included its Constitution (adopted in July 1992), in which its stated aims are:

(1) The urgent construction of a new publicly funded 150 bed Hawkesbury Hospital as approved by the Dept. of Health in December, 1991.

(2) adequate public hospital service to meet the needs of the people of the City of Hawkesbury.

(3) redevelopment of the Fitzgerald Memorial Hostel.

The Crisis Committee has an elected executive of 12 members, whose membership currently includes three medical practitioners, three members of the Hawkesbury City Council, staff of the Hawkesbury Hospital, members of the hospital auxiliary, and a number of residents of the Hawkesbury district. Ex officio members of the Committee

[4] E10.

include the State Parliament Members for Hawkesbury, Londonderry, Macquarie and Mitchell, and the Mayor of Hawkesbury City Council.

Notwithstanding its stated aim of pursuing a "new publicly funded hospital", in evidence to the Committee, the Crisis Committee stated:

> It was resolved at the 1993 AGM of the Crisis Committee that, given the almost zero probability of a new public Hawkesbury Hospital being commissioned prior to the year 2000, and the "threat" of the present building being closed before that date because it is no longer able to meet the high standards required for a hospital building in the 1990s, the Committee should participate in the current process being undertaken by the WAHS and the Department of Health in providing a new hospital for Hawkesbury on the clear understanding that the operator would be a charitable institution and that community expectations would be met. A change of focus is developing within the Hawkesbury Hospital Crisis Committee, aware somewhat of the disillusionment that has besieged the Hawkesbury community over a number of years, that we cannot get a public hospital.[5]

Given the long history of the Crisis Committee, the breadth of its constituents and the fact that it is an elected body of local citizens, the Committee considers that it is capable of representing the views and concerns of the wider Hawkesbury community in regard to the development of the Hawkesbury Hospital.

In regard to the role of the Crisis Committee in the consultation process, representatives stated in their evidence to the Committee:

> The Crisis Committee is committed to an ongoing process of community consultation. This has been achieved through a series of public meetings. As a result, after eight years of public consultations and participation, the Committee believes that public opinion is best assessed by conducting a series of briefings, with opportunities for questions, followed by impartially worded surveys of all present, thus allowing all an equal say rather than running the risk of debate being dominated by the most vocal individuals.[6]

5.2.3 The Hawkesbury Hospital Defence Committee

The Hawkesbury Hospital Defence Committee was a second group of Hawkesbury residents making submission to the Committee, and presented an alternative view to that presented by the Hospital Crisis Committee.

In its submission to the Committee, the Hospital Defence Committee stated:

> The Hawkesbury Hospital Defence Committee was formed recently from a small group of people who are not prepared to accept that the Government cannot build a public hospital. We have lost confidence in the Crisis Committee and believe that they have strayed from their original public brief . . .[7]

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5 Minutes of Evidence, p. 31.

6 Minutes of Evidence, p. 32.

7 S7, p. 2.

The Defence Committee offered a number of criticisms about the planning processes and the nature and extent of community consultation.

In regard to the planning processes, the Defence Committee expressed concerns about the proposed capacity of the new hospital, the anticipated population growth of the area and the range of services to be provided.

Each of these areas are addressed in detail in the role delineation and bed requirements documents and are described in section 5.1 of this report. As stated previously, the Committee considers that the planning approach adopted by WAHS and the Health Department has been based on an accepted methodology, and has taken into consideration all issues anticipated to affect the demand for health services in the Hawkesbury district.

In regard to community consultation, the Defence Committee considered that the consultation processes undertaken to date have been inadequate, and that the views of the majority of Hawkesbury residents have not been adequately canvassed or considered. Concern was also expressed about the manner in which some of the surveys were conducted, with a belief that the wording of some questions had led to a biased response. The conduct of a referendum or plebiscite was advocated by the Defence Committee as an appropriate means by which the views of the wider community should be sought.

In regard to the issue of equity of access, the Defence Committee expressed concerns about the possible restriction on the range of services which may be offered by some religious institutions operating the hospital, and the effects this would have on residents. The issue of continuity of services at the expiration of the contract period was a further area of concern. The Defence Committee also raised a number of concerns in relation to the operation of the Services Agreement, the mechanisms by which its provisions in regard to quality of services would be enforced, and the protection of staff rights and entitlements. These issues are discussed further in section 6 of this report.

The Public Accounts Committee is not convinced that the views held by the Defence Committee are necessarily representative of the wider Hawkesbury community. Given the comparatively short time the Defence Committee has been in existence, it is clear that its members have not been involved in the detailed discussions and developments to date, and this is reflected in their knowledge and understanding of many of the issues. The Public Accounts Committee notes that many of the points raised by the Defence Committee are addressed in the Framework for the Services Agreement and the Tender Brief.

However, the Public Accounts Committee is conscious of the fact that the views held by the Defence Committee may be shared by others within the Hawkesbury community, if not the majority, and that their concerns need to be addressed. The Public Accounts Committee notes that the Hospital Crisis Committee has invited members of the Defence Committee to planned public meetings, and applauds this initiative. There is a need for all members of the Hawkesbury community to be informed of developments, and for both the Hospital Crisis Committee and Hospital Defence Committee to play an active role in this activity. Accordingly, the Public Accounts Committee encourages the members of the Hospital Crisis Committee and the Hospital Defence Committee to co-operate to ensure that the

community they represent continued to be informed and consulted on issues as they emerge.

5.2.4 Consultations with staff

Evidence provided to the Committee by the WAHS and representatives of the Hawkesbury branches of HREA and the NSW Nurses Federation indicated that approximately three meetings have been held with the staff of the hospital over the past eighteen months to discuss the proposals in relation to private sector participation at the Hawkesbury Hospital. In addition, documentation of the type circulated amongst the wider community has also been available for staff to read and discuss. Staff interest in the issue has been very high.

The nature of these meetings has been relatively informal, and have been for all staff rather than for specific groups. There have been no formally constituted union meetings to present and discuss the proposals. Liaison with the unions appears to have been at the local level, and the State offices have not been formally involved at this stage. The Committee considers that there is a need to institute formal discussions with the unions involved to ensure that all relevant issues are addressed and that mutually agreeable solutions to any problems are developed.

Staff representatives indicated that they have been generally satisfied with the level and nature of the consultation undertaken to date, notwithstanding the fact that they have a number of concerns about the proposal itself. They expressed a strong desire for consultations to continue, and for consultation to be an ongoing and regular process, a desire endorsed by the Committee.

The view expressed by staff representatives was that, like the rest of the community, their first choice would be a public hospital, but if that is not achievable in the foreseeable future, then the fall-back option of a not-for-profit private hospital would be preferable to the current situation. Their concerns centred on two main issues—the question of continuity of services beyond the contract period, and the transfer of superannuation rights for staff under the contract. Other issues, such as continuity of employment and the transfer of staff entitlements, seem to have been satisfactorily addressed.

The issue of transferring staff superannuation from the existing State scheme (SASS) to a new private scheme is one which requires further consideration and action. It appears that, unless they are able to maintain their membership rights to SASS, staff will lose the benefits currently provided under SASS. These benefits are greater than those provided by private schemes, and staff will therefore be penalised under the proposed contractual arrangements. The Committee understands that the issue of continued participation of members in SASS under various private participation initiatives in a number of areas is currently under consideration.

The Committee is concerned that staff of the Hawkesbury Hospital not be disadvantaged under the current proposals, and urges the Department of Health to undertake such action as it is able to protect staff entitlements in this area.

5.2.5 Community involvement in the development of documentation

The community's involvement in the development of documentation relating to the participation of the private sector in the Hawkesbury Hospital has been undertaken primarily through the participation of the Hospital Crisis Committee on the Project Team.

During the development of the expressions of interest document (E1), the Crisis Committee was largely responsible for presenting the community's views, and for assisting in the development of the weights given to each of the assessment criteria. The fact that a high weight was given to community expectations is reflective of the efforts of the Crisis Committee, and of the cognisance given by the WAHS to their concerns.

The Crisis Committee was also a participant in preparing the Framework for the Services Agreement and the Tender Brief. The Public Accounts Committee was provided with copies of the suggestions made by the Crisis Committee on earlier drafts of each of these documents, and notes that the large majority of the Crisis Committee's suggestions were incorporated in the revised drafts presented to the Public Accounts Committee.

However, the Public Accounts Committee also notes the comments made by the Crisis Committee in regard to the limited time they have been provided in which to review the documents to date, particularly since its members are part-time volunteers. The Public Accounts Committee is concerned that more time should be provided for this process in the future, and that the Crisis Committee, on behalf of the wider community, be given the opportunity to properly consider the relevant documents as they are revised and developed.

5.2.6 Proposed consultations for the future

The Health Department and the WAHS have advised of a number of scheduled meetings proposed for future consultations with both staff of the Hawkesbury Hospital and with the wider community. These include a public meeting where the two tenderers will be invited to attend and respond to any questions posed by the public.

During the course of the Committee's hearings, witnesses took the opportunity to meet, which has led to a greater interaction between them. This was evidenced by a statement by a member of the Hospital Crisis Committee, wherein he stated:

> Today was the first opportunity I had the occasion to eyeball them [the Hospital Defence Committee], and I took the opportunity outside to invite them to the further public meeting to be held on Friday, 28th January. They have accepted the invitation and I have indicated there is a need for ongoing dialogue.[8]

The Committee notes these proposals and recognises them as being indicative of the intentions of WAHS, the Health Department and the Crisis Committee in continued involvement by the community as the project proceeds during the planning, development and implementation stages.

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[8] Minutes of Evidence, p. 100.

At the same time, the Committee considers that these efforts could be expanded in a number of ways. Firstly, there is a need to establish formal consultation processes with the representative staff associations and unions, and for these processes to be both ongoing and regular. Secondly, there is a need to ensure that the wider community is kept abreast of developments as they occur, and provided with the opportunity to comment on those developments. The concept of a periodic newsletter, or of a regular (though not necessarily frequent) column in the local press may warrant further consideration.

5.3 CONCLUSIONS

The Committee has cosidered the information provided by the WAHS and the NSW Health Department in the various planning documents developed for the purposes of planning the new Hawkesbury District Health Service. Whilst the Committee is not in a position to evaluate the technical merits of these documents, and the proposed capacity and service levels contained therein, the Committee is satisfied that the processes taken in their development are based on accepted health planning methodologies.

The planning process has been cognisant of a range of factors affecting the demand for services, including projected population growth, population ageing, private health insurance rates, cross boundary patient flows and other demographic variables. Supply factors have also been considered, such as the effects of medical technology on service delivery methods, trends in health services provision, and the location and availability of other hospital services in the region. The levels of proposed services are consistent with the Health Department's guidelines for the planning of services for a hospital of this defined role, serving a population characterised by the Hawkesbury community. Accordingly, the Committee accepts that the planning processes adopted by the WAHS and the Health Department have been appropriate to meet the future needs of the Hawkesbury community.

Considerable evidence was provided to the Committee by the WAHS, the Health Department and members of the Hawkesbury community in relation to the nature and levels of consultation with the community. The Hawkesbury Hospital Crisis Committee has been the focal point for community consultation throughout the planning stages of the project, and continues to represent the community on the project team. Whilst some criticism has been made of the absence of a formal referendum or plebiscite among the full Hawkesbury community, the Committee considers that the long-standing interest by the community in the development of a new hospital, the active role of the Crisis Committee, and the range of informal communication channels in the community, have enabled the views of the community to be expressed to the WAHS.

The Committee also recognises that the Health Department and the WAHS have undertaken a number of consultation and information initiatives to ensure that the community and staff have been informed of proposals, and have had the opportunity to respond to them. In general, the Committee considers these processes to have been adequate to date, but has made several recommendations as to how they may be improved in the future. The Committee urges the WAHS and Health Department to maintain their commitment to full and open consultation during the development stages, and to provide for ongoing community participation in the future operations of the new hospital.

Staff consultations to date have been relatively informal. No formal discussions appear to have been held with staff associations and unions, and there is a need to address this situation. Staff representatives have indicated that staff are generally satisfied with the consultation process to date, although concerns are held over the issue of continued participation in the SASS superannuation scheme. This is an area which requires resolution. Again, there is a need for ongoing consultation by the WAHS with staff at the health service to be maintained on a regular basis throughout the planning process.

5.4 RECOMMENDATIONS

RECOMMENDATION 1

That the Wentworth Area Health Service and Hawkesbury Hospital Crisis Committee seek to ensure that the Hawkesbury Hospital Defence Committee is informed of, and where appropriate, participates in the planning process for the Hawkesbury District Health Service.

RECOMMENDATION 2

That the Wentworth Area Health Service and the NSW Health Department make formal approaches to the relevant staff associations and unions of the staff of the Hawkesbury District Health Service on the proposals for the development of the Health Service, and maintain such communication on an ongoing basis.

RECOMMENDATION 3

That the Wentworth Area Health Service and NSW Health Department further investigate and resolve the issue of staff continued entitlement to participate in the State superannuation scheme, and ensure that staff are not disadvantaged under the development proposals.

RECOMMENDATION 4

That the Wentworth Area Health Service and the Project Committee provide a reasonable time for members of the Hawkesbury Hospital Crisis Committee to consider and respond to the development of documentation relating to the development process, and where considered appropriate, allow them to seek wider input to this process.

RECOMMENDATION 5

That the Wentworth Area Health Service and the NSW Health Department seek to establish a regular means of communication to the wider Hawkesbury community (such as a newsletter or regular column in the local press) to inform them of developments or proposals as they occur in regard to the expansion of the Hawkesbury District Health Service.

6 FRAMEWORK FOR THE DRAFT SERVICES AGREEMENT

6.1 OVERVIEW OF THE FRAMEWORK

The Framework for the Draft Services Agreement is an essential document in the tender process, and provides proponents with key information required to determine the nature of the proposed contractual arrangements for the future provision of health services in the Hawkesbury district.

6.1.1 The funder/purchaser/provider roles

The Framework provides a description of the environment in which a Services Agreement would operate, and of the changes in the structure of the health industry which have led to the development of this concept. Chief among these developments is the separation of the roles of the funder, purchaser and provider, which are described in some detail in the Framework. According to the Framework (p. 5):

> The [Hawkesbury] project breaks new ground in many areas, the major ones being:
>
> - it changes the emphasis on health service delivery to focus on the nature, quantity and price of services to be provided rather than on hospital operations;
>
> - it separates the role of service provider from that of the purchaser of the services (the Department of Health through the Wentworth Area Health Board).

The Committee notes that the Framework draws extensively from previous experience at Port Macquarie, and indeed is modelled largely on the Port Macquarie contract. However, a number of differences exist between the proposed model, and that adopted at Port Macquarie. Of particular note among these is the emphasis given to the need to integrate hospital and community health services, and recognition that some community based services may need to continue to be provided on a regional basis.

In essence, the Services Agreement provides a contractual basis for the provision of a defined range of health services, both hospital based and community based, in the Hawkesbury district for a period of twenty years. The Agreement specifies the range, quality and volume of services to be provided, requirements of accessibility to services, the reporting and accountability requirements, and the mechanisms applicable in the event of default. Details of staff entitlements, patients rights and community participation in the operation of the health service are also specified.

6.1.2 Main features

In outlining the nature of the Services Agreement, the Framework describes its main features as being (pp. 8-9):

- the range and level of service is defined (using the Role Delineation Guidelines);
- Budget is on an annual basis;
- pricing is predominantly on a fee-for-service basis;
- outcomes are to be monitored;
- regulation is to be by reference to objective rules and indicators:
  - Hospital wide clinical indicators compared to peer hospitals;
  - Accreditation; and
  - Private Hospital and Day Procedure Centres Act and Regulations.
- transfer of risk to the Service Provider through:
  - a cap on annual recurrent funding;
  - a preponderance of fee-for-service funding;
  - an ability to replace the operator in the event of default;
  - financial loss by the Service Provider in the event of default;
  - no commitment for the WAHS to step in to operate the service except as a matter of last resort.

6.1.3 Risk allocation

Fundamental to the evaluation of the Framework for the Services Agreement is an assessment of the relative risks of each of the parties. This assessment is presented in the Framework, and the Committee notes the strong similarity between this assessment and that conducted by the Public Accounts Special Committee inquiry into the Port Macquarie Hospital project. A summary table of the risk analysis is presented in Table 6.

The Committee considers that the risk assessment table reflects the principles underlying the roles of the respective parties under the Draft Services Agreement, as presented. In general, the distribution of risk between the building owner, the service provider and the WAHS is considered to be appropriate to an agreement of this type, given the capital expenditure involved and the relative risks borne by each party in each of the specified areas.

6.1.4 Other issues

The adequacy of the Framework for the Services Agreement in relation to the issues of equity of access, accountability and reporting requirements are discussed separately below. In other areas, the Committee has made a number of observations which it considers to warrant particular attention.

Firstly, the issue of staff superannuation rights remains unresolved in the documentation provided to date. The Framework states (p. 28):

> Superannuation will be a key issue for resolution. It may be possible for staff to continue their membership of the public sector superannuation schemes with the new employer taking responsibility for employer contributions.

TABLE 6

RISK ALLOCATION TABLE

Risk	Principle Applying Between Parties
Ownership of existing assets	Sale of land & buildings from WAHS to Building Owner. Building Owner responsible for all maintenance and replacement.
Ownership of new assets	Building Owner responsible for all maintenance and replacement.
Construction	Future capital works program to be Building Owner's responsibility - fixed price/time contracts with builders.
Financing	No risk to WAHS during construction and commissioning except interest rate. Equity contribution from Building Owner and Service Provider. Building Owner bears the interest rate risk.
Commissioning	Condition precedent to long term funding. Responsibility of Service Provider.
Operating	Working Capital provided by Service Provider. 20 year Contract for Public Patients: - fee for service payments by patient categories - capped total annual budget specified in detail - formula for escalation of prices &/or budget - no minimum throughput of Public Patients - Service Provider bears risk of attracting chargeable patients - Service Provider to absorb operating losses - default relating to quality of services - rights to step in by WAHS after determining no alternative Service Provider is available - autonomous management by Service Provider - some activities priced on a cost-plus basis (e.g. A & E) where no pricing arrangements exist.
Market	Budget for Public Patients will reflect annual operating experience of volume and casemix. Service Provider bears the risk of declining Private Insurance. Excessive market demand to be absorbed in the Budget. Demand shortfall to be borne by provider.
Industrial	All staff to transfer to Service Provider - enterprise agreement to preserve benefits - accrued entitlements to be credited to Service Provider - Superannuation arrangements to be negotiated - VMO contracts to be the responsibility of the Service Provider.
Political	WAHS responsible for all costs of political actions up to commencement of Services Agreement.
Termination	Default on the delivery of services at the prescribed quality standards may lead to termination.
Changes in Law	WAHS to bear the costs of changes in Law.
Taxation	No Tax indemnities to be given by WAHS.
Environmental	WAHS to provide a focused indemnity regarding latent conditions on the site.
Ownership at end of Contract	No reversion of new buildings to WAHS.

Source: Framework for the Draft Services Agreement, pp. 56-57.

As stated previously, the Committee is concerned that staff of the Hawkesbury Hospital not be disadvantaged under the current proposals, and urges the Department of Health to undertake such action as it is able to protect staff entitlements in this area.

Secondly, the issue of the disposition of the hospital site at the end of the contract period is of particular concern. While provisions exist within the Agreement for negotiations to commence for an extension of the Agreement beyond the 20 year term, no provision is made for an alternative mechanism for continued service delivery if an extension is not agreed to. The Committee has been told by a number of witnesses that there is no suitable alternative site for a hospital in the area which is above the flood plain. Failure to reach agreement on an extension to the Services Agreement beyond the initial contract term will therefore result in no readily available means for the provision of public hospital services in the area.

The Committee considers that the Services Agreement, or other associated contracts relating to ownership of the site, should incorporate a provision whereby the site may be used for the continued provision of public health services beyond the completion of the contract's term. There are a number of possibilities for achieving this end, including extending, by negotiation, the initial contract term (as provided for in the existing Draft Services Agreement); an option to purchase or lease the site by the WAHS or Health Department; or the sale of the site to another operator which is able to enter into a contract with the WAHS for the continued provision of public health services from the site. In all cases, the objective is to protect access to the only suitable site in the area for a hospital providing services to public patients, and this objective should be reflected in the Framework for the Services Agreement.

6.2 EQUITY OF ACCESS

Equity of access is a particular area to be addressed within the terms of reference for the review. The provisions within the Framework for access to health services provided under the proposed Services Agreement cover a number of dimensions.

6.2.1 Public patients

The issue of equity of access to services by public patients is dealt with specifically in the Framework. It states (p. 13):

> The contract will require that:
>
> (a) any person requiring urgent attention or essential treatment will be provided with the appropriate care, regardless of any budgetary considerations;
>
> (b) public patients will be provided with the same level of clinical care as private patients, regardless of insurance status;
>
> (c) public patients will be provided equity of access regardless of sex, race, marital status, sexual preference, physical or intellectual impairment or religious belief and age;

(d) the Health Service is required to provide sufficient beds for public patients up to the limit of its budget;

(e) any eligible person (as defined in the Health Insurance Act) shall be entitled to elect to be treated as a public patient; and

(f) every person is eligible for community health services.

In summary, this means that all emergency, urgent and non-elective patients requiring admission to the Health Service must be admitted, and that non-emergency admissions must be admitted while funds remain available within the budget.

Equity of access is also provided for in the proposed Charter of Patient Rights. Patients also have the right to complain to the Health Services staff; to have the Health Service respond, in writing if requested; and if unsatisfied to take complaints to the Health Service Community Board, WAHS Board, CEO of WAHS, or to the Health Complaints Commission.

6.2.2 Privately insured patients

In regard to privately insured patients, several provisions are made. A privately insured patient may elect to be treated as either a public or private patient. Public patients will not be charged for services. For private patients, a limit will be placed on their charges so that they cannot be charged more than an agreed limit unless their premiums entitle them to a higher rebate, in which case they will not be charged more than the rebate to which their premium entitles them.

For patients with Basic Table cover at the date the contract is signed and who elect to be treated as private patients, the Government will fund the gap between the price charged by the Health Service and the rebate for which the patient is eligible, in line with policies toward Basic Table cover and applied generally in Public Hospitals. In large part, the end result of these provisions is to provide the same level of access as is available to patients treated in public hospitals.

In proposing these arrangements, the Health Department has indicated that it considers them to be interim, as it anticipates that Basic Table cover will be removed in the near future. A Departmental representative stated:

> We expect that basic table insurance is an anomoly that will be corrected by the Commonwealth reform of private health insurance.[9]

6.2.3 Community involvement

Equity of access is also protected through the continued involvement by the community in the ongoing operations of the hospital. Representatives of the community made clear to the Committee their expectation and desire for the community to be actively involved in the ongoing operations of the hospital. In response to this expectation, the Services Agreement

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[9] Minutes of Evidence, p. 16.

provides for an advisory board called the Hawkesbury Community Board of Advice, which will have a majority of community representatives.

The role of the Board of Advice will be:

> to assist the management in delivering a range of services with the quality and responsiveness expected by the local community . . . to provide advice and counsel to the Service Provider in order to achieve and maintain the standard of patient care required under the Services Agreement, to present community views and to assist in governance of the affairs of the Health Service.[10]

6.2.4 Future growth

Future growth in the demand for services which requires an expansion in the capacity of the hospital is addressed in the Framework by means of a requirement for the parties to enter into negotiations for an expansion of capacity at any point during the contract period. Whilst this provides no guarantee that such expansion will necessarily occur, the commercial realities which underpin the entire contractual arrangements act as a strong incentive for the service provider to ensure that the facilities are capable of matching demand. This is particularly so if the WAHS agrees to an expansion of the budget to meet the costs of treating the additional patients. This process is considered to be adequate to provide for future access to services under a contractual arrangement.

6.2.5 Range of services

The issue of equal access to a full range of services was also raised in the context of any limitation to services which may be imposed by virtue of religious beliefs held by the service provider. In this regard, two comments are noted. Firstly, the range of services offered by each of the tenderers will be assessed under the terms of the tender evaluation process. Thus any provider who offers a restricted range of services is likely to be assessed lower on this score, which may jeopardise its chances of winning the contract. Secondly, the WAHS has stated that it will assess the range of services offered by each of the tenderers, and determine which additional services may need to be provided by the public sector in order to ensure that the complete spectrum of required services are available. In combination, these aspects of the Services Agreement and the tender evaluation process should overcome any limitations on the range of services offered by the service provider.

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[10] Framework for the Draft Services Agreement, p. 22.

6.3 ACCOUNTABILITY

Accountability by the Service Provider for the range and quality of services to be provided under the proposed Services Agreement is provided for in the Framework in several areas.

6.3.1 Contract management

The Framework requires (p. 58) that a Contract Manager be appointed by both the service provider and the WAHS, whose functions shall be to:

(a) monitor the provision of services by the Service Provider, and the Service Provider's submission of Invoices to the WAHS for the services provided to public patients at the Health Service;

(b) to monitor case mix variations within the Service Budget and monitor the percentage of private/public patients at the Health Service;

(c) to prepare Service Budgets;

(d) to consider variations from the Service Budget that are within the Maximum Service Budget;

(e) to monitor payments made or to be made to the Owner;

(f) to discuss the work to be carried out and consequent changes to the charges should WAHS request an upgrade of the Health Service; and

(g) to promptly meet to attempt to resolve any disputes arising.

The Committee considers the appointment of contract managers to be an important initiative, and one which will play an important role in ensuring that accountability practices and procedures are followed.

6.3.2 Accreditation

The service provider will be required to achieve accreditation of the hospital by the Australian Council on Healthcare Standards (ACHS) within 18 months of commissioning, and to maintain that status throughout the life of the contract. The community health services will also be required to achieve and maintain similar status under the CHASP guidelines within the same period. Price penalties will apply if accreditation is not achieved within the specified period, and failure to maintain accreditation is an event of default and carries the risk of termination of the contract.

6.3.3 Peer hospital comparisons

The Services Agreement extends the issue of clinical and quality standards further, by requiring that the service provider maintain on an ongoing basis, the quality standards specified. Whereas the ACHS evaluation for accreditation covers only a relatively short period, the performance measures adopted for accreditation must be maintained by the

service provider at all times. The three-monthly moving average for the service provider across a range of performance indicators will be compared against those for a group of peer hospitals, and must be better than or equal to the average across the group. The standards derived from the peer hospitals will be set prior to the commencement of the contract year, and would apply throughout the year, unless the ACHS revises the indicators. Reporting of performance is to be to the WAHS and will be conducted monthly, will be set prior to the commencement of the contract year, and would apply throughout the year, unless the ACHS revises the indicators. This approach will enable ongoing performance monitoring and trend identification, and facilitate early warning of any potential problems.

6.3.4 Professional accountability

Professional accountability is also the subject of peer review under the Services Agreement. A peer review team will assess a number of high volume clinical procedures, with regard to the training of practitioners and staff, the procedures used, and their outcomes. The review team may recommend that the service provider improve its training or modify its practices, or invite the relevant College to discuss its practices and procedures. Failure to implement the recommendations within a reasonable time limit will incur a financial penalty on the service provider until compliance is demonstrated.

The Committee notes that this represents a new initiative on the accountability proposals incorporated in the Port Macquarie model, and welcomes it as part of the suite of quality assurance and accountability measures proposed at Hawkesbury.

6.3.5 Financial accountability

Financial accountability is proposed through the invoicing and payment procedures, whereby the service provider will submit its invoice at the end of each four-week period itemising the service charges and associated activity profiles. The WAHS may dispute the claim within two weeks, and unless the parties could resolve the matter within an agreed time frame, dispute resolution procedures apply.

The Committee notes that no reference is made within the Framework to any rights of access the WAHS may have to the records of the service operator in order to verify the delivery of services. The purpose of access would be to verify the provision of services in cases where dispute exists, and might be conducted by either the WAHS or an independent body. The Committee considers that such provision within the Services Agreement should be considered, subject to confidentiality provisions regarding the use to which such access may be put.

6.3.6 Accountability to the community

Accountability to the community is proposed through a number of mechanisms.

Firstly, the complaints procedures outlined in Section 6.2.1 provide the community the opportunity to respond to any perceived deficiencies in the services provided. Secondly, participation by community representatives on the Hawkesbury Community Board of

Advice provides a medium by which the community may participate in the ongoing operations of the hospital and ensure that its expectations are met.

Thirdly, the service provider is required to prepare an annual report on the operations of the hospital, copies of which are to be freely available to WAHS and members of the public. The Committee notes that this requirement is consistent with its recommendation in its inquiry into the Port Macquarie project.

The Framework specifies (p. 37):

> The Report should include (inter alia) the following topics:
>
> - Role of the Health Service
> - Objectives
> - Description of Services
> - Organisation Structure
> - Key Personnel
> - Medical Staff
> - Chairman's Report and Forecast
> - Chief Executive Officer's Report on Operations of the Health Service covering contractual performance including range and volume of services, achievement of quality standards, outcomes of reviews of high volume clinical services, community satisfaction services, waiting times for elective surgery.
> - Report of the Community Board
> - Chief Medical Officer's Report on Clinical Services
> - Public Health Activities
> - Health Service Auxiliary and Volunteer's Report
> - Statistical Analysis:
>   - Contract Performance
>   - Case Mix
>   - Rate of provision of services
>   - Performance Indicators
>   - Quality standards
> - Auditor's Report.

6.4 REPORTING REQUIREMENTS

The reporting requirements of the service provider are specified in the Framework in considerable detail. The following is a summary of the main elements of the proposed arrangements.

6.4.1 General reporting requirements

The service provider will be required to submit monthly reports setting out details of the services provided and a comparison with the budgeted level of services for the period and the year to date, together with variance analysis. A full analysis by Diagnosis Related Group (DRG) along with statistical indicators of the Quality Standards will also be required. Participation in the Health Department's inpatient and other statistical collections is also required.

6.4.2 Patient records and invoices

Detailed records will be required to accompany each invoice providing details of the services provided to public patients treated at the Health Service. Details are to be sufficient for the WAHS to verify all relevant information pertaining to the nature of the treatment provided and its duration.

6.4.3 Service budget analysis

Accompanying each monthly invoice, the service provider is required to submit a detailed analysis of activity in each of the service categories listed in the service budget. The analysis should reconcile the total services provided with the information contained in the individual patient records described above, as well as the services provided for the year to date and the service budget for the same period.

6.4.4 Reports on Quality Standards

A monthly report is required on the service provider's performance against specified performance indicators as contained in the Quality Standards. The analysis is based on a three-month rolling average against a group of peer hospitals, and the service provider's average must be equal to or greater than that for the peer group. The analysis should also reconcile information for the month with the information in the individual patient records information described above.

6.4.5 Annual report

The service provider is required to release an annual report which provides a wide range of information on the Health Service's activities in the previous year. Details of the minimum requirements of the annual report are described in Section 6.3.5 above.

6.5 CONCLUSIONS

The Framework for the Draft Services Agreement is intended to provide a basis for proponents participating in the tender process for the provision of health services in the Hawkesbury district under contract with the WAHS, to prepare the essential documentation required in the tender. The Framework also provides an overview of the overall contracting process, and the rights and obligations of each party under the terms of the proposed Services Agreement, and as such provides an appropriate vehicle for a review of the proposed arrangements.

In its review of the Framework, the Committee has not sought to determine whether or not a services agreement between the Health Department and a private hospital operator (either for-profit or not-for-profit) is necessarily an appropriate means for the future provision of public health services to the Hawkesbury population. Rather, the perspective adopted by the Committee has been that, given that a contract for services is proposed, the review

should focus on whether or not the documentation supporting the agreement is sufficient to ensure that the future health needs of the Hawkesbury community are catered for.

In making its observations on the documentation provided, the Committee recognises that the final contract will be completed only after a process of negotiation with the successful tenderer, and that the final contracts may differ in detail from that provided in this review. However, the documents reviewed by the Committee provide a framework for the final contract, and as such, represent the spirit which the Committee would expect to be incorporated in the final agreement.

The Committee considers that the Framework for the Draft Services Agreement provides sufficient detail for an appreciation of the main issues to be gained. It is clear that the Framework draws heavily on the experience gained from the Port Macquarie project, and the Committee notes that the documentation incorporates consideration of many of the recommendations made by the Public Accounts Special Committee in relation to the Port Macquarie project.

In regard to the overall content of the Framework, the Committee considers that the document provides adequate information on the nature of the services to be provided; the basis on which these services will be charged; the rights and responsibilities of each party under the terms of the contract; the rights of the community in regard to access to services and any charges to be levied; the quality assurance requirements and mechanisms for monitoring performance; and the repercussions of non-compliance with the terms of the contract. In each of these areas, the Committee considers that the Framework represents an acceptable input to the tender process, and a provides a means for negotiations to be initiated.

The allocation of risk under the proposed Services Agreement and other associated contracts indicates an equitable distribution of risk between the contracting parties, given their respective capital, operating and service obligations.

The Committee notes that the issue of staff eligibility for continued participation in the State superannuation scheme remains unresolved, and considers that this issue should be addressed as a matter of urgency.

A further area for concern is the disposition of the site at the end of the contract period. The Committee understands that there is no alternative suitable site above the flood plain, and that loss of access to this site at the end of the contract period may jeopardise the future provision of hospital services in the Hawkesbury district. Accordingly, the Committee considers that there is a strong case to provide for continued access to this site for the delivery of public health services beyond the contract term.

In regard to the issue of equity of access, the Framework provides considerable detail on how equity of access would be ensured under the Services Agreement. Information is provided on the proposed arrangements in regard to public patients, privately insured patients, the range of services to be provided, the capacity for future expansion, and community participation in the operations of the hospital.

The requirements in regard to accountability processes to be adopted under the Services Contract are also specified in considerable detail in the Framework. The appointment of a Contracts Manager by the WAHS and the service provider is considered to be a valuable initiative, and will provide a focal point for discussions between the parties. Accountability in regard to adherence to defined quality standards is proposed through accreditation and peer hospital comparisons, while professional accountability is also promoted through focused reviews of high volume procedures.

Financial accountability is proposed through the invoicing and payment processes, linked to the detailed reporting procedures to be implemented on an ongoing basis. The Committee notes, however, that no reference is made within the Framework to rights of access by the WAHS or the Health Department (perhaps through an independent body) to the records of the service provider for the verification of services, and considers that this is an area which warrants further consideration.

Accountability to the community is addressed through the participation of a Community Advisory Board to the Health Service, established mechanisms for complaints resolution, and the presentation of an annual report by the Health Service to be made available to the public.

The reporting requirements of the Draft Services Agreement are extensive, and parallel those of the Port Macquarie contract. Detailed reports are to be submitted on a monthly basis, including detailed activity, financial and quality performance reports which monitor performance against budgets as well as peer hospital activities.

As stated previously, the Committee has not sought to resolve the issue of whether or not the provision of public hospital services by a private hospital operator is appropriate. However, within the confines of the conditions which should apply in the operation of such a contract, the Committee considers that the Framework for the Draft Services Agreement provides adequate information about the procedures to apply in regard to equity of access, accountability and reporting requirements. As such, with some modifications to matters of detail as contained in the Committee's recommendations, the Committee considers that the documentation in relation to the Framework is adequate for the Tender process.

6.6 RECOMMENDATIONS

RECOMMENDATION 6

That the Wentworth Area Health Service and Department of Health incorporate within the Services Agreement or other associated contracts, a mechanism for the continued provision of public health services from the site beyond the term of the Services Agreement, particularly in the event that the agreement is not extended beyond the initial term.

RECOMMENDATION 7

That the Services Agreement incorporate provision for the Wentworth Area Health Service, perhaps through the agency of an independent body, to have access to such records of the service provider as may be required for the purposes of validating information provided to the WAHS under the terms of the Agreement.

7 THE TENDER BRIEF

7.1 THE TENDER PROCESS TO DATE

The tender process comprises two main stages—a call for expressions of interest, followed by an invitation to tender issued to a shortlist of applicants derived from the earlier stage. The process is overseen by an independent observer, whose role is to ensure that all participants are treated in a fair and equitable manner.

The call for expressions of interest was advertised from 18 September 1993, and closed on 14 October 1993. Five responses were received and subsequently evaluated using a set of agreed evaluation criteria by a Project Steering Committee. As a result of this evaluation, two organisations have been shortlisted, and are expected to receive invitations to submit detailed tenders for the expansion of health services to the Hawkesbury district. The shortlisted organisations are the Uniting Church of Australia and the Australian Catholic Health Care Association.

The invitation to tender will be accompanied by a Tender Brief. This document is designed to provide tenderers with sufficient information about the requirements of the WAHS in regard to the construction and operation of a hospital and associated community health services in the Hawkesbury district, with services to be provided to public patients under a contract with the WAHS.

The role of the Public Accounts Committee in reviewing the Tender Brief and associated documentation at this stage is complicated by the fact that the process is a continuing one, and is not yet completed. The final outcome of the overall process can only be properly evaluated once the tender has been awarded, and a contract finalised. It is only at that point that the final details of the Services Agreement will be available for scrutiny, and its provisions evaluated. In this context, the findings of the Committee at this time should be seen as an evaluation of the process to date, and of the proposals presented for the future.

7.2 OUTCOME OF THE EXPRESSIONS OF INTEREST STAGE

As previously stated, the outcome of the expressions of interest stage is the shortlisting of two organisations—the Uniting Church of Australia and the Australian Catholic Health Care Association.

During the course of the inquiry, a submission was made and evidence given by the National Association of Nursing Homes and Private Hospitals Inc., expressing concern about the process and the way in which for-profit hospital operators were evaluated. In evidence to the Committee, the Association stated:

> We are concerned that not equal merit has been given to all the parties which made submissions as a result of that EOI document, that not equal merit has been given to all criteria, and that the submissions made by the for-profit groups have been

> discriminated against to a certain extent simply because of their status as for-profit organisations.[11]

The Committee does not consider its role in the inquiry to include an evaluation of the outcome of the short-listing process, nor to comment on the weighting given to the various evaluation criteria in that process. However, to the extent that the process of short-listing may impact on equity of access to health services under the Services Agreement, the Committee has reviewed the basis on which the issue of the profit status of participants was included in the criteria.

The clear preference for a not-for-profit operator for the Hawkesbury Hospital was evident in the submissions and evidence provided to the Committee by a wide range of representatives from the Hawkesbury community. This preference has been fundamental to the support given by the Hospital Crisis Committee, the Hawkesbury City Council and other members of the community to the proposal to invite the private sector to participate in the hospital at Hawkesbury. It was emphasised to the Committee that a for-profit operator would be unacceptable to the community, and would result in a withdrawal of community support for the current development proposal.

The Health Department and WAHS have indicated that they are ambivalent on the issue of a for-profit versus a not-for-profit operator for the hospital, provided the selected operator is capable of providing the range of services at a standard of quality and cost that is acceptable. However, they have also indicated that they give considerable weight to the community's expectations across a wide range of issues that relate to the operations of the hospital.

Under these circumstances, it is appropriate that the inclusion of the profit status of the proponents in the evaluation criteria for the expressions of interest stage be listed as a requirement under the more general heading of "Community Expectations." Non-inclusion of this element would have failed to reflect the community's clearly enunciated views on this issue. The fact that considerable weight was ultimately given to this specific criterion was thus a combination of the weight given by the Department and the WAHS to community expectations, and the community's strong feelings on the issue of the profit status of the operator.

The Committee also noted, with some surprise, the wish of the private for-profit sector, as represented by the National Association of Nursing Homes and Private Hospitals Inc., to remain in the tendering process, despite its relatively low initial ranking. Previous experience of the Committee regarding private sector involvement in public infrastructure projects has been that private operators have wished to know as soon as possible if their bid is not likely to succeed. Such early notice prevents the unnecessary expenditure of further funds by private sector organisations on projects they have little chance of winning. The Committee believes that the early advice provided as a result of the expressions of interest process was appropriate.

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[11] Minutes of Evidence, p. 86.

The Committee also heard from the independent observer to the tender process, Mr A. Elmslie, on this issue, and was advised that he was satisfied that the expressions of interest process and the tender process to date have been applied fairly to all participants. He emphasised that his role is not to formulate the evaluation criteria used, nor their application to the individual proponents, but rather to ensure that they are applied fairly to all parties.

7.3 THE TENDER BRIEF

The Tender Brief is expected to provide proponents details of the environment in which a Services Agreement would operate, as well as the anticipated terms of the agreement itself. Whilst recognising that the final terms of the agreement will be determined only after a process of negotiation, the Tender Brief should provide sufficient information about the spirit of the WAHS's intentions and priorities to enable the tenderers to address them accordingly in their responses.

The Committee recognises that the parties invited to submit tenders have already signified their interest through participation in the expressions of interest stage, and have been selected for the tender stage based on the information they provided in the previous stage. A level of prior knowledge and understanding of the issues may therefore be assumed from the proponents. The Tender Brief in large part seeks to amplify the information provided by the proponents in the previous stage, in order to provide full and detailed information on which to base a final selection of the successful tenderer.

The Tender Brief itself is a relatively short document, but refers to the considerable detail provided in associated documents, including:

- Role Delineation of Health Services at Hawkesbury Hospital
- Projected Bed Requirements for Hawkesbury Hospital
- Expansion of Hawkesbury Hospital Services Planning Review Document
- Call for Expression of Interest
- The Framework for the Draft Services Agreement

These documents are inter-related, as shown in the previous chapter of this report, and in part represent a chronology of the development of the Tender Brief itself. As such, they should be read in conjunction with the Tender Brief in order to gain a full appreciation of the proposed development.

Having reviewed these documents, the Committee considers that the Tender Brief and associated documents provide an adequate reference source for the proponents to prepare a response to the invitation to tender. In particular, the section in the Tender Brief titled "Submission Requirements" provides a succinct and comprehensive coverage of the issues to be addressed in the tender responses. This is further assisted by the inclusion within the Brief of the criteria by which submissions are to be evaluated.

7.4 THE TENDER EVALUATION CRITERIA

The Tender Brief provides a detailed list of the criteria to be used in evaluating the proposals submitted by the invited tenderers. A total of 62 individual criteria are identified under the following headings:

- Essential
- Capacity of the Proponent to Deliver
- Funding
- Facility Standards
- Financial Feasibility
- Operational Policies
- Contractual Arrangements
- Suitability to Health Care Needs
- Impact on Other Health Care Facilities
- Quality Assurance
- Ability to Meet Community Expectations
- Community Consultation
- WAHS Management Participation.

The individual criteria are similar to those adopted in the expressions of interest stage, maintaining the consistency required in the overall process. They are also consistent with the range of issues canvassed by the Committee in its review of the Port Macquarie project, and reflect the concerns raised by the Committee in that inquiry.

The Committee's role does not extend to an assessment of the relative weights given to each of the criteria, but rather to comment on the adequacy of the criteria to assess the issues relevant to a decision on the successful tenderer. In this regard, the Committee considers that criteria provide a comprehensive range of issues to be considered in the evaluation of the proposals.

7.5 PROVISIONS IN THE TENDER BRIEF FOR EQUITY OF ACCESS, ACCOUNTABILITY AND REPORTING REQUIREMENTS

The requirements of equity of access to health services, the accountability of the service provider, and the reporting requirements under the terms of the contract are referred to in the Tender Brief by reference to the Framework for the Draft Services Agreement.

The Committee's views on the extent to which these issues are addressed in the Framework documentation are contained in Chapter 6 of this report, and should therefore be taken to apply equally to the Tender Brief.

In relation to the issue of equity of access, the Committee notes that the evaluation criteria in the Tender Brief include:

> 8.1 Services and levels of service offered compared with those proposed for the public sector facility.

8.2 Proposals for any health care services envisaged for the public facility which are not to be provided.
8.3 Proposals for other services not proposed for the public option (e.g. tertiary) . . .
11.1 Hospital and health services for public patients to be guaranteed for the long term from the site . . .
11.3 Preparedness to provide full range of services as determined by WAHS from time to time . . .
11.7 Equity of access and networking . . .
11.10 EEO, FOI and Anti Discrimination principles to apply . . .
12.6 Policy to address community concerns and complaints.[12]

The incorporation of these elements in the evaluation criteria is welcomed by the Committee, and indicates that proponents will need to ensure that the issue of equity of access is addressed in detail in their submissions, and indeed in practice when the contract is operational.

7.6 CONCLUSIONS

The Tender process comprises two main stages—a call for expressions of interest, followed by an invitation to tender issued to a shortlist of applicants derived from the earlier stage.

The expressions of interest stage for the expansion of health services in the Hawkesbury district has been completed, and resulted in the shortlisting of two organisations—the Uniting Church of Australia and the Australian Catholic Health Care Association. These organisations are expected to receive invitations to submit detailed tenders which expand on their original submissions.

The role of the Public Accounts Committee in reviewing the Tender Brief and associated documentation at this stage is complicated by the fact that the process is a continuing one, and is not yet completed. The final outcome of the overall process can only be properly evaluated once the tender has been awarded, and a contract finalised. In this context, the findings of the Committee at this time should be seen as an evaluation of the process to date, and of the proposals presented for the future.

The Committee heard evidence concerning the expressions of interest process, and the views expressed by some that the process discriminated against for-profit hospital operators relative to not-for-profit operators. Whilst the Committee's role does not extend to a review of the outcome of this process, consideration has been given to the process itself.

The preference for a not-for-profit operator is a clear outcome from the consultations with the Hawkesbury community, and has been fundamental to the community's support for the proposed developments. However, the Committee notes that there was reluctant support for a not-for profit hospital after the community was frustrated in its attempts to secure a public hospital.

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[12] Tender Brief, pp. 12-13.

The WAHS and Health Department have indicated that, whilst they are ambivalent as to the profit status of the operator, considerable weight is given by them to the community's expectations in general. Consequently, the weight given to this specific criterion was a combination of the weight given by the Department and the WAHS to community expectations, and the community's feelings on the issue of the profit status of the operator.

Without offering comment on any of the proponents who participated in the expressions of interest stage, the Committee considers that the processes applied during the expressions of interest stage in regard to the profit status of the proponents have been appropriate.

The Tender Brief itself is one of a number of documents to be provided to proponents for the provision of health services in the Hawkesbury district under a proposed Services Agreement with the WAHS. In combination, these documents are intended to provided tenderers with sufficient information about the expectations of WAHS to enable them to submit a comprehensive proposal which reflects their intentions and capabilities.

Having reviewed these documents, the Committee considers that the Tender Brief and related documents provide an adequate basis for the proponents to prepare a response to the invitation to tender. In particular, the section in the Tender Brief titled "Submission Requirements" provides a succinct and comprehensive coverage of the issues to be addressed in the tender responses. This is further assisted by the inclusion within the Brief of the criteria by which submissions are to be evaluated.

The Committee has also reviewed the evaluation criteria proposed for the evaluation of the tenders. Some 62 individual criteria are listed covering specific aspects to be addressed in the tender submission. The Committee considers this list provides a comprehensive coverage of the issues to be addressed in selecting a successful tenderer.

In regard to the specific issues of equity of access, accountability, and reporting requirements, the Tender Brief relies extensively on the Framework for the Draft Services Agreement for the specification of the requirements. The Committee's previous comments on each of these issues and the extent to which they are adequately addressed in the Framework documentation therefore apply equally to the Tender Brief.

The Committee notes that the issue of equity of access to health services is also addressed in a number of the evaluation criteria to be applied in the tender process. The Committee considers that this is indicative of the emphasis given to this issue throughout the development process, and welcomes its inclusion in the formal documentation.

Finally, the Committee notes that detailed financial proposals of the shortlisted proponents are required to be submitted as part of the tender process, and that these proposals will need to be carefully considered by the Department of Health and Wentworth Area Health Service.

APPENDIX 1: SUBMISSIONS TO THE INQUIRY

No.	Date received	Name/position	Organisation
S1	14.12.93	Leisa O'Connor (Executive Officer)	National Association of Nursing Homes and Private Hospitals Inc.
S2	10.12.93	Barry Calvert	Hawkesbury Hospital Defence Committee
S3	10.12.93	Christopher Rigby (Executive Director)	Australian Catholic Health Care Association
S4	10.12.93	Clr Wendy Sledge (Mayor), Rex Stubbs (Councillor), Paul Rogers (Councillor), Alison Sneddon	Hawkesbury City Council
S5* (E7)	17.12.93	Ross Wraight (Acting Director-General)	NSW Department of Health
S6 (E11)	22.12.93	Jeannette Margetts	Health and Research Employees Association, Hawkesbury Branch
S7 (E12)	22.12.93	Jeffrey Green	Hawkesbury Hospital Defence Committee
S8	6.1.94	T. M. Hamilton (Chief Executive Officer)	Wentworth Area Health Service
S9	28.1.94	Christopher Rigby (Executive Director)	Australian Catholic Health Care Association

* Submission includes the Framework for the Draft Services Agreement and Draft Tender Brief.

APPENDIX 2: WITNESSES AT PUBLIC HEARINGS

Date	Name	Organisation	Page nos*
17.12.93	R. Wraight, T. Hamilton & P. Rogers	Department of Health	2-35
	W. Jurd W. Sledge W. Westcott	Department of Health Hawkesbury City Council Hawkesbury Hospital	13-35
20.12.93	A. Elmslie	Independent reviewer	38-52
	W. Jurd W. Westcott	Department of Health Hawkesbury Hospital	53-61
	A. Elmslie	Independent reviewer	62
22.12.93	J. Margetts M. Moran	Health and Research Employees Association, Hawkesbury Branch NSW Nurses Association	64-69
	J. Green, R. Miller & B. Calvert	Hawkesbury Hospital Defence Committee	70-85
	L. O'Connor & A. Brotherhood	National Association of Nursing Homes and Private Hopsitals	86-97
	P. Rogers A. Elmslie	 Independent reviewer	98-107

* Page numbers in the Minutes of Evidence, produced in a separate volume

APPENDIX 3: EXHIBITS TABLED IN HEARINGS

17.12.93 **DEPARTMENT OF HEALTH and WENTWORTH AREA HEALTH SERVICE**

1. Expansion of Hawkesbury Hospital Services, Call for Expressions of Interest, Wentworth Area Health Service and NSW Health.
2. The Role Delineation of Health Services at Hawkesbury Hospital, based on NSW Department of Health's Guide to the Role Delineation of Health Services, June 1991 edition incorporating November 1992 revisions.
3. Projected Bed Requirements for Hawkesbury Hospital, prepared by NSW Health Services Research Group, Department of Statistics, University of Newcastle, for Wentworth Area Health Service and NSW Health.
4. Expansion of Hawkesbury Hospital Services, Planning Review Document, Wentworth Area Health Service and NSW Health.
5. Expansion of Hawkesbury District Health Services, Wentworth Area Health Service and NSW Health.
6. Expansion of Hawkesbury District Health Services, Evaluation of Expressions of Interest, Wentworth Area Health Service and NSW Health. (CONFIDENTIAL)
7. Expansion of Hawkesbury District Health Services, Submission to the Public Accounts Committee, incorporating Framework for the Draft Services Agreement and 17 December 1993 version of Draft Tender Brief, Wentworth Area Health Service and NSW Health (S5).
8. Wentworth Area Health Service Annual Report 1992-93.
9. Overhead transparencies used in presentation by the Department of Health and Wentworth Area Health Service.

HAWKESBURY HOSPITAL CRISIS COMMITTEE

10. Background to the Committee, background to the hospital, press clippings.

22.12.93 **HEALTH AND RESEARCH EMPLOYEES ASSOCIATION, HAWKESBURY BRANCH**

11. Submission (S6).

HAWKESBURY HOSPITAL DEFENCE COMMITTEE

12. Submission from Jeffrey Green (S7).

NATIONAL ASSOCIATION OF NURSING HOMES AND PRIVATE HOSPITALS INC.

13. Correspondence between the Minister for Health, the Wentworth Area Health Service, the Association, and the Moran Health Care Group Pty Ltd.

HAWKESBURY HOSPITAL CRISIS COMMITTEE

14. Annotated second draft of the Tender Specification, 10 December version, referred to as Document A in Minutes of Evidence. (CONFIDENTIAL)
15. Proposed changes to the 10 December draft Tender Specifications and draft Services Agreement, 13 December 1993, referred to as Document B in Minutes of Evidence. (CONFIDENTIAL)
16. Annotated draft of the Tender Specification, 17 December version, referred to as Document C in Minutes of Evidence. (CONFIDENTIAL)
17. Proposed changes to the 10 December draft Tender Specification, referred to as Document D in Minutes of Evidence. (CONFIDENTIAL)
18. Annotated Framework for the Draft Services Agreement, 10 December version, referred to as Document 1 in Minutes of Evidence. (CONFIDENTIAL)
19. Proposed changes to 10 December version of Framework for Draft Services Agreement, referred to as Document 2 in Minutes of Evidence. (CONFIDENTIAL)