

CABINET - SUBJECTS FOR CONSIDERATION, 26 FEBRUARY 2007 11:00 AM

Not relevant



1 New Initiatives/Policy Matters

Not relevant



102 HEACS/07/180

Minister for Health and Minister for Mental Health and
Substance Abuse's Item (John Hill and Gail Gago)
DEFERRED

Not relevant



102

HEALTH 2011-12
REVISED

**LOCKED
CABINET COVER SHEET**

LOCKED

1. TITLE: HEALTH REFORM

2. MINISTER: Hon John Hill MP
Minister for Health

Hon Gail Gago MLC
Minister for Mental Health and Substance Abuse

3. PURPOSE: This Cabinet Submission seeks Cabinet's approval to implement strategies that will achieve:

- cost containment and State financial sustainability
- improved clinical services and workforce attraction and retention
- improved health for all South Australians; and
- a new state of the art hospital to achieve service reform

4. RELEVANT GOVERNMENT POLICY AND/OR SOUTH AUSTRALIA'S STRATEGIC PLAN TARGET: The proposal will grow prosperity, improve wellbeing and health outcomes, build communities and expand opportunities in support of South Australia's Strategic Plan, Objectives 1, 2, 5 and 6.

5. ICT COMPONENT: Does the submission have a material ICT Component?
 No Yes

6. RESOURCES REQUIRED FOR IMPLEMENTATION:

Operating Expenses	2006-07	2007-08	2008-09	2009-10	2010-11	Total	Out Years
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Health	-0.80	-19.42	-26.77	-27.09	-25.43	-99.51	-197.08
DTEI	0	0	0	0	-13.70	-13.70	-13.70
Total Operating	-0.80	-19.42	-26.77	-27.09	-39.13	-113.21	-210.78
Investing							
Health	1.05	-18.94	-56.38	-195.49	-288.25	-558.01	-2641.44
DTEI		-14.00	-45.00	-66.00	-32.00	-157.00	
Total Investing	1.05	-32.94	-101.38	-261.49	-320.25	-715.01	-2641.44

7. COMMUNITY AND ENVIRONMENTAL IMPACT: Continuing to improve the health system will have a positive impact on the health of the community.

The development of the proposed new hospital will have positive impacts on the environment through environmental design, reduction in the utilisation of energy and potential remediation of a current contaminated site.

- 8. RISKS:** Allowing the health system to continue in its current form will lead to a further exacerbation in workforce shortages resulting in quality and safety issues, continued cost escalation, increasing hospital utilisation, longer waiting times for emergency care and for elective surgery, and decline in the overall health of the community.
- 9. CONSULTATION:** This is a 'locked' Cabinet Submission and consultation has been limited to the:
- Department of Treasury and Finance – Chief Executive
 - Department for Transport, Energy and Infrastructure – Chief Executive
 - Department of the Premier and Cabinet
 - Overview briefing to Chief Information Officer
- The development of this proposal has been guided by an Inter-Governmental Committee operating as a Sub Committee of Cabinet, comprising Department of Treasury and Finance, Department for Transport Energy and Infrastructure and the Department of Health.
- 10. COMMUNICATION STRATEGY:** A preliminary communication plan is appended to this submission.
- 11. URGENCY:** Normal Cabinet timeframe
- 12. RECOMMENDATIONS:** It is recommended that Cabinet:
- 4.1 Notes the need to continue the health system reforms with changes to health service delivery and a capital investment strategy as outlined in this submission.
 - 4.2 Approves Option 3 as the basis of consolidating some clinical services, reconfiguring metropolitan and country hospitals and investing in the construction of a new tertiary teaching hospital to replace the Royal Adelaide Hospital and to include complex services from The Queen Elizabeth Hospital.

- 4.3 Notes that, in approving Option 3, this means a number of hospital services will change as outlined in the submission, including:
- moving renal transplantation from The Queen Elizabeth Hospital to Royal Adelaide Hospital
 - expanding the range of services at Lyell McEwin Hospital
 - transferring obstetrics and paediatric services from Modbury Public Hospital to Women's and Children's Hospital
 - transferring vascular surgery from Repatriation General Hospital to Flinders Medical Centre
 - consolidating country obstetric and surgical services to a smaller number of country hospitals
- 4.4 Notes that development of mental health services and facilities is consistent with the report "Stepping Up" as provided by the Social Inclusion Board, including the achievement of the Glenside Master Plan, the development of metropolitan Intermediate Care Centres and Community Mental Health Centres and development of country mental health facilities within regional hospitals.
- 4.5 Approves the communication strategy and additional expenditure authority and appropriation to the Department of Health of \$800,000 in 2006/07 and additional expenditure authority of \$1.5 million over three years as set out in Section 3.42 commencing in 2007/08 to the Department of Health to enable the implementation of the communication strategy.
- 4.6 Approves additional expenditure authority of \$5 million to the Department of Health, in 2007/08, to enable a staff development/change management process to commence.

- 4.7 Approves additional operating budget and expenditure authority of \$92.23 million to the Department of Health over five years commencing in 2006/07 for expanded ICT services, and additional expenditure authority of \$197.08 million in the out years for ongoing expanded ICT services, as set out in Section 3.42.
- 4.8 Notes that the operating cost models project a level of expenditure greater than Health's current Forward Estimates.
- 4.9 Notes that the recommended Option 3 projects \$120 million in annual avoided costs. This represents a reduction in the rate of growth in operating expenditure not an absolute reduction in cost and achievement of the reduction in the rate of cost growth.
- 4.10 Approves the concept of a new hospital to replace the Royal Adelaide Hospital and parts of The Queen Elizabeth Hospital on railway land to the west of the Morphett Street Bridge.
- 4.11 Approves additional expenditure authority to the Department of Health of \$558.01 million over four years commencing in 2007/08 and additional expenditure authority of \$2.64 billion in the out years as set out in Section 3.42 to the Department of Health for the capital investment program.
- 4.12 Approves additional investing expenditure authority to the Department for Transport, Energy and Infrastructure of \$157 million over four years commencing in 2007/08 to enable site preparation and relocation of existing rail yard facilities.

- 4.13 Approves additional operating expenditure authority of \$13.7 million per annum (excluding depreciation) from 2010/11 to the Department for Transport, Energy and Infrastructure to meet additional operating costs due to relocation of rail yard facilities as per Section 3.42.
- 4.14 Notes the recommendation that the new hospital be called the Marjorie Jackson-Nelson Hospital and approves an approach to the Governor requesting the hospital be named in her honour.
- 4.15 Approves the closure of the Royal Adelaide Hospital following construction of the new central hospital and notes that consideration will be given to converting this site Botanic Gardens.

I declare that I have no actual or potential conflict of interest in relation to the proposals contained in this submission.



**JOHN HILL
MINISTER FOR HEALTH**

Date: 16/2/07



**GAIL GAGO
MINISTER FOR MENTAL HEALTH
AND SUBSTANCE ABUSE**

Date: 14/2/07

TO: THE PREMIER FOR CABINET

RE: HEALTH REFORM

1. PROPOSAL

1.1 This Submission seeks Cabinet's approval to implement a range of strategies that will enable the Health System to achieve:

- cost containment
- improved clinical services and health workforce viability
- improved health for South Australians; and
- a new state of the art hospital to achieve service reform

1.2 The urgency of these decisions relate to:

- increasing workforce pressures
- continued service growth that currently exceeds the projected levels of activity for 2011 as determined during the Generational Health Review
- current capital investment plans for Royal Adelaide Hospital (RAH) and The Queen Elizabeth Hospital (TQEH) that are at critical points and which will commit Government to a slow rate of reform, inappropriate service outcomes and potentially inappropriate investment if they continue; and
- availability of a possible site for the proposed new hospital.

1.3 The proposed service changes and new hospital, when fully implemented, will see South Australia positioned as a world leader in the provision of comprehensive, population based health care services which will:

- address expected workforce shortages
- reduce the current rate of growth in health expenditure
- meet National best practice for elective surgery and emergency department waiting times; and
- increase the health status of South Australians.

2. BACKGROUND

2.1 Since June 2006, Cabinet has been regularly briefed on issues facing the Health System.

2.2 In summary the issues are:

- increasing demand for hospital services placing significant pressure on emergency departments and hospital inpatient facilities where there has been unprecedented growth in emergency department

attendances (5.8 per cent or 17,900 attendances between 2004/05 and 2005/06) and in metropolitan hospital admissions (5.4 per cent or 14,650 admissions for the same period)

- an ageing health workforce where it is expected that 40 per cent of South Australia's health workforce will retire in the next 15 years and where the significant contraction in the size of the workforce by 2016 will see demand for workforce out stripping the available workforce
- increasing operating costs which are growing at around 8.5 per cent per annum, much larger than the rate of the State's revenue growth; and
- capital infrastructure that is old and in some cases either in the wrong place or duplicated relative to population need.

2.3 Previous activity projections have now been updated and these paint a picture of continued growth in hospital demand. Based on the past five years of average growth, it is estimated that an additional 110 metropolitan hospital beds will need to be built by 2011/12 but by 2021/22 an additional 340 built beds will be needed if current hospital centric service delivery models continue. The picture is much bleaker if projections are based purely on the unprecedented growth rate of the past 18 months where hospital bed requirements could be increased by another 50 per cent from that which is within the activity modelling.

2.4 South Australia has a high number of duplicated, expensive hospital services. This includes six adult intensive care units, four metropolitan obstetric units (five if the Gawler service is included), six adult metropolitan 24 hour emergency departments and four inpatient paediatric services.

2.5 Such duplication of services reduces the ability to achieve safe and high quality services, which would be greatly enhanced through consolidation and the achievement of a critical mass in clinical staffing essential for the provision of safe and high quality services.

2.6 In addition, other health productivity indicators for South Australia such as multi day hospital beds per 1,000 population, average length of hospital stay and same day hospital admission rates do not meet National benchmarks.

2.7 Given the projected workforce shortage, the increased demand and duplication of hospital services, South Australia needs to accelerate the rate of health service reform.

3. DISCUSSION

Summary

3.1 This submission covers the following key issues:

- exploration of three options for the future structure of health services and the recommendation of the preferred option

- the restructuring of metropolitan hospitals into three adult tertiary level hospitals and one maternal and children's tertiary hospital with the remaining being designated as general hospitals
- the designation of four major country hospitals which will support a range of smaller community hospitals and primary care services
- further development of GP Plus Health Care services to assist in improving the overall health of the community
- development of Mental Health Care Centres and other mental health services in support of the Social Inclusion Board's recommendations
- the development of State-wide clinical networks
- the development and upgrade of other health infrastructure including ICT; and
- the proposed construction of a new hospital on railway yards to the west of the Morphett Street Bridge to replace all services currently at RAH and some services currently at TQEH.

Option Development

3.2 Three options were developed to identify the most feasible way forward. The Options are fully outlined within a comprehensive Business Case which has been considered by the Department of Treasury and Finance. In summary the three options are.

- Option 1: Assumes continuation of the current way of delivering health services in a mainly hospital based service system.
- Option 2: Introduces a range of clinical service changes. This means the implementation of revised work practices that reduce the demand for hospital services through the expansion of hospital substitution and avoidance strategies. This option also includes expanding the capacity and service scope of Lyell McEwin Hospital (LMH) and refocusing the role of TQEH, Modbury Public Hospital (MPH) and Noarlunga Hospital. In this option RAH is retained as the major tertiary centre for South Australia. However, RAH requires further significant redevelopment which will take at least 15 years to complete. During this redevelopment period RAH will have a reduced capacity until completion of the upgrade. This will also reduce the speed at which the role changes for the other hospitals can be achieved.
- Option 3: Includes the service and hospital role changes as outlined in Option 2 but incorporates a new central hospital as an alternative to the ongoing investment in the refurbishment and rebuilding of RAH. This means that RAH can continue to fully function whilst the new hospital is constructed in only a seven - ten year period, enabling the role changes for the other hospitals to be achieved in a much shorter period of time.

Option Analysis

- 3.3 Each of the options has been modelled considering future hospital demand, service delivery, operating costs and capital investment requirements.
- 3.4 The following strategies are common to each option. These are:
- investment in information management systems, which is fundamental to improved service coordination and delivery between in hospital and out of hospital services
 - the implementation of the Social Inclusion Board's recommendations for mental health service reform, which includes redevelopment of Glenside, the provision of intermediate care facilities and the provision of community mental health care centres; and
 - the establishment of the 10 planned metropolitan GP Plus Health Care Services, a GP Plus Health Care Centre at Port Pirie and facility redevelopments at Ceduna and Barossa which include both inpatient and GP Plus components.
- 3.5 Option 1 is not recommended because it does not achieve financial and workforce sustainability with an increased hospital demand of 38 per cent in occupied bed days by 2016/17. This will require an increased investment in hospital infrastructure of approximately 170 metropolitan multi day beds by 2016/17 and approximately 340 beds by 2021/22 based on the projection modelling.
- 3.6 Option 2 goes some way towards accelerating reform but is not recommended as the proposed changes in the roles of the hospitals will take until approximately 2015/16 due to the need to significantly rebuild RAH. This delays the timeframe for service changes at other hospitals. Option 2 at an estimated capital cost of \$3.051 billion has a reduced requirement for investment as there are fewer additional hospital beds required. There is also a risk with Option 2 that clinicians will not support the service delivery changes.
- 3.7 Option 3 is recommended as it achieves service reform by 2011/12 and creates a catalyst for productivity improvements through the development of a new 'state of the art' central hospital to replace RAH and absorb some of the services currently provided at TQEH. This will also include expanded research and education facilities. Option 3 will convince the clinicians to take an active role in health reform.
- 3.8 Option 3 is estimated to cost \$3.515 billion, \$464 million more than Option 2 over the 15 year period. (This includes the cost of relocating the rail yard facilities).
- 3.9 Total capital investment for the three options is summarised in the following table.

	Option 1 \$m	Option 2 \$ m	Recommended Option 3
Hospitals	-2463.05	-2025.84	-2489.97
Mental Health Facilities	-163.81	-163.81	-163.81
GP Plus Health Care Centres	-175.58	-175.58	-175.58
Country Hospitals	-116.23	-116.23	-116.23
Additional Sustainment Investment	-569.74	-569.74	-569.74
Total New Investment Proposed	-3488.41	-3051.20	-3515.32
Less RAH Stage 4	116.81	116.81	116.81
Less Existing Mental Health Funding Provision	42.07	42.07	42.07
Net Lending Impact on State Budget	-3329.53	-2892.32	-3356.45

3.10 Options 2 and 3 achieve a range of productivity improvements, which include reduction in the numbers of beds per 1,000 population, a reduction in the length of hospital stay, a reduction in the rate of hospital admissions and increased performance in emergency department and elective surgery waiting times. However, Option 3 is preferred because the proposed productivity improvements are able to be achieved more quickly. Option 2 carries a significant risk that change will not be achieved at all.

3.11 The benefits inherent in Option 3 are that:

- the new central hospital will be designed using the most modern models of care and optimising the advantages that technology offers to recast the way in which the acute health system operates
- service changes will occur in seven years rather than 15 years as per Option 2
- the new hospital will be a catalyst for clinical networks to create their network plans based around a very modern facility
- the new hospital will allow RAH to continue to operate without the intense disruption that redevelopment will bring
- the new hospital will be designed to be earthquake proof; and
- the new hospital will be designed to the latest standards in water and energy efficiency and is expected to achieve the highest environmental performance for such a facility.

Operating Cost Analysis

3.12 This submission seeks to reduce the rate of growth in health expenditure it does not reduce the current level of expenditure. Furthermore, the modelling is based on the average of the past five years. The operating cost model assumes that all projected activity in Option 1 is fully-funded as it represents expected hospital demand based on the trends of the last five years.

HOSPITAL & COMMUNITY SERVICES EXPENDITURE	2005/06 \$m	2006/07 \$m	2007/08 \$m	2008/09 \$m	2009/10 \$m	2010/11 \$m	2011/12 \$m	2012/13 \$m	2013/14 \$m	2014/15 \$m	2015/16 \$m	2016/17 \$m
Option 1	2,461.8	2,585.0	2,720.6	2,862.3	3,010.3	3,164.8	3,333.3	3,501.1	3,676.2	3,859.0	4,048.9	4,249.7
Option 2	2,461.8	2,587.2	2,713.0	2,840.9	2,973.1	3,114.3	3,261.5	3,426.1	3,587.8	3,777.6	3,952.1	4,129.5
Option 3	2,461.8	2,587.2	2,707.0	2,833.0	2,963.2	3,102.2	3,246.0	3,412.9	3,577.2	3,770.2	3,948.6	4,129.7
Expenditure Avoided - Option 1 to Option 2	0.0	-2.2	7.6	21.4	37.1	50.5	71.8	75.0	88.4	81.4	96.7	120.2
Expenditure Avoided - Option 1 to Option 3	0.0	-2.2	13.6	29.2	47.1	62.6	87.4	88.2	99.0	88.8	100.2	120.0

Options 2 and 3 show operating costs avoided is the same by 2016/17 at \$120 million per year. Option 3 escalates more rapidly through the ability to progress the reforms at a faster pace in Option 3 than Option 2.

NPV analysis

- 3.13 A net present value analysis was undertaken and reviewed by DTF. This analysis identified that Option 2 has the more favourable net present value.
- 3.14 However, the Department is recommending Option 3 based on the clinical and infrastructure advantages identified elsewhere in this submission.

Option Analysis Summary

- 3.15 Given the service, investing and operating cost analysis of each of the options, it is recommended that Option 3 be considered by Cabinet. Under this option, for an extra \$464.12 million in investing funds, including the cost of relocating the railway facilities at \$157 million, the State will achieve a new hospital and all the reforms without the unnecessary delay that would occur in Option 2. A new hospital would also assist in creating the cultural and practice changes needed to achieve fully engaged clinicians within the reform process, a situation difficult to achieve within the current cultural and infrastructure arrangements.

Strengthening Primary Health Care/GP Plus Health Care Services

- 3.16 Government has previously announced the development of the GP Plus Health Care Strategy including the development of GP Plus Health Care Centres. The plan is to reach a distribution across the metropolitan area on the basis of approximately 1 per 100,000 people making a total of 10 centres for the metropolitan area. Country GP Plus type services will also be enhanced.

Enhancing Hospital Care through Hospital Role Delineation

- 3.17 It is proposed to establish a north south 'spine' of tertiary level hospitals across metropolitan Adelaide. These will be LMH, RAH and the Flinders Medical Centre (FMC). This means that LMH will be further developed to provide a broader range of complex clinical services. The Women's and Children's Hospital (WCH) will continue to be the tertiary hospital for complex maternal and children's care.
- 3.18 It is further proposed to develop TQEH, MPH and Noarlunga Hospital as general hospitals with a greater focus on the needs of their local communities. This means that TQEH will develop a rehabilitation service and an expanded palliative care service whilst continuing to provide general medical and surgical services. The renal transplant service at TQEH will eventually move to RAH to reduce the level of duplicated infrastructure between the two hospitals. However, other routine renal services including haemodialysis will remain at TQEH. When TQEH takes on its expanded role in rehabilitation, it is proposed

to move the current St Margaret's Rehabilitation Hospital activity to TQEH. This will allow a change of use for St Margaret's.

- 3.19 Four country hospitals, Mount Gambler, Port Lincoln, the Riverland and the Spencer Gulf, will have an expanded clinical profile to provide a number of services which are currently only available in Adelaide. These hospitals will form part of an integrated approach to country health services which will include lower level acute (including obstetric), primary health and aged care services located in mid-sized communities. Smaller communities will be supported by primary health care/GP Plus services with referral to the larger centres. Current State funded residential aged care accommodation within country hospitals will be capped at today's level with the expectation that the Australian Government will take on responsibility for future funding requirements for these services. If this does not occur a minimum of an additional 100 State funded nursing home type beds will be required across country health services by 2021/22. This additional investing and operating expenditure has not been included in the modelling.

(See Attachment 1 for a more detailed role delineation for each of the metropolitan and major country hospitals).

- 3.20 Key areas of consolidation of current hospital services are set out in the following table:

Level	Current/Option 1	Future Option 2 & 3
Tertiary Hospitals	5 + WCH	3 + WCH
Intensive Care Units	6 + WCH	3 + WCH
Metro Obstetric Units	4	3
Paediatric Units	4	3
Complex Paediatric Units	2	1
Rehabilitation Services	2 + 1 smaller unit	2 main + 3 smaller units Plus country units
Palliative Care Services	4	4 expanded
Mental Health Services Acute	As per SIB Report	As per SIB Report
Mental Health Services Community	As per SIB Report	As per SIB Report
Aged Assessment	2	5
Enhanced Country General Hospitals	0	4
Country Community Hospitals/GP Plus Health Care Centres	35	35

Mental Health

- 3.21 The Government will soon release the Social Inclusion Board's report on Mental Health. This proposal incorporates the implementation of these recommendations in accordance with previous Cabinet approvals.

Clinical Networks

- 3.22 In November the Minister for Health announced the development of State-wide Clinical Networks as a way of increasing the level of clinician

involvement in the planning of health services. Clinical Networks are multidisciplinary groups that work to provide leadership and strategic planning for clinical service development across the continuum of care and across all regional health services both country and metropolitan.

3.23 Eight clinical networks will be established in the first two years of this proposal. These will be in the specialties of cancer, renal, mental health, maternal and neonatal health, child health, cardiology, rehabilitation and orthopaedics.

3.24 Clinical networks will assist in fully integrating service provision across hospital sites and GP Plus Health Care Services in a more coordinated and structured way. Clinical networks will also assist in reducing duplication by consolidating services between sites, by addressing the clinical skills shortage into the future and further enhancing teaching opportunities for junior staff to build our future workforce.

3.25 Clinical networks will also assist in implementing clinical practice changes that will:

- reduce hospital length of stay to national benchmarks
- increase the rate of same day admissions as a proportion of the total
- decrease hospital admissions through the expansion of hospital substitution and avoidance strategies
- improve the level of chronic disease management within primary health care services
- improve elective surgery response times; and
- reduce emergency department waiting times.

Capital Infrastructure and Sustainability

3.26 A comprehensive analysis of health capital infrastructure has been undertaken which demonstrates that significant investment above the current forward estimates is required across the entire hospital, primary health and country health facilities. This will ensure the ongoing sustained operation of health facilities enabling the health reforms to progress.

3.27 There are six main features of the capital program that are essential to success. These are:

- completing TQEH redevelopment and making it suitable for its new role
- continuing the expansion program at LMH to enable more health services to be provided
- constructing the new central hospital as quickly as possible to enable the service changes to occur over seven to ten years instead of 15 years
- developing GP Plus Health Care Centres and Mental Health Care Centres/Intermediate Care Centres and 24 Hour Supported Accommodation Places; and

- establishing a significant sustainability fund that will enable the remainder of the health business critical infrastructure to be renewed to ensure ongoing operation.
- 3.28 34 per cent of metropolitan hospital buildings and 43 per cent of country hospital buildings contain critical infrastructure that is more than 35 years old, which are in poor condition and in pressing need for investment. Some of the reform projects will address these critical infrastructure issues, but a significant portion of the other hospital infrastructure will be unaddressed, unless additional investment beyond current capital program funding is provided.
- 3.29 Funding required to address these critical sustainment needs over the next 15 years for buildings and biomedical equipment is \$570 million. This will enable the business critical aspects of all key health facilities to be brought to a reliable state. This anticipates that 25 per cent of Health's assets will reach a business critical renewal age in that period and need to be addressed in a planned and targeted way.
- 3.30 The table below summarises the capital impact of the recommended Option.

RECOMMENDED OPTION 3	2006-07	2007-08	2008-09	2009-10	2010-11	Out-years	Totals
Total Metropolitan Hospitals		-22.26	-74.32	-140.73	-185.49	-2067.18	-2489.97
Total Mental Health Facilities		-11.82	-29.04	-66.77	-40.30	-15.88	-163.81
Total Metropolitan GP Plus		-1.44	-7.16	-35.57	-52.55	-78.86	-175.58
Total Country Hospitals		-0.93	-6.53	-21.49	-44.71	-42.57	-116.23
Total Additional Sustainment Funding		-14.74	-20.25	-25.23	-30.16	-479.36	-569.74
Proposed Total Health Investing Required		-51.19	-137.29	-289.79	-353.21	-2,683.85	-3,515.32
Less RAH Stage 4		6.00	15.00	20.45	32.96	42.40	116.81
Less Existing Mental Health Funding Provision	1.05	12.25	20.92	7.85			42.07
Net Lending Impact on State Budget	1.05	-32.94	-101.38	-261.48	-320.25	-2,641.45	-3,356.45

(See Attachment 2 for a complete list of the capital requirements that support the reform proposal).

New Hospital Site

- 3.31 The Inter-Governmental Committee explored eight potential sites for the proposed new hospital.
- 3.32 The preferred option is the railway yard to the west of the Morphett Street Bridge. This is the preferred option due to its location, size of site, ownership and ease of transport access particularly with the proposed extension of the tram line. The site offers significant opportunity to create a development that could contribute to the life and vitality of the western aspect of the city. The site is currently zoned as parklands. The Attorney General's Departmental advice is that the land held by TransAdelaide may be transferred without legislation to a Minister or instrumentality of the Crown for the purposes of the proposed hospital.

- 3.33 Costs of \$157 million associated with relocating the current functions of the rail yard have been included in the total cost of the project. If the rail car depot and refuelling activities are relocated ahead of a future electrification program, there will be additional cash operating costs to service, maintain and refuel the current diesel powered based train fleet. Depending on the eventual location of the new car depot and related infrastructure (say Islington or Dry Creek) the additional operating cost to operate the train fleet is estimated at \$13.7 million per annum plus additional depreciation costs (non cash) of \$7 million per annum.
- 3.34 The rail yard relocation costs would be incurred regardless of the final use of the site. However, the accounting treatment of the relocation costs and its impact on the balance sheet needs to be determined once the ownership of the new railway site is determined.

Procurement

The New Hospital

- 3.35 For a project of this size there are two principal financing routes:
- Grant funded project with Government accessing the capital market through SAFA; or
 - Private sector funded project with the private sector using the capital market for financing (PPP).
- 3.36 The decision on which financing option is selected should be based on the option that has the least cost and risk to Government and that provides the best value outcome.
- 3.37 Following analysis and consideration by the Intergovernmental Committee, the recommended procurement option is for Government to manage and grant fund the project in preference to a PPP. This recognises that a PPP will require an additional 18 months of planning time.

Procurement

GP Plus Health Care Centres and Mental Health Care Centres

- 3.38 The delivery of the GP Plus Health Care strategy will require creation over time of new centres to replace and increase existing community health facilities. These facilities do not need to be owned by Government and lend themselves to a PPP type delivery with all risks except the delivery of the health services residing with the private sector provider.

Health Care Centres are generally less specialised than major public hospitals and can be delivered off-budget as PPPs.

Industry Capacity

- 3.39 Given the level of design and construction required it will be important consider the capacity of the South Australian construction industry to deliver economically within the overall capital program of Government. Prioritisation across all Government projects may be required to ensure that Government achieves reliable outcomes and value for money as any 'over heating' of construction capacity will create significant volatility in capital cost estimates.

3.40 Information and Communication Technology

New and enhanced information management systems will be fundamental to the achievement of the accelerated reforms. Clinical, booking, decision support and administrative systems must be linked across providers and sites to support clinical networks and integrated services within GP Plus Health Care and Mental Health Care Centres; web-based facilities must be developed to facilitate access to clinical and decision support systems from non-hospital settings.

However, implementing these systems will require the supporting information infrastructure to be upgraded and ageing clinical systems to be replaced to support the new health service structure. This will require an increased investment in ICT program funding across all three options of \$289.3 million over the next 15 years as per the table in Section 3.51. (The State's Chief Information Officer has not formerly assessed the proposals).

3.41 Economic, financial and budgetary implications

As indicated the projected growth in hospital demand will place increasing pressure on the State budget and require a significantly increased proportion of the State budget to be allocated to Health.

The recommended Option is designed to reduce this growing burden by providing alternative care options which are projected to reduce the growth in operating expenditure by \$120 million per annum by 2016/17.

Notwithstanding the proposed service restructure, the Health Portfolio will require additional expenditure above the current forward estimates to meet the projected demand for hospital services based on the last five years of actual growth. It is noted that this issue will be dealt with through the normal 2007/08 budget process.

There will also be social and financial advantages to the community as a result of the reform process which can not be directly measured in financial terms.

It is important to note that uncertainties in estimating escalation across such a large investment program may cause unexpected increases in funding requirements. The request for funding is based on escalation of 6 per cent. If escalation grows beyond 6 per cent during the current Forward Estimates an additional \$30 million will be required, based on 6 per cent in 2007/08, 7 per cent in 2008/09 and 9 per cent in 2009/10.

If escalation grows over the entire program an estimated additional \$220 million will be required based on a 9 per cent escalation rate.

3.42 Required Resources

Operating

Required operating funds for both Health and DTEI are set out in the following table:

Operating Expenses	2006-07	2007-08	2008-09	2009-10	2010-11	Total	Out Years
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
HEALTH							
New recurrent funding							
Marketing	-0.80	-0.51	-0.28	-0.68		-2.27	
Transition		-5.00				-5.00	
ICT		-13.91	-26.49	-26.41	-25.43	-92.24	-197.08
Total new recurrent funding	-0.80	-19.42	-26.77	-27.09	-25.43	-99.51	-197.08
DTEI							
						Ongoing	
New recurrent funding					-13.7	-13.7	-14.0
Net Operating Impact	-0.80	-19.42	-26.77	-27.09	-39.13	-113.21	-211.08

- Operating funds for Health will be required to cover the initial marketing campaign associated with launching the proposal, to provide a change management program across the health system in Year 1 and to provide information communication technology essential to the ongoing reform process.
- Operating Funds for Department for Transport, Energy and Infrastructure are associated with the impact of relocating the railway yard functions.

Investing

Investing Expenditure	2006-07	2007-08	2008-09	2009-10	2010-11	Total	Out Years	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
HEALTH								
Metropolitan Hospitals		-22.26	-74.32	-140.73	-185.49	-422.80	-2067.18	-2489.98
Mental Health Facilities		-11.82	-29.04	-66.77	-40.30	-147.93	-15.88	-163.81
GP Plus Health Care Centres		-1.44	-7.16	-35.57	-52.55	-96.72	-78.86	-175.58
Country Health Facilities		-0.93	-6.53	-21.49	-44.71	-73.66	-42.57	-116.23
Sustainment Funding		-14.74	-20.25	-25.23	-30.16	-90.38	-479.36	-569.74
Total new investing	0.00	-51.19	-137.30	-289.79	-353.21	-831.49	-2,683.85	-3,515.34
Less Existing Funding	1.05	18.25	35.92	28.30	32.96	116.48	42.00	158.48
Net Investing Impact - Whole Project	1.05	-32.94	-101.38	-261.49	-320.25	-715.01	-2,641.85	-3,356.86
DTEI - Investing incl above metro hospital line		-14.00	-45.00	-66.00	-32.00	-157.00		

3.43 South Australia's Strategic Plan

This proposal links to South Australia's Strategic Plan in the areas of growing prosperity; improving wellbeing; building communities; expanding opportunity and reducing health inequity.

South Australia's Strategic Plan seeks to grow the population to 2 million by 2050. The majority of this growth will occur in the later part of the planning timeframe for this proposal with the medium term impact of this growth on health services able to be accommodated within the proposal.

3.44 Staffing Implications

The implementation of this proposal will over time involve the creation of new jobs, the development of existing staff and the potential movement of staff from traditional hospital based positions to community based positions.

New training opportunities will be created through the GP Plus Health Care Centres and Mental Health Care Centres, and expanded opportunities for research activities will also become available.

The proposed capital program and ICT investment will create additional positions within the construction and information management industries for the duration of the program.

3.45 Impact on the Community and the Environment

Implementing the proposal will have a positive effect on the health of the community. This will be achieved by taking primary health care and prevention services closer to where people live through GP Plus Health Care Centres and Mental Health Care Centres. However, the redefinition of hospital roles will mean that some people may need to travel a little further for some of the more complex hospital based services.

There will be increased opportunities to access health care and potentially increased work force opportunities in country areas.

Regulatory Impact

There are no known regulatory impacts.

Regional Impact

Regional communities will benefit from improved primary health care services, mental health services and hospital based services.

Business Impact

At this stage there are no known consequences for small business with the hospital strategy.

It is not the intention to set up GP Plus Health Care Centres in competition with other health services and discussions are in progress on identifying the best service model that facilitates a cooperative approach with other health services.

It is expected that major capital, information management and change management initiatives will generate significant opportunities for local enterprises.

Environmental Impact

If the proposed new hospital is supported, the environment will be improved by returning approximately 3.8 hectares of the existing RAH site to botanic gardens. It is also proposed that the new hospital be constructed on an existing industrial site (although zoned as parklands) leading to the upgrading of the site and improving its image as part of a modern and well planned city.

The development of the proposed new hospital will have positive impacts on the environment through environmental design, reduction in the utilisation of energy and potential remediation of a current contaminated site. Through design a formal linking of the city to the related section of the River Torrens will also occur making the river more accessible to the community.

The RAH is one of the largest users of electricity in the State and creates significant amounts of grey water and medical waste. A new hospital would be built to current environmental standards which would contribute to a reduction in the State's greenhouse emissions and reuse of grey water.

3.46 Impact on Families and Society

The impact on families and society will be improved health outcomes, improved social inclusion and a greater contribution to the State's workforce and economy.

3.47 Risk Management Strategy

The key risks in the recommended Option 3 which includes the service changes and the construction of the new hospital are:

- Achieving the changed hospital service distribution
The biggest risk after the announcement of the new hospital will be to achieve the changes at TQEH and MPH with the change in the service profiles of these hospitals. This will be managed through the further development of clinical networks and increased involvement of clinicians in planning for service provision and distribution.
- Consultation about the proposal
Due to the sensitive nature of the proposal, extensive consultation has not been possible. There is a risk that the changes proposed will not be acceptable to clinicians. This will be managed through

the Clinical Networks and through the provision of information to the broader clinical workforce.

- Achieving the reduction in the growth in hospital service demand
This will be managed through a progressive and managed reallocation of resources to hospital substitution programs and changed clinical work practices.
- Achieving the reduction in hospital length of stay
This will be managed through performance monitoring and linking activities to reduce length of stay with hospital substitution programs and through hospital work practice redesign.
- Managing the overall cost of service delivery
Improved governance and accountability arrangements will aid in managing the overall cost of service delivery.
- Funding risk in assuming that actual activity will correlate with the projections as the proposed funding is based on the assumption of the trend line values only. Should there be significant increased variation between actual activity and the trend line, funding within the model will be insufficient. This is particularly relevant if the unprecedented growth in activity of the past 18 months is ongoing.
- Estimating the projected capital investment required particularly for the new hospital
This risk has been managed through detailed comparative analysis of new hospitals planned within other States.
- Capacity of the construction industry to satisfy the design and construction time frame from a workforce and manufacturing capacity
Government may need to prioritise across all investment projects and may need to work with the industry on ways to increase its capacity as a link to population growth.
- Opposition to the proposed site for the new hospital
This will be managed through an extensive communication plan which will include information about the transfer of the existing RAH site back to parklands at the conclusion of the new hospital construction program.

3.48 Consultation

Due to the sensitivities of this submission, consultation has been limited to:

- The Department of Treasury and Finance
- The Department for Transport, Energy and Infrastructure
- The Department of the Premier and Cabinet
- Chief Information Officer – high level briefing

The health service and capital strategy has been developed under the guidance of a Sub Committee of Cabinet comprising the Chief Executives of the Department of Treasury and Finance, the Department for Transport, Energy and Infrastructure and the Department of Health.

- 3.49 To further develop and refine the service plan and capital strategy consultation with community, clinician and other stakeholders will be required. A further Cabinet Note will be provided that outlines the proposal in a form that can be released to the community as a Health Service Plan.
- 3.50 **Implementation Plan**
A detailed implementation plan will be developed following Cabinet's deliberations.
- 3.51 **Communication Strategy**
A communication strategy is provided at Attachment 3.
- 3.52 **Executive Council**
Executive Council approval is not required for this submission.

4. RECOMMENDATIONS

It is recommended that Cabinet:

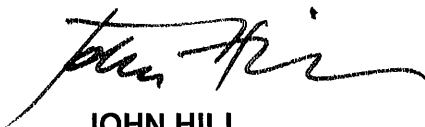
- 4.1 Notes the need to continue the health system reforms with changes to health service delivery and a capital investment strategy as outlined in this submission.
- 4.2 Approves Option 3 as the basis of consolidating some clinical services, reconfiguring metropolitan and country hospitals and investing in the construction of a new tertiary teaching hospital to replace the Royal Adelaide Hospital and to include complex services from The Queen Elizabeth Hospital.
- 4.3 Notes that, in approving Option 3, this means a number of hospital services will change as outlined in the submission, including:
- moving renal transplantation from The Queen Elizabeth Hospital to Royal Adelaide Hospital
 - expanding the range of services at Lyell McEwin Hospital
 - transferring obstetrics and paediatric services from Modbury Public Hospital to Women's and Children's Hospital
 - transferring vascular surgery from Repatriation General Hospital to Flinders Medical Centre
 - consolidating country obstetric and surgical services to a smaller number of country hospitals
- 4.4 Notes that development of mental health services and facilities is consistent with the report "Stepping Up" as provided by the Social Inclusion Board including the achievement of the Glenside Master Plan,

the development of metropolitan Intermediate Care Centres and Community Mental Health Centres and development of country mental health facilities within regional hospitals.

- 4.5 Approves the communication strategy and additional expenditure authority and appropriation to the Department of Health of \$800,000 in 2006/07 and additional expenditure authority of \$1.5 million over three years as set out in Section 3.42 commencing in 2007/08 to the Department of Health to enable the implementation of the communications strategy.
- 4.6 Approves additional expenditure authority of \$5 million to the Department of Health, in 2007/08, to enable a staff development/change management process to commence.
- 4.7 Approves additional operating budget and expenditure authority of \$92.23 million to the Department of Health over five years commencing in 2006/07 for expanded ICT services, and additional expenditure authority of \$197.08 million in the out years for ongoing expanded ICT services, as set out in Section 3.42.
- 4.8 Notes that the operating cost models project a level of expenditure greater than Health's current Forward Estimates.
- 4.9 Notes that the recommended Option 3 projects \$120 million in annual avoided costs. This represents a reduction in the rate of growth in operating expenditure not an absolute reduction in cost and achievement of the reduction in the rate of cost growth.
- 4.10 Approves the concept of a new hospital to replace the Royal Adelaide Hospital and parts of The Queen Elizabeth Hospital on railway land to the west of the Morphett Street Bridge.
- 4.11 Approves additional expenditure authority to the Department of Health of \$558.01 million over four years commencing in 2007/08 and additional expenditure authority of \$2.64 billion in the out years as set out in Section 3.42 to the Department of Health for the capital investment program.
- 4.12 Approves additional investing expenditure authority to the Department for Transport, Energy and Infrastructure of \$157 million over four years commencing in 2007/08 to enable site preparation and relocation of existing rail yard facilities.
- 4.13 Approves additional operating expenditure authority of \$13.7 million per annum (excluding depreciation) from 2010/11 to the Department for Transport, Energy and Infrastructure to meet additional operating costs due to relocation of rail yard facilities as per Section 3.42.
- 4.14 Notes the recommendation that the new hospital be called the Marjorie Jackson-Nelson Hospital and approves an approach to the Governor requesting the hospital be named in her honour.

102

- 4.15 Approves the closure of the Royal Adelaide Hospital following construction of the new central hospital and notes that consideration will be given to converting this site to Botanic Gardens.



**JOHN HILL
MINISTER FOR HEALTH**

Date: 16.2.07

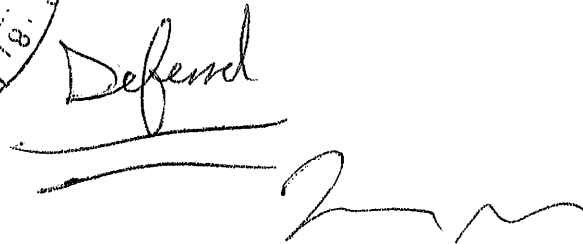
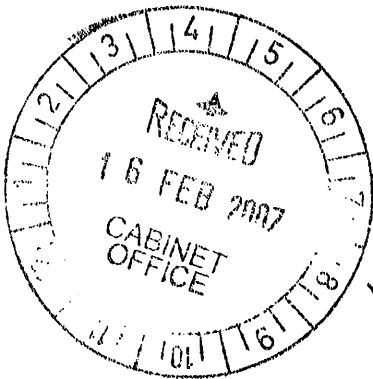


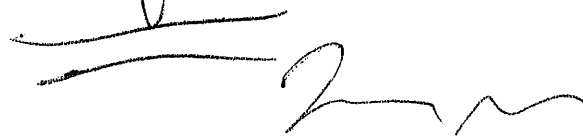
**GAIL GAGO
MINISTER FOR MENTAL
HEALTH AND SUBSTANCE
ABUSE**

Date: 16/2/07

Attachments:

- 1. Role delineation for each hospital
- 2. Capital requirements to support the health service plan
- 3. Communication Strategy



Defend


MINUTES forming ENCLOSURE to

File T&F06/0871

Doc No TF07D00814

To Executive Director, Finance and Administration, Department of Health

COSTING COMMENT: HEALTH REFORM

The Department of Health is seeking Treasury and Finance comments on the draft Cabinet submission, "*Health Reform*". These comments relate only to the costs and budget impacts in the draft submission and cannot be construed to imply support for this policy or initiative.

Please attach a copy of this Costing Comment to the Cabinet Submission.

ISSUES

The submission seeks Cabinet approval to implement strategies that will reform the Health system, including the construction of a new central hospital.

COSTING COMMENT

Cost Assessment

Treasury and Finance advises that there are significant costs associated with this submission.

Three options were developed to address the increasing workforce pressures and continued service growth being experienced by Health as well as issues arising in current capital investment plans. An NPV analysis was undertaken on the cost of each option. Treasury and Finance has reviewed the NPV analysis and it appears reasonable. While Option 2 has the more favourable NPV, Option 3 is recommended as the preferred option based on clinical and infrastructure advantages.

Option 3 includes the following additional operating expenditure:

- \$92.24 million over four years commencing in 2007-08 to upgrade and expand ICT services (with total costs to 2021-22 of \$289.32 million);
- \$5 million in 2007-08 to implement a change management program;
- \$2.27 million over four years commencing in 2006-07 to fund a communication strategy; and
- \$13.7 million from 2010-11 (on-going) to operate the train fleet from a new location.

Option 3 also includes significant additional investing expenditure (\$3.4 billion), including:

- \$1,834 million for a new hospital (including \$157 million to relocate the current function of the rail yard west of the Morphet Street Bridge – the preferred site);
- \$1,112 million to build additional GP Plus Health Care Centres and mental health community centres, as well as redevelop existing metropolitan and country hospitals and Glenside; and
- \$570 million for annual programs.

These building costs are partly offset by the reallocation of \$159 million from Health's existing investing program

All costings in the submission have been calculated over 15 years to 2021-22.

The submission proposes a broad reform agenda. The financial and hospital activity modelling developed to estimate the cost of the three options, has been independently reviewed by KPMG. The capital investment model was also reviewed by Davis Langdon. However, separate business cases have not been developed on many of the proposals and therefore cost estimates are indicative only at this stage.

There is some risk that the estimated reduction in hospital service demand will not be achieved. This will need to be managed internally by Health to ensure a reallocation of resources to hospital substitution programs and changes in clinical work practices. Further, the construction industry may not be able to deliver the overall capital program within the proposed timelines and costs in the context of skilled labour and management shortages in the building and construction industry.

Budget Impact

Treasury and Finance advises that approval of the submission will have the following impact on the government net lending position and/or net operating result:

Budget Impact Table ⁽¹⁾

	2006-07 \$000	2007-08 \$000	2008-09 \$000	2009-10 \$000	2010-11 \$000	Total \$000	Out-years \$000
Operating Expenses:							
<u>Department of Health</u>							
<i>Communication Strategy</i>	- 800	- 510	- 280	- 680	-	- 2,270	-
<i>Change Management Program</i>	-	- 5,000	-	-	-	- 5,000	-
<i>ICT Program</i>	-	- 13,910	- 26,490	- 26,410	- 25,430	- 92,240	- 197,080
Total Health	- 800	- 19,420	- 26,770	- 27,090	- 25,430	- 99,510	- 197,080
DTEI	-	-	-	-	- 13,700	- 13,700	- 13,700 ⁽²⁾
Net Operating Balance⁽³⁾	- 600	- 19,420	- 26,770	- 27,090	- 39,130	- 113,210	
Investing Payments:							
<u>Department of Health</u>							
<i>New Hospital</i>	-	- 3,250	- 1,030	- 5,530	- 39,530	- 49,340	- 1,627,670
<i>Other capital projects⁽⁴⁾</i>	1,050	- 950	- 35,100	- 164,720	- 219,560	- 418,280	- 534,430
<i>Additional Annual Program funding</i>	-	- 14,740	- 20,250	- 25,230	- 30,160	- 90,380	- 479,360
Total Health	1,050	- 18,940	- 56,380	- 195,480	- 288,250	- 558,000	- 2,641,460
DTEI (new hospital costs)⁽⁵⁾	-	- 14,000	- 45,000	- 66,000	- 32,000	- 157,000	-
Net Lending Impact⁽³⁾	1,050	- 32,940	- 101,360	- 261,480	- 320,250	- 715,000	- 2,641,460

(1) Negatives indicate increases in agency spending or reductions in revenues (deterioration in net lending). Positives indicate savings or increases in revenue (improvement to net lending)


(2) On-going per annum cost

(3) Impact on net operating balance and net lending does not reflect the offsetting impact of payroll tax at the whole of government level.

(4) Includes redevelopment of existing metro acute and country hospitals as well as mental health initiatives, primary health centres (includes reallocations from RAH Stage 4 and mental health funding)

(5) Costs associated with relocating the current functions of the rail yard.

The submission treats the relocation of the rail yard as an investing payment. Depending on the ownership of the relocated rail assets, the accounting treatment of the relocation costs and the impact on the budget will need to be reviewed.


Gerard MacDonald
DIRECTOR, ACCOUNT MANAGEMENT

16 February 2007

Contact Officer: Margaret Uylaki
Telephone: 8226 3137

cc D Imber
BD&C

ATTACHMENT 1

METROPOLITAN AND COUNTRY HOSPITAL ROLE DELINEATION

The effect of the proposed reconfiguration of hospital services is as follows:

- Country Hospitals: Expand the clinical scope of four country hospitals to enable more locally based services to be provided. These hospitals are proposed to be those at Mt Gambler and Pt Lincoln, the Riverland and the Iron Triangle. These hospitals will be supported by a number of integrated facilities providing lower level acute, primary health and aged care services which will be located in mid sized communities with primary health care/GP Plus services provided for small communities.
- Spine of Major Hospitals: Expand the capacity and service scope of the Lyell McEwin Hospital so that it becomes the third of three adult tertiary hospitals with the Royal Adelaide Hospital and Flinders Medical Centre. The Women's & Children's Hospital would continue to be the tertiary maternal and children's hospital.
- The Queen Elizabeth Hospital: Will have a new role as a general hospital. It will focus on the needs of its local population and will provide a new rehabilitation service, a focus on chronic disease and services for the elderly whilst continuing to provide palliative care and mental health. Use of TQEH for dedicated elective surgery is to be explored. This means that over time the Intensive Care Unit will transfer to become a high dependency unit and renal transplant will transfer to the Royal Adelaide Hospital.
- Modbury Public Hospital: Will remain a general hospital but will also provide a base for a GP Plus Health Care Centre. It will provide rehabilitation services for those recovering from complex illnesses and provide an expanded palliative care service. Modbury may also have a role as a dedicated elective surgery facility. This means that once the hospital transfers back to Government management, the paediatric service will be transferred to the Women's & Children's Hospital and in time the obstetric unit (approximately 600 births) will be transferred to the Women's & Children's Hospital and the intensive care unit will not be required.
- Lyell McEwin Hospital: Will progressively grow in capacity over the next ten years to become a tertiary level hospital meeting most of the needs of its growing local community.
- Repatriation General Hospital: Will focus its role as a specialist hospital providing rehabilitation, palliative care and mental health services for the southern suburbs. This means that, with veteran support all surgical specialties, the intensive care unit and some medical specialties will transfer to Flinders Medical Centre.

In this capacity RGH will retain its special focus for veteran care through rehabilitation, palliative care and mental health and will receive veteran patients from other tertiary hospitals for their post acute recovery care.

- Noarlunga Health Service: Will continue as a general hospital and will expand its capacity to provide for a broader scope of service in meeting the needs of its local catchment area.
- Flinders Medical Centre: Will remain a tertiary level hospital but will require additional capacity to enable it to accommodate the acute services such as vascular, clinical oncology and ophthalmology currently based at RGH.
- Services for Children: Consolidating hospital services for children who are at clinical risk, who require major surgery or long lengths of hospital stay will be a key component of the new strategy. This means that children who are very sick will receive their care at the Women's & Children's Hospital. Children who have chronic diseases or short term non life threatening illnesses will be able to receive their care closer to where they live. LMHS and FMC will maintain a role in ambulatory or low level services to children and Modbury's current paediatric service will transfer to the WCH.
- Obstetric Services: Consolidating the metropolitan hospital based obstetric services in three hospitals, (Lyell McEwin Hospital, the Women's & Children's Hospital and Flinders Medical Centre) is a further key component of the strategy. This means that pregnant women will be able to receive their antenatal and postnatal care closer to home in community based services but the hospital stay will be provided in three units (rather than five). It is also anticipated that country obstetric services will be consolidated over time due to staffing shortages, reduced birthing rates and safety issues. This will result in fewer country sites offering full obstetric services. Part of the obstetric strategy will be to increase birthing choices for women through community midwifery programs.
- Pathology Services: Establishing a single State-wide pathology service by bringing together the three existing public pathology services to maximise existing infrastructure, address future staffing shortages and reduce expensive overheads.
- Outpatient Services: Establishing new models of delivering outpatient services to assist in taking these services closer to where people live as part of the development of GP Plus Health Care Centres and community based mental health primary care services.

ATTACHMENT 2

CAPITAL REQUIREMENTS IN SUPPORT OF THE REFORM PLAN

Project	\$m
Metropolitan Hospital Projects	
New Hospital	1834.00
RAH Temporary Ward Upgrade to speed services consolidation	14.98
FMC Additional 60 Beds	23.35
Modbury Ward Upgrade for 20 added beds	10.71
LMHS Stage C Redevelopment growing tertiary capacity	224.96
Noarlunga Stage 2 - Hospital Redevelopment	31.38
TQEH Stage 3 Redevelopment Reduced Scope	233.30
WCH 4th floor Medical Ward Redevelopment	117.29
Total Metropolitan Hospital New Investment	2489.97
Mental Health Projects	
Glenside Hospital Redevelopment *	119.69
Fit-out Mental Health Care Centres	25.92
Country Mental Health Facilities	1.20
Mental Health Intermediate Care Centres (x4)	17.00
Total Mental Health Investment	163.81
GP Plus Health Care Centres	
Aldinga GP Plus Health Centre Extension	10.70
CBD GP Plus Health Care Centre Fit-out	21.10
GP Plus Health Care Satellite Fit-outs at Salisbury, Seaford and Woodcroft	14.40
Glenside GP Plus Health Care Centre Fit-outs	13.58
Modbury GP Plus Health Care Centre Fit-out	15.30
Noarlunga GP Plus Health Care Centre Fit-out	32.00
Port Adelaide and Enfield GP Plus Health Care Centre Fit-outs	34.30
RGH GP Plus Health Care Centre Fit-out	17.10
West Beach GP Plus Health Care Centre Fit-out	17.10
Total Metropolitan Primary Health Capital Investment	175.58
Country Projects	
Barossa Hospital Redevelopment	67.73
Ceduna Hospital Redevelopment	36.01
Port Pirie GP Plus Redevelopment	12.49
Total Country Investment	116.23
Additional Sustainment Funding	569.74
Proposed Total Health Investing Required	3,515.33
Less RAH Stage 4A	-116.81
Less Existing Mental Health Funding	-42.07
Net Lending Impact on State Budget	3,356.45

* Note: This is an estimated cost as if it were a grant funded project. This will be the subject of another Cabinet Submission relating specifically to the redevelopment of Glenside.

ATTACHMENT 3

COMMUNICATION STRATEGY

Executive Summary

Background

This strategy is produced for Cabinet consideration. It outlines a Communication Strategy for the launch, consultation and implementation of the proposal over the next three years, with a focus on the first 12 months following the launch.

The objectives of this Communication Strategy are to:

- Ensure the public and stakeholders have a contextual understanding of the need for significant changes to the SA Health System to ensure its longer term relevance and sustainability;
- Ensure the public and stakeholders are informed of proposed changes to the SA Health System, with the goal of generating their understanding, acceptance and support for the changes;
- Encourage the involvement and collaboration of all stakeholders, consumers and the community in working towards improved health status;
- Provide positive momentum for implementing the structural elements of this proposal;
- Encourage and empower members of the community to take responsibility for their own health;
- Demonstrate the changes delivered by the proposal against Objective 2 of South Australia's Strategic Plan 2007: Improving Wellbeing.

Communication Strategy theme

The theme of the proposal will build on key planks of the South Australian Strategic Plan; differentiates South Australia as a pro-active leader in health service delivery; and positions the proposal on a positive platform. It also is broad enough to provide context for all components of the proposal, relevant to all stakeholders and flexible enough to be applied directly to each of the components of the proposal as they are rolled out.

Launch strategy

The Strategy has been developed to allow its delivery in stages if required and incorporates a communication strategy and implementation plan for each key stakeholder group, utilising all appropriate forms of communication including but not limited to public relations, stakeholder consultation, advertising and collateral materials. Further, it recognises the potential for issues to arise in relation to the proposal, proactively addressing those that may be predicted while recognising the potential need for others to be managed as they emerge.

It is recommended that the communication program supporting this proposal commences with a major media event announcing all facets of the proposal as a comprehensive response to the State's future health care challenges, but focused on the plan to develop a new central hospital. Additional details of other components of the plan would then be revealed in finer detail over a six-to 12 month period in a process of consultation and communication with stakeholders and the community.

This approach is recommended ahead of a gradual roll-out of initiatives as it:

- Provides a clear vision for the State's Health Services and a context for consultation and implementation of each of element of the plan – all within the context of the South Australian Strategic Plan 2007;
- Is in line with the recommendation of the Generational Health Review that the *lead into reform ... be well structured, clear and directive in its intention*;
- Has the potential to create a strong positive initial impact on stakeholders and the community while creating immediate momentum for change;
- Allows "side issues" to be managed (and addressed through appropriate communication) within the overall context of proposal – thereby minimising communication risks.

Communication components

A broad range of communications is proposed to support the announcement and roll-out of the proposal, including:

- Stakeholder briefings – initially for key stakeholders/influencers but over time extended to members of the broader community where appropriate;
- Public relations – media publicity, events and communication issues management. Given the "third party credibility" of the media, this component of the communication strategy is critical to the success of the communication of the proposal;
- Advertising – an over-arching campaign is proposed to allow the unfettered and controlled communication of the context and content of the proposal in its initial stages, with specific campaigns proposed to support specific elements of the proposal, if required;
- Events – the communication program will encompass a number of events designed to provide a focus for elements of the plan as they are unveiled and rolled-out;
- The proposed website / electronic communications program will be fundamental to achieving two way communication between the Department of Health and the community;
- Collateral material including broad public information brochures and flyers supporting specific initiatives will be used to reach and inform key stakeholders;
- Signage and asset branding will provide a valuable means of demonstrating and celebrating the physical components of the proposal.

Evaluation

A matrix of success measurements are proposed to measure the success of the Communication Strategy against the implementation of the proposal and the realisation of the goals set by the SA Strategic Plan. These would be set and measured by the Department of Health.

February 2007

10204
MINUTES forming ENCLOSURE to

File T&F06/087
Doc No TF07D00814

REVISED

To Executive Director, Finance and Administration, Department of Health

COSTING COMMENT: HEALTH REFORM

The Department of Health is seeking Treasury and Finance comments on the draft Cabinet submission, "*Health Reform*". These comments relate only to the costs and budget impacts in the draft submission and cannot be construed to imply support for this policy or initiative.

Please attach a copy of this Costing Comment to the Cabinet Submission.

ISSUES

The submission seeks Cabinet approval to implement strategies that will reform the Health system, including the construction of a new central hospital.

COSTING COMMENT

Cost Assessment

Treasury and Finance advises that there are significant costs associated with this submission.

Three options were developed to address the increasing workforce pressures and continued service growth being experienced by Health as well as issues arising in current capital investment plans. An NPV analysis was undertaken on the cost of each option. Treasury and Finance has reviewed the NPV analysis and it appears reasonable. While Option 2 has the more favourable NPV, Option 3 is recommended as the preferred option based on clinical and infrastructure advantages.

Option 3 includes the following additional operating expenditure:

- \$92.24 million over four years commencing in 2007-08 to upgrade and expand ICT services (with total costs to 2021-22 of \$289.32 million);
- \$5 million in 2007-08 to implement a change management program;
- \$2.27 million over four years commencing in 2006-07 to fund a communication strategy; and
- \$13.7 million from 2010-11 (on-going) to operate the train fleet from a new location.

Option 3 also includes significant additional investing expenditure (\$3.4 billion), including:

- \$1,834 million for a new hospital (including \$157 million to relocate the current function of the rail yard west of the Morphett Street Bridge – the preferred site);
- \$1,112 million to build additional GP Plus Health Care Centres and mental health community centres, as well as redevelop existing metropolitan and country hospitals and Glenside; and
- \$570 million for annual programs.

These building costs are partly offset by the reallocation of \$159 million from Health's existing investing program

All costings in the submission have been calculated over 15 years to 2021-22.

The submission proposes a broad reform agenda. The financial and hospital activity modelling developed to estimate the cost of the three options, has been independently reviewed by KPMG. The capital investment model was also reviewed by Davis Langdon. However, separate business cases have not been developed on many of the proposals and therefore cost estimates are indicative only at this stage.

There is some risk that the estimated reduction in hospital service demand will not be achieved. This will need to be managed internally by Health to ensure a reallocation of resources to hospital substitution programs and changes in clinical work practices. Further, the construction industry may not be able to deliver the overall capital program within the proposed timelines and costs in the context of skilled labour and management shortages in the building and construction industry.

Budget Impact

Treasury and Finance advises that approval of the submission will have the following impact on the government net lending position and/or net operating result:

Budget Impact Table ⁽¹⁾

	2006-07 \$000	2007-08 \$000	2008-09 \$000	2009-10 \$000	2010-11 \$000	Total \$000	Out-years \$000
Operating Expenses:							
<u>Department of Health</u>							
<i>Communication Strategy</i>	- 800	- 510	- 280	- 680	-	- 2,270	-
<i>Change Management Program</i>	-	- 5,000	-	-	-	- 5,000	-
<i>ICT Program</i>	-	- 13,910	- 26,490	- 26,410	- 25,430	- 92,240	- 197,080
Total Health	- 800	- 19,420	- 26,770	- 27,090	- 25,430	- 99,510	- 197,080
DTEI	-	-	-	-	- 13,700	- 13,700	- 13,700 ⁽²⁾
Net Operating Balance⁽³⁾	- 800	- 19,420	- 26,770	- 27,090	- 39,130	- 113,210	
Investing Payments:							
<u>Department of Health</u>							
<i>New Hospital</i>	-	- 3,250	- 1,030	- 5,530	- 39,530	- 49,340	- 1,627,670
<i>Other capital projects⁽⁴⁾</i>	1,050	- 950	- 35,100	- 164,720	- 218,560	- 418,280	- 534,430
<i>Additional Annual Program funding</i>	-	- 14,740	- 20,250	- 25,230	- 30,160	- 90,380	- 479,360
Total Health	1,050	- 18,940	- 56,380	- 195,480	- 288,250	- 558,000	- 2,641,460
DTEI (new hospital costs)⁽⁵⁾	-	- 14,000	- 45,000	- 66,000	- 32,000	- 157,000	-
Net Investing	1,050	- 32,940	- 101,380	- 261,480	- 320,250	- 715,000	- 2,641,460
Net Lending Impact⁽³⁾	250	- 52,360	- 128,150	- 288,570	- 359,380	- 828,210	

(1) Negatives indicate increases in agency spending or reductions in revenues (deterioration in net lending). Positives indicate savings or increases in revenue (improvement to net lending)

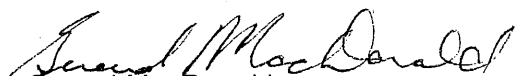
(2) On-going per annum cost

(3) Impact on net operating balance and net lending does not reflect the offsetting impact of payroll tax at the whole of government level.

(4) Includes redevelopment of existing metro acute and country hospitals as well as mental health initiatives, primary health centres (includes reallocations from RAH Stage 4 and mental health funding)

(5) Costs associated with relocating the current functions of the rail yard.

The submission treats the relocation of the rail yard as an investing payment. Depending on the ownership of the relocated rail assets, the accounting treatment of the relocation costs and the impact on the budget will need to be reviewed.


Gerard MacDonald
DIRECTOR, ACCOUNT MANAGEMENT

20 February 2007

Contact Officer: Margaret Uylaki
Telephone: 8226 3137

cc D Imber
BD&C

102

TO: THE EXECUTIVE DIRECTOR, CABINET OFFICE

ATTENTION: SENIOR CABINET CLERK

FAX: 8226 3566

NOTIFICATION OF A CABINET NOTE WITH LIMITED DISTRIBUTION

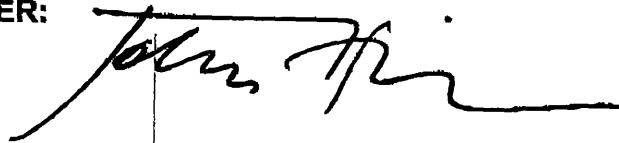
I request that the following submission be 'locked' due to its sensitivity. This means that it is only to be viewed by: Ministers only.

Title: Health Reform

Date of meeting: 26 February 2007

File number: HEACS/07/180

SIGNATURE OF MINISTER:



Portfolio: Health

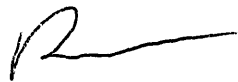
Date: 15/2/2007

Minister's Contact Officer for discussion with Cabinet Office

Name: Yvette Latty

Telephone: 36272

NOTED



R. Rice

~~Adam Graycar~~
Executive Director, Cabinet Office

A/

16/2/07

102

**LOCKED
CABINET COVER SHEET**

LOCKE

- 1. **TITLE:** HEALTH REFORM
- 2. **MINISTER:** Hon John Hill MP
Minister for Health

Hon Gail Gago MLC
Minister for Mental Health and Substance Abuse
- 3. **PURPOSE:** This Cabinet Submission seeks Cabinet's approval to implement strategies that will achieve:
 - Cost containment and State financial sustainability
 - Improved clinical services and workforce attraction and retention
 - Improved health for all South Australians
 - A new state of the art hospital to achieve service reform
- 4. **RELEVANT GOVERNMENT POLICY AND/OR SOUTH AUSTRALIA'S STRATEGIC PLAN TARGET:** The proposal will grow prosperity, improve wellbeing and health outcomes, build communities and expand opportunities in support of South Australia's Strategic Plan, Objectives 1, 2, 5 and 6.

- 5. **ICT COMPONENT:** Does the submission have a material ICT Component?
 No Yes

6. RESOURCES REQUIRED FOR IMPLEMENTATION:

Operating Expenses	2006-07	2007-08	2008-09	2009-10	2010-11	Total	On-going
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Health	-0.80	-19.42	-26.77	-27.09	-25.43	-99.51	-197.08
DTEI	0	0	0	0	-13.70	-13.70	-14.00
Total Operating	-0.80	-19.42	-26.77	-27.09	-39.13	-113.21	-211.08
Investing							
Health	1.05	-14.94	-28.38	-195.49	-320.25	-558.01	-2641.85
DTEI	0	-18	-73	-86	0	-157	
Total Investing	1.05	-32.94	-101.38	-261.49	-320.25	-715.01	-2641.85

- 7. **COMMUNITY AND ENVIRONMENTAL IMPACT:** Continuing to improve the health system will have a positive impact on the health of the community.

The development of the proposed new hospital will have positive impacts on the environment through environmental design, reduction in the utilisation of energy and potential remediation of a current contaminated site.


- 8. RISKS:** Allowing the health system to continue in its current form will lead to a further exacerbation in workforce shortages resulting in quality and safety issues, continued cost escalation, increasing hospital utilisation, longer waiting times for emergency care and for elective surgery, and decline in the overall health of the community.
- 9. CONSULTATION:** This is a 'locked' Cabinet Submission and consultation has been limited to the:
- Department of Treasury and Finance – Chief Executive
 - Department for Transport, Energy and Infrastructure – Chief Executive
 - Department of the Premier and Cabinet
 - Overview briefing to Chief Information Officer
- The development of this proposal has been guided by an Intergovernmental Committee operating as a Sub Committee of Cabinet, comprising Department of Treasury and Finance, Department for Transport Energy and Infrastructure and the Department of Health.
- 10. COMMUNICATION STRATEGY:** A preliminary communication plan is appended to this submission.
- 11. URGENCY:** Normal Cabinet timeframe
- 12. RECOMMENDATIONS:** It is recommended that Cabinet:
- 4.1 Notes the need to continue the health system reforms with changes to health service delivery and a capital investment strategy as outlined in this submission.
 - 4.2 Approves Option 3 as the basis of consolidating some clinical services, reconfiguring metropolitan and country hospitals and investing in the construction of a new tertiary teaching hospital to replace the Royal Adelaide Hospital and to include complex services from The Queen Elizabeth Hospital.

- 4.3 Notes that, in approving Option 3, this means a number of hospital services will change as outlined in the submission, including:
- moving renal transplantation from TQEH to RAH
 - expanding the range of services at LMH
 - transferring obstetrics and paediatric services from Modbury to WCH
 - transferring vascular surgery from RGH to FMC subject to support from the veteran community
 - consolidating country obstetric and surgical services to a smaller number of country hospitals
- 4.4 Notes that development of mental health services and facilities is consistent with the report “Stepping Up” as provided by the Social Inclusion Board including the achievement of the Glenside Master Plan, the development of metropolitan Intermediate Care Centres and Community Mental Health Centres and development of country mental health facilities within regional hospitals.
- 4.5 Approves the communication strategy and additional expenditure authority and appropriation to the Department of Health of \$800,000 in 2006/07 and additional expenditure authority of \$1.5 million over three years as set out in Section 3.42 commencing in 2007/08 to the Department of Health to enable the implementation of the communications strategy.
- 4.6 Approves additional expenditure authority of \$5 million to the Department of Health, in 2007/08, to enable a staff development/change management process to commence.

- 4.7 Approves additional operating budget and expenditure authority of \$92.23 million to the Department of Health over five years commencing in 2006/07 for expanded ICT services, and additional expenditure authority of \$197.08 million in the out years for ongoing expanded ICT services, as set out in Section 3.42.
- 4.8 Notes that the operating cost models project a level of expenditure greater than Health's current Forward Estimates. However, Health's activity and non wage budget pressures experienced in 2006/07 and forecast across the Forward Estimates will be considered as part of the 2007/08 budget process.
- 4.9 Notes that the recommended Option 3 projects \$120 million in annual avoided costs. This represents a reduction in the rate of growth in operating expenditure not an absolute reduction in cost and achievement of the reduction in the rate of cost growth assumes that current and forecast activity and non wage budget pressures will be funded as part of the 2007/08 budget process.
- 4.10 Approves the concept of a new hospital to replace the Royal Adelaide Hospital and parts of The Queen Elizabeth Hospital on railway land to the west of the Morphett Street Bridge.
- 4.11 Approves additional expenditure authority to the Department of Health of \$715.01 million over four years commencing in 2007/08 and additional expenditure authority of \$2.64 million in the out years as set out in Section 3.42 to the Department of Health for the capital investment program.

- 4.12 Approves additional investing expenditure authority to the Department for Transport, Energy and Infrastructure of \$157 million over four years commencing in 2007/08 to enable site preparation and relocation of existing rail yard facilities.
- 4.13 Approves additional operating expenditure authority of \$13.7 million per annum (excluding depreciation) from 2010/11 to the Department for Transport, Energy and Infrastructure to meet additional operating costs due to relocation of rail yard facilities as per Section 3.42.
- 4.14 Notes the recommendation that the new hospital be called the Marjorie Jackson-Nelson Hospital and approves an approach to the Governor requesting the hospital be named in her honour.
- 4.15 Approves the closure of the Royal Adelaide Hospital following construction of the new central hospital and approves the conversion of the Royal Adelaide Hospital site to the Botanic Gardens.

I declare that I have no actual or potential conflict of interest in relation to the proposals contained in this submission.



**JOHN HILL
MINISTER FOR HEALTH**

Date: 15.2.07



**GAIL GAGO
MINISTER FOR MENTAL HEALTH
AND SUBSTANCE ABUSE**

Date: 15/2/07

TO: THE PREMIER FOR CABINET

RE: HEALTH REFORM

1. PROPOSAL

1.1 This Submission seeks Cabinet's approval to implement a range of strategies that will enable the Health System to achieve:

- Cost containment and State financial sustainability
- Improved clinical services and health workforce viability
- Improved health for South Australians
- A new state of the art hospital to achieve service reform

1.2 The urgency of these decisions relate to:

- Increasing workforce pressures
- Continued service growth that currently exceeds the projected levels of activity for 2011 as determined during the Generational Health Review.
- Current capital investment plans for RAH and TQEH that are at critical points and which will commit Government to a slow rate of reform, inappropriate service outcomes and potentially inappropriate investment if they continue
- Availability of a possible site for the proposed new hospital

1.3 The proposed service changes and new hospital, when fully implemented, will see South Australia positioned as a world leader in the provision of comprehensive, population based health care services which will:

- Address expected workforce shortages
- Reduce the current rate of growth in health expenditure
- Meet national best practice for elective surgery and emergency department waiting times and
- Increase the health status of South Australians

2. BACKGROUND

2.1 Since June 2006, Cabinet has been regularly briefed on issues facing the Health System.

2.2 In summary the issues are:

- Increasing demand for hospital services placing significant pressure on emergency departments and hospital inpatient facilities where there has been unprecedented growth in emergency department attendances (5.8% or 17,900 attendances between 2004/05 and

- 2005/06) and in metropolitan hospital admissions (5.4% or 14,650 admissions for the same period).
- An ageing health workforce where it is expected that 40% of South Australia's health workforce will retire in the next 15 years and where the significant contraction in the size of the workforce by 2016 will see demand for workforce out stripping the available workforce
 - Increasing operating costs which are growing at around 8.5% per annum, much larger than the rate of the States revenue growth and
 - Capital infrastructure that is old and in some cases either in the wrong place or duplicated relative to population need
- 2.3 Previous activity projections have now been updated and these paint a picture of continued growth in hospital demand. Based on the past five years of average growth, it is estimated that an additional 110 metropolitan hospital beds will need to be built by 2011/12 but by 2021/22 an additional 340 built beds will be needed if current hospital centric service delivery models continue. The picture is much bleaker if projections are based purely on the unprecedented growth rate of the past 18 months where hospital bed requirements could be increased by another 50% from that which is within the activity modelling.
- 2.4 South Australia has a high number of duplicated, expensive hospital services. This includes six adult intensive care units, four metropolitan obstetric units (five if the Gawler service is included), six adult metropolitan 24 hour emergency departments and four inpatient paediatric services.
- 2.5 Such duplication of services reduces the ability to achieve safe and high quality services which would be greatly enhanced through consolidation and the achievement of a critical mass in clinical staffing essential for the provision of safe and high quality services.
- 2.6 In addition, other health productivity indicators for South Australia such as multi day hospital beds per 1,000 population, average length of hospital stay and same day hospital admission rates do not meet national benchmarks.
- 2.7 Given the projected workforce shortage, the increased demand and duplication of hospital services, South Australia needs to accelerate the rate of health service reform.

3. DISCUSSION

Summary

- 3.1 This submission covers the following key issues:
- Exploration of three options for the future structure of health services and the recommendation of the preferred option.
 - The restructuring of metropolitan hospitals into three adult tertiary level hospitals and one maternal and children's tertiary hospital with the remaining being designated as general hospitals.

- The designation of four major country hospitals which will support a range of smaller community hospitals and primary care services.
- Further development of GP Plus Health Care services to assist in improving the overall health of the community.
- Development of Mental Health Care Centres and other mental health services in support of the Social Inclusion Board's recommendations.
- The development of statewide clinical networks.
- The development and upgrade of other health infrastructure including ICT and
- The proposed construction of a new hospital on railway yards to the west of the Morphett Street Bridge to replace all services currently at the Royal Adelaide Hospital and some services currently at The Queen Elizabeth Hospital.

Option Development

3.2 Three options were developed to identify the most feasible way forward. The Options are fully outlined within a comprehensive Business Case which has been considered by the Department of Treasury and Finance. In summary the three options are.

Option 1: Assumes continuation of the current way of delivering health services in a mainly hospital based service system.

Option 2: Introduces a range of clinical service changes. This means the implementation of revised work practices that reduce the demand for hospital services through the expansion of hospital substitution and avoidance strategies. This option also includes expanding the capacity and service scope of LMH and refocusing the role of TQEH, Modbury Hospital and Noarlunga Hospital. In this option the RAH is retained as the major tertiary centre for South Australia. However, the RAH requires further significant redevelopment which will take at least 15 years to complete. During this redevelopment period RAH will have a reduced capacity until completion of the upgrade. This will also reduce the speed at which the role changes for the other hospitals can be achieved.

Option 3: Includes the service and hospital role changes as outlined in Option 2 but incorporates a new central hospital as an alternative to the ongoing investment in the refurbishment and rebuilding of the RAH. This means that the RAH can continue to fully function whilst the new hospital is constructed in only a seven - ten year period, enabling the role changes for the other hospitals to be achieved in a much shorter period of time.

Option Analysis

3.3 Each of the options has been modelled considering future hospital demand, service delivery, operating costs and capital investment requirements.

- 3.4 The following strategies are common to each option. These are:
- Investment in information management systems which is fundamental to improved service coordination and delivery between in hospital and out of hospital services.
 - The implementation of the Social Inclusion Board's recommendations for mental health service reform which includes redevelopment of Glenside, the provision of intermediate care facilities and the provision of community mental health care centres.
 - The establishment of the 10 planned metropolitan GP Plus Health Care Services, a GP Plus Health Care Centre at Port Pirie and facility redevelopments at Ceduna and Barossa which include both inpatient and GP Plus components.
- 3.5 Option 1 is not recommended because it does not achieve financial and workforce sustainability with an increased hospital demand of 38% in occupied bed days by 2016/17. This will require an increased investment in hospital infrastructure of approximately 170 metropolitan multi day beds by 2016/17 and approximately 340 beds by 2021/22 based on the projection modelling. Overall Option 1 is the most expensive capital option at \$3.488 billion.
- 3.6 Option 2 goes some way towards accelerating reform but is not recommended as the proposed changes in the roles of the hospitals will take until approximately 2015/16 due to the need to significantly rebuild the RAH. This delays the timeframe for service changes at other hospitals. Option 2 at an estimated capital cost of \$3.051 billion has a reduced requirement for investment as there are fewer additional hospital beds required. There is also a risk with Option 2 that clinicians will not support the service delivery changes.
- 3.7 Option 3 is recommended as it achieves service reform by 2011/12 and creates catalyst for productivity improvements through the development of a new 'state of the art' central hospital to replace the RAH and absorb some of the services currently provided at TQEH. This will also include expanded research and education facilities.
- 3.8 Option 3 is estimated to cost \$3.515 billion, \$464 million more than Option 2 over the 15 year period. (This includes the cost of relocating the rail yard facilities.)
- 3.9 The benefits inherent in Option 3 are that:
- The new central hospital will be designed using the most modern models of care and optimising the advantages that technology offers to recast the way in which the acute health system operates
 - Service changes will occur in seven years rather than 15 years as per Option 2
 - The new hospital will be a catalyst for clinical networks to create their network plans based around a very modern facility

- The new hospital will allow RAH to continue to operate without the intense disruption that redevelopment will bring
- The new hospital will be designed to be earthquake proof
- The new hospital will be designed to the latest standards in water and energy efficiency and is expected to achieve the highest environmental performance for such a facility

3.10 Options 2 and 3 achieve a range of productivity improvements which include reduction in the numbers of beds per 1,000 population, a reduction in the length of hospital stay, a reduction in the rate of hospital admissions and increased performance in emergency department and elective surgery waiting times. However, Option 3 is preferred because the proposed productivity improvements are able to be achieved more quickly. Option 2 carries a significant risk that change will not be achieved at all.

3.11 Total capital investment for the three options is summarised in the following table.

	Option 1 \$m	Option 2 \$ m	Recommended Option 3
Hospitals	-2463.05	-2025.84	-2489.97
Mental Health Facilities	-163.81	-163.81	-163.81
GP Plus Health Care Centres	-175.58	-175.58	-175.58
Country Hospitals	-116.23	-116.23	-116.23
Additional Sustainment Investment	-569.74	-569.74	-569.74
Total New Investment Proposed	-3488.41	-3051.20	-3515.32
Less RAH Stage 4	116.81	116.81	116.81
Less Existing Mental Health Funding Provision	42.07	42.07	42.07
Net Lending Impact on State Budget	-3329.53	-2892.32	-3356.45

Operating Cost Analysis

3.12 This submission seeks to reduce the rate of growth in health expenditure it does not reduce the current level of expenditure. Furthermore, the modelling is based on the average of the past five years. The operating cost model assumes that all projected activity in Option 1 is fully funded as it represents expected hospital demand based on the trends of the last five years.

HOSPITAL & COMMUNITY SERVICES EXPENDITURE	2005/06 \$m	2006/07 \$m	2007/08 \$m	2008/09 \$m	2009/10 \$m	2010/11 \$m	2011/12 \$m	2012/13 \$m	2013/14 \$m	2014/15 \$m	2015/16 \$m	2016/17 \$m
Option 1	2,461.8	2,585.0	2,720.6	2,862.3	3,010.3	3,164.8	3,333.3	3,501.1	3,676.2	3,859.0	4,048.9	4,249.7
Option 2	2,461.8	2,587.2	2,713.0	2,840.9	2,973.1	3,114.3	3,261.5	3,426.1	3,587.8	3,777.6	3,952.1	4,129.5
Option 3	2,461.8	2,587.2	2,707.0	2,833.0	2,963.2	3,102.2	3,246.0	3,412.9	3,577.2	3,770.2	3,948.6	4,129.7
Expenditure Avoided - Option 1 to Option 2	0.0	-2.2	7.6	21.4	37.1	50.5	71.8	75.0	88.4	81.4	96.7	120.2
Expenditure Avoided - Option 1 to Option 3	0.0	-2.2	13.6	29.2	47.1	62.6	87.4	88.2	99.0	88.8	100.2	120.0

Options 2 and 3 show operating costs avoided is the same by 2016/17 at \$120 million per year but the magnitude over the intervening years is greater for Option 3 compared with Option 2. Option 3 escalates more rapidly through the ability to progress the reforms at a faster pace in Option 3 than Option 2.

NPV analysis

- 3.13 A net present value analysis was undertaken and reviewed by DTF. This analysis identified that Option 2 has the more favourable net present value. However, the Department is recommending Option 3 based on the clinical and infrastructure advantages identified elsewhere in this submission.
- 3.14 This modelling also does not account for improvements in efficiencies achieved by moving services at the RAH to a new hospital where it is anticipated the cost of 'production' will be less per patient than would be experienced at the RAH. Whilst difficult to quantify this further strengthens Option 3 by increasing the potential benefits which are estimated to be in excess of \$40 - \$50 million per year.

Option Analysis Summary

- 3.15 Given the service, investing and operating cost analysis of each of the options, it is recommended that Option 3 be considered by Cabinet. Under this option, for an extra \$307.13 million in health investing funds, the State will achieve a new hospital and all the reforms without the unnecessary delay that would occur in Option 2. A new hospital would also assist in creating the cultural and practice changes needed to achieve fully engaged clinicians within the reform process, a situation difficult to achieve within the current cultural and infrastructure arrangements.

Strengthening Primary Health Care/GP Plus Health Care Services

- 3.16 Government has previously announced the development of the GP Plus Health Care Strategy including the development of GP Plus Health Care Centres. The plan is to reach a distribution across the metropolitan area on the basis of approximately 1 per 100,000 people making a total of 10 centres for the metropolitan area. Country GP Plus type services will also be enhanced.

Enhancing Hospital Care through Hospital Role Delineation

- 3.17 It is proposed to establish a north south 'spine' of tertiary level hospitals across metropolitan Adelaide. These will be the Lyell McEwin Hospital (LMH), the Royal Adelaide Hospital (RAH) and the Flinders Medical Centre (FMC). This means that the LMH will be further developed to provide a broader range of complex clinical services. The Women's and Children's Hospital (WCH) will continue to be the tertiary hospital for complex maternal and children's care.
- 3.18 It is further proposed to develop The Queen Elizabeth Hospital (TQEH), Modbury Hospital and Noarlunga Hospital as general hospitals with a greater focus on the needs of their local communities. This means that TQEH will develop a rehabilitation service and an expanded palliative care service whilst continuing to provide general medical and surgical services. The renal transplant service at TQEH will eventually move to the RAH to reduce the level of duplicated infrastructure between the two hospitals. However other routine renal services including haemodialysis will remain at TQEH. When TQEH takes on its

expanded role in rehabilitation, it is proposed to move the current St Margaret's Rehabilitation Hospital activity to TQEH. This will allow a change of use for St Margaret's.

- 3.19 Four country hospitals, Mount Gambier, Port Lincoln, the Riverland and the Spencer Gulf, will have an expanded clinical profile to provide a number of services which are currently only available in Adelaide. These hospitals will form part of an integrated approach to country health services which will include lower level acute (including obstetric), primary health and aged care services located in mid-sized communities. Smaller communities will be supported by primary health care/GP Plus services with referral to the larger centres. Current State funded residential aged care accommodation within country hospitals will be capped at today's level with the expectation that the Australian Government will take on responsibility for future funding requirements for these services. If this does not occur a minimum of an additional 100 State funded nursing home type beds will be required across country health services by 2021/22. This additional investing and operating expenditure has not been included in the modelling.

(See Attachment 1 for a more detailed role delineation for each of the metropolitan and major country hospitals.)

- 3.20 Key areas of consolidation of current hospital services are set out in the following table:

Level	Current/Option 1	Future Option 2 & 3
Tertiary Hospitals	5 + WCH	3 + WCH
Intensive Care Units	6 + WCH	3 + WCH
Metro Obstetric Units	4	3
Paediatric Units	4	3
Complex Paediatric Units	2	1
Rehabilitation Services	2 + 1 smaller unit	2 main + 3 smaller units Plus country units
Palliative Care Services	4	4 expanded
Mental Health Services Acute	As per SIB Report	As per SIB Report
Mental Health Services Community	As per SIB Report	As per SIB Report
Aged Assessment	2	5
Enhanced Country General Hospitals	0	4
Country Community Hospitals/GP Plus Health Care Centres	35	35

Mental Health

- 3.21 The Government will soon release the Social Inclusion Board's report on Mental Health. This proposal incorporates the implementation of these recommendations in accordance with previous Cabinet approvals.

Clinical Networks

3.22 In November the Minister for Health announced the development of Statewide Clinical Networks as a way of increasing the level of clinician involvement in the planning of health services. Clinical Networks are multidisciplinary groups that work to provide leadership and strategic planning for clinical service development across the continuum of care and across all regional health services both country and metropolitan.

3.23 Eight clinical networks will be established in the first two years of this proposal. These will be in the specialties of cancer, renal, mental health, maternal and neonatal health, child health, cardiology, rehabilitation and orthopaedics.

3.24 Clinical networks will assist in fully integrating service provision across hospital sites and GP Plus Health Care Services in a more coordinated and structured way. Clinical networks will also assist in reducing duplication by consolidating services between sites, by addressing the clinical skills shortage into the future and further enhancing teaching opportunities for junior staff to build our future workforce.

3.25 Clinical networks will also assist in implementing clinical practice changes that will:

- Reduce hospital length of stay to national benchmarks
- Increase the rate of same day admissions as a proportion of the total
- Decrease hospital admissions through the expansion of hospital substitution and avoidance strategies
- Improve the level of chronic disease management within primary health care services
- Improve elective surgery response times and
- Reduce emergency department waiting times

Capital Infrastructure and Sustainability

3.26 A comprehensive analysis of health capital infrastructure has been undertaken which demonstrates that significant investment above the current forward estimates is required across the entire hospital, primary health and country health facilities. This will ensure the ongoing sustained operation of health facilities enabling the health reforms to progress.

3.27 There are six main features of the capital program that are essential to success. These are:

- Completing The Queen Elizabeth Hospital redevelopment and making it suitable for its new role
- Continuing the expansion program at LMH to enable more health services to be provided
- Constructing the new central hospital as quickly as possible to enable the service changes to occur over seven to ten years instead of 15 years

- Developing GP Plus Health Care Centres and Mental Health Care Centres/Intermediate Care Centres and 24 Hour Supported Accommodation Places
- Establishing a significant sustainability fund that will enable the remainder of the health business critical infrastructure to be renewed to ensure ongoing operation.

3.28 34% of metropolitan hospital buildings and 43% of country hospital buildings contain critical infrastructure that is more than 35 years old, which are in poor condition and in pressing need for investment. Some of the reform projects will address these critical infrastructure issues but a significant portion of the other hospital infrastructure will be unaddressed unless additional investment beyond current capital program funding is provided.

3.29 Funding required to address these critical sustainment needs over the next 15 years for buildings and biomedical equipment is \$570 million. This will enable the business critical aspects of all key health facilities to be brought to a reliable state. This anticipates that 25% of Health's assets will reach a business critical renewal age in that period and need to be addressed in a planned and targeted way.

3.30 The table below summarises the capital impact of the recommended Option.

RECOMMENDED OPTION 3	2006-07	2007-08	2008-09	2009-10	2010-11	Out-years	Totals
Total Metropolitan Hospitals		-22.26	-74.32	-140.73	-185.49	-2067.18	-2489.97
Total Mental Health Facilities		-11.82	-29.04	-66.77	-40.30	-15.88	-163.81
Total Metropolitan GP Plus		-1.44	-7.16	-35.57	-52.55	-78.86	-175.58
Total Country Hospitals		-0.93	-6.53	-21.49	-44.71	-42.57	-116.23
Total Additional Sustainment Funding		-14.74	-20.25	-25.23	-30.16	-479.36	-569.74
Proposed Total Health Investing Required		-51.19	-137.29	-289.79	-353.21	-2,683.85	-3,515.32
Less RAH Stage 4		6.00	15.00	20.45	32.96	42.40	116.81
Less Existing Mental Health Funding Provision	1.05	12.25	20.92	7.85			42.07
Net Lending Impact on State Budget	1.05	-32.94	-101.38	-261.48	-320.25	-2,641.45	-3,356.45

(See Attachment 2 for a complete list of the capital requirements that support the reform proposal.)

New Hospital Site

3.31 The Intergovernmental Committee explored eight potential sites for the proposed new hospital.

3.32 The preferred option is the railway yard to the west of the Morphett Street Bridge. This is the preferred option due to its location, size of site, ownership and ease of transport access particularly with the proposed extension of the tram line. The site offers significant opportunity to create a development that could contribute to the life and vitality of the western aspect of the city. The site is currently zoned as parklands. The Attorney General's Departmental advice is that the land held by TransAdelaide may be transferred without legislation to a Minister or instrumentality of the Crown for the purposes of the proposed hospital.

- 3.33 Costs of \$157 million associated with clearing and preparing the site, and relocating the current functions of the rail yard have been included in the total cost of the project. If the rail car depot and refuelling activities are relocated ahead of a future electrification program, there will be additional cash operating costs to service, maintain and refuel the current diesel powered based train fleet. Depending on the eventual location of the new car depot and related infrastructure (say Islington or Dry Creek) the additional operating cost to operate the train fleet is estimated at \$13.7 million per annum plus additional depreciation costs (non cash) of \$7 million per annum. Depreciation impacts will not affect the net operating balance.
- 3.34 The rail-yard relocation costs would be incurred regardless of the final use of the site.

Procurement

The New Hospital

- 3.35 For a project of this size there are two principal financing routes:
- Grant funded project with Government accessing the capital market through SAFA; or
 - Private sector funded project with the private sector using the capital market for financing (PPP).
- 3.36 Government will pay for the cost of acquiring funds in both options directly or indirectly. The decision on which financing option is selected should be based on the option that has the least cost and risk to Government and that provides the best value outcome.
- 3.37 Following analysis and consideration by the Intergovernmental Committee, the recommended procurement option is for Government to manage and grant fund the project in preference to a PPP. This recognises the complexities of successfully merging a large city hospital complex into a parkland setting to maximise the improvements it should achieve including the generation of community access. This will require a very tightly controlled design process that will not allow the design freedom and opportunities that a PPP requires to be successful.

Procurement

GP Plus Health Care Centres and Mental Health Care Centres

- 3.38 The delivery of the GP Plus Health Care strategy will require creation over time of new centres to replace and increase existing community health facilities. These facilities do not need to be owned by Government and lend themselves to a PPP type delivery with all risks except the delivery of the health services residing with the private sector provider.

Health Care Centres are generally less specialised than major public hospitals and can be delivered off-budget as PPPs.

Industry Capacity

- 3.39 Given the level of design and construction required it will be important consider the capacity of the South Australian construction industry to deliver economically within the overall capital program of Government. Prioritisation across all Government projects may be required to ensure that Government achieves reliable outcomes and value for money as any 'over heating' of construction capacity will create significant volatility in capital cost estimates.

3.40 Information and Communication Technology

New and enhanced information management systems will be fundamental to the achievement of the accelerated reforms. Clinical, booking, decision support and administrative systems must be linked across providers and sites to support clinical networks and integrated services within GP Plus Health Care and Mental Health Care Centres; web-based facilities must be developed to facilitate access to clinical and decision support systems from non-hospital settings.

However, implementing these systems will require the supporting information infrastructure to be upgraded and ageing clinical systems to be replaced to support the new health service structure. This will require an increased investment in ICT program funding across all three options of \$289.3 million over the next 15 years as per the table in Section 3.51. (The State's Chief Information Officer has been consulted on future ICT requirements for Health.)

3.41 Economic, financial and budgetary implications

As indicated the projected growth in hospital demand will place increasing pressure on the State budget and require a significantly increased proportion of the State budget to be allocated to Health.

The recommended Option is designed to reduce this growing burden by providing alternative care options which are projected to reduce the growth in operating expenditure by \$120 million per annum by 2016/17.

Notwithstanding the proposed service restructure, the Health Portfolio will require additional expenditure above the current forward estimates to meet the projected demand for hospital services based on the last five years of actual growth. It is noted that this issue will be dealt with through the normal 2007/08 budget process.

There will also be social and financial advantages to the community as a result of the reform process which can not be directly measured in financial terms.

It is important to note that uncertainties in estimating escalation across such a large investment program may cause unexpected increases in funding requirements. The request for funding is based on escalation of 6%. If escalation grows beyond 6% during the current Forward Estimates an additional \$30 million will be required. If escalation grows over the entire program an estimated additional \$220 million will be required based on a 9% escalation rate.

3.42 Required Resources Operating

Required operating funds for both Health and DTEI are set out in the following table:

Operating Expenses	2006-07	2007-08	2008-09	2009-10	2010-11	Total	Out Years
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
HEALTH							
New recurrent funding							
Marketing	-0.80	-0.51	-0.28	-0.68		-2.27	
Transition		-5.00				-5.00	
ICT		-13.91	-26.49	-26.41	-25.43	-92.24	-197.08
Total new recurrent funding	-0.80	-19.42	-26.77	-27.09	-25.43	-99.51	-197.08
DTEI							
						Ongoing	
New recurrent funding					-13.7	-13.7	-14.0
Net Operating Impact	-0.80	-19.42	-26.77	-27.09	-39.13	-113.21	-211.08

- Operating funds for Health will be required to cover the initial marketing campaign associated with launching the proposal, to provide a change management program across the health system in year 1 and to provide information communication technology essential to the ongoing reform process.
- Operating Funds for Department for Transport, Energy and Infrastructure are associated with the impact of relocating the railway yard functions.

Investing

Investing Expenditure	2006-07	2007-08	2008-09	2009-10	2010-11	Total	Out Years	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
HEALTH								
Metropolitan Hospitals		-22.26	-74.32	-140.73	-185.49	-422.80	-2067.18	-2489.98
Mental Health Facilities		-11.82	-29.04	-66.77	-40.30	-147.93	-15.88	-163.81
GP Plus Health Care Centres		-1.44	-7.16	-35.57	-52.55	-96.72	-78.86	-175.58
Country Health Facilities		-0.93	-6.53	-21.49	-44.71	-73.66	-42.57	-116.23
Sustainment Funding		-14.74	-20.25	-25.23	-30.16	-90.38	-479.36	-569.74
Total new investing	0.00	-51.19	-137.30	-289.79	-353.21	-831.49	-2,683.85	-3,515.34
Less Existing Funding	1.05	18.25	35.92	28.30	32.96	116.48	42.00	158.48
Net Investing Impact - Whole Project	1.05	-32.94	-101.38	-261.49	-320.25	-715.01	-2,641.85	-3,356.86
DTEI - Investing incl above		-18	-73	-66		-157.00		

3.43 South Australia's Strategic Plan

This proposal links to South Australia's Strategic Plan in the areas of growing prosperity; improving wellbeing; building communities; expanding opportunity and reducing health inequity.

South Australia's Strategic Plan seeks to grow the population to 2 million by 2050. The majority of this growth will occur in the later part of the planning timeframe for this proposal with the medium term impact of this growth on health services able to be accommodated within the proposal.

3.44 Staffing Implications

The implementation of this proposal will over time involve the creation of new jobs, the development of existing staff and the potential movement of staff from traditional hospital based positions to community based positions.

New training opportunities will be created through the GP Plus Health Care Centres and Mental Health Care Centres, and expanded opportunities for research activities will also become available.

The proposed capital program and ICT investment will create additional positions within the construction and information management industries for the duration of the program.

3.45 Impact on the Community and the Environment

Implementing the proposal will have a positive effect on the health of the community. This will be achieved by taking primary health care and prevention services closer to where people live through GP Plus Health Care Centres and Mental Health Care Centres. However, the redefinition of hospital roles will mean that some people may need to travel a little further for some of the more complex hospital based services.

There will be increased opportunities to access health care and potentially increased work force opportunities in country areas.

Regulatory Impact

There are no known regulatory impacts.

Regional Impact

Regional communities will benefit from improved primary health care services, mental health services and hospital based services.

Business Impact

At this stage there are no known consequences for small business with the hospital strategy.

It is not the intention to set up GP Plus Health Care Centres in competition with other health services and discussions are in progress on identifying the best service model that facilitates a cooperative approach with other health services.

It is expected that major capital, information management and change management initiatives will generate significant opportunities for local enterprises.

Environmental Impact

If the proposed new hospital is supported, the environment will be improved by returning approximately 3.8 hectares of the existing RAH site to botanic gardens. It is also proposed that the new hospital be constructed on an existing industrial site (although zoned as parklands) leading to the upgrading of the site and improving its image as part of a modern and well planned city.

The development of the proposed new hospital will have positive impacts on the environment through environmental design, reduction in the utilisation of energy and potential remediation of a current contaminated site. Through design a formal linking of the city to the related section of the River Torrens will also occur making the river more accessible to the community.

The RAH is one of the largest users of electricity in the State and creates significant amounts of grey water and medical waste. A new hospital would be built to current environmental standards which would contribute to a reduction in the State's greenhouse emissions and reuse of grey water.

3.46 Impact on Families and Society

The impact on families and society will be improved health outcomes, improved social inclusion and a greater contribution to the State's workforce and economy.

3.47 Risk Management Strategy

The key risks in the recommended Option 3 which includes the service changes and the construction of the new hospital are:

- Consultation about the proposal
Due to the sensitive nature of the proposal, extensive consultation has not been possible. There is a risk that the changes proposed will not be acceptable to clinicians. This will be managed through the Clinical Networks and through the provision of information to the broader clinical workforce.
- Achieving the reduction in the growth in hospital service demand
This will be managed through a progressive and managed reallocation of resources to hospital substitution programs and changed clinical work practices.
- Achieving the reduction in hospital length of stay
This will be managed through performance monitoring and linking activities to reduce length of stay with hospital substitution programs and through hospital work practice redesign.

- Achieving the changed hospital service distribution
This will be managed through the further development of clinical networks and increased involvement of clinicians in planning for service provision and distribution.
- Managing the overall cost of service delivery
Improved governance and accountability arrangements will aid in managing the overall cost of service delivery.
- Funding risk in assuming that actual activity will correlate with the projections as the proposed funding is based on the assumption of the trend line values only. Should there be significant increased variation between actual activity and the trend line, funding within the model will be insufficient. This is particularly relevant if the unprecedented growth in activity of the past 18 months is ongoing.
- Estimating the projected capital investment required particularly for the new hospital.
This risk has been managed through detailed comparative analysis of new hospitals planned within other States.
- Capacity of the construction industry to satisfy the design and construction time frame from a workforce and manufacturing capacity.
Government may need to prioritise across all investment projects and may need to work with the industry on ways to increase its capacity as a link to population growth.
- Opposition to the proposed site for the new hospital.
This will be managed through an extensive communication plan which will include information about the transfer of the existing RAH site back to parklands at the conclusion of the new hospital construction program.

3.48 Consultation

Due to the sensitivities of this submission, consultation has been limited to:

- Minister for Mental Health & Substance Abuse
- The Department of Treasury and Finance
- The Department for Transport, Energy & Infrastructure
- The Department of Premier and Cabinet
- Chief Information Officer – high level briefing

The health service and capital strategy has been developed under the guidance of a sub committee of Cabinet comprising the Chief Executives of the Department of Treasury and Finance, the Department for Transport, Energy & Infrastructure and the Department of Health.

- 3.49 To further develop and refine the service plan and capital strategy consultation with community, clinician and other stakeholders will be required. A further Cabinet Note will be provided that outlines the

proposal in a form that can be released to the community as a Health Service Plan.

3.50 Implementation Plan

A detailed implementation plan will be developed following Cabinet's deliberations.

3.51 Communication Strategy

A communication strategy is provided at Attachment 3.

3.52 Executive Council

Executive Council approval is not required for this submission.

4. RECOMMENDATIONS

It is recommended that Cabinet:

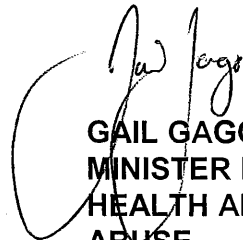
- 4.1 Notes the need to continue the health system reforms with changes to health service delivery and a capital investment strategy as outlined in this submission.
- 4.2 Approves Option 3 as the basis of consolidating some clinical services, reconfiguring metropolitan and country hospitals and investing in the construction of a new tertiary teaching hospital to replace the Royal Adelaide Hospital and to include complex services from The Queen Elizabeth Hospital.
- 4.3 Notes that, in approving Option 3, this means a number of hospital services will change as outlined in the submission, including:
 - moving renal transplantation from TQEH to RAH
 - expanding the range of services at LMH
 - transferring obstetrics and paediatric services from Modbury to WCH
 - transferring vascular surgery from RGH to FMC subject to support from the veteran community
 - consolidating country obstetric and surgical services to a smaller number of country hospitals
- 4.4 Notes that development of mental health services and facilities is consistent with the report "Stepping Up" as provided by the Social Inclusion Board including the achievement of the Glenside Master Plan, the development of metropolitan Intermediate Care Centres and Community Mental Health Centres and development of country mental health facilities within regional hospitals.
- 4.5 Approves the communication strategy and additional expenditure authority and appropriation to the Department of Health of \$800,000 in 2006/07 and additional expenditure authority of \$1.5 million over three years as set out in Section 3.42 commencing in 2007/08 to the Department of Health to enable the implementation of the communications strategy.

- 4.6 Approves additional expenditure authority of \$5 million to the Department of Health, in 2007/08, to enable a staff development/change management process to commence.
- 4.7 Approves additional operating budget and expenditure authority of \$92.23 million to the Department of Health over five years commencing in 2006/07 for expanded ICT services, and additional expenditure authority of \$197.08 million in the out years for ongoing expanded ICT services, as set out in Section 3.42.
- 4.8 Notes that the operating cost models project a level of expenditure greater than Health's current Forward Estimates. However, Health's activity and non wage budget pressures experienced in 2006/07 and forecast across the Forward Estimates will be considered as part of the 2007/08 budget process.
- 4.9 Notes that the recommended Option 3 projects \$120 million in annual avoided costs. This represents a reduction in the rate of growth in operating expenditure not an absolute reduction in cost and achievement of the reduction in the rate of cost growth assumes that current and forecast activity and non wage budget pressures will be funded as part of the 2007/08 budget process.
- 4.10 Approves the concept of a new hospital to replace the Royal Adelaide Hospital and parts of The Queen Elizabeth Hospital on railway land to the west of the Morphett Street Bridge.
- 4.11 Approves additional expenditure authority to the Department of Health of \$715.01 million over four years commencing in 2007/08 and additional expenditure authority of \$2.64 million in the out years as set out in Section 3.42 to the Department of Health for the capital investment program.
- 4.12 Approves additional investing expenditure authority to the Department for Transport, Energy and Infrastructure of \$157 million over four years commencing in 2007/08 to enable site preparation and relocation of existing rail yard facilities.
- 4.13 Approves additional operating expenditure authority of \$13.7 million per annum (excluding depreciation) from 2010/11 to the Department for Transport, Energy and Infrastructure to meet additional operating costs due to relocation of rail yard facilities as per Section 3.42.
- 4.14 Notes the recommendation that the new hospital be called the Marjorie Jackson-Nelson Hospital and approves an approach to the Governor requesting the hospital be named in her honour.

- 4.15 Approves the closure of the Royal Adelaide Hospital following construction of the new central hospital and approves the conversion of the Royal Adelaide Hospital site to the Botanic Gardens.



JOHN HILL
MINISTER FOR HEALTH



GAIL GAGO
MINISTER FOR MENTAL
HEALTH AND SUBSTANCE
ABUSE

Date: 15.2.07

Date: 15/2/07

Attachments:

1. Role delineation for each hospital
2. Capital requirements to support the health service plan
3. Communication Strategy

ATTACHMENT 1

METROPOLITAN AND COUNTRY HOSPITAL ROLE DELINEATION

The effect of the proposed reconfiguration of hospital services is as follows:

- Country Hospitals: Expand the clinical scope of four country hospitals to enable more locally based services to be provided. These hospitals are proposed to be those at Mt Gambler and Pt Lincoln, the Riverland and the Iron Triangle. These hospitals will be supported by a number of integrated facilities providing lower level acute, primary health and aged care services which will be located in mid sized communities with primary health care/GP Plus services provided for small communities.
- Spine of Major Hospitals: Expand the capacity and service scope of the Lyell McEwin Hospital so that it becomes the third of three adult tertiary hospitals with the Royal Adelaide Hospital and Flinders Medical Centre. The Women's & Children's Hospital would continue to be the tertiary maternal and children's hospital.
- The Queen Elizabeth Hospital: Will have a new role as a general hospital. It will focus on the needs of its local population and will provide a new rehabilitation service, a focus on chronic disease and services for the elderly whilst continuing to provide palliative care and mental health. Use of TQEH for dedicated elective surgery is to be explored. This means that over time the Intensive Care Unit will transfer to become a high dependency unit and renal transplant will transfer to the Royal Adelaide Hospital.
- Modbury Public Hospital: Will remain a general hospital but will also provide a base for a GP Plus Health Care Centre. It will provide rehabilitation services for those recovering from complex illnesses and provide an expanded palliative care service. Modbury may also have a role as a dedicated elective surgery facility. This means that once the hospital transfers back to Government management, the paediatric service will be transferred to the Women's & Children's Hospital and in time the obstetric unit (approximately 600 births) will be transferred to the Women's & Children's Hospital and the intensive care unit will not be required.
- Lyell McEwin Hospital: Will progressively grow in capacity over the next ten years to become a tertiary level hospital meeting most of the needs of its growing local community.
- Repatriation General Hospital: Will focus its role as a specialist hospital providing rehabilitation, palliative care and mental health services for the southern suburbs. This means that, with veteran support all surgical specialties, the intensive care unit and some medical specialties will transfer to Flinders Medical Centre.

In this capacity RGH will retain its special focus for veteran care through rehabilitation, palliative care and mental health and will receive veteran patients from other tertiary hospitals for their post acute recovery care.

- Noarlunga Health Service: Will continue as a general hospital and will expand its capacity to provide for a broader scope of service in meeting the needs of its local catchment area.
- Flinders Medical Centre: Will remain a tertiary level hospital but will require additional capacity to enable it to accommodate the acute services such as vascular, clinical oncology and ophthalmology currently based at RGH.
- Services for Children: Consolidating hospital services for children who are at clinical risk, who require major surgery or long lengths of hospital stay will be a key component of the new strategy. This means that children who are very sick will receive their care at the Women's & Children's Hospital. Children who have chronic diseases or short term non life threatening illnesses will be able to receive their care closer to where they live. LMHS and FMC will maintain a role in ambulatory or low level services to children and Modbury's current paediatric service will transfer to the WCH.
- Obstetric Services: Consolidating the metropolitan hospital based obstetric services in three hospitals, (Lyell McEwin Hospital, the Women's & Children's Hospital and Flinders Medical Centre) is a further key component of the strategy. This means that pregnant women will be able to receive their antenatal and postnatal care closer to home in community based services but the hospital stay will be provided in three units (rather than five). It is also anticipated that country obstetric services will be consolidated over time due to staffing shortages, reduced birthing rates and safety issues. This will result in fewer country sites offering full obstetric services. Part of the obstetric strategy will be to increase birthing choices for women through community midwifery programs.
- Pathology Services: Establishing a single State-wide pathology service by bringing together the three existing public pathology services to maximise existing infrastructure, address future staffing shortages and reduce expensive overheads.
- Outpatient Services: Establishing new models of delivering outpatient services to assist in taking these services closer to where people live as part of the development of GP Plus Health Care Centres and community based mental health primary care services.

ATTACHMENT 2

CAPITAL REQUIREMENTS IN SUPPORT OF THE REFORM PLAN

Project	\$m
Metropolitan Hospital Projects	
New Hospital	1834.00
RAH Temporary Ward Upgrade to speed services consolidation	14.98
FMC Additional 60 Beds	23.35
Modbury Ward Upgrade for 20 added beds	10.71
LMHS Stage C Redevelopment growing tertiary capacity	224.96
Noarlunga Stage 2 - Hospital Redevelopment	31.38
TQEH Stage 3 Redevelopment Reduced Scope	233.30
WCH 4th floor Medical Ward Redevelopment	117.29
Total Metropolitan Hospital New Investment	2489.97
Mental Health Projects	
Glenside Hospital Redevelopment *	119.69
Fit-out Mental Health Care Centres	25.92
Country Mental Health Facilities	1.20
Mental Health Intermediate Care Centres (x4)	17.00
Total Mental Health Investment	163.81
GP Plus Health Care Centres	
Aldinga GP Plus Health Centre Extension	10.70
CBD GP Plus Health Care Centre Fit-out	21.10
GP Plus Health Care Satellite Fit-outs at Salisbury, Seaford and Woodcroft	14.40
Glenside GP Plus Health Care Centre Fit-outs	13.58
Modbury GP Plus Health Care Centre Fit-out	15.30
Noarlunga GP Plus Health Care Centre Fit-out	32.00
Port Adelaide and Enfield GP Plus Health Care Centre Fit-outs	34.30
RGH GP Plus Health Care Centre Fit-out	17.10
West Beach GP Plus Health Care Centre Fit-out	17.10
Total Metropolitan Primary Health Capital Investment	175.58
Country Projects	
Barossa Hospital Redevelopment	67.73
Ceduna Hospital Redevelopment	36.01
Port Pirie GP Plus Redevelopment	12.49
Total Country Investment	116.23
Additional Sustainment Funding	569.74
Proposed Total Health Investing Required	3,515.33
Less RAH Stage 4A	-116.81
Less Existing Mental Health Funding	-42.07
Net Lending Impact on State Budget	3,356.45

* Note: This is an estimated cost as if it were a grant funded project. This will be the subject of another Cabinet Submission relating specifically to the redevelopment of Glenside.

ATTACHMENT 3

COMMUNICATION STRATEGY

Executive Summary

Background

This strategy is produced for Cabinet consideration. It outlines a Communication Strategy for the launch, consultation and implementation of the proposal over the next three years, with a focus on the first 12 months following the launch.

The objectives of this Communication Strategy are to:

- Ensure the public and stakeholders have a contextual understanding of the need for significant changes to the SA Health System to ensure its longer term relevance and sustainability;
- Ensure the public and stakeholders are informed of proposed changes to the SA Health System, with the goal of generating their understanding, acceptance and support for the changes;
- Encourage the involvement and collaboration of all stakeholders, consumers and the community in working towards improved health status;
- Provide positive momentum for implementing the structural elements of this proposal;
- Encourage and empower members of the community to take responsibility for their own health;
- Demonstrate the changes delivered by the proposal against Objective 2 of South Australia's Strategic Plan 2007: Improving Wellbeing.

Communication Strategy theme

The theme of the proposal will build on key planks of the South Australian Strategic Plan; differentiates South Australia as a pro-active leader in health service delivery; and positions the proposal on a positive platform. It also is broad enough to provide context for all components of the proposal, relevant to all stakeholders and flexible enough to be applied directly to each of the components of the proposal as they are rolled out.

Launch strategy

The Strategy has been developed to allow its delivery in stages if required and incorporates a communication strategy and implementation plan for each key stakeholder group, utilising all appropriate forms of communication including but not limited to public relations, stakeholder consultation, advertising and collateral materials. Further, it recognises the potential for issues to arise in relation to the proposal, proactively addressing those that may be predicted while recognising the potential need for others to be managed as they emerge.

It is recommended that the communication program supporting this proposal commences with a major media event announcing all facets of the proposal as a comprehensive response to the State's future health care challenges, but focused on the plan to develop a new central hospital. Additional details of other components of the plan would then be revealed in finer detail over a six-to 12 month period in a process of consultation and communication with stakeholders and the community.

This approach is recommended ahead of a gradual roll-out of initiatives as it:

- Provides a clear vision for the State's Health Services and a context for consultation and implementation of each of element of the plan – all within the context of the South Australian Strategic Plan 2007;
- Is in line with the recommendation of the Generational Health Review that the *lead into reform ... be well structured, clear and directive in its intention*;
- Has the potential to create a strong positive initial impact on stakeholders and the community while creating immediate momentum for change;
- Allows "side issues" to be managed (and addressed through appropriate communication) within the overall context of proposal – thereby minimising communication risks.

Communication components

A broad range of communications is proposed to support the announcement and roll-out of the proposal, including:

- Stakeholder briefings – initially for key stakeholders/influencers but over time extended to members of the broader community where appropriate;
- Public relations – media publicity, events and communication issues management. Given the "third party credibility" of the media, this component of the communication strategy is critical to the success of the communication of the proposal;
- Advertising – an over-arching campaign is proposed to allow the unfettered and controlled communication of the context and content of the proposal in its initial stages, with specific campaigns proposed to support specific elements of the proposal, if required;
- Events – the communication program will encompass a number of events designed to provide a focus for elements of the plan as they are unveiled and rolled-out;
- The proposed website / electronic communications program will be fundamental to achieving two way communication between the Department of Health and the community;
- Collateral material including broad public information brochures and flyers supporting specific initiatives will be used to reach and inform key stakeholders;
- Signage and asset branding will provide a valuable means of demonstrating and celebrating the physical components of the proposal.

Evaluation

A matrix of success measurements are proposed to measure the success of the Communication Strategy against the implementation of the proposal and the realisation of the goals set by the SA Strategic Plan. These would be set and measured by the Department of Health.

February 2007