



HOSPITAL ADVISORY COMMITTEE

MINUTES – PUBLIC - Unconfirmed

Tuesday 27 November 2007

10.00am

Corporate Meeting Room 1

Base Hospital

David Street

New Plymouth

Present

John Young (Chairman), Kura Denness, Dan Devadhar, Jan Dunlop, Hayden Wano (Board members), Brian Jeffares (Co-opted member).

In Attendance

Joy Farley (General Manager Hospital Services), George Thomas (General Manager Finance & Corporate Services), Sandra Boardman (General Manager Planning, Funding & Population Health), John Doran (Chief Medical Advisor), Sue Carrington (Communication Advisor), Pamela Hikuroa (PA to Board)

366.0 Declaration to Open Meeting

The meeting was opened at 10.00am with a karakia.

367.0 Apologies

Flora Gilkison (Board Member), Tony Foulkes (Chief Executive), Karen Eagles and Jenny Nager (newly elected Board members)

Resolution

That the apologies be sustained.

*Denness/Dunlop
Carried*

368.0 Conflicts of Interest

No new interests were declared.

369.0 Minutes

Resolution that the Hospital Advisory Committee resolve to accept the Minutes of the meeting held on 30 October 2007 as a true and correct record.

*Jeffares/Dunlop
Carried*

369.1 Arising From Minutes

Ms Farley apologised to the Committee for her oversight in not providing response to the query around the number of caesarian sections and advised that this information would be provided to the next meeting.

370.0 Management Reports

370.1 General Manager Hospital Services Report

Ms Farley took report as read highlighting the following:

- Acknowledgement of the difficult financial position. This had resulted in a lot of additional focus being put into this area over the month in terms of what needs to be done to address the increasing deficit.
- Health Service Targets achieved outstanding across all aspects which is a very good result from elective service performance viewpoint.
- On target with elective services, however do have some challenges coming up in New Year due to resignations of senior staff in obstetrics and gynaecology and at this stage have been unable to recruit replacements. Pleased with the results from elective services but signalling that there will be additional challenges over the second half of the year in regard to delivery of contract.

Facilities Upgrade -

- Independent Review of Business case completed
- Treasury had visit the DHB to examine the business case
- National Capital Committee scheduled to meet in December and feedback is expected mid January.

Financial result:

- Significant deterioration over last month. In October we overspent by \$1million which resulted in the financial deficit being over and above the cost of funding gap. This is a very serious situation.
- Some of the main drivers outlined – FTEs, medical locum usage, diagnostics, consumables. Overspend is coming across a large number of service lines.
- Going forward challenge around acuity and specialising and how maintain FTE numbers.
- One of the increasing cost areas is result of the adoption of new technology and the impact on the budget. Example undertaking increased amount of laparoscopic surgery which is very expensive. There is an economic benefit with this surgery but has an impact on the cost budget. Two spinal implants last month cost \$30,000 between them in terms of consumables which represents sizeable amount
- Challenge face in terms of budget is that the overruns are occurring in number of areas. Have put in place programme for the immediate future around activity and management of discretionary costs. All delegations for approval have been withdrawn and all discretionary spend must be approved by General Manager Hospital Services or another member of the Executive team.
- Medium Term review how FTEs deployed in terms of leave management and specialising activity, review contract performance

against actual and budget expenditure, immediate review of all ACC contracts to establish the contribution make to the hospital business.

- Longer term the Value for Money programme is to be linked into the business. Project team established, headed by Business manager, to review all aspects of non-clinical activities undertaken. Number of meetings already held which has generated a list of issues and concerns for us to look at as a DHB.
- In summary financial picture very difficult at the moment with implications for the Provider and wider DHB. Give an assurance that everything is being done to reduce the deficit.

Discussion

The Chairman thanked Ms Farley for her report and for the outline of the actions being taken to address the sudden increase in costs. He noted that revenue relative to last year was up by 6% but operating expenditure was up by 10% which clearly showed the challenges facing the provider. He felt that from the Committee's point of view, must be mindful of the effort being put into try and live within our means and the challenges being faced, and was sure that the members of the Committee would be supportive of management's approach.

In discussing reporting on the outcome of the measures being taken, Ms Farley advised that a full report outlining progress would be made to the January meeting.

Mr Thomas advised that the initiatives underway would not result in major savings but it would help to change the culture and give momentum going forward.

Ms Farley also highlighted that the organisation must continue to operate and any initiatives put in place could not paralyse the organisation from being able to meet contract requirements with the funder and the expectations from the community and therefore a planned approach to the issues was required.

Board members queried whether the additional money to be received for the additional 10% elective services would translate into profit for the Provider.

Ms Farley advised that the money received from the funder was based on national prices which assumed covered all costs, including indirect costs. The national prices were reviewed on an annual basis and a number of adjusters were paid to various DHBs to recognise special circumstances. The funding mechanism was robust and assumed a breakeven position.

A new costing system had been implemented would now allowed the DHB to look at how our costs matched the revenue and work was progressing in this area.

Board members then questioned whether if costings indicated that 10% additional elective services were negatively impacting on the DHB's other services whether the DHB could withdraw the service.

Mrs Boardman advised that the additional elective services was a policy decision required to be undertaken by all DHBs and was not optional, however when planning was undertaken for delivery the most efficient way of delivering was taken into account.

Mr Thomas also advised that the question of whether the national price truly reflected the cost structures was being discussed by DHBs but it was unlikely

that any major changes would be made and DHBs would have to look at other efficiencies to manage the gap.

The review of all costings will lead into a wider piece of work being undertaken at a national level as part of the Value for Money project and provide information for the DHB locally to benchmark against similar sized DHBs.

The DHB will also be able to leverage off the new facility to do things differently and improve efficiencies.

In response to questions on whether the clinicians were aware of the issues and supportive of management's proposed initiatives, Ms Farley advised that she had communicated widely across the organisation, including clinicians, and there had been genuine recognition amongst clinical staff that this was a problem and their feedback had been supportive around the initiatives. However, it must be acknowledged that clinicians will advocate for patients as this is part of their obligation and right, but confident that there is an understanding that a balance must be achieved and the issues must be addressed otherwise it will be addressed for us and nobody wishes to have the problem tackled in that way.

A member of the Committee queried how the provider had moved from surpluses to the deficit situation, with Ms Farley advising that the Hospital provider had never run a surplus, achieving breakeven or a small deficit position with the surpluses coming from the Planning and Funding Division.

Planning and Funding are recording a surplus but the level of deficit, if it continues, would result in a deficit being recorded.

The Provider has an inherent cost of funding gap starting the year with a negative balance, however, the quantum and pace of the increase in the deficit is alarming and the Provider cannot necessarily rely on others to bridge the problem and this situation cannot continue in the future environment.

It was noted that other Health Boards were in a similar situation but to different degrees of magnitude.

In response to queries around comparisons with the previous year, the Committee was advised that the cost of funding gap last year was lower and the cost structures between the two years were completely different. 70% of the provider's costs were in people and in the past 12 months employment costs had increased through various national wage agreements and these costs were now flowing through. It was fair to say however, that at this time last year the provider was managing within the cost of funding gap but this was not the situation this year.

A full report on progress with the initiatives would be provided to the January meeting.

Dr Doran, Chief Medical Advisor, gave an example of how cost structures had changed dramatically by pointing out that the cost of locums had increased an average of \$100 per hour to an average of \$150-\$200 per hour at this time. In fact in some regions locums required at short notice were receiving \$400 per hour. Due to the financial benefits achievable a number of junior doctors, were becoming locums as a career and working both in New Zealand and Australia. There were also a number of senior doctors taking this path. Dr Doran felt that it was perhaps time for a national approach to be taken on this matter by the Ministry.

However, when cover was required, employment of medical locums was essential to ensure the service was able to be provided. The Taranaki DHB was very proactive around locums and fortunately had not reached a position prevalent in the Auckland region but the high locum fees did impact on all DHBs.

This position highlighted the fact that New Zealand was competing in a global market for highly skilled staff.

The Chairman in closing the discussion noted the challenges facing the team and the efforts being made to live within the resources available. He applauded Ms Farley and the management team for the steps identified and looked forward to the report on progress.

Ms Farley continued with her report:

Resolution

That the Hospital Advisory Committee note and receive the report.

*Denness/Devadhar
Carried*

371.0 Next Meeting

The next meeting was scheduled to be held on 29 January 2008 in New Plymouth.

The Chairman requested Mr Wano to elaborate on the process for appointments to the Committee as a result of the election of the new Board, effective from 10 December.

Mr Wano advised that the term of co-opted members appointed to the Advisory Committees ran through to 31 March 2008.

The term of Board members did not line up exactly and it will therefore be necessary to have some interim arrangements in place with respect to changes in Board member representation.

The first stage for the appointments to the Advisory Committees was to identify Board member appointments and then look at any areas, eg skill mix, geographical representation, which was lacking and make additional appointments to cover these. The appointments would be made to enable the new committee to take effect from April.

It is anticipated that the Minister will be confirming appointments to the DHB Boards in the near future and the Board will be able to progress this matter.

The meeting closed with a karakia at 10.55am.

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Chairman

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Date