

## **Health Spending**

### ***Fiona Stanley Hospital Commissioning***

On 10 June 2013, the Government announced a delay in the commissioning of Fiona Stanley Hospital and a decision to phase the commencement of clinical services at the hospital over the period October 2014 to March 2015. In early December 2013, the State and Serco signed an agreement in respect of the provision of facilities management services at Fiona Stanley Hospital between January 2014 and March 2015 (the delay and phase period). The agreement involves the State paying Serco \$118.8 million over the period in respect of the revised profile of services. Of this, \$66.1 million was an existing allocation for the facilities management contract, and the Government has approved the remaining \$52.7 million to meet the costs of the agreement. As certain elements are still subject to negotiation, including variably priced services, the Managed Equipment Service and indexation, there is a risk of further costs associated with this issue.

An additional \$75 million has been approved for 2014-15 in this mid-year review for the commissioning costs of Fiona Stanley Hospital and the associated reconfiguration of services within the South Metropolitan Health Service. The operating cost of a fully reconfigured health system in the South Metropolitan Health Service are unknown at this point and remain a significant risk.

### ***Health Information and Communications Technology***

WA Health's Asset Investment Program includes an allocation of \$120 million over 2012-13 and 2013-14 to enable the procurement and implementation of information and communications technology (ICT) systems and infrastructure, predominately for the Albany Health Campus and the Fiona Stanley Hospital. Beyond 2013-14, there remain considerable ICT investment needs within WA Health with several of these projects being critical to the opening of the Fiona Stanley Hospital and Busselton Health Campus, including the replacement of the State's Laboratory Information System and Human Resource Information System. These needs are not funded in 2014-15 or across the forward estimates and business cases are being finalised for consideration in the 2014-15 Budget process.

### ***Activity Based Funding***

The 2013-14 Budget identified the cost differential between the Transitioning State Price (TSP) for public hospital services that are funded under Activity Based Funding and the national Projected Average Cost (PAC) recommended by the Independent Hospital Pricing Authority. A Community Service Subsidy was provided in the recent budget, and reflected in this mid-year review, to recognise the difference between the TSP and the PAC.

The Community Service Subsidy has been set at a declining value over the forward estimates, reflecting the intention that the cost of delivering public hospital services in Western Australia will converge to the national pricing model by 2016-17. This convergence will require steady and sustained improvements in the efficiency of public hospital service delivery if it is to be achieved.