

South Australian Hospital Budget Performance and Remediation Review

July 2012

On 30 Monday July 2012, South Australian Minister for Health and Ageing John Hill released for public consideration three reports on hospital budget performance. The reports identify potential savings and efficiencies in the South Australian Health System.

Background

In the 2012-13 South Australian State Budget, health spending reached a record high of \$4.927 billion, 129% more than in 2001-02. As South Australia is experiencing a significant reduction in taxation and GST revenues, this financial growth in the health sector is unsustainable. While not wanting to reduce health funding, the South Australian Government is eager to improve efficiency measures across the board.

Accordingly, SA Health engaged two external consultancies, Deloitte and KPMG, to review the hospital budget performance of the three metropolitan Local Health Networks, incorporating a total of seven metropolitan hospitals.

The review involved trend analysis of budget performance and benchmarking against suitable peer intrastate and interstate hospitals. The results were the subject of consultation with executive and clinical leadership.

A report was produced for each Local Health Network, together with a [summary report](#) encompassing the recommendations from each report.

Central Adelaide Local Health Network – report by Deloitte available [here](#) (PDF)

- Royal Adelaide Hospital
- The Queen Elizabeth Hospital

Northern Adelaide Local Health Network- report by Deloitte available [here](#) (PDF)

- Lyell McEwin Hospital
- Modbury Hospital

Southern Adelaide Local Health Network- report by KPMG available [here](#) (PDF)

- Flinders Medical Centre
- Noarlunga Hospital
- Repatriation General Hospital

Recommendations

The reviews each identified and made recommendations on a number of efficiency improvement opportunities. The recommendations fall into three main categories, these are:

1. 'Business as Usual' Efficiencies

The reviews highlighted a number of opportunities available to reduce expenditure or increase revenue. These opportunities will improve operational effectiveness and efficiency and will not impact on patient activity levels. Implementation of these efficiency opportunities should be part of normal business practices and will bring SA Health into closer alignment with national efficiency.

2. Reform

The review also identified areas where system-wide strategies and reforms can assist in providing additional savings.

3. Improvements to Financial and Management Systems

The reviews identified a number of barriers to implementation that need to be addressed through investment in better systems.

In releasing the reports, Minister Hill noted that if all of the efficiency measures recommended across the three reports were adopted, the total additional savings to SA Health would be \$83.1 million a year by 2014-15. These savings would be in addition to those efficiency measures already introduced by Weatherill Government in the health sector, including reducing central administration staff numbers.

Next Steps

Following the release of the reports, the Government is calling on feedback from interest groups, staff and the wider community. A six-week consultation period will be held, before Minister Hill makes recommendations to Cabinet.

Minister Hill noted in releasing the reports that while several of the recommendations included reducing staffing capacity, there would be no forced redundancies as a result of the implementation of these recommendations, and any reductions in staffing would be met through natural attrition.

Minister Hill also noted that one recommendation, the proposal to make Noarlunga Hospital in the Southern Area Health Network a day-only service, had already been ruled out, stating that a cut in services on that scale would not be in line with [South Australia's Health Care Plan 2007-2016](#) (PDF).

Feedback on the reports' recommendations can be provided by:

- Emailing HospitalBudgetPerformanceReview@health.sa.gov.au; or
- Writing to 'Consultation Submission for the Hospital Budget Performance and Remediation Reviews', Office for Business Review and Implementation, GPO Box 287, Adelaide SA 5000

More information on the Hospital Budget Performance and Remediation Review is available [here](#).