Ramsay Health Care

15 December 2023

Ms Robyn Kruk AO
Chair
Commonwealth Government COVID-19 Response Inquiry

By email: COVID-19Inquiry@pmc.gov.au

Dear Ms Kruk,

Ramsay Health Care Australia (RHCA) appreciates the opportunity to provide comment on the *Commonwealth Government COVID-19 Response Inquiry*. RHCA recognises the Australian Government's efforts to establish the Inquiry to improve response measures for future pandemics.

The Australian private hospital system plays a significant role in the provision of healthcare to all patients (whether funded wholly or partly by Governments), delivering 60% of elective surgery and 40% of all hospital admissions.

RHCA is willing to engage with the Inquiry to provide our unique perspectives, and in particular the important role the private health system played in the delivery of healthcare services during this time.

Ramsay Health Care Australia

RHCA is Australia's largest private operator, employing ≈34,000 staff, hosting 18,000 doctors and annually caring for over 1 million patients (including 100,000 public admissions) across a network of more than 70 hospitals, 100 community-based pharmacies (hospital and retail), 15 community-based psychology practices, hospital-in-the-home; and virtual hospital services, contributing ≈$5 billion annually to the Australian economy.

Key Issues

RHCA appreciates the Inquiry will investigate a broad range of health and non-health responses, but emphasises the following are key issues for consideration:

- Governance: As a national operator, RHCA entered into partnership agreements with several State Government's, making available facilities and resources. Despite the best efforts of National Cabinet, States and Territories altered approaches, including differing Public Health Orders, such as pausing elective surgeries. This caused the unnecessary forced closure of capacity that could safely operate, with hospitals being treated differently based on type/size. For example, a hospital with an Intensive Care Unit was unable to undertake any work, whereas, day hospitals could. This became resource intensive, burdensome, and undermined business. Future approaches should be based on facilities being made available when needed;
- Supply chain: RHCA was required to source supplies from other suppliers overseas which was relatively easy given our international footprint and access to global supply chains. However, it was much more difficult for other healthcare providers (including the public system), with RHCA acting as a concierge and connecting them to suppliers;

Ramsay Health Care Australia Pty Ltd
ABN 36 003 184 889

Level 7, Tower B
7 Westbourne Street
St Leonards NSW 2065

Telephone: +61 2 9433 3444
Facsimile: +61 2 9433 3460
Email: [redacted]

ramsayhealth.com.au

- Data Governance Reporting: Consistent data definitions are paramount to ensure all governments work towards the same objectives. In Australia, the definition for intensive care unit admissions was quite clear, whereas the definition for hospitalisation admissions was different between states (I.e., Queensland versus New South Wales);
- Workforce: Despite significant efforts of the private healthcare workforce to support the public healthcare system, preferential employment terms that exclude privately employed nurses (such as $3,000 bonuses) drained workforce from private hospitals; and
- Taxes and Levies: Budgetary measures announced by governments to recoup money spent to support businesses and the economy during COVID-19 (I.e., COVID-19 Debt Levy) impact the private hospital system which stands in stark contrast to the very efforts all operators made as a united response to COVID-19.

Funding – National Partnership on COVID-19 Response (Viability Agreement)

In March 2020, the Australian Government made a landmark decision to enlist the support of the private hospital system to ensure Australia's healthcare system had capacity to respond to the pandemic. This required making infrastructure, equipment, supplies and workforce available.

RHCA recognises COVID-19 brought unprecedented times and it was necessary to establish funding arrangements relatively quickly. However, it is paramount National Cabinet review such arrangements to ensure they are suitable for future events.

With this, COVID-19 impacted the ability of private hospital to make a profit, and therefore limited their ability to undertake capital works, as required. This impact has led to four years of delayed capital works, with tens of millions of dollars required to adhere to the updated CSSD standards. This alone, threatens the viability of private hospitals as no capital funding was provided through the various agreements. Generally, a 5% margin is needed to cover capital expenses year on year.

The National Partnership on COVID-19 Response Viability Agreement only 'compensated' operators when they were in earnings before interest and taxes (EBIT) loss across a quarter, which had many practical effects including:

- Significant inequity between "Not for Profit" (NFP) and "For Profit" Operators: NFPs were made whole (did not share costs of the response) whereas "For Profit" were significantly financially weakened bearing majority of costs themselves (maintain staff despite significant reduction in activity due to restrictions on elective surgery);
- Significant inequity between Group and Individual Operators: Individual operators were not impacted and could claim any losses, whereas group operators who experienced EBIT losses in one site but continued to make a profit in others were penalised (reduce across Group);
- Quarterly by Operator vs Facility by month reconciliation: Private profits covered significant public imposed costs, weakening the very system the Viability Agreements were meant to support (E.g. Quarterly by Operator in QLD, RHCA received $nil);
- Opportunity cost of resources restricted by Public Health Orders: Left idle and not utilised by the public system (waste);

- Instability: Unpredictability of the operating environment meant demand planning and performance optimisation was difficult resulting in inefficient operations;
- Viability of the healthcare system: Continual disruption of private hospital operations and/or de-prioritisation of private patient care to public patients reduced the value proposition of private healthcare (private system complements and reduces the burden on the public system);
- Lost doctors: Where restrictions impacted some operators (not all) but allowed others to operate (relatively unrestricted), doctors left to operate in hospitals not supporting the governments COVID-19 response (E.g., NSW restricted 20 hospitals (7 were RHCA)); and
- Competition: Private Health Insurers (PHIs) collected an additional $3 billion more in premium increases (even though elective surgery restrictions were in place). Despite PHIs declaring $4 billion in realised saving in permanent claims savings, PHIs amassed a 25% increase in assets to $20 billion and a 50% increase in profits to $2 billion.

There is opportunity to enhance the Viability Agreement model as part of contingency planning. There were discussions to move to "By Group By Quarter" which would result in government making no contributions to the costs of the response and leaving operators to front all costs.

In 2020-21, $1.7 billion provided to ensure the ongoing viability of private hospitals. Nationally, RHCA only received $65 million (3.8%) through the various Viability Agreements despite market share being ≈25% in Australia. This equals $73.5 per fortnight for each staff member (65,000,000 (funding) / 34,000 (staff) / 26 (fortnight). RHCA did not claim JobKeeper (it did not qualify).

Post COVID-19 Lessons Learnt

RHCA recommends governments analyse and understand the lessons learnt from COVID-19. Given RHCA is a global operator, valuable lessons can be learnt from its overseas operations to support domestic capabilities and planning for future events. RHCA engaged with its hospitals in France, Italy, UK and Nordics to share/adopt best practice, where similar viability agreements were in place.

Conclusion

RHCA continues to be a willing participant alongside all governments in response to COVID-19 and always assisted with staffing, aged care, and capacity, where required and beard most costs incurred in redirecting RHCA's resources to support the COVID-19 response.

Please do not hesitate to contact me on [redacted] should you require any further information.

Kind Regards,

Dean Breckenridge
Chief Policy Officer
Ramsay Health Care – Australia
15 December 2023