HEALTH INFRASTRUCTURE

Sharing – and caring – in public and private services

By Susanna Nelson

A healthy population and an efficient and effective health care system are vital to the productivity of the country's workforce and, by extension, to its economic prosperity. Investment in hospital infrastructure is a fundamental aspect of any nation-building agenda, creating jobs and fuelling the economy in addition to ensuring public health needs are met.

On the whole, Australia's health system compares favourably with other Organisation for Economic Cooperation and Development (OECD) countries in terms of service provision, universal access and efficiency. As the final report of the National Health and Hospitals Reform Commission, "A Healthier Future for all Australians," shows, Australian taxpayers currently spend less than average on health as a proportion of gross domestic product compared with other OECD countries.

But over the next 50 years, the health system will face the twin demographic pressures of an ageing and expanding population. Increased longevity, reduced fertility in recent decades and increased immigration mean that demands on existing hospital infrastructure will only increase, with the Productivity Commission forecasting that the number of people aged over 85 will quadruple to 1.6 million by 2047. (The effects of the most recent fertility turnaround will not be felt, population-wise, for some time.)

"A Healthier Future for All Australians" was released in June 2009. The report notes that waiting times for planned surgical and medical care in public hospitals have increased over the last few years. It proposes extending and increasing the Federal Government's $150 million annual commitment to reduced waiting lists.

Hospital governance – the vexed issue of how the Commonwealth and states can effectively share funding and operational responsibilities – has been subject to much discussion in the last year, with the Council of Australian Governments in talks to create a Healthy Australia Accord to facilitate a workable division of responsibilities. However, this article concentrates on the funding of the "bricks and mortar" infrastructure projects in train, rather than the complexities of hospital governance, administration or clinical service provision.

In January 2009, the Commonwealth Government established the national Health and Hospitals Fund (HHF) to provide a supplementary stream of health infrastructure funding to support the capital-raising efforts of the states. Its contribution is not insubstantial – the 2009-10 Federal Budget committed to a $3.2 billion health infrastructure package with emphasis on medical research, the development of a world-class cancer system and a robust public hospital system.

Private-sector involvement in public hospital infrastructure development has also increased, with governments around the country supplementing traditional procurement models with public-private partnerships (PPPs). "We are in the middle of a health infrastructure boom in Australia," says Infrastructure Partnerships Australia Executive Director Brendan Lyon. "This is a once-in-a-century event – every state is procuring or has procured a major clinical services hospital to replace ageing assets and plan for growth."

The largest portion of the HHF budget allocation will fund cancer research centres, including the Garvan St Vincent's Campus Cancer Centre in Sydney ($70 million); the new Lifehouse Sydney Cancer Centre at Royal Prince Alfred Hospital ($100 million); BreastScreen Australia ($120 million); and regional cancer centres, including the ACT ($560 million).

"As part of its efforts to improve cancer care in Australia, the Rudd Government is building essential infrastructure, making a number of vital cancer treatment drugs more affordable, upgrading mammography equipment, and better supporting the rapidly changing field of cancer research and treatments," says Federal Minister for Health and Ageing Nicola Roxon.

The most ambitious single project to which the HHF will contribute is the $1 billion Parkville Comprehensive Cancer Centre in Victoria, a world-class centre integrating research, clinical services and education and training services. Upon its completion in 2015, it will be the largest clinical and research

Image courtesy of GCUH Architecture & Queensland Health

An artist's rendering of the Gold Coast University Hospital's atrium.

The Royal Women's Hospital at its new corner site in Melbourne, as viewed from Flemington Road.

cancer centre in Australia. The $1 billion investment includes a $426 million contribution from the HHF, with the Victorian Government matching that amount, and a further $270 million from a variety of project partners and philanthropic sources.

The centre is undergoing a tender process, with the Victorian Department of Health seeking expressions of interest from private-sector partners to provide the infrastructure component of the project. Construction is expected to commence in June 2011.

In combination with Lighthouse at RPA, which is undergoing procurement in New South Wales (NSW), the Federal Government anticipates that the Parkville Comprehensive Cancer Centre will deliver a top-notch service for cancer research and treatment in Australia's two most populous states.

The South Australian Government concluded its tender process for the $1.7 billion redevelopment of the Royal Adelaide Hospital in late 2009, the first major hospital project in that state to be procured under a PPP. Set to open in 2016, it has been touted by the State Government as Australia's most advanced hospital.

The new hospital will allow more than 80,000 same-day and overnight admissions per year, 800 beds (including 100 same-day), an operating theatre suite, ambulatory care centre, clinical and non-clinical support services and a teaching and research facility.

"The hospital will be one of the greenest major developments in the nation, with the strongest environmental codes guiding its design and construction," says South Australian Minister for Health John Hill.

"We've seen a very strong expression of interest in the project from a number of consortia," Lyon says. "A short list of two consortia will go through into the detailed bidding phase and we expect to see that project reach successful conclusion of short-listing in March 2010."

Like a number of other hospital infrastructure projects in Victoria, the Parkville Comprehensive Cancer Centre will be delivered as a PPP. The last decade saw the beginning of PPP procurement in the health sector, with a boom in projects over the last five years. Victoria was the first state to use this relatively untested (in Australia) procurement model for health infrastructure, commencing with the Casey Hospital in 2001, and is now negotiating its fourth contract under a PPP.

Victoria's first major, acute tertiary facility delivered under a PPP, the Royal Women's Redevelopment Project, is now operational and was delivered on time and on budget, according to the State Government's corporate partner, a consortium headed by Bilfinger Berger Project Investments.

"Victoria is a world leader in public-private partnerships," says Victoria Minister for Health Daniel Andrews. "The Royal Children's Hospital and Royal Women's Hospital are prime examples of how we are working with the private sector to deliver first-class hospitals more cheaply than would otherwise be possible. This new cancer centre will be delivered as a public-private partnership ensuring that it is good value for money for the Victorian taxpayer."

The Victorian Government estimates that its current investment program in health has directly secured around 3,000 jobs in construction and the direct supply chain in 2009-10.

The following major public health facilities have been procured under contract with the private sector (by announcement date):

Image courtesy of the Royal Women's Hospital.

RETRIEVER'S WIRELESS INNOVATION GUARANTEES QUALITY AT ROYAL WOMEN'S

Opening in 2008, the new Women's Hospital provides state-of-the-art facilities for all Victorian women and their newborn babies in a family-friendly environment. In a $250 million project, UGL Services was awarded the responsibility for all non-medical operations and maintenance services for a period of 25 years. While the process of preparing the hospital for the first of its many arrivals was challenging, UGL Services achieved an outcome nothing short of stunning.

In 2010, we anticipate that the natural long-term holders of infrastructure will continue to be dominated by the already established infrastructure investment funds and sovereign wealth funds that have the resources to invest directly in these assets. Sovereign wealth funds are becoming more active and they have demonstrated that they are willing to invest cash in suitable infrastructure investments.

Lisa Dunlop, Director Redevelopment at the Women's said, "We at the Women's are really appreciative of UGL Services' on-site FM team and their ongoing dedication and commitment to continual improvement, innovation and the tasks at hand. The team has really been put to the test, yet transition-in was seamless and the services delivered by UGL Services continue to be fantastic, often exceeding our expectations."

UGL Services conducts a program of regular, periodical preventative maintenance but is also responsible for responding reactively to a variety of requests that come either from staff or patients through the help desk, or electronically through a Building Management System (BMS). Service Level Agreements (SLAs) are tight and demanding, in some cases requiring a technician to respond inside 5 minutes.

Innovative technology has been both mandatory and central at the Women's. UGL Services deployed its own asset management system and engaged Sydney-based Retriever Communications to deliver a mobile solution for maintenance staff encompassing both preventative and reactive work orders and occupational health and safety (OH&S). Retriever also deployed its automated scheduling solution, Retriever Schedule, to allocate work orders, dispatch them wirelessly, and to manage the priorities and escalation process to ensure SLAs are met.

James Cochlan, Account Director – Health Services at UGL Services, said, "In a hospital environment it cannot be overstated how important it is to deploy an IT solution that was fast, guaranteed and 100 per cent reliable – with Retriever we have achieved all of our goals."

UGL Services: Maintaining asset quality through Retriever.

Having bar-coded every asset and every location within the hospital, maintenance technicians responding to a call use a Retriever mobile device to first scan the location and then the asset to make double-sure that they are in the right place working on the right piece of equipment.

Management and scheduling staff receive real-time updates to the Web 2.0 Retriever Schedule screen, ensuring that they know immediately if intervention is required. When the works are completed, the results flow automatically and seamlessly back through Retriever and onto UGL Services' asset management system, without any action from the technician.

Lisa Dunlop concludes, "UGL Services truly is the backbone behind the smooth functioning of our facility – without them, the hospital doors would have to be closed."

- Casey Community Hospital, Victoria 2001
- Royal Women's Hospital redevelopment, Victoria 2003
- Long Bay Forensic Hospital, NSW 2005
- Newcastle Mater Hospital redevelopment, NSW 2005
- Royal Children's Hospital, Victoria 2005
- Royal North Shore redevelopment, NSW 2006
- Perth Hospital, WA 2007
- Sunshine Coast Hospital, Queensland 2007
- New Royal Adelaide Hospital, SA (undergoing procurement)

For the private sector, the risk profile of health investments is attractive compared to other, user-pays, private-partnership models. "The PPP model used to deliver health infrastructure is quite different from that used to deliver services like toll roads," Lyon says. "Patients aren't tolled – instead, the government pays an agreed fee, each quarter, to the private sector in return for making the facility available and maintained to the standards that are set out in the contract – so we don't see the sort of market risk that might have caused caution among investors in other areas during times of financial downturn."

Exponents of the PPP model of procurement for health claim that entrusting not only the construction but the long-term management of a health facility to the private sector ensures that the hospital is maintained to a high standard over its economic life, allowing health administrators and clinicians to get back to delivering good clinical outcomes.

"A PPP means that the maintenance of hospitals, which has been a challenge in the past and has been subject to the vagaries of government budget requirements, is taken outside of that broader health budget squeeze," Lyon says.

But does not that expose public funds to risk? The typical contract a government will enter into for a PPP-procured hospital runs for 25 years – and as the global financial crisis demonstrated, longevity in business is no guarantee.

As part of the agreement, the state obliges the private-sector partner to raise and fully fund the entire cost of the project up front. This insulates important public assets where a corporate sponsor encounters financial difficulty down the track.

"The government ensures contingencies are in place in the event of any contractual default on the part of the private operator," says Parkville Comprehensive Cancer Centre Project Director Tony Michele.

With the Children's Hospital, a robust independent trust structure was in place to protect the funds, meaning the project was not derailed as a consequence of its sponsors' financial predicament.

Other contractual obligations of private partners include the requirement to provide full system and process documentation. "All contracts entered into for facility maintenance must include a provision for the state to take over should the partnership fail during the concession period," says Michele.

Although a state government has the option to review and benchmark partner performance, it cannot bring the asset back under its ambit during that time. The private partner effectively controls the asset for the duration of the concession.

However, private operators are compelled to make abatement payments to the state if they do not meet the minimum requirements for the maintenance of the asset. "The facilities management of these, after all, very complex assets is undertaken by the private sector with a strong financial incentive to make sure that the hospital is well-designed, fit-for-purpose and well-maintained over its economic life," Lyon says.

"The government insists that the private-sector partner take the risk around the condition and maintenance of that infrastructure asset over time," Michele says. "The private-sector partner is the owner of the infrastructure for the life of the concession, after which the asset may revert to government ownership or be recontracted to the same or another operator."

All projects funded through the HHF are subject to the Commonwealth Department of Health and Ageing's Capital Works Funding Agreement, which sets out the obligations of the parties to a PPP, including liabilities, insurance, release and indemnity.

Importantly, the government maintains control over all clinical service provisions. "There's a very clear delineation between the asset and the operation of hospital services," Tony says. "While support services including cleaning and security may be outsourced, as has been the case for many years, the public sector is the sole party and will always be the sole party responsible for the actual core health service."

Despite the private sector's increased involvement in hospital development over the last decade, traditional procurement models still account for most infrastructure projects delivered across the board. It is estimated that traditional funding models continue to account for around 90 per cent of government procurement output.

Queensland is the fastest-growing state in the country; the Gold Coast population is growing by twice the state average. Along with a significant transient tourist population, the Gold Coast is home to a growing number of older Australians. These considerations have driven the development of the largest traditionally procured hospital on the national health agenda.

The $1.76 billion Gold Coast University Hospital, set for completion in 2012, will deliver an estimated 750 beds in a tertiary, complex-care facility, with an emphasis on training and research opportunities to allow for continued expansion in its region.

The new hospital will be located close to a number of private medical practices already in the vicinity, following a trend towards co-locating public and private hospitals in single areas, to create health precincts or campuses, where resources, pre-existing infrastructure and allied health expertise can be leased between private and public entities.

The sharing of complementary and back-of-house services on one site allows for the development of large-scale, whole treatment precincts with allied professions in one location.

"In this type of arrangement, clinical services are shared in the sense that self-employed health professionals have privileges to attend and treat both private and public patients at the same facility," Michele says.

Major co-locations around the country include St George and St George Private in Sydney, St Vincent's and St Vincent's Private in Melbourne and the Royal Women's Hospital and Frances Perry House in Victoria. In the latter example, public hospital infrastructure is leased to a private-service provider, and there is a standing service agreement whereby the private operator purchases some services from the state, for example sterilisation services, under a standard commercial agreement.

Within co-location arrangements, each of the parties retains responsibility for its own equipment and there is a clear demarcation of risk.

"Australia's health system is predicated on having both world-class public and world-class private services, so it makes sense to share services where possible," Lyon says. "It also means that the public health system will continue to have access to private specialists as well, to treat public patients in public hospitals."

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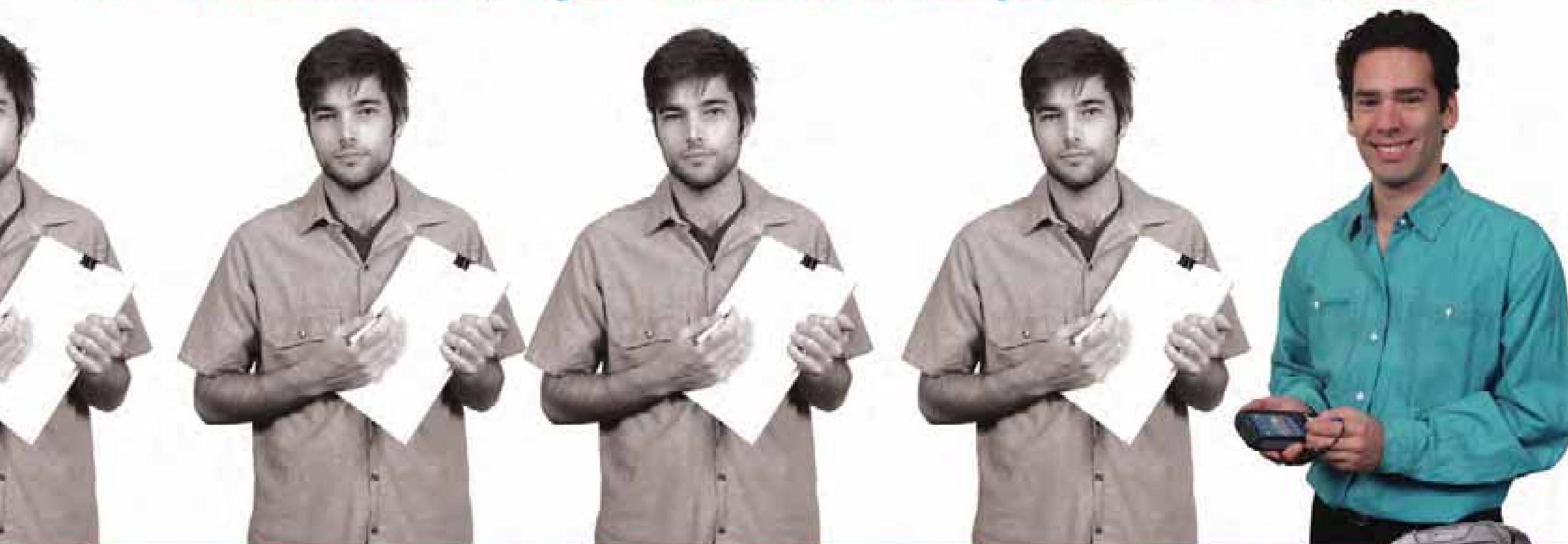

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