Section 5: Value for money: are we spending our dollars wisely?
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5. Value for money: are we spending our dollars wisely?

Health expenditure is continuing to rise. Factors contributing to this rise including increasing rates of some chronic conditions and injuries (in particular diabetes and falls injuries), a growing and ageing population, continuing advances in medical treatment and technologies (which have increased life spans), and growing community expectations.

The shift in disease burden from acute to chronic and complex conditions, means that our system, which has historically focused on delivering acute inpatient care on an episodic basis, is struggling to meet the ever increasing demand. Bed occupancy rates are high and increasing at some of our facilities. Meanwhile, many hospitalisations are preventable, through improved and better coordinated prevention and care in the community.

Money used inefficiently is money that could have been used to deliver better services, improve people’s well-being and save lives. We have an opportunity to redesign our health system so that patients receive more timely care in the right setting, using the most appropriate interventions, and with that care clearly centred around the needs of patients and families. For people with chronic disease we need to ensure more coordinated and integrated care in the primary and ambulatory care setting.

Partnering with other agencies and service providers provides the opportunity for the District to build healthier communities through focusing efforts on coordinated and targeted primary prevention and early detection strategies.
We’re spending more on health

Between 2000/1 and 2010/11, the health expenditure in NSW increased by 105%. This represents an annual growth rate of 7.5% and an estimated increase of $7,918 Million.

Health expenditure is steadily absorbing a higher proportion of NSW State expenditure. A decade ago, health expenditure comprised of 25% of NSW general government expenditure, as compared to 27% in 2009/10.

The continuing rise in health expenditure is associated with factors such as a high demand for services as a result of growing rates of chronic and preventable diseases, new treatments and technologies becoming available, and demographic factors such as a growing and ageing population.

Trend in Annual Expenditure by NSW Health 2000/1 to 2010/11

Data source: NSW Health Annual Reports

Produced by the Strategy and Planning Unit, Directorate Planning and Population Health
Where do the dollars go?

Acute Services are by far the largest health expenditure Service Group. In 2010/11 Acute Services (Overnight and Same Day combined) consumed over $500 in every $1,000 of health expenditure in SESLHD.

The smallest health expenditure Service Group is Teaching and Research and Population Health. Of every $1,000 spent in SESLHD in 2010/11, $31 was for Teaching and Research and $17 was for Population Health programs.

South Eastern Sydney Local Health District will re-orient health care delivery over the next five years to focus its efforts on reducing the demand for expensive in-hospital care through a networked and enhanced ambulatory and primary health care system and a range of other initiatives that reduce demand on hospital activity.

### SESLHD Health Expenditure, by Service Group, 1 July 2010 to 30 June 2011

<table>
<thead>
<tr>
<th>Service Group</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acute</td>
<td>$507</td>
</tr>
<tr>
<td>Outpatient</td>
<td>$152</td>
</tr>
<tr>
<td>Sub-acute</td>
<td>$108</td>
</tr>
<tr>
<td>Emergency</td>
<td>$74</td>
</tr>
<tr>
<td>Mental Health</td>
<td>$66</td>
</tr>
<tr>
<td>Primary &amp; Community Health</td>
<td>$45</td>
</tr>
<tr>
<td>Teaching &amp; Research</td>
<td>$31</td>
</tr>
<tr>
<td>Population Health</td>
<td>$17</td>
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Note: Population Health includes: Breast Cancer Screening; Childhood Immunisation Programs; Environmental Health; General Health Promotion/Education; HIV/AIDS and STI prevention, detection, control; Injury Prevention Programs; Needle Syringe Program; Other communicable disease prevention, detection and control; Other Disease Prevention, Detection and Control; Public Health System Support; Tobacco: Health Promotion and Regulation.

Data source: SESLHD Business Intelligence & Efficiency Unit

Produced by the Strategy and Planning Unit, Directorate Planning and Population Health
How efficient are we?

Activity-based funding (ABF) is a key component of shared funding arrangements between the Commonwealth and State/Territory jurisdictions and a key feature of the National Health Reform Agreement. ABF has been introduced to drive improvements in the efficiency and clinical performance of public hospitals and health services, and to provide an equitable and transparent method for allocating resources to facilities and services.

It means public hospitals are funded for each episode of activity, based on the efficient price for acute, subacute, emergency and intensive care services provided to their patients.

The Independent Hospital Pricing Authority will set an “efficient price” at a national level for ABF hospital services. The State will continue to determine the District’s activity-based funding targets.

Overall, in 2011/12 the SESLHD’s actual ABF activity was 1.0% above the target. The District is expected to absorb the additional costs incurred.
Our hospitals are increasingly busy

Hospital admissions for acute, subacute and mental health care are increasing at SESLHD hospitals. This trend is expected to continue.

Between 2010/11 and 2021/22 inpatient activity is expected to increase from:

- 100,000 to more than 120,000 separations
- nearly 550,000 to more than 660,000 bed days

Sub acute care will have increased its share of separations and bed days.

Trends and projections of acute, sub acute and mental health inpatient activity at SESLHD hospitals

Data sources: FlowInfo v11.1, NSW Health’s acute & subacute projection tools: aIM2010 V 1.6 & SiAM2010 V 1.1

Produced by the Strategy and Planning Unit, Directorate Planning and Population Health
Emergency presentations increasing

In 2011/12, there were nearly 200,000 Emergency presentations at SESLHD facilities.

Between 2006/07 and 2011/12 emergency presentations at SESLHD facilities increased by 16%, equating to an additional 26,600 presentations in 2011/12.

Nearly ninety per cent of the additional presentations were at Sutherland Hospital (an increase of 35%) and St George Hospital (an increase of 21%).
Bed occupancy rates high

In recent years, bed occupancy rates at each of our hospitals have been above 90%, with the exception of the Royal Hospital for Women. In NSW, bed occupancy rates of up to 85% are considered appropriate, to allow for effective management of fluctuations in demand.

The occupancy rate is the percentage of days that a bed is actually occupied, averaged over a year. The standard way of reporting occupancy rates is to exclude certain unit types (see glossary for details).

Bed occupancy rates at each of our major hospitals have been fairly stable (or fluctuating) in recent years. The main exceptions are the consistent upward trends at Sydney/Sydney Eye Hospital and War Memorial Hospital.

![Trends in Bed Occupancy Rates, by SESLHD Hospital, 2008/9 to 2011/12 (per cent)](image)

**Legend:**
- RHW: Royal Hospital for Women
- POWH: Prince of Wales Hospital
- SSEH: Sydney/Sydney Eye Hospital
- WMH: War Memorial Hospital
- STGH: St George Hospital
- TSH: Sutherland Hospital
- CALV: Calvary Health Care

*Data source: Health Information Exchange via SESLHD Business Intelligence & Efficiency Unit*

*Produced by the Strategy and Planning Unit, Directorate Planning and Population Health*
Older patients impact on activity

Older people have a higher prevalence of co-morbidities, and higher risk of complications, requiring more complex care and more resources.

Not surprisingly, older people are over-represented in our hospitals. While only accounting for about 7% of the resident population, in 2010/11 people aged 70 years and older accounted for 38% of separations (more than 42,000 separations), and 48% of bed days (more than 280,000 bed days) at SESLHD facilities. Their average length of stay (ALOS) was 6.7 days, as compared to 4.3 days in all other age groups.

In 2010/11, nearly three quarters of separations for people aged 70 years and older were in ten Service Related Groups as shown in the diagram below.

Activity in SESLHD hospitals, by age group, 2010/11

Top ten service related groups for separations among people aged 70 years and older in SESLHD hospitals by age group, 2010/11

Data source: Flowinfo v11.1

Produced by the Strategy and Planning Unit, Directorate Planning and Population Health
Utilisation of some procedures on the rise

Hip and knee replacements are both highly effective procedures, with large proportions of joint replacement patients experiencing significant pain relief and improved mobility, and hence much improved quality of life.

Over the last decade numbers of residents having hip and knee replacements increased by about 40%.

Rates of these procedures among residents are similar to rates among NSW residents as a whole.

The need and demand for these procedures - and the potential to positively impact on the quality of life of our residents - is likely to increase further in the coming years, as the population ages.

Data source: NSW Inpatients Statistics Collection & ABS resident populations, accessed from HOIST
Potentially preventable hospitalisations increasing

Since 2003/04, Potentially Preventable Hospitalisations - for Ambulatory Care Sensitive Conditions (ACSC) - have been steadily increasing among SESLHD residents.

Ambulatory care sensitive conditions are those for which hospitalisation is considered potentially preventable through preventive care and early disease management, usually delivered through ambulatory and primary health care.

The top 8 conditions account for about 75% of all Potentially Preventable Hospitalisations among SESLHD residents.

Trends in Potentially Preventable Hospitalisations among SESLHD residents, 2009/10

Data source: NSW Inpatients Statistics Collection & ABS resident populations, accessed from HOIST

Produced by the Strategy and Planning Unit, Directorate Planning and Population Health
Preventable hospitalisations for acute conditions on the rise

Potentially Preventable Hospitalisations for the acute category of Ambulatory Care Sensitive Conditions are increasing rapidly – they have increased by more than 30% since the mid-2000s.

The sharpest increases have been for the top four acute conditions: urinary tract infections (UTI), dehydration & gastroenteritis, dental conditions, and cellulitis.

Data source: NSW Inpatients Statistics Collection & ABS resident populations, accessed from HOIST

Produced by the Strategy and Planning Unit, Directorate Planning and Population Health
Diabetes increases hospital days for a range of conditions

Diabetes is a common co-morbidity in hospitalisations for many conditions, including the top Acute Ambulatory Care Sensitive Conditions. For example, among residents diabetes is a co-morbidity in at least 8% of admissions for cellulitis and 6% for urinary tract infections/pyelonephritis.

Diabetes is also associated with an increased length of stay (LOS). For example, the average LOS for admission: for dehydration/gastroenteritis among residents is 2.7 days. For the sub-set of these admissions with diabetes as a co-morbidity, the average LOS is more than double (5.6 days).

About 10% of patients admitted with common cardiac conditions (coronary heart disease or heart failure) also have diabetes recorded as a principal or co-morbid diagnosis.

All of the estimates presented here - related to the impact of diabetes on our patients and inpatient services - are likely to be underestimates, given the known under-recording of secondary co-diagnoses in hospital data in NSW.

Projections for NSW hospitals identify that the impact of diabetes will surpass all other conditions in the coming years.

Data source: NSW Inpatients Statistics Collection & ABS resident populations, accessed from HOIST