



HARDES AND ASSOCIATES

STRATEGIC PLANNING FOR HEALTHCARE

PO Box 5089
KAHIBAH NSW AUSTRALIA 2290
PH/FAX: (02) 4946 0399
MOBILE: 0412215494
greghardes@bigpond.com

Response to Director-General's Environmental Assessment Requirements Illawarra International Health Precinct, Huntley

The following comments are provided to assist in preparation of a response to the Director-General's Environmental Assessment Requirements. We have only responded to issues where we have expertise to make an informed response. La Vie Developments are able to use our responses in either part or whole in the preparation of a more detailed overall response.

General Requirements

2(d) 'likely environmental, social and economic impacts'

We are unable to comment upon likely environmental impacts but it is clear that the proposed development would have substantial social and economic implications.

Social impact

In terms of social requirements one of the largest burden's faced by our society over the next decade will be the health requirements generated by population growth and ageing. Already there is ample evidence of the inability of the State's public hospitals to cope with demand. For at least the past 15 years the increase in hospital admissions has outstripped population growth.

This has been identified by both the NSW Department of Health and successive enquiries by the Independent Pricing and Remuneration Tribunal (IPART).

Projections of acute hospital demand across Australia (undertaken by Hardes and Associates for State Health Authorities) clearly show that demand for acute hospital services will accelerate due to the impact of population ageing as the 'baby-boomer' population approaches old age. This will impact on demand for acute hospital services as well as sub-acute and non-acute services for the aged.

Significant increases in capacity in both the public and private sector will be required to accommodate these trends.

Economic impacts

It is obvious that development of the scope and style proposed will be accompanied by significant direct job creation both in the construction phase but more particularly in the operational stage. Generally speaking employees within the health industry are well educated and well paid. There will be substantial economic benefits (both direct and indirect) from the proposed development.

(5) 'A conclusion justifying the project, taking into consideration the environmental and construction impacts of the proposal, mitigation measures to address these impacts, the cumulative impact of the proposal, the suitability of the site and whether or not the project is in the public interest'

The proposed development is important to the overall health needs of the residents of Illawarra and areas on the south coast. The development will address the following critical issues –

The area is under-serviced in terms of private sector supply and utilisation.

There is difficulty in attracting clinicians and clinical support staff to the public hospitals because of the absence of quality supporting private infrastructure.

The demand for acute hospital services and aged care will increase due to population growth, ageing and clinical trends.

Key assessment Requirements

Land Use – point 6 'demonstrate an evidence-based approach to the proposed clinical services including the views of the Department of Health.'

Hardes and Associates were commissioned by La Vie Developments (Dr Brett Gooley) to undertake a review of unmet private hospital demand in the Illawarra area and the potential to establish a major private tertiary hospital as part of an overall health precinct. Hardes and Associates are the premier hospital demand modelling company in Australia, with their demand/supply models being used for public hospital planning in every State and the ACT as well as throughout the private sector. The modelling of demand requirements is based upon the application of specialty-specific trends to projected populations.

Hardes and Associates do the demand/supply modelling for the NSW Department of Health.

Estimation of the clinical requirements for the proposed development used the same routinely collected hospital morbidity data as used to estimate and

model demand for the NSW Department of Health. The projections of demand use the same model (owned by Hardes and Associates) as used by the Department of Health for its acute hospital planning and capital works programme.

The data used in these analyses are based upon the 2005/2006 financial year. This is more current than the projections still being used by the NSW Department of Health – which are based upon 2003/2004 data.

The review was undertaken in 3 stages. Stage 1 reviewed the ‘unmet’ private hospital demand in the primary catchment – defined as the LGA’s of Wollongong, Shellharbour, Shoalhaven and Kiama. Stage 2 modelled future private hospital growth in the catchment under the impacts of population growth, ageing and clinical trends. Stage 3 built upon the results from Stages 1 and 2 to identify the potential for the development of a major tertiary private hospital in response to these increasing demand pressures.

It is noted that the private hospital utilisation rates in NSW are lower than the National average and substantially lower than States such as Queensland where the private sector plays a much larger role. This suggests that modelling based upon current NSW rates may be slightly conservative.

Economic Impact

‘detail the catchment of the proposed services along with the catchment and distance of other existing and expanding health services in the Region’

The proposed development has a primary catchment comprising the LGA’s of Wollongong, Shellharbour, Shoalhaven and Kiama. It is anticipated that the nature of the hospital – as a tertiary referral centre – will result in a significantly larger overall catchment.

The area is served by both public and private hospitals. The number of hospital beds is not relevant. The more usual and appropriate measure is the use of services. The existence of beds that cannot be staffed or operated is misleading.

The appropriate way to assess the current pattern of use is to compare current use of services with ‘expected’ levels of utilisation (admission rates) based upon State average rates (adjusted for the local population age/sex structure). We calculate an index (Relative Utilisation) that shows the relative level of hospital use – regardless of where the service was delivered. This index has the characteristic that 100 is the State average. An index greater than 100 shows higher than expected use; lower than 100 shows lower use. The following table shows the situation based upon 2006/2007 data.

RAHS	Illawarra	
Sum of Relative Utilisation	Hospital T	
Place of Residence	Private	Public
Kiama	122	90
Shellharbour	87	126
Shoalhaven	48	118
Wollongong	102	104
Grand Total	86	110

This is an important table for the proposed development. It shows a number of critical points.

First, there is a skew towards the public sector. Overall the rates are 10% higher than average. This is undesirable. It reduces patient choice and also discourages relocation of clinicians to the area due to limited private sector infrastructure and opportunities. It also places undue burden on the public sector to meet the health requirements of the population.

By contrast the private sector is under-served – by almost 15%. Typically Metropolitan and Urban areas have a private Relative Utilisation above the state average. In Newcastle and Lake Macquarie – comparable areas in terms of demography and socioeconomic status – the private sector Relative Utilisation is 110 – almost 25% higher than the primary catchment of the proposed development.

The fundamental problem with the current private sector services is that they are fragmented. Small private hospitals in Kiama, Shoalhaven and Shellharbour are able to provide only a limited and basic range of services. The volumes of work generated from each area are too small to support a full range. Hence the services are either not delivered or provided only in the public sector.

The only way to attract an expanded range of private services to the region is to provide a larger consolidated service. Paradoxically this will also make it easier to attract clinicians to the public sector.

‘identify potential conflicting and/or complimentary roles for the proposed hospital with existing public and private hospitals in the region’

The proposed development will greatly expand the range and depth of clinical services available to the region. This will facilitate and expand the range of services able to be offered in both the public and private sector. It will reduce pressure on public sector services allowing a more normative distribution between public and private providers.

The development is comprehensive and significant negotiation has already occurred regarding recruitment and training of staff.

Increased private supply may have some impact on the existing private providers. As previously identified many of these services are limited in range

with low occupancies. The existence of an expanded medical community may well increase their opportunities. It is incorrect to assume that patients for the proposed development will be sourced from the existing private providers. Patients will come from several sources –

- Unmet demand (services not currently provided in the private sector)
- Expanded demand due to more optimal provision (over and above the State average rate for private hospitals)
- Relocation from public hospitals (due to improved choice)
- Expanded catchment
- Demand growth due to population growth, ageing and clinical trends

The modelling did not assume closure or relocation of work from existing private providers.

Identify any negative economic impacts to the Region, such as possible closures of other hospitals or health services, from the development and, if relevant, any required and appropriate mitigation measures.

This is largely a matter for the market. The modelling of demand was not based upon closure or relocation of work from other providers.

Existing small providers will find it difficult to compete unless they can establish niche markets. At the current time they find it difficult to survive due to economies of scale and the inability to attract specialists to such small segmented markets. The establishment of a large tertiary referral hospital will substantially increase the medical workforce both in terms of number and range. This may well provide opportunities that do not exist in the current market e.g. for a range of expanded clinical specialties in the smaller hospitals.

Where this does not occur there will be ongoing opportunities for aged care expansion – self care, hostel, nursing home – provided at the local level.

No mitigation measures are required.

I hope these comments are useful. Please feel free to contact me if clarification or expansion is required.



Dr Greg Hardes (Ph.D.)
Managing Director