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For immediate release

Valuation costs soar for health services

Over \$1.6 million may be cut from patient services at Victoria's rural and regional health services as a result of a state-wide project to revalue all public hospital assets.

Health services across the state have received valuation bills for unprecedented amounts from Victoria's Valuer-General (VGV) as part of a State Government project to implement new financial benchmarking standards.

The peak body representing rural and regional health services – the Victorian Healthcare Association - is seeking financial compensation for hospitals to avoid the need to compromise patient services or financial results.

This follows a VHA survey of its members on the issue that found the overall effect of the valuation exercise in rural Victoria could put at risk 620 patient admissions.

Health services have been told by the State Government they are not allowed to reject a valuation on cost alone nor seek another valuation option – they are, in effect, being forced to pay the quote by the VGV.

The VHA's chief executive, Mr Trevor Carr said valuation costs for hospitals in rural/regional Victoria have risen by as much as 1000 per cent and by an average of 528 per cent, which amounts to a disproportionate percentage of their annual expenditure.

Mr Carr said the VHA supports the need for a thorough valuation process but the process lacks transparency and it is information that benefits the state government and therefore should be paid for directly out of state revenues

"The current exercise that requires health services to foot the bill in a single year is unreasonable, at a time when many hospitals are already financially struggling. To also deny health services the right to seek an alternate valuation further undermines their independence," Mr Carr said.

The valuation process is intended to usher in new standards of benchmarking for financial reporting and asset management to inform insurance needs in the healthcare sector and retain the state's triple A credit rating.

It is the first time in nearly two decades that the State Government has stipulated that the VGV audit all Victorian hospitals simultaneously. The use of the VGV is mandatory and all requests for exemptions by individual health services to seek their own valuations have been refused.

In a sign of mounting frustration, one rural health service chief executive, who did not want to be named, said: "Someone is getting ripped off and I suspect it is us"

At Omeo District Hospital, in Victoria's remote east, the valuation bill of \$11,200 amounts to roughly the same amount as that spent annually on the health service's drug supplies.

Omeo chief executive, Jo Cavill said the bill came as a complete shock.

"It has created further difficulties for us and is an added cost we just weren't expecting. It is just so expensive," Ms Cavill said.

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Western District Health Service chief executive, Mr Jim Fletcher accepts the scope of the current valuation exercise is more complex and, therefore, more costly but said the increase at his health service from \$6,400 four years ago to \$55,600 is "hard to fathom".

"As a health service we accept it is part of our responsibility to undertake these valuations but the costs increases are three times what we thought they might be," Mr Fletcher said.

"There are two components to this – the fact we cannot seek an alternative provider and the cost itself that we believe should be met, at least in part, by the State Government."

At Bairnsdale Regional Health Service its chief executive, Wayne Sullivan, said the VGV exercise is just one of a number of unexpected cost increases that is having a "cumulative effect" on health services' running costs.

A survey of the VHA's members found:

- Costs of valuations have risen across rural/regional Victoria with the highest percentage increase at Bairnsdale Regional Health Service – up by 1050 per cent
- Some of the largest valuation increases occurred despite the valuation being provided by the same valuer as on the previous occasion
- The highest bill in dollar value was at Barwon Health - \$70,600 - followed closely by Ballarat Health - \$69,600
- Health services want to know the full details of where the costs are being allocated to understand why the increases are so substantial

The VHA is concerned that the ability of individual health services to pay the VGV bill varies widely, with smaller health services unfairly impacted as a proportion of their capital worth.

To rectify this, the VHA is seeking a commitment through the DHS to recompense health services for the differences in costs burdens associated with the project.

The VHA is the major peak body representing the public healthcare sector in Victoria. Our members include public hospitals, rural and regional health services, community health services and aged care facilities. Established since 1938, the VHA promotes improvement of health outcomes for all Victorians from the perspective of its members.

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