1. Terms & Abbreviations

Abbreviations used in this volume include:

Abbreviation	Meaning
FPU	Functional Planning Unit
HRG's	Health Related Groups
ICU	Intensive Care Unit
IRDRG's	International Refined DRG's (IRDRG's)
RDL	Role Delineation Level
SOA	Schedule of Accommodation
SRG's	Service Related Groups

1.1 Background.

In recent years it has become increasingly obvious that some healthcare projects are not properly considered in terms of feasibility, correct market assessment and provision for correct costing or funding. Some proponents appear to treat healthcare as a real-estate investment business rather than a critical, viable and sustainable service-oriented business.

Some projects are submitted to the health authorities for approval and licensing but are not necessarily built. The viability of some projects are not properly or realistically assessed at the start, resulting in un-realized or failed projects. Furthermore, the health authorities may have certain policies which govern the location of specialised, expensive and rare health services. Planners need to be aware of such policy directions and take them into account early in the planning process.

Some may reason that private healthcare facilities, as businesses, should be allowed to fail; that the health authorities should not be concerned with the viability of private businesses. Others reason that public healthcare facilities are not subject to the profitability concerns of private healthcare and therefore, the health authorities should not be concerned with their feasibility. However, there

is strong evidence that the consideration of the sustainability of business both for the private and public sector is in the best public interest. Both over-provision and under-provision within a population catchment can result in in-efficiency and other service problems, especially in relation to Hospitals. Over-provision in specialised services can result in a reduction of patient volumes for all facilities within the catchment. Reduction in the volume can then result in the lack of exposure to sufficient patient cases to maintain the quality of healthcare as well as the skill level of the clinicians. Under-provision (or service GAP) which is not detected or appreciated by investors and operators can also be a problem as it can result in un-acceptable waiting lists or force the patients to seek treatment outside the Country at a substantial cost.

Public and private healthcare facilities which ultimately prove to be financially or operationally un-sustainable and are not realised, resulting in:

- waste money, time and energy
- use the resources of health regulators and licensing agencies
- give a false impression of up-coming future supply in healthcare
- affect the health authority's "capacity planning" due to unreliable supply estimates
- discourage other proponents from entering the market
- create a negative outlook for the healthcare business within financial sectors
- make the funding of new facilities harder
- distort the land-allocation decision-making for healthcare purposes.

In the case of facilities which are built but are found to be not sustainable as a business:

- the dependence of the patients and clinicians on the service facility cannot be maintained
- the quality and safety of operation is reduced to meet costs
- staff numbers and skills tend to be reduced to a minimum at a risk to the patients
- consultants and contractors are not paid or payments are delayed
- services which were indicated in the licensing application are not delivered
- healthcare becomes increasingly un-affordable and inequitable

In the case of specialised and regional health services:

- some low volume but high complexity services can only be provided safely from a few pre-approved central locations with adequate concentration of expertise, clinical skills and support facilities

- most high volume, low complexity services can be distributed between central and remote areas subject to the provision of the necessary facilities and staff.

1.2 The Purpose of Part F

Part F covers various subjects under feasibility planning and costing. It is a framework for the healthcare industry to consider in relation to licencing and provides a methodology to be followed for licence applications lodged with the relevant health authorities.

Specialists and those experienced in feasibility planning and costing can use their own methodology as long as they can demonstrate that all the relevant issues as stated in this part are addressed and the deliverables are supplied. Alternatively, Part F provides a simplified methodology with supporting templates which may be used.

The deliverables of Part F are components of health facility licensing applications and are identified in the approval process outlined in Part A of these Guidelines.

1.3 The Structure of Part F

Part F covers the process of Feasibility Planning and Costing under the following structure:

- Executive Summary
- Strategic Context
- Investment Objectives
- Needs Analysis (Demand, Supply, Gap)
- Competitive Landscape
- Proposed Services and Facilities
- Options Generation and Evaluation
- Project Costing (Capital and Recurrent)
- Risk Analysis
- Financial Appraisal
- Options Selection
- Funding Strategy
- Procurement Strategy
- Timeframe and Staging

- Feasibility Self-check

Deliverables

1.4 Feasibility Planning and Costing

In the context of these Guidelines, "Feasibility Planning and Costing" is a process for the evaluation, documentation and approval of projects to assist with the development and procurement of sustainable healthcare infrastructure.

In the case of private facilities, they must be based on sound business principles, be capable of capital and recurrent funding and long term operation. Public facilities must demonstrate value-for money and clear, holistic benefit to the community.

1.5 The terms used in these Guidelines

"Feasibility Planning" is a generic term used within these Guidelines. The same (or very similar subjects) may also be referred to as:

- Feasibility Study
- Business Case
- Business Plan
- Business Proposal
- Service Procurement Plan
- Project Feasibility Plan
- Project Development Plan
- Financial Assessment

Within these Guidelines reference is made to "Service Lines" and "Diagnosis Related Groups" or DRG's. Consultants and industry groups may also be familiar with other terms which partly or wholly cover the meaning of these terms such as:

- Specialities
- Clinical Services
- Clinical Specialities
- Medical Disciplines
- Health Related Groups (HRG's)

- International Refined DRG's (IRDRG's)
- Service Related Groups (SRG's)

The applicants and consultants are encouraged to adopt the terms used in these Guidelines.

Similarly, the "Costing", both Capital and Recurrent referred to in these Guidelines may already be available for the given project under different titles such as:

- Cost Estimate
- Budget Estimate
- Cost Plan
- Order of Cost
- Priced Bill of Quantities
- Pre-tender Estimate
- Running Cost
- Operational Cost
- Internal Rate of Return
- Cost Benefit Ratio
- Net Present Value.

If such documents are available for the given project, they may well satisfy the requirements of these Guidelines. In such a situation, the minimum requirement of compliance with these Guidelines is to:

- present the conclusions of the Study/Plan/Estimate into the "deliverables" format required
- complete and attach the required checklist
- attach a copy of the original document

In order to minimise misunderstandings and promote effective communication within the industry, in all applications to the DHA and documents specifically produced for submission to the DHA, only the terms used in these Guidelines should be used. If other documents are supplied in support of the applications to the Authority, the clear meaning of the terms used in said documents under the terms of these Guidelines should be stated in a cover page, cover letter or similar communication.

Many complex issues can be expected in every proposal. These guidelines make no attempt to predict all such circumstances or provide a perfect solution for all conditions. These guidelines are

not exhaustive. The key issues and expectations are covered with descriptions which apply to most facilities. Applicants and users of these guidelines should apply the principles stated or implied in these guidelines to circumstances which are not explicitly covered.

The key steps of Feasibility Planning and Costing are described in the following sections. Care should be taken not to repeat the same subject, but rather remain focussed and concise. If a subject does not apply to the given circumstances, a simple statement to this effect should suffice. As far as possible, the language of the study should be clear, simple and non-academic. The terminology used should match those used in these Guidelines.