

**MEDICAL EQUIPMENT
ASSET MANAGEMENT FRAMEWORK
PROJECT BRIEF**

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1 Background

Medical equipment plays an important and growing role in the delivery of health care and constitutes a significant part of the asset base used to deliver health care.

Medical equipment has a known and limited "effective life", at the end of which it needs to be replaced. If it is not replaced there are service implications, both qualitative and quantitative. In addition to replacements, there are opportunities to significantly upgrade the equipment's functionality and to add value to services.

In March 2003, the Auditor-General Victoria (AGV) undertook a review titled "*Managing Medical Equipment in Public Hospitals*" and identified that hospitals were facing significant funding issues regarding medical equipment. The AGV recommended that the Department of Human Services (department) develop a strategic framework for managing medical equipment.

The Victorian Healthcare Association (VHA) Report titled *Health Service Capital Expenditure and Management Review (Non-Major Infrastructure and Equipment)* was published on 2 August 2005. The preparation of this report was initiated by VHA and partially funded by the department. The Review focussed on funding, expenditure and management of capital and infrastructure works costing less than \$2 million and all items of capital equipment. A key recommendation of this Report related to the adoption of the asset management framework outlined in the report and consideration of related aspects to support this Framework.

The Under Secretary, Health has determined that a *Medical Equipment Asset Management Framework* project be undertaken.

Anticipated Outcomes

1. It is anticipated that the development of a *Medical Equipment Asset Management Framework* will provide an improved management platform to support the Victorian Government meeting its healthcare service delivery objectives effectively and improving the system in sustaining Victoria's Public Hospital medical equipment asset base. This would include:
 - Providing Health Services with mechanisms to improve medical equipment asset management; and
 - Sustaining existing capacity and provide an opportunity for better planning that promotes better service delivery.

2 Aims and Objectives

2.1 Aims

2. The aim of this project is to develop a *Medical Equipment Asset Management Framework* to optimise strategic asset management of medical equipment in Victorian Public Health Services and to support development of individual Health Service *Medical Equipment Asset Management Plans*.
3. It is anticipated that this should:
 - Lead to improvements in the processes of strategic medical equipment asset whole-of-life management and replacement planning (5 to 10 years), based on robust recording and information systems; and
 - Assist the department and Government in achieving improved asset management and clearer strategic, long-term planning for the replacement of equipment at the end of its "effective life".

2.2 Objectives

4. Specific objectives for the *Medical Equipment Asset Management Framework* are:
 - Develop a framework through establishment of guidelines and standardised processes;
 - Develop a consistent approach to the treatment and recording of asset management information, (including depreciation rates);
 - Develop medical equipment asset management templates and guidelines for implementation and utilisation by Health Services; and,
 - Implement the medical equipment asset management framework across Victorian Public Health Services.

3 Linkages To Key Policy Documents, Divisional Plans & Key Strategies

5. This project is consistent with Government policies, including those specific to asset management as the continued availability of modern and up-to-date medical equipment in all health sectors is the foundation to improving the access of patients to an efficient and improved health service.

3.1.1 Growing Victoria Together II

6. In November 2001, the Victorian Government released *Growing Victoria Together* - a statement about the State's priorities for the next 10 years. This vision was refreshed in March 2005 to reflect emerging community needs and concerns.
7. The Government has identified ten shared goals that will be a focus for priority setting, including legislation and budget spending, over the next decade. The goal most relevant to this project is "High quality accessible health and community services".

3.1.2 Department of Human Services Plan

8. The 2005/06 Department of Human Services mission is to enhance and protect the health and wellbeing of all Victorians, emphasising vulnerable groups and those most in need.
9. The relevant objective of the department to this project is "Building sustainable, well managed and efficient human services", with the associated outcome of "sustainable human services" which will be achieved through "Technology that gives patients and clients improved service access and quality".

3.1.3 Metropolitan Health Strategy

10. The *Metropolitan Health Strategy, Directions for your health care system (MHS)*, released in October 2003 set directions for Metropolitan Health Services. The MHS states that:

"Efficient and effective delivery of public health care is dependent on the availability of appropriate physical facilities, the largest of which are our hospitals. A key element of the MHS is, therefore, the capital planning required to provide a framework for the provision of facilities, infrastructure and resources across the metropolitan area."

11. One of the key enablers for the Strategy is enabled by capital funding (section 4.3).

"The capital planning of Metropolitan Health Services will be enhanced to take on a more strategic approach to medical equipment and new technology acquisition and replacement. The Metropolitan Health Service strategic service plans in section 3.2.1 will include development of asset management plans for equipment replacement. Planning for new technology, both a significant driver and enabler of service change, will also be linked with the service and asset management plans. The department's funding for equipment and new technology will be targeted to Metropolitan Health Services consistent with their combined strategic service, asset management and new technology plans."

3.1.4 Rural Directions for a Better State of Health

12. The *Rural directions for a Better State of Health* was endorsed by Cabinet and released in November 2005. The strategy sets the key directions and objectives for rural health services.
13. Direction 3 is to Strengthen and sustain rural health services, and notes that strengthening and sustaining rural health services depends on initiatives that support and enhance resources and improve systems and processes. Strategy 6 is to “Enhance the Physical Infrastructure and equipment of health facilities”, particularly through ‘investment in medical equipment’.

3.1.5 Whole of Government Asset Management Framework

14. The Government’s objectives in relation to asset management are set out in “Sustaining Our Assets”. The overall objective is described as: “The key objectives of asset management are to enable the Government to meet its service delivery objectives effectively and to provide a foundation for economic growth”.
15. The development of the medical equipment asset management framework will closely align with the whole of government asset management framework.
 - The specific objectives of the policy are:
 - To provide the services required by Victorians:
 - To optimise the service potential of assets:
 - To maximise value for money:
 - To contribute to economic growth:
 - To encourage asset improvements that will improve the global competitiveness of Victoria.
 - To assign responsibility and accountability:
 - To promote balance between development and sustainability:

3.2 Previous Reviews of Medical Equipment

16. The following previous reviews of medical equipment will inform the development of the Framework:
 - Auditor-General Victoria’s Report - 2003
 - VHA Report - 2005
17. Attachment 1 provides further details of these and other relevant reviews.

4 Project Outline

4.1 Scope

18. The scope of this project is to develop a framework for the management of capital medical equipment required for acute, aged care, mental health, dental services that are a part of a health service / hospital and sub-acute services. The second component of the project is to enable Health Services to develop individual asset management plans for their medical equipment. The framework will provide the capability for health services to separate the management and treatment of additional / new items of equipment from replacement equipment.
19. The development of asset management plans (medical equipment) will be undertaken for metropolitan, major regional and rural health services. The Regional and Rural Health Alliances will be utilised to appropriately incorporate rural hospitals in the development of the Framework.

4.1.1 Definition of Medical Equipment

20. Australian Standard AS 3551:2004 - Technical Management Programs for Medical Devices, the definition of "Medical device" is "Any instrument, apparatus, or appliance, including software, whether used alone or in combination, together with any accessories necessary for correct operation, which makes physical or electrical contact with the patient, or transfers energy to or from the patient, or detects such energy transfer to or from the patient, or is intended to diagnose, treat or monitor a patient."
 - This definition will be utilised for the purposes of the Framework.
21. Medical equipment as defined for this body of work will include assets with a value of, or greater than, \$1,000. The recently released Victorian Healthcare Association (VHA) report titled *Health Service Capital Expenditure and Management Review (Non-Major Infrastructure and Equipment) 2005* recognised that, on average, 79% of a hospital's medical equipment is valued at greater than \$1,000.
22. For the purposes of this project, the definition of medical equipment does not include prostheses, implanted or externally worn items.

4.1.2 Specific Exclusions

23. This Framework will not include:
 - Buildings;
 - Infrastructure Maintenance Works;
 - Motor vehicles;
 - Plant, furniture and fittings;
 - "New Technology" equipment such as implantable items; and,
 - Information Technology Equipment.

4.1.3 Potential Future Scope

24. Whilst it is foreseen that the *Medical Equipment Asset Management Framework* should be able to be adopted in the future to other areas such as dental health and public health, these areas will be excluded from this current project as they are more widely distributed across the health system. The implementation of the *Medical Equipment Asset Management Framework* into other areas (such as dental health and public health) will be considered as potential future scope.

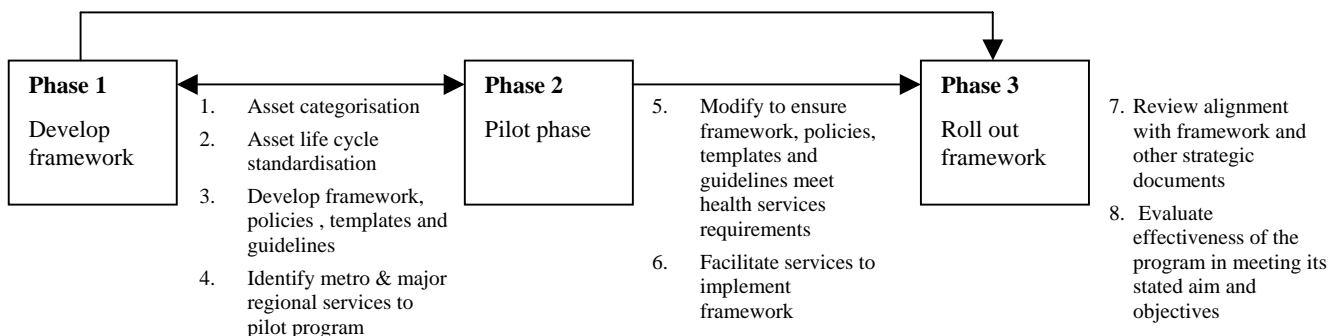
4.1.4 Concurrent Related Projects

25. Stage 1 of the independent review of medical equipment replacement requirements in metropolitan and major regional health services has been completed. This stage reviewed 7 sample health services. The data and information gathered through Stage 1 has been utilised to inform the development of the Acute Health – Medical Equipment Replacement Requirements business case for the 2006/07 budget process.
26. Proposed Stage 2 of the independent review will complete the review in the remaining metropolitan and regional health services. Stage 2 will be complete by the end of March 2006.
27. Consideration of depreciation and other relevant financial issues will be explored as part of a concurrent related project that will be led by the MHACS Finance Branch.

4.2 Phases

28. It is envisaged that this project will be divided into three phases:
 - a. The first phase is the development of a draft *Medical Equipment Asset Management Framework (MEAMF)*. This will involve the development of relevant policies, guidelines and tools.
 - b. The second phase is the piloting and review of the Framework with identified health services. The pilot phase will run for twelve months, with progress reviews each quarter. At the completion of the pilot phase, all documentation, policies, guidelines and tools will be modified as required.
 - c. The third phase depends on the endorsement of the *MEAMF*, and full implementation of the Framework policies, guidelines and tools. This phase includes the facilitation of health services to develop individual agency *Medical Equipment Asset Management Plans* that are consistent with the developed Framework.
 - A review of the alignment of the agency formulated asset management plans against the *Medical Equipment Asset Framework* and Health Service Strategic and Service Plans will also occur.
 - Evaluation of the effectiveness of the framework against the objectives stated within this project brief will be undertaken following full implementation of the framework.

Diagram 1 – Overview of phases and key tasks



4.2.1 Phase 1 - Development of the Medical Equipment Asset Management Framework

29. The *Medical Equipment Asset Management Framework (MEAMF)* will set out a series of principles and guidelines to set in place a strategic approach to the *Medical Equipment Asset Management Framework*. The development of

the framework will incorporate best practice asset management models from across Australia (Queensland, South Australia and Western Australia) and from overseas (Canada, USA, UK etc.).

30. Key areas to be addressed under the *Medical Equipment Asset Management Framework* include:
 - Clear definition of medical equipment incorporating inclusions and exclusions
 - Objectives and context
 - Policy, strategy and planning
 - Asset management and maintenance
 - Information - reporting and recording
 - Risk management
31. Standardised guidelines on the classification, categorisation and definition of medical equipment assets must be developed and agreed.
32. Standardised 'effective life' for medical equipment must also be developed and agreed. This task will be undertaken in close liaison with MHACS Finance Branch related project which is considering financial issues related to asset management.
33. A range of standardised tools, guidelines and templates will be developed as part of the framework to facilitate health services to develop, implement and maintain their individual medical equipment asset management plans, on a 5-10 year basis. The tools and guidelines will assist in the development of individual medical equipment asset management plans. The tools should enable these organisations to:
 - Employ robust prioritisation and decision making processes in relation to investments in medical equipment;
 - Calculate and understand whole-of-life costs and operating costs associated with the investment. Note this is being undertaken as a separate, yet closely aligned project;
 - Develop a system to determine replacement of medical equipment assets and business case principles to consider additional medical equipment asset purchase as part of promotion of a business planning culture; and
 - Use methods for monitoring, evaluating and reporting on medical equipment asset management actions.
34. As part of this first phase, exploration of a central repository of assets should be undertaken. This exploration, as a minimum, should identify costs, issues, risks, linkages and alignments between existing IT systems and asset registers. A cost benefit analysis and a recommendations paper should be developed by the IT Technical Working Group and the project team for consideration by the Steering Committee.
35. The *Medical Equipment Asset Management Plan* guidelines and templates should enable:
 - The identification of common areas that need to be addressed as a minimum by all Health Services and Hospitals in the development of strategic asset management plans for medical equipment.
 - Alignment and tailoring of medical equipment asset management requirements to the strategic framework elements of the *Medical*

Equipment Asset Management Framework. These should align the Health Service's asset base with its service delivery needs and address asset related risks to on-going service delivery and asset performance measures.

4.2.2 Phase 2 – Framework pilot

36. Identification of health services to pilot the framework. The timeframe and scope of the pilot is to be determined by the Steering Committee and the participating health services. At this point in time, twelve months is marked as the appropriate timeframe for the undertaking of the pilot.
37. These health services will pilot the draft Framework, guidelines and templates over a twelve-month period. It is anticipated that the pilot will be conducted over the 2006/07 financial year. Every quarter the health services will be asked to participate in a review of the framework and improvements made accordingly.
38. At the completion of the pilot phase, final improvements will be made (as required) to the framework.

4.2.3 Phase 3 – Implementation of the framework

39. Upon completion of the pilot phase, industry and government endorsement of the framework will be sought.
40. Implementation of the framework will then be undertaken. This will include facilitation of the development of individual medical equipment asset management plans for health services (acute - metropolitan and major regional, sub acute, aged care and mental health services).
41. A review of the alignment of the agency formulated asset management plans against the *Medical Equipment Asset Framework* and Health Service Strategic and Service Plans will also take place.
42. External evaluation of the framework against its stated objectives will be undertaken following implementation of the framework.

4.3 Constraints

43. Constraints related to this project include:
 - Government commitment and affordability;
 - Capacity of Health Services to make the required changes;
 - Access to appropriate information technology systems and software; and
 - Sufficient education to implement change.
44. In addition to the above, a key constraint is the preparation of the *Medical Equipment Asset Management Framework* before that of an overall Health Service Asset Management Framework. This presents potential risks of fragmentation in the treatment of assets.
 - The *VHA Report* considers all assets together in a holistic fashion and notes a recent finding where the level of expenditure for medical equipment was 28% of Health Services expenditure. However, it is likely that consideration of all assets, as compared to consideration of medical equipment only, would significantly lengthen the project timelines and resources to undertake this.
 - This matter will be put to the first meeting of the project Steering Committee for consideration.

4.4 Opportunities

45. The successful development and implementation of a *Medical Equipment Asset Management Framework* and individual agency asset management plans has the potential to provide:

- A better understanding of the asset base related to medical equipment across public hospitals;
- A standard, consistent and more efficient core approach to the management of medical equipment that supports output delivery by promoting optimal use of assets;
- A shift to medium to long term rather than short term focus, for improved whole of life planning and funding of medical equipment;
- More informed allocation of funds to prioritised medical equipment;
- Consistent reporting regarding the status of medical equipment capital assets within Health Services, and to the department; and
- Standardised information to DTF in support of capital funding bids.

5 Key Tasks, Deliverables and Timeframes

46. Key tasks for each phase are set out below:

5.1 Phase 1

- A. Establish Steering Committee and Project Team.
 - Finalise terms of reference and project brief.
- B. Identification of resources required for the project. Engagement or appointment of resources to assist in the development of the framework.
- C. Review of literature, policy and reports and best practice asset management models both nationally and internationally. If appropriate and relevant to the development of the framework, develop a paper that outlines the key findings from this review.
- D. Develop outline of Framework
 - Clear definition of medical equipment incorporating inclusions and exclusions
 - Aims and objectives
 - Content and intent
 - Areas that need to be developed
 - Consultation and communication strategy to 'flesh out' the framework
- E. Develop standardised guidelines on the classification, categorisation and definition of medical equipment. Consult widely with health services and other parts of government.
- F. Develop standardised guidelines on the 'effective life' of assets, in close collaboration with the Finance Branch who are leading the project on financial issues relating to asset management (such as depreciation etc.). Effective life will not be solely reliant on the economic effective life (e.g. depreciation) a range of other factors will be considered in the definition and development of guidelines. Consult widely with health services and other parts of government.
- G. Draft Framework developed including the development of templates, tools, policies and guidelines to assist in the formulation of individual medical equipment asset management plans.
- H. Consult on draft Framework and revise as appropriate.
- I. Endorsement of Draft Framework and Guidelines by the Steering Committee and Under Secretary, Health.

5.2 Phase 2

- J. Define the scope and time period for the undertaking of the pilot.
- K. Assist these health services to develop their individual medical equipment asset management plans based on the Framework.
- L. Every quarter, each pilot health service to review the implementation of the Framework and the effectiveness of the plans. Framework to be modified based upon these quarterly reviews (as appropriate).

- M. Full review upon completion of the pilot phase to ensure the Framework enables health services to achieve the objectives and outcomes listed within this brief.
- N. Appropriate review and improvements to be made to the Framework prior to full implementation.

5.3 Phase 3

- O. Endorsement sought from Steering Committee, Under Secretary Health, Health Services, and government on the Framework.
- P. Implementation and 'roll-out' of the Framework, including facilitation of the development of their individual medical equipment asset management plans.
- Q. Review of the alignment of the agency formulated asset management plans against the *Medical Equipment Asset Framework* and Health Service Strategic and Service Plans.
- R. Evaluation of the Framework against its stated objectives to be undertaken by an external organisation following implementation of the finalised Framework.

5.4 Timelines

Indicate timelines for the phases are shown below:

Task	Completion Timelines
Phase 1 - Development	
Establish Steering Committee and Project Team	October 2005
Engage resources to assist the development of the Framework	January 2006
Review of literature	February 2006
Develop outline of Framework	March 2006
Develop standardised guidelines on the classification, categorisation and definition of medical equipment assets	May 2006
Develop standardised 'effective life cycle' for medical equipment assets	May 2006
Draft Framework completed	May 2006
Consultation and communication undertaken on draft Framework	June 2006
Draft Framework endorsed by Steering Committee and Under Secretary, Health	June 2006
Phase 2 – Pilot	
Identify health services willing to participate in the pilot	May 2006
Facilitate pilot health services to develop medical equipment asset management plans	September 2006
Medical Equipment Business Case ERC 2007/2008	February 2006 - December 2006
Quarterly review of plans and Framework	Sept 2006 Dec 2006 Mar 2007

Task	Completion Timelines
Full review of Framework and modification (as required)	July 2007
Phase 3 – Implementation	
Seek endorsement of finalised Framework	August 2007
Medical Equipment Business Case ERC 2008/2009	February 2007 - December 2007
Implementation including facilitating remaining health services to develop individual medical equipment asset management plans	December 2007
Review health services plans for alignment with the Framework	June 2007
Medical Equipment Business Case ERC 2009/2010	February 2008 - December 2008
First year external review of effectiveness of Framework	Begin in December 2008
Modification to Framework (as appropriate) based on external review	March 2008
Medical Equipment Business Case ERC 2010/2011	February 2009 - December 2009
Second year external review of effectiveness of Framework	Begin in December 2009
Modification to Framework (as appropriate) based on external review	March 2009

Note - The timing of the external reviews is to ensure the Framework and all associated documentation is modified and ready for health services to utilise for the upcoming financial year.

6 Stakeholders & Potential Partnerships

47. The client for this project will be the Department of Human Services.

6.1 Key Stakeholders

48. Key stakeholders in the development of the Framework include:

- State Government;
- Victorian Public Health Services.

6.2 Consultation & Communication

49. In developing this Project Brief, consultation has been undertaken with internal department representatives.

50. Consultations required as part of the Project include, however are not limited to:

- Health Services
- Victorian Healthcare Association
- Department of Treasury and Finance
- Internal department representatives (further consultation)

51. During the project a comprehensive planning framework will be utilised and there will be robust communication that informs stakeholder of the development and implementation of the project.

52. At the appropriate stage, the project will develop a communications strategy, supported by the Corporate Communications Unit and the Media Unit in the department.

7 Project Organisation & Control

7.1 Governance

53. The Project Sponsor for the project will be the Under Secretary, Health.
54. A Steering Committee has been established to oversee the project supported by a Project Team.

7.1.1 Steering Committee

55. The role of the Steering Committee is to oversee the project. This includes setting the strategic framework and making decisions. Draft Terms of Reference and indicative membership of these groups can be found at Appendix 1.

7.1.2 Project Team

56. The Project Team (PT) operating within the parameters set by the Steering Committee, co-ordinates project planning and development. The PT provides recommendations and seeks approval and endorsement of the Steering Committee, and undertakes actions on its behalf. The PT will meet regularly and will provide monthly progress reports to the Steering Committee. Draft Terms of Reference and indicative membership of these groups can be found at Appendix 2

7.2 Risks And Their Management (Control)

57. A risk management strategy for the project will be developed as part of Phase 1 of this project.
58. DTF has identified in their *Whole-of-Government Asset Management Framework Implementation Program – Communication Strategy*, (DTF, April 2005, p.5) areas that had previously impeded whole-of-government initiatives. The points identified will be considered as part of the Risk Management Strategy.

7.3 Evaluation Plan

59. An evaluation plan will be developed that details how both the department and Health Services can satisfy themselves that the outcomes sought were achieved.

7.4 Project Cost

60. The department will resource the achievement of the deliverables it commits to and has a budget to support the implementation of the Framework as appropriate.

Appendix 1 – Steering Committee

Steering Committee Terms of Reference

61. The Steering Committee will be responsible for the following:
- Develop and articulate Project Scope, Aims and Objectives, consistent with meeting Government commitments and policies;
 - Ensure Project's effective management, organisation, feasibility, planning framework and achievement of outcomes, including setting priorities for action;
 - Identify and monitor risk and issues management;
 - Ensure comprehensive consultation and communication with the broad range of stakeholders;
 - Facilitate agreement in differences in opinion and approach, and resolve disputes arising;
 - Develop a reporting and approval framework;
 - Establish and oversee working groups as required;
 - Seek appropriate external advice; and
 - Provide reports to the Under Secretary Health and the Minister for Health as required.
62. Steering Committee members will be responsible for disclosing any actual or potential conflicts of interest and complying with the identified manner of addressing any conflicts of interest, and ensuring information acquired or created as part of the project, is used only for the purpose of performing their Steering Committee duties.

Meetings

63. Monthly and review as necessary.

Proposed Membership

64. Membership is as follows:
- Ms. Linda Sorrell, CEO, Southern Health (Chair)
 - Mr. Peter McDonald, CFO, Alfred
 - Mr. Felix Pintado, CEO, LaTrobe Regional Hospital
 - Ms. Noreen Dowd, Director Programs, MH&ACS, DHS
 - Mr. Rob Barr, Director Finance and Business Services, F & BS, DHS
 - Mr. Bruce Woolcott, Director Finance Branch, MH&ACS, DHS
 - Mr. Patrick Burnett, Manager Clinical Systems, Office of Health Information Systems, MH&ACS, DHS
 - Ms. Anna Burgess, Manager Service and Capital Planning, Programs, MH&ACS, DHS
 - Ms. Maree Guyatt, Manager Rural Health Programs, Rural and Regional Health Services - R&RH&ACS, DHS
 - Ms. Milena Canil, Funding, Health and Information Policy, MH&ACS, DHS

Project Team Draft Terms of Reference

65. The project team will report monthly to the Steering Committee and has the following draft Terms of Reference:

- Perform actions and respond to requests as directed by the Steering Committee;
- Develop the Project planning frameworks, priorities, timelines and responsibilities;
- Develop documentation and facilitate the recruitment of the Project consultants;
- Ensure communication between stakeholders and the Department (and across key departmental divisions);
- Establish working groups as required to facilitate project objectives and responsibilities; and
- Develop other documents required for the project.

Meetings

66. Fortnightly and review as necessary.

Membership

67. Project Team members will include:

- Felix Pintado, CEO, Latrobe Regional Hospital (FP) - Chair
- Peter Hutchison, CFO Eastern Health (PH)
- Trevor Donegan, CFO Northern Health (TD)
- David Anderson, Executive Director Finance, Peninsula Health (DA)
- Mike Denison, Manager Medical Engineering & Physics, Austin Health (MD)
- Frank Meacco, Manager, Biomedical Engineering, Monash Medical Centre, Southern Health (FM)
- Keiron Schmidt, Finance & Business Services, DHS
- Peter Lewis, Manager Accounting and Financial Policy, Finance, MHACS, DHS (PL)
- Brian Billington, Manager Capital Projects, RRHACS, DHS (BB)
- Jane Fewings, Acting Manager, Funding, Health Information and Policy, DHS (JF)
- Charlene MacLeod, Manager, Western Planning Unit, Service and Capital Planning, Programs Branch, MHACS, DHS (CM)
- Teresa Lodder, Project Manager Equipment, Service and Capital Planning, Programs Branch, Metropolitan Health and Aged Care Services, DHS (TL)

Attachment 1 – Previous Reviews of Medical Equipment

Previous reviews of medical equipment related to asset management have included:

- *Health Service Capital Expenditure and Management Review (Non- Major Infrastructure and Equipment)*, (Victorian Health Care Association, 2005). [VHA Report];
- Auditor-General Victoria's Report *Managing medical equipment in public hospitals* (Auditor General Victoria, 2003) [AGV Report];
- *Review of Capital Equipment Funding Strategy for Victorian Public Hospitals* (Monash University Centre for Biomedical Engineering, March 2001) [MUCBE Report]; and
- *Capital Investment in Victorian Public Hospitals* (Deeble, 1994) [Deeble Report].

A summary of each of these is provided below.

Auditor-General Victoria's Report

In the AGV's report on *Managing Medical Equipment in Public Hospitals*, it was identified that hospitals were facing funding issues regarding medical equipment. The AGV recommended that the department develop a strategic framework for managing medical equipment. (5.37(1), page 10 and "Adopt a more proactive role in guiding hospitals in the development of medical equipment asset management plans." (5.37(2), page. 10). The Secretary accepted this recommendation.

The AGV made further recommendations to the department that included:

- The development of asset registers;
- Guidelines to reflect industry best practice regarding assessment of life expectancy;
- A system to regularly determine the condition of medical equipment using a standardised assessment system; and
- Consideration of options to support the introduction of better information technology systems for the management of medical equipment (4.20 (1-5) page 10).

Further details can be found at: http://www.audit.vic.gov.au/reports_par/aggp86cv.html

VHA Report: Health Service Capital Expenditure and Management Review (Non-Major Infrastructure and Equipment)

The *Health Service Capital Expenditure and Management Review (Non-Major Infrastructure and Equipment)* project conducted by the Victorian Healthcare Association (VHA) (and sponsored by the department) has reviewed capital funding, expenditure and management processes for non-major capital works (less than \$2M) and equipment across Victorian public hospitals. This project reviewed the way in which capital is funded and employed across the sector, together with the associated fixed asset planning and management. This report was launched in August 2005.

The Review identified the need for the development of a total asset management framework, consistent with the Victorian Government's overall Asset Management Framework, containing the following 7 key components:

- Service Strategy Planning and Capital Planning
- Budget Process (including Prioritisation of Capital Needs)
- Procurement of Assets
- Financial Control
- Asset Reporting and Recording
- Asset Maintenance
- Risk Management.

The VHA Report found approaches to asset management across Health Services varied considerably, particularly:

- Existence of asset replacement plans
- Comprehensiveness, detail and timeframe of asset management plans;
- Determination of useful life and derived depreciation rates;
- Rigorous “business case” methodology and decision making;
- Capitalisation thresholds and accounting policies; and
- Quality of fixed asset registers and information captured.

The Report made a number of recommendations and provided options for:

- Asset Management
- Capital Planning
- Capital Budgeting and Prioritisation
- Reporting and Recording
- Procurement and Expenditure Control
- Leasing
- Repairs and Maintenance
- Funding Injection
- Funding Policy, Structure and Paradigm.

The high-level asset management principles outlined within the *Health Service Capital Expenditure and Management Review (Non-Major Infrastructure and Equipment, August 2005)* will be included as part of the framework for the *Medical Equipment Asset Management Framework* project.

In addition to addressing issues identified by the AGV report on medical equipment, priorities identified in the VHA Report which are to be addressed by the Framework include:

- Development of asset management plans specifically for medical equipment – templates and guidelines for Health Services to implement and utilise;
- Promotion of a business planning culture; and
- Development of a consistent approach to depreciation, specifically for medical equipment.

The full report can be found at <http://www.vha.org.au/>.

Review of Capital Equipment Funding Strategy for Victorian Public Hospitals (unpublished, Monash University Centre for Biomedical Engineering, March 2001)

In 2001 Monash University Centre for Biomedical Engineering undertook a review (on behalf of the department) of the capital equipment funding strategy to identify present and future equipment investment funding levels necessary to meet both replacement and growth needs and to recognise the costs associated with the ongoing introduction of higher technology medical equipment.

The Review also aimed to identify:

- The standard of existing equipment asset registrations systems within hospitals; and
- Potential options for centralised or other purchasing options for capital equipment items in Victorian Public hospitals.

The Review estimated that the total state-wide capital equipment investment requirement (including routine replacement, backlog catch-up and growth) averaged \$158M per annum over the following five years (costed in 2000).

The Review also identified significant shortcomings in the quality of capital equipment asset registration systems across the Victorian public hospital field. These included variation in quality and integrity of asset data input, maintenance of data, level of detail and limited interface with other financial management systems within each Health Service / hospital. The Review noted that these shortcomings limited Health Services investment planning for capital equipment. The Medical Equipment Asset Management Framework is anticipated to assist Health Services to further address these issues.

Capital Investment in Victorian Public Hospitals (1994)

In 1994 the department commissioned the Australian National University to undertake a comprehensive survey and analysis of the existing distribution of, and future capital funding needs for, building, plant and equipment stock in public hospitals. Based on the results and conclusions contained in this report the department adopted an annual capital equipment funding strategy to assist hospitals to meet their annual equipment replacement needs and to require hospitals to meet appropriate asset management and planning needs.

Attachment 2 – *Whole-of-Government Asset Management Framework*

In November 2003, the Expenditure Review Committee (ERC) “Endorsed that DTF, in consultation with departments, undertake a review of asset management policies within the Victorian Public Service, reporting back to ERC for the 2005-06 Budget.”

This review was undertaken in consultation with other departments to provide recommendations on:

- The issues around sustaining the State’s ageing asset stock and the limitations this places on the capacity for new investment, or growing the existing base; and
- Improving current arrangements for effective planning, decision-making and management of General Government assets in order to best meet future service delivery demands. This included examination of incentives including the Capital Assets Charge (CAC) and depreciation equivalent.

Asset Management documents were developed as an outcome of the Review, comprised of six components:

- Policy,
- Decision-making,
- Investment;
- Revenue,
- Management; and
- Information (reporting and evaluation).

It is anticipated that the DTF Asset Management Framework will provide founding principles for the Medical Equipment Asset Management Framework.

The overall objective is described as:

“The key objectives of asset management are to enable the Government to meet its service delivery objectives effectively and to provide a foundation for economic growth”.

The specific objectives of the policy are:

To provide the services required by Victorians:

- By focussing on outputs and outcomes
- By ensuring assets are appropriately used and maintained
- By applying asset management principles

To optimise the service potential of assets:

- Through improved management of the existing asset base
- Through improved flexibility of the asset base
- By using economies of scale for more cost effective service delivery.

To maximise value for money:

- By taking account of the full costs of acquiring, holding, using and disposing of assets throughout their life cycles
- Through appropriate partnerships with the private sector.

To contribute to economic growth:

- Through meeting service delivery demands by providing the right assets in the right location in the right amounts

To encourage asset improvements that will improve the global competitiveness of Victoria.

To assign responsibility and accountability:

- By clearly defining ownership and control of assets
- By determining and communicating accountability and reporting responsibilities throughout each step of the integrated approach to asset management.

To promote balance between development and sustainability:

- By minimising demand for new assets through the use of non-asset service delivery alternatives where possible
- By making asset decisions that consider and protect the needs of future generations.