



South Metropolitan Health Service

Service Agreement 2014-2015

improving care | managing resources | delivering quality



ABF/ABM	PAQ	Consultation	Final
Program Team	Exec Dir		

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Service Commitment

This Agreement sets out the shared intention to work in partnership to improve health outcomes for all Western Australians and ensure the sustainability of the Western Australian public health system.

The parties agree that the Department of Health (the Department) and the Health Service Provider will work in partnership to:

1. improve patient access to services and public hospital efficiency
2. improve standards of clinical care
3. improve system performance
4. improve system transparency
5. improve accountability for financial and service performance.

This Agreement is in accordance with enabling WA Legislation. The Metropolitan Health Service is established under sections 15 and 16 of the Hospitals and Health Services Act 1927. The Minister for Health is incorporated as the Metropolitan Health Service under section 7 of the Hospitals and Health Services Act 1927, and has delegated all of the powers and duties as such to the Director General of Health.

The Agreement is also in accordance with the National Health Reform Agreement (2011). The Department, through the Director General, will retain responsibility for system-wide coordination and policy; resource acquisition, allocation and stewardship; purchasing and regulation.

The Parties hereby confirm their commitment to this Service Agreement.

The Director General of Health agrees to provide funding and other support to the Health Service Provider as outlined under 'Role of the System Manager' in the Agreement.

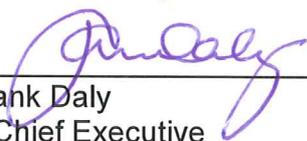
The Health Service Provider agrees to meet the service obligations and performance requirements outlined under 'Role of the Health Service Provider' and 'Role of the Support Service Provider' in the Agreement.

The Director General of Health will continue to emphasise, as a priority, the importance of state and national safety and quality standards across the State's health system. This Agreement recognises the priority commitment that the Health Service Provider has in delivering improvements in safety and quality health service provision - consistent with the level of care consumers should expect from health services.



Professor Bryant Stokes
Acting Director General
Department of Health

Date Signed: 19th June 2014



Frank Daly
A/Chief Executive
South Metropolitan Health Service

Date Signed:

Service Agreement 2014-2015

This Service Agreement is between the Director General of Health as the delegated 'Board' (herein referred to as 'WA Health') and the Specified Health Service Provider. Both parties acknowledge that this Agreement follows policy, planning and performance frameworks as outlined below:

- WA Health Strategic Intent 2010-2015
- Clinical Services Framework 2010-2020
- Clinical Governance Guidelines
- Health Activity Purchasing Intentions 2014-2015
- Annual Performance Management Framework 2014-2015.

The Agreement:

1. Applies from 1 July 2014 to 30 June 2015. The Agreement does not override existing laws, agreements, public sector codes, statutes, government policies or contracts.
2. Integrates organisational objectives and the work of the Health Services.

The performance evaluation of this Service Agreement is to be undertaken as prescribed in the Annual Performance Management Framework 2014-2015 .

The Health Service Provider will ensure that structures and processes are in place to comply with this Service Agreement and fulfil its statutory obligations and to ensure good corporate governance, as outlined in relevant legislation, the Department operational directives, policy and procedure manuals and technical bulletins.

WA Health Strategic Intent 2010-2015

WA Health is working hard to meet the challenges of a growing population and an ageing demographic. Demand modeling based on health service activity and population projections were used to develop the Clinical Services Framework 2010-2020. This provides a clear picture of the type and location of health services Western Australians will need, and is backed up by strong plans for workforce, infrastructure and technology.

WA Health Vision

Healthier, longer and better quality lives for all Western Australians.

WA Health Mission

To improve, promote and protect the health of Western Australians by:

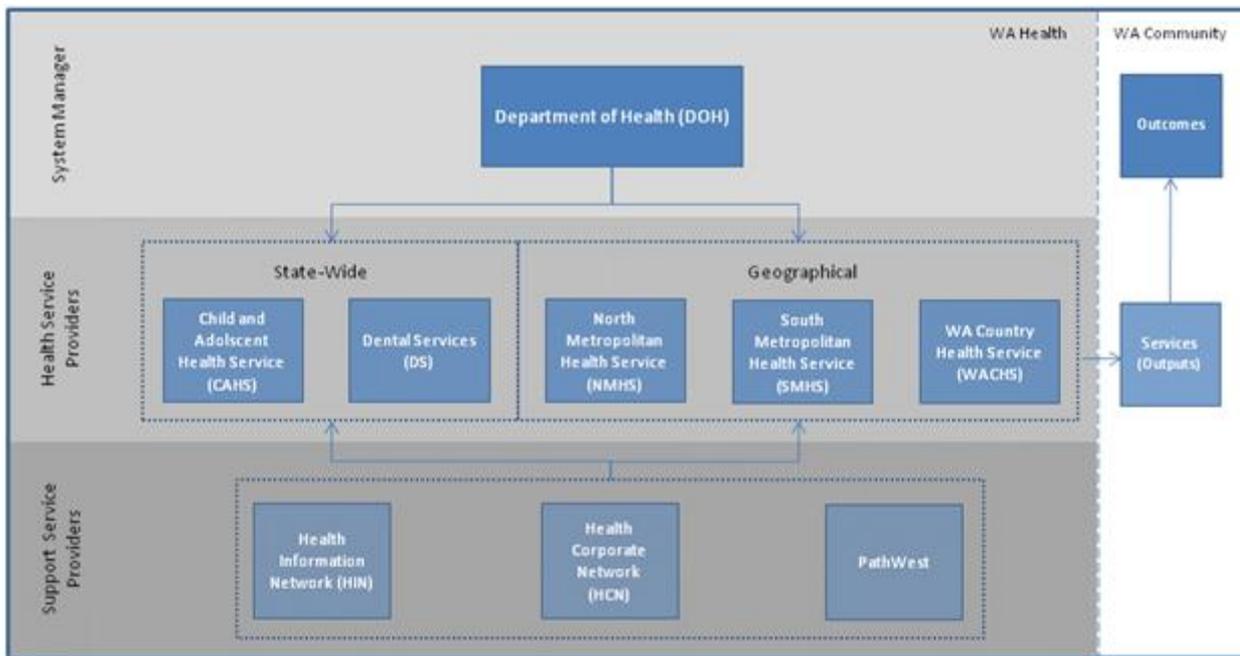
- caring for individuals and the community
- caring for those who need it most
- making best use of funds and resources
- supporting the WA Health team.

WA Health Organisational Structure

For the purposes of this Agreement, the WA Health Organisational Structure comprises the Department and a number of Health Service Providers and Support Service Providers operating as separate legal entities and key administrative units, as outlined in Figure 1 below.

All public hospitals and services within Western Australia are accountable through, and report on the delivery of services and outcomes as part of, one of these entities and/or key administrative units.

FIGURE 1: LINK BETWEEN ORGANISATIONAL UNITS WITH WA HEALTH AND THE OUTCOMES AND OUTPUTS DELIVERED TO THE COMMUNITY



WA Health Roles and Responsibilities

To improve accountability within WA Health and to support the development of a system of earned operational autonomy over the short to medium term, this Agreement provides clearer delineation of roles and responsibilities for applicable organisations within WA Health. Roles and responsibilities for 2014/15 are outlined below.

Role of the System Manager

The Department, as System Manager, will be responsible for the overarching management of the WA Health system, exercised by:

1. ensuring the delivery of agreed high quality services and performance standards across the WA Health system, within the approved budgets set by the Western Australian Government
2. allocating the financial resources provided by Government to Health Service Providers and Support Service Providers in a manner which is both fair and transparent

3. progressing a structure which empowers and incentivises Health Service Providers and Support Service Providers to deliver high quality services which increase system capacity
4. issuing policy guidance, regulations and other requirements which support the role of Health Service Providers and Support Service Providers in the delivery of approved services to approved State standards
5. collecting and analysing data provided by Health Service Providers and Support Service Providers, to support the objectives of comparability and transparency, and to ensure that information is shared in a manner which promotes better State health outcomes
6. monitoring the performance of Health Service Providers and Support Service Providers against the agreed performance monitoring measures specified in the Annual Performance Management Framework 2014-2015 (the Performance Management process is outlined in Schedule N of this Agreement)
7. reporting to the community on the high-level performance of Health Services Providers and Support Service Providers throughout, and at the end of, each financial year
8. developing system-wide policy and planning for major infrastructure to support the delivery of hospital services across the State
9. addressing salary and industrial relations matters, such as negotiating enterprise bargaining agreements and establishing remuneration and employment conditions
10. managing health legislation and processes to enact legislative change
11. managing and coordinating matters of corporate governance, contract management, disaster management and the development of unified ICT systems throughout WA Health
12. engaging with relevant stakeholders to ensure their views are considered when advising Government on health matters or making decisions in the areas listed above.

Role of the Health Service Provider

The Health Service Provider will be responsible for health service delivery within their geographical boundary (including services provided via Statewide Service Providers), exercised by:

1. delivering agreed high quality health services and performance standards within an agreed budget, based on annual strategic and operating plans, to give effect to this Agreement
2. implementing clinical quality standards in accordance with Department policy
3. implementing the National Safety and Quality Health Service Standards and ensuring that all hospitals are accredited under the Australian Health Service Safety and Quality Accreditation Scheme
4. providing hospitals with annual activity, expenditure and FTE limits, and requiring that they develop robust monthly profiles to manage within annual resource allocations

5. improving local patient outcomes and responding to local issues
6. ensuring accountable and efficient provision of health services, consistent with relevant State financial management and audit legislation and regulations
7. monitoring the performance of hospitals against the agreed performance monitoring measures in the Annual Performance Management Framework 2014-2015 (managing the hospital and service delivery performance as identified in Section 6.2 of the Annual Performance Management Framework, and outlined in Schedule N of this Agreement)
8. providing timely information to the Department to support compliance with obligations under national agreements, to meet the requirements of whole of government processes and to support effective management of the health system
9. managing the implementation and local planning for minor capital items
10. engaging with stakeholders to enable their views to be considered when making decisions on local service delivery
11. complying with statutory and contractual requirements applicable to Health Service Providers
12. adhering to budget and other financial requirements of the Department as set out in Schedule O (as amended from time to time)
13. assisting the Department by contributing expertise, local knowledge and other relevant information to service and infrastructure planning arrangements.

Role of the Support Service Provider

The Support Service Provider will be responsible for:

1. delivering key outputs and performance standards within an agreed budget, based on annual strategic and operations plans, to give effect to this and other agreements
2. supporting the delivery of agreed high quality services and performance standards and managing service delivery performance as identified in Section 6.2 of the Annual Performance Management Framework, and outlined in Schedule N of this Agreement
3. ensuring accountable and efficient provision of health outputs, consistent with relevant State financial management and audit legislation and regulations
4. providing a service charter to the Department and Health Service Providers, identifying the outputs to be delivered and associated standards of delivery
5. providing a clear schedule of prices for services provided to Health Service Providers and the private sector to the Department annually and when prices change
6. managing the implementation and local planning for minor capital items
7. complying with statutory and contractual requirements applicable to Support Service Providers

8. adhering to budget and other financial requirements of the Department as set out in Schedule O (as amended from time to time)
9. assisting the Department by contributing expertise, local knowledge and other relevant information to service and infrastructure planning arrangements.

It is anticipated that roles and responsibilities will evolve over time in line with best practice and the needs of the Western Australian community. The roles and responsibilities will be subject to periodic review.

Financial Management

Bilateral Discussions with Health Service Providers and Support Service Providers

Throughout the course of 2014/15, regular bilateral discussions will be held between the Director General of Health and each of the Chief Executives (or equivalent) from the Health Service Providers and Support Service Providers. These discussions will focus on financial performance and progress towards achievement of key outputs and milestones within the Health Service Provider's/Support Service Provider's area of responsibility.

Performance Management

In 2014/15, the Performance, Activity and Quality Division (PAQ) and Resource Strategy Division will convene regular Activity Based Funding and Activity Based Management (ABF/ABM) Performance Management Meetings with Health Services. The purpose of the meetings is to review performance reports and agree on action to be taken by Health Services to improve performance. The primary focus for 2014/15 will be on Health Service performance against financial performance indicators (PIs), activity PIs and a selected range of quality and safety PIs.

Review of the Agreement

The review of this Agreement and performance against targets will be undertaken at the end of each financial year (or earlier if required). The aim of the review is to strengthen and improve process and practices which lead to improvements in WA Health performance. The findings of the review may be submitted to the Minister for Health for consideration.

Budget Allocation for 2014-2015

Setting and Distribution of the WA Health Budget

WA Health's appropriated budget for 2014-2015 is \$8.0 billion. The WA Health budget makes up approximately 27 per cent of the overall WA State Government budget. The ABF component of the Health Service's budget is approximately 85 per cent.

As part of the 2014-2015 budget submission, the Department provided the State Government with advice as to the likely volume of weighted inpatient activity, emergency department activity, hospital based outpatient activity and block services expected for 2014-2015 and for each year of the forward estimates. This approach allows the State Government to make informed decisions through the annual budget process about the quantum of activity to be delivered by WA Health within the available State resources.

Methodology for Distribution of the WA Health Budget

For 2014-2015, the Department will continue to use an activity based allocation methodology aligned with the WA Health Clinical Services Framework 2010-2020 (CSF) for Health Services. In broad terms, this methodology includes:

- Activity based allocations continue to be based on the established growth outlined in the CSF and its demand and capacity modelling.
- Adjustments for circumstances such as budget constraints; contracted privately-provided public hospital services; post-CSF arrangements and/or other relevant reasons.

Block funded services are cost escalated and grown by an expected population growth factor.

Health Services

The ABF allocation for Health Services is determined by multiplying the PAC by the targeted volume of activity; expressed as WAUs. The 2014-2015 budget framework sets the price to be paid for each WAU. The budget is built by describing volume in WAUs by the PAC which is \$5,162 for 2014-2015. Health Services allocate budgets to their respective hospitals based on a model that reflects expected activity and a price per WAU.

Refer to the WA Health Funding and Policy Guidelines 2014-15 for further information.

FIGURE 2: ABF FUNDING ALLOCATION FOR HEALTH SERVICES



Department of Health

The Department is comprised of: Office of the Director General; Office of the Deputy Director General, Resource Strategy Division; Performance Activity and Quality Division; Chief Medical Officer and System Policy and Planning, Office of Mental Health; Innovation and Health System Reform; Office of the Chief Psychiatrist and Public Health and Clinical Services Division.

For 2014-2015, the Department will continue to use a budget-to-budget methodology for Department of Health divisions, this methodology includes:

- The starting point for the 2014-2015 Budget for the Department of Health divisions is the approved 2013-2014 budget. The 2013-2014 Budget is adjusted to remove one-off items that will not occur in 2014-2015.
- The adjusted 2014-2015 budget is then further adjusted for known price movements such as cost of award changes and expected Consumer Price Index changes. The result is the status quo budget.
- The status quo budget is then adjusted to take account of other known changes, for example, new initiatives, organisational re-alignments or the cessation of activities that were previously carried out. All adjustments at this stage are done at the 2014-2015 cost level.

Statewide Support Service

The Statewide Support Service comprises the following entities: PathWest; Dental Health; Health Corporate Network; Health Information Network. 2013-2014 budgets for the Statewide Support Service will be set using a budget-to-budget construction, similar to the process set out above for the Department of Health Divisions.

Mental Health Services

WA Health's budget for 2014/15 includes \$586.0 million of funding to be received from the Mental Health Commission for the delivery of specialised mental health services by Health Service Providers (as outlined in the 2014/15 Budget Paper, page 129). This includes inpatient mental health services, teaching training and research and non-admitted funding, however excludes other specific funding provided by the Mental Health Commission¹.

The Department, through the Office of Mental Health, will continue to work to improve mental health service provision with the Mental Health Commission.

Work is nearing completion to develop a 10-year Western Australia Mental Health and Alcohol and Other Drug Services Plan 2015 – 2025 (the Plan). The Plan will comprehensively address the mental health and alcohol and other drug service needs of the Western Australian community and the joint Project Sponsors are the Mental Health Commissioner and the Executive Director, Drug and Alcohol Office (DAO).

This Plan will provide a 'blueprint' for the optimal mix of services needed for a better, more responsive and more equitable mental health and drug and alcohol system for all Western Australians over the next decade. The Plan will assist in the development of an integrated system that balances services across inpatient and community and is focused on the individual and recovery-orientated practice.

Professor Bryant Stokes's Review of the admission or referral to and the discharge and transfer practices of public mental health facilities/services in Western Australia (the Stokes Review), provided comprehensive recommendations to advance mental health system reform including the need for the Plan.

¹ However, of this \$586.0m, \$585.0m has been allocated by the Department to Health Services for mental health services to date (as at June 2014).

Health Service Catchment Area

The South Metropolitan Health Service (SMHS) catchment area will cover almost 5,000 square kilometres with a population of almost 840 000, of whom 1.8 per cent are Aboriginal. The SMHS population represents more than 35 per cent of Western Australia's total and is projected to increase to more than 1 million by 2020.

Performance Objectives

The Health Service Provider seeks to provide and fund health services on a basis that is equitable, accessible, integrated and sustainable for the population in the catchment area.

The purchasing priorities are:

- to put the patient first and provide appropriate care close to where people live
- to increase the emphasis on more cost-effective primary and community care to reduce the demand for hospital services
- to deliver quality and accessible services within available resources
- to achieve targets for emergency, inpatient, outpatient, ambulatory and elective surgery performance
- for Health Services to be clinically and financially sustainable.

The Scope of Work

The Health Service Provider receives population based funding from the State Government. The funding is based on demand modelling as specified in the Clinical Services Framework 2010-2020 (CSF).

The Health Service Provider is responsible for planning, promoting, provision, monitoring and evaluation (including audits) for a full range of medical, surgical, emergency and rehabilitation services to adults and children including:

- Ambulatory care
- Cancer care
- Clinical support services
- Coronary care
- Emergency services
- Intensive and high dependency care
- Medical services
- Mental health services

- Obstetric and neonatal services
- Paediatric services
- Palliative care
- Primary health services
- Rehabilitation and aged care
- Surgical services.

The Health Service Provider will provide specialised statewide services including:

- State Adult Burns Service
- State Hyperbaric Service
- State Rehabilitation Service
- State Trauma Service.

The Health Service Provider will provide specialised medical services including:

- Neuro-Genetics Service
- WA Comprehensive Epilepsy Service
- Immunodeficiency Service
- Bone Marrow Transplant Service.

The Health Service Provider will provide specialised surgical services including:

- Maxillofacial Surgery
- Tertiary Oral Dental Service
- Heart and Lung Transplant Service.

The Health Service Provider operates the following hospitals and services:

1. Armadale Health Service
 - In 2014/15 Armadale Kelmscott Memorial Hospital will be a 270-bed general hospital, encompassing an Emergency Department and intensive care unit, providing general medical and surgery services. It will continue to provide comprehensive paediatric, neonatal, obstetric, gynaecological, renal dialysis, rehabilitation, palliative care, mental health and same-day surgery services.
2. Bentley Health Service
 - In 2014/15 Bentley Hospital will be a 199-bed specialist hospital dedicated to providing significant mental health, high-level aged care and rehabilitation services. Community based adult services will be expanded while older adult mental health services will be developed in line with population needs. The ongoing delivery of obstetric services at Bentley Hospital will be reviewed after the opening of Fiona Stanley Hospital.
3. Fremantle Hospital and Health Service

- In 2014/15 the Fremantle Hospital and Health Service, will become a 300-bed specialist hospital providing a range of specialist hospital high quality services including:
 - aged care
 - planned general surgery
 - ophthalmology and orthopaedic surgery
 - general medical
 - mental health services
- Some services currently provided at Fremantle Hospital and Health Service, including its Emergency Department, diving and hyperbaric medicine unit, cardiothoracic surgery, renal dialysis and obstetric and neonatal services will move to Fiona Stanley Hospital in early 2015
- In 2014/15 Kaleeya Hospital services will transfer to Fiona Stanley and Fremantle hospitals and the facility will close in late 2014. Obstetric services will transfer to a new state-of-the-art service at Fiona Stanley Hospital, sub-acute services will transfer to Fremantle Hospital and elective surgery services will be distributed between Fiona Stanley and Fremantle hospitals
- Rottnest Island Nursing Post.

4. Mental Health Services

Integrated model of care with inpatient and community services including acute and rehabilitation inpatient beds, Community Emergency Response Teams, transcultural mental health services, day therapy, rehabilitation programs and discharge support programs.

5. Peel Health Campus

Operated privately on behalf of the State Government, it includes 160 public hospital beds and a 24-hour emergency department.

6. Rockingham Peel Group

- In 2014/15 Rockingham General Hospital will have fully transitioned to a 232-bed general hospital providing general medical, general surgical and emergency services. With a focus on providing quality care closer to home the hospital will continue to provide a range of surgery, intensive care, Emergency Department, obstetric, gynaecology neonate, chemotherapy, mental health, aged care, paediatric and rehabilitation services as well as a range of outpatient clinics. Proposed additional outpatient services available from 2014/15 encompass haematology, immunology, sexual health and rheumatology
- 13-bed Murray District Hospital and Murray District Health Centre providing medical, palliative and respite care, and comprehensive community health services.

7. Royal Perth Hospital

- A major tertiary facility located across two sites:
 - 662-bed Wellington Street Campus, with a 24-hour emergency department
 - 172-bed State Rehabilitation Service at Shenton Park Campus
- In 2014/15 the Wellington Street Campus of Royal Perth Hospital will remain a tertiary hospital with 450 beds. It will continue to provide a nationally renowned adult major

trauma service and will be home to a dedicated complex and elective surgery centre. Tertiary mental health services, specialist medical services and a range of same-day and clinical support services will also be provided

- In 2014/15 Shenton Park Campus will close and tertiary rehabilitation services will move to the State rehabilitation service at Fiona Stanley Hospital.

8. South Metropolitan Public Health Unit

- Public health sites based in each health district focusing on preventing illness, injury and disability; and providing information and expertise to health services and other agencies
- Programs include Communicable Disease Control, Chronic Disease Prevention, Aboriginal Health, Refugee Health, and Drug and Alcohol Services.

Key Outcomes and Priorities

Priorities include:

- meeting demand for emergency services and meeting the National Emergency Access Target
- managing elective surgery waitlists and meeting National Elective Surgery Target
- improving capacity for increasingly complex patients
- development of cancer and palliative care services
- expansion of obstetric and neonatal services
- increasing capacity and use of rehabilitation, aged care and ambulatory services
- enhancing mental health service delivery
- participation in the National Health Reform agenda.

Safety, Quality and Risk

The SMHS will deliver a safe, efficient and effective health service for the community through priority areas including:

- improved involvement of patients in their care
- promoting ethics, integrity and professional conduct of all staff
- risk management systems to prevent, control and minimise risk exposure
- employee health and safety
- delivery of high standards of care for all.

Fiona Stanley Hospital

- The practical completion of Fiona Stanley Hospital took place on 6 December 2013, and the 783-bed tertiary hospital will begin opening in October 2014
- The \$2 billion development is the largest building infrastructure project ever undertaken by the State
- Full range of adult tertiary services, specialised services, the State Rehabilitation Service, and a medical research facility
- Secondary level clinical services to its local catchment population.

Aboriginal Health

The South Metropolitan Aboriginal population represents approximately 20 per cent of the total Western Australian Aboriginal population. Initiatives to improve Aboriginal health and wellbeing include:

- Working with local Aboriginal people and services to identify health priorities and service gaps, and design culturally secure, easy to access and relevant health services
- Culturally secure communicable disease control, chronic disease self-management and healthy lifestyle programs
- Developing the Aboriginal health workforce.

Research

- Strong partnerships with universities and independent institutes to conduct research in various hospital departments
- Medical Research Foundations currently at Royal Perth and Fremantle Hospitals
- A state-of-the-art medical research hub will be developed at Fiona Stanley Hospital in partnership with the Western Australian Institute of Medical Research.

Reconfiguration

- Significant changes are underway to prepare for the opening of Fiona Stanley Hospital and meet the hospital and health needs of the south metropolitan area and the broader Western Australian community
- Under reconfiguration the focus, roles and functions of SMHS hospitals will change to improve access to healthcare services and enable patients to receive more complex care closer to home, often in new or refurbished facilities
- A key part of the reconfiguration will include:
 - Rockingham and Armadale becoming general hospitals
 - Fremantle and Bentley becoming specialist hospitals
 - Fiona Stanley Hospital and the State Rehabilitation Service opening
 - Royal Perth Hospital remaining a tertiary hospital
 - Shenton Park Campus closing.

Development and implementation of Clinical Clusters

Groups of linked specialties working together to improve patient centric care through an area-wide approach to clinical services planning, succession planning, equipment prioritisation, introduction of new services, Models of Care, research, education and training.

Improving Access to Emergency Care

- The Four Hour Rule Program commenced in WA in 2009/10 with the aim of ensuring that the majority of patients arriving at our emergency departments (EDs) are seen, admitted, discharged or transferred within a four-hour timeframe
- In August 2011, Western Australia committed to national reforms including a National Emergency Access Target (NEAT). The NEAT requires 90 per cent of all patients presenting to an eligible reporting ED to be seen, admitted, referred to another hospital for treatment, or discharged within four hours where it is clinically appropriate to do so.

Output Classes and Statement of Forecast Service Performance

One of the functions of this Service Agreement is to show how the Health Service Provider will evaluate and assess what services and products are delivered in 2014/15. For each output area outlined in the relevant Schedules there are agreed performance measures and targets, some of which are aligned nationally.

These measures and targets will be subject to an annual audit by auditors of the State Government's Office of the Auditor General.

The performance measures are specified in the Annual Performance Management Framework 2014-2015.

Table 1 demonstrates the linkages between the WA Health outcomes, output classes and outputs.

TABLE 1: WA HEALTH OUTCOMES, OUTPUT CLASSES AND OUTPUTS

Outcomes	Output Classes	Outputs
<p>Restoration of patients' health, provision of maternity care to women and newborns and support for patients and families during terminal illness.</p>	<p>Public Hospital Admitted Patients</p>	<p>Acute Services Elective Services Subacute Services Rehabilitation Services Diagnostic Services Maternity Services Pharmacist Services Specialised State-wide Services</p>
	<p>Home-based Hospital programs</p>	<p>HITH RITH</p>
	<p>Palliative Care</p>	<p>Inpatient and Community Care</p>
	<p>Emergency Care</p>	<p>Acute Services Diagnostic Services Pharmacist Services</p>
	<p>Public Hospital Non-admitted Patients</p>	<p>Allied Health Medical Nursing</p>
	<p>Mental Health</p>	<p>Acute Services</p>
<p>Enhanced health and well-being of Western Australians through health promotion, illness and injury prevention and appropriate continuing care.</p>	<p>Prevention, Promotion and Protection</p>	<p>Health Promotion Screening Programs Chronic Disease Management</p>
	<p>Aged and Continuing Care</p>	<p>Home-based Support Services Respite Services</p>
	<p>Mental Health</p>	<p>Community Services</p>

Key Mechanisms for Performance Intervention

Full details of the performance management process are specified in the Annual Performance Management Framework 2014-2015, and outlined in this Agreement.

Master Schedule - Total Expenditure View

ACTIVITY BASED SERVICES	BUDGET 2014/15 (\$)	WAUs (#)
Inpatient	1,089,888,774	211,137
Emergency Department	200,314,984	38,806
Non Admitted	212,682,260	41,202
Non Admitted - Aggregate	15,826,692	3,066
Sub total	1,518,712,710	294,210
CSS - Price Adjustment	67,166,798	
NON-ACTIVITY BASED SERVICES	NON-ABF BUDGET 2014/15 (\$)	
Financial Products	84,857,328	
National Partnership Funding	1,119,572	
Non Admitted Mental Health	87,849,654	
Public Health & Ambulatory Care	9,371,071	
Special Purpose Funding	56,317,815	
Teaching, training and Research	82,726,645	
Small Rural Hospitals	-	
Sub total	322,242,084	
<i>less...Procurement Savings</i>	-	2,206,000
<i>less...Microsoft Enterprise Agreement (True Up)</i>	-	3,973,545
<i>less...Community Services contracts ceasing</i>	-	240,000
Total Expenditure Budget	1,901,702,046	

The Schedule(s) outline the Activity as Weighted Activity Units (WAUs) and associated budget allocation by category for the hospitals in the catchment area.

The Annual Performance Management Framework 2014-2015 specifies the performance management plan, targets and performance thresholds for Activity.

Commonwealth SPP Activity and Funding

Activity Funding

ABF Service group	Commonwealth Contribution			
	Total expected NWAU modified for IHPA adjustments	National efficient price (NEP\$) (as set by IHPA)	C'w % funding rate	C'w ABF funding contribution (\$)
Acute Admitted	161,516	5,007	37.7%	305,178,745
Admitted Mental Health	17,346	5,007	38.1%	33,056,867
Sub-Acute	13,563	5,007	43.8%	29,722,405
Emergency Department	34,408	5,007	36.1%	62,213,630
Non Admitted	39,687	5,007	40.3%	80,078,470
Non Admitted Aggregate	1,102	5,007	40.3%	2,223,538
ABF Total	267,622	5,007	38.2%	512,473,656

In-Scope Block Funding

ABF Service group	Total Contribution (\$)	Commonwealth Contribution (\$)	Commonwealth funding rate (%)
Non Admitted Mental Health	64,613,420	17,888,305	27.7%
Other 'In-Scope' Program Services	8,886,500	3,693,345	41.6%
Rural CSO sites	-	-	35.4%
Teaching, Training and Research	82,726,645	26,261,363	31.7%
Total block funding	156,226,566	47,843,013	29.9%

Performance Management

Key Performance Indicators and the Performance Management Framework

In 2014-15, WA Health's activity purchasing will once again require the application of ABF and ABM which in practice requires an Annual Performance Management Framework (PMF). The PMF for 2014-15 details the specific operation of ABF/ABM across the WA health system in 2014-15.

The PMF was introduced in 2010-11 for ABF-funded hospitals in WA to consolidate performance reporting, monitoring, evaluation, management and intervention. In its fifth year, the PMF will continue to progress its maturity with: the introduction of vertical equity; the inclusion of private facilities providing public services, the addition of a clinical coding quality indicator; and the adoption of cell suppression within the Performance Management Report. In addition, the ongoing alignment to state and national priorities will ensure that the PMF 2014-2015 maintains its relevance both locally and nationally.

The PMF 2014-15 continues to be aligned to State and National strategic priorities. The Health Activity Purchasing Intentions 2014-2015 provides details on the annual purchasing priorities and ABF/ABM policy drivers for the Department of Health. The PMF 2014-15 should be read in conjunction with other Department of Health documents and publications including the following:

- [ABF/ABM Annual Performance Management Framework 2013-14](#)
- [WA Strategic Plan for Safety and Quality in Health Care 2013-2017](#)
- [ABF/M Performance Management Report Performance Indicator Definitions Manuals](#)
- [ABF/M Performance Management Strategic Directions 2014-15 and Beyond Consultation Framework](#)
- [Performance Reporting and Data Quality within the Performance Management Framework](#)
- [Activity Based Funding Components of the 2013-2014 Health Budget Technical Bulletin 01/2013](#)

1.1 Performance Reporting, Monitoring, Evaluating and Management

The PMF involves a system of reporting performance against specified Key Performance Indicators (KPIs) for each Service Provider. Reporting on the performance of Service Providers against the KPIs occurs on a regular basis, with the level of performance assessed against an agreed target.

The 2014-15 PMF has 22 KPIs, targets and thresholds for Performance Rating and 35 Health Service Measures and targets. The new Health Service Measure on the quality of clinical coding is the only additional indicator in the PMF 2014-15. Each KPI is accompanied by a Data Quality Statement and an Outcome Statement. Data Quality Statements are designed to sufficiently inform users of the quality of data enabling confidence in the decisions being made concerning performance management. Outcome Statements provide insight to users in determining the relevance of a KPI, enabling them to form of a more reasonable opinion of the intent of results presented.

Reporting on the performance of Service Providers against the PMFs KPIs and Health Service Measures is produced on a monthly basis. This takes the form of an online interactive scorecard, with four levels of performance assessed against agreed targets. The four level performance

results are used to calculate an overall 'Performance Score' for facilities and Health Services. The Performance Score is calculated each month, to provide an indicative summary of performance across all KPIs for a facility or Health Service.

The performance of Service Providers is monitored regularly against the KPIs, benchmarks and thresholds specified in the PMF in conjunction with the Performance Score. Service Providers, or their nominees, will meet quarterly with the Department's representatives to discuss the performance of their health service and the facilities within it. If the level of performance against the target is unacceptable, an intervention process will commence to bring the performance back on track.

The basis of performance discussions between the Department of Health and each health services will be a new Health Service Management Report contained in the 2014-15 PMF which replaces the existing 'WA Health Dashboard Report'.

The Health Service Management Report (the Management Report) refocuses performance expectations around a core set of performance indicators which underpin an effective purchaser provider relationship. The Management Report also benchmarks performance to assist in service comparison and provides an analysis to support better decision making across the system.

Departmental Assessment of Performance

The Management Report will provide a departmental assessment of the performance of each health service – highly performing, performing, underperforming and not performing.

The performance rating will be based on:

- performance against the indicators listed in the Management Report
- performance concerns identified by the Department of Health or others
- other relevant information, including the implementation of strategic priorities, recovery plans (to fix within year issues) and transition plans (to transition to the PAC)
- whether the performance of the health service is improving, stable or deteriorating.

Actions Arising from Performance Assessments

The Department of Health will also determine the subsequent actions required to monitor performance or correct any performance concerns – standard monitoring or assistance required.

The level of intervention will be based on:

- the seriousness of performance concerns;
- the likelihood of rapid deterioration;
- the level of support required to sustain health service operations or manage risks;
- progress towards existing recovery plans;
- persistent and emerging financial risk; and
- other demonstrated performance deficits.

Standard Monitoring

Performance review meetings are held monthly between the Department and the health service. Sustained high performance may lead to less frequent performance review meetings. The basis of discussion will be the information and analysis provided in the Health Service Management Report.

The meetings aim to assist health services to proactively manage issues, with appropriate support to achieve performance targets and avoid the need for further action. The discussion will be interactive and enable health services to raise relevant issues. The meeting will cover previously agreed actions, flag potential or emerging performance issues, and identify risks affecting future performance. Actions and requirements of health services and the Department will be clearly recorded.

Each quarter the performance review meeting will also involve a more in-depth discussion about the Performance Management Scorecard and the Quality Composite Score. The Governing Council of the health service will be invited to attend this meeting.

Assistance Required

If the Department of Health determines an assessment of 'Assistance Required' a range of responses maybe applied, including:

- More frequent meetings between the Department of Health and the health service.
- Development of recovery plans by the health service to address performance concerns, including analysis of the drivers of poor performance, mitigation strategies and implementation plans.
- Appointment of external resources, parties and expertise to assist the health service to address performance concerns.
- Implementing a peer collaboration model whereby health services assist each other in regards to addressing performance concerns.
- A requirement to undergo a department-sanctioned audit.
- Independent reviews, the scope of which is determined as appropriate to address the performance concerns, but which may include a review of the health service's management capability.

It is proposed that a further review of the PMF and associated data/systems requirements will be undertaken during the 2014-15 financial year.

1.2 Service Agreements

The PMF forms the Health Services' Service Agreements (SAs) between the Director General of Health as the delegated 'Board' and the Health Services. The SAs, in turn, form the basis of the Personal Performance Agreements between the Director General of Health, Health Service Chief Executives and Executive Directors, who have a direct accountability for delivery of health services.

Service Providers operate in an environment of delivering the services set out in the SA. The SA is informed by the WA CSF 2010-2020, specifying the scope of services and target levels of activity for a facility. The SAs ensure that the Governments' policy objectives on service delivery are clearly set out and provide the basis for both payment and evaluation of performance. The performance management of the SAs is undertaken as prescribed in the PMF.

Financial Management

Financial Management Standard

It is essential to improve financial management and accountability in the WA Health sector.

To assist in this improvement the following Financial Management Standard ('the Standard') outlines the criteria for better practice and guides Health Service Providers in improving their financial management. It focuses Health Service Providers on the internal organisational procedures and processes to support and improve financial management practice and accountability.

The principles of the Standard are consistent with Government expectations for public sector agencies.

The Standard contains twelve criteria for improved financial management and accountability:

Criterion 1 – The financial objectives for the organisation are clearly defined, approved by the Chief Executive and are consistent with Department and Government expectations.

Criterion 2 – The Chief Executive's responsibility for financial management is clearly defined and is supported by documented lines of financial accountability throughout the organisation.

Criterion 3 – A finance and audit committee is established as oversight for the financial aspects of governance.

Criterion 4 – Standing financial instructions with regard to Treasurer's Instructions and AAS are updated to reflect current requirements, and these have been formally adopted by the Chief Executive, disseminated and implemented throughout the organisation.

Criterion 5 – Financial risk management processes exist throughout the organisation.

Criterion 6 – There is an effective and documented system of internal control for all financial management systems.

Criterion 7 – There is an adequate resourced, training and competent finance function.

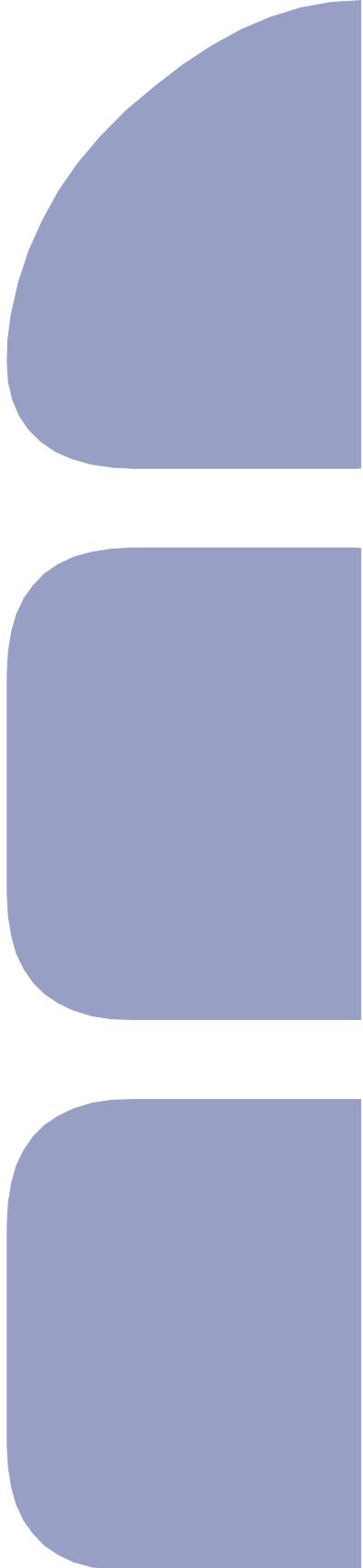
Criterion 8 – Staff including managers and the Chief Executive are provided with adequate information, instructions and training on financial management.

Criterion 9 – The Chief Executive reviews the effectiveness of its system of internal control for financial management at least annually.

Criterion 10 – The Chief Executive receives regular reports on financial performance and activity, and is made aware of significant risks, determines and takes appropriate action.

Criterion 11 – The Executive Director of Finance (or equivalent) provides an annual assurance to the finance and audit committee on the effectiveness of the organisation's financial arrangements based on this standard.

Criterion 12 – The organisation can demonstrate that it has done its reasonable best to meet its key financial objectives.



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