

# **Department of Health Notional Contracted Services Local Hospital Network Service Agreement (Interim) (Abridged)**

An agreement between:

**Department of Health Chief Executive Officer**

and

**Department of Health  
Purchasing and System Performance Division**

for the period

1 July 2021 – 30 June 2022

# CONTENTS

- DEFINED TERMS ..... 3**
- 1 PURPOSE AND STRATEGIC CONTEXT ..... 5**
  - 1.1 Notional Contracted Services Determination ..... 5
  - 1.2 Strategic Context ..... 5
    - 1.2.1 WA Health System Strategic Directions..... 5
    - 1.2.2 Sustainable Health Review ..... 5
    - 1.2.3 Aboriginal Health ..... 6
    - 1.2.4 Additional Policy Considerations..... 6
  - 1.3 Department CEO Strategic Priorities for 2021-22 ..... 7
- 2 LEGISLATION AND GOVERNANCE..... 7**
  - 2.1 Background, Legislation and Scope..... 7
    - 2.1.1 Agreement Background ..... 7
    - 2.1.2 Legislation - The Act ..... 7
  
- Notional LHN—Commonwealth and State contributions to the  
National Health Funding Pool ..... 8

## DEFINED TERMS

In this Agreement:

1. **Act** means the *Health Services Act 2016*.
2. **Activity Based Funding (ABF)** means the funding framework used to fund those public health care health services whose costs are related to the activity of services delivered across Western Australia.
3. **Agreement** means this Service Agreement and any Schedules to this Agreement.
4. **Block Funding** means the funding for hospital services that are not funded by Activity Based Funding, and are functions and services based on a fixed amount (i.e. Non-Admitted Mental Health (NAMH); Teaching, Training and Research (TTR) and Small Rural Hospitals (SRH)), and funding for non-hospital services.
5. **Budget Deed** refers to the Deed of Amendment following delivery of the State budget, where the State Budget occurs after the release of the Service Agreement.
6. **Chief Executive (CE)**, in relation to a Health Service Provider, means the person appointed as chief executive of the Health Service Provider under section 108(1) of the Act.
7. **Commission CEO** refers to the Mental Health Commission Chief Executive (also known as the Mental Health Commissioner) and has the meaning given in section 43 of the Act.
8. **Contracted Health Entity** has the meaning given in section 6 of the Act.
9. **CSA** means a Commission Service Agreement between the Mental Health Commission CEO and an HSP under section 45 of the Act.
10. **Deed and Deed of Amendment (DOA)** means an amendment made under section 50 of the Act that becomes an addendum to the original Agreement and forms the revised basis on which the original Agreement will be conducted.
11. **Department** means the Department of Health as the Department of the Public Service principally assisting the Minister for Health in the administration of the Act.
12. **Department CEO** means the Chief Executive Officer of the Department (also known as the Director General), whose roles include responsibility for the overall management of the WA health system (the system manager role) under section 19(2) of the Act.
13. **Enduring Strategies** means the framework which organises the Sustainable Health Review Panel's Final Report recommendations. The Panel's recommendations have been grouped or consolidated within the eight Enduring Strategies to identify the focus areas that will be fundamental to shift the WA health system and progress the sustainability agenda. Enduring Strategies 1-4 focus on key areas of service delivery, while Enduring Strategies 5-8 focus on the enablers to facilitate change. Each Enduring Strategy is informed by evidence and best practice and reinforced by feedback received through the SHR's consultation with staff, stakeholders and the public.
14. **EOY** means End-of-year (Financial Year).
15. **EOY Final Allocations** means the Service Agreement End-of-year Final Allocations.
16. **Financial Products** are non-cash costs such as Depreciation, Borrowing Costs, Doubtful Debts and Resources Received Free of Charge (RRFOC), other than Health Support Services (HSS) RRFOC and PathWest RRFOC.
17. **Health Service** has the meaning given in section 7 of the Act.
18. **Health Service Provider (HSP)** means a Health Service Provider established by an order made under section 32(1)(b) of the Act.

19. **HSS** means the Health Support Services, a Board governed HSP.
20. **MHC** means the Western Australian Mental Health Commission as a Department of the Public Service principally assisting the Minister for Mental Health in the administration of the *Mental Health Act 2014*.
21. **MYR Deed** means the Service Agreement Mid-year Review Deed of Amendment.
22. **NHRA** means National Health Reform Agreement 2011 and its Addenda.
23. **OBM** means the WA health system Outcome Based Management Framework as endorsed by the Under Treasurer.
24. **OSR** means Own Source Revenue.
25. **Parties** means the Department CEO and the HSP to the Service Agreement, the Budget Deed, the MYR Deed and to the EOY Final Allocations, and “Party” means any one of them.
26. **PathWest** means PathWest Laboratory Medicine WA, a Board governed HSP.
27. **Performance Indicator** provides an indication of progress towards achieving the organisation’s objectives or outputs.
28. **PMP** means the Performance Management Policy.
29. **Policy Framework** means a policy framework issued under section 26 of the Act.
30. **Relevant Health Service Providers** means East Metropolitan Health Service (EMHS); North Metropolitan Health Service (NMHS); South Metropolitan Health Service (SMHS); WA Country Health Service (WACHS); PathWest Laboratory Medicine WA (PathWest); and the Quadriplegic Centre.
31. **Schedule** means a schedule to the Service Agreement.
32. **Service Agreement** means the HSP 2021-22 Service Agreement between the Parties and as amended from time-to-time including all schedules and annexures.
33. **State-wide support Health Services** means health services provided by HSS and PathWest to or on behalf of the other HSPs as described in the HSS and PathWest Service Agreements.
34. **System Manager** refers to the Department CEO’s role as responsible for the overall management of the WA health system under section 19(2) of the Act.
35. **Term** means the period of this Agreement as detailed in section 2.1.1.
36. **TTR** means Teaching, Training and Research.
37. **WA** means the State of Western Australia.
38. **WA health system** has the meaning given in section 19(1) of the Act.

# 1 PURPOSE AND STRATEGIC CONTEXT

## 1.1 Notional Contracted Services Determination

This Agreement, pursuant to Section 46(3) of the Act, includes the health services to be provided by the Notional LHN during the Term of this Agreement that are within the overall expense limit set by the Department CEO in accordance with the State Government's purchasing intentions.

The Department Notional Contracted Services Local Hospital Network (Notional LHN) consists of an aggregation of contracted public hospital services for the Department.

The Department Notional Contracted Services LHN only includes in scope health services that are eligible for a Commonwealth funding contribution.

As stated in Clause A54(a) of the *National Health Reform Agreement 2011*, the Administrator of the National Health Funding Pool prescribes that the Notional Contracted Services LHN is not required to meet the LHN governance arrangements set out in clauses D11 to D21. However, all requirements and responsibilities outlined in the *National Health Reform Agreement 2011* and *National Health Reform Act 2011* still apply to the LHN.

## 1.2 Strategic Context

This Agreement is informed by a wider strategic context related to the delivery of safe, quality, financially sustainable and accountable healthcare for all Western Australians. The delivery of health services within the following strategic context is the mutual responsibility of both Parties, whether with reference to supporting information and guidelines or mandatory policy requirements.

### 1.2.1 WA Health System Strategic Directions

A new strategy outlining the future directions for the WA health system is under review and is anticipated to be delivered in late 2021. As outlined in the priorities of the *WA Health System Strategic Intent 2015-2020*, system-wide objectives continue to focus on delivering a safe, high quality, sustainable health system for all Western Australians.

Using the Quadruple Aim of Healthcare, this is promoted through improving the value of what is spent on health services and reducing waste, working to improve the health of the population, and improving safety and quality of healthcare. At the heart of sustainability is improving the patient journey and satisfaction and recognising that a happier more engaged workforce delivers high quality care.

### 1.2.2 Sustainable Health Review

The Sustainable Health Review (SHR) is the Government's blueprint for sustainable reform and transformation of the WA health system over the next decade. The SHR identifies eight Enduring Strategies and 30 Recommendations to drive a cultural shift from a predominantly reactive, acute, hospital-based system to one with a strong focus on prevention, equity, early child health, end of life care, and seamless access to services at home and in the community through use of technology and innovation.

Following the release of the SHR Final Report in April 2019, the WA health system commenced building a Sustainable Health Implementation Program (the Program) while progressing SHR priorities, with many early activities aligned to the WA COVID-19 Recovery Plan.

Health Service Provider (HSP) Chief Executives, Department of Health Assistant Directors General, and the Mental Health Commissioner are appointed as Executive Sponsors for implementation of specific SHR Recommendations by the Director General as the Program Owner, and collectively form the Program Steering Committee responsible for the Program's progress and strategic decisions. The Program Steering Committee, through the Director General, reports to the Ministers for Health and Mental Health on the Program. The Cabinet-appointed Independent Oversight Committee provides impartial advice to the Program's Executive Sponsors and a public quarterly report to the Ministers for Health and Mental Health.

The Notional Contracted Services LHN is required to support scoping and delivery of SHR Recommendations in partnership with key stakeholders, contributing to planning, governance, implementation, communications and reporting on progress with clear measures to track progress and outcomes.

### **1.2.3 Aboriginal Health**

In WA there needs to be sustained effort to improve health outcomes and access to care for Aboriginal people. The WA health system is committed to a strengths-based approach in which the health and wellbeing of Aboriginal people living in WA is everybody's business. The *WA Aboriginal Health and Wellbeing Framework 2015-2030* (the Framework) outlines a set of strategic directions and priority areas that takes forward this commitment. Supported by the *Implementation Guide*, the Notional Contracted Services LHN is required to progress the six strategic directions of the Framework:

- promote good health across the life-course,
- prevention and early intervention,
- a culturally respectful and non-discriminatory health system,
- individual, family and community wellbeing,
- a strong, skilled and growing Aboriginal health workforce, and
- equitable and timely access to the best quality and safe care.

### **1.2.4 Additional Policy Considerations**

This Agreement is also informed by the following frameworks, policies, guidelines and plans (noting this is a non-exhaustive list):

- *WA Disability Health Framework 2015-2025*,
- *Clinical Health Services Framework 2014-2024*,
- *Information Management Policy Framework*,
- *Purchasing and Resource Allocation Policy Framework*,
- *Performance Policy Framework*,
- *Outcome Based Management Policy Framework*,
- *Clinical Governance, Safety and Quality Policy Framework*,
- *Research Policy Framework*,
- *Clinical Teaching and Training Policy Framework*,
- *ICT Policy Framework*, and
- *Purchasing Intentions 2021-22*.

### **1.3 Department CEO Strategic Priorities for 2021-22**

The Department CEO priorities for 2021-22 are to:

- support the Minister for Health in delivering the WA Government Election Commitments and other Ministerial priorities, as they pertain to the health and wellbeing of the WA community, including but not limited to the Voluntary Assisted Dying and Stop the Violence Programs,
- promote equitable access to healthcare for the WA community, in particular in relation to delivery of services for country patients in a metropolitan setting, and for delivery of dental services, and
- support the delivery of the recommendations in the Sustainable Health Review.

## **2 LEGISLATION AND GOVERNANCE**

### **2.1 Background, Legislation and Scope**

#### **2.1.1 Agreement Background**

In accordance with section 49 of the Act, the Term of this Agreement is for the period 1 July 2021 to 30 June 2022.

In respect of its subject matter, this Agreement constitutes the entire agreement and understanding of the Parties and supersedes any previous agreement between the Parties. While this Agreement sets out key matters relevant to the provision of health services by the Notional Contracted Services LHN, it does not characterise the entire relationship between the Parties. They may enter into other formal or informal arrangements such as Memoranda of Understanding (MOUs) with each other. Such other arrangements will be binding as expressed or indicated within the arrangements and through the operation of legislation and policy frameworks, as relevant.

#### **2.1.2 Legislation - The Act**

The Act supports the WA health system's vision to deliver a safe, high quality, sustainable health system for all Western Australians including:

- to promote and protect the health status of Western Australians,
- to identify and respond to opportunities to reduce inequities in health status in the WA community,
- to provide access to safe, high quality, evidence-based health services,
- to promote a patient-centred continuum of care in the provision of health services,
- to coordinate the provision of an integrated system of health services and health policies,
- to promote effectiveness, efficiency and innovation in the provision of health services and TTR and other services within the allocated resources, and
- to engage and support the health workforce in the planning and provision of health services and TTR and other services.

## Notional LHN—Commonwealth and State contributions to the National Health Funding Pool

|                                 | National<br>Efficient Price<br>(as per IHPA) | Total<br>Expected<br>NWAUs | Total<br>Contribution | Commonwealth      |                 | State             |
|---------------------------------|--|----------------------------|-----------------------|-------------------|-----------------|-------------------|
|                                 |  |                            |                       | Contribution      | Funding<br>Rate | Contribution      |
| <b>ABF Service group</b>        | <b>(NEP \$)</b>                              | <b>(#)</b>                 | <b>(NEP \$)</b>       | <b>(NEP \$)</b>   | <b>(%)</b>      | <b>(NEP \$)</b>   |
| Acute Admitted                  | 5,597  | 2,626                      | 14,700,322            | 6,073,958         | 41.3            | 8,626,364         |
| Admitted Mental Health          | 5,597  | —                          | —                     | —                 | —               | —                 |
| Sub-Acute                       | 5,597  | 1,091                      | 6,109,041             | 2,524,166         | 41.3            | 3,584,875         |
| Emergency Department            | 5,597  | —                          | —                     | —                 | —               | —                 |
| Non Admitted                    | 5,597  | 13,332                     | 74,617,909            | 30,831,028        | 41.3            | 43,786,881        |
| <b>Total ABF</b>                | <b>5,597</b>                                 | <b>17,050</b>              | <b>95,427,272</b>     | <b>39,429,152</b> | <b>41.3</b>     | <b>55,998,120</b> |
| <b>Non-ABF Service group</b>    |  |                            | <b>(\$)</b>           | <b>(\$)</b>       | <b>(%)</b>      | <b>(\$)</b>       |
| Non Admitted Mental Health      |  | —                          | —                     | —                 | —               | —                 |
| Non Admitted CAMHS              |  | —                          | —                     | —                 | —               | —                 |
| Non Admitted Home Ventilation   |  | —                          | —                     | —                 | —               | —                 |
| Rural CSO sites                 |  | —                          | —                     | —                 | —               | —                 |
| Teaching, Training and Research |  | —                          | —                     | —                 | —               | —                 |
| <b>Total Block Funding</b>      |  | —                          | —                     | —                 | —               | —                 |