



Government of Western Australia  
Department of Health

# WA Country Health Service

## Service Agreement 2014-2015

improving care | managing resources | delivering quality



| ABF/ABM                  | PAQ                      | Consultation             | Final                               |
|--------------------------|--------------------------|--------------------------|-------------------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Program Team             | Exec Dir                 |                          |                                     |

Delivering a Healthy WA

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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:

19<sup>th</sup> June 2014

  
\_\_\_\_\_  
Jeff Moffet  
Chief Executive  
WA Country Health Service

Date Signed:

24/6/14

# 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.

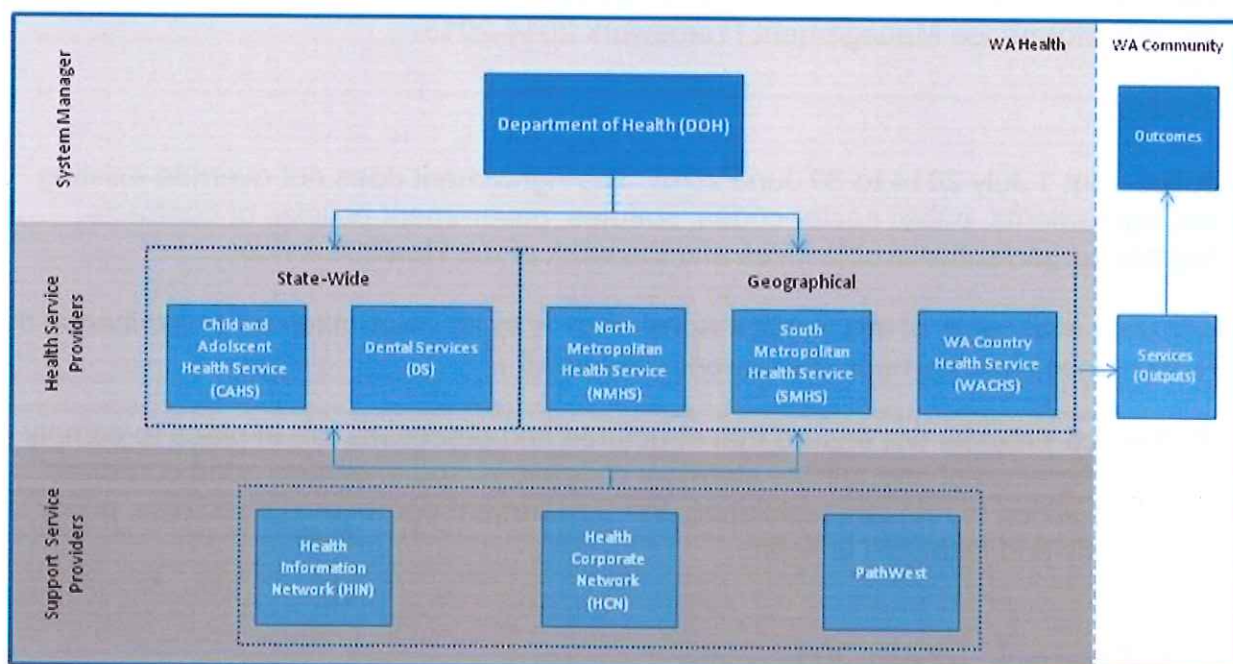


## WA Health Organisational Structure

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 the 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 (PAQ) Division 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 Commission<sup>1</sup>.

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.

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<sup>1</sup> 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 WA Country Health Service (WACHS) is a single legal statutory entity that is served by two Governing councils, each with its own set of unique health service delivery challenges and needs.

The Southern Country Governing Council came into effect on 1 July 2012 to provide input on health services for communities in the Great Southern, South West and the Wheatbelt. Its catchment area covers more than 227,000 square kilometres with a population of over 300,000, of whom 3.1 per cent are Aboriginal. The population represents 13 per cent of Western Australia's total and is projected to grow to more than 350,000 by 2020.

The Northern and Remote Country Governing Council came into effect on 1 July 2012 to provide input on health services for communities in the Goldfields, Midwest, Pilbara and Kimberley. Its catchment area covers almost 2,250,000 square kilometres with a population of over 206,637, of whom 18.1 per cent are Aboriginal. The population represents around 10 per cent of Western Australia's total and is projected to grow to nearly 260,000 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 Care Provider will provide a comprehensive range of health care services to adults and children in the southern, northern and remote country region including:

- Emergency services
- High dependency care
- Medical services
- Surgical services
- Cancer care

- Palliative care
- Obstetric services
- Paediatric services
- Rehabilitation and aged care
- Mental health services
- Primary health care
- Clinical support services
- Residential aged care
- Patient Assisted Travel Scheme.

#### **Health Services in the Northern and Remote Country Region Comprise:**

- four regional health campuses at Broome, Geraldton, Kalgoorlie and South Hedland
- six integrated hospitals at Carnarvon, Derby, Esperance, Kununurra, Newman and Nickol Bay
- 19 small hospitals and 4 nursing posts in regional and remote locations
- numerous community based health centres.

All hospitals provide a level of emergency and disaster response. Smaller sites provide resuscitation and medical stabilisation with support and access to specialist advice prior to transfer to larger sites.

#### **Broome Health Campus**

- Stage one of the Broome Health Campus was completed in December 2009 and includes new operating theatres, a Central Sterile Supply Department, new and remodelled inpatient beds, dental consulting rooms and pharmacy
- An additional capital works program commenced on campus in July 2010 includes a new paediatric ward and 13-bed acute mental health unit.

#### **Hedland Health Campus**

- The new Hedland Health Campus was completed in October 2010 and delivers acute inpatient services, community mental health, population health, community aged care and support services
- Included on campus is a 56-bed residential aged care facility comprising a fully integrated high/low care service, communal resident lounges and clinical support.

#### **Geraldton Health Campus**

- This new facility opened in 2006 offers a comprehensive range of integrated services including hospital inpatient, emergency department, outpatient clinics, population health, community mental health and aged care.

#### **Kalgoorlie Health Campus**

- Kalgoorlie Hospital is undergoing a redevelopment which will include new emergency and medical imaging departments, and a mental health unit.
- The campus will provide a comprehensive range of integrated health services.
- A new palliative care addition opened in December 2010.

#### **Health Services in the Southern Country Comprise:**

- two regional health campuses at Albany and Bunbury
- nine integrated district hospitals at Busselton, Collie, Katanning, Margaret River, Merredin, Moora, Narrogin, Northam and Manjimup (Warren Hospital)
- 32 small hospitals and six nursing posts in regional and remote locations
- numerous community based health centres.

All hospitals provide a level of emergency and disaster response. Smaller sites provide resuscitation and medical stabilisation with support, and access to specialist advice prior to transfer to larger sites.

#### Albany Health Campus

- The Albany Health Campus is the largest public health construction project ever undertaken in regional Western Australia. Construction work began in early 2011 and the campus opened in mid-May 2013, which will include a mental health unit.

#### South West Health Campus in Bunbury

- The major medical centre for the South West region of WA
- Campus includes the Bunbury Hospital, co-located with the private St. John of God Hospital Bunbury
- The public hospital provides a fully-staffed, 24-hour emergency department, high dependency unit/intensive care unit, a restorative care unit, an acute inpatient psychiatric unit, community mental health, community health and dental facilities
- St John of God Bunbury operates a medical centre that accommodates a medical oncology centre, a renal dialysis unit, medical consulting suites, medical imaging services and pathology
- Campus also includes the South West Radiation Oncology Centre and an Aboriginal medical services centre.

## Key Outcomes and Priorities

Key priorities include:

- managing elective surgery waitlists
- meeting demand for emergency services at larger hospital sites and improving clinical coordination of emergency retrievals
- meeting National Emergency Access Target and National Elective Surgery Target
- implementing in the Midwest, Goldfields, Wheatbelt, South West and Great Southern, the Southern Inland Health Initiative including:
  - implementing sustainable medical and emergency service models
  - increasing use of telehealth services to improve service access and training
  - improving access to primary health care services
- improving capacity to manage increasingly complex patients in the community to reduce or prevent admissions to hospital
- improving the health of Aboriginal people
- working with the Commonwealth to ensure appropriate and adequate residential aged care and dementia services



- managing a significant capital works program
- developing new renal dialysis, cancer and child health services
- ensuring safe, high quality obstetric and maternity care services
- improving access to a range of mental health services and exploring opportunities and risks related to contracted services
- active participation in the National Health Reform agenda.

### **District Health Advisory Councils**

- District Health Advisory Councils – made up of a wide range of community representatives and other consumers – will engage, consult and interact with the Northern and Remote Country and Southern Country Governing Council to provide input and feedback to improve health services.

### **Safety, Quality and Risk**

- Health services have a strong safety, quality and risk philosophy, and governance framework to ensure safe, effective and efficient health services
- Clinical and corporate governance programs apply continuous service improvement and risk management across all areas of the health service
- WACHS promotes consumer-centred, high-quality care and a capable and empowered workforce.

### **Hospital Building Program**

- Across country WA, the State Government is undertaking one of the largest country hospital building programs in the world, which includes:
  - hospital redevelopment at Kalgoorlie
  - hospital redevelopment at Broome, including the first acute psychiatric unit to be built north of Perth, and redevelopment of existing infrastructure at Esperance Hospital
  - new Hedland Health Campus opened in late 2010
  - new Albany Health Campus officially opened in May 2013 with next phase of the Albany Health Campus redevelopment now under way. Stage 2 of the redevelopment will involve demolition of the old hospital building, refurbishment works and the creation of additional car parking bays and landscaping
  - construction of new hospital at Busselton
  - redevelopment of the Esperance Health Campus
  - major redevelopment of critical care facilities at Bunbury Hospital creating a new four-bed intensive care unit and an expanded emergency department
  - capital expenditure of \$325 million over five years under the Southern Inland Health Initiative including upgrades to district hospitals at Northam, Narrogin, Merredin, Katanning, Manjimup (Warren Hospital) and Collie
  - in consultation with the community, planning is underway for future health services in the Pilbara, which will inform the master planning of the new Karratha Health Campus.

### **Improving Medical Coverage and 24-hour Emergency Care in the Regions**

- In May 2011, the State Government announced the Royalties for Regions funded Southern Inland Health Initiative to improve healthcare in a number of towns, including some centres in the Goldfields and Midwest regions

- The initiative includes a \$240 million investment in the health workforce and provision of health services over four years, and \$325 million in capital works over five years
- The initiative will redesign the way health services are delivered in regional WA to meet growing demand and the changing health needs of local communities.

### **Closing the Gap**

- New initiatives are underway through the Council of Australian Government's National Partnership Agreements (NPAs) to improve the health and lifestyle of Aboriginal people living in rural and remote areas
- WA Health has committed to provide funding the Closing the Gap in Indigenous Health Outcomes
- Aboriginal people are involved in both the planning and development process to improve the delivery of Aboriginal health services.

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



## **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  | 491,704,803                 | 95,255           |
| Emergency Department                                   | 179,649,632                 | 34,802           |
| Non Admitted   | 81,919,743                  | 15,870           |
| Non Admitted - Aggregate                               | 2,926,854                   | 567              |
| <b>Sub total</b>                                       | <b>756,201,032</b>          | <b>146,494</b>   |
| <b>CSS - Price Adjustment</b>                          | <b>18,604,708</b>           |                  |
| <b>CSS - Financial Recovery</b>                        | <b>30,000,000</b>           |                  |
| NON-ACTIVITY BASED SERVICES                            | NON-ABF BUDGET 2014/15 (\$) |                  |
| Financial Products                                     | 83,771,821                  |                  |
| National Partnership Funding                           | -                           |                  |
| Non Admitted Mental Health                             | 61,119,416                  |                  |
| Public Health & Ambulatory Care                        | 184,632,523                 |                  |
| Special Purpose Funding                                | 271,933,373                 |                  |
| Teaching, training and Research                        | 22,567,724                  |                  |
| Small Rural Hospitals                                  | 175,198,981                 |                  |
| <b>Sub total</b>                                       | <b>799,223,838</b>          |                  |
| <i>less...Procurement Savings</i>                      | -                           | <b>4,412,000</b> |
| <i>less...Microsoft Enterprise Agreement (True Up)</i> | -                           | <b>3,330,790</b> |
| <i>less...Community Services contracts ceasing</i>     | -                           | <b>48,437</b>    |
| <b>Total Expenditure Budget</b>                        | <b>1,596,238,352</b>        |                  |

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         | 59,078  | 5,007   | 37.7%              | 111,626,793                       |
| Admitted Mental Health | 4,601   | 5,007   | 38.1%              | 8,768,203                         |
| Sub-Acute              | 2,910   | 5,007   | 43.8%              | 6,376,608                         |
| Emergency Department   | 20,269  | 5,007   | 36.1%              | 36,649,373                        |
| Non Admitted           | 10,863  | 5,007   | 40.3%              | 21,918,380                        |
| Non Admitted Aggregate | -   | 5,007   | 40.3%              | -                                 |
| <b>ABF Total</b>       | <b>97,721</b>                                     | <b>5,007</b>                                      | <b>37.9%</b>       | <b>185,339,357</b>                |

## In-Scope Block Funding

| ABF Service group                 | Total Contribution (\$) | Commonwealth Contribution (\$) | Commonwealth funding rate (%) | State Contribution (\$) |
|-----------------------------------|-------------------------|--------------------------------|-------------------------------|-------------------------|
| Non Admitted Mental Health        | 49,433,384              | 13,685,693                     | 27.7%                         | 35,747,691              |
| Other 'In-Scope' Program Services | -                       | -                              | 41.6%                         | -                       |
| Rural CSO sites                   | 375,835,004             | 133,195,386                    | 35.4%                         | 242,639,618             |
| Teaching, Training and Research   | 22,567,724              | 7,164,067                      | 31.7%                         | 15,403,658              |
| <b>Total block funding</b>        | <b>447,836,112</b>      | <b>154,045,146</b>             | <b>29.9%</b>                  | <b>293,790,967</b>      |



# 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](#)

### 1.1.1 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 may be 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.

#### **1.1.2 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.

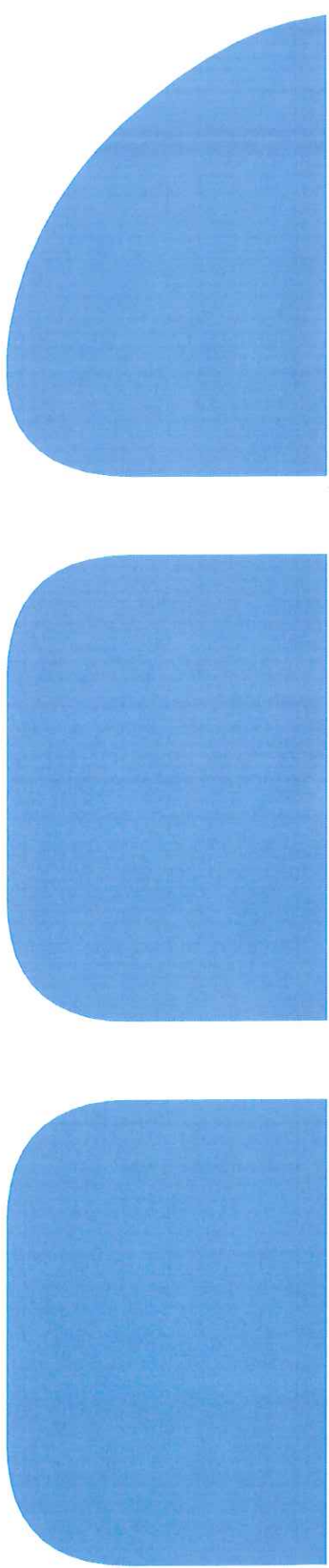
Criterion 9 – The Chief Executive reviews the effectiveness of its system of internal control for financial management at least annually.

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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