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**TITLE:** PAYMENT PROCESS AND TREATMENT OF  
REVENUE WITH RESPECT TO AGREED SERVICE  
ACTIVITY

**DISTRIBUTION:** ALL PUBLIC HOSPITALS IN WESTERN  
AUSTRALIA

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## **1. Purpose**

The purpose of this bulletin is to describe the payment process that applies for 1998-99 with respect to agreed service activity.

The payment process for the excess component of exceptional episodes is described in Technical Bulletin 21/1.

## **2. Agreed Service Activity to be Purchased**

The level of funding provided to Health Services under the Memorandum of Understanding (MOU) will be:

- the gross funding entitlement for agreed services; less
- the Health Service's revenue target.

### **2.1. Health Service Revenue from the HDWA Purchasing allocation**

The purchasing allocation for Health Services will be determined by a combination of:

- payments for agreed levels of acute admitted patient activity as determined under the methodology described in the WA Government Health Policy and Guidelines Manual, including:
  - ◆ central episode component payments;
  - ◆ special services and other program payments for services; and
  - ◆ in 1997/98 and 1998/99, a contingency advance for high exception episodes as defined in Technical Bulletin 21/1; plus
- program payments to be provided to the Health Service for non admitted patient and other services specified in the MOU, including:
  - ◆ hospital non admitted patient services;
  - ◆ prevention and promotion programs;
  - ◆ continuing care services;

- ◆ reconfiguration grants, rural and remote access subsidies and disability costs; and
- ◆ specific purpose Commonwealth and other grants.

The MOU will incorporate targeted service activity and associated purchasing allocations that are capped for each unit of measure included in the Service Specification Schedule of the agreement. Some mix changes may be negotiated between each health condition purchasing group in so far as the changes remain within targeted funding and activity levels.

In this context, allocations for acute admitted patient services are capped at the agreed mix of central episode activity. Any activity beyond the agreed target is *not* automatically funded, but is subject to the on-going review and re-negotiation of the MOU.

The allocation for acute admitted patient activity includes funding for the core component of exceptional episodes. Additional funding may become available to Health Services for approved claims with respect to extra costs incurred for cases that become exceptional episodes. These funds will be paid from the Exceptional Episode Insurance Pool (EEIP) which is managed by and subject to rules of operation as agreed among Health Services and the Health Department.

## **2.2 Inpatient Revenue Targets**

Inpatient revenue targets are separately identified in the MoU summary for acute inpatient services within the Diagnosis and Treatment intervention. Targets for a financial year will be developed and agreed between the Department and Health Services during the negotiation process.

Assessments of any variation from agreed inpatient revenue targets will require knowledge of the underlying assumptions used in its construction and the related patient activity targets. Consequently, the MOU will need to include details of the assumed public/private patient activity mix, together with the construction of revenue for all chargeable patients.

Revenue collected from all other sources are not explicitly identified for the other MoU interventions and program allocations which reflect a “net of revenue” position.

## **2.3 Payments for Agreed Service Activity**

On agreement of the initial MOU, Health Services are required to produce:

- a Service Delivery Schedule (SDS) profiling expected activity flows; and
- a Schedule of Payments (SoP) which provides a cashflow of the approved net budget.

Payments for services will be made on a basis and at a rate consistent with the delivery of services as defined in the Service Delivery Schedule. Advances against future payments may be authorised to accommodate cashflow issues such as three pay months or significant once only payments (eg risk cover). However, such advances will only be authorised where a schedule of repayments is agreed which would ensure that payments to the Health Service in the financial year do not exceed the limits specified in the MoU.

Where practicable, payments will be made by way of a single monthly payment to the Health Service bank account, with Health Service General Managers arranging transfers to individual unit accounts where necessary. Where, as an interim arrangement, the Department is to continue directing payments to individual units, each unit and the associated payment amounts will need to be identified in the Schedule of Payments.

Revised Schedules of Payments should be submitted to Contract Managers who will forward these to the relevant HDWA personnel:

- within 14 days of any budget variation being issued to the Health Service; or
- where a payment variation is requested, not less than 10 days before a scheduled payment date.

It is the Health Service's responsibility to manage its payments in accordance with available funds. Supplementary monthly payments will be made only in exceptional circumstances.

Health Service performance will be progressively measured against the forecasts in the SDS and SoP. Variations will need to be highlighted and explained in the monthly Progress Report.