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**TITLE :** RURAL/REMOTE AREA ACCESS SUBSIDY for  
COUNTRY HOSPITALS

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

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### 1. Purpose

This bulletin defines and describes the Rural/Remote Access Subsidy for country hospitals.

### 2. Definition

The Rural/Remote Access Subsidy is specific funding, additional to that provided in response to the WA Price Schedule, to ensure continued access to health services in remote and rural areas. Not all rural/remote Health Services will require or receive this subsidy.

The Rural/Remote Access Subsidy can take a number of forms. These forms include:

- a) remote location subsidy;
- b) rural access grant incorporating Minimum Location Costs (MLCs) and service delivery mode/disability allowances.

### 3. General Principles

#### 3.1 Remote Location Subsidy

It is recognised that there are rural and remote cost factors which generate additional costs in the operation of a rural Health Service. Generally, the level of additional costs is a function of the Health Service's distance from Perth.

Assistance in dealing with rural and remote location costs is provided as a subsidy. In some cases such as patient transport to the metropolitan area, the subsidy will cover the entire expense. In other cases such as freight and energy, a subsidy will be provided only for charges over and above standard metropolitan rates.

Items identified to incur additional costs due to distance disability factors include:

- patient transport to metropolitan area
- staff accommodation

- travel
- freight and cartage
- energy
- repairs and maintenance
- communication
- vehicles
- visiting specialist services
- staff recruitment and turnover
- leave and travel days
- district allowances
- staff development
- insurance

### 3.2 Minimum Location Cost and Rural Access Grant

Often in small country hospitals, funding on activity levels alone would not be sufficient to justify the baseline fixed cost associated with operating a hospital. Although, activity levels have to be compiled and these sites are subject to the same output reporting requirements that apply to larger hospitals, a different funding formula is applied.

To provide the essential service that they do in country areas, it is necessary to fund small hospitals according to how much is needed to run the service. This funding level is referred to as a Minimum Location Cost.

The difference between the Minimum Location Cost and the total value of individual products purchased from the Health Service were standard prices and block funds applied, is the Rural Access Grant.

The Minimum Location Cost consists of two expenditure components: salaries and wages and other goods and services.

#### (i) Salaries and Wages

This expenditure constitutes 70-80% of total operating expenses. Notably, a minimum of two appropriate staff (sufficient for eight beds) is required to be on duty at all times in any hospital which has an acute care role. The Health Service will be funded to cover a minimum of this level of staffing.

#### (ii) Other Goods and Services

Expense items that the hospital has little or no control over will be separated and treated individually. These expenses include PATs, VMPs and patient transfers. The value of these items will be individually set based on past years' trends.

Other areas such as drugs, medical, surgical and food supplies are directly related to activity. These expenditure areas will be benchmarked. Hospitals will be split into groups according to the number of cases they had in the previous year. The lowest expenditure

figure for each group, allowing for each site's other disability factors, will be used as the basis for all others in the same group.

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Other expense items will be grouped together and benchmarked to the level of the lowest possible expenditure for the group. Again, allowance will be made for each sites' disability factor.

Capital expenditure and special alterations over \$10,000 will be treated on an individual basis. Funds will be provided as they become available and in accordance with established priorities.

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