

Service Agreement (Abridged)

An agreement between:
Department of Health Chief Executive Officer
And
PathWest Laboratory Medicine WA
for the period
1 July 2018 – 30 June 2019

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BACKGROUND

- A. This Agreement supports the delivery of safe, high quality, financially sustainable and accountable healthcare for all Western Australians, by setting out the service and performance expectations and funding arrangements for the PathWest Laboratory Medicine WA (PathWest).
- B. This Agreement details the Health Services that the Department CEO will purchase from the PathWest and the Health Services the PathWest will deliver during the 2018-19 financial year.
- C. Through execution of this Agreement the PathWest agrees to meet the service obligations and performance requirements as detailed in this Agreement. The Department CEO agrees to provide the funding and other support services as outlined in this Agreement.
- D. This Agreement represents the partnership between the Department CEO and the PathWest and the shared commitment to deliver on WA Government's goal of greater focus on achieving results in key service delivery areas for the benefit of all Western Australians.
- E. This Agreement is executed in accordance with part five of the *Health Services Act 2016*.

DEFINED TERMS

In this Agreement:

1. **Activity Based Funding (ABF)** means the funding framework which is used to fund public health care services delivered across Western Australia.
2. **Agreement** means this Service Agreement and any Schedules to this Agreement.
3. **Act** means the *Health Services Act 2016*.
4. **Block Funded Services** relates to those Health Services for which activity data is not yet available (e.g. non-admitted mental health; Teaching, Training and Research).
5. **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.
6. **Commission CEO** has the meaning given in section 43 of the Act.
7. **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
8. **Department** means the Department of Health as the Department of the Public Service principally assisting the Minister in the administration of the Act.
9. **Department CEO** means the Chief Executive Officer of the Department of Health.
10. **Financial Products** means Depreciation, Borrowing Costs, Expensed Capital and Resources Received Free of Charge (RRFOC), other than HSS RRFOC and PathWest RRFOC.
11. **Health Service** has the meaning given in section 7 of the Act.
12. **Health Service Provider (HSP)** means a Health Service Provider established by an order made under section 32(1)(b) of the Act.
13. **HSS** means the Health Support Services, a Chief Executive Governed Health Service Provider.
14. **MHC** means the Western Australian Mental Health Commission.
15. **NHRA** means National Health Reform Agreement 2011 and its Addendum.
16. **OBM** means the WA health system Outcome Based Management Framework as endorsed by the Under Treasurer.
17. **OSR** means Own Source Revenue.
18. **Parties** means the Department CEO and the Health Service Provider to which this Agreement applies and “Party” means any one of them.
19. **PathWest** means PathWest Laboratory Medicine WA, a Chief Executive-Governed Health Service Provider from 1 July 2018.
20. **PMP** means the Performance Management Policy.
21. **Performance Indicator** provides an ‘indication’ of progress towards achieving the organisation’s objectives or outputs.
22. **Policy Framework** means a policy framework issued under section 26 of the Act.
23. **Schedule** means a schedule to this Agreement.
24. **State-wide support services** means services provided by PathWest and PathWest to or on behalf of the other HSPs as described in the PathWest and PathWest Service Agreements.
25. **Term** means the period of this agreement as detailed in clause 1 ‘Term of Agreement’.
26. **WA** means the State of Western Australia.
27. **WA health system** has the meaning given in section 19(1) of the Act.

1. TERM OF AGREEMENT

In accordance with section 49 of the Act the term of this agreement is for the period of 1 July 2018 to 30 June 2019.

This Agreement, pursuant to section 46(3) of the Act, includes the Health Services to be provided by the PathWest 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.

2. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement and understanding of the Parties and supersedes any previous agreement between the Parties as to the subject matter of this Agreement.

2.1 Forward Estimates Contained in this Agreement

In order to provide the PathWest with a framework in which to make future planning decisions, forward estimates that provide the financial position for the three years beyond the 2018-19 financial year have been included in the schedules to this Agreement. The funding estimates are based on and are consistent with the current approved budget settings for the WA health system.

The inclusion of forward estimates is in no way a representation or offer of funding by the Department CEO to PathWest; rather they are an indication of the base for future funding years.

3. AMENDMENTS TO THIS AGREEMENT

The Parties may amend this Agreement in accordance with section 50 of the Act.

An amendment made under section 50 of the Act becomes an addendum to the original Agreement and forms the revised basis on which this Agreement will be conducted.

Adjustments to the information set out in the original contents of this Agreement as detailed in the schedules, will be provided through separate documents that may be issued by the Department during the term of this Agreement.

3.1 Amendment Criteria

An amendment of this Agreement will occur when there is a change to the Department CEO's purchasing intentions.

An amendment for the purposes of this Agreement is a change to funding, to deliverables or to other requirements contained within this Agreement. Further information on the amendment process is detailed within the *WA Health Funding and Purchasing Guidelines* issued under the Purchasing and Resource Allocation Policy Framework:

http://www.health.wa.gov.au/circularsnew/Purchasing_and_Resource_Allocation.cfm

3.2 Notice of Intention to Amend

In accordance with section 50(1) of the Act if either Party wants to amend the terms of this Agreement, notice of this intention must be provided in writing within a reasonable timeframe, before the date on which the amendment is required to take effect.

3.3 Material Adjustments and Corrective Measures

Material adjustments and corrective measures are changes to funding levels and targets that do not alter the Department CEO's purchasing intentions. Further information is detailed in the *WA Health Funding and Purchasing Guidelines*.

4. PUBLICATION OF AGREEMENT

The Department will publish an abridged version of this Agreement on the WA health system internet site, in accordance with Schedule D9 of the NHRA. Any subsequent amendments to this Agreement will also be published in accordance with Schedule D9 of the NHRA.

5. LEGISLATIVE AND POLICY CONTEXT

5.1 The Health Services Act 2016

The Act supports the WA health system 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 teaching, training, research and other Health Services within the available resources
- to engage and support the health workforce in the planning and provision of Health Services and teaching, training, research and other Health Services.

6. PURPOSE AND SCOPE OF THIS AGREEMENT

6.1 Purpose

The principal purpose of this Agreement is to detail the Department CEO's purchasing intentions and arrangements from the Health Services Provider including performance and accountability measures.

The Schedules to this Agreement outline the Health Services to be purchased and the associated funding provided by the Department CEO for the delivery of these Health Services. Further schedules outline Financial Products and other financial mechanisms necessary for the appropriate funding and implementation of the required Health Services by the Department CEO from PathWest.

6.2 Scope

The scope of this Agreement, as prescribed in section 46 of the Act, are to detail:

- a) the Health Services to be provided to the State by the Health Service Provider
- b) the teaching, training and research in support of the provision of Health Services to be provided
- c) the funding to be provided to the Health Service Provider for the provision of the Health Services, including the way in which the funding is to be provided
- d) the performance measures and operational targets for the provision of the Health Services by the Health Service Provider
- e) how the evaluation and review of results in relation to the performance measures and operational targets is to be carried out
- f) the performance data and other data to be provided by the Health Service Provider to the Department CEO, including how, and how often, the data is to be provided
- g) any other matter the Department CEO considers relevant to the provision of the Health Services by the Health Service Provider.

Where appropriate, reference will be made in this Agreement to Policy Frameworks issued by the Department CEO pursuant to Part 3, Division 2 of the Act.

7. SERVICE DELIVERY

7.1 Role of System Manager

The main role of the Department CEO under this Agreement is to provide the funding, and performance management parameters, to support the PathWest to deliver the Health Services in accordance with the Act.

7.2 Role of Health Service Provider

The main role of PathWest under this Agreement is to provide the Health Services detailed in the schedules. The delivery of the Health Services must be in accordance with the performance measurers and targets set by the Department CEO in accordance with section 46(3)(d), (e) and (f) of the Act.

PathWest will deliver the Health Services in accordance with the Agreement. This includes, but is not limited to:

- delivering the Health Services in a safe and timely and efficient manner using the standard of care and foresight expected of an experienced provider
- acting in accordance with the highest applicable professional ethics, principles and standards
- demonstrating a commitment to ethical practices and behaviours, and implementing these practices through appropriate training and monitoring.

When delivering the Health Services, the PathWest is required to comply with (among other things):

- all standards as gazetted under applicable Acts and standards endorsed by the Department CEO
- all applicable Department Policy Frameworks
- performance targets (as referred to in clause 10 of this Agreement)
- laws including those related to fire protection, industrial relations, employment, health, general safety, and taxation.

7.3 Notification and provision of information

The PathWest must brief the Department CEO about all matters that the Department CEO should reasonably be made aware of. This may include, an incident involving a person receiving a service, or an issue that impacts on the delivery or sustainability of service, or the ability of the PathWest to meet its obligations under this Agreement. Certain applicable Department policies may also deal with certain matters that the Department must be made aware of, or particular information that must be provided to the Department by the PathWest.

The Department will provide the PathWest with access to all applicable Department policies and standards. The Department must brief PathWest about matters that PathWest should reasonably be made aware of in order to undertake the services in accordance with the terms of this Agreement.

7.4 Agreements with other Health Service Providers

In accordance with section 48(2) of the Act, PathWest may enter into an agreement with any Health Services Providers, for PathWest to provide Health Services for the relevant HSP according to the HSP business needs.

The terms of an agreement made pursuant to section 48(2) of the Act do not limit any HSP obligations under this Agreement, including the performance standards provided for in this Agreement.

For further information see clause 8.1.

7.5 Compliance and Assurance

The Department CEO has responsibility for overall management of the WA health system, that is, the “system manager role” (s.19 (2) of the Act).

To assist the Department CEO to fulfil this responsibility, the PathWest will provide the Department CEO with data to validate PathWest’s compliance with relevant Policy Frameworks and this Agreement. Any additional data requirements will be stipulated via invocation of the relevant section of the Act by the Department CEO.

Further, the Department CEO will conduct assurance activities consistent with the Department CEO’s identified strategic objectives. The Department CEO may audit, inspect or investigate the PathWest for the purpose of assessing compliance with the Act (see s.175 of the Act). The PathWest will aid this process whenever and wherever such powers are utilised by the Department CEO.

8. STATE-WIDE SUPPORT SERVICES

8.1 PathWest

PathWest provides State-wide support services to Health Service Providers. PathWest must execute a Service Level Agreement (SLA) with each Health Service Provider for the State-wide support services that are provided by PathWest for the Term of this Agreement by 31 July 2018. The SLAs will be developed by PathWest with input from Health Service Providers and Department CEO.

Copies of the executed SLAs are to be provided to the Department CEO.

Each SLA must state:

- Description of services
- Roles and responsibilities
- Authority and accountability
- Service standards
- Service reporting
- Value of service, including price schedules as appropriate
- Review and change processes
- Dispute resolution and escalation processes.

8.2 Health Support Services

Health Support Services (HSS) provide State-wide support services to Health Service Providers. PathWest must execute a Service Level Agreement (SLA) with HSS for the provision of State-wide support services by HSS to PathWest for the Term of this Agreement by 31 July 2018. The SLAs will be developed by HSS with input from PathWest and the Department CEO.

Each SLA must state:

- Description of services
- Roles and responsibilities
- Authority and accountability
- Service standards
- Service reporting
- Value of service, including price schedules as appropriate
- Review and change processes
- Dispute resolution and escalation processes.

9. FUNDING TO DELIVER HEALTH SERVICES

9.1 Funding

The Department CEO will fund the PathWest to meet its service delivery obligations under this Agreement in accordance with the schedules to this Agreement.

A summary of the funding to be paid to the PathWest is set out in the Schedule titled PathWest Summary of Activity and Funding.

The PathWest is to use the funding provided by the Department only for the delivery of services specified under this Agreement. The funding will include direct service costs and the cost of overheads that the Department considers inherent in the delivery of the services.

10. SERVICE STANDARDS - THE PERFORMANCE POLICY FRAMEWORK

The performance reporting, monitoring, evaluation and management of PathWest in relation to the terms of this Agreement is as prescribed in the Performance Policy Framework and PMP.

See: <http://www.health.wa.gov.au/circularsnew/Performance.cfm>.

10.1 Performance Measures and Operational Targets

The performance indicators, targets and thresholds that support the delivery of the service agreement operational targets are listed in the PMP. The PMP details the performance management and intervention processes as well as the performance reporting, monitoring and evaluation processes.

10.2 Evaluation and Review of Performance Results

The PMP is based on a responsive regulation intervention model. The model is a collaborative approach that enables accountability through agreed mechanisms that are responsive when performance issues have been identified. The performance management components of the PMP comprise:

- on-going review of Health Service Provider performance
- identifying a performance concern and determining the appropriate response and agreed timeframe to address the concern
- deciding when a performance recovery plan is required and the timeframe it is required
- determining the level of intervention when required and when the performance intervention needs to be escalated or de-escalated.

Regular performance review meetings will be held between the Department CEO and the PathWest, or representatives of either Party. The performance reports that enable the Department CEO to monitor and evaluate PathWest's performance are listed in the PMP. The performance reports are an important part of the performance review meetings. The frequency of the meetings is determined by the Department CEO, and may be increased if performance issues occur.

10.3 Performance Data

In accordance with section 34(2)(n) of the Act the PathWest is required to provide performance data for the monthly production of the performance reports as required by the Department CEO.

10.4 Link to Annual Reporting

Annual Reporting is required under the *Financial Management Act 2006*. The key performance indicators (KPIs) within the Annual Report for Health Service Providers are approved by the Under Treasurer and are auditable by the Auditor General.

Efficiency KPI targets are established on a system-wide level, and published in the Government Budget Statements. The Department of Health will determine the PathWest specific targets through a rigorous modelling process that aligns with the 2018-19 Service Agreement, and other relevant data as appropriate.

Effectiveness KPI targets are set at a Health Service Provider level by the Department of Health. The Department will notify the PathWest on the Efficiency and Effectiveness KPI targets for Annual Reporting.

11. 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 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.

11.1 WA Health System Strategic Intent 2015-2020

The Strategic Intent defines the WA health system vision, values and priorities. The WA health system's vision is delivering a safe, high quality, sustainable health system for all Western Australians.

The WA health system's strategic priorities are focused on a continuum of care to support and guide health care through integrated service delivery from prevention and health promotion, early intervention, primary care through to diagnosis, treatment, rehabilitation and palliation, ensuring all Western Australians receive safe, high quality and accessible health care.

11.2 WA Aboriginal Health and Wellbeing Framework 2015-2030

The *WA Aboriginal Health and Wellbeing Framework 2015-2030* (the Framework) outlines a set of strategic directions to improve the health and wellbeing of Aboriginal people in WA.

Supported by the *Implementation Guide for the WA Aboriginal Health and Wellbeing Framework 2015-2030*, PathWest is required to progress the six strategic directions of the Framework:

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

11.4 Additional Policy Considerations

This Agreement is informed by, but not limited to, the following frameworks, policies, guidelines and plans:

- WA Disability Health Framework 2015-2025
- Clinical Services Framework 2014-2024
- 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.

12. WA HEALTH SYSTEM OUTCOME BASED MANAGEMENT FRAMEWORK

The WA health system operates under an Outcome Based Management (OBM) Framework to ensure accountability to the WA Parliament, and is pursuant to its legislative obligation as a WA Government agency under section 61 of the *Financial Management Act 2006* and Treasurer's Instruction 904.

The OBM services applicable to the WA health system, as identified in the WA State Budget Papers are:

1. Public Hospital Admitted Services
2. Public Hospital Emergency Services
3. Public Hospital Non-Admitted Services
4. Mental Health Services
5. Aged and Continuing Care Services
6. Public and Community Health Services
7. Community Dental Health Services
8. Small Rural Hospital Services
9. Health System Management – Policy and Corporate Services
10. Health Support Services.

The funding within this Agreement is allocated within the ten OBM services, as reflected in the schedules.

The Department CEO is responsible as the System Manager to purchase Health Services one through to eight from Health Service Providers and detail this purchasing service delivery arrangement in the Service Agreements issued in accordance with the Act.

Further detail on the WA health system's OBM Framework can be viewed at <http://ww2.health.wa.gov.au/Our-performance>.

13. FUNDING INFORMATION CONTAINED IN SCHEDULES

The funding provided to the PathWest under the terms of this Agreement is provided in the schedules, which establish:

- the activity purchased by the Department CEO
- the funding provided for delivery of the purchased activity
- an overview of the purchased services which is required to be provided throughout the Term of this Agreement.

14. SUMMARY OF SCHEDULES

A high-level summary of the funding Schedules that form part of this Agreement for the PathWest is provided in Table 1 below.

Table 1: Summary of the Schedules that form part of this Agreement

A.	Summary of Activity and Funding – An overarching summary of the activity and funding purchased by the Department CEO and delivered by the PathWest pursuant to the terms of this Agreement.
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Parties to this Agreement:

Executed as a Service Agreement in the state of Western Australia.

Parties to this Agreement:

Department CEO

Ms Rebecca Brown
Acting Director General
Department of Health

Date: 16/7/18

Signed: *R Brown*

The Common Seal of the
PathWest Laboratory Medicine WA
was hereunto affixed in the presence of:)
)
)



Ms Frances Brogden
Chief Executive
PathWest Laboratory Medicine WA

Date: 16/07/2018

Signed: *F Brogden*

Outcome Based Resource Allocation

Government Goal	WA Health System Agency Goal	Desired Outcome	Services
Strong Communities: Safe communities and supported families.	Delivery of safe, quality, financially sustainable and accountable healthcare for all Western Australians	Outcome 1: Public hospital based services that enable effective treatment and restorative health care for Western Australians	1. Public Hospital Admitted Services
			2. Public Hospital Emergency Services
			3. Public Hospital Non-Admitted Services
			4. Mental Health Services
		Outcome 2: Prevention, health promotion and aged and continuing care services that help Western Australians to live healthy and safe lives	5. Aged and Continuing Care Services
			6. Public and Community Health Services
			7. Community Dental Health Services
			8. Small Rural Hospital Services
Sustainable Finances: Responsible financial management and better service delivery		Outcome 3: Strategic leadership, planning and support services that enable a safe, high quality and sustainable WA health system.	9. Health System Management - Policy and Corporate Services
			10. Health Support Services

A. PathWest Summary of Activity and Funding

OBM Service	2017-18	2018-19	2019-20	2020-21	2021-22
	Mid-Year Review DOA	Service Agreement	Forward Estimate	Forward Estimate	Forward Estimate
	\$'000	\$'000	\$'000	\$'000	\$'000
01 Public Hospital Admitted Services	—	—	—	—	—
02 Public Hospital Emergency Services	—	—	—	—	—
03 Public Hospital Non-Admitted Services	—	—	—	—	—
04 Mental Health Services	—	—	—	—	—
05 Aged and Continuing Care Services	—	—	—	—	—
06 Public and Community Health Services	329,293	325,239	325,415	333,090	335,614
07 Community Dental Health Services	—	—	—	—	—
08 Small Rural Hospital Services	—	—	—	—	—
09 Health System Management - Policy and Corporate Services	—	—	—	—	—
10 Health Support Services	—	—	—	—	—
<i>System Manager Initiatives</i>	(9,756)	—	—	—	—
Total Expense Limit	319,537	325,239	325,415	333,090	335,614

Notes

- For the 2017-18 Mid-Year Review DOA, System Manager Initiatives were shown separately therefore the figures in all schedules exclude System Manager Initiatives, whereas Financial Products and HSS- Resources Received Free of Charge (RRFOC) were apportioned across OBM service categories and are shown separately in all schedules.
- For the 2018-19 Service Agreement, the figures in all schedules include an allocation for Financial Products, HSS-RRFOC and System Manager Initiatives. These may be subject to change due to changes in the budget.