

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

An agreement between:

Department of Health Chief Executive Officer

and

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

for the period

1 July 2023 – 30 June 2024

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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 health services activity delivered across Western Australia.
3. **Agreement** means this Service Agreement.
4. **Block Funding** means the budget allocations for:
 - hospital services that are not activity-based funded, 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,
 - 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. **Clinical Commissioning** has the meaning given in section 6 of the Act.
8. **Commission CEO** refers to the Mental Health Commission Chief Executive Officer (also known as the Mental Health Commissioner) and has the meaning given in section 43 of the Act.
9. **Contracted Health Entity** has the meaning given in section 6 of the Act.
10. **CSA** means a Commission Service Agreement between the Commission CEO and an HSP under section 45 of the Act.
11. **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.
12. **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.
13. **Department CEO** means the Chief Executive Officer of the Department (also known as the Director General), whose roles include the System Manager role as defined in section 19 of the Act.
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 Laboratory Medicine WA (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’s Outcome Based Management Framework as endorsed by the Under Treasurer of the Department of Treasury.
24. **OSR** means Own Source Revenue.
25. **Other Service** means a service provided by the HSP under this Agreement (including capital works, maintenance works and clinical commissioning) not defined as a “health service” in section 7 of the Act.
26. **Parties** means the Department CEO and the HSP as key stakeholders to the Service Agreement, the Budget Deed, the MYR Deed and to the EOY Final Allocations, and “Party” means any one of them.
27. **PathWest** means PathWest Laboratory Medicine WA, a Board governed HSP.
28. **Performance Indicators** provide measures of progress towards achieving the Department CEO’s objectives or outcomes.
29. **PMP** means the Performance Management Policy.
30. **Policy Framework** means a policy framework issued under section 26 of the Act.
31. **Schedule** means a schedule to the Service Agreement.
32. **Service Agreement (SA)** means the HSP 2023-24 Service Agreement between the Parties and as amended from time-to-time including all schedules and annexures.
33. **State-wide support Health Services** means WA health system-related 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 defined in section 19 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** means the Department of Health and Health Service Providers considered together.
39. **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 A182(a) of the *National Health Reform Agreement – Addendum 2020-25*, the Administrator of the National Health Funding Pool prescribes that the Notional Contracted Services LHN is not required to meet the LHN governance arrangements. However, all requirements and responsibilities outlined in the *National Health Reform Agreement – Addendum 2020-25* 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, high 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.

1.2.1 WA Health System Strategic Directions

A plan outlining the future directions for the WA health system is in development. 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.

Applying the “Quadruple Aim of Healthcare” framework, the system-wide objectives are promoted through improving the value of expenditure on health services and reducing waste, working to improve the health of the population, and improving safety and quality of healthcare. The focus includes improving the patient journey and satisfaction; and recognising that a happier more engaged workforce delivers higher quality care.

The Government has accepted in-principle 49 of the 55 recommendations of the Independent Review of WA Health System Governance Report and the phased implementation of these recommendations is being progressed.

1.2.2 Sustainable Health Review

The Sustainable Health Review (SHR) is an ambitious reform program that focuses the WA health system on prevention, brings care closer to home and delivers equity in health outcomes. The aim is for Western Australians to receive excellent healthcare now and in future generations. Working together will deliver the structural changes and cultural shifts that are needed to create a sustainable healthcare system.

The State Government is committed to the implementation of the SHR. WA Health continues to implement all the Strategies and Recommendations of SHR which remains the blueprint for building an enduring health system.

Delivery of all SHR Recommendations will continue with a focus on select tranches This will enable the system to intensify efforts on achieving SHR outcomes and build momentum.

Over the next one to two years there will be a focus on six SHR Recommendations (Focus Recommendations) addressing timely access to outpatient services, models of care for people with complex conditions who are frequent presenters, funding approaches to support models of care and joint commissioning, 10-year digitisation, culture and innovation and workforce improvements.

Aboriginal cultural governance, Aboriginal health outcomes, mental health outcomes, health equity across diverse and vulnerable population groups, preventative healthcare and partnership approaches will be emphasised and embedded within all Focus Recommendations.

HSP Chief Executives, Department of Health Assistant Directors General, and the Mental Health Commissioner have been appointed as Executive Sponsors for implementation of SHR Recommendations by the Department CEO as the Program Owner.

An updated SHR governance approach tailored to support refocused SHR Program delivery includes the Health Executive Committee, revised executive sponsorship and project support. HSPs are required to support delivery of SHR Recommendations in partnership with key stakeholders, contributing to planning, governance, implementation, and communications, with a streamlined and agile approach to reporting and monitoring against progress and outcomes.

1.2.3 Aboriginal Health

In WA, sustained effort is needed 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. This is enabled by compliance with the suite of mandatory Aboriginal health policies. The Notional LHN is required to comply with the:

- Aboriginal Cultural eLearning Policy—ensuring that new Staff Members complete Aboriginal Cultural eLearning – Aboriginal Health and Wellbeing training.
- Aboriginal Workforce Policy— increasing representation of Aboriginal people at all levels of the workforce to improve Aboriginal health outcomes and achieve the Aboriginal employment target for the health workforce.

- Aboriginal Health Impact Statement and Declaration Policy—ensuring completion and submission of an A10 Aboriginal Health ISD eForm for the development of all new policies; all revision of existing policies and all major amendments to existing policies.
- Aboriginal Health and Wellbeing Policy—actioning the six strategic directions of the *WA Aboriginal Health and Wellbeing Framework 2015-2030* (the Framework).

The Framework outlines a set of strategic directions and priority areas that will progress this commitment.

The Framework’s implementation is conceptualised as three five-year cycles; (1) build the foundations, (2) embed what works, and (3) inform future directions. *Build the Foundations: An evaluation of the first five years of the WA Aboriginal Health and Wellbeing Framework 2015-2030* assessed the progress being made by the WA health system in implementing the first five-years of the Framework. Eleven priorities emerged from the evaluation process and will be used to inform and guide health initiatives over the next five years. The Notional LHN is required to support and implement these priorities in the next implementation cycle – *embed what works*.

1.2.4 Additional Policy Considerations

This Agreement is also informed by the following frameworks, policies, guidelines and plans (noting this is not an exhaustive list):

- WA Disability Health Framework 2015-2025;
- Clinical Services Framework 2020 and its Addendum;
- Mental Health Policy Framework;
- 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;
- Procurement Policy Framework; and,
- Infrastructure (Asset Management) Policy Framework.

1.3 Department CEO Strategic Priorities for 2023-24

The Department CEO priorities for 2023-24 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 implementation of the WA Health Ambulance Ramping Strategy and an ongoing focused effort to improve performance in the delivery of elective surgery and outpatient services;
- promote equitable access to healthcare for the WA community, in particular in relation to access to services for country patients within metropolitan settings.
- support the delivery of the recommendations resulting from the SHR with a particular emphasis over the next one to two years on the six SHR Focus Recommendations announced by the Minister for Health; and,
- support the system in the transition to a more stable and normalised operating environment post COVID-19, that includes managing within approved Budget allocations.

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 2023 to 30 June 2024.

This Agreement will be executed in accordance with Part 5 of the Act.

Through the execution of this Agreement, the Notional LHN agrees to meet the service obligations and performance requirements detailed in this Agreement. The Department CEO agrees to provide the activity and budget allocations and other support services outlined in this Agreement.

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 services by the Notional LHN, it does not characterise the entire relationship between the Parties.

They may enter into other arrangements such as Memoranda of Understanding (MOUs) with each other, that provide guidance on how the services under this Agreement will be provided. Such other arrangements will comply with legislation and Policy Frameworks, as relevant.

2.1.2 Legislation - The Act

The Act (section 4) 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 Efficient Price (as per IHPA)	Total Expected NWAUs	Total Contribution	Commonwealth		State
				Contribution	Funding Rate	Contribution
ABF Service group	(NEP \$)	(#)	(NEP \$)	(NEP \$)	(%)	(NEP \$)
Acute Admitted	6,032	3,359	20,261,796	8,463,493	41.8	11,798,303
Admitted Mental Health	6,032	334	2,015,306	841,807	41.8	1,173,499
Sub-Acute	6,032	1,302	7,854,442	3,280,855	41.8	4,573,587
Emergency Department	6,032	—	—	—	—	—
Non Admitted	6,032	11,647	70,251,756	29,344,646	41.8	40,907,110
Total ABF	6,032	16,642	100,383,301	41,930,801	41.8	58,452,500
Non-ABF Service group			(\$)	(\$)	(%)	(\$)
Non Admitted Mental Health		—	—	—	—	—
Non Admitted CAMHS		—	—	—	—	—
Non Admitted Home Ventilation		—	—	—	—	—
Rural CSO sites		—	—	—	—	—
Teaching, Training and Research		—	—	—	—	—
Total Block Funding		—	—	—	—	—