Department of Health
Notional Contracted Services
Local Hospital Network
Service Agreement
2025-26

An agreement between:

Department of Health Chief Executive Officer

and

Department of Health
Purchasing and System Performance Division

for the period

1 July 2025 – 30 June 2026

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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. **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. **Clinical Commissioning** has the meaning given in section 6 of the Act.
7. **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.
8. **Contracted Health Entity** has the meaning given in section 6 of the Act.
9. **CSA** means a Commission Service Agreement between the Commission CEO and an HSP under section 45 of the Act.
10. **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.
11. **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.
12. **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.
13. **EOY** means End-of-year (Financial Year).
14. **EOY Final Allocations** means the Service Agreement End-of-year Final Allocations.
15. **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.
16. **Health Service** has the meaning given in section 7 of the Act.
17. **Health Service Provider (HSP)** means a Health Service Provider established by an order made under section 32(1)(b) of the Act.
18. **HSS** means the Health Support Services, a Board governed HSP.
19. **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*.
20. **NHRA** means the *National Health Reform Agreement 2011* and its 2020-25 Addendum.

21. **OBM** means the WA health system's Outcome Based Management Framework as endorsed by the Under Treasurer of the Department of Treasury.
22. **OSR** means Own Source Revenue.
23. **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.
24. **Parties** means the Department CEO and the HSP as key stakeholders to the Service Agreement, Deed and to the EOY Final Allocations, and "Party" means either of them.
25. **PathWest** means PathWest Laboratory Medicine WA, a Board governed HSP.
26. **Performance Indicators** provide measures of progress towards achieving the Department CEO's objectives or outcomes.
27. **PMP** means the Performance Management Policy.
28. **Policy Framework** means a policy framework issued under section 26 of the Act.
29. **Schedule** means a schedule to the Service Agreement.
30. **Service Agreement (SA)** means the HSP 2025-26 Service Agreement between the Parties and as amended from time-to-time including all schedules and annexures.
31. **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 and the service level agreements between HSS and PathWest with each HSP.
32. **System Manager** refers to the Department CEO's role as defined in section 19 of the Act.
33. **Term** means the period of this Agreement as detailed in section 2.1.1.
34. **TTR** means Teaching, Training and Research.
35. **WA** means the State of Western Australia.
36. **WA Health** means the Department of Health and Health Service Providers considered together.
37. **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 Local Hospital Network (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 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 and other 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 strategic directions for the WA health system is in development. The Independent Review of the WA Health System Governance recommended development of a long-term strategy for the WA health system with a minimum 10-year horizon (Recommendation 1a) and an interim health strategy reflecting existing priorities from the Sustainable Health Review and emerging whole of government priorities (Recommendations 3a, 3b).

The Department is progressing the interim health strategy with tangible delivery focus for the system in 2025, with the development of the long-term strategy to continue following the 2025 state election.

1.2.2 Sustainable Health Review

The Sustainable Health Review (SHR) provides a 10-year blueprint for transforming WA's health system. The SHR is an ambitious reform program focused on embedding prevention, bringing care closer to home and progressing equity in health outcomes across the WA health system. 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 the SHR towards whole of system transformational change. There is a focus on six SHR

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.

Improving equity in health outcomes is advanced by SHR delivery focussed on:

- Improving outcomes for Aboriginal people and mental health services.
- Inclusion of the voices of people with lived experience, including culturally and linguistically diverse and low socioeconomic communities.
- Reforms for older people, people with disabilities, women, and children and young people.
- Enhanced service delivery in rural and remote areas.

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

SHR governance, tailored to support refocused SHR Program delivery, includes the Health Executive Committee, 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 Independent Governance Review of the *Health Services Act 2016*

The Independent Governance Review of the *Health Services Act 2016* (the Act) examined the operational and practical effectiveness of governance structures set out in the Act and their impact on patient experience and outcomes.

The Independent Review of WA Health System Governance Report (IGR), released in March 2023, set out recommendations aimed to improve governance practices and processes across the WA health system. Government accepted in-principle 49 of 55 IGR recommendations.

The Minister for Health identified 17 workforce-related Recommendations (or parts) for immediate implementation. The remaining Recommendations (or parts) have been scoped into four horizons with staggered implementation dates, starting from January 2024.

Executive sponsorship of recommendations has been allocated to the HSS Chief Executive, Department of Health Assistant Directors General, and the Mental Health Commissioner, by the Department CEO as the Program Owner.

An IGR governance and monitoring approach aligned to SHR program management has been established to support IGR recommendation delivery, and includes the Health Executive Committee, executive sponsorship, and project support. HSPs are required to support delivery of IGR recommendations in partnership with the system manager and key stakeholders, contributing to planning, governance, implementation, and communications, with a streamlined and agile approach to reporting and monitoring against progress.

1.2.4 Aboriginal Health

In WA, sustained effort is needed to improve health outcomes and access to care for Aboriginal people. This is supported by the Western Australian Government's commitment to the National Agreement on Closing the Gap (CtG), specifically the CtG WA Implementation Plan 2023-2025. WA Health is the lead agency responsible for two of the CtG targets:

- Target 1: Close the Gap in life expectancy within a generation by 2031.
- Target 2: Increase the proportion of Aboriginal and Torres Strait Islander babies with a healthy birth weight to 91% by 2031.

HSPs are required to support delivery of CtG through participation on relevant CtG Partnership Planning Groups, contributing to planning, governance, implementation, and reporting progress against the health related CtG socioeconomic outcome areas and associated targets. Through the *WA Aboriginal Health and Wellbeing Framework 2015-2030* (the Framework), 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. CAHS is required to comply with the:

- Aboriginal Cultural eLearning Policy, by ensuring that all Staff Members are within the compliance period for completion of the Aboriginal Cultural eLearning – Aboriginal Health and Wellbeing training.
- Aboriginal Workforce Policy, by implementing the Policy to increase representation of Aboriginal people at all levels of the workforce to achieve the Aboriginal employment performance targets.
- Aboriginal Health Impact Statement and Declaration Policy, by ensuring completion and submission of an A10 Aboriginal Health ISD eForm.
- Aboriginal Health and Wellbeing Policy, by preparing an Action Plan which addresses strategic directions of the Framework and reporting annually on the implementation of the Action Plan.

Aboriginal health governance has been elevated to the Health Executive Committee (HEC), to support implementation of the Framework, compliance with Aboriginal health mandatory policies and commitments under the CtG WA Implementation Plan.

HSPs are required to contribute to the successful implementation of the 7 high-impact actions and recommendations from the WA Aboriginal Health Executive Roundtable 2023.

The 7 High-Impact Actions Governance Group brings together Executive Leads to provide stewardship, champion implementation and to work together to elevate the Cultural Determinants and eliminate racism in the health system.

The WA Aboriginal Health Dashboard (dashboard) has been developed to display meaningful data for enhanced and consolidated system-wide performance and progress monitoring of Aboriginal health measures. The dashboard supports HSPs in strategic planning, quality improvement initiatives and responsiveness for Aboriginal people.

1.2.5 Safety and Quality

The WA Health Safety and Quality (S&Q) Strategic and Operational Plans 2024-2026 describe a collaborative approach to the delivery of S&Q programs across WA Health entities to achieve safe, high performing and person-centred care. HSPs are required to ensure timely delivery of their commitments as outlined within the Operational Plans and as endorsed by HEC S&Q.

To ensure delivery of the Strategic and Operational Plans occurs from an effective base, compliance with the suite of mandatory S&Q health policies outlined in the Clinical Governance S&Q Policy Framework is required.

1.2.6 Additional Policy Considerations

The Policy Frameworks as defined under the Act are binding on HSPs. This Agreement is also informed by approved frameworks, policies, guidelines and plans, including but not limited to the following:

- WA Disability Health Framework 2015-2025;
- Clinical Services Framework 2014-2024 and its 2020 Addendum;
- Strategic Purchasing Directions 2024-2029; and,
- Purchasing Intentions 2025-26.

1.3 Department CEO Strategic Priorities for 2025-26

The Department CEO priorities for 2025-26 are:

- the delivery of 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 services and outpatient services;
- equitable access to healthcare for the WA community, in particular in relation to access to services for country patients within metropolitan settings;
- the delivery of health reform priorities, including but not limited to:
    - The SHR.
    - The IGR, with particular emphasis on priority workforce-related recommendations as determined by the Minister for Health.
    - Accessible health care for priority populations to address the social determinants of health.
    - Other Ministerial or State Government priorities.
- more stable and normalised operations post COVID-19 and following the significant expansion in bed capacity across the system, that includes managing within approved Budget allocations and a strong focus on financial stewardship, productivity and efficiency.

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 2025 to 30 June 2026.

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 CAHS, it does not characterise the entire relationship between the Parties.

Parties 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, financially sustainable and accountable 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 including patient engagement 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—2025-26 Commonwealth and State contributions to the National Health Funding Pool

	National Efficient Price (as per IHACPA)	Total Expected NWAUs	Total Contribution	Commonwealth		State
				Contribution	Funding Rate	Contribution
ABF Service group	**(NEP $)**	**(#)**	**(NEP $)**	**(NEP $)**	**(%)**	**(NEP $)**
Acute Admitted	7,258	14,726	106,878,550	36,985,003	34.6	69,893,547
Admitted Mental Health	7,258	379	2,753,540	952,854	34.6	1,800,686
Sub-Acute	7,258	2,265	16,438,136	5,688,368	34.6	10,749,768
Emergency Department	7,258	-	-	-	-	-
Non Admitted	7,258	18,105	131,407,759	45,473,262	34.6	85,934,497
Community Mental Health	7,258	-	-	-	-	-
Total ABF	**7,258**	**35,475**	**257,477,986**	**89,099,487**	**34.6**	**168,378,498**
Non-ABF Service group			**($)**	**($)**	**(%)**	**($)**
Other Mental Health		-	-	—	—	—
Non Admitted Home Ventilation		-	-	—	—	—
Rural CSO sites/Stand Alone Facilities		-	-	—	—	—
Teaching, Training and Research		-	-	—	—	—
WAVED			3,721,642	1,674,739	45.0	2,046,903
Total Block Funding		**0**	**3,721,642**	**1,674,739**	**45.0**	**2,046,903**