

Service Agreement 2025-26 (Abridged)

An agreement between:
Department of Health Chief Executive Officer
and
PathWest Laboratory Medicine WA
for the period
1 July 2025 – 30 June 2026

CONTENTS

DEFINED TERMS	4
1 PURPOSE AND STRATEGIC CONTEXT	6
1.1 Objectives of the Agreement	6
1.2 Strategic Context	6
1.2.1 WA Health System Strategic Directions	6
1.2.2 Sustainable Health Review	6
1.2.3 Independent Governance Review of the <i>Health Services Act 2016</i>	7
1.2.4 Aboriginal Health	8
1.2.5 Safety and Quality	9
1.2.6 Additional Policy Considerations	9
1.3 Department CEO Strategic Priorities for 2025-26	9
2 LEGISLATION AND GOVERNANCE	10
2.1 Background, Legislation and Scope	10
2.1.1 Agreement Background	10
2.1.2 Legislation - The Act	10
2.1.3 Agreement Scope	11
2.2 Amendments to the Agreement	11
3 ROLES AND RESPONSIBILITIES	12
3.1 Roles and Responsibilities of the Department CEO	12
3.2 Roles and Responsibilities of the Health Service Provider	13
4 RELATIONSHIP WITH OTHER HEALTH SERVICE PROVIDERS	15
4.1 Health Service Providers May Enter Arrangements or Agree to Provide Services	15
4.2 Agreements with a Contracted Health Entity	15
4.3 Health Support Services	15
4.4 Service Level Agreements with Other Health Service Providers	16
5 FUNDING AND PURCHASING	17
5.1 Forward Estimates Contained in this Agreement	17
5.2 WA Health System Outcome Based Management Framework	17
5.3 Allocation Information Contained in Schedules	18
6 PERFORMANCE EXPECTATIONS	19
6.1 Performance Measures and Operational Targets	19
6.2 Evaluation and Review of Performance Results	19
6.3 Performance Data	19
6.4 Link to Annual Reporting	20
7 SUMMARY OF SCHEDULES	21

8 EXECUTION.....	23
SCHEDULES	24
A. OBM Goals and Outcomes	24
B. Summary of Activity and Budget Allocations.....	25

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 PathWest Laboratory Medicine (PathWest) 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. **PathWest** means the PathWest Laboratory Medicine, 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 PathWest and PathWest to or on behalf of the other HSPs as described in the PathWest and PathWest Service Agreements and the service level agreements between PathWest 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 Objectives of the Agreement

This Service Agreement (Agreement) summarises key aspects of the partnership between the Department of Health (Department) CEO and the PathWest Laboratory Medicine (PathWest) in delivering WA Health's goal of safe, high quality, financially sustainable and accountable healthcare.

The principal purpose of this Agreement, pursuant to section 46(3) of the Act, is to detail the Department CEO's purchasing requirements of the Health Service Provider (HSP) including:

- the health and other services that the Department CEO will purchase from PathWest and the health and other services PathWest will deliver during the Term of this Agreement, including health and other services delivered on behalf of PathWest by Contracted Health Entities, and within the overall expense limit set by the Department CEO in accordance with the State Government's approved budgets and priorities; and,
- performance and accountability measures.

The Schedules to this Agreement outline the services to be purchased and the associated budget allocations to be provided by the Department CEO.

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. PathWest 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, PathWest 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 PathWest, 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.

2.1.3 Agreement Scope

The scope of this Agreement is as prescribed in section 46 of the Act, setting out the services to be provided to the State by the HSP under the agreement, including:

- the health services to be provided to the State:
 - the TTR in support of the provision of health services;
 - the capital works or maintenance works to be commissioned and delivered under the agreement for the purposes of section 20A of the Act; and,
 - any clinical commissioning of facilities to be carried out under the agreement for the purposes of section 20A of the Act.
- the funding to be provided to the HSP for the provision of the services, including the way in which the funding is to be provided;
- the performance measures and operational targets for the provision of the services by the HSP;
- how the evaluation and review of results in relation to the performance measures and operational targets is to be carried out;
- the performance data and other data to be provided by the HSP to the Department CEO, including how, and how often, the data is to be provided; and,
- any other matter the Department CEO considers relevant to the provision of the services by the HSP.

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.

2.2 Amendments to the Agreement

The Parties may amend this Agreement in accordance with section 50 of the Act when there is a need to change the terms due to matters such as:

- State and Commonwealth Government funding decisions;
- System Manager funding decisions;
- approved transfers of budget between HSPs, or between the Department and HSPs, due to changes in required service delivery; and,
- other significant changes to Commonwealth or State funding, service delivery priorities or other requirements, such as the NHRA.

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.

Minor adjustments to the information set out in the original schedules to this Agreement, which do not reflect a change in purchasing intentions, will be provided through separate documents that may be issued by the Department CEO during the term of this Agreement.

Amendments to this Agreement may require a signed acknowledgement by both Parties, unless the amended term is decided by the Department CEO in accordance with section 50(3) of the Act.

3 ROLES AND RESPONSIBILITIES

3.1 Roles and Responsibilities of the Department CEO

The Department CEO as System Manager has responsibility for managing the WA health system to the extent necessary to provide stewardship, strategic leadership and direction and to allocate resources for the provision of public health services in the State (section 19 of the Act).

As System Manager, the Department CEO purchases health services categorised using the OBM framework set out in Schedule A, and other services.

The main roles and responsibilities of the Department CEO under this Agreement are to:

- provide annual allocations and forecasts;
- provide performance management parameters;
- support and collaborate with PathWest to deliver services in accordance with the Act; and,
- oversee compliance, performance and delivery of purchased activity.

Additionally, the Department CEO is responsible for:

- the Department's compliance with the terms of this Agreement and with the legislative requirements of the Act;
- purchasing of services from PathWest that align with the WA Clinical Services Framework (CSF) and its 2020 Addendum, including the Hospital Services matrices and latest underlying demand and capacity modelling;
- maintaining a public record of the CSF;
- monitoring clinical services activity against endorsed role delineations, including acting as necessary if activity is underdelivered or budget parameters are not maintained;
- undertaking of assurance activities consistent with the Department CEO's identified strategic objectives. The Department CEO may audit, inspect or investigate PathWest for assessing compliance with the Act (section 175);
- providing the overarching strategy for the capital works and maintenance works projects;
- providing PathWest with access to all applicable Department policies and standards. The Department CEO must brief PathWest about matters that PathWest should reasonably be made aware of in order to provide health and other services in accordance with the terms of this Agreement;
- communication of any proposed amendments to this Agreement or significant events that may result in an amendment to this Agreement; and,
- publication of an abridged version of this Agreement on the WA Health internet site, in accordance with Schedule E8 of the NHRA. Any subsequent amendments to this Agreement will also be published in accordance with Schedule E8 of the NHRA.

3.2 Roles and Responsibilities of the Health Service Provider

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

PathWest will deliver health and other services in accordance with this Agreement. This includes, but is not limited to:

- delivering services in a safe, timely and efficient manner using the standard of care and foresight expected of an experienced provider, noting PathWest may foster innovation through creation of new initiatives within the available budget allocations, and that creation of new initiatives may require consultation with the Department CEO, particularly if the service cannot be funded within the existing budget allocation;
- undertaking its role and responsibilities within approved financial parameters and notifying the Department CEO when this is not possible without impacting critical service delivery;
- acting in accordance with the highest applicable professional ethics, principles and standards and demonstrating a commitment to implementing these practices through appropriate training and monitoring;
- briefing 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, an issue that impacts on the delivery or sustainability of service, or the ability of PathWest to meet its obligations under this Agreement. Applicable Department policies may also deal with certain matters that the Department CEO must be made aware of, or particular information that must be provided to the Department by PathWest;
- monitoring actual activity performance against target purchased levels, acting as necessary to ensure delivery of purchased levels is achieved within parameters specified in this Agreement, including active monitoring of variances from target activity levels and immediate notification by PathWest to the Department CEO as soon as it becomes aware that activity variances are likely to occur;
- management and delivery of capital works, maintenance works and clinical commissioning as required. *The Procurement Act 2020* provides the framework for procurement of works. Where the Department CEO determines a project should be delivered by PathWest, responsibility will be reflected in the Agreement. The Department CEO may choose to retain responsibility for major or high-risk public hospital projects in which case separate delegation processes will be maintained; and,
- ensuring all PathWest entities achieve and maintain mandatory accreditation to national safety and quality standards as required by the Australian Health Service Safety and Quality Accreditation Scheme.

When delivering the health and other services purchased by the Department CEO in this agreement, PathWest is required to comply with (among other things):

- the terms of this Agreement;
- all applicable Department policies and frameworks;

- appropriate coding and classification of activity to conform to the OBM framework, ensuring accurate capture of data and information;
- all standards as gazetted under applicable Acts and standards endorsed by the Department CEO, including but not limited to the Clinical Governance, Safety and Quality Policy Framework which specifies the clinical governance, safety and quality requirements that all HSPs must comply with to deliver effective and consistent clinical care across the WA health system;
- performance targets; and,
- laws including those related to fire protection, industrial relations, employment, health, general safety, procurement and taxation.

Additionally, to assist the Department CEO to fulfil their responsibility to manage the overall WA health system, PathWest will:

- provide data in a timely manner to the Department as required by section 46(3)(f) of the Act and in accordance with the Information Management Policy Framework on the provision of all health and other services (including health and other services provided by a Contracted Health Entity and its sub-contractors if applicable). The provision of patient activity data by PathWest, in accordance with the Patient Activity Data Policy, will support and inform the State Budget process, national reporting, system performance management, health service planning, clinical governance, clinical research, health reform, and the purchase of activity within the WA health system. The Patient Activity Data Policy is a key policy of the Information Management Policy Framework, mandating the business rules, data specifications and data dictionaries for admitted, Emergency Department, mental health, and non-admitted activity;
- negotiate the inclusion of terms in its contracts with Contracted Health Entities for the provision of information to the Department in accordance with the Act and the Information Management Policy Framework. Upon review of existing contracts, PathWest must also ensure that these terms are included in updated contracts;
- aid the Department CEO in the undertaking of any audits, inspections or investigations of PathWest for the purpose of assessing compliance with the Act (section 175) whenever and wherever such powers are utilised by the Department CEO;
- comply with a legal process requiring the disclosure of health information in a health information management system to a person or court as requested or directed by the Department CEO under section 217A of the Act;
- negotiate the inclusion of terms in its contracts with Contracted Health Entities that provide for the Department CEO to undertake onsite health information investigations and inquiries at the Contracted Health Entity. The terms in the contracts with Contracted Health Entities must also specify that the Contracted Health Entity will supply to the Department CEO information on request and provide access to any systems required to support the investigation or inquiry. Upon review of existing contracts, PathWest must also ensure that these terms are included in updated contracts; and,
- co-operate to the fullest extent possible with any directions issued under the *Emergency Management Act 2005* or other requests in response to WA State emergencies.

4 RELATIONSHIP WITH OTHER HEALTH SERVICE PROVIDERS

4.1 Health Service Providers May Enter Arrangements or Agree to Provide Services

Section 36D of the Act provides restricted powers for PathWest to enter arrangements on behalf of other HSPs or the State. Section 36E of the Act provides HSPs with the power to enter into a contract or other arrangement to provide services to other HSPs.

The terms of arrangements made pursuant to Sections 36D and 36E of the Act must be consistent with PathWest's obligations under the Act and under this Agreement, including performance standards provided for in this Agreement.

For the purpose of section 48(1)(b) of the Act, PathWest may agree with any HSP for that HSP to provide services for PathWest according to PathWest's business needs.

4.2 Agreements with a Contracted Health Entity

The Department CEO acknowledges PathWest may contract the provision of health and other services that are required to be performed under this Agreement to a Contracted Health Entity. PathWest must inform the Department CEO prior to engaging a Contracted Health Entity to perform all or part of the health and other services under this Agreement.

PathWest agrees that engaging a Contracted Health Entity to perform health and other services will not transfer responsibility for provision of the health and other services nor relieve it from any of its responsibilities or obligations under the Act or this Agreement, including but not limited to the provision of data.

4.3 Health Support Services

Health Support Services (HSS) provides State-wide support services to HSPs. 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 2024. The SLA will be developed by HSS with input from PathWest and the Department CEO.

The SLA must set out the services to be provided, roles and responsibilities, authority and accountability, service standards, service reporting, value of service (including price schedules as appropriate), review and change processes, and dispute resolution and escalation processes.

4.4 Service Level Agreements with Other Health Service Providers

PathWest provides State-wide support services to HSPs. PathWest must execute a Service Level Agreement (SLA) with each HSP (other than the Quadriplegic Centre) for the provision of State-wide support services by PathWest for the Term of the Agreement by 31 July 2025. The SLAs will be developed by PathWest with input from each HSP and the Department CEO.

The SLA must set out the services to be provided, roles and responsibilities, authority and accountability, service standards, service reporting, value of service (including price schedules as appropriate), review and change processes, and dispute resolution and escalation processes.

Copies of executed SLAs with other HSPs must be provided by PathWest to the Department CEO.

5 FUNDING AND PURCHASING

The Department CEO will provide activity and budget allocations to PathWest to meet its health and other service delivery obligations under this Agreement in accordance with the Schedules to this Agreement. A summary of the allocations to be provided to PathWest is set out in Schedule B: Summary of Activity and Budget Allocations.

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

5.1 Forward Estimates Contained in this Agreement

For this Agreement, forward estimates for 2026-27 to 2028-29 have been provided. The activity and budget allocation estimates are informed by the approved budget settings for the WA health system.

5.2 WA Health System Outcome Based Management Framework

The WA health system operates under an Outcome Based Management (OBM) Framework pursuant to legislative obligations under section 61 of the *Financial Management Act 2006* and Treasurer's Instruction 904.

The OBM service categories 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. Pathology Services,
8. Community Dental Health Services,
9. Small Rural Hospital Services,
10. Health System Management – Policy and Corporate Services, and
11. PathWest Laboratory Medicine.

Activity and budget allocations in this Agreement are made within the eleven OBM service categories as applicable and are reflected in Schedules 1-11.

Further detail on the WA health system's OBM Framework can be viewed at:

<https://ww2.health.wa.gov.au/About-us/Policy-frameworks/Outcome-Based-Management>

5.3 Allocation Information Contained in Schedules

Activity and budget allocations provided to PathWest under the terms of this Agreement are provided in the Schedules to this Agreement which establish:

- the activity purchased by the Department CEO;
- the budget allocation provided for delivery of the purchased activity;
- the budget allocation provided for delivery of other health services including non-hospital and block funded activity services;
- the budget allocation for capital works, maintenance works and clinical commissioning to be undertaken and delivered by PathWest; and,
- an overview of the services required to be provided during the Term of this Agreement.

6 PERFORMANCE EXPECTATIONS

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

See: <https://ww2.health.wa.gov.au/About-us/Policy-frameworks/Performance>

6.1 Performance Measures and Operational Targets

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

6.2 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 when performance issues have been identified. The performance management components of the PMP comprise:

- on-going review of HSP 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 relevant timeframe;
- determining levels of intervention and when the performance intervention needs to be escalated or de-escalated; and,
- regular performance review meetings held between the Department CEO and PathWest, or representatives of either Party. The frequency of the meetings is determined by the Department CEO and may be increased if performance issues occur. Performance reporting arrangements that enable the Department CEO to monitor and evaluate PathWest's performance are specified in the PMP.

6.3 Performance Data

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

6.4 Link to Annual Reporting

Annual Reporting is required under the *Financial Management Act 2006*. The Key Performance Indicators (KPIs) within an HSP's Annual Report are approved by the Under Treasurer after considering an annual OBM submission from the Department CEO. The KPIs are audited by the Auditor General.

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

The Department CEO mandates the Efficiency and Effectiveness KPI targets for Annual Reporting for each HSP via the annual review of the Outcome Based Management Policy in the Outcome Based Management Policy Framework.

7 SUMMARY OF SCHEDULES

An outline of the budget allocations Schedules that form part of this Agreement for PathWest is provided in Table 1 below.

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

A. OBM Goals and Outcomes
B. Summary of Activity and Budget Allocations – An overarching summary of the activity purchased and budget allocations provided by the Department CEO for each OBM service category and delivered by PathWest pursuant to the terms of this Agreement. These OBM service categories also include apportioned Financial Products, PathWest Laboratory Medicine–Resources Received Free of Charge (PathWest-RRFOC) and PathWest-Resources Received Free of Charge (PW-RRFOC). Government Corrective Measures (GCM) and Health Allocation Adjustments (HAA) are identified separately. Also included is a Summary of Asset Investment Program budget allocations provided by the Department CEO for capital works, maintenance works and clinical commissioning to be delivered by PathWest pursuant to the terms of this Agreement.
1. Public Hospital Admitted Services – Not applicable to the terms of this Agreement.
2. Public Hospital Emergency Services – Not applicable to the terms of this Agreement.
3. Public Hospital Non-Admitted Services – Not applicable to the terms of this Agreement.
4. Mental Health Services – Not applicable to the terms of this Agreement.
5. Aged and Continuing Care Services – Not applicable to the terms of this Agreement.
6. Public and Community Health Services – Not applicable to the terms of this Agreement.
7. Pathology Services – Provision of state-wide external diagnostic services across the full range of pathology disciplines. Financial Products and HSS-RRFOC are identified separately.
8. Community Dental Health Services – Not applicable to the terms of this Agreement.
9. Small Rural Hospital Services – Not applicable to the terms of this Agreement.
10. Health System Management – Policy and Corporate Services – Not applicable to the terms of this Agreement.
11. Health Support Services – Not applicable to the terms of this Agreement.

C. Government Corrective Measures	– Outlines the required savings and corrective measures which are set by Government and the Department of Treasury.
D. Health Allocation Adjustments	– Outlines the budget allocations for specific initiatives as well as any required savings and corrective measures to be achieved as set by the Department CEO.
E. Asset Investment Program	– Outlines the capital works, maintenance works and clinical commissioning to be undertaken and delivered by PathWest.
F. Financial Sustainability	– Outlines productivity/efficiency indicators and key financial measures for PathWest.

8 EXECUTION

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

Parties to this Agreement:

Dr Shirley Bowen
Director General
Department of Health

Date: 15 July 2025 Signed: 

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



Ms Angie Paskevicius
Board Chair
PathWest Laboratory Medicine

Date: 11 July 2025 Signed: 

Dr Narelle Hadlow
Chief Executive
PathWest Laboratory Medicine

Date: 11/7/2025 Signed: 

SCHEDULES

A. OBM Goals and Outcomes

Government Goal	WA Health System Agency Goal	Desired Outcome	Health 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 health 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. Pathology Services
			8. Community Dental Health Services
			9. 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.	10. Health System Management - Policy and Corporate Services
			11. Health Support Services

B. Summary of Activity and Budget Allocations

OBM Service	2024-25		2025-26		2026-27		2027-28		2028-29	
	Service Agreement		Service Agreement		Forward Estimate		Forward Estimate		Forward Estimate	
	WAUs	\$'000	WAUs	\$'000	WAUs	\$'000	WAUs	\$'000	WAUs	\$'000
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. Pathology Services	—	295,977	—	320,710	—	331,749	—	346,554	—	362,048
8. Community Dental Health Services	—	—	—	—	—	—	—	—	—	—
9. Small Rural Hospital Services	—	—	—	—	—	—	—	—	—	—
10. Health System Management - Policy and Corporate Services	—	—	—	—	—	—	—	—	—	—
11. Health Support Services	—	—	—	—	—	—	—	—	—	—
Government Corrective Measures	—	(3,218)	—	(3,814)	—	(4,135)	—	(4,803)	—	(5,514)
Health Allocation Adjustments (HAA)	—	150,090	—	173,461	—	177,797	—	182,242	—	186,798
Total—Activity and Funding	—	442,849	—	490,356	—	505,411	—	523,993	—	543,332
Less Income	—	(57,211)	—	(68,365)	—	(66,957)	—	(69,294)	—	(71,116)
Net—Activity and Funding	—	385,638	—	421,991	—	438,454	—	454,699	—	472,216
Asset Investment Program	—	11,627	—	12,002	—	—	—	—	—	—

Notes:

- a. Less income is an estimated value of revenue from sources other than State Appropriations.