



South Metropolitan Health Service

Service Agreement 2013-2014

improving care | managing resources | delivering quality



| ABF/ABM | | | PAQ | | | Consultation | | | Final | |
|--------------|--|--|----------|--|--|--------------|--|--|-------|--|
| | | | | | | | | | | |
| Program Team | | | Exec Dir | | | | | | | |

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Service Commitment

This Agreement sets out the shared intention to work in partnership to improve health outcomes for all Western Australians and ensure the sustainability of the Western Australian public health system.

The parties agree that the Department of Health (the Department) and the Health Service Provider will work in partnership to:

1. improve patient access to services and public hospital efficiency
2. improve standards of clinical care
3. improve system performance
4. improve system transparency
5. improve accountability for financial and service performance.

This Agreement is in accordance with enabling WA Legislation. The Metropolitan Health Service is established under sections 15 and 16 of the Hospitals and Health Services Act 1927. The Minister for Health is incorporated as the Metropolitan Health Service under section 7 of the Hospitals and Health Services Act 1927, and has delegated all of the powers and duties as such to the Director General of Health.

The Agreement is also in accordance with the National Health Reform Agreement (2011). The Department, through the Director General, will retain responsibility for system-wide coordination and policy; resource acquisition, allocation and stewardship; purchasing and regulation.

The Parties hereby confirm their commitment to this Service Agreement.

The Director General of Health agrees to provide funding and other support to the Health Service Provider as outlined under 'Role of the System Manager' in the Agreement.

The Health Service Provider agrees to meet the service obligations and performance requirements outlined under 'Role of the Health Service Provider' and 'Role of the Support Service Provider' in the Agreement.

The Director General of Health will continue to emphasise, as a priority, the importance of state and national safety and quality standards across the State's health system. This Agreement recognises the priority commitment that the Health Service Provider has in delivering improvements in safety and quality health service provision - consistent with the level of care consumers should expect from health services.

Professor Bryant Stokes
Acting Director General
Department of Health

Date Signed:

Ian Smith
Acting Chief Executive
South Metropolitan Health Service

Date Signed:

Service Agreement 2013-2014

This Service Agreement is between the Director General of Health as the delegated 'Board' (herein referred to as 'WA Health') and the Specified Health Service Provider. Both parties acknowledge that this Agreement follows policy, planning and performance frameworks as outlined below:

- WA Health Strategic Intent 2010-2015
- Clinical Services Framework 2010-2020
- Clinical Governance Guidelines
- Health Activity Purchasing Intentions 2013-2014
- Annual Performance Management Framework 2013-2014.

The Agreement:

1. Applies from 1 July 2013 to 30 June 2014. The Agreement does not override existing laws, agreements, public sector codes, statutes, government policies or contracts.
2. Integrates organisational objectives and the work of the Health Services.

The performance evaluation of this Service Agreement is to be undertaken as prescribed in the Annual Performance Management Framework 2013-2014 .

The Health Service Provider will ensure that structures and processes are in place to comply with this Service Agreement and fulfil its statutory obligations and to ensure good corporate governance, as outlined in relevant legislation, the Department operational directives, policy and procedure manuals and technical bulletins.

WA Health Strategic Intent 2010-2015

WA Health is working hard to meet the challenges of a growing population and an ageing demographic. Demand modeling based on health service activity and population projections were used to develop the Clinical Services Framework 2010-2020. This provides a clear picture of the type and location of health services Western Australians will need, and is backed up by strong plans for workforce, infrastructure and technology.

WA Health Vision

Healthier, longer and better quality lives for all Western Australians.

WA Health Mission

To improve, promote and protect the health of Western Australians by:

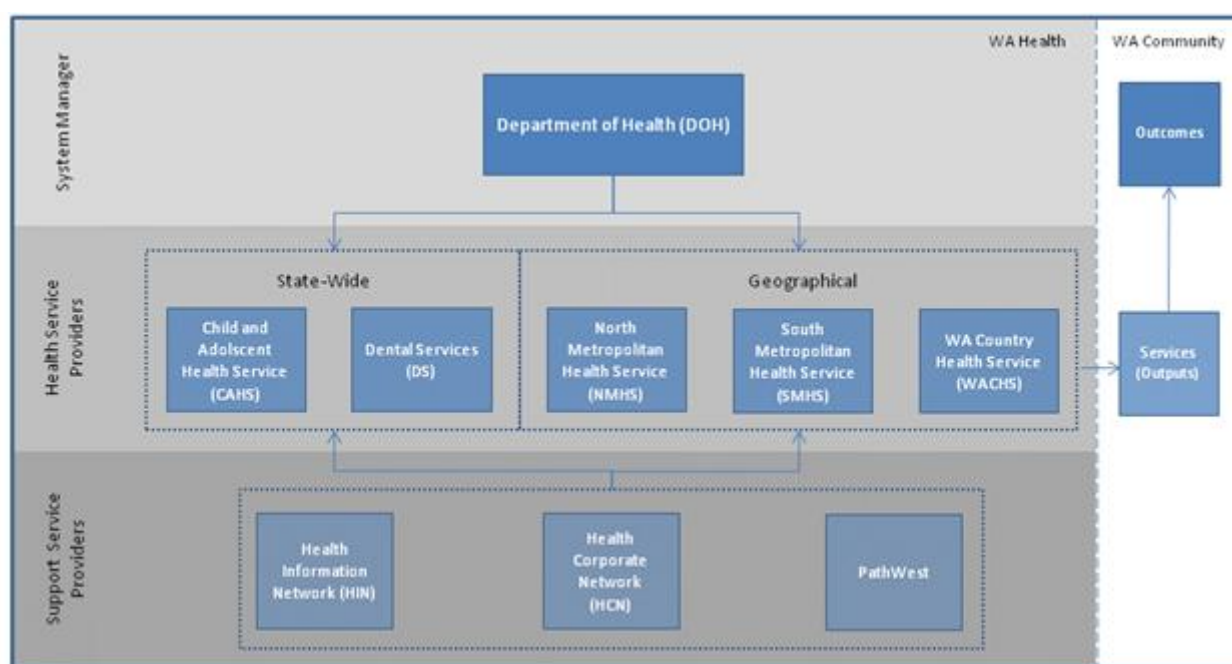
- caring for individuals and the community
- caring for those who need it most
- making best use of funds and resources
- supporting the WA Health team.

WA Health Organisational Structure

For the purposes of this Agreement, the WA Health Organisational Structure comprises the Department and a number of Health Service Providers and Support Service Providers operating as separate legal entities and key administrative units, as outlined in Figure 1 below.

All public hospitals and services within Western Australia are accountable through, and report on the delivery of services and outcomes as part of, one of these entities and/or key administrative units.

FIGURE 1: LINK BETWEEN ORGANISATIONAL UNITS WITH WA HEALTH AND THE OUTCOMES AND OUTPUTS DELIVERED TO THE COMMUNITY



WA Health Roles and Responsibilities

To improve accountability within WA Health and to support the development of a system of earned operational autonomy over the short to medium term, this Agreement provides clearer delineation of roles and responsibilities for applicable organisations within WA Health. Roles and responsibilities for 2013/14 are outlined below.

Role of the System Manager

The Department, as System Manager, will be responsible for the overarching management of the WA Health system, exercised by:

1. ensuring the delivery of agreed high quality services and performance standards across the WA Health system, within the approved budgets set by the Western Australian Government
2. allocating the financial resources provided by Government to Health Service Providers and Support Service Providers in a manner which is both fair and transparent

3. progressing a structure which empowers and incentivises Health Service Providers and Support Service Providers to deliver high quality services which increase system capacity
4. issuing policy guidance, regulations and other requirements which support the role of Health Service Providers and Support Service Providers in the delivery of approved services to approved State standards
5. collecting and analysing data provided by Health Service Providers and Support Service Providers, to support the objectives of comparability and transparency, and to ensure that information is shared in a manner which promotes better State health outcomes
6. monitoring the performance of Health Service Providers and Support Service Providers against the agreed performance monitoring measures specified in the Annual Performance Management Framework 2013-2014 (the Performance Management process is outlined in Schedule N of this Agreement)
7. reporting to the community on the high-level performance of Health Services Providers and Support Service Providers throughout, and at the end of, each financial year
8. developing system-wide policy and planning for major infrastructure to support the delivery of hospital services across the State
9. addressing salary and industrial relations matters, such as negotiating enterprise bargaining agreements and establishing remuneration and employment conditions
10. managing health legislation and processes to enact legislative change
11. managing and coordinating matters of corporate governance, contract management, disaster management and the development of unified ICT systems throughout WA Health
12. engaging with relevant stakeholders to ensure their views are considered when advising Government on health matters or making decisions in the areas listed above.

Role of the Health Service Provider

The Health Service Provider will be responsible for health service delivery within their geographical boundary (including services provided via Statewide Service Providers), exercised by:

1. delivering agreed high quality health services and performance standards within an agreed budget, based on annual strategic and operating plans, to give effect to this Agreement
2. implementing clinical quality standards in accordance with Department policy
3. implementing the National Safety and Quality Health Service Standards and ensuring that all hospitals are accredited under the Australian Health Service Safety and Quality Accreditation Scheme
4. providing hospitals with annual activity, expenditure and FTE limits, and requiring that they develop robust monthly profiles to manage within annual resource allocations

5. improving local patient outcomes and responding to local issues
6. ensuring accountable and efficient provision of health services, consistent with relevant State financial management and audit legislation and regulations
7. monitoring the performance of hospitals against the agreed performance monitoring measures in the Annual Performance Management Framework 2013-2014 (managing the hospital and service delivery performance as identified in Section 6.2 of the Annual Performance Management Framework, and outlined in Schedule N of this Agreement)
8. providing timely information to the Department to support compliance with obligations under national agreements, to meet the requirements of whole of government processes and to support effective management of the health system
9. managing the implementation and local planning for minor capital items
10. engaging with stakeholders to enable their views to be considered when making decisions on local service delivery
11. complying with statutory and contractual requirements applicable to Health Service Providers
12. adhering to budget and other financial requirements of the Department as set out in Schedule O (as amended from time to time)
13. assisting the Department by contributing expertise, local knowledge and other relevant information to service and infrastructure planning arrangements.

Role of the Support Service Provider

The Support Service Provider will be responsible for:

1. delivering key outputs and performance standards within an agreed budget, based on annual strategic and operations plans, to give effect to this and other agreements
2. supporting the delivery of agreed high quality services and performance standards and managing service delivery performance as identified in Section 6.2 of the Annual Performance Management Framework, and outlined in Schedule N of this Agreement
3. ensuring accountable and efficient provision of health outputs, consistent with relevant State financial management and audit legislation and regulations
4. providing a service charter to the Department and Health Service Providers, identifying the outputs to be delivered and associated standards of delivery
5. providing a clear schedule of prices for services provided to Health Service Providers and the private sector to the Department annually and when prices change
6. managing the implementation and local planning for minor capital items
7. complying with statutory and contractual requirements applicable to Support Service Providers

8. adhering to budget and other financial requirements of the Department as set out in Schedule O (as amended from time to time)
9. assisting the Department by contributing expertise, local knowledge and other relevant information to service and infrastructure planning arrangements.

It is anticipated that roles and responsibilities will evolve over time in line with best practice and the needs of the Western Australian community. The roles and responsibilities will be subject to periodic review, with the first review of the above list scheduled to commence in 2013/14.

Financial Management

Bilateral Discussions with Health Service Providers and Support Service Providers

Throughout the course of 2013/14, regular bilateral discussions will be held between the Director General of Health and each of the Chief Executives (or equivalent) from the Health Service Providers and Support Service Providers. These discussions will focus on financial performance and progress towards achievement of key outputs and milestones within the Health Service Provider's/Support Service Provider's area of responsibility.

Performance Management

Commencing 1 July 2013, the Performance, Activity and Quality Division (PAQ) and Resource Strategy Division will convene monthly Activity Based Funding and Activity Based Management (ABF/ABM) Performance Management Meetings with Health Services. The purpose of the meetings is to review performance reports and agree on action to be taken by Health Services to improve performance. The primary focus for 2013/14 will be on Health Service performance against financial performance indicators (PIs), activity PIs and a selected range of quality and safety PIs.

Review of the Agreement

The review of this Agreement and performance against targets will be undertaken at the end of each financial year (or earlier if required). The aim of the review is to strengthen and improve process and practices which lead to improvements in WA Health performance. The findings of the review may be submitted to the Minister for Health for consideration.

Budget Allocation for 2013-2014

The 2013/14 Budget takes the significant step of transitioning the State's ABF framework to more closely align with the implementation of ABF at the national level. At the national level the development of a national efficient pricing regime by the Independent Hospital Pricing Authority

(IHPA); and enhanced performance monitoring and reporting by the National Health Performance Authority (NHPA); will enable more transparent funding of public hospitals and stimulate better service delivery performance over time.

Closer alignment will also ensure that the State is well-positioned for the commencement of National Health Reform funding from 1 July 2014 when the Commonwealth will begin to provide 45 per cent of the national efficient price for new activity growth. This contribution will rise to 50 per cent of the national efficient price for new activity growth from 1 July 2017.

WA Health's budget settings have been rebased to recognise the funding gap evident in 2013/14 and across the forward estimates, see table 1 below.

TABLE 1: DEPARTMENT OF HEALTH ADDITIONAL FUNDING FROM 2013/14 TO 2016/17

| 2013/14 (\$'000) | 2014/15 (\$'000) | 2015/16 (\$'000) | 2016/17 (\$'000) | Total (\$'000) |
|------------------|------------------|------------------|------------------|----------------|
| 281,142 | 383,628 | 563,607 | 999,870 | 2,228,247 |

This funding injection provides for an estimated growth rate of 7% for hospital activity and overall expenditure growth of 4.5% in 2013/14.

In rebasing the Department's budget setting, Government has not endorsed the continuation of expiring National Partnership Agreements (NPAs). Funding for the continuation of health activities previously funded through NPAs will be undertaken in the context of other health priorities, and if considered a priority will be funded from within approved budget allocations.

As part of the 2013/14 Budget construct Government has endorsed the purchase of the following weighted activity units as identified in table 2.

TABLE 2: DEPARTMENT OF HEALTH WEIGHTED ACTIVITY UNIT PURCHASE PROFILE FROM 2013/14 TO 2016/17

| | | Estimated Actual | Budget | Forward Estimates | | |
|-----------------------------------|------|------------------|---------|-------------------|---------|---------|
| | | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
| Activity Projections ¹ | waus | 759,919 | 782,489 | 805,964 | 829,176 | 852,476 |
| growth rate | %age | | 2.97% | 3.00% | 2.88% | 2.81% |

¹ Activity projections based on national weights

State Transitioning Price

The 2013/14 Budget also sees an evolution of the framework, providing Government with the opportunity to directly purchase hospital services on an activity basis. Units of hospital activity are a count of hospital outputs individually weighted by the cost of delivering each output. A single price for each unit is detailed in table 3.

TABLE 3: DEPARTMENT OF HEALTH WEIGHTED PRICE TRANSITION PROFILE FROM 2013/14 TO 2016/17

| | 2012/13 (\$) | 2013/14 (\$) | 2014/15 (\$) | 2015/16 (\$) | 2016/17 (\$) |
|---------------------------|--------------|--------------|--------------|--------------|--------------|
| PAC ¹ | 4,963 | 5,152 | 5,394 | 5,648 | 5,913 |
| State Transitioning Price | 5,135 | 5,319 | 5,510 | 5,708 | 5,913 |

1 Whilst the 2013/14 PAC price is based on the 2013/14 IHPA determination, the estimated price across the forward estimates period is notional. The notional estimates have been calculated using the 2013/14 IHPA cost escalator of 4.7%.

The setting of a single State Transitioning Price, calculated using a methodology more closely aligned to the National ABF framework, provides a more transparent basis for comparing the cost of delivering hospital services in Western Australia against the national cost benchmark, called the Projected Average Cost (PAC). The gap between the total price of all hospital activity funded at the State Transition Price and the total cost of all hospital activity funded at the PAC, is called the Community Service Subsidy (CSS) payment.

The CSS payment represents the Government's commitment to sustainable service delivery and health budget stability while pursuing better value for money health outcomes for Western Australia. Further work will be undertaken over 2013/14 to distinguish those components of the CSS payment which relate to genuine system and service delivery inefficiencies from cost premiums incurred due to structural inefficiencies and other non-discretionary costs.

Mental Health Services

WA Health's budget for 2013/14 includes \$523.8 million of funding to be received from the Mental Health Commission for the delivery of mental health services by Health Service Providers.

The Department, through the recently created Office of Mental Health, will continue to work to improve mental health service provision with the Mental Health Commission. The 2013-2014 Service Agreement largely aligns with the service mix in 2012/13. It is anticipated that the forthcoming changes to the national health system, especially around ABF for subacute services, will result in further changes in 2014/15.

In addition, both agencies have committed to the development of a 10-year plan for mental health to be completed during 2013/14. This plan is expected to significantly reform mental health service delivery in Western Australia in future years.

Health Service Catchment Area

The South Metropolitan Health Service (SMHS) catchment area will cover almost 5,000 square kilometres with a population of almost 840 000, of whom 1.8 per cent are Aboriginal. The SMHS population represents more than 35 per cent of Western Australia's total and is projected to increase to more than 1 million by 2020.

Performance Objectives

The Health Service Provider seeks to provide and fund health services on a basis that is equitable, accessible, integrated and sustainable for the population in the catchment area.

The purchasing priorities are:

- to put the patient first and provide appropriate care close to where people live
- to increase the emphasis on more cost-effective primary and community care to reduce the demand for hospital services
- to deliver quality and accessible services within available resources
- to achieve targets for emergency, inpatient, outpatient, ambulatory and elective surgery performance
- for Health Services to be clinically and financially sustainable.

The Scope of Work

The Health Service Provider receives population based funding from the State Government. The funding is based on demand modelling as specified in the Clinical Services Framework 2010-2020 (CSF).

The Health Service Provider is responsible for planning, promoting, provision, monitoring and evaluation, including audits for a full range of medical, surgical, emergency and rehabilitation services to adults and children including:

- Ambulatory care
- Cancer care
- Clinical support services
- Coronary care
- Emergency services
- Intensive and high dependency care
- Medical services
- Mental health services
- Obstetric and neonatal services
- Paediatric services
- Palliative care
- Primary health services
- Rehabilitation and aged care
- Surgical services

The Health Service Provider will provide specialised statewide services including:

- State Adult Burns Service
- State Hyperbaric Service

- State Rehabilitation Service
- State Trauma Service

The Health Service Provider will provide specialised medical services including:

- Neuro-Genetics Service
- WA Comprehensive Epilepsy Service
- Immunodeficiency Service
- Bone Marrow Transplant Service

The Health Service Provider will provide specialised surgical services including:

- Maxillofacial Surgery
- Tertiary Oral Dental Service
- Heart and Lung Transplant Service

The Health Service Provider operates the following hospitals and services:

1. Armadale Health Service

264-bed Armadale Kelmscott Memorial Hospital, a general hospital with a 24-hour emergency department; co-located with mental health, rehabilitation and community health services.

2. Bentley Health Service

- 228-bed Bentley Hospital and 20 renal dialysis beds in Cannington.
- Bentley Hospital focuses on adult and geriatric mental health, maternity, medical and surgical, and rehabilitation services.

3. Fremantle Hospital and Health Service

- 482-bed Fremantle Hospital, a major tertiary facility with a 24-hour emergency department.
- 71-bed Kaleeya Hospital, providing elective surgery, obstetrics and endoscopy services.
- Rottnest Island Nursing Post.

4. Mental Health Services

Integrated model of care with inpatient and community services including acute and rehabilitation inpatient beds, consultation and liaison services, emergency department liaison services, Community Emergency Response Teams, transcultural mental health services, day therapy, rehabilitation programs and discharge support programs.

5. Peel Health Campus

Operated privately on behalf of the State Government, it includes 160 public hospital beds and a 24-hour emergency department.

6. Rockingham Peel Group

- 144-bed Rockingham General Hospital including 24-hour emergency department, and dental and community health.
- 13-bed Murray District Hospital and Murray District Health Centre providing medical, palliative and respite care, and comprehensive community health services.

7. Royal Perth Hospital

A major tertiary facility located across two sites:

- 662-bed Wellington Street Campus, with a 24-hour emergency department.
- 172-bed State Rehabilitation Service at Shenton Park Campus.

8. South Metropolitan Public Health Unit

- Public health sites based in each health district focusing on preventing illness, injury and disability; and providing information and expertise to health services and other agencies.
- Programs include Communicable Disease Control, Chronic Disease Prevention, Aboriginal Health, Refugee Health, and Drug and Alcohol Services.

Key Outcomes and Priorities

Priorities for the next five years include:

National Emergency Access Target

Meeting demand for emergency services and meeting the National Emergency Access Target:

- managing elective surgery waitlists and meeting National Elective Surgery Target
- improving capacity for increasingly complex patients
- development of cancer and palliative care services
- expansion of obstetric and neonatal services
- increasing capacity and use of rehabilitation, aged care and ambulatory services
- enhancing mental health service delivery
- participation in the National Health Reform agenda.

Safety, Quality and Risk

The SMHS will deliver a safe, efficient and effective health service for the community through priority areas including:

- improved involvement of patients in their care
- promoting ethics, integrity and professional conduct of all staff
- risk management systems to prevent, control and minimise risk exposure
- employee health and safety
- delivery of high standards of care for all.

Fiona Stanley Hospital

- 783-bed tertiary hospital due to open in 2014.

- The \$2 billion development is the largest building infrastructure project ever undertaken by the State.
- Full range of adult tertiary services, specialised services, the State Rehabilitation Service, and a medical research facility.
- Secondary level clinical services to its local catchment population.

Aboriginal Health

The South Metropolitan Aboriginal population represents approximately 20 per cent of the total Western Australian Aboriginal population. Initiatives to improve Aboriginal health and wellbeing include:

- Working with local Aboriginal people and services to identify health priorities and service gaps, and design culturally secure, easy to access and relevant health services.
- Culturally secure communicable disease control, chronic disease self-management and healthy lifestyle programs.
- Developing the Aboriginal health workforce.

Research

- Strong partnerships with universities and independent institutes to conduct research in various hospital departments.
- Medical Research Foundations currently at Royal Perth and Fremantle Hospitals.
- A state-of-the-art medical research hub will be developed at Fiona Stanley Hospital in partnership with the Western Australian Institute of Medical Research.

Reconfiguration

- Significant changes are underway to prepare for the opening of Fiona Stanley Hospital and meet the hospital and health needs of the south metropolitan area and the broader Western Australian community.
- Under reconfiguration the focus, roles and functions of SMHS hospitals will change to improve access to healthcare services and enable patients to receive more complex care closer to home, often in new or refurbished facilities.

Development and implementation of Clinical Clusters

Groups of linked specialties working together to improve patient centric care through an area-wide approach to clinical services planning, succession planning, equipment prioritisation, introduction of new services, Models of Care, research, education and training.

Output Classes and Statement of Forecast Service Performance

One of the functions of this Service Agreement is to show how the Health Service Provider will evaluate and assess what services and products are delivered in 2013/14. For each output area outlined in the relevant Schedules there are agreed performance measures and targets, some of which are aligned nationally.

These measures and targets will be subject to an annual audit by auditors of the State Government's Office of the Auditor General.

The performance measures are specified in the Annual Performance Management Framework 2013-2014.

Table 4 demonstrates the linkages between the WA Health outcomes, output classes and outputs.

TABLE 4: WA HEALTH OUTCOMES, OUTPUT CLASSES AND OUTPUTS

| Outcomes | Output Classes | Outputs |
|---|---------------------------------------|--|
| Restoration of patients' health, provision of maternity care to women and newborns and support for patients and families during terminal illness. | Public Hospital Admitted Patients | Acute Services Elective Services Subacute Services Rehabilitation Services Diagnostic Services Maternity Services Pharmacist Services Specialised State-wide Services |
| | Home-based Hospital programs | HITH RITH |
| | Palliative Care | Inpatient and Community Care |
| | Emergency Care | Acute Services Diagnostic Services Pharmacist Services |
| | Public Hospital Non-admitted Patients | Allied Health Medical Nursing |
| | Mental Health | Acute Services |
| Enhanced health and well-being of Western Australians through health promotion, illness and injury prevention and appropriate continuing care. | Prevention, Promotion and Protection | Health Promotion Screening Programs Chronic Disease Management |
| | Aged and Continuing Care | Home-based Support Services Respite Services |
| | Mental Health | Community Services |

Key Mechanisms for Performance Intervention

Full details of the performance management process are specified in the Annual Performance Management Framework 2013-2014, and outlined in Schedule N of this Agreement.

Performance management will involve:

- on-going review of the performance of the Health Service Provider
- identifying a performance issue and determining the appropriate response to this issue
- determining when a performance recovery plan is required and the level of intervention required
- determining when the performance intervention needs to be escalated or can be de-escalated; and Determining when a Health Service Provider is no longer on performance watch.

There are three intervention levels. The level of performance response and intervention dictates the action required by the Health Service Provider and/or the Department. The Director General of Health has the discretion to escalate or de-escalate issues to higher or lower levels based on its assessment of progress with the recovery plan.

Master Schedule - Total Expenditure View

| ACTIVITY BASED SERVICES | BUDGET 2013/14 (\$) | WAUs (#) |
|-------------------------|----------------------|----------------|
| Inpatient | 1,236,533,425 | 240,010 |
| Emergency Department | 170,461,939 | 33,087 |
| Non Admitted | 192,172,956 | 37,301 |
| Sub total | 1,599,168,319 | 310,397 |

| | |
|-------------------------------|-------------------|
| CSS - Price Adjustment | 61,448,150 |
|-------------------------------|-------------------|

| NON-ACTIVITY BASED SERVICES | NON-ABF BUDGET 2013/14 (\$) |
|---------------------------------|-----------------------------|
| Financial Products | 123,812,984 |
| National Partnership Funding | 527,930 |
| Non-Admitted Mental Health | 82,412,655 |
| Public Health & Ambulatory Care | 9,383,248 |
| Special Purpose Funding | 50,646,796 |
| Teaching, training and Research | 95,137,508 |
| Sub total | 361,921,121 |

| | |
|---------------------------|--------------------|
| Peel Health Campus | 110,726,564 |
|---------------------------|--------------------|

Less

Office of Mental Health Budget adjustment -738,941

| | |
|---------------------------------|----------------------|
| Total Expenditure Budget | 2,132,525,213 |
|---------------------------------|----------------------|

The Schedule(s) outline the Activity as Weighted Activity Units (WAUs) and associated budget allocation by category for the hospitals in the catchment area.

Weighted Activity Units: relate to setting a single State Transitioning Price, calculated using a methodology more closely aligned to the National ABF framework, provide a more transparent basis for comparing the cost of delivering hospital services in Western Australia against the national cost benchmark, called the Projected Average Cost (PAC). The gap between the total price of all hospital activity funded at the State Transition Price and the total cost of all hospital activity funded at the PAC, is called the Community Service Subsidy (CSS) payment.

The Annual Performance Management Framework 2013-2014 specifies the performance management plan, targets and performance thresholds for Activity.