



Government of **Western Australia**
Department of **Health**

WA Country Health Service Service Agreement 2015-16

improving care | managing resources | delivering quality



© Department of Health, State of Western Australia (2015)

Copyright to this material produced by the Western Australian Department of Health belongs to the State of Western Australia, under the provisions of the *Copyright Act 1968* (Cwlth Australia). Apart from any fair dealing for personal, academic, research or non-commercial use, no part may be reproduced without written permission of the Purchasing and System Performance Division, Western Australian Department of Health. The Department of Health is under no obligation to grant this permission. Please acknowledge the WA Department of Health when reproducing or quoting material from this source.

Important Disclaimer

All information and content in this Material is provided in good faith by the WA Department of Health, and is based on sources believed to be reliable and accurate at the time of development. The State of Western Australia, the WA Department of Health and their respective officers, employees and agents, do not accept legal liability or responsibility for the Material, or any consequences arising from its use.

Contents

1. Health Service Provider Delivery Commitment	1	6. Key Outcomes and Priorities.....	9
2. Background.....	2	7. Health Services Management.....	12
WA Health Strategic Intent 2015-2020.....	2	Bilateral Discussions	12
WA Health Vision.....	2	Performance Management	12
WA Health Service Delivery Structure.....	3	Performance Objectives	12
Roles and Responsibilities.....	4	Review of the Service Agreement.....	12
3. Budget & Resource Allocation (B&RA) Process for 2015-16.....	5	Key Financial Management Considerations.....	12
Setting and Distribution of WA Health Budget.....	5	8. MASTER SCHEDULE.....	13
Method for Distributing the WA Health Budget.....	5	9. Service Activity Schedules	14
Health Service Providers	5	Commonwealth Specific Purpose Payment Activity and modified	
State-wide Support Service	6	Funding	14
Mental Health Services	6	Performance Management	15
4. WA Country Health Service	7	Financial Management Standard.....	17
5. Scope of Work	7		

1. Health Service Provider Delivery 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 Western Australian (WA) Legislation. This 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.

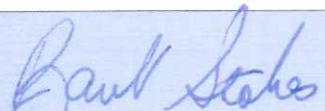
The Agreement is also in accordance with the *National Health Reform Agreement (2011)*. The Department, through the Director General, will retain responsibility for system-wide coordination and policy; resource acquisition, allocation and stewardship; purchasing and regulation. This agreement is to be read in conjunction with the WA Health Funding and Purchasing Policy Guidelines 2015-16 (the Guidelines).

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 Guidelines.

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

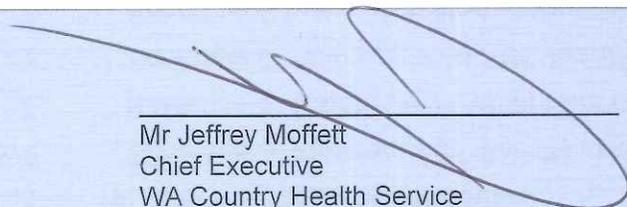
The Director General of Health will continue to emphasise, as a priority, the importance of state and national safety and quality standards across the State's health system. This Service Agreement recognises the priority commitment that the Health Service Provider has in delivering improvements in safety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

Signed Acceptance:



Professor Bryant Stokes
Acting Director General
Department of Health

Date: 30-6-15



Mr Jeffrey Moffett
Chief Executive
WA Country Health Service

Date: 29/6/15

2. Background

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 Service Agreement follows policy, planning and performance frameworks as outlined below:

- WA Health Strategic Intent 2015-2020
- Clinical Services Framework (CSF) 2014-2024
- Clinical Governance Guidelines
- Annual Performance Management Framework 2015-16.

The Agreement:

1. Applies from 1 July 2015 to 30 June 2016. 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 Service Provider.

The performance evaluation of this Service Agreement is to be undertaken as prescribed in the Annual Performance Management Framework 2015-16.

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, WA Health operational directives, policy and procedure manuals and technical bulletins.

WA Health Strategic Intent 2015-2020

The Strategic Intent defines WA Health's overarching vision, values and priorities. It outlines a vision of *delivering a safe, high quality, sustainable health system for all Western Australians.*

WA Health's Code of Conduct identifies the values that are fundamental in how employees perform their work and describes how these values translate into action. The six values are; *Quality Care, Respect, Excellence, Integrity, Teamwork and Leadership.*

WA Health's strategic priorities are focused on a continuum of care to support and guide health care through integrated service delivery from prevention and health promotion, early intervention, primary care through to diagnosis, treatment, rehabilitation and palliation.

Ensuring people in Western Australia receive safe, high quality and accessible health services underpins the strategic priorities. This includes delivering health services that are patient-centred, based on evidence and within a culture of continuous improvement

WA Health Vision

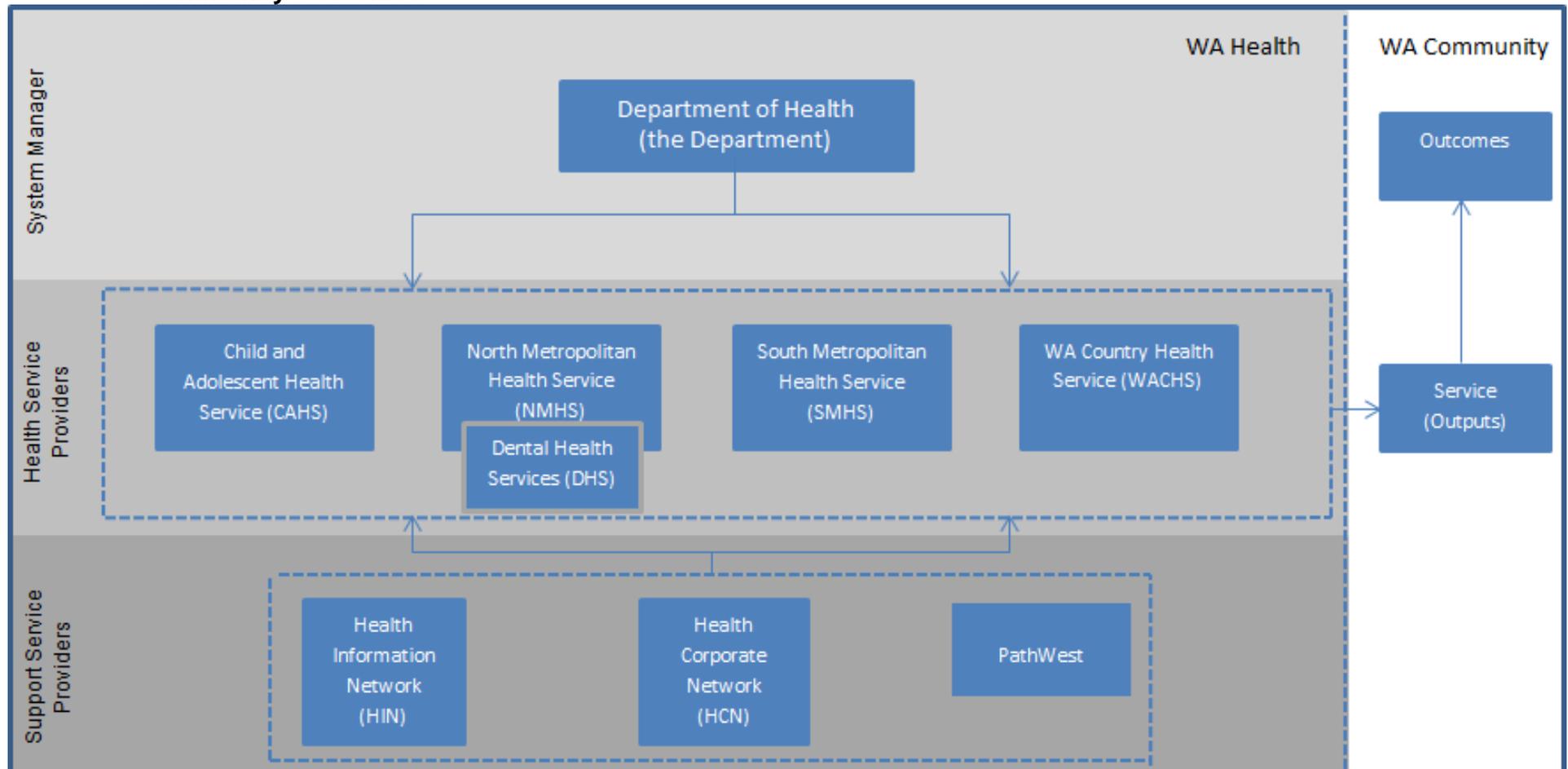
Delivering a safe, high quality, sustainable health system for all Western Australians.

WA Health Service Delivery Structure

For the purposes of this Service Agreement, the WA Health Organisational Structure comprises of the Department, Health Service Providers and Support Service Providers operating as separate legal entities, as outlined in *Figure 1*.

All public hospitals and services within Western Australia are accountable through, and report on the delivery of health services provided and outcomes achieved.

FIGURE 1: Link Between the Department and Organisational Units, with Health Service Provider Outputs and Community Outcomes

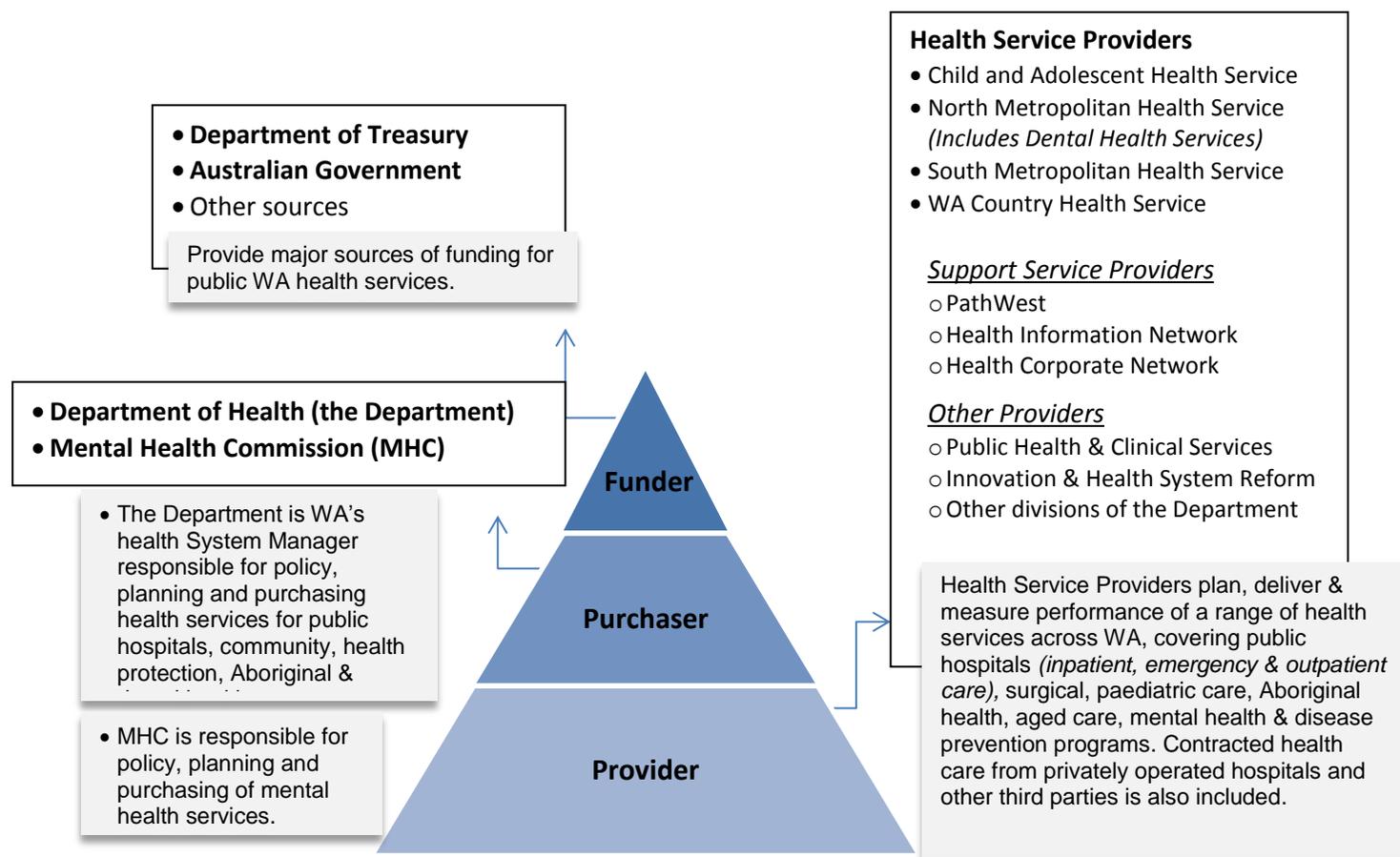


Roles and Responsibilities

The [Guidelines](#) more comprehensively delineate the roles and responsibilities for the relevant organisations within WA Health that are accountable under the Service Agreement.

Figure 2 provides an overview of the roles and responsibilities relating to the delivery of health services within WA. This is designed to support the development of an operationally autonomous health system as per the Budget and Resource Allocation (B&RA) Process.

FIGURE 2: Roles and Responsibilities aligned with the Budget and Resource Allocation (B&RA) Process
 Further information on the *Funder, Purchaser and Provider Roles and Responsibilities* is available in [Section 2](#) of [the Guidelines](#).



3. Budget & Resource Allocation (B&RA) Process for 2015-16

Setting and Distribution of WA Health Budget

For 2015-16, WA Health’s total approved expense limit for the WA public health system is \$8.15 billion, accounting for over a quarter of the State’s total expenditure for general government services. This represents a 1.28% increase over the estimated out-turn for 2014-15.

As part of the 2015-16 budget submission, WA Health provided the State Government with advice as to the likely volume of weighted inpatient activity, Emergency Department (ED) activity, hospital based outpatient activity and block services expected for 2015-16 and for each year of the forward estimates. This approach allows the State Government to make informed decisions through the annual budget process about the quantum of activity to be delivered by WA Health within the available State resources.

Method for Distributing the WA Health Budget

For 2015-16, the Department will continue to use an activity based allocation methodology for Health Service Providers. In broad terms, this methodology includes:

- activity based allocations based on the Independent Hospital Pricing Authority (IHPA) 2015-16 model with adjustments applied to suit WA Health specific funding requirements.
- activity based allocations for 2016-17 onwards are based on the established growth outlined in the CSF and its demand and capacity modelling.
- adjustments for circumstances such as budget constraints as well as contracted privately-provided public hospital services, post-CSF arrangements, and/or other relevant factors.

Block funded services are cost escalated and grown by an expected population growth factor.

Health Service Providers

The base Activity Based Funding (ABF) allocation for WA Health Service Providers is determined by multiplying the Projected Average Cost (PAC) by the targeted volume of activity, expressed as WAUs. The budget is built by describing volume in Weighted Activity Unit’s (WAUs) by the Health Service Providers’ PAC which is \$5,122 for 2015-16.

Health Service Providers allocate budgets to their respective hospitals based on a model that reflects their expected activity and a price per WAU that includes a Community Service Subsidy (CSS) to the base PAC price. This adjusted price is called Health Service Allocation Price (HSAP). Under the WA ABF Operating Model, the funding allocation to Health Service Providers is based on targeted activity levels (expressed as WAUs) for each service stream of their respective Health Services multiplied by their respective HSAP.

FIGURE 3: ABF funding allocation for Health Service Providers



Further information on Health Service Provider Resource Allocation is available at *section 6.2.2 of [the Guidelines](#)*.

State-wide Support Service

The State-wide Support Service comprises the following entities:

- PathWest
- Dental Health Services
- Queen Elizabeth II Medical Centre Trust
- Quadriplegic Centre

For 2015-16, the Statewide Services were funded on a budget-to-budget methodology. Cost growth of 2.25% was flowed through to all Statewide Services budget holders. Budget Holders are funded for financial products including Riskcover premium payments for 2015-16.

Mental Health Services

The Department and the Mental Health Commission (MHC) have developed a joint purchasing framework for mental health services provided by WA Health. The *Mental Health Services Purchasing Framework* for WA was delivered in October 2012 and subsequently endorsed by both the Department and MHC. It sets out the strategic purchasing intentions for public mental health services across WA.

Annual Service Agreements between MHC and the Department are developed for the purchase of four funding categories of mental health services, namely inpatient services, non-admitted services, teaching training and

research and other miscellaneous services from the State's public Health Service Providers'. The Department, Office of Mental Health, and MHC work closely to ensure alignment of relevant Service Agreements and associated schedules. The continual development of clear processes and schedules will allow for more transparent funding allocations and monitoring at Health Service Provider level in 2015-16 and subsequent financial years.

As outlined in *Section 3.2 Purchaser Policy* of [the Guidelines](#), a *Western Australia Mental Health and Alcohol and Other Drug Services Plan 2015-2025* was released for consultation in late 2014. The above plan outlines the strategic direction for the State's public mental health services and key areas for future reform. A revised version of the plan is expected to be endorsed by Cabinet by June 2015. Starting in 2015-16, the MHC intends to undertake targeted purchasing services from the Department, in accordance to the plan directives.

A significant change for 2015-16 is the introduction of WA's new *Mental Health Act 2014*. The new legislation is a key element in the government's mental health reform agenda and places individuals and families at the centre of mental health treatment and care.

4. WA Country Health Service

TABLE 1: List of WA Health ABF Hospitals operating under WA Country Health Service (WACHS)

WA Country Health Service (WACHS) ABF Hospitals
<p>Regional</p> <ul style="list-style-type: none"> • Albany Hospital • Broome Hospital • Bunbury Hospital • Geraldton Hospital • Hedland Health Campus • Kalgoorlie Hospital <p>Integrated/District</p> <ul style="list-style-type: none"> • Busselton Hospital • Collie Hospital • Carnarvon Hospital • Derby Hospital • Esperance Hospital • Katanning Hospital • Kununurra Hospital • Margaret River Hospital • Merredin Hospital • Moora Hospital • Narrogin Hospital • Newman Hospital • Nickol Bay Hospital (Karratha) • Northam Hospital • Warren Hospital (Manjimup)

5. Scope of Work

The Health Care Provider will provide a comprehensive range of health care services to adults and children in the Western Australian regional and remote areas including:

- Emergency services
- High dependency care
- Medical services
- Surgical services
- Cancer care
- Palliative care
- Obstetric services
- Paediatric services
- Rehabilitation and aged care
- Mental health services
- Primary health care
- Clinical support services
- Residential aged care
- Patient assisted travel scheme.

Health Services in the WACHS comprise:

- six regional health campuses at Broome, South Hedland, Geraldton, Kalgoorlie, Bunbury and Albany
- 15 integrated hospitals at Carnarvon, Derby, Esperance, Kununurra, Newman, Nickol Bay, Busselton, Collie, Katanning, Margaret River, Merredin, Moora, Narrogin, Northam and Manjimup (Warren Hospital)
- 50 small hospitals and ten nursing posts in regional and remote locations
- numerous community based health centres.

All hospitals provide a level of emergency and disaster response. Smaller sites provide resuscitation and medical stabilisation with support and access to specialist advice prior to transfer to larger sites.

Broome Health Campus

Stage two of the Broome Health Campus is the redevelopment of the Emergency Department (ED) which will include new resuscitation bays, a fast track area and new acute bays and is scheduled for completion in 2015.

Karratha Health Campus

Design and construction of a new 40 (32 overnight and 8 day) bed consolidated health campus (including ambulatory care services) on an alternative site. Due for completion in 2018.

Carnarvon Health Campus

The redeveloped Carnarvon Health Campus is undergoing comprehensive redevelopment of its ED, reconfiguration of renal dialysis and the provision of new ambulatory outpatient health care facilities. Due for completion in September 2015.

Kalgoorlie Health Campus

Construction was completed on the final two stages (three and four) for Kalgoorlie Health Campus in April 2015.

Albany Health Campus

Design and construction of a new 134 bed consolidated health campus on the existing hospital site was completed in 2013. Stage two of the redevelopment will involve the construction of new car parking bays.

Busselton Health Campus

Design and construction of an Acute Hospital, Community Mental Health and Population Health Facility was completed in March 2015.

South West Health Campus in Bunbury

- the major medical centre for the South West region of WA
- the campus includes the Bunbury Hospital, co-located with the private St. John of God Hospital Bunbury
- the public hospital provides a fully-staffed, 24-hour ED, high dependency unit/intensive care unit, a restorative care unit, an acute inpatient psychiatric unit, community mental health, community health and dental facilities
- St John of God Bunbury operates a medical centre that accommodates a medical oncology centre, a renal dialysis unit, medical consulting suites, medical imaging services and pathology.

The campus also includes the South West Radiation Oncology Centre and an Aboriginal medical services centre.

6. Key Outcomes and Priorities

Key priorities include:

- managing elective surgery waitlists
- meeting demand for emergency services at larger hospital sites and improving clinical coordination of emergency retrievals
- meeting National Emergency Access Target and National Elective Surgery Target
- implementing in the Midwest, Goldfields, Wheatbelt, South West and Great Southern, the Southern Inland Health Initiative including:
 - implementing sustainable medical and emergency service models
 - increasing use of telehealth services to improve service access and training
 - improving access to primary health care services
- improving capacity to manage increasingly complex patients in the community to reduce or prevent admissions to hospital
- improving the health of Aboriginal people
- working with the Commonwealth to ensure appropriate and adequate residential aged care and dementia services
- managing a significant capital works program
- developing new renal dialysis, cancer and child health services
- ensuring safe, high quality obstetric and maternity care services

- improving access to a range of mental health services and exploring opportunities and risks related to contracted services
- active participation in the National Health Reform agenda.
- collaboration with the new Primary Health Networks in the area of primary health care from 1 July 2015.

District Health Advisory Councils

- District Health Advisory Councils – made up of a wide range of community representatives and other consumers – will engage, consult and interact with the Northern and Remote Country and Southern Country Governing Council to provide input and feedback to improve health services.

Safety, Quality and Risk

- health services have a strong safety, quality and risk philosophy, and governance framework to ensure safe, effective and efficient health services
- clinical and corporate governance programs apply continuous service improvement and risk management across all areas of the health service
- WACHS promotes consumer-centred, high-quality care and a capable and empowered workforce.

Hospital Building Program

Across country WA, the State Government is undertaking one of the largest country hospital building programs in the world, including:

- completion of a hospital redevelopment at Kalgoorlie

- hospital redevelopment at Broome, including the first acute psychiatric unit to be built north of Perth
- new Albany Health Campus officially opened in May 2013 with next phase of the Albany Health Campus redevelopment now under way
- completion of the new hospital at Busselton
- redevelopment of the Esperance Health Campus
- Bunbury sub-acute care expansion was completed in 2014
- redevelopment of PathWest Pathology for Bunbury is currently underway
- Considerable upgrades to cancer and renal services across WACHS.

Southern Inland Health Initiative

- The Southern Inland Health Initiative is a \$565 million program, funded under the Government's Royalties for Regions Program to improve health care for the people of the southern inland area covering a number of towns in the Midwest, Goldfields, Wheatbelt, and Great Southern.
- The initiative includes a \$240 million investment to improve medical coverage and 24-hour emergency and acute care, and to deliver primary health service enhancements and service reforms as well as the establishment of the WA State-wide Telehealth Service to support emergency, outpatient and primary health care service delivery.
- Investment of \$325 million has been allocated to an extensive capital works program including the redevelopment or refurbishment of district hospitals at Northam, Narrogin, Merredin, Katanning, Manjimup (Warren Hospital) and Collie small hospitals, nursing posts

and primary health centres. The initiative will redesign the way health services are delivered in regional WA to meet growing demand and the changing health needs of local communities.

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 2015-16. For each output area outlined in the relevant Schedules there are agreed performance measures and targets, some of which are aligned to national reporting requirements.

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

The performance measures are specified in the Annual [Performance Management Framework](#).

Table 2 demonstrates the linkages between the WA Health outcomes, output classes and outputs.

TABLE 2: WA Health Outcomes, Output Classes and Outputs

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

7. Health Services Management

Bilateral Discussions

Throughout the course of 2015-16, regular engagement 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 Providers/Support Service Providers area of responsibility.

Performance Management

In 2015-16, the Purchasing and System Performance Division will convene regular Performance Management Meetings with Health Services. The purpose of the meetings is to review performance reports and agree on action(s) to be taken by Health Service Provider to improve performance.

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 their 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 Service Providers to be clinically and financially sustainable.

Review of the Service 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.

Key Financial Management Considerations

[The Guidelines](#) captures key financial considerations in [Section 6.2.7](#). This section is designed to highlight the financial policy outcomes that impact on the 2015-16 B&RA Process for Health Services.

Key modifications include Own Source Revenue (OSR) Targets and Revenue Reform, as well as Savings and Corrective Measures (e.g. Efficiency Dividends, Procurement Savings, Targeted Separation Scheme and Workforce Renewal Policy).

8.MASTER SCHEDULE

Total Expenditure View

	2015-16 Budget		Forward Estimates					
	WAOs (#)	Budget (\$)	2016-17		2017-18		2018-19	
			WAOs (#)	Budget (\$)	WAOs (#)	Budget (\$)	WAOs (#)	Budget (\$)
Total Expenditure Budget	145,722	1,557,178,602	148,309	1,539,729,150	150,696	1,514,801,710	152,969	1,455,312,525
ACTIVITY BASED SERVICES	145,722	784,518,679	148,309	811,142,448	150,696	835,436,255	152,969	858,335,977
Schedule A - Inpatient	94,904	510,933,672	96,308	526,735,085	97,456	540,316,677	98,425	552,345,416
Schedule B - Emergency Department	34,946	188,140,515	35,936	196,542,780	36,975	204,997,088	38,051	213,536,602
Schedule C - Non Admitted	15,289	82,313,095	15,468	84,599,414	15,652	86,776,423	15,863	89,019,291
Schedule C1 - Non Admitted - Aggregate	582	3,131,397	597	3,265,169	613	3,346,067	630	3,434,667
NON-ACTIVITY BASED SERVICES		772,659,922		728,586,702		679,365,455		596,976,548
Schedule D1 - Non Admitted Mental Health		58,773,000		58,397,325		59,857,258		61,353,690
Schedule D2 - Small Rural Hospitals		182,107,000		190,483,922		199,246,182		208,411,507
Schedule E - Public Health & Ambulatory Care		186,341,434		191,898,482		180,341,819		150,421,639
Schedule F - Teaching, Training and Research		23,250,884		24,456,477		25,751,324		27,068,550
Schedule G - Special Purpose Funding		218,714,092		198,430,013		157,001,291		88,101,948
Schedule H - National Partnership Funding		—		—		—		—
Schedule I - Financial Products		66,979,952		74,124,483		73,272,581		82,081,214
Schedule I2 - Savings and Corrective Measures		36,493,560		(9,204,000)		(16,105,000)		(20,462,000)

The Schedule outlines the Activity as Weighted Activity Units (WAUs) and associated budget allocation by category for all hospitals in the Health Service Provider's catchment area.

The Annual Performance Management Framework 2015-16 specifies the performance management plan, targets and performance thresholds for Activity.

9. Service Activity Schedules

Commonwealth Specific Purpose Payment Activity and modified Funding

ABF Service group	National Efficient Price (NEP\$) (as set by IHPA)	Total expected NWAU (#) (modified for IHPA adjustments)	Commonwealth	
			Funding rate (%)	Contribution (\$)
Total activity funded	4,971	120,357	39.8%	237,894,431
Acute Admitted	4,971	71,647	40.2%	143,289,107
Admitted Mental Health (<i>includes MHC</i>)	4,971	4,576	36.1%	8,214,547
Sub-Acute (<i>includes MHC</i>)	4,971	4,766	38.9%	9,212,955
Emergency Department	4,971	26,415	37.7%	49,552,534
Non Admitted	4,971	12,953	42.9%	27,625,288

ABF Service group	Total Contribution (\$)	Commonwealth		State Contribution (\$)
		Contribution (\$)	Funding rate (%)	
Total block funding	348,112,202	129,919,484	37.3%	218,192,718
Non Admitted Mental Health	46,461,820	13,210,987	28.4%	33,250,833
Other 'In Scope' Program Services	—	—	—	—
Rural CSO sites	278,399,498	107,972,706	38.8%	170,426,792
Teaching, Training and Research (<i>includes MHC</i>)	23,250,884	8,735,791	37.6%	14,515,093

Performance Management

Key Performance Indicators and the Performance Management Framework

The PMF was introduced in 2010-11 for ABF funded hospitals¹ in WA and consolidates performance reporting, monitoring, evaluation, management and intervention. The PMF has matured to become a system wide performance management framework focussed on enabling WA Health to achieve key priority areas as well as ensuring the WA health system is sustainable into the future and continues to deliver safe, high quality care for all Western Australians.

The PMF 2015-16 continues to be aligned to State and National strategic priorities. The PMF 2015-16 should be read in conjunction with other Department documents and publications including the following:

- [ABF/ABM Annual Performance Management Framework 2014-15](#)
- [WA Strategic Plan for Safety and Quality in Health Care 2013-2017](#)
- [Health Service Performance Report Performance Indicator Definitions Manuals 2015-16](#)
- [ABF/M Performance Management Strategic Directions 2014-15 and Beyond Consultation Framework](#)
- [Performance Reporting and Data Quality within the Performance Management Framework](#)

¹ Note: ABF funded hospitals include the metropolitan hospitals and the WA Country Health Service regional resource centres and integrated district health centres.

1.1 Performance Reporting, Monitoring, Evaluating and Management

The PMF involves a system of reporting performance against specified Key Performance Indicators (KPIs) for each Service Provider. Reporting on the performance of Service Providers against the KPIs occurs on a regular basis, with the level of performance assessed against an agreed target.

The PMF 2015-16 is monitored through the monthly Health Service Performance Report (HSPR) 2015-16. The HSPR 2015-16 has a strong focus on performance in key priority areas and is aligned to the WA Health Strategic Intent 2015-20. The HSPR provides targeted and timely information and analysis to assist in managing performance.

The HSP enables Service Providers to understand their performance against system management obligations.

Departmental Assessment of Performance

The performance of Service Providers is monitored regularly against the KPIs, targets and thresholds specified in the HSPR. Performance review meetings are held monthly between WA Health, as the System Manager, and each Health Service, as the Service Provider. The performance review meeting is held as part of the monthly Board meetings. Sustained high performance may lead to less frequent performance review meetings. More frequent meetings are held where there are emerging performance deterioration or significant, continuous under performance.

Standard Monitoring and Assistance Required are the two proposed intervention levels in the 2015-16 financial year. The level of intervention dictates the action required by the Health Service Providers and/or the Department. The Director General has the discretion to escalate or de-escalate concerns to higher or lower levels based on an assessment of progress with the recovery plan.

Actions Arising from Performance Assessments

The Department will also determine the subsequent actions required to monitor performance or correct any performance concerns – standard monitoring or assistance required.

The level of intervention will be based on:

- the seriousness of performance concerns
- the likelihood of rapid deterioration
- the level of support required to sustain health service operations or manage risks
- progress towards existing recovery plans
- persistent and emerging financial risk
- and other demonstrated performance deficits.

Standard Monitoring

Performance review meetings are held monthly between the Department and the Health Service Providers. Sustained high performance may lead to less frequent performance review meetings. The basis of discussion will be the information and analysis provided in the Health Service Management Report.

The meetings aim to assist health services to proactively manage issues, with appropriate support to achieve performance targets and avoid the need for further action. The discussion will be interactive and enable health services to raise relevant issues. The meeting will cover previously agreed actions, flag potential or emerging performance issues, and identify risks affecting future performance. Actions and requirements of health services and the Department will be clearly recorded.

Assistance Required

If the Department determines an assessment of *Assistance Required* a range of responses maybe applied, including:

- more frequent meetings between the Department and the health service
- development of recovery plans by the health service to address performance concerns, including analysis of the drivers of poor performance, mitigation strategies and implementation plans
- appointment of external resources, parties and expertise to assist the health service to address performance concerns
- implementing a peer collaboration model whereby health services assist each other in regards to addressing performance concerns
- a requirement to undergo a department-sanctioned audit
- independent reviews, the scope of which is determined as appropriate to address the performance concerns, but which may include a review of the health service's management capability.

1.2 Service Agreements

The PMF forms the Health Service Provider Service Agreement (SA) between the Director General of Health as the delegated 'Board' and the Health Services. The SAs, in turn, form the basis of the Personal Performance Agreements between the Director General of Health, Health Service Chief Executives and Executive Directors, who have a direct accountability for delivery of health services.

Service Providers operate in an environment of delivering the services set out in the SA. The SA is informed by the WA CSF 2010-2020, specifying the scope of services and target levels of activity for a facility. The SAs ensure that the Government's policy objectives on service delivery are clearly set out and provide the basis for both payment and evaluation of performance. The performance management of the SAs is undertaken as prescribed in the PMF.

Financial Management Standard

It is essential to improve financial management and accountability in the WA Health sector. To assist in this improvement the following Financial Management Standard (the Standard) outlines the criteria for better practice and guides Health Service Providers in improving their financial management. It focuses Health Service Providers on the internal organisational procedures and processes to support and improve financial management practice and accountability.

The principles of the Standard are consistent with Government expectations for public sector agencies.

The Standard contains twelve criteria for improved financial management and accountability:

- Criterion 1 – The financial objectives for the organisation are clearly defined, approved by the Chief Executive and are consistent with Department and Government expectations.
- Criterion 2 – The Chief Executive’s responsibility for financial management is clearly defined and is supported by documented lines of financial accountability throughout the organisation.
- Criterion 3 – A finance and audit committee is established as oversight for the financial aspects of governance.
- Criterion 4 – Standing financial instructions with regard to Treasurer’s Instructions and AAS are updated to reflect current requirements, and these have been formally adopted by the Chief Executive, disseminated and implemented throughout the organisation.
- Criterion 5 – Financial risk management processes exist throughout the organisation.
- Criterion 6 – There is an effective and documented system of internal control for all financial management systems.
- Criterion 7 – There is an adequate resourced, training and competent finance function.
- Criterion 8 – Staff including managers and the Chief Executive are provided with adequate information, instructions and training on financial management.
- Criterion 9 – The Chief Executive reviews the effectiveness of its system of internal control for financial management at least annually.
- Criterion 10 – The Chief Executive receives regular reports on financial performance and activity, and is made aware of significant risks, determines and takes appropriate action.
- Criterion 11 – The Executive Director of Finance (or equivalent) provides an annual assurance to the finance and audit committee on the effectiveness of the organisation’s financial arrangements based on this standard.
- Criterion 12 – The organisation can demonstrate that it has done its reasonable best to meet its key financial objectives.



**This document can be made available in alternative formats
on request for a person with a disability.**

© Department of Health 2015

Copyright to this material is vested in the State of Western Australia unless otherwise indicated. Apart from any fair dealing for the purposes of private study, research, criticism or review, as permitted under the provisions of the *Copyright Act 1968*, no part may be reproduced or re-used for any purposes whatsoever without written permission of the State of Western Australia.