



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

# WA Country Health Service Service Agreement 2016-17

improving care | managing resources | delivering quality





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## 1. Health Service Provider Delivery Commitment

This Service 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 Service Agreement is in accordance with enabling Western Australian (WA) Legislation. The WA Health System has the meaning given under Section 19(1) of the *Health Services Act 2016*. Department Chief Executive Officer (CEO) of Health is recognised as the System Manager of the WA Health System under Section 19(2) of the *Health Services Act 2016*. The Department CEO and the Health Service Providers must enter into a Service Agreement for the provision health services as per Section 46 of the *Health Services Act 2016*.

The Service Agreement is also in accordance with the *National Health Reform Agreement (2011)*. The Department, through the Department CEO, will retain responsibility for system-wide coordination and policy; resource acquisition, allocation and stewardship; purchasing and regulation. This Service Agreement is to be read in conjunction with the Purchasing and Resource Allocation Policy Framework, Performance Policy Framework and the Service Agreement Management Policy (the Policy).

The Parties hereby confirm their commitment to this Service Agreement. In signing the 2016-17 Service Agreement, the Department CEO notes the following:

1. risks identified by the WA Country Health Service (WACHS) in achieving the budget parameters set in the 2016-17 Service Agreement
2. WACHS will make every effort to achieve activity targets within the budget provided
3. regular monthly meetings will be set to best understand the current issues/risks and progress being made to mitigate them
4. the establishment of a Financial Program Board and Financial Recovery Plan to identify and manage the necessary steps to operate within budget parameters
5. a letter will accompany the Service Agreement that recognises the key risks and challenges of the WACHS.

The Department CEO agrees to provide funding and other support to the WACHS as outlined under '*Role of the Department CEO*' in the Policy Framework and associated Policy. The WACHS agrees to meet the service obligations and performance requirements outlined under '*Role of the Health Service Provider*' as outlined in the Policy Framework and associated Policy.

The Department CEO will continue to emphasise, as a priority, the importance of state and national safety and quality standards across the WA Health System. This Service Agreement recognises the priority commitment that the WACHS has in delivering improvements in safety and quality for health service provision—consistent with the level of care consumers would expect from WA Health Service Providers.

**Execution**

Executed as a Service Agreement in Western Australia.

**Parties to the Agreement:**

**Department CEO**

Dr David J Russell-Weisz  
Director General  
Department of Health

Date: 01 July 2016

Signed: 

The Common Seal of the  
WA Country Health Service  
was hereunto affixed in the presence of: )  
)  
)

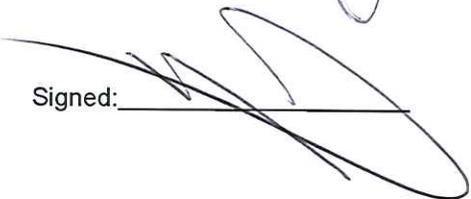
Dr Neale Fong  
Board Chair  
WA Country Health Service

Date: 1 July 2016

Signed: 

Mr Jeffrey Moffet  
Chief Executive  
WA Country Health Service

Date: 1/7/16

Signed: 



## 2. Background

This Service Agreement is between the Department CEO of Health as the System Manager of the WA Health System (herein referred to as 'WA Health') and the WA Country Health Service (WACHS). Both parties acknowledge that this Service Agreement follows frameworks, policies, guidelines and plans as outlined below:

- WA Health Strategic Intent 2015-2020
- Clinical Services Framework (CSF) 2014-2024
- Purchasing and Resource Allocation Policy Framework
- Service Agreement Management Policy
- Performance Policy Framework
- WA Clinical Governance Framework
- WA Strategic Plan for Safety and Quality 2013-2017
- National Safety and Quality Health Service Standards
- Research Policy Framework
- Clinical Teaching and Training Policy Framework
- WA Aboriginal Health and Wellbeing Framework 2015-2030
- WA Health Information and Communications Technology (ICT) Strategy 2015-2018
- ICT Policy Framework.

### WA Health Strategic Intent 2015-2020

The Strategic Intent defines WA Health's overarching vision, values and priorities.

WA Health's vision is *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 all Western Australians receive safe, high quality and accessible health care.

### 3. Arrangements under the *Health Services Act 2016*

Pursuant to Section 49 of the *Health Services Act 2016*, the term of the Service Agreement is for a one year period. This Service Agreement covers the period from 1 July 2016 to 30 June 2017 and a forecast period of three years ending 30 June 2020. The forecast period allocations provided within the Service Agreement are indicative only.

In accordance with Section 46(3)(a),(b) and (g) of the *Health Services Act 2016*, the main function of the WACHS is to provide health services (inpatient, Emergency Department and non-admitted services inclusive of mental health services) as well as teaching, training and research in support of the provision of health services. Pursuant to Section 44 of the *Health Services Act 2016*, a Commission service agreement entered into with the Mental Health Commission CEO for the provision of mental health services, must give effect to the Head Agreement between the Department CEO and the Mental Health Commission CEO. Additionally, the WACHS must provide Public Health and Special Purpose Programs. The services to be provided by the WACHS are detailed in the Service Agreement summary schedule (Section 9).

As outlined in Section 46(3)(c) of the *Health Services Act 2016*, the funding to be provided to the WACHS is detailed in the Service Agreement summary schedule (Section 9). The Department manages the distribution of funds sourced from the WA Government and from the National Health Funding Pool (includes Commonwealth and State funding). These funds are disbursed to the WACHS based on the payments schedule agreed by the Department and the WACHS. Further information on the method for distributing funds can be found in Section 5.

Under Section 46(3)(d),(e) and (f) of the *Health Services Act 2016*, the performance measures and targets for the provision of health services as well as the performance evaluation, review of results and data collection requirements is to be undertaken as prescribed in the Performance Policy Framework.

The WACHS will ensure that structures and processes are in place to comply with this Service Agreement, fulfil its statutory obligations and to ensure good corporate governance, as outlined in the *Health Services Act 2016*, legislative requirements, and WA Health operational directives, policy frameworks, policies and guidelines.

The WACHS will agree with the Health Support Services (HSS) that pursuant to HSS' role to provide centralised services, HSS will deliver four key functions (groups of services) to the WACHS: Finance, Human Resources, Information Technology and Supply.

In accordance with Section 50 of the *Health Services Act 2016*, a party that wants to amend the terms of the agreed Service Agreement must provide written notice of the proposed amendment to the other party. The Service Agreement amendment process is detailed within the Purchasing and Resource Allocation Policy Framework.

## 4. Health Services Management

### Memorandum of Understanding

At proclamation of the *Health Services Act 2016* on 1 July 2016 Health Service Providers will become responsible and accountable for a range of new functions relating to the governance of their service. A range of these functions were previously the responsibility of the Department CEO and undertaken by the Department of Health on behalf of the WA Health System.

To transition these functions from the Department to the Health Service Providers a Memorandum of Understanding has been developed. This Memorandum of Understanding between the Department CEO and the Health Service Provider Board Chairs sets out the Parties' agreed terms for the provision of certain functions by the Department for Health Service Providers during a period of transition (the 2016-17 financial year). Further information can be found within the Memorandum of Understanding between the Department CEO and the Health Service Provider.

### Bilateral Discussions

Throughout the course of 2016-17, regular discussions will be held between the Department CEO, Board Chair and the Chief Executive (or equivalent) from WACHS.

From 2017-18 pursuant to Section 47(1)(b), if the Department CEO and the WACHS cannot agree on some or all of the terms within the Service Agreement, then the Department CEO will decide on the term at least one month before the expiry of the existing agreement (30 June 2017) and advise the WACHS of the decision. The term decided in this circumstance will be included in the Service Agreement.

### Performance Management, Evaluation and Review

The performance reporting, monitoring evaluation and management of the WACHS is undertaken as prescribed in the Performance Policy Framework.

The Performance Policy Framework states that performance review meetings between the Department and the WACHS will initially be held monthly for the first quarter of 2016-17. Thereafter, the performance review meetings will be on a quarterly basis when no performance concerns are identified. Sustained high performance may lead to less frequent performance review meetings. If performance concerns are identified, the frequency of the performance review meetings will be held monthly until performance issues are resolved.

### Performance Objectives

The WACHS will seek to provide and fund health services on a basis that is equitable, accessible, integrated and sustainable for the population in its 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 be clinically and financially sustainable.

## 5.2016-17 Budget & Resource Allocation

### Setting and Distribution of WA Health Budget

For 2016-17, WA Health’s total approved expense limit for the WA public health system is \$8.6 billion, accounting for over a quarter of the State’s total expenditure for general government services.

As part of the 2016-17 budget submission, WA Health provided the State Government with advice as to the likely volume of inpatient activity, Emergency Department activity, hospital-based non-admitted activity and block funded services<sup>1</sup> expected for 2016-17 and for the three out-years 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

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) 2016-17 price and cost models with adjustments applied to suit WA Health specific funding requirements
- activity based allocations for 2017-18 onwards are based on the established growth outlined by the demand and capacity modelling in the CSF

- adjustments for external factors (e.g. budget constraints, post-CSF arrangements), requirements for contracting privately-provided public hospital services and other relevant considerations.

Block funded services<sup>1</sup> are increased by an expected population growth factor.

### Activity Based Funding (ABF) Pricing

The Department has implemented a single Health Service Allocation Price (HSAP) for 2016-17. This signals a movement from dual pricing between tertiary sites and all other sites as has been the case for the previous three years.

A transitional Tertiary Price Loading (TPL) has been developed and applied to adult tertiary sites in 2016-17 to recognise additional tertiary costs that are present in underlying costing data in WA. It is the intention of the Department to reduce the TPL over the next four years to converge to a single price, reflective of all costs associated with ABF.

**Table 1: 2016-17 ABF Pricing Parameters**

|  | Projected Average Cost (PAC) | Standard Price Loading (SPL) | HSAP           |
|--|------------------------------|------------------------------|----------------|
| <b>All sites</b>                         | \$5,015                      | \$545                        | <b>\$5,560</b> |
| <b>Tertiary Price Loading (additive)</b> |                              | \$184                        | <b>\$5,744</b> |

<sup>1</sup> Block funded services relate to those health services for which activity data is not yet available (e.g. non-admitted mental health; teaching, training and research).

## 6. WA Country Health Service (WACHS)

The WACHS is accountable for six regional facilities and 15 district facilities within WA Health that offer emergency and general services. Additionally, WACHS operates 49 small hospitals 13 nursing posts in regional and remote locations along with numerous community based health centres.

The regional facilities are:

- Albany Hospital
- Broome Hospital
- Bunbury Hospital
- Geraldton Hospital
- Hedland Health Campus
- Kalgoorlie Hospital.

The district facilities are:

- 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)

## 7. Key Outcomes and Priorities

WACHS priorities include:

- managing elective surgery waitlists
- meeting demand for emergency services at larger hospital sites and improving clinical coordination of emergency retrievals
- meeting the WA Emergency Access Target and WA Elective Services Target
- improving access to regional and metropolitan services e.g. through expanding the Telehealth service
- improving capacity to manage increasingly complex patients in the community to reduce or prevent admissions to hospital
- improving Aboriginal health and Aboriginal employment in health
- continuing the implementation of the Southern Inland Health Initiative
- working with the Commonwealth to ensure appropriate and adequate residential aged care and dementia services
- establishing new renal, cancer and child health services
- ensuring safe, high quality obstetric and maternity care services
- improving mental health, drug and alcohol services
- exploring opportunities and risks related to contracted services
- participating in the National Health Reform agenda
- strengthening partnerships with the Primary Health Networks to improve access to primary health care in the country.

## Safety, Quality and Risk

The WACHS will deliver a safe, efficient and effective health service for the community through:

- implementing the National Safety and Quality Standards and the National Mental Health Standards in all regions
- undertaking the initiatives outline in the WA Health Strategic Plan for Safety and Quality in Health Care
- involving staff and consumers in the delivery of patient-centred care
- promoting a culture of transparency, review and evidence-based learning.

## Aboriginal Health

WACHS works closely with Aboriginal communities, Regional Aboriginal Planning Forums, Aboriginal service providers and related agencies to improve Aboriginal health and access to culturally safe and secure services. Initiatives to improve Aboriginal health and well-being include:

- utilising evidence to focus services on achieving improved outcomes for maternal and child health, mental health, communicable diseases and chronic conditions
- continuing initiatives funded by WACHS through the WA Footprints to Better Health strategy
- increasing Aboriginal employment and educational opportunities and building a stronger workplace environment and culture that attracts and retains Aboriginal staff.

## Research

The WACHS will implement the Research Policy Framework in order to embed a vibrant and effective Research culture into the core activities of WA Health. The WACHS will:

- articulate an investment strategy for Research (including targets and performance measures) in a manner that will support and embed Research as a core activity within its health service
- work towards developing a standardised system for acquitting the Teaching Training and Research budget allocation to demonstrate its investment in research
- develop standardised mechanisms to monitor site research activity and the conduct of research projects in line with System Manager requirements and National Health and Medical Research Council Guidelines.

## Clinical Teaching and Training

The WACHS will implement the Clinical Teaching and Training Policy Framework in order to ensure an appropriately qualified, trained and competent workforce exists, which is supplied into the future and across the WA Health System.

The System Manager will develop a standardised performance reporting framework in line with the Independent Hospital Pricing Authority classification system for acquitting the Teaching, Training and Research budget allocation by 2018. In the interim, the WACHS will articulate an investment strategy for Clinical Teaching and Training (including interim targets and performance measures) in a manner that will support the principles within the Clinical Teaching and Training Policy Framework.

## **8. Misconduct, Discipline, Public Interest Disclosure and Performance Management; and Conduct Review Panels and Medical Appeals Panels**

Misconduct matters, breach of discipline matters, Public Interest Disclosure matters and Performance Management matters that commenced prior to 1 July 2016, and for which the Department CEO is decision maker, or which are being investigated or managed by the Department of Health on behalf of a Health Service Provider, will continue to be managed by the Department CEO and the Department of Health on behalf of Health Service Providers until those matters are finalised.

Conduct Review Panels and Medical Appeals Panels convened prior to 1 July 2016 under the *Memorandum of Understanding between the Minister for Health, the Director General of Health and the Boards of Management and the Australian Medical Association (Western Australia) Incorporated in respect of Clinical Privileges, Conduct and Governance in Western Australian Government Hospitals and Health Services 2015*, will continue to be managed by the Department CEO and the Department of Health on behalf of Health Service Providers until the matters are resolved, including any legal proceedings which may arise.

## 9. Summary of Activity and Funding

|  | 2016-17 Budget |                      | Forward Estimates |                      |                |                      |                |                      |
|--|----------------|----------------------|-------------------|----------------------|----------------|----------------------|----------------|----------------------|
|  | WAUs<br>(#)    | Budget<br>(\$)       | 2017-18           |                      | 2018-19        |                      | 2019-20        |                      |
|  |                |                      | WAUs<br>(#)       | Budget<br>(\$)       | WAUs<br>(#)    | Budget<br>(\$)       | WAUs<br>(#)    | Budget<br>(\$)       |
| <b>WA Country Health Service</b>           | <b>144,983</b> | <b>1,566,207,594</b> | <b>146,202</b>    | <b>1,491,498,884</b> | <b>147,748</b> | <b>1,506,686,340</b> | <b>149,483</b> | <b>1,538,919,525</b> |
| <b>ACTIVITY BASED SERVICES</b>             | <b>139,899</b> | <b>777,895,045</b>   | <b>141,028</b>    | <b>795,229,773</b>   | <b>142,509</b> | <b>816,039,004</b>   | <b>144,187</b> | <b>837,121,485</b>   |
| Schedule A—Inpatient                       | 91,280         | 507,554,167          | 91,858            | 517,972,254          | 92,735         | 531,017,926          | 93,763         | 544,370,254          |
| Schedule B—Emergency Department            | 31,975         | 177,794,414          | 32,361            | 182,477,531          | 32,760         | 187,592,811          | 33,176         | 192,611,622          |
| Schedule C—Non Admitted                    | 15,960         | 88,742,920           | 16,107            | 90,822,142           | 16,293         | 93,299,752           | 16,509         | 95,845,294           |
| Schedule C1—Non Admitted - Aggregate       | 684            | 3,803,544            | 702               | 3,957,846            | 721            | 4,128,515            | 740            | 4,294,316            |
| <b>NON-ACTIVITY BASED SERVICES</b>         |                | <b>619,484,564</b>   |                   | <b>532,099,368</b>   |                | <b>499,882,439</b>   |                | <b>508,387,195</b>   |
| Schedule D2—Small Rural Hospitals          |                | 189,948,000          |                   | 197,829,000          |                | 206,258,000          |                | 214,774,000          |
| Schedule E—Public Health & Ambulatory Care |                | 192,137,224          |                   | 178,666,590          |                | 147,552,775          |                | 149,605,293          |
| Schedule F—Teaching, Training and Research |                | 21,902,216           |                   | 22,706,614           |                | 23,509,923           |                | 24,366,642           |
| Schedule G—Special Purpose Funding         |                | 215,497,124          |                   | 132,897,164          |                | 122,561,741          |                | 119,641,260          |
| <b>FINANCIAL PRODUCTS</b>                  |                | <b>73,351,090</b>    |                   | <b>73,518,462</b>    |                | <b>98,160,981</b>    |                | <b>96,910,535</b>    |
| Schedule I—Financial Products              |                | 73,351,090           |                   | 73,518,462           |                | 98,160,981           |                | 96,910,535           |
| <b>MENTAL HEALTH</b>                       | <b>5,084</b>   | <b>95,476,895</b>    | <b>5,174</b>      | <b>90,651,280</b>    | <b>5,239</b>   | <b>92,603,917</b>    | <b>5,296</b>   | <b>96,500,309</b>    |
| Schedule Q—Mental Health Funding           | 5,084          | 95,476,895           | 5,174             | 90,651,280           | 5,239          | 92,603,917           | 5,296          | 96,500,309           |

**Notes:**

- 1 This 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.
- 2 The Performance Policy Framework specifies the targets and performance thresholds for Activity.

## 10. Service Activity Schedule

### Commonwealth Specific Purpose Payment Activity and Funding

| ABF Service Group                            | National Efficient Price (NEP\$)<br>(as set by IHPA) | Total expected NWAU(#)<br>(modified for IHPA adjustments) | Commonwealth     |                    |
|--|--|---|------------------|--------------------|
|  |  |   | Funding Rate (%) | Contribution (\$)  |
| <b>Total Activity Funded</b>                 | <b>4,883</b>   | <b>115,379</b>  | <b>42.6%</b>     | <b>240,092,711</b> |
| Acute Admitted                               | 4,883  | 68,273  | 42.5%            | 141,850,266        |
| Admitted Mental Health <i>(Includes MHC)</i> | 4,883  | 3,187   | 34.0%            | 5,295,184          |
| Sub-Acute <i>(Includes MHC)</i>              | 4,883  | 6,494   | 38.6%            | 12,225,390         |
| Emergency Department                         | 4,883  | 24,453  | 42.2%            | 50,335,742         |
| Non Admitted                                 | 4,883  | 12,972  | 48.0%            | 30,386,129         |

| Non-ABF Service Group                                 | Total Contribution (\$) | Commonwealth       |                  | State Contribution (\$) |
|---|-------------------------|--------------------|------------------|-------------------------|
|   |                         | Contribution (\$)  | Funding Rate (%) |                         |
| <b>Total Block Funding</b>                            | <b>355,133,113</b>      | <b>133,027,542</b> | <b>37.5%</b>     | <b>222,105,571</b>      |
| Non Admitted Mental Health                            | 47,261,386              | 13,428,613         | 28.4%            | 33,832,773              |
| Other 'In Scope' Program Services                     | —                       | —                  | —                | —                       |
| Rural CSO sites                                       | 284,769,914             | 110,867,931        | 38.9%            | 173,901,983             |
| Teaching, Training and Research <i>(Includes MHC)</i> | 23,101,813              | 8,730,998          | 37.8%            | 14,370,815              |

**Note:**

This schedule relates to Commonwealth in-scope activity only and is a subset of the Summary of Activity and Funding Schedule.



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