

NSW Health Purchasing Framework

Smart Purchasing. Better Value. Best Outcomes.



Health



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FOREWORD

The New South Wales public health system is complex. In 2016/17 there were over 1.9 million admissions to hospitals, 12 million outpatient visits, over 2.7 million emergency department presentations and around 5 million specialist Mental Health community contacts. Despite increasing demand on the system, NSW is the best performing jurisdiction in Australia for timely access to emergency care and elective surgery.

A critical element of the success of NSW Health is taking a strategic approach to ensure that our health services are equipped to meet the needs of their diverse communities.

Since 2011 NSW has continued to implement the significant and far reaching transformation of the health system where there is clear decision making authority and accountability for the delivery of optimal quality, efficient health services, public health care investment and performance is far more transparent.

The NSW Health Purchasing Framework is central to the transformation journey to better link the mix and level of services to be purchased from districts and networks with the performance, quality, health outcomes and experiences we want to provide for patients. Purchasing decisions continue to be informed by health need and service utilisation, ensuring equitable access to services, and evidence of delivery of quality best practice health services.

As the NSW health system moves from a focus on volume (activity and inputs) to value (outcomes), the purchasing model is adapting to support decisions around how we can best improve quality of care and provide health services that respond to patients' needs. Incorporating the principles of value-based health care into the purchasing model will enable health services to deliver care that improves health outcomes, improves experiences of receiving and providing care, and improves the efficiency and effectiveness of care.

As our demographic changes, our population lives longer, and there is continued emergence of new technology, our purchasing model needs to evolve and adapt in response. More and more care will be able to be delivered, clinically appropriately, in out of hospital settings; there will continue to be an increasing focus on disease prevention, keeping people well and out of hospital, and in supporting patients and their carers to make their own health care choices.

Our vision is to build healthier communities and provide world class health care. This requires each and every one of us to make a contribution through collective leadership, following a clear sense of direction and promoting a system based on the principles of fairness and equity, sustainability and efficiency, innovation and integration. I welcome the Purchasing Framework as an important component in achieving this vision.

Ms Susan Pearce

Deputy Secretary, System Purchasing and Performance

1. BACKGROUND

In 2011, NSW Health commenced implementation of major reforms across the NSW Health system in accordance with State government imperatives for devolution, transparency of budgets, and improved accountability for service outcomes. The intent of these reforms was to enable the delivery of the Government's promise of 'Right Care, Right Place, Right Time' for everyone in NSW. The funding, purchasing and performance reforms, which commenced in 2012/13, provide key levers for the Ministry of Health in ensuring an efficient and high quality public health system for NSW.

Concurrent to State reform activities, in 2011 the Commonwealth, States and Territories of Australia agreed to work in partnership to implement new arrangements for the delivery of public health services. The responsibilities for this partnership were outlined in the *National Health Reform Agreement* (NHRA) which reflected the NSW Government's priorities of transparency, local governance and financial sustainability. While the NHRA has since been abolished, the principles for the planning, purchasing and performance management of public health and hospital services¹, notably the requirement to develop annual Service Agreements with districts and networks, remain adhered to by NSW Health.

The Annual Service Agreements between the Ministry of Health and districts and networks detail the number and broad mix of services being purchased, the corresponding price, funding and reporting mechanisms, and the quality and service standards expected for the delivery of these purchased services.

2. PURPOSE OF THE PURCHASING FRAMEWORK

The intent of the Purchasing Framework is to determine the annual mix and volume of services that should be purchased from districts and networks in order to deliver the objectives, goals and outcomes articulated within NSW Making it Happen, including both Premier's and State Priorities, the NSW State Health Plan, and the emerging priorities of both NSW Government and NSW Health. The function of purchasing is a key component of strategic and annual business planning cycles, is informed by the State's funding guidelines, and is tightly aligned to the State budget process.

The NSW Health funding model has two main elements; purchasing and pricing. For further information regarding pricing components, please refer to the NSW Activity Based Management Compendium found at http://internal.health.nsw.gov.au/abf_taskforce.

The Framework is underpinned by goals and principles, a clear description of the outcomes, the measures and targets to be used, and the expected level of performance. It describes the processes to be followed to define the mix of services and the level of activity to be purchased each year from districts and networks, and includes robust descriptions of the activity adjustors, and associated business rules, that will apply in any year.

The Purchasing Framework is implemented in the context of the NSW Health *System Purchasing and Performance Safety & Quality Framework*. This provides an overarching safety and quality focus to drive purchasing of health services that is value and needs based, safe, high quality and achieves value for money for the system.

Purchasing is part of an iterative process and will not always follow a linear path. The Framework therefore includes a proposed calendar of activities in a coordinated approach for deciding the strategic and annual investment priorities of the health system. The activities include touch points with districts, networks, pillar organisations and clinical advisory bodies to inform and involve providers and key stakeholders in the annual purchasing process.

¹ National Health Reform Agreement 2011, clause 8

3. GOALS AND PRINCIPLES

The Purchasing Framework provides the fundamental mechanism for directing resources toward achieving the key priorities articulated within NSW: Making it Happen, including the Premier's and State Priorities, and delivering the election commitments of the NSW Government. Purchasing elements are refined to ensure the achievement of these key goals as well as those priorities articulated within the NSW State Health Plan and annual Strategic Priorities of NSW Health:

1. Keep people healthy
2. Provide world-class clinical care where patient safety is first
3. Integrate systems to deliver truly connected care
4. Develop and support our people and culture
5. Support and harness health and medical research and innovation
6. Enable eHealth, health information and data analytics
7. Deliver infrastructure and system capability
8. Build financial sustainability and robust governance

These key system priorities are outlined in detail within Schedule A of the 2018/19 district and network Service Agreements.

Extracted from the Strategic Priorities are five Secretary's Priorities that together drive system transformation and a sustainable public health system for the future. These priorities are:

- **Patient Safety First** initiatives will drive improvement in safety and quality performance in the NSW health system.
- **Leading Better Value Care** puts the patient at the centre of care systems and moves the system from purchasing volume to value.
- **Systems Integration** across health and social services including Primary Health Networks, other government departments, private and not-for-profit organisations is essential to delivery of health services for the population.
- **Strengthening Governance and Accountability** will improve system performance and delivery by aligning the NSW Health performance framework with whole of Government and Cluster priorities.
- **Digital Health and Data Analytics** will harness innovations and solutions for integrated clinical care, patient engagement, cost-effective service delivery and smart infrastructure. An effective e-Health system is essential to support quality patient centred care, performance monitoring and system management.

The Purchasing Framework is also underpinned by principles across the key domains of health system performance:

Safety	Continuously improving the delivery of better health outcomes by minimising the risk and impact of unnecessary harm to patients and NSW Health staff.
Patient centred culture	A trusted, inclusive and respectful culture that: 1) values and promotes a mutually beneficial partnership between NSW Health staff, patients and their families or carers; and 2) is responsive to patient needs and values, improving the experiences of patient, their families and carers across the continuum of care.

Efficiency	<p>Maximising the usage of available resources to deliver sustainable, high quality healthcare.</p> <p>Delivering care in a manner which maximises resource use, avoids waste and minimises financial risk.</p>
Timeliness & accessibility	<p>Reducing waits and sometimes harmful delays for both those who receive and those who give care.</p> <p>Healthcare that is timely, geographically reasonable, and provided in a setting where skills and resources are appropriate to medical need.</p>
Effectiveness	<p>Providing services and treatment based on evidence-based practice to all who could benefit and refraining from providing services to those not likely to benefit.</p> <p>Integrating care to reduce fragmentation of healthcare service delivery and improve service effectiveness.</p>
Appropriateness	<p>Providing the right evidence-based care, provided by the right providers, to the right patient, in the right place, at the right time, resulting in optimal quality care.</p>
Equity	<p>Providing and delivering care that is high quality regardless of personal characteristics such as gender, ethnicity, geographic location, disability and socioeconomic status.</p> <p>Providing healthcare that is responsive and inclusive to patient need and addresses health inequities.</p>

4. STRATEGIC ALIGNMENT

The NSW Government is committed to ensuring health service delivery is effectively planned, resourced and managed to deliver high quality patient outcomes, within agreed budget and revenue parameters. This commitment requires a management and governance framework that integrates policy development, administrative decision-making, clinical services planning, funding, resource allocation and utilisation, service delivery and quality management.

4.1 State Level Policy

New South Wales has undergone a significant change program. The NSW health system has been transformed by driving accountability through the measurement of outcomes and performance, investing in new models of care, building capability to lead the system into the future, providing services across a continuum of care settings, and using new technologies to promote innovation. This has enabled:

- Decision-making close to the patient through the establishment of district and network governing Boards
- Significant enhancement of the role and engagement of clinicians at district and network level, focusing on defining the role of the five pillar organisations²
- Strengthening of accountability and performance through Service Agreements and the NSW Performance Framework
- Introduction of a clear and transparent basis for the funding of public hospitals through the activity based funding model
- Improved access to information about health system performance across the state
- Investment in new models of care
- Integration of patient care across care settings.

4.2 Federal Level Arrangements

The Council of Australian Governments (COAG) agreed to major reforms to the funding of public hospitals by states, territories and the Commonwealth as set out in the National Health Reform Agreement (NHRA). While the funding model agreed to under the NHRA ceased on 1 July 2017, NSW Health continues to operate in line with the financial and governance arrangements articulated within the NHRA for public hospitals including:

- Funding public hospital services using activity based funding (ABF), wherever practicable, with the Commonwealth contribution determined on the basis of a national efficient price
- Establishing and maintaining nationally consistent standards for healthcare
- Reporting to the community on the performance of health services
- Collecting and providing data to support the objectives of comparability and transparency

In line with requirements of the NHRA, reconciliation arrangements are performed by the Administrator of the National Health Funding Body on a six monthly and annual basis to determine the actual volume of services provided by districts and networks for Commonwealth payment purposes. Where actual activity is greater or less than estimates, payments are adjusted accordingly

² Agency for Clinical Innovation, Bureau of Health Information, Cancer Institute NSW, Clinical Excellence Commission and the Health Education and Training Institute

for the Commonwealth component. The following diagram is an illustration of the reconciliation timeline for 2018-19.

	2017/18												2018/19																							
	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J												
<i>Six-monthly reconciliation</i>	■												■																							
<i>Annual reconciliation</i>	■																								■											

Key	■	Period adjustment relates to Commonwealth adjustment processed and cashflow paid or recovered
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Similarly, NSW Health continues to recognise the key responsibilities of the state and territory governments, with respect to system management of public hospitals as:

- System-wide public hospital service planning and performance
- Purchasing of public hospital services and monitoring of delivery of services purchased
- Planning, funding and delivering capital
- Jointly planning, funding and delivering teaching, training and research with the Commonwealth
- Managing district and network performance
- State-wide industrial relations functions

5. GOVERNANCE

It is important that any decisions about the volume and mix of services to be purchased are fair and equitable, and made in the context of delivering against the goals and objectives of *NSW: Making it Happen* and the NSW State Health Plan. Purchasing is therefore both a strategic and enabling function, and must be well aligned to other functional areas of the Ministry such as policy, planning, funding and performance (Figure 1). There is also the need to create strong linkages with the Pillars and central agencies at all levels, to ensure the system functions as a whole to achieve the desired outcomes for the people of NSW.



Figure 1: Relationships and interdependencies of Ministry of Health functions

Routine processes are in place to facilitate and manage the planning of specialty services and capital investment. These processes are supported by specific policies, service planning tools and guidelines that inform strategic investment decision-making and the development of strategic policy. Ministry functions to support the purchasing of specialty services include:

- Data analysis and health technology assessments
- Evaluating, reviewing and providing guidance on new health technologies and the impact of emerging clinical evidence on service planning and delivery.

The purchasing cycle and decision-making process requires strong governance to ensure milestones are met and accountabilities are clear and personally assigned. The structure is aimed at providing the level of management and accountability required to achieve the intended outcomes, as well as ensuring effective consultation throughout the process with key stakeholders.

There are three key groups:

Service Agreement Steering Committee

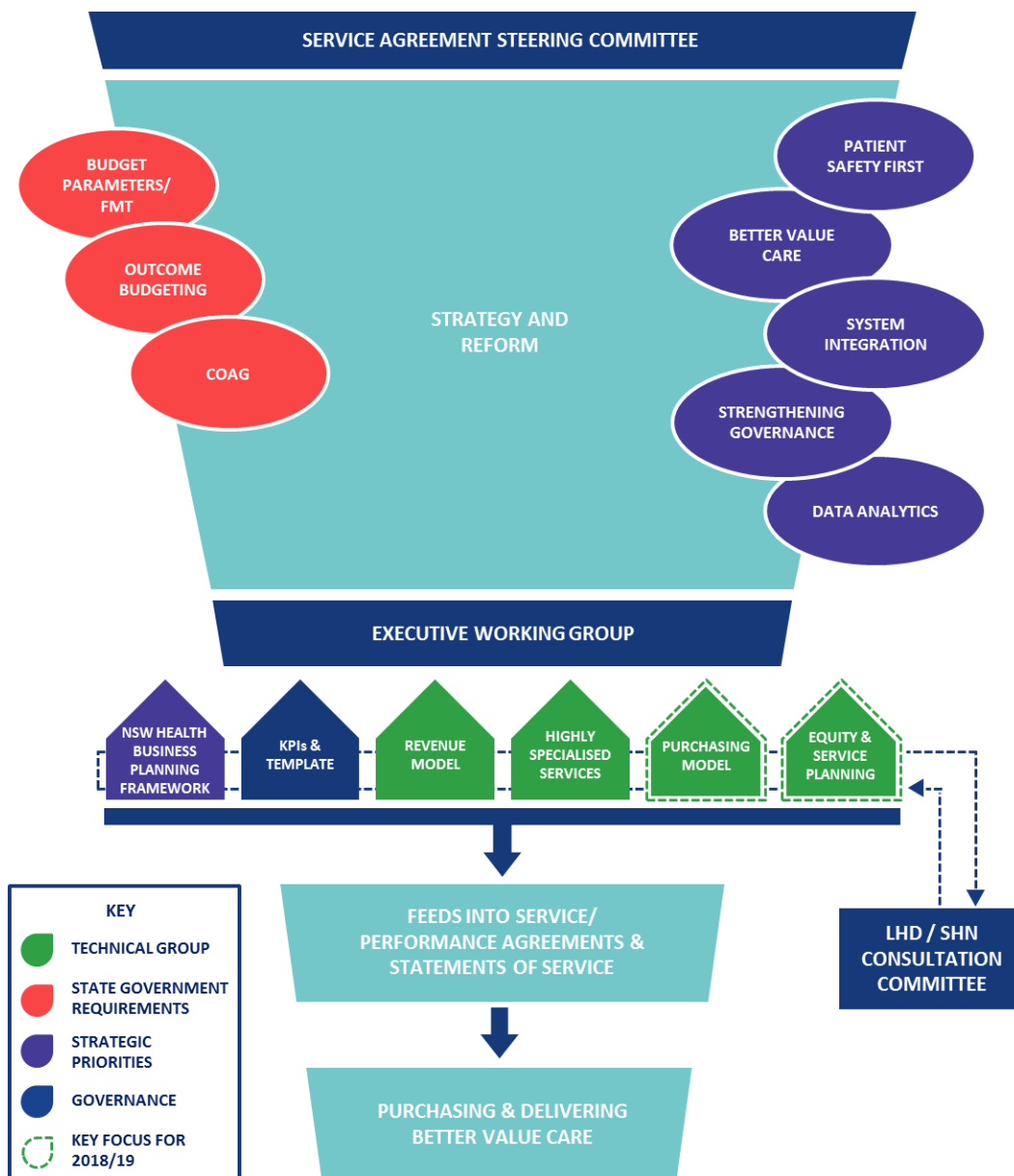
This committee provides strategic direction, and ensure sound governance, over the principles and processes underpinning the negotiation of activity targets, budget allocations, key performance indicators and service measures with respect to the annual Service Agreements, ensuring the alignment of service purchasing outcomes with NSW Health strategic priorities.

Executive Working Group

This group will provide functional level input and advice into the development of the key principles and processes underpinning the negotiation of activity targets, budget allocations, key performance indicators and service measures with respect to the annual Service Agreements, ensuring the ensuring the alignment of service purchasing outcomes with NSW Health strategic priorities.

LHD/SHN Consultation Committee

This consultation committee provides feedback on the processes, principles and methodologies underpinning the development of the annual Service Agreements between the NSW Ministry of Health and the Local Health Districts (LHD) and Specialty Health Networks (SHN).



The calendar for the Service Agreement cycle can be found at Appendix 3, and the Terms of Reference for the governance committees found at Appendix 4.

Annual review

To support the dynamic nature of the environment in which the purchasing function operates, and ensure the Purchasing Framework remains contemporary and aligned to state and national policy, the Framework requires annual review. This review incorporates, as required, changes to:

- Strategic directions and priorities for health in NSW
- Population needs
- The activity purchasing model
- National and state health and funding policies
- Decisions and determinations made by relevant national authorities

6. HEALTH PURCHASING MODEL

The annual Service Agreements between the Ministry of Health and districts and networks detail the number and broad mix of services being purchased, the corresponding price, funding and reporting mechanisms, and the quality and service standards expected for the delivery of these purchased services.

6.1 Activity Purchasing

Ensuring equitable access to health services for local populations is a key objective of NSW health policy. The *Health Services Act 1997* requires that, in determining district and network activity targets and budgets, the Minister(y) has regard to the size and health needs of the local population, and provision of services to residents outside the local area³. The activity model determines the activity to be purchased by volume and mix for the respective year. In 2018/19 activity targets have been set for the following identified ABF service streams:

- Acute admitted services
- Emergency department services
- Sub-acute and non-acute services
- Non-admitted patient services (including outpatients and dental activity)
- Mental health services (including admitted and non-admitted / community) *Note - NSW will continue shadow funding non-admitted specialist mental health services on an activity basis in 2018/19 in preparation for the implementation of the Australian Mental Health Care Classification (AMHCC) as an interim step towards introduction of an ABF approach across the mental health sector.*

Activity targets are developed and adjusted with consideration given to factors appropriate to each health service and service type, rather than a simple extrapolation from historical activity data. These factors are reviewed and negotiated on an annual basis, with data sets, methodology and business rules used to calculate activity targets specific to each service stream. Further detail on each of these can be found within Appendix 1.

In 2018/19 activity targets were informed by the following factors:

- Weighted population change: providing an indication of expected 'natural' growth
- Recent trends in activity growth for each district or network
- Rate of unplanned re-admissions within 28 days
- Potentially preventable hospitalisations (PPH)
- Relative Utilisation Rate (RUR) and Expected Health Utilisation Index (EHUI)
- Specific measures of service quality and appropriateness, including rates of Hospital Acquired Complications
- Inter-district and cross-border flows (where relevant)
- Current year activity relative to targets (for adjustment of baseline volumes, where relevant)
- Known service changes and developments, including planned capacity increases



³ Health Services Act 1997, No 154, s. 127

Activity targets are determined provisionally at district / network level to provide the basis for discussion and negotiation with each district and network, and are reflected using NWAU for each service stream. Additionally, where applicable, activity estimation is split by financial class to allow differential funding mechanisms to be applied to the respective service groups, to reflect the variation in funding source. These financial classes include:

- Public
- Private
- Compensable – Department of Veteran’s Affairs (DVA), Motor Vehicle Accident (MVA), Workers Compensation, Other Compensable

Provisional activity estimates for each ABF service stream, based on all facilities in scope for ABF funding within the respective health service, are provided to each district and network. The provisional estimates provide the basis for discussions and negotiations for the future financial year activity targets that occur between each individual district / network and the Ministry of Health. The activity target discussion and negotiation process allows for relevant local district/network/facility service delivery issues, and associated material activity impacts that may not be accurately captured in the generic activity model, to be communicated with the Ministry. These issues may include inter-district / network flows, implementation of new services or opening of new capacity. Additionally, districts and networks may negotiate to shift their activity growth between service streams to reflect changing models of care, for example an increase in the non-admitted service stream and corresponding decrease in the acute service stream, in response to increased provision of out of hospital care.

Once activity target negotiations have concluded, the final activity targets for each ABF service stream are articulated within each district and network’s Service Agreement, with the relevant pricing schedule applied to the weighted volumes. Performance against delivery of the activity targets is monitored in line with the NSW Health Performance Framework.

In the event of the negotiations with individual health services failing to reach a satisfactory agreement with Ministry staff, a final determination on the recommended service activity levels to be included in the health service’s Service Agreement is made by the Deputy Secretary, System Purchasing and Performance Division.

Once activity targets are finalised, districts and networks advise the Ministry on the phasing of activity targets within the year to account for seasonal variation in activity. The flowed monthly targets are used for monitoring of district and network activity target delivery performance by the Ministry, as well as for reconciliation of payments made by the National Health Funding Pool.

6.2 Provision of Services through a Third Party Contracted Provider

Where a health service achieves delivery of selected services through Affiliated Health Organisations (AHOs) or contracted services with a private provider, these arrangements are to be specified in Agreements between the health service and the respective provider⁴. Both the funding (and subsidy) and associated activity pertaining to such providers are included in the budget and the activity estimates appearing in the health service’s annual Service Agreement with the Ministry.

⁴ In the case of AHOs, the NSW Health Template for Service Agreements between health services and AHOs forms the basis of these Agreements, and requires that the services and activity to be delivered are detailed.

6.3 Process for considering changes to Inter-District Activity Flows

Changes to inter-district activity flows are discussed as part of annual Service Agreement negotiations. Any changes to referral patterns and patient flows between districts and networks should first be discussed between the effected districts and networks to reach resolution. Where resolution cannot be achieved, the System Purchasing and Performance Division within the Ministry of Health will facilitate discussions between the districts to reach resolution.

6.4 Supra LHD Services

Supra LHD services deliver highly specialised health services to all NSW residents. Supra LHD services are provided across district/network boundaries and are characterised by a combination of the following factors:

- Services are provided from limited sites across NSW
- Services are high cost with low-volume activity
- Individual clinicians or teams in Supra LHD services have specialised skills on highly specialised equipment and/or support services
- Provision of the service is dependent on highly specialised equipment and/or support services; and
- Significant investment in infrastructure is required.
- Services are provided on behalf of the State that is, a significant proportion of service users are from outside the host district/network's catchment
- Services are subject to state-wide policy directives (e.g. Level 6 Adult Intensive Care services identified in PD2010_021 *Critical Care Tertiary Referral Networks and Transfer of Care, Adults*).

A Supra LHD service must demonstrate a broader catchment than just the district/network in which they are physically located, and must provide a significant proportion of the total volume of service to residents of other districts and networks.

The NSW Ministry of Health's purchase of agreed Supra LHD services on behalf of the State is informed by analysis of NSW demand for the specified service, including consideration of future service requirements and the annual budget for NSW Health. Supra LHD services are identified in all Service Agreements and include activity targets and key performance indicators where appropriate.

6.5 New health technologies

There is a need to have a more structured approach to the review and purchase of new health technologies. This does not preclude local decision making and innovation, but where these are developed and supported locally, these would be managed from within existing district/network resources. Where a district/network is proposing additional resources to provide a service on behalf of the state, a structured process for nomination has been developed. Refer to GL2017_020 *NSW Framework for New Health Technologies and Specialised Services*.

In summary, before any new technology is considered for public funding in NSW, an assessment of the evidence (including clinical need, safety and efficacy as well as cost effectiveness) needs to be made. This assessment is made in consultation with relevant experts. Should the evidence support public funding, a purchasing decision would then be made in the context of overall budget parameters and strategic priorities.

6.6 Contingency funding for Highly Specialised Services

The Ministry has established the Highly Specialised Services Committee to alleviate some of the financial burden of providing highly specialised services whereby the cost to provide the service significantly exceeds the price paid for its delivery.

Districts and networks can nominate services for consideration each year through the Service Agreement process. The criteria are:

- Distinct clinical services or procedures, not individual high cost patients
- Services / procedures with a material variance between the price as paid under the Diagnosis Related Group (DRG) model, and actual cost of services / procedures, or where there is lack of an accurate DRG for the service / procedure
- Well established services provided from a limited number of sites in NSW (typically 1 – 2 sites)

Changes to NWAU weights have in some instances resulted in more accurate payments for these services. However, because of the annual change to NWAU weightings, annual review of the services continues to be the recommended approach.

6.7 Transitioning to Value Based Healthcare

Using purchasing signals to improve quality and safety

The Ministry seeks to use both performance information and financial levers to drive the delivery of safe, effective and efficient care. A combination of performance indicators and purchasing adjusters is being progressively introduced to influence the delivery of high quality services in a safe manner, in an attempt to ensure the focus of health purchasing is not predominated by volume, but instead by value.

The Purchasing Framework is a critical avenue for directing investment to priority health areas, and for incentivising performance improvement.

Leading Better Value Care

NSW is moving towards value-based health care that optimises the use of health resources, while maintaining the safety and quality of patient care. This involves a comprehensive approach that is centred on what matters most to patients. The approach aims to improve health outcomes, experiences of receiving and providing care, and the efficiency and effectiveness of care.

The Leading Better Value Care (LBVC) program is major part of this large scale reform to transition the health system towards value-based health care. It applies a programmatic approach to support health services scale up evidence based care or processes across the system to achieve better outcomes.

A central premise of LBVC and the move towards value-based care is that best practice patient-centred care is effective and efficient care. The LBVC patient cohorts are cohorts that districts are already providing care for. Applying the principles of LBVC to deliver care in the appropriate setting, reduce unwarranted variation, and focus on outcomes, should result in avoided costs and additional capacity to allow districts to dedicate more resources to the things that add value to patients' outcomes and experiences.

Work will occur over the next two years to inform future purchasing arrangements. This includes an ABM costing study, consideration of formative evaluations to assess early impact, development and

implementation of a model to track cost avoided and capacity created, and the generation of sufficient impact data to inform purchasing arrangements.

Integrated Care

Delivering truly integrated care is one of three key directions in the *NSW State Health Plan: Towards 2021*. From 2014, integrated care has focused on the development of innovative, locally led models across the State. Integrated care involves the provision of seamless, effective and efficient care that meets the whole of a person's health needs; from prevention through to end of life, across both physical and mental health, and in partnership with the individual, carers, and family members. It supports better communication and connectivity between health care providers in primary care, community, and hospital settings.

Under the Integrated Care Strategy (ICS), funding has been allocated to every Local Health District and Speciality Health Network in NSW to support integrated care initiatives. NSW Health is currently working with districts / networks to determine an equitable allocation of ongoing funds to continue to deliver sustainable services in line with this framework. The 2018/19 Service Agreements specify the amount of funding allocated to each district and network for their Integrated Care Initiative which is subject to delivery of activities outlined in an approved Activity Work Plan and Roadmaps. Work under the ICS also contributes to delivery of Objective 3.1 in the 2018/19 NSW Health Strategic Priorities to drive system integration through funding and partnership agreements.

NSW Health has developed a *Strategic Framework for Integrating Care* to guide future directions for integrated care in NSW. The Framework will support and guide health services in moving towards closer systems integration. Alignment work continues following the release of the Integrated Care Formative evaluation; the Integrated Care Strategic Framework; and strategic priorities under the Bilateral Agreement and Health Care Homes.

7. PERFORMANCE MANAGEMENT

The NSW Health Performance Framework sets out the parameters within which the Ministry of Health will monitor and assess the performance of public health services in NSW. The Service Agreements articulate the performance expected of districts and networks to achieve the required levels of health improvement, service delivery and financial performance. The key performance indicators apply at district / network and facility/service levels, promoting and supporting a high performance culture. The Performance Framework sets out the process for how performance against the indicators is assessed and managed.

The Framework also sets out the performance improvement approaches, responses to performance concerns and management processes that support the achievement of these outcomes in accordance with Government policy. The provisions of the NSW Health Performance Framework apply to district and service activity performance. Major components of the Performance Framework are:

- **Annual Service Agreements** – The Agreements include requirements relating to: strategic priorities; services and facilities; budget; purchased activity; performance measures; and governance.
- **Performance Review Meetings** - Performance review meetings between the Ministry and each health service are scheduled quarterly (unless required more frequently to address performance issues). Meetings examine relevant information, such as the Health System Performance Reports, to determine appropriate responses to identified performance issues.
- **Recovery Framework** – Where a district or network is facing ongoing challenges relating to key deliverables, particularly patient flow or surgical access components, a recovery framework has been established to provide directed support to recovery. The district or network is required to develop a recovery plan for the specific issue and work on a weekly basis with System Purchasing and Performance Division to restore performance and provide a sustainable direction.
- **Escalation/De-escalation** - While sustained high performance is recognised, performance issues give rise to individualised responses such as recovery plans or further interventions commensurate with the applicable performance level, namely; 1 - Under Review; 2 - Underperforming; 3 – Serious Underperformance Risk; 4 - Challenged and Failing.

Aspects of the Performance Framework particularly applicable to operation of the Purchasing Framework are:

- **Key Performance Indicators (KPI):** Any Purchasing Framework service activity measure that is also a key performance indicator listed in annual Service Agreements automatically falls within Performance Framework processes (see Schedule E of the 2018/19 Service Agreements).
- **Other Measures:** Should a performance issue emerge with a non-KPI service activity measure (that is, a monitoring measure), the issue is discussed with the health service. If the issue continues, the item will be escalated for discussion in performance review meetings until resolved.

8. APPENDICES

- Appendix 1 Methodology
- 1a: 2018/19 purchasing methodology*
 - 1b: Scope of activity to be purchased: adjustment factor descriptions*
 - 1c Block adjustments*
 - 1d Business rules for 2018/19*
- Appendix 2 In scope ABF facilities for 2018/19
- Appendix 3 Integrated planning & purchasing calendar
- Appendix 4 Governance Committees - Terms of Reference
- Appendix 5 Abbreviations and definitions
- Appendix 6 Reference documents

Appendix 1 – Methodology

1a: 2018/19 purchasing methodology

Service Stream	Methodology
Acute admitted services	<ul style="list-style-type: none"> • A baseline representing current activity levels is set • To this baseline is added expected population growth • Where higher than population growth, 20% of the additional growth arising from a 2018/19 linear extrapolation from the last three years actuals and the current baseline is also added • An equity allocation is also added to districts where residents consume relatively lower acute health services (Relative Utilisation Rate adjusted for age, sex and socio-economic factors).
Emergency department (ED) services	<ul style="list-style-type: none"> • A baseline representing current activity levels is set • To this baseline is added expected population growth • Where higher than population growth, 20% of the additional growth arising from a 2018/19 linear extrapolation from the last three years actuals and the current baseline is also added. • An equity allocation is also added to districts where residents consume relatively lower ED services (Relative Utilisation Rate adjusted for age, sex and socio-economic factors).
Mental health services (admitted)	<ul style="list-style-type: none"> • Acute and Sub-acute • A baseline representing current activity levels is set • To this baseline is added expected population growth
Sub-acute and non-acute services	<ul style="list-style-type: none"> • A baseline representing current activity levels is set • To this baseline is added expected population growth • An equity allocation is also added to districts where residents consume relatively lower sub-acute services (Relative Utilisation Rate adjusted for age, sex and socio-economic factors).
Non-admitted patient services (including outpatients).	<ul style="list-style-type: none"> • A baseline representing current activity levels is set • To this baseline is added expected population growth • Community mental health and dental activity is included in the baseline.

1b: Scope of activity to be purchased: adjustment factor descriptions

Factor	Description	Adjustment
Weighted population change	Change in the size of district's resident population adjusted to reflect different use of acute health care services by people of different age and sex. For example, a district that is expected to experience a greater percentage increase in their elderly population will have a weighted population change which is greater than their unadjusted population change.	Weighted population was calculated by multiplying age-sex specific service utilisation rates with numbers of people in corresponding age-sex groups in each district. Notwithstanding other factors, weighted population change provides the best indication of expected natural growth.
Rate of readmissions / representations (ED) within 28 days	District population's rate of the use of acute hospital services (both public and private) relative to the State average after adjusting for age, socioeconomic status, education, occupation and Aboriginality. Districts with an RU above zero (average) have populations that access acute hospitals services at a rate higher than the average rate for NSW population as a whole.	A portion of readmission rate exceeding the best performing district / network is used to offset growth.

1c: Block adjustments

- Rate of unplanned re-admissions within 28 days
- Potentially preventable hospitalisation
- Measures of safety / quality and appropriateness, including Hospital Acquired Complications
- Rate of unplanned re-presentations within 48 hours
- Emergency Treatment Performance (within four hours) across district hospitals
- The mental health readmission rate
- Improvements in telehealth access performance
- Number of mental health community follow ups within 7 days performance
- Improving data quality

1d: Business rules for 2018/19

The table below details the business rules being applied for 2018/19.

Category	Business Rules
Activity Targets	<p>Activity targets are set for each activity based funding activity stream for all Local Health Districts/Specialty Health Networks.</p> <p>ABF activity targets for Districts/Networks cover activity undertaken in all ABF facilities.</p> <p>Activity targets are negotiated with Districts/Networks and itemised in annual service agreement schedules. This includes identified targets for each relevant broad patient financial category (public /private/compensable).</p> <p>Targets for individual facilities are determined by Districts/Networks.</p>
Acute Admitted	<p>Includes all acute admitted activity where the end date of an episode is within the financial year.</p> <p>Exclusions</p> <p>Any emergency department element of an admission is excluded from acute admitted patient activity.</p> <p>Excludes episodes with an 'M' care type. A complete 'M' care type episode is counted under mental health acute admitted activity.</p> <p>Activity that is not coded or missing other data items required for Diagnosis Related Group (DRG) allocation and National Weighted Activity Unit calculation are excluded.</p> <p>Leave days are excluded from activity and NWAU counts.</p>
Emergency Department (ED)	<p>Includes all ED activity where the departure date is within the financial year.</p> <p>For facilities with ED level of 3B to 6 the urgency related group (URG) classification will be used to count activity and apply the NWAU value. Other facilities (ED level of 3A and below) will use the urgency disposition group (UDG) classification.</p>
Mental Health Admitted	<p>Acute</p> <p>Includes all episodes with an 'M' care type and episode end date within the financial year.</p> <p>The same exclusion criteria applied to acute admitted activity stream will apply.</p> <p>Leave days are excluded from activity and NWAU counts.</p>
Sub-Acute Admitted	<p>Includes all episodes with a sub-acute or non-acute care type.</p> <p>Includes all patient days within the financial year.</p> <p>Only episodes with a valid Australian National Sub and Non-Acute Patient (AN-SNAP) classification will have an NWAU calculated. Records without a valid AN-SNAP class, for example a care type change without collection of AN-SNAP data, will attract zero NWAU.</p> <p>Leave days are excluded from activity and NWAU counts.</p>
Non-Admitted	<p>Includes all non-admitted activity with a service date within the calendar year.</p> <p>Activity is measured by service event counts with relevant NWAU values.</p> <p>NSW consider all activity in-scope and apply state weights where the Independent Hospital Pricing Authority considers activity to be out of scope.</p> <p>Activity related to non-admitted Telehealth consultations will be counted at both the provider and patient locations and assigned a NWAU value for both.</p>

Category	Business Rules
Activity Monitoring	<p>Districts/Networks are expected to meet all activity key performance indicators for ABF service streams in their service agreement with the Secretary, NSW Health. Activity is measured and monitored compared to target on a monthly basis. Activity within +/- of one per cent of the agreed District/Network target will be considered to be 'performing'.</p> <p>Where activity exceeds the District/Network target by more than two per cent or that is more than two per cent below target, the District/Network will be considered to be 'not-performing' which may trigger performance issues as part of the annual service agreement process.</p>
Recall and Excess Activity	<p>As outlined within Schedule E of District/Network service agreements, it is expected that Districts/Networks meet negotiated activity targets within a one per cent variance. Where service target delivery performance deviates significantly from purchased volumes, in-year adjustments may be made. As such it is critical that data capture and data quality continue to be a key focus for Districts/Networks. Similarly to 2017/18, 2018/19 activity growth projections across the system will be informed by performance against delivery of purchased volumes in 2017/18.</p>
Reconciliation and Acquittals	<p>Actual activity data will be refreshed each month for monitoring and reporting purposes. This will account for updates and completion of previous incomplete or error records.</p>

Appendix 2 - In scope ABF facilities for 2018/19

Code	Local Health District	Hospital
Yellow – NEW in 2018/19		
A201	X700 Sydney	Balmain
A202	X700 Sydney	Canterbury District
A207	X630 Sydney Children's Hospitals Network	The Children's Hospital at Westmead
A208	X700 Sydney	Royal Prince Alfred
A212	X690 St Vincent's Health Network	St Vincent's Public
A233	X720 South Eastern Sydney	Sydney & Sydney Eye
A237	X700 Sydney	Concord
A239	X700 Sydney	RPAH Institute Rheumatology /Orthopaedics
B202	X770 Central Coast	Gosford District
B203	X770 Central Coast	Woy Woy Hospital
B204	X770 Central Coast	Long Jetty Hospital
B206	X770 Central Coast	Wyong
B208	X760 Northern Sydney	Greenwich Hospital
B209	X760 Northern Sydney	Neringah Hospital
B210	X760 Northern Sydney	Hornsby & Ku-ring-gai
B212	X760 Northern Sydney	Manly District
B214	X760 Northern Sydney	Mona Vale & District
B218	X760 Northern Sydney	Royal North Shore
B221	X760 Northern Sydney	Royal Rehabilitation Centre Sydney
B224	X760 Northern Sydney	Ryde Hospital
C202	X720 South Eastern Sydney	Calvary Health Care Sydney
C206	X720 South Eastern Sydney	Waverley War Memorial Hospital
C208	X720 South Eastern Sydney	Prince Of Wales
C213	X720 South Eastern Sydney	St George
C214	X720 South Eastern Sydney	Sutherland
C220	X720 South Eastern Sydney	Royal Hospital for Women
C238	X630 Sydney Children's Hospitals Network	Sydney Children's
D201	X740 Western Sydney	Auburn District
D203	X740 Western Sydney	Blacktown
D204	X750 Nepean Blue Mountains	Blue Mountains DHS - Katoomba
D205	X710 South Western Sydney	Camden
D206	X710 South Western Sydney	Fairfield
D209	X710 South Western Sydney	Liverpool
D210	X750 Nepean Blue Mountains	Nepean
D213	X690 St Vincent's Health Network	St Josephs Hospital
D214	X750 Nepean Blue Mountains	Springwood Hospital
D215	X710 South Western Sydney	Campbelltown
D218	X740 Western Sydney	Mount Drutt
D224	X740 Western Sydney	Westmead
D227	X710 South Western Sydney	Bankstown/Lidcombe
D228	X710 South Western Sydney	Braeside Hospital
D311	X750 Nepean Blue Mountains	Hawkesbury District Health Service

Code	Local Health District	Hospital
H201	X810 Northern NSW	Ballina District
H206	X810 Northern NSW	Casino Hospital
H208	X820 Mid North Coast	Coffs Harbour and District
H210	X810 Northern NSW	Grafton Health Service - Grafton Base
H212	X820 Mid North Coast	Kempsey
H214	X810 Northern NSW	Lismore Base
H216	X820 Mid North Coast	Macksville Hospital
H217	X810 Northern NSW	Maclean Hospital
H221	X810 Northern NSW	Murwillumbah District
H223	X810 Northern NSW	Tweed Heads District
H272	X820 Mid North Coast	Port Macquarie Base
H293	X810 Northern NSW	Byron
J201	X800 Hunter New England	Armidale and New England
J208	X800 Hunter New England	Inverell Health Service
J212	X800 Hunter New England	Moree Health Service
J216	X800 Hunter New England	Tamworth Base
J225	X800 Hunter New England	Manning River Base
K211	X850 Western NSW	Dubbo Base
K216	X850 Western NSW	Mudgee District Hospital
K751	X850 Western NSW	Lourdes Hospital Dubbo
L201	X850 Western NSW	Bathurst Base
L206	X850 Western NSW	Cowra District Hospital
L209	X850 Western NSW	Forbes District Hospital
L213	X750 Nepean Blue Mountains	Lithgow Health Service
L216	X850 Western NSW	Orange Base
L217	X850 Western NSW	Parkes District Hospital
M201	Albury Wodonga Health	Albury Base Hospital (only)
M207	X840 Murrumbidgee	Deniliquin Health Service
M212	X840 Murrumbidgee	Mercy Health Service Albury
N201	X830 Southern NSW	Batemans Bay District
N202	X830 Southern NSW	Bega District
N206	X830 Southern NSW	Cooma Health Service
N209	X830 Southern NSW	Goulburn Base
N210	X840 Murrumbidgee	Mercy Care Centre Young
N211	X830 Southern NSW	Moruya District
N215	X830 Southern NSW	Queanbeyan District
N216	X830 Southern NSW	Bourke Street Health Service
N219	X710 South Western Sydney	Bowral and District
P203	X730 Illawarra Shoalhaven	Coledale District Hospital
P206	X730 Illawarra Shoalhaven	Port Kembla District Hospital
P207	X730 Illawarra Shoalhaven	Shoalhaven and District
P208	X730 Illawarra Shoalhaven	Wollongong
P211	X730 Illawarra Shoalhaven	Shellharbour
P291	X730 Illawarra Shoalhaven	David Berry Hospital
Q102	X800 Hunter New England	James Fletcher - Newcastle

Code	Local Health District	Hospital
Q202	X800 Hunter New England	Cessnock Health Service
Q205	X800 Hunter New England	Kurri Kurri District
Q206	X800 Hunter New England	Maitland
Q211	X800 Hunter New England	Newcastle Mater Misericordiae
Q214	X800 Hunter New England	Belmont
Q217	X800 Hunter New England	Singleton Health Service
Q230	X800 Hunter New England	John Hunter
R205	X840 Murrumbidgee	Griffith Base
R219	X840 Murrumbidgee	Wagga Wagga Base
S201	X860 Far West	Broken Hill Base

Appendix 3 - Integrated planning & purchasing calendar

Output	July	August	September	October	November	December	January	February	March	April	May	June
FUNDING & PURCHASING	State Budget			State Government updates forward (3 year) budget estimates & releases to Ministry		Budget Committee sets budget strategy (including the approval of Ministry proposals)			Treasurer issues budget allocation letters	Budget Committee reviews Government's final budget position	Budget presented to Parliament	Budget papers and Appropriation Bills passed
	Independent Hospital Pricing Authority		Budget Estimates hearing		Final Pricing framework	Draft NEP18 and NWAU18		National Efficient Price set for next FY				
	Ministry Budget	Ministry review of budget outcomes including identification of funding risks		Treasury requests proposals for capital works & expected recurrent & capital receipts for next year		Ministry responds to forward estimates Ministry submits proposals for capital works						Ministry sets NSW Efficient Price
	LHD Service Agreements				Strategic intent briefings with LHDs commence	Confirmation of strategic intent		Service Agreement consultation	Service Agreement negotiations			Service Agreements issued
SAFETY & QUALITY	Key Performance Indicators			LHD engagement in the development of priorities for next FY	Finalisation to S&Q KPIs and purchasing levers for next FY							
PERFORMANCE	National Performance Cycle											
	Performance Reports	Routine performance reports - including monthly performance reports against Service Agreements										
	System Manager Performance Reviews	MONTHLY										
	Annual Report	Completion and submission of Annual Report			Annual Report tabled in Parliament							

Appendix 4 – Governance Committees - Terms of Reference

4a: Service Agreement Steering Committee

TERMS OF REFERENCE



NSW Health Service Agreement Steering Committee (2018/19)

1 PURPOSE

Reporting to the NSW Health Secretary, the Steering Committee is responsible for leading the development of the 2018/19 Service Agreements between the NSW Ministry of Health (MOH) and the Local Health Districts (LHD) and Specialty Health Networks (SHN).

The Steering Committee will provide strategic direction, and ensure sound governance, over the principles and processes underpinning the negotiation of activity targets, budget allocations, key performance indicators and service measures with respect to the 2018/19 Service Agreements, ensuring the alignment of service purchasing outcomes with NSW Health strategic priorities.

2 SPECIFIC FUNCTIONS AND RESPONSIBILITIES

The key functions and responsibilities of the NSW Health Service Agreement Steering Committee (2018/19) are as follows:

- Provide **leadership** and strategic direction with respect to the development of the 2018/19 Service Agreements between MOH and districts / networks, making recommendations to the Secretary, as required, for key decisions regarding fundamental purchasing, Activity-Based Funding (ABF) and budgetary principles and performance requirements.
- Ensure the development and implementation of **transparent** principles and processes for setting prices, budgets and activity targets and ensure that these are adequately communicated and understood across the health system in order to build confidence in both the ABF Funding Framework and the NSW Health Purchasing Framework.
- Inform the process and parameters for negotiating activity targets between the System Purchasing and Performance Division and districts/networks, including the determination of purchasing adjustors and baseline activity definitions, ensuring **consistency** in their application across the NSW Health system.
- Oversight the annual review of Service Agreement key performance indicators and improvement measures, ensuring their **relevance**, materiality and alignment to NSW Health strategic priorities and State and Commonwealth government performance obligations.
- Ensure sound **governance** over the 2018/19 Service Agreement process, including the effective operation of the Service Agreement Executive Working Group and that any material variations to the content and format of the 2018/19 Service Agreements are approved by the Secretary.
- Ensure adequate **consultation** with key stakeholders throughout the 2018/19 Service Agreement process, including the effective operation of the Service Agreement LHD/SHN Consultation Committee and the timely dissemination of information concerning the methodologies underpinning activity targets, ABF prices and classifications (in-scope versus out-of-scope), and revenue and expenditure budget allocations and efficiency targets.
- Inform and advise the processes and principles for the establishment of any **transitional** arrangements to be implemented in 2018/19

3 MEMBERSHIP

Deputy Secretary, System Purchasing & Performance (Chair)

Deputy Secretary, Strategy & Resources

Chief Financial Officer

4 OFFICERS IN ATTENDANCE

Executive Director, System Purchasing

Executive Director, Health System Information & Performance Reporting

Director, ABF Taskforce

Deputy Director, ABF Taskforce

5 QUORUM REQUIREMENTS

Two members (or nominated delegates) must be in attendance.

6 SECRETARIAT

Executive Director, System Purchasing

7 FREQUENCY OF MEETINGS

This meeting will be convened monthly on the 3rd Thursday of each month, from September 2017 to June 2018.

8 REPORTING RELATIONSHIPS

The Steering Committee will brief and advise the Secretary on key procedural and technical matters, and seek Secretary determination/approval with respect to key strategic issues and principles underpinning the development of the 2018/19 Service Agreements. In turn, the Steering Committee will provide guidance and direction, and communicate Secretary determinations to the Service Agreement Executive Working Group for implementation.

4b: Service Agreement Executive Working Group

TERMS OF REFERENCE



NSW Health Service Agreement Executive Working Group (2018/19)

1 PURPOSE

Reporting to the NSW Health Service Agreement Steering Committee, the Executive Working Group is responsible for providing practical input and technical advice into the development of the 2018/19 Service Agreements between the NSW Ministry of Health (MOH) and the Local Health Districts (LHD) and Specialty Health Networks (SHN).

The Executive Working Group will provide functional level input and advice into the development of the key principles and processes underpinning the negotiation of activity targets, budget allocations, key performance indicators and improvement measures with respect to the 2018/19 Service Agreements, ensuring the ensuring the alignment of service purchasing outcomes with NSW Health strategic priorities.

2 SPECIFIC FUNCTIONS AND RESPONSIBILITIES

The key functions and responsibilities of the NSW Health Service Agreement Executive Working Group (2018/19) are as follows:

- Provide **technical advice**, and make recommendations to, the Service Agreement Steering Committee, to facilitate and inform key decisions regarding fundamental purchasing, Activity-Based Funding (ABF) and budgetary principles and performance requirements in the development of the 2018/19 Service Agreements.
- Ensure the implementation of **transparent** principles and processes, as determined by the Steering Committee and/or the Secretary, for setting prices, budgets and activity targets and ensure that these are adequately communicated, understood and consistently applied across the health system in order to build confidence in both the ABF Funding Framework and the NSW Health Purchasing Framework.
- Inform the development and utilisation of **robust** methodologies for determining the affordable level of services to be purchased within the constraints of the State budget allocation, taking into account approved service/capacity increases and the application of purchasing adjustors as determined by the Steering Committee and/or the Secretary.
- Inform the annual review of Service Agreement key performance indicators and improvement measures, ensuring their **relevance**, materiality and alignment to NSW Health strategic priorities and State and Commonwealth government performance obligations, including the recommendation of suitable criteria for the inclusion of indicators and measures in the 2018/19 Service Agreements.
- Make recommendations to the Steering Committee with respect to any proposed material revisions to the format or content of the 2018/19 Service Agreements.
- Facilitate adequate **consultation** with key stakeholders throughout the 2018/19 Service Agreement process, through the identification and timely dissemination to districts and networks (and the LHD/SHN Consultation Committee) of appropriate explanatory material and other relevant information concerning the methodologies underpinning activity targets, ABF prices and classifications (in-scope versus out-of-scope), and revenue/expenditure budget allocations and efficiency targets.
- Make recommendations to the Steering Committee with respect to the processes and principles for the establishment of any **transitional** arrangements in 2018/19

3 MEMBERSHIP

Executive Director, System Purchasing (Chair)
 Executive Director, Health System Information & Performance Reporting (Alternate Chair)
 Associate Director, Health System Information & Performance Reporting
 Deputy Chief Financial Officer
 Director, Revenue and Finance
 Director, ABF Taskforce
 Deputy Director, ABF Taskforce
 Director, Purchasing and Performance
 Executive Director, Health System Planning and Investment
 Director, Specialty Service and Technology Evaluation Unit
 Executive Director, Health and Social Policy
 Executive Director, Mental Health Branch
 Director, Office of the Chief Health Officer

4 OFFICERS IN ATTENDANCE

Executive Director, System Management
 Principal Performance Analyst, System Purchasing

5 QUORUM REQUIREMENTS

50% plus 1.

6 SECRETARIAT

System Purchasing Branch

7 FREQUENCY OF MEETINGS

This meeting will be convened fortnightly on Tuesdays, from September until December 2017, then monthly on Tuesdays from February until June 2018.

8 REPORTING RELATIONSHIPS

The Executive Working Group provides advice, and makes recommendations, to the Steering Committee on all key procedural, technical and strategic matters, issues and principles related to the development of the 2018/19 LHD/SHN Service Agreements. The Executive Working Group also keeps the Steering Committee informed of matters raised and discussed at the LHD/SHN Consultation Committee.

In turn, the Executive Working Group informs the LHD/SHN Consultation of key decisions and proposed methodologies relating to the determination of activity targets, ABF funding allocations, non-ABF budget allocations, and Service Agreement key performance indicators and improvement measures.

4c: Service Agreement District/Network Consultation Committee

TERMS OF REFERENCE



NSW Health Service Agreement LHD/SHN Consultation Committee (2018/19)

1 PURPOSE

Reporting to the NSW Health Service Agreement Executive Working Group, the LHD/SHN Consultation Committee provides feedback on the processes, principles and methodologies underpinning the development of the 2018/19 Service Agreements between the NSW Ministry of Health and the Local Health Districts (LHD) and Specialty Health Networks (SHN).

2 SPECIFIC FUNCTIONS AND RESPONSIBILITIES

The key functions and responsibilities of the NSW Health Service Agreement LHD/SHN Consultation Committee (2018/19) are as follows:

- Provide a forum for the Service Agreement Executive Working Group to inform key stakeholders on the processes, principles and methodologies to be adopted in the development of the 2018/19 Service Agreements, to facilitate **transparency** with respect to the determination of prices, budgets and activity targets for 2018/19.
- Provide constructive feedback on the key purchasing principles proposed to underpin the 2018/19 budget allocations and activity targets, to ensure **equitable** purchasing outcomes across the NSW Health system in a constrained fiscal environment, and **consistency** in the application of these principles in the development of the 2018/19 Service Agreements.
- Facilitate **transparency** around the known aspects of the 2018/19 NSW State Budget and the potential impact on, and implications for, Districts and Networks.
- Provide feedback into the annual review of Service Agreement key performance indicators and service measures, ensuring their **relevance**, materiality and alignment to NSW Health strategic priorities and State and Commonwealth government performance obligations.

3 MEMBERSHIP

Executive Director, System Purchasing (Chair)

Executive Director, Health System Information & Performance Reporting

Executive Director, System Management

Director, ABF Taskforce

Deputy Director, ABF Taskforce

Chief Executive, Hunter New England Local Health District

Chief Executive, Mid North Coast Local Health District

Chief Executive, South Western Sydney Local Health District

Chief Executive, Western Sydney Local Health District

Director of Finance, Northern Sydney Local Health District

Director of Finance, Sydney Children's Hospitals Network

4 OFFICERS IN ATTENDANCE

Director, Purchasing & Performance

5 QUORUM REQUIREMENTS

Not applicable – the Committee is a consultative rather than a decision-making forum.

6 SECRETARIAT

Director, Purchasing & Performance

7 FREQUENCY OF MEETINGS

This meeting will be convened monthly on the 3rd Thursday of each month, from September to November 2017

8 REPORTING RELATIONSHIPS

The LHD/SHN Consultation Committee provides feedback to the Executive Working Group.

Appendix 5 - Abbreviations and definitions

Abbreviation	Term	Definition (where applicable)
ABF	Activity Based Funding	A system of funding public hospitals for the number and variety of patients they treat. The ABF parameters take into account that some patients are more complex and resource intensive to treat than others.
ABM	Activity Based Management <i>in healthcare environment</i>	An evidence-based approach to health care delivery utilised by NSW Health. The principles of ABM require the collection, coding and analysis of patient-level data, such as clinical cost and activity, to inform decisions relating to patient care.
AHO	Affiliated Health Organisation	AHOs are defined in the NSW Health Services Act 1997 No 154 (section 62) as an organisation or institution whose name is included within column 1 of Schedule 3 to the Act.
AN-SNAP Classification	Australian National Sub and Non-Acute Patient Classification	Classification used to classify episodes of care for sub and non-acute patients
	Block Funding	Block funded hospitals or services in an ABF context are those where the technical requirements of ABF cannot be satisfied, or where there is an absence of economies of scale resulting in services not being financially viable under ABF.
COAG	Council of Australian Governments	The peak intergovernmental forum in Australia comprising the Prime Minister, State and Territory Premiers and Chief Ministers, and the President of the Australian Local Government Association.
DRG	Diagnosis Related Group	Group (Class) within the AR-DRG patient classification system. Applies to admitted patients.
	Healthcare Purchasing	The process to identify providers who are able to meet assessed health needs at specified standards, contract with them to deliver a specified quantity and quality of care and manage contracts effectively.
IHPA	Independent Hospital Pricing Authority	IHPA is an independent statutory authority established under Commonwealth legislation as part of the <i>National Health Reform Agreement</i> signed by the Council of Australian Governments in August 2011. IHPA sets the National Efficient Price and price weights based on national data provided by the state and territory governments, develops national classifications for use in public hospitals for ABF, resolves disputes on cross-border issues, and provides advice and reporting to Australian governments and the public as required.
KPI	Key Performance Indicator	Primary performance measure within the NSW Health Performance Framework.
NEP	National Efficient Price	The price, set by the Independent Hospital Pricing Authority (IHPA), that determines the Commonwealth Government's share of funding to States and Territories for public hospital services funded on an activity basis (ABF). NEP is based on the national average cost of public hospital services.

Abbreviation	Term	Definition (where applicable)
NWAU	National Weighted Activity Unit	<p>Described as a single 'currency' that expresses relative resource use for services funded on an activity basis.</p> <p>A NWAU can be applied across all ABF clinical service streams.</p> <p>A NWAU for the patient care streams, other than Acute Patient Care, is expressed relative to the average cost of acute care.</p> <p>NWAU provides a way of comparing and valuing public hospital admissions, emergency care presentations or non-admitted patient service events.</p>
S&Q	Safety and quality	
UDG	Urgency Disposition Groups (Classification used for grouping emergency care activity occurred in an emergency service (ES). Applies to services with role delineation levels 1 to 3A in ABF facilities.
URG	Urgency Related Groups	Classification used for grouping emergency patient care activity in an emergency department (ED). Applies to services with role delineation levels 3B to 6 in eligible for ABF facilities.

Appendix 6 - Reference documents

Document	Location
Activity Based Management intranet site	http://internal.health.nsw.gov.au/abf_taskforce/
National Efficient Price determination 2018/19 documents (IHPA)	https://www.ihipa.gov.au/publications/national-efficient-price-determination-2018-19
National Health Reform Agreement	http://www.federalfinancialrelations.gov.au/content/npa/health/_archive/national-agreement.pdf
National Health Reform Act, 2011	http://www.comlaw.gov.au/Series/C2011A00009
NSW ABM Compendium	http://internal.health.nsw.gov.au/abf_taskforce/resources/ABM-Compendium.html
NSW Casemix Classifications Handbook	http://internal.health.nsw.gov.au/abf_taskforce/resources/Handbook-index.html
NSW Performance Framework	http://www.health.nsw.gov.au/Performance/Pages/frameworks.aspx
NSW Performance Measures Data Supplement	http://internal4.health.nsw.gov.au/hird/browse_data_resources.cfm?selinit=K
NSW Service Agreement Template	http://www.health.nsw.gov.au/Performance/Pages/frameworks.aspx
Performance and Accountability Framework (NHPA)	http://www.health.gov.au/internet/nhpa/publishing.nsf/Content/Reporting-framework