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**Memorandum of Understanding
between
St Joseph's Hospital
and
Western Sydney Area Health Service**

**St Joseph's Hospital
and
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Memorandum of Understanding

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St Joseph's Hospital and Western Sydney Area Health Service

Memorandum of Understanding

Preamble

The Western Sydney Area Health Service and St Joseph's Hospital have had a strong and close association since the inception of the Area Health Service in 1986.

The strength of the relationship derives from a shared desire to meet the health care needs of the community of Western Sydney. The Area, consistent with its obligations, has translated this need into a service profile. It is from this service profile that the Area has, in partnership with the Sisters of Charity, created a delineated role for the Hospital. This role, which has and will continue to evolve over time, is the cornerstone of the relationship.

There are also intrinsic benefits to both parties that derive from the relationship. The Hospital is small and so it benefits substantially from being able to tap into the infrastructure of the Area. The Hospital as part of the Sisters of Charity Health Service is obligated to meet the needs of the poor. The care of the aged, the mentally and physically disabled and the dying is a tangible reflection of this obligation. The Area is therefore assured that the Hospital will do its utmost to provide the best possible care for this group of patients.

It is recognised that the relationship will require continuous nurturing to remain strong. A clear understanding of the rights and responsibilities of the respective parties is seen as an important part of this process. As these have never been explicitly and formally stated there exists an opportunity for greater clarity. This Memorandum of Understanding provides the vehicle for addressing this deficiency.

It is important to note that this agreement is not concerned with performance but has a process and structure focus. Performance expectations would derive from the Executive Director's annual performance agreement which would reflect the obligations arising from the Area CEO's performance agreement.

Structural Relationship and Authority

The nature of the relationship between the Hospital and the Area formally derives from the Health Services Act 1997 (the Act) and the authority conferred by it. The Act recognises that an Affiliated Health Organisation (AHO) such as St Joseph's Hospital is a separate entity which contributes to the provision of public health services. The Act provides that an AHO can have its own governance structure and is allowed to make its own by-laws provided they are not inconsistent with the provisions of the Act and Health Department Policy.

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In terms of an Area Health Service, the Act allows the Minister to delegate to it the function of determining the subsidy to be received by an AHO for its recognised establishments and recognised services and the conditions that should attach to the subsidy. Consistent with this provision the Area has been providing the Hospital with its budget allocation.

Beyond this provision the authority of the Area rests with its obligation to provide health services to the residents of its geographic area.

The following authority is therefore determined by the Act with respect to the parties covered by this Memorandum of Understanding: -

The Hospital (as an incorporated body) has: -

- The right to set and follow its philosophy and its ethical standards
- The right to title of all property and land vested, and the right to trust funds held
- The right to be the legal employer of its entire staff, with responsibility for the appointment of all staff, the protection of their rights regarding continuity and promotion and other employment matters.
- The right to engage VMO's and other contractors.
- The right and obligations of separate governance and the attendant freedom of association, strategic direction and the capacity to establish and/or adopt policy. Recognising that this freedom exists within the context of the Act and the considerations which flow from the relationship with the Area.

The Area has: -

- Delegated responsibility for delivering the Hospital's budget.
- The obligation to determine service requirements consistent with the needs of the people for which it is responsible.
- Such other authority as delegated by the Minister or the Director General (eg. responsibility for enacting Award entitlements and accounts and audit compliance.)

Mission Imperatives

The Hospital as a facility under the care of the Sisters of Charity is part of the healing ministry of the Catholic Church. This commits the Hospital to those in need consistent with the expression of the Mission of the Sisters of Charity - *Service of the Poor*. Given this commitment it is necessary that defined service role and Area expectations generally, do not compromise the Hospital's Mission imperatives.

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Service Role

As indicated in the preamble, the role of the Hospital should be such that it supports the Area's obligations for the health and well being of its population. A tangible reflection of this principle was the role change, which took place in 1991. The role change established a new service profile which was felt to be more appropriate to future Area needs. Subsequent reviews and demographic analysis have re-affirmed the relevance of this service profile and the current iteration of it is outlined in Appendix 1.

Notwithstanding the fact that the current role is seen to be consistent with need, there should always be the potential for change at the behest of either the Hospital or the Area. Primary considerations in regard to change should be: -

- ◆ Consistency with the Mission and Ethics of SCHS.
- ◆ Consistency with Area priorities and clinical stream directions.
- ◆ That the required competencies exist.
- ◆ Its responsiveness to community need
- ◆ The impact on staff
- ◆ Cognisance of the significant change that the Hospital has already endured.
- ◆ The likely economic benefit
- ◆ Consistency with SCHS strategic directions.

Negotiations in relation to service changes should be regarded as the province of the Area and the Hospital, having regard to the delegation provided by the Act.

Relationships with Streams

The Area has taken steps to ensure that service planning is developed on an area wide basis and with the direct involvement of clinicians through the creation of clinical streams. Given this is a fundamental mechanism for meeting the health needs of the people of Western Sydney it is important that the Hospital work in partnership with the streams. To this extent it would be expected that regular dialogue be held with the Director of Clinical Operations, Directors of the Clinical Management Units and Stream Directors.

Additionally, it would be expected that the Hospital would liaise with respective streams in regard to proposed changes to services and in regard to the appointment of clinicians. To further facilitate the process of engaging the Hospital in the stream process, the Hospital should be represented on planning and operational committees of the Area where the decisions arising from those committees are likely to have direct and/or indirect impact on the Hospital's services.

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The Hospital would also support the development of service agreements, not inconsistent with this Memorandum, in circumstances where stream directors considered that this would facilitate greater clarity and add value to the relationship.

Funding and Financial Arrangements

As indicated, the Area has delegated authority from the NSW Health Department for establishing and distributing the Hospital's budget. This is done in accord with government policy applicable at the time. Consistent with this principle there should be a three-year budget cycle. At the commencement of the cycle the Hospital will submit its budget estimates for the three-year period. Through discussion between the Executive of the Hospital and the Area a final allocation will be determined.

The three year allocation is intended to provide a degree of certainty for service planning purposes, however the need for flexibility is understood. In the interests of flexibility, and recognising the potential for changes in the budgetary environment, an annual review between the Executive of the Hospital and the Area should take place in which alterations can be made to the base allocation. Decreases to the budget base should be limited to 0.5% of GOP except where the change is imposed directly from NSW Health.

Factors to be taken into consideration in regard to funding should include but not be limited to: -

- The overall level of funding available (a briefing document outlining the Department of Health funding allocation to the Area will be made available).
- The general financial position of the Area
- Expected levels of Hospital activity
- The probable net receipts and expenditure for the period
- Casemix funding methodologies (if applicable)
- The creation of incentives to encourage strategies that help reduce costs and/or increase revenues.
- The probable requirements for capital and maintenance.

In regard to the last item the Hospital will develop an asset and building stock maintenance plan for the three-year cycle. It would be expected that items considered to be of primary importance would be funded over and above the recurrent allocation and draw from, amongst other sources, the Area's capital pool, to which the Hospital is a contributor.

The Area will ensure that the Hospital is made aware of any relevant enhancement funding opportunities.

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At the end of the three-year planning cycle a budget reconciliation statement should be prepared which would indicate the total allocation and the adjustments made. The statement should include material items such as expenses incurred by the Area on the Hospital's behalf, Treasury Managed Fund surpluses/deficits foregone, budget reductions, net capital contributions etc

A separate agreement should be established, based on due diligence principles to deal with such things as leave liabilities, plant and equipment ownership and the value of corporate and support services provided by the Area. This agreement would provide assurance for the respective parties in the event of winding-up of the Hospital or in a circumstance of significant change, for example if the Hospital were to be transferred to the responsibility of another Area.

Corporate Services

The Area provides the Hospital with a range of corporate services. These are detailed in Appendix 2. Benefit has accrued to both parties as a result of the Hospital using Area services. For example the cost of providing corporate support for a small Hospital such as St Joseph's is high and the ability to access the Area's infrastructure helps reduce overhead costs. Access to the Area's corporate services also reduces the risk of operating small stand-alone services which struggle to maintain compliance in an environment of increasing complexity.

The Area has also benefited from increased economies of scale and the operational advantage provided by a unilateral approach to corporate services. Given the clear benefit, future opportunities should be considered in the context of mutual benefit rather than straight commercial principles; at least to the extent that neither party is significantly disadvantaged either operationally and/or economically.

In general terms the policies of the Area's corporate services will become those of the Hospital except where the policy extends beyond the scope of the contracted service. In this case the Hospital reserves the right to independently endorse these policies.

Quality, Accreditation and Compliance

The Hospital as a key service provider for the population of Western Sydney should be able to give the Area demonstrable proof that the quality of its services is of an adequate standard. The Hospital is therefore obligated to participate in the Area's quality processes. This requires the Hospital to provide reports, as prescribed, to the Area Board and its sub committees. The Hospital will also agree to maintain full ACHS accreditation status and to advise the Area of significant adverse events. The Hospital also accepts its obligation to comply with the Accounts and Audit determination and related NSW Health Policy.

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Commencement and Review Dates

This Memorandum of Understanding takes effect from July 1st 2003. A review will be undertaken at the end 2006/2007 financial year. This allows for evaluation based on the full three year budget cycle.

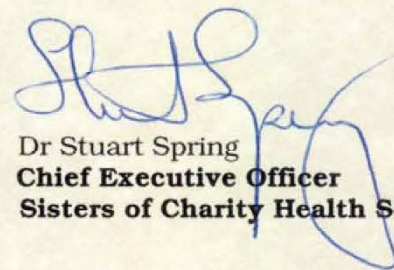
Signatories to the Memorandum of Understanding

Memorandum of Understanding



Assoc Prof Steven Boyages
Chief Executive Officer
Western Sydney Area Health Service

Date: 4/9/2003



Dr Stuart Spring
Chief Executive Officer
Sisters of Charity Health Service

Date: 4/9/2003

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Appendix 1: Current Services and Catchments

Inpatient

Service	Beds	Catchment
Palliative Care	22	Eastern Sector
Medical Rehabilitation	20	Whole of WSAHS
Aged Care Assessment and Rehabilitation	20	Eastern Sector
Aged Care Psychiatry and Neurosciences	15	WSAHS

Outpatient

Service	Occasions of Service*	Catchment
ACAT	1,535	Auburn
Palliative Care Medical Outreach and Day Hospital	2,498	Eastern Sector
Medical Rehabilitation Clinic	923	WSAHS
Aged Care Assessment and Rehabilitation Clinic & Support Groups	332	Eastern Sector
Geriatric Psychiatry	2,540	WSAHS
Allied Health	11,780	Eastern Sector

*Based on YTD June 2003

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Appendix 2: Area Corporate & Support Services

The Area provides the following services to the Hospital: -

Budgetary Contribution

- Payroll
- Financial Services
- Internal Audit
- Human Resources
- Supply
- Information Services
- Fleet Management
- Occupational Health and Safety

Fee for Service

- Bulk Food
- Laundry
- Pathology

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