

# Service Delivery Agreement Performance Framework

**Northern Territory Department of Health**  
**Effective 1 July 2019**

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## Overview

The Northern Territory's Department of Health, the Top End Health Service and the Central Australia Health Service are committed to delivering quality, sustainable and equitable outcomes across a diverse field of health service activities. Our purpose is to work together, as one system, to deliver better health for all Territorians, with healthy Territorians engaged and living in healthy communities.

In 2011 all states and territories entered into the National Health Reform Agreement (NHRA) which set the shared intention for all governments to work in partnership towards a unified, sustainable health system with improved health outcomes for all Australians. The NHRA (and the addendum signed in 2017) recognises the states and territories as managers of the public hospital system along with local accountability and responsiveness through locally controlled hospital networks; it is purchaser-provider system.

To give effect to the NHRA, the NT established the Health Services Act (the Act) in 2014 to recognise and operationalise the principles and objectives of a unified Australia health system. The Northern Territory public health system now comprises two health services - Top End Health Service and Central Australia Health Service, and the Department of Health is the System Manager.

In line with the NHRA and the Act, the Department negotiates a Service Delivery Agreement (SDA) with each Health Service that describes the services to be delivered, funding to be provided and performance measures. In terms of performance measures, the Act provides the System Manager is responsible for setting performance standards for the Health Services, monitoring the Health Services against these standards and reporting the Health Services' performance to the Minister and the public.

In addition to the Act provisions, the SDAs also embed the key reforms under the Health Sustainability Reform Program: clinical service planning, travel, workforce, procurement and revenue maximisation. The Health Services' progress against reform milestones forms part of the performance processes.

The Service Delivery Agreement Performance Framework (the Performance Framework) provides a structure for the development, monitoring and management of performance to ensure the Health Services strive to achieve agreed standards and embed continuous improvement.

## Purpose and scope

The simultaneous pursuit of improving the patient experience of care, improving the health of populations and reducing the per capita cost of health care is a multi-dimensional framework that underpins the Performance Framework.

This framework aims to drive a contemporary health system, one that is person-centred, culturally safe and integrates care; encourages innovation and research to improve quality, effective and sustainable services; reports transparently on service quality and patient safety; possesses a culture of continuous improvement and sustainability. This Performance

Framework aims to foster the ongoing growth of a contemporary health system in the Northern Territory.

To that end this document covers:

- Governance of the public health system
- Performance management principles
- Service Delivery Agreement and lifecycle
- Health Sustainability Reform Program and key performance indicators
- Performance monitoring and review processes

The Performance Framework is informed by the following legislation:

- *Health Services Act 2014*
- *Health Services Amendment Act 2018*
- *Public Sector Employment and Management Act*
- *Financial Management Act*

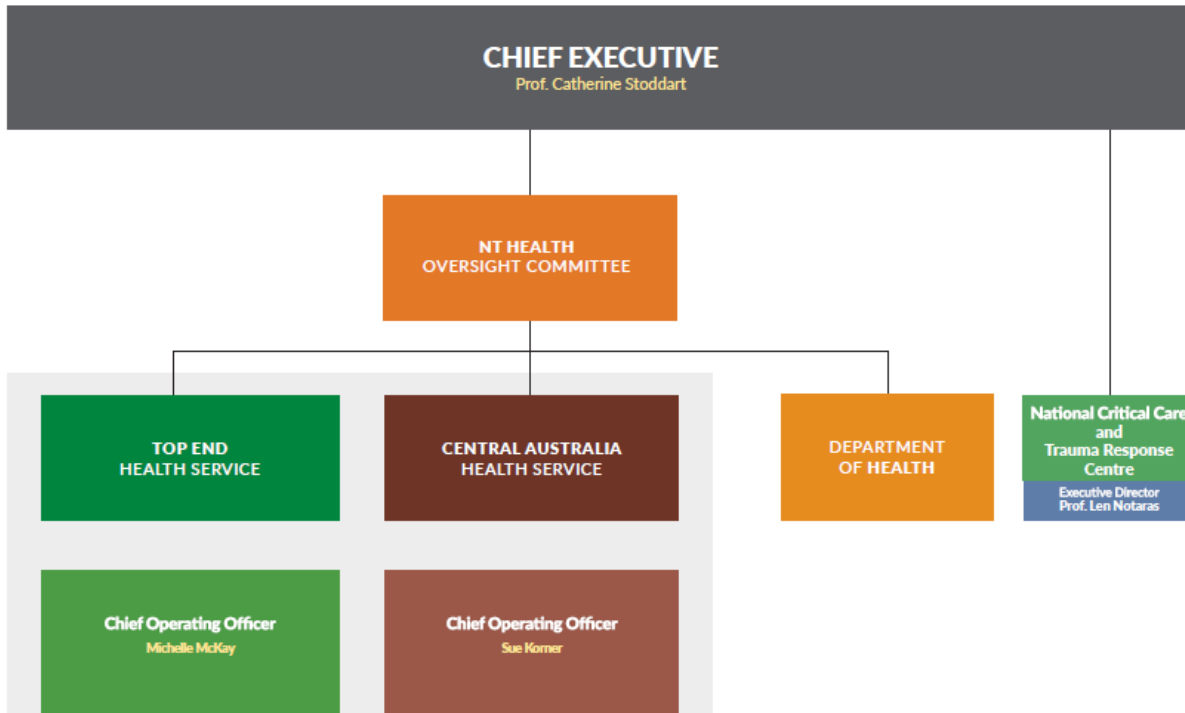
The Performance Framework applies to the Department of Health (as System Manager), Top End Health Service and Central Australia Health Service. It is to be read in conjunction with:

- Northern Territory Health Strategic Plan 2018-2022
- Service Delivery Agreements
- NT Health Service Delivery Agreement Key Performance Indicator Dictionary
- NT Health Governance and Accountability Framework

## Governance of the public health system

Governance of the Northern Territory public health system is aligned with the Health Services Act and other relevant legislation. The *NT Health Governance and Accountability Framework* describes NT Health's functions, structure and roles and details the governance and accountability arrangements which enable the development, management and performance of the NT public health system.

An overview of the NT Health governance structure is shown below.



The NT Health Oversight Committee is the principal governance body for the Department and the Health Services and membership includes departmental senior executives and the two Health Service Chief Operating Officers.

Under this structure the Chief Operating Officer of each Health Service participates in the governance of the public health system and is responsible for the day-to-day operation of the Health Service including implementing the Service Delivery Agreement, monitoring the financial and administrative performance of the Service and managing its employees.

The Department (as the System Manager) is responsible for the overall development, management and performance of the public health system. The Health Services receive their funding from the System Manager and are required to provide services to their communities in accordance with their Service Delivery Agreement.

## Performance management principles

The Performance Framework is based on the following five principles: transparency, consistency, accountability, responsiveness and proportionate.



Principle	What it means
<b>Transparency</b>	Ensuring performance measures and outcomes are accessible and easy to understand
<b>Consistency</b>	The Framework is applied consistently and is consistent with departmental and Territory objectives
<b>Accountability</b>	The roles and responsibilities of the Chief Executive and the Chief Operating Officers are clearly defined
<b>Responsiveness</b>	Where performance issues are identified, the Department and Health Services will work together to implement and monitor strategies to address the issue
<b>Proportionate</b>	Performance responses reflect the risk associated with the performance issue

## Service Delivery Agreements and lifecycle

Under the Health Services Act, Service Delivery Agreements (SDA) are an agreement between the System Manager and each Health Service that set out:

- The health services and other services to be provided by the Service
- The funding to be provided to the Service for the provision of the services
- The performance standards, targets and measures for the provision of the services
- The performance data to be reported to the System Manager by the Service

In respect of the performance element, the Act provides the System Manager to:

- set performance standards for the coordination, provision or quality of health services by Services
- monitor the performance of the Services
- take remedial action when performance does not meet the required standard

Under the Act, the Health Services and the Chief Operating Officer:

- implement the SDA
- meet the performance standards and targets in the SDA

The negotiation of the SDA is an operational matter between the Health Service Chief Operating Officer and the Chief Executive Officer and inherent to the development and performance management of the SDA is the focus on sustainability through reform and continuous improvement.

The planning, development and management of the SDAs follows an annual lifecycle, illustrated in the diagram on the next page.

### Performance roles and responsibilities

#### Chief Executive Officer

The Chief Executive Officer is accountable to the Minister for Health and reports Health Service performance status to the Minister quarterly and when an intensive intervention is implemented.

#### The Department

The Department, as System Manager, has the following roles and responsibilities:

- Developing and maintaining a focus on high performing Health Services and continuous improvement
- Developing SDA key performance indicators (KPIs) and performance targets
- Performance monitoring
- Working collaboratively with Health Services to address performance issues
- Providing monthly performance reports and developing additional management reports required by the Health Services to inform and manage performance more effectively
- Coordinating secretariat support for monthly performance review meetings

- Monitoring and updating KPIs and associated tolerances to ensure congruence with national definitions, local relevance and validity

### Health Services

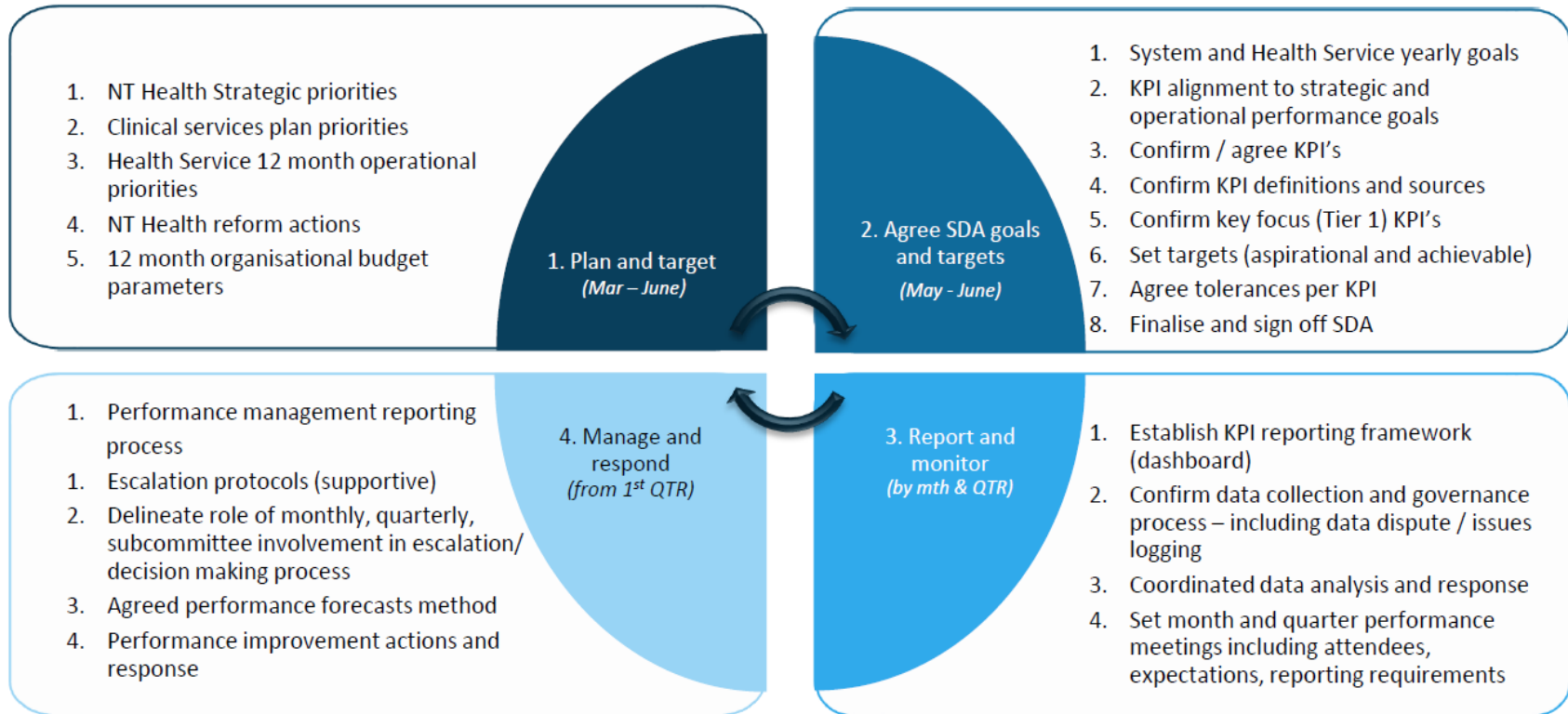
The Chief Operating Officer of the Health Service is accountable to the Chief Executive Officer of the Department of Health and is responsible for implementing the SDA and monitoring the performance of the Health Service.

The roles and responsibilities of the Health Services include:

- Developing and maintaining a focus on high performing Health Services and continuous improvement
- Reporting on the performance of the Service
- Identifying performance issues and developing and evaluating action plans to respond to these issues
- Working collaboratively with the Department to address performance issues



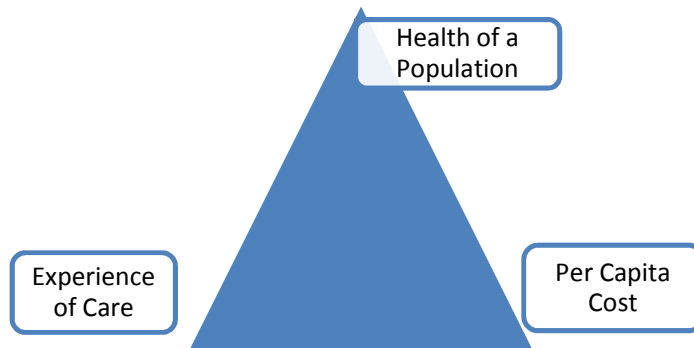
## Service Delivery Agreement Lifecycle



# Measures of performance

## Triple Aim framework

The dimensions of the Triple Aim include the health of a population, experience of care and per capita cost, which taken together provide a framework for measuring value in health care.



### Population Health

The health outcomes of mortality, health and functional status, and their combination healthy life expectancy are ultimate outcome measures for population health. Measures of disease burden and behavioural and physiological factors are included in this aim.

### Experience of Care

The Experience of Care incorporates two perspectives, the individual's experience of the health care system and the perspective of NT Health focused on designing a high-quality experience for patients per agreed areas for improvement.

### Per Capita Cost

Total cost per member of the population per agreed period is used to measure per capita cost.

The components of the Triple Aim are not independent of each other. Changes pursuing any one goal can affect the other two, for example, eliminating overuse or misuse of therapies or diagnostic tests can lead to both reduced costs and improved outcomes.

A health system capable of continual improvement on all three aims, under whatever constraints policy creates, looks quite different from one designed for one aim only.

(NB the Triple Aim framework was developed by the Institute for Healthcare Improvement in Cambridge, Massachusetts (Source: [www.ihl.org](http://www.ihl.org)))

## Health Sustainability Reform Program

The Health Sustainability Reform Program is focussed on improving health outcomes while working more efficiently to achieve financial sustainability. There are six areas of reform:

- Clinical service planning – maximising resources, reducing duplication and improving health outcomes
- Travel reform – through technology, reducing the need for staff and patient travel
- Workforce reform – establishing sustainable workforce models and reducing reliance on external agency staff
- Procurement reform – streamlining the purchase of goods and services and maximising cost efficiencies
- Maximising revenue – improving internal systems, processes and staff knowledge in areas of activity based funding and Medicare Benefits Scheme

Monthly dashboards report on Health Service performance against agreed targets.

### Key performance indicators

The SDAs use key performance indicators (KPIs) to monitor and measure Health Service performance. KPIs align with strategic (Triple Aim) directions and national agreements across four domains:



The KPIs are drawn from:

- Service indicators in the Australian Health Performance Framework
- National KPIs for Aboriginal and Torres Strait Islander primary health care and NT Aboriginal KPIs
- Activity based funding

The KPIs are classified into four types:

KPI Tier Type	Description
Strategic	Seek to address longitudinal outcomes that align with the NT Health Strategic Plan 2018-2022 and Triple Aim
1	Reflect Commonwealth or NT mandated targets and a small number of agreed local priorities
2	Reflect high-level, year relevant, system priorities that require monitoring but do not reflect the critical risk of non-achievement as Tier 1 KPIs
3	Reflect Health Service level priorities

An NT Health Service Delivery Agreement Key Performance Indicator Dictionary provides detailed information about the KPIs (e.g. definition, calculation formula, data sources). The dictionary can be accessed at

<http://internal.health.nt.gov.au/doh/policy/spm/Pages/default.aspx>

## Performance monitoring and review processes

The performance review process comprises monthly and quarterly meetings.

### Monthly progress review

Monthly progress reviews assess the progress of Health Sustainability Reform Program strategies and Tier 1 and Tier 2 key performance indicators. Attendees include:

- Department of Health representatives:
  - Deputy Chief Executive, Health Policy and Strategy
  - Executive Director, System Performance
  - Chief Finance Officer
  - Other departmental executives as required
- Health Service attendees:
  - Chief Operating Officer
  - Chief Finance Officer
  - Other Health Service officers as required by the Chief Operating Officer

These meetings focus on:

- Recognising above target performance and identifying opportunities to leverage this across the health system
- Developing a shared understanding of strategies in place to improve performance where an issue is identified and any impediments to the progress of the strategies

Working groups may be established to promote or resolve issues.

### Quarterly performance review

Quarterly performance reviews are a strategic high level review of the progress against the top 10 priority key performance indicators and discussion of the traction and effectiveness of remedial strategies in place to address off-target performance. The review includes a formal report from the Chief Operating Officer on current and forecast performance.

Attendees at the quarterly performance review include:

- Chief Executive Officer (chair)
- Deputy Chief Executive, Health Policy and Strategy
- Chief Finance Officer Department of Health
- Executive Director, System Performance
- Chief Operating Officer
- Chief Finance Officer Health Service

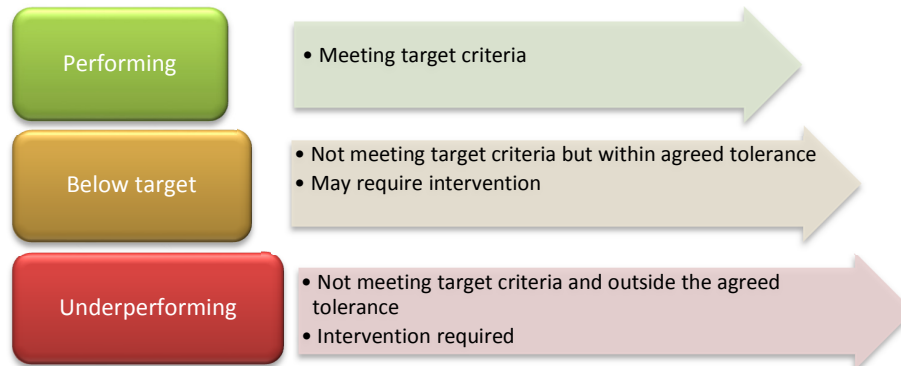
### Quarterly report to the Minister

Under the Health Services Act, the System Manager must report quarterly to the Minister about the performance of each Health Service against the requirements of the SDA.

### Performance assessment rating

Traffic light tolerances (red, amber or green) are applied to key performance indicator results and indicate whether targets have been met and/or require attention (as described above).

Traffic light tolerances:



At the discretion of the Department:

- additional performance indicators may be included as the need is identified
- supplementary measures may be included to support performance monitoring

## Escalation process

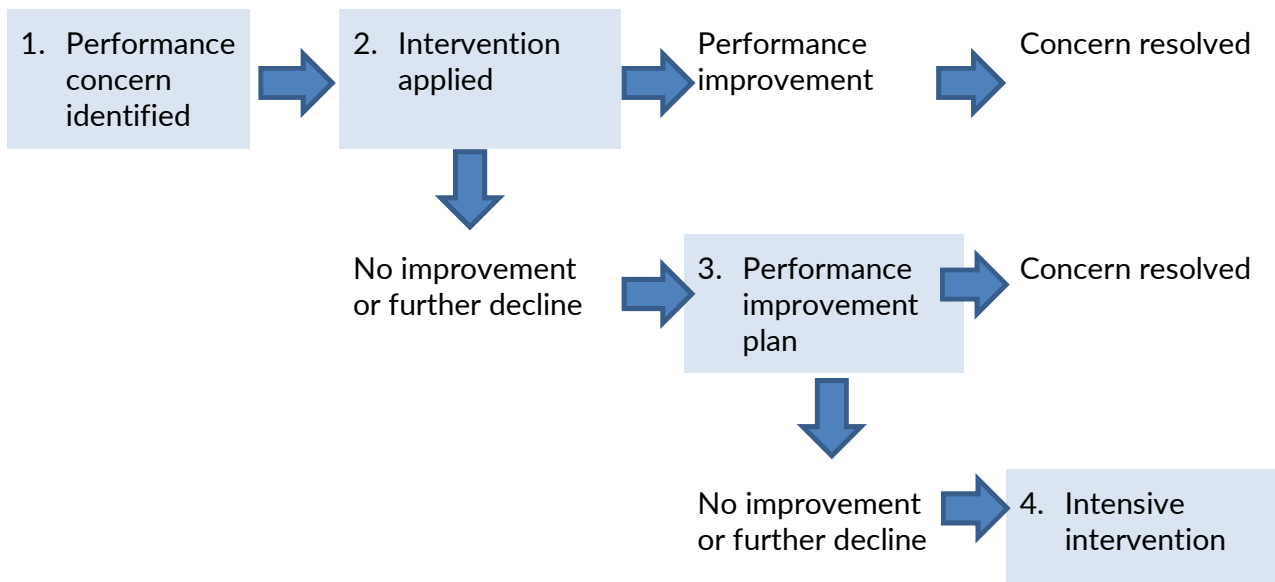
When a KPI result does not meet the target criteria (red traffic light) the System Manager may initiate the following escalation process:

1. Performance concern identified
2. Intervention applied
3. No improvement or further decline leading to performance improvement plan
4. Intensive intervention

Escalation occurs in accordance with the principle of proportionality.

The escalation process is shown below.

Escalation process:



1. Performance concern identified
  - Indicated by underperformance (red traffic light)
  - Consistent below target performance (amber traffic light) may also be cause for identification of a performance concern
2. Intervention applied
  - The Health Service will implement a strategy/strategies to remedy underperformance
  - The strategy is discussed and reviewed at monthly performance meetings
3. Performance improvement plan
  - If no improvement after the predetermined time a performance improvement plan is implemented

- Performance improvement plan to be implemented by the Health Service with regular monitoring including at monthly performance review meetings

#### 4. Intensive intervention

- Occurs if no improvement or the occurrence of further decline
- Involves System Manager intervention and may include the appointment of a performance improvement advisor (refer Health Services Act), engagement of external support, commissioning an independent review

### **Performance improvement plan**

Where a Health Service does not remedy a performance concern, the System Manager may require the Health Service to submit a performance improvement plan for the System Manager's approval. As set out in the Health Services Act, a performance improvement plan will specify:

- the requirements of the SDA which are not being met by the Health Service
- the steps to be taken to ensure the requirements are being met
- the date by which the steps will be implemented
- the measures which will determine if performance has been remedied

The Health Service must comply with a performance improvement plan that has been approved by the System Manager.

The Health Services Act also provides for the appointment of a performance improvement advisor if there has been non-compliance with a performance improvement plan.

## Financial Adjustments

The System Manager may apply financial adjustments to the Health Service in the case of under or over-performance. The table below provides a guide to the financial adjustment that may be incurred by the Health Service.

For all other types of activity variance, any financial adjustment is made at the discretion of the System Manager.

	Activity	Adjustment
Underperformance	<ul style="list-style-type: none"> <li>• Emergency Department:               <ul style="list-style-type: none"> <li>○ Activity below that specified in Schedule 2.1</li> </ul> </li> </ul>	No financial adjustment
	<ul style="list-style-type: none"> <li>• Activity below that specified in Schedule 2.1 for:               <ul style="list-style-type: none"> <li>○ Admitted Acute</li> <li>○ Admitted Sub Acute</li> <li>○ Admitted Mental Health</li> <li>○ Non-hospital block funded services</li> </ul> </li> </ul>	Contracted activity and related funding may be withdrawn pro rata to the level of under-delivery
	<ul style="list-style-type: none"> <li>• Specific program funding</li> <li>• Tied funding agreements e.g. national partnership agreements</li> </ul>	Allocated funding may be withdrawn pro rata to the level of under-delivery
Over-performance	<ul style="list-style-type: none"> <li>• Activity exceeds that specified in the service agreement value (all types of activity).</li> </ul>	SDAs are capped and a Health Service may not receive NTG funding for additional activity. Activity above the NWAU target may be eligible for 45% of the NWAU price up to funding caps agreed with the Commonwealth.