A New Service Framework for Health and Hospital Services in the Northern Territory

November 2012

www.nt.gov.au/health
Acknowledgement

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For more information or to provide feedback on the New Service Framework

Email: NewServiceFramework.DoH@nt.gov.au
It is with great pleasure that I announce important new reforms to Health and Hospital Services in the Northern Territory.

This document outlines the key elements of a new service framework and the principles upon which these reforms are based. I will be providing progress updates on implementation of these reforms as we move through the various milestones and phases.

In the decade or so that I’ve been a parliamentary representative, I have been fortunate to have visited and met with dedicated health workers across the length and breadth of the Territory. In this time I have been constantly reminded of the passion and commitment of staff of the Department, particularly those that work at the coal face. These staff work in often difficult situations and conditions however they continue to strive to provide the best possible health care and treatment to our fellow Territorians.

In recent years state governments have been reforming their health systems but I believe the Northern Territory has lagged behind. The current system relies on top-down decision making and strict compliance. In a part of Australia characterised by its diversity, vastness and small population, innovation and initiative must be embraced.

The Framework that I’ve announced provides the direction for increased local and devolved decision making, particularly for senior clinicians. It provides greater autonomy, less silos and layers of delegation, increased linkages and connectivity of services and refocusses the funding to where the services are provided.

The Service Framework is designed to encourage innovation and initiative across the regions that meet the regional specific needs. It will be supported by a system-wide quality and safety, policy and service provision structure.

I will be travelling across the Territory with Jeff Moffet, Chief Executive of the Department of Health, in the coming months talking to many staff and key stakeholders about this new structure so that you are fully informed about its intent, the timeframe for rollout and the various milestones and phases of implementation.

The Department has set up a website - health.nt.gov.au/New_Service_Framework - to provide further information including frequently asked questions. I also strongly urge you to visit the website and provide your comments and suggestions.

As the Minister for Health I am very proud to be driving these reforms to build a stronger health system that will deliver better health outcomes for all Territorians. It is an exciting time, but not without its challenges. It will take all of us working together to transform our health system. This includes not only the Government sector, but also the many non-government and private organisations that perform such a vital role. I want to thank you all for your professionalism and commitment and look forward to working with you in the interest of all Territorians.

The Hon David Tollner MLA
Minister for Health
A New Service Framework for the Territory’s Health and Hospital Services

Overview of the changes

Major organisational restructuring is planned for the Territory’s Health Department and Health and Hospital Services.

The intention of the changes is to enhance the quality and responsiveness of the services provided by the Territory’s public health and hospital system. This will be achieved by empowering service providers to be in control of and responsible for the services they provide and refocussing the Department of Health to a more traditional policy, system planning and governance role.

The key features of the structural changes will be:

- The establishment of two separate Health and Hospital Services with greater decision making powers, autonomy and accountability for senior clinical staff; one in the Top End and the other in Central Australia operated by Statutory Management Boards that will oversee service delivery;

- Transition over the next 18 to 24 months of a range of health services to the Health and Hospital Services in the regions which will provide improved service integration and pathways for patients and clients as well as local control and decision making;

- A smaller, more traditional Department responsible for Territory-wide services, policy advice, system planning, clinical governance frameworks, service agreements, system monitoring and intergovernmental relations;

- A Health Corporate Services Bureau that will provide corporate services to the Health and Hospital Services and the Department.
Rationale and principles underlying the change

The current centralised program based structure was put in place following the Banscott Review in 2002-03 which identified that there was insufficient professional and program governance in place resulting in a varying range of clinical practices and insufficient professional support for regionally based staff. Since that time both National and Territory clinical and policy frameworks have been well established and the capacity development across the Department has more than adequately dealt with the issues raised in the Banscott Report.

Arguably however, the program based structure now in place is not contemporary and in recent years has led to a lessening of autonomy for those involved in service delivery, an increased level of centralisation and a significant overlap between service planning and monitoring and service delivery. In some cases, this has led to services becoming less responsive to client, staff and regional needs, resulting in less flexible and less timely responses to needs and opportunities.

It is also evident that access to, and navigation of services by consumers is more complex than necessary given the many service silos in various locations across the Territory. A devolved service delivery system will improve the patient and client access to services by having better connected and coordinated services via a regional management framework. The enhanced national and Territory system framework that is now in operation will enable service restructuring to occur without the risks that were apparent at the time of the Banscott Review. This will allow the Department to take on a more traditional role of Ministerial and Government support, system governance and regulation, and policy and standard development. The Department will also be responsible for Territory-wide planning, purchasing and monitoring in line with the Health Reform Agreement and Territory-wide public health system management.

The restructuring will also establish a service delivery arm which, while initially based on hospitals, will over time consist of a broad range of connected health services. Within the Health portfolio, the service delivery arm will be functionally separate from the Department and have clear levels of autonomy, responsibility and accountability.

These changes are substantially different from the current Hospital Networks and will go significantly beyond those initiatives by giving real authority to regional areas and making them far more effective organisations by extending their responsibilities to include broader health services.
A result of these changes will be a much smaller and more focussed Departmental organisation complemented by a far more integrated service delivery arm with greater levels of autonomy, accountability and engagement with their local communities. To enable sufficient time for effective consultation and implementation, the changes will be made in a number of stages over a period to be agreed with service providers, but is expected to be complete within an 18 – 24 month timeframe.

**Principles on which the structure of the Department of Health and the Territory's Health and Hospital Services will be based are:**

- Retain a single Territory-wide system with regional focus
- Ensure community responsiveness
- Better coordinated and integrated services
- Increased local decision making powers
- Setting reasonable accountability requirements commensurate with level of responsibility
- Clarity of roles, responsibility and accountability

**Functional Roles and Responsibilities**

The functional roles and responsibilities of each portfolio within the new Service Framework are as follows and are depicted in a functional chart on page 6.

**The Northern Territory Health and Hospital Services Council**

In order to ensure that services across the Territory operate within a Territory-wide system framework and with full co-operation between service providers a Northern Territory Health and Hospital Services Council will be established.

The Council will have representation from each Hospital, generally at Board level, Chief Executive of the Department, Chief Medical Officer, System Manager and independent expert practitioners as appropriate.

The Council will provide direct advice to the Minister on strategic issues affecting Territory-wide health and hospital services, provide input into system wide planning and service delivery, and the achievement of quality and accountability in the Territory’s health and hospital services.

The Minister may ask the Council to provide advice on other matters as required.
A central feature of the restructuring is the establishment of Territory Health and Hospital Services. These services will be Board managed and regionally based with comprehensive, client-focussed services that are responsive to community needs.

The Top End and Central Australia Health and Hospital Services Boards will be responsible to the Minister. The Boards will have formal Service Delivery Agreements that will be negotiated between the Department, (on behalf of the Minister), in line with the approved funding from the Northern Territory and the Commonwealth. The Agreements will specify the funding allocated, clinical services to be delivered, the quality and standard of service delivery required within the Territory service delivery frameworks. The Department will monitor compliance with the Agreement and provide advice to the Minister regularly.

Service quality and improvement is an integral element of the system re-design. As such clinical leadership, engagement and involvement in decision making is key. The new service framework will provide for devolved decision making to senior clinicians, autonomy and accountability.
Health Portfolio Functional Chart

Minister for Health

Chief Executive
Department of Health

Service Delivery Agreement

Territory
Health and
Hospital Services
Council and Secretariat

Top End
Hospital (and Health)
Services Board

Regional Health Services
(progressive transfer from Dept. Health)

Central Australia
Hospital (and Health)
Services Board

Regional Health Services
(progressive transfer from Dept. Health)

Territory Wide
Services

System Governance and
Strategic Support

Health Services

Remote Health
- Health Development
- Community Health
- Mental Health
- Dental Services
- Patient Travel

Top End
Hospital (and Health)
Services Board

Royal Darwin Hospital
- Day Procedure
- Emergency
- Intensive Care
- High Dependency
- Maternity
- Medical
- Outpatients
- Paediatric
- Special Care Nursery
- Surgical
- Allied Health
- Coronary Care
- Katherine Hospital
- Gove Hospital

Alice Springs Hospital
- Day Procedure
- Emergency
- Intensive Care
- High Dependency
- Maternity
- Medical
- Outpatients
- Paediatric
- Special Care Nursery
- Surgical
- Allied Health
- Coronary Care
- Tennant Creek Hospital

Corporate Support Bureau: to be used by all entities in Health System—Finance, Capital and Infrastructure, HR/IP Services, ICT Services, Procurement
Department of Health

The Department of Health will be the main advisor and funder of health and hospital services in the Northern Territory. The new arrangements will enable the Department to assume the more traditional role of Ministerial and Government support, system governance and regulation, and policy and standard development. The main functional responsibilities of the Department of Health are as follows:

- Territory Wide Services (Public, Environmental Health and Disease Control, Disability Services, and Alcohol and Other Drugs)
- Health Services (Mental Health Services, Patient Transport Services [including St. John Ambulance and Aerial Medical Retrieval Services], Community Health Services, Remote Services and Health Development)
- System Governance (system policy and planning, negotiation of service delivery agreements, clinical quality and safety leadership, performance evaluation and health economics) and Strategic Support (Ministerial Liaison and Legal and Risk services)
- Health Corporate Support Bureau (HR/IR, Workforce, Finance, Procurement, Capital and Infrastructure and ICT Service Support)

The Health Corporate Support Bureau will provide corporate support services to the Health and Hospital Services and the Department.
Broadening the role of Hospitals to include Health Services

As outlined, once the new arrangements for the Hospital systems are established and functioning, health services will transition to become integrated under the responsibility of the Health and Hospital Services. This transition will be phased for individual services and completed within 18 to 24 months. The broadening of the role and responsibilities of hospitals to incorporate health services has been done in most other jurisdictions in Australia and in many parts of the world. The formal alignment and linking of hospital and community based services significantly improves the patient and client pathway. It also contributes to lower hospital costs by more effective use of community based care options and the promotion of earlier discharge from hospital.

Structure and Governance

There will be two Health and Hospital Services, Top End and Central Australia. While Hospital Networks were introduced on 1 July 2012 the level and range of responsibility, authority and accountability in the new arrangements will differ markedly.

There is a significant difference between the proposed Health and Hospital Services Boards and the Hospital Network Governing Councils that commenced on 1 July 2012. In particular the level of autonomy, authority and accountability proposed for the Boards far exceeds any that has existed previously and will place considerable obligations on Board members and their Chief Operating Officers (COO).
A Management Board will be established for each of the Health and Hospital Services with representation from the relevant regions to ensure regional input into services provision in the communities. It is intended that the Boards will have operational responsibility for the services in their region within the overall Territory-wide service and performance framework. This will include budget and personnel management and purchasing responsibility and will increase over time. Each Management Board will be supported by a COO.

The Boards will need to be accorded statutory authority status or similar commensurate with their intended level of responsibility. A new legislative framework is expected to be in place for the commencement of the 2013-14 financial year and is planned to incorporate transitional provisions to enable a staged transfer of management authority through increased levels of delegation from the Minister and the Chief Executive.

Board membership under the planned framework will require some changes to existing arrangements including some expansion of the membership base to ensure that the requisite financial, commercial and management skills are available to the Board. Existing Council members will need to consider whether they are willing to consider roles with far greater responsibility and are able to commit the time necessary to meet future fiduciary responsibilities.

COOs for each Service will be appointed to guide and support the transition. In future, Boards will be able to recruit and select COOs in collaboration with the Chief Executive of the Department. Boards will also be involved in recruitment of key executive staff.
A Territory-wide devolved service structure

Ensuring a single Territory-wide service system within a devolved regional management structure requires the introduction of a new performance and accountability framework, supported by systems that provide assurance about quality and standards. The requirements of the National Health Reform Agreement also need to be met.

A New Performance Management and Accountability Framework and Service Delivery Agreements

Underlying the structural changes will be a new Performance Management and Accountability Framework, encompassing a Service Delivery Agreement, which will clearly set out expectations and responsibilities for the Territory’s Health and Hospital Services. The new framework is intended to empower the Top End and Central Australia Health and Hospital Services to deliver services in a way that best meets regional community needs within an overall Territory-wide framework. The Framework will include quality, standards and mechanisms for delivering specified service volumes.

The Framework will be implemented through the role of the System Manager who will ensure the provision of a transparent scope of operations to the Health and Hospital Services Board as the service delivery organisation.
A Service Delivery Agreement will be negotiated between the System Manager (the Department) and each Health and Hospital Service within the overall funding envelope available. It will specify the services that will be purchased and funded, volume and price. The Health and Hospital Services Boards will provide services as they determine, and report on their outcomes, consistent with the scope of operations. The Agreement will also specify the Territory-wide health policies or strategies that are to be followed and will include measures to be used to monitor performance at the Territory and national level.

If agreement on the service outputs is unable to be reached the Minister has the final authority to determine the agreement. The Minister is also able to determine appropriate responses in situations where performance targets have not been met.

The National Health Reform Agreement requires all jurisdictions to establish a System Manager responsible for:

- system-wide public hospital service planning, negotiating performance or service delivery agreements using case-mix based methodology with Health and Hospital Services Boards and monitoring performance against agreement obligations
- planning, funding and delivery of capital infrastructure across the public health system
- planning, funding in conjunction with the Commonwealth, and delivering teaching, training and research
- system-wide public hospital relations, including negotiation of enterprise agreements, remuneration and employment terms and conditions.

These functions are carried out in consultation with other relevant Government departments including the Departments of Treasury and Finance, Chief Minister and the Office of the Commissioner for Public Employment. The Departments of Lands Planning and Environment and Construction and Infrastructure are also consulted on planning and capital issues.

While the System Manager is responsible for performance monitoring and service agreement administration, Health and Hospital Services Boards will be expected to meet the obligations set out in the Service Delivery Agreement. This is a significant change from the arrangements that have been in place. Accordingly, there will be a staged transition to full delegation and associated accountability for Boards.
A number of mechanisms will be developed to support these relationships. Examples include:

- An NT-wide Clinical Governance Framework and System that outlines a range of clinical governance standards including the credentialing of medical officers.
- An NT-wide Infrastructure Plan, outlining the 10 year infrastructure plan across the system.
- An NT-wide Research Program, outlining research priorities for in-kind support and investment.

Funding Arrangements

The National Health Reform Agreement is influential in determining the funding arrangements. The level of funding available to support Service Delivery Agreements is sourced from the Commonwealth funding outlined in the Health Reform Agreement, and Territory funding approved through the Territory’s budget processes. The agreements will also have regard for the revenue that Health and Hospital Services are able to raise through their own activities, predominately through approved patient charges.

The Commonwealth has agreed that from 2014-15, it will share with states and territories the cost, on an efficient price basis, of service growth which exceeds existing funded growth levels. Initially the Commonwealth’s share will be 45% of the additional growth, rising to 50% in future years. However, the Commonwealth’s growth funding will be provided on an efficient cost
basis. If costs in the Territory exceed the efficient cost, the Territory is responsible for funding the difference.

The National Health Reform Agreement also required that each jurisdiction established a separate account into which Commonwealth and state funds for hospitals would be paid. These arrangements commenced on 1 July 2012. Existing Commonwealth funding is paid into the Territory’s State Pool account by the national system administrator. The Territory funding share is paid by the Department of Health (received via appropriation from the Territory Budget in line with usual processes) to the State Pool account.

The amounts paid will be in accordance with the Service Delivery Agreement which will encompass Commonwealth funding levels and Territory funding approved through the annual budget process. The Agreement will also incorporate an estimate of revenue that Health and Hospital Services can raise through their own efforts and used to fund service levels. Compensation will not be provided if actual revenue raised falls short of the estimate included in the Service Delivery Agreement. Similarly, revenue in excess of the estimate can be retained without penalty. The revenue estimate will be reviewed annually as part of the new Service Delivery Agreement.

Ministerial Advisory Councils

Importantly, the new arrangements provide formal processes for key services stakeholders and significant non-government and government service providers to provide advice directly to the Minister for Health. A number of expert Councils will be established as part of the new Health portfolio arrangements. Details of the Councils to be established will be determined after further consultation with sector representatives.

Implementation and Timing

The implementation process of the new service framework will be complex as it entails moving to a substantially different organisational structure from the one that has existed for a decade, introducing a system of devolved management with Management Boards supported by a new accountability framework and the introduction of new, hospital funding arrangements based on national efficient prices.

The implementation will take between 18 and 24 months to be fully implemented and appropriate staging needs to be developed to minimise the risks involved in the change and ensure that the desired outcomes of a responsive, client-focussed, efficient system is achieved.

An Implementation Team will be established within the Department of Health and will report directly to the Chief Executive, Department of Health, who is tasked with implementing the arrangements. Regular updates will be provided to the Minister on progress against milestones. Immediate tasks will include
developing the revised legislation, putting in place the new structure for the Department of Health with revised staffing and related arrangements, setting up the Health Corporate Support Bureau, considering the process for staged delegation to Management Boards, and developing plans for the progressive transfer of health services to the Top End and Central Australia Health and Hospital Services.

An effective model for a staged implementation process is for the Minister and the Chief Executive to have the capacity to progressively delegate powers and responsibility linked to the achievement of specified milestones, and capacity development across the health system. This will be examined further to determine whether it should be included in the new or amended legislation that will be required.

The implementation of these changes is likely to take until mid to late 2014. Work will start immediately to implement these new arrangements. Key tasks are outlined below.

**Key Implementation Tasks**

- The structural changes affecting the Department of Health will commence in early 2013. These will include the revised structural arrangements consistent with the Functional Chart presented earlier in this document particularly the System Governance and Support arrangements and the establishment of the Health Corporate Support Bureau.

- Development of plans to support the devolution of Health Services to the Top End and Central Australia Health and Hospital Services later in 2013. The objective is that by the end of 2012-13, an implementation plan for the staged transfer of each of these service areas will be developed with implementation to commence in 2013-14.

- Establishment of the Northern Territory Health and Hospital Services during the first half of 2013 after arrangements are finalised for expanded Management Boards.

- Establishment of the new Ministerial Advisory Councils during 2013 with appropriate representation and Terms of Reference.

Significant legislative change will be required to the existing Governing Councils legislation to enable the additional authority and accountability requirements. Consequential amendments may also be required to related legislation to support these changes. The objective is for the new legislation to be in place by the commencement of 2013-14 although final timing will be influenced for the legislative timetable of the Northern Territory Legislative Assembly. The Department will need to develop, in conjunction with Parliamentary Counsel and other relevant agencies, the legislative package necessary to support these changes.
Health and Hospital Services

Given the far greater responsibility that will be given to Boards, it will be necessary to review membership of Hospital Network Governing Councils to ensure that the requisite commercial, financial and managerial experience exists. Existing Board members will need to consider whether they are willing to continue roles with far greater responsibility and able to commit the time necessary to meet future fiduciary and service responsibilities.

The 2013-14 year is expected to be the first year with a fully negotiated, Service Delivery Agreement including performance targets and related requirements in place. Adopting this form of contractually-based service agreement will not be without challenge and will be refined over 2013-14 with a more rigorous agreement expected to be in place by 2014-15. Transfer of Health Services from the Department of Health will be underway and full delegation and associated accountability provisions to Health and Hospital Services Boards is expected to be in place by this time and will need to be reflected in the Service Delivery Agreement.
### Indicative High Level Timetable

**By December 2012**  
Implementation Working Group established

**By January 2013**  
Chief Operating Officers (COO) commence in Top End and Central Australia  
Delegated powers to manage day to day operations in place

**By February 2013**  
Implement new structure for Department of Health  
Commence development of Health Board Legislation and Charter

**By March 2013**  
Identify additional skills for new Management Boards in line with proposed legislation  
Establish the Territory Health and Hospital Services Council

**By April 2013**  
Introduce new legislation  
Finalise Ministerial Advisory Councils  
Develop plans for staged transfer of Health Services  
Establish Health Corporate Support Bureau  
Negotiate Service Delivery Agreements

**By July 2013**  
New legislation commences, replaces existing Act  
Partial delegations to Boards in place  
New Boards commence  
Commence staged transfer of Health Services

**By June 2014**  
Full delegations to Boards of Top End and Central Australia Health and Hospital Services  
Continue with transfer of Health Services from Department of Health to Top End and Central Australia Health and Hospital Services to be completed before the end of 2014

Over the next couple of months, implementation plans will be developed in consultation with staff and stakeholders to provide the necessary detail about the changes.

Importantly, there will be consultation with clinicians to ensure that appropriate clinical governance frameworks are in place and that clinician input to the new arrangements has been included.
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