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Rural public health care agencies' alliances policy

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1. Introduction

This *Rural public health care agencies alliances policy* (Alliance Policy) outlines government requirements for the operation of rural health information and communication technology (ICT) alliances.

Common ICT platforms are important for supporting public health care coordination and delivery, and ensuring efficient use of government funds. The Department of Human Services recognises the alliances' achievements and intends to ensure that they continue to facilitate access to core ICT services, including Government initiatives such as HealthSMART, for all publicly funded rural health care agencies.

Public hospitals, public health services, multipurpose services and community health centres which are established or declared under the *Health Services Act 1988* Vic (the Act), must enter into the alliance for the region in which they operate, in accordance with the terms of the template joint venture agreement (JVA).

These requirements are imposed as a condition of funding under the service agreements entered into by the Department of Human Services, or under the relevant statements of priorities, in relation to each of these health services.

This Alliance Policy is the primary source document in relation to the alliances. The joint venture agreement must be read in conjunction with, and subject to, this Alliance Policy. In the event of any inconsistency, this Alliance Policy prevails. If there are material changes to this policy in the future, the department may require changes to the JVA to ensure consistency between the two documents.

All alliance members must acknowledge the need to comply with all applicable law, regulations, orders, rules and government policies, including the Alliance Policy, and to take all steps necessary to ensure such compliance as may be required from time to time.

Unless the contrary intention appears, words used in this policy have the same meaning as in the JVA.

This Alliance Policy supersedes *Policy contexts and strategic directions for rural health ICT alliances* (2 May 2006), and *Rural health alliances working paper* (May/June 2007).

2. Member agencies

Alliances have members who accept joint responsibility for the operation of the alliance and receive core products and services from it. Each alliance operates as a joint venture. Alliances may also sell products and services to customers on terms set by the alliance.

2.1 Alliance membership

As indicated above, all public health services, public hospitals, multi-purpose services and community health centres within the meaning of the Act, are required to be members of the alliance in their region.

The bush nursing centres and the public sector residential aged care services listed separately for each region in attachment 1 are entitled to become members of the alliance in their region on the same terms as the other members. If any of these bodies wish to join the alliance in the region in which they operate, they must be accepted as members of that alliance. This will assist these publicly funded health care agencies that provide services akin to those provided

by mandatory members, to be included in the ICT initiatives promoted by DHS where appropriate.

It is anticipated that Dental Health Services Victoria (DHSV) and Rural Ambulance Victoria (RAV) may be customers of one or more alliance. If DHSV or RAV wanted to be a member of one or more alliance, they should apply to that alliance for membership. Upon receipt of an application from DHSV or RAV, the executive committee must accept that agency as a member if in their judgement such membership will not have an adverse effect on the ability of the alliance to provide core products and services to existing members and will not involve the existing members cross-subsiding the prospective member organisation.

2.2 Customers

Each alliance may also provide *customers* (that is, persons or organisations that are not members of the alliance) with core services or products or other ICT related products or services supplied by the alliance. Agencies referred to in 2.1 as being entitled to membership may be customers of the alliance in their region if they do not become members of the alliance.

Any such services must be provided on a commercial basis, ensuring that the price reflects the full cost of service provision, including a pro rata share of the costs of the existing infrastructure, and cost adjustments to ensure competitive neutrality with private service providers where relevant.

In particular, it would be broadly consistent with this policy for an alliance to provide such services to other organisations that engage in health or community service delivery, where this will support increasing cooperation and integration between health and community service providers. These customer organisations may include aged care providers, mental health providers, Rural Ambulance Victoria, private hospitals, general practices and general practice divisions, local government bodies and agencies.

3. Governance and management

The governance of each alliance will be facilitated by an executive committee comprising a representative group of member agency CEOs. The rules governing selection of the executive committee are detailed in the JVA. The executive committee will be responsible for selecting and overseeing the work of an executive officer, developing an annual workplan and budget for acceptance by the members, and monitoring performance during the year.

The Regional Health Service in each region is required to act as lead member for the alliance. The lead member acts as an agent for the Alliance, within the budget, financial and operating policies agreed by the Alliance. The Lead Member will act only within the scope of its authority as an agent of the Alliance and trustee of the Alliance assets

The lead member must provide executive and administrative capability to the alliance on a full cost recovery basis. The lead member must ensure that services are provided to the alliance efficiently and effectively.

The annual workplan and annual budget will be prepared by the executive committee and will be adopted by a resolution of the members.

Other decisions required in the management of the operations of the alliance will be delegated to the executive committee and the executive officer

Each alliance will engage an executive officer to manage the alliance's business. The executive officer will be employed on behalf of the alliance by the lead member, and the lead member

will engage other staff as necessary, according to the budget and workplan agreed by the members.

The duties and powers of the lead member, the executive committee and members of the alliance are set out more fully in the JVA.

4. Services and products

Each alliance's primary purpose is to provide members with the core services and products listed in Attachment 1 to this document. The alliances are initially limited to arranging for the joint acquisition or supply of ICT services and products. The alliances must provide members with the core services and products, but may also provide other ICT related services and products to members and/or customers.

In facilitating the acquisition or supply of ICT products or services from third parties, the alliance must comply with the policies and protocols established by the VGPB where these are relevant.

The permission of the Department of Human Services must be obtained before any non-ICT products or services are purchased or provided through the alliance (whether to members or customers). The Regional Director is the first point of contact in this regard. The VMIA must also be notified when any non-ICT products or services are purchased or provided through the alliance because providing non ICT services and products may incur additional risks. See *section 5: Risk management and insurance*.

Alliances must ensure that members and customers understand that the key role of the alliances is to promote the use of ICT in the publicly funded health sector, and therefore the provision of non-ICT products and services may not be approved by the department.

The alliance should only provide non core services and products to members, and any services or products to customers, on a full cost recovery basis, including a pro rata share of the existing infrastructure costs where this is relevant.

The following principles apply to the provision of services and products:

- Each alliance must provide the core services and products to its members equitably, with consideration for the members' needs.
- The core services and products should be managed according to standards agreed by members, and where appropriate, adhering to state-wide standards.
- The alliance is responsible for maintaining, replacing and upgrading software and hardware as necessary to maintain the core service and product provision.
- Subject to any transitional arrangements, discussed below, each member must use the alliance as the only means by which it acquires core products and core services.
- Members must not enter into any contractual or other arrangements which are in conflict with their obligations under the JVA or which are otherwise inconsistent with the objectives of the alliance.
- Where the member has an existing contractual commitment with a supplier in relation to the supply of a core product or core service, the member will terminate those contractual commitments as soon as practicable and transition its supply arrangements in relation to that core product or core service to the supply arrangements established by the alliance. The member must inform the alliance of the existence of any pre existing contracts and keep the alliance informed of its plan and timeframe for transitioning to the alliance arrangements.

- A member must not apply for Federal or State funding in connection with an ICT program or initiative unless the member has given the alliance prior notice of its intention to apply and received confirmation from the executive officer (on behalf of the alliance) that any such application does not compete with or duplicate and is not inconsistent with an application or proposal made or proposed by the alliance.
- Grant funding must be sought and used in a manner consistent with government policies, and according to a business case that demonstrates that the receipt of the grant will advance the interests of the alliance in a strategic and sustainable way.

5. Risk management and insurance

To mitigate liability risk to the alliance all members should comply with the terms and obligations specified in the JVA Item 4 *Scope of the Agreement*.

Any activities which materially increase business risks that are not disclosed to VMIA, or may represent a breach of insurance conditions could result in the VMIA exercising its rights to deny or limit indemnity in the event of a claim. The alliance must notify VMIA of any proposed deviation from the activities specified in the standard scope of Agreement, to ensure that the risk is acceptable for VMIA insurance.

For example, alliances should buy rather than build ICT applications in order to minimise legal liability risk.

6. Operating principles

6.1 Provision of non-core products and services to members, or any services to customers

The decision to provide non-core products and services to members, or the provision of any products and services to customers must be based on a fully costed business plan including capital and recurrent costs, and be consistent with other government policies relating to health services.

6.2 Procurement

Procurement must be conducted in a manner consistent with the Victorian Government Purchasing Board policies and protocols where these are relevant.

6.3 Probity

The rural health alliances manage substantial government funds (via health service contributions). For the benefit of each member, to ensure public accountability, and to conform with legislative and probity requirements, alliances need to ensure proper processes are followed in relation to all transactions. These include:

1. having documented, auditable tendering processes, including objective and transparent selection criteria, and not specifying pricing in advance;
2. ensuring that the provision of non-core services to members and the provision of any services to customers are appropriately costed and the charges for those services fully cover costs. Charges to customers should also reflect competitive neutrality principles;
3. all pricing arrangements between members are limited to agreeing to the price of goods or services collectively acquired by the alliance on behalf of members;
4. negotiation with suppliers is to be undertaken either jointly by members, or more typically by the lead member as agent for the members of the alliance;

5. any supply contracts to customers will be executed by the lead member as agent for the members of the alliance;
6. if members of the alliance acquire goods under separate contracts with a common vendor the price and terms upon which members acquire those goods must have been negotiated through the lead member as agent of the members of the alliance;
7. if the alliance, through the lead member, intends to re-supply goods to other members, the goods must be paid for out of the funds of the alliance or re-supplied at the originally negotiated price;
8. any sharing of price information about goods or services relevant to the activities of the alliance between members must be limited to those products or services which are to be the subject of collective acquisition through the alliance;
9. any refusal to deal with another organisation as a customer should be either on the basis that provision of ICT related services to that organisation would not support increasing cooperation and integration between health and community service providers, or because supplying that organisation does not meet other appropriate objective and commercial criteria (eg concerns about capacity of the customer to pay, any legal risks, or because supply is not technically feasible for the alliance).

6.4 Conflicts of interest

The executive committee needs to ensure that it has appropriate procedures to deal with actual or perceived conflicts of interest.

7. Reimbursement of lead member costs incurred on behalf of the alliance

The alliance will reimburse the lead member for its costs in management of the alliance's affairs, and for accommodation of the alliance staff and equipment if provided. These costs will include full cost of employment of the Executive Officer and any other dedicated or allocated staff, as agreed during workplan and budget negotiations, as well as allowances for overheads as specified below:

Administration	Including financial management, audit, human resource management, payroll, procurement.	Actual cost or 6% of the total cost of alliance staff salaries, whichever is lower.
Accommodation	Appropriate facilities including office space fuel, light and power, phone, cleaning other utilities.	Actual cost or 4% of the total cost of alliance staff salaries, whichever is lower.

Where costs cannot be agreed between the executive committee and the lead member, a request for mediation should be made to the regional director accompanied by cost data and evidence that the costs are incurred in the provision of the service and are priced competitively. The dispute resolution provisions of clause 18 of the joint venture agreement will apply.

8. Members' contributions

It is intended that all members contribute to the funding requirements of the alliance.

Each year, the cost of providing the core services to mandatory members, including the administrative costs of the alliance, minus any cost offsets from the provision of services and

products to customers and any costs offset by the provision of non-core services and products to members, will be identified. This will be distributed between members as follows:

Proportion of total costs	Distribution
60%	Distributed as a percentage of the first \$10,000,000 of each member's Gross Operating Revenue*
30%	Distributed as a percentage of the next \$50,000,000 of each member's Gross Operating Revenue above \$10,000,000*
10%	Distributed as a percentage of each member's Gross Operating Revenue* above \$60,000,000

*Gross operating revenue (GOR) figures will be provided by Rural and Regional Health Services Branch. GOR is based on the total business of the agency, as reported in their annual report, minus major capital grants. Because the final GOR is only established several months after the end of the financial year, the GOR two years prior to the financial year in question, will be used in the cost allocation formula (eg 2008/09 contributions will be based on 2006/07 GOR).

9. Cash payments to the alliance

Normal member contributions are determined in advance for each financial year following agreement on the year's program and budget. Following receipt of advice from the alliance the Department will facilitate payment of the annual contributions by members by adjusting agency cash flows to encompass the alliance contributions in August each year.

10. Asset management

In determining member contributions and service costs for customers, the alliances will have due regard to the need to replace all assets at the end of their life cycle, and will have in place an agreed cost effective replacement strategy.

11. Cost efficiency

Executive committees and lead members should look for opportunities to contain the costs of core services. The alliances may provide services directly, or purchase them from external providers. In some regions where larger health services have significant parallel infrastructure, rationalisation of alliance and other infrastructure may present substantial savings.

12. Financial management

The lead member will operate a separate bank account for alliance funds. Accounting for the activities of the alliance will be undertaken according to accounting guidelines that will be provided by the Department of Human Services.

13. Transition requirements

The lead member of each alliance to be created as a result of this policy must take the initiatives required to establish the arrangements specified in this policy and the JVA by 1 July 2008, including convening a special general meeting to appoint an executive committee.

The executive committee's first tasks should be appointing an executive officer and overseeing the development of transition plans.

At the same time, the pre-existing alliance in each region (however structured) should take whatever steps are required to ensure all of its affairs are in order and are fully documented to facilitate the transmission of its business to the new alliance. Actions should include the establishment of a viable year end financial position, the making of any additional cash calls from members, the collection of debts, and payment of accounts due.

Responsibility for alliance operations should pass to the new alliance entity by 1 July 2008, and existing alliance corporate structures should be disbanded and all residual assets and liabilities, rights and obligations conveyed to the new joint venture alliance .

The executive committee will need to review all obligations inherited from predecessor bodies for consistency with the policy and JVA requirements, and negotiate transition to compliance with the new requirements as expeditiously as possible. The manner in which this is achieved will depend on the arrangements currently in place.

Where the alliance does not currently, or will not be able to immediately provide the full core services, or provide them to all members, the executive committee will need a documented transition plan elaborating how full service provision will be achieved.

Attachment 1 - Core services and products

An alliance's role is to provide members with core ICT services and products. These are:

- ICT strategic planning
 - The Executive Officer of each alliance will be available to members to assist in the research and documentation of a strategic ICT plan for each agency.
- Advocacy
 - Each alliance will seek funding for strategic regional initiatives. Member agencies will not compete with their alliance for funding.
- Representation
 - Each alliance will represent its members at state ICT forums such as HealthSMART groups.
- Standards and policy development for infrastructure and ICT practice
 - Alliances will operate according to and support member services with template standards and policies for infrastructure, change control and other matters where appropriate, including standards and a standard operating environment for workstations.
- Wide area networking to support connections between members within the region
- Network management and monitoring
 - All network routing and core switch appliances on all links of shared WAN infrastructure, agency access routers and associated agency core switches will be deployed under 4 hour maintenance agreements and monitored 24 hours, seven days a week, or 10 hours, five days a week, depending on the needs of the member agency and provider price.
- Internet services
 - a guaranteed minimum bandwidth
 - email and internet access
 - secure remote access to alliance networks and member services.
 - content, virus and spam filtering
- Web Services
 - intranet/internet/extranet template development and hosting.
 - All members will have access to intranet/internet/extranet infrastructure and associated content delivery and management software delivered by each alliance.

Note: Initial web site development, content management and continuing education and training are not core services.

- Internet Protocol (IP) based telephony and video communication services and least cost routing.
- Desktop services, including at least:
 - Imaging and installation of devices
 - Second level support services
- Helpdesk services
 - Help desk support must be provided for core services, but may be managed on a user pays basis to cover other services.

- Implementation of HealthSMART projects and other DHS policies and strategies. This will include:
 - Representing members at appropriate forums
 - Advising members about progress, opportunities, issues, options etc
 - Coordinating activities related to planning and implementation
 - Managing implementations (note: costs for major projects are outside the core services)

- Joint procurement: the lead member may, on behalf of the alliance, purchase ICT related products for members.

Attachment 2 – list of agencies required to participate in each alliance

Barwon South Western

The following services are required to be members of the Barwon South Western region alliance:

- Barwon Health (Regional Public Health Service)
- Bellarine Peninsula Community Health Service Inc
- Casterton Memorial Hospital
- Colac Area Health
- Hesse Rural Health Service
- Heywood Rural Health
- Lorne Community Hospital
- Moynes Health Services
- Otway Health and Community Services
- Portland Area Health
- South West Healthcare (sub-regional health service)
- Terang and Mortlake Health Service
- Timboon and District Health Service
- Western District Health Service (sub-regional health service)

The following services may choose to be members of the Barwon South Western region alliance:

- Balmoral Bush Nursing Centre
- Dartmoor and District Bush Nursing Centre
- Koroit and District Memorial Health Service
- Lyndoch Residential and Community Care

Gippsland

The following services are required to be members of the Gippsland region alliance:

- Bairnsdale Regional Health Service (sub-regional health service)
- Bass Coast Community Health Service Inc
- Bass Coast Regional Health
- Central Gippsland Health Service (sub-regional health service)
- Ensley Community Health Centre Inc
- Gippsland Lakes Community Health Centre Inc
- Gippsland Southern Health Service
- Kooweerup Regional Health Service
- Latrobe Community Health Service
- Latrobe Regional Hospital (Regional Public Health Service)
- Nowa Nowa Community Health Centre Inc
- Omeo District Hospital
- Orbost Regional Health
- South Gippsland Hospital
- West Gippsland Healthcare Group (sub-regional health service)
- Yarram and District Health Service

The following services may choose to be members of the Gippsland region alliance:

- Buchan Bush Nursing Centre
- Cann River Bush Nursing Centre
- Dargo Bush Nursing Centre
- Gelantipy Bush Nursing Centre
- Swifts Creek Bush Nursing Centre

Grampians

The following services are required to be members of the Grampians region alliance:

- Ballarat Community Health Centre Inc
- Ballarat Health Services (Regional Public Health Service)
- Beaufort and Skipton Health Service
- Djerriwarrh Health Services
- Dunmunkle Health Services
- East Grampians Health Service
- East Wimmera Health Service
- Edenhope and District Memorial Hospital
- Grampians Community Health Centre Inc
- Hepburn Health Service
- Rural Northwest Health
- Stawell Regional Health
- West Wimmera Health Service
- Wimmera Health Care Group (sub-regional health service)

The following services may choose to be members of the Grampians region alliance:

- Elmhurst Bush Nursing Centre
- Harrow Bush Nursing Centre
- Lake Bolac Bush Nursing Centre
- Woomelang Bush Nursing Centre

Hume

The following services are required to be members of the Hume region alliance:

- Alexandra District Hospital
- Alpine Health
- Beechworth Health Service
- Benalla and District Memorial Hospital
- Cobram District Hospital
- Goulburn Valley Community Health Service Inc
- Goulburn Valley Health (Regional Public Health Service)
- Kilmore and District Hospital
- Mansfield District Hospital
- Mitchell Community Health Services Inc
- Nathalia District Hospital
- Northeast Health Wangaratta (sub-regional health service)
- Numurkah and District Health Service
- Ovens and King Community Health Service Inc
- Seymour District Memorial Hospital
- Tallangatta Health Service
- Upper Hume Community Health Service Inc
- Upper Murray Health and Community Services
- Wodonga Regional Health Service (sub-regional health service)
- Yarrawonga District Health Service
- Yea and District Memorial Hospital

The following services may choose to be members of the Hume region alliance:

- Darlingford Upper Goulburn Nursing Home
- Glenview Community Care
- Walwa Bush Nursing Centre

Loddon Mallee

The following services are required to be members of the Loddon Mallee region alliance:

- Bendigo Community Health Services Incorporated

Bendigo Health Care Group (Regional Public Health Service)
Boort District Hospital
Castlemaine District Community Health Centre Inc
Cobaw Community Health Service Inc
Cohuna District Hospital
Echuca Regional Health (sub-regional health service)
Inglewood and District Health Service
Kerang and District Hospital
Kyabram and District Health Service
Kyneton District Health Service
Maldon Hospital
Mallee Track Health and Community Services
Manangatang and District Hospital
Maryborough District Health Service
McIvor Health and Community Services
Mt Alexander Hospital
Northern District Community Health Service Inc
Robinvale District Health Services
Rochester and Elmore District Health Service
Sunraysia Community Health Services Inc
Swan Hill District Hospital (sub-regional health service)

The following services may choose to be members of the Loddon Mallee region alliance:

Dingee Bush Nursing Centre
Lockington Bush Nursing Centre
Red Cliffs and Community Aged Care Services Inc