

Performance & Payment Executive Summary

HNECC is a commissioning organisation that is committed managing contractual performance across commissioned services, grants, or other service delivery agreements in a fair, transparent, and consistent manner. The **Performance and Payment Framework (V2)** has been developed as an internal resource to support HNECC contract management and outlines a consistent approach to assessment of performance when it falls outside of expected contractual agreements.

HNECC measures performance both as a delivery of outputs and in the quality of the activity. Output measurements are structured into all contracts, either as numeric targets or key milestones. Quality measures and key deliverables are a newer component of HNECC contracts designed to support an evolution towards an outcomes-based commissioning model. Specific Key Performance Indicators (KPIs) and Quality Key Performance Indicators (Q-KPIs) align with the indicators set by the Commonwealth Department of Health for all PHNs to report against and enable HNECC to move beyond examining outputs alone and ensure that we can reflect the quality and impact service delivery is having across the region.

Generally, outputs, quality measures and KPIs are reported and assessed quarterly against expected contractual performance or thresholds. The outcome of these assessments informs HNECCs decision-making (see Table 1) should further action be required.

Table 1: Assessment Outcomes

Output Performance	Quality Performance	Considered Action
Up to 10% below target	No action	No action
10-20% below target Minor underperformance	Single reporting period demonstrates one or more KPIs are 10-20% below required threshold; delays noted in Q-KPI adoption in the annual plan	Review with Provider, clearly document the remediation plans & causative factors and monitor – consider previous performance and identify if this is ongoing or relates only to the quarter being reviewed. This should be discussed with the Line Manager and any action (or not) agreed
20-30% below target Significant underperformance	Subsequent reporting period where KPI thresholds not achieved; ; current reporting period demonstrates one of more KPIs are 20-30% below required threshold; persistent delays in Q-KPI planned adoption	Review with Provider, consider history and plans; discuss this with Line Manager to identify the most appropriate next steps. Consider implementing contractual levers.
More than 30% below target Major underperformance	Repeated reporting period where KPI thresholds not achieved or ongoing Q-KPI adoption delays; current reporting period demonstrates one or more	Advise Line Manager, commence formal review process. Contractual levers must be implemented and the sub-optimal performance reported to the Executive Manager, CEO and Board via SQP quarterly reporting.

	KPIs are more than 30% below required threshold.	
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When sub-optimal performance occurs, the goal is to rapidly respond and work with providers to remediate any issues, while remaining an effective financial steward. HNECC must at times take action on sub-optimal service delivery. The Standard Terms and Conditions (T&C's) that are included in HNECCs contract have a range of contract-based actions to support the management of sub-optimal performance. These including:

- Delaying periodic payment (full or part) until the performance target has been met
- Reducing payment from the total amount payable
- Change in total contract deliverables (e.g., reduced or redefined annual target)
- Pausing contract - when it is intended for the program and payment to continue, but circumstances prevent delivery at the current time.
- Termination of contract
- Performance auditing

There are several factors to be considered when deciding whether contract-based action is required, and it is essential that open and honest communication between HNECC and the provider occurs to ensure the circumstances are understood and can be implemented fairly. Factors to consider include:

- History of performance
- Environmental impacts
- Workforce failure
- Comparison with other providers in the region or in the program (if relevant)
- Other internal provider issues

During the quarterly assessment of performance, there will be times when HNECC identified overperformance. A consistent approach to managing this is also outlined in the **Performance and Payment Framework (V2)**, recognising that good communication with providers is essential to understand how additional services have been delivered. Contract -based actions can also be utilised to support and manage overperformance, with data informing future service procurement and highlighting increases in demand that are evident, either through short-term responses to crisis or longer-term sustained population needs.

The **Performance and Payment Framework (V2)** provides HNECC a formalised structure to support decision-making related to performance management across all contractual arrangements. It outlines procedures to fairly and consistently manage both numeric targets and Q-KPIs thresholds in a reasonable manner that optimises communication in the first instances, then incrementally addresses sub-optimal performance and supports overperformance, while also maintaining appropriate financial stewardship and reporting requirements to the Commonwealth Department of Health. As an internal resource, this summary documents demonstrates HNECCs commitment to transparency and provides an overview of the framework.