

# Circular 02/2018 (corrected\*) New Enterprise Agreements for the Public Health Medical Workforce

## Supplementary Funding and Approval to Pay

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### Distribution

Public Hospitals, Health Services and Forensicare.

### Purpose

To advise on funding for the implementation of the proposed enterprise agreements covering doctors directly employed by relevant Victorian public hospitals and health services.

To provide qualified approval to pay doctors ahead of the Fair Work Commission's approval of the proposed agreements.

### Background

As you would be aware, in-principle agreement was reached with the Australian Medical Association Victoria Limited on the terms for new four-year agreements covering Doctors In Training and (separately) Medical Specialists. This in-principle settlement was set out in a Heads of Agreement signed by all of the negotiating parties in December 2017.<sup>1</sup>

The parties have drafted new enterprise agreements to reflect the agreed terms. The new enterprise agreements will have a nominal expiry date of 31 December 2021. The public hospitals and health services named as Employers in the new enterprise agreements are listed in **Attachment 1** and **Attachment 2**.

### Approval to Pay

Generally, the Government's industrial relations policies require that a new enterprise agreement be approved by the Fair Work Commission before payment of any benefit under that agreement can be passed on to relevant

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<sup>1</sup> Also refer VHIA Bulletin 2243 which provided a summary of the settlement terms.

employees. However, in recognition of the particular circumstances in this case, Government has approved early payment of the 6% 'additional adjustment to salary scale' increase to wages and salaries, upon declaration of successful ballots of employees. This payment will have retrospective effect to the first full pay period commencing on or after 1 January 2018. As the ballot declarations have now been made (23 March 2018), this payment can now be processed.

**No other payments or changes are to be paid or take effect until the new enterprise agreements are approved by the Fair Work Commission and come into formal operation.** This includes the relevant sign-on payments under each of the new enterprise agreements (refer to **Attachment 3** for further advice regarding these payments).

Once the new agreements come into formal operation, public hospitals and health services will need to ensure that the salary increase of 3% to wages and salaries payable from the first full pay period commencing on or after 1 January 2018 is applied to the same 'base' amounts to which the 6% 'additional adjustment to salary scale' increase to wages and salaries was applied. The combination of those two increases should be to increase the 'base' amounts by no more than 9% - that is, the two increases do not compound in effect.

## Funding to Implement the Outcomes

### Indexation

The previous enterprise agreements covering doctors reached their nominal expiry date on 30 March 2017, with the last annual salary increases payable under those agreements having taken effect from the first full pay period commencing on or after 1 December 2015.

The proposed new enterprise agreements provide four annual salary increases of 3% occurring on the first full pay periods commencing on or after 1 January 2018, 1 January 2019, 1 January 2020 and 1 January 2021. An additional salary increase of 6% is also payable from the first full pay period commencing on or after 1 January 2018, such that the total salary increase of 9% is payable from that time.

Health services are expected to fund the first 2.5% of these annual increases internally from annual budget indexation provided under the departmental funding model (DFM).<sup>2</sup>

Figure 1 below shows how DFM would be calculated for a hospital with a \$100,000 medical workforce wage base. Deemed DFM indexation is calculated on the relevant wage base at the point of expiration of the previous enterprise agreement. DFM compounds at the rate of 2.5% every year thereafter.

**Figure 1**

	Base \$	DFM					
		2016-17 \$	2017-18 \$	2018-19 \$	2019-20 \$	2020-21 \$	2021-22 \$
At expiry of old agreement *	100,000	623	2500	2500	2500	2500	2500
Wage Base at 31 Mar 2018	102,500		639	2,563	2,563	2,563	2,563
Wage Base at 31 Mar 2019	105,063			655	2,627	2,627	2,627
Wage Base at 31 Mar 2020	107,689				671	2,692	2,692
Wage Base at 31 Mar 2021	110,381					688	2,079
		623	3,139	5,717	8,360	11,069	12,460

<sup>2</sup> Part year from 31 March 2017

## Other revenue sources

The Department only provides indexation on State funding. Further, public hospitals and health services are reminded that the Department does not fund 100% of their activities.

Public hospitals and health services typically have other revenue streams including, but not limited to, Commonwealth funding and grants (eg, residential aged care bed-day funding), private practice revenue and business unit revenue (particularly pathology and radiology). Public hospitals and health services are expected to set aside funding from these other sources to support enterprise agreement costs where applicable.

## Funding Supplementation

As the annual pay increases under the proposed new enterprise agreement exceed the Government's standard wage increase of 2.5% per annum, Government has agreed to provide funding supplementation equivalent to the difference between the annual pay increases described in the proposed new enterprise agreements and the standard 2.5% per annum rate. This funding supplementation will be recurrent.

Funding supplementation for the impact of salary increases and other changes in the 2017-18 financial year will be provided by way of a Specified Grant. The ongoing full year impacts of these and subsequent wage increases and conditions changes will be built into public hospitals'/health services' budgets from 2018-19 onwards.

## Attribution of Incorporated Savings/Offsets

The proposed new enterprise agreements include some savings/offset provisions as well as benefits that will arise from the Service Delivery Partnership Plan agreed between the parties. The realisation of these benefits will contribute to meeting the ongoing implementation costs of new or improved employee benefits. The level of funding supplementation to be provided comprehends these savings/offsets.

## Use of workforce profiles

For the current enterprise bargaining cycle (2015-2017), the Department has referred more directly to each public hospital's or health service's high-level workforce profile in its budget modelling than in previous cycles where budget modelling focussed more on 'whole of sector' profiles. This removes some of the more severe 'swings and roundabouts' that might have arisen under the previous approach. However, this funding approach remains 'output based' in its general nature.

The more 'localised' method of modelling also means a more direct linkage between EBA costs and the application of DFM indexation for each public hospital or health service when determining appropriate levels of supplementary funding. This in turn means that where the Department has calculated DFM indexation as matching or exceeding EBA-related costs in a given financial year (or years), there will be no supplementary funding in the corresponding year (or years).

## Release of Funding

Public hospitals and health services will receive funding adjustments through the Budget Payment System (BPS) in the 10 April 2018 payment. Users of the *Healthcollect* portal will be able to view details of this payment via the portal.

## Funding Queries

Any public hospital or health service that does not believe the funding it receives properly reflects the costs it faces to implement the 'new' enterprise agreement outcomes is able to present its case to the Department for review. (As a first step, public hospitals and health services should undertake their own calculations, with DFM calculated along the lines outlined in the example above.) The Department will review any such local calculations on request.

The Department will not consider a case for review of funding for this enterprise agreement unless the public hospital or health service has clearly and fully identified the nature and relevance of what is regarded as an 'un-

funded' cost. Further, the public hospital or health service must demonstrate that it has identified and applied all available sources of funding and revenue that could contribute to the meeting of the cost(s) in question.

Requests for funding review should state whether they are to address temporary cash flow issues or recurrent budget issues.

## **Further information**

For further information, please contact:

- Jenny Zahara, Assistant Director, Financial Control and Coordination, on telephone 03 9096 8459 or by email [jenny.zahara@dhhs.vic.gov.au](mailto:jenny.zahara@dhhs.vic.gov.au)
- Simon Chant, Specialist Adviser, on telephone 03 9096 2555 or by email [simon.chant@dhhs.vic.gov.au](mailto:simon.chant@dhhs.vic.gov.au)

## **Authorised by**

Greg Stenton  
Chief Finance Officer

*\* Note: corrections were made to 'Authority to Pay' (wording) and 'Release of Funding' (date) on 5 April 2018.*

## **Employers to be covered by the new Doctors In Training Enterprise Agreement**

Albury Wodonga Health (Wodonga Hospital only)  
Alfred Health  
Austin Health  
Bairnsdale Regional Health Service  
Ballarat Health Services  
Barwon Health  
Bass Coast Health  
Bendigo Health Care Group  
Calvary Health Care Bethlehem Limited  
Central Gippsland Health Service  
Djerriwarrh Health Service  
Eastern Health  
East Grampians Health Service  
Echuca Regional Health  
Gippsland Southern Health Service  
Goulburn Valley Health  
Latrobe Regional Hospital  
Melbourne Health  
Mercy Hospitals Victoria Ltd  
Monash Health  
Northeast Health Wangaratta  
Northern Health  
Numurkah District Health Service  
Peninsula Health  
Peter MacCallum Cancer Institute  
Portland District Health  
Ramsay Health Care Australia Pty Limited (Mildura Base Hospital only)  
South West Healthcare  
St Vincent's Hospital (Melbourne) Limited  
Swan Hill District Health  
The Royal Children's Hospital  
The Royal Victorian Eye and Ear Hospital  
The Royal Women's Hospital  
West Gippsland Healthcare Group  
Western District Health Service  
Western Health  
Wimmera Health Care Group  
The Victorian Institute of Forensic Mental Health (trading as Forensicare)

## **Employers to be covered by the new Medical Specialists Enterprise Agreement**

Albury Wodonga Health (Wodonga Hospital only)  
Alfred Health  
Austin Health  
Bairnsdale Regional Health Service  
Ballarat Health Services  
Barwon Health  
Bass Coast Health  
Bendigo Health Care Group  
Calvary Health Care Bethlehem Limited  
Central Gippsland Health Service  
Dental Health Services Victoria  
Djerriwarrh Health Services  
Eastern Health  
Echuca Regional Health  
Gippsland Southern Health Service  
Goulburn Valley Health  
Latrobe Regional Hospital  
Melbourne Health  
Mercy Hospitals Victoria Ltd  
Monash Health  
Northeast Health Wangaratta  
Northern Health  
Peninsula Health  
Peter MacCallum Cancer Institute  
Portland District Health  
Ramsay Health Care Australia Pty Limited (Mildura Base Hospital only)  
South West Healthcare  
St Vincent's Hospital (Melbourne) Limited  
Swan Hill District Health  
The Royal Children's Hospital  
The Royal Victorian Eye and Ear Hospital  
The Royal Women's Hospital  
West Gippsland Healthcare Group  
Western District Health Service  
Western Health  
Wimmera Health Care Group  
The Victorian Institute of Forensic Mental Health (trading as Forensicare)

## Sign-on Payments to medical staff under the new enterprise agreements

### Context

Both the proposed new *AMA Victoria - Victorian Public Health Sector - Doctors in Training Enterprise Agreement 2018-2021* (the new DIT Agreement) and the proposed new *AMA Victoria - Victorian Public Health Sector - Medical Specialists Enterprise Agreement 2018-2021* (the new Specialists Agreement) provide for a 'sign-on' payment to employees.

The sign-on payment Doctors In Training is \$2,000 for a full-time employee (pro-rata for part-time), while the sign-on payment for Medical Specialists is \$3,500 for a full-time employee (pro-rata for Fractional). In both cases, pro-rating is to be based on contract hours.

### Eligibility

To be eligible for the sign-on payment under either the new DIT Agreement or the new Specialists Agreement, the doctor must have been employed by a public hospital or health service on **1 January 2018**.

Doctors employed by a public hospital not named in **Attachment 1** or **Attachment 2** are not entitled to receive the sign-on payment from or relating to such a public hospital.

Doctors engaged by a public hospital under arrangements whereby ordinary work is performed wholly on a fee for service or scheduled fee basis (including, by way of example only, the Commonwealth Medical Benefits Schedule) are not entitled to receive a sign-on payment with respect to such work.

### Timing of payment

As advised in the covering Hospital Circular, the payment of the sign-on payments **is not to occur** before the new agreements have been approved by the Fair Work Commission and those new agreements have come into formal operation.

### Responsibility for payment

Given the special nature of doctors' employment arrangements, care needs to be taken when paying the sign-on payments to ensure each eligible doctor is not paid more in sign-on bonus payments than they are entitled to.

### Doctors in Training

Where a doctor was on a rotation from a parent hospital to a rotation hospital on the eligibility date, the following rules will apply to which of the parent hospital or rotation hospital is obliged to pay the sign-on bonus to the doctor:

1. Where the doctor remains on the payroll of the parent hospital and continues to receive their fortnightly pay from the parent hospital during the rotation (the 'invoice' model), it is the responsibility of the parent hospital to pay the sign-on bonus to the doctor. The parent hospital should not invoice the rotation hospital for the value of this sign-on payment.
2. Where the doctor is put onto the payroll of the rotation hospital for the duration of the rotation and receives their fortnightly pay from the rotation hospital during that period (the 'payroll' model), it is the responsibility of the rotation hospital to pay the sign-on bonus to the doctor.

The Department will distribute funding based on the total FTE reported by each public hospital and health service via monthly extracts submitted to the Payroll Minimum Data Set. Therefore, a parent hospital utilising the invoice model will receive funding for sign-on payments and should not pass the charge for the sign-on bonus to the 'unfunded' rotation hospital. Conversely, where the payroll model applies to the rotation, funding will be directed to the rotation hospital, so it should make the payment.

### Specialists

Where a Full-time Specialist employed by one public hospital or health service also holds a Fractional appointment with another public hospital or health service, then the doctor can be paid a sign-on bonus by each public hospital

or health service based on the doctor's contract hours with each Employer. It is understood that such a doctor will receive sign-on payments totalling more than \$3,500.

Similarly, a Fractional Specialist who holds appointments with more than one public hospital or health service is entitled to receive a sign-on payment from each of the public hospitals or health services that employs them. Again, it is understood that such a doctor might receive sign-on payments totalling more than \$3,500.