



Determination 04: Notional contracted services

Date of issue: 17 June 2013

1. Purpose

- 1.1 This Determination sets out a framework by which the Administrator of the National Health Funding Pool (the Administrator) will apply the provisions of the *National Health Reform Agreement* (the Agreement) in relation to notional contracted services local hospital networks (LHNs).

2. Background

- 2.1 The Agreement permits states and territories to enter into agreements or contracts with private or not-for-profit providers for the provision of public hospital services (clauses A52 to A57) and for these services to be eligible for a Commonwealth funding contribution.
- 2.2 Clause A52 of the Agreement states “where a private or not-for-profit provider operates a public hospital, that provider will be considered a ‘public hospital’ under this Agreement, and may be, or form part of, a local hospital network in accordance with clause D23(c)”. The same applies to hospitals owned by charitable organisations as per clause A53.
- 2.3 LHNs may themselves enter into individual contracts with private or not-for-profit providers to deliver public hospital services as per clause A54(b). Under clause A54(a), states and territories are also able to centrally contract with private or not-for-profit providers and establish a ‘notional contract services LHN’ for this purpose. As an example these may include sub-acute or mental health services provided in a community based service organisation.

3. Application

- 3.1 This Determination applies to all states and territories.

4. Operative date

- 4.1 This Determination is operative from the date of issue.

5. Structure

- 5.1 A notional contract services LHN may consist of a single private or not-for-profit provider or an aggregation of such providers for each state and territory, at their discretion.
- 5.2 A notional contracted services LHN is not required to meet the LHN governance arrangements set out in clauses D11 to D21 (clause A54(a)).

5.3 For practical purposes, notional contracted services LHNs will be considered LHNs. As stated in clause A54(a), “all other clauses will apply to this LHN [notional contracted services LHN]”. Therefore, all other requirements and responsibilities outlined in the Agreement (and *National Health Reform Act 2011*) will apply to a notional contracted services LHN.

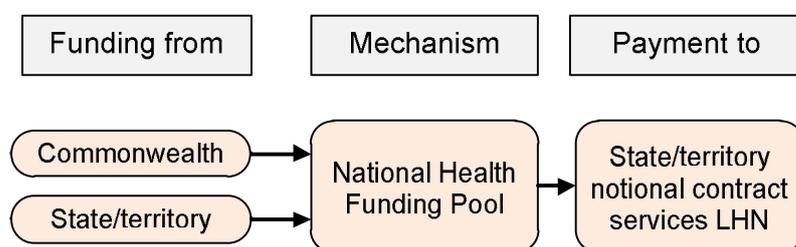
6. Funding eligibility of public hospital services provided under contract

6.1 Any Commonwealth National Health Reform funding provided to a notional contract services LHN can only relate to a ‘public hospital service’ as defined in the Agreement.

6.2 Clause A57 states that “public hospital services provided under contract by the state [or territory]...will be treated consistently with the approach in clauses A10 to A17.” These clauses relate to those hospital services that are eligible for a Commonwealth funding contribution. If the notional contracted service LHN provides such services, then these would be eligible for a Commonwealth funding contribution.

7. Funding flows

7.1 Clauses B52 and B53 identify the Commonwealth and state or territory funding flows respectively. As all LHN clauses relate to notional contracted services LHNs, these funding flows will also apply to notional contracted services LHNs. The following diagram highlights the funding flows.



7.2 In relation to funding *into* the National Health Funding Pool (the Pool), Commonwealth payments for notional contracted services LHNs will be 1/12th of the estimated annual payment as calculated by the service estimates (clause B46), with the states and territories determining the frequency of state contributions (clause B47).

7.3 Payments *from* the Pool will be made in accordance with service levels specified in the contracts with service providers (clauses B48 and B49), with states and territories directing the disbursement (clause B54).

7.4 Clause B56 should be noted and observed when transacting and subsequently reporting the Commonwealth contribution to LHNs and other providers.

8. Data provision

8.1 The data provision requirements of the Administrator from states and territories in relation to notional contracted services LHNs are consistent with those for other LHNs. These requirements are detailed in the Administrator’s *2013-14 to 2015-16 Three Year Data Plan*.

9. Service estimates

9.1 As per clause A55, states and territories “will provide information on forecast and actual contracted activity to the Administrator, and this will include the same type, level and specificity of data on the contracted activity as required of other LHNs under this Agreement”. Therefore, service estimates relating to a notional contracted services LHN will be required as per the requirements and timelines outlined in clauses B73

and B74, in the format and with the level of detail required by the Administrator (along with all other LHNs within the respective state or territory).

- 9.2 The service estimates will be used to calculate the Commonwealth contribution to activity based funding for the notional contracted services LHN in the same manner as other LHNs.

10. Service Agreements

- 10.1 As all other clauses relevant to LHNs will apply, the Administrator must be provided with information in respect of a notional contracted services LHN consistent with that which would be contained in a Service Agreement for a 'standard' LHN.
- 10.2 Clause D8 outlines the minimum requirements for Service Agreements.
- 10.3 This information may take the form of a copy of the contract(s) between the state or territory and the service provider(s) forming the notional contracted services LHN, or appropriate extracts thereof. The contract should include required service levels and other relevant information for service providers. If these contracts are varied or amended during the course of the year (clauses B50, B51 and B57), a copy of the amended contract (or relevant extracts thereof) must be provided to the Administrator for payment purposes.

11. NHFA Payments System

- 11.1 A notional contracted services LHN will be registered as an LHN in the National Health Funding Administrator (NHFA) Payments System, with deposits and payments identified for the specific notional contracted services LHN.

12. Monthly reporting

- 12.1 All monthly reporting requirements pertaining to LHNs will apply to notional contracted services LHNs. The relevant details are contained in the Administrator's *Determination 01: Provision of Monthly Data by States and Territories as the Basis of Monthly Payments* (dated 14 August 2012) relating to the 2012-13 financial year and the Administrator's *2013-14 to 2015-16 Three Year Data Plan* for subsequent years.

13. Reconciliation

- 13.1 The reconciliation and adjustment requirements detailed in clauses B59 to B64 will apply to notional contracted services LHNs. The relevant details are contained in the Administrator's *Determination 03: Provision of actual 2012-13 hospital services data for reconciliation with estimated data* (dated 27 February 2013) relating to the 2012-13 financial year, and the Administrator's *2013-14 to 2015-16 Three Year Data Plan* for subsequent years.
- 13.2 States and territories are required to ensure that public hospital services provided through notional contracted services LHNs are included in the patient level activity data provided to the Administrator for reconciliation purposes.
- 13.3 The Administrator and the National Health Funding Body will work with each state and territory where there are notional contracted services LHNs during the reconciliation process to ensure all appropriate data are captured.

14. Funding guarantee and efficient growth

- 14.1 The determination and application of the funding guarantee and efficient growth is detailed in the Agreement and applies to notional contracted services LHNs from 2014-15 onwards.

Appendix A: Relevant extracts from the *National Health Reform Agreement*

Private or Not-For-Profit Provision of Public Hospital Services

- A52. Where a State contracts with a private or not-for-profit provider to operate a public hospital, that hospital will be treated as a public hospital for the purposes of this Agreement, and may be, or form part of, a Local Hospital Network in accordance with clause D23(c). This arrangement will apply to existing contracts and contracts entered into after the Agreement commences.
- A53. Hospitals owned by charitable organisations which are recognised as public hospitals, whether by legislation or by other arrangements, will be treated as a public hospital for the purposes of this Agreement, and may be, or form part of, a Local Hospital Network in accordance with clause D23(c).
- A54. Other public hospital services provided by the private or not-for-profit sector can be contracted for in the following ways:
- a. the State contracts centrally and establishes a notional 'contracted services Local Hospital Network' which is not required to meet the governance arrangements set out in clauses D11 to D21. All other clauses will apply to this Local Hospital Network; or
 - b. Local Hospital Networks may enter into individual contracts with the private or not-for-profit sectors.
- A55. For any notional contracted services Local Hospital Network, the State will provide information on forecast and actual contracted activity to the Administrator, and this will include the same type, level and specificity of data on the contracted activity as required of other Local Hospital Networks under this Agreement.
- A56. The Commonwealth will provide funding in respect of the contracted activity through the National Health Funding Pool to the State. IHPA determined loadings will apply in respect of patient characteristics, and service location.
- A57. Public hospital services provided under contract by the State with the private sector or not-for-profit sector will be treated as being provided by public hospitals and will be treated consistently with the approach in clauses A10 to A17 to determine eligibility for a Commonwealth funding contribution.