



Administrator
National Health
Funding Pool



**National Health
Funding Body**

2024-25

CORPORATE PLAN

Improving the transparency of
public hospital funding in Australia



Acknowledgement of Country

The National Health Funding Body acknowledges the traditional owners of country throughout Australia, and their continuing connection to land, water and community. We pay our respects to them and their cultures and to elders both past and present.

Artwork credit

Kayannie Denigan, 2024

Artist biography

Kayannie Denigan is an Australian Aboriginal artist. She is Luritja by birth – connected to Itjtjari and Unturu in Central Australia through her grandmother and great-grandmother respectively.

Kayannie is also connected to the Bagarmuguwarra, Guugu Yimithirr and Kuku Yalanji people of Cape York through her Nganjan (adopted father). She maintains strong connections to country at Buru, Starke and Yuku Budhuwigu and to the communities of Hope Vale and Wujal Wujal.

Kayannie works predominantly in acrylic on canvas and is inspired to combine the iconic dots and symbols of her grandmother's country in Central Australia with the colours and stories from the lands and culture of her childhood home in Cape York.

Her unique style represents her heritage and upbringing, resulting in earthy, rich and vibrant expressions of her connection to people and country.

Artist statement

This artwork is based on Kayannie's 'My Country' style and speaks to the enduring connections of Aboriginal and Torres Strait Islander peoples' to country.

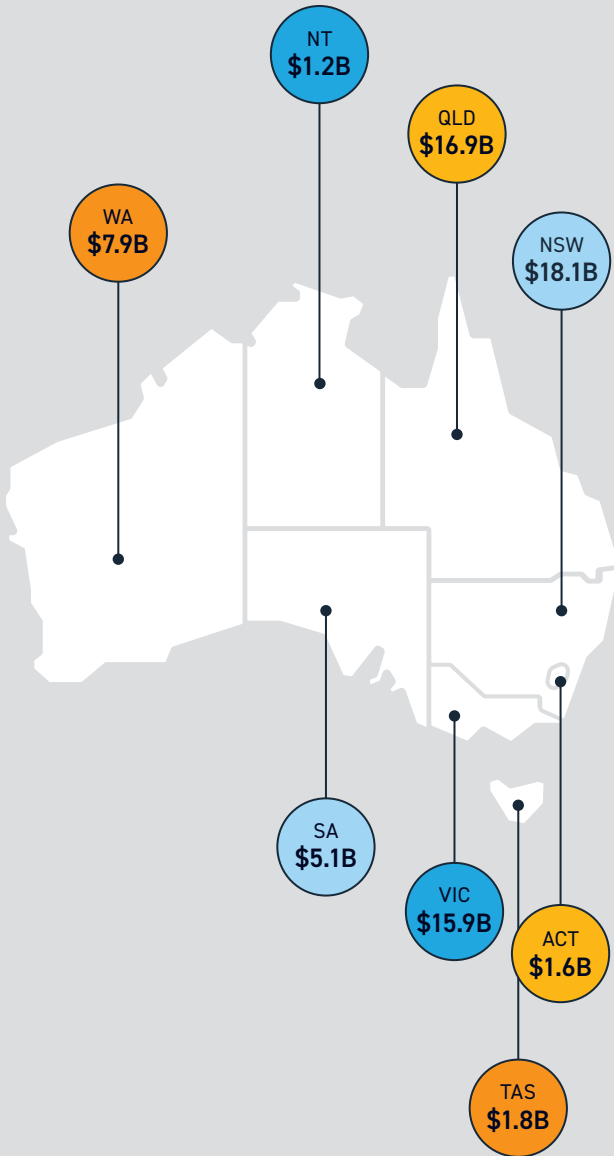
The artwork was inspired by the NHFB's important role of providing transparency of public hospital funding to benefit all Australians and the places that these services occur across the country. It acknowledges the continuing connection to land, sea and community of Aboriginal and Torres Strait Islander peoples.

The artwork shows these connections by featuring representations of land and sea, waterways, bush flowers, gum leaves, plants, people and places and seaweed.

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PUBLIC HOSPITAL FUNDING



We administered...

\$68.3 BILLION
in public hospital funding

SERVICES

\$67.8 BILLION PAID TO...



137

Local Hospital Networks

COMPRISING OF...



700

public hospitals

THAT DELIVERED...



43 MILLION

public hospital services

FUNDING BY SERVICE CATEGORY

 <p>EMERGENCY</p>	<p>Commonwealth:</p> <p>\$3.1 BILLION</p>	<p>States and Territories:</p> <p>\$4.3 BILLION</p>
 <p>ACUTE ADMITTED</p>	<p>Commonwealth:</p> <p>\$14.7 BILLION</p>	<p>States and Territories:</p> <p>\$21.2 BILLION</p>
 <p>MENTAL HEALTH</p>	<p>Commonwealth:</p> <p>\$1.2 BILLION</p>	<p>States and Territories:</p> <p>\$1.9 BILLION</p>
 <p>SUB-ACUTE</p>	<p>Commonwealth:</p> <p>\$1.7 BILLION</p>	<p>States and Territories:</p> <p>\$1.8 BILLION</p>
 <p>NON-ADMITTED</p>	<p>Commonwealth:</p> <p>\$3.6 BILLION</p>	<p>States and Territories:</p> <p>\$4.8 BILLION</p>

STAKEHOLDER ENGAGEMENT

Collaboration through quarterly multilateral meetings, informed by **32 bilateral discussions**, has led to...

IMPROVED SATISFACTION AND TRUST AMONG OUR STAKEHOLDERS

Our stakeholders rated us...

4.8/5

★★★★★

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



I am pleased to present the National Health Funding Body Corporate Plan for 2024-25. This plan builds on our outstanding record of achievement and sets our strategic direction for the next four years 2024-2028.

A handwritten signature in black ink that reads "S White". The signature is fluid and cursive.

Shannon White

Chief Executive Officer,
National Health Funding Body

Australia's health system is one of the most effective in the world, however, there are numerous long-term challenges. The burden of chronic disease, an aging population, modern medicine, and rising consumer expectations is putting pressure on the broader healthcare sector.

In the short-term, the public hospital system is strained by workforce shortages and the limitations on capacity. Although there was an increase in the number of planned surgeries performed in 2023-24, the system remains under pressure from deferred care following the global pandemic.

Our agency performs a unique role in Australia's health system, delivering best practice administration of over \$68 billion in public hospital funding. We perform the calculations, payments, and reporting of public hospital funding across 137 Local Hospital Networks (LHNs) encompassing 700 public hospitals delivering more than 43 million hospital services.

Building on our success

In December 2023, we concluded the 2022-23 Annual Reconciliation of Commonwealth National Health Reform (NHR) funding as well as the final funding outcome in relation to the COVID-19 response. This included:

1. Commonwealth NHR funding \$26.607 billion in 2022-23 – for public hospital services
2. Commonwealth NPCR funding \$14.264 billion over four years, comprised of:
 - a. Hospital Services Payments (HSP) \$3.985 billion – for COVID-19 related public hospital services
 - b. State Public Health Payments (SPHP) \$8.770 billion – for COVID-19 related public health activities
 - c. Financial Viability Payments (FVP) \$1.508 billion – for additional capacity provided by private hospitals.

Priorities for the future

The current Addendum to the National Health Reform Agreement (the Addendum) expires 30 June 2025.

While Health Ministers renegotiate a new Addendum, National Cabinet endorsed the Commonwealth increasing NHR contributions to 45 per cent over a maximum of a 10-year glide path from 1 July 2025. This will provide better access to health services where they are needed, when they are needed, and alleviate current pressures in public hospitals across the country.

In the meantime, our primary focus will be the administration of Commonwealth NHR funding under the current Addendum including:

- public hospital funding integrity and duplicate payments
- funding neutrality for private patients in public hospitals
- funding cap exemption and reconciliation of highly specialised therapies
- the progression of safety and quality measures (e.g. sentinel events, complications and readmissions)
- measures to address potentially preventable hospitalisations.

In the year ahead, we will focus on completing the 2023-24 Annual Reconciliation, executing 2024-25 payments, and preparing for the calculation of 2025-26 funding entitlements under the new Addendum.

Productive relationships

Over the past five years, we have continuously sought feedback from our stakeholders and partners. We believe they value our open communication, respectful engagement, and high quality advice. This is again observed in the 2024 stakeholder survey results with a rating 4.8 out of 5.

Our organisational success relies on enhanced trust with our Commonwealth, State and Territory stakeholders as well as our portfolio agency partners.

We will renew our commitments to maintain key relationships through existing bilateral and multilateral fora, as well as more focussed engagement through our communities of practice and technical workshops.

Positive workplace culture

Our United Leadership behaviours are the centrepiece of our positive workplace culture where we value people and results equally. For the fourth time, following the Australian Public Service (APS) Employee Census we have ranked in the top two to three public sector agencies for leadership, communication, innovation and employee wellbeing. This outcome reflects everyone's contribution to our positive culture underpinned by a psychologically secure workplace, outstanding levels of personal integrity and a focus on organisational stewardship for the long-term.

In 2024-25 we remain dedicated to:

- strengthening our leadership and culture to remain an employer of choice
- investing in our people through learning and development to enhance our organisational capability
- reviewing our business operations for innovation opportunities
- leveraging our digital investment and embracing data to improve our advice.

Together with my high performing team, we look forward to supporting the Administrator Toni Cunningham, as well as our stakeholders and partners, to further improve the transparency of public hospital funding in Australia; and play our part to improve the health outcomes of all Australians.

STRATEGIC OVERVIEW

OUR VISION

To improve transparency of public hospital funding in Australia.

OUR PURPOSE

To support the obligations and responsibilities of the Administrator through best practice administration of public hospital funding.

OUR OBJECTIVES



Accurate and timely calculation of Commonwealth funding contributions.



Best practice financial administration of the National Health Funding Pool (the Pool).



Effective reporting of public hospital funding.



Productive relationships with stakeholders and partners.



Operate as a high performing organisation.

OUR APS VALUES

✓ IMPARTIAL

✓ COMMITTED

✓ ACCOUNTABLE

✓ RESPECTFUL

✓ ETHICAL

✓ STEWARDSHIP

OUR BEHAVIOURS

ONE NHFB

We contribute as a united team and encourage new ideas.

ENHANCE TRUST

We treat others as equals and collaborate openly across boundaries.

OPEN COMMUNICATION

We listen actively to the views of others and share information.

OWN IT

We own our performance by knowing, accepting and performing our roles to the best of our ability.

NHFB AND AUSTRALIA'S HEALTH SYSTEM



Prime Minister,
Premiers and
Chief Ministers



Commonwealth,
State and Territory
Health Ministers



Commonwealth
Treasurer

WHO WE SUPPORT

ADMINISTRATOR OF THE NATIONAL HEALTH FUNDING POOL

The Administrator is an independent statutory office holder. All Commonwealth, State and Territory Governments have to agree on their appointment to the position.



Toni Cunningham
Administrator

THE NATIONAL HEALTH FUNDING BODY

Led by the CEO, the 35 staff in the NHFB support the Administrator to oversee the administration of Commonwealth, State and Territory public hospital funding and payments under the National Health Reform Agreement.



Shannon White
Chief Executive Officer

WHO WE WORK WITH



Commonwealth,
State and Territory
stakeholders



Portfolio agencies



Industry partners

OUR PURPOSE

The agency

The National Health Funding Body (NHFB) and the Administrator of the National Health Funding Pool were established through the *National Health Reform Agreement* (NHR Agreement) of August 2011 (see page 15).

The NHFB operates as a Commonwealth non-corporate entity under the *Public Governance, Performance and Accountability Act 2013* (PGPA) and is funded as a small agency within the Commonwealth Department of Health and Aged Care Portfolio.

The NHFB is an independent agency with 35 people that support the Administrator to oversee the administration of Commonwealth, State and Territory public hospital funding and payments under the NHRA.

The Administrator is an independent statutory office holder. All Commonwealth, State and Territory Governments must agree on their appointment to the position.

The functions of the Administrator are set out in the *National Health Reform Agreement 2011* (NHR Agreement) and common provisions in relevant State and Territory legislation.



What we do

Our primary functions are to assist the Administrator in:

- calculating and advising the Commonwealth Treasurer of the Commonwealth's contribution to public hospital funding in each State and Territory
- reconciling estimated and actual public hospital services, and adjusting Commonwealth payments
- undertaking funding integrity analysis to identify public hospital services that potentially received funding through other Commonwealth programs
- monitoring payments of Commonwealth, State and Territory public hospital funding into the National Health Funding Pool (the Pool)
- making payments from the Pool to each Local Hospital Network (LHN)
- reporting publicly on funding, payments and services
- developing and providing three-year data plans to the Commonwealth, States and Territories
- supporting additional funding streams to be transacted through the Pool.

To assist the Administrator and achieve our vision of improving the transparency of public hospital funding in Australia, we work collaboratively across four key functions outlined in Figure 1.

Figure 1: NHFB's key functions

CALCULATE



- Calculate funding and issue payment advice
- Data collection and analysis
- Reconcile actual activity
- Funding integrity

PAY



- Timely payments and bank reconciliations
- End of month processing
- National Health Funding Pool financial statements
- Payments System administration

REPORT



- Funding, payment and activity reporting
- Data plan and compliance reporting
- Trend analysis and reporting
- Website

ORGANISATION



- Leadership and culture
 - Corporate planning
 - Organisational performance
 - Risk management, assurance and governance
-

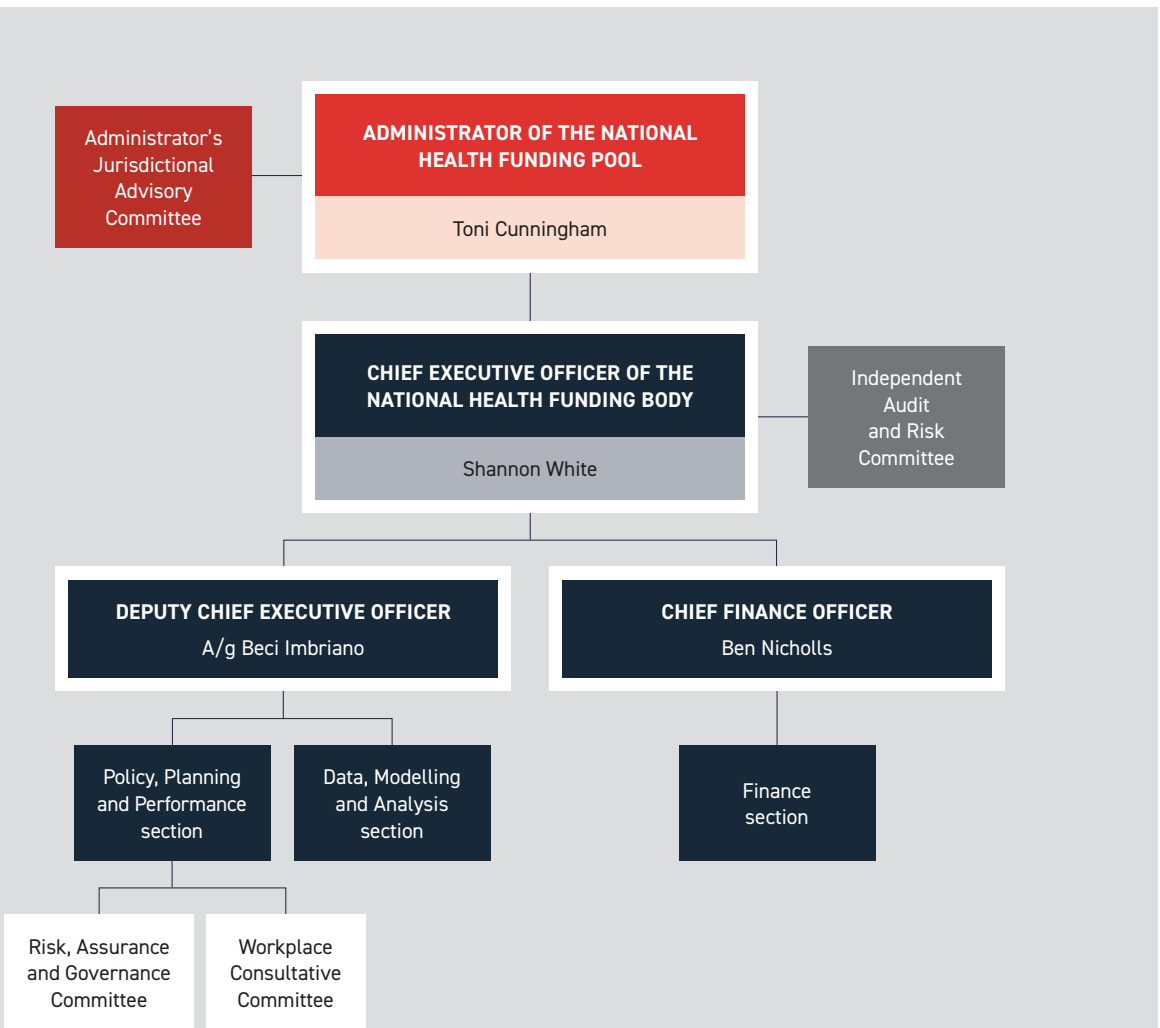
Organisational structure

Our structure has been designed to:

- support the delivery of Government objectives
- ensure our agency can deliver outcomes now and into the future
- align to our core functions, providing clear lines of responsibility.

Figure 2 shows the relationship between the NHFB's organisational and governance elements. Our Governance arrangements are further detailed on page 39-40.

Figure 2: Organisational structure as at 30 June 2024



Our teams

POLICY, PLANNING AND PERFORMANCE

The Policy, Planning and Performance section is responsible for developing the NHFB's Strategic Direction, Corporate Plan, Portfolio Budget Statements and Annual Reports.

The section works with colleagues, jurisdictions and portfolio agencies to maintain the full suite of the Administrator's policies, including the Administrator's Three Year Data Plan, Data Compliance Policy, Data Governance Policy, Calculation and Reconciliation Framework and Data Matching Business Rules.

The section works with stakeholders to improve funding transparency through the development of trend analysis, including the publication of monthly funding and activity data on publichospitalfunding.gov.au.

The section provides essential business support services to the NHFB, CEO and Administrator across risk management, assurance, governance, human resources, communications, security, management of Memorandums of Understanding (MoU) and Secretariat for the Administrator's Jurisdictional Advisory Committee (JAC) and Independent Audit and Risk Committee (ARC).

DATA, MODELLING AND ANALYSIS

The Data, Modelling and Analysis (DMA) section develop and operate models that determine the Commonwealth funding contribution to LHNs for delivering public hospital services (over \$28 billion in 2023-24).

The section also reconciles estimated and actual service volumes through a range of data submissions (over 43 million records each year) related to public hospital funding. DMA are also responsible for linking hospital activity data with Medicare Benefits Schedule (MBS) claims data to identify if the Commonwealth has potentially paid for the same hospital service more than once (over 610 million MBS records per annum).

The team also engages with States and Territories on data quality and timeliness, sharing best-practice approaches across jurisdictions.

FINANCE

The Finance section provide financial support to the NHFB CEO and the Administrator, including maintaining the integrity of the National Health Funding Pool Payments System (Payments System). This includes working with colleagues, jurisdictions, industry partners and the RBA on further enhancements to the Payments System, improving user experience and providing training and support.

The section monitors payments of Commonwealth, State and Territory public hospital funding into the National Health Funding Pool (the Pool) and improves the transparency of payments and reporting through their engagement with stakeholders.

The section assists the Administrator in the preparation of the annual financial statements for each State and Territory Pool account which are audited by each State and Territory Auditor's-General as well as preparation of the NHFB's financial statements which are audited by the Commonwealth Auditor-General.

The section also manages the NHFB's financial resources through sound budgeting and appropriate financial management practices.

Our leadership



Toni Cunningham

Administrator
National Health Funding Pool

Toni was appointed as the Administrator on 6 November 2023 for a five-year term.

Toni is an expert in public hospital funding models and the systems that support health services to report on their performance in relation to health funding matters. Toni has occupied leadership roles in the public health sector, most recently in executive roles at Queensland Health. Toni's career, having spanned over forty years, has been predominantly in leadership roles that improved systems and processes for the development of transparency in public sector casemix data collection, including costing, funding and reporting.



Shannon White

Chief Executive Officer
National Health Funding Body

Shannon was appointed CEO of the National Health Funding Body in April 2018 and was subsequently reappointed on 1 July 2023 for a further five years.

Shannon has a broad range of experience across national security, economic and social policy environments. Shannon has 30 years' experience in the APS across Health, Immigration and Border Protection, and Defence with his previous roles having a strong focus on financial management and strategic advice on budget related policy and operational matters.

In his previous senior executive role in Health System Financing at the Department of Health and Aged Care, Shannon worked extensively on national health reform issues and represented the Australian Government at a number of national and international committees. This included health system fiscal sustainability as well as the negotiations on public hospital funding under the two Addendums to the NHR Agreement.



Beci Imbriano

A/g Deputy Chief Executive Officer

Beci joined the NHFB in November 2018 initially as Director Policy, Planning and Performance and is currently acting Deputy Chief Executive Officer.

As the acting Deputy Chief Executive Officer, Beci oversees the functions of the agency's Policy Planning and Performance Team and Data, Modelling and Analysis Team.

She is proud of NHFB's culture, where 'how' we do things is just as important as 'what' we do and is passionate about building organisational capability.

Prior to joining the NHFB, Beci spent 10 years in the APS across the Health and Immigration and Border Protection Portfolios in stakeholder focused policy and operational roles, including reporting on system sustainability through modelling outcomes of policy settings and budget scenarios.



Ben Nicholls

Chief Finance Officer

Ben joined the NHFB in February 2024 as the NHFB's Chief Finance Officer.

As the Chief Finance Officer, Ben oversees the National Health Funding Pool Payments System, National Health Funding Pool daily operations and our departmental budget.

He is passionate about collaborating with stakeholders to achieve positive outcomes and is proud of the work the agency does to improve the transparency of funding.

Prior to joining the NHFB, Ben worked at the Australian National Audit Office for more than 10 years conducting the independent examination of the financial records, transactions and internal controls of Commonwealth entities. Ben is a Chartered Accountant and has a Bachelor of Business (Hons.) from Charles Sturt University.

“We are proud of our positive workplace culture where people feel valued and contribute new ideas.”

OPERATING ENVIRONMENT

Our role in Australia’s health system was the result of significant public hospital funding reforms agreed by the Commonwealth and all States and Territories in August 2011, forming the National Health Reform Agreement.

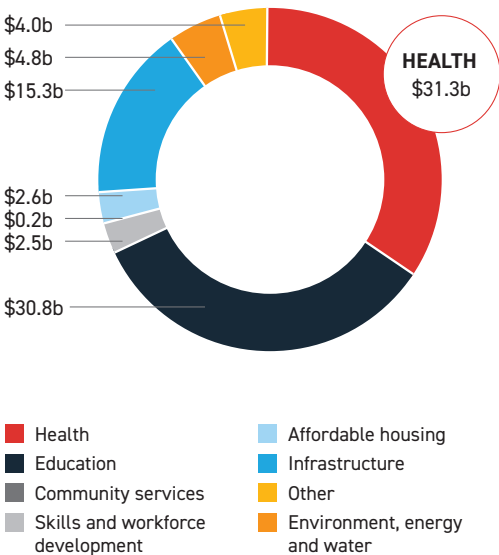
The NHR Agreement outlines the shared responsibility of the Commonwealth, State and Territory governments to work in partnership to improve health outcomes for all Australians and ensure the sustainability of the health system.

On 29 May 2020, the Commonwealth, States and Territories entered into a new agreement through the Addendum to the NHRA 2020–21 to 2024–25 (see page 15).

The Addendum maintains a commitment to ensuring equitable access to public hospitals for all Australians and reaffirms the role of the Administrator and the NHFB.

In 2024–25, the Federal Government will provide States and Territories with \$91.5 billion in payments for specific purposes (see Figure 3), with over a third of that money calculated by the NHFB and paid through our Payments System.

Figure 3: Payments for specific purposes 2024-25, by sector (Treasury Budget Paper 3)



Health System

To achieve our purpose and preserve our role in the health system into the future, we must provide best practice financial administration that is accurate, timely and independent. In 2024-25 we will deliver on our commitment to:

- prepare accurate payment advice, including preparation for the implementation of a new Addendum (2025-2030)
- enhance our funding integrity capabilities
- improve the quality and timeliness of data
- make payments without a delay or error
- maintain the integrity of the Payments System
- improve access to information through public reporting.

These activities will contribute to an efficient, sustainable and accessible public hospital system for all Australians.

KEY MOMENTS IN PUBLIC HOSPITAL FUNDING HISTORY

	<p>1816</p>	<p>→ Australia's first public hospital, the Rum Hospital opened in Sydney. In 1894 it was renamed the Sydney Hospital.</p>
	<p>1945</p>	<p>→ The <i>Hospital Benefits Act 1945</i> provided for all people to have access to a public hospital free of charge.</p>
	<p>1981</p>	<p>→ Funding for public hospitals from the Commonwealth is based on per capita block grants.</p>
	<p>1984</p>	<p>→ Introduction of Australia's universal health care scheme Medicare.</p>
	<p>2008</p>	<p>→ The National Health and Hospitals Reform Commission was established to provide advice on progressing health reform.</p>
	<p>2011</p>	<p>→ The <i>National Health Reform Agreement</i> was signed, establishing the Administrator and NHFB. A new approach to health funding based on Activity Based Funding (ABF) was put into effect and Local Hospital Networks (LHNs) were established.</p>
	<p>2017</p>	<p>→ The <i>Addendum to the National Health Reform Agreement 2017-18 to 2019-20</i>, introduced safety and quality elements to funding.</p>
	<p>2020</p>	<p>→ The <i>National Partnership on COVID-19 Response</i> was agreed to and signed in March 2020, providing additional financial assistance to States and Territories. The <i>Addendum to the National Health Reform Agreement 2020-25</i> was signed by all Australian governments in May 2020.</p>
	<p>2022</p>	<p>→ A Mid-term Review of the Addendum to the National Health Reform Agreement was commissioned to provide advice on a future health reform agreement.</p>
	<p>2023</p>	<p>→ National Cabinet agrees the funding parameters and glide path for a future health reform agreement.</p>

Images from top to bottom: 1. Interior of the women's surgical ward, Sydney Hospital, 1890s. (State Library of NSW 06472) 2. Medicare card. 3. Front cover of the NHR Agreement. 4. First ministers National Cabinet December 2023. (ABC News: Matt Roberts)

Overview of health care agreements

National Healthcare Specific Purpose Payment Pre-2012

Prior to the NHR Agreement, States and Territories were paid a contribution for public hospital services from the Commonwealth via 'block grants' under the National Healthcare Specific Purpose Payment arrangements. These grants were calculated based on historical costs, negotiation and government decisions, with little transparency of the actual services delivered for the funding provided.

National Health Reform Agreement 2012-13 to 2016-17

In August 2011, the Council of Australian Governments (COAG) agreed to major changes in how public hospitals were to be funded by Commonwealth, State and Territory governments, including the move from block grants to an 'activity-based' funding system. These changes, detailed in the NHR Agreement, included establishing the Administrator and the NHFB to improve transparency of public hospital funding arrangements.

Addendum to the National Health Reform Agreement 2017-18 to 2019-20

In July 2017, amendments were introduced to the NHR Agreement through a time-limited Addendum. This reaffirmed universal health care for all Australians as a shared priority and committed parties to public hospital funding from 1 July 2017 to 30 June 2020. It also focused on reducing unnecessary hospitalisations and improving patient safety and service quality.

Addendum to the National Health Reform Agreement 2020-21 to 2024-25

In May 2020, through the signing of the new Addendum, Commonwealth, State and Territory governments agreed to four strategic priorities to further guide health system reform:

- improving efficiency and ensuring financial sustainability
- delivering safe, high-quality care in the right place at the right time, including long-term reforms in:
 - nationally cohesive health technology assessment
 - paying for value and outcomes
 - joint planning and funding at a local level.
- prioritising prevention and helping people manage their health across their lifetime, including long-term reforms in:
 - empowering people through health literacy
 - prevention and wellbeing.
- driving best practice and performance using data and research, including long-term reforms in enhanced health data.

The Addendum will see over \$131 billion in Commonwealth funding to public hospitals over the five years of the agreement.

In conjunction with the new Addendum, the Federal Government provided a funding guarantee (2019-20, 2020-21 and 2021-22) to all States and Territories to ensure no jurisdiction was left worse off as a result of the COVID-19 pandemic.

National Partnership on COVID-19 Response (NPCR)

The NPCR was initially agreed to and signed by COAG on Friday, 13 March 2020 and ceased on 31 December 2022. The NPCR provided financial assistance to States and Territories for the additional costs incurred in responding to COVID-19 and included key functions to be performed by the Administrator supported by the NHFB and other portfolio agencies.

Over the life of the NPCR (2019-20 to 2022-23), the Commonwealth contributed a total of \$14.264 billion in COVID-19 funding to States and Territories:

- Hospital Service Payments for COVID-19 related hospital activities, with the Commonwealth funding 50%
- State Public Health Payments for public health activities associated with addressing the pandemic, with the Commonwealth funding 50%
- Private Hospital Financial Viability Payments to enable private hospitals to retain capacity, with the Commonwealth funding 100%
- Schedule C: COVID-19 vaccine payments including Vaccine Dose Delivery Payments and Vaccine Rollout Support Payments, with the Commonwealth funding 50%
- Schedule D: supporting aged care prevention, preparedness and response activities including additional targeted infection prevention and control training in residential aged care facilities, with the Commonwealth funding 100%
- Costs of the purchase, logistics and distribution of Rapid Antigen Tests (RATs), with the Commonwealth funding 50%.

Further details on COVID-19 funding is available from the 2019-20, 2020-21, 2021-22, 2022-23 and 2023-24 National Health Funding Pool Annual Reports.

Future Addendum to the National Health Reform Agreement

As part of the NHR Agreement, signatories agreed that an external review of the Agreement would be completed by December 2023. Subsequently, an independent review team was tasked to examine whether the stated objectives of the Addendum – improving health outcomes, access and innovation – are being met; and in particular, whether the Addendum's health funding, planning and governance architecture is fit-for purpose.

Following the Review, negotiations commenced on a new Addendum (2025-2030). On 6 December 2023, National Cabinet endorsed:

1. Increasing NHRA contributions to 45% over a maximum of a 10-year glide path from 1 July 2025, with an achievement of 42.5% before 2030
2. The current 6.5% national funding cap being replaced by a more generous approach that applies a cumulative cap over the period 2025-2030 and includes a first year 'catch-up' growth premium
3. Commencing the renegotiation of the NHRA Addendum to embed long-term, system-wide structural health reforms, including considering the NHRA Mid-Term Review findings.

It is anticipated that outcomes of the negotiations on a new Addendum will be finalised in 2024.

PUBLIC HOSPITAL FUNDING ARRANGEMENTS

The NHFB assist the Administrator in calculating and advising the Treasurer of the Commonwealth’s contribution to public hospital funding.

Calculating funding

There are two broad types of funding: ABF and Block (see Figure 5), with the preference to use ABF wherever possible. Under the NHR Agreement, the scope of public hospital services that are funded on an ABF or Block basis and are eligible for a Commonwealth funding contribution currently includes:

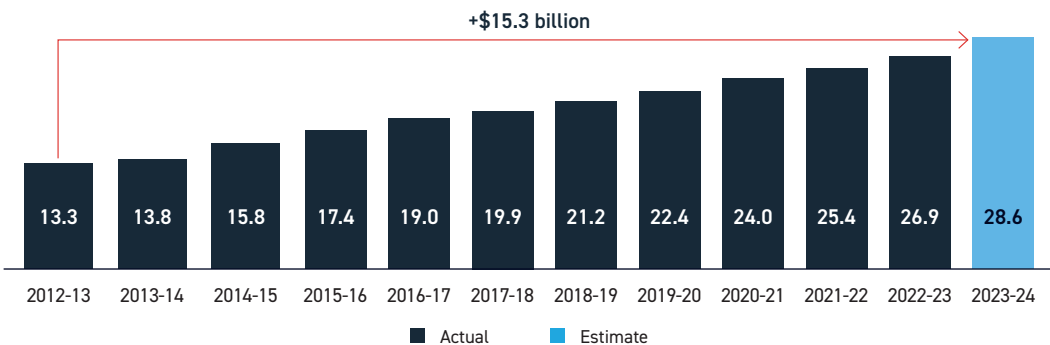
- all emergency department services provided by a recognised emergency department
- all admitted and non-admitted services
- other outpatient, mental health, sub-acute services and other services that could reasonably be considered a public hospital service.

The Commonwealth Contribution Model (CCM) calculations form the basis of the Administrator’s payment advice to the Commonwealth Treasurer. The Independent Health and Aged Care Pricing Authority’s (IHACPA) price determinations and public hospital activity estimates from States and Territories are key inputs into this model.

Figure 4 provides an overview of the Commonwealth’s funding contributions from 2012-13 to 2023-24.

The Administrator’s Calculation Policy sets out the method and processes that are used to calculate the Commonwealth’s NHR contribution as well as the approach to reconciling public hospital services actually delivered.

Figure 4: Commonwealth funding contributions from 2012-13 to 2023-24



Note: These amounts include NHR, HSP and Minimum Funding Guarantee amounts. SPHP and FVP are not included.

Activity Based Funding

ABF is a funding method for public hospital services based on the number of weighted services provided to patients, and the price to be paid for delivering those services.

The method uses national classifications for service types, price weights, the National Efficient Price (NEP) that is independently determined by the IHACPA, and the level of activity as represented by the National Weighted Activity Unit (NWAU) (i.e., the NEP is the price per NWAU).

A NWAU represents a measure of health service activity expressed as a common unit of resources. This provides a way of comparing and valuing each public hospital service (whether it is an emergency department presentation, admission or outpatient episode), by weighting it for clinical complexity.

States and Territories are required to outline their basis of payments to each LHN, including an explanation of the factors considered. This information is made publicly available (for all years) via our website and is published in the National Health Funding Pool Annual Report each year.

Block funding

Block funding supports teaching, training and research in public hospitals, and public health programs. It is also used for certain public hospital services where Block funding is more appropriate, particularly for smaller rural and regional hospitals.

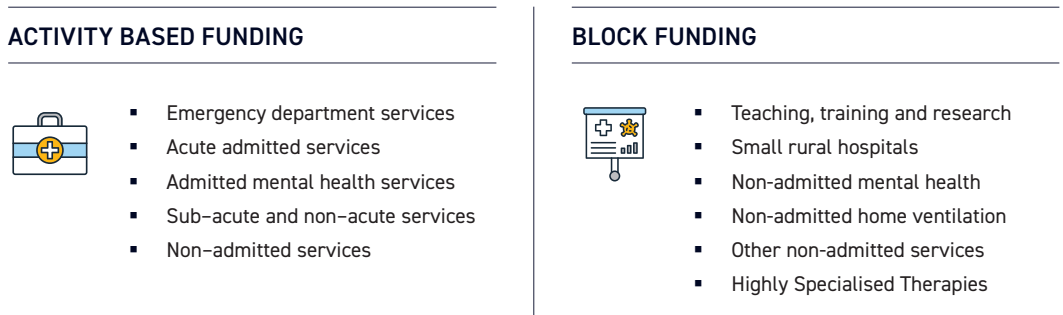
Public Health funding

Public Health funding is paid by the Commonwealth as a contribution to funding population health activities within each State and Territory, directed at improving the overall health of the population and seeking to prevent the development of poor health. These activities include national public health, youth health services and essential vaccines (service delivery).

Out-of-scope

Public hospitals also receive funding from other sources, including the Commonwealth, States and Territories, and third parties for the provision of other specific functions and services outside the scope of the NHR Agreement (e.g., pharmaceuticals, primary care, dental services, other hospital services, home and community care, residential aged care and disability services).

Figure 5: Types of public hospital funding



Making payments

The Pool was established to receive all Commonwealth (ABF and Block) and State and Territory (ABF only) public hospital funding.

The Pool comprises of a Reserve Bank of Australia (RBA) account for each State and Territory, with each State and Territory also having established a State Managed Fund (SMF) to manage Block funding. The Pool and SMF provide a line-of-sight mechanism to trace each jurisdiction's contribution to LHNs and third parties. The balance is paid to States and Territories (including public health and cross-border).

NHR funding occurs when the Commonwealth or States and Territories pay into a State Pool account or SMF.

NHR payments occur when the funding is paid out of the State Pool account by the Administrator or is paid out of the SMF by the State or Territory.

Figure 6 highlights the source, types and amount of funding and payments that flowed through the Pool and SMFs in 2023-24.

The NHR Agreement also allows for additional streams of funding to be paid through the Pool if agreed by Government, as was done in response to COVID-19.

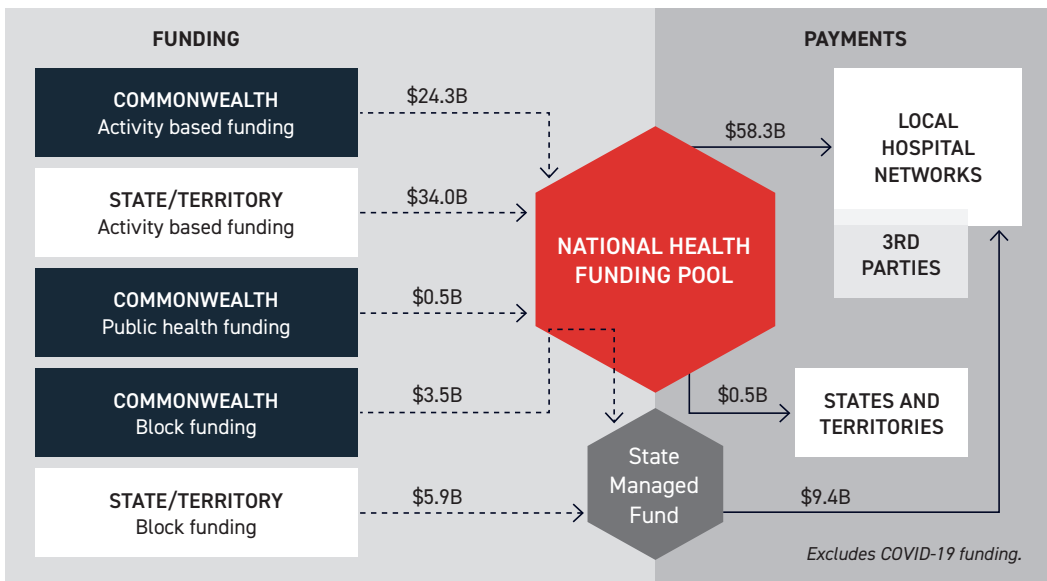
Commonwealth payments into the Pool are made as equal monthly instalments of an estimated annual payment, while States and Territories can determine how much and when they deposit funds into the Pool and SMF.

The Commonwealth's contributions to LHNs are adjusted in arrears at the end of each 6 and 12 months for each financial year once actual volumes have been validated.

To ensure that payments from the Pool are correct, no payment will be made until the respective State or Territory has validated and instructed the Administrator to make payment on its behalf.

The NHFB supports the Administrator to publish monthly reports detailing the funding and payments into and out of the Pool and SMFs. These reports are made publicly available on publichospitalfunding.gov.au.

Figure 6: 2023-24 Public hospital funding payment flows



Publishing reports

To improve the transparency and integrity of public hospital funding, we report publicly on the payments made to Local Hospital Networks and their activity.

Funding and payments

We produce and publish monthly reports that detail funding and payments into and out of the Pool and SMF. The reports are provided at a national, State and Territory and LHN level, and details both the Commonwealth and State and Territory contributions. These reports are prepared on a cash basis and align to the reporting of funding and payments in the National Health Funding Pool Annual Report. Full year 2023-24 funding and payment information was published to the website on 16 July 2024, within three weeks after the end of the financial year.

Maintenance of Effort

Parties to the Addendum agreed, at a minimum, to maintain levels of funding for public hospital services through the Pool for 2020-21 to 2024-25 at not less than the level of funding for 2018-19. The assessment of Maintenance of Effort focuses on in-scope public hospital services under the NHR Agreement.

Out-of-scope activity is defined as non-hospital services or those public hospital services with a funding source other than the NHR Agreement.

This work has identified some inconsistencies in the level of in-scope and out-of-scope funding transacted through the Pool as well as pricing and activity information published in LHN Service Agreements. With the Administrator, we will continue to work with all Parties to the Addendum towards achieving consistency and transparency in the reporting of public hospital funding (A103).

Compliance

The Administrator's rolling Three Year Data Plan sets out the minimum level of data that States, Territories and the Commonwealth must provide to the Administrator, and the timeframes it must be provided within. Each quarter, a compliance report is published that details whether States, Territories and the Commonwealth have met their obligations under the Data Plan.

Service Agreements

Service Agreements between the States and LHNs support transparency of public hospital funding and services and are provided to the Administrator (once agreed). Service Agreements are to include, at a minimum:

- a. the number and broad mix of services to be provided by the LHN, to inform the community of the expected outputs from the LHN and allow the Administrator to calculate the Commonwealth's funding contribution
- b. the quality and service standards that apply to services delivered by the LHN, including the Performance and Accountability Framework and the level of funding to be provided to the LHN under the Service Agreement, through ABF and Block funding
- c. the teaching, training and research functions to be undertaken at the LHN level.

In addition, the funding paid on an activity basis to LHNs will be based on the price set by that State as reported in Service Agreements, the State Price (A92). The Administrator and NHFB have been working with States and Territories to highlight inconsistencies in Service Agreements and identify where improvements can be made including on accuracy of State Prices and identification of in-scope and out-of-scope activity.

STAKEHOLDERS AND PARTNERS

Productive relationships and regular engagement with our stakeholders and partners support us to improve the transparency of funding for public hospital services.

We will continue to proactively engage with our stakeholders and partners, as productive discussions not only provide valuable guidance to assist all parties to understand the basis of funding calculations and outcomes, but also builds trust in our functions.

States and Territories

Early and impartial engagement with all stakeholders, especially States, Territories and the Commonwealth, allows time to discuss and resolve issues in a collaborative manner. The Administrator's Jurisdictional Advisory Committee (JAC) is a key channel for this engagement and is comprised of senior representatives of all States and Territories and relevant Commonwealth departments and portfolio agencies.

Key discussion topics for the Administrator's JAC in 2024-25 will include:

- implementation of a new Addendum (once agreed)
- 2023-24 Annual Reconciliation of public hospital funding and services
- funding integrity, including data matching
- Payments System administration
- consistency and transparency of public hospital funding
- Administrator's policy documents.

Commonwealth

We will continue to be supported by, and work with our Commonwealth stakeholders through a range of formal and informal arrangements, including:

- the provision of shared services (e.g., payroll and IT desktop) from the Department of Health and Aged Care
- Enterprise Data Warehouse (EDW) technical support from the Department of Health and Aged Care
- the provision of public hospital activity data from Services Australia
- website hosting with GovCMS from the Department of Finance
- monthly roundtable discussions on NHR Agreement funding and activities with the Department of the Prime Minister and Cabinet, the Treasury, the Department of Finance and the Department of Health and Aged Care.

Portfolio agencies

We work closely with our portfolio agency partners to support the Administrator to provide trusted and impartial advice to all stakeholders and deliver best practice administration of public hospital funding. These agencies include the Independent Health and Aged Care Pricing Authority (IHACPA), the Australian Commission on Safety and Quality in Health Care (ACSQHC) and the Australian Institute of Health and Welfare (AIHW).

Independent Health and Aged Care Pricing Authority

The main functions of the IHACPA are to determine each year the National Efficient Price (NEP) for ABF and National Efficient Cost (NEC) for Block funding for health care services provided by public hospitals.

The NEP is a major determinant of the level of Commonwealth funding for public hospital services and provides a benchmark for the efficient cost of providing public hospital services.

We work closely with IHACPA throughout the year on public hospital activity data and are a member of their Jurisdictional Advisory Committee and Technical Advisory Committee.

Australian Commission on Safety and Quality in Health Care

The ACSQHC leads and coordinates key improvements in safety and quality in health care. The Commission works in four key priority areas:

- patient safety
- partnering with patients, consumers and communities
- quality, cost and value
- supporting health professionals to provide care that is informed, supported and organised to deliver safe and high-quality care.

Australian Institute of Health and Welfare

The AIHW develops, collects, compiles, analyses, manages and disseminates Australian health and welfare data information. We collaborate with the AIHW on public hospital funding related matters via a number of committees including the Strategic Committee for National Health Information, the National Hospitals Information Advisory Committee and the Health Expenditure Advisory Committee.

“We provide trusted and impartial advice and collaborate openly with our stakeholders.”

INDEPENDENT HEALTH AND AGED CARE PRICING AUTHORITY (IHACPA)



Data collection

The IHACPA collects quarterly public hospital activity data submissions from States and Territories about various kinds of patient services provided by Australian hospitals. They use this data as inputs into the classification, costing and pricing process. The NHFB use this same data for reconciliation of actual services delivered.



Classification

Classifications provide a nationally consistent method of classifying all types of patients, their treatment and associated costs. IHACPA undertakes reviews and updates of existing classifications and is also responsible for introducing new classifications.



Costing

Hospital costing focuses on the cost and mix of resources used to deliver patient care. Costing plays a vital role in Activity Based Funding, providing valuable information for pricing purposes.



Pricing

The IHACPA determines the National Efficient Price. This pricing model determines how much is paid for an average patient. It also recognises factors that increase the cost of care, for example, the additional cost of providing health services in remote areas, or to children. The NHFB use this when calculating the Commonwealth's contribution to public hospital funding.

NATIONAL HEALTH FUNDING BODY (NHFB)



Calculate

Commonwealth funding is calculated using the Commonwealth Contribution Model. The IHACPA's National Efficient Price and public hospital activity estimates from States and Territories are key inputs into this model.



Pay

The Payments System is used to facilitate Commonwealth and State and Territory public hospital funding payments to Local Hospital Networks.



Report

Reports on funding, payments and services are published to publichospitalfunding.gov.au on a monthly basis to provide transparency of public hospital funding.

“Together, we are responsible for implementing Australia’s public hospital funding arrangements.”

MESSAGE FROM THE CHIEF FINANCE OFFICER



Since joining the NHFB, I have had the privilege of observing the benefits of a transparent agency firsthand. By being transparent about our processes and decisions, we hold ourselves accountable to high standards of performance.



Ben Nicholls
Chief Finance Officer,
National Health Funding Body

We are committed to transparency in all our operations. Transparency is crucial to fostering collaboration, promoting innovation, building trust and remaining accountable.

We invest in our people to enhance and sustain our core capabilities as we continue to grow and evolve. We partner with industry experts to drive innovation and to obtain valuable insights that can propel our organisation. We continue to innovate and improve our operations by leveraging digital platforms.

As we move into the next financial year, we will continue to focus on the effective allocation of resources to ensure our organisation can respond to emerging priorities. We are committed to delivering best practice financial administration and improving transparency in public hospital funding in an evolving environment.

In 2024-25 we will continue to manage our finances in line with three key principles:

- **People** – Invest in our people to enhance and sustain core capabilities.
- **Process** – Continue to focus on core business, leveraging industry partner expertise and advice.
- **Technology** – Maximise benefit from digital platforms.

In order to live within our means, we will ensure that we are operating as efficiently and effectively as possible. We will explore opportunities to improve collaboration with our public and private sector partners, through the successful completion of short-term initiatives (see "Performance Section" starting page 27).

FINANCE

We are funded by an annual appropriation from the Commonwealth, as represented in the Portfolio Budget Statements (PBS) 2024-25.

Outlook

In May 2024, the Commonwealth released the 2024-25 Budget. Table 1 includes a summary of the 2024-25 Budget and forward estimates. Much of our expenditure relates to employee expenses which demonstrates our commitment to investing in our people.

In accordance with existing legislation and national agreements, we have core responsibilities for the calculation, payment and reporting of public hospital funding. We have implemented financial management practices to support effective allocation of resources and ensure the organisation can successfully perform our core functions.

Table 1: 2024-25 Budget and forward estimates

\$'000	2024-25 BUDGET	2025-26 ESTIMATE	2026-27 ESTIMATE	2027-28 ESTIMATE
REVENUE				
Appropriation	6,879	6,961	7,070	7,040
Other ¹	98	98	98	98
TOTAL REVENUE	6,977	7,059	7,168	7,138
EXPENSES				
Employees	4,231	4,331	4,431	4,521
Suppliers	2,356	2,338	2,347	2,227
Depreciation and amortisation	516	516	516	402
Interest on RoU ²	7	7	7	7
TOTAL EXPENSES	7,110	7,192	7,301	7,157

1 Other revenue covers audit fee expenses not requiring appropriation (resources received free of charge).

2 Interest on lease liability relates to Right of Use (RoU) asset (AASB 16: Leases).

PERFORMANCE

This section outlines our objectives and describes how our performance will be measured.

Our five objectives are:

- Accurate and timely calculation of Commonwealth funding contributions
- Best practice financial administration of the National Health Funding Pool (the Pool)
- Effective reporting of public hospital funding
- Productive relationships with stakeholders and partners
- Operate as a high performing organisation.

We will enhance our capabilities through key initiatives that will help us to support the obligations and responsibilities of the Administrator.

The following tables outline the performance criteria to be used for the 2024-25 reporting period to determine whether we have achieved our purpose. We recognise the importance of measuring and reporting on our performance and will continue to improve the way we gather quantitative and qualitative evidence to measure how well we deliver against our objectives.

Monitoring our performance

We monitor our performance monthly through a combined organisational performance, finance and risk discussion. The results are incorporated into our annual summary of performance and included in our annual report.

Figure 7 outlines how the performance of each objective is measured.

Figure 7: Key to the tables

OBJECTIVE TITLE				
ACTIVITY	PERFORMANCE CRITERIA	EVIDENCE	2024-25 TARGET	2025-28 TARGET
Outcome	Activity to produce outcome	Source of evidence	Target	Target

OBJECTIVE ONE**Accurate and timely calculation of Commonwealth funding contributions**

ACTIVITY	PERFORMANCE CRITERIA	EVIDENCE	2024-25 TARGET	2025-28 TARGET
1.1 Funding calculations are accurate	Commonwealth funding contributions to be paid into each State and Territory Pool Account are accepted by the Administrator	Administrator sign-off of payment advice	100% signed-off	100% signed-off
1.2 Funding entitlements reconcile to actual services delivered	Adjustments made to Commonwealth payments to Local Hospital Networks (LHNs) due to reconciliation are accepted by the Administrator	Administrator sign-off of payment advice including any adjustments	Half-yearly and annual	Half-yearly and annual
1.3 Public hospital services are funded through the appropriate Commonwealth program	Integrity analysis of hospital activity and other Commonwealth program activity identifies instances where the same hospital service has been funded more than once	Integrity measures in place	Notify stakeholders of potential duplicate payments by 30 November 2024	Notify stakeholders of potential duplicate payments by 30 November
1.4 The Treasurer is advised in a timely manner	Advice regarding Commonwealth funding is provided to the Treasurer in a timely manner by the Administrator	Administrator sign-off	100% signed-off	100% signed-off

KEY INITIATIVES**Short term 2024-25**

- 2023-24 Annual Reconciliation
- Undertake funding integrity data matching activities as part of the 2023-24 Annual Reconciliation
- Initial 2024-25 funding calculation
- 2024-25 Six-month Reconciliation
- Work with our stakeholders to further improve reconciliation processes and funding integrity measures
- Identify ways to share our insights and data resources to improve the transparency of funding, payments and activities

Medium term 2025-28

- Work with stakeholders to implement the new Addendum (2025-2030)

OBJECTIVE TWO

Best practice financial administration of the National Health Funding Pool



ACTIVITY	PERFORMANCE CRITERIA	EVIDENCE	2024-25 TARGET	2025-28 TARGET
2.1 Payments to each Local Hospital Network (LHN) accord with directions from responsible State and Territory Ministers and Service Agreements	All payments from the Pool are made in accordance with directions	Advice from relevant Ministers	100% in accordance with advice	100% in accordance with advice
2.2 Maintain the integrity of the Payments System	Payments System policies, plans and manuals are reviewed and maintained	Policies, plans and manuals are complete, available, and approved annually	100% approved	100% approved

KEY INITIATIVES

Short term 2024-25

- Ensure strong governance and system administration of the Payments System
- Continue to work with States and Territories through the Payments System Community of Practice on improving user experience, including training and support
- Engage with States and Territories to ensure both Commonwealth payments and State and Territory payments (ABF and Block) align to Service Agreements
- Provide greater transparency of payments through the Pool (including out-of-scope funding)

Medium term 2025-28

- Explore opportunities to provide greater transparency of Commonwealth, State and Territory public hospital funding contributions

OBJECTIVE THREE

Effective reporting of public hospital funding



ACTIVITY	PERFORMANCE CRITERIA	EVIDENCE	2024-25 TARGET	2025-28 TARGET
3.1 Ministers receive required information in a timely manner	The Annual Report on the operations of the National Health Funding Pool is submitted to each Health Minister for tabling as per the NHR Act	Administrator's Annual Report	Tabled in all jurisdictions within timeframe	Tabled in all jurisdictions within timeframe
3.2 Monthly and annual reporting of funding, payments and services	Monthly and annual reporting is uploaded to the website	Website update	All LHN, State and National reports updated within two weeks of period close	All LHN, State and National reports updated within two weeks of period close
3.3 Quarterly and annual reporting of Commonwealth, State and Territory compliance with the Administrator's Data Plan	Public access to information on Commonwealth, State and Territory compliance with the Administrator's Data Plan	Administrator's Quarterly Compliance Report	Publish Quarterly Compliance reports within four weeks of period close	Publish Quarterly Compliance reports within four weeks of period close

KEY INITIATIVES

Short term 2024-25

- Publish the Administrator's 2023-24 Annual Report
- Publish the Administrator's 2023-24 Annual Report on Maintenance of Effort
- Publish the Administrator's report on final entitlement and activity at the Local Hospital Network level
- Review the Administrator's Three Year Data Plan, Data Compliance Policy and Data Governance Policy in collaboration with portfolio agency partners and stakeholders
- Improve public reporting of funding, payments and services in consultation with portfolio agency partners and stakeholders

Medium term 2025-28

- Identify ways to increase public awareness of public hospital funding and activity

OBJECTIVE FOUR

Productive relationships with stakeholders and partners



ACTIVITY	PERFORMANCE CRITERIA	EVIDENCE	2024-25 TARGET	2025-28 TARGET
4.1 Provide trusted and impartial advice	Communication and stakeholder engagement is fit for purpose and caters to stakeholder needs	Annual stakeholder benchmarking survey results	Positive trend	Positive trend
	Provide advice on the implementation of funding arrangements	Active participation in bilateral and multilateral forums with all jurisdictions	100% complete	100% complete
4.2 Work plans and information requirements are developed in collaboration with stakeholders	The Administrator's rolling Three Year Data Plan is updated, agreed with stakeholders and published on the website	Administrator's Three Year Data Plan	30 June 2024	30 June

KEY INITIATIVES

Short term 2024-25

- Implement improvements to our communication and engagement following stakeholder survey feedback
- Actively engage and collaborate with other national bodies and stakeholders (including through our bilaterals and Communities of Practice)
- Increase the awareness and profile of the role of the Administrator and the NHFB

Medium term 2025-28

- Identify ways in which we can engage, collaborate and provide trusted advice to improve health sector outcomes

OBJECTIVE FIVE

Operate as a high performing organisation



ACTIVITY	PERFORMANCE CRITERIA	EVIDENCE	2024-25 TARGET	2025-28 TARGET
5.1 A positive workplace culture where people feel valued	Our United Leadership behaviours are embedded in our culture	APS Census 2025	Positive trend	Positive trend
	Our forward work plans are developed in consultation with our people	<ul style="list-style-type: none"> ▪ Strategic Direction ▪ Risk Tolerance ▪ Corporate Plan ▪ Section Plans ▪ Performance Agreements 	100% complete	100% complete
	All compliance reporting requirements for the NHFB as a non-corporate entity are met	Approval by the CEO	100% complete within timelines	100% complete within timelines
5.2 An innovative team willing to explore best practice approaches	Innovation is promoted and change is well managed	APS Census 2025	Positive trend	Positive trend
	Corporate policies are best practice and fit for purpose for a small agency	Approved by the CEO	100% complete	100% complete

KEY INITIATIVES

Short term 2024-25

- Monitor our performance against our Corporate Plan 2024-25
- Implement our Workplace Diversity, Workforce Capability and Learning and Development Plans
- Continue to sustain a strong agency culture based on our United Leadership behaviours (One NHFB, Enhanced Trust, Open Communication, and Own It)

Medium term 2025-28

- Be a leader in best-practice for small agencies; a strong, independent and expert agency
- Plan for a sustainable future by operating as productively and cost effectively as we can
- Explore new initiatives to support an agile and responsive workforce

Our key deliverables



Calculate

- 2024-25 Commonwealth NHR funding initial Payment Advice
- Payment Advice updates (as required) throughout financial year 2024-25
- 2023-24 Annual Reconciliation
- 2024-25 Six-month Reconciliation
- Review of previous Funding Integrity audit measures
- Undertake 2024-25 Funding Integrity data matching activity



Pay

- Payments to each LHN
- Bank reconciliations
- End of Month processing
- Payments System Policy review
- Review Governance arrangements
- Payments System Community Of Practice
- Nine sets of 2024-25 Financial Statements



Report

- Monthly and annual reports
- Compliance reporting
- Maintenance of Effort reporting
- Website enhancements



Organisation

- Host monthly round tables and quarterly bilaterals
- Facilitate the Administrator's JAC meetings
- Invest in our strong people culture
- Promote Learning and Development
- Promote innovation

APS-wide key deliverables



APS Reform

On 1 November 2023, the Government announced its commitment to continue to strengthen the public service through a second phase of targeted APS Reform initiatives. Three priority areas for ongoing reform were identified:

- bolster integrity
- build an outwardly-engaged APS
- continue to strengthen capability.

These priority areas take further steps to create an APS that is unwavering in its integrity and capability, focuses on communities and supports staff to build skills and experience for the future.

In 2024-25, we will continue to build our capability and support our people expand their skills, including identifying opportunities to broaden their experience.



APS Strategic Commissioning Framework

The APSC issued the APS Strategic Commissioning Framework in October 2023. It is intended to strengthen APS capability through reducing reliance on contractors and consultants for core work.

We have invested heavily in our APS workforce and we are committed to delivering our core work in-house. These efforts are reflected in our 2024 APS Agency Survey response where we reported that zero core work is outsourced. In 2024-25, our target remains at zero.



APS Workforce Strategy

Delivering for Tomorrow: the APS Workforce Strategy 2025 (the Strategy) is an APS Reform initiative agreed by the Government in its Delivering for Australians Reform agenda. In 2024-25, we will align our workforce planning with the three key focus areas:

- strengthen integrity and purposeful leadership
- attract, build and retain skills, expertise and talent
- embrace data, technology and flexible and responsive workforce models.

MANAGING RISKS

Risk management is an essential component of sound decision making and good corporate governance.

Our approach

Understanding risks and managing them appropriately enhances our ability to make better decisions, deliver on objectives and improve our performance.

As a PGPA agency our Risk Management Policy and Framework aligns with the Commonwealth Risk Management Policy and is based on the International Standard on Risk Management (ISO 31000:2018 - Risk Management Guidelines).

Our Risk Tolerance Statement and Risk Management Instructions support our risk policy and framework. These documents are reviewed annually to ensure we maintain an appropriate system for risk oversight and the management of internal controls.

Our risk culture and tolerance

We have created an organisational culture that supports risk-aware decision-making and encourages innovation.

We have embedded 'risk' as a natural part of daily agency activities and have defined our tolerance levels across our five strategic objectives (see Figure 8).

Our positive risk culture means that everyone understands they are responsible for managing risk. In a perfect world there would be no breakdown in risk management controls, or a risk event realised, however this is not realistic.

We encourage everyone to share new ideas and perform their role to the best of their ability and at the same time acknowledge that sometimes things can and do go wrong.

We report and discuss near misses as they occur so that any gaps in processes or procedures can be addressed quickly and in doing so, we don't 'blame others' or 'point fingers'. We then regularly reflect on our lessons learned and use these to shape continuous improvements to our processes and technology.

The NHFB has very little to no appetite for risks that would compromise the safety and wellbeing of our people and stakeholders. This means we work as a united team to keep our working environment safe, friendly, and inclusive for everyone.

Figure 8: National Health Funding Body Risk Tolerance Statement



Managing risk is everyone's responsibility

As a small agency, we encourage early engagement and open conversations about risk. We see this as an essential factor in identifying and assessing emerging or new risks impacting on business activities that could impact us achieving our objectives.

By using consistent language, robust methodologies and simple documentation across the organisation, managing risk has become a natural part of core business activities. Having regular risk discussions at all levels ensures every member of our organisation raises potential risks in their business area, as well as identifying potential opportunities, as part of their day-to-day activities.

Figure 9: Risk management approach

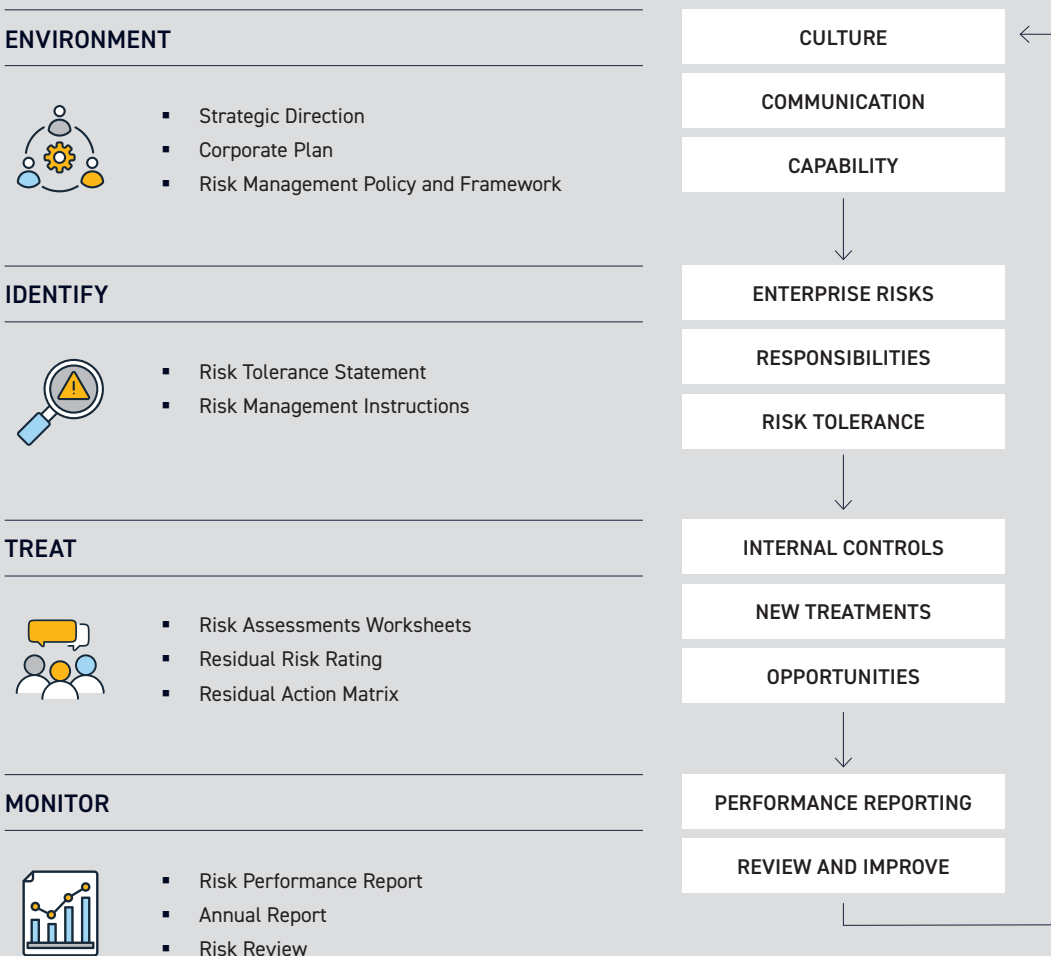
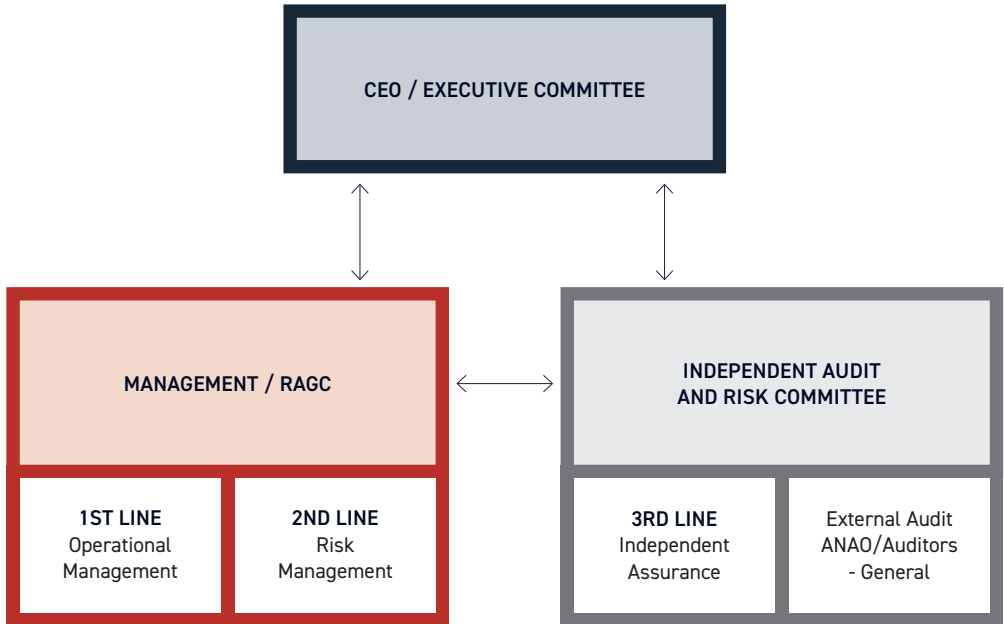


Figure 10: NHFB three lines model



Oversight and assurance

Our strong corporate governance framework is critical to managing our strategic and operational activities to ensure we achieve our purpose and deliver on our objectives.

Our formal governance arrangements provide a clear structure and process for reporting to the CEO and independent Audit and Risk Committee on the effectiveness of current risk controls and the implementation of new treatments.

We have adopted the principles of the Institute of Internal Auditors 'three lines' model and adapted the model to ensure it is fit-for-purpose for our small agency (see Figure 10).

This model ensures that we have robust, independent and objective oversight embedded at all levels to provide appropriate assurance.

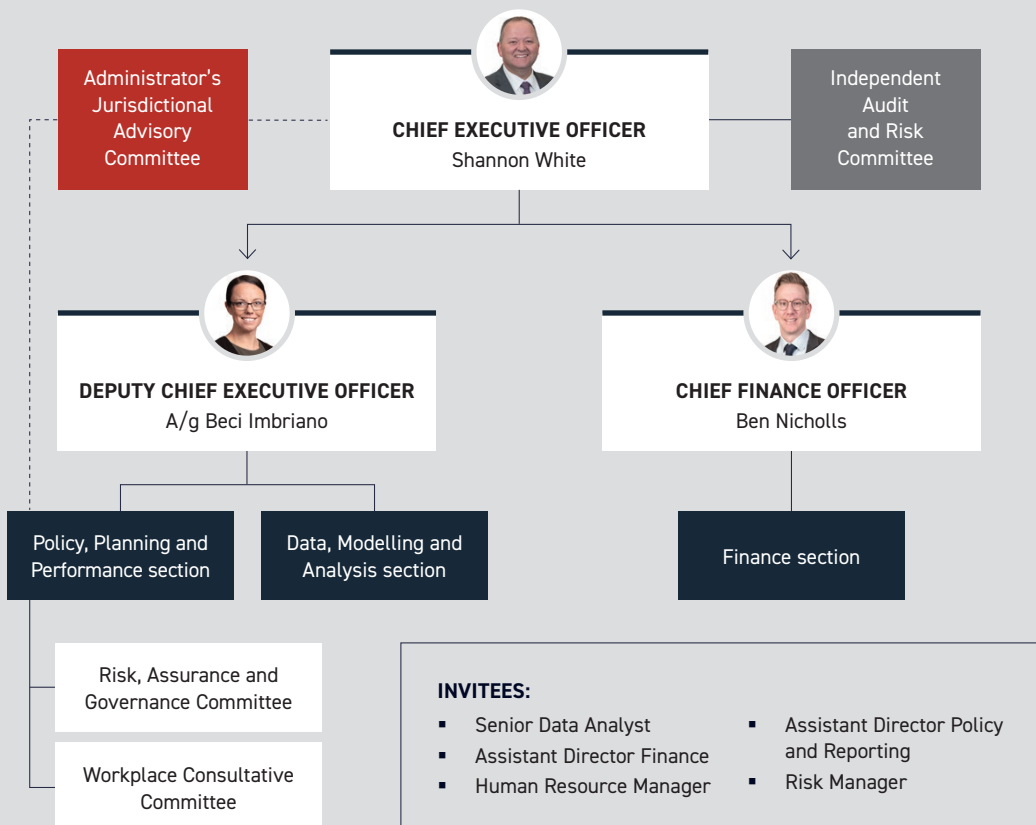
GOVERNANCE

Our governance approach ensures we can deliver on our strategic objectives and statutory obligations.

Executive Committee

The Executive Committee (see “Leadership team” on pages 11-12, for profiles) is our internal forum for engagement and discussion, including providing advice and recommendations to the CEO on strategic direction, key initiatives, agency policies, as well as immediate and emerging issues.

Figure 11: NHFB Executive Committee



Independent Audit and Risk Committee

The independent Audit and Risk Committee (ARC) is an integral component of our corporate governance and a valuable source of independent advice for the CEO. In providing advice, the ARC reviews and comments on the appropriateness of our:

- performance reporting
- financial reporting
- system of risk oversight and management
- system of internal control.

The ARC also provides advice to the CEO and Administrator on the operation, management and financial reporting of the Pool. Full details of the ARC's Charter is available at publichospitalfunding.gov.au.

Risk, Assurance and Governance Committee

The Risk, Assurance and Governance Committee (RAGC) provides assurance to the CEO, Executive Committee and the independent Audit and Risk Committee on the adequacy, effectiveness and performance of our governance arrangements including:

- risk management (including fraud control and corruption)
- compliance and control
- audit and assurance
- information governance
- cyber security and agency security (people and systems)
- business continuity.

The RAGC is comprised of the following members:

- Chair (Director Policy, Planning and Performance)
- CFO
- Director, Data, Modelling and Analysis
- Risk Manager
- Health and Safety Representative.

Workplace Consultative Committee

The Workplace Consultative Committee (WCC) is our staff consultative body for communication, consultation and engagement with our people on topics related to the work environment and employment conditions including:

- health, safety and wellbeing
- workplace conditions
- 2024-2027 Enterprise Agreement
- strategic planning
- human resources policies and procedures
- APS Census action plan.

The WCC is comprised of the following members:

- Chair (Director Policy, Planning and Performance)
- Management Representative
- Human Resource Manager
- Health and Safety Representative
- Employee Representative.

The WCC also assists the CEO to carry out his statutory obligations in accordance with the *Work Health and Safety Act 2011*.

CAPABILITY

In 2024-25 we will continue to strengthen our leadership and culture to remain an employer of choice.

Our people

We have a small and specialised workforce that is capable, diverse and balanced.

We recognise that engaged, skilled and versatile people are critical to the achievement of our objectives. We support our people by:

- promoting a culture where people work within and across teams to support each other
- providing opportunities to be innovative in our approach and share new ideas
- attracting and retaining the right people in the right roles
- developing the capabilities of our people to meet our objectives and their career aspirations.

Our workforce is supported by a flexible legislative framework under the *Public Service Act 1999* with terms and conditions governed by the *National Health Funding Body Enterprise Agreement 2024-2027*.

Our positive workplace culture is underpinned by our United Leadership behaviours and we work together as a united team to achieve our objectives.

Our diversity

We are committed to reflecting the diversity of the Australian community in our workforce and creating an inclusive workplace where individuals feel free, comfortable, safe and empowered to be who they are.

Our *Workforce Diversity Plan 2024-28* recognises and appreciates the differences in our people and encourages diversity in our backgrounds, skills, talents and views to enrich our working environment and the quality of our work. We have embedded diversity and inclusion in our culture, recruitment, career development, policies and procedures, and stakeholder engagement. We encourage our people to be involved in a wide range of diversity communities and forums made available through APS-wide Communities of Practice and the Department of Health and Aged Care's diversity and inclusion networks.

In 2024-25 we will continue to look for opportunities to expand and diversify our workforce through activities such as:

- Indigenous Apprenticeship Program (through Services Australia)
- Australian Government Apprenticeship Program (through the Department of Employment and Workplace Relations)
- Digital Traineeship Program (through the Australian Public Service Commission)
- Australian Public Service Graduate Development Program (through the Australian Public Service Commission).

Our workforce capability

Our *Workforce Capability Plan 2024-2028* aligns with our Strategic Direction, Corporate and Section Plans, Learning and Development Strategy and individual Performance Agreements. Our Workforce Capability Plan sets out the strategies to build and strengthen our people capability based on:

- understanding our staffing profile
- identifying our strengths and opportunities for development
- understanding our capability risks and planning for future workforce requirements
- aligning our people strategies to reflect whole of APS themes and maximise productivity.

The Plan takes into account internal and external factors, and identifies workforce gaps, priorities and strategies for delivering the best outcomes now and into the future. The following objectives are highlighted over the term of the Workforce Capability Plan:

- **Managing the workforce composition** – through continual review of core functions, critical skills and experience, and attracting and retaining the right people.
- **Building people capability** – ensuring role clarity for our people, increasing learning and development opportunities, and investing in career development.
- **Continued focus on culture and leadership** – celebrating success together and providing opportunities for everyone to develop their leadership skills.

Progress of key activities in the Workforce Capability Plan will be overseen by our WCC.

Our learning and development

We are committed to investing in our people through learning and development that is tailored to individual, team and agency needs. Our Learning and Development Strategy aims to support the career development of our people by identifying a broad range of learning methods that best support our workforce, including:

- Self-managed learning (i.e. online training)
- Mobility (inter-team, or secondments and temporary transfers)
- group learning
- facilitator-led training (classroom)
- conferences and seminars
- mentoring / coaching.

IN 2024-25 WE REMAIN FOCUSED ON:

- strengthening our leadership and culture to remain an employer of choice
 - investing in our people through learning and development to enhance our organisational capability
 - reviewing our business operations for innovation opportunities
 - leveraging our digital investment and embracing data to improve our advice.
-

Our processes

Our processes are considered best-practice and fit-for-purpose for a small agency however we are constantly looking at new or better ways of doing things. We ask ourselves:

- Is this the most efficient way to do it?
- Have we documented it properly?
- Have we optimised each step?
- Can it be done digitally?

We lean on our risk culture and approach to near misses to identify improvements to our processes. We also use our audit and assurance activities to check if we have missed something and to ensure our processes really are best practice.

Integrity

We have worked hard to create a psychologically safe workplace where our people can raise ideas or concerns and we talk openly about opportunities for improvement.

We support our people to understand their obligations and responsibilities as Australian Public Service employees and to act with integrity.

We have a strong record of managing our fraud and corruption risks and a reputation for operating with integrity in our role in Australia's Health System.

“The pursuit of high standards of APS professionalism, which in turn means doing the right thing at the right time to deliver the best outcomes for Australia sought by the government of the day.”

Source: 2020, Stephen Sedgwick AO, Report into consultations regarding APS approaches to ensure institutional integrity.

Stewardship

We will continue to look into the future, ensuring our advice to government and our stakeholders considers both the short-term and long-term impacts on the health system by:

- providing frank and independent advice
- sharing knowledge and information appropriately and openly
- maintaining accurate and accessible records of decisions
- growing our capability (people, process and technology).

“Stewardship underpins the integrity of advice and implementation of Government policies and programs.”

Source: Embedding stewardship as an APS Value.

Our technology

The functions of the Administrator and NHFB involve the use of data and information from multiple sources. As some of the data may be sensitive in nature, specific treatments and/or security arrangements are required. The large and complex datasets require our systems to be capable of managing significant records, calculations and analysis in a safe and secure environment.

The most significant technological resources we use include:

- our Commonwealth Contribution Model (CCM)
- Department of Health and Aged Care's Enterprise Data Warehouse (EDW)
- our National Health Funding Pool Payments System
- data.gov.au.
- our (GovCMS hosted) website.

Each of these systems is governed by robust and transparent business processes, with arrangements relating to the privacy and protection of data clearly outlined in our overarching Data Governance Policy.

In 2024-25 we will continue to leverage our digital investment and embrace data to improve our services and advice to stakeholders.

Calculate

Commonwealth Contribution Model

The CCM enables us to accurately calculate the Commonwealth's NHR funding contribution at a State and Territory, LHN and hospital service category level. The CCM incorporates inputs from multiple sources, including State and Territory activity estimates and IHACPA's price determinations, and is independently reviewed and assured annually.

Health and Aged Care Enterprise Data Warehouse

In 2010, the EDW was established to enable us (together with other key agencies) to perform our role under the NHR Agreement. The EDW is a high-quality, secure, reliable, easy-to-use, shared data storage, analysis and reporting system that supports some of our key information management requirements.

Pay

National Health Funding Pool Payments System

The Payments System utilises the TechnologyOne Cloud based Software as a Service and is hosted on the Amazon Web Services secure Australian Government Cloud. The Payments System is protected using domain whitelisting, two-factor authentication, and a comprehensive range of data security and backup infrastructure including data encryption in transit.

Report

Website

The Administrator and the NHFB have a combined online presence (publichospitalfunding.gov.au) which is hosted on the whole-of-government GovCMS platform. Our innovative reporting tool draws data from data.gov.au to populate streamlined reports with a purpose-built comparison tool that supports users to undertake additional analysis.

REFERENCE INFORMATION

Appendix A - Abbreviations and acronyms

ABF	Activity Based Funding
ACSQHC	Australian Commission on Safety and Quality in Health Care
AIHW	Australian Institute of Health and Welfare
CCM	Commonwealth Contribution Model
CEO	Chief Executive Officer
COAG	Council of Australian Governments
EA	<i>NHFB Enterprise Agreement 2024-2027</i>
EDW	Enterprise Data Warehouse
IHACPA	Independent Health and Aged Care Pricing Authority
JAC	Jurisdictional Advisory Committee
LHN	Local Hospital Network
NEC	National Efficient Cost
NEP	National Efficient Price
NHFB	National Health Funding Body
NHR Act	<i>National Health Reform Act 2011</i>
NHR Agreement	<i>National Health Reform Agreement 2011</i>
NPCR	National Partnership on COVID-19 Response
NWAU	National Weighted Activity Unit
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
RBA	Reserve Bank of Australia
The Administrator	Administrator of the National Health Funding Pool
The Pool	National Health Funding Pool

Appendix B - Strategic direction 2024-2028

STRATEGIC DIRECTION 2024-2028



Administrator
National Health
Funding Pool



National Health
Funding Body

OUR VISION

To improve transparency of public hospital funding in Australia.

OUR PURPOSE

To support the obligations and responsibilities of the Administrator through best practice administration of public hospital funding.

ABOUT US

The National Health Funding Body (NHFB) and the Administrator of the National Health Funding Pool were established through the *National Health Reform Agreement of August 2011*.

The Administrator is an independent statutory office holder. All Commonwealth, State and Territory Governments have to agree to their appointment to the position. The functions of the Administrator are set out in the *National Health Reform Act 2011* and common provisions in relevant State and Territory legislation.

The NHFB operates as a Commonwealth non-corporate entity under the *Public Governance, Performance and Accountability Act 2013* and is funded as a small agency under the Commonwealth Department of Health and Aged Care Portfolio.

Our APS values

- Impartial
- Committed
- Accountable
- Respectful
- Ethical
- Stewardship

OUR KEY OBJECTIVES



ACCURATE AND TIMELY CALCULATION OF COMMONWEALTH FUNDING CONTRIBUTIONS

- Funding calculations are accurate.
- Funding entitlements reconcile to actual services delivered.
- Public hospital services are funded through the appropriate Commonwealth program.
- The Treasurer is advised in a timely manner.



BEST PRACTICE FINANCIAL ADMINISTRATION OF THE NATIONAL HEALTH FUNDING POOL (THE POOL)

- Payments to each Local Hospital Network (LHN) accord with directions from responsible State and Territory Ministers and Service Agreements.
- Maintain the integrity of the Payments System.



EFFECTIVE REPORTING OF PUBLIC HOSPITAL FUNDING

- Ministers receive required information in a timely manner.
- Monthly and annual reporting of funding, payments and services.
- Quarterly and annual reporting of Commonwealth, State and Territory compliance with the Addendum and Administrator's Data Plan.



PRODUCTIVE RELATIONSHIPS WITH STAKEHOLDERS AND PARTNERS

- Provide trusted and impartial advice.
- Work plans and information requirements are developed in collaboration with stakeholders.



OPERATE AS A HIGH PERFORMING ORGANISATION

- A positive workplace culture where people feel valued.
- An innovative team willing to explore best practice approaches.

OUR BEHAVIOURS

ONE NHFB

We contribute as a united team and encourage new ideas.

ENHANCE TRUST

We treat others as equals and collaborate openly across boundaries.

OPEN COMMUNICATION

We listen actively to the views of others and share information.

OWN IT

We own our performance by knowing, accepting and performing our roles to the best of our ability.

Appendix C - Our behaviours

OUR BEHAVIOURS IT STARTS WITH ME



ONE NHFB

We contribute as a united team and encourage new ideas.

OWN IT

We own our performance by knowing, accepting and performing our roles to the best of our ability.



OPEN COMMUNICATION

We listen actively to the views of others and share information.

ENHANCE TRUST

We treat others as equals and collaborate openly across boundaries.

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