



Administrator
National Health
Funding Pool



Improving the
transparency of
public hospital
funding in Australia

ANNUAL REPORT 2020-21



The Administrator of the National Health Funding Pool and the National Health Funding Body 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* (NHR Act) and common provisions in relevant State and Territory legislation.

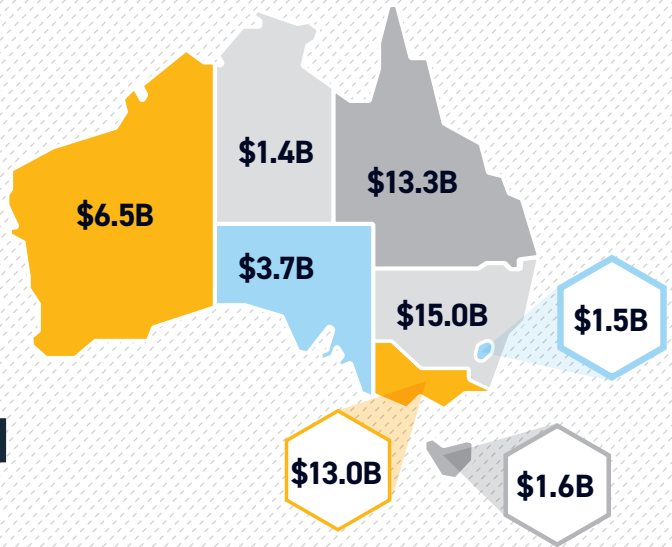
The National Health Funding Body (NHFB) operates as a Commonwealth non-corporate entity under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and is funded as a small agency under the Commonwealth Department of Health Portfolio. The NHFB is an independent agency with 21 staff that support the Administrator to oversee the administration of Commonwealth, State and Territory public hospital funding and payments under the *National Health Reform Agreement* (NHR Agreement).

This Annual Report provides an overview of the role and work of the Administrator during 2020-21 and provides both the combined and individual State and Territory Pool Accounts for 2020-21.

This report should be read in conjunction with the *National Health Funding Body Annual Report 2020-21*.



www.publichospitalfunding.gov.au/publications



WE ADMINISTERED...
\$56 BILLION
 in public hospital payments

WITH **\$54 BILLION** PAID TO...

145 Local Hospital Networks (LHNs)

COMPRISING OF...

692
 public hospitals



THAT DELIVERED...

39 MILLION
PUBLIC HOSPITAL SERVICES



OUR
 STAKEHOLDERS
 RATED US



4.3 OUT OF **5**

EARLY
ENGAGEMENT +
 on funding
 and reconciliation



THROUGH
COLLABORATION =
 across quarterly
 multilateral meetings informed
 by 32 bilateral discussions



IMPROVED
SATISFACTION
 and built trust with
 our stakeholders

LETTER OF TRANSMITTAL



Administrator National Health Funding Pool

The Hon. Greg Hunt MP

Minister for Health
Commonwealth of Australia

The Hon. Brad Hazzard MP

Minister for Health, Minister for Medical Research
New South Wales

The Hon. Martin Foley MP

Minister for Health, Minister for Ambulance
Services, Minister for Equality
Victoria

The Hon. Yvette D'Ath

Minister for Health and
Minister for Ambulance Services
Queensland

Office of the Administrator

GPO Box 1252 Canberra ACT 2601
ABN: 15337761242
Telephone: 1300 930 522
Email: nhfa.administrator@nhfa.gov.au

The Hon. Roger Cook MLA

Deputy Premier and Minister for Health,
Mental Health
Western Australia

The Hon. Stephen Wade MLC

Minister for Health and Wellbeing
South Australia

The Hon. Jeremy Rockliff MP

Minister for Health, Minister for Women
Tasmania

The Hon. Rachel Stephen-Smith MLA

Minister for Health
Australian Capital Territory

The Hon. Natasha Fyles MLA

Minister for Health
Northern Territory

Dear Ministers,

Administrator of the National Health Funding Pool Annual Report 2020-21

I am pleased to submit to you, for tabling in your respective Parliaments, my Annual Report for the year ended 30 June 2021.

This report has been prepared in accordance with the requirements of sections 241 to 243 of the Commonwealth *National Health Reform Act 2011* (the NHR Act) and corresponding State and Territory National Health Reform legislation.

The report includes a combined Financial Statement of the National Health Funding Pool accounts, and a Financial Statement for each State and Territory State Pool Account audited by the respective Auditor-General. The report also includes the reporting required under section 241(2) of the NHR Act on National Health Reform funding and payments, on a national level and for each State and Territory.

Yours sincerely,

Michael Lambert

Administrator
National Health Funding Pool

23 September 2021

CONTENTS

Letter of Transmittal			3
The Role of the Administrator			5
The National Health Funding Body			7
Message from the Administrator			9
Highlights and what's ahead			13
Legislative and regulatory framework			14
Administrator policies			16
Calculating the Commonwealth Contribution in 2020-21			17
Public hospital funding and payments			18
Reporting on funding and payments			22
Our stakeholders and partners			23
National	25	Tasmania	187
Funding and Payments	25	Funding and Payments	187
Financial Statement	37	Financial Statement	197
New South Wales	59	Australian Capital Territory	211
Funding and Payments	59	Funding and Payments	211
Financial Statement	69	Financial Statement	221
Victoria	83	Northern Territory	235
Funding and Payments	83	Funding and Payments	235
Financial Statement	97	Financial Statement	245
Queensland	113	Endnotes	259
Funding and Payments	113	Acronyms	260
Financial Statement	123	Annual Report	
		Legislative Requirements	261
Western Australia	137	Glossary	263
Funding and Payments	137	Disclosure Index	265
Financial Statement	147	Index	266
South Australia	161		
Funding and Payments	161		
Financial Statement	171		

THE ROLE OF THE ADMINISTRATOR

The Administrator of the National Health Funding Pool (the Pool) is a statutory office holder, independent from Commonwealth and State and Territory Governments and is appointed to the position under Commonwealth, State and Territory legislation.

The position was established by the NHR Act, and relevant legislation of each State and Territory. The Administrator is supported by the NHFB, which is also independent of all governments.

The key functions of the Administrator, with the support of the NHFB are to:

- Calculate and advise the Commonwealth Treasurer of the Commonwealth's contribution to public hospital funding in each State and Territory
- Reconcile 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
- maintain productive and effective relationships with stakeholders and industry partners, including all Australian Governments, the Independent Hospital Pricing Authority (IHPA), Australian Institute of Health and Welfare (AIHW) and the Australian Commission on Safety and Quality in Health Care (ACSQHC).

PRIME MINISTER,
PREMIERS AND
CHIEF MINISTERS

COMMONWEALTH,
STATE AND TERRITORY
HEALTH MINISTERS

COMMONWEALTH
TREASURER

Administrator of the National Health Funding Pool



MICHAEL LAMBERT, ADMINISTRATOR

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

The National Health Funding Body



SHANNON WHITE, CEO

Led by a CEO, the 24 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.

Who we work with

PORTFOLIO
AGENCIES

COMMONWEALTH,
STATE AND TERRITORY
STAKEHOLDERS

INDUSTRY
PARTNERS

THE NATIONAL HEALTH FUNDING BODY

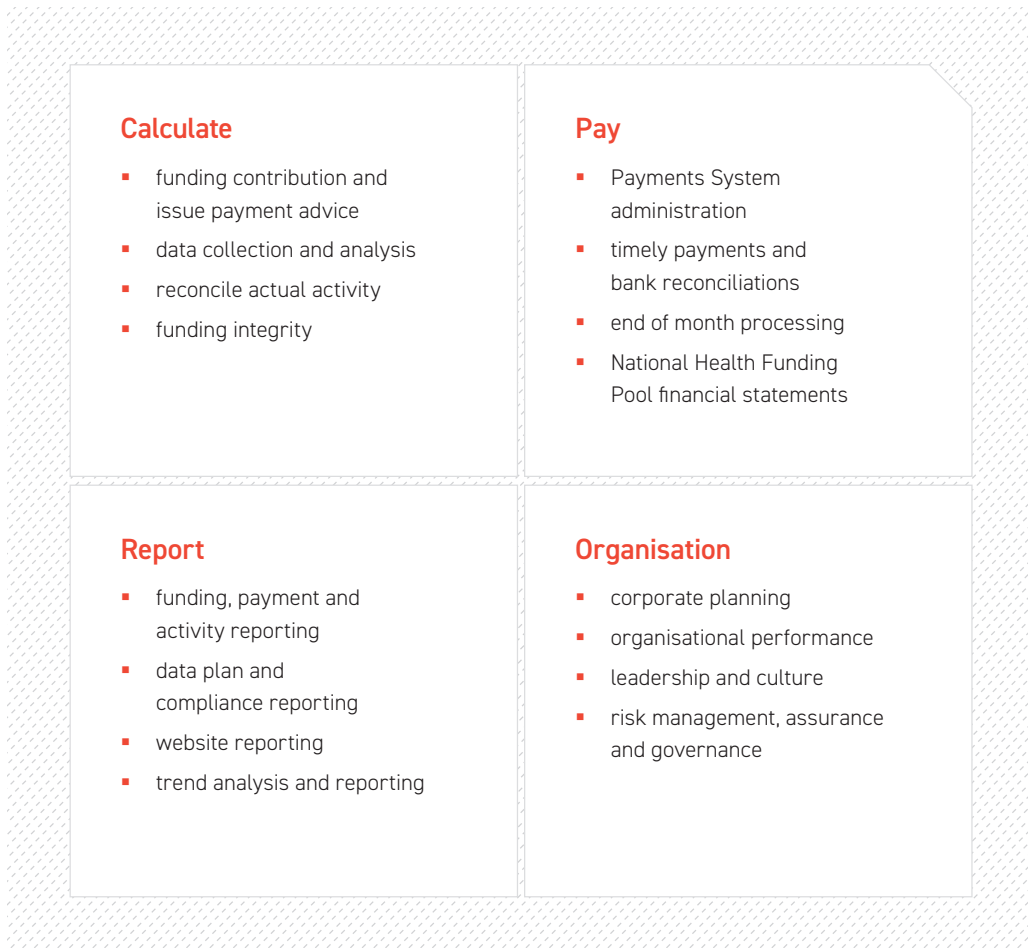
The NHFBs primary purpose is to support the obligations and responsibilities of the Administrator through best practice administration of public hospital funding.

The NHFB, led by CEO Shannon White, 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 Portfolio.

The NHFB is an independent agency with 21 staff that support the Administrator to oversee the administration of Commonwealth, State and Territory public hospital funding and payments under the NHR Agreement.

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

FIGURE 1 National Health Funding Body's four key functions



Supporting the Administrator

Since March 2020, the 24 staff of the NHFB have supported the Administrator to implement the National Partnership on COVID-19 Response.




WE PAID OVER
\$6 BILLION
 in Commonwealth funding to
 States and Territories for
COVID-19



This provided critical funding for:

 **PPE** supplies

 **CLEANING**
 in hospitals, schools
 and public transport

 **COVID-19 TESTING and VACCINATIONS**

MESSAGE FROM THE ADMINISTRATOR



I am pleased to present the Administrator's National Health Funding Pool Annual Report for the financial year ending 30 June 2021, which is the ninth report on the operation of the National Health Funding Pool (the Pool).

A handwritten signature in black ink, appearing to read 'Michael Lambert'.

Michael Lambert
Administrator
National Health Funding Pool

The challenge of operating in a COVID-19 environment continued into 2020-21, with its direct impact on the community, the economy and the health system, including on public hospital activity.

National Health Reform Funding and Annual Reconciliation

In 2020-21, \$56 billion in NHR payments were made from a total of \$55 billion in Commonwealth, State and Territory funding contributions and cash at bank. \$54 billion was paid direct to Local Hospital Networks, with the balance paid to State and Territory health departments. Of the \$56 billion, the Commonwealth contributed \$22.4 billion, with States and Territories contributing \$33.6 billion.

The 2019-20 Annual Reconciliation of Commonwealth National Health Reform (NHR) funding was completed on time, in March 2021, involving adjusting Commonwealth payments for differences between estimated and actual public hospital services delivered.

Funding compared to final Commonwealth funding entitlements

Cash payments reflect the level of Commonwealth NHR funding actually paid within a financial year. These payments include both, funding for forecast activity estimates for the current financial year provided by States and Territories, as well as funding adjustments based on the reconciliation of actual public hospital services delivered in the prior financial year. These funding adjustments are based on the final Commonwealth NHR funding entitlement, which is determined after the financial year is concluded and all activity data is submitted for reconciliation. The table on page 36 shows the national comparison between these two figures, with the State and Territory information in each chapter.

COVID-19 payments

The COVID-19 pandemic, in addition to placing enormous pressure on Australian governments, the community, the economy and the health system, required a funding system be put in place dedicated to funding public and private hospitals and public health in response to COVID-19. On 13 March 2020, the Australian government established a National Partnership on COVID-19 Response (NPCR) under which the Commonwealth committed to provide 50 per cent of the cost of treating

COVID-19 patients and associated public health activity. In addition, following the cancellation of elective surgery, the Commonwealth agreed to provide 100 per cent of the payments to private hospitals that entered into contracts with States and Territories in order to retain and integrate infrastructure, equipment and workforce capacity to fight COVID-19 until the pandemic is over. This was incorporated in the NPCR on 14 April 2020.

The NPCR was further updated in May 2021 to incorporate payments for the delivery of vaccines by States and Territories, with the Commonwealth contributing 50 per cent of the cost of delivering each vaccination.

The National Health Funding Pool Payments System (Payments System) was upgraded in March 2020 to deliver timely NPCR funding. Since the NPCR was established, \$6 billion in COVID-19 funding has been paid to States and Territories, with \$3.3 billion in 2020-21 (\$2.5 billion in 2019-20). The amount of COVID-19 funding provided to each State and Territory is outlined in each financial statement, in particular Note 7: COVID-19 funding.

Funding integrity and data matching

Under the NHR Agreement, parties agreed that the Commonwealth will not fund any service which has been funded through another Commonwealth program, such as the Medicare Benefits Schedule (MBS) and Pharmaceutical Benefits Scheme (PBS).

In order to identify, assess and take appropriate actions where such duplicate payments may have occurred, an extensive data matching program has been established. Revised data matching

business rules underpinned preliminary data matching outcomes, with all jurisdictions receiving updated datasets for review in June 2020. Feedback from jurisdictions was incorporated into the Data Matching Proof of Concept Final Report, which was circulated for review as part of the Administrator's Jurisdictional Advisory Committee (JAC) meetings in November 2020 and March 2021. The Data Matching final report was then provided to all health ministers on 16 June 2021, with data matching activities to be undertaken as part of the 2020-21 Annual Reconciliation in 2021-22.

New Payments System and website

In 2020-21, the Payments System achieved one major platform upgrade (2020B) and several minor releases which further improved system security and functionality. Many of the improvements to functionality were informed by the Payments System Community of Practice, which includes representatives from each State and Territory health department.

Significant improvements were also made to monthly reports (including more timely approval and release), with all reports since October 2020 released within four weeks of end of month.

National Health Reform Agreement

The NHR Agreement, first executed in 2011, has since been subject to a number of Addendums. The most recent is the Addendum to the National Health Reform Agreement 2020-21 to 2024-25 which was signed by all jurisdictions in May 2020. Further information

on each phase of the NHR Agreement is provided in the Legislative and Regulatory Framework section of this report on page 14.

The Addendum identifies a number of initiatives involving the Administrator and the NHFB, as well as other national health bodies such as the IHPA, the AIHW and the ACSQHC. These initiatives include:

- The development of a pricing model for avoidable hospital readmissions (commencing 1 July 2021)
- Funding for Highly Specialised Therapies approved by the Medical Services Advisory Committee, with new treatments exempt from the Commonwealth funding cap for a two-year period
- Achieving payment neutrality between public and private patients in public hospitals (from 1 July 2021)
- The development of an annual Maintenance of Effort Report on State and Territory contributions to public hospital funding
- Implementation of funding integrity measures
- report to Health Ministers on options for further quality and safety reforms, including avoidable and preventable hospitalisation.

Consistency and transparency of public hospital funding

The Addendum requires the Administrator to produce an annual Maintenance of Effort Report. Throughout 2020-21, with support from the NHFB, there have been many productive bilateral discussions with States and Territories on in-scope and out-of-scope funding flowing through the Pool. This will continue to be an important agenda item for bilateral discussions with States and Territories in 2021-22

Stakeholder engagement

Throughout 2020-21, there was regular engagement with all jurisdictions, both through the Jurisdictional Advisory Committee and through one on one meetings with single jurisdictions to discuss a range of topics including; NHR funding and payments, NPCR funding and payments, policy and guidance documents, funding integrity and consistency and transparency of public hospital funding. In addition, there were regular monthly meetings with IHPA and AIHW. This will continue in 2021-22.

- working with the IHPA to ensure financial neutrality between private and public patients in public hospitals
- progress further enhancements to the Payments System and website to improve the transparency of public hospital funding.

Finally, I thank the NHFB CEO, Shannon White, and the excellent NHFB staff for their dedicated work in supporting me to fulfil our mutual obligations and responsibilities.

The year ahead

During the coming year, Shannon White and I will actively engage with all jurisdictional stakeholders, industry partners and with other national bodies such as the IHPA, the AIHW, and the ACSQHC. Building on our achievements over the last three years, our future priorities include the following:

- working with all jurisdictions to ensure the successful implementation and operation of the Addendum
- working with the AIHW and all jurisdictions to improve the transparency, consistency and timeliness of public hospital funding information
- undertaking funding integrity in full consultation with all jurisdictions
- exploring with the ACSQHC and the IHPA ways to encourage and facilitate improved quality and safety in health care and avoiding unnecessary hospitalisations

HIGHLIGHTS AND WHAT'S AHEAD



LEGISLATIVE AND REGULATORY FRAMEWORK

Legislation

The role of the Administrator, the Pool and the NHFB 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 NHR Act and NHR 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 National Health Reform Agreement 2020–21 to 2024–25* (the Addendum).

The new Addendum maintains a commitment to ensuring equitable access to public hospitals for all Australians, and reaffirms the role of the Administrator and the NHFB. The Addendum also includes a commitment by all Australian governments to a shared long-term vision for health reform, with reforms aimed to make it easier to provide flexible, high-quality care that meets the needs and preferences of Australians, and reduces pressure on hospitals.

Overview of health care agreements

National Healthcare Specific Purpose Payment Pre-2012

Prior to the NHR Agreement, State 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
- prioritising prevention and helping people manage their health across their lifetime
- driving best practice and performance using data and research.

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

In addition, under the NPCR, the Federal Government has provided over \$6 billion in funding in 2019-20 and 2020-21 to all States and Territories. The Federal Government also provided a funding guarantee (2019-20 and 2020-21) to all States and Territories to ensure no jurisdiction is left worse off as a result of the COVID-19 pandemic.

National Partnership on COVID-19 Response (NPCR)

The NPCR was agreed to and signed by COAG on Friday, 13 March 2020. The NPCR was subsequently amended and agreed to in April 2020 to include a provision for Private Hospital Financial Viability Payment.

A third update to the NPCR was made in April 2021 to support the COVID-19 vaccine rollout.

The objective of the NPCR is to provide financial assistance to States and Territories for the additional costs incurred in responding to COVID-19. Under the NPCR, there are a range of responsibilities and functions to be performed by the Administrator, supported by the NHFB and other portfolio agencies (e.g. the IHPA).

In March 2020, the NHFB established a new funding account in the Payments System to facilitate payments to all States and Territories.

Since then, a total of \$6 billion (2019-20 and 2020-21) in Commonwealth COVID-19 funding has been paid to States and Territories:

- Hospital Services Payments for COVID-19 related hospital activities, with the Commonwealth funding 50 per cent
- State Public Health Payments for public health activities associated with addressing the pandemic, with the Commonwealth funding 50 per cent
- Private Hospital Financial Viability Payments to enable private hospitals to retain capacity, with the Commonwealth funding 100 per cent
- Schedule C: COVID-19 vaccine payments including vaccine dose delivery payments and vaccine rollout support payments.

ADMINISTRATOR POLICIES

The Administrator's policies make transparent the approach taken to performing the Administrator's functions.

This includes the provision of data, data quality and management, calculation of initial payments, reconciliation of final entitlements, funding integrity and guidance on the operation of the National Health Funding Pool.

Three-Year Data Plan

The Administrator's Three-Year Data Plan describes the Administrator's determination of the minimum level of data required from the Commonwealth, States and Territories, to calculate the Commonwealth's National Health Reform funding to public hospital services, conduct reconciliation activities and report publicly on NHR funding and payments.

Data Compliance Policy

The Data Compliance Policy comprises the Administrator's policy on jurisdictional compliance with data provision as required in the Administrator's Three-Year Data Plan. The NHFB, on behalf of the Administrator, publishes a quarterly Data Compliance Report on jurisdictional compliance with the Data Plan and Data Compliance Policy.

Data Governance Policy

The Data Governance Policy covers both the Administrator and the NHFB. It details the information collected, the purpose for the collection, its use, storage, disclosure and disposal, by the Administrator.

Calculation of Commonwealth National Health Reform Funding

This document sets out the approach and processes used by the Administrator to calculate Commonwealth NHR funding paid to States and Territories. The calculation policy includes funding for Activity Based Funding (ABF), Block and Public Health funding categories as well as the approach to reconciliation activities.

Business Rules for Data Matching

The business rules outline the business and data matching rules in relation to clause A6 of the NHR Agreement, where assessment is undertaken to ensure the Commonwealth does not fund activities twice, through ABF and through MBS and/or PBS funding.

National Health Funding Pool Payments System Policy

The policy covers the governance and management of the Payments System, and the obligations and responsibilities of users.

CALCULATING THE COMMONWEALTH CONTRIBUTION IN 2020-21

Commonwealth funding for Activity Based, Block and Public Health funding categories is calculated using the Commonwealth Contribution Model, a transparent, robust and independently reviewed methodology.

The Commonwealth Contribution Model (CCM) calculations form the basis of the Administrator's payment advice to the Commonwealth Treasurer. This advice is also provided to State and Territory health ministers and State and Territory health departments.

There are two broad types of funding: ABF and Block (see Figure 3). 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.

Commonwealth funding for ABF, Block and Public Health is calculated using the CCM which is accurate, correct and independently reviewed each year.

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, home and community care, dental services, residential aged care and disability services).

Payment Advice

The Administrator provides payment advice to the Commonwealth Treasurer for the following purposes:

- as input to the Commonwealth Budget, based on initial estimates of activity from States and Territories
- establishing Commonwealth contributions for the future financial year, based on confirmed estimates of activity from States and Territories
- updating Commonwealth contributions for the current financial year, based on revised activity estimates from States and Territories
- as input to the Mid-Year Economic and Fiscal Outlook (MYEFO)
- updating Commonwealth contributions following the Six-month Reconciliation and Annual Reconciliation

The first payment advice for 2020-21 was provided to the Treasurer on 25 June 2020, with further updates to 2020-21 payment advice provided to the Commonwealth Treasurer on:

- 27 October 2020, which updated payments from 1 November 2020 – 30 June 2021
- 23 April 2021, which updated payments from 1 May to 30 June 2021
- 26 May 2021, which updated payments for June 2021.

Once the Payment Advice is accepted by the Treasurer, the advice is distributed to all health ministers and State and Territory health department Chief Financial Officers on the same day.

The final 2020-21 payment advice resulted in **\$22.439** billion in Commonwealth NHR funding for 2020-21.

PUBLIC HOSPITAL FUNDING AND PAYMENTS

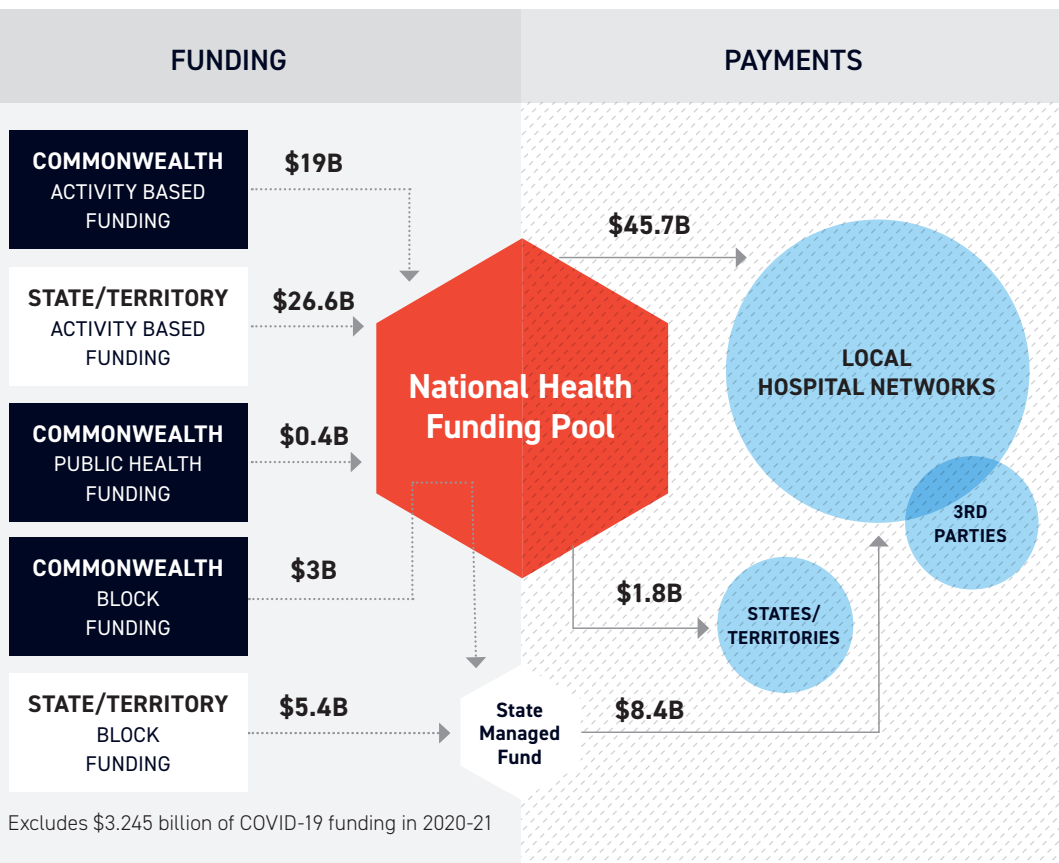
Payments

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 State and Territories (including public health, cross border, interest and over deposits).

Figure 2 highlights the source, types and amount of funding and payments that flowed through the Pool and SMFs in 2020-21. 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.

NHR funding occurs when the Commonwealth or State 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 2 2020-21 Public hospital funding payment flows



Funding

Each funding type has a specific criteria set for what services are appropriate, with the preference to use ABF wherever possible.

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 IHPA, 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 taken into account. The following service categories were ABF funded in 2020-21:

- emergency department services
- acute admitted services
- admitted mental health services
- sub-acute and non-acute services
- non-admitted services

EMERGENCY DEPARTMENT SERVICES

These involve the provision of care for patients who may have an urgent need for medical, surgical or other care, such as treatment for a broken limb or initial treatment of a severe injury or illness.

ACUTE ADMITTED SERVICES

These are services where the treatment goal is to cure or reduce the severity or symptoms of illness or injury that requires hospital admission, such as surgery following an accident or for general services such as obstetric care.

ADMITTED MENTAL HEALTH

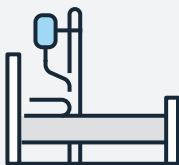
These are hospital-based services involving diagnosis, treatment, and preventive care that assists how persons with mental illness feel both physically and emotionally.

SUB-ACUTE AND NON-ACUTE SERVICES

These are specialised multidisciplinary care in which the primary need for care is optimisation of the patient's functioning and quality of life, through rehabilitation, palliative, geriatric or maintenance care.

NON-ADMITTED SERVICES

These are services provided to patients who do not undergo a formal admission process, and do not occupy a hospital bed, such as specialist clinics and community health services.

FIGURE 3 Types of public hospital funding

ACTIVITY BASED FUNDING

- emergency department services
- acute admitted services
- admitted mental health services
- sub-acute and non-acute services
- non-admitted services



BLOCK FUNDING

- teaching, training and research
- small rural hospitals
- non-admitted mental health
- non-admitted home ventilation
- other non-admitted services
- highly specialised therapies

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. Categories of Block funding in 2020-21 included:

- teaching, training and research
- small rural hospitals
- non-admitted mental health
- non-admitted child and adolescent mental health services (CAMHS)
- non-admitted home ventilation
- other non-admitted services (e.g. chronic disease management)
- Highly Specialised Therapies (e.g. CAR-T)

TEACHING, TRAINING AND RESEARCH

Teaching and training are activities provided to facilitate the acquisition of knowledge, or development of skills and expertise. Research is an activity undertaken to improve consumer and patient health outcomes and/or performance.

SMALL RURAL HOSPITALS

Public hospitals, or public hospital services, are eligible for Block funding if the requirement for ABF cannot be satisfied. They may also be eligible when economies of scale are not present, meaning the provision of services is not financially viable under ABF. Block funding is set in these circumstances based on a scale of NWAU levels for the relevant hospitals.

NON-ADMITTED MENTAL HEALTH

Non-admitted mental health services are specialist mental health services that do not involve an admission to hospital, such as older persons' community mental health services.

NON-ADMITTED CHILD AND ADOLESCENT MENTAL HEALTH SERVICES (CAMHS)

Non-admitted Child and Adolescent Mental Health Services (CAMHS) provides consultation to other service providers working with children and adolescents to promote early intervention and effective delivery of primary level responses for children and young people experiencing mild to moderate mental health problems.

NON-ADMITTED HOME VENTILATION

Non-admitted home ventilation services are where the patient received ventilatory support (self-administered by the patient or the patient's carer). Ventilatory support is a process by which gases are moved into the lungs by a device that assists respiration by augmenting or replacing the patient's own respiratory effort.

OTHER NON-ADMITTED SERVICES

These are any non-admitted services not covered under other Block funded categories, such as chronic disease management programs or falls prevention services.

HIGHLY SPECIALISED THERAPIES

Under the Addendum, all Australian Governments agreed funding arrangements for new high cost, highly specialised therapies (HSTs), recommended for delivery in a public hospital setting by the Medical Services Advisory Committee (MSAC).

Since the Addendum was signed, four HSTs have been recommended by MSAC:

- Kymriah – for the treatment of acute lymphoblastic leukaemia in children and young adults
- Kymriah or Yescarta (DLBCL) – for the treatment of diffuse large B-cell lymphoma, primary mediastinal large B-Cell lymphoma and transformed follicular lymphoma
- Qarziba – for the treatment of high risk neuroblastoma
- Luxturna – for the treatment of inherited retinal disease.

Other funding types

Public Health funding

Public Health funding is paid into the Pool 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). States and Territories have full discretion over the application of Public Health funding to the outcomes set out in the NHR Agreement.

Cross-border funding

When a resident of one State or Territory receives hospital treatment in another State or Territory, the 'resident' State or Territory compensates the 'provider' State or Territory for its share of the cost of the service. This is known as a cross-border payment.

The Commonwealth's share of the cost of these services is made directly to the 'provider' State or Territory. Cross-border agreements, including the scope of the services and payment arrangements, can occur bilaterally between all States and Territories.

Interest

When a State Pool Account has an overnight credit balance, interest accrues into the account and is paid periodically by the RBA to the State or Territory account holder. Interest paid into the State Pool Account can be used for State and Territory funding.

Over deposit

Excess funding deposited into the State Pool Account can be earmarked as an 'over deposit' and paid to the State or Territory health department, or be used as part of a subsequent payment to LHNs.

REPORTING ON FUNDING AND PAYMENTS

Section 240 of the NHR Act requires the Administrator to provide monthly reports to the Commonwealth and each State and Territory. These reports are made publicly available via publichospitalfunding.gov.au to improve the transparency of public hospital funding.

Monthly reports provide details of funding and payments into and out of the Pool and State Managed Funds. This information is provided at a national, State and Territory and LHN level, and details both the Commonwealth and State and Territory contributions.

The NHFB produces approximately 154 reports each month on behalf of the Administrator, comprising of:

- a national report
- a report for each State and Territory
- a report for each LHN.

These reports are prepared on a cash basis and align to the reporting of funding and payments provided in this Annual Report and are available from publichospitalfunding.gov.au.

Throughout 2020-21, end of month processing was reviewed and the NHFB, with States and Territories, explored opportunities for automation to achieve further efficiencies and functionality improvements to our systems (Payments System and website).

Full year 2020-21 funding and payment information was published to the website on 23 July 2021, six weeks earlier than last year.

Through engagement with States and Territories, compliance with the NHR Agreement improved in 2020-21 with respect to service agreements, activity estimates and annual reconciliation. Overall, compliance with the Administrator's Three-Year Data Plan has also improved. However, there are some areas that require more work, such as the timeliness of data submissions and the provision of statements of assurance.

For the 2019-20 Annual Reconciliation, up to 87 per cent of data submissions were received by the due date (compared to 100 per cent for the 2018-19 Annual Reconciliation). However, data resubmissions were received up to 19 weeks after the initial due date compared to five weeks for the 2017-18 Annual Reconciliation.

For 2020-21 six-month data submissions, timeliness has improved marginally with 87 per cent of submissions provided on time, compared to 75 per cent in the prior year.

OUR STAKEHOLDERS AND PARTNERS

Productive relationships and regular communication with stakeholders and partners supports the Administrator and NHFB to improve the transparency of funding for public hospital services.

In 2021-22, the Administrator and NHFB will continue to proactively engage with stakeholders as productive discussions not only provide valuable guidance to assist all parties understand the basis of funding calculations and outcomes, but also build trust in the functions of the Administrator and NHFB.

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. This is supplemented by regular bilateral discussions with States and Territories ahead of the more formal JAC meetings.

The objectives of the Administrator's JAC are to:

- Consider and provide advice to the Administrator on strategic issues related to the Administrator's functions under the NHR Agreement and NHR Act; and
- Enable collaboration between the Administrator, NHFB, Commonwealth, State and Territory health departments and IHPA on the relevant operational arrangements and priorities under the NHR Agreement and NHR Act.

FIGURE 4 National Health Funding Body stakeholders and partners



Key discussion topics for the Administrator's JAC in 2020-21 included:

- implementation of the Addendum
- Administrator's policy documents
- 2019-20 Annual Reconciliation of public hospital funding and services
- National Partnership on COVID-19 Response Reconciliation
- funding integrity, including data matching
- Payments System administration.

Commonwealth

In 2020-21 the Administrator and NHFB were supported by, and worked with Commonwealth stakeholders through a range of formal and informal arrangements, including:

- Enterprise Data Warehouse (EDW) technical support from the Department of Health
- the provision of public hospital activity data from Services Australia
- monthly roundtable with the Department of the Prime Minister and Cabinet, The Treasury, the Department of Finance and the Department of Health on NHR Agreement funding and activities
- website hosting on Australia's whole-of-government platform, GovCMS from Department of Finance.

Portfolio Agencies

These agencies include the Independent Hospital Pricing Authority (IHPA), the Australian Commission on Safety and Quality in Health Care (ACSQHC) and the Australian Institute of Health and Welfare (AIHW) and contribute to the Administrator providing trusted and impartial advice to all stakeholders and delivering best practice administration of public hospital funding.

Independent Hospital Pricing Authority

The main functions of the IHPA 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 Australian Government funding for public hospital services and provides a benchmark for the efficient cost of providing public hospital services. As such, the NHFB routinely engages with the IHPA, including as a member of IHPA's Jurisdictional Advisory Committee and Technical Advisory Committee.

Australian Commission on Safety and Quality in Healthcare

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. The NHFB collaborates with the AIHW on public hospital funding related matters. Work is being undertaken with the AIHW, Commonwealth and States and Territories to improve consistency and transparency of public reporting in preparation for the Administrator's annual Maintenance of Effort Report, as required by the Addendum.

NATIONAL

Funding and Payments

\$55.9B

total payments with
\$54.1B paid to

145

Local Hospital
Networks (LHNs)

\$45.7B

in Activity Based Funding
that delivered

39 Million

public hospital services

8,910,834

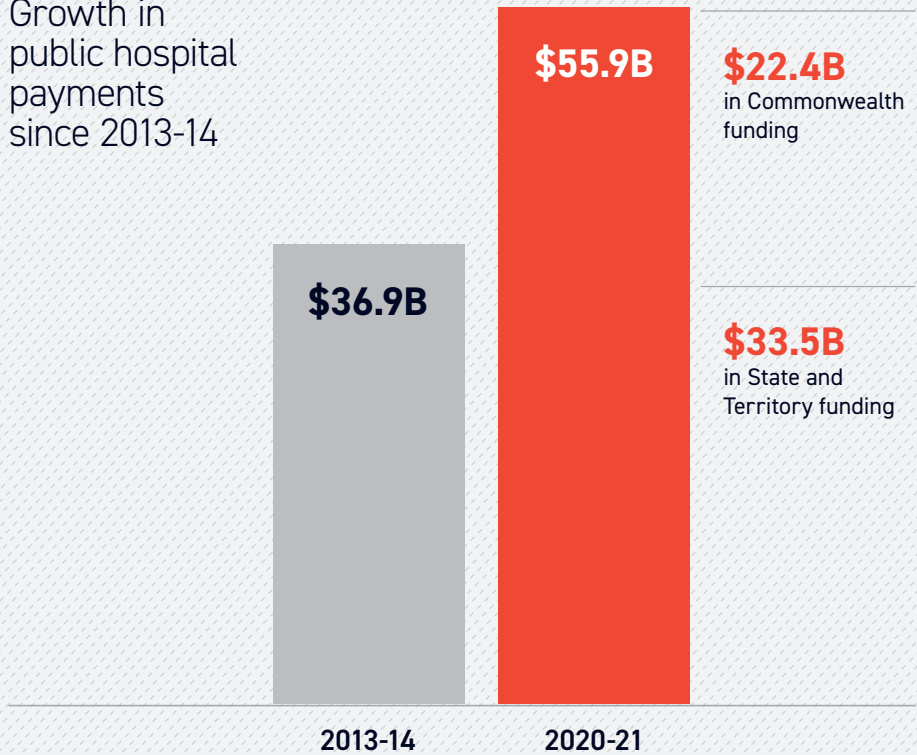
National Weighted
Activity Units (NWAU)

These amounts do not include transactions related to the NPCR. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

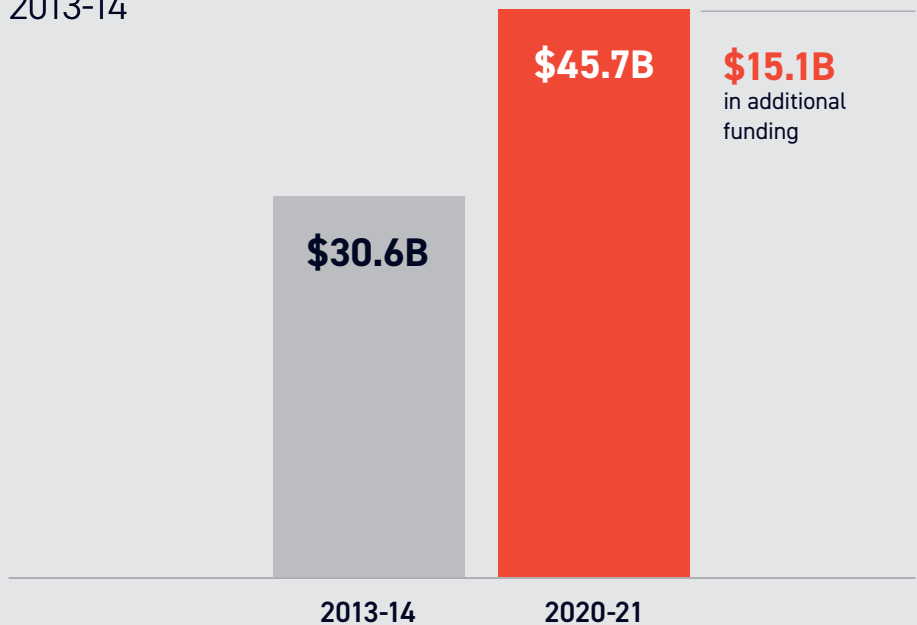
National Health Reform disclosures for the year ended 30 June 2021

Issued by the Administrator of the National Health Funding Pool under section 241(2) of the Commonwealth *National Health Reform Act 2011*.

Growth in
public hospital
payments
since 2013-14



Growth in
Activity Based
Funding since
2013-14



Certification Letter to the Administrator



National Health Funding Body
GPO Box 1252 Canberra ACT 2601
ABN: 15337761242
Telephone: 1300 930 522
Email: nhfa.administrator@nhfa.gov.au

Mr Michael Lambert
Administrator of the National Health Funding Pool
PO Box 1252
Canberra ACT 2601

Dear Mr Lambert,

National Health Funding Body Annual Report 2020-21

This letter outlines the assurance arrangements in place for the preparation of the 2020-21 Financial Statements for the State Pool Accounts, and the Funding and Payment disclosures as per the Commonwealth National Health Reform Act 2011 (the Act), and expresses opinion on their inclusion in the *National Health Funding Pool Annual Report 2020-21*.

Financial Statements

The National Health Funding Body (NHFB) has prepared a financial statement for the year ended 30 June 2021 for each of the State Pool Accounts as required by section 241(3) of the Act. The financial statements have been prepared as Special Purpose Financial statements on a cash accounting basis. This is consistent with the financial statements prepared in previous financial years.

The NHFB maintains strong governance processes over the preparation of the financial statements including monthly reconciliations of transactions recorded through the Pool Accounts with transactions recorded through the National Health Funding Pool (NHFP) Payments System.

System and process controls that ensure the integrity of systems and processes were in place throughout the financial year. This included the transition from the National Health Funding Administrator Payments System, to the current NHFP Payments System. A Reasonable Assurance Review of the NHFP Payments System was conducted by an independent third party and no material issues were identified in the control framework. No incidents of fraud have been identified in relation to the operation of the State Pool Accounts through the NHFP Payments System or the Reserve Bank of Australia processes.

Funding and Payments

The NHFB has also prepared funding and payment information for the 2020-21 financial year as required by section 241(2) of the Act. This information includes detail on funding and payments into and out of the State Pool Accounts and State Managed Funds by the Commonwealth and States and Territories, as well as amounts paid to Local Hospital Networks, including the number of public hospital services funded.

The NHFB works with each State and Territory to prepare and publish reports containing these data on a monthly basis. This process includes strong governance arrangements to ensure the accuracy of the data. These reports form the basis of the information used to prepare the funding and payments section of the Annual Report.

NHFB Opinion

It is the NHFB's opinion that the Special Purpose Financial Statements and the funding and payments information, prepared for the year ended 30 June 2021, give a true and fair view of the matters required by the Act and the *National Health Reform Agreement*.

Yours sincerely,



Shannon White
Chief Executive Officer
National Health Funding Body

23 September 2021



Nathan Dascarolis
Chief Financial Officer
National Health Funding Body

23 September 2021

Section 241(2) of the NHR Act outlines certain disclosures to be included in this Annual Report.

The information reported is specific to the transactions of the 'relevant State'.

For the purposes of this legislative reporting, the 'relevant State' is the State or Territory that holds the bank accounts opened under the laws of that State or Territory for NHR Agreement purposes.

The values are rounded to the nearest thousand dollars unless otherwise specified.

NHR funding and payments shown in the following tables include Goods and Services Tax (GST) where applicable.

The information disclosed in the following tables is provided by States and Territories and forms part of the Administrator's monthly reporting requirements, located at www.publichospitalfunding.gov.au

For further information on the types of NHR funding, refer to the 'Introduction' chapter of this Annual Report.

The information contained in this chapter is on a national basis; detailed information for each State or Territory appears in the chapters following.

Basis of National Health Reform funding - Commonwealth 2020-21 to 2024-25

The basis of Commonwealth NHR funding for 2020-21 to 2024-25 as specified in the Addendum is as follows:

PUBLIC HEALTH (A14)

Payments for Public Health activities will continue to grow by the former National Healthcare Specific Purpose Payment (SPP) growth factor. That is, payments for public health activities will be equal to the previous year's payment indexed by the former National Healthcare SPP growth factor.

BLOCK FUNDING (A49)

The Commonwealth will continue to provide funding to States for public hospital services or functions that are more appropriately funded through Block funding, and will fund 45 per cent of the growth in the efficient cost of providing these services or performing these functions. Payments will consist of the previous year's payment plus 45 per cent of the growth in the efficient cost of providing the services, adjusted for the addition or removal of block services as provided in clauses A52 to A55 (calculated in accordance with clause A7). Highly specialised therapies are contributed at 50 per cent of the growth in the efficient price or cost.

ACTIVITY BASED FUNDING (A33-A35)

The Commonwealth will fund 45 per cent of the efficient growth of ABF Service delivery, subject to the operation of the National Funding Cap. The Commonwealth's funding for all ABF Service Categories will be calculated individually for each State by summing:

- previous year amount—the Commonwealth's contribution rate for the relevant State in the previous year, multiplied by the volume of weighted ABF Services provided in the previous year, multiplied by the National Efficient Price in the previous year;
- price adjustment—the volume of weighted services provided in the previous year, multiplied by the change in the National Efficient Price relative to the previous year, multiplied by 45 per cent; and
- volume adjustment—the net change in volume of weighted services provided in the relevant State (relative to the volume of weighted ABF Services provided in the previous year), multiplied by the National Efficient Price, multiplied by 45 per cent.

Commonwealth funding will be distributed across all ABF Service Categories in each State at a single Commonwealth Contribution Rate.

FUNDING CAP (A56)

Overall growth in Commonwealth funding will be capped at 6.5 per cent a year (the National Funding Cap).

States may be entitled to additional funding over the Soft Cap if there is funding available under the National Funding Cap (a Redistribution Amount) upon completion of the Annual Reconciliation. The Redistribution Amount will be determined as the total of any funding remaining under the National Funding Cap, resulting from a State with growth less than 6.5 per cent.

SAFETY AND QUALITY ADJUSTMENT (A163, A165, A175)

Services that are considered to put patient safety and quality at risk will be subject to a Safety and Quality Adjustment, calculated as part of a State or Territory's actual National Weighted Activity Unit (NWAU) during the Reconciliation process. Adjustments will be included for Sentinel Events, Hospital Acquired Complications (HACs). Adjustments for Avoidable Hospital Readmissions will come into effect 1 July 2021.

DATA CONDITIONAL PAYMENT (A155)

A temporary deferral of an agreed percentage of Commonwealth NHR funding will apply in the event a State or Territory has not provided the required data for Annual Reconciliation to the Administrator by 30 September of the relevant financial year. If the required data is not provided by 31 October of the relevant financial year, a deferral of further funds will occur.

The amounts paid into each State Pool Account and State Managed Fund by the relevant State and the basis on which the payments were made — Section 241(2)(A)

State or Territory	Amount paid by State/Territory (\$'000)					
	2020-21			2019-20		
	State Pool Account — ABF	State Managed Fund — Block	Total	State Pool Account — ABF	State Managed Fund — Block	Total
New South Wales	7,181,924	993,701	8,175,625	6,369,916	976,771	7,346,687
Victoria	6,046,189	1,111,519	7,157,708	6,581,213	975,483	7,556,696
Queensland	6,462,020	1,356,708	7,818,728	6,324,967	1,358,531	7,683,498
Western Australia	3,390,287	592,420	3,982,707	3,112,949	536,873	3,649,822
South Australia	1,578,823	191,289	1,770,112	2,012,856	207,336	2,220,193
Tasmania	519,902	558,859	1,078,761	460,206	550,062	1,010,268
Australian Capital Territory	795,491	170,431	965,922	687,325	156,439	843,764
Northern Territory	643,941	410,395	1,054,336	522,306	463,488	985,794
NATIONAL TOTAL	26,618,577	5,385,321	32,003,898	26,071,738	5,224,984	31,296,722

In accordance with the provisions of the NHR Act, this table does not include interest deposited in the Pool account and cross-border transactions.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

The amounts paid into each State Pool Account by the Commonwealth and the basis on which the payments were made – Section 241(2)(B)

State or Territory	Amount paid by State/Territory (\$'000)							
	2020-21				2019-20			
	Activity Based Funding	Block funding	Public Health funding	Total	Activity Based Funding	Block funding	Public Health funding	Total
New South Wales	5,335,287	953,509	140,297	6,429,093	5,907,420	911,545	134,798	6,953,763
Victoria	4,718,791	815,038	115,621	5,649,450	4,657,104	758,363	110,068	5,525,535
Queensland	4,574,072	579,634	89,598	5,243,304	4,384,530	538,877	84,579	5,007,985
Western Australia	2,035,652	333,906	46,115	2,415,673	2,043,618	314,102	43,294	2,401,014
South Australia	1,257,859	203,920	30,631	1,492,410	1,273,742	191,967	28,912	1,494,620
Tasmania	389,165	80,207	9,376	478,748	362,922	72,667	8,842	444,432
Australian Capital Territory	395,216	30,828	7,354	433,398	398,418	28,488	7,129	434,035
Northern Territory	259,540	32,792	4,124	296,456	266,742	28,659	4,074	299,476
NATIONAL TOTAL	18,965,582	3,029,834	443,116	22,438,532	19,294,496	2,844,667	421,696	22,560,859

As per the NPCR, financial assistance has been provided by the Commonwealth, part of which is the Hospital Services Funding which is paid monthly based on activity estimates provided to the Administrator, and reconciled annually with adjustments being made in the following financial year.

The amounts paid by the Commonwealth into the State Pool Accounts excludes HSP payments made under the NPCR of \$927,146,778 in 2020-21 (\$267,639,551 in 2019-20).

Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

The amounts paid from each State Pool Account to Local Hospital Networks, a State Managed Fund or other organisations or funds and the basis on which the payments were made — Section 241(2)(C)

State or Territory	Amount paid from State Pool Account (including CW & S/T) (\$'000)							
	2020-21				2019-20			
	Local Hospital Networks	State Managed Fund	Other organisations or funds	Total	Local Hospital Networks	State Managed Fund	Other organisations or funds	Total
New South Wales	12,517,211	953,509	487,805	13,958,525	12,277,336	911,545	466,146	13,655,027
Victoria	10,438,514	815,038	615,823	11,869,375	10,480,466	758,363	1,082,982	12,321,811
Queensland	11,036,091	579,634	283,013	11,898,738	10,709,496	538,877	281,009	11,529,383
Western Australia	5,425,940	333,906	100,226	5,860,072	5,156,567	314,102	116,436	5,587,106
South Australia	3,259,760	203,920	77,296	3,540,976	3,132,843	191,967	139,169	3,463,979
Tasmania	909,067	80,207	65,431	1,054,705	823,128	72,667	46,351	942,146
Australian Capital Territory	1,219,881	30,828	119,111	1,369,820	1,195,332	28,488	32,512	1,256,333
Northern Territory	916,297	32,792	31,014	980,103	826,774	28,659	44,422	899,855
NATIONAL TOTAL	45,722,761	3,029,834	1,779,718	50,532,314	44,601,944	2,844,667	2,209,030	49,655,641

These amounts do not include transactions related to the NPCR. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

The amounts paid from each State Managed Fund to Local Hospital Networks or other organisations or funds and the basis on which the payments were made — Section 241(2)(D)

State or Territory	Amount paid from State Managed Fund (including CW & S/T) (\$'000)					
	2020-21			2019-20		
	Local Hospital Networks	Other organisations or funds	Total	Local Hospital Networks	Other organisations or funds	Total
New South Wales	1,947,210	-	1,947,210	1,888,315	-	1,888,315
Victoria	1,889,841	36,716	1,926,556	1,685,857	47,989	1,733,846
Queensland	1,936,342	-	1,936,342	1,897,409	-	1,897,409
Western Australia	926,325	-	926,325	842,431	8,544	850,975
South Australia	395,209	-	395,209	399,303	-	399,303
Tasmania	639,066	-	639,066	622,729	-	622,729
Australian Capital Territory	201,259	-	201,259	184,927	-	184,927
Northern Territory	443,187	-	443,187	492,147	-	492,147
NATIONAL TOTAL	8,378,440	36,716	8,415,156	8,013,119	56,533	8,069,652

These amounts do not include transactions related to the NPCR. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

The number of public hospital services funded for each Local Hospital Network in accordance with the system of Activity Based Funding – Section 241(2)(E)

States and Territories	2020-21 ¹	2019-20 ²
New South Wales	2,641,208	2,792,035
Victoria	2,191,275	2,125,929
Queensland	2,031,780	1,938,706
Western Australia	923,710	895,241
South Australia	612,737	610,215
Tasmania	169,903	159,065
Australian Capital Territory	176,976	169,986
Northern Territory	163,245	169,947
NATIONAL TOTAL	8,910,834	8,861,124

1 2020-21 NWAU as per the updated activity estimates as at the Administrator's June 2021 Payment Advice.

2 2019-20 NWAU as per the 2019-20 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2019-20.

The number of Other Public Hospital Services and functions funded from each State Pool Account or State Managed Fund – Section 241(2)(F)

Unlike the unit of measurement for Activity Based services (i.e. NWAU), there is currently no nationally standardised measurement system for other public hospital services.

In the absence of such a national system, the NHR Agreement allows for information to be based on the unit measurement classification and funding arrangements used in individual States and Territories.

Commonwealth National Health Reform funding entitlement based on actual services provided and cash paid in each financial year

\$'000	2016-17 Entitlement	2017-18 Entitlement	2018-19 Entitlement	2019-20 Entitlement	2020-21 Estimate	TOTAL
Cash Paid 2016-17 Total	18,291,718	-	-	-	-	18,291,718
Cash Paid 2017-18 Total	354,398	19,383,365	-	-	-	19,737,763
Cash Paid 2018-19 Total	307,169	493,658	20,936,228	-	-	21,737,055
Cash Paid 2019-20 Total	-	-	232,802	22,328,058	-	22,560,859
Cash Paid 2020-21 Total	-	-	-	(492,493)	22,931,025	22,438,532
CURRENT ENTITLEMENT TOTAL	18,953,285	19,877,023	21,169,030	21,835,565¹	22,931,025²	104,765,927

1 The 2019-20 Commonwealth NHR funding entitlement excludes \$572,278,881 in HSP under the NPCR.

2 The 2020-21 Commonwealth NHR funding estimate excludes \$622,507,448 in HSP under the NPCR.



COMBINED

Financial Statement

**National Health Funding Pool
Combined State Pool Account
Special Purpose Financial Statement
for the year ended 30 June 2021**

Issued by the Administrator of the National Health Funding Pool under section 242 of the Commonwealth *National Health Reform Act 2011*.

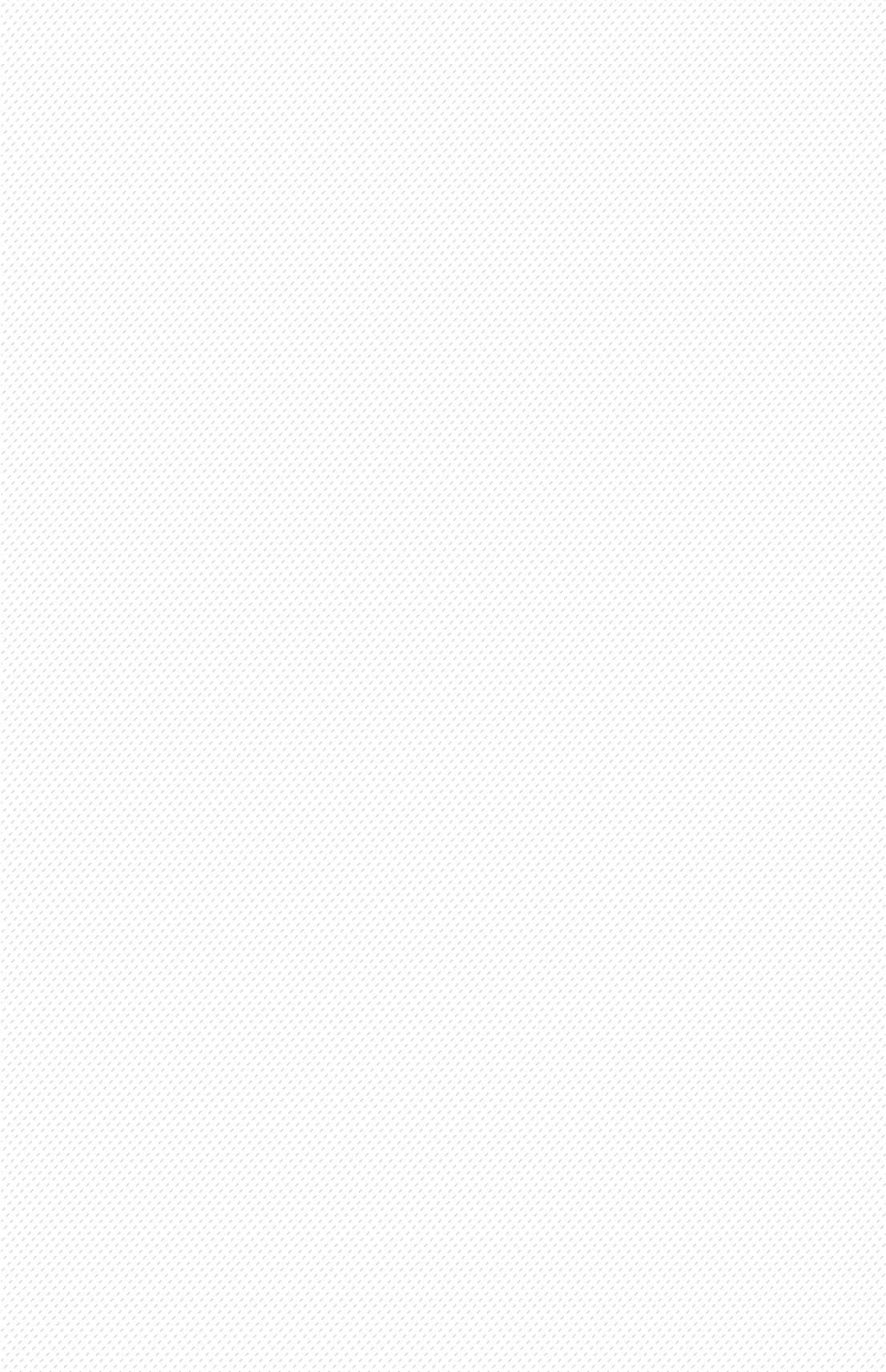


Contents

Statement by the Administrator of the National Health Funding Pool	40
Combined State Pool Account Statement of Receipts and Payments for the year ended 30 June 2021	41
Combined State Pool Account Statement of Receipts and Payments for the year ended 30 June 2020	43

Combined State Pool Account Notes to and forming part of the Special Purpose Financial Statement for the year ended 30 June 2021

Note 1: Summary of significant accounting policies	45
Note 2: Amount paid by the Commonwealth into each State Pool Account	48
Note 2A: Amounts paid by the Commonwealth into each State Pool Account in 2020-21 (\$'000)	49
Note 2B: Amounts paid by the Commonwealth into each State Pool Account in 2019-20 (\$'000)	51
Note 3: COVID-19 funding	53
Note 3A: COVID-19 funding amounts through each State Pool Account in 2020-21 (\$'000)	55
Note 3B: COVID-19 funding amounts through each State Pool Account in 2019-20 (\$'000)	57



Statement by the Administrator of the National Health Funding Pool



Administrator
National Health
Funding Pool

Statement by the Administrator of the National Health Funding Pool Combined State Pool Account

I report that, as indicated in Note 1(b) to the financial statement, I have determined that the attached Special Purpose Financial Statement comprising of a Statement of Receipts and Payments and accompanying notes provides a fair presentation in accordance with the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

In my opinion, the attached Special Purpose Financial Statement for the year ended 30 June 2021 is based on properly maintained financial records and gives a true and fair view of the matters required by the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

Michael Lambert
Administrator
National Health Funding Pool

8 September 2021

Combined State Pool Account

Statement of Receipts and Payments for the year ended 30 June 2021

	NSW \$'000	VIC \$'000	QLD \$'000	WA \$'000	SA \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT					
From Commonwealth					
Activity Based Funding	5,335,287	4,718,791	4,574,072	2,035,652	1,257,859
Block funding	953,509	815,038	579,634	333,906	203,920
Public Health funding	140,297	115,621	89,598	46,115	30,631
COVID-19 funding	1,194,095	985,755	267,013	175,557	66,638
From State/ Territory					
Activity Based Funding	7,181,924	6,046,189	6,462,020	3,390,287	1,578,823
Withdrawal of Activity Based Funding in excess of funding obligations	-	(326,467)	-	-	-
Cross border contribution	253,289	54,784	74,296	33,972	10,995
COVID-19 funding	-	-	80,187	168,075	180,677
From other States or Territories					
Cross border receipts	94,132	118,881	119,059	20,133	9,857
From Reserve Bank of Australia					
Interest receipts	87	70	60	6	327
TOTAL RECEIPTS	15,152,620	12,528,662	12,245,938	6,203,704	3,339,727
PAYMENTS OUT OF THE STATE POOL ACCOUNT					
To Local Hospital Networks					
Activity Based Funding	12,517,211	10,438,514	11,036,091	5,425,940	3,259,760
COVID-19 funding	-	-	159,695	65,415	40,098
To State Managed Funds					
Block funding	953,509	815,038	579,634	333,906	203,920
Cross border transfer	-	-	-	-	-
To State/Territory Health Department					
Public Health funding	140,297	115,621	89,598	46,115	30,631
COVID-19 funding	1,194,095	985,755	203,880	293,035	227,096
Interest payments	87	70	60	6	25,813
Cross border transfer	94,132	118,881	119,059	20,133	9,857
To other States or Territories					
Cross border payments	253,289	54,784	74,296	33,972	10,995
TOTAL PAYMENTS	15,152,620	12,528,662	12,262,313	6,218,522	3,808,170
NET RECEIPTS/(PAYMENTS) FOR THE YEAR	-	-	(16,375)	(14,818)	(468,443)
OPENING CASH BALANCE	-	-	54,710	14,818	473,535
CLOSING CASH BALANCE	-	-	38,335	-	5,091

Combined State Pool Account
Statement of Receipts and Payments for the year ended 30 June 2021

	TAS \$'000	ACT \$'000	NT \$'000	TOTAL \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT				
From Commonwealth				
Activity Based Funding	389,165	395,216	259,540	18,965,582
Block funding	80,207	30,828	32,792	3,029,834
Public Health funding	9,376	7,354	4,124	443,116
COVID-19 funding	32,570	28,834	60,259	2,810,721
From State/ Territory				
Activity Based Funding	519,902	795,491	643,941	26,618,577
Withdrawal of Activity Based Funding in excess of funding obligations	-	-	-	(326,467)
Cross border contribution	47,529	24,115	14,064	513,044
COVID-19 funding	-	5,339	-	434,278
From other States or Territories				
Cross border receipts	8,525	116,816	25,641	513,044
From Reserve Bank of Australia				
Interest receipts	1	-	1	553
TOTAL RECEIPTS	1,087,275	1,403,993	1,040,362	53,002,282
PAYMENTS OUT OF THE STATE POOL ACCOUNT				
To Local Hospital Networks				
Activity Based Funding	909,067	1,219,881	916,297	45,722,761
COVID-19 funding	9,358	21,507	-	296,073
To State Managed Funds				
Block funding	80,207	30,828	32,792	3,029,834
Cross border transfer	-	-	-	-
To State/Territory Health Department				
Public Health funding	9,376	7,354	4,124	443,116
COVID-19 funding	23,212	12,666	60,259	2,999,998
Interest payments	1	-	1	26,037
Cross border transfer	8,525	87,642	12,825	471,054
To other States or Territories				
Cross border payments	47,529	24,115	14,064	513,044
TOTAL PAYMENTS	1,087,275	1,403,993	1,040,362	53,501,918
NET RECEIPTS/(PAYMENTS) FOR THE YEAR	-	-	-	(499,636)
OPENING CASH BALANCE	-	-	-	543,063
CLOSING CASH BALANCE	-	-	-	43,426

INTRODUCTION

NATIONAL

NSW

VIC

QLD

WA

SA

TAS

ACT

NT

ENDNOTES

Combined State Pool Account

Statement of Receipts and Payments for the year ended 30 June 2020

	NSW \$'000	VIC \$'000	QLD \$'000	WA \$'000	SA \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT					
From Commonwealth					
Activity Based Funding	5,907,420	4,657,104	4,384,530	2,043,618	1,273,742
Block funding	911,545	758,363	538,877	314,102	191,967
Public Health funding	134,798	110,068	84,579	43,294	28,912
COVID-19 funding	1,074,396	1,097,118	345,298	188,397	115,374
From State/ Territory					
Activity Based Funding	6,369,916	6,581,212	6,324,967	3,112,949	2,012,856
Withdrawal of Activity Based Funding in excess of funding obligations	-	(757,850)	-	-	(12,000)
Cross border contribution	235,751	78,751	78,583	44,846	48,983
COVID-19 funding	-	-	9,930	49,017	33,265
From other States or Territories					
Cross border receipts	94,804	135,739	117,618	28,284	49,274
From Reserve Bank of Australia					
Interest receipts	793	574	230	6	2,589
TOTAL RECEIPTS	14,729,423	12,661,079	11,884,612	5,824,513	3,744,962
PAYMENTS OUT OF THE STATE POOL ACCOUNT					
To Local Hospital Networks					
Activity Based Funding	12,277,336	10,480,466	10,709,496	5,156,567	3,132,843
COVID-19 funding	-	-	72,566	-	35,938
To State Managed Funds					
Block funding	911,545	758,363	538,877	314,102	191,967
Cross border transfer	-	-	-	-	-
To State/Territory Health Department					
Public Health funding	134,798	110,068	84,579	43,294	28,912
COVID-19 funding	1,074,396	1,097,118	227,953	222,595	92,821
Interest payments	793	574	230	14	-
Cross border transfer	94,804	135,739	117,618	28,284	49,275
To other States or Territories					
Cross border payments	235,751	78,751	78,583	44,846	48,983
TOTAL PAYMENTS	14,729,423	12,661,079	11,829,902	5,809,702	3,580,739
NET RECEIPTS/(PAYMENTS) FOR THE YEAR	-	-	54,710	14,811	164,223
OPENING CASH BALANCE	-	-	-	7	309,312
CLOSING CASH BALANCE	-	-	54,710	14,818	473,535

Combined State Pool Account
Statement of Receipts and Payments for the year ended 30 June 2020

	TAS \$'000	ACT \$'000	NT \$'000	TOTAL \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT				
From Commonwealth				
Activity Based Funding	362,922	398,417	266,742	19,294,496
Block funding	72,667	28,488	28,659	2,844,667
Public Health funding	8,842	7,129	4,074	421,696
COVID-19 funding	75,414	41,669	17,542	2,955,208
From State/ Territory				
Activity Based Funding	460,206	687,325	522,306	26,071,737
Withdrawal of Activity Based Funding in excess of funding obligations	-	-	-	(769,850)
Cross border contribution	29,300	25,383	39,950	581,546
COVID-19 funding	-	-	-	92,212
From other States or Territories				
Cross border receipts	8,208	109,590	38,028	581,546
From Reserve Bank of Australia				
Interest receipts	1	-	8	4,201
TOTAL RECEIPTS	1,017,560	1,298,001	917,309	52,077,461
PAYMENTS OUT OF THE STATE POOL ACCOUNT				
To Local Hospital Networks				
Activity Based Funding	823,128	1,195,332	826,774	44,601,942
COVID-19 funding	67	37,530	-	146,101
To State Managed Funds				
Block funding	72,667	28,488	28,659	2,844,668
Cross border transfer	-	-	-	-
To State/Territory Health Department				
Public Health funding	8,842	7,129	4,074	421,696
COVID-19 funding	75,347	4,139	17,542	2,811,911
Interest payments	1	-	93	1,705
Cross border transfer	8,208	-	303	434,231
To other States or Territories				
Cross border payments	29,300	25,383	39,950	581,546
TOTAL PAYMENTS	1,017,560	1,298,001	917,395	51,843,802
NET RECEIPTS/(PAYMENTS) FOR THE YEAR	-	-	(86)	233,659
OPENING CASH BALANCE	-	-	86	309,405
CLOSING CASH BALANCE	-	-	-	543,064

INTRODUCTION

NATIONAL

NSW

VIC

QLD

WA

SA

TAS

ACT

NT

ENDNOTES

Combined State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

Note 1: Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the Special Purpose Financial Statement are set out below.

(A) REPORTING ENTITY

The Administrator of the National Health Funding Pool (Administrator) is an independent statutory office holder, distinct from the Commonwealth, State and Territory governments, established under legislation of the Commonwealth and State and Territory governments. Mr Michael Lambert was appointed as the Administrator on 17 July 2018.

(B) BASIS OF PREPARATION

The Special Purpose Financial Statement has been prepared in accordance with Section 242 of the Commonwealth *National Health Reform Act 2011*.

The Special Purpose Financial Statement has been prepared on a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

The Special Purpose Financial Statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The Special Purpose Financial Statement was authorised for release by the Administrator on 8 September 2021.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2019-20 and 2020-21 are for the year ended 30 June.

(D) NATIONAL HEALTH FUNDING POOL

The National Health Funding Pool (Funding Pool) consists of eight State and Territory bank accounts (State Pool Accounts).

(E) ACTIVITY BASED FUNDING

Activity Based Funding (ABF) is a system for funding public hospital services provided to individual patients using national classifications, price weights and National Efficient Prices developed by the Independent Hospital Pricing Authority (IHPA). ABF is paid by the Commonwealth, States and Territories into the Funding Pool.

In 2019-20 and 2020-21 the Commonwealth, States and Territories ABF supported the following:

- i. emergency department services;
- ii. acute admitted services;
- iii. admitted mental health services;
- iv. sub-acute and non-acute services; and
- v. non-admitted services.

State or Territory ABF contributions into the Funding Pool are calculated by the State or Territory as the system manager of the public hospital system. The Service Agreement between the State or Territory and each Local Hospital Network (LHN) specifies the service delivery and funding parameters.

Commonwealth ABF contributions for each service category are calculated by summing the prior year amounts and efficient growth. Efficient growth is determined by measuring the change in efficient price and volume. The price adjustment is 45 per cent of the change in the National Efficient Price relative to the prior year. The volume adjustment is 45 per cent of the net change in the volume of weighted services relative to the prior year.

In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements. Final funding entitlements for the year are calculated after actual data on hospital services becomes available. This calculation will generally result in reconciliation adjustments being made to the Commonwealth ABF contribution to each LHN to align estimated funding with actual funding.

(F) BLOCK FUNDING

Block funding is provided by the Commonwealth into the Funding Pool for States and Territories to support teaching and research undertaken in public hospitals and for some public hospital services where it is more appropriate to be Block funded, particularly for smaller rural and regional hospitals.

In 2019-20 and 2020-21 the Commonwealth Block funding supported the following:

- i. small rural hospitals;
- ii. teaching, training and research;
- iii. non-admitted mental health;
- iv. non-admitted home ventilation;
- v. other non-admitted services; and
- vi. highly specialised therapies.

In 2019-20 the Commonwealth Block funding also supported other public hospital programs, including non-admitted child and adolescent mental health services and CAR-T therapy (Kymriah).

In 2019-20 and 2020-21 the Commonwealth Block contributions for each service category were calculated by summing prior year amounts and 45 per cent of the change in the National Efficient Cost between the current year and the prior year. Highly specialised therapies are contributed at 50 per cent of the growth in the efficient price or cost.

(G) PUBLIC HEALTH FUNDING

The Commonwealth contributes amounts into the Funding Pool for Public Health funding. This is calculated by the Commonwealth Department of the Treasury and includes amounts for national public health, youth health services and essential vaccines. This payment is indexed in accord with the previous existing health specific purpose payment.

(H) CROSS-BORDER

When a resident of one State or Territory receives hospital treatment in another State or Territory, the provider State or Territory is compensated for the cost of that treatment. The resident State or Territory pays its share through the Funding Pool to the provider State or Territory.

The Commonwealth share of the cost of treating the patient is paid through the Funding Pool as part of the normal Activity Based Funding. The Commonwealth contribution to each State or Territory covers all eligible patients treated, regardless of where they reside.

(I) INTEREST

Interest earned and deposited by the RBA into the State Pool Account is recognised as interest received at the time the deposit is made. Interest paid from the State Pool Account to the State or Territory is recognised as an interest payment at the time the payment is made from the State Pool Account.

Combined State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

(J) TAXATION

State Pool Accounts are not subject to income tax. The majority of government funding, from the Commonwealth, State or Territory, to LHNs is not subject to the Goods and Services Tax (GST). However, in some cases hospital funding to non-government entities does attract GST, for example, denominational hospitals, privately and commercially owned health facilities, or other non-government third party providers of health services or related supplies.

(K) COVID-19 FUNDING

The National Partnership on COVID-19 Response (NPCR) was agreed to and signed by the Council of Australian Governments on Friday, 13 March 2020. The objective of this agreement is to provide Commonwealth financial assistance for the additional costs incurred by State and Territory health services in responding to the COVID-19 outbreak. The NPCR was subsequently amended and agreed to in April 2020 to include the Private Hospital Financial Viability Payment. In February 2021, the NPCR was amended with respect to the coordination and delivery of the COVID-19 vaccine under Schedule C.

Financial assistance has been provided by the Commonwealth in the form of the Hospital Services Payments calculated on an activity basis, State Public Health Payments (including coordination and delivery of the COVID-19 vaccine) as well as Private Hospital Financial Viability Payments.

(L) COMMONWEALTH FUNDING GUARANTEE

For the 2019-20 and 2020-21 financial year, the Commonwealth provided the States and Territories with a minimum funding guarantee for funding related to the National Health Reform Agreement and the Hospital Services Payment component of the NPCR. Where a State or Territory is eligible for the Commonwealth funding guarantee, an additional payment is made in the following financial year after the annual reconciliation to meet the minimum amount guaranteed by the Commonwealth.

Note 2: Amount paid by the Commonwealth into each State Pool Account

The Administrator calculates the Commonwealth's contribution to public hospital funding including Activity Based Funding, Block funding and Public Health funding. The activity based component is initially calculated using an estimate of the activity that is expected to be delivered. Each six months, the Administrator undertakes a reconciliation process whereby the actual services delivered in the period are reconciled to the estimate and an adjustment is made when there is a difference.

Note 2A (2020-21) and Note 2B (2019-20) summarise the calculated Commonwealth contribution by National Health Reform type and service category. These include amounts paid by the Commonwealth into each State Pool Account for funding related to services provided in the current year as well as adjustments due to reconciliation of actual services delivered in the prior year.

The Commonwealth Contribution Model is reviewed by the Australian National Audit Office on behalf of the Commonwealth Department of the Treasury.

Note: Totals may not equal the sum of components due to rounding. Financial Statement and Combined financial statement figures are rounded then added as per accepted accounting practice. Other Figures in the report such as funding and payments are added then rounded.

Combined State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

Note 2A: Amounts paid by the Commonwealth into each State Pool Account in 2020-21 (\$'000)¹

	NSW \$'000	VIC \$'000	QLD \$'000	WA \$'000	SA \$'000
ACTIVITY BASED FUNDING BY SERVICE TYPE					
Emergency department	722,046	575,069	569,883	278,083	158,990
Acute admitted	3,211,405	3,194,564	2,958,578	1,253,803	757,431
Admitted mental health	288,006	267,749	240,807	136,384	88,638
Sub-acute	332,902	361,771	247,333	89,888	85,837
Non-admitted	974,292	500,284	627,906	318,432	169,278
2019-20 Commonwealth funding guarantee	256,955	250,202	10,712	2,443	-
Payments in respect of 2019-20 Services	(450,318)	(430,848)	(81,148)	(43,382)	(2,314)
TOTAL ACTIVITY BASED FUNDING	5,335,287	4,718,791	4,574,072	2,035,65	1,257,859
BLOCK FUNDING					
Small rural hospitals	475,741	97,474	269,849	115,633	95,397
Teaching, training and research	228,587	136,865	72,179	112,122	38,886
Non-admitted mental health	231,906	411,212	211,320	93,095	47,595
Non-admitted home ventilation	9,330	4,966	7,906	5,998	1,144
Non-Admitted CAMHS	-	33,058	15,039	7,036	1,648
Other non-admitted services	-	10	3,421	-	19,171
Highly Specialised Therapies	8,123	4,624	-	-	-
Other public hospital programs	-	126,743	-	-	-
Payments in respect of 2019-20 Services	(178)	86	(80)	22	79
TOTAL BLOCK FUNDING	953,509	815,038	579,634	333,906	203,920
PUBLIC HEALTH FUNDING					
Public Health funding	140,937	115,972	89,480	45,858	30,504
Payments in respect of 2019-20 Services	(640)	(351)	118	257	127
TOTAL PUBLIC HEALTH FUNDING	140,297	115,621	89,598	46,115	30,631
COVID-19 FUNDING					
Hospital Services Payments	389,335	42,389	58,053	78,272	10,744
State Public Health Payments	836,696	941,069	228,363	149,604	83,038
Private Hospital Financial Viability Payment	27,651	275,760	9,983	3,023	7,800
Payments in respect of 2019-20 Services	(59,586)	(273,464)	(29,386)	(55,342)	(34,944)
TOTAL COVID-19 FUNDING	1,194,095	985,755	267,013	175,557	66,638
AMOUNT PAID IN 2020-21	7,623,188	6,635,205	5,510,317	2,591,230	1,559,048

¹ Further detail on the total amount paid by the Commonwealth into each State Pool Account may be found in the financial statements and 'Funding and Payments' chapters.

Note 2A: Amounts paid by the Commonwealth
into each State Pool Account in 2020-21 (\$'000)

	TAS \$'000	ACT \$'000	NT \$'000	TOTAL \$'000
ACTIVITY BASED FUNDING BY SERVICE TYPE				
Emergency department	47,825	44,006	36,571	2,432,473
Acute admitted	256,476	237,586	161,716	12,031,559
Admitted mental health	17,043	23,648	8,127	1,070,402
Sub-acute	18,164	32,165	10,561	1,178,621
Non-admitted	44,480	65,620	44,123	2,744,414
2019-20 Commonwealth funding guarantee	9,487	2,013	-	531,814
Payments in respect of 2019-20 Services	(4,309)	(9,823)	(1,559)	(1,023,700)
TOTAL ACTIVITY BASED FUNDING	389,165	395,216	259,540	18,965,582
BLOCK FUNDING				
Small rural hospitals	42,033	1,327	13,219	1,110,673
Teaching, training and research	17,080	7,925	9,573	623,217
Non-admitted mental health	18,838	20,725	7,985	1,042,676
Non-admitted home ventilation	1,216	627	38	31,225
Non-Admitted CAMHS	977	224	1,980	59,962
Other non-admitted services	-	-	-	22,602
Highly Specialised Therapies	-	-	-	12,747
Other public hospital programs	-	-	-	126,743
Payments in respect of 2019-20 Services	63	-	(3)	(11)
TOTAL BLOCK FUNDING	80,207	30,828	32,792	3,029,834
PUBLIC HEALTH FUNDING				
Public Health funding	9,349	7,441	4,169	443,710
Payments in respect of 2019-20 Services	27	(87)	(45)	(594)
TOTAL PUBLIC HEALTH FUNDING	9,376	7,354	4,124	443,116
COVID-19 FUNDING				
Hospital Services Payments	3,512	5,304	34,898	622,507
State Public Health Payments	52,881	38,237	20,583	2,350,471
Private Hospital Financial Viability Payment	355	5,813	144	330,529
Payments in respect of 2019-20 Services	(24,178)	(20,521)	4,634	(492,787)
TOTAL COVID-19 FUNDING	32,570	28,834	60,259	2,810,721
AMOUNT PAID IN 2020-21	511,318	462,232	356,715	25,249,253

Combined State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

Note 2B: Amounts paid by the Commonwealth into each State Pool Account in 2019-20 (\$'000)¹

	NSW \$'000	VIC \$'000	QLD \$'000	WA \$'000	SA \$'000
ACTIVITY BASED FUNDING BY SERVICE TYPE					
Emergency department	705,196	297,943	544,756	233,996	146,664
Acute admitted	3,361,266	3,298,476	2,739,639	1,218,810	726,571
Admitted mental health	308,172	202,737	225,888	89,796	105,913
Sub-acute	447,883	359,620	233,419	92,483	67,272
Non-admitted	1,014,922	502,103	603,669	358,099	168,809
Payments in respect of 2018-19 Services	69,982	(3,775)	37,158	50,435	58,512
TOTAL ACTIVITY BASED FUNDING	5,907,420	4,657,104	4,384,530	2,043,618	1,273,742
BLOCK FUNDING					
Small rural hospitals	461,707	93,844	254,038	109,627	88,228
Teaching, training and research	215,780	142,360	71,091	107,467	37,739
Non-admitted mental health	220,163	397,600	194,114	85,432	45,485
Non-admitted home ventilation services	8,937	4,941	7,197	5,745	1,116
Non-Admitted CAMHS	-	33,456	8,989	5,840	360
Other non-admitted services	-	10	3,397	-	19,074
CAR-T	4,957	8,986	-	-	-
Other public hospital programs	-	77,198	-	-	-
Payments in respect of 2018-19 Services	1	(31)	51	(9)	(34)
TOTAL BLOCK FUNDING	911,545	758,363	538,877	314,102	191,967
PUBLIC HEALTH FUNDING					
Public Health funding	134,821	110,137	84,560	43,305	28,911
Payments in respect of 2018-19 Services	(23)	(69)	19	(11)	1
TOTAL PUBLIC HEALTH FUNDING	134,798	110,068	84,579	43,294	28,912
COVID-19 FUNDING					
Upfront Advance Payment	31,899	26,005	20,091	10,338	6,908
Hospital Services Payments	85,401	75,545	57,480	33,834	6,655
State Public Health Payments	626,062	598,799	60,695	63,778	12,853
Private Hospital Financial Viability Payment	331,034	396,769	207,032	80,447	88,958
TOTAL COVID-19 FUNDING	1,074,396	1,097,118	345,298	188,397	115,374
AMOUNT PAID IN 2019-20	8,028,159	6,622,653	5,353,284	2,589,411	1,609,995

¹ Further detail on the total amount paid by the Commonwealth into each State Pool Account may be found in the financial statements and 'Funding and Payments' chapters.

Note 2B: Amounts paid by the Commonwealth
into each State Pool Account in 2019-20 (\$'000)

	TAS \$'000	ACT \$'000	NT \$'000	TOTAL \$'000
ACTIVITY BASED FUNDING BY SERVICE TYPE				
Emergency department	43,718	49,041	37,091	2,058,405
Acute admitted	237,061	249,138	167,709	11,998,670
Admitted mental health	16,385	19,455	5,896	974,242
Sub-acute	17,385	28,187	14,489	1,260,738
Non-admitted	41,885	38,888	41,172	2,769,547
Payments in respect of 2018-19 Services	6,488	13,709	386	232,895
TOTAL ACTIVITY BASED FUNDING	362,922	398,417	266,742	19,294,495
BLOCK FUNDING				
Small rural hospitals	38,456	1,182	12,303	1,059,385
Teaching, training and research	16,573	6,861	7,527	605,398
Non-admitted mental health	16,296	19,817	6,960	985,867
Non-admitted home ventilation services	1,187	600	36	29,759
Non-Admitted CAMHS	118	29	1,841	50,633
Other non-admitted services	-	-	-	22,481
CAR-T	-	-	-	13,943
Other public hospital programs	-	-	-	77,198
Payments in respect of 2018-19 Services	38	-	(7)	10
TOTAL BLOCK FUNDING	72,667	28,488	28,659	2,844,668
PUBLIC HEALTH FUNDING				
Public Health funding	8,838	7,143	4,085	421,800
Payments in respect of 2018-19 Services	5	(14)	(11)	(104)
TOTAL PUBLIC HEALTH FUNDING	8,842	7,129	4,074	421,696
COVID-19 FUNDING				
Upfront Advance Payment	2,107	1,683	970	100,000
Hospital Services Payments	644	4,939	3,142	267,640
State Public Health Payments	39,769	20,467	9,332	1,431,755
Private Hospital Financial Viability Payment	32,894	14,580	4,098	1,155,811
TOTAL COVID-19 FUNDING	75,414	41,669	17,542	2,955,208
AMOUNT PAID IN 2019-20	519,845	475,703	317,017	25,516,067

Combined State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

Note 3: COVID-19 funding

COVID-19 funding is provided monthly in advance based on estimates submitted by States and Territories and is subject to reconciliation. Final funding entitlements are determined after actual activity data on hospital services and actual in-scope expenditure are submitted.

The types of funding and payments under the NPCR include:

THE UPFRONT ADVANCE PAYMENT

In March 2020, the Commonwealth provided an upfront advanced payment of \$100 million to States and Territories on a population share basis. This is an advance payment to ensure the timely availability of funds under the NPCR. The Upfront Advance Payment has been subsequently offset against State Public Health requirements.

THE HOSPITAL SERVICES PAYMENT

The Commonwealth provides a 50 per cent contribution of the National Efficient Price, for costs incurred by States and Territories, through monthly payments, for the diagnosis and treatment of COVID-19 including suspected cases.

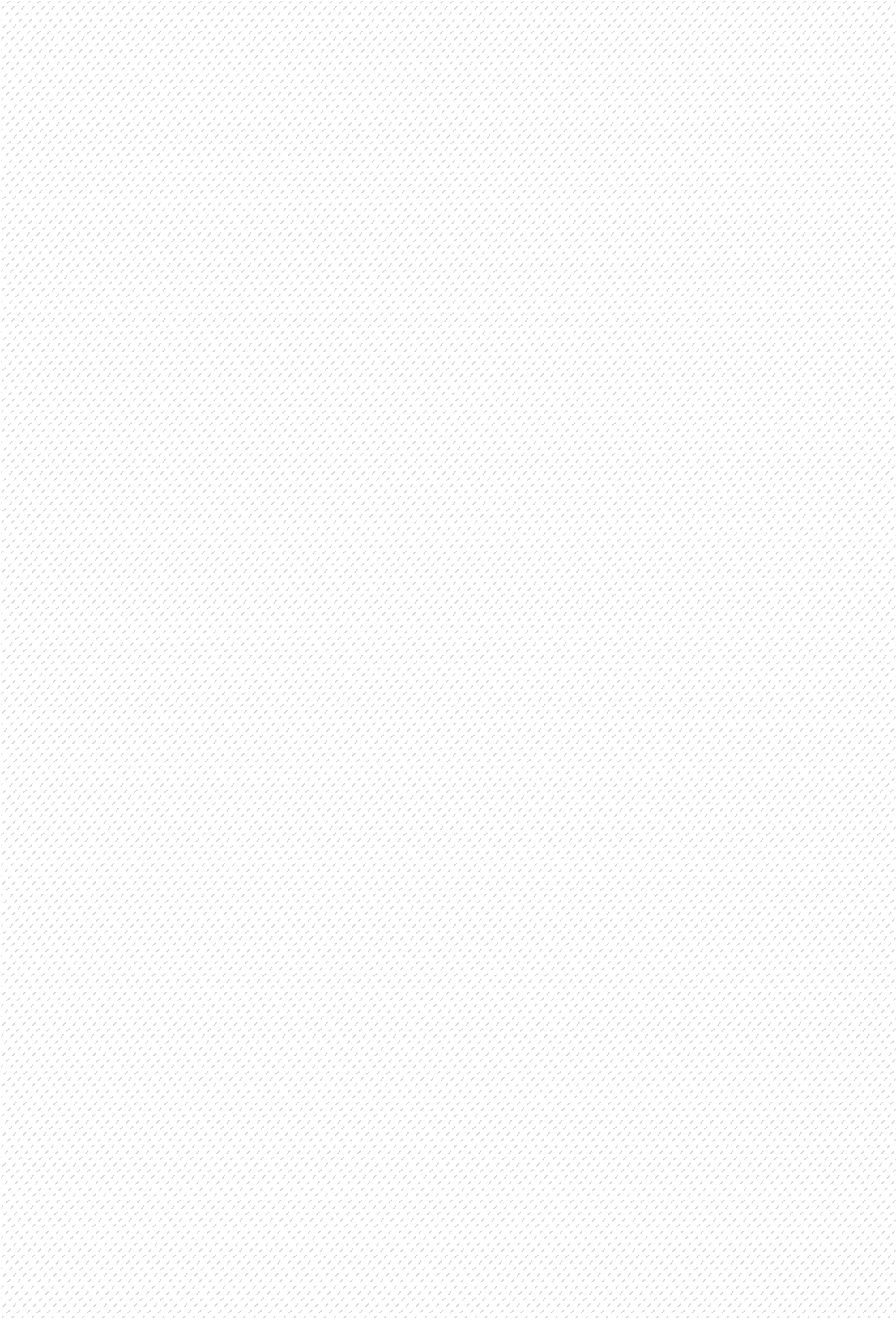
THE STATE PUBLIC HEALTH PAYMENT

The Commonwealth provides a 50 per cent contribution for additional costs incurred by States and Territories, through monthly payments, for COVID-19 activities undertaken by State and Territory public health systems for the management of the outbreak.

In 2021, Commonwealth, State and Territory governments entered into an agreement in relation to the coordination and delivery of the COVID-19 vaccine under Schedule C of the NPCR. Where eligible, funding contributions in relation to this activity are included within the State Public Health Payment.

THE PRIVATE HOSPITAL FINANCIAL VIABILITY PAYMENT

The Commonwealth contributes 100 per cent of the Private Hospital Financial Viability Payment to retain capacity for responding to State and Territory or Commonwealth public health requirements.



Combined State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

Note 3A: COVID-19 funding amounts through each State Pool Account in 2020-21 (\$'000)

	NSW \$'000	VIC \$'000	QLD \$'000	WA \$'000	SA \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT					
From Commonwealth					
Hospital Services Payments	498,114	171,701	89,603	85,098	20,049
State Public Health Payments	873,804	739,831	298,442	135,778	103,609
Private Hospital Financial Viability Payment	(177,823)	74,223	(121,032)	(45,319)	(57,020)
TOTAL COMMONWEALTH RECEIPTS	1,194,095	985,755	267,013	175,557	66,638
From State/Territory					
Hospital Services Payments	-	-	80,187	18,352	29,914
State Public Health Payments	-	-	-	149,723	150,763
TOTAL STATE/ TERRITORY RECEIPTS	-	-	80,187	168,075	180,677
TOTAL RECEIPTS	1,194,095	985,755	347,200	343,632	247,315
PAYMENTS OUT OF THE STATE POOL ACCOUNT					
To State/Territory (Including Local Hospital Networks)					
Hospital Services Payments	498,114	171,701	159,694	103,450	49,963
State Public Health Payments	873,804	739,831	267,894	285,504	254,370
Private Hospital Financial Viability Payment	(177,823)	74,223	(64,017)	(30,500)	(37,141)
TOTAL PAYMENTS	1,194,095	985,755	363,575	358,450	267,194
NET RECEIPTS/(PAYMENTS) FOR THE YEAR	-	-	(16,375)	(14,819)	(19,880)
OPENING CASH BALANCE	-	-	54,710	14,819	19,880
CLOSING CASH BALANCE	-	-	38,335	-	-

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

Note 3A: COVID-19 funding amounts
through each State Pool Account in 2020-21 (\$'000)

	TAS \$'000	ACT \$'000	NT \$'000	TOTAL \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT				
From Commonwealth				
Hospital Services Payments	9,358	8,262	44,962	927,147
State Public Health Payments	46,261	23,882	17,421	2,239,027
Private Hospital Financial Viability Payment	(23,049)	(3,310)	(2,124)	(355,453)
TOTAL COMMONWEALTH RECEIPTS	32,570	28,834	60,259	2,810,721
From State/Territory				
Hospital Services Payments	-	-	-	128,453
State Public Health Payments	-	5,339	-	305,825
TOTAL STATE/TERRITORY RECEIPTS	-	5,339	-	434,278
TOTAL RECEIPTS	32,570	34,173	60,259	3,244,999
PAYMENTS OUT OF THE STATE POOL ACCOUNT				
To State/Territory (Including Local Hospital Networks)				
Hospital Services Payments	9,358	8,262	44,962	1,045,505
State Public Health Payments	46,261	29,221	17,421	2,514,308
Private Hospital Financial Viability Payment	(23,049)	(3,310)	(2,124)	(263,740)
TOTAL PAYMENTS	32,570	34,173	60,259	3,296,071
NET RECEIPTS/(PAYMENTS) FOR THE YEAR	-	-	-	(51,074)
OPENING CASH BALANCE	-	-	-	89,409
CLOSING CASH BALANCE	-	-	-	38,335

Combined State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

Note 3B: COVID-19 funding amounts through each State Pool Account in 2019-20 (\$'000)

	NSW \$'000	VIC \$'000	QLD \$'000	WA \$'000	SA \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT					
From Commonwealth					
Upfront Advance Payment	31,899	26,005	20,091	10,338	6,908
Hospital Services Payments	85,401	75,545	57,480	33,834	6,655
State Public Health Payments	626,062	598,799	60,695	63,778	12,853
Private Hospital Financial Viability Payment	331,034	396,769	207,032	80,447	88,958
TOTAL COMMONWEALTH RECEIPTS	1,074,396	1,097,118	345,298	188,397	115,374
From State/Territory					
Hospital Services Payments	-	-	9,930	-	17,969
State Public Health Payments	-	-	-	49,017	15,296
TOTAL STATE/TERRITORY RECEIPTS	-	-	9,930	49,017	33,265
TOTAL RECEIPTS	1,074,396	1,097,118	355,228	237,414	148,639
PAYMENTS OUT OF THE STATE POOL ACCOUNT					
To State/Territory (Including Local Hospital Networks)					
Hospital Services Payments	85,401	75,545	21,756	33,833	24,624
State Public Health Payments	657,961	624,804	128,745	123,133	35,056
Private Hospital Financial Viability Payment	331,034	396,769	150,017	65,629	69,079
TOTAL PAYMENTS	1,074,396	1,097,118	300,518	222,595	128,759
NET RECEIPTS/(PAYMENTS) FOR THE YEAR	-	-	54,710	14,819	19,880

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

Combined State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

Note 3B: COVID-19 funding amounts
through each State Pool Account in 2019-20 (\$'000)

	TAS \$'000	ACT \$'000	NT \$'000	TOTAL \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT				
From Commonwealth				
Upfront Advance Payment	2,107	1,683	970	100,000
Hospital Services Payments	644	4,939	3,142	267,640
State Public Health Payments	39,769	20,467	9,332	1,431,756
Private Hospital Financial Viability Payment	32,894	14,580	4,098	1,155,811
TOTAL COMMONWEALTH RECEIPTS	75,414	41,669	17,542	2,955,208
From State/Territory				
Hospital Services Payments	-	-	-	27,899
State Public Health Payments	-	-	-	64,313
TOTAL STATE/TERRITORY RECEIPTS	-	-	-	92,212
TOTAL RECEIPTS	75,414	41,669	17,542	3,047,420
PAYMENTS OUT OF THE STATE POOL ACCOUNT				
To State/Territory (Including Local Hospital Networks)				
Hospital Services Payments	644	4,939	3,142	249,885
State Public Health Payments	41,876	22,150	10,302	1,644,027
Private Hospital Financial Viability Payment	32,894	14,580	4,098	1,064,098
TOTAL PAYMENTS	75,414	41,669	17,542	2,958,011
NET RECEIPTS/(PAYMENTS) FOR THE YEAR	-	-	-	89,409

NEW SOUTH WALES

Funding and Payments

\$14.6B

total funding
that was paid to

20

Local Hospital
Networks (LHNs)

\$12.5B

in Activity Based Funding
that delivered

2,641,208

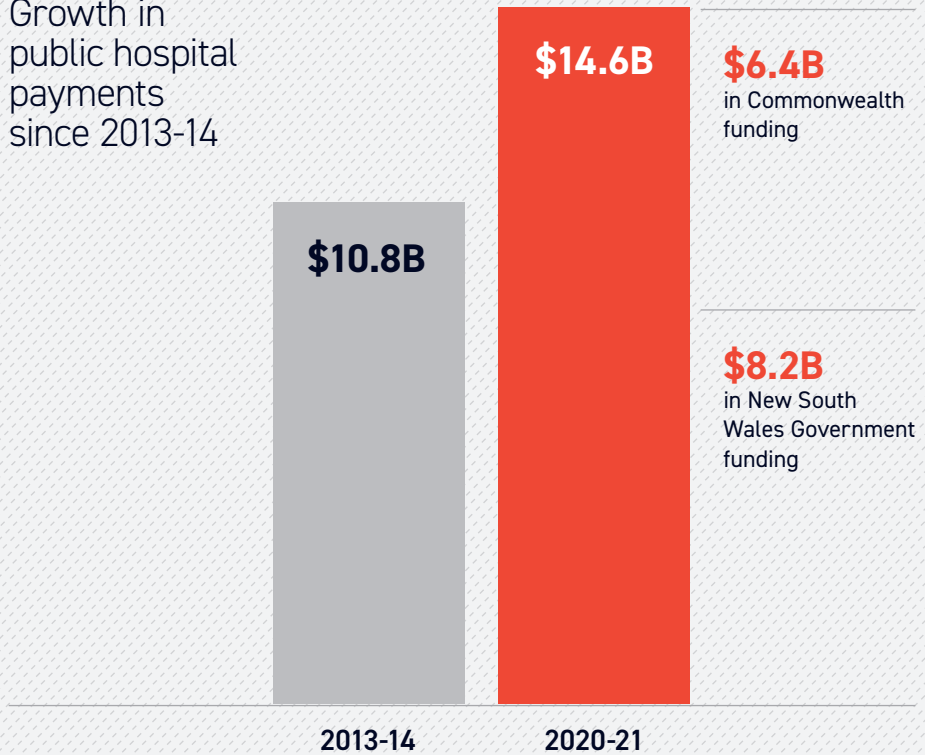
National Weighted
Activity Units (NWAU)

These amounts do not include transactions related to the NPCR. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

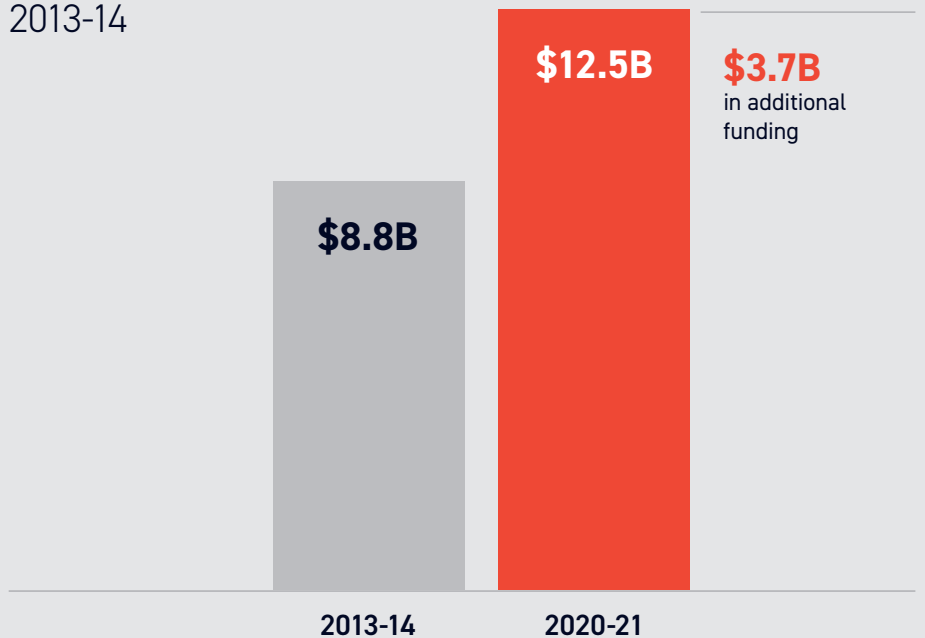
National Health Reform disclosures for the year ended 30 June 2021

Issued by the Administrator of the National Health Funding Pool under section 241(2) of the Commonwealth *National Health Reform Act 2011* and the *New South Wales Health Services Act 1997*.

Growth in
public hospital
payments
since 2013-14



Growth in
Activity Based
Funding since
2013-14



Section 241(2) of the NHR Act outlines certain disclosures to be included in this Annual Report.

The information reported is specific to the transactions of the 'relevant State'.

For the purposes of this legislative reporting, the 'relevant State' is the State or Territory that holds the bank accounts opened under the laws of that State or Territory for NHR Agreement purposes.

The values are rounded to the nearest thousand dollars unless otherwise specified.

NHR funding and payments shown in the following tables include Goods and Services Tax (GST) where applicable.

The information disclosed in the following tables is provided by New South Wales (NSW) and forms part of the Administrator's monthly reporting requirements, located at www.publichospitalfunding.gov.au

For further information on the types of National Health Reform funding, refer to the 'Introduction' chapter of this Annual Report.

Commonwealth National Health Reform funding entitlement based on actual services provided and cash paid in each financial year

\$'000	2016-17 Entitlement	2017-18 Entitlement	2018-19 Entitlement	2019-20 Entitlement	2020-21 Estimate	TOTAL
Cash Paid 2016-17 Total	5,695,036	-	-	-	-	5,695,036
Cash Paid 2017-18 Total	38,672	6,045,097	-	-	-	6,083,769
Cash Paid 2018-19 Total	189,100	104,223	6,443,378	-	-	6,736,701
Cash Paid 2019-20 Total	-	-	69,960	6,883,803	-	6,953,763
Cash Paid 2020-21 Total	-	-	-	(194,180)	6,623,273	6,429,093
CURRENT ENTITLEMENT TOTAL	5,922,809	6,149,319	6,513,337	6,689,622¹	6,623,273²	31,898,361

1 The 2019-20 Commonwealth NHR funding entitlement excludes \$194,180,263 in HSP under the NPCR.

2 The 2020-21 Commonwealth NHR funding estimate excludes \$389,334,559 in HSP under the NPCR.

The amounts paid into each State Pool Account by the Commonwealth and the basis on which the payments were made – Section 241(2)(B)

Component	Amount paid by Commonwealth into New South Wales State Pool Account (\$'000)	
	2020-21	2019-20
Activity Based Funding	5,335,287	5,907,420
Block funding	953,509	911,545
Public Health funding	140,297	134,798
NEW SOUTH WALES TOTAL	6,429,093	6,953,763

The amounts paid by the Commonwealth into the State Pool Accounts excludes HSP payments made under the NPCR of \$498,113,867 in 2020-21 (\$85,400,955 in 2019-20).

Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

The amounts paid into each State Pool Account and State Managed Fund by the relevant State and the basis on which the payments were made – Section 241(2)(A)

Component	Amount paid by New South Wales (\$'000)	
	2020-21	2019-20
State Pool Account - Activity Based Funding	7,181,924	6,369,916
State Managed Fund - Block funding	993,701	976,771
NEW SOUTH WALES TOTAL	8,175,625	7,346,687

In accordance with the provisions of the NHR Act, this table does not include interest deposited in the Pool account and cross-border transactions.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

The number of public hospital services funded for each Local Hospital Network in accordance with the system of Activity Based Funding – Section 241(2)(E)

Local Hospital Network	Number of ABF public hospital services funded (NWAU)	
	2020-21 ¹ Estimate	2019-20 ² Actual
Albury NSW Local Health District	20,210	21,223
Central Coast Local Health District	127,981	135,517
Contracted Services	3,899	3,899
Far West Local Health District	10,274	10,813
Hunter New England Local Health District	308,595	325,448
Illawarra Shoalhaven Local Health District	147,428	156,340
Mid North Coast Local Health District	96,220	101,379
Murrumbidgee Local Health District	66,971	71,004
Nepean Blue Mountains Local Health District	136,900	144,994
Northern NSW Local Health District	130,948	138,037
Northern Sydney Local Health District	197,384	208,805
South Eastern Sydney Local Health District	254,697	270,036
South Western Sydney Local Health District	309,056	326,730
Southern NSW Local Health District	57,811	61,011
St Vincent's Health Network	71,742	76,281
Sydney Children's Hospitals Network	98,491	103,694
Sydney Local Health District	251,268	265,976
Western NSW Local Health District	98,673	104,043
Western Sydney Local Health District	252,660	266,805
NEW SOUTH WALES TOTAL	2,641,208	2,792,035

1 2020-21 NWAU as per the updated activity estimates as at the Administrator's June 2021 Payment Advice.

2 2019-20 NWAU as per the 2019-20 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2019-20.

The NWAU is the unit of measurement for the ABF system. It is a measure of health service activity expressed as a common unit, against which the NEP is paid. It provides a way of comparing and valuing each ABF public hospital service, by weighting it for its clinical complexity.

States and Territories provide NWAU estimates at the start of each financial year for Commonwealth payment purposes. These estimates may be revised during the course of the year and form the basis of Commonwealth funding until actual service volumes become available.

The number of other public hospital services and functions funded from each State Pool Account or State Managed Fund – Section 241(2)(F)

Unlike the unit of measurement for Activity Based services (i.e. NWAU), there is currently no nationally standardised measurement system for 'other public hospital services.

In the absence of such a national system, the NHR Agreement allows for information to be based on the unit measurement classification and funding arrangements used in individual States and Territories.

However, in 2019–20 and 2020–21 New South Wales did not report any 'other public hospital services and functions funded' from their Pool account or State Managed Fund.

The amounts paid from each State Pool Account and State Managed Fund and the basis on which the payments were made in 2020-21 (\$'000)— Section 241(2)(C)(D)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
Albury NSW Local Health District	44,082	13,039	57,121
Central Coast Local Health District	654,606	48,891	703,497
Contracted Services	32,995	-	32,995
Far West Local Health District	62,990	24,194	87,184
Hunter New England Local Health District	1,447,445	295,529	1,742,974
Illawarra Shoalhaven Local Health District	690,711	89,408	780,119
Justice Health and Forensic Mental Health Network	-	64,812	64,812
Mid North Coast Local Health District	451,591	66,685	518,276
Murrumbidgee Local Health District	309,054	183,046	492,100
Nepean Blue Mountains Local Health District	663,008	54,712	717,720
Northern NSW Local Health District	612,935	73,899	686,834
Northern Sydney Local Health District	992,326	146,040	1,138,366
South Eastern Sydney Local Health District	1,168,396	91,293	1,259,689
South Western Sydney Local Health District	1,449,809	107,005	1,556,814
Southern NSW Local Health District	296,817	61,585	358,402
St Vincent's Health Network	336,416	22,367	358,783
Sydney Children's Hospitals Network	487,985	48,654	536,639
Sydney Local Health District	1,164,236	145,948	1,310,184
Western NSW Local Health District	464,687	247,950	712,637
Western Sydney Local Health District	1,187,122	162,154	1,349,276
State Managed Fund	953,509	-	953,509
Other organisations or funds	487,805	-	487,805
NEW SOUTH WALES TOTAL	13,958,525	1,947,210	15,905,736

The 2020-21 amounts paid by the Commonwealth into the State Pool Accounts excludes HSP made under the NPCR of \$498,113,867.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

For the New South Wales basis of payments, refer to page 67.

The amounts paid from each State Pool Account and State Managed Fund and the basis on which the payments were made in 2019-20 (\$'000) – Section 241(2)(C)(D)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
Albury NSW Local Health District	45,707	12,748	58,455
Central Coast Local Health District	628,865	43,479	672,344
Contracted Services	32,658	-	32,658
Far West Local Health District	57,239	25,004	82,243
Hunter New England Local Health District	1,391,189	290,016	1,681,205
Illawarra Shoalhaven Local Health District	681,836	84,278	766,114
Justice Health and Forensic Mental Health Network	-	64,679	64,679
Mid North Coast Local Health District	442,787	63,704	506,491
Murrumbidgee Local Health District	327,402	174,043	501,445
Nepean Blue Mountains Local Health District	650,952	51,306	702,259
Northern NSW Local Health District	598,127	62,550	660,676
Northern Sydney Local Health District	959,955	144,117	1,104,072
South Eastern Sydney Local Health District	1,171,399	90,578	1,261,977
South Western Sydney Local Health District	1,419,588	105,133	1,524,721
Southern NSW Local Health District	288,584	61,750	350,334
St Vincent's Health Network	341,563	20,015	361,579
Sydney Children's Hospitals Network	472,117	45,878	517,994
Sydney Local Health District	1,140,222	147,060	1,287,282
Western NSW Local Health District	445,098	239,858	684,956
Western Sydney Local Health District	1,182,046	162,122	1,344,168
State Managed Fund	911,545	-	911,545
Other organisations or funds	466,146	-	466,146
NEW SOUTH WALES TOTAL	13,655,027	1,888,315	15,543,343

The 2019-20 amounts paid by the Commonwealth into the State Pool Accounts excludes HSP made under the NPCR of \$85,400,955.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

For the New South Wales basis of payments, refer to page 67.

New South Wales basis for National Health Reform payments 2020-21

To meet the reporting requirements of Section 240 of the *National Health Reform Act 2011*, the Administrator is to include the basis of each State and Territory's National Health Reform (NHR) funding and payments.

To provide consistency in methodology and with the *Addendum to National Health Reform Agreement 2020-2025*, the 2020-21, the New South Wales Funding Model has implemented the National Efficient Price (NEP20) and National Weighted Activity Unit (NWAU20) as the currency for Activity Based Funding (ABF) facilities. The National Efficient Cost (NEC20) Block funded model is used for the small regional and remote hospitals, however NSW has introduced an alternative methodology to better account the significant challenges faced by small hospitals in rural settings and better integrate care between small regional and remote hospitals and ABF hospitals.

NHR payments in New South Wales are based upon the activity outlined in the Service Plan between the Minister for Health and the Secretary of the NSW Health. In determining activity targets consideration is given to the size and health needs of the LHN's population and provision of services to residents outside the local area. Accordingly, targets are adjusted considering factors appropriate to each LHN and service type, rather than simple extrapolation from historical activity data. Activity targets are developed by the Ministry and LHDs based on analysis of activity level drivers. Provisional activity estimates are created at a LHD level to provide the basis for discussion and negotiation with individual health services to determine agreed LHD level activity targets.

The Service Agreements sets the performance and accountability requirements for health services measured against key performance indicators for 2020-21. The agreements clearly document the NSW Health Strategic Priorities, service delivery and performance expectations, activity volumes and the funding provided to each organisation.

The service plan outlines:

- The schedule of services to be delivered by or on behalf of the LHN and the funding to be provided in relation to the provision of those services.
- The block funding to be provided to:
 - » Small rural hospitals, standalone hospitals providing specialist mental health services and eligible community mental health services
 - » Major hospitals for:
 - Non-admitted Home Ventilation
 - Clinical Teaching, Training, and Research
- Operational and block grants to the LHN covering services provided and activities undertaken that are not within scope for ABF, for example, Alcohol and Drug Services, dental services, Child Health and Parenting Services, primary care, home and community care.
- Supplementation Grants at the ABF stream level in recognition that the LHN has reported average costs greater than the NEP.
- Standards of patient care and service delivery to ensure the provision of equitable, safe, high quality and human centred healthcare services.
- Performance standards, performance targets and performance measures for the LHN that will be monitored in line with the NSW Health Performance Framework.
- Requirements for the LHN to report on its performance, as required or otherwise.
- A performance management process that is to be in continuous operation in respect of the LHN.

The ABF funded facilities' service profiles are developed in negotiation with the LHN as follows:

- Acute admitted and Sub-acute and Non-acute service activity volumes are modelled based on historical activity data and agreed growth rates and adjusted for known service capacity and profile changes.
- Emergency Department and Outpatient service volumes are modelled based on agreed growth rates and other known factors.
- Clinical Teaching Training and Research, Home Ventilation services are modelled based on historical expenditure profiles and adjusted for known changes.
- Small regional and remote hospitals are modelled based on the small hospital NEC result.
- Stand-alone hospitals providing specialist Mental Health services (admitted and non-admitted) and modelled based on historical activity volumes and expenditure profiles and adjusted for known changes in service delivery and capacity.
- Non-NHRA and non-hospital services are block-funded and modelled based on historical expenditure profiles and other known growth factors.
- The Supplementation Grant at the ABF stream level are based on the prior year National Hospital Cost Data collections ABF stream Cost Ratio.

Further information regarding the Basis for National Health Reform payments in both 2020-21 and previous financial years is included at www.publichospitalfunding.gov.au



NEW SOUTH WALES

Financial Statement

National Health Funding Pool New South Wales State Pool Account Special Purpose Financial Statement for the year ended 30 June 2021

Issued by the Administrator of the National Health Funding Pool under section 242 of the Commonwealth *National Health Reform Act 2011* and clause 17 of schedule 6A of the New South Wales *Health Services Act 1997*.



Contents

Independent Auditor's Report	71
Statement by the Administrator of the National Health Funding Pool	73
New South Wales State Pool Account	
Statement of Receipts and Payments for the year ended 30 June 2021	74

New South Wales State Pool Account Notes to and forming part of the Special Purpose Financial Statement for the year ended 30 June 2021

Note 1: Summary of significant accounting policies	75
Note 2: Activity Based Funding receipts	78
Note 3: Cross-border receipts	78
Note 4: Activity Based Funding payments	79
Note 5: Cross-border payments	80
Note 6: Activity Based Funding receipts and payments	80
Note 7: COVID-19 funding	81

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

National Health Funding Pool New South Wales State Pool Account

To the Administrator of the National Health Funding Pool

Opinion

As requested by the *Health Services Act 1997* (NSW) and section 242 of the *National Health Reform Act 2011* (Cth), I have audited the accompanying special purpose financial statements of the New South Wales State Pool Account of the National Health Funding Pool (the financial statements) for the year ended 30 June 2021. The financial statements comprises a Statement of Receipts and Payments for the year ended 30 June 2021, a Summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- has been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the Government Sector Finance Regulation 2018 (GSF Regulation) and the Treasurer's Directions
- presents fairly the financial transactions of the New South Wales State Pool Account for the year ended 30 June 2021 in accordance with the financial reporting provisions of the *Health Services Act 1997* (NSW), the *National Health Reform Act 2011* (Cth) and the National Health Reform Agreement 2011

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the National Health Funding Pool in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 1 to the financial statements, which describes the purpose of the financial statements and the basis of accounting. The financial statements have been prepared solely for the purpose of fulfilling the Administrator's financial reporting obligations under the financial reporting provisions of the *Health Services Act 1997* (NSW), *National Health Reform Act 2011* (Cth) and the National Health Reform Agreement 2011. As a result, the financial statements may not be suitable for another purpose.

Other Information

The National Health Funding Body's annual report for the year ended 30 June 2021 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Administrator of the National Health Funding Body is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the statements by the Administrator of the National Health Funding Pool.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatements of the other information, I must report that fact.

I have nothing to report in this regard.

The Administrator's Responsibilities for the Financial Statements

The Administrator is responsible for the preparation and fair presentation of the financial statements and has determined that the basis of presentation described in Note 1, which is a special purpose framework using the cash basis of accounting, is appropriate to meet the financial reporting provisions of the *Health Services Act 1997 (NSW)*, the *National Health Reform Act 2011 (Cth)* and the National Health Reform Agreement 2011. The Administrator's responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that is free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the Administrator is responsible for assessing the National Health Funding Pool's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statement

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf OR www.auasb.gov.au/auditors_responsibilities/ar6.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the New South Wales State Pool Account of the National Health Funding Pool carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Lisa Berwick
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

8 September 2021
SYDNEY

Statement by the Administrator of the National Health Funding Pool



Administrator
National Health
Funding Pool

Statement by the Administrator of the National Health Funding Pool New South Wales State Pool Account

I report that, as indicated in Note 1(b) to the financial statement, I have determined that the attached Special Purpose Financial Statement comprising of a statement of receipts and payments and accompanying notes provides a fair presentation in accordance with the New South Wales *Health Services Act 1997*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

In my opinion, the attached Special Purpose Financial Statement for the year ended 30 June 2021 is based on properly maintained financial records and gives a true and fair view of the matters required by the New South Wales *Health Services Act 1997*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

Michael Lambert
Administrator
National Health Funding Pool

8 September 2021

New South Wales State Pool Account

Statement of Receipts and Payments for the year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth Government			
Activity Based Funding	2,6	5,335,287	5,907,420
Block funding		953,509	911,545
Public Health funding		140,297	134,798
COVID-19 funding	7	1,194,095	1,074,396
From New South Wales Government			
Activity Based Funding	2,6	7,181,924	6,369,916
Cross-border contribution	5	253,289	235,751
COVID-19 funding	7	-	-
From other States or Territories			
Cross-border receipts	3,6	94,132	94,804
From Reserve Bank of Australia			
Interest receipts		87	793
TOTAL RECEIPTS		15,152,620	14,729,423
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding	4,6	12,517,211	12,277,336
COVID-19 funding	7	-	-
To New South Wales State Managed Fund			
Block funding		953,509	911,545
Cross-border transfer		-	-
To New South Wales Health			
Public Health funding		140,297	134,798
COVID-19 funding	7	1,194,095	1,074,396
Interest payments		87	793
Cross-border transfer		94,132	94,804
To other States or Territories			
Cross-border payments	5,6	253,289	235,751
TOTAL PAYMENTS		15,152,620	14,729,423
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		-	-
OPENING CASH BALANCE		-	-
CLOSING CASH BALANCE		-	-

The above statement of receipts and payments should be read in conjunction with the accompanying notes.

New South Wales State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

Note 1: Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the Special Purpose Financial Statement are set out below.

(A) REPORTING ENTITY

The Administrator of the National Health Funding Pool (Administrator) is an independent statutory office holder, distinct from the Commonwealth, State and Territory governments, established under legislation of the Commonwealth and State and Territory governments. Mr Michael Lambert was appointed as the Administrator on 17 July 2018.

(B) BASIS OF PREPARATION

The New South Wales State Pool Account was established at the Reserve Bank of Australia (RBA) in 2012-13 in accordance with clause 9 of schedule 6A of the *New South Wales Health Services Act 1997* and the Special Purpose Financial Statement has been prepared in accordance with clause 17 of that schedule and Act and section 242 of the Commonwealth *National Health Reform Act 2011*.

The Special Purpose Financial Statement has been prepared on a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

The Special Purpose Financial Statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The Special Purpose Financial Statement was authorised for release by the Administrator on 8 September 2021.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2019-20 and 2020-21 are for the year ended 30 June.

(D) NATIONAL HEALTH FUNDING POOL

The National Health Funding Pool (Funding Pool) consists of eight State and Territory bank accounts (State Pool Accounts).

(E) ACTIVITY BASED FUNDING

Activity Based Funding (ABF) is a system for funding public hospital services provided to individual patients using national classifications, price weights and National Efficient Prices developed by the Independent Hospital Pricing Authority (IHPA). ABF is paid by the Commonwealth, States and Territories into the Funding Pool.

In 2019-20 and 2020-21 the Commonwealth, States and Territories ABF supported the following:

- i. emergency department services;
- ii. acute admitted services;
- iii. admitted mental health services;
- iv. sub-acute and non-acute services; and
- v. non-admitted services.

State or Territory ABF contributions into the Funding Pool are calculated by the State or Territory as the system manager of the public hospital system. The Service Agreement between the State or Territory and each Local Hospital Network (LHN) specifies the service delivery and funding parameters.

Commonwealth ABF contributions for each service category were calculated by summing the New South Wales prior year amounts and efficient growth. Efficient growth is determined by measuring the change in efficient price and volume. The price adjustment is 45 per cent of

the change in the National Efficient Price relative to the prior year. The volume adjustment is 45 per cent of the net change in the volume of weighted services relative to the prior year.

In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements. Final funding entitlements for the year are calculated after actual data on hospital services becomes available. This calculation will generally result in reconciliation adjustments being made to the Commonwealth ABF contribution to each LHN to align with the actual services delivered.

In 2017, the Council of Australian Governments signed an Addendum to the National Health Reform Agreement. The Addendum amends specified elements of the operation of the National Health Reform Agreement for a period of three years. From 1 July 2017 to 30 June 2020, the Commonwealth funds 45 per cent of the efficient growth of public hospital services, subject to a 6.5 per cent cap in the growth of overall Commonwealth funding.

On 29 May 2020, the 2020–25 Addendum to the National Health Reform Agreement was entered into by the Commonwealth, State and Territory governments. The 2020–25 Addendum to the National Health Reform Agreement replaces the 2017-20 Addendum to the National Health Reform Agreement but retains the core principles.

(F) BLOCK FUNDING

Block funding is provided by the Commonwealth into the Funding Pool for States and Territories to support teaching and research undertaken in public hospitals and for some public hospital services where it is more appropriate to be Block funded, particularly for smaller rural and regional hospitals.

In 2019-20 and 2020-21 the Commonwealth Block funding supported the following:

- i. small rural hospitals;
- ii. teaching, training and research;
- iii. non-admitted mental health;
- iv. non-admitted home ventilation;
- v. other non-admitted services; and
- vi. highly specialised therapies.

In 2019-20 the Commonwealth Block funding also supported other public hospital programs, including non-admitted child and adolescent mental health services and CAR-T therapy (Kymriah).

In 2019-20 and 2020-21 the Commonwealth Block contributions for each service category were calculated by summing prior year amounts and 45 per cent of the change in the National Efficient Cost between the current year and the prior year. Highly specialised therapies are contributed at 50 per cent of the growth in the efficient price or cost.

(G) PUBLIC HEALTH FUNDING

The Commonwealth contributes amounts into the Funding Pool for Public Health funding. This is calculated by the Commonwealth Treasury and includes amounts for national public health, youth health services and essential vaccines. This payment is indexed in accord with the previous existing health specific purpose payment.

New South Wales State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

(H) CROSS-BORDER

When a resident of one State or Territory receives hospital treatment in another State or Territory, the provider State or Territory is compensated for the cost of that treatment.

The resident State or Territory pays its share through the Funding Pool to the provider State or Territory (refer Note 3 and Note 5).

The Commonwealth share of the cost of treating the patient is paid through the Funding Pool as part of the normal Activity Based Funding. The Commonwealth contribution to each State or Territory covers all eligible patients treated, regardless of where they reside.

(I) INTEREST

Interest earned and deposited by the RBA into the State Pool Account is recognised as interest received at the time the deposit is made. Interest paid from the State Pool Account to the State or Territory is recognised as an interest payment at the time the payment is made from the State Pool Account.

(J) TAXATION

State Pool Accounts are not subject to income tax. The majority of government funding, from the Commonwealth, State or Territory, to LHNs is not subject to the Goods and Services Tax (GST). However, in some cases hospital funding to non-government entities does attract GST, for example, denominational hospitals, privately and commercially owned health facilities, or other non-government third party providers of health services or related supplies.

(K) COVID-19 FUNDING

The National Partnership on COVID-19 Response (NPCR) was agreed to and signed by the Council of Australian Governments on Friday, 13 March 2020. The objective of this agreement is to provide Commonwealth financial assistance for the additional costs incurred by State and Territory health services in responding to the COVID-19 outbreak. The NPCR was subsequently amended and agreed to in April 2020 to include financial viability payments for private hospitals. In February 2021, the NPCR was amended with respect to the coordination and delivery of the COVID-19 vaccine under Schedule C.

Financial assistance has been provided by the Commonwealth in the form of the Hospital Services Payments calculated on an activity basis, State Public Health Payments (including coordination and delivery of the COVID-19 vaccine) as well as Private Hospital Financial Viability Payments.

(L) COMMONWEALTH FUNDING GUARANTEE

For the 2019-20 and 2020-21 financial year, the Commonwealth provided the States and Territories with a minimum funding guarantee for funding related to the National Health Reform Agreement and the Hospital Services Payment component of the NPCR. Where a State or Territory is eligible for the Commonwealth funding guarantee, an additional payment is made in the following financial year after the annual reconciliation to meet the minimum amount guaranteed by the Commonwealth.

Note 2: Activity Based Funding receipts

Total receipts paid into the New South Wales State Pool Account in respect of Activity Based Funding:

	2021 \$'000	2020 \$'000
Commonwealth Activity Based Funding	5,335,287	5,907,420
New South Wales Activity Based Funding	7,181,924	6,369,916
TOTAL	12,517,211	12,277,336

The amounts paid by the Commonwealth into the New South Wales State Pool Account excludes Hospital Services Payments made under the NPCR of \$498,113,867 in 2020-21 (\$85,400,955 in 2019-20). Please refer Note 7.

Note 3: Cross-border receipts

Total cross-border receipts paid into the New South Wales State Pool Account from other States and Territories:

States and Territories	2021 \$'000	2020 \$'000
CROSS-BORDER RECEIPTS		
Victoria	16,200	15,600
Queensland	43,800	41,592
Western Australia	3,659	11,239
South Australia	-	-
Tasmania	3,971	3,507
Australian Capital Territory	23,700	21,300
Northern Territory	2,802	1,566
TOTAL	94,132	94,804

Where no cross-border receipts were reported through the New South Wales State Pool Account, other bilateral arrangements between the States and Territories may exist.

New South Wales State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

Note 4: Activity Based Funding payments

Total payments made out of the New South Wales State Pool Account
in respect of each Local Hospital Network:

Local Hospital Network	2021 \$'000	2020 \$'000
Albury NSW Local Health District ¹	44,082	45,707
Central Coast Local Health District	654,606	628,865
Contracted Services	32,995	32,658
Far West Local Health District	62,990	57,240
Hunter New England Local Health District	1,447,445	1,391,190
Illawarra Shoalhaven Local Health District	690,711	681,836
Mid North Coast Local Health District	451,591	442,787
Murrumbidgee Local Health District	309,054	327,402
Nepean Blue Mountains Local Health District	663,008	650,952
Northern NSW Local Health District	612,935	598,127
Northern Sydney Local Health District	992,326	959,955
South Eastern Sydney Local Health District	1,168,396	1,171,399
South Western Sydney Local Health District	1,449,809	1,419,588
Southern NSW Local Health District	296,817	288,584
St Vincent's Health Network	336,416	341,563
Sydney Children's Hospitals Network	487,985	1,140,222
Sydney Local Health District	1,164,236	472,117
Western NSW Local Health District	464,687	445,098
Western Sydney Local Health District	1,187,122	1,182,046
TOTAL	12,517,211	12,277,336

1 The Wodonga Campus is a Victorian Campus and Activity Based Funding is therefore recognised in the Victorian State Pool Account Special Purpose Financial Statement. The amount recognised in this Financial Statement is for the Albury Campus only.

The Administrator makes payments from the New South Wales State Pool Account in accordance with the directions of the New South Wales Minister for Health. The New South Wales Minister for Health directed all Activity Based Funding contributions paid to Local Hospital Networks.

Note 5: Cross-border payments

Total cross-border payments made out of the New South Wales State Pool Account to other States and Territories:

States and Territories	2021 \$'000	2020 \$'000
CROSS-BORDER PAYMENTS		
Victoria	56,400	51,150
Queensland	69,600	65,520
Western Australia	3,218	9,831
South Australia	-	-
Tasmania	2,806	2,402
Australian Capital Territory	116,400	104,340
Northern Territory	4,865	2,508
TOTAL	253,289	235,751

Where no cross-border payments were reported through the New South Wales State Pool Account, there may be other bilateral arrangements between the States and Territories.

Note 6: Activity Based Funding receipts and payments

Total New South Wales and Commonwealth Activity Based Funding contributions and total Local Hospital Network Activity Based Funding payments:

	2021 \$'000	2020 \$'000
Total Activity Based Funding receipts from the Commonwealth Government	5,335,287	5,907,420
Total Activity Based Funding receipts from New South Wales Government	7,181,924	6,369,916
Cross-border receipts	94,132	94,804
Cross-border payments	(253,289)	(235,751)
Activity Based Funding payments to Local Hospital Networks	(12,517,211)	(12,277,336)
NET RECEIPTS/(PAYMENTS)	(159,157)	(140,947)

For 2021, the payments in excess of receipts balance is represented by transfers of \$94,132,023 in Cross-border receipts to the New South Wales State Health Account and Cross-border payments of \$253,289,237.

For 2020, the payments in excess of receipts balance is represented by transfers of \$94,804,175 in Cross-border receipts to the New South Wales State Health Account and Cross-border payments of \$235,751,309.

New South Wales State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

Note 7: COVID-19 funding

COVID-19 funding is provided monthly in advance based on estimates submitted by States and Territories and is subject to reconciliation. Final funding entitlements are determined after actual activity data on hospital services and actual in-scope expenditure are submitted.

The types of funding and payments under the NPCR include:

THE UPFRONT ADVANCE PAYMENT

In March 2020, the Commonwealth provided an upfront advanced payment of \$100 million to States and Territories on a population share basis. This is an advance payment to ensure the timely availability of funds under the NPCR. The Upfront Advance Payment has been subsequently offset against State Public Health requirements.

THE HOSPITAL SERVICES PAYMENT

The Commonwealth provides a 50 per cent contribution of the National Efficient Price, for costs incurred by States and Territories, through monthly payments, for the diagnosis and treatment of COVID-19 including suspected cases.

THE STATE PUBLIC HEALTH PAYMENT

The Commonwealth provides a 50 per cent contribution for additional costs incurred by States and Territories, through monthly payments, for COVID-19 activities undertaken by State and Territory public health systems for the management of the outbreak.

In 2021, Commonwealth, State and Territory governments entered into an agreement in relation to the coordination and delivery of the COVID-19 vaccine under Schedule C of the NPCR. Where eligible, funding contributions in relation to this activity are included within the State Public Health Payment.

THE PRIVATE HOSPITAL FINANCIAL VIABILITY PAYMENT

The Commonwealth contributes 100 per cent of the Private Hospital Financial Viability Payment for private hospitals to retain capacity for responding to State and Territory or Commonwealth public health requirements.

COVID-19 funding receipts and payments:

	2021 \$'000	2020 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT		
From Commonwealth Government		
Upfront Advance Payment	-	31,899
Hospital Services Payments	498,114	85,401
State Public Health Payments	873,804	626,062
Private Hospital Financial Viability Payment	(177,823)	331,034
TOTAL COMMONWEALTH RECEIPTS	1,194,095	1,074,396
From New South Wales Government		
Hospital Services Payments	-	-
State Public Health Payments	-	-
TOTAL NEW SOUTH WALES GOVERNMENT RECEIPTS	-	-
TOTAL RECEIPTS	1,194,095	1,074,396
PAYMENTS OUT OF THE STATE POOL ACCOUNT		
To New South Wales Government (Including Local Hospital Networks)		
Hospital Services Payments	498,114	85,401
State Public Health Payments	873,804	657,961
Private Hospital Financial Viability Payment	(177,823)	331,034
TOTAL PAYMENTS	1,194,095	1,074,396
NET RECEIPTS / (PAYMENTS) FOR THE YEAR	-	-
OPENING CASH BALANCE	-	-
CLOSING CASH BALANCE	-	-

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

End of Audited Special Purpose Financial Statement.

VICTORIA

Funding and Payments

\$12.8B

total funding
that was paid to

84

Local Hospital
Networks (LHNs)

\$10.8B

in Activity Based Funding
that delivered

2,191,275

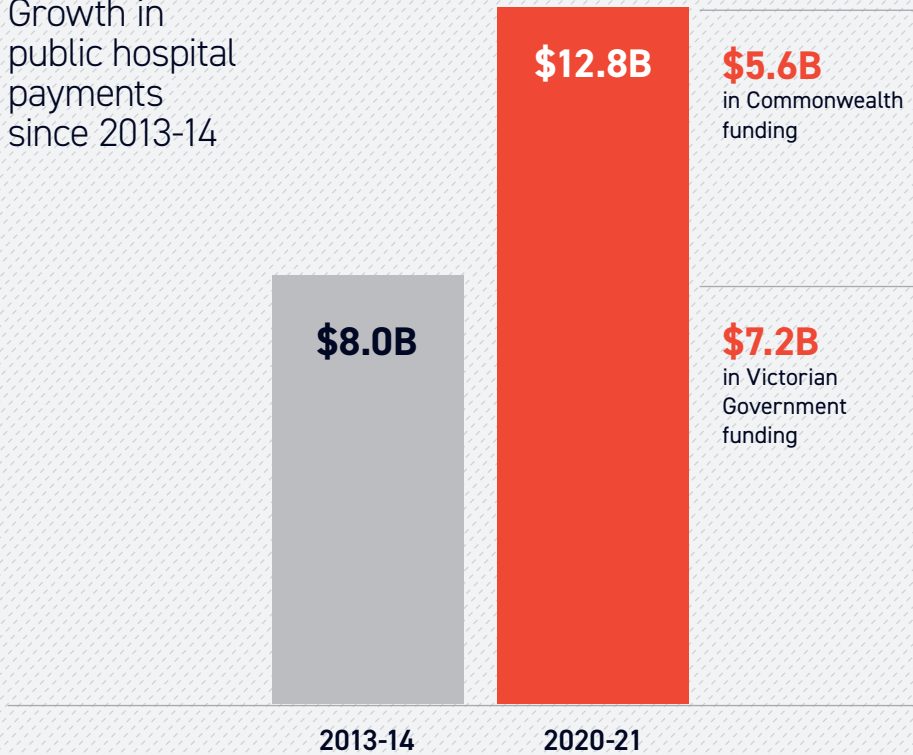
National Weighted
Activity Units (NWAU)

These amounts do not include transactions related to the NPCR. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

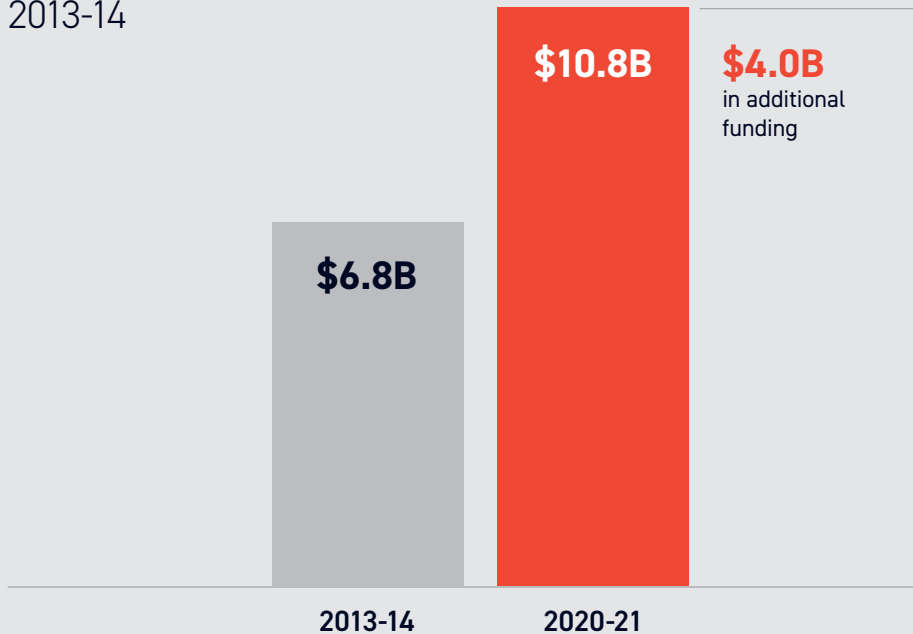
National Health Reform disclosures for the year ended 30 June 2021

Issued by the Administrator of the National Health Funding Pool under section 241(2) of the Commonwealth *National Health Reform Act 2011* and Section 17(2) of the *Victorian Health (Commonwealth State Funding Arrangements) ACT 2012*.

Growth in
public hospital
payments
since 2013-14



Growth in
Activity Based
Funding since
2013-14



Section 241(2) of the NHR Act outlines certain disclosures to be included in this Annual Report.

The information reported is specific to the transactions of the 'relevant State'.

For the purposes of this legislative reporting, the 'relevant State' is the State or Territory that holds the bank accounts opened under the laws of that State or Territory for NHR Agreement purposes.

The values are rounded to the nearest thousand dollars unless otherwise specified.

NHR funding and payments shown in the following tables include Goods and Services Tax (GST) where applicable.

The information disclosed in the following tables is provided by Victoria (VIC) and forms part of the Administrator's monthly reporting requirements, located at www.publichospitalfunding.gov.au

For further information on the types of National Health Reform funding, refer to the 'Introduction' chapter of this Annual Report.

Commonwealth National Health Reform funding entitlement based on actual services provided and cash paid in each financial year

\$'000	2016-17 Entitlement	2017-18 Entitlement	2018-19 Entitlement	2019-20 Entitlement	2020-21 Estimate	TOTAL
Cash Paid 2016-17 Total	4,624,994	-	-	-	-	4,624,994
Cash Paid 2017-18 Total	100,622	4,925,619	-	-	-	5,026,241
Cash Paid 2018-19 Total	(98,679)	(46,926)	5,195,808	-	-	5,050,203
Cash Paid 2019-20 Total	-	-	(3,874)	5,529,409	-	5,525,535
Cash Paid 2020-21 Total	-	-	-	(180,911)	5,830,361	5,649,450
CURRENT ENTITLEMENT TOTAL	4,626,937	4,878,693	5,191,933	5,348,498¹	5,830,361²	25,876,422

1 The 2019-20 Commonwealth NHR funding entitlement excludes \$204,856,778 in HSP under the NPCR.

2 The 2020-21 Commonwealth NHR funding estimate excludes \$42,389,104 in HSP under the NPCR.

The amounts paid into each State Pool Account by the Commonwealth and the basis on which the payments were made – Section 241(2)(B)

Component	Amount paid by Commonwealth into Victoria State Pool Account (\$'000)	
	2020-21	2019-20
Activity Based Funding	4,718,791	4,657,104
Block funding	815,038	758,363
Public Health funding	115,621	110,068
VICTORIA TOTAL	5,649,450	5,525,535

The amounts paid by the Commonwealth into the State Pool Accounts excludes HSP payments made under the NPCR of \$171,701,014 in 2020-21 (\$75,544,868 in 2019-20).

Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

The amounts paid into each State Pool Account and State Managed Fund by the relevant State and the basis on which the payments were made – Section 241(2)(A)

Component	Amount paid by Victoria (\$'000)	
	2020-21	2019-20
State Pool Account - Activity Based Funding	6,046,189	6,581,213
State Managed Fund - Block funding	1,111,519	975,483
VICTORIA TOTAL	7,157,708	7,556,696

In accordance with the provisions of the NHR Act, this table does not include interest deposited in the Pool account and cross-border transactions.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

The number of public hospital services funded for each Local Hospital Network in accordance with the system of Activity Based Funding – Section 241(2)(E)

Local Hospital Network	Number of ABF public hospital services funded (NWAU)	
	2020-21 ¹ Estimate	2019-20 ² Actual
Albury Wodonga Health	20,429	18,913
Alfred Health	163,471	155,471
Austin Health	134,157	127,380
Bairnsdale Regional Health Service	14,128	13,378
Ballarat Health Services	58,621	55,467
Barwon Health	100,081	95,097
Bass Coast Health	10,349	9,875
Benalla Health	4,218	4,008
Bendigo Health	67,548	63,700
Calvary Health Care Bethlehem Limited	3,990	3,702
Castlemaine Health	5,358	5,028
Central Gippsland Health Service	11,710	10,932
Colac Area Health	6,128	5,745
Djerriwarrh Health Services	8,679	8,130
East Grampians Health Service	3,872	3,656
Eastern Health	178,225	168,950
Echuca Regional Health	12,451	11,732
Gippsland Southern Health Service	3,457	3,319
Goulburn Valley Health	35,277	33,460
Kyabram District Health Service	2,847	2,662
Latrobe Regional Hospital	41,879	39,324
Maryborough District Health Service	4,069	3,809
Melbourne Health	139,002	132,141
Mercy Hospitals Victoria Limited	74,213	69,244
Mildura Base Public Hospital	18,246	-
Monash Health	289,309	274,136
Northeast Health Wangaratta	23,631	22,520
Northern Health	122,827	115,973
Peninsula Health	108,241	102,397
Peter MacCallum Cancer Institute	30,333	29,139
Portland District Health	6,020	5,711
Ramsay Health Care Australia PTY LTD	3,726	20,678
South West Healthcare	26,426	24,903

Continued page 88

The number of public hospital services funded for each Local Hospital Network in accordance with the system of Activity Based Funding – Section 241(2)(E) (continued)

Local Hospital Network	Number of ABF public hospital services funded (NWAU)	
	2020-21 ¹ Estimate	2019-20 ² Actual
St Vincent's Hospital (Melbourne) Limited	93,110	88,536
Stawell Regional Health	3,187	3,058
Swan Hill District Hospital	8,098	7,695
The Royal Children's Hospital	93,765	88,782
The Royal Victorian Eye and Ear Hospital	20,067	18,734
The Royal Women's Hospital	46,806	44,027
West Gippsland Healthcare Group	16,609	15,800
Western District Health Service	8,136	7,626
Western Health	145,451	137,509
Wimmera Health Care Group	12,523	11,935
Contracted Services LHN Victoria	10,604	10,729
VICTORIA TOTAL	2,191,275	2,075,011

1 2020-21 NWAU as per the updated activity estimates as at the Administrator's June 2021 Payment Advice.

2 2019-20 NWAU as per the 2019-20 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2019-20.

The NWAU is the unit of measurement for the ABF system. It is a measure of health service activity expressed as a common unit, against which the NEP is paid. It provides a way of comparing and valuing each ABF public hospital service, by weighting it for its clinical complexity.

States and Territories provide NWAU estimates at the start of each financial year for Commonwealth payment purposes. These estimates may be revised during the course of the year and form the basis of Commonwealth funding until actual service volumes become available.

The number of other public hospital services and functions funded from each State Pool Account or State Managed Fund – Section 241(2)(F)

Unlike the unit of measurement for Activity Based services (i.e. NWAU), there is currently no nationally standardised measurement system for 'other public hospital services.

In the absence of such a national system, the NHR Agreement allows for information to be based on the unit measurement classification and funding arrangements used in individual States and Territories.

However, in 2019-20 and 2020-21 Victoria did not report any 'other public hospital services and functions funded' from their Pool account or State Managed Fund.

The amounts paid from each State Pool Account and State Managed Fund and the basis on which the payments were made in 2020-21 (\$'000)— Section 241(2)(C)(D)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
Albury Wodonga Health	136,728	29,016	165,744
Alexandra District Hospital	-	7,216	7,216
Alfred Health	723,663	128,602	852,265
Alpine Health	-	12,690	12,690
Austin Health	647,653	64,637	712,290
Bairnsdale Regional Health Service	65,850	3,183	69,033
Ballarat Health Services	268,589	44,783	313,372
Barwon Health	467,945	103,593	571,538
Bass Coast Health	52,903	1,712	54,615
Beaufort and Skipton Health Service	-	5,777	5,777
Beechworth Health Service	-	5,267	5,267
Benalla Health	19,976	367	20,343
Bendigo Health	297,784	56,165	353,949
Boort District Health	-	3,077	3,077
Calvary Health Care Bethlehem Limited	22,999	683	23,682
Casterton Memorial Hospital	-	4,467	4,467
Castlemaine Health	26,214	495	26,709
Central Gippsland Health Service	62,339	2,603	64,942
Central Highlands Rural Health	-	24,904	24,904
Cohuna District Hospital	-	7,349	7,349
Colac Area Health	28,297	451	28,748
Corryong Health	-	4,905	4,905
Djerriwarrh Health Services	45,689	624	46,313
East Grampians Health Service	21,359	1,738	23,097
East Wimmera Health Service	-	15,256	15,256
Eastern Health	780,254	118,431	898,685
Echuca Regional Health	61,374	2,982	64,356
Edenhope and District Memorial Hospital	-	4,999	4,999
Gippsland Southern Health Service	20,510	526	21,036
Goulburn Valley Health	194,041	32,920	226,961
Great Ocean Road Health	-	6,350	6,350
Heathcote Health	-	3,364	3,364
Hepburn Health Service	-	-	-
Hesse Rural Health Service	-	2,534	2,534

Continued page 91

The amounts paid from each State Pool Account and State Managed Fund and the basis on which the payments were made in 2019-20 (\$'000) – Section 241(2)(C)(D)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
Albury Wodonga Health	127,606	27,879	155,485
Alexandra District Hospital	-	6,786	6,786
Alfred Health	800,067	70,280	870,346
Alpine Health	-	12,091	12,091
Austin Health	661,532	63,653	725,185
Bairnsdale Regional Health Service	63,233	3,038	66,270
Ballarat Health Services	273,671	38,929	312,601
Barwon Health	462,858	90,663	553,521
Bass Coast Health	54,310	1,778	56,088
Beaufort and Skipton Health Service	-	6,612	6,612
Beechworth Health Service	-	5,057	5,057
Benalla Health	20,232	379	20,611
Bendigo Health	289,490	53,906	343,396
Boort District Health	-	2,921	2,921
Calvary Health Care Bethlehem Limited	22,284	771	23,055
Casterton Memorial Hospital	-	4,281	4,281
Castlemaine Health	26,616	600	27,216
Central Gippsland Health Service	59,795	2,499	62,294
Central Highlands Rural Health	-	10,244	10,244
Cohuna District Hospital	-	6,945	6,945
Colac Area Health	30,710	378	31,088
Corryong Health	-	5,444	5,444
Djerriwarrh Health Services	49,267	640	49,907
East Grampians Health Service	21,343	1,798	23,141
East Wimmera Health Service	-	13,713	13,713
Eastern Health	785,932	113,724	899,656
Echuca Regional Health	60,874	3,719	64,593
Edenhope and District Memorial Hospital	-	4,899	4,899
Gippsland Southern Health Service	20,370	449	20,819
Goulburn Valley Health	175,927	31,013	206,940
Great Ocean Road Health	-	6,118	6,118
Heathcote Health	-	3,196	3,196
Hepburn Health Service	-	5,760	5,760
Hesse Rural Health Service	-	2,546	2,546

Continued page 92

INTRODUCTION

NATIONAL

NSW

VIC

QLD

WA

SA

TAS

ACT

NT

ENDNOTES

The amounts paid from each State Pool Account and State Managed Fund and the basis on which the payments were made in 2020-21 (\$'000)— Section 241(2)(C)(D) (continued)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
Heywood Rural Health	-	3,170	3,170
Inglewood and Districts Health Service	-	3,034	3,034
Kerang and District Health	-	7,460	7,460
Kilmore and District Hospital	-	17,539	17,539
Kooweerup Regional Health Services	-	6,041	6,041
Kyabram District Health Service	15,895	180	16,075
Kyneton District Health Service	-	-	-
Latrobe Regional Hospital	195,599	45,670	241,269
Maldon Hospital	-	1,916	1,916
Mallee Track Health and Community Service	-	4,838	4,838
Mansfield District Hospital	-	8,838	8,838
Maryborough District Health Service	21,667	857	22,524
Melbourne Health	715,421	189,158	904,579
Mercy Hospitals Victoria Limited	388,610	47,408	436,018
Mildura Base Public Hospital	86,582	15,097	101,679
Monash Health	1,398,070	242,599	1,640,669
Moyne Health Services	-	4,870	4,870
NCN Health	-	23,269	23,269
Northeast Health Wangaratta	110,473	4,406	114,879
Northern Health	487,361	38,065	525,426
Omeo District Health	-	2,255	2,255
Orbost Regional Health	-	6,933	6,933
Peninsula Health	472,065	54,969	527,034
Peter MacCallum Cancer Institute	149,526	25,751	175,277
Portland District Health	26,310	464	26,774
Ramsay Health Care Australia PTY LTD	23,192	4,785	27,977
Robinvale District Health Services	-	6,548	6,548
Rochester and Elmore District Health Service	-	6,500	6,500
Rural Northwest Health	-	10,279	10,279
Seymour District Memorial Hospital	-	15,099	15,099
South Gippsland Hospital	-	7,099	7,099
South West Healthcare	140,012	24,174	164,186
St Vincent's Hospital (Melbourne) Limited	504,286	75,779	580,065

Continued page 93

The amounts paid from each State Pool Account and State Managed Fund and the basis on which the payments were made in 2019-20 (\$'000) – Section 241(2)(C)(D) (continued)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
Heywood Rural Health	-	3,045	3,045
Inglewood and Districts Health Service	-	2,573	2,573
Kerang and District Health	-	7,144	7,144
Kilmore and District Hospital	-	16,283	16,283
Kooweerup Regional Health Services	-	5,962	5,962
Kyabram District Health Service	13,751	196	13,947
Kyneton District Health Service	-	6,469	6,469
Latrobe Regional Hospital	185,298	43,193	228,491
Maldon Hospital	-	1,864	1,864
Mallee Track Health and Community Service	-	4,752	4,752
Mansfield District Hospital	-	8,259	8,259
Maryborough District Health Service	21,238	698	21,936
Melbourne Health	733,254	178,546	911,801
Mercy Hospitals Victoria Limited	389,995	44,484	434,479
Mildura Base Public Hospital	-	-	-
Monash Health	1,345,829	228,737	1,574,566
Moyne Health Services	-	5,107	5,107
NCN Health	-	21,216	21,216
Northeast Health Wangaratta	118,530	4,729	123,259
Northern Health	518,387	12,638	531,025
Omeo District Health	-	2,138	2,138
Orbost Regional Health	-	6,741	6,741
Peninsula Health	463,353	52,314	515,667
Peter MacCallum Cancer Institute	167,468	7,670	175,138
Portland District Health	30,205	472	30,676
Ramsay Health Care Australia PTY LTD	108,594	19,778	128,372
Robinvale District Health Services	-	6,093	6,093
Rochester and Elmore District Health Service	-	6,299	6,299
Rural Northwest Health	-	9,887	9,887
Seymour District Memorial Hospital	-	13,751	13,751
South Gippsland Hospital	-	6,513	6,513
South West Healthcare	136,125	23,191	159,316
St Vincent's Hospital (Melbourne) Limited	514,256	74,207	588,463

Continued page 94

INTRODUCTION

NATIONAL

NSW

VIC

QLD

WA

SA

TAS

ACT

NT

ENDNOTES

The amounts paid from each State Pool Account and State Managed Fund and the basis on which the payments were made in 2020-21 (\$'000)— Section 241(2)(C)(D) (continued)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
Stawell Regional Health	16,149	786	16,935
Swan Hill District Hospital	41,414	954	42,368
Tallangatta Health Service	-	4,772	4,772
Terang and Mortlake Health Service	-	6,198	6,198
The Royal Children's Hospital	458,172	37,778	495,950
The Royal Victorian Eye and Ear Hospital	99,634	3,621	103,255
The Royal Women's Hospital	223,182	4,811	227,993
Timboon and District Healthcare Service	-	4,222	4,222
Victorian Institute of Forensic Mental Health	-	70,849	70,849
West Gippsland Healthcare Group	82,256	3,471	85,727
West Wimmera Health Service	-	16,932	16,932
Western District Health Service	45,104	3,833	48,937
Western Health	661,490	95,161	756,651
Wimmera Health Care Group	62,049	2,312	64,361
Yarram and District Health Service	-	6,293	6,293
Yarrawonga District Health Service	-	11,167	11,167
Yea and District Memorial Hospital	-	3,209	3,209
Other Provider (VIC)	218	36,716	36,934
Contracted Services LHN Victoria	69,612	6,753	76,365
State Managed Fund	815,038	-	815,038
Other organisations or funds	615,823	-	615,823
VICTORIA TOTAL	11,869,375	1,926,556	13,795,931

The 2020-21 amounts paid by the Commonwealth into the State Pool Accounts excludes HSP made under the NPCR of \$171,701,014.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

For the Victoria basis of payments, refer to page 95.

The amounts paid from each State Pool Account and State Managed Fund and the basis on which the payments were made in 2019-20 (\$'000) – Section 241(2)(C)(D) (continued)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
Stawell Regional Health	14,958	827	15,785
Swan Hill District Hospital	43,071	1,090	44,161
Tallangatta Health Service	-	4,538	4,538
Terang and Mortlake Health Service	-	5,761	5,761
The Royal Children's Hospital	460,423	36,720	497,143
The Royal Victorian Eye and Ear Hospital	94,030	2,114	96,144
The Royal Women's Hospital	216,887	5,518	222,405
Timboon and District Healthcare Service	-	4,134	4,134
Victorian Institute of Forensic Mental Health	-	69,746	69,746
West Gippsland Healthcare Group	77,297	3,661	80,958
West Wimmera Health Service	-	15,756	15,756
Western District Health Service	44,450	3,999	48,449
Western Health	644,674	82,131	726,805
Wimmera Health Care Group	66,689	2,564	69,254
Yarram and District Health Service	-	6,217	6,217
Yarrawonga District Health Service	-	10,388	10,388
Yea and District Memorial Hospital	-	3,035	3,035
Other Provider (VIC)	-	45,104	45,104
Contracted Services LHN Victoria	65,588	2,886	68,473
State Managed Fund	758,363	-	758,363
Other organisations or funds	1,082,982	-	1,082,982
VICTORIA TOTAL	12,321,812	1,733,846	14,055,658

The 2019-20 amounts paid by the Commonwealth into the State Pool Accounts excludes HSP made under the NPCR of \$75,544,868.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

For the Victoria basis of payments, refer to page 95.

Victoria basis for National Health Reform payments 2020-21

To meet the reporting requirements of Section 240 of the *National Health Reform Act 2011*, the Administrator is to include the basis of each State and Territory's National Health Reform (NHR) funding and payments.

To provide consistency in methodology and with the *Addendum to the National Health Reform Agreement 2020-21 to 2024-25* in 2020-21 Victoria receives Commonwealth funding contributions as calculated by the National Funding Model using the National Efficient Price (NEP20) and National Weighted Activity Unit (NWAU20) as the currency for Activity Based Funding (ABF) facilities. The National Efficient Cost (NEC20) Block funded model is used for Commonwealth funding contributions to small regional and remote hospitals, stand alone hospitals providing specialist Mental Health services (admitted and non admitted), Child and adolescent mental health services, Non-admitted Home Ventilation and Clinical Teaching, Training, and Research provided in the major hospitals.

NHR payments in Victoria are based upon the activity outlined in the Service Plan (Statement of Priorities) between the Minister for Health.

The service plan outlines:

- The schedule of services to be delivered by or on behalf of the LHN and the funding to be provided in relation to the provision of those services.
- The block funding to be provided to:
 - » Small rural hospitals, standalone hospitals providing specialist mental health services and eligible community mental health services
 - » Major hospitals for:
 - Non-admitted Home Ventilation
 - Clinical Teaching, Training, and Research
- Operational and block grants to the LHN covering services provided and activities undertaken that are not within scope for ABF, for example, Alcohol and Drug Services, dental services, Child Health and Parenting Services, primary care, home and community care.
- Supplementation Grants at the ABF stream level in recognition that the LHN has reported average costs greater than the NEP.
- Standards of patient care and service delivery.
- Performance standards, performance targets and performance measures for the LHN.
- Requirements for the LHN to report on its performance, as required or otherwise.
- A performance management process that is to be in continuous operation in respect of the LHN.

The ABF funded facilities' service profiles are developed in negotiation with the LHN as follows:

- Acute admitted and Sub-acute and Non-acute service activity volumes are modelled based on historical activity data and agreed growth rates and adjusted for known service capacity and profile changes.
- Emergency Department and Outpatient service volumes are modelled based on agreed growth rates and other known factors.
- Clinical Teaching Training and Research, Home Ventilation services are modelled based on historical expenditure profiles and adjusted for known changes.
- Small regional and remote hospitals are modelled based on the small hospital NEC result.
- Stand-alone hospitals providing specialist Mental Health services (admitted and non-admitted) and modelled based on historical activity volumes and expenditure profiles and adjusted for known changes in service delivery and capacity.
- Non-NHRA and non-hospital services are block-funded and modelled based on historical expenditure profiles and other known growth factors.
- The Supplementation Grant at the ABF stream level are based on the prior year National Hospital Cost Data collections ABF stream Cost Ratio.

Further information regarding the Basis for National Health Reform payments in both 2020-21 and previous financial years is included at www.publichospitalfunding.gov.au



VICTORIA

Financial Statement

National Health Funding Pool Victoria State Pool Account Special Purpose Financial Statement for the year ended 30 June 2021

Issued by the Administrator of the National Health Funding Pool under section 242 of the Commonwealth *National Health Reform Act 2011* and section 18 of the Victorian *Health (Commonwealth State Funding Arrangements) Act 2012*.



Contents

Independent Auditor's Report	99
Statement by the Administrator of the National Health Funding Pool	101
Victoria State Pool Account	
Statement of Receipts and Payments for the year ended 30 June 2021	102

Victoria State Pool Account Notes to and forming part of the Special Purpose Financial Statement for the year ended 30 June 2021

Note 1: Summary of significant accounting policies	103
Note 2: Activity Based Funding receipts	106
Note 3: Cross-border receipts	106
Note 4: Activity Based Funding payments	107
Note 4: Activity Based Funding payments (continued)	108
Note 5: Cross-border payments	109
Note 6: Activity Based Funding receipts and payments	110
Note 7: COVID-19 funding	111

Independent Auditor's Report



Victorian Auditor-General's Office

Independent Auditor's Report

To the Administrator, National Health Funding Pool - Victoria State Pool Account

Opinion	<p>I have audited the special purpose financial statement (financial statement) of the Victoria State Pool Account (the account) which comprises the:</p> <ul style="list-style-type: none"> • statement of receipts and payments for the year ended 30 June 2021 • notes to the financial statement, including significant accounting policies • statement by the Administrator of the National Health Funding Pool. <p>In my opinion the financial statement presents fairly, in all material respects, the receipts and payments of the Victoria State Pool Account for the year ended 30 June 2021 in accordance with the financial reporting requirements of section 242 of the <i>National Health Reform Act 2011 (Cwlth)</i> and section 18 of the <i>Health (Commonwealth State Funding Arrangements) Act 2012 (Vic)</i>.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the account in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial statement in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Emphasis of Matter - Basis of Accounting	<p>I draw attention to Note 1(B) to the financial statement, which describes the purpose of the financial statement and its basis of accounting. The financial statement has been prepared using the cash basis of accounting and for the purpose of fulfilling the Administrator's financial reporting obligations under the <i>National Health Reform Act 2011 (Cwlth)</i> and the <i>Health (Commonwealth State Funding Arrangements) Act 2012 (Vic)</i>. As a result, the financial statement may not be suitable for another purpose. My opinion is not modified in respect of this matter.</p>
Administrator's responsibilities for the financial statement	<p>The Administrator of the National Health Funding Pool is responsible for the preparation and fair presentation of the financial statement in accordance with the financial reporting requirements of the <i>National Health Reform Act 2011 (Cwlth)</i> and the <i>Health (Commonwealth State Funding Arrangements) Act 2012 (Vic)</i>, and for such internal control as the Administrator determines is necessary to enable the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.</p> <p>The Administrator is responsible for overseeing the Victoria State Pool Account's financial reporting process.</p>

Auditor's responsibilities for the audit of the financial statement

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial statement based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the account's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Administrator
- evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Administrator regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
9 September 2021



Travis Derricott
as delegate for the Auditor-General of Victoria

Statement by the Administrator of the National Health Funding Pool



Administrator
National Health
Funding Pool

Statement by the Administrator of the National Health Funding Pool Victoria State Pool Account

I report that, as indicated in Note 1(b) to the financial statement, I have determined that the attached Special Purpose Financial Statement comprising of a statement of receipts and payments and accompanying notes provides a fair presentation in accordance with the Victorian *Health (Commonwealth State Funding Arrangements) Act 2012*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

In my opinion, the attached Special Purpose Financial Statement for the year ended 30 June 2021 is based on properly maintained financial records and gives a true and fair view of the matters required by the Victorian *Health (Commonwealth State Funding Arrangements) Act 2012*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

Michael Lambert
Administrator
National Health Funding Pool

8 September 2021

Victoria State Pool Account

Statement of Receipts and Payments for the year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth Government			
Activity Based Funding	2, 6	4,718,791	4,657,104
Block funding		815,038	758,363
Public Health funding		115,621	110,068
COVID-19 funding	7	985,755	1,097,118
From Victorian Government			
Activity Based Funding	2, 6	6,046,189	6,581,212
Withdrawal of Activity Based Funding in excess of funding obligations	2, 6	(326,467)	(757,850)
Cross-border contribution	5	54,784	78,751
COVID-19 funding	7	-	-
From other States or Territories			
Cross-border receipts	3, 6	118,881	135,739
From Reserve Bank of Australia			
Interest receipts		70	574
TOTAL RECEIPTS		12,528,662	12,661,079
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding	4, 6	10,438,514	10,480,466
COVID-19 funding	7	-	-
To Victoria State Managed Fund			
Block funding		815,038	758,363
Cross-border transfer		-	-
To Department of Health Victoria			
Public Health funding		115,621	110,068
COVID-19 funding	7	985,755	1,097,118
Interest payments		70	574
Cross-border transfer		118,881	135,739
To other States or Territories			
Cross-border payments	5, 6	54,784	78,751
TOTAL PAYMENTS		12,528,662	12,661,079
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		-	-
OPENING CASH BALANCE		-	-
CLOSING CASH BALANCE		-	-

The above statement of receipts and payments should be read in conjunction with the accompanying notes.

Victoria State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

Note 1: Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the Special Purpose Financial Statement are set out below.

(A) REPORTING ENTITY

The Administrator of the National Health Funding Pool (Administrator) is an independent statutory office holder, distinct from the Commonwealth, State and Territory governments, established under legislation of the Commonwealth and State and Territory governments. Mr Michael Lambert was appointed as the Administrator on 17 July 2018.

(B) BASIS OF PREPARATION

The Victoria State Pool Account was established at the Reserve Bank of Australia (RBA) in 2012-13 in accordance with section 11 of the *Victoria Health (Commonwealth State Funding Arrangements) Act 2012* and the Special Purpose Financial Statement has been prepared in accordance with section 18 of that Act and Section 242 of the *Commonwealth National Health Reform Act 2011*. The Special Purpose Financial Statement has been prepared on a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

The Special Purpose Financial Statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The Special Purpose Financial Statement was authorised for release by the Administrator on 8 September 2021.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2019-20 and 2020-21 are for the year ended 30 June.

(D) NATIONAL HEALTH FUNDING POOL

The National Health Funding Pool (Funding Pool) consists of eight State and Territory bank accounts (State Pool Accounts).

(E) ACTIVITY BASED FUNDING

Activity Based Funding (ABF) is a system for funding public hospital services provided to individual patients using national classifications, price weights and National Efficient Prices developed by the Independent Hospital Pricing Authority (IHPA). ABF is paid by the Commonwealth, States and Territories into the Funding Pool.

In 2019-20 and 2020-21 the Commonwealth, States and Territories ABF supported the following:

- i. emergency department services;
- ii. acute admitted services;
- iii. admitted mental health services;
- iv. sub-acute and non-acute services; and
- v. non-admitted services.

State or Territory ABF contributions into the Funding Pool are calculated by the State or Territory as the system manager of the public hospital system. The Service Agreement between the State or Territory and each Local Hospital Network (LHN) specifies the service delivery and funding parameters.

Commonwealth ABF contributions for each service category were calculated by summing the Victoria prior year amounts and efficient growth. Efficient growth is determined by measuring the change in efficient price and volume. The price adjustment is 45 per cent of

the change in the National Efficient Price relative to the prior year. The volume adjustment is 45 per cent of the net change in the volume of weighted services relative to the prior year.

In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements. Final funding entitlements for the year are calculated after actual data on hospital services becomes available. This calculation will generally result in reconciliation adjustments being made to the Commonwealth ABF contribution to each LHN to align with the actual services delivered.

(F) BLOCK FUNDING

Block funding is provided by the Commonwealth into the Funding Pool for States and Territories to support teaching and research undertaken in public hospitals and for some public hospital services where it is more appropriate to be Block funded, particularly for smaller rural and regional hospitals.

In 2019-20 and 2020-21 the Commonwealth Block funding supported the following:

- i. small rural hospitals;
- ii. teaching, training and research;
- iii. non-admitted mental health;
- iv. non-admitted home ventilation;
- v. other non-admitted services; and
- vi. highly specialised therapies.

In 2019-20 the Commonwealth Block funding also supported other public hospital programs, including non-admitted child and adolescent mental health services and CAR-T therapy (Kymriah).

In 2019-20 and 2020-21 the Commonwealth Block contributions for each service category were calculated by summing prior year amounts and 45 per cent of the change in the

National Efficient Cost between the current year and the prior year. Highly specialised therapies are contributed at 50 per cent of the growth in the efficient price or cost.

(G) PUBLIC HEALTH FUNDING

The Commonwealth contributes amounts into the Funding Pool for Public Health funding. This is calculated by the Commonwealth Treasury and includes amounts for national public health, youth health services and essential vaccines. This payment is indexed in accord with the previous existing health specific purpose payment.

(H) CROSS-BORDER

When a resident of one State or Territory receives hospital treatment in another State or Territory, the provider State or Territory is compensated for the cost of that treatment. The resident State or Territory pays its share through the Funding Pool to the provider State or Territory (refer Note 3 and Note 5).

The Commonwealth share of the cost of treating the patient is paid through the Funding Pool as part of the normal Activity Based Funding. The Commonwealth contribution to each State or Territory covers all eligible patients treated, regardless of where they reside.

(I) INTEREST

Interest earned and deposited by the RBA into the State Pool Account is recognised as interest received at the time the deposit is made. Interest paid from the State Pool Account to the State or Territory is recognised as an interest payment at the time the payment is made from the State Pool Account.

Victoria State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

(J) TAXATION

State Pool Accounts are not subject to income tax. The majority of government funding, from the Commonwealth, State or Territory, to LHNs is not subject to the Goods and Services Tax (GST). However, in some cases hospital funding to non-government entities does attract GST, for example, denominational hospitals, privately and commercially owned health facilities, or other non-government third party providers of health services or related supplies.

(K) COVID-19 FUNDING

The National Partnership on COVID-19 Response (NPCR) was agreed to and signed by the Council of Australian Governments on Friday, 13 March 2020. The objective of this agreement is to provide Commonwealth financial assistance for the additional costs incurred by State and Territory health services in responding to the COVID-19 outbreak. The NPCR was subsequently amended and agreed to in April 2020 to include the Private Hospital Financial Viability Payment. In February 2021, the NPCR was amended with respect to the coordination and delivery of the COVID-19 vaccine under Schedule C.

Financial assistance has been provided by the Commonwealth in the form of the Hospital Services Payments calculated on an activity basis, State Public Health Payments (including coordination and delivery of the COVID-19 vaccine) as well as the Private Hospital Financial Viability Payment.

(L) COMMONWEALTH FUNDING GUARANTEE

For the 2019-20 and 2020-21 financial year, the Commonwealth provided the States and Territories with a minimum funding guarantee for funding related to the National Health Reform Agreement and the Hospital Services Payment component of the NPCR. Where a State or Territory is eligible for the Commonwealth funding guarantee, an additional payment is made in the following financial year after the annual reconciliation to meet the minimum amount guaranteed by the Commonwealth.

Note 2: Activity Based Funding receipts

Total receipts paid into the Victoria State Pool Account in respect of Activity Based Funding:

	2021 \$'000	2020 \$'000
Commonwealth Activity Based Funding	4,718,791	4,657,104
Victoria Activity Based Funding	6,046,189	6,581,212
Withdrawal of Activity Based Funding in excess of funding obligations	(326,467)	(757,850)
TOTAL	10,438,513	10,480,466

The amounts paid by the Commonwealth into the Victoria State Pool Account excludes Hospital Services Payments made under the NPCR of \$171,701,014 in 2020-21 (\$75,544,868 in 2019-20). Please refer Note 7.

Note 3: Cross-border receipts

Total cross-border receipts paid into the Victoria State Pool Account from other States and Territories:

States and Territories	2021 \$'000	2020 \$'000
CROSS-BORDER RECEIPTS		
New South Wales	56,400	51,150
Queensland	15,754	15,596
Western Australia	7,174	8,591
South Australia	-	30,937
Tasmania	39,552	19,646
Australian Capital Territory	-	2,229
Northern Territory	-	7,590
TOTAL	118,881	135,739

Where no cross-border receipts were reported through the Victoria State Pool Account, other bilateral arrangements between the States and Territories may exist.

Victoria State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

Note 4: Activity Based Funding payments

Total payments made out of the Victoria State Pool Account in respect of each Local Hospital Network:

Local Hospital Network	2021 \$'000	2020 \$'000
Albury Wodonga Health	136,728	127,606
Alfred Health	723,663	800,067
Austin Health	647,653	661,532
Bairnsdale Regional Health Service	65,850	63,233
Ballarat Health Services	268,589	273,671
Barwon Health	467,945	462,858
Bass Coast Health	52,903	54,310
Benalla Health	19,976	20,232
Bendigo Health	297,784	289,490
Calvary Health Care Bethlehem Limited	22,999	22,284
Castlemaine Health	26,214	26,616
Central Gippsland Health Service	62,339	59,795
Colac Area Health	28,297	30,710
Contracted Services LHN Victoria	69,612	65,588
Djerriwarrh Health Services	45,689	49,267
East Grampians Health Service	21,359	21,343
Eastern Health	780,254	785,932
Echuca Regional Health	61,374	60,874
Gippsland Southern Health Service	20,510	20,370
Goulburn Valley Health	194,041	175,927
Kyabram District Health Service	15,895	13,751
Latrobe Regional Hospital	195,599	185,298
Maryborough District Health Service	21,667	21,238
Melbourne Health	715,421	733,254
Mercy Hospitals Victoria Limited	388,610	389,995
Mildura Base Public Hospital	86,582	-
Monash Health	1,398,070	1,345,829
Northeast Health Wangaratta	110,473	118,530
Northern Health	487,361	518,387
Other Provider (VIC)	218	-
Peninsula Health	472,065	463,353
Peter MacCallum Cancer Institute	149,526	167,468

Continued page 111

Note 4: Activity Based Funding payments (continued)

Total payments made out of the Victoria State Pool Account in respect of each Local Hospital Network:

Local Hospital Network	2021 \$'000	2020 \$'000
Portland District Health	26,310	30,205
Ramsay Health Care Australia PTY LTD	23,192	108,594
South West Healthcare	140,012	136,125
St Vincent's Hospital (Melbourne) Limited	504,286	514,256
Stawell Regional Health	16,149	14,958
Swan Hill District Hospital	41,414	43,071
The Royal Children's Hospital	458,172	460,423
The Royal Victorian Eye and Ear Hospital	99,634	94,030
The Royal Women's Hospital	223,182	216,887
West Gippsland Healthcare Group	82,256	77,297
Western District Health Service	45,104	44,450
Western Health	661,490	644,674
Wimmera Health Care Group	62,049	66,688
TOTAL	10,438,514	10,480,466

The Administrator makes payments from the Victoria State Pool Account in accordance with the directions of the Victoria Minister for Health. The Victoria Minister for Health directed all Activity Based Funding contributions paid to Local Hospital Networks.

Victoria State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

Note 5: Cross-border payments

Total cross-border payments made out of the Victoria State Pool Account to other States and Territories:

States and Territories	2021 \$'000	2020 \$'000
CROSS-BORDER PAYMENTS		
New South Wales	16,200	15,600
Queensland	28,423	25,214
Western Australia	6,937	5,925
South Australia	-	20,299
Tasmania	3,223	2,600
Australian Capital Territory	-	3,885
Northern Territory	-	5,228
TOTAL	54,784	78,751

Where no cross-border payments were reported through the Victoria State Pool Account, there may be other bilateral arrangements between the States and Territories.

Note 6: Activity Based Funding receipts and payments

Total Victoria and Commonwealth Activity Based Funding contributions and total Local Hospital Network Activity Based Funding payments:

	2021 \$'000	2020 \$'000
Total Activity Based Funding receipts from the Commonwealth Government	4,718,791	4,657,104
Total Activity Based Funding receipts from Victoria Government	6,046,189	6,581,212
Withdrawal of Activity Based Funding in excess of funding obligations	(326,467)	(757,850)
Cross-border receipts	118,881	135,739
Cross-border payments	(54,784)	(78,751)
Activity Based Funding payments to Local Hospital Networks	(10,438,514)	(10,480,466)
NET RECEIPTS/(PAYMENTS)	64,096	56,988

For 2021, the receipts in excess of payments balance is represented by over deposited State Activity Based Funding contributions of \$326,466,510. This balance was subsequently paid back to the Victorian Department of Health. In addition to over deposited State Activity Based Funding contributions, there were excess transfers of \$118,880,515 in Cross-border receipts to the Victoria State Health Account and Cross-border payments of \$54,783,855.

For 2020, the receipts in excess of payments balance is primarily represented by over deposited State Activity Based Funding contributions of \$757,850,005. This balance was subsequently paid back to the Victorian Department of Health and Human Services Account. In addition to over deposited State Activity Based Funding contributions, there were excess transfers of \$135,739,165 in cross-border receipts to the Victoria State Health and Human Services Account and cross-border payments of \$78,750,558.

Victoria State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

Note 7: COVID-19 funding

COVID-19 funding is provided monthly in advance based on estimates submitted by States and Territories and is subject to reconciliation. Final funding entitlements are determined after actual activity data on hospital services and actual in-scope expenditure are submitted.

The types of funding and payments under the NPCR include:

THE UPFRONT ADVANCE PAYMENT

In March 2020, the Commonwealth provided an upfront advanced payment of \$100 million to States and Territories on a population share basis. This is an advance payment to ensure the timely availability of funds under the NPCR. The Upfront Advance Payment has been subsequently offset against State Public Health requirements.

THE HOSPITAL SERVICES PAYMENT

The Commonwealth provides a 50 per cent contribution of the National Efficient Price, for costs incurred by States and Territories, through monthly payments, for the diagnosis and treatment of COVID-19 including suspected cases.

THE STATE PUBLIC HEALTH PAYMENT

The Commonwealth provides a 50 per cent contribution for additional costs incurred by States and Territories, through monthly payments, for COVID-19 activities undertaken by State and Territory public health systems for the management of the outbreak.

In 2021, Commonwealth, State and Territory governments entered into an agreement in relation to the coordination and delivery of the COVID-19 vaccine under Schedule C of the NPCR. Where eligible, funding contributions in relation to this activity are included within the State Public Health Payment.

THE PRIVATE HOSPITAL FINANCIAL VIABILITY PAYMENT

The Commonwealth contributes 100 per cent of the Private Hospital Financial Viability Payment for private hospitals to retain capacity for responding to State and Territory or Commonwealth public health requirements.

COVID-19 funding receipts and payments:

	2021 \$'000	2020 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT		
From Commonwealth Government		
Upfront Advance Payment	-	26,005
Hospital Services Payments	171,701	75,545
State Public Health Payments	739,831	598,799
Private Hospital Financial Viability Payment	74,223	396,769
TOTAL COMMONWEALTH RECEIPTS	985,755	1,097,118
From Victoria Government		
Hospital Services Payments	-	-
State Public Health Payments	-	-
TOTAL VICTORIA GOVERNMENT RECEIPTS	-	-
TOTAL RECEIPTS	985,755	1,097,118
PAYMENTS OUT OF THE STATE POOL ACCOUNT		
To Victoria Government (Including Local Hospital Networks)		
Hospital Services Payments	171,701	75,545
State Public Health Payments	739,831	624,804
Private Hospital Financial Viability Payment	74,223	396,769
TOTAL PAYMENTS	985,755	1,097,118
NET RECEIPTS / (PAYMENTS) FOR THE YEAR	-	-
OPENING CASH BALANCE	-	-
CLOSING CASH BALANCE	-	-

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

End of Audited Special Purpose Financial Statement.

QUEENSLAND

Funding and Payments

\$13.1B

total funding
that was paid to

19

Local Hospital
Networks (LHNs)

\$11.0B

in Activity Based Funding
that delivered

2,031,780

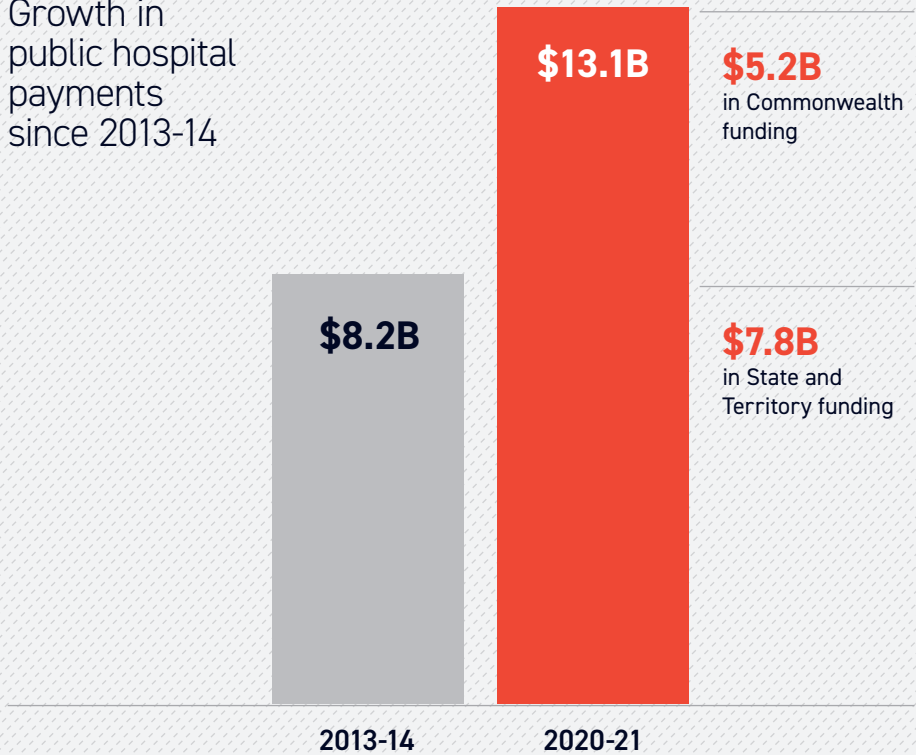
National Weighted
Activity Units (NWAU)

These amounts do not include transactions related to the NPCR. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

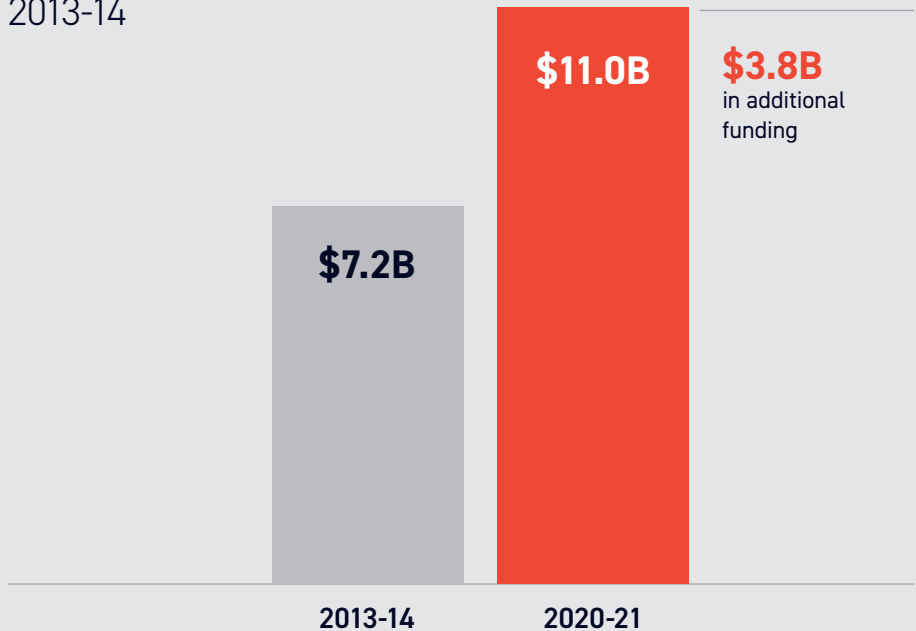
National Health Reform disclosures for the year ended 30 June 2021

Issued by the Administrator of the National Health Funding Pool under section 241(2) of the Commonwealth *National Health Reform Act 2011* and section 53S(2) of the Queensland *Hospital and Health Boards Act 2011*.

Growth in
public hospital
payments
since 2013-14



Growth in
Activity Based
Funding since
2013-14



Section 241(2) of the NHR Act outlines certain disclosures to be included in this Annual Report.

The information reported is specific to the transactions of the 'relevant State'.

For the purposes of this legislative reporting, the 'relevant State' is the State or Territory that holds the bank accounts opened under the laws of that State or Territory for NHR Agreement purposes.

The values are rounded to the nearest thousand dollars unless otherwise specified.

NHR funding and payments shown in the following tables include Goods and Services Tax (GST) where applicable.

The information disclosed in the following tables is provided by Queensland (QLD) and forms part of the Administrator's monthly reporting requirements, located at www.publichospitalfunding.gov.au

For further information on the types of National Health Reform funding, refer to the 'Introduction' chapter of this Annual Report.

Commonwealth National Health Reform funding entitlement based on actual services provided and cash paid in each financial year

\$'000	2016-17 Entitlement	2017-18 Entitlement	2018-19 Entitlement	2019-20 Entitlement	2020-21 Estimate	TOTAL
Cash Paid 2016-17 Total	3,712,330	-	-	-	-	3,712,330
Cash Paid 2017-18 Total	166,952	3,953,632	-	-	-	4,120,584
Cash Paid 2018-19 Total	214,916	393,928	4,630,150	-	-	5,238,994
Cash Paid 2019-20 Total	-	-	37,228	4,970,758	-	5,007,985
Cash Paid 2020-21 Total	-	-	-	(70,397)	5,313,701	5,243,304
CURRENT ENTITLEMENT TOTAL	4,094,199	4,347,559	4,667,378	4,900,361¹	5,313,701²	23,323,198

1 The 2019-20 Commonwealth NHR funding entitlement excludes \$89,029,362 in HSP under the NPCR.

2 The 2020-21 Commonwealth NHR funding estimate excludes \$58,053,371 in HSP under the NPCR.

The amounts paid into each State Pool Account by the Commonwealth and the basis on which the payments were made – Section 241(2)(B)

Component	Amount paid by Commonwealth into Queensland State Pool Account (\$'000)	
	2020-21	2019-20
Activity Based Funding	4,574,072	4,384,530
Block funding	579,634	538,877
Public Health funding	89,598	84,579
QUEENSLAND TOTAL	5,243,304	5,007,985

The amounts paid by the Commonwealth into the State Pool Accounts excludes HSP payments made under the NPCR of \$89,602,870 in 2020-21 (\$57,479,862 in 2019-20).

Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

The amounts paid into each State Pool Account and State Managed Fund by the relevant State and the basis on which the payments were made – Section 241(2)(A)

Component	Amount paid by Queensland (\$'000)	
	2020-21	2019-20
State Pool Account - Activity Based Funding	6,462,020	6,324,967
State Managed Fund - Block funding	1,356,708	1,358,531
QUEENSLAND TOTAL	7,818,728	7,683,498

In accordance with the provisions of the NHR Act, this table does not include interest deposited in the Pool account and cross-border transactions.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

The number of public hospital services funded for each Local Hospital Network in accordance with the system of Activity Based Funding – Section 241(2)(E)

Local Hospital Network	Number of ABF public hospital services funded (NWAU)	
	2020-21 ¹ Estimate	2019-20 ² Actual
Cairns and Hinterland Hospital and Health Service	129,363	124,093
Central Queensland Hospital and Health Service	75,563	72,096
Children's Health Queensland Hospital and Health Service	86,321	80,706
Darling Downs Hospital and Health Service	87,529	85,814
Gold Coast Hospital and Health Service	233,758	215,088
Mackay Hospital and Health Service	59,175	56,527
Mater Misericordiae Health Service Brisbane	88,532	86,798
Metro North Hospital and Health Service	429,566	415,405
Metro South Hospital and Health Service	361,779	343,396
North West Hospital and Health Service	16,495	16,246
Queensland Health Virtual LHN	10,000	7,500
Sunshine Coast Hospital and Health Service	158,352	147,592
Townsville Hospital and Health Service	126,719	124,136
West Moreton Hospital and Health Service	77,922	75,755
Wide Bay Hospital and Health Service	90,705	87,555
QUEENSLAND TOTAL	2,031,780	1,938,707

1 2020-21 NWAU as per the updated activity estimates as at the Administrator's June 2021 Payment Advice.

2 2019-20 NWAU as per the 2019-20 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2019-20.

The NWAU is the unit of measurement for the ABF system. It is a measure of health service activity expressed as a common unit, against which the NEP is paid. It provides a way of comparing and valuing each ABF public hospital service, by weighting it for its clinical complexity.

States and Territories provide NWAU estimates at the start of each financial year for Commonwealth payment purposes. These estimates may be revised during the course of the year and form the basis of Commonwealth funding until actual service volumes become available.

The number of other public hospital services and functions funded from each State Pool Account or State Managed Fund – Section 241(2)(F)

Unlike the unit of measurement for Activity Based services (i.e. NWAU), there is currently no nationally standardised measurement system for 'other public hospital services.

In the absence of such a national system, the NHR Agreement allows for information to be based on the unit measurement classification and funding arrangements used in individual States and Territories.

However, in 2019–20 and 2020–21 Queensland did not report any 'other public hospital services and functions funded' from their Pool account or State Managed Fund.

The amounts paid from each State Pool Account and State Managed Fund and the basis on which the payments were made in 2020-21 (\$'000)— Section 241(2)(C)(D)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
Cairns and Hinterland Hospital and Health Service	705,061	148,332	853,393
Central Queensland Hospital and Health Service	398,676	99,177	497,853
Central West Hospital and Health Service	-	53,654	53,654
Children's Health Queensland Hospital and Health Service	456,834	103,776	560,610
Darling Downs Hospital and Health Service	505,967	189,435	695,402
Gold Coast Hospital and Health Service	1,236,042	108,597	1,344,639
Mackay Hospital and Health Service	304,028	74,865	378,893
Mater Misericordiae Health Service Brisbane	496,116	19,610	515,726
Metro North Hospital and Health Service	2,267,293	225,172	2,492,465
Metro South Hospital and Health Service	1,958,549	191,153	2,149,702
North West Hospital and Health Service	89,745	40,059	129,804
Queensland Health Virtual LHN	102,816	-	102,816
South West Hospital and Health Service	-	94,432	94,432
Sunshine Coast Hospital and Health Service	962,192	82,889	1,045,081
Torres and Cape Hospital and Health Service	-	87,041	87,041
Townsville Hospital and Health Service	684,595	161,217	845,812
West Moreton Hospital and Health Service	404,936	181,355	586,291
Wide Bay Hospital and Health Service	463,241	75,578	538,819
State Managed Fund	579,634	-	579,634
Other organisations or funds	283,013	-	283,013
QUEENSLAND TOTAL	11,898,738	1,936,342	13,835,080

The 2020-21 amounts paid by the Commonwealth into the State Pool Accounts excludes HSP made under the NPCR of \$89,602,870.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

For the Queensland basis of payments, refer to page 121.

The amounts paid from each State Pool Account and State Managed Fund and the basis on which the payments were made in 2019-20 (\$'000) – Section 241(2)(C)(D)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
Cairns and Hinterland Hospital and Health Service	692,151	142,415	834,566
Central Queensland Hospital and Health Service	386,606	95,151	481,757
Central West Hospital and Health Service	-	57,482	57,482
Children's Health Queensland Hospital and Health Service	465,744	97,520	563,263
Darling Downs Hospital and Health Service	481,797	190,792	672,589
Gold Coast Hospital and Health Service	1,214,888	107,855	1,322,743
Mackay Hospital and Health Service	293,307	80,207	373,513
Mater Misericordiae Health Service Brisbane	484,809	15,298	500,107
Metro North Hospital and Health Service	2,245,692	197,240	2,442,932
Metro South Hospital and Health Service	1,931,362	184,907	2,116,269
North West Hospital and Health Service	91,569	49,771	141,340
Queensland Health Virtual LHN	(37,395)	-	(37,395)
South West Hospital and Health Service	-	92,019	92,019
Sunshine Coast Hospital and Health Service	919,367	80,328	999,695
Torres and Cape Hospital and Health Service	-	106,741	106,741
Townsville Hospital and Health Service	675,309	161,445	836,753
West Moreton Hospital and Health Service	397,015	168,187	565,202
Wide Bay Hospital and Health Service	467,276	70,053	537,329
State Managed Fund	538,877	-	538,877
Other organisations or funds	281,009	-	281,009
QUEENSLAND TOTAL	11,529,383	1,897,409	13,426,792

The 2019-20 amounts paid by the Commonwealth into the State Pool Accounts excludes HSP made under the NPCR of \$57,479,862.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

For the Queensland basis of payments, refer to page 121.

Queensland basis for National Health Reform payments 2020-21

To meet the reporting requirements of Section 240 of the National Health Reform Act 2011, the Administrator is to include the basis of each State and Territory's National Health Reform (NHR) funding and payments.

The Queensland efficient price is based on the funding pool within the Activity Based Funding (ABF) scope of services within hospital and health services, which reflects the indexation funded and productivity required by the State. Further State specific adjustments for quality and safety, education and training and models of care variation are calculated as required. Queensland utilises the National Weighted Activity Unit (NWAU20) as the underlying weights in the Queensland model for the calculation of service outputs.

The stand-alone hospitals providing specialist Mental Health Services (admitted and non-admitted), Child and Adolescent Mental Health Services, Non-admitted Home Ventilation utilises the National Efficient Cost (NEC20) Block funded model. The small regional and remote hospitals are benchmarked against the NEC20 Block funded model, and receive funding based on system priorities.

Queensland Clinical Teaching, Training, and Research model is based on a state localised model and provided to the ABF LHNs.

NHR payments in Queensland are based upon the activity outlined in the Budget Statements as agreed between the Minister for Health, Queensland Treasury and the Director-General, Queensland Health.

The funding and purchased activity are outlined in each of the Hospital and Health Service (HHS) Service Agreements and outlines:

- The schedule of services to be delivered by or on behalf of the HHS and the funding to be provided in relation to the provision of those services.
- The block funding to be provided to:
 - » Small rural hospitals, standalone hospitals providing specialist mental health services and eligible community mental health services
 - » Major hospitals for:
 - Non-admitted Home Ventilation
 - Highly Specialised Therapies
 - Clinical Teaching, Training and Research
- Operational and block grants to the HHS covering services provided and activities undertaken that are not within scope for ABF, for example, community dental services, primary care, home and community care.
- Supplementation Grants at the ABF stream level in recognition that the HHS is to deliver services or models of care that are new to the case mix classification and these costs are greater than average costs in the NEP.
- Standards of patient care and service delivery.
- Performance standards, performance targets and performance measures for the HHS.
- Requirements for the HHS to report on its performance, as required or otherwise.
- A performance management process that is to be in continuous operation in respect of the HHS.

The ABF funded facilities' service profiles are developed in negotiation with the HHS as follows:

- Acute admitted and Sub-acute and Non-acute service activity volumes are modelled based on historical activity data, agreed growth rates and adjusted for known service capacity and profile changes.
- Emergency Department and Outpatient service volumes are modelled based on agreed growth rates and other known factors.
- Clinical Teaching and Training is based on methodologies applied to salaried employees in clinical training positions, under-graduate and post-graduate student scholarship and clinical placements.
- Home Ventilation services are based on historical expenditure profiles and adjusted for known patient volume changes.
- Small regional and remote hospitals are modelled based on the expenditure reported and the small hospital NEC results.
- Stand-alone hospitals providing specialist Mental Health services (admitted and non-admitted) are modelled based on historical expenditure profiles and adjusted for known changes in service delivery and new system investment through the Mental Health Connecting Care to Recovery.
- Non-NHRA services that are activity driven, e.g. in the case of a Department of Veteran Affairs (DVA) hospital admissions, are included in the activity target calculations, noting that these are funded by that program.
- Other non-NHRA and non-hospital services are block-funded and based on historical funding and other known growth factors.

Further information regarding the Basis for National Health Reform payments in both 2020-21 and previous financial years is included at www.publichospitalfunding.gov.au



QUEENSLAND

Financial Statement

**National Health Funding Pool
Queensland State Pool Account
Special Purpose Financial Statement
for the year ended 30 June 2021**

Issued by the Administrator of the National Health Funding Pool under section 242 of the Commonwealth *National Health Reform Act 2011* and section 53 of the Queensland *Hospital and Health Boards Act 2011*.



Contents

Independent Auditor's Report	125
Statement by the Administrator of the National Health Funding Pool	127
Queensland State Pool Account Statement of Receipts and Payments for the year ended 30 June 2021	128

Queensland State Pool Account Notes to and forming part of the Special Purpose Financial Statement for the year ended 30 June 2021

Note 1: Summary of significant accounting policies	129
Note 2: Activity Based Funding receipts	132
Note 3: Cross-border receipts	132
Note 4: Activity Based Funding payments	133
Note 5: Cross-border payments	134
Note 6: Activity Based Funding receipts and payments	134
Note 7: COVID-19 funding	135

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

To the Administrator of the National Health Funding Pool

Report on the audit of the financial statement

Opinion

I have audited the accompanying financial statement of the Queensland State Pool Account.

In my opinion, the financial statement:

- a) gives a true and fair view of the entity's cash receipts and payments for the year ended 30 June 2021
- b) complies with *Hospital and Health Boards Act 2011* and the financial reporting framework described in Note 1(B).

The financial statement comprises the statement of receipts and payments for the year ended 30 June 2021, notes to the financial statement including summaries of significant accounting policies and other explanatory information, and the certificate provided by the Administrator of the National Health Funding Pool (the Administrator).

Basis for opinion

I conducted my audit in accordance with the *Auditor-General Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statement* section of my report.

I am independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial statement in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General Auditing Standards*.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter – basis of accounting

I draw attention to Note 1(B) to the financial statement, which describes the basis of accounting. The financial statement has been prepared for the purpose of fulfilling the financial reporting responsibilities of the Administrator. As a result, the financial statement may not be suitable for another purpose. My opinion is not modified in respect of this matter.

Responsibilities of the entity for the financial statement

The Administrator is responsible for the preparation of the financial statement that gives a true and fair view in accordance with *Hospital and Health Boards Act 2011* and the financial reporting framework described in Note 1(B), and for such internal control as the Administrator determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error. In fulfilling this responsibility, the Administrator determined that the basis of preparation described in Note 1(B) is appropriate to meet the requirements of *Hospital and Health Boards Act 2011*.



Auditor's responsibilities for the audit of the financial statement

My objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statement whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the entity.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Administrator regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Karen Johnson
Acting Auditor-General

8 September 2021

Queensland Audit Office
Brisbane

Statement by the Administrator of the National Health Funding Pool



Administrator
National Health
Funding Pool

Statement by the Administrator of the National Health Funding Pool Queensland State Pool Account

I report that, as indicated in Note 1(b) to the financial statement, I have determined that the attached Special Purpose Financial Statement comprising of a statement of receipts and payments and accompanying notes provides a fair presentation in accordance with the Queensland *Hospital and Health Boards Act 2011*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

In my opinion, the attached Special Purpose Financial Statement for the year ended 30 June 2021 is based on properly maintained financial records and gives a true and fair view of the matters required by the Queensland *Hospital and Health Boards Act 2011*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

Michael Lambert
Administrator
National Health Funding Pool

8 September 2021

Queensland State Pool Account

Statement of Receipts and Payments for the year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth Government			
Activity Based Funding	2, 6	4,574,072	4,384,530
Block funding		579,634	538,877
Public Health funding		89,598	84,579
COVID-19 funding	7	267,013	345,298
From Queensland Government			
Activity Based Funding	2, 6	6,462,020	6,324,967
Cross-border contribution	5	74,296	78,583
COVID-19 funding	7	80,187	9,930
From other States or Territories			
Cross-border receipts	3, 6	119,059	117,618
From Reserve Bank of Australia			
Interest receipts		60	230
TOTAL RECEIPTS		12,245,938	11,884,612
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding	4, 6	11,036,091	10,709,496
COVID-19 funding	7	159,695	72,566
To Queensland State Managed Fund			
Block funding		579,634	538,877
Cross-border transfer		-	-
To Queensland Health			
Public Health funding		89,598	84,579
COVID-19 funding	7	203,880	227,953
Interest payments		60	230
Cross-border transfer		119,059	117,618
To other States or Territories			
Cross-border payments	5, 6	74,296	78,583
TOTAL PAYMENTS		12,262,313	11,829,902
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		(16,375)	54,710
OPENING CASH BALANCE		54,710	-
CLOSING CASH BALANCE		38,335	54,710

The above statement of receipts and payments should be read in conjunction with the accompanying notes.

Queensland State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

Note 1: Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the Special Purpose Financial Statement are set out below.

(A) REPORTING ENTITY

The Administrator of the National Health Funding Pool (Administrator) is an independent statutory office holder, distinct from the Commonwealth, State and Territory governments, established under legislation of the Commonwealth and State and Territory governments. Mr Michael Lambert was appointed as the Administrator on 17 July 2018.

(B) BASIS OF PREPARATION

The Queensland State Pool Account was established at the Reserve Bank of Australia (RBA) in 2012-13 in accordance with Division 2, section 53B of the *Hospital and Health Boards Act 2011* and the Special Purpose Financial Statement has been prepared in accordance with section 53T of that Act and section 242 of the Commonwealth *National Health Reform Act 2011*.

The Special Purpose Financial Statement has been prepared on a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

The Special Purpose Financial Statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The Special Purpose Financial Statement was authorised for release by the Administrator on 8 September 2021.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2019-20 and 2020-21 are for the year ended 30 June.

(D) NATIONAL HEALTH FUNDING POOL

The National Health Funding Pool (Funding Pool) consists of eight State and Territory bank accounts (State Pool Accounts).

(E) ACTIVITY BASED FUNDING

Activity Based Funding (ABF) is a system for funding public hospital services provided to individual patients using national classifications, price weights and National Efficient Prices developed by the Independent Hospital Pricing Authority (IHPA). ABF is paid by the Commonwealth, States and Territories into the Funding Pool.

In 2019-20 and 2020-21 the Commonwealth, States and Territories ABF supported the following:

- i. emergency department services;
- ii. acute admitted services;
- iii. admitted mental health services;
- iv. sub-acute and non-acute services; and
- v. non-admitted services.

State or Territory ABF contributions into the Funding Pool are calculated by the State or Territory as the system manager of the public hospital system. The Service Agreement between the State or Territory and each Local Hospital Network (LHN) specifies the service delivery and funding parameters.

Commonwealth ABF contributions for each service category were calculated by summing the Queensland prior year amounts and efficient growth. Efficient growth is determined by measuring the change in efficient price and volume. The price adjustment is 45 per cent of the change in the National Efficient Price relative to the prior year. The volume adjustment is 45 per cent of the net change in the volume of weighted services relative to the prior year.

In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements. Final funding entitlements for the year are calculated after actual data on hospital services becomes available. This calculation will generally result in reconciliation adjustments being made to the Commonwealth ABF contribution to each LHN to align with the actual services delivered.

(F) BLOCK FUNDING

Block funding is provided by the Commonwealth into the Funding Pool for States and Territories to support teaching and research undertaken in public hospitals and for some public hospital services where it is more appropriate to be Block funded, particularly for smaller rural and regional hospitals.

In 2019-20 and 2020-21 the Commonwealth Block funding supported the following:

- i. small rural hospitals;
- ii. teaching, training and research;
- iii. non-admitted mental health;
- iv. non-admitted home ventilation;
- v. other non-admitted services; and
- vi. highly specialised therapies (2020-21).

In 2019-20 the Commonwealth Block funding also supported other public hospital programs, including non-admitted child and adolescent mental health services and CAR-T therapy (Kymriah).

In 2019-20 and 2020-21 the Commonwealth Block contributions for each service category were calculated by summing prior year amounts and 45 per cent of the change in the National Efficient Cost between the current year and the prior year.

In 2020-21 Highly specialised therapies are contributed at 50 per cent of the growth in the efficient price or cost.

(G) PUBLIC HEALTH FUNDING

The Commonwealth contributes amounts into the Funding Pool for Public Health funding. This is calculated by the Commonwealth Treasury and includes amounts for national public health, youth health services and essential vaccines. This payment is indexed in accord with the previous existing health specific purpose payment.

(H) CROSS-BORDER

When a resident of one State or Territory receives hospital treatment in another State or Territory, the provider State or Territory is compensated for the cost of that treatment. The resident State or Territory pays its share through the Funding Pool to the provider State or Territory (refer Note 3 and Note 5).

The Commonwealth share of the cost of treating the patient is paid through the Funding Pool as part of the normal Activity Based Funding. The Commonwealth contribution to each State or Territory covers all eligible patients treated, regardless of where they reside.

(I) INTEREST

Interest earned and deposited by the RBA into the State Pool Account is recognised as interest received at the time the deposit is made. Interest paid from the State Pool Account to the State or Territory is recognised as an interest payment at the time the payment is made from the State Pool Account.

Queensland State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

(J) TAXATION

State Pool Accounts are not subject to income tax. The majority of government funding, from the Commonwealth, State or Territory, to LHNs is not subject to the Goods and Services Tax (GST). However, in some cases hospital funding to non-government entities does attract GST, for example, denominational hospitals, privately and commercially owned health facilities, or other non-government third party providers of health services or related supplies.

(K) COVID-19 FUNDING

The National Partnership on COVID-19 Response (NPCR) was agreed to and signed by the Council of Australian Governments on Friday, 13 March 2020. The objective of this agreement is to provide Commonwealth financial assistance for the additional costs incurred by State and Territory health services in responding to the COVID-19 outbreak. The NPCR was subsequently amended and agreed to in April 2020 to include the Private Hospital Financial Viability Payment. In February 2021, the NPCR was amended with respect to the coordination and delivery of the COVID-19 vaccine under Schedule C.

Financial assistance has been provided by the Commonwealth in the form of the Hospital Services Payments calculated on an activity basis, State Public Health Payments (including coordination and delivery of the COVID-19 vaccine) as well as the Private Hospital Financial Viability Payment.

L) COMMONWEALTH FUNDING GUARANTEE

For the 2019-20 and 2020-21 financial year, the Commonwealth provided the States and Territories with a minimum funding guarantee for funding related to the National Health Reform Agreement and the Hospital Services Payment component of the NPCR. Where a State or Territory is eligible for the Commonwealth funding guarantee, an additional payment is made in the following financial year after the annual reconciliation to meet the minimum amount guaranteed by the Commonwealth.

Note 2: Activity Based Funding receipts

Total receipts paid into the Queensland State Pool Account in respect of Activity Based Funding:

	2021 \$'000	2020 \$'000
Commonwealth Activity Based Funding	4,574,072	4,384,529
Queensland Activity Based Funding	6,462,020	6,324,967
TOTAL	11,036,092	10,709,496

The amounts paid by the Commonwealth into the Queensland State Pool Account excludes Hospital Services Payments made under the NPCR of \$89,602,870 in 2020-21 (\$57,479,862 in 2019-20). Please refer Note 7.

Note 3: Cross-border receipts

Total cross-border receipts paid into the Queensland State Pool Account from other States and Territories:

States and Territories	2021 \$'000	2020 \$'000
CROSS-BORDER RECEIPTS		
New South Wales	69,600	65,520
Victoria	28,423	25,213
Western Australia	3,955	9,451
South Australia	6,524	5,508
Tasmania	2,056	3,941
Australian Capital Territory	-	1,449
Northern Territory	8,500	6,536
TOTAL	119,059	117,618

Where no cross-border receipts were reported through the Queensland State Pool Account, other bilateral arrangements between the States and Territories may exist.

Queensland State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

Note 4: Activity Based Funding payments

Total payments made out of the Queensland State Pool Account
in respect of each Local Hospital Network:

Local Hospital Network	2021 \$'000	2020 \$'000
Cairns and Hinterland Hospital and Health Service	705,061	692,151
Central Queensland Hospital and Health Service	398,676	386,606
Children's Health Queensland Hospital and Health Service	456,834	465,744
Darling Downs Hospital and Health Service	505,967	481,797
Gold Coast Hospital and Health Service	1,236,042	1,214,888
Mackay Hospital and Health Service	304,028	293,307
Mater Misericordiae Health Service Brisbane	496,116	484,808
Metro North Hospital and Health Service	2,267,293	2,245,692
Metro South Hospital and Health Service	1,958,549	1,931,362
North West Hospital and Health Service	89,745	91,569
Queensland Health Virtual LHN	102,816	(37,395)
Sunshine Coast Hospital and Health Service	962,192	919,367
Townsville Hospital and Health Service	684,595	675,309
West Moreton Hospital and Health Service	404,936	397,015
Wide Bay Hospital and Health Service	463,241	467,276
TOTAL	11,036,091	10,709,496

The Administrator makes payments from the Queensland State Pool Account in accordance with the directions of the Queensland Minister for Health. The Queensland Minister for Health directed all Activity Based Funding contributions paid to Local Hospital Networks.

Note 5: Cross-border payments

Total cross-border payments made out of the Queensland State Pool Account to other States and Territories:

States and Territories	2021 \$'000	2020 \$'000
CROSS-BORDER PAYMENTS		
New South Wales	43,800	41,592
Victoria	15,754	15,596
Western Australia	2,791	7,815
South Australia	4,644	4,752
Tasmania	1,324	1,856
Australian Capital Territory	-	1,000
Northern Territory	5,983	5,972
TOTAL	74,296	78,583

Where no cross-border payments were reported through the Queensland State Pool Account, there may be other bilateral arrangements between the States and Territories.

Note 6: Activity Based Funding receipts and payments

Total Queensland and Commonwealth Activity Based Funding contributions and total Local Hospital Network Activity Based Funding payments:

	2021 \$'000	2020 \$'000
Total Activity Based Funding receipts from the Commonwealth Government	4,574,072	4,384,529
Total Activity Based Funding receipts from Queensland Government	6,462,020	6,324,967
Cross-border receipts	119,059	117,618
Cross-border payments	(74,296)	(78,583)
Activity Based Funding payments to Local Hospital Networks	(11,036,091)	(10,709,496)
NET RECEIPTS/(PAYMENTS)	44,764	39,035

For 2021, the receipts in excess of payments balance represented withdrawals by the Queensland Department of Health of \$119,059,030 in cross-border receipts, offset by payments of \$74,295,782.

For 2020, the receipts in excess of payments balance represented withdrawals by the Queensland Department of Health of \$117,618,186 in cross-border receipts, offset by payments of \$78,583,031.

Queensland State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

Note 7: COVID-19 funding

COVID-19 funding is provided monthly in advance based on estimates submitted by States and Territories and is subject to reconciliation. Final funding entitlements are determined after actual activity data on hospital services and actual in-scope expenditure are submitted.

The types of funding and payments under the NPCR include:

THE UPFRONT ADVANCE PAYMENT

In March 2020, the Commonwealth provided an upfront advanced payment of \$100 million to States and Territories on a population share basis. This is an advance payment to ensure the timely availability of funds under the NPCR. The Upfront Advance Payment has been subsequently offset against State Public Health requirements.

THE HOSPITAL SERVICES PAYMENT

The Commonwealth provides a 50 per cent contribution of the National Efficient Price, for costs incurred by States and Territories, through monthly payments, for the diagnosis and treatment of COVID-19 including suspected cases.

THE STATE PUBLIC HEALTH PAYMENT

The Commonwealth provides a 50 per cent contribution for additional costs incurred by States and Territories, through monthly payments, for COVID-19 activities undertaken by State and Territory public health systems for the management of the outbreak.

In 2021, Commonwealth, State and Territory governments entered into an agreement in relation to the coordination and delivery of the COVID-19 vaccine under Schedule C of the NPCR. Where eligible, funding contributions in relation to this activity are included within the State Public Health Payment.

THE PRIVATE HOSPITAL FINANCIAL VIABILITY PAYMENT

The Commonwealth contributes 100 per cent of the Private Hospital Financial Viability Payment for private hospitals to retain capacity for responding to State and Territory or Commonwealth public health requirements.

COVID-19 funding receipts and payments:

	2021 \$'000	2020 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT		
From Commonwealth Government		
Upfront Advance Payment	-	20,091
Hospital Services Payments	89,603	57,480
State Public Health Payments	298,442	60,695
Private Hospital Financial Viability Payment	(121,032)	207,032
TOTAL COMMONWEALTH RECEIPTS	267,013	345,298
From Queensland Government		
Hospital Services Payments	80,187	9,930
State Public Health Payments	-	-
TOTAL QUEENSLAND GOVERNMENT RECEIPTS	80,187	9,930
TOTAL RECEIPTS	347,200	355,228
PAYMENTS OUT OF THE STATE POOL ACCOUNT		
To Queensland Government (Including Local Hospital Networks)		
Hospital Services Payments	159,694	21,756
State Public Health Payments	267,894	128,745
Private Hospital Financial Viability Payment	(64,017)	150,017
TOTAL PAYMENTS	363,575	300,518
NET RECEIPTS / (PAYMENTS) FOR THE YEAR	(16,375)	54,710
OPENING CASH BALANCE	54,710	-
CLOSING CASH BALANCE	38,335	54,710

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

End of Audited Special Purpose Financial Statement.

WESTERN AUSTRALIA

Funding and Payments

\$6.4B

total funding
that was paid to

7

Local Hospital
Networks (LHNs)

\$5.4B

in Activity Based Funding
that delivered

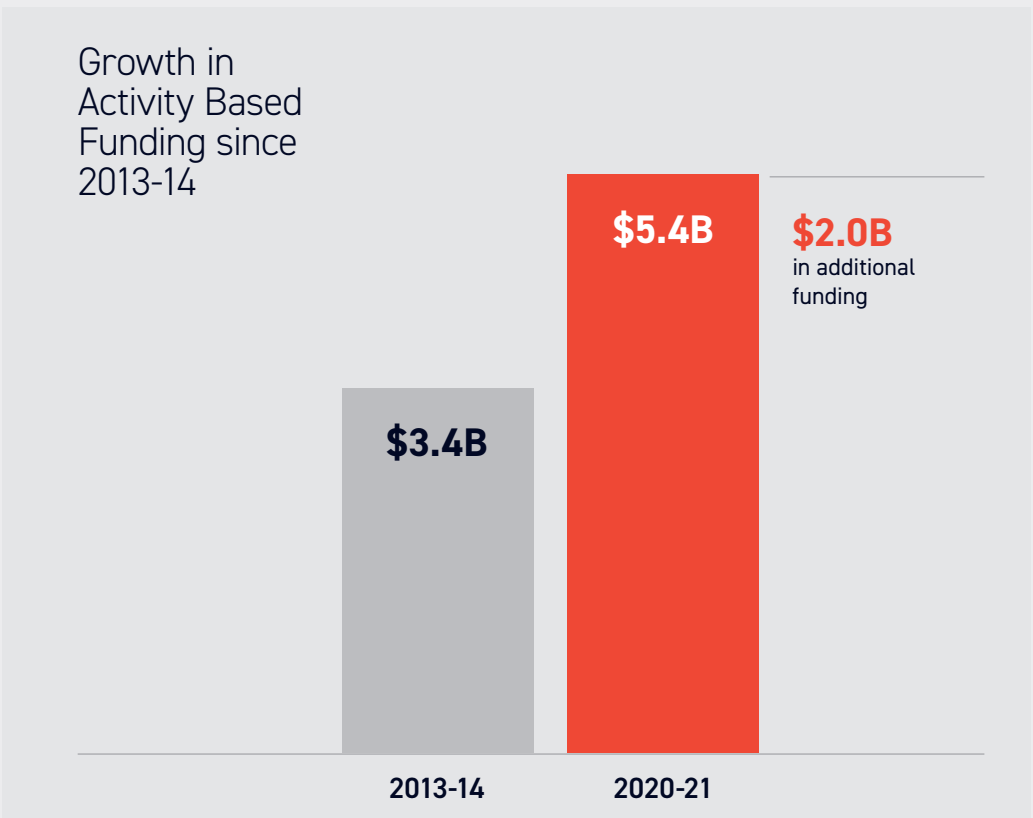
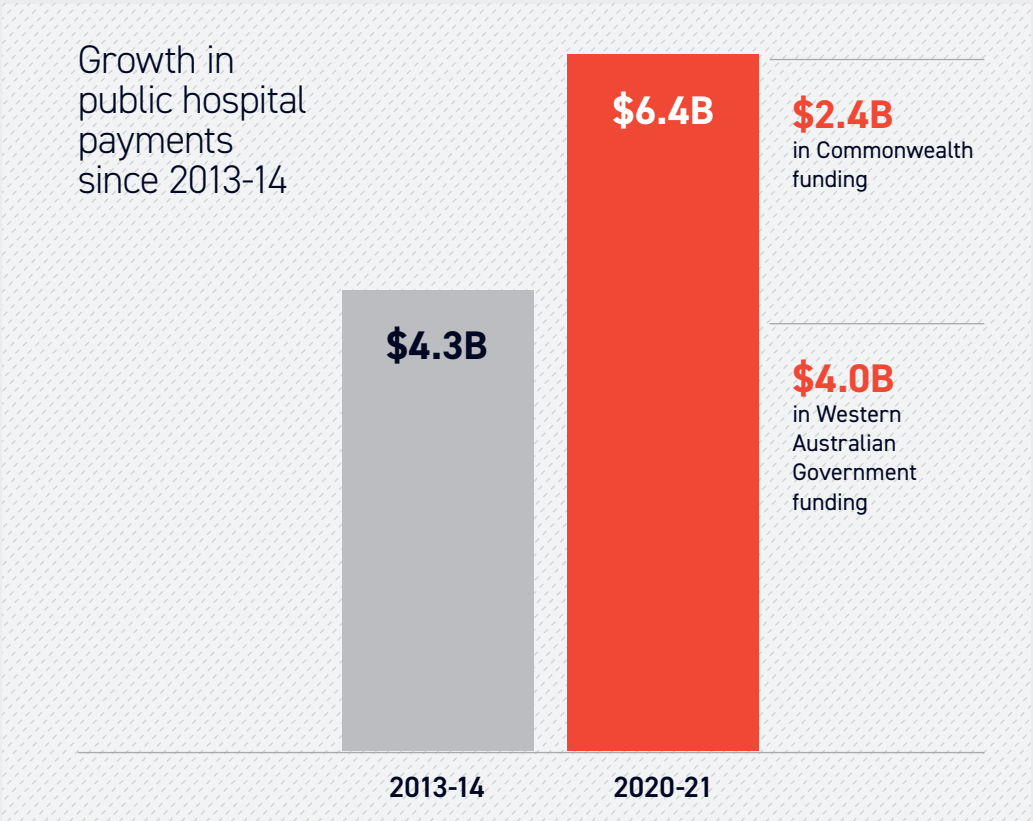
923,710

National Weighted
Activity Units (NWAU)

These amounts do not include transactions related to the NPCR. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

National Health Reform disclosures for the year ended 30 June 2021

Issued by the Administrator of the National Health Funding Pool under section 241(2) of the Commonwealth *National Health Reform Act 2011* and section 19(2) of the *Western Australian National Health Funding Pool Act 2012*.



Section 241(2) of the NHR Act outlines certain disclosures to be included in this Annual Report.

The information reported is specific to the transactions of the 'relevant State'.

For the purposes of this legislative reporting, the 'relevant State' is the State or Territory that holds the bank accounts opened under the laws of that State or Territory for NHR Agreement purposes.

The values are rounded to the nearest thousand dollars unless otherwise specified.

NHR funding and payments shown in the following tables include Goods and Services Tax (GST) where applicable.

The information disclosed in the following tables is provided by Western Australia (WA) and forms part of the Administrator's monthly reporting requirements, located at www.publichospitalfunding.gov.au

For further information on the types of National Health Reform funding, refer to the 'Introduction' chapter of this Annual Report.

Commonwealth National Health Reform funding entitlement based on actual services provided and cash paid in each financial year

\$'000	2016-17 Entitlement	2017-18 Entitlement	2018-19 Entitlement	2019-20 Entitlement	2020-21 Estimate	TOTAL
Cash Paid 2016-17 Total	2,021,141	-	-	-	-	2,021,141
Cash Paid 2017-18 Total	27,560	2,121,434	-	-	-	2,148,994
Cash Paid 2018-19 Total	6,330	30,850	2,230,266	-	-	2,267,445
Cash Paid 2019-20 Total	-	-	50,415	2,350,599	-	2,401,014
Cash Paid 2020-21 Total	-	-	-	(40,659)	2,456,333	2,415,673
CURRENT ENTITLEMENT TOTAL	2,055,031	2,152,284	2,280,681	2,309,939¹	2,456,333²	11,254,268

1 The 2019-20 Commonwealth NHR funding entitlement excludes \$40,659,378 in HSP under the NPCR.

2 The 2020-21 Commonwealth NHR funding estimate excludes \$78,271,817 in HSP under the NPCR.

The amounts paid into each State Pool Account by the Commonwealth and the basis on which the payments were made – Section 241(2)(B)

Component	Amount paid by Commonwealth into Western Australia State Pool Account (\$'000)	
	2020-21	2019-20
Activity Based Funding	2,035,652	2,043,618
Block funding	333,906	314,102
Public Health funding	46,115	43,294
WESTERN AUSTRALIA TOTAL	2,415,673	2,401,014

The amounts paid by the Commonwealth into the State Pool Accounts excludes HSP payments made under the NPCR of \$85,097,853 in 2020-21 (\$33,833,342 in 2019-20).

Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

The amounts paid into each State Pool Account and State Managed Fund by the relevant State and the basis on which the payments were made – Section 241(2)(A)

Component	Amount paid by Western Australia (\$'000)	
	2020-21	2019-20
State Pool Account - Activity Based Funding	3,390,287	3,112,949
State Managed Fund - Block funding	592,420	536,873
WESTERN AUSTRALIA TOTAL	3,982,707	3,649,822

In accordance with the provisions of the NHR Act, this table does not include interest deposited in the Pool account and cross-border transactions.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

The number of public hospital services funded for each Local Hospital Network in accordance with the system of Activity Based Funding – Section 241(2)(E)

Local Hospital Network	Number of ABF public hospital services funded (NWAU)	
	2020-21 ¹ Estimate	2019-20 ² Actual
Child and Adolescent Health Service	64,171	54,689
East Metropolitan Health Service	203,731	197,360
North Metropolitan Health Service	242,413	256,912
Notional LHN - Royal Street	20,260	19,644
South Metropolitan Health Service	233,887	229,846
WA Country Health Service	159,249	136,789
WESTERN AUSTRALIA TOTAL	923,710	895,240

1 2020-21 NWAU as per the updated activity estimates as at the Administrator's June 2021 Payment Advice.

2 2019-20 NWAU as per the 2019-20 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2019-20..

The NWAU is the unit of measurement for the ABF system. It is a measure of health service activity expressed as a common unit, against which the NEP is paid. It provides a way of comparing and valuing each ABF public hospital service, by weighting it for its clinical complexity.

States and Territories provide NWAU estimates at the start of each financial year for Commonwealth payment purposes. These estimates may be revised during the course of the year and form the basis of Commonwealth funding until actual service volumes become available.

The number of other public hospital services and functions funded from each State Pool Account or State Managed Fund – Section 241(2)(F)

Unlike the unit of measurement for Activity Based services (i.e. NWAU), there is currently no nationally standardised measurement system for 'other public hospital services'.

In the absence of such a national system, the NHR Agreement allows for information to be based on the unit measurement classification and funding arrangements used in individual State and Territories.

However, in 2019–20 and 2020–21 Western Australia did not report any 'other public hospital services and functions funded' from their Pool account or State Managed Fund.

The amounts paid from each State Pool Account and State Managed Fund and the basis on which the payments were made in 2020-21 (\$'000)— Section 241(2)(C)(D)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
Child and Adolescent Health Service	469,186	86,377	555,563
East Metropolitan Health Service	1,143,353	139,912	1,283,265
Mental Health Commission	-	8,151	8,151
North Metropolitan Health Service	1,427,051	175,550	1,602,601
Notional LHN - Royal Street	36,198	-	36,198
South Metropolitan Health Service	1,297,135	133,225	1,430,360
WA Country Health Service	1,053,017	383,110	1,436,127
State Managed Fund	333,906	-	333,906
Other organisations or funds	100,226	-	100,226
WESTERN AUSTRALIA TOTAL	5,860,072	926,325	6,786,397

The 2020-21 amounts paid by the Commonwealth into the State Pool Accounts excludes HSP made under the NPCR of \$85,097,853.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

For the Western Australia basis of payments, refer to page 145.

The amounts paid from each State Pool Account and State Managed Fund and the basis on which the payments were made in 2019-20 (\$'000) – Section 241(2)(C)(D)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
Child and Adolescent Health Service	392,665	81,139	473,804
East Metropolitan Health Service	1,094,179	132,584	1,226,763
Mental Health Commission	-	-	-
North Metropolitan Health Service	1,491,517	168,634	1,660,151
Notional LHN - Royal Street	61,884	-	61,884
South Metropolitan Health Service	1,242,630	132,186	1,374,816
WA Country Health Service	870,787	327,888	1,198,675
State Managed Fund	314,102	-	314,102
Other organisations or funds	119,343	8,544	127,886
WESTERN AUSTRALIA TOTAL	5,587,106	850,975	6,438,081

The 2019-20 amounts paid by the Commonwealth into the State Pool Accounts excludes HSP made under the NPCR of \$33,833,342

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

For the Western Australia basis of payments, refer to page 145.

Western Australia basis for National Health Reform payments 2020-21

To meet the reporting requirements of Section 240 of the *National Health Reform Act 2011*, the Administrator is to include the basis of each State and Territory's National Health Reform (NHR) funding and payments.

To provide consistency in the methodology with the *Addendum to the National Health Reform Agreement 2020-21 to 2024-25* (NHRA) Addendum 2020-2025, the 2020-21 Western Australia (WA) Activity Funding Model has implemented the 2020-21 National Pricing Framework, with some modifications to meet specific local costs, for Activity Based Funding (ABF) facilities. The National Efficient Cost (NEC20) Block funded model is used to support the information for the calculation of funding for the small rural, remote and very remote hospitals. The NEC20 includes WA's estimated costs for stand alone hospitals providing specialist Mental Health services (admitted and non admitted), eligible community mental health services (for child and adolescents, adults and older persons), non-admitted Home Ventilation services, and Clinical Teaching, Training, and Research provided in the major hospitals.

NHR payments in Western Australia are based upon the activity outlined in the Service Agreements and Deeds of Amendment between Local Hospital Networks (LHNs) and the Director General of the WA Department of Health.

The Service Agreement outlines:

- The schedule of services to be delivered by or on behalf of LHNs and the funding to be provided in relation to the provision of those services.
- The block funding to be provided to:
 - » Small rural hospitals, standalone hospitals providing specialist mental health services and eligible community mental health services
 - » Major hospitals for:
 - Non-admitted Home Ventilation
 - Clinical Teaching, Training, and Research
- Operational and block grants to the LHN covering services provided and activities undertaken that are not within the scope for ABF, for example, dental services, primary care, home and community care.
- Supplementation Grants at the ABF stream level, if necessary, in recognition that the LHN has reported average costs greater than the current allocation price.
- Via reference to mandatory Policy Frameworks:
 - » Standards of patient care and service delivery.
 - » Performance standards, performance targets and performance measures for the LHN.
 - » Requirements for the LHN to report on its performance, as required or otherwise.
 - » A performance management process that is to be in continuous operation in respect of the LHN.

The ABF funded facilities' service profiles are developed in negotiation with the LHN as follows:

- Acute admitted, Sub-acute and Non-acute service activity volumes are modelled based on historical activity data and agreed growth rates (within State Government set parameters) and adjusted for known service capacity and profile changes.
- Emergency Department and Outpatient service volumes are modelled based on historical activity data and agreed growth rates (within State Government set parameters) and other known factors.
- Clinical Teaching Training and Research and Home Ventilation services are modelled based on historical expenditure profiles and adjusted for known changes.
- Small rural and remote hospitals are modelled based on historical expenditure profiles and other known growth factors.
- Stand-alone hospitals providing specialist Mental Health services (admitted and non-admitted) are modelled based on historical activity volumes and expenditure profiles and adjusted for known changes in service delivery and capacity.
- ABF services out of scope for NHRA funding and non-hospital services are block-funded and modelled based on historical expenditure profiles and other known growth factors.
- Any Supplementation Grant at the ABF stream level, if deemed necessary, are based on demonstrated need during the Service Agreement development process, supported by WA costing information used for the National Hospital Cost Data Collection process.

Further information regarding the Basis for National Health Reform payments in both 2020-21 and previous financial years is included at www.publichospitalfunding.gov.au



WESTERN AUSTRALIA

Financial Statement



National Health Funding Pool Western Australia State Pool Account Special Purpose Financial Statement for the year ended 30 June 2021

Issued by the Administrator of the National Health Funding Pool under section 242 of the Commonwealth *National Health Reform Act 2011* and section 20 of the Western Australian *National Health Funding Pool Act 2012*.

Contents

Independent Auditor's Report	149
Statement by the Administrator of the National Health Funding Pool	151
Western Australia State Pool Account Statement of Receipts and Payments for the year ended 30 June 2021	152

Western Australia State Pool Account Notes to and forming part of the Special Purpose Financial Statement for the year ended 30 June 2021

Note 1: Summary of significant accounting policies	153
Note 2: Activity Based Funding receipts	156
Note 3: Cross-border receipts	156
Note 4: Activity Based Funding payments	157
Note 5: Cross-border payments	157
Note 6: Activity Based Funding receipts and payments	158
Note 7: COVID-19 funding	159

Independent Auditor's Report



Auditor General

INDEPENDENT AUDITOR'S OPINION 2021

Western Australian State Pool Account

To the Parliament of Western Australia

Report on the audit of the financial statements

Opinion

As required by section 21 of the *National Health Funding Pool Act 2012 (WA)* and section 243 of the *National Health Reform Act 2011*, I have audited the accompanying special purpose financial statement (the financial statement) of the Western Australian State Pool Account of the National Health Funding Pool for the year ended 30 June 2021. The financial statement comprises a Statement of Receipts and Payments for the year ended 30 June 2021, notes comprising a summary of significant accounting policies and other explanatory information, and the Administrator's declaration.

In my opinion, the financial statement gives a true and fair view of the receipts and payments of the Western Australian State Pool Account of the National Health Funding Pool for the year ended 30 June 2021 in accordance with the *National Health Funding Pool Act 2012 (WA)* and *National Health Reform Act 2011*.

Basis for opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibility section of my report.

I am independent of the National Health Funding Body in accordance with the *Auditor General Act 2006*, *ACNC Act* and the relevant ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial statements. I have also fulfilled my other ethical responsibilities in accordance with the Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Basis of Accounting

Without modifying my opinion, I draw attention to Note 1 to the financial statement, which describes the purpose of the financial statement and basis of accounting. The financial statement has been prepared using the cash basis of accounting and for the purpose of fulfilling the Administrator of the National Health Funding Pool's (Administrator) financial reporting obligations under the *National Health Funding Pool Act 2012 (WA)*, and the *National Health Reform Act 2011*. As a result, the financial statement may not be suitable for another purpose.

Responsibilities of the Administrator of the National Health Funding Pool for the Financial Statement

The Administrator is responsible for:

- preparation of the financial statement that gives a true and fair view in accordance with the *National Health Funding Pool Act 2012 (WA)* and the *National Health Reform Act 2011*, and has determined that the basis of preparation described in Note 1 to the financial statement is appropriate to meet these requirements.
- such internal control as the Administrator determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial statement. The objectives of my audit are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statement.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of related disclosures made by the Administrator.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Administrator regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Caroline Spencer
Auditor General for Western Australia
Perth, Western Australia
8 September 2021

Statement by the Administrator of the National Health Funding Pool



Administrator
National Health
Funding Pool

Statement by the Administrator of the National Health Funding Pool Western Australia State Pool Account

I report that, as indicated in Note 1(b) to the financial statement, I have determined that the attached Special Purpose Financial Statement comprising of a statement of receipts and payments and accompanying notes provides a fair presentation in accordance with the Western Australia *National Health Funding Pool and Administration Act 2012*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

In my opinion, the attached Special Purpose Financial Statement for the year ended 30 June 2021 is based on properly maintained financial records and gives a true and fair view of the matters required by the Western Australia *National Health Funding Pool and Administration Act 2012*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

Michael Lambert
Administrator
National Health Funding Pool

8 September 2021

Western Australia State Pool Account

Statement of Receipts and Payments for the year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth Government			
Activity Based Funding	2, 6	2,035,652	2,043,618
Block funding		333,906	314,102
Public Health funding		46,115	43,294
COVID-19 funding	7	175,557	188,397
From Western Australia Government			
Activity Based Funding	2, 6	3,390,287	3,112,949
Cross-border contribution	5	33,972	44,846
COVID-19 funding	7	168,075	49,017
From other States or Territories			
Cross-border receipts	3, 6	20,133	28,284
From Reserve Bank of Australia			
Interest receipts		6	6
TOTAL RECEIPTS		6,203,704	5,824,513
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding	4, 6	5,425,940	5,156,567
COVID-19 funding	7	65,415	-
To Western Australia State Managed Fund			
Block funding		333,906	314,102
Cross-border transfer		-	-
To Department of Health			
Public Health funding		46,115	43,294
COVID-19 funding	7	293,035	222,595
Interest payments		6	14
Cross-border transfer		20,133	28,284
To other States or Territories			
Cross-border payments	5, 6	33,972	44,846
TOTAL PAYMENTS		6,218,522	5,809,702
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		(14,818)	14,811
OPENING CASH BALANCE		14,818	7
CLOSING CASH BALANCE		-	14,818

The above statement of receipts and payments should be read in conjunction with the accompanying notes.

Western Australia State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

Note 1: Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the Special Purpose Financial Statement are set out below.

(A) REPORTING ENTITY

The Administrator of the National Health Funding Pool (Administrator) is an independent statutory office holder, distinct from the Commonwealth, State and Territory governments, established under legislation of the Commonwealth and State and Territory governments. Mr Michael Lambert was appointed as the Administrator on 17 July 2018.

(B) BASIS OF PREPARATION

The Western Australia State Pool Account was established at the Reserve Bank of Australia (RBA) in 2012-13 in accordance with section 12 of the Western Australia *National Health Funding Pool Act 2012* and the Special Purpose Financial Statement has been prepared in accordance with section 20 of that Act and section 242 of the Commonwealth *National Health Reform Act 2011*.

The Special Purpose Financial Statement has been prepared on a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

The Special Purpose Financial Statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The Special Purpose Financial Statement was authorised for release by the Administrator on 8 September 2021.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2019-20 and 2020-21 are for the year ended 30 June.

(D) NATIONAL HEALTH FUNDING POOL

The National Health Funding Pool (Funding Pool) consists of eight State and Territory bank accounts (State Pool Accounts).

(E) ACTIVITY BASED FUNDING

Activity Based Funding (ABF) is a system for funding public hospital services provided to individual patients using national classifications, price weights and National Efficient Prices developed by the Independent Hospital Pricing Authority (IHPA). ABF is paid by the Commonwealth, States and Territories into the Funding Pool.

In 2019-20 and 2020-21 the Commonwealth, States and Territories ABF supported the following:

- i. emergency department services;
- ii. acute admitted services;
- iii. admitted mental health services;
- iv. sub-acute and non-acute services; and
- v. non-admitted services.

State or Territory ABF contributions into the Funding Pool are calculated by the State or Territory as the system manager of the public hospital system. The Service Agreement between the State or Territory and each Local Hospital Network (LHN) specifies the service delivery and funding parameters.

Commonwealth ABF contributions for each service category were calculated by summing the Western Australia prior year amounts and efficient growth. Efficient growth is determined by measuring the change in efficient price and volume. The price adjustment is 45 per cent of the change in the National Efficient Price relative to the prior year. The volume adjustment is 45 per cent of the net change in the volume of weighted services relative to the prior year.

In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements. Final funding entitlements for the year are calculated after actual data on hospital services becomes available. This calculation will generally result in reconciliation adjustments being made to the Commonwealth ABF contribution to each LHN to align with the actual services delivered.

(F) BLOCK FUNDING

Block funding is provided by the Commonwealth into the Funding Pool for States and Territories to support teaching and research undertaken in public hospitals and for some public hospital services where it is more appropriate to be Block funded, particularly for smaller rural and regional hospitals.

In 2019-20 and 2020-21 the Commonwealth Block funding supported the following:

- i. small rural hospitals;
- ii. teaching, training and research;
- iii. non-admitted mental health;
- iv. non-admitted home ventilation;
- v. other non-admitted services; and
- vi. highly specialised therapies.

In 2019-20 the Commonwealth Block funding also supported other public hospital programs, including non-admitted child and adolescent mental health services and CAR-T therapy (Kymriah).

In 2019-20 and 2020-21 the Commonwealth Block contributions for each service category were calculated by summing prior year amounts and 45 per cent of the change in the National Efficient Cost between the current year and the prior year. Highly specialised therapies are contributed at 50 per cent of the growth in the efficient price or cost.

(G) PUBLIC HEALTH FUNDING

The Commonwealth contributes amounts into the Funding Pool for Public Health funding. This is calculated by the Commonwealth Treasury and includes amounts for national public health, youth health services and essential vaccines. This payment is indexed in accord with the previous existing health specific purpose payment.

(H) CROSS-BORDER

When a resident of one State or Territory receives hospital treatment in another State or Territory, the provider State or Territory is compensated for the cost of that treatment. The resident State or Territory pays its share through the Funding Pool to the provider State or Territory (refer Note 3 and Note 5).

The Commonwealth share of the cost of treating the patient is paid through the Funding Pool as part of the normal Activity Based Funding. The Commonwealth contribution to each State or Territory covers all eligible patients treated, regardless of where they reside.

(I) INTEREST

Interest earned and deposited by the RBA into the State Pool Account is recognised as interest received at the time the deposit is made. Interest paid from the State Pool Account to the State or Territory is recognised as an interest payment at the time the payment is made from the State Pool Account.

Western Australia State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

(J) TAXATION

State Pool Accounts are not subject to income tax. The majority of government funding, from the Commonwealth, State or Territory, to LHNs is not subject to the Goods and Services Tax (GST). However, in some cases hospital funding to non-government entities does attract GST, for example, denominational hospitals, privately and commercially owned health facilities, or other non-government third party providers of health services or related supplies.

(K) COVID-19 FUNDING

The National Partnership on COVID-19 Response (NPCR) was agreed to and signed by the Council of Australian Governments on Friday, 13 March 2020. The objective of this agreement is to provide Commonwealth financial assistance for the additional costs incurred by State and Territory health services in responding to the COVID-19 outbreak. The NPCR was subsequently amended and agreed to in April 2020 to include the Private Hospital Financial Viability Payment. In February 2021, the NPCR was amended with respect to the coordination and delivery of the COVID-19 vaccine under Schedule C.

Financial assistance has been provided by the Commonwealth in the form of the Hospital Services Payments calculated on an activity basis, State Public Health Payments (including coordination and delivery of the COVID-19 vaccine) as well as Private Hospital Financial Viability Payments.

(L) COMMONWEALTH FUNDING GUARANTEE

For the 2019-20 and 2020-21 financial year, the Commonwealth provided the States and Territories with a minimum funding guarantee for funding related to the National Health Reform Agreement and the Hospital Services Payment component of the NPCR. Where a State or Territory is eligible for the Commonwealth funding guarantee, an additional payment is made in the following financial year after the annual reconciliation to meet the minimum amount guaranteed by the Commonwealth.

Note 2: Activity Based Funding receipts

Total receipts paid into the Western Australia State Pool Account in respect of Activity Based Funding:

	2021 \$'000	2020 \$'000
Commonwealth Activity Based Funding	2,035,652	2,043,618
Western Australia Activity Based Funding	3,390,287	3,112,949
TOTAL	5,425,939	5,156,567

The amounts paid by the Commonwealth into the Western Australia State Pool Account excludes Hospital Services Payments made under the NPCR of \$85,097,853 in 2020-21 (\$33,833,342 in 2019-20). Please refer Note 7.

Note 3: Cross-border receipts

Total cross-border receipts paid into the Western Australia State Pool Account from other States and Territories:

States and Territories	2021 \$'000	2020 \$'000
CROSS-BORDER RECEIPTS		
New South Wales	3,218	9,832
Victoria	6,937	5,925
Queensland	2,791	7,815
South Australia	3,785	1,522
Tasmania	581	908
Australian Capital Territory	171	234
Northern Territory	2,650	2,048
TOTAL	20,133	28,284

Where no cross-border receipts were reported through the Western Australia State Pool Account, other bilateral arrangements between the States and Territories may exist.

Western Australia State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

Note 4: Activity Based Funding payments

Total payments made out of the Western Australia State Pool Account in respect of each Local Hospital Network:

Local Hospital Network	2021 \$'000	2020 \$'000
Child and Adolescent Health Service	469,186	392,665
East Metropolitan Health Service	1,143,353	1,094,179
Mental Health Commission	-	2,905
North Metropolitan Health Service	1,427,051	1,491,517
Notional LHN - Royal Street	36,198	61,884
South Metropolitan Health Service	1,297,135	1,242,630
WA Country Health Service	1,053,017	870,787
TOTAL	5,425,940	5,156,567

The Administrator makes payments from the Western Australia State Pool Account in accordance with the directions of the Western Australia Minister for Health. The Western Australia Minister for Health directed all Activity Based Funding contributions paid to Local Hospital Networks.

Note 5: Cross-border payments

Total cross-border payments made out of the Western Australia State Pool Account to other States and Territories:

States and Territories	2021 \$'000	2020 \$'000
CROSS-BORDER PAYMENTS		
New South Wales	3,659	11,240
Victoria	7,174	8,591
Queensland	3,955	9,451
South Australia	4,111	1,476
Tasmania	448	721
Australian Capital Territory	342	188
Northern Territory	14,283	13,179
TOTAL	33,972	44,846

Where no cross-border payments were reported through the Western Australia State Pool Account, there may be other bilateral arrangements between the States and Territories.

Note 6: Activity Based Funding receipts and payments

Total Western Australia and Commonwealth Activity Based Funding contributions and total Local Hospital Network Activity Based Funding payments:

	2021 \$'000	2020 \$'000
Total Activity Based Funding receipts from the Commonwealth Government	2,035,652	2,043,618
Total Activity Based Funding receipts from Western Australia Government	3,390,287	3,112,949
Cross-border receipts	20,133	28,284
Cross-border payments	(33,972)	(44,846)
Activity Based Funding payments to Local Hospital Networks	(5,425,940)	(5,156,567)
NET RECEIPTS/(PAYMENTS)	(13,840)	(16,562)

For 2021, the payments in excess of receipts balance is represented by transfers of \$20,132,711 in cross-border receipts to the Western Australia State Health Account and cross-border payments of \$33,971,954.

For 2020, the payments in excess of receipts balance is represented by transfers of \$28,283,983 in cross-border receipts to the Western Australia State Health Account and cross-border payments of \$44,845,719.

Western Australia State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

Note 7: COVID-19 funding

COVID-19 funding is provided monthly in advance based on estimates submitted by States and Territories and is subject to reconciliation. Final funding entitlements are determined after actual activity data on hospital services and actual in-scope expenditure are submitted.

The types of funding and payments under the NPCR include:

THE UPFRONT ADVANCE PAYMENT

In March 2020, the Commonwealth provided an upfront advanced payment of \$100 million to States and Territories on a population share basis. This is an advance payment to ensure the timely availability of funds under the NPCR. The Upfront Advance Payment has been subsequently offset against State Public Health requirements.

THE HOSPITAL SERVICES PAYMENT

The Commonwealth provides a 50 per cent contribution of the National Efficient Price, for costs incurred by States and Territories, through monthly payments, for the diagnosis and treatment of COVID-19 including suspected cases.

THE STATE PUBLIC HEALTH PAYMENT

The Commonwealth provides a 50 per cent contribution for additional costs incurred by States and Territories, through monthly payments, for COVID-19 activities undertaken by State and Territory public health systems for the management of the outbreak.

In 2021, Commonwealth, State and Territory governments entered into an agreement in relation to the coordination and delivery of the COVID-19 vaccine under Schedule C of the NPCR. Where eligible, funding contributions in relation to this activity are included within the State Public Health Payment.

THE PRIVATE HOSPITAL FINANCIAL VIABILITY PAYMENT

The Commonwealth contributes 100 per cent of the Private Hospital Financial Viability Payment to retain capacity for responding to State and Territory or Commonwealth public health requirements.

COVID-19 funding receipts and payments:

	2021 \$'000	2020 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT		
From Commonwealth Government		
Upfront Advance Payment	-	10,338
Hospital Services Payments	85,098	33,834
State Public Health Payments	135,778	63,778
Private Hospital Financial Viability Payment	(45,319)	80,447
TOTAL COMMONWEALTH RECEIPTS	175,557	188,397
From Western Australia Government		
Hospital Services Payments	18,352	-
State Public Health Payments	149,723	49,017
TOTAL WESTERN AUSTRALIA GOVERNMENT RECEIPTS	168,075	49,017
TOTAL RECEIPTS	343,632	237,414
PAYMENTS OUT OF THE STATE POOL ACCOUNT		
To Western Australia Government (Including Local Hospital Networks)		
Hospital Services Payments	103,450	33,833
State Public Health Payments	285,504	123,133
Private Hospital Financial Viability Payment	(30,500)	65,629
TOTAL PAYMENTS	358,450	222,595
NET RECEIPTS / (PAYMENTS) FOR THE YEAR	(14,819)	14,819
OPENING CASH BALANCE	14,819	-
CLOSING CASH BALANCE	-	14,819

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

End of Audited Special Purpose Financial Statement.

SOUTH AUSTRALIA

Funding and Payments

\$3.3B

total funding
that was paid to

11

Local Hospital
Networks (LHNs)

\$2.8B

in Activity Based Funding
that delivered

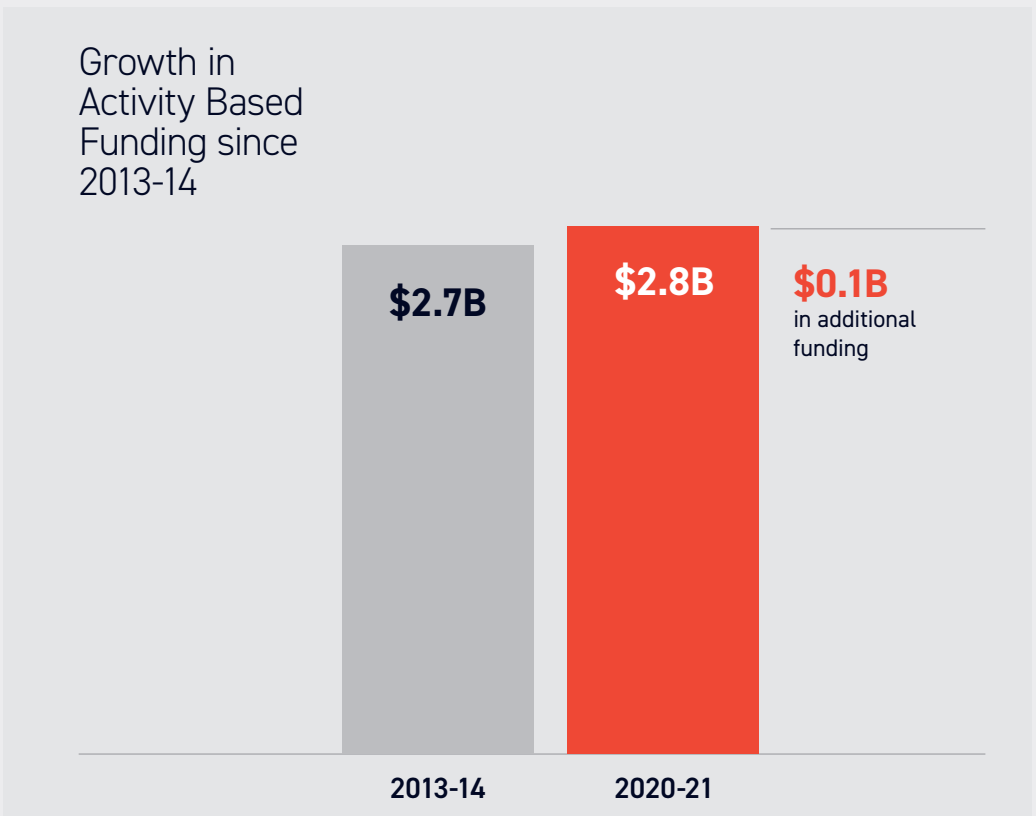
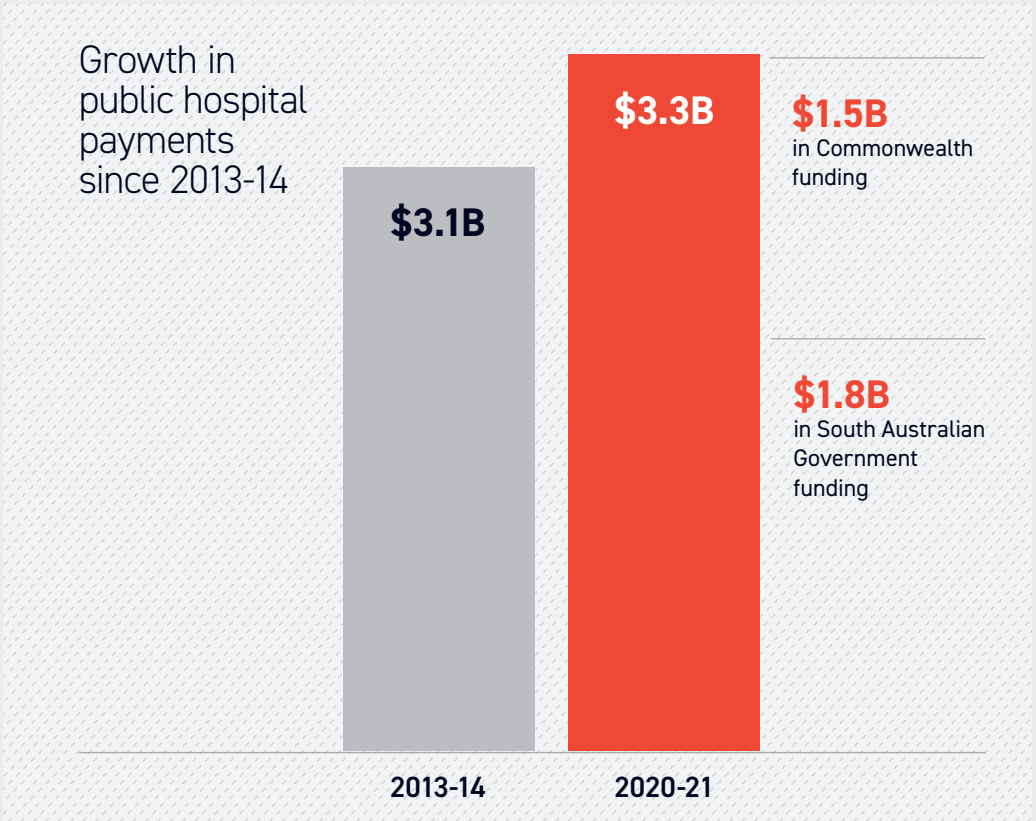
612,737

National Weighted
Activity Units (NWAU)

These amounts do not include transactions related to the NPCR. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

National Health Reform disclosures for the year ended 30 June 2021

Issued by the Administrator of the National Health Funding Pool under section 241(2) of the Commonwealth *National Health Reform Act 2011* and section 22(2) of the South Australia *National Health Funding Pool Administration (South Australia) Act 2012*.



Section 241(2) of the NHR Act outlines certain disclosures to be included in this Annual Report.

The information reported is specific to the transactions of the 'relevant State'.

For the purposes of this legislative reporting, the 'relevant State' is the State or Territory that holds the bank accounts opened under the laws of that State or Territory for NHR Agreement purposes.

The values are rounded to the nearest thousand dollars unless otherwise specified.

NHR funding and payments shown in the following tables include Goods and Services Tax (GST) where applicable.

The information disclosed in the following tables is provided by South Australia (SA) and forms part of the Administrator's monthly reporting requirements, located at www.publichospitalfunding.gov.au

For further information on the types of National Health Reform funding, refer to the 'Introduction' chapter of this Annual Report.

Commonwealth National Health Reform funding entitlement based on actual services provided and cash paid in each financial year

\$'000	2016-17 Entitlement	2017-18 Entitlement	2018-19 Entitlement	2019-20 Entitlement	2020-21 Estimate	TOTAL
Cash Paid 2016-17 Total	1,268,316	-	-	-	-	1,268,316
Cash Paid 2017-18 Total	2,611	1,306,234	-	-	-	1,308,845
Cash Paid 2018-19 Total	(13,265)	(5,764)	1,339,108	-	-	1,320,079
Cash Paid 2019-20 Total	-	-	58,479	1,436,142	-	1,494,620
Cash Paid 2020-21 Total	-	-	-	(2,108)	1,494,519	1,492,410
CURRENT ENTITLEMENT TOTAL	1,257,661	1,300,471	1,397,586	1,434,034¹	1,494,519²	6,884,271

1 The 2019-20 Commonwealth NHR funding entitlement excludes \$15,960,519 in HSP under the NPCR.

2 The 2020-21 Commonwealth NHR funding estimate excludes \$10,743,587 in HSP under the NPCR.

The amounts paid into each State Pool Account by the Commonwealth and the basis on which the payments were made – Section 241(2)(B)

Component	Amount paid by Commonwealth into South Australia State Pool Account (\$'000)	
	2020-21	2019-20
Activity Based Funding	1,257,859	1,273,742
Block funding	203,920	191,967
Public Health funding	30,631	28,912
SOUTH AUSTRALIA TOTAL	1,492,410	1,494,620

The amounts paid by the Commonwealth into the State Pool Accounts excludes HSP payments made under the NPCR of \$20,049,199 in 2020-21 (\$6,654,908 in 2019-20).

Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

The amounts paid into each State Pool Account and State Managed Fund by the relevant State and the basis on which the payments were made – Section 241(2)(A)

Component	Amount paid by South Australia (\$'000)	
	2020-21	2019-20
State Pool Account - Activity Based Funding	1,578,823	2,012,856
State Managed Fund - Block funding	191,289	207,336
SOUTH AUSTRALIA TOTAL	1,770,112	2,220,193

In accordance with the provisions of the NHR Act, this table does not include interest deposited in the Pool account and cross-border transactions.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

The number of public hospital services funded for each Local Hospital Network in accordance with the system of Activity Based Funding – Section 241(2)(E)

Local Hospital Network	Number of ABF public hospital services funded (NWAU)	
	2020-21 ¹ Estimate	2019-20 ² Actual
Barossa Hills Fleurieu Local Health Network	20,478	19,825
Central Adelaide Local Health Network	208,202	205,700
Central Office Services	10,917	8,695
Eyre and Far North Local Health Network	6,902	6,285
Flinders and Upper North Local Health Network	17,388	17,215
Limestone Coast Local Health Network	13,363	12,965
Northern Adelaide Local Health Network	106,443	112,885
Riverland Mallee Coorong Local Health Net-work	11,772	11,340
Southern Adelaide Local Health Network	156,874	153,890
Women's and Children's Health Network	53,237	54,285
Yorke and Northern Local Health Network	7,162	7,130
SOUTH AUSTRALIA TOTAL	612,737	610,215

- 1 2020-21 NWAU as per the updated activity estimates as at the Administrator's June 2021 Payment Advice.
- 2 2019-20 NWAU as per the 2019-20 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2019-20.

The NWAU is the unit of measurement for the ABF system. It is a measure of health service activity expressed as a common unit, against which the NEP is paid. It provides a way of comparing and valuing each ABF public hospital service, by weighting it for its clinical complexity.

States and Territories provide NWAU estimates at the start of each financial year for Commonwealth payment purposes. These estimates may be revised during the course of the year and form the basis of Commonwealth funding until actual service volumes become available.

The number of other public hospital services and functions funded from each State Pool Account or State Managed Fund – Section 241(2)(F)

Unlike the unit of measurement for Activity Based services (i.e. NWAU), there is currently no nationally standardised measurement system for 'other public hospital services.

In the absence of such a national system, the NHR Agreement allows for information to be based on the unit measurement classification and funding arrangements used in individual States and Territories.

However, in 2019–20 and 2020–21 South Australia did not report any 'other public hospital services and functions funded' from their Pool account or State Managed Fund.

The amounts paid from each State Pool Account and State Managed Fund and the basis on which the payments were made in 2020-21 (\$'000)— Section 241(2)(C)(D)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
Barossa Hills Fleurieu Local Health Network	108,941	99,312	208,253
Central Adelaide Local Health Network	1,113,240	90,790	1,204,030
Central Office Services	58,074	-	58,074
Eyre and Far North Local Health Network	36,721	6,716	43,437
Flinders and Upper North Local Health Network	87,056	23,226	110,282
Limestone Coast Local Health Network	70,932	21,715	92,647
Northern Adelaide Local Health Network	566,276	42,693	608,969
Riverland Mallee Coorong Local Health Net-work	62,626	21,729	84,355
Southern Adelaide Local Health Network	834,571	58,623	893,194
Women's and Children's Health Network	283,223	16,971	300,194
Yorke and Northern Local Health Network	38,100	13,433	51,533
State Managed Fund	203,920	-	203,920
Other organisations or funds	77,296	-	77,296
SOUTH AUSTRALIA TOTAL	3,540,976	395,209	3,936,185

The 2020-21 amounts paid by the Commonwealth into the State Pool Accounts excludes HSP made under the NPCR of \$20,049,199.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

For the South Australia basis of payments, refer to page 169.

The amounts paid from each State Pool Account and State Managed Fund and the basis on which the payments were made in 2019-20 (\$'000) – Section 241(2)(C)(D)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
Barossa Hills Fleurieu Local Health Network	101,865	98,549	200,415
Central Adelaide Local Health Network	1,071,019	81,404	1,152,423
Central Office Services	44,769	-	44,769
Eyre and Far North Local Health Network	35,726	13,052	48,779
Flinders and Upper North Local Health Network	83,877	16,681	100,558
Limestone Coast Local Health Network	67,635	23,047	90,681
Northern Adelaide Local Health Network	573,847	38,893	612,740
Riverland Mallee Coorong Local Health Net-work	56,944	26,601	83,545
Southern Adelaide Local Health Network	767,599	55,882	823,481
Women's and Children's Health Network	286,884	20,700	307,584
Yorke and Northern Local Health Network	42,678	24,493	67,172
State Managed Fund	191,967	-	191,967
Other organisations or funds	139,169	-	139,169
SOUTH AUSTRALIA TOTAL	3,463,980	399,303	3,863,283

The 2019-20 amounts paid by the Commonwealth into the State Pool Accounts excludes HSP made under the NPCR of \$6,654,908.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

For the South Australia basis of payments, refer to page 169.

South Australia basis for National Health Reform payments 2020-21

To meet the reporting requirements of Section 240 of the *National Health Reform Act 2011*, the Administrator is to include the basis of each State and Territory's National Health Reform (NHR) funding and payments.

To provide consistency in methodology and with the *Addendum to the National Health Reform Agreement 2020-21 to 2024-25*, the 2020-21 South Australia Funding Model has implemented the National Efficient Price (NEP20) and National Weighted Activity Unit (NWAU20) as the currency for Activity Based Funding (ABF) facilities. The National Efficient Cost (NEC20) Block funded model is used for the small regional and remote hospitals, stand alone hospitals providing specialist Mental Health services (admitted and non admitted), Child and adolescent mental health services, Non-admitted Home Ventilation and Clinical Teaching, Training, and Research provided in the major hospitals.

NHR payments in South Australia are based upon the activity outlined in the Service Plan between the Minister for Health and the Chief Executive of the Department for Health and Wellbeing.

The service plan outlines:

- The schedule of services to be delivered by or on behalf of the LHN and the funding to be provided in relation to the provision of those services.
- The block funding to be provided to:
 - » Small rural hospitals, standalone hospitals providing specialist mental health services and eligible community mental health services
 - » Major hospitals for:
 - Non-admitted Home Ventilation
 - Clinical Teaching, Training, and Research

- Operational and block grants to the LHN covering services provided and activities undertaken that are not within scope for ABF, for example, Alcohol and Drug Services, dental services, Child Health and Parenting Services, primary care, home and community care.
- Supplementation Grants at the ABF stream level in recognition that the LHN has reported average costs greater than the NEP.
- Standards of patient care and service delivery.
- Performance standards, performance targets and performance measures for the LHN.
- Requirements for the LHN to report on its performance, as required or otherwise.
- A performance management process that is to be in continuous operation in respect of the LHN.

The ABF funded facilities' service profiles are developed in negotiation with the LHN as follows:

- Acute admitted and Sub-acute and Non-acute service activity volumes are modelled based on historical activity data and agreed growth rates and adjusted for known service capacity and profile changes.
- Emergency Department and Outpatient service volumes are modelled based on agreed growth rates and other known factors.
- Clinical Teaching Training and Research, Home Ventilation services are modelled based on historical expenditure profiles and adjusted for known changes.
- Small regional and remote hospitals are modelled based on the small hospital NEC result.
- Stand-alone hospitals providing specialist Mental Health services (admitted and non-admitted) and modelled based on historical activity volumes and expenditure profiles and adjusted for known changes in service delivery and capacity.
- Non-NHRA and non-hospital services are block-funded and modelled based on historical expenditure profiles and other known growth factors.
- The Supplementation Grant at the ABF stream level are based on the prior year National Hospital Cost Data collections ABF stream Cost Ratio.

Further information regarding the Basis for National Health Reform payments in both 2020-21 and previous financial years is included at www.publichospitalfunding.gov.au

SOUTH AUSTRALIA

Financial Statement

National Health Funding Pool South Australia State Pool Account Special Purpose Financial Statement for the year ended 30 June 2021

Issued by the Administrator of the National Health Funding Pool under section 242 of the Commonwealth *National Health Reform Act 2011* and section 23 of the South Australia *National Health Funding Pool Administration (South Australia) Act 2012*.



Contents

Independent Auditor's Report	173
Statement by the Administrator of the National Health Funding Pool	177
South Australia State Pool Account Statement of Receipts and Payments for the year ended 30 June 2021	178

South Australia State Pool Account Notes to and forming part of the Special Purpose Financial Statement for the year ended 30 June 2021

Note 1: Summary of significant accounting policies	179
Note 2: Activity Based Funding receipts	182
Note 3: Cross-border receipts	182
Note 4: Activity Based Funding payments	183
Note 5: Cross-border payments	184
Note 6: Activity Based Funding receipts and payments	184
Note 7: COVID-19 funding	185

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000

Tel +618 8226 9640
Fax +618 8226 9688

ABN 53 327 061 410

audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Administrator National Health Funding Pool

Opinion

I have audited the special purpose financial report of the South Australia State Pool Account of the National Health Funding Pool for the financial year ended 30 June 2021.

In my opinion, the accompanying financial report of the South Australia State Pool Account of the National Health Funding Pool for the year ended 30 June 2021, gives a true and fair view of the financial transactions of the South Australia State Pool Account of the National Health Funding Pool in accordance with the financial reporting requirements of the *National Health Funding Pool Administration (South Australia) Act 2012*, the *National Health Reform Act 2011* and the National Health Reform Agreement 2011.

The financial report comprises:

- a Statement of Receipts and Payments for the year ended 30 June 2021
- notes to and forming part of the special purpose financial report
- a statement from the Administrator of the South Australia State Pool Account of the National Health Funding Pool.

Basis for opinion

I conducted the audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the South Australia State Pool Account of the National Health Funding Pool and the National Health Funding Body. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* have been met.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter – basis of accounting and restriction on distribution and use

I draw attention to note 1(B) to the financial report, which describes the purpose of the financial report and the basis of accounting. The financial report has been prepared using the cash basis of accounting and solely for the purpose of fulfilling the Administrator's financial reporting responsibilities under the *National Health Funding Pool Administration (South Australia) Act 2012*, the *National Health Reform Act 2011* and the National Health Reform Agreement 2011. As a result, the financial report may not be suitable for another purpose. My opinion is not modified in respect of this matter.

My report is intended solely for the Administrator of the National Health Funding Pool and the National Health Funding Body and should not be distributed to or used by any other parties.

Responsibilities of the Administrator for the financial report

The Administrator of the National Health Funding Pool is responsible for the preparation of the financial report that gives a true and fair view in accordance with the financial reporting requirements of the *National Health Funding Pool Administration (South Australia) Act 2012*, the *National Health Reform Act 2011* and the National Health Reform Agreement 2011, and for such internal control as the Administrator determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial report

As required by section 24 of the *National Health Funding Pool Administration (South Australia) Act 2012* and section 243 of the *National Health Reform Act 2011*, I have audited the financial report of the South Australia State Pool Account of the National Health Funding Pool for the financial year ended 30 June 2021.

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

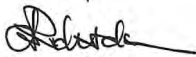
- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my

opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the South Australia State Pool Account's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Administrator
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Administrator about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

Auditor-General

13 September 2021

INTRODUCTION

NATIONAL

NSW

VIC

QLD

WA

SA

TAS

ACT

NT

ENDNOTES

Statement by the Administrator of the National Health Funding Pool



Administrator
National Health
Funding Pool

Statement by the Administrator of the National Health Funding Pool South Australia State Pool Account

I report that, as indicated in Note 1(b) to the financial statement, I have determined that the attached Special Purpose Financial Statement comprising of a statement of receipts and payments and accompanying notes provides a fair presentation in accordance with the South Australian *National Health Funding Pool Administration (South Australia) Act 2012*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

In my opinion, the attached Special Purpose Financial Statement for the year ended 30 June 2021 is based on properly maintained financial records and gives a true and fair view of the matters required by the South Australian *National Health Funding Pool Administration (South Australia) Act 2012*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

Michael Lambert
Administrator
National Health Funding Pool

8 September 2021

South Australia State Pool Account

Statement of Receipts and Payments for the year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth Government			
Activity Based Funding	2, 6	1,257,859	1,273,742
Block funding		203,920	191,967
Public Health funding		30,631	28,912
COVID-19 funding	7	66,638	115,374
From South Australia Government			
Activity Based Funding	2, 6	1,578,823	2,012,856
Withdrawal of Activity Based Funding in excess of funding obligations	2, 6	-	(12,000)
Cross-border contribution	5	10,995	48,983
COVID-19 funding	7	180,677	33,265
From other States or Territories			
Cross-border receipts	3, 6	9,857	49,274
From Reserve Bank of Australia			
Interest receipts		327	2,589
TOTAL RECEIPTS		3,339,727	3,744,962
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding	4, 6	3,259,760	3,132,843
COVID-19 funding	7	40,098	35,938
To South Australia State Managed Fund			
Block funding		203,920	191,967
Cross-border transfer		-	-
To Department of Health and Wellbeing			
Public Health funding		30,631	28,912
COVID-19 funding	7	227,096	92,821
Interest payments		25,813	-
Cross-border transfer		9,857	49,275
To other States or Territories			
Cross-border payments	5, 6	10,995	48,983
TOTAL PAYMENTS		3,808,170	3,580,739
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		(468,443)	164,223
OPENING CASH BALANCE		473,535	309,312
CLOSING CASH BALANCE		5,091	473,535

The above statement of receipts and payments should be read in conjunction with the accompanying notes.

South Australia State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

Note 1: Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the Special Purpose Financial Statement are set out below.

(A) REPORTING ENTITY

The Administrator of the National Health Funding Pool (Administrator) is an independent statutory office holder, distinct from the Commonwealth, State and Territory governments, established under legislation of the Commonwealth and State and Territory governments. Mr Michael Lambert was appointed as the Administrator on 17 July 2018.

(B) BASIS OF PREPARATION

The South Australia State Pool Account was established at the Reserve Bank of Australia (RBA) in 2012-13 in accordance with Part 3, section 13 of the South Australia *National Health Funding Pool Administration (South Australia) Act 2012* and the Special Purpose Financial Statement has been prepared in accordance with Part 5, section 23 of that Act and section 242 of the Commonwealth *National Health Reform Act 2011*.

The Special Purpose Financial Statement has been prepared on a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

The Special Purpose Financial Statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The Special Purpose Financial Statement was authorised for release by the Administrator on 8 September 2021.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2019-20 and 2020-21 are for the year ended 30 June.

(D) NATIONAL HEALTH FUNDING POOL

The National Health Funding Pool (Funding Pool) consists of eight State and Territory bank accounts (State Pool Accounts).

(E) ACTIVITY BASED FUNDING

Activity Based Funding (ABF) is a system for funding public hospital services provided to individual patients using national classifications, price weights and National Efficient Prices developed by the Independent Hospital Pricing Authority (IHPA). ABF is paid by the Commonwealth, States and Territories into the Funding Pool.

In 2019-20 and 2020-21 the Commonwealth, States and Territories ABF supported the following:

- i. emergency department services;
- ii. acute admitted services;
- iii. admitted mental health services;
- iv. sub-acute and non-acute services; and
- v. non-admitted services.

State or Territory ABF contributions into the Funding Pool are calculated by the State or Territory as the system manager of the public hospital system. The Service Agreement between the State or Territory and each Local Hospital Network (LHN) specifies the service delivery and funding parameters.

Commonwealth ABF contributions for each service category were calculated by summing the South Australia prior year amounts and efficient growth. Efficient growth is determined by measuring the change in efficient price and volume. The price adjustment is 45 per cent of the change in the National Efficient Price relative to the prior year. The volume adjustment is 45 per cent of the net change in the volume of weighted services relative to the prior year.

In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements. Final funding entitlements for the year are calculated after actual data on hospital services becomes available. This calculation will generally result in reconciliation adjustments being made to the Commonwealth ABF contribution to each LHN to align with the actual services delivered.

(F) BLOCK FUNDING

Block funding is provided by the Commonwealth into the Funding Pool for States and Territories to support teaching and research undertaken in public hospitals and for some public hospital services where it is more appropriate to be Block funded, particularly for smaller rural and regional hospitals.

In 2019-20 and 2020-21 the Commonwealth Block funding supported the following:

- i. small rural hospitals;
- ii. teaching, training and research;
- iii. non-admitted mental health;
- iv. non-admitted home ventilation;
- v. other non-admitted services; and
- vi. highly specialised therapies.

In 2019-20 the Commonwealth Block funding also supported other public hospital programs, including non-admitted child and adolescent mental health services and CAR-T therapy (Kymriah).

In 2019-20 and 2020-21 the Commonwealth Block contributions for each service category were calculated by summing prior year amounts and 45 per cent of the change in the National Efficient Cost between the current year and the prior year. Highly specialised therapies are contributed at 50 per cent of the growth in the efficient price or cost.

(G) PUBLIC HEALTH FUNDING

The Commonwealth contributes amounts into the Funding Pool for Public Health funding. This is calculated by the Commonwealth Treasury and includes amounts for national public health, youth health services and essential vaccines. This payment is indexed in accord with the previous existing health specific purpose payment.

(H) CROSS-BORDER

When a resident of one State or Territory receives hospital treatment in another State or Territory, the provider State or Territory is compensated for the cost of that treatment. The resident State or Territory pays its share through the Funding Pool to the provider State or Territory (refer Note 3 and Note 5).

The Commonwealth share of the cost of treating the patient is paid through the Funding Pool as part of the normal Activity Based Funding. The Commonwealth contribution to each State or Territory covers all eligible patients treated, regardless of where they reside.

(I) INTEREST

Interest earned and deposited by the RBA into the State Pool Account is recognised as interest received at the time the deposit is made. Interest paid from the State Pool Account to the State or Territory is recognised as an interest payment at the time the payment is made from the State Pool Account.

South Australia State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

(J) TAXATION

State Pool Accounts are not subject to income tax. The majority of government funding, from the Commonwealth, State or Territory, to LHNs is not subject to the Goods and Services Tax (GST). However, in some cases hospital funding to non-government entities does attract GST, for example, denominational hospitals, privately and commercially owned health facilities, or other non-government third party providers of health services or related supplies.

(K) COVID-19 FUNDING

The National Partnership on COVID-19 Response (NPCR) was agreed to and signed by the Council of Australian Governments on Friday, 13 March 2020. The objective of this agreement is to provide Commonwealth financial assistance for the additional costs incurred by State and Territory health services in responding to the COVID-19 outbreak. The NPCR was subsequently amended and agreed to in April 2020 to include the Private Hospital Financial Viability Payment. In February 2021, the NPCR was amended with respect to the coordination and delivery of the COVID-19 vaccine under Schedule C.

Financial assistance has been provided by the Commonwealth in the form of the Hospital Services Payments calculated on an activity basis, State Public Health Payments (including coordination and delivery of the COVID-19 vaccine) as well as the Private Hospital Financial Viability Payment.

L) COMMONWEALTH FUNDING GUARANTEE

For the 2019-20 and 2020-21 financial year, the Commonwealth provided the States and Territories with a minimum funding guarantee for funding related to the National Health Reform Agreement and the Hospital Services Payment component of the NPCR. Where a State or Territory is eligible for the Commonwealth funding guarantee, an additional payment is made in the following financial year after the annual reconciliation to meet the minimum amount guaranteed by the Commonwealth. South Australia was not eligible for the 2019-20 Commonwealth Funding guarantee.

Note 2: Activity Based Funding receipts

Total receipts paid into the South Australia State Pool Account in respect of Activity Based Funding:

	2021 \$'000	2020 \$'000
Commonwealth Activity Based Funding	1,257,859	1,273,742
South Australia Activity Based Funding	1,578,823	2,012,856
Withdrawal of Activity Based Funding in excess of funding obligations	-	(12,000)
TOTAL	2,836,682	3,274,598

The amounts paid by the Commonwealth into the South Australia State Pool Account excludes Hospital Services Payments made under the NPCR of \$20,049,199 in 2020-21 (\$6,654,908 in 2019-20). Please refer Note 7.

Note 3: Cross-border receipts

Total cross-border receipts paid into the South Australia State Pool Account from other States and Territories:

States and Territories	2021 \$'000	2020 \$'000
CROSS-BORDER RECEIPTS		
New South Wales	-	-
Victoria	-	20,298
Queensland	4,644	4,752
Western Australia	4,111	1,476
Tasmania	1,102	743
Australian Capital Territory	-	-
Northern Territory	-	22,005
TOTAL	9,857	49,274

South Australia State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

Note 4: Activity Based Funding payments

Total payments made out of the South Australia State Pool
Account in respect of each Local Hospital Network:

Local Hospital Network	2021 \$'000	2020 \$'000
Barossa Hills Fleurieu Local Health Network	108,941	101,865
Central Adelaide Local Health Network	1,113,240	1,071,019
Central Office Services	58,074	44,769
Eyre and Far North Local Health Network	36,721	35,726
Flinders and Upper North Local Health Network	87,056	83,877
Limestone Coast Local Health Network	70,932	67,635
Northern Adelaide Local Health Network	566,276	573,847
Riverland Mallee Coorong Local Health Network	62,626	56,944
Southern Adelaide Local Health Network	834,571	767,599
Women's and Children's Health Network	283,223	286,884
Yorke and Northern Local Health Network	38,100	42,678
TOTAL	3,259,760	3,132,843

The Administrator makes payments from the South Australia State Pool Account in accordance with the directions of the South Australia Minister for Health. The South Australia Minister for Health directed all Activity Based Funding contributions paid to Local Hospital Networks.

South Australia State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

Note 5: Cross-border payments

Total cross-border payments made out of the South Australia State Pool Account to other States and Territories:

States and Territories	2021 \$'000	2020 \$'000
CROSS-BORDER PAYMENTS		
New South Wales	-	-
Victoria	-	30,937
Queensland	6,524	5,508
Western Australia	3,785	1,522
Tasmania	686	449
Australian Capital Territory	-	-
Northern Territory	-	10,567
TOTAL	10,995	48,983

Note 6: Activity Based Funding receipts and payments

Total South Australia and Commonwealth Activity Based Funding contributions and total Local Hospital Network Activity Based Funding payments:

	2021 \$'000	2020 \$'000
Total Activity Based Funding receipts from the Commonwealth Government	1,257,859	1,273,742
Total Activity Based Funding receipts from South Australia Government	1,578,823	2,012,856
Withdrawal of Activity Based Funding in excess of funding obligations	-	(12,000)
Cross-border receipts	9,857	49,274
Cross-border payments	(10,995)	(48,983)
Activity Based Funding payments to Local Hospital Networks	(3,259,760)	(3,132,843)
NET RECEIPTS/(PAYMENTS)	(424,216)	142,046

For 2021, the payments in excess of receipts balance is represented by \$423,078,063 excess State Activity based payments, transfers of \$9,856,588 in cross-border receipts to the South Australia State Health Department and cross-border payments of \$10,994,995.

For 2020, the receipts in excess of payments balance is represented by over deposits of the South Australian Activity Based Funding Contribution of \$141,754,101, transfers of \$49,274,607 in cross-border receipts to the South Australia State Health Account and cross-border payments of \$48,982,653.

South Australia State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

Note 7: COVID-19 funding

COVID-19 funding is provided monthly in advance based on estimates submitted by States and Territories and is subject to reconciliation. Final funding entitlements are determined after actual activity data on hospital services and actual in-scope expenditure are submitted.

The types of funding and payments under the NPCR include:

THE UPFRONT ADVANCE PAYMENT

In March 2020, the Commonwealth provided an upfront advanced payment of \$100 million to States and Territories on a population share basis. This is an advance payment to ensure the timely availability of funds under the NPCR. The Upfront Advance Payment has been subsequently offset against State Public Health requirements.

THE HOSPITAL SERVICES PAYMENT

The Commonwealth provides a 50 per cent contribution for costs incurred by States and Territories, through monthly payments, for the diagnosis and treatment of COVID-19 including suspected cases.

THE STATE PUBLIC HEALTH PAYMENT

The Commonwealth provides a 50 per cent contribution for additional costs incurred by States and Territories, through monthly payments, for COVID-19 activities undertaken by State and Territory public health systems for the management of the outbreak.

In 2021, Commonwealth, State and Territory governments entered into an agreement in relation to the coordination and delivery of the COVID-19 vaccine under Schedule C of the NPCR. Where eligible, funding contributions in relation to this activity are included within the State Public Health Payment. As at 30 June 2021 South Australia had not met the requirements under Schedule C of the NPCR.

THE PRIVATE HOSPITAL FINANCIAL VIABILITY PAYMENT

The Commonwealth contributes 100 per cent of the Private Hospital Financial Viability Payment to retain capacity for responding to State and Territory or Commonwealth public health requirements.

COVID-19 funding receipts and payments:

	2021 \$'000	2020 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT		
From Commonwealth Government		
Upfront Advance Payment	-	6,908
Hospital Services Payments	20,049	6,655
State Public Health Payments	103,609	12,853
Private Hospital Financial Viability Payment	(57,020)	88,958
TOTAL COMMONWEALTH RECEIPTS	66,638	115,374
From South Australia Government		
Hospital Services Payments	29,914	17,969
State Public Health Payments	150,763	15,296
TOTAL SOUTH AUSTRALIA GOVERNMENT RECEIPTS	180,677	33,265
TOTAL RECEIPTS	247,315	148,639
PAYMENTS OUT OF THE STATE POOL ACCOUNT		
To South Australia Government (Including Local Hospital Networks)		
Hospital Services Payments	49,963	24,624
State Public Health Payments	254,370	35,056
Private Hospital Financial Viability Payment	(37,141)	69,079
TOTAL PAYMENTS	267,194	128,759
NET RECEIPTS / (PAYMENTS) FOR THE YEAR	(19,880)	19,880
OPENING CASH BALANCE	19,880	-
CLOSING CASH BALANCE	-	19,880

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

In 2019-20 the \$69.079 million Private Hospital Financial Viability Payment is a net figure being an initial payment of \$88.958 million offset by \$19.880 million that was subsequently repaid into the State Pool in June 2020.

End of Audited Special Purpose Financial Statement.

TASMANIA

Funding and Payments

\$1.6B

total funding
that was paid to

1

Local Hospital
Network (LHN)

\$0.9B

in Activity Based Funding
that delivered

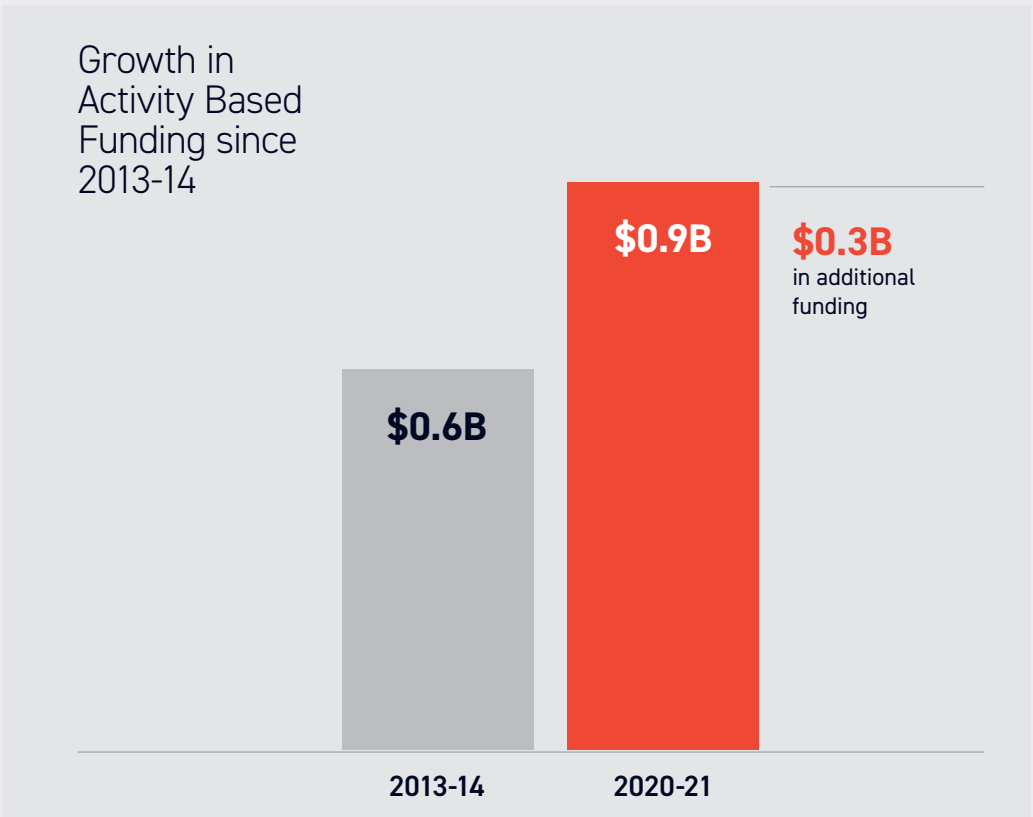
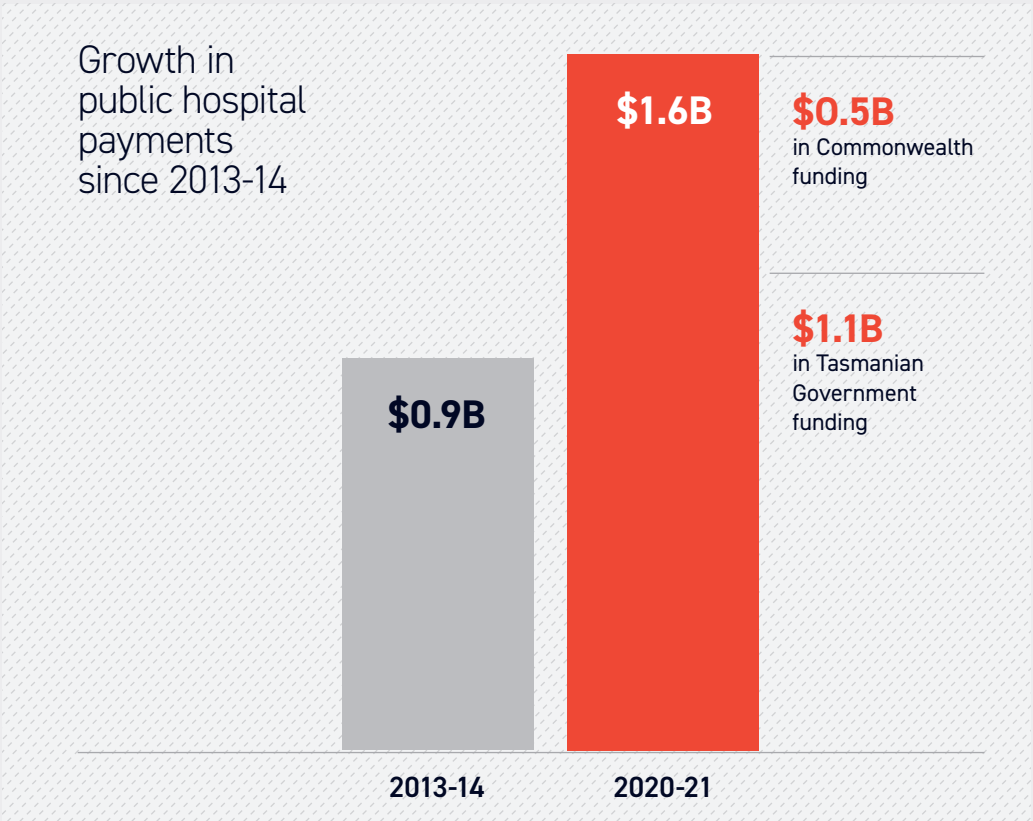
169,903

National Weighted
Activity Units (NWAU)

These amounts do not include transactions related to the NPCR. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

National Health Reform disclosures for the year ended 30 June 2021

Issued by the Administrator of the National Health Funding Pool under section 241(2) of the Commonwealth *National Health Reform Act 2011* and section 18(2) of the Tasmanian *National Health Funding Administration Act 2012*.



Section 241(2) of the NHR Act outlines certain disclosures to be included in this Annual Report.

The information reported is specific to the transactions of the 'relevant State'.

For the purposes of this legislative reporting, the 'relevant State' is the State or Territory that holds the bank accounts opened under the laws of that State or Territory for NHR Agreement purposes.

The values are rounded to the nearest thousand dollars unless otherwise specified.

NHR funding and payments shown in the following tables include Goods and Services Tax (GST) where applicable.

The information disclosed in the following tables is provided by Tasmania (TAS) and forms part of the Administrator's monthly reporting requirements, located at www.publichospitalfunding.gov.au

For further information on the types of National Health Reform funding, refer to the 'Introduction' chapter of this Annual Report.

Commonwealth National Health Reform funding entitlement based on actual services provided and cash paid in each financial year

\$'000	2016-17 Entitlement	2017-18 Entitlement	2018-19 Entitlement	2019-20 Entitlement	2020-21 Estimate	TOTAL
Cash Paid 2016-17 Total	387,688	-	-	-	-	387,688
Cash Paid 2017-18 Total	8,493	411,293	-	-	-	419,786
Cash Paid 2018-19 Total	(6,709)	822	430,413	-	-	424,526
Cash Paid 2019-20 Total	-	-	6,531	437,901	-	444,432
Cash Paid 2020-21 Total	-	-	-	5,267	473,481	478,748
CURRENT ENTITLEMENT TOTAL	389,473	412,115	436,944	443,168¹	473,481²	2,155,181

1 The 2019-20 Commonwealth NHR funding entitlement excludes \$6,490,165 in HSP under the NPCR.

2 The 2020-21 Commonwealth NHR funding estimate excludes \$3,512,133 in HSP under the NPCR.

The amounts paid into each State Pool Account by the Commonwealth and the basis on which the payments were made – Section 241(2)(B)

Component	Amount paid by Commonwealth into Tasmania State Pool Account (\$'000)	
	2020-21	2019-20
Activity Based Funding	389,165	362,922
Block funding	80,207	72,667
Public Health funding	9,376	8,842
TASMANIA TOTAL	478,748	444,432

The amounts paid by the Commonwealth into the State Pool Accounts excludes HSP payments made under the NPCR of \$9,357,981 in 2020-21 (\$644,317 in 2019-20).

Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

The amounts paid into each State Pool Account and State Managed Fund by the relevant State and the basis on which the payments were made – Section 241(2)(A)

Component	Amount paid by Tasmania (\$'000)	
	2020-21	2019-20
State Pool Account - Activity Based Funding	519,902	460,206
State Managed Fund - Block funding	558,859	550,062
TASMANIA TOTAL	1,078,761	1,010,268

In accordance with the provisions of the NHR Act, this table does not include interest deposited in the Pool account and cross-border transactions.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

The number of public hospital services funded for each Local Hospital Network in accordance with the system of Activity Based Funding – Section 241(2)(E)

Local Hospital Network	Number of ABF public hospital services funded (NWAU)	
	2020-21 ¹ Estimate	2019-20 ² Actual
Tasmanian Health Service	169,903	159,065
TASMANIA TOTAL	169,903	159,065

1 2020-21 NWAU as per the updated activity estimates as at the Administrator's June 2021 Payment Advice.

2 2019-20 NWAU as per the 2019-20 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2019-20.

The NWAU is the unit of measurement for the ABF system. It is a measure of health service activity expressed as a common unit, against which the NEP is paid. It provides a way of comparing and valuing each ABF public hospital service, by weighting it for its clinical complexity.

States and Territories provide NWAU estimates at the start of each financial year for Commonwealth payment purposes. These estimates may be revised during the course of the year and form the basis of Commonwealth funding until actual service volumes become available.

The number of other public hospital services and functions funded from each State Pool Account or State Managed Fund – Section 241(2)(F)

Unlike the unit of measurement for Activity Based services (i.e. NWAU), there is currently no nationally standardised measurement system for 'other public hospital services.

In the absence of such a national system, the NHR Agreement allows for information to be based on the unit measurement classification and funding arrangements used in individual States and Territories.

However, in 2019–20 and 2020–21 Tasmania did not report any 'other public hospital services and functions funded' from their Pool account or State Managed Fund.

The amounts paid from each State Pool Account and State Managed Fund and the basis on which the payments were made in 2020-21 (\$'000)— Section 241(2)(C)(D)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
Tasmanian Health Service	909,067	639,066	1,548,133
State Managed Fund	80,207	-	80,207
Other organisations or funds	65,431	-	65,431
TASMANIA TOTAL	1,054,705	639,066	1,693,771

The 2020-21 amounts paid by the Commonwealth into the State Pool Accounts excludes HSP made under the NPCR of \$9,357,981.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

For the Tasmania basis of payments, refer to page 195.

The amounts paid from each State Pool Account and State Managed Fund and the basis on which the payments were made in 2019-20 (\$'000) – Section 241(2)(C)(D)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
Tasmanian Health Service	823,128	622,729	1,445,857
State Managed Fund	72,667	-	72,667
Other organisations or funds	46,351	-	46,351
TASMANIA TOTAL	942,146	622,729	1,564,876

The 2019-20 amounts paid by the Commonwealth into the State Pool Accounts excludes HSP made under the NPCR of \$644,317.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

For the Tasmania basis of payments, refer to page 195.

Tasmania basis for National Health Reform payments 2020-21

To meet the reporting requirements of Section 240 of the National Health Reform Act 2011, the Administrator is to include the basis of each State and Territory's National Health Reform (NHR) funding and payments.

To provide consistency in methodology and with the *Addendum to the National Health Reform Agreement 2020-21 to 2024-25*, the 2020-21 Tasmanian Funding Model has implemented the:

- National Efficient Price (NEP20) as the currency for Activity Based Funding (ABF) facilities. The NEP is \$5,320 per national weighted activity unit (NWAU20).
- National Efficient Cost (NEC20) Block funded model as the currency for small regional and remote hospitals, standalone hospitals providing specialist Mental Health services (admitted and non-admitted), Child and Adolescent mental health services, Non-admitted Home Ventilation and Clinical Teaching, Training, and Research provided in the major hospitals.
 - » Small regional and remote hospitals, standalone admitted specialist Mental Health Hospitals use the IHPA developed Fixed and variable model.
 - » The NEC fixed component is determined as:
 - \$2.040 million for hospitals with an annual national weighted activity unit (NWAU (19)) less than or equal to 176
 - \$2.040 million less 0.029 per cent per-NWAU (19) for hospitals with an annual NWAU (19) greater than 176, with an additional loading of 39.1 per cent for 'very remote' hospitals. The NEC variable component of the efficient cost is determined as \$5,687 per-NWAU (19) for hospitals with an annual NWAU (19) greater than 176.

- » Specialist Mental Health non-admitted services, Child and Adolescent mental health services, Non-admitted Home Ventilation and Clinical Teaching, Training, and Research. The NEC has been set using the cost of these services as negotiated with the Pricing Authority.

- Supplementation Grants are incorporated into the Tasmanian Funding Model as a mechanism for 'keeping the system safe and operating' while transitioning to Activity Based Funding. Supplementation Grants have been provided to Hospital at the ABF Service Category. These Supplementation grants are based on historical costs variation as identified by IHPA in the annual NEP development process.

NHR payments in Tasmania are based upon the activity outlined in the Service Plan between the Minister for Health and the Secretary of the Tasmanian Department of Health.

The service plan outlines:

- The schedule and volume of ABF services across streams to be delivered by or on behalf of the LHN and the ABF funding to be provided in relation to the provision of those services.
- The NEC block funding for service provided through:
 - » Small rural hospitals, standalone hospitals providing specialist mental health services and eligible community mental health services
 - » Major hospitals for:
 - Non-admitted Home Ventilation
 - Clinical Teaching, Training, and Research

- Operational and block grants to the LHN covering services provided and activities undertaken that are not within scope for ABF, for example, Alcohol and Drug Services, dental services, Child Health and Parenting Services, primary care, home and community care.
- Schedule of Supplementation Grants at the ABF stream level in recognition that the LHN has reported average costs greater than the NEP.
- Standards of patient care and service delivery.
- Performance standards, performance targets and performance measures for the LHN.
- Requirements for the LHN to report on its performance, as required or otherwise.
- Stand-alone hospitals providing specialist Mental Health services (admitted and non-admitted) Child and Adolescent mental health services, Teaching, Training, and Research and Non-admitted Home Ventilation are modelled based on historical activity volumes and expenditure profiles and adjusted for known changes in service delivery and capacity.
- Non-NHRA and non-hospital services are block-funded and modelled based on historical expenditure profiles and other known growth factors.
- The Supplementation Grant at the ABF stream level are based on the prior year National Hospital Cost Data collections ABF Service Category Cost Ratio.

A performance management process that is to be in continuous operation in respect of the LHN.

The ABF funded facilities' service profiles are developed in negotiation with the LHN as follows:

- Acute admitted and Sub-acute and Non-acute service activity volumes are modelled based on historical activity data and agreed growth rates and adjusted for known service capacity and profile changes.
- Emergency Department and Outpatient service volumes are modelled based on agreed growth rates and other known factors.
- Clinical Teaching Training and Research, Home Ventilation services are modelled based on historical expenditure profiles and adjusted for known changes.
- Small regional and remote hospitals are modelled based on the small hospital NEC fixed cost component and the variable cost component result.

Further information regarding the Basis for National Health Reform payments in both 2020-21 and previous financial years is included at www.publichospitalfunding.gov.au



TASMANIA

Financial Statement

**National Health Funding Pool
Tasmania State State Pool Account
Special Purpose Financial Statement
for the year ended 30 June 2021**

Issued by the Administrator of the National Health Funding Pool under section 242 of the Commonwealth *National Health Reform Act 2011* and section 19 of the Tasmanian *National Health Funding Administration Act 2012*.



Contents

Independent Auditor's Report	199
Statement by the Administrator of the National Health Funding Pool	201
Tasmania State Pool Account	
Statement of Receipts and Payments for the year ended 30 June 2021	202

Tasmania State Pool Account Notes to and forming part of the Special Purpose Financial Statement for the year ended 30 June 2021

Note 1: Summary of significant accounting policies	203
Note 2: Activity Based Funding receipts	206
Note 3: Cross-border receipts	206
Note 4: Activity Based Funding payments	207
Note 5: Cross-border payments	207
Note 6: Activity Based Funding receipts and payments	208
Note 7: COVID-19 funding	209

Independent Auditor's Report



Independent Auditor's Report

To the Members of the Tasmanian Parliament

National Health Funding Pool – Tasmania State Pool Account

Report on the Audit of the Statement of Receipts and Payments

Opinion

I have audited the accompanying financial statement of the Tasmania State Pool Account of the National Health Funding Pool (the Pool), which comprises a statement of receipts and payments for the year ended 30 June 2021, cash balances at the beginning and end of that year, other explanatory notes and the statement of certification by the Administrator of the Pool (the Administrator).

In my opinion, the accompanying financial statement presents fairly, in all material respects, the cash receipts and payments for the year ended 30 June 2021 and such components of financial position as are disclosed, at that date, in accordance with the *National Health Funding Administration Act 2012 (Tasmania)* and section 242 of the *National Health Reform Act 2011 (Commonwealth)* and the *National Health Reform Agreement 2011*.

Basis for Opinion

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statement* section of my report. I am independent of the Pool in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial statement in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter - Basis of Accounting

I draw attention to Note 1(B) to the financial statement, which describes the basis of accounting. The financial statement has been prepared to assist the Pool to meet the financial reporting requirements of section 19 of the *National Health Funding Administration Act 2012 (Tasmania)*, section 242 of the *National Health Reform Act 2011 (Commonwealth)* and the *National Health Reform Agreement 2011*. As a result, the financial statement may not be suitable for another purpose. My opinion is not modified in respect of this matter.

Responsibilities of the Administrator for the Financial Statement

The Administrator is responsible for the preparation and fair presentation of the financial statement in accordance with the cash receipts and disbursements basis of accounting as described in Note 1(B); this includes determining that the cash receipts and disbursements basis of accounting is an acceptable basis for preparation of the financial statement in the circumstances, and for such internal control as the Administrator determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, the Administrator is responsible for assessing the Pool's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Administrator either intends to liquidate the Pool or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statement

My objectives are to obtain reasonable assurance about whether the financial statement as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Administrator.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pool's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Pool to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Administrator regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



David Bond
Assistant Auditor-General – Audit
Delegate of the Auditor-General
 Tasmanian Audit Office

9 September 2021
 Hobart

Statement by the Administrator of the National Health Funding Pool



Administrator
National Health
Funding Pool

Statement by the Administrator of the National Health Funding Pool Tasmania State Pool Account

I report that, as indicated in Note 1(b) to the financial statement, I have determined that the attached Special Purpose Financial Statement comprising of a statement of receipts and payments and accompanying notes provides a fair presentation in accordance with the Tasmanian *National Health Funding Administration Act 2012*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

In my opinion, the attached Special Purpose Financial Statement for the year ended 30 June 2021 is based on properly maintained financial records and gives a true and fair view of the matters required by the Tasmanian *National Health Funding Administration Act 2012*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

Michael Lambert
Administrator
National Health Funding Pool

8 September 2021

Tasmania State Pool Account

Statement of Receipts and Payments for the year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth Government			
Activity Based Funding	2, 6	389,165	362,922
Block funding		80,207	72,667
Public Health funding		9,376	8,842
COVID-19 funding	7	32,570	75,414
From Tasmania Government			
Activity Based Funding	2, 6	519,902	460,206
Cross-border contribution	5	47,529	29,300
COVID-19 funding	7	-	-
From other States or Territories			
Cross-border receipts	3, 6	8,525	8,208
From Reserve Bank of Australia			
Interest receipts		1	1
TOTAL RECEIPTS		1,087,275	1,017,560
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding	4, 6	909,067	823,128
COVID-19 funding	7	9,358	67
To Tasmania State Managed Fund			
Block funding		80,207	72,667
Cross-border transfer		-	-
To Department of Health			
Public Health funding		9,376	8,842
COVID-19 funding	7	23,212	75,347
Interest payments		1	1
Cross-border transfer		8,525	8,208
To other States or Territories			
Cross-border payments	5, 6	47,529	29,300
TOTAL PAYMENTS		1,087,275	1,017,560
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		-	-
OPENING CASH BALANCE		-	-
CLOSING CASH BALANCE		-	-

The above statement of receipts and payments should be read in conjunction with the accompanying notes.

Tasmania State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

Note 1: Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the Special Purpose Financial Statement are set out below.

(A) REPORTING ENTITY

The Administrator of the National Health Funding Pool (Administrator) is an independent statutory office holder, distinct from the Commonwealth, State and Territory governments, established under legislation of the Commonwealth and State and Territory governments. Mr Michael Lambert was appointed as the Administrator on 17 July 2018.

(B) BASIS OF PREPARATION

The Tasmania State Pool Account was established at the Reserve Bank of Australia (RBA) in 2012-13 in accordance with Part 3, section 11 of the *Tasmania National Health Funding Administration Act 2012* and the Special Purpose Financial Statement has been prepared in accordance with Part 4, section 19 of that Act and section 242 of the Commonwealth *National Health Reform Act 2011*.

The Special Purpose Financial Statement has been prepared on a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

The Special Purpose Financial Statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The Special Purpose Financial Statement was authorised for release by the Administrator on 8 September 2021.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2019-20 and 2020-21 are for the year ended 30 June.

(D) NATIONAL HEALTH FUNDING POOL

The National Health Funding Pool (Funding Pool) consists of eight State and Territory bank accounts (State Pool Accounts).

(E) ACTIVITY BASED FUNDING

Activity Based Funding (ABF) is a system for funding public hospital services provided to individual patients using national classifications, price weights and National Efficient Prices developed by the Independent Hospital Pricing Authority (IHPA). ABF is paid by the Commonwealth, States and Territories into the Funding Pool.

In 2019-20 and 2020-21 the Commonwealth, States and Territories ABF supported the following:

- i. emergency department services;
- ii. acute admitted services;
- iii. admitted mental health services;
- iv. sub-acute and non-acute services; and
- v. non-admitted services.

State or Territory ABF contributions into the Funding Pool are calculated by the State or Territory as the system manager of the public hospital system. The Service Agreement between the State or Territory and each Local Hospital Network (LHN) specifies the service delivery and funding parameters.

Commonwealth ABF contributions for each service category were calculated by summing the Tasmania prior year amounts and efficient growth. Efficient growth is determined by measuring the change in efficient price and

volume. The price adjustment is 45 per cent of the change in the National Efficient Price relative to the prior year. The volume adjustment is 45 per cent of the net change in the volume of weighted services relative to the prior year.

In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements. Final funding entitlements for the year are calculated after actual data on hospital services becomes available. This calculation will generally result in reconciliation adjustments being made to the Commonwealth ABF contribution to each LHN to align with the actual services delivered.

(F) BLOCK FUNDING

Block funding is provided by the Commonwealth into the Funding Pool for States and Territories to support teaching and research undertaken in public hospitals and for some public hospital services where it is more appropriate to be Block funded, particularly for smaller rural and regional hospitals.

In 2019-20 and 2020-21 the Commonwealth Block funding supported the following:

- i. small rural hospitals;
- ii. teaching, training and research;
- iii. non-admitted mental health;
- iv. non-admitted home ventilation;
- v. other non-admitted services; and
- vi. highly specialised therapies.

In 2019-20 Commonwealth Block funding also supported other public hospital programs, including non-admitted child and adult mental health services and CAR-T therapy (Kymriah).

In 2019-20 and 2020-21 the Commonwealth Block contributions for each service category were calculated by summing prior year amounts and 45 per cent of the change in the National Efficient Cost between the current year and the prior year. Highly specialised therapies are contributed at 50 per cent of the growth in the efficient price or cost.

Tasmania State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

(G) PUBLIC HEALTH FUNDING

The Commonwealth contributes amounts into the Funding Pool for Public Health funding. This is calculated by the Commonwealth Treasury and includes amounts for national public health, youth health services and essential vaccines. This payment is indexed in accord with the previous existing health specific purpose payment.

(H) CROSS-BORDER

When a resident of one State or Territory receives hospital treatment in another State or Territory, the provider State or Territory is compensated for the cost of that treatment. The resident State or Territory pays its share through the Funding Pool to the provider State or Territory (refer Note 3 and Note 5).

The Commonwealth share of the cost of treating the patient is paid through the Funding Pool as part of the normal Activity Based Funding. The Commonwealth contribution to each State or Territory covers all eligible patients treated, regardless of where they reside.

(I) INTEREST

Interest earned and deposited by the RBA into the State Pool Account is recognised as interest received at the time the deposit is made. Interest paid from the State Pool Account to the State or Territory is recognised as an interest payment at the time the payment is made from the State Pool Account.

(J) TAXATION

State Pool Accounts are not subject to income tax. The majority of government funding, from the Commonwealth, State or Territory, to LHNs is not subject to the Goods and Services Tax (GST). However, in some cases hospital funding to non-government entities does attract GST,

for example, denominational hospitals, privately and commercially owned health facilities, or other non-government third party providers of health services or related supplies.

(K) COVID-19 FUNDING

The National Partnership on COVID-19 Response (NPCR) was agreed to and signed by the Council of Australian Governments on Friday, 13 March 2020. The objective of this agreement is to provide Commonwealth financial assistance for the additional costs incurred by State and Territory health services in responding to the COVID-19 outbreak. The NPCR was subsequently amended and agreed to in April 2020 to include the Private Hospital Financial Viability Payment. In February 2021, the NPCR was amended with respect to the coordination and delivery of the COVID-19 vaccine under Schedule C.

Financial assistance has been provided by the Commonwealth in the form of the Hospital Services Payments calculated on an activity basis, State Public Health Payments (including coordination and delivery of the COVID-19 vaccine) as well as the Private Hospital Financial Viability Payment.

(L) COMMONWEALTH FUNDING GUARANTEE

For the 2019-20 and 2020-21 financial year, the Commonwealth provided the States and Territories with a minimum funding guarantee for funding related to the National Health Reform Agreement and the Hospital Services Payment component of the NPCR. Where a State or Territory is eligible for the Commonwealth funding guarantee, an additional payment is made in the following financial year after the annual reconciliation to meet the minimum amount guaranteed by the Commonwealth.

Note 2: Activity Based Funding receipts

Total receipts paid into the Tasmania State Pool Account in respect of Activity Based Funding:

	2021 \$'000	2020 \$'000
Commonwealth Activity Based Funding	389,165	362,922
Tasmania Activity Based Funding	519,902	460,206
TOTAL	909,067	823,128

The amounts paid by the Commonwealth into the Tasmania State Pool Account excludes Hospital Services Payments made under the NPCR of \$9,357,981 in 2020-21 (\$644,317 in 2019-20). Please refer Note 7.

Note 3: Cross-border receipts

Total cross-border receipts paid into the Tasmania State Pool Account from other States and Territories:

States and Territories	2021 \$'000	2020 \$'000
CROSS-BORDER RECEIPTS		
New South Wales	2,806	2,402
Victoria	3,223	2,600
Queensland	1,324	1,856
Western Australia	448	720
South Australia	686	450
Australian Capital Territory	-	59
Northern Territory	38	121
TOTAL	8,525	8,208

Where no cross-border receipts were reported through the Tasmania State Pool Account, other bilateral arrangements between the States and Territories may exist.

Tasmania State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

Note 4: Activity Based Funding payments

Total payments made out of the Tasmania State Pool Account
in respect of each Local Hospital Network:

Local Hospital Network	2021 \$'000	2020 \$'000
Tasmanian Health Service	909,067	823,128
TOTAL	909,067	823,128

The Administrator makes payments from the Tasmania State Pool Account in accordance with the directions of the Tasmania Minister for Health. The Tasmania Minister for Health directed all Activity Based Funding contributions paid to Local Hospital Networks.

Note 5: Cross-border payments

Total cross-border payments made out of the Tasmania State Pool
Account to other States and Territories:

States and Territories	2021 \$'000	2020 \$'000
CROSS-BORDER PAYMENTS		
New South Wales	3,971	3,507
Victoria	39,553	19,647
Queensland	2,056	3,941
Western Australia	581	908
South Australia	1,102	743
Australian Capital Territory	-	94
Northern Territory	266	460
TOTAL	47,529	29,300

Where no cross-border payments were reported through the Tasmania State Pool Account, there may be other bilateral arrangements between the States and Territories.

Note 6: Activity Based Funding receipts and payments

Total Tasmania and Commonwealth Activity Based Funding contributions and total Local Hospital Network Activity Based Funding payments:

	2021 \$'000	2020 \$'000
Total Activity Based Funding receipts from the Commonwealth Government	389,165	362,922
Total Activity Based Funding receipts from Tasmania Government	519,902	460,206
Cross-border receipts	8,525	8,208
Cross-border payments	(47,529)	(29,300)
Activity Based Funding payments to Local Hospital Networks	(909,067)	(823,128)
NET RECEIPTS/(PAYMENTS)	(39,004)	(21,090)

For 2021, the payments in excess of receipts balance is represented by transfers of \$8,526,269 in cross-border receipts to the Tasmania State Health Account and cross-border payments of \$47,529,233.

For 2020, the payments in excess of receipts balance is represented by transfers of \$8,208,477 in cross-border receipts to the Tasmania State Health Account and cross-border payments of \$29,299,739.

Tasmania State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

Note 7: COVID-19 funding

COVID-19 funding is provided monthly in advance based on estimates submitted by States and Territories and is subject to reconciliation. Final funding entitlements are determined after actual activity data on hospital services and actual in-scope expenditure are submitted.

The types of funding and payments under the NPCR include:

THE UPFRONT ADVANCE PAYMENT

In March 2020, the Commonwealth provided an upfront advanced payment of \$100 million to States and Territories on a population share basis. This is an advance payment to ensure the timely availability of funds under the NPCR. The Upfront Advance Payment has been subsequently offset against State Public Health requirements.

THE HOSPITAL SERVICES PAYMENT

The Commonwealth provides a 50 per cent contribution of the National Efficient Price, for costs incurred by States and Territories, through monthly payments, for the diagnosis and treatment of COVID-19 including suspected cases.

THE STATE PUBLIC HEALTH PAYMENT

The Commonwealth provides a 50 per cent contribution for additional costs incurred by States and Territories, through monthly payments, for COVID-19 activities undertaken by State and Territory public health systems for the management of the outbreak.

In 2021, Commonwealth, State and Territory governments entered into an agreement in relation to the coordination and delivery of the COVID-19 vaccine under Schedule C of the NPCR. Where eligible, funding contributions in relation to this activity are included within the State Public Health Payment.

THE PRIVATE HOSPITAL FINANCIAL VIABILITY PAYMENT

The Commonwealth contributes 100 per cent of the Private Hospital Financial Viability Payment for private hospitals to retain capacity for responding to State and Territory or Commonwealth public health requirements.

COVID-19 funding receipts and payments:

	2021 \$'000	2020 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT		
From Commonwealth Government		
Upfront Advance Payment	-	2,107
Hospital Services Payments	9,358	644
State Public Health Payments	46,261	39,769
Private Hospital Financial Viability Payment	(23,049)	32,894
TOTAL COMMONWEALTH RECEIPTS	32,570	75,414
From Tasmania Government		
Hospital Services Payments	-	-
State Public Health Payments	-	-
TOTAL TASMANIA GOVERNMENT RECEIPTS	-	-
TOTAL RECEIPTS	32,570	75,414
PAYMENTS OUT OF THE STATE POOL ACCOUNT		
To Tasmania Government (Including Local Hospital Networks)		
Hospital Services Payments	9,358	644
State Public Health Payments	46,261	41,876
Private Hospital Financial Viability Payment	(23,049)	32,894
TOTAL PAYMENTS	32,570	75,414
NET RECEIPTS / (PAYMENTS) FOR THE YEAR	-	-
OPENING CASH BALANCE	-	-
CLOSING CASH BALANCE	-	-

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

End of Audited Special Purpose Financial Statement.

AUSTRALIAN CAPITAL TERRITORY

Funding and Payments

\$1.4B

total funding
that was paid to

1

Local Hospital
Network (LHN)

\$1.2B

in Activity Based Funding
that delivered

176,976

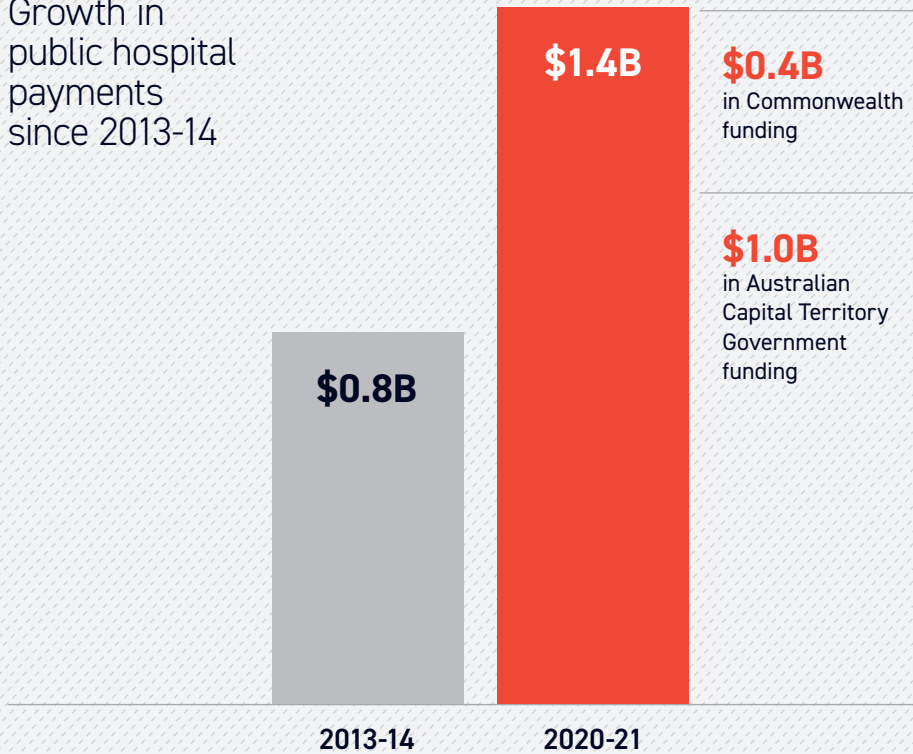
National Weighted
Activity Units (NWAU)

These amounts do not include transactions related to the NPCR. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

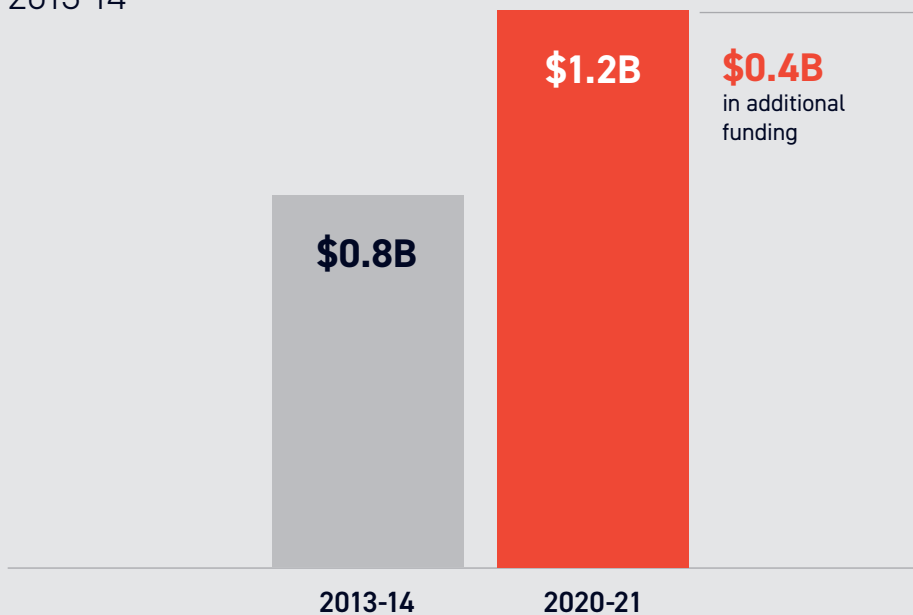
National Health Reform disclosures for the year ended 30 June 2021

Issued by the Administrator of the National Health Funding Pool under section 241(2) of the Commonwealth *National Health Reform Act 2011* and section 25(2) of the Australian Capital Territory *Health (National Health Funding Pool and Administration) Act 2013*.

Growth in
public hospital
payments
since 2013-14



Growth in
Activity Based
Funding since
2013-14



Section 241(2) of the NHR Act outlines certain disclosures to be included in this Annual Report.

The information reported is specific to the transactions of the 'relevant State'.

For the purposes of this legislative reporting, the 'relevant State' is the State or Territory that holds the bank accounts opened under the laws of that State or Territory for NHR Agreement purposes.

The values are rounded to the nearest thousand dollars unless otherwise specified.

NHR funding and payments shown in the following tables include Goods and Services Tax (GST) where applicable.

The information disclosed in the following tables is provided by Australian Capital Territory (ACT) and forms part of the Administrator's monthly reporting requirements, located at www.publichospitalfunding.gov.au

For further information on the types of National Health Reform funding, refer to the 'Introduction' chapter of this Annual Report.

Commonwealth National Health Reform funding entitlement based on actual services provided and cash paid in each financial year

\$'000	2016-17 Entitlement	2017-18 Entitlement	2018-19 Entitlement	2019-20 Entitlement	2020-21 Estimate	TOTAL
Cash Paid 2016-17 Total	340,782	-	-	-	-	340,782
Cash Paid 2017-18 Total	7,341	362,933	-	-	-	370,274
Cash Paid 2018-19 Total	16,532	10,284	386,622	-	-	413,437
Cash Paid 2019-20 Total	-	-	13,696	420,339	-	434,035
Cash Paid 2020-21 Total	-	-	-	(7,897)	441,294	433,398
CURRENT ENTITLEMENT TOTAL	364,655	373,216	400,317	412,442¹	441,294²	1,991,925

1 The 2019-20 Commonwealth NHR funding entitlement excludes \$7,896,726 in HSP under the NPCR.

2 The 2020-21 Commonwealth NHR funding estimate excludes \$5,304,435 in HSP under the NPCR.

The amounts paid into each State Pool Account by the Commonwealth and the basis on which the payments were made – Section 241(2)(B)

Component	Amount paid by Commonwealth into Australian Capital Territory State Pool Account (\$'000)	
	2020-21	2019-20
Activity Based Funding	395,216	398,418
Block funding	30,828	28,488
Public Health funding	7,354	7,129
AUSTRALIAN CAPITAL TERRITORY TOTAL	433,398	434,035

The amounts paid by the Commonwealth into the State Pool Accounts excludes HSP payments made under the NPCR of \$8,262,161 in 2020-21 (\$4,939,000 in 2019-20).

Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

The amounts paid into each State Pool Account and State Managed Fund by the relevant State and the basis on which the payments were made – Section 241(2)(A)

Component	Amount paid by Australian Capital Territory (\$'000)	
	2020-21	2019-20
State Pool Account - Activity Based Funding	795,491	687,325
State Managed Fund - Block funding	170,431	156,439
AUSTRALIAN CAPITAL TERRITORY TOTAL	965,922	843,764

In accordance with the provisions of the NHR Act, this table does not include interest deposited in the Pool account and cross-border transactions.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

The number of public hospital services funded for each Local Hospital Network in accordance with the system of Activity Based Funding – Section 241(2)(E)

Local Hospital Network	Number of ABF public hospital services funded (NWAU)	
	2020-21 ¹ Estimate	2019-20 ² Actual
ACT Local Hospital Network	176,976	169,986
AUSTRALIAN CAPITAL TERRITORY TOTAL	176,976	169,986

- 1 2020-21 NWAU as per the updated activity estimates as at the Administrator's June 2021 Payment Advice.
- 2 2019-20 NWAU as per the 2019-20 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2019-20.

The NWAU is the unit of measurement for the ABF system. It is a measure of health service activity expressed as a common unit, against which the NEP is paid. It provides a way of comparing and valuing each ABF public hospital service, by weighting it for its clinical complexity.

States and Territories provide NWAU estimates at the start of each financial year for Commonwealth payment purposes. These estimates may be revised during the course of the year and form the basis of Commonwealth funding until actual service volumes become available.

The number of other public hospital services and functions funded from each State Pool Account or State Managed Fund – Section 241(2)(F)

Unlike the unit of measurement for Activity Based services (i.e. NWAU), there is currently no nationally standardised measurement system for 'other public hospital services.

In the absence of such a national system, the NHR Agreement allows for information to be based on the unit measurement classification and funding arrangements used in individual States and Territories.

However, in 2019–20 and 2020–21 Australian Capital Territory did not report any 'other public hospital services and functions funded' from their Pool account or State Managed Fund.

The amounts paid from each State Pool Account and State Managed Fund and the basis on which the payments were made in 2020-21 (\$'000)— Section 241(2)(C)(D)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
ACT Local Hospital Network	1,219,881	201,259	1,421,140
State Managed Fund	30,828	-	30,828
Other organisations or funds	119,111	-	119,111
AUSTRALIAN CAPITAL TERRITORY TOTAL	1,369,820	201,259	1,571,079

The 2020-21 amounts paid by the Commonwealth into the State Pool Accounts excludes HSP made under the NPCR of \$8,262,161.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

For the Australian Capital Territory basis of payments, refer to page 219.

The amounts paid from each State Pool Account and State Managed Fund and the basis on which the payments were made in 2019-20 (\$'000) – Section 241(2)(C)(D)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
ACT Local Hospital Network	1,195,332	184,927	1,380,259
State Managed Fund	28,488	-	28,488
Other organisations or funds	32,512	-	32,512
AUSTRALIAN CAPITAL TERRITORY TOTAL	1,256,333	184,927	1,441,259

The 2019-20 amounts paid by the Commonwealth into the State Pool Accounts excludes HSP made under the NPCR of \$4,939,000.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

For the Australian Capital Territory basis of payments, refer to page 219.

Australian Capital Territory basis for National Health Reform payments 2020-21

To meet the reporting requirements of Section 240 of the National Health Reform Act 2011, the Administrator is to include the basis of each State and Territory's National Health Reform (NHR) funding and payments.

The ACT currently funds its public hospitals on a Block funding model. As such, the ACT does not apply a price per weighted service.

Whilst the ACT does not fund its public hospitals on an activity basis, it continues to provide activity estimates in the ACT Local Hospital Network Service Level Agreement between the ACT Minister for Health and the Director-General of the ACT Health Directorate. The activity estimates reflect trending growth rates based on historical data.

The ACT LHN Service Level Agreement outlines:

- The schedule of services to be delivered by or on behalf of the LHN and the funding to be provided in relation to the provision of those services.
- The block funding to be provided to:
 - » Small hospitals
 - » Major hospitals for:
 - Non-admitted Home Ventilation
 - Non-admitted Mental health services
 - Clinical Teaching, Training, and Research
- Standards of patient care and service delivery.
- Performance standards, performance targets and performance measures for the LHN.
- Requirements for the LHN to report on its performance, as required or otherwise.

The following services are funded by the ACT Government, through the ACT LHN:

- Emergency Department services
- Acute admitted services
- Mental health admitted services
- Sub/Non-acute admitted services
- Non-admitted services
- Non-admitted mental health
- Queen Elizabeth II Hospital
- Non-admitted Child and Adolescent Mental health services
- Non-admitted Home ventilation
- Teaching, Training and Research
- Other NHRA out-of-scope and unallocated services

Further information regarding the Basis for National Health Reform payments in both 2020-21 and previous financial years is included at www.publichospitalfunding.gov.au

INTRODUCTION

NATIONAL

NSW

VIC

QLD

WA

SA

TAS

ACT

NT

ENDNOTES



AUSTRALIAN CAPITAL TERRITORY

Financial Statement



National Health Funding Pool Australian Capital Territory State Pool Account Special Purpose Financial Statement for the year ended 30 June 2021

Issued by the Administrator of the National Health Funding Pool under section 242 of the Commonwealth *National Health Reform Act 2011* and section 26 of the Australian Capital Territory *Health (National Health Funding Pool and Administration) Act 2013*.

Contents

Independent Auditor's Report	223
Statement by the Administrator of the National Health Funding Pool	225
Australian Capital Territory State Pool Account Statement of Receipts and Payments for the year ended 30 June 2021	226

Australian Capital Territory State Pool Account Notes to and forming part of the Special Purpose Financial Statement for the year ended 30 June 2021

Note 1: Summary of significant accounting policies	227
Note 2: Activity Based Funding receipts	230
Note 3: Cross-border receipts	230
Note 4: Activity Based Funding payments	231
Note 5: Cross-border payments	232
Note 6: Activity Based Funding receipts and payments	232
Note 7: COVID-19 funding	233

Independent Auditor's Report



AUDITOR-GENERAL AN OFFICER
OF THE ACT LEGISLATIVE ASSEMBLY 

INDEPENDENT AUDITOR'S REPORT

AUSTRALIAN CAPITAL TERRITORY STATE POOL ACCOUNT

To the Administrator of the National Health Funding Pool

Opinion

I have audited the special purpose financial statement (financial statement) of the Australian Capital Territory State Pool Account for the year ended 30 June 2021. The financial statement is comprised of the statement of receipts and payments and accompanying notes.

In my opinion, the financial statement:

- (i) is in accordance with the *Health (National Health Funding Pool and Administration) Act 2013*, the *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*; and
- (ii) present fairly, in all material aspects, the receipts and payments of the Australian Capital Territory State Pool Account for the year ended 30 June 2021.

Basis for opinion

I conducted the audit in accordance with the Australian Auditing Standards. My responsibilities under the standards are further described in the 'Auditor's responsibilities for the audit of the financial statement' section of this report.

I am independent of the National Health Funding Pool in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (Code). I have also fulfilled my other ethical responsibilities in accordance with the Code.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter – Basis of preparation

I draw your attention to Note 1(B): 'Basis of preparation' of the financial statement, which describes the purpose of the financial statement and the basis of accounting used in the preparation of the financial statement.

The Administrator has determined that a special purpose framework using the cash basis of accounting is appropriate to meet the financial reporting requirements under the *Health (National Health Funding Pool and Administration) Act 2013*, the *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*. As a result, the financial statement may not be suitable for another purpose. My opinion is not modified in respect of this matter.

Responsibility for preparing and fairly presenting the financial statement

The Administrator of the National Health Funding Pool is responsible for:

- preparing and fairly presenting the financial statement in accordance with the *Health (National Health Funding Pool and Administration) Act 2013*, the *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*; and
- determining the internal controls necessary for the preparation and fair presentation of the financial statement so that it is free from material misstatements, whether due to error or fraud.

Auditor's responsibilities for the audit of the financial statement

Under the *Health (National Health Funding Pool and Administration) Act 2013*, the Auditor-General is responsible for issuing an auditor's report that includes an independent opinion on the financial statement of the Australian Capital Territory State Pool Account.

My objective is to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to error or fraud, and to issue an auditor's report that includes my opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from error or fraud and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statement.

As part of the audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identified and assessed the risks of material misstatement of the financial statement, whether due to error or fraud, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- obtained an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the internal controls;
- evaluate the appropriateness of accounting policies used to prepare the financial statement and related disclosures made in the financial statement; and
- evaluated the overall presentation, structure and content of the financial statement, including the disclosures, and whether they represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Administrator of the National Health Funding Pool regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that I identify during my audit.



Ajay Sharma
Assistant Auditor-General, Financial Audit
8 September 2021

Statement by the Administrator of the National Health Funding Pool



Administrator
National Health
Funding Pool

Statement by the Administrator of the National Health Funding Pool Australian Capital Territory State Pool Account

I report that, as indicated in Note 1(b) to the financial statement, I have determined that the attached Special Purpose Financial Statement comprising of a statement of receipts and payments and accompanying notes provides a fair presentation in accordance with the Australian Capital Territory *Health (National Health Funding Pool and Administration) Act 2013*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

In my opinion, the attached Special Purpose Financial Statement for the year ended 30 June 2021 is based on properly maintained financial records and gives a true and fair view of the matters required by the Australian Capital Territory *Health (National Health Funding Pool and Administration) Act 2013*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

Michael Lambert
Administrator
National Health Funding Pool

8 September 2021

Australian Capital Territory State Pool Account

Statement of Receipts and Payments for the year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth Government			
Activity Based Funding	2, 6	395,216	398,417
Block funding		30,828	28,488
Public Health funding		7,354	7,129
COVID-19 funding	7	28,834	41,669
From Australian Capital Territory Government			
Activity Based Funding	2, 6	795,491	687,325
Cross-border contribution	5	24,115	25,383
COVID-19 funding	7	5,339	-
From other States or Territories			
Cross-border receipts	3, 6	116,816	109,590
From Reserve Bank of Australia			
Interest receipts		-	-
TOTAL RECEIPTS		1,403,993	1,298,001
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding	4, 6	1,219,881	1,195,332
COVID-19 funding	7	21,507	37,530
To Australian Capital Territory State Managed Fund			
Block funding		30,828	28,488
Cross-border transfer		-	-
To Australian Capital Territory Health Directorate			
Public Health funding		7,354	7,129
COVID-19 funding	7	12,666	4,139
Interest payments		-	-
Cross-border transfer		87,642	-
To other States or Territories			
Cross-border payments	5, 6	24,115	25,383
TOTAL PAYMENTS		1,403,993	1,298,001
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		-	-
OPENING CASH BALANCE		-	-
CLOSING CASH BALANCE		-	-

The above statement of receipts and payments should be read in conjunction with the accompanying notes.

Australian Capital Territory State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

Note 1: Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the Special Purpose Financial Statement are set out below.

(A) REPORTING ENTITY

The Administrator of the National Health Funding Pool (Administrator) is an independent statutory office holder, distinct from the Commonwealth, State and Territory governments, established under legislation of the Commonwealth and State and Territory governments. Mr Michael Lambert was appointed as the Administrator on 17 July 2018.

(B) BASIS OF PREPARATION

The Australian Capital Territory State Pool Account was established at the Reserve Bank of Australia (RBA) in 2012-13 in accordance with section 15 of the Australian Capital Territory *Health (National Health Funding Pool and Administration) Act 2013* and the Special Purpose Financial Statement has been prepared in accordance with section 26 of that Act and section 242 of the Commonwealth *National Health Reform Act 2011*.

The Special Purpose Financial Statement has been prepared on a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

The Special Purpose Financial Statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The Special Purpose Financial Statement was authorised for release by the Administrator on 8 September 2021.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2019-20 and 2020-21 are for the year ended 30 June.

(D) NATIONAL HEALTH FUNDING POOL

The National Health Funding Pool (Funding Pool) consists of eight State and Territory bank accounts (State Pool Accounts).

(E) ACTIVITY BASED FUNDING

Activity Based Funding (ABF) is a system for funding public hospital services provided to individual patients using national classifications, price weights and National Efficient Prices developed by the Independent Hospital Pricing Authority (IHPA). ABF is paid by the Commonwealth, States and Territories into the Funding Pool.

In 2019-20 and 2020-21 the Commonwealth, States and Territories ABF supported the following:

- i. emergency department services;
- ii. acute admitted services;
- iii. admitted mental health services;
- iv. sub-acute and non-acute services; and
- v. non-admitted services.

State or Territory ABF contributions into the Funding Pool are calculated by the State or Territory as the system manager of the public hospital system. The Service Agreement between the State or Territory and each Local Hospital Network (LHN) specifies the service delivery and funding parameters.

Commonwealth ABF contributions for each service category were calculated by summing the Australian Capital Territory prior year amounts and efficient growth. Efficient growth is determined by measuring the change in efficient price and volume. The price adjustment is 45 per

cent of the change in the National Efficient Price relative to the prior year. The volume adjustment is 45 per cent of the net change in the volume of weighted services relative to the prior year.

In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements. Final funding entitlements for the year are calculated after actual data on hospital services becomes available. This calculation will generally result in reconciliation adjustments being made to the Commonwealth ABF contribution to each LHN to align with the actual services delivered.

(F) BLOCK FUNDING

Block funding is provided by the Commonwealth into the Funding Pool for States and Territories to support teaching and research undertaken in public hospitals and for some public hospital services where it is more appropriate to be Block funded, particularly for smaller rural and regional hospitals.

In 2019-20 and 2020-21 the Commonwealth Block funding supported the following:

- i. small rural hospitals;
- ii. teaching, training and research;
- iii. non-admitted mental health;
- iv. non-admitted home ventilation;
- v. other non-admitted services; and
- vi. highly specialised therapies.

In 2019-20 the Commonwealth Block funding also supported other public hospital programs, including non-admitted child and adolescent mental health services and CAR-T therapy (Kymriah).

In 2019-20 and 2020-21 the Commonwealth Block contributions for each service category were calculated by summing prior year amounts and 45 per cent of the change in the

National Efficient Cost between the current year and the prior year. Highly specialised therapies are contributed at 50 per cent of the growth in the efficient price or cost.

(G) PUBLIC HEALTH FUNDING

The Commonwealth contributes amounts into the Funding Pool for Public Health funding. This is calculated by the Commonwealth Treasury and includes amounts for national public health, youth health services and essential vaccines. This payment is indexed in accord with the previous existing health specific purpose payment.

(H) CROSS-BORDER

When a resident of one State or Territory receives hospital treatment in another State or Territory, the provider State or Territory is compensated for the cost of that treatment. The resident State or Territory pays its share through the Pool to the provider State or Territory (refer Note 3 and Note 5).

The Commonwealth share of the cost of treating the patient is paid through the Funding Pool as part of the normal Activity Based Funding. The Commonwealth contribution to each State or Territory covers all eligible patients treated, regardless of where they reside.

(I) INTEREST

Interest earned and deposited by the RBA into the State Pool Account is recognised as interest received at the time the deposit is made. Interest paid from the State Pool Account to the State or Territory is recognised as an interest payment at the time the payment is made from the State Pool Account.

Australian Capital Territory State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

(J) TAXATION

State Pool Accounts are not subject to income tax. The majority of government funding, from the Commonwealth, State or Territory, to LHNs is not subject to the Goods and Services Tax (GST). However, in some cases hospital funding to non-government entities does attract GST, for example, denominational hospitals, privately and commercially owned health facilities, or other non-government third party providers of health services or related supplies.

(K) COVID-19 FUNDING

The National Partnership on COVID-19 Response (NPCR) was agreed to and signed by the Council of Australian Governments on Friday, 13 March 2020. The objective of this agreement is to provide Commonwealth financial assistance for the additional costs incurred by State and Territory health services in responding to the COVID-19 outbreak. The NPCR was subsequently amended and agreed to in April 2020 to include the Private Hospital Financial Viability Payment. In February 2021, the NPCR was amended with respect to the coordination and delivery of the COVID-19 vaccine under Schedule C.

Financial assistance has been provided by the Commonwealth in the form of the Hospital Services Payments calculated on an activity basis, State Public Health Payments (including coordination and delivery of the COVID-19 vaccine) as well as the Private Hospital Financial Viability Payment.

L) COMMONWEALTH FUNDING GUARANTEE

For the 2019-20 and 2020-21 financial year, the Commonwealth provided the States and Territories with a minimum funding guarantee for funding related to the National Health Reform Agreement and the Hospital Services Payment component of the NPCR. Where a State or Territory is eligible for the Commonwealth funding guarantee, an additional payment is made in the following financial year after the annual reconciliation to meet the minimum amount guaranteed by the Commonwealth

Note 2: Activity Based Funding receipts

Total receipts paid into the Australian Capital Territory State Pool Account in respect of Activity Based Funding:

	2021 \$'000	2020 \$'000
Commonwealth Activity Based Funding	395,216	398,417
Australian Capital Territory Activity Based Funding	795,491	687,325
TOTAL	1,190,707	1,085,742

The amounts paid by the Commonwealth into the State Pool Accounts excludes Hospital Services Payments made under the NPCR of \$8,262,161 in 2020-21 (\$4,939,000 in 2019-20). Please refer Note 7.

Note 3: Cross-border receipts

Total cross-border receipts paid into the Australian Capital Territory State Pool Account from other States and Territories:

States and Territories	2021 \$'000	2020 \$'000
CROSS-BORDER RECEIPTS		
New South Wales	116,400	104,340
Victoria	-	3,885
Queensland	-	1,000
Western Australia	341	188
South Australia	-	-
Tasmania	-	94
Northern Territory	75	83
TOTAL	116,816	109,590

Where no cross-border receipts were reported through the Australian Capital Territory State Pool Account, other bilateral arrangements between the States and Territories may exist.

Australian Capital Territory State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

Note 4: Activity Based Funding payments

Total payments made out of the Australian Capital Territory State Pool Account
in respect of each Local Hospital Network:

Local Hospital Network	2021 \$'000	2020 \$'000
ACT Local Hospital Network	1,219,881	1,195,332
TOTAL	1,219,881	1,195,332

The Administrator makes payments from the Australian Capital Territory State Pool Account in accordance with the directions of the Australian Capital Territory Minister for Health. The Australian Capital Territory Minister for Health directed all Activity Based Funding contributions paid to Local Hospital Networks.

Note 5: Cross-border payments

Total cross-border payments made out of the Australian Capital Territory State Pool Account to other States and Territories:

States and Territories	2021 \$'000	2020 \$'000
CROSS-BORDER PAYMENTS		
New South Wales	23,700	21,300
Victoria	-	2,228
Queensland	-	1,448
Western Australia	171	234
South Australia	-	-
Tasmania	-	59
Northern Territory	244	114
TOTAL	24,115	25,383

Where no cross-border payments were reported through the Australian Capital Territory State Pool Account, there may be other bilateral arrangements between the States and Territories.

Note 6: Activity Based Funding receipts and payments

Total Australian Capital Territory and Commonwealth Activity Based Funding contributions and total Local Hospital Network Activity Based Funding payments:

	2021 \$'000	2020 \$'000
Total Activity Based Funding receipts from the Commonwealth Government	395,216	398,417
Total Activity Based Funding receipts from Australian Capital Territory Government	795,491	687,325
Cross-border receipts	116,816	109,590
Cross-border payments	(24,115)	(25,383)
Activity Based Funding payments to Local Hospital Networks	(1,219,881)	(1,195,332)
NET RECEIPTS/(PAYMENTS)	63,527	(25,383)

For 2021, the receipts in excess of payments balance is represented by \$29,174,628 excess State Activity based payments, cross-border receipts of \$116,816,374 and cross-border payments of \$24,115,460.

For 2020, the payments in excess of receipts balance is represented by cross-border payments of \$25,383,460.

Australian Capital Territory State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

Note 7: COVID-19 funding

COVID-19 funding is provided monthly in advance based on estimates submitted by States and Territories and is subject to reconciliation. Final funding entitlements are determined after actual activity data on hospital services and actual in-scope expenditure are submitted.

The types of funding and payments under the NPCR include:

THE UPFRONT ADVANCE PAYMENT

In March 2020, the Commonwealth provided an upfront advanced payment of \$100 million to States and Territories on a population share basis. This is an advance payment to ensure the timely availability of funds under the NPCR. The Upfront Advance Payment has been subsequently offset against State Public Health requirements.

THE HOSPITAL SERVICES PAYMENT

The Commonwealth provides a 50 per cent contribution of the National Efficient Price, for costs incurred by States and Territories, through monthly payments, for the diagnosis and treatment of COVID-19 including suspected cases.

THE STATE PUBLIC HEALTH PAYMENT

The Commonwealth provides a 50 per cent contribution for additional costs incurred by States and Territories, through monthly payments, for COVID-19 activities undertaken by State and Territory public health systems for the management of the outbreak.

In 2021, Commonwealth, State and Territory governments entered into an agreement in relation to the coordination and delivery of the COVID-19 vaccine under Schedule C of the NPCR. Where eligible, funding contributions in relation to this activity are included within the State Public Health Payment.

THE PRIVATE HOSPITAL FINANCIAL VIABILITY PAYMENT

The Commonwealth contributes 100 per cent of the Private Hospital Financial Viability Payment to retain capacity for responding to State and Territory or Commonwealth public health requirements.

COVID-19 funding receipts and payments:

	2021 \$'000	2020 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT		
From Commonwealth Government		
Upfront Advance Payment	-	1,683
Hospital Services Payments	8,262	4,939
State Public Health Payments	23,882	20,467
Private Hospital Financial Viability Payment	(3,310)	14,580
TOTAL COMMONWEALTH RECEIPTS	28,834	41,669
From Australian Capital Territory Government		
Hospital Services Payments	-	-
State Public Health Payments	5,339	-
TOTAL AUSTRALIAN CAPITAL TERRITORY GOVERNMENT RECEIPTS	5,339	-
TOTAL RECEIPTS	34,173	41,669
PAYMENTS OUT OF THE STATE POOL ACCOUNT		
To Australian Capital Territory Government (Including Local Hospital Networks)		
Hospital Services Payments	8,262	4,939
State Public Health Payments	29,221	22,150
Private Hospital Financial Viability Payment	(3,310)	14,580
TOTAL PAYMENTS	34,173	41,669
NET RECEIPTS / (PAYMENTS) FOR THE YEAR	-	-
OPENING CASH BALANCE	-	-
CLOSING CASH BALANCE	-	-

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

End of Audited Special Purpose Financial Statement.

NORTHERN TERRITORY

Funding and Payments

\$1.4B

total funding
that was paid to

2

Local Hospital
Networks (LHNs)

\$0.9B

in Activity Based Funding
that delivered

163,245

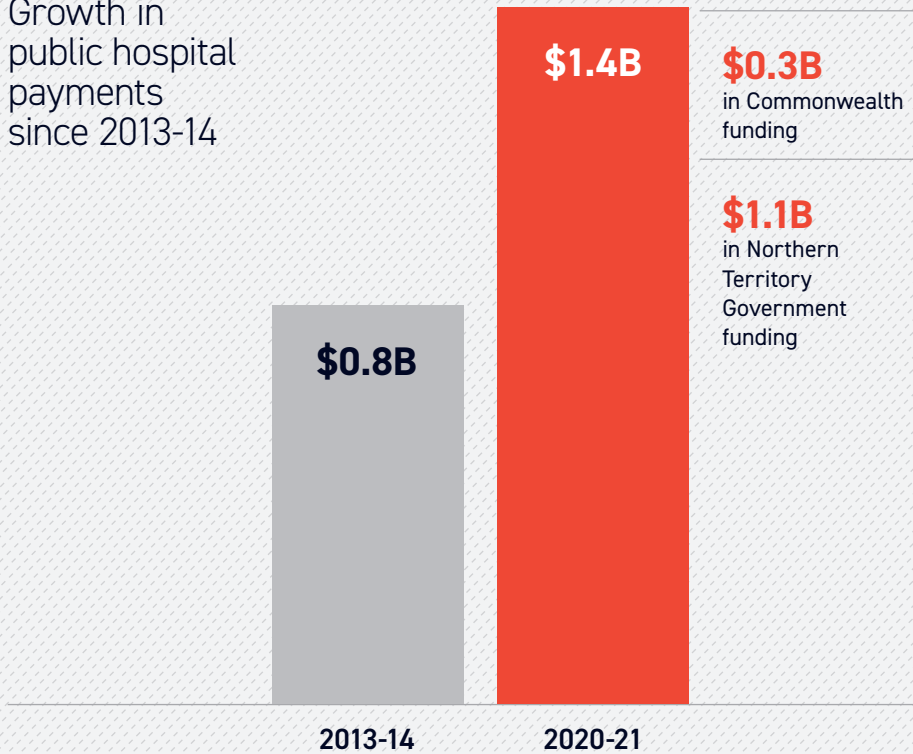
National Weighted
Activity Units (NWAU)

These amounts do not include transactions related to the NPCR. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

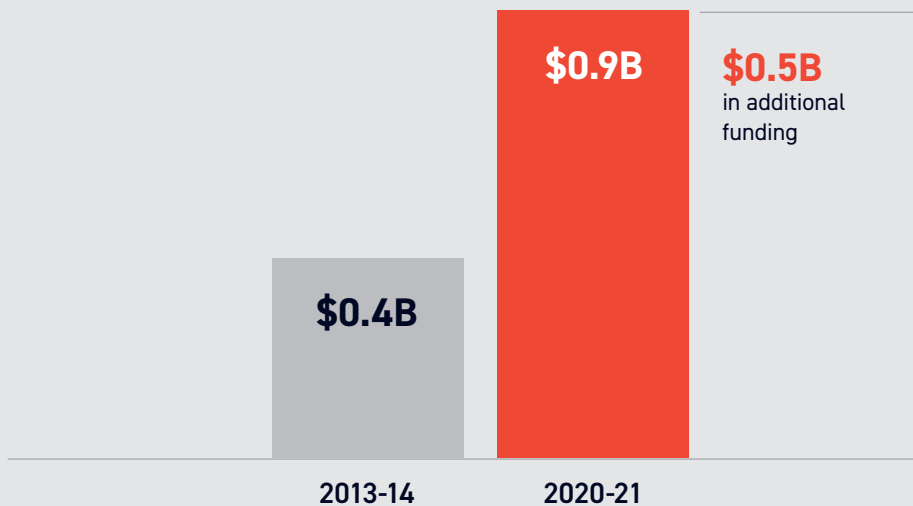
National Health Reform disclosures for the year ended 30 June 2021

Issued by the Administrator of the National Health Funding Pool under section 241(2) of the Commonwealth *National Health Reform Act 2011* and section 18(2) of the Northern Territory *National Health Funding Pool and Administration (National Uniform Legislation) Act 2012*.

Growth in
public hospital
payments
since 2013-14



Growth in
Activity Based
Funding since
2013-14



Section 241(2) of the NHR Act outlines certain disclosures to be included in this Annual Report.

The information reported is specific to the transactions of the 'relevant State'.

For the purposes of this legislative reporting, the 'relevant State' is the State or Territory that holds the bank accounts opened under the laws of that State or Territory for NHR Agreement purposes.

The values are rounded to the nearest thousand dollars unless otherwise specified.

NHR funding and payments shown in the following tables include Goods and Services Tax (GST) where applicable.

The information disclosed in the following tables is provided by Northern Territory (NT) and forms part of the Administrator's monthly reporting requirements, located at www.publichospitalfunding.gov.au

For further information on the types of National Health Reform funding, refer to the 'Introduction' chapter of this Annual Report.

Commonwealth National Health Reform funding entitlement based on actual services provided and cash paid in each financial year

\$'000	2016-17 Entitlement	2017-18 Entitlement	2018-19 Entitlement	2019-20 Entitlement	2020-21 Estimate	TOTAL
Cash Paid 2016-17 Total	241,430	-	-	-	-	241,430
Cash Paid 2017-18 Total	2,146	257,123	-	-	-	259,269
Cash Paid 2018-19 Total	(1,056)	6,242	280,484	-	-	285,670
Cash Paid 2019-20 Total	-	-	368	299,108	-	299,476
Cash Paid 2020-21 Total	-	-	-	(1,607)	298,064	296,456
CURRENT ENTITLEMENT TOTAL	242,520	263,365	280,852	297,501¹	298,064²	1,382,302

1 The 2019-20 Commonwealth NHR funding entitlement excludes \$13,205,691 in HSP under the NPCR.

2 The 2020-21 Commonwealth NHR funding estimate excludes \$34,898,442 in HSP under the NPCR.

The amounts paid into each State Pool Account by the Commonwealth and the basis on which the payments were made – Section 241(2)(B)

Component	Amount paid by Commonwealth into Northern Territory State Pool Account (\$'000)	
	2020-21	2019-20
Activity Based Funding	259,540	266,743
Block funding	32,792	28,659
Public Health funding	4,124	4,074
NORTHERN TERRITORY TOTAL	296,456	299,476

The amounts paid by the Commonwealth into the State Pool Accounts excludes HSP payments made under the NPCR of \$44,961,834 in 2020-21 (\$3,142,299 in 2019-20).

Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

The amounts paid into each State Pool Account and State Managed Fund by the relevant State and the basis on which the payments were made – Section 241(2)(A)

Component	Amount paid by Northern Territory (\$'000)	
	2020-21	2019-20
State Pool Account - Activity Based Funding	643,941	522,306
State Managed Fund - Block funding	410,395	463,488
NORTHERN TERRITORY TOTAL	1,054,336	985,794

In accordance with the provisions of the NHR Act, this table does not include interest deposited in the Pool account and cross-border transactions.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

The number of public hospital services funded for each Local Hospital Network in accordance with the system of Activity Based Funding – Section 241(2)(E)

Local Hospital Network	Number of ABF public hospital services funded (NWAU)	
	2020-21 ¹ Estimate	2019-20 ² Actual
Central Australia Health Service	53,916	56,393
Top End Health Service	109,329	113,554
NORTHERN TERRITORY TOTAL	163,245	169,947

- 1 2020-21 NWAU as per the updated activity estimates as at the Administrator's June 2021 Payment Advice.
- 2 2019-20 NWAU as per the 2019-20 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2019-20.

The NWAU is the unit of measurement for the ABF system. It is a measure of health service activity expressed as a common unit, against which the NEP is paid. It provides a way of comparing and valuing each ABF public hospital service, by weighting it for its clinical complexity.

States and Territories provide NWAU estimates at the start of each financial year for Commonwealth payment purposes. These estimates may be revised during the course of the year and form the basis of Commonwealth funding until actual service volumes become available.

The number of other public hospital services and functions funded from each State Pool Account or State Managed Fund – Section 241(2)(F)

Unlike the unit of measurement for Activity Based services (i.e. NWAU), there is currently no nationally standardised measurement system for 'other public hospital services.

In the absence of such a national system, the NHR Agreement allows for information to be based on the unit measurement classification and funding arrangements used in individual States and Territories.

However, in 2019–20 and 2020–21 Northern Territory did not report any 'other public hospital services and functions funded' from their Pool account or State Managed Fund.

The amounts paid from each State Pool Account and State Managed Fund and the basis on which the payments were made in 2020-21 (\$'000)— Section 241(2)(C)(D)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
Central Australia Health Service	300,973	94,836	395,809
Top End Health Service	615,324	348,351	963,675
State Managed Fund	32,792	-	32,792
Other organisations or funds	31,014	-	31,014
NORTHERN TERRITORY TOTAL	980,103	443,187	1,423,290

The 2020-21 amounts paid by the Commonwealth into the State Pool Accounts excludes HSP made under the NPCR of \$44,961,834.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

For the Northern Territory basis of payments, refer to page 243.

The amounts paid from each State Pool Account and State Managed Fund and the basis on which the payments were made in 2019-20 (\$'000) – Section 241(2)(C)(D)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
Central Australia Health Service	283,855	102,831	386,686
Top End Health Service	542,919	389,316	932,236
State Managed Fund	28,659	-	28,659
Other organisations or funds	44,422	-	44,422
NORTHERN TERRITORY TOTAL	899,855	492,147	1,392,002

The 2019-20 amounts paid by the Commonwealth into the State Pool Accounts excludes HSP made under the NPCR of \$3,142,299

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

For the Northern Territory basis of payments, refer to page 243.

Northern Territory basis for National Health Reform payments 2020-21

To meet the reporting requirements of Section 240 of the *National Health Reform Act 2011*, the Administrator is to include the basis of each State and Territory's National Health Reform (NHR) funding and payments.

To provide consistency in methodology and with the *Addendum to the National Health Reform Agreement 2020-21 to 2024-25*, the NT Funding Model has implemented the National Efficient Price (NEP20) and National Weighted Activity Unit (NWAU20) as the currency for Activity Based Funding (ABF) facilities. The National Efficient Cost (NEC20) Block funded model is used for the stand-alone hospitals, Non-admitted mental health services (including Child and adolescent mental health services), Non-admitted Home Ventilation and Clinical Teaching, Training, and Research provided in hospitals.

NHR payments in NT are based upon the activity outlined in the Service Delivery Agreement between the Chief Executive Officer of the Department of Health and the Chief Operating Officer of the respective Health Service.

The Service Delivery Agreement outlines:

- the health services and other services to be provided by the Health Service; and
- the funding to be provided to the Health Service for the provision of the services and the way in which the funding is to be provided; and
- the performance standards, targets and measures for the provision of the services; and
- the performance data and other matters to be reported to the System Manager by the Service and the frequency of that reporting.

The annual funding allocation for the Top End and Central Australia Health Services of Northern Territory is determined on a historical basis for both the Activity Based Funding (ABF) and block service streams, supplemented by a level of growth based on Northern Territory Government Wage, Consumer Price Index and demand growth parameters.

Cross-border settlements received from other jurisdictions in respect to prior year's activity are on passed to the LHNs.

Further information regarding the Basis for National Health Reform payments in both 2020-21 and previous financial years is included at www.publichospitalfunding.gov.au

ENDNOTES

NT

ACT

TAS

SA

WA

QLD

VIC

NSW

NATIONAL

INTRODUCTION



NORTHERN TERRITORY

Financial Statement

National Health Funding Pool Northern Territory State Pool Account Special Purpose Financial Statement for the year ended 30 June 2021

Issued by the Administrator of the National Health Funding Pool under section 242 of the Commonwealth *National Health Reform Act 2011* and section 16 and 19 of the Northern Territory *National Health Funding Pool and Administration (National Uniform Legislation) Act 2012*.



Contents

Independent Auditor's Report	247
Statement by the Administrator of the National Health Funding Pool	249
Northern Territory State Pool Account Statement of Receipts and Payments for the year ended 30 June 2021	250

Northern Territory State Pool Account Notes to and forming part of the Special Purpose Financial Statement for the year ended 30 June 2021

Note 1: Summary of significant accounting policies	251
Note 2: Activity Based Funding receipts	254
Note 3: Cross-border receipts	254
Note 4: Activity Based Funding payments	255
Note 5: Cross-border payments	255
Note 6: Activity Based Funding receipts and payments	256
Note 7: COVID-19 funding	257

Independent Auditor's Report



Auditor-General

**Independent Auditor's Report
to the Minister for Health
Northern Territory State Pool Account of National Health Funding Body
Page 1 of 2**

Opinion

I have audited the accompanying special purpose financial statement of the Northern Territory State Pool Account of the National Health Funding Pool, which comprises the Statement of Receipts and Payments for the period ended 30 June 2021, and notes to the financial statement, including a summary of significant accounting policies, and the Statement by the Administrator of the National Health Funding Pool.

In my opinion the accompanying special purpose financial statement presents fairly, in all material respects, the receipts and payments of the Northern Territory State Pool Account of the National Health Funding Pool for the period ended 30 June 2021 in accordance with the *National Health Funding Pool Administration (National Uniform Legislation) Act 2012*, *National Health Reform Act 2011* and the National Health Reform Agreement 2011.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of my report. I am independent of the Northern Territory State Pool Account of the National Health Funding Pool in accordance with ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial statement in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter – Basis of accounting

Without modifying my opinion, I draw attention to Note 1 to the financial statement, which describes the basis of accounting. The financial statement has been prepared to assist the Northern Territory State Pool Account of the National Health Funding Pool to fulfil the Administrator's financial reporting obligations under the *National Health Funding Pool Administration (National Uniform Legislation) Act 2011*, *National Health Reform Act 2011* and the National Health Reform Agreement 2011. As a result, the financial statement may not be suitable for another purpose.

Responsibilities of the Administrator of the National Health Funding Pool for the Financial Statement

The Administrator is responsible for the preparation and fair presentation of the financial statement, and has determined that the basis of preparation described in Note 1, which is a special purpose framework using the cash basis of accounting, is appropriate to meet the requirements of the *National Health Funding Pool Administration (National Uniform Legislation) Act 2012*, *National Health Reform Act 2011* and the National Health Reform Agreement 2011. The Administrator is responsible for establishing and maintaining such internal control as the Administrator determines is necessary to enable the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, the Administrator is responsible for assessing the ability of the Northern Territory State Pool Account of the National Health Funding Pool to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Administrator either intends to liquidate the Northern Territory State Pool Account of the National Health Funding Pool or to cease operations, or has no realistic alternative but to do so.



Auditor-General

Page 2 of 2

The Administrator is responsible for overseeing the financial reporting process for the Northern Territory State Pool Account of the National Health Funding Pool.

Auditor's Responsibilities for the audit of the Financial Statement

My objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls as they apply to the Northern Territory State Pool Account.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Administrator.
- conclude on the appropriateness of the Administrator's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Northern Territory State Pool Account to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report however, future events or conditions may cause the Northern Territory State Pool Account to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Julie Crisp
Auditor-General for the Northern Territory
Darwin, Northern Territory

9 September 2021

Statement by the Administrator of the National Health Funding Pool



Administrator
National Health
Funding Pool

Statement by the Administrator of the National Health Funding Pool Northern Territory State Pool Account

I report that, as indicated in Note 1(b) to the financial statement, I have determined that the attached Special Purpose Financial Statement comprising of a statement of receipts and payments and accompanying notes provides a fair presentation in accordance with the Northern Territory *National Health Funding Pool and Administration (National Uniform Legislation) Act 2012*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

In my opinion, the attached Special Purpose Financial Statement for the year ended 30 June 2021 is based on properly maintained financial records and gives a true and fair view of the matters required by the *Northern Territory National Health Funding Pool and Administration (National Uniform Legislation) Act 2012*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

Michael Lambert

Administrator
National Health Funding Pool

8 September 2021

Northern Territory State Pool Account

Statement of Receipts and Payments for the year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth Government			
Activity Based Funding	2, 6	259,540	266,742
Block funding		32,792	28,659
Public Health funding		4,124	4,074
COVID-19 funding	7	60,259	17,542
From Northern Territory Government			
Activity Based Funding	2, 6	643,941	522,306
Cross-border contribution	5	14,064	39,950
COVID-19 funding	7	-	-
From other States or Territories			
Cross-border receipts	3, 6	25,641	38,028
From Reserve Bank of Australia			
Interest receipts		1	8
TOTAL RECEIPTS		1,040,362	917,309
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding	4, 6	916,297	826,774
COVID-19 funding	7	-	-
To Northern Territory State Managed Fund			
Block funding		32,792	28,659
Cross-border transfer		-	-
To Department of Health Northern Territory			
Public Health funding		4,124	4,074
COVID-19 funding	7	60,259	17,542
Interest payments		1	93
Cross-border transfer		12,825	303
To other States or Territories			
Cross-border payments	5, 6	14,064	39,950
TOTAL PAYMENTS		1,040,362	917,395
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		-	(86)
OPENING CASH BALANCE		-	86
CLOSING CASH BALANCE		-	-

The above statement of receipts and payments should be read in conjunction with the accompanying notes.

Northern Territory State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

Note 1: Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the Special Purpose Financial Statement are set out below.

(A) REPORTING ENTITY

The Administrator of the National Health Funding Pool (Administrator) is an independent statutory office holder, distinct from the Commonwealth, State and Territory governments, established under legislation of the Commonwealth and State and Territory governments. Mr Michael Lambert was appointed as the Administrator on 17 July 2018.

(B) BASIS OF PREPARATION

The Northern Territory State Pool Account was established at the Reserve Bank of Australia (RBA) in 2012-13 in accordance with section 11 of the Northern Territory *Health National Health Funding Pool and Administration (National Uniform Legislation) Act 2012* and the Special Purpose Financial Statement has been prepared in accordance with section 16 and 19 of that Act and section 242 of the Commonwealth *National Health Reform Act 2011*.

The Special Purpose Financial Statement has been prepared on a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

The Special Purpose Financial Statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The Special Purpose Financial Statement was authorised for release by the Administrator on 8 September 2021.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2019-20 and 2020-21 are for the year ended 30 June.

(D) NATIONAL HEALTH FUNDING POOL

The National Health Funding Pool (Funding Pool) consists of eight State and Territory bank accounts (State Pool Accounts).

(E) ACTIVITY BASED FUNDING

Activity Based Funding (ABF) is a system for funding public hospital services provided to individual patients using national classifications, price weights and National Efficient Prices developed by the Independent Hospital Pricing Authority (IHPA). ABF is paid by the Commonwealth, States and Territories into the Funding Pool.

In 2019-20 and 2020-21 the Commonwealth, States and Territories ABF supported the following:

- i. emergency department services;
- ii. acute admitted services;
- iii. admitted mental health services;
- iv. sub-acute and non-acute services; and
- v. non-admitted services.

State or Territory ABF contributions into the Funding Pool are calculated by the State or Territory as the system manager of the public hospital system. The Service Agreement between the State or Territory and each Local Hospital Network (LHN) specifies the service delivery and funding parameters.

Commonwealth ABF contributions for each service category were calculated by summing the Northern Territory prior year amounts and efficient growth. Efficient growth is determined by measuring the change in efficient price and volume. The price adjustment is 45 per cent of

the change in the National Efficient Price relative to the prior year. The volume adjustment is 45 per cent of the net change in the volume of weighted services relative to the prior year.

In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements. Final funding entitlements for the year are calculated after actual data on hospital services becomes available. This calculation will generally result in reconciliation adjustments being made to the Commonwealth ABF contribution to each LHN to align with the actual services delivered.

(F) BLOCK FUNDING

Block funding is provided by the Commonwealth into the Funding Pool for States and Territories to support teaching and research undertaken in public hospitals and for some public hospital services where it is more appropriate to be Block funded, particularly for smaller rural and regional hospitals.

In 2019-20 and 2020-21 the Commonwealth Block funding supported the following:

- i. small rural hospitals;
- ii. teaching, training and research;
- iii. non-admitted mental health;
- iv. non-admitted home ventilation;
- v. other non-admitted services; and
- vi. highly specialised therapies.

In 2019-20 the Commonwealth Block funding also supported other public hospital programs, including non-admitted child and adolescent mental health services and CAR-T therapy (Kymriah).

In 2019-20 and 2020-21 the Commonwealth Block contributions for each service category were calculated by summing prior year amounts and 45 per cent of the change in the

National Efficient Cost between the current year and the prior year. Highly specialised therapies are contributed at 50 per cent of the growth in the efficient price or cost.

(G) PUBLIC HEALTH FUNDING

The Commonwealth contributes amounts into the Funding Pool for Public Health funding. This is calculated by the Commonwealth Treasury and includes amounts for national public health, youth health services and essential vaccines. This payment is indexed in accord with the previous existing health specific purpose payment.

(H) CROSS-BORDER

When a resident of one State or Territory receives hospital treatment in another State or Territory, the provider State or Territory is compensated for the cost of that treatment. The resident State or Territory pays its share through the Funding Pool to the provider State or Territory (refer Note 3 and Note 5).

The Commonwealth share of the cost of treating the patient is paid through the Funding Pool as part of the normal Activity Based Funding. The Commonwealth contribution to each State or Territory covers all eligible patients treated, regardless of where they reside.

(I) INTEREST

Interest earned and deposited by the RBA into the State Pool Account is recognised as interest received at the time the deposit is made. Interest paid from the State Pool Account to the State or Territory is recognised as an interest payment at the time the payment is made from the State Pool Account.

Northern Territory State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

(J) TAXATION

State Pool Accounts are not subject to income tax. The majority of government funding, from the Commonwealth, State or Territory, to LHNs is not subject to the Goods and Services Tax (GST). However, in some cases hospital funding to non-government entities does attract GST, for example, denominational hospitals, privately and commercially owned health facilities, or other non-government third party providers of health services or related supplies.

(K) COVID-19 FUNDING

The National Partnership on COVID-19 Response (NPCR) was agreed to and signed by the Council of Australian Governments on Friday, 13 March 2020. The objective of this agreement is to provide Commonwealth financial assistance for the additional costs incurred by State and Territory health services in responding to the COVID-19 outbreak. The NPCR was subsequently amended and agreed to in April 2020 to include the Private Hospital Financial Viability Payment. In February 2021, the NPCR was amended with respect to the coordination and delivery of the COVID-19 vaccine under Schedule C.

Financial assistance has been provided by the Commonwealth in the form of the Hospital Services Payments calculated on an activity basis, State Public Health Payments (including coordination and delivery of the COVID-19 vaccine) as well as the Private Hospital Financial Viability Payment.

L) COMMONWEALTH FUNDING GUARANTEE

For the 2019-20 and 2020-21 financial year, the Commonwealth provided the States and Territories with a minimum funding guarantee for funding related to the National Health Reform Agreement and the Hospital Services Payment component of the NPCR. Where a State or Territory is eligible for the Commonwealth funding guarantee, an additional payment is made in the following financial year after the annual reconciliation to meet the minimum amount guaranteed by the Commonwealth.

Note 2: Activity Based Funding receipts

Total receipts paid into the Northern Territory State Pool Account in respect of Activity Based Funding:

	2021 \$'000	2020 \$'000
Commonwealth Activity Based Funding	259,540	266,742
Northern Territory Activity Based Funding	643,941	522,306
TOTAL	903,481	789,048

The amounts paid by the Commonwealth into the State Pool Accounts excludes Hospital Services Payments made under the NPCR of \$44,961,834 in 2020-21 (\$3,142,299 in 2019-20). Please refer Note 7.

Note 3: Cross-border receipts

Total cross-border receipts paid into the Northern Territory State Pool Account from other States and Territories:

States and Territories	2021 \$'000	2020 \$'000
CROSS-BORDER RECEIPTS		
New South Wales	4,865	2,508
Victoria	-	5,228
Queensland	5,983	5,972
Western Australia	14,283	13,179
South Australia	-	10,567
Tasmania	266	460
Australian Capital Territory	244	114
TOTAL	25,641	38,028

Where no cross-border receipts were reported through the Northern Territory State Pool Account, other bilateral arrangements between the States and Territories may exist.

Northern Territory State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

Note 4: Activity Based Funding payments

Total payments made out of the Northern Territory State Pool Account in respect of each Local Hospital Network:

Local Hospital Network	2021 \$'000	2020 \$'000
Central Australia Health Service	300,973	283,855
Top End Health Service	615,324	542,919
TOTAL	916,297	826,774

The Administrator makes payments from the Northern Territory State Pool Account in accordance with the directions of the Northern Territory Minister for Health. The Northern Territory Minister for Health directed all Activity Based Funding contributions paid to Local Hospital Networks.

Note 5: Cross-border payments

Total cross-border payments made out of the Northern Territory State Pool Account to other States and Territories:

States and Territories	2021 \$'000	2020 \$'000
CROSS-BORDER PAYMENTS		
New South Wales	2,802	1,566
Victoria	-	7,590
Queensland	8,500	6,536
Western Australia	2,650	2,048
South Australia	-	22,005
Tasmania	38	122
Australian Capital Territory	75	83
TOTAL	14,064	39,950

Where no cross-border payments were reported through the Northern Territory State Pool Account, there may be other bilateral arrangements between the States and Territories.

Note 6: Activity Based Funding receipts and payments

Total Northern Territory and Commonwealth Activity Based Funding contributions and total Local Hospital Network Activity Based Funding payments:

	2021 \$'000	2020 \$'000
Total Activity Based Funding receipts from the Commonwealth Government	259,540	266,742
Total Activity Based Funding receipts from Northern Territory Government	643,941	522,306
Cross-border receipts	25,641	38,028
Cross-border payments	(14,064)	(39,950)
Activity Based Funding payments to Local Hospital Networks	(916,297)	(826,774)
NET RECEIPTS/(PAYMENTS)	(1,239)	(39,648)

In 2021, Cross border payments of \$12,815,810 were made directly to LHN's as ABF payments.

For 2021, the payments in excess of receipts balance represented by \$12,815,810.10 excess State Activity based payments, transfers of \$25,640,926 in cross-border receipts from Northern Territory State Health Account and cross-border payment of \$14,063,884.

For 2020, the payments in excess of receipts balance represented by transfers of \$38,028,287 in cross-border receipts from Northern Territory State Health Account and cross-border payment of \$39,950,409.

Northern Territory State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2021

Note 7: COVID-19 funding

COVID-19 funding is provided monthly in advance based on estimates submitted by States and Territories and is subject to reconciliation. Final funding entitlements are determined after actual activity data on hospital services and actual in-scope expenditure are submitted.

The types of funding and payments under the NPCR include:

THE UPFRONT ADVANCE PAYMENT

In March 2020, the Commonwealth provided an upfront advanced payment of \$100 million to States and Territories on a population share basis. This is an advance payment to ensure the timely availability of funds under the NPCR. The Up-front Advance Payment has been subsequently offset against State Public Health requirements.

THE HOSPITAL SERVICES PAYMENT

The Commonwealth provides a 50 per cent contribution of the National Efficient Price, for costs incurred by States and Territories, through monthly payments, for the diagnosis and treatment of COVID-19 including suspected cases.

THE STATE PUBLIC HEALTH PAYMENT

The Commonwealth provides a 50 per cent contribution for additional costs incurred by States and Territories, through monthly payments, for COVID-19 activities undertaken by State and Territory public health systems for the management of the outbreak.

In 2021, Commonwealth, State and Territory governments entered into an agreement in relation to the coordination and delivery of the COVID-19 vaccine under Schedule C of the NPCR. Where eligible, funding contributions in relation to this activity are included within the State Public Health Payment.

THE PRIVATE HOSPITAL FINANCIAL VIABILITY PAYMENT

The Commonwealth contributes 100 per cent of the Private Hospital Financial Viability Payment to retain capacity for responding to State and Territory or Commonwealth public health requirements.

COVID-19 funding receipts and payments:

	2021 \$'000	2020 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT		
From Commonwealth Government		
Upfront Advance Payment	-	970
Hospital Services Payments	44,962	3,142
State Public Health Payments	17,421	9,332
Private Hospital Financial Viability Payment	(2,124)	4,098
TOTAL COMMONWEALTH RECEIPTS	60,259	17,542
From Northern Territory Government		
Hospital Services Payments	-	-
State Public Health Payments	-	-
TOTAL NORTHERN TERRITORY GOVERNMENT RECEIPTS	-	-
TOTAL RECEIPTS	60,259	17,542
PAYMENTS OUT OF THE STATE POOL ACCOUNT		
To Northern Territory Government (Including Local Hospital Networks)		
Hospital Services Payments	44,962	3,142
State Public Health Payments	17,421	10,302
Private Hospital Financial Viability Payment	(2,124)	4,098
TOTAL PAYMENTS	60,259	17,542
NET RECEIPTS / (PAYMENTS) FOR THE YEAR	-	-
OPENING CASH BALANCE	-	-
CLOSING CASH BALANCE	-	-

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

End of Audited Special Purpose Financial Statement.

ENDNOTES



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
CFO	Chief Financial Officer
COAG	Council of Australian Governments
IGA	Intergovernmental Agreement on Federal Financial Relations
IHPA	Independent Hospital 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
SPP	National Healthcare Specific Purpose Payment
The Administrator	Administrator of the National Health Funding Pool
The Pool	National Health Funding Pool

Annual Report Legislative Requirements

Jurisdiction and relevant Act	Requirement for the financial year	COMMONWEALTH National Health Reform Act 2011	NEW SOUTH WALES Health Services Act 1997
National Health Reform Funding and Payments Reporting	The Administrator's Annual Report must include: the amounts paid into the State Pool Account and State Managed Fund, and the number of weighted hospital services funded.	s.241(2)	schedule 6A clause 16(2)
Financial Statements	The Administrator must prepare a financial statement for each State Pool Account and a financial statement that combines the financial statements for each State Pool Account.	s.241(3) and s.242	schedule 6A clauses 16(3) and 17
Audit of Financial Statements	A financial statement for the State Pool Account is to be audited by the relevant Auditor-General.	s.243	schedule 6A clause 18
Administrator's Annual Report	The Administrator must, within four months after the end of each financial year, provide to the responsible Ministers an annual report on the exercise or performance of his/her functions.	s.241(1)	schedule 6A clause 16(1)
Tabling of the Annual Report	A responsible Minister must, as soon as practicable after receiving an annual report, cause a copy of the report to be tabled in the Parliament of the relevant jurisdiction.	s.241(4)	schedule 6A clause 16(4)

VICTORIA Health (Commonwealth State Funding Arrangements) Act 2012	QUEENSLAND Hospital and Health Boards Act 2011	WESTERN AUSTRALIA National Health Funding Pool Act 2012	SOUTH AUSTRALIA National Health Funding Pool Administration (South Australia) Act 2012	TASMANIA National Health Funding Administration Act 2012	AUSTRALIAN CAPITAL TERRITORY Health (National Health Funding Pool and Administration) Act 2013	NORTHERN TERRITORY National Health Funding Pool and Administration (National Uniform Legislation) Act 2012
s.17(2)	s.53S(2)	s.19(2)	s.22(2)	s.18(2)	s.25(2)	s.18(2)
s.17(3) and s.18	s.53S(3) and s.53T	s.19(3) and s.20	s.22(3) and s.23	s.18(3) and s.19	s.25(3) and s.26	s.18(3) and s.19
s.19	s.53U	s.21	s.24	s.20	s.27	s.20
s.17(1)	s.53S(1)	s.19(1)	s.22(1)	s.18(1)	s.25(1)	s.18(1)
s.17(4)	s.53S(4)	s.19(4)	s.22(4)	s.18(4)	s.25(4)	s.18(4)

Glossary

Term	Meaning
Activity Based Funding	Refers to a method for funding public hospital services provided to individual patients using national classifications, cost weights and nationally efficient prices developed by the IHPA. Funding is based on the actual number of services provided to patients and the efficient cost of delivering those services.
(the) Administrator	<p>The Administrator of the National Health Funding Pool (the Administrator) is an independent statutory office holder, distinct from Commonwealth and State and Territory government departments, established under legislation of the Commonwealth and State and Territory governments.</p> <p>The role of the Administrator, with support from the NHFB, is to oversee the responsible, efficient and effective administration of Commonwealth and State and Territory public hospital funding and payments under the National Health Reform Agreement (NHR Agreement).</p>
Block funding	<p>A method of funding public hospital functions and services as a fixed amount based on population and previous funding.</p> <p>Under the NHR Agreement, Block funding will be provided to States and Territories to support teaching and research undertaken in public hospitals and for some public hospital services where it is more appropriate, particularly smaller rural and regional hospitals.</p>
Council of Australian Governments (COAG)	The peak intergovernmental forum in Australia. The members of COAG are the Prime Minister, State and Territory Premiers and Chief Ministers and the President of the Australian Local Government Association.
Local Hospital Networks (LHNs)	Recipients of the payments from the National Health Funding Pool, Commonwealth Block funding and State (and Territory) Managed Funds.
Medicare Benefits Schedule (MBS)	A listing of the Medicare services subsidised by the Australian Government.
National Funding Cap	The limit in growth in Commonwealth funding for Public Hospital Services for all States and Territories of 6.5 per cent per annum and where the context so requires includes the operation of the Funding Cap as provided in the NHR Agreement.
National Health Funding Body (NHFB)	An independent statutory body established under Commonwealth legislation to assist the Administrator in carrying out his or her functions under Commonwealth, State and Territory legislation.
National Health Funding Pool (the Pool)	A collective name for the State Pool Accounts of all States and Territories, also known as the 'the Pool'. The Pool was established under Commonwealth and State and Territory legislation for the purpose of receiving all Commonwealth and Activity Based State and Territory public hospital funding, and for making payments under the NHR Agreement.
National Health Funding Pool Payments System (the Payments System)	The Administrator's National Health Funding Pool Payments System processes the NHR Commonwealth, State/Territory deposits and payments into and out of the Pool, as required under the NHR Act.

Continued page 265

Term	Meaning
National Weighted Activity Unit (NWAU)	The NWAU is a measure of health service activity expressed as a common unit, against which the NEP is paid. It provides a way of comparing and valuing each public hospital service (whether it is an admission, emergency department presentation or outpatient episode), by weighting it for clinical complexity.
PGPA Act	The Public Governance, Performance and Accountability Act 2013 establishes a coherent system of governance and accountability for public resources, with an emphasis on planning, performance and reporting.
State Managed Fund (SMF)	A separate bank account or fund established by a State or Territory for the purposes of health funding under the NHR Agreement which must be undertaken in the State or Territory through a State Managed Fund.
State Pool Account (SPA)	A Reserve Bank of Australia account established by a State or Territory for the purpose of receiving all Commonwealth and Activity Based State and Territory public hospital funding, and for making payments under the Agreement. The State (and Territory) Pool Accounts of all States and Territories are collectively known as the National Health Funding Pool or the Pool.

Disclosure Index

Section	Description	Location – National Level	Location – State and Territory Level
241(2) THE ANNUAL REPORT MUST INCLUDE THE FOLLOWING INFORMATION FOR THE RELEVANT FINANCIAL YEAR			
(a)	The amounts paid into each State Pool Account and State Managed Fund by the relevant State and the basis on which the Payments were made	33	
(b)	The amounts paid into each State Pool Account by the Commonwealth and the basis on which the payments were made	34	NSW 63-70 VIC 87-98
(c)	The amounts paid from each State Pool Account to LHNs, a State Managed Fund or other organisations or funds and the basis on which the Payments were made	35	QLD 117-124 WA 141-148
(d)	The amounts paid from each State Managed Fund to LHNs or other organisations or funds and the basis on which these payments were made	36	SA 165-172 TAS 191-198 ACT 215-221
(e)	The number of public hospital services funded for each LHN in accordance with the system of ABF	37	NT 239-245
(f)	The number of other public hospital services and functions funded from each State Pool Account or State Managed Fund	38	
241(3) THE ANNUAL REPORT IS TO BE ACCOMPANIED BY			
(a)	An audited financial statement for each State Pool Account	N/A	NSW – 73 VIC – 101 QLD – 127 WA – 151 SA – 175 TAS – 199 ACT – 225 NT – 249
(b)	A financial statement that combines the audited financial statements for each State Pool Account	43-46	N/A

Index

A

- acronyms, 260
- activity based funding, 14, 19–20, 30, 263
 - amounts paid, 25, 32, 49–52
 - determination of, 24 *see also* National Efficient Price
 - growth, 26
 - number of public hospital services funded, 2, 25, 35
 - payment flows, 18
 - receipts and payments, 41–44
 - services supported, 17, 19–20, 45–46, 47 *see also* National Weighted Activity Unit (NWAU)
- acute admitted services, 19
- Addendum to the National Health Reform Agreement see National Health Reform Agreement*
- Administrator, 263
 - certification letter from NHFB, 27–28
 - financial statement, 37–58
 - letter of transmittal, 3
 - message from, 9–12
 - payment advice to Commonwealth Treasurer, 5, 17
 - policies, 16
 - reporting obligations, 5, 22
 - role, 1, 5, 6, 45
- admitted mental health services, 19, 45, 49–52
- adolescent mental health services, 20, 46, 49–52
- advance payments, 51–52, 53, 57–58
- annual report legislative requirements, 3, 261–262
- Australian Capital Territory, 211–219
 - financial statement, 221–234
- Australian Commission on Safety and Quality in Health Care (ACSQHC), 5, 11, 12, 24
- Australian Institute of Health and Welfare (AIHW), 5, 11, 12, 24

B

- basis of funding, 29–30 *see also* funding and payments
- benchmark *see* National Efficient Price
- block funding, 14, 263
 - amounts paid, 32, 49–52
 - determination of, 24, 29
 - payment flows, 18
 - receipts and payments, 41–44
 - services supported, 17, 20–21, 46
- business rules for data matching, 10–11, 16

C

- Calculation of Commonwealth National Health Reform Funding, 16
- CAR-T therapy (Kymriah), 21, 46, 51–52
- Chief Executive Officer, 6, 7
- child and adolescent mental health services, 20, 46, 49–52
- combined financial statements *see* national (combined) funding and payments
- Commonwealth Contribution Model, 17, 48
- Commonwealth funding guarantee, 15, 47, 49–50
- Commonwealth stakeholders, 24
- Commonwealth Treasurer, payment advice to, 5, 17
- Commonwealth upfront advance payment, 51–52, 53, 57–58
- Council of Australian Governments (COAG), 14, 15, 263
- COVID-19 pandemic
 - funding (payments), 8, 10, 15, 41–44, 49–52, 53, 55–58
 - funding arrangements, 10, 15, 47
 - National Partnership on COVID-19 Response, 8, 10, 15, 47, 53
 - vaccine delivery, 10, 15, 47
- cross-border agreements, 21, 46

D

- Data Compliance Policy, 16
- Data Compliance Report, 16
- data conditional payment, 30
- Data Governance Policy, 16
- data matching, 10–11, 16
- Data Plan (Three-Year), 16, 22
- data submission, 22
- Department of Finance, 24
- Department of Health, 1, 24
- Department of the Prime Minister and Cabinet, 24
- Department of the Treasury, 24, 46
- disclosure index, 265

E

- emergency department services, 17, 19, 45, 49–52
- enabling legislation, 1, 14 *see also* *National Health Reform Act 2011*

F

financial neutrality see patient payment neutrality

financial statements

- Australian Capital Territory, 221–234
- national (combined), 37–58
- New South Wales, 69–82
- Northern Territory, 245–258
- Queensland, 123–136
- South Australia, 171–186
- Tasmania, 197–210
- Victoria, 97–112
- Western Australia, 147–160

see also funding and payments

fraud control certification, 27

funding and payments, 10, 25–36, 45–46, 49–52

- activity based see activity based funding
- basis for, 29–30
- block funding see block funding
- certification letter (NHFB), 27–28
- Commonwealth Contribution Model, 17, 48
- Commonwealth funding guarantee, 15, 47, 49–50
- Commonwealth upfront advance payment, 51–52, 53, 57–58
- COVID-19 see COVID-19 pandemic
- cross-border agreements, 21, 46
- data conditional, 30
- funding cap, 11, 30, 263
- growth, 26
- interest, 21, 46
- national, 25–36
- national combined financial statements, 37–58
- over deposit, 21
- payment flows, 18
- policy framework, 16
- Public Health funding, 17, 21, 29, 32, 41–44, 46, 48, 49–52
- public hospitals see public hospital funding
- reconciliations, 10, 16, 22, 46
- reporting requirements, 22
- Safety and Quality Adjustment, 30
- services funded (number), 2, 25, 35
- services funded (types), 19–21, 45–46, 49–52
- totals, 2, 9, 17, 25, 49–52
- types, 17, 19–21

see also names of states and territories

funding cap, 11, 30, 263

funding integrity, 10–11

G

glossary, 263–264

Goods and Services Tax (GST), 47

growth in funding, 26

H

health system reform strategic priorities, 15

highlights and what's ahead, 13

highly specialised therapies, 12, 21, 29, 49–52

Hospital Services payments, 15, 47, 49–52, 53, 55–58

hospitalisations, avoidable, 11, 12, 30

I

Independent Health Pricing Authority (IHPA), 5, 11, 12, 19, 23, 24, 45

interest, 21, 46

J

Jurisdictional Advisory Committee, 11, 23–24

K

Kymriah (CAR-T therapy), 21, 46, 51–52

L

Lambert, Michael (Administrator), 6, 45

- message from, 9–12
- see also Administrator

legislation, 1, 14 see also *National Health Reform Act 2011*

legislative requirements

- annual report, 3, 261–262
- reporting on funding and payments
- see reporting requirements

letter of transmittal, 3

local hospital networks (LHNs), 19, 263

- number of services funded, 2, 35
- payments to, 2, 9, 18, 25, 33–34, 47

Luxturna, 21

M

Maintenance of Effort Report on State and Territory contributions to public hospital funding, 11, 24

Medical Services Advisory Committee, 12, 21

Medicare Benefits Schedule (MBS), 10, 263

mental health services, 17, 19, 20, 45, 46

N

- national (combined) funding and payments, 25–36
 - amounts paid, 31–34
 - certification letter (NHFB), 27–28
 - financial statements, 37–58
 - NHR entitlement, 36
 - NHR funding basis, 29–30
 - services funded (number), 35
 - see also* State Pool Accounts
- National Efficient Cost, 24
- National Efficient Price, 19, 24, 30, 45
- National Funding Cap, 11, 30, 263
- National Health Funding Body (NHFB)
 - certification letter, 27–28
 - establishment, 1, 14
 - priorities, 12
 - reports, 11, 22
 - role and functions, 7, 14, 263
- National Health Funding Pool, 16, 18, 45, 263
 - Administrator *see* Administrator
 - Payments System *see* Payments System
 - see also* State Pool Accounts
- National Health Reform Act 2011*, 3, 5, 22, 23, 27, 28, 45
- National Health Reform Agreement*, 1, 11, 14, 23
 - Addendum, 11, 14–15, 29
 - compliance with, 22
 - funding types, 17, 19–21 *see also* activity based funding; block funding
 - see also* funding and payments
- National Healthcare Specific Purpose Payment arrangements, 14, 29
- National Partnership on COVID-19 Response, 8, 10, 15, 47, 53 *see also* COVID-19 pandemic
- National Weighted Activity Unit (NWAU), 19, 25, 30, 264 *see also* activity based funding
- New South Wales, 59–68
 - financial statement, 69–82
- non-acute services, 19, 45
- non-admitted child and adolescent mental health services, 20, 46, 49–52
- non-admitted home ventilation, 21, 46, 49–52
- non-admitted mental health, 20, 46, 49–52
- non-admitted services, 19, 45, 46, 49–52
- Northern Territory, 235–243
 - financial statement, 245–258

O

- other non-admitted services, 21, 49–52
- Other Public Hospital Services and functions, 17, 35, 46
- over deposit, 21

P

- pandemic *see* COVID-19 pandemic
- partners, 23–24 *see also* stakeholders
- patient payment neutrality, 11, 12
- payment advice to Commonwealth Treasurer, 5, 17
- Payments System, 27, 263
 - COVID-19 funding account established, 15
 - NPCR funding, 10
 - policy, 16
 - upgrade, 10, 11
 - see also* financial statements; funding and payments
- Payments System Community of Practice, 11
- Pharmaceutical Benefits Scheme (PBS), 10
- policy framework, 16
- population health *see* Public Health funding
- portfolio agencies, 24
- portfolio membership, 1
- price
 - adjustment, 30
 - National Efficient Price, 19, 24, 30
- priorities
 - health system reform, 15
 - NHFB, 12
- Private Hospital Financial Viability Payment, 15, 47, 49–52, 53, 55–58
- private hospitals, COVID-19 response, 10, 15, 47
 - Public Governance, Performance and Accountability Act 2013*, 1, 7, 264
- Public Health funding, 17, 21, 29, 32, 46, 48, 49–52
 - receipts and payments, 41–44
- public hospital funding, 2, 15, 17, 25–36
 - growth, 26
 - Maintenance of Effort Report on State and Territory contributions, 11, 24
 - payment flows, 18
 - reports on *see* reporting requirements
 - services funded (number), 2, 25, 35
 - services funded (types), 19–21, 45–46, 49–52
 - see also* funding and payments; *National Health Reform Agreement*
- public hospitals (number), 2
- purpose, 7

Q

- Qarziba, 21
- Queensland, 113–122
 - financial statement, 123–136

R

reconciliation adjustments, 10, 16, 22, 46
 regional and rural hospitals, 20, 46, 49–52
 regulatory framework, 14–15
 reporting requirements
 funding and payments, 5, 22
 Maintenance of Effort Report on State and Territory contributions, 11, 24
 payment advice to Commonwealth Treasurer, 5, 17
 see also financial statements
 research *see* teaching, training and research
 roles and functions
 Administrator, 1, 5, 6, 45
 NHFB, 7, 14, 263
 rural and regional hospitals, 20, 46, 49–52

S

Safety and Quality Adjustment, 30
 Services Australia, 24
 small rural hospitals, 20, 46, 49–52
 South Australia, 161–170
 financial statement, 171–186
 staff, 6, 7, 8
 stakeholder engagement, 12
 stakeholders, 5, 6, 23–24
 satisfaction, 2
 state and territory health departments, 9, 17, 23
see also names of states and territories
 State Managed Funds, 18, 264
 payments from, 33, 34, 35–36
 payments into, 31
 State Pool Accounts, 18, 27–58, 264
 accounting policies, 45–47
 COVID-19 funding, 53, 55–58
 financial statement certification letter, 27–28
 financial statement (national combined State Pool Account), 37–58
 interest, 21
 over deposit, 21
 payments from, 33, 35–36
 payments into, 31–32, 48–52
 statement by the Administrator, 40
 statement of receipts and payments, 41–44
 see also names of states and territories
 for individual State Pool Accounts
 State Public Health Payments, 15, 47, 49–52, 53, 55–58
 statutory office holder *see* Administrator
 strategic priorities for health system reform, 15
 sub-acute services, 17, 19, 45, 49–52

T

Tasmania, 187–196
 financial statement, 197–210
 taxation, 47
 teaching, training and research, 20, 46, 49–52
 Three-Year Data Plan, 16, 22
 timeliness
 of data submission, 22
 of reporting on payments and funding, 11, 22
 Treasury, 24, 46

U

upfront advance payments, 51–52, 53, 57–58

V

vaccine delivery, 10, 15
 ventilatory support, 21, 46, 49–52
 Victoria, 83–96
 financial statement, 97–112
 volume adjustments, 30 *see also* activity based funding

W

website, 24
 weighted public hospital services *see* activity based funding; National Weighted Activity Unit (NWAU)
 Western Australia, 137–146
 financial statement, 147–160
 White, Shannon (CEO), 6, 7

Y

year ahead, 12, 13
 Yescarta, 21

National Health Funding Pool Annual Report 2020–21

October 2021

ISSN 2206–0952 (ONLINE)
ISSN 2206–0960 (PRINT)

The Administrator is required to prepare an Annual Report of operations and present it to Commonwealth and State and Territory Health Ministers for tabling in their respective Parliaments.

This Annual Report includes:

- An individual financial statement for each State and Territory's State Pool Account and a combined financial statement.
- NHR funding and payments, including number of weighted hospital services delivered.
- State and Territory financial statements are audited by the relevant Auditor–General.

Further Information

If you require further information or have any queries in relation to this Annual Report, please contact:

National Health Funding Body
GPO Box 1252 Canberra ACT 2601
1300 930 522
nhfb.enquiries@nhfb.gov.au

An accessible copy of this Annual Report is available online at publichospitalfunding.gov.au

Enquiries

If you require further information or have any queries in relation to this Annual Report please send via e-mail to nhfb.enquiries@nhfb.gov.au

Creative Commons License



The material in this publication is licensed under a Creative Commons Attribution 4.0 International License (creativecommons.org/licenses/by/4.0/), with the exception of:

- any logos and trademarks;
- any photographs and images;
- any signatures; and

Creative Commons Attribution 4.0 International License is a standard form license agreement that allows you to copy, distribute, transmit and adapt this publication provided that you attribute the work. The full legal code for the license (which includes any relevant license conditions) is available on the Creative Commons website accessible by using this link: creativecommons.org/licenses/by/4.0/legalcode.

The National Health Funding Body's preference is that you attribute this publication (and any material sourced from it) using the following wording:

Source: Licensed from the National Health Funding Body under a Creative Commons Attribution 4.0 International License.

Attribution

Without limiting your obligations under the License, the National Health Funding Body requests that you attribute this publication in your work. This report should be attributed as the National Health Funding Pool Annual Report 2020–21.

Any reasonable form of words may be used provided that you:

- include a reference to this publication and where, practicable, the relevant page numbers;
- make it clear that you have permission to use the material under the Creative Commons Attribution 4.0 International Public License;
- make it clear whether or not you have changed the material used from this publication;
- include a copyright notice in relation to the material used. In the case of no change to the material, the words "© National Health Funding Body 2021" may be used. In the case where the material has been changed or adapted, the words: "Based on National Health Funding Body material" may be used; and
- do not suggest that the National Health Funding Body endorses you or your use of the material.

