



Administrator
National Health
Funding Pool

Improving the transparency of
public hospital funding in Australia

ANNUAL REPORT **2022-23**



Acknowledgement of Country

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



Administrator
National Health
Funding Pool

ANNUAL REPORT

2022-23

Improving the transparency of public
hospital funding in Australia

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SERVICES

\$63 BILLION PAID TO...



138

Local Hospital Networks

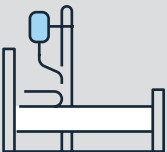
COMPRISING OF...



697

public hospitals

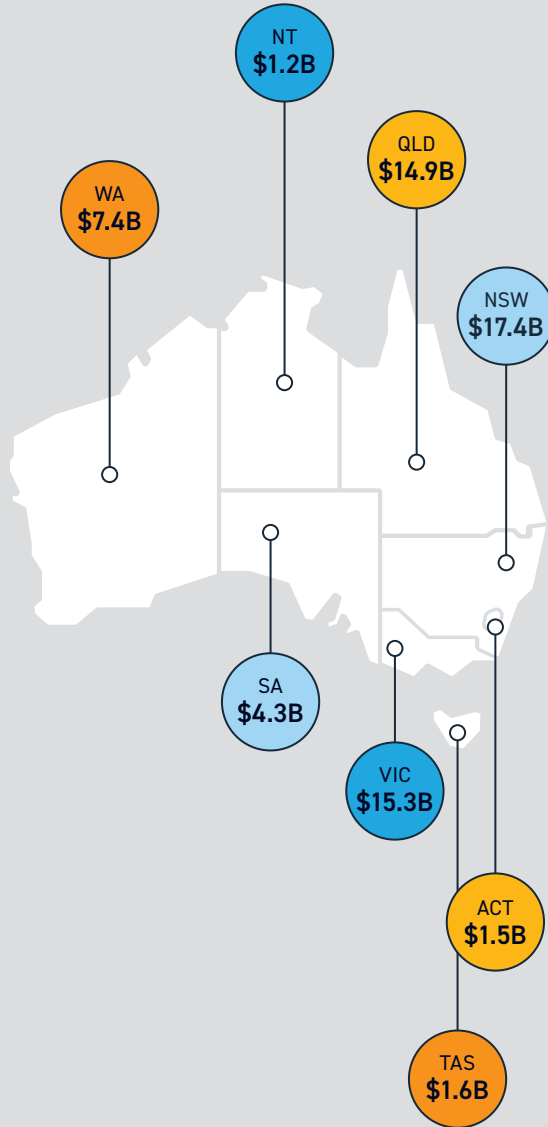
THAT DELIVERED...



38 MILLION

public hospital services

PUBLIC HOSPITAL PAYMENTS



We administered...

\$64 BILLION

in public hospital payments

COVID-19 SUPPORT

Since March 2020, we have paid over

\$14.7 BILLION

in Commonwealth funding to States and Territories to respond to COVID-19 including:



\$2.5 BILLION

for COVID-19 testing



\$2.1 BILLION

in Personal Protective Equipment



\$1.3 BILLION

for additional cleaning in hospitals, schools and public transport



\$3.7 BILLION

for public health activities



\$0.4 BILLION

in COVID-19 vaccinations

PEOPLE

In the 2023 APS Employee Census, out of 100 agencies, the National Health Funding Body ranked...



1ST PLACE

Leadership



2ND PLACE

Wellbeing



2ND PLACE

Innovation



3RD PLACE

Communication

STAKEHOLDER ENGAGEMENT

Our **early engagement** on funding and reconciliation

Through collaboration across quarterly multilateral meetings informed by 32 bilateral discussions...

✓ Led to **improved satisfaction and trust** with our stakeholders

Our stakeholders rated us...

4.8/5



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www.publichospitalfunding.gov.au/publications



Administrator
National Health
Funding Pool

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Minister for Health and Aged Care
Commonwealth of Australia

The Hon. Brad Hazzard MP
Minister for Health
New South Wales

The Hon. Mary-Anne Thomas MP
Minister for Health and
Minister for Ambulance Services
Victoria

The Hon. Yvette D'Ath
Minister for Health and Ambulance Services
Queensland

The Hon. Amber-Jade Sanderson MLA
Minister for Health; Mental Health
Western Australia

The Hon. Chris Picton MLC
Minister for Health and Wellbeing South Australia

The Hon. Jeremy Rockliff MP
Premier of Tasmania
Minister for Health, Minister for Mental Health and Wellbeing,
Minister for Tourism, Minister for Trade
Tasmania

The Hon. Rachel Stephen-Smith MLA
Minister for Health, Minister for Families and Community Services
and Minister for Aboriginal and Torres Strait Islander Affairs
Australian Capital Territory

The Hon. Natasha Fyles MLA
Chief Minister
Minister for Health, Minister for Alcohol Policy,
Minister for Defence, Minister for Major Projects
Northern Territory

Dear Ministers,

Administrator of the National Health Funding Pool Annual Report 2022-23

I am pleased to submit to you, for tabling in your respective Parliaments, my Annual Report for the year ended 30 June 2023.

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
22 September 2023

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 and Aged Care Portfolio. The NHFB is an independent agency with 30 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) and *National Partnership on COVID-19 Response* (NPCR).

This Annual Report provides an overview of the role and work of the Administrator during 2022-23 and provides both the combined and individual State and Territory Pool Accounts for 2022-23.



This report should be read in conjunction with the *National Health Funding Body Annual Report 2022-23* that can be found on the NHFB website: www.publichospitalfunding.gov.au/publications

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PART 1:

OVERVIEW

This section explains the Administrator and NHFB's role in Australia's health system.

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I am pleased to present the Administrator's National Health Funding Pool Annual Report for the financial year ending 30 June 2023, which is the tenth report on the operation of the National Health Funding Pool (the Pool).

Michael Lambert

Administrator
National Health Funding Pool

MESSAGE FROM THE ADMINISTRATOR

In 2022-23, I was supported by the NHFB to:

- calculate the Commonwealth National Health Reform (NHR) Agreement and National Partnership on COVID-19 Response (NPCR) payments to the States and Territories (hereafter, the States)
- make payments through the Pool to Local Hospital Networks
- report on payments, activity and jurisdictional compliance with the requirements specified in the Administrator's Three Year Data Plan.

In 2022-23, the main areas of focus beyond undertaking the core functions of calculate, pay, report were:

- working with States and national bodies to improve the consistency and transparency of public hospital funding
- publishing two annual reports on Maintenance of Effort (that is, whether the level of public hospital funding has been maintained compared to the 2018-19 base year)
- further enhancing funding integrity through identifying and addressing any potential double Commonwealth payments for the same service
- bilateral and multilateral engagement with all key stakeholders as part of the six-month and annual reconciliation process
- providing advice on the Mid-Term Review of the NHR Agreement.

National Health Reform Agreement Funding and Annual Reconciliation

In 2022-23, \$63.6 billion in NHR payments from Commonwealth, State and Territory funding contributions were made. Of the \$63.6 billion, the Commonwealth contributed \$25.8 billion with States contributing the balance.

The 2021-22 Annual Reconciliation was completed in December 2022, with my advice provided to the Commonwealth Treasurer (and all health ministers) on 13 December 2022. This involved a reduction in Commonwealth NHR funding of \$1.270 billion offset by a \$1.527 billion top-up under the NPCR (\$1.104 billion in HSP, \$0.411 billion in SPHP and \$0.012 billion in FVP) and an additional \$0.473 billion Commonwealth Minimum Funding Guarantee payment.

Cash and entitlement

An important distinction is between what are termed cash payments made by the Commonwealth and what are termed Commonwealth funding entitlements. The cash payment reflects actual Commonwealth payments made in the financial year and are based on activity estimates provided by States. The Commonwealth funding entitlement is calculated after the end of each financial year and is based on the actual level of activity delivered in that year.

The table on page 51 shows the national comparison between Commonwealth cash and funding entitlement, with State information in each chapter.

COVID-19 program

The NPCR was signed by all Australian Governments in March 2020 to provide Commonwealth financial support for the additional cost incurred by States in responding to COVID-19 and was subsequently amended to include vaccination payments, aged care support and financial viability payments to private hospitals.

The NPCR expired on 31 December 2022 with the total payments made by the Commonwealth being \$14.7 billion over the period from March 2020 to December 2022:

- \$4.093 billion in Hospital Services Payments (HSP) for COVID-19 related hospital activity funding, including COVID-19 testing (Commonwealth funding 50% of the program)
- \$9.180 billion State Public Health Payments (SPHP) for activities aimed at reducing the spread of COVID-19 (Commonwealth funding 50% of the program)
- \$1.427 billion for Private Hospital Financial Viability Payments (FVP) for maintaining the viability of private hospitals and their assistance in the COVID-19 response (Commonwealth funding 100% of the program)

In December 2022 the Commonwealth announced the National COVID-19 Health Management Plan 2023, which included a focus on testing and vaccinations for priority groups. A new partnership agreement encompassing this focus was offered to States for the 2023 calendar year, with the first States signing in August 2023.

Annual Report on Maintenance of Effort and funding transparency

Under the *Addendum to National Health Reform Agreement 2020-21 to 2024-25* (the Addendum), all Parties agreed, at a minimum, to maintain levels of funding for public hospital services through the Pool for 2020-21 to 2024-25 at not less than the level of funding for 2018-19.

The assessment of Maintenance of Effort applies to both the Commonwealth and States. The assessment focuses on in-scope public hospital services under the NHR Agreement. Out-of-scope activity is defined as non-hospital services or those public hospital services with a funding source other than the NHR Agreement.

This work has revealed some inconsistencies across States, including:

- some States do not transact all ABF contributions for in-scope activity through the Pool
- some States transact ABF contributions for out-of-scope activity through the Pool but are not identified as such
- some States make payments based on estimated activity, noting there is no reconciliation of State funding contributions.

Whilst the Commonwealth and States have maintained levels of funding for public hospital services in 2020-21 and 2021-22, at not less than the level of funding for 2018-19, there is further work to do to achieve funding transparency through:

- ensuring accuracy and completeness of Service Agreements, including clear identification of in-scope and out-of-scope activity (A92)
- ensuring accuracy and completeness of State Prices published in Service Agreements (A95)
- ensuring all State ABF contributions for in-scope activity are being transacted through the Pool (A139)
- identifying funding for out-of-scope activity transacted through the Pool (A139)
- working with the Australian Institute of Health and Welfare (AIHW) and the Commonwealth and States to improve public hospital expenditure reporting for out-of-scope activity including third party revenue (A103).

Funding integrity

Data matching is undertaken to ensure public hospital funding integrity. Data matching identifies instances where the Commonwealth may have contributed funding for the same public hospital service under the NHR Agreement and another Commonwealth program.

To date, the focus has been on matching public hospital activity data against MBS data with potentially positive matches amounting to approximately \$400 million per year, with non-admitted activity accounting for about 63% of the total, acute admitted about 19% and emergency about 16%.

Miscoded private patients (i.e. patients coded as public patients that upon examination are likely to be private patients in public hospitals) are addressed through the reconciliation process. Details of potentially miscoded private patients are provided to jurisdictions during the six-month and annual reconciliation for investigation and feedback. Where potentially miscoded private patients are identified, the Administrator and the NHFB will work with the relevant jurisdiction to correct the data and facilitate a resubmission to ensure that the annual reconciliation meets requirements of clause A76 of the Addendum.

Stakeholder engagement

There has been regular, helpful engagement with key stakeholders including quarterly meetings of the Administrator's Jurisdictional Advisory Committee (JAC), which includes representatives of all Australian Governments, Independent Health and Aged Care Pricing Authority (IHACPA) and AIHW, and attendance at the IHACPA Jurisdictional Advisory Committee.

In 2022-23 we continued to hold bilateral meetings with individual States in advance of the Administrator's JAC meetings. The purpose of these meetings is to identify and resolve any issues and obtain individual State perspectives ahead of the more formal JAC meeting.

Administrator's policies

There are a series of Administrator's policies which are subject to regular review and update. The following were updated in 2022-23:

- Administrator's Three Year Data Plan 2023-24 to 2025-26
- Data Compliance Policy 2023-24
- Administrator's Calculation Policy
- Data Matching Business Rules
- NPCR Cessation Guidance.

The year ahead

In 2023-24, the main areas of focus beyond undertaking the core functions of calculate, pay, report will be to:

- work with the Mid-Term Review Team, Commonwealth, States and National Bodies on ways to further enhance public hospital funding arrangements both under the current Addendum and future Addendums
- work with IHACPA and Australian Commission on Safety and Quality in Health Care (ACSQHC) on incorporating additional safety and quality measures into public hospital funding
- work with IHACPA and States to further refine the approach to Private Patient Neutrality
- work with IHACPA to enhance the transparency of Block funding
- work with our stakeholders to further improve reconciliation processes and funding integrity measures.

Finally, I thank the NHFB CEO, Shannon White, and his excellent team in supporting me to fulfil our mutual responsibilities and improve the transparency of public hospital funding in Australia.



Michael Lambert
Administrator
National Health Funding Pool

Key milestones

2022

- JUL** | Provided Payment Advice to the Commonwealth Treasurer
- SEP** | Provided Payment Advice to the Commonwealth Treasurer
- OCT** | Published the Administrator's National Health Funding Pool 2021-22 Annual Report
- DEC** | Completed the 2021-22 Annual Reconciliation
- DEC** | Provided Payment Advice to the Commonwealth Treasurer

2023

- FEB** | Provided Payment Advice to the Commonwealth Treasurer
- FEB** | Payments System annual software upgrade
- MAR** | Published the Administrator's 2020-21 Annual Report on Maintenance of Effort
- MAR** | Provided Payment Advice to the Commonwealth Treasurer
- MAY** | Provided a submission to the NHRA Mid-Term Review
- MAY** | Commonwealth 2023-24 Budget
- JUN** | Provided Payment Advice to the Commonwealth Treasurer
- JUN** | Published the Administrator's Three Year Data Plan and Data Compliance Policy
- JUN** | 2023 Stakeholder Survey
- JUL** | Published the Administrator's 2021-22 Annual Report on Maintenance of Effort
- JUL** | Michael Lambert completed his 5-year term as the Administrator
- SEP** | Appointment of interim Administrator
- SEP** | Publish the Administrator's National Health Funding Pool 2022-23 Annual Report
- OCT** | Undertake 2022-23 funding integrity data matching and miscoded private patient activities
- NOV** | Appointment of the new Administrator
- DEC** | Finalise the 2022-23 Annual Reconciliation

2024

- FEB** | Publish the Administrator's 2022-23 Annual Report on Maintenance of Effort
- MAY** | Commonwealth 2024-25 Budget
- JUN** | Provide Payment Advice to the Commonwealth Treasurer

ABOUT THE ADMINISTRATOR AND NHFB

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
- undertake funding integrity analysis to identify public hospital services that potentially received funding through other Commonwealth programs
- monitor payments of Commonwealth, State and Territory public hospital funding into the the Pool
- make payments from the Pool to each Local Hospital Network (LHN)
- report publicly on funding, payments and services
- develop 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 Health and Aged Care Pricing Authority (IHACPA), Australian Institute of Health and Welfare (AIHW) and the Australian Commission on Safety and Quality in Health Care (ACSQHC).



The National Health Funding Body

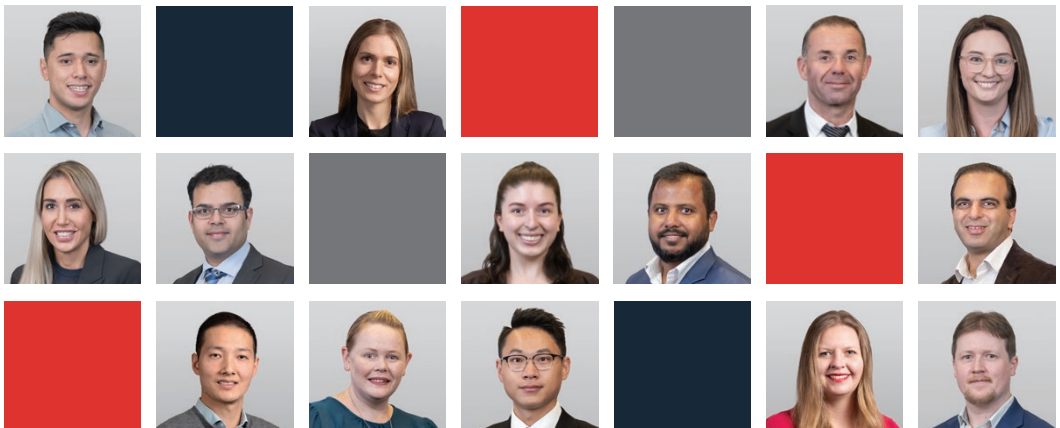
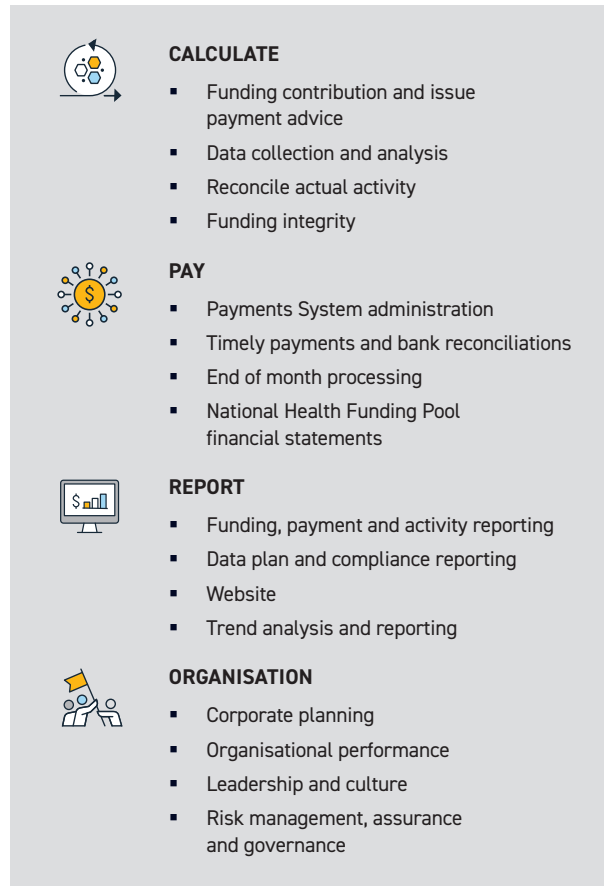
The NHFB's primary purpose is to support the obligations and responsibilities of the Administrator through best practice administration of public hospital funding.

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 and Aged Care Portfolio.

The NHFB is an independent agency with 30 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 the four key functions outlined in Figure 1.

Figure 1: NHFB's four key functions



STRATEGIC OVERVIEW

OUR VISION

To improve transparency of public hospital funding in Australia.

OUR PURPOSE

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

OUR BEHAVIOURS

ONE NHFB

We contribute as a united team and encourage new ideas.

ENHANCE TRUST

We treat others as equals and collaborate openly across boundaries.

OPEN COMMUNICATION

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

OWN IT

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

OUR OBJECTIVES



Accurate and timely calculation of Commonwealth funding contributions.



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



Effective reporting of public hospital funding.



Productive relationships with stakeholders and partners.



Operate as a high performing organisation.

OUR APS VALUES

✓ IMPARTIAL

✓ COMMITTED

✓ ACCOUNTABLE

✓ RESPECTFUL

✓ ETHICAL

WHO WE SUPPORT



Prime Minister,
Premiers and
Chief Ministers



Commonwealth,
State and Territory
Health Ministers



Commonwealth
Treasurer



Michael Lambert
Administrator

**ADMINISTRATOR OF THE
NATIONAL HEALTH FUNDING POOL**

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



Shannon White
Chief Executive Officer

THE NATIONAL HEALTH FUNDING BODY

Led by the CEO, the 30 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



Commonwealth,
State and Territory
stakeholders



Portfolio agencies



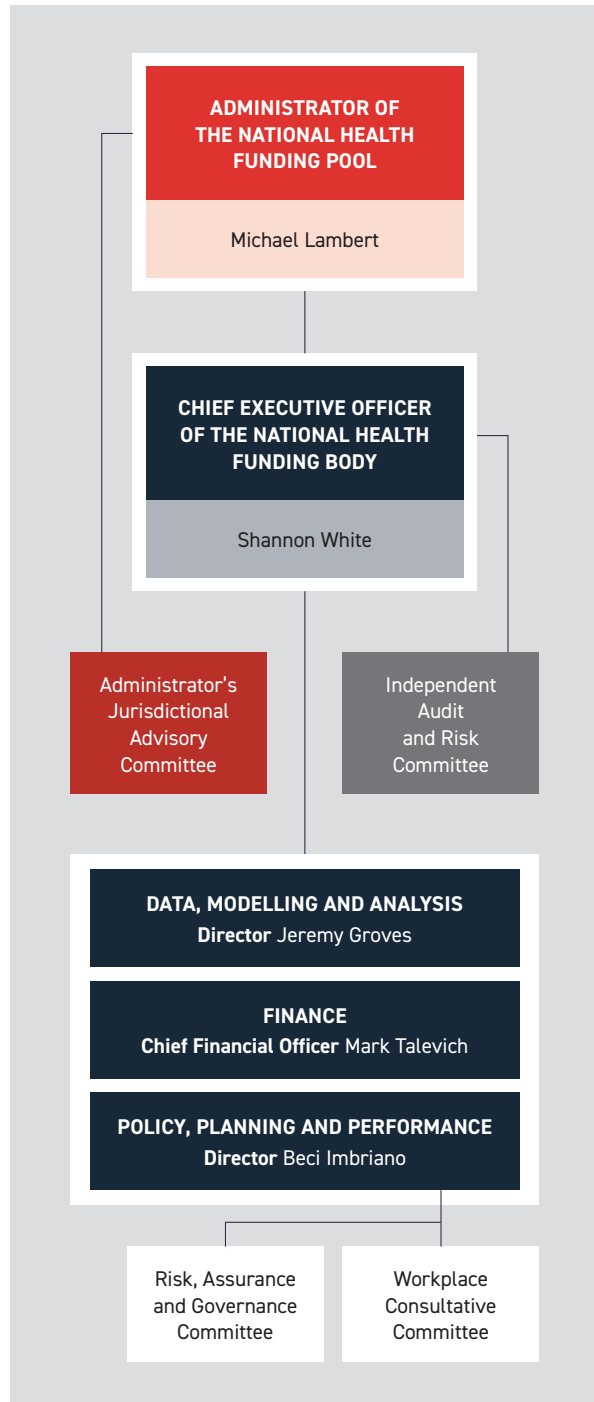
Industry partners

Organisational structure

The NHFB's structure ensures resources are aligned to core functions, providing for clear lines of reporting.

Figure 2 shows the relationship between the Administrator, NHFB and governance elements.

Figure 2: Organisational structure as at 30 June 2023



Leadership team



Michael Lambert

Administrator
National Health Funding Pool

Michael was appointed as the Administrator on 17 July 2018 for a five-year term. This was subsequently extended to include the period 11 September 2023 to 5 November 2023 pending the appointment of a new Administrator.

Michael's career has covered four broad areas: public sector policy and finance; investment banking; non-executive director roles; and working in areas related to the health sector. Michael spent 17 years in a range of senior state government positions culminating in the role of NSW Treasury Secretary. Michael has also held non-executive directorships within the health sector, including the NSW Northern Suburbs Area Health Board, the NSW Cancer Council and the Sax Institute, a not for profit organisation that seeks to align health research to health policy and programs in order to improve health outcomes.

He has also held non-executive directorships in the finance, energy and not for profit sectors.

Michael holds an Honours and Masters degree in Economics, a Masters in Philosophy and is a Graduate of the Australian Institute of Company Directors.



Shannon White

Chief Executive Officer
National Health Funding Body

Shannon was appointed CEO of the National Health Funding Body in April 2018.

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

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



Jeremy Groves

Director
Data, Modelling and Analysis

Jeremy joined the NHFB in October 2022. The Data, Modelling and Analysis section develop and operate models that determine the Commonwealth funding contribution to LHNs for delivering public hospital services (over \$25 billion for 2022-23). The section also reconciles estimated and actual service volumes through a range of data submissions (over 38 million records each year) related to public hospital funding. The Data, Modelling and Analysis section is also responsible for linking hospital activity data with Medicare Benefits Schedule (MBS) claims data to identify if the Commonwealth has potentially paid for the same hospital service more than once (over 610 million MBS records per annum).

Jeremy has over 12 years experience in data modelling, analytics and data visualisation. He holds a PhD from the University of Canberra and a Bachelor of Science from Concordia University, Canada.



Mark Talevich

Chief Financial Officer
Finance

Mark joined the NHFB in September 2021 as Chief Financial Officer and is responsible for the Finance section. The Finance section provides financial support to the CEO and the Administrator, including managing the National Health Funding Pool Payments System, processing Commonwealth, State and Territory payments into and out of the Pool as well as facilitating authorisation by the Administrator for payments to LHNs and other providers.

The Finance Section is also responsible for the production of NHFB and individual Pool Financial Statements for auditing by the Australian National Audit Office and each State and Territory's Auditor-General respectively.

Prior to joining the NHFB, Mark worked at the Commonwealth Department of Health for more than 19 years, working predominately in corporate roles in financial management, external budget and grants management. Mark is a Certified Practising Accountant (CPA) and has a Graduate Diploma in Professional Accountancy from the University of Canberra.



Beci Imbriano

Director
Policy, Planning and Performance

“We are proud of our culture where ‘how’ we do things is just as important as ‘what’ we do.

Beci joined the NHFB in November 2018 as Director, Policy, Planning and Performance. The Policy, Planning and Performance section is responsible for developing the NHFB's Strategic Direction, Corporate Plan, Portfolio Budget Statements and Annual Reports.

The section works with colleagues, jurisdictions and portfolio agencies to maintain the full suite of Administrator's policies, including:

- Administrator's Three Year Data Plan
- Data Compliance Policy
- Data Governance Policy
- Calculation and Reconciliation Framework
- Data Matching Business Rules.

The section also works with stakeholders to improve reporting through the development of a strategic outlook of public hospital funding, trend reporting and analysis, including the publication of monthly funding and activity data on publichospitalfunding.gov.au.

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

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

LEGISLATIVE AND REGULATORY FRAMEWORK

Our role in Australia's health system was the result of significant public hospital funding reforms in August 2011.

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

National Health Reform Agreement 2012-13 to 2016-17

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

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

In July 2017, amendments were introduced to the NHR Agreement through a time-limited Addendum. This reaffirmed universal health care for all Australians as a shared priority and committed parties to public hospital funding from 1 July 2017 to 30 June 2020. It also focused on reducing unnecessary hospitalisations and improving patient safety and service quality. It also introduced the 6.5 per cent cap on growth in Commonwealth funding.

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 relation to Commonwealth NHR funding, the Addendum outlines clear direction in several key areas including:

- public hospital funding integrity and duplicate payments
- funding neutrality for private patients in public hospitals
- funding cap exemption for highly specialised therapies
- the progression of safety and quality measures (e.g. avoidable readmissions)
- measures to reduce demand for potentially preventable hospitalisations.

The Commonwealth also provided a Minimum Funding Guarantee to States and Territories for the period 2019-20 to 2021-22, 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 February 2021 to support the COVID-19 vaccine rollout. The NPCR was further amended to assist residential aged care providers prevent, prepare for and respond to outbreaks of COVID-19 under Schedule D.

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

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

Since then, more than \$14.7 billion (2019-20 to 2022-23) in Commonwealth COVID-19 funding has been paid to States and Territories:

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

The NPCR ceased on 31 December 2022. In December 2022 the Commonwealth announced the National COVID-19 Health Management Plan 2023 which focuses on testing and vaccination for priority population groups and will be in place for the 2023 calendar year.

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

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 NHR 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 or another Commonwealth program.

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.

Administrator's Guidance on Financial Arrangements (NPCR)

The Guidance provides States and Territories with information to assist them with the funding arrangements and financial administration of the NPCR in their respective health systems.

CALCULATING THE COMMONWEALTH CONTRIBUTION IN 2022-23

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

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

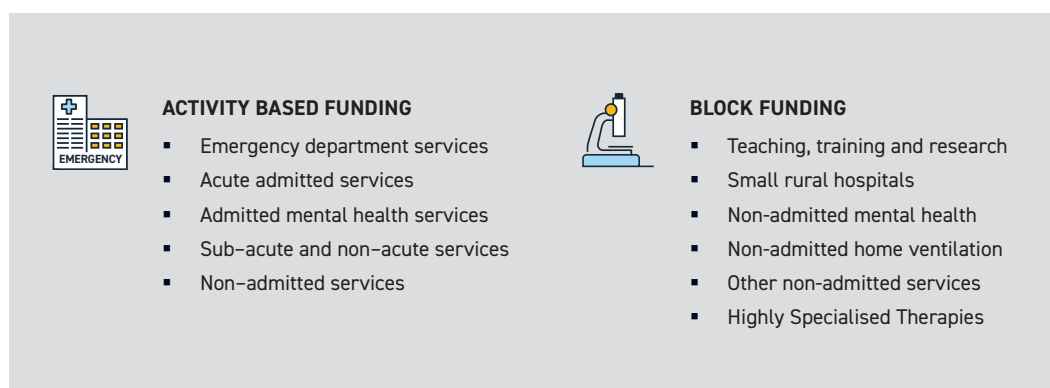
The first payment advice for 2022-23 was provided to the Treasurer on 23 June 2022, with further updates to 2022-23 Payment Advice provided to the Commonwealth Treasurer on:

- 8 September 2022, which updated payments from 1 October 2022 to 30 June 2023
- 13 December 2022, which updated payments from 1 January 2023 to 30 June 2023
- 21 February 2023, which updated payments from 1 March 2023 to 30 June 2023
- 24 May 2023, which updated payments from 1 June 2023 to 30 June 2023.

Once the Payment Advice is provided to the Treasurer, the advice is also distributed to all health ministers and State and Territory health department CFOs.

The final 2022-23 Payment Advice resulted in \$26.609 billion in Commonwealth NHR funding.

Figure 3: Types of public hospital funding



PUBLIC HOSPITAL FUNDING AND PAYMENTS

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.

Payments

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

Figure 4 highlights the source, types and amount of funding and payments that flowed through the Pool and SMFs in 2022-23. 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 States and Territories pay into a State Pool account or SMF. NHR payments occur when the funding is paid out of the State Pool account by the Administrator or is paid out of the SMF by the State or Territory.

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 IHACPA, and the level of activity as represented by the National Weighted Activity Unit (NWAU) (i.e. the NEP is the price per NWAU).

A NWAU represents a measure of health service activity expressed as a common unit of resources. This provides a way of comparing and valuing each public hospital service (whether it is an emergency department presentation, admission or outpatient episode), by weighting it for clinical complexity. States and Territories are required to outline their basis of payments to each LHN, including an explanation of the factors taken into account. The following service categories were ABF funded in 2022-23:

- 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.

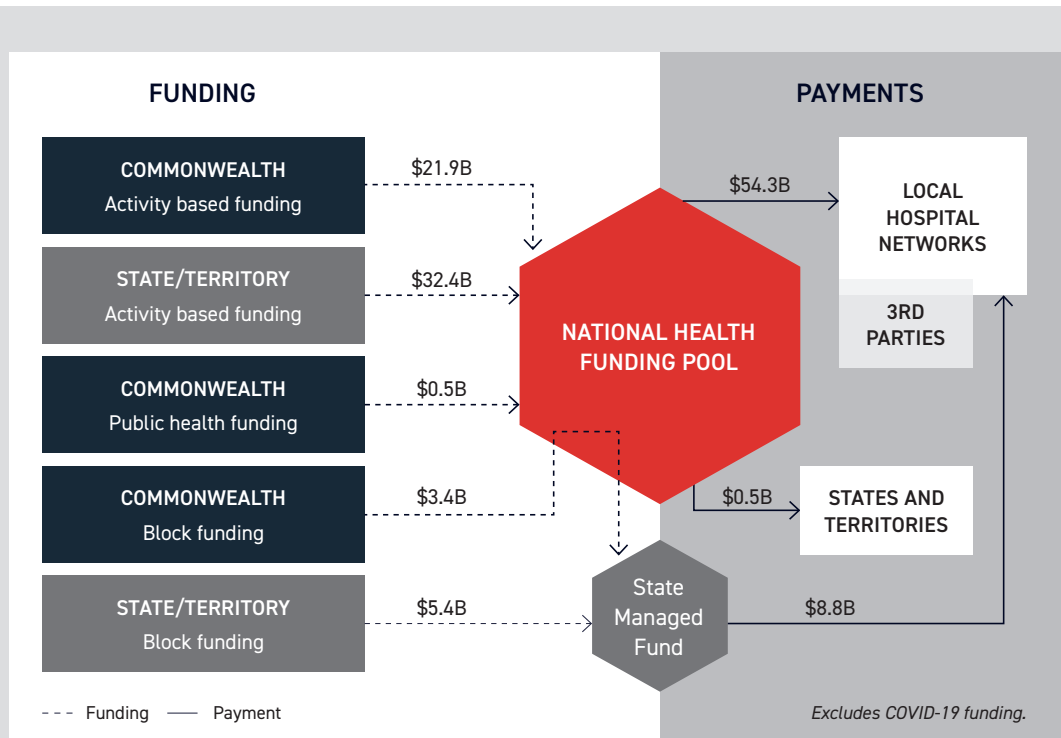
Sub-acute and non-acute services

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 4: 2022-23 Public hospital funding payment flows



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 2022-23 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 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
- Luxturna – for the treatment of inherited retinal disease
- Qarziba – for the treatment of high risk neuroblastoma
- Tecartus – for the treatment of relapsed or refractory mantle cell lymphoma.

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' or 'withdrawal of ABF in excess of funding obligations' and paid to the State or Territory health department, or be used as part of a subsequent payment to LHNs. In 2021-22 and 2022-23, Victoria were the only State to make over deposits.

Annual Reconciliation overview

Twice yearly, estimated activity provided by States and Territories is reconciled against the actual public hospital activities delivered.

This occurs following the provision of six-month and annual data by States and Territories (due 31 March and 30 September respectively).

Adjustments to Commonwealth payments are only made after the reconciliations have been finalised. This means that the Commonwealth's funding contribution is linked to the actual growth in services delivered. Figure 5 shows the growth in Commonwealth funding contributions from 2012-13 to 2023-24.

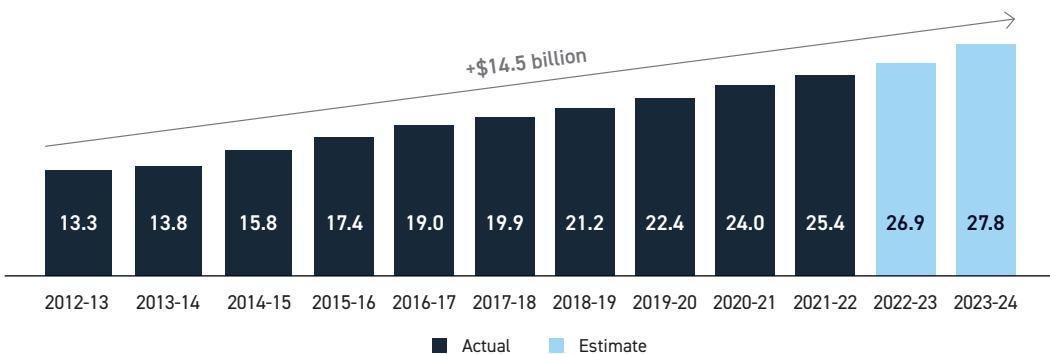
As was done in 2020-21, the 2021-22 Six-month Reconciliation was deferred to the 2021-22 Annual Reconciliation due to the impact of COVID-19 on the delivery of public hospital services.

In 2022-23, the Administrator provided advice to the Commonwealth Treasurer on funding adjustments related to the:

- Commonwealth NHR funding 2021-22 Annual Reconciliation
- Commonwealth NPCR funding 2021-22 Annual Reconciliation
- Commonwealth's 2021-22 Funding Guarantee.

Preliminary 2021-22 Annual Reconciliation results were provided to the Commonwealth, States and Territories during a series of bilateral discussions in late October and early November 2022 ahead of the Administrator's Jurisdictional Advisory Committee (JAC) meeting on 17 November 2022.

Figure 5: Commonwealth funding contributions from 2012-13 to 2023-24



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

Following a period of engagement and collaboration with stakeholders, the Administrator's advice on the 2021-22 Annual Reconciliation was provided to the Commonwealth Treasurer (and all health ministers) on 13 December 2022. This is the fastest the NHFB has completed an Annual Reconciliation, and the fifth year in a row it has been completed by March (as required under the Addendum).

2021-22 Annual Reconciliation funding adjustments

The 2020-21 Annual Reconciliation was finalised in February 2022 for both NHR and NPCR. The Treasurer's Federal Financial Relations (National Health Reform Payments for 2020-21) Determination 2022 was made on Wednesday, 23 February 2022. This was the fastest the NHFB has delivered an Annual Reconciliation.

This achievement was superseded by the delivery of the 2021-22 Annual Reconciliation (both NHR and NPCR), with advice provided to the Commonwealth Treasurer in early December 2022.

The Treasurer's Federal Financial Relations (National Health Reform Payments for 2021-22) Determination 2022 was made on Monday, 12 December 2022.

This involved a reduction in Commonwealth NHR funding of \$1.270 billion offset by a \$1.527 billion top-up under the NPCR (\$1.104 billion in HSP, \$0.411 billion in SPHP and \$0.012 billion in FVP) and an additional \$0.473 billion Commonwealth Minimum Funding Guarantee payment.

COVID-19 had a substantial impact on the underlying level of public hospital services across all States and Territories. In 2021-22, the initial Commonwealth NHR funding entitlement was \$24.315 billion based on forecast activity, however based on actual public hospital services delivered the final entitlement is \$23.045 billion resulting in a funding adjustment of -\$1.270 billion.

This contrasts with Hospital Services Payments (HSP) under the NPCR which were provided to support public hospitals in testing and treating confirmed and suspected COVID-19 patients.

In 2021-22, HSP funding was \$0.773 billion based on initial estimates, however based on actual services delivered the final funding entitlement was \$1.877 billion resulting in a +\$1.104 billion funding adjustment.

In 2021-22, six out of eight States and Territories were assessed as eligible for the Commonwealth's Minimum Funding Guarantee. This resulted in top-up payments of +\$0.473 billion.

State Public Health Payments (SPHP) were targeted at supporting additional public health activities in responding to the pandemic as well as stopping the spread of the disease. This included funding to expand critical ICU capacity, additional PPE supplies, supporting additional cleaning of hospitals, schools and transport; as well as boosting public health emergency operations and communication, vaccine dose delivery and providing access to Rapid Antigen Tests (RATs) to support COVID-19 testing capacity as recommended by the Australian Health Protection Principal Committee.

In 2021-22, a total of \$3.926 billion in SPHP funding was provided to States and Territories. Following an assessment of expenditure data submissions, the SPHP final funding entitlement was \$4.337 billion, resulting in a funding adjustment of +\$0.411 billion.

In addition to HSP and SPHP, financial support was also provided through the Private Hospital Financial Viability Payments (FVP). These payments focused on securing critical private sector staff, facilities and ICU beds to supplement the public hospital system. In 2021-22, the final audited funding entitlement is \$0.444 billion compared to initial estimates of \$0.432 billion, resulting in a funding adjustment of +\$0.012 billion.

REPORTING

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

Funding and payments

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.

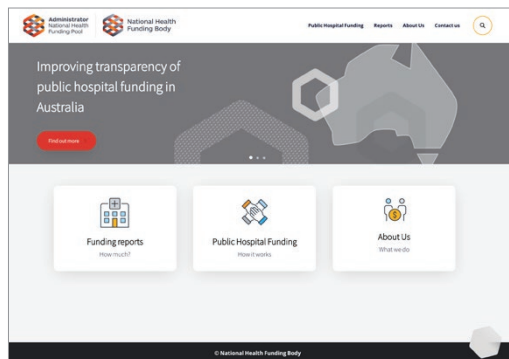
Monthly reports provide details of funding and payments into and out of the Pool and State Managed Funds. This information is provided at a national, State and Territory and LHN level, and details both the Commonwealth and State and Territory contributions.

The NHFB produces approximately 160 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. Full year 2022-23 funding and payment information was published to the website on 17 July 2023, within three weeks after the end of the financial year.

Figure 6: www.publichospitalfunding.gov.au



Compliance

The Administrator's rolling Three Year Data Plan sets out the minimum level of data that States, Territories and the Commonwealth must provide to the Administrator, and the timeframes it must be provided within.

Each quarter, a compliance report is published that details whether States, Territories and the Commonwealth have met their obligations under the Data Plan.

Through engagement with States and Territories, Compliance with the Administrator's Data Plan has improved over time, including the timeliness of data submissions. However there are some areas of concern that require more work, such as transparency of out-of-scope activity and State Prices.

Data submissions

Timeliness of data submissions to support the 2021-22 Annual Reconciliation has improved over time with all eight States and Territories providing Submission A files, Submission B files, and Statements of Assurance on time, compared to six out of eight in the previous year.

With respect to the timeliness of 2022-23 Six-month data submissions, eight out of eight States and Territories provided Submission A on time. Six out of eight States and Territories provided Submission B files on time, with New South Wales and Victoria submitting data on 11 and 6 April 2023 respectively. The quality of submissions has improved over time, with only one resubmission received compared to 13 resubmissions last year.

Service agreements

Service Agreements between the States and LHNs support transparency of public hospital funding and services and are provided to the Administrator (once agreed). Service Agreements are to include, at a minimum (E7):

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

In addition, the funding paid on an activity basis to LHNs will be based on the price set by that State as reported in Service Agreements, the State Price (A92).

The Administrator and NHFB have been working with States and Territories to highlight inconsistencies in Service Agreements and identify where improvements can be made including on:

- accuracy of State Prices
- identification of in-scope and out-of-scope activity
- timely provision of Service Agreements to the Administrator.

PART 1: OVERVIEW

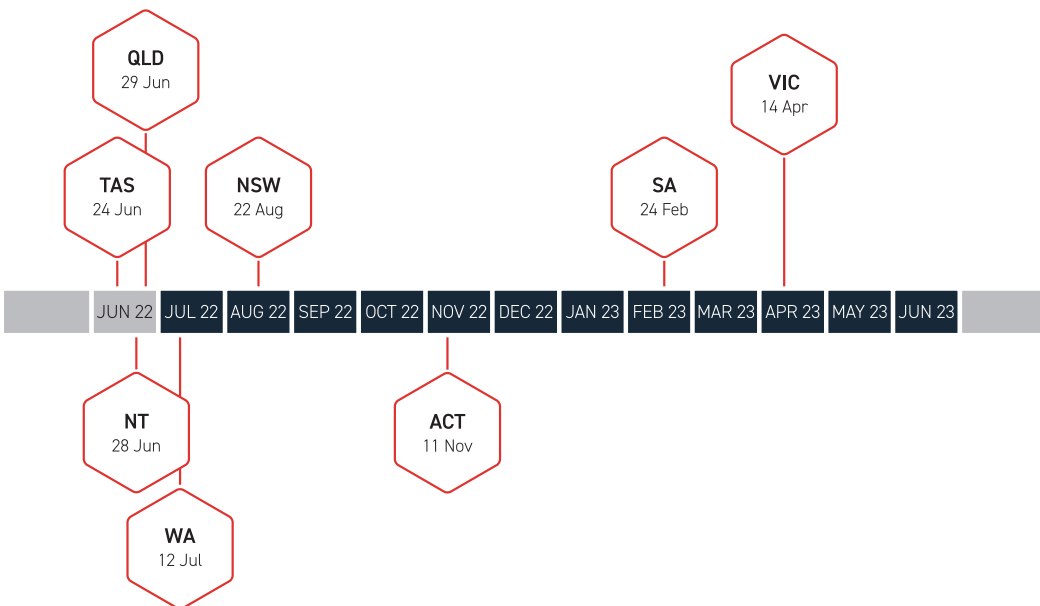
Following engagement with States there was an improvement in 2022-23 with 87 of the 87 Service Agreements submitted to the Administrator aligned to activity estimate submissions, compared to 29 of 90 last year.

Seven out of eight States and Territories submitted 2022-23 Service Agreements to the Administrator within the required fourteen calendar days from finalisation or amendment.

Victoria provided 38 of their 40 Service Agreements post 31 March 2022. Of these, five were submitted within the required timeframe, 32 were provided outside of the 14 day period and two remain outstanding. This is the third year that Victoria has been delayed in providing Service Agreements to the Administrator. Figure 7 shows a summary of when 2022-23 Service Agreements were provided to the Administrator.

In accordance with the Administrator's Three Year Data Plan and Data Compliance Policy, from 1 July 2022, States are required to identify both in-scope and out-of-scope activity in their LHN Service Agreements. In addition, a new fund account was established (from 1 July 2022) in the Payments System to identify all payments for out-of-scope activity.

Figure 7: 2022-23 Service Agreements provided to the Administrator



Maintenance of Effort

Parties to the Addendum agreed, at a minimum, to maintain levels of funding for public hospital services through the the Pool for 2020-21 to 2024-25 at not less than the level of funding for 2018-19, while having regard to new, appropriate models of care that may change the setting in which care is delivered (A102).

The assessment of Maintenance of Effort focuses on in-scope public hospital services under the NHR Agreement. Out-of-scope activity is defined as non-hospital services or those public hospital services with a funding source other than the NHR Agreement.

This work has identified some inconsistencies in the level of in-scope and out-of-scope funding transacted through the Pool as well as pricing and activity information published in LHN Service Agreements.

Given certain data limitations, the assessment of Maintenance of Effort is based on in-scope ABF only. Further work is required in order to incorporate in scope Block funding into future iterations of this report.

The assessment found that when comparing 2020-21 and 2021-22 funding levels to the 2018-19 baseline:

- the Commonwealth maintained its level of funding in total and in respect to payments to all States
- all States have maintained their levels of funding on the basis of the information and advice provided.

The Administrator will continue to work with all Parties to the Addendum towards achieving consistency and transparency in the reporting of public hospital funding (A103).

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 2022-23, the Administrator and NHFB continued to proactively engage with stakeholders. Productive discussions not only provide valuable guidance to assist all parties to 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. The Administrator's JAC meets quarterly and 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
- enable collaboration between the Administrator, NHFB, Commonwealth, State and Territory health departments and IHACPA on the relevant operational arrangements and priorities under the NHR Agreement and NHR Act.

Key discussion topics for the Administrator's JAC in 2022-23 included:

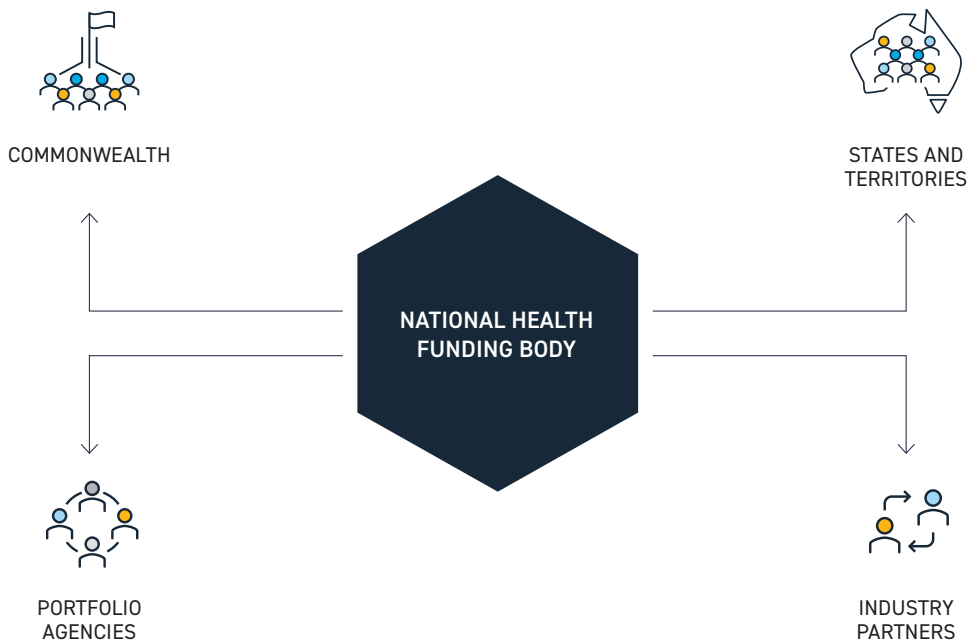
- implementation of the Addendum
- Administrator's policy documents
- 2021-22 Annual Reconciliation of public hospital funding and services
- National Partnership on COVID-19 Response Reconciliation
- funding integrity, including data matching
- Payments System administration
- Consistency and transparency of public hospital funding.

Commonwealth

In 2022-23, 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 and Aged Care
- 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 and Aged Care on NHR Agreement funding and activities
- website hosting on Australia's whole-of-government platform, GovCMS from Department of Finance.

Figure 8: National Health Funding Body stakeholders and partners



Portfolio Agencies

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

Independent Health and Aged Care Pricing Authority

The main functions of the IHACPA are to determine each year the National Efficient Price (NEP) for ABF and National Efficient Cost (NEC) for Block funding for health care services provided by public hospitals. The NEP is a major determinant of the level of Commonwealth funding for public hospital services and provides a benchmark for the efficient cost of providing public hospital services. As such, the NHFB routinely engages with the IHACPA, including as a member of IHACPA's Jurisdictional Advisory Committee and Technical Advisory Committee.

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.

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.

Overview of the relationship between the IHACPA and NHFB

In August 2011, 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 a system that is predominantly funded on an 'activity-based' approach, supplemented by Block funding in certain circumstances.

These changes included establishing the:

- Administrator and the NHFB to improve transparency of public hospital funding arrangements
- IHACPA to set the NEP for ABF activity and the NEC for Block funded services.

The NEP and NEC are a major determinant of the level of Commonwealth funding for public hospital services and provide a price signal or benchmark for the efficient cost of providing public hospital services.

INDEPENDENT HEALTH AND AGED CARE PRICING AUTHORITY (IHACPA)



Data collection

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



Classification

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



Costing

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



Pricing

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

NATIONAL HEALTH FUNDING BODY (NHFB)



Calculate

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



Pay

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



Report

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

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



PART 2:

FINANCIAL STATEMENTS

National Health Reform
Disclosures and Special Purpose
Financial Statements.

National	40
New South Wales	72
Victoria	96
Queensland	124
Western Australia	148
South Australia.	172
Tasmania	196
Australian Capital Territory	220
Northern Territory	242

NATIONAL

FUNDING AND PAYMENTS



\$63.6B

TOTAL FUNDING WITH \$63.1B PAID TO



138

LOCAL HOSPITAL NETWORKS (LHNS)



\$54.3B

IN ACTIVITY BASED FUNDING THAT DELIVERED



38.4 MILLION

PUBLIC HOSPITAL SERVICES



9,772,046

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 2023

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

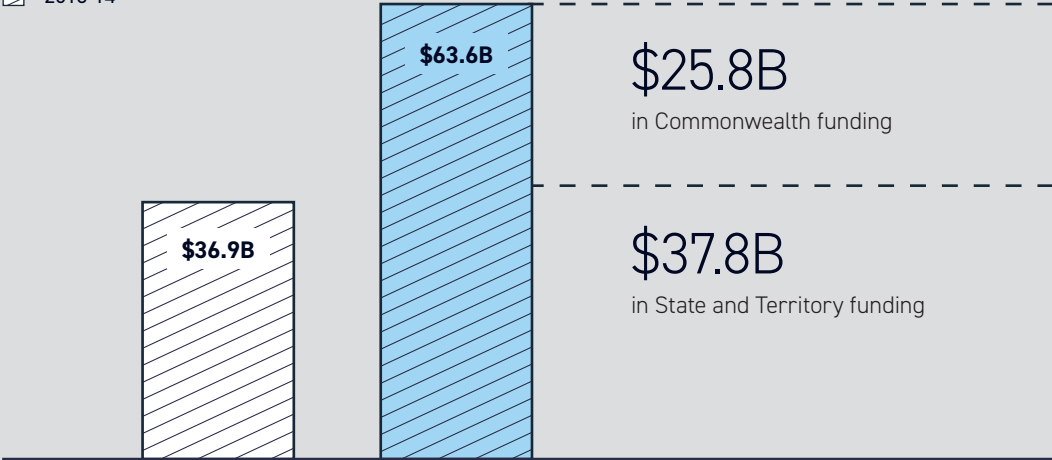
GUIDE TO TABLES

■ 2022-23 ■ 2021-22

GROWTH IN PUBLIC HOSPITAL PAYMENTS

SINCE 2013-14

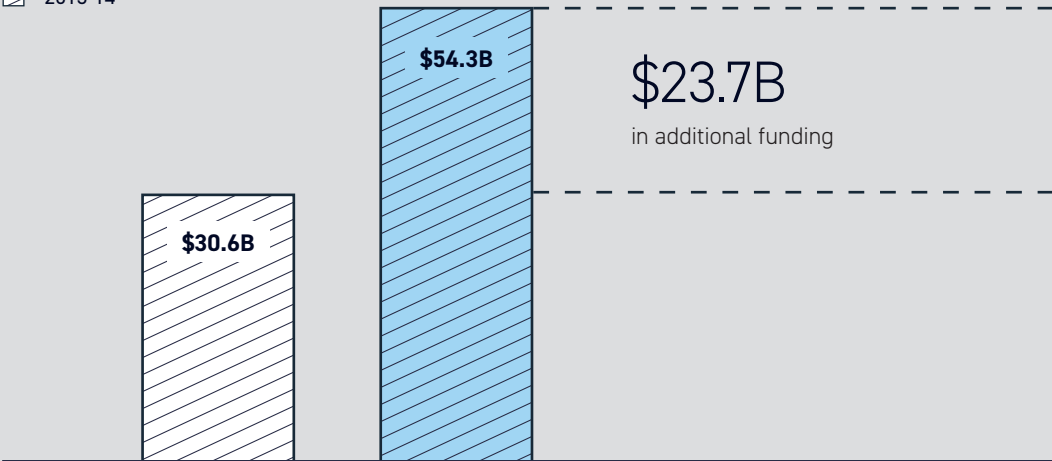
- 2022-23
- 2013-14



GROWTH IN ACTIVITY BASED FUNDING

SINCE 2013-14

- 2022-23
- 2013-14





National Health
Funding Body

GPO Box 1252
Canberra ACT 2601
1300 930 522
publichospitalfunding.gov.au

CERTIFICATION LETTER TO THE ADMINISTRATOR

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

Dear Mr Lambert,

NATIONAL HEALTH FUNDING POOL ANNUAL REPORT 2022-23

This letter outlines the assurance arrangements in place for the preparation of the 2022-23 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 2022-23.

Financial Statements

The National Health Funding Body (NHFB) has prepared a financial statement for the year ended 30 June 2023 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 in accordance with Australian Accounting Standards and other mandatory professional and statutory reporting requirements. This is consistent with the financial statements prepared in previous financial years, with the exception of a disclosure relating to Activity Based Funding (out-of-scope).

The financial statements for each of the States and Territories have been audited by their respective Auditor General. To assist with this process, the NHFB has provided all financial records and related data, explanations, and assistance necessary to conduct the audit in accordance with the Act and relevant State and Territory legislation.

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.

The NHFB has internal controls and policies in place to prevent and detect errors, misstatements, or instances of fraud. These include:

- The NHFP Payments System Internal Control Framework that ensures the integrity of systems and processes
- an Information Security Registered Assessor Program (IRAP) security documentation review (conducted by a third party) to ensure compliance against the Information Security Manual (ISM) and no material issues were identified
- a Reasonable Assurance Review of the NHFP Payments System (conducted by a third party) and no material issues were identified.

In addition, the NHFB's processes and approach relating to risk management and oversight of the preparation of the financial statements are monitored through its external Audit and Risk Committee.

No errors, misstatements or instances 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. In addition, we are not aware of any breaches, or possible breaches, of relevant legislation, contracts, agreements or licensing conditions, that could affect the financial statements.

Funding and Payments

The NHFB has also prepared funding and payment information for the 2022-23 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, 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 this data on a monthly basis. This process includes strong governance arrangements, including a monthly verification by the State and Territory, 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.

To enhance the presentation of the funding and payments section, we have excluded over deposits by States and Territories which are subsequently withdrawn, interest and cross-border transactions. This impacts the prior year comparative figures; however, this information is available in the Statement of Receipts and Payments.

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 2023, 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
21 September 2023



Mark Talevich

Chief Financial Officer
National Health Funding Body
21 September 2023

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:

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 and Territory by summing:

- previous year amount — the Commonwealth's contribution rate for the relevant State or Territory 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
- volume adjustment — the net change in volume of weighted services provided in the relevant State or Territory (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 and Territory at a single Commonwealth Contribution Rate.

Block funding (A49)

The Commonwealth will continue to provide funding to States and Territories 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.

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.

Funding Cap (A56)

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

States and Territories 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 or Territory 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), and Avoidable hospital readmissions.

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.

Commonwealth Minimum Funding Guarantee

For the 2019-20, 2020-21 and 2021-22 financial years only, the Commonwealth provided the States and Territories with a minimum funding guarantee for funding related to the NHR 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.

The amounts paid into each State Pool Account by the Commonwealth – Section 241(2)(B)

STATE OR TERRITORY	AMOUNT PAID BY COMMONWEALTH (\$'000)							
	2022-23				2021-22			
	Activity Based Funding	Block funding	Public Health funding	TOTAL	Activity Based Funding	Block funding	Public Health funding	TOTAL
New South Wales	6,734,012	1,020,413	155,326	7,909,751	6,113,270	998,805	145,833	7,257,908
Victoria	4,910,191	966,517	124,026	6,000,734	4,426,126	842,471	119,306	5,387,904
Queensland	5,290,326	644,015	103,029	6,037,370	4,988,926	629,128	93,351	5,711,404
Western Australia	2,285,208	411,743	55,428	2,752,379	2,241,148	376,628	47,842	2,665,617
South Australia	1,424,374	213,947	35,800	1,674,121	1,415,917	214,047	31,608	1,661,571
Tasmania	467,716	93,845	11,547	573,107	419,670	91,016	9,715	520,402
Australian Capital Territory	437,940	34,669	9,212	481,822	419,517	32,823	7,724	460,064
Northern Territory	354,625	22,310	5,095	382,029	351,309	34,590	4,343	390,243
TOTAL	21,904,391	3,407,459	499,463	25,811,313	20,375,884	3,219,507	459,722	24,055,113

Additional financial assistance has been provided by the Commonwealth under the NPCR including hospital services funding which was paid monthly based on activity estimates provided to the Administrator and reconciled annually with adjustments made in the following financial year.

The above table does not include amounts paid into the State Pool Accounts by the Commonwealth under the NPCR, including Hospital Services Payments of \$1,413,366,829 in 2022-23 (\$1,475,900,889 in 2021-22) and State Public Health and Private Hospital Financial Viability Payments of \$1,729,739,335 in 2022-23 (\$4,342,001,446 in 2021-22). Details of this funding is provided 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 or Territory – Section 241(2)(A)

STATE OR TERRITORY	AMOUNT PAID BY STATE/TERRITORY (\$'000)					
	2022-23			2021-22		
	State Pool Account - ABF	State Managed Fund - Block	TOTAL	State Pool Account - ABF	State Managed Fund - Block	TOTAL
New South Wales	8,107,218	1,418,463	9,525,681	7,185,150	1,024,221	8,209,372
Victoria	8,186,729	1,100,488	9,287,217	7,581,170	1,250,211	8,831,381
Queensland	7,292,503	1,604,469	8,896,972	6,777,673	1,399,978	8,177,651
Western Australia	3,945,599	746,436	4,692,035	3,624,977	666,903	4,291,880
South Australia	2,412,601	200,464	2,613,065	2,171,500	181,244	2,352,744
Tasmania	804,865	198,385	1,003,250	651,736	575,853	1,227,589
Australian Capital Territory	915,322	94,546	1,009,869	908,341	201,705	1,110,046
Northern Territory	736,526	52,089	788,614	705,063	249,151	954,214
TOTAL	32,401,364	5,415,339	37,816,703	29,605,609	5,549,266	35,154,875

The above table does not include out-of-scope funding (ABF and Block), interest deposited into the Pool Account, over deposit of state contributions subsequently paid back to the respective State or Territory Health Department, or cross-border contributions for transfer to other States or Territories.

Transactions relating to the NPCR are also excluded where separately reported by the State or Territory. Details of this funding is provided in the Pool Account Special Purpose Financial Statement of each State or Territory.

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 Pool Account to Local Hospital Networks, a State Managed Fund or other organisations or funds – Section 24(1)(C)

STATE OR TERRITORY	AMOUNT PAID FROM STATE POOL ACCOUNT (INCLUDING CW & S/T) (\$'000)						
	2022-23				2021-22		
	Local Hospital Networks	State Managed Fund	Other Organisations or Funds	TOTAL	Local Hospital Networks	State Managed Fund	Other Organisations or Funds
New South Wales	14,841,230	1,020,413	155,326	16,016,969	13,298,421	998,805	145,867
Victoria	13,096,920	966,517	124,026	14,187,463	12,007,296	842,471	119,315
Queensland	12,582,829	644,015	103,029	13,329,874	11,766,599	629,128	93,384
Western Australia	6,230,807	411,743	55,428	6,697,978	5,866,124	376,628	47,842
South Australia	3,837,731	213,947	35,800	4,087,478	3,586,642	214,047	31,612
Tasmania	1,272,581	93,845	11,547	1,377,972	1,071,406	91,016	9,715
Australian Capital Territory	1,353,263	34,669	9,212	1,397,144	1,327,858	32,823	7,724
Northern Territory	1,091,150	22,310	5,095	1,118,555	1,056,373	34,590	4,343
TOTAL	54,306,511	3,407,459	499,463	58,213,433	49,980,718	3,219,507	459,803

The above table does not include out-of-scope funding (ABF), any interest paid from the Pool Account, over deposit of state contributions paid back to the respective State Health Department, or cross-border funding transferred to other States or Territories or paid back to the respective State or Territory Health Departments.

Transactions relating to the NPCR are also excluded. Details of this funding is provided in the Pool Account Special Purpose Financial Statement of each State or Territory.

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 — Section 241(2)(D)

STATE OR TERRITORY	AMOUNT PAID FROM STATE MANAGED FUND (INCLUDING CW & S/T) (\$'000)					
	2022-23			2021-22		
	Local Hospital Networks	Other Organisations or Funds	TOTAL	Local Hospital Networks	Other Organisations or Funds	TOTAL
New South Wales	2,438,876	-	2,438,876	2,023,026	-	2,023,026
Victoria	2,030,079	36,926	2,067,005	2,061,923	30,759	2,092,682
Queensland	2,248,484	-	2,248,484	2,029,106	-	2,029,106
Western Australia	1,158,179	-	1,158,179	1,043,531	-	1,043,531
South Australia	414,411	-	414,411	395,291	-	395,291
Tasmania	292,230	-	292,230	666,870	-	666,870
Australian Capital Territory	129,215	-	129,215	234,528	-	234,528
Northern Territory	74,399	-	74,399	283,740	-	283,740
TOTAL	8,785,872	36,926	8,822,798	8,738,014	30,759	8,768,774

The above table does not include out-of-scope funding (Block) or transactions relating to the NPCR where separately reported by the State or Territory. Details of this funding is provided in the Pool Account Special Purpose Financial Statement of each State or Territory.

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	2022-23 ¹ Estimate	2021-22 ² Actual	2021-22 ³ Estimate
New South Wales	2,895,843	2,521,592	2,589,353
Victoria	2,468,820	1,913,434	2,334,090
Queensland	2,202,842	2,014,784	2,076,674
Western Australia	980,130	917,832	956,608
South Australia	662,020	633,707	639,971
Tasmania	190,100	181,797	190,722
Australian Capital Territory	182,832	166,180	177,000
Northern Territory	189,460	166,710	182,472
TOTAL⁴	9,772,046	8,516,037	9,146,890

1 2022-23 NWAU as per the updated activity estimates as at the Administrator's June 2023 Payment Advice.

2 2021-22 NWAU as per the 2021-22 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations (National Health Reform Payments for 2021-22) Determination 2022.

3 2021-22 NWAU as per the activity estimates as at the Administrator's June 2022 Payment Advice.

4 The table above excludes NWAUs funded under the Hospital Services component of the NPCR.

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 which are out-of-scope of Commonwealth NHR funding.

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	2018-19 Entitlement	2019-20 ¹ Entitlement	2020-21 ² Entitlement	2021-22 ³ Entitlement	2022-23 ⁴ Estimate	CASH PAID
2018-19 Cash Paid	20,936,228	-	-	-	-	20,936,228
2019-20 Cash Paid	232,802	22,328,058	-	-	-	22,560,859
2020-21 Cash Paid	-	(492,493)	22,931,025	-	-	22,438,532
2021-22 Cash Paid	-	-	(260,146)	24,315,259	-	24,055,113
2022-23 Cash Paid	-	-	-	(797,317)	26,608,630	25,811,313
FINAL ENTITLEMENT	21,169,030	21,835,565	22,670,879	23,517,942	26,608,630	-

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

2 The 2020-21 Commonwealth NHR funding entitlement excludes \$1,325,128,059 in HSP under the NPCR.

3 The 2021-22 Commonwealth NHR funding entitlement excludes \$1,876,996,162 in HSP under the NPCR.

4 The 2022-23 Commonwealth NHR funding estimate excludes \$318,792,830 in HSP under the NPCR.

The table above shows the cash paid by the Commonwealth each financial year based on activity estimates provided by States and Territories. The table also shows the final Commonwealth NHR funding entitlement determined by the Commonwealth Treasurer which is based on an end of financial year reconciliation of actual services delivered. The subsequent funding adjustments, whether positive or negative, reflect the difference between estimated activity and actual services delivered.



Administrator
National Health
Funding Pool

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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 true and 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 2023 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
21 September 2023

**National Health Funding Pool
Combined State Pool Account
Special Purpose Financial
Statement for the year ended
30 June 2023**

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

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Combined State Pool Account

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Combined State Pool Account

Statement of Receipts and Payments for the year ended 30 June 2023

	NSW \$'000	VIC \$'000	QLD \$'000	WA \$'000	SA \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT					
From Commonwealth					
Activity Based Funding	6,734,012	4,910,191	5,290,326	2,285,208	1,424,374
Block funding	1,020,413	966,517	644,015	411,743	213,947
Public Health funding	155,326	124,026	103,029	55,428	35,800
COVID-19 funding	707,791	1,829,334	188,707	116,899	196,635
From State/Territory					
Activity Based Funding (in-scope)	8,107,218	8,585,669	7,292,503	3,945,599	2,412,601
Withdrawal of ABF in excess of funding obligations	-	(398,940)	-	-	-
Activity Based Funding (out-of-scope)	-	-	383,362	-	-
Cross-border contribution	432,529	24,967	107,811	11,018	35,874
COVID-19 funding	-	-	78,254	99,957	194,718
From other States or Territories					
Cross-border receipts	164,277	71,478	195,800	5,614	68,497
From Reserve Bank of Australia					
Interest receipts	3,386	2,645	2,646	-	2,255
TOTAL RECEIPTS	17,324,952	16,115,886	14,286,454	6,931,465	4,584,701
PAYMENTS OUT OF THE STATE POOL ACCOUNT					
To Local Hospital Networks					
Activity Based Funding (in-scope)	14,841,230	13,096,920	12,582,829	6,230,807	3,837,731
Activity Based Funding (out-of-scope)	-	-	383,362	-	-
COVID-19 funding	-	-	155,769	23,346	185,275
To State Managed Funds					
Block funding	1,020,413	966,517	644,015	411,743	213,947
To State/Territory Health Department					
Public Health funding	155,326	124,026	103,029	55,428	35,800
COVID-19 funding	707,791	1,829,334	135,430	193,510	206,078
Interest payments	3,386	2,645	2,646	-	2,255
Cross-border transfer	164,277	71,478	195,800	5,614	68,497
To other States or Territories					
Cross-border payments	432,529	24,967	107,811	11,018	35,874
TOTAL PAYMENTS	17,324,952	16,115,886	14,310,693	6,931,465	4,585,457
NET RECEIPTS/(PAYMENTS) FOR THE YEAR	-	-	(24,239)	-	(756)
OPENING CASH BALANCE	-	-	24,239	-	5,866
CLOSING CASH BALANCE	-	-	-	-	5,109

	TAS \$'000	ACT \$'000	NT \$'000	TOTAL \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT				
From Commonwealth				
Activity Based Funding	467,716	437,940	354,625	21,904,391
Block funding	93,845	34,669	22,310	3,407,459
Public Health funding	11,547	9,212	5,095	499,463
COVID-19 funding	38,740	40,446	24,553	3,143,106
From State/Territory				
Activity Based Funding (in-scope)	804,865	915,322	736,526	32,800,304
Withdrawal of ABF in excess of funding obligations	-	-	-	(398,940)
Activity Based Funding (out-of-scope)	-	-	-	383,362
Cross-border contribution	4,162	48,389	86,988	751,739
COVID-19 funding	-	-	-	372,929
From other States or Territories				
Cross-border receipts	2,148	191,026	52,899	751,739
From Reserve Bank of Australia				
Interest receipts	5	-	-	10,937
TOTAL RECEIPTS	1,423,029	1,677,006	1,282,995	63,626,487
PAYMENTS OUT OF THE STATE POOL ACCOUNT				
To Local Hospital Networks				
Activity Based Funding (in-scope)	1,272,581	1,353,263	1,091,150	54,306,511
Activity Based Funding (out-of-scope)	-	-	-	383,362
COVID-19 funding	-	28,508	-	392,898
To State Managed Funds				
Block funding	93,845	34,669	22,310	3,407,459
To State/Territory Health Department				
Public Health funding	11,547	9,212	5,095	499,463
COVID-19 funding	38,740	11,938	24,553	3,147,375
Interest payments	5	-	-	10,937
Cross-border transfer	2,148	191,026	52,899	751,739
To other States or Territories				
Cross-border payments	4,162	48,389	86,988	751,739
TOTAL PAYMENTS	1,423,029	1,677,006	1,282,995	63,651,482
NET RECEIPTS/(PAYMENTS) FOR THE YEAR	-	-	-	(24,995)
OPENING CASH BALANCE	-	-	-	30,104
CLOSING CASH BALANCE	-	-	-	5,109

Combined State Pool Account

Statement of Receipts and Payments for the year ended 30 June 2022

	NSW \$'000	VIC \$'000	QLD \$'000	WA \$'000	SA \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT					
From Commonwealth					
Activity Based Funding	6,113,270	4,426,126	4,988,926	2,241,148	1,415,917
Block funding	998,805	842,471	629,128	376,628	214,047
Public Health funding	145,833	119,306	93,351	47,842	31,608
COVID-19 funding	1,813,880	1,983,238	791,994	698,584	252,382
From State/Territory					
Activity Based Funding (in-scope)	7,185,150	7,664,056	6,777,673	3,624,977	2,171,500
Withdrawal of ABF in excess of funding obligations	-	(82,886)	-	-	-
Activity Based Funding (out-of-scope)	-	-	-	-	-
Cross-border contribution	315,133	67,328	69,265	19,817	74,422
COVID-19 funding	-	-	87,157	553,248	257,106
From other States or Territories					
Cross-border receipts	118,673	132,542	113,790	10,951	77,972
From Reserve Bank of Australia					
Interest receipts	34	9	33	-	4
TOTAL RECEIPTS	16,690,779	15,152,190	13,551,316	7,573,194	4,494,957
PAYMENTS OUT OF THE STATE POOL ACCOUNT					
To Local Hospital Networks					
Activity Based Funding (in-scope)	13,298,421	12,007,296	11,766,599	5,866,124	3,586,642
Activity Based Funding (out-of-scope)	-	-	-	-	-
COVID-19 funding	-	-	174,301	134,413	69,597
To State Managed Funds					
Block funding	998,805	842,471	629,128	376,628	214,047
To State/Territory Health Department					
Public Health funding	145,833	119,306	93,351	47,842	31,608
COVID-19 funding	1,813,880	1,983,238	718,946	1,117,419	439,890
Interest payments	34	9	33	-	4
Cross-border transfer	118,673	132,542	113,790	10,951	77,972
To other States or Territories					
Cross-border payments	315,133	67,328	69,265	19,817	74,422
TOTAL PAYMENTS	16,690,779	15,152,190	13,565,413	7,573,194	4,494,182
NET RECEIPTS/(PAYMENTS) FOR THE YEAR	-	-	(14,097)	-	775
OPENING CASH BALANCE	-	-	38,335	-	5,091
CLOSING CASH BALANCE	-	-	24,239	-	5,866

	TAS \$'000	ACT \$'000	NT \$'000	TOTAL \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT				
From Commonwealth				
Activity Based Funding	419,670	419,517	351,309	20,375,884
Block funding	91,016	32,823	34,590	3,219,507
Public Health funding	9,715	7,724	4,343	459,722
COVID-19 funding	153,852	79,557	44,416	5,817,902
From State/Territory				
Activity Based Funding (in-scope)	651,736	908,341	705,063	29,688,495
Withdrawal of ABF in excess of funding obligations	-	-	-	(82,886)
Activity Based Funding (out-of-scope)	-	-	-	-
Cross-border contribution	20,982	36,304	6,969	610,221
COVID-19 funding	-	3,557	-	901,067
From other States or Territories				
Cross-border receipts	4,340	139,694	12,468	610,430
From Reserve Bank of Australia				
Interest receipts	-	-	-	81
TOTAL RECEIPTS	1,351,313	1,627,516	1,159,159	61,600,424
PAYMENTS OUT OF THE STATE POOL ACCOUNT				
To Local Hospital Networks				
Activity Based Funding (in-scope)	1,071,406	1,327,858	1,056,373	49,980,718
Activity Based Funding (out-of-scope)	-	-	-	-
COVID-19 funding	73,134	49,067	-	500,512
To State Managed Funds				
Block funding	91,016	32,823	34,590	3,219,507
To State/Territory Health Department				
Public Health funding	9,715	7,724	4,343	459,722
COVID-19 funding	80,718	34,047	44,416	6,232,554
Interest payments	-	-	-	81
Cross-border transfer	4,340	139,485	12,468	610,221
To other States or Territories				
Cross-border payments	20,982	36,513	6,969	610,430
TOTAL PAYMENTS	1,351,313	1,627,516	1,159,159	61,613,746
NET RECEIPTS/(PAYMENTS) FOR THE YEAR	-	-	-	(13,322)
OPENING CASH BALANCE	-	-	-	43,426
CLOSING CASH BALANCE	-	-	-	30,104

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. Michael Lambert was appointed as the Administrator on 17 July 2018 for a five-year term. This was subsequently extended to include the period 11 September 2023 to 5 November 2023 pending the appointment of a new Administrator.

(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* and clause B40 of the National Health Reform Agreement 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 21 September 2023.

(C) Comparative figures

Prior year comparative information has been disclosed. The results for 2021-22 and 2022-23 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 Health and Aged Care Pricing Authority (IHACPA). ABF is paid by the Commonwealth, States and Territories into the Funding Pool.

In 2021-22 and 2022-23 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
- v. Non-admitted services.

As system managers of the public hospital system, State or Territory ABF contributions into the Funding Pool may be calculated using the State and Territory prices and activity measures. 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.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

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 is provided. 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.

In 2017, the Council of Australian Governments signed an Addendum to the National Health Reform Agreement. The Addendum amended 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 funded 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 Addendum to the National Health Reform Agreement 2020–25 was entered into by the Commonwealth, State and Territory governments. The Addendum to the National Health Reform Agreement 2020–25 replaces the Addendum to the National Health Reform Agreement 2017-20 but retains the core principles.

(F) Activity Based Funding (out-of-scope)

In accordance with the Administrator's Three-Year Data Plan and Data Compliance Policy, from 1 July 2022 the States and Territories are required to identify both in-scope and out-of-scope activity in their LHN Service Agreements. In addition, a new fund account has been established (from 1 July 2022) in the Payments System to identify all payments for out-of-scope activity.

Out-of-scope activity is defined as those public hospital services with a funding source other than the National Health Reform Agreement.

There are multiple funding sources for out-of-scope activity including the States and Territories (e.g. one-off budget measures, correctional facilities), the Commonwealth (e.g. Department of Veterans' Affairs, Medical Benefits Schedule) and other third-party revenue (e.g. Workers Compensation, Motor Vehicle Third Party Personal Claim).

(G) 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 2021-22 and 2022-23 the Commonwealth Block funding supported the following:

- i. Small rural hospitals
- ii. Teaching, training and research
- iii. Non-admitted mental health
- iv. Non-admitted child and adolescent mental health services
- v. Non-admitted home ventilation
- vi. Other non-admitted services
- vii. Highly Specialised Therapies.

In 2021-22 and 2022-23 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.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

(H) 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 funding for services such as national public health, youth health services and essential vaccines. This payment is indexed in accord with the previous existing health specific purpose payment.

(I) 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.

(J) 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.

(K) 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.

(L) COVID-19 funding

The National Partnership on COVID-19 Response (NPCR) was agreed to and signed by the Council of Australian Governments in March 2020. The objective of this agreement was 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. The NPCR was further amended to assist residential aged care providers prevent, prepare for and respond to outbreaks of COVID-19 under Schedule D.

Financial assistance was 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.

The Private Hospital Viability Payment ceased on 30 September 2022. The Hospital Services Payments and the State Public Health Payments ceased on 31 December 2022.

(M) Commonwealth Minimum Funding Guarantee

For the 2019-20, 2020-21 and 2021-22 financial years only, the Commonwealth provided the States and Territories with a minimum funding guarantee for funding related to the NHR 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 was made in the following financial year after the annual reconciliation to meet the minimum amount guaranteed by the Commonwealth.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

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 (2022-23) and Note 2B (2021-22) 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 six-monthly reconciliation adjustments may be deferred until the annual reconciliation if the relevant parties agree.

Note: Totals may not equal the sum of components due to rounding. Figures are added then rounded as per accepted accounting practice.

PART 2: FINANCIAL STATEMENTS – NATIONAL

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

Note 2A: Amounts paid by the Commonwealth into each State Pool Account in 2022-23

	NSW \$'000	VIC \$'000	QLD \$'000	WA \$'000	SA \$'000
ACTIVITY BASED FUNDING BY SERVICE TYPE					
Emergency department	874,983	619,243	753,583	326,239	178,519
Acute admitted	3,819,844	3,738,125	3,215,620	1,440,172	849,100
Admitted mental health	358,983	255,848	265,280	183,500	106,091
Sub-acute	386,555	425,640	324,668	94,190	113,484
Non-admitted	1,280,800	634,404	788,823	330,569	192,606
2021-22 Commonwealth funding guarantee	146,077	187,257	86,617	4,885	-
Payments in respect of 2021-22 Services	(133,231)	(950,327)	(144,265)	(94,348)	(15,426)
TOTAL ACTIVITY BASED FUNDING	6,734,012	4,910,191	5,290,326	2,285,208	1,424,374
BLOCK FUNDING BY SERVICE TYPE					
Small rural hospitals	498,876	105,087	285,047	126,770	95,256
Teaching, training and research	272,043	158,049	91,461	124,202	40,955
Non-admitted mental health	235,920	482,928	228,512	135,171	52,300
Non-admitted CAMHS	-	61,442	21,854	15,279	2,584
Non-admitted home ventilation	9,995	9,417	8,004	6,425	1,201
Other non-admitted services	-	10	3,594	-	19,343
Highly Specialised Therapies	9,022	17,861	12,334	4,400	-
Other public hospital programs	-	-	3,225	-	8,584
Payments in respect of 2021-22 Services	(5,444)	131,722	(10,016)	(505)	(6,276)
TOTAL BLOCK FUNDING	1,020,413	966,517	644,015	411,743	213,947
PUBLIC HEALTH FUNDING					
Public Health funding	154,588	125,770	101,026	53,057	34,668
Payments in respect of 2021-22 Services	738	(1,744)	2,003	2,372	1,132
TOTAL PUBLIC HEALTH FUNDING	155,326	124,026	103,029	55,428	35,800
COVID-19 FUNDING BY SERVICE TYPE					
Hospital Services Payments	128,298	119,348	16,242	28,233	14,641
State Public Health Payments	176,580	527,349	186,143	100,625	84,660
Private Hospital Financial Viability Payment	15,000	136,234	267	-	-
Payments in respect of 2021-22 Services	387,913	1,046,403	(13,945)	(11,959)	97,334
TOTAL COVID-19 FUNDING	707,791	1,829,334	188,707	116,899	196,635
AMOUNT PAID IN 2022-23	8,617,542	7,830,067	6,226,078	2,869,278	1,870,756

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.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

	TAS \$'000	ACT \$'000	NT \$'000	TOTAL \$'000
ACTIVITY BASED FUNDING BY SERVICE TYPE				
Emergency department	55,778	47,336	53,615	2,909,296
Acute admitted	308,813	264,870	228,692	13,865,235
Admitted mental health	16,159	26,212	10,046	1,222,119
Sub-acute	22,263	35,675	13,036	1,415,512
Non-admitted	52,067	69,160	56,386	3,404,816
2021-22 Commonwealth funding guarantee	-	22,137	26,063	473,036
Payments in respect of 2021-22 Services	12,636	(27,449)	(33,213)	(1,385,623)
TOTAL ACTIVITY BASED FUNDING	467,716	437,940	354,625	21,904,391
BLOCK FUNDING BY SERVICE TYPE				
Small rural hospitals	45,854	1,460	-	1,158,350
Teaching, training and research	18,304	9,724	12,755	727,493
Non-admitted mental health	23,753	22,259	7,715	1,188,558
Non-admitted CAMHS	4,690	555	1,772	108,176
Non-admitted home ventilation	1,288	671	41	37,042
Other non-admitted services	-	-	-	22,947
Highly Specialised Therapies	-	-	-	43,617
Other public hospital programs	-	-	-	11,809
Payments in respect of 2021-22 Services	(44)	-	28	109,465
TOTAL BLOCK FUNDING	93,845	34,669	22,310	3,407,459
PUBLIC HEALTH FUNDING				
Public Health funding	10,965	8,748	4,836	493,658
Payments in respect of 2021-22 Services	582	464	258	5,805
TOTAL PUBLIC HEALTH FUNDING	11,547	9,212	5,095	499,463
COVID-19 FUNDING BY SERVICE TYPE				
Hospital Services Payments	9,679	1,902	450	318,793
State Public Health Payments	31,081	22,712	4,282	1,133,432
Private Hospital Financial Viability Payment	-	5,609	-	157,111
Payments in respect of 2021-22 Services	(2,019)	10,223	19,821	1,533,771
TOTAL COVID-19 FUNDING	38,740	40,446	24,553	3,143,106
AMOUNT PAID IN 2022-23	611,847	522,268	406,582	28,954,419

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Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

Note 2B: Amounts paid by the Commonwealth into each State Pool Account in 2021-22

	NSW \$'000	VIC \$'000	QLD \$'000	WA \$'000	SA \$'000
ACTIVITY BASED FUNDING BY SERVICE TYPE					
Emergency department	733,612	624,910	615,985	295,469	168,732
Acute admitted	3,259,036	3,370,915	3,124,923	1,362,833	811,355
Admitted mental health	281,826	401,159	265,897	160,187	97,579
Sub-acute	324,233	380,172	274,324	87,518	98,452
Non-admitted	1,056,002	525,421	679,919	310,906	189,759
2020-21 Commonwealth funding guarantee	-	222,817	-	-	-
Payments in respect of 2020-21 Services	458,561	(1,099,268)	27,878	24,236	50,039
TOTAL ACTIVITY BASED FUNDING	6,113,270	4,426,126	4,988,926	2,241,148	1,415,917
BLOCK FUNDING BY SERVICE TYPE					
Small rural hospitals	488,013	104,250	277,543	127,941	102,586
Teaching, training and research	257,831	137,886	86,407	118,889	40,062
Non-admitted mental health	224,215	417,093	213,717	109,122	49,150
Non-admitted CAMHS	-	33,266	19,461	11,878	1,910
Non-admitted home ventilation	9,676	5,090	8,281	6,220	1,178
Other non-admitted services	-	10	3,507	-	19,233
Highly Specialised Therapies	17,983	14,673	15,836	2,584	-
Other public hospital programs	-	121,640	-	-	-
Payments in respect of 2020-21 Services	1,088	8,563	4,375	(6)	(73)
TOTAL BLOCK FUNDING	998,805	842,471	629,128	376,628	214,047
PUBLIC HEALTH FUNDING					
Public Health funding	147,025	121,366	94,001	48,040	31,833
Payments in respect of 2020-21 Services	(1,192)	(2,060)	(650)	(199)	(225)
TOTAL PUBLIC HEALTH FUNDING	145,833	119,306	93,351	47,842	31,608
COVID-19 FUNDING BY SERVICE TYPE					
Hospital Services Payments	466,529	83,824	49,905	114,811	17,784
State Public Health Payments	1,387,775	999,369	550,002	514,036	179,936
Private Hospital Financial Viability Payment	130,000	151,820	116,402	29,075	135
Payments in respect of 2020-21 Services	(170,424)	748,225	75,685	40,662	54,526
TOTAL COVID-19 FUNDING	1,813,880	1,983,238	791,994	698,584	252,382
AMOUNT PAID IN 2021-22	9,071,788	7,371,142	6,503,398	3,364,201	1,913,953

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.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

	TAS \$'000	ACT \$'000	NT \$'000	Total \$'000
ACTIVITY BASED FUNDING BY SERVICE TYPE				
Emergency department	50,844	44,798	44,416	2,578,767
Acute admitted	282,339	254,566	198,876	12,664,842
Admitted mental health	17,781	24,059	8,975	1,257,464
Sub-acute	16,939	35,369	11,929	1,228,936
Non-admitted	43,862	57,642	52,036	2,915,547
2020-21 Commonwealth funding guarantee	-	-	-	222,817
Payments in respect of 2020-21 Services	7,904	3,083	35,077	(492,490)
TOTAL ACTIVITY BASED FUNDING	419,670	419,517	351,309	20,375,884
BLOCK FUNDING BY SERVICE TYPE				
Small rural hospitals	44,520	1,396	13,869	1,160,117
Teaching, training and research	17,600	8,860	10,137	677,672
Non-admitted mental health	25,628	21,522	8,484	1,068,931
Non-admitted CAMHS	2,017	396	2,053	70,982
Non-admitted home ventilation	1,247	650	39	32,380
Other non-admitted services	-	-	-	22,749
Highly Specialised Therapies	-	-	-	51,076
Other public hospital programs	-	-	-	121,640
Payments in respect of 2020-21 Services	4	-	8	13,959
TOTAL BLOCK FUNDING	91,016	32,823	34,590	3,219,507
PUBLIC HEALTH FUNDING				
Public Health funding	9,806	7,787	4,296	464,154
Payments in respect of 2020-21 Services	(90)	(63)	47	(4,431)
TOTAL PUBLIC HEALTH FUNDING	9,715	7,724	4,343	459,722
COVID-19 FUNDING BY SERVICE TYPE				
Hospital Services Payments	31,093	-	9,334	773,280
State Public Health Payments	118,672	79,615	57,251	3,886,655
Private Hospital Financial Viability Payment	-	4,639	7	432,078
Payments in respect of 2020-21 Services	4,087	(4,697)	(22,176)	725,889
TOTAL COVID-19 FUNDING	153,852	79,557	44,416	5,817,902
AMOUNT PAID IN 2021-22	674,254	539,621	434,658	29,873,015

Note 3: COVID-19 funding

The NPCR was agreed to and signed by COAG on Friday, 13 March 2020 and ceased on 31 December 2022.

For the duration of the agreement, each State provided the Administrator a forecast of their expected expenditure for in-scope COVID-19 related activity each month as well as actual activity and expenditure data to support reconciliation process. This included:

- i. activity data for the Hospital Services Payment
- ii. expenditure data for COVID-19 testing
- iii. expenditure data for the State Public Health Payment
- iv. audit reports for the Private Hospital Financial Viability Payment
- v. activity data for vaccination dose delivery.

The Administrator conducted a reconciliation every quarter based on the data submitted quarterly by States and Territories. Consistent with NHRA reconciliation practices, these NCPN quarterly reconciliations remained subject to an annual reconciliation at the end of each financial year. This is to ensure alignment between Commonwealth NHR and NPCR funding.

Since March 2020, more than \$14.7 billion in Commonwealth COVID-19 funding has been paid to States:

- \$4.1 billion in Hospital Services Payments (HSP) for COVID-19 related hospital activities
- \$9.2 billion in State Public Health Payments (SPHP) for public health activities associated with addressing the pandemic and controlling the spread of COVID-19
- \$1.4 billion in Private Hospital Financial Viability Payments (FVP) to enable private hospitals to retain capacity and support States in responding to COVID-19.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

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 was an advance payment to ensure the timely availability of funds under the NPCR. The Upfront Advance Payment was been subsequently reconciled against State Public Health requirements.

The Hospital Services Payment

The Commonwealth provided 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 Hospital Services Payment ceased on 31 December 2022.

The State Public Health Payment

The Commonwealth provided 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 February 2021, the NPCR was amended with respect to the delivery of the COVID-19 vaccine through the Vaccination Dose Delivery Payment under Schedule C. Where eligible, funding contributions in relation to this activity are included within the State Public Health Payment.

The NPCR was further amended in December 2021 to include a revised vaccination schedule (revised Schedule C) which included additional financial support to States and Territories for the set-up of COVID-19 vaccination sites, and an aged care schedule which provided a 100 per cent contribution for costs incurred from 1 July 2020 for supporting aged care prevention, preparedness and response activities including additional targeted infection prevention and control training in Residential Aged Care Facilities (Schedule D).

In January 2022, National Cabinet agreed measures supporting States and Territories to claim 50 per cent of the costs of the purchase, logistics and distribution of Rapid Antigen Tests (RATs) through the NPCR. Where States and Territories provided RATs to residential aged care facilities, they could claim a 100 per cent contribution for the costs.

The State Public Health Payment ceased on 31 December 2022.

The Private Hospital Financial Viability Payment

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

The Private Hospital Financial Viability Payment ceased on 30 September 2022.

PART 2: FINANCIAL STATEMENTS – NATIONAL

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

Note 3A: COVID-19 funding amounts through each State Pool Account in 2022-23

	NSW \$'000	VIC \$'000	QLD \$'000	WA \$'000	SA \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT					
From Commonwealth					
Hospital Services Payments	536,708	639,708	82,743	28,233	89,567
State Public Health Payments	135,015	941,162	222,099	88,666	95,753
Private Hospital Financial Viability Payment	36,069	248,464	(116,135)	-	11,315
TOTAL COMMONWEALTH RECEIPTS	707,791	1,829,334	188,707	116,899	196,635
From State/Territory					
Hospital Services Payments	-	-	78,254	93,962	98,965
State Public Health Payments	-	-	-	5,995	95,753
Private Hospital Financial Viability Payment	-	-	-	-	-
TOTAL STATE/TERRITORY RECEIPTS	-	-	78,254	99,957	194,718
TOTAL RECEIPTS	707,791	1,829,334	266,961	216,856	391,354
PAYMENTS OUT OF THE STATE POOL ACCOUNT					
To State/Territory (including Local Hospital Networks)					
Hospital Services Payments	536,708	639,708	155,769	122,195	188,532
State Public Health Payments	135,015	941,162	115,107	94,661	191,507
Private Hospital Financial Viability Payment	36,069	248,464	20,324	-	11,315
TOTAL PAYMENTS	707,791	1,829,334	291,200	216,856	391,354
NET RECEIPTS/(PAYMENTS) FOR THE YEAR	-	-	(24,239)	-	-
OPENING CASH BALANCE	-	-	24,239	-	-
CLOSING CASH BALANCE	-	-	-	-	-

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.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

	TAS \$'000	ACT \$'000	NT \$'000	TOTAL \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT				
From Commonwealth				
Hospital Services Payments	9,679	18,702	8,027	1,413,367
State Public Health Payments	29,062	14,053	16,526	1,542,334
Private Hospital Financial Viability Payment	-	7,691	-	187,405
TOTAL COMMONWEALTH RECEIPTS	38,740	40,446	24,553	3,143,106
From State/Territory				
Hospital Services Payments	-	-	-	271,180
State Public Health Payments	-	-	-	101,748
Private Hospital Financial Viability Payment	-	-	-	-
TOTAL STATE/TERRITORY RECEIPTS	-	-	-	372,929
TOTAL RECEIPTS	38,740	40,446	24,553	3,516,035
PAYMENTS OUT OF THE STATE POOL ACCOUNT				
To State/Territory (including Local Hospital Networks)				
Hospital Services Payments	9,679	18,702	8,027	1,679,320
State Public Health Payments	29,062	14,053	16,526	1,537,090
Private Hospital Financial Viability Payment	-	7,691	-	323,863
TOTAL PAYMENTS	38,740	40,446	24,553	3,540,273
NET RECEIPTS/(PAYMENTS) FOR THE YEAR	-	-	-	(24,239)
OPENING CASH BALANCE	-	-	-	24,239
CLOSING CASH BALANCE	-	-	-	-

PART 2: FINANCIAL STATEMENTS – NATIONAL

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

Note 3B: COVID-19 funding amounts through each State Pool Account in 2021-22

	NSW \$'000	VIC \$'000	QLD \$'000	WA \$'000	SA \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT					
From Commonwealth					
Hospital Services Payments	294,354	956,939	35,578	145,378	34,664
State Public Health Payments	1,389,525	842,405	640,014	525,386	222,307
Private Hospital Financial Viability Payment	130,000	183,893	116,402	27,820	(4,589)
TOTAL COMMONWEALTH RECEIPTS	1,813,880	1,983,238	791,994	698,584	252,382
From State/Territory					
Hospital Services Payments	-	-	87,157	20,839	34,664
State Public Health Payments	-	-	-	532,409	222,307
Private Hospital Financial Viability Payment	-	-	-	-	135
TOTAL STATE/TERRITORY RECEIPTS	-	-	87,157	553,248	257,106
TOTAL RECEIPTS	1,813,880	1,983,238	879,151	1,251,832	509,487
PAYMENTS OUT OF THE STATE POOL ACCOUNT					
To State/Territory (including Local Hospital Networks)					
Hospital Services Payments	294,354	956,939	174,301	166,216	69,327
State Public Health Payments	1,389,525	842,405	622,601	1,057,796	444,614
Private Hospital Financial Viability Payment	130,000	183,893	96,346	27,820	(4,454)
TOTAL PAYMENTS	1,813,880	1,983,238	893,248	1,251,832	509,487
NET RECEIPTS/(PAYMENTS) FOR THE YEAR	-	-	(14,097)	-	-
OPENING CASH BALANCE	-	-	38,335	-	-
CLOSING CASH BALANCE	-	-	24,239	-	-

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.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

	TAS \$'000	ACT \$'000	NT \$'000	TOTAL \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT				
From Commonwealth				
Hospital Services Payments	31,037	(5,185)	(16,864)	1,475,901
State Public Health Payments	123,170	80,008	61,261	3,884,077
Private Hospital Financial Viability Payment	(355)	4,734	19	457,924
TOTAL COMMONWEALTH RECEIPTS	153,852	79,557	44,416	5,817,902
From State/Territory				
Hospital Services Payments	-	3,557	-	146,215
State Public Health Payments	-	-	-	754,716
Private Hospital Financial Viability Payment	-	-	-	135
TOTAL STATE/TERRITORY RECEIPTS	-	3,557	-	901,067
TOTAL RECEIPTS	153,852	83,114	44,416	6,718,969
PAYMENTS OUT OF THE STATE POOL ACCOUNT				
To State/Territory (including Local Hospital Networks)				
Hospital Services Payments	31,037	(1,629)	(16,864)	1,673,683
State Public Health Payments	123,170	80,008	61,261	4,621,381
Private Hospital Financial Viability Payment	(355)	4,734	19	438,003
TOTAL PAYMENTS	153,852	83,114	44,416	6,733,066
NET RECEIPTS/(PAYMENTS) FOR THE YEAR	-	-	-	(14,097)
OPENING CASH BALANCE	-	-	-	38,335
CLOSING CASH BALANCE	-	-	-	24,239

NEW SOUTH WALES

FUNDING AND PAYMENTS



\$17.4B

TOTAL FUNDING THAT WAS PAID TO



20

LOCAL HOSPITAL NETWORKS (LHNs)



\$14.8B

IN ACTIVITY BASED FUNDING THAT DELIVERED



2,895,843

NATIONAL WEIGHTED ACTIVITY UNITS (NWAU)

National Health Reform disclosures for the year ended 30 June 2023

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*.

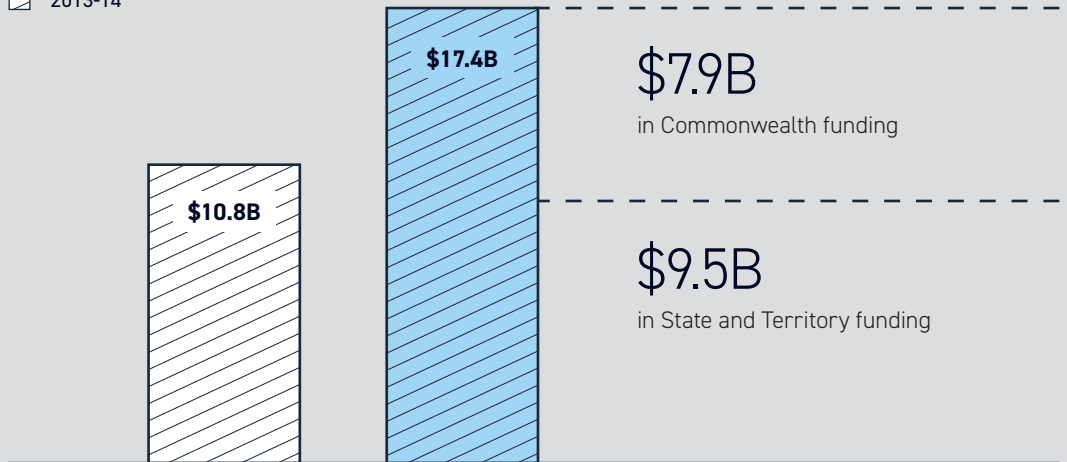
These amounts do not include transactions related to the NPCR. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

GROWTH IN PUBLIC HOSPITAL PAYMENTS

SINCE 2013-14

2022-23

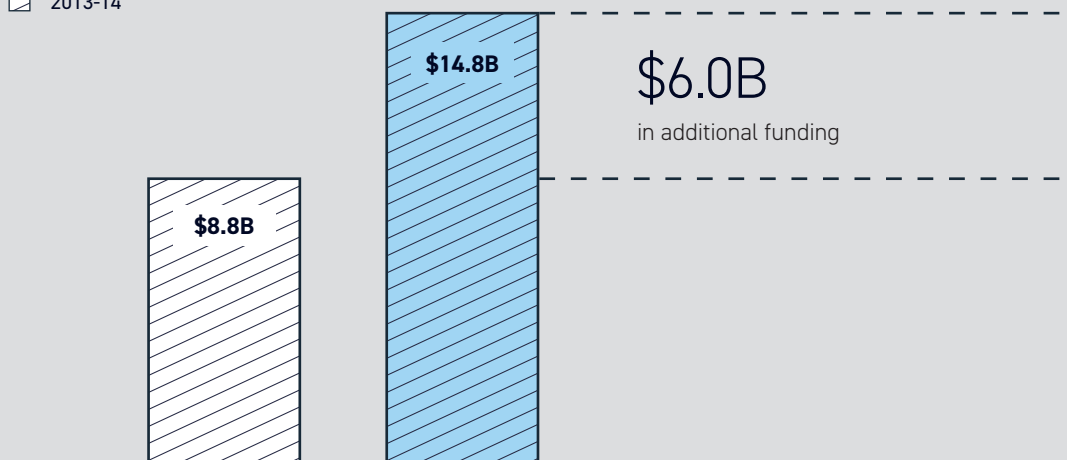
2013-14

**GROWTH IN ACTIVITY BASED FUNDING**

SINCE 2013-14

2022-23

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

The table below shows the cash paid by the Commonwealth each financial year based on activity estimates provided by New South Wales. The table also shows the final Commonwealth NHR funding entitlement determined by the Commonwealth Treasurer which is based on an end of financial year reconciliation of actual services delivered. The subsequent funding adjustments, whether positive or negative, reflect the difference between estimated activity and actual services delivered.

	AMOUNT PAID TO NEW SOUTH WALES (\$'000)					CASH PAID
	2018-19 Entitlement	2019-20 Entitlement ¹	2020-21 Entitlement ²	2021-22 Entitlement ³	2022-23 Estimate ⁴	
Cash Paid 2018-19	6,443,378	-	-	-	-	6,443,378
Cash Paid 2019-20	69,960	6,883,803	-	-	-	6,953,763
Cash Paid 2020-21	-	(194,180)	6,623,273	-	-	6,429,093
Cash Paid 2021-22	-	-	458,458	6,799,450	-	7,257,908
Cash Paid 2022-23	-	-	-	8,140	7,901,611	7,909,751
FINAL ENTITLEMENT	6,513,337	6,689,622	7,081,731	6,807,590	7,901,611	

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

2 The 2020-21 Commonwealth NHR funding entitlement excludes \$217,160,494 in HSP under the NPCR.

3 The 2021-22 Commonwealth NHR funding entitlement excludes \$874,938,592 in HSP under the NPCR.

4 The 2022-23 Commonwealth NHR funding estimate excludes \$128,297,568 in HSP under the NPCR.

The amounts paid into each State Pool Account by the Commonwealth – Section 241(2)(B)

COMPONENT	AMOUNT PAID BY COMMONWEALTH INTO NEW SOUTH WALES STATE POOL ACCOUNT (\$'000)	
	2022-23	2021-22
Activity Based Funding	6,734,012	6,113,270
Block funding	1,020,413	998,805
Public Health funding	155,326	145,833
TOTAL	7,909,751	7,257,908

Additional financial assistance has been provided by the Commonwealth under the NPCR including hospital services funding which was paid monthly based on activity estimates provided to the Administrator and reconciled annually with adjustments being made in the following financial year.

The above table does not include amounts paid into the State Pool Accounts by the Commonwealth under the NPCR, including Hospital Services Payments of \$536,707,616 in 2022-23 (\$294,354,478 in 2021-22) and State Public Health and Private Hospital Financial Viability Payments of \$171,083,615 in 2022-23 (\$1,519,525,094 in 2021-22). Details of this funding is provided in the Pool Account Special Purpose Financial Statement.

The amounts paid into each State Pool Account and State Managed Fund by the relevant State – Section 241(2)(A)

COMPONENT	AMOUNT PAID BY NEW SOUTH WALES (\$'000)	
	2022-23	2021-22
State Pool Account - Activity Based Funding	8,107,218	7,185,150
State Managed Fund - Block funding	1,418,463	1,024,221
TOTAL	9,525,681	8,209,372

The above table does not include out-of-scope funding (ABF and Block), interest deposited into the Pool Account, over deposit of state contributions subsequently paid back to the respective State or Territory Health Department or cross-border contributions for transfer to other States or Territories.

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)		
	2022-23 ¹ Estimate	2021-22 ² Actual	2021-22 ³ Estimate
Albury NSW Local Health District	22,379	21,925	22,379
Central Coast Local Health District	141,142	122,921	126,980
Contracted Services	3,899	11,358	3,899
Far West Local Health District	11,304	10,402	10,211
Hunter New England Local Health District	336,459	310,158	302,146
Illawarra Shoalhaven Local Health District	155,622	144,347	140,928
Mid North Coast Local Health District	107,223	97,674	96,927
Murrumbidgee Local Health District	72,345	66,274	65,012
Nepean Blue Mountains Local Health District	157,633	125,115	134,780
Northern NSW Local Health District	136,967	126,174	124,249
Northern Sydney Local Health District	228,832	212,246	201,100
South Eastern Sydney Local Health District	270,929	233,707	242,110
South Western Sydney Local Health District	345,861	281,110	304,310
Southern NSW Local Health District	58,140	49,953	52,839
St Vincent's Health Network	72,153	61,108	65,671
Sydney Children's Hospitals Network	109,420	98,926	97,788
Sydney Local Health District	273,361	217,319	245,656
Western NSW Local Health District	111,597	96,317	99,367
Western Sydney Local Health District	280,578	234,560	253,001
TOTAL⁴	2,895,843	2,521,592	2,589,353

1 2022-23 NWAU as per the updated activity estimates as at the Administrator's June 2023 Payment Advice.

2 2021-22 NWAU as per the 2021-22 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations (National Health Reform Payments for 2021-22) Determination 2022.

3 2021-22 NWAU as per the activity estimates as at the Administrator's June 2022 Payment Advice.

4 The table above excludes NWAUs funded under the Hospital Services component of the NPCR.

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 National Efficient Price 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 which are out-of-scope of Commonwealth NHR funding.

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 2021–22 and 2022–23 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 to Local Hospital Networks in 2022-23 – Section 241(2)(C)(D)

RECIPIENT	AMOUNT PAID (\$'000)		
	State Pool Account	State Managed Fund	TOTAL
Albury NSW Local Health District	94,714	13,038	107,752
Central Coast Local Health District	732,500	62,814	795,314
Contracted Services	26,062	-	26,062
Far West Local Health District	71,404	28,861	100,265
Hunter New England Local Health District	1,720,718	353,294	2,074,012
Illawarra Shoalhaven Local Health District	823,349	84,256	907,605
Justice Health and Forensic Mental Health Network	-	73,089	73,089
Mid North Coast Local Health District	568,658	73,478	642,136
Murrumbidgee Local Health District	356,682	223,574	580,255
Nepean Blue Mountains Local Health District	797,003	69,572	866,575
Northern NSW Local Health District	719,518	87,288	806,806
Northern Sydney Local Health District	1,228,776	197,785	1,426,561
South Eastern Sydney Local Health District	1,360,851	125,630	1,486,482
South Western Sydney Local Health District	1,750,429	140,066	1,890,495
Southern NSW Local Health District	339,327	83,140	422,467
St Vincent's Health Network	365,179	33,668	398,847
Sydney Children's Hospitals Network	558,711	62,789	621,500
Sydney Local Health District	1,366,706	198,566	1,565,272
Western NSW Local Health District	572,304	303,795	876,099
Western Sydney Local Health District	1,388,338	224,173	1,612,511
TOTAL	14,841,230	2,438,876	17,280,106

The 2022-23 amounts paid into the State Pool Accounts excludes Hospital Services Payments made under the NPCR of \$536,707,616.

For additional information please see the New South Wales basis of payments.

The amounts paid from each State Pool Account and State Managed Fund to Local Hospital Networks in 2021-22 – Section 241(2)(C)(D)

RECIPIENT	AMOUNT PAID (\$'000)		
	State Pool Account	State Managed Fund	TOTAL
Albury NSW Local Health District	56,498	12,748	69,246
Central Coast Local Health District	672,046	47,950	719,997
Contracted Services	27,303	-	27,303
Far West Local Health District	68,540	24,970	93,510
Hunter New England Local Health District	1,508,447	297,255	1,805,703
Illawarra Shoalhaven Local Health District	752,953	70,069	823,022
Justice Health and Forensic Mental Health Network	-	67,798	67,798
Mid North Coast Local Health District	485,577	71,041	556,618
Murrumbidgee Local Health District	351,288	194,018	545,306
Nepean Blue Mountains Local Health District	707,666	56,745	764,411
Northern NSW Local Health District	635,983	81,013	716,997
Northern Sydney Local Health District	1,040,685	151,214	1,191,899
South Eastern Sydney Local Health District	1,213,147	96,621	1,309,767
South Western Sydney Local Health District	1,542,621	110,071	1,652,692
Southern NSW Local Health District	314,753	63,428	378,181
St Vincent's Health Network	335,635	24,684	360,319
Sydney Children's Hospitals Network	565,853	51,952	617,805
Sydney Local Health District	1,235,428	153,657	1,389,085
Western NSW Local Health District	524,825	260,838	785,663
Western Sydney Local Health District	1,259,172	186,954	1,446,126
TOTAL	13,298,421	2,023,026	15,321,447

The 2021-22 amounts paid into the State Pool Accounts excludes Hospital Services Payments made under the NPCR of \$294,354,478.

For additional information please see the New South Wales basis of payments.

New South Wales basis for National Health Reform payments 2022-23

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 2020-25, the 2022-23 New South Wales Funding Model has implemented the State Efficient Price and National Weighted Activity Unit (NWAU22) as the currency for Activity Based Funding (ABF) facilities. The National Efficient Cost (NEC22) for small rural public hospitals model is used for small regional and remote hospitals, however New South Wales has retained an alternative methodology to better account locally for the significant challenges faced by small hospitals in rural settings and better integrate care between small regional and remote hospitals and ABF hospitals.

The ABF component of NHR payments in New South Wales are based on activity outlined in the Service Agreement between local health districts/specialty health networks (districts/networks) and the Secretary, New South Wales Health. In determining activity targets consideration is given to the size and health needs of a district/network's population and provision of services to residents outside the local area. Accordingly, targets are adjusted considering factors appropriate to each district/network and service type, rather than simple extrapolation from historical activity data. Activity targets are developed by the Ministry and districts/networks based on analysis of activity level drivers. Provisional activity estimates are created at district/network level to provide the basis for discussion and negotiation with individual health services to determine their agreed activity targets.

Service Agreements set the performance and accountability requirements for health services measured against key performance indicators for 2022-23. The agreements clearly document New South Wales Health Strategic Priorities, service delivery and performance expectations, activity volumes and funding provided to each organisation.

The Service Agreement outlines:

- the schedule of services to be delivered by or on behalf of the district/network and funding to be provided in relation to the provision of those services
- Block funding to be provided for:
 - Small rural hospitals, standalone hospitals providing specialist mental health services and eligible community mental health services
 - districts/networks for:
 - Non-admitted home ventilation
 - Clinical teaching, training and research
 - Highly Specialised Therapies
- operational and Block funding to districts/networks 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
- 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 districts/networks that are monitored in line with the NSW Health Performance Framework
- requirements for districts/networks to report on performance, as required or otherwise
- a performance management process that is in continuous operation for each district/network.

Further information regarding the Basis for National Health Reform payments in both 2022-23 and previous financial years is included at www.publichospitalfunding.gov.au.



Administrator
National Health
Funding Pool

GPO Box 1252
Canberra ACT 2601
1300 930 522
publichospitalfunding.gov.au

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 true and 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 2023 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
11 September 2023

**National Health Funding Pool
New South Wales State Pool
Account Special Purpose
Financial Statement
for the year ended 30 June 2023**

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*.

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New South Wales State Pool Account

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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 required 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 2023. The financial statements comprises a Statement of Receipts and Payments for the year ended 30 June 2023, a Summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements presents fairly the financial transactions of the New South Wales State Pool Account for the year ended 30 June 2023 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 of 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 2023 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 Statement 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 misstatement 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 Statements

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. 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

19 September 2023
SYDNEY

New South Wales State Pool Account

Statement of Receipts and Payments for the year ended 30 June 2023

	NOTES	2022-23 \$'000	2021-22 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth			
Activity Based Funding	2, 6	6,734,012	6,113,270
Block funding		1,020,413	998,805
Public Health funding		155,326	145,833
COVID-19 funding	8	707,791	1,813,880
From New South Wales			
Activity Based Funding (in-scope)	2, 6	8,107,218	7,185,150
Activity Based Funding (out-of-scope)	7	-	-
Cross-border contribution	5	432,529	315,133
COVID-19 funding	8	-	-
From other States or Territories			
Cross-border receipts	3	164,277	118,673
From Reserve Bank of Australia			
Interest receipts		3,386	34
TOTAL RECEIPTS		17,324,952	16,690,779
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding (in-scope)	4, 6	14,841,230	13,298,421
Activity Based Funding (out-of-scope)	7	-	-
COVID-19 funding	8	-	-
To New South Wales State Managed Fund			
Block funding		1,020,413	998,805
To New South Wales Health			
Public Health funding		155,326	145,833
COVID-19 funding	8	707,791	1,813,880
Interest payments		3,386	34
Cross-border transfer		164,277	118,673
To other States or Territories			
Cross-border payments	5	432,529	315,133
TOTAL PAYMENTS		17,324,952	16,690,779
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.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

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. Michael Lambert was appointed as the Administrator on 17 July 2018 for a five-year term. This was subsequently extended to include the period 11 September 2023 to 5 November 2023 pending the appointment of a new Administrator.

(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(a) of that schedule and Act, section 242 of the Commonwealth *National Health Reform Act 2011* and clause B40 of the National Health Reform Agreement 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 11 September 2023.

(C) Comparative figures

Prior year comparative information has been disclosed. The results for 2021-22 and 2022-23 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 Health and Aged Care Pricing Authority (IHACPA). ABF is paid by the Commonwealth, States and Territories into the Funding Pool.

In 2021-22 and 2022-23 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
- v. Non-admitted services.

As system managers of the public hospital system, State or Territory ABF contributions into the Funding Pool may be calculated using State and Territory prices and activity measures. 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 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.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

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

(F) Activity Based Funding (out-of-scope)

In accordance with the Administrator's Three-Year Data Plan and Data Compliance Policy, from 1 July 2022 the States and Territories are required to identify both in-scope and out-of-scope activity in their LHN Service Agreements. In addition, a new fund account has been established (from 1 July 2022) in the Payments System to identify all payments for out-of-scope activity.

Out-of-scope activity is defined as those public hospital services with a funding source other than the National Health Reform Agreement. There are multiple funding sources for out-of-scope activity including the States and Territories (e.g. one-off budget measures, correctional facilities), the Commonwealth (e.g. Department of Veterans' Affairs, Medical Benefits Schedule) and other third-party revenue (e.g. Workers Compensation, Motor Vehicle Third Party Personal Claim).

(G) 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 2021-22 and 2022-23 the Commonwealth Block funding supported the following:

- i. Small rural hospitals
- ii. Teaching, training and research
- iii. Non-admitted mental health
- iv. Non-admitted child and adolescent mental health services
- v. Non-admitted home ventilation
- vi. Other non-admitted services
- vii. Highly Specialised Therapies.

In 2021-22 and 2022-23 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.

(H) Public Health funding

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

(I) 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.

(J) 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.

(K) 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.

(L) COVID-19 funding

The National Partnership on COVID-19 Response (NPCR) was agreed to and signed by the Council of Australian Governments in March 2020. The objective of this agreement was 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. The NPCR was further amended to assist residential aged care providers prevent, prepare for and respond to outbreaks of COVID-19 under Schedule D.

Financial assistance was 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. The Private Hospital Financial Viability Payment ceased on 30 September 2022. The Hospital Services Payments and the State Public Health Payments ceased on 31 December 2022.

(M) Commonwealth funding guarantee

For the 2019-20, 2020-21 and 2021-22 financial years only, the Commonwealth provided the States and Territories with a minimum funding guarantee for funding related to the NHR Agreement and the Hospital Services Payment component of the NPCR. Where a State or Territory was eligible for the Commonwealth funding guarantee, an additional payment was made in the following financial year after the annual reconciliation to meet the minimum amount guaranteed by the Commonwealth.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

Note 2: Activity Based Funding (in-scope) receipts

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

	2022-23 \$'000	2021-22 \$'000
Commonwealth	6,734,012	6,113,270
New South Wales	8,107,218	7,185,150
TOTAL	14,841,230	13,298,421

The amounts paid into the New South Wales State Pool Account excludes Hospital Services Payments made under the NPCR of \$536,707,616 in 2022-23 (\$294,354,478 in 2021-22). Please refer Note 8.

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	2022-23 \$'000	2021-22 \$'000
Victoria	17,520	15,360
Queensland	95,795	50,040
Western Australia	2,662	2,834
South Australia	-	22,135
Tasmania	1,646	1,674
Australian Capital Territory	46,655	25,200
Northern Territory	-	1,430
TOTAL	164,277	118,673

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

Note 4: Activity Based Funding (in-scope) payments

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

LOCAL HOSPITAL NETWORK	2022-23 \$'000	2021-22 \$'000
Albury NSW Local Health District ¹	94,714	56,498
Central Coast Local Health District	732,500	672,046
Contracted Services	26,062	27,303
Far West Local Health District	71,404	68,540
Hunter New England Local Health District	1,720,718	1,508,447
Illawarra Shoalhaven Local Health District	823,349	752,953
Mid North Coast Local Health District	568,658	485,577
Murrumbidgee Local Health District	356,682	351,288
Nepean Blue Mountains Local Health District	797,003	707,666
Northern NSW Local Health District	719,518	635,983
Northern Sydney Local Health District	1,228,776	1,040,685
South Eastern Sydney Local Health District	1,360,851	1,213,147
South Western Sydney Local Health District	1,750,429	1,542,621
Southern NSW Local Health District	339,327	314,753
St Vincent's Health Network	365,179	335,635
Sydney Children's Hospitals Network	558,711	565,853
Sydney Local Health District	1,366,706	1,235,428
Western NSW Local Health District	572,304	524,825
Western Sydney Local Health District	1,388,338	1,259,172
TOTAL	14,841,230	13,298,421

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 and in alignment with LHN Service Agreements.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

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	2022-23 \$'000	2021-22 \$'000
Victoria	60,720	53,760
Queensland	179,846	84,480
Western Australia	1,485	2,728
South Australia	-	43,831
Tasmania	949	1,142
Australian Capital Territory	189,528	127,200
Northern Territory	-	1,992
TOTAL	432,529	315,133

Note 6: Activity Based Funding (in-scope) receipts and payments

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

	2022-23 \$'000	2021-22 \$'000
Total receipts from the Commonwealth	6,734,012	6,113,270
Total receipts from New South Wales	8,107,218	7,185,150
Total payments to Local Hospital Networks	(14,841,230)	(13,298,421)
NET RECEIPTS/(PAYMENTS)	-	-

Note 7: Activity Based Funding (out-of-scope) receipts and payments

Total ABF contributions paid through the Pool for activities that are out-of-scope of the NHR Agreement:

	2022-23 \$'000	2021-22 \$'000
Total receipts from New South Wales	-	-
Total payments to Local Hospital Networks	-	-
NET RECEIPTS/(PAYMENTS)	-	-

Note 8: COVID-19 funding

COVID-19 funding was provided monthly in advance based on estimates submitted by States and Territories and subject to reconciliation. Final funding entitlements were determined after actual activity data on hospital services and actual in-scope expenditure were 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 was an advance payment to ensure the timely availability of funds under the NPCR. The Upfront Advance Payment has been subsequently reconciled against State Public Health requirements.

The Hospital Services Payment

The Commonwealth provided 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 Hospital Services Payment ceased on 31 December 2022.

The State Public Health Payment

The Commonwealth provided 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 February 2021, the NPCR was amended with respect to the delivery of the COVID-19 vaccine through the Vaccination Dose Delivery Payment under Schedule C. Where eligible, funding contributions in relation to this activity were included within the State Public Health Payment.

The NPCR was further amended in December 2021 to include a revised vaccination schedule (revised Schedule C) which included additional financial support to States and Territories for the set-up of COVID-19 vaccination sites, and an aged care schedule which provided a 100 per cent contribution for costs incurred from 1 July 2020 for supporting aged care prevention, preparedness and response activities including additional targeted infection prevention and control training in Residential Aged Care Facilities (Schedule D).

In January 2022, National Cabinet agreed measures supporting States and Territories to claim 50 per cent of the costs of the purchase, logistics and distribution of Rapid Antigen Tests (RATs) through the NPCR. Where States and Territories provided RATs to residential aged care facilities, they could claim a 100 per cent contribution for the costs.

The State Public Health Payment ceased on 31 December 2022.

The Private Hospital Financial Viability Payment

The Commonwealth contributed 100 per cent of the Private Hospital Financial Viability Payment made to private operators to retain capacity for responding to State and Territory or Commonwealth public health requirements. The Private Hospital Financial Viability Payment ceased on 30 September 2022.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

COVID-19 funding receipts and payments:

	2022-23 \$'000	2021-22 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT		
From Commonwealth		
Hospital Services Payments	536,708	294,354
State Public Health Payments	135,015	1,389,525
Private Hospital Financial Viability Payment	36,069	130,000
TOTAL COMMONWEALTH RECEIPTS	707,791	1,813,880
From New South Wales		
Hospital Services Payments	-	-
State Public Health Payments	-	-
Private Hospital Financial Viability Payment	-	-
TOTAL NEW SOUTH WALES RECEIPTS	-	-
TOTAL RECEIPTS	707,791	1,813,880
PAYMENTS OUT OF THE STATE POOL ACCOUNT		
To New South Wales (including Local Hospital Networks)		
Hospital Services Payments	536,708	294,354
State Public Health Payments	135,015	1,389,525
Private Hospital Financial Viability Payment	36,069	130,000
TOTAL PAYMENTS	707,791	1,813,880
NET RECEIPTS / (PAYMENTS) FOR THE YEAR	-	-
OPENING CASH BALANCE	-	-
CLOSING CASH BALANCE	-	-

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



\$15.3B

TOTAL FUNDING THAT WAS PAID TO



78

LOCAL HOSPITAL NETWORKS (LHNs)



\$13.1B

IN ACTIVITY BASED FUNDING THAT DELIVERED



2,468,820

NATIONAL WEIGHTED ACTIVITY UNITS (NWAU)

National Health Reform disclosures for the year ended 30 June 2023

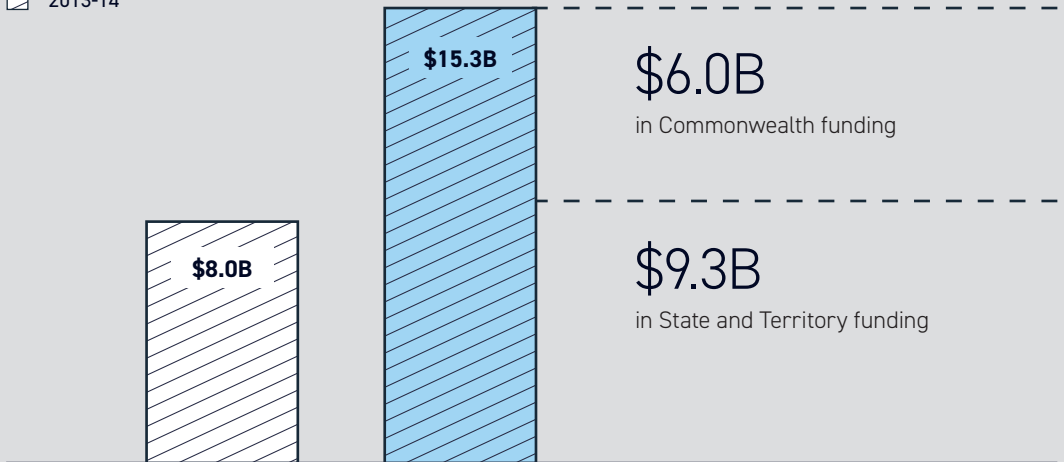
Issued by the Administrator of the National Health Funding Pool under section 241(2) of the Commonwealth *National Health Reform Act 2011* and section 17(2) of the Victorian *Health (Commonwealth State Funding Arrangements) Act 2012*.

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.

GROWTH IN PUBLIC HOSPITAL PAYMENTS

SINCE 2013-14

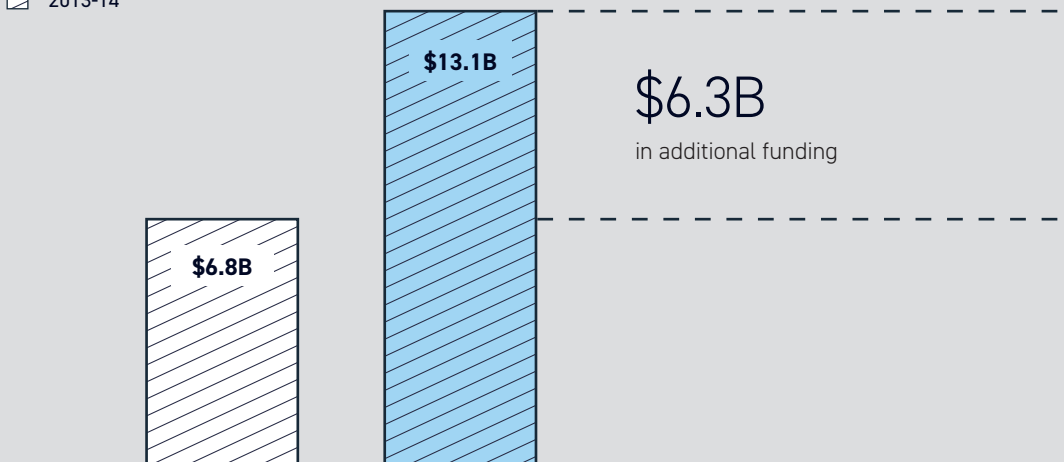
- 2022-23
- 2013-14



GROWTH IN ACTIVITY BASED FUNDING

SINCE 2013-14

- 2022-23
- 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

The table below shows the cash paid by the Commonwealth each financial year based on activity estimates provided by Victoria. The table also shows the final Commonwealth NHR funding entitlement determined by the Commonwealth Treasurer which is based on an end of financial year reconciliation of actual services delivered. The subsequent funding adjustments, whether positive or negative, reflect the difference between estimated activity and actual services delivered.

	AMOUNT PAID TO VICTORIA (\$'000)					CASH PAID
	2018-19 Entitlement	2019-20 Entitlement ¹	2020-21 Entitlement ²	2021-22 Entitlement ³	2022-23 Estimate ⁴	
Cash Paid 2018-19	5,195,808	-	-	-	-	5,195,808
Cash Paid 2019-20	(3,874)	5,529,409	-	-	-	5,525,535
Cash Paid 2020-21	-	(180,911)	5,830,361	-	-	5,649,450
Cash Paid 2021-22	-	-	(869,948)	6,257,852	-	5,387,904
Cash Paid 2022-23	-	-	-	(633,092)	6,633,825	6,000,734
FINAL ENTITLEMENT	5,191,933	5,348,498	4,960,413	5,624,760	6,633,825	

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

2 The 2020-21 Commonwealth NHR funding entitlement excludes \$915,504,081 in HSP under the NPCR.

3 The 2021-22 Commonwealth NHR funding entitlement excludes \$604,183,899 in HSP under the NPCR.

4 The 2022-23 Commonwealth NHR funding estimate excludes \$119,348,114 in HSP under the NPCR.

The amounts paid into each State Pool Account by the Commonwealth – Section 241(2)(B)

COMPONENT	AMOUNT PAID BY COMMONWEALTH INTO VICTORIA STATE POOL ACCOUNT (\$'000)	
	2022-23	2021-22
Activity Based Funding	4,910,191	4,426,126
Block funding	966,517	842,471
Public Health funding	124,026	119,306
TOTAL	6,000,734	5,387,904

Additional financial assistance has been provided by the Commonwealth under the NPCR including hospital services funding which was paid monthly based on activity estimates provided to the Administrator and reconciled annually with adjustments being made in the following financial year.

The above table does not include amounts paid into the State Pool Accounts by the Commonwealth under the NPCR, including Hospital Services Payments of \$639,707,569 in 2022-23 (\$956,939,422 in 2021-22) and State Public Health and Private Hospital Financial Viability Payments of \$1,189,626,070 in 2022-23 (\$1,026,298,902 in 2021-22). Details of this funding is provided in the Pool Account Special Purpose Financial Statement.

The amounts paid into each State Pool Account and State Managed Fund by the relevant State – Section 241(2)(A)

COMPONENT	AMOUNT PAID BY VICTORIA (\$'000)	
	2022-23	2021-22
State Pool Account - Activity Based Funding	8,186,729	7,581,170
State Managed Fund - Block funding	1,100,488	1,250,211
TOTAL	9,287,217	8,831,381

The above table does not include out-of-scope funding (ABF and Block), interest deposited into the Pool Account, over deposit of state contributions subsequently paid back to the respective State or Territory Health Department or cross-border contributions for transfer to other States or Territories.

The amounts paid into the Victoria State Pool Account from the State include Commonwealth payments related to Hospital Services Payments made under the NPCR of \$639,707,569 in 2022-23 (\$956,939,422 in 2021-22).

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)		
	2022-23 ¹ Estimate	2021-22 ² Actual	2021-22 ³ Estimate
Albury Wodonga Health	29,109	19,436	21,612
Alfred Health	181,831	130,993	168,972
Austin Health	149,098	114,026	140,851
Bairnsdale Regional Health Service	16,687	13,820	14,710
Ballarat Health Services	-	-	65,039
Barwon Health	121,734	89,448	115,271
Bass Coast Health	14,805	11,102	10,714
Benalla Health	4,411	3,438	3,877
Bendigo Health	74,119	64,930	72,073
Calvary Health Care Bethlehem Limited	3,292	2,808	4,072
Castlemaine Health	-	4,828	5,438
Central Gippsland Health Service	12,832	10,614	11,744
Colac Area Health	6,066	5,296	4,814
Contracted Services LHN Victoria	11,371	19,292	11,565
Dhelkaya Health	5,660	-	-
Djerriwarrh Health Services	-	-	1,551
East Grampians Health Service	4,426	3,616	3,926
Eastern Health	194,777	136,918	185,620
Echuca Regional Health	14,812	12,130	12,750
Gippsland Southern Health Service	3,936	3,343	3,461
Goulburn Valley Health	48,899	31,337	37,112
Grampians Health	79,574	67,387	36,919
Kyabram District Health Service	3,100	2,630	2,840
Latrobe Regional Hospital	44,815	37,635	44,987
Maryborough District Health Service	4,302	3,719	3,966
Melbourne Health	157,887	122,627	159,398
Mercy Hospitals Victoria Limited	79,578	68,334	67,837
Mildura Base Public Hospital	23,975	19,773	19,509
Monash Health	332,948	259,299	319,749
Northeast Health Wangaratta	27,529	20,521	24,235
Northern Health	135,870	104,411	115,285
Peninsula Health	120,667	89,625	100,292
Peter MacCallum Cancer Institute	33,822	31,992	31,137

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)		
	2022-23 ¹ Estimate	2021-22 ² Actual	2021-22 ³ Estimate
Portland District Health	5,752	5,146	5,537
South West Healthcare	30,026	23,838	27,799
St Vincent's Hospital (Melbourne) Limited	102,335	77,828	108,336
Stawell Regional Health	-	-	3,385
Swan Hill District Hospital	8,880	6,803	8,253
The Royal Children's Hospital	92,235	75,765	92,964
The Royal Victorian Eye and Ear Hospital	23,345	14,071	20,291
The Royal Women's Hospital	48,848	41,657	45,134
West Gippsland Healthcare Group	18,506	16,260	17,169
Western District Health Service	8,501	7,534	8,361
Western Health	188,456	139,205	162,110
Wimmera Health Care Group	-	-	13,425
TOTAL⁴	2,468,820	1,913,434	2,334,090

1 2022-23 NWAU as per the updated activity estimates as at the Administrator's June 2023 Payment Advice.

2 2021-22 NWAU as per the 2021-22 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations (National Health Reform Payments for 2021-22) Determination 2022.

3 2021-22 NWAU as per the activity estimates as at the Administrator's June 2022 Payment Advice.

4 The table above excludes NWAUs funded under the Hospital Services component of the NPCR.

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 National Efficient Price 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 which are out-of-scope of Commonwealth NHR funding.

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 2021–22 and 2022–23 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 to Local Hospital Networks in 2022-23 – Section 241(2)(C)(D)

RECIPIENT	AMOUNT PAID (\$'000)		
	State Pool Account	State Managed Fund	TOTAL
Albury Wodonga Health	167,280	38,024	205,303
Alexandra District Hospital	-	8,832	8,832
Alfred Health	964,453	97,833	1,062,286
Alpine Health	-	14,177	14,177
Austin Health	836,854	77,291	914,146
Bairnsdale Regional Health Service	82,068	4,138	86,206
Ballarat Health Services	-	-	-
Barwon Health	637,372	74,342	711,714
Bass Coast Health	75,487	2,154	77,641
Beaufort and Skipton Health Service	-	6,988	6,988
Beechworth Health Service	-	6,777	6,777
Benalla Health	21,768	298	22,066
Bendigo Health	358,072	68,940	427,011
Boort District Health	-	3,353	3,353
Calvary Health Care Bethlehem Limited	25,325	643	25,968
Casterton Memorial Hospital	-	5,190	5,190
Castlemaine Health	-	-	-
Central Gippsland Health Service	69,906	2,994	72,900
Central Highlands Rural Health	-	30,176	30,176
Cohuna District Hospital	-	8,139	8,139
Colac Area Health	33,897	453	34,350
Contracted Services LHN Victoria	79,769	7,328	87,097
Corryong Health	-	5,246	5,246
Dhelkaya Health	31,064	3,255	34,319
Djerriwarrh Health Services	-	-	-
East Grampians Health Service	27,103	1,521	28,624
East Wimmera Health Service	-	17,767	17,767
Eastern Health	959,244	153,033	1,112,277
Echuca Regional Health	76,545	3,556	80,101
Edenhope and District Memorial Hospital	-	-	-
Gippsland Southern Health Service	23,715	412	24,127
Goulburn Valley Health	267,040	40,200	307,240
Grampians Health	414,818	63,851	478,669
Great Ocean Road Health	-	7,724	7,724
Heathcote Health	-	4,505	4,505
Hesse Rural Health Service	-	3,687	3,687
Heywood Rural Health	-	3,962	3,962

The amounts paid from each State Pool Account and State Managed Fund to Local Hospital Networks in 2021-22 – Section 241(2)(C)(D)

RECIPIENT	AMOUNT PAID (\$'000)		
	State Pool Account	State Managed Fund	TOTAL
Albury Wodonga Health	154,248	32,835	187,083
Alexandra District Hospital	-	7,835	7,835
Alfred Health	829,143	130,958	960,101
Alpine Health	-	13,249	13,249
Austin Health	766,909	75,026	841,935
Bairnsdale Regional Health Service	79,676	3,673	83,349
Ballarat Health Services	169,188	25,175	194,363
Barwon Health	552,809	106,116	658,925
Bass Coast Health	66,099	1,814	67,913
Beaufort and Skipton Health Service	-	6,558	6,558
Beechworth Health Service	-	5,663	5,663
Benalla Health	21,145	484	21,630
Bendigo Health	334,953	62,613	397,566
Boort District Health	-	3,183	3,183
Calvary Health Care Bethlehem Limited	23,974	941	24,915
Casterton Memorial Hospital	-	4,938	4,938
Castlemaine Health	29,562	625	30,187
Central Gippsland Health Service	67,239	2,737	69,976
Central Highlands Rural Health	-	26,193	26,193
Cohuna District Hospital	-	7,696	7,696
Colac Area Health	33,026	755	33,781
Contracted Services LHN Victoria	80,569	8,007	88,576
Corryong Health	-	5,347	5,347
Dhelkaya Health	-	-	-
Djerriwarrh Health Services	12,705	112	12,817
East Grampians Health Service	24,197	1,555	25,752
East Wimmera Health Service	-	17,300	17,300
Eastern Health	877,221	141,506	1,018,727
Echuca Regional Health	70,001	3,070	73,071
Edenhope and District Memorial Hospital	-	2,613	2,613
Gippsland Southern Health Service	23,327	526	23,853
Goulburn Valley Health	237,549	36,548	274,096
Grampians Health	181,022	29,383	210,405
Great Ocean Road Health	-	6,684	6,684
Heathcote Health	-	3,473	3,473
Hesse Rural Health Service	-	2,673	2,673
Heywood Rural Health	-	3,286	3,286

The amounts paid from each State Pool Account and State Managed Fund to Local Hospital Networks in 2022-23 – Section 241(2)(C)(D) (continued)

RECIPIENT	AMOUNT PAID (\$'000)		TOTAL
	State Pool Account	State Managed Fund	
Inglewood and Districts Health Service	-	3,551	3,551
Kerang and District Health	-	8,140	8,140
Kilmore and District Hospital	-	24,132	24,132
Kooweerup Regional Health Services	-	5,573	5,573
Kyabram District Health Service	17,446	244	17,690
Latrobe Regional Hospital	218,064	58,990	277,054
Maldon Hospital	-	-	-
Mallee Track Health and Community Service	-	5,278	5,278
Mansfield District Hospital	-	12,343	12,343
Maryborough District Health Service	24,950	857	25,806
Melbourne Health	881,732	171,757	1,053,489
Mercy Hospitals Victoria Limited	455,717	64,389	520,106
Mildura Base Public Hospital	123,858	23,541	147,399
Monash Health	1,797,009	211,987	2,008,995
Moyne Health Services	-	5,175	5,175
NCN Health	-	25,438	25,438
Northeast Health Wangaratta	150,359	4,296	154,654
Northern Health	661,009	96,280	757,288
Omeo District Health	-	3,983	3,983
Orbost Regional Health	-	7,377	7,377
Other Provider (VIC)	-	36,926	36,926
Peninsula Health	566,427	63,348	629,775
Peter MacCallum Cancer Institute	181,444	50,570	232,015
Portland District Health	31,195	484	31,679
Robinvale District Health Services	-	9,338	9,338
Rochester and Elmore District Health Service	-	6,979	6,979
Rural Northwest Health	-	12,134	12,134
Seymour District Memorial Hospital	-	16,130	16,130
South Gippsland Hospital	-	8,337	8,337
South West Healthcare	155,575	30,604	186,179
St Vincent's Hospital (Melbourne) Limited	607,382	86,653	694,034
Stawell Regional Health	-	-	-
Swan Hill District Hospital	48,347	1,272	49,618
Tallangatta Health Service	-	6,451	6,451
Terang and Mortlake Health Service	-	6,706	6,706

The amounts paid from each State Pool Account and State Managed Fund to Local Hospital Networks in 2021-22 – Section 241(2)(C)(D) (continued)

RECIPIENT	AMOUNT PAID (\$'000)		
	State Pool Account	State Managed Fund	TOTAL
Inglewood and Districts Health Service	-	3,182	3,182
Kerang and District Health	-	7,699	7,699
Kilmore and District Hospital	-	18,671	18,671
Kooweerup Regional Health Services	-	6,236	6,236
Kyabram District Health Service	17,050	265	17,315
Latrobe Regional Hospital	211,621	54,325	265,946
Maldon Hospital	-	2,351	2,351
Mallee Track Health and Community Service	-	5,029	5,029
Mansfield District Hospital	-	10,211	10,211
Maryborough District Health Service	23,514	520	24,035
Melbourne Health	832,313	223,939	1,056,252
Mercy Hospitals Victoria Limited	441,915	56,699	498,614
Mildura Base Public Hospital	120,606	20,738	141,343
Monash Health	1,579,709	261,685	1,841,393
Moyness Health Services	-	4,931	4,931
NCN Health	-	24,405	24,405
Northeast Health Wangaratta	137,689	3,830	141,520
Northern Health	565,327	41,496	606,822
Omeo District Health	-	2,834	2,834
Orbost Regional Health	-	7,121	7,121
Other Provider (VIC)	-	30,759	30,759
Peninsula Health	535,953	58,980	594,933
Peter MacCallum Cancer Institute	172,841	29,963	202,804
Portland District Health	29,380	652	30,031
Robinvale District Health Services	-	7,021	7,021
Rochester and Elmore District Health Service	-	6,649	6,649
Rural Northwest Health	-	10,602	10,602
Seymour District Memorial Hospital	-	15,992	15,992
South Gippsland Hospital	-	7,512	7,512
South West Healthcare	150,824	27,320	178,144
St Vincent's Hospital (Melbourne) Limited	589,119	80,947	670,065
Stawell Regional Health	9,368	394	9,761
Swan Hill District Hospital	46,760	1,102	47,863
Tallangatta Health Service	-	5,557	5,557
Terang and Mortlake Health Service	-	6,560	6,560

The amounts paid from each State Pool Account and State Managed Fund to Local Hospital Networks in 2022-23 – Section 241(2)(C)(D) (continued)

RECIPIENT	AMOUNT PAID (\$'000)		
	State Pool Account	State Managed Fund	TOTAL
The Royal Children's Hospital	549,703	47,550	597,253
The Royal Victorian Eye and Ear Hospital	111,962	2,880	114,842
The Royal Women's Hospital	239,459	5,756	245,216
Timboon and District Healthcare Service	-	5,021	5,021
Victorian Institute of Forensic Mental Health	-	77,654	77,654
West Gippsland Healthcare Group	97,011	2,672	99,684
West Wimmera Health Service	-	20,574	20,574
Western District Health Service	49,562	4,503	54,065
Western Health	976,932	38,425	1,015,357
Wimmera Health Care Group	-	-	-
Yarram and District Health Service	-	7,745	7,745
Yarrawonga District Health Service	-	14,531	14,531
Yea and District Memorial Hospital	-	3,643	3,643
TOTAL	13,096,920	2,067,005	15,163,925

The amounts paid into the Victoria State Pool Account from the State include Commonwealth payments related to Hospital Services Payments made under the NPCR of \$639,707,569.

For additional information please see the Victoria basis of payments.

The amounts paid from each State Pool Account and State Managed Fund to Local Hospital Networks in 2021-22 – Section 241(2)(C)(D) (continued)

RECIPIENT	AMOUNT PAID (\$'000)		
	State Pool Account	State Managed Fund	TOTAL
The Royal Children's Hospital	525,047	41,397	566,445
The Royal Victorian Eye and Ear Hospital	104,685	3,834	108,520
The Royal Women's Hospital	237,116	5,359	242,474
Timboon and District Healthcare Service	-	4,430	4,430
Victorian Institute of Forensic Mental Health	-	75,390	75,390
West Gippsland Healthcare Group	93,663	3,476	97,139
West Wimmera Health Service	-	18,237	18,237
Western District Health Service	49,389	3,946	53,335
Western Health	858,857	85,388	944,245
Wimmera Health Care Group	39,989	1,326	41,315
Yarram and District Health Service	-	7,346	7,346
Yarrawonga District Health Service	-	11,904	11,904
Yea and District Memorial Hospital	-	3,325	3,325
TOTAL	12,007,296	2,092,682	14,099,978

The 2021-22 amounts paid into the State Pool Accounts excludes Hospital Services Payments made under the NPCR of \$956,939,422.

For additional information please see the Victoria basis of payments.

Victoria basis for National Health Reform payments 2022-23

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 2020-25, in 2022-23 Victoria receives Commonwealth Activity Based Funding (ABF) contributions as calculated by the National Funding Model using the National Efficient Price (NEP22) and National Weighted Activity Unit (NWAU22) as the currency for Victorian Local Hospital Networks (LHNs). The National Efficient Cost (NEC22) Block funding model is used for calculating Commonwealth funding contributions to Block funded hospitals and Block funded services as summarised below.

NHR payments in Victoria are based upon the activity and budgets set out in Statements of Priorities (Service Agreements). Statements of Priorities are annual accountability agreements between Victorian public healthcare services and the Minister for Health. Further information on system-wide terms and conditions can be found in the Policy and Funding Guidelines (www.health.vic.gov.au/funding-performance-accountability/funding-policy).

In conjunction with the Policy and Funding Guidelines, the Statements of Priorities for Victorian public healthcare services, outline:

- 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
- Block funding to be provided to:
 - Small rural hospitals, standalone hospitals providing specialist mental health services and eligible community mental health services
 - health services for:
 - Teaching, training and research
 - Non-admitted mental health
 - Non-admitted child and adolescent mental health services (CAMHS)
 - Non-admitted home ventilation
 - high cost, Highly Specialised Therapies
 - Victorian Virtual Emergency Department program (other public hospital programs)
 - Other non-admitted services (as set out in the National Efficient Cost Determination)
- 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 National Efficient Price
- standards of patient care and service delivery
- performance standards, service delivery 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
- standalone 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 is based on the prior year National Hospital Cost Data Collections ABF stream cost ratio
- other funding required for system management of the public hospitals.

Further information regarding the Basis for National Health Reform payments in both 2022-23 and previous financial years is included at www.publichospitalfunding.gov.au.



Administrator
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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 true and 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 2023 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
11 September 2023

**National Health Funding Pool
Victoria State Pool Account
Special Purpose Financial
Statement for the year ended
30 June 2023**

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*.

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Victoria State Pool Account

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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 2023 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 2023 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
15 September 2023



Dominika Ryan
as delegate for the Auditor-General of Victoria

Victoria State Pool Account

Statement of Receipts and Payments for the year ended 30 June 2023

	NOTES	2022-23 \$'000	2021-22 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth			
Activity Based Funding	2, 6	4,910,191	4,426,126
Block funding		966,517	842,471
Public Health funding		124,026	119,306
COVID-19 funding	8	1,829,334	1,983,238
From Victoria			
Activity Based Funding (in-scope)	2, 6	8,585,669	7,664,056
Withdrawal of ABF in excess of funding obligations	2, 6	(398,940)	(82,886)
Activity Based Funding (out-of-scope)	7	-	-
Cross-border contribution	5	24,967	67,328
COVID-19 funding	8	-	-
From other States or Territories			
Cross-border receipts	3	71,478	132,542
From Reserve Bank of Australia			
Interest receipts		2,645	9
TOTAL RECEIPTS		16,115,886	15,152,190
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding (in-scope)	4, 6	13,096,920	12,007,296
Activity Based Funding (out-of-scope)	7	-	-
COVID-19 funding	8	-	-
To Victoria State Managed Fund			
Block funding		966,517	842,471
To Department of Health Victoria			
Public Health funding		124,026	119,306
COVID-19 funding	8	1,829,334	1,983,238
Interest payments		2,645	9
Cross-border transfer		71,478	132,542
To other States or Territories			
Cross-border payments	5	24,967	67,328
TOTAL PAYMENTS		16,115,886	15,152,190
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.

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. Michael Lambert was appointed as the Administrator on 17 July 2018 for a five-year term. This was subsequently extended to include the period 11 September 2023 to 5 November 2023 pending the appointment of a new Administrator.

(B) Basis of preparation

The Victorian 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, section 242 of the *Commonwealth National Health Reform Act 2011* and clause B40 of the National Health Reform Agreement 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 11 September 2023.

(C) Comparative figures

Prior year comparative information has been disclosed. The results for 2021-22 and 2022-23 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 Health and Aged Care Pricing Authority (IHACPA). ABF is paid by the Commonwealth, States and Territories into the Funding Pool.

In 2021-22 and 2022-23 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
- v. Non-admitted services.

As system managers of the public hospital system, State or Territory ABF contributions into the Funding Pool may be calculated using State and Territory prices and activity measures. 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 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.

Notes to and forming part of the Special Purpose Financial Statement for the period ended 30 June 2023

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

(F) Activity Based Funding (out-of-scope)

In accordance with the Administrator's Three-Year Data Plan and Data Compliance Policy, from 1 July 2022 the States and Territories are required to identify both in-scope and out-of-scope activity in their LHN Service Agreements. In addition, a new fund account has been established (from 1 July 2022) in the Payments System to identify all payments for out-of-scope activity.

Out-of-scope activity is defined as those public hospital services with a funding source other than the National Health Reform Agreement.

There are multiple funding sources for out-of-scope activity including the States and Territories (e.g. one-off budget measures, correctional facilities), the Commonwealth (e.g. Department of Veterans' Affairs, Medical Benefits Schedule) and other third-party revenue (e.g. Workers Compensation, Motor Vehicle Third Party Personal Claim).

(G) 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 2021-22 and 2022-23 the Commonwealth Block funding supported the following:

- i. Small rural hospitals
- ii. Teaching, training and research
- iii. Non-admitted mental health
- iv. Non-admitted child and adolescent mental health services
- v. Non-admitted home ventilation
- vi. Other non-admitted services
- vii. Highly Specialised Therapies.

In 2021-22 and 2022-23 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.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

(H) Public Health funding

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

(I) 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's 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.

(J) 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.

(K) 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.

(L) COVID-19 funding

The National Partnership on COVID-19 Response (NPCR) was agreed to and signed by the Council of Australian Governments in March 2020. The objective of this agreement was 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. The NPCR was further amended to assist residential aged care providers prevent, prepare for and respond to outbreaks of COVID-19 under Schedule D.

Financial assistance was 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. The Private Hospital Financial Viability Payment ceased on 30 September 2022. The Hospital Services Payments and the State Public Health Payments ceased on 31 December 2022.

(M) Commonwealth funding guarantee

For the 2019-20, 2020-21 and 2021-22 financial years only, the Commonwealth provided the States and Territories with a minimum funding guarantee for funding related to the NHR Agreement and the Hospital Services Payment component of the NPCR. Where a State or Territory was eligible for the Commonwealth funding guarantee, an additional payment was made in the following financial year after the annual reconciliation to meet the minimum amount guaranteed by the Commonwealth.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

Note 2: Activity Based Funding (in-scope) receipts

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

	2022-23 \$'000	2021-22 \$'000
Commonwealth	4,910,191	4,426,126
Victoria	8,585,669	7,664,056
Withdrawal of Activity Based Funding in excess of funding obligations	(398,940)	(82,886)
TOTAL	13,096,920	12,007,296

The amounts paid by the Commonwealth into the Victoria State Pool Account exclude Commonwealth payments related to Hospital Services Payments made under the NPCR of \$639,707,569 in 2022-23 (\$956,939,422 in 2021-22). The amounts paid by Victoria into the Victoria State Pool Account include these Commonwealth payments. Please refer to Note 8.

Note 3: Cross-border receipts

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

STATES AND TERRITORIES	2022-23 \$'000	2021-22 \$'000
New South Wales	60,720	53,760
Queensland	-	6,799
Western Australia	-	4,999
South Australia	-	45,983
Tasmania	-	16,503
Australian Capital Territory	-	4,497
Northern Territory	10,758	-
TOTAL	71,478	132,542

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

Note 4: Activity Based Funding (in-scope) payments

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

LOCAL HOSPITAL NETWORK	2022-23 \$'000	2021-22 \$'000
Albury Wodonga Health	167,280	154,248
Alfred Health	964,453	829,143
Austin Health	836,854	766,909
Bairnsdale Regional Health Service	82,068	79,676
Ballarat Health Services	-	169,188
Barwon Health	637,372	552,809
Bass Coast Health	75,487	66,099
Benalla Health	21,768	21,145
Bendigo Health	358,072	334,953
Calvary Health Care Bethlehem Limited	25,325	23,974
Castlemaine Health	-	29,562
Central Gippsland Health Service	69,906	67,239
Colac Area Health	33,897	33,026
Contracted Services LHN Victoria	79,769	80,569
Dhelkaya Health	31,064	-
Djerriwarrh Health Services	-	12,705
East Grampians Health Service	27,103	24,197
Eastern Health	959,244	877,221
Echuca Regional Health	76,545	70,001
Gippsland Southern Health Service	23,715	23,327
Goulburn Valley Health	267,040	237,549
Grampians Health	414,818	181,022
Kyabram District Health Service	17,446	17,050
Latrobe Regional Hospital	218,064	211,621
Maryborough District Health Service	24,950	23,514
Melbourne Health	881,732	832,313
Mercy Hospitals Victoria Limited	455,717	441,915
Mildura Base Public Hospital	123,858	120,606
Monash Health	1,797,009	1,579,709
Northeast Health Wangaratta	150,359	137,689
Northern Health	661,009	565,327
Peninsula Health	566,427	535,953
Peter MacCallum Cancer Institute	181,444	172,841

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

Note 4: Activity Based Funding payments (in-scope) (continued)

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

LOCAL HOSPITAL NETWORK	2022-23 \$'000	2021-22 \$'000
Portland District Health	31,195	29,380
South West Healthcare	155,575	150,824
St Vincent's Hospital (Melbourne) Limited	607,382	589,119
Stawell Regional Health	-	9,368
Swan Hill District Hospital	48,347	46,760
The Royal Children's Hospital	549,703	525,047
The Royal Victorian Eye and Ear Hospital	111,962	104,685
The Royal Women's Hospital	239,459	237,116
West Gippsland Healthcare Group	97,011	93,663
Western District Health Service	49,562	49,389
Western Health	976,932	858,857
Wimmera Health Care Group	-	39,989
TOTAL	13,096,920	12,007,296

The Administrator makes payments from the Victoria State Pool Account in accordance with the directions of the Victoria Minister for Health and in alignment with LHN Service Agreements.

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	2022-23 \$'000	2021-22 \$'000
New South Wales	17,520	15,360
Queensland	-	12,619
Western Australia	-	2,818
South Australia	-	29,173
Tasmania	-	1,453
Australian Capital Territory	-	5,905
Northern Territory	7,447	-
TOTAL	24,967	67,328

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

Note 6: Activity Based Funding (in-scope) receipts and payments

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

	2022-23 \$'000	2021-22 \$'000
Total receipts from the Commonwealth	4,910,191	4,426,126
Total receipts from Victoria	8,585,669	7,664,056
Withdrawal in excess of funding obligations	(398,940)	(82,886)
Total payments to Local Hospital Networks	(13,096,920)	(12,007,296)
NET RECEIPTS/(PAYMENTS)	-	-

Note 7: Activity Based Funding (out-of-scope) receipts and payments

Total ABF contributions paid through the Pool for activities that are out-of-scope of the NHR Agreement:

	2022-23 \$'000	2021-22 \$'000
Total receipts from Victoria	-	-
Total payments to Local Hospital Networks	-	-
NET RECEIPTS/(PAYMENTS)	-	-

Note 8: COVID-19 funding

COVID-19 funding was provided monthly in advance based on estimates submitted by States and Territories and subject to reconciliation. Final funding entitlements were determined after actual activity data on hospital services and actual in-scope expenditure were 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 was an advance payment to ensure the timely availability of funds under the NPCR. The Upfront Advance Payment has been subsequently reconciled against State Public Health requirements.

The Hospital Services Payment

The Commonwealth provided 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 Hospital Services Payment ceased on 31 December 2022.

The State Public Health Payment

The Commonwealth provided 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 February 2021, the NPCR was amended with respect to the delivery of the COVID-19 vaccine through the Vaccination Dose Delivery Payment under Schedule C. Where eligible, funding contributions in relation to this activity were included within the State Public Health Payment.

The NPCR was further amended in December 2021 to include a revised vaccination schedule (revised Schedule C) which included additional financial support to States and Territories for the set-up of COVID-19 vaccination sites, and an aged care schedule which provided a 100 per cent contribution for costs incurred from 1 July 2020 for supporting aged care prevention, preparedness and response activities including additional targeted infection prevention and control training in Residential Aged Care Facilities (Schedule D).

In January 2022, National Cabinet agreed measures supporting States and Territories to claim 50 per cent of the costs of the purchase, logistics and distribution of Rapid Antigen Tests (RATs) through the NPCR. Where States and Territories provided RATs to residential aged care facilities, they could claim a 100 per cent contribution for the costs.

The State Public Health Payment ceased on 31 December 2022.

The Private Hospital Financial Viability Payment

The Commonwealth contributed 100 per cent of the Private Hospital Financial Viability Payment made to private operators to retain capacity for responding to State and Territory or Commonwealth public health requirements. The Private Hospital Financial Viability Payment ceased on 30 September 2022.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

COVID-19 funding receipts and payments:

	2022-23 \$'000	2021-22 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT		
From Commonwealth		
Hospital Services Payments	639,708	956,939
State Public Health Payments	941,162	842,405
Private Hospital Financial Viability Payment	248,464	183,893
TOTAL COMMONWEALTH RECEIPTS	1,829,334	1,983,238
From Victoria		
Hospital Services Payments	-	-
State Public Health Payments	-	-
Private Hospital Financial Viability Payment	-	-
TOTAL VICTORIA RECEIPTS	-	-
TOTAL RECEIPTS	1,829,334	1,983,238
PAYMENTS OUT OF THE STATE POOL ACCOUNT		
To Victoria (including Local Hospital Networks)		
Hospital Services Payments	639,708	956,939
State Public Health Payments	941,162	842,405
Private Hospital Financial Viability Payment	248,464	183,893
TOTAL PAYMENTS	1,829,334	1,983,238
NET RECEIPTS / (PAYMENTS) FOR THE YEAR	-	-
OPENING CASH BALANCE	-	-
CLOSING CASH BALANCE	-	-

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



\$14.9B

TOTAL FUNDING THAT WAS PAID TO



18

LOCAL HOSPITAL NETWORKS (LHNs)



\$12.6B

IN ACTIVITY BASED FUNDING THAT DELIVERED



2,202,842

NATIONAL WEIGHTED ACTIVITY UNITS (NWAU)

National Health Reform disclosures for the year ended 30 June 2023

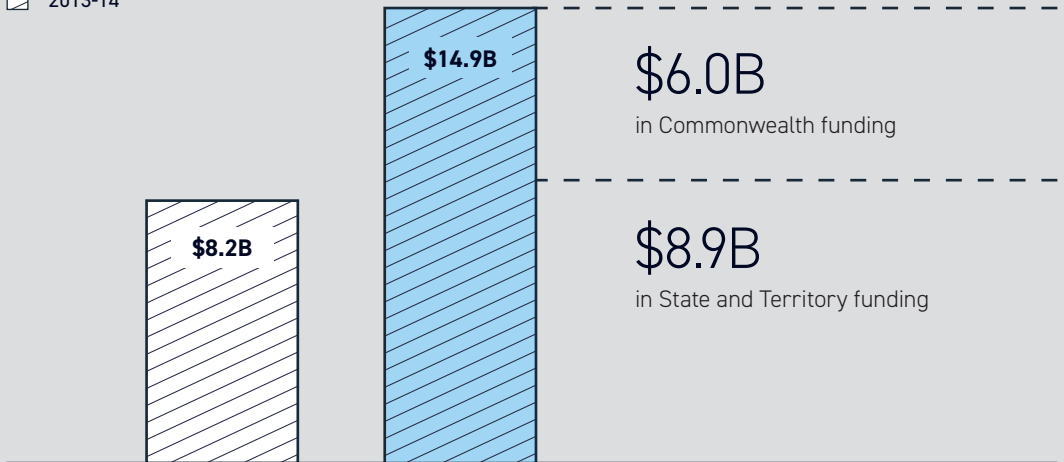
Issued by the Administrator of the National Health Funding Pool under section 241(2) of the Commonwealth *National Health Reform Act 2011* and section 53S(2) of the Queensland *Hospital and Health Boards Act 2011*.

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.

GROWTH IN PUBLIC HOSPITAL PAYMENTS

SINCE 2013-14

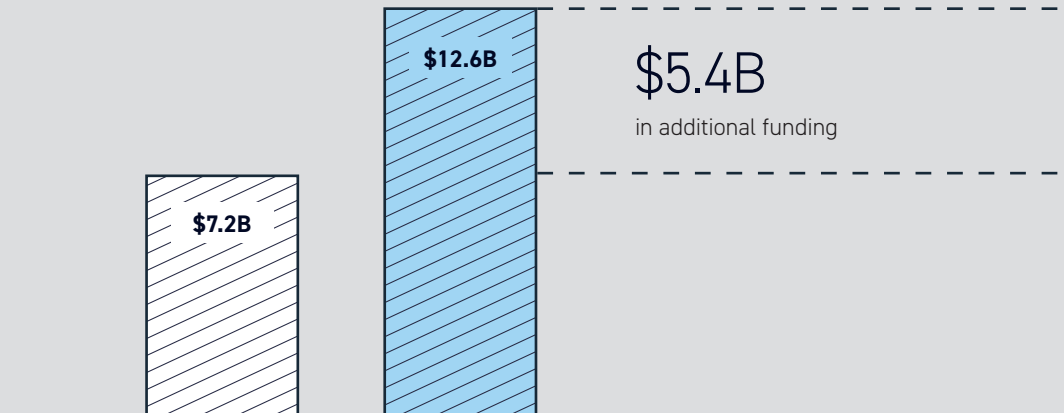
- 2022-23
- 2013-14



GROWTH IN ACTIVITY BASED FUNDING

SINCE 2013-14

- 2022-23
- 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

The table below shows the cash paid by the Commonwealth each financial year based on activity estimates provided by Queensland. The table also shows the final Commonwealth NHR funding entitlement determined by the Commonwealth Treasurer which is based on an end of financial year reconciliation of actual services delivered. The subsequent funding adjustments, whether positive or negative, reflect the difference between estimated activity and actual services delivered.

	AMOUNT PAID TO QUEENSLAND (\$'000)					CASH PAID
	2018-19 Entitlement	2019-20 Entitlement ¹	2020-21 Entitlement ²	2021-22 Entitlement ³	2022-23 Estimate ⁴	
Cash Paid 2018-19	4,630,150	-	-	-	-	4,630,150
Cash Paid 2019-20	37,228	4,970,758	-	-	-	5,007,985
Cash Paid 2020-21	-	(70,397)	5,313,701	-	-	5,243,304
Cash Paid 2021-22	-	-	31,603	5,679,802	-	5,711,404
Cash Paid 2022-23	-	-	-	(65,661)	6,103,031	6,037,370
FINAL ENTITLEMENT	4,667,378	4,900,361	5,345,303	5,614,140	6,103,031	

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

2 The 2020-21 Commonwealth NHR funding entitlement excludes \$43,726,900 in HSP under the NPCR.

3 The 2021-22 Commonwealth NHR funding entitlement excludes \$116,405,562 in HSP under the NPCR.

4 The 2022-23 Commonwealth NHR funding estimate excludes \$16,242,249 in HSP under the NPCR.

The amounts paid into each State Pool Account by the Commonwealth – Section 241(2)(B)

COMPONENT	AMOUNT PAID BY COMMONWEALTH INTO QUEENSLAND STATE POOL ACCOUNT (\$'000)	
	2022-23	2021-22
Activity Based Funding	5,290,326	4,988,926
Block funding	644,015	629,128
Public Health funding	103,029	93,351
TOTAL	6,037,370	5,711,404

Additional financial assistance has been provided by the Commonwealth under the NPCR including hospital services funding which was paid monthly based on activity estimates provided to the Administrator and reconciled annually with adjustments being made in the following financial year.

The above table does not include amounts paid into the State Pool Accounts by the Commonwealth under the NPCR, including Hospital Services Payments of \$82,743,084 in 2022-23 (\$35,578,256 in 2021-22) and State Public Health and Private Hospital Financial Viability Payments of \$105,964,261 in 2022-23 (\$756,415,728 in 2021-22). Details of this funding is provided in the Pool Account Special Purpose Financial Statement.

The amounts paid into each State Pool Account and State Managed Fund by the relevant State – Section 241(2)(A)

COMPONENT	AMOUNT PAID BY QUEENSLAND (\$'000)	
	2022-23	2021-22
State Pool Account - Activity Based Funding	7,292,503	6,777,673
State Managed Fund - Block funding	1,604,469	1,399,978
TOTAL	8,896,972	8,177,651

The above table does not include out-of-scope funding (ABF and Block), interest deposited into the Pool Account, over deposit of state contributions subsequently paid back to the respective State or Territory Health Department or cross-border contributions for transfer to other States or Territories.

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)		
	2022-23 ¹ Estimate	2021-22 ² Actual	2021-22 ³ Estimate
Cairns and Hinterland Hospital and Health Service	139,459	129,833	130,946
Central Queensland Hospital and Health Service	76,852	74,987	78,391
Children's Health Queensland Hospital and Health Service	86,804	81,067	82,959
Darling Downs Hospital and Health Service	97,765	93,131	89,595
Gold Coast Hospital and Health Service	259,187	234,880	244,474
Mackay Hospital and Health Service	66,551	60,173	60,354
Mater Misericordiae Health Service Brisbane	95,064	84,710	92,498
Metro North Hospital and Health Service	463,978	435,100	448,972
Metro South Hospital and Health Service	386,089	347,372	367,505
North West Hospital and Health Service	17,501	16,501	17,032
Queensland Health Virtual LHN	10,000	1,512	7,500
South West Hospital and Health Service	4,391	-	-
Sunshine Coast Hospital and Health Service	178,072	155,873	157,371
Townsville Hospital and Health Service	134,987	126,154	128,420
West Moreton Hospital and Health Service	89,587	79,640	78,407
Wide Bay Hospital and Health Service	96,555	93,854	92,252
TOTAL⁴	2,202,842	2,014,784	2,076,674

1 2022-23 NWAU as per the updated activity estimates as at the Administrator's June 2023 Payment Advice.

2 2021-22 NWAU as per the 2021-22 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations (National Health Reform Payments for 2021-22) Determination 2022.

3 2021-22 NWAU as per the activity estimates as at the Administrator's June 2022 Payment Advice.

4 The table above excludes NWAUs funded under the Hospital Services component of the NPCR.

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 National Efficient Price 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 which are out-of-scope of Commonwealth NHR funding.

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 2021–22 and 2022–23 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 to Local Hospital Networks in 2022-23 – Section 241(2)(C)(D)

RECIPIENT	AMOUNT PAID (\$'000)		
	State Pool Account	State Managed Fund	TOTAL
Cairns and Hinterland Hospital and Health Service	780,410	155,108	935,517
Central Queensland Hospital and Health Service	431,819	103,152	534,971
Central West Hospital and Health Service	-	54,635	54,635
Children's Health Queensland Hospital and Health Service	518,019	134,735	652,754
Darling Downs Hospital and Health Service	536,306	194,216	730,521
Gold Coast Hospital and Health Service	1,517,061	123,347	1,640,407
Mackay Hospital and Health Service	358,798	84,133	442,931
Mater Misericordiae Health Service Brisbane	542,392	23,557	565,949
Metro North Hospital and Health Service	2,690,806	278,357	2,969,163
Metro South Hospital and Health Service	2,176,634	219,130	2,395,764
North West Hospital and Health Service	102,230	43,241	145,471
Queensland Health Virtual LHN	47,470	81,059	128,529
South West Hospital and Health Service	23,014	83,475	106,489
Sunshine Coast Hospital and Health Service	1,058,171	101,980	1,160,151
Torres and Cape Hospital and Health Service	-	137,323	137,323
Townsville Hospital and Health Service	790,222	168,563	958,786
West Moreton Hospital and Health Service	484,588	175,142	659,730
Wide Bay Hospital and Health Service	524,890	87,332	612,222
TOTAL	12,582,829	2,248,484	14,831,313

The 2022-23 amounts paid into the State Pool Accounts excludes Hospital Services Payments made under the NPCR of \$160,996,740.

For additional information please see the Queensland basis of payments.

The amounts paid from each State Pool Account and State Managed Fund to Local Hospital Networks in 2021-22 – Section 241(2)(C)(D)

RECIPIENT	AMOUNT PAID (\$'000)		
	State Pool Account	State Managed Fund	TOTAL
Cairns and Hinterland Hospital and Health Service	760,151	156,861	917,012
Central Queensland Hospital and Health Service	421,713	106,275	527,987
Central West Hospital and Health Service	-	32,612	32,612
Children's Health Queensland Hospital and Health Service	475,481	124,027	599,508
Darling Downs Hospital and Health Service	550,428	209,965	760,393
Gold Coast Hospital and Health Service	1,369,214	110,696	1,479,910
Mackay Hospital and Health Service	326,008	85,178	411,186
Mater Misericordiae Health Service Brisbane	522,626	22,983	545,609
Metro North Hospital and Health Service	2,510,503	243,058	2,753,561
Metro South Hospital and Health Service	2,050,678	205,805	2,256,483
North West Hospital and Health Service	95,345	27,623	122,968
Queensland Health Virtual LHN	35,267	81,883	117,150
South West Hospital and Health Service	-	82,707	82,707
Sunshine Coast Hospital and Health Service	977,376	80,057	1,057,433
Torres and Cape Hospital and Health Service	-	70,109	70,109
Townsville Hospital and Health Service	722,318	151,777	874,096
West Moreton Hospital and Health Service	445,851	157,879	603,730
Wide Bay Hospital and Health Service	503,640	79,610	583,249
TOTAL	11,766,599	2,029,106	13,795,704

The 2021-22 amounts paid into the State Pool Accounts excludes Hospital Services Payments made under the NPCR of \$122,734,797.

For additional information please see the Queensland basis of payments.

Queensland basis for National Health Reform payments 2022-23

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.

Queensland utilises the National Efficient Price (NEP22) and Price Weights as determined by the Independent Health and Aged Care Pricing Authority as the underlying funding model for Activity Based Funding (ABF) in the State. Block funded services, in scope of the NHR are in accordance with the National Efficient Cost (NEC22) Supplementary for all services except Block funded hospitals, which are funded on the basis of State reported cost.

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 includes:

- 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 National Efficient Price
 - 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, 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 purchased based on agreed growth 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 the 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
- standalone 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, for example in the case of a Department of Veterans' Affairs hospital admissions, are included in the activity target calculations within the State model, 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.

NHR National Partnership Agreement on COVID-19 response (NPCR) payments were provided to the HHS on a cost recovery basis in respect to State Public Hospital Services, supported by detailed financial data provided as part of monthly reporting to the Department. Where an HHS has provided activity services in scope of COVID-19 prevention and treatment services, funding via Hospital Service Payments was made, adjusting the NHR funding in the case of a HHS that delivered less than the NHR activity purchased in year, and additional funding if NHR activity delivered was greater than the NHR activity purchased in year.

Vaccine payments were advanced to HHS from the State, pending the provision of Vaccine Dose Delivery Payments from the Commonwealth under the NPCR.

Further information regarding the Basis for National Health Reform payments in both 2022-23 and previous financial years is included at www.publichospitalfunding.gov.au.



Administrator
National Health
Funding Pool

GPO Box 1252
Canberra ACT 2601
1300 930 522
publichospitalfunding.gov.au

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 true and 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 2023 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
11 September 2023

**National Health Funding Pool
Queensland State Pool Account
Special Purpose Financial
Statement for the year ended
30 June 2023**

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

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Queensland State Pool Account

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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 2023
- 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 2023, notes to the financial statement including summaries of significant accounting policies and other explanatory information, and the statement 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 report 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 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.

A handwritten signature in blue ink that reads "B.P. Worrall".

Brendan Worrall
Auditor-General

14 September 2023

Queensland Audit Office
Brisbane

Queensland State Pool Account

Statement of Receipts and Payments for the year ended 30 June 2023

	NOTES	2022-23 \$'000	2021-22 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth			
Activity Based Funding	2, 6	5,290,326	4,988,926
Block funding		644,015	629,128
Public Health funding		103,029	93,351
COVID-19 funding	8	188,707	791,994
From Queensland			
Activity Based Funding (in-scope)	2, 6	7,292,503	6,777,673
Activity Based Funding (out-of-scope)	7	383,362	-
Cross-border contribution	5	107,811	69,265
COVID-19 funding	8	78,254	87,157
From other States or Territories			
Cross-border receipts	3	195,800	113,790
From Reserve Bank of Australia			
Interest receipts		2,646	33
TOTAL RECEIPTS		14,286,454	13,551,316
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding (in-scope)	4, 6	12,582,829	11,766,599
Activity Based Funding (out-of-scope)	7	383,362	-
COVID-19 funding	8	155,769	174,301
To Queensland State Managed Fund			
Block funding		644,015	629,128
To Queensland Health			
Public Health funding		103,029	93,351
COVID-19 funding	8	135,430	718,946
Interest payments		2,646	33
Cross-border transfer		195,800	113,790
To other States or Territories			
Cross-border payments	5	107,811	69,265
TOTAL PAYMENTS		14,310,693	13,565,413
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		(24,239)	(14,097)
OPENING CASH BALANCE		24,239	38,335
CLOSING CASH BALANCE		-	24,239

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

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

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. Michael Lambert was appointed as the Administrator on 17 July 2018 for a five-year term. This was subsequently extended to include the period 11 September 2023 to 5 November 2023 pending the appointment of a new Administrator.

(B) Basis of preparation

The Queensland State Pool Account was established at the Reserve Bank of Australia (RBA) in 2012-13 in accordance with Part 3A, Division 2, section 53B of the Queensland *Hospital and Health Boards Act 2011* and the Special Purpose Financial Statement has been prepared in accordance with section 53T of that Act, section 242 of the Commonwealth *National Health Reform Act 2011* and clause B40 of the National Health Reform Agreement 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 11 September 2023.

(C) Comparative figures

Prior year comparative information has been disclosed. The results for 2021-22 and 2022-23 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 Health and Aged Care Pricing Authority (IHACPA). ABF is paid by the Commonwealth, States and Territories into the Funding Pool.

In 2021-22 and 2022-23 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
- v. Non-admitted services.

As system managers of the public hospital system, State or Territory ABF contributions into the Funding Pool may be calculated using State and Territory prices and activity measures. 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 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.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

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

(F) Activity Based Funding (out-of-scope)

In accordance with the Administrator's Three-Year Data Plan and Data Compliance Policy, from 1 July 2022 the States and Territories are required to identify both in-scope and out-of-scope activity in their LHN Service Agreements. In addition, a new fund account has been established (from 1 July 2022) in the Payments System to identify all payments for out-of-scope activity.

Out-of-scope activity is defined as those public hospital services with a funding source other than the National Health Reform Agreement. There are multiple funding sources for out-of-scope activity including the States and Territories (e.g. one-off budget measures, correctional facilities), the Commonwealth (e.g. Department of Veterans' Affairs, Medical Benefits Schedule) and other third-party revenue (e.g. Workers Compensation, Motor Vehicle Third Party Personal Claim).

(G) 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 2021-22 and 2022-23 the Commonwealth Block funding supported the following:

- i.** Small rural hospitals
- ii.** Teaching, training and research
- iii.** Non-admitted mental health
- iv.** Non-admitted child and adolescent mental health services
- v.** Non-admitted home ventilation
- vi.** Other non-admitted services
- vii.** Highly Specialised Therapies.

In 2021-22 and 2022-23 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.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

(H) Public Health funding

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

(I) 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.

(J) 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.

(K) 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.

(L) COVID-19 funding

The National Partnership on COVID-19 Response (NPCR) was agreed to and signed by the Council of Australian Governments in 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. The NPCR was further amended to assist residential aged care providers prevent, prepare for and respond to outbreaks of COVID-19 under Schedule D.

Financial assistance was 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. The Private Hospital Financial Viability Payment ceased on 30 September 2022. The Hospital Services Payments and the State Public Health Payments ceased on 31 December 2022.

(M) Commonwealth funding guarantee

For the 2019-20, 2020-21 and 2021-22 financial years only, the Commonwealth provided the States and Territories with a minimum funding guarantee for funding related to the NHR Agreement and the Hospital Services Payment component of the NPCR. Where a State or Territory was eligible for the Commonwealth funding guarantee, an additional payment was made in the following financial year after the annual reconciliation to meet the minimum amount guaranteed by the Commonwealth.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

Note 2: Activity Based Funding (in-scope) receipts

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

	2022-23 \$'000	2021-22 \$'000
Commonwealth	5,290,326	4,988,926
Queensland	7,292,503	6,777,673
TOTAL	12,582,829	11,766,599

The amounts paid into the Queensland State Pool Account excludes Hospital Services Payments made under the NPCR of \$160,996,740 in 2022-23 (\$122,734,797 in 2021-22). Please refer Note 8.

Note 3: Cross-border receipts

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

STATES AND TERRITORIES	2022-23 \$'000	2021-22 \$'000
New South Wales	179,846	84,480
Victoria	-	12,619
Western Australia	2,241	3,231
South Australia	2,373	3,050
Tasmania	1,469	1,494
Australian Capital Territory	980	4,350
Northern Territory	8,891	4,565
TOTAL	195,800	113,790

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

Note 4: Activity Based Funding (in-scope) payments

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

LOCAL HOSPITAL NETWORK	2022-23 \$'000	2021-22 \$'000
Cairns and Hinterland Hospital and Health Service	780,410	760,151
Central Queensland Hospital and Health Service	431,819	421,713
Children's Health Queensland Hospital and Health Service	518,019	475,481
Darling Downs Hospital and Health Service	536,306	550,428
Gold Coast Hospital and Health Service	1,517,061	1,369,214
Mackay Hospital and Health Service	358,798	326,008
Mater Misericordiae Health Service Brisbane	542,392	522,626
Metro North Hospital and Health Service	2,690,806	2,510,503
Metro South Hospital and Health Service	2,176,634	2,050,678
North West Hospital and Health Service	102,230	95,345
Queensland Health Virtual LHN	47,470	35,267
South West Hospital and Health Service	23,014	-
Sunshine Coast Hospital and Health Service	1,058,171	977,376
Townsville Hospital and Health Service	790,222	722,318
West Moreton Hospital and Health Service	484,588	445,851
Wide Bay Hospital and Health Service	524,890	503,640
TOTAL	12,582,829	11,766,599

The Administrator makes payments from the Queensland State Pool Account in accordance with the directions of the Queensland Minister for Health and in alignment with LHN Service Agreements.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

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	2022-23 \$'000	2021-22 \$'000
New South Wales	95,795	50,040
Victoria	-	6,799
Western Australia	1,763	2,495
South Australia	1,657	1,939
Tasmania	765	1,103
Australian Capital Territory	802	4,088
Northern Territory	7,029	2,802
TOTAL	107,811	69,265

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

Note 6: Activity Based Funding (in-scope) receipts and payments

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

	2022-23 \$'000	2021-22 \$'000
Total receipts from the Commonwealth	5,290,326	4,988,926
Total receipts from Queensland	7,292,503	6,777,673
Total payments to Local Hospital Networks	(12,582,829)	(11,766,599)
NET RECEIPTS/(PAYMENTS)	-	-

Note 7: Activity Based Funding (out-of-scope) receipts and payments

Total ABF contributions paid through the Pool for activities that are out-of-scope of the NHR Agreement:

	2022-23 \$'000	2021-22 \$'000
Total receipts from Queensland	383,362	-
Total payments to Local Hospital Networks	(383,362)	-
NET RECEIPTS/(PAYMENTS)	-	-

Note 8: COVID-19 funding

COVID-19 funding was provided monthly in advance based on estimates submitted by States and Territories and subject to reconciliation. Final funding entitlements were determined after actual activity data on hospital services and actual in-scope expenditure were 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 was an advance payment to ensure the timely availability of funds under the NPCR. The Upfront Advance Payment has been subsequently reconciled against State Public Health requirements.

The Hospital Services Payment

The Commonwealth provided 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 Hospital Services Payment ceased on 31 December 2022.

The State Public Health Payment

The Commonwealth provided 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 February 2021, the NPCR was amended with respect to the delivery of the COVID-19 vaccine through the Vaccination Dose Delivery Payment under Schedule C. Where eligible, funding contributions in relation to this activity were included within the State Public Health Payment.

The NPCR was further amended in December 2021 to include a revised vaccination schedule (revised Schedule C) which included additional financial support to States and Territories for the set-up of COVID-19 vaccination sites, and an aged care schedule which provided a 100 per cent contribution for costs incurred from 1 July 2020 for supporting aged care prevention, preparedness and response activities including additional targeted infection prevention and control training in Residential Aged Care Facilities (Schedule D).

In January 2022, National Cabinet agreed measures supporting States and Territories to claim 50 per cent of the costs of the purchase, logistics and distribution of Rapid Antigen Tests (RATs) through the NPCR. Where States and Territories provided RATs to residential aged care facilities, they could claim a 100 per cent contribution for the costs.

The State Public Health Payment ceased on 31 December 2022.

The Private Hospital Financial Viability Payment

The Commonwealth contributed 100 per cent of the Private Hospital Financial Viability Payment made to private operators to retain capacity for responding to State and Territory or Commonwealth public health requirements. The Private Hospital Financial Viability Payment ceased on 30 September 2022.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

COVID-19 funding receipts and payments:

	2022-23 \$'000	2021-22 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT		
From Commonwealth		
Hospital Services Payments	82,743	35,578
State Public Health Payments	222,099	640,014
Private Hospital Financial Viability Payment	(116,135)	116,402
TOTAL COMMONWEALTH RECEIPTS	188,707	791,994
From Queensland		
Hospital Services Payments	78,254	87,157
State Public Health Payments	-	-
Private Hospital Financial Viability Payment	-	-
TOTAL QUEENSLAND RECEIPTS	78,254	87,157
TOTAL RECEIPTS	266,961	879,151
PAYMENTS OUT OF THE STATE POOL ACCOUNT		
To Queensland (including Local Hospital Networks)		
Hospital Services Payments	155,769	174,301
State Public Health Payments	115,107	622,601
Private Hospital Financial Viability Payment	20,324	96,346
TOTAL PAYMENTS	291,200	893,248
NET RECEIPTS / (PAYMENTS) FOR THE YEAR	(24,239)	(14,097)
OPENING CASH BALANCE	24,239	38,335
CLOSING CASH BALANCE	-	24,239

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



\$7.4B

TOTAL FUNDING THAT WAS PAID TO



7

LOCAL HOSPITAL NETWORKS (LHNs)



\$6.2B

IN ACTIVITY BASED FUNDING THAT DELIVERED



980,130

NATIONAL WEIGHTED ACTIVITY UNITS (NWAU)

National Health Reform disclosures for the year ended 30 June 2023

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*.

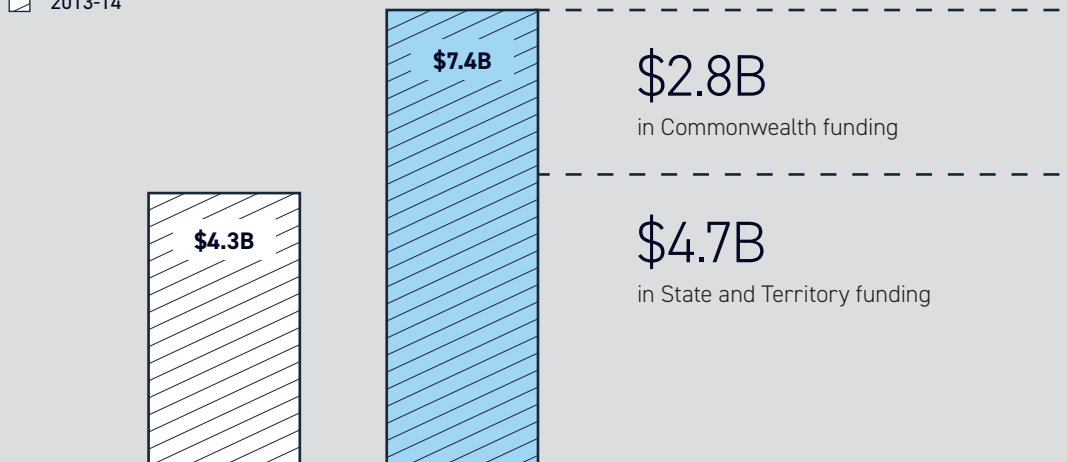
These amounts do not include transactions related to the NPCR. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

GROWTH IN PUBLIC HOSPITAL PAYMENTS

SINCE 2013-14

■ 2022-23

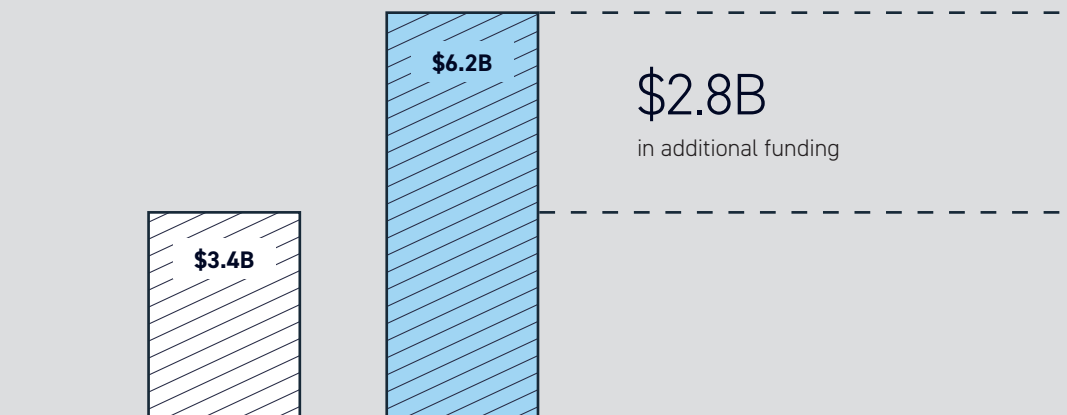
▨ 2013-14

**GROWTH IN ACTIVITY BASED FUNDING**

SINCE 2013-14

■ 2022-23

▨ 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 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

The table below shows the cash paid by the Commonwealth each financial year based on activity estimates provided by Western Australia. The table also shows the final Commonwealth NHR funding entitlement determined by the Commonwealth Treasurer which is based on an end of financial year reconciliation of actual services delivered. The subsequent funding adjustments, whether positive or negative, reflect the difference between estimated activity and actual services delivered.

	AMOUNT PAID TO WESTERN AUSTRALIA (\$'000)					CASH PAID
	2018-19 Entitlement	2019-20 Entitlement ¹	2020-21 Entitlement ²	2021-22 Entitlement ³	2022-23 Estimate ⁴	
Cash Paid 2018-19	2,230,266	-	-	-	-	2,230,266
Cash Paid 2019-20	50,415	2,350,599	-	-	-	2,401,014
Cash Paid 2020-21	-	(40,659)	2,456,333	-	-	2,415,673
Cash Paid 2021-22	-	-	24,030	2,641,587	-	2,665,617
Cash Paid 2022-23	-	-	-	(87,596)	2,839,975	2,752,379
FINAL ENTITLEMENT	2,280,681	2,309,939	2,480,363	2,553,990	2,839,975	

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

2 The 2020-21 Commonwealth NHR funding entitlement excludes \$108,838,713 in HSP under the NPCR.

3 The 2021-22 Commonwealth NHR funding entitlement excludes \$136,477,618 in HSP under the NPCR.

4 The 2022-23 Commonwealth NHR funding estimate excludes \$28,233,143 in HSP under the NPCR.

The amounts paid into each State Pool Account by the Commonwealth – Section 241(2)(B)

COMPONENT	AMOUNT PAID BY COMMONWEALTH INTO WESTERN AUSTRALIA STATE POOL ACCOUNT (\$'000)	
	2022-23	2021-22
Activity Based Funding	2,285,208	2,241,148
Block funding	411,743	376,628
Public Health funding	55,428	47,842
TOTAL	2,752,379	2,665,617

Additional financial assistance has been provided by the Commonwealth under the NPCR including 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 above table does not include amounts paid into the State Pool Accounts by the Commonwealth under the NPCR, including Hospital Services Payments of \$28,233,143 in 2022-23 (\$145,377,657 in 2021-22) and State Public Health and Private Hospital Financial Viability Payments of \$88,665,763 in 2022-23 (\$553,206,377 in 2021-22). Details of this funding is provided in the Pool Account Special Purpose Financial Statement.

The amounts paid into each State Pool Account and State Managed Fund by the relevant State – Section 241(2)(A)

COMPONENT	AMOUNT PAID BY WESTERN AUSTRALIA (\$'000)	
	2022-23	2021-22
State Pool Account - Activity Based Funding	3,945,599	3,624,977
State Managed Fund - Block funding	746,436	666,903
TOTAL	4,692,035	4,291,880

The above table does not include out-of-scope funding (ABF and Block), interest deposited into the Pool Account, over deposit of state contributions subsequently paid back to the respective State or Territory Health Department or cross-border contributions for transfer to other States or Territories.

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)		
	2022-23 ¹ Estimate	2021-22 ² Actual	2021-22 ³ Estimate
Child and Adolescent Health Service	74,105	61,824	72,034
East Metropolitan Health Service	219,179	205,487	213,506
North Metropolitan Health Service	249,706	250,092	243,493
Notional LHN - Royal Street	17,136	17,524	17,050
South Metropolitan Health Service	245,781	232,806	240,833
WA Country Health Service	174,224	150,099	169,692
TOTAL⁴	980,130	917,832	956,608

1 2022-23 NWAU as per the updated activity estimates as at the Administrator's June 2023 Payment Advice.

2 2021-22 NWAU as per the 2021-22 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations (National Health Reform Payments for 2021-22) Determination 2022.

3 2021-22 NWAU as per the activity estimates as at the Administrator's June 2022 Payment Advice.

4 The table above excludes NWAUs funded under the Hospital Services component of the NPCR.

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 National Efficient Price 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 which are out-of-scope of Commonwealth NHR funding.

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 2021–22 and 2022–23 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 to Local Hospital Networks in 2022-23 – Section 241(2)(C)(D)

RECIPIENT	AMOUNT PAID (\$'000)		
	State Pool Account	State Managed Fund	TOTAL
Child and Adolescent Health Service	550,265	112,782	663,046
East Metropolitan Health Service	1,340,299	172,334	1,512,633
North Metropolitan Health Service	1,631,107	213,111	1,844,217
Notional LHN - Royal Street	42,623	-	42,623
Payments to Non-LHNs	-	10,739	10,739
South Metropolitan Health Service	1,432,919	174,294	1,607,213
WA Country Health Service	1,233,594	474,919	1,708,514
TOTAL	6,230,807	1,158,179	7,388,985

The 2022-23 amounts paid into the State Pool Accounts excludes Hospital Services Payments made under the NPCR of \$122,195,142.

For additional information please see the Western Australia basis of payments.

The amounts paid from each State Pool Account and State Managed Fund to Local Hospital Networks in 2021-22 – Section 241(2)(C)(D)

RECIPIENT	AMOUNT PAID (\$'000)		
	State Pool Account	State Managed Fund	TOTAL
Child and Adolescent Health Service	526,885	98,836	625,722
East Metropolitan Health Service	1,254,068	152,313	1,406,380
North Metropolitan Health Service	1,501,286	191,491	1,692,776
Notional LHN - Royal Street	29,393	-	29,393
Payments to Non-LHNs	-	10,293	10,293
South Metropolitan Health Service	1,396,000	155,685	1,551,685
WA Country Health Service	1,158,493	422,193	1,580,686
TOTAL	5,866,124	1,030,810	6,896,935

The 2021-22 amounts paid into the State Pool Accounts excludes Hospital Services Payments made under the NPCR of \$166,216,225.

For additional information please see the Western Australia basis of payments.

Western Australia basis for National Health Reform payments 2022-23

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 and with the Addendum to the National Health Reform Agreement 2020-25 (NHRA), the 2022-23 Western Australia Activity Funding Model has implemented the 2022-23 National Pricing Framework, with some modifications to meet specific local costs, for Activity Based Funding (ABF) facilities. The National Efficient Cost (NEC22) Block funded model is used to support the information for the calculation of funding for the small rural, remote and very remote hospitals. The NEC22 includes Western Australia's estimated costs for standalone 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, Highly Specialised Therapies and clinical teaching, training and research provided in the major hospitals.

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

The Service Agreements outline:

- 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
 - Highly Specialised Therapies
- 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
- standalone 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, Block funded hospitals and non-hospital services are 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 Western Australia costing information used for the National Hospital Cost Data Collection process.

Further information regarding the Basis for National Health Reform payments in both 2022-23 and previous financial years is included at www.publichospitalfunding.gov.au.



Administrator
National Health
Funding Pool

GPO Box 1252
Canberra ACT 2601
1300 930 522
publichospitalfunding.gov.au

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 true and fair presentation in accordance with the Western Australia *National Health Funding Pool 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 2023 is based on properly maintained financial records and gives a true and fair view of the matters required by the Western Australian *National Health Funding Pool Act 2012*, the Commonwealth *National Health Reform Act 2011* and the National Health Reform Agreement 2011.



Michael Lambert

Administrator
National Health Funding Pool
11 September 2023

**National Health Funding Pool
Western Australia State Pool
Account Special Purpose
Financial Statement
for the year ended 30 June 2023**

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*.

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Western Australia State Pool Account

Notes to and forming part of the Special Purpose Financial Statement for the year ended 30 June 2023

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Auditor General

INDEPENDENT AUDITOR'S REPORT

2023

Western Australian State Pool Account

To the Parliament of Western Australia

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 statements (the financial statement) of the Western Australian State Pool Account of the National Health Funding Pool for the year ended 30 June 2023. The financial statement comprises a Statement of Receipts and Payments for the year ended 30 June 2023, 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 2023 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 Responsibilities for the Audit of the Financial Report* section of my report.

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 to the financial report, which describes the basis of accounting. The financial report has been prepared using the cash basis for accounting and for the purpose of fulfilling the Administrator of the National Health Funding Pool's (Administrator's) financial reporting obligations under the *National Health Funding Pool Act 2012 (WA)*, and the *National Health Reform Act 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 Entity and should not be distributed to or be used by other parties.

Other information

The Administrator is responsible for the other information. Other information comprises the information in the Entity's annual report for the year ended 30 June 2023, but does not include the financial report and my auditor's report.

My opinion on the financial report does not cover the other information and, accordingly, I do not express any form of assurance conclusion thereon.

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

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I did not receive the other information prior to the date of this auditor's report. When I do receive it, I will read it and if I conclude that there is a material misstatement in this information, I am required to communicate the matter to the Administrator and request them to correct the misstated information. If the misstated information is not corrected, I may need to retract this auditor's report and re-issue an amended report.

Responsibilities of the Administrator for the financial report

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 2012 (WA)* and the *National Health Reform Act 2011*, and determining 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 necessary to enable to 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 report

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial report. The objectives of my audit 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 the financial report. 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.

A further description of my responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website. This description forms part of my auditor's report and can be found at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

My independence and quality management relating to the report on the financial report

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*, the Office of the Auditor General maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Matters relating to the electronic publication of the audited financial report

This auditor's report relates to the financial report of Western Australian State Pool Account for the year ended 30 June 2023 included in the annual report on the National Health Funding Body website. The National Health Funding Body is responsible for the integrity of the National Health Funding Body's website. This audit does not provide assurance on the integrity of the Entity's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from the annual report. If users of the financial report are concerned with the inherent risks arising from publication on the website, they are advised to contact the National Health Funding Body to confirm the information contained in the website version.



Jordan Langford Smith
Senior Director, Financial Audit
Delegate of the Auditor General for Western Australia
13 September 2023

Western Australia State Pool Account

Statement of Receipts and Payments for the year ended 30 June 2023

	NOTES	2022-23 \$'000	2021-22 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth			
Activity Based Funding	2, 6	2,285,208	2,241,148
Block funding		411,743	376,628
Public Health funding		55,428	47,842
COVID-19 funding	8	116,899	698,584
From Western Australia			
Activity Based Funding (in-scope)	2, 6	3,945,599	3,624,977
Activity Based Funding (out-of-scope)	7	-	-
Cross-border contribution	5	11,018	19,817
COVID-19 funding	8	99,957	553,248
From other States or Territories			
Cross-border receipts	3	5,614	10,951
From Reserve Bank of Australia			
Interest receipts		-	-
TOTAL RECEIPTS		6,931,465	7,573,194
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding (in-scope)	4, 6	6,230,807	5,866,124
Activity Based Funding (out-of-scope)	7	-	-
COVID-19 funding	8	23,346	134,413
To Western Australia State Managed Fund			
Block funding		411,743	376,628
To Department of Health			
Public Health funding		55,428	47,842
COVID-19 funding	8	193,510	1,117,419
Interest payments		-	-
Cross-border transfer		5,614	10,951
To other States or Territories			
Cross-border payments	5	11,018	19,817
TOTAL PAYMENTS		6,931,465	7,573,194
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.

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. Michael Lambert was appointed as the Administrator on 17 July 2018 for a five-year term. This was subsequently extended to include the period 11 September 2023 to 5 November 2023 pending the appointment of a new Administrator.

(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, section 242 of the Commonwealth *National Health Reform Act 2011* and clause B40 of the National Health Reform Agreement 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 11 September 2023.

(C) Comparative figures

Prior year comparative information has been disclosed. The results for 2021-22 and 2022-23 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 Health and Aged Care Pricing Authority (IHACPA). ABF is paid by the Commonwealth, States and Territories into the Funding Pool.

In 2021-22 and 2022-23 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
- v. Non-admitted services.

As system managers of the public hospital system, State or Territory ABF contributions into the Funding Pool may be calculated using State and Territory prices and activity measures. 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 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.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

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

(F) Activity Based Funding (out-of-scope)

In accordance with the Administrator's Three-Year Data Plan and Data Compliance Policy, from 1 July 2022 the States and Territories are required to identify both in-scope and out-of-scope activity in their LHN Service Agreements. In addition, a new fund account has been established (from 1 July 2022) in the Payments System to identify all payments for out-of-scope activity.

Out-of-scope activity is defined as those public hospital services with a funding source other than the National Health Reform Agreement.

There are multiple funding sources for out-of-scope activity including the States and Territories (e.g. one-off budget measures, correctional facilities), the Commonwealth (e.g. Department of Veterans' Affairs, Medical Benefits Schedule) and other third-party revenue (e.g. Workers Compensation, Motor Vehicle Third Party Personal Claim).

(G) 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 2021-22 and 2022-23 the Commonwealth Block funding supported the following:

- i. Small rural hospitals
- ii. Teaching, training and research
- iii. Non-admitted mental health
- iv. Non-admitted child and adolescent mental health services
- v. Non-admitted home ventilation
- vi. Other non-admitted services
- vii. Highly Specialised Therapies.

In 2021-22 and 2022-23 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.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

(H) Public Health funding

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

(I) 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.

(J) 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.

(K) 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.

(L) COVID-19 funding

The National Partnership on COVID-19 Response (NPCR) was agreed to and signed by the Council of Australian Governments in March 2020. The objective of this agreement was 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. The NPCR was further amended to assist residential aged care providers prevent, prepare for and respond to outbreaks of COVID-19 under Schedule D.

Financial assistance was 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. The Private Hospital Financial Viability Payment ceased on 30 September 2022. The Hospital Services Payments and the State Public Health Payments ceased on 31 December 2022.

(M) Commonwealth funding guarantee

For the 2019-20, 2020-21 and 2021-22 financial years only, the Commonwealth provided the States and Territories with a minimum funding guarantee for funding related to the NHR Agreement and the Hospital Services Payment component of the NPCR. Where a State or Territory was eligible for the Commonwealth funding guarantee, an additional payment was made in the following financial year after the annual reconciliation to meet the minimum amount guaranteed by the Commonwealth.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

Note 2: Activity Based Funding (in-scope) receipts

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

	2022-23 \$'000	2021-22 \$'000
Commonwealth	2,285,208	2,241,148
Western Australia	3,945,599	3,624,977
TOTAL	6,230,807	5,866,124

The amounts paid into the Western Australia State Pool Account excludes Hospital Services Payments made under the NPCR of \$122,195,142 in 2022-23 (\$166,216,225 in 2021-22). Please refer Note 8.

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	2022-23 \$'000	2021-22 \$'000
New South Wales	1,485	2,728
Victoria	-	2,818
Queenstand	1,763	2,495
South Australia	921	1,299
Tasmania	374	347
Australian Capital Territory	138	480
Northern Territory	933	785
TOTAL	5,614	10,951

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

Note 4: Activity Based Funding (in-scope) payments

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

LOCAL HOSPITAL NETWORK	2022-23 \$'000	2021-22 \$'000
Child and Adolescent Health Service	550,265	526,885
East Metropolitan Health Service	1,340,299	1,254,068
North Metropolitan Health Service	1,631,107	1,501,286
Notional LHN - Royal Street	42,623	29,393
South Metropolitan Health Service	1,432,919	1,396,000
WA Country Health Service	1,233,594	1,158,493
TOTAL	6,230,807	5,866,124

The Administrator makes payments from the Western Australia State Pool Account in accordance with the directions of the Western Australia Minister for Health and in alignment with LHN Service Agreements.

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	2022-23 \$'000	2021-22 \$'000
New South Wales	2,662	2,834
Victoria	-	4,999
Queensland	2,241	3,231
South Australia	624	1,171
Tasmania	87	236
Australian Capital Territory	178	596
Northern Territory	5,226	6,750
TOTAL	11,018	19,817

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

Note 6: Activity Based Funding (in-scope) receipts and payments

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

	2022-23 \$'000	2021-22 \$'000
Total receipts from the Commonwealth	2,285,208	2,241,148
Total receipts from Western Australia	3,945,599	3,624,977
Total payments to Local Hospital Networks	(6,230,807)	(5,866,124)
NET RECEIPTS/(PAYMENTS)	-	-

Note 7: Activity Based Funding (out-of-scope) receipts and payments

Total ABF contributions paid through the Pool for activities that are out-of-scope of the NHR Agreement:

	2022-23 \$'000	2021-22 \$'000
Total receipts from Western Australia	-	-
Total payments to Local Hospital Networks	-	-
NET RECEIPTS/(PAYMENTS)	-	-

Note 8: COVID-19 funding

COVID-19 funding was provided monthly in advance based on estimates submitted by States and Territories and subject to reconciliation. Final funding entitlements were determined after actual activity data on hospital services and actual in-scope expenditure were 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 was an advance payment to ensure the timely availability of funds under the NPCR. The Upfront Advance Payment has been subsequently reconciled against State Public Health requirements.

The Hospital Services Payment

The Commonwealth provided 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 Hospital Services Payment ceased on 31 December 2022.

The State Public Health Payment

The Commonwealth provided 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 February 2021, the NPCR was amended with respect to the delivery of the COVID-19 vaccine through the Vaccination Dose Delivery Payment under Schedule C. Where eligible, funding contributions in relation to this activity were included within the State Public Health Payment.

The NPCR was further amended in December 2021 to include a revised vaccination schedule (revised Schedule C) which included additional financial support to States and Territories for the set-up of COVID-19 vaccination sites, and an aged care schedule which provided a 100 per cent contribution for costs incurred from 1 July 2020 for supporting aged care prevention, preparedness and response activities including additional targeted infection prevention and control training in Residential Aged Care Facilities (Schedule D).

In January 2022, National Cabinet agreed measures supporting States and Territories to claim 50 per cent of the costs of the purchase, logistics and distribution of Rapid Antigen Tests (RATs) through the NPCR. Where States and Territories provided RATs to residential aged care facilities, they could claim a 100 per cent contribution for the costs.

The State Public Health Payment ceased on 31 December 2022.

The Private Hospital Financial Viability Payment

The Commonwealth contributed 100 per cent of the Private Hospital Financial Viability Payment made to private operators to retain capacity for responding to State and Territory or Commonwealth public health requirements. The Private Hospital Financial Viability Payment ceased on 30 September 2022.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

COVID-19 funding receipts and payments:

	2022-23 \$'000	2021-22 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT		
From Commonwealth		
Hospital Services Payments	28,233	145,378
State Public Health Payments	88,666	525,386
Private Hospital Financial Viability Payment	-	27,820
TOTAL COMMONWEALTH RECEIPTS	116,899	698,584
From Western Australia		
Hospital Services Payments	93,962	20,839
State Public Health Payments	5,995	532,409
Private Hospital Financial Viability Payment	-	-
TOTAL WESTERN AUSTRALIA RECEIPTS	99,957	553,248
TOTAL RECEIPTS	216,856	1,251,832
PAYMENTS OUT OF THE STATE POOL ACCOUNT		
To Western Australia (including Local Hospital Networks)		
Hospital Services Payments	122,195	166,216
State Public Health Payments	94,661	1,057,796
Private Hospital Financial Viability Payment	-	27,820
TOTAL PAYMENTS	216,856	1,251,832
NET RECEIPTS / (PAYMENTS) FOR THE YEAR	-	-
OPENING CASH BALANCE	-	-
CLOSING CASH BALANCE	-	-

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



\$4.3B

TOTAL FUNDING THAT WAS PAID TO



11

LOCAL HOSPITAL NETWORKS (LHNs)



\$3.8B

IN ACTIVITY BASED FUNDING THAT DELIVERED



662,020

NATIONAL WEIGHTED ACTIVITY UNITS (NWAU)

National Health Reform disclosures for the year ended 30 June 2023

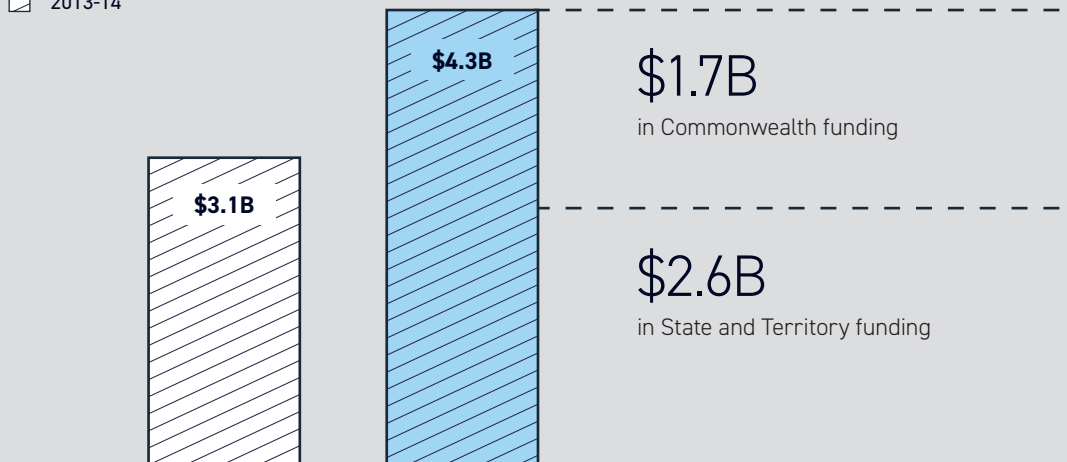
Issued by the Administrator of the National Health Funding Pool under section 241(2) of the Commonwealth *National Health Reform Act 2011* and section 22(2) of the South Australian *National Health Funding Pool Administration (South Australia) Act 2012*.

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.

GROWTH IN PUBLIC HOSPITAL PAYMENTS

SINCE 2013-14

 2022-23

 2013-14
**GROWTH IN ACTIVITY BASED FUNDING**

SINCE 2013-14

 2022-23

 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 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

The table below shows the cash paid by the Commonwealth each financial year based on activity estimates provided by South Australia. The table also shows the final Commonwealth NHR funding entitlement determined by the Commonwealth Treasurer which is based on an end of financial year reconciliation of actual services delivered. The subsequent funding adjustments, whether positive or negative, reflect the difference between estimated activity and actual services delivered.

	AMOUNT PAID TO SOUTH AUSTRALIA (\$'000)					CASH PAID
	2018-19 Entitlement	2019-20 ¹ Entitlement	2020-21 ² Entitlement	2021-22 ³ Entitlement	2022-23 ⁴ Estimate	
2018-19 Cash Paid	1,339,108	-	-	-	-	1,339,108
2019-20 Cash Paid	58,479	1,436,142	-	-	-	1,494,620
2020-21 Cash Paid	-	(2,108)	1,494,519	-	-	1,492,410
2021-22 Cash Paid	-	-	49,741	1,611,830	-	1,661,571
2022-23 Cash Paid	-	-	-	(20,571)	1,694,691	1,674,121
FINAL ENTITLEMENT	1,397,586	1,434,034	1,544,260	1,591,260	1,694,691	

1 The 2019-20 Commonwealth NHR funding entitlement excludes \$15,960,519 in HSP under the NPCR.

2 The 2020-21 Commonwealth NHR funding entitlement excludes \$27,623,093 in HSP under the NPCR.

3 The 2021-22 Commonwealth NHR funding entitlement excludes \$92,709,673 in HSP under the NPCR.

4 The 2022-23 Commonwealth NHR funding estimate excludes \$14,641,332 in HSP under the NPCR.

The amounts paid into each State Pool Account by the Commonwealth – Section 241(2)(B)

COMPONENT	AMOUNT PAID BY COMMONWEALTH INTO SOUTH AUSTRALIA STATE POOL ACCOUNT (\$'000)	
	2022-23	2021-22
Activity Based Funding	1,424,374	1,415,917
Block funding	213,947	214,047
Public Health funding	35,800	31,608
TOTAL	1,674,121	1,661,571

Additional financial assistance has been provided by the Commonwealth under the NPCR including hospital services funding which was paid monthly based on activity estimates provided to the Administrator and reconciled annually with adjustments being made in the following financial year.

The above table does not include amounts paid into the State Pool Accounts by the Commonwealth under the NPCR, including Hospital Services Payments of \$89,566,976 in 2022-23 (\$34,663,535 in 2021-22) and State Public Health and Private Hospital Financial Viability Payments of \$107,068,509 in 2022-23 (\$217,718,002 in 2021-22). Details of this funding is provided in the Pool Account Special Purpose Financial Statement.

The amounts paid into each State Pool Account and State Managed Fund by the relevant State – Section 241(2)(A)

COMPONENT	AMOUNT PAID BY SOUTH AUSTRALIA (\$'000)	
	2022-23	2021-22
State Pool Account - Activity Based Funding	2,412,601	2,171,500
State Managed Fund - Block funding	200,464	181,244
TOTAL	2,613,065	2,352,744

The above table does not include out-of-scope funding (ABF and Block), interest deposited into the Pool Account, over deposit of state contributions subsequently paid back to the respective State or Territory Health Department or cross-border contributions for transfer to other States or Territories.

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)		
	2022-23 ¹ Estimate	2021-22 ² Actual	2021-22 ³ Estimate
Barossa Hills Fleurieu Local Health Network	23,811	23,032	23,633
Central Adelaide Local Health Network	219,433	205,105	210,444
Central Office Services	13,905	13,005	13,150
Eyre and Far North Local Health Network	7,407	7,773	7,250
Flinders and Upper North Local Health Network	17,633	16,206	17,934
Limestone Coast Local Health Network	14,333	15,545	18,219
Northern Adelaide Local Health Network	120,662	114,131	109,607
Riverland Mallee Coorong Local Health Network	12,755	13,157	12,318
Southern Adelaide Local Health Network	162,165	156,716	159,023
Women's and Children's Health Network	58,686	58,406	55,101
Yorke and Northern Local Health Network	11,230	10,631	13,292
TOTAL⁴	662,020	633,707	639,971

1 2022-23 NWAU as per the updated activity estimates as at the Administrator's June 2023 Payment Advice.

2 2021-22 NWAU as per the 2021-22 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations (National Health Reform Payments for 2021-22) Determination 2022.

3 2021-22 NWAU as per the activity estimates as at the Administrator's June 2022 Payment Advice.

4 The table above excludes NWAUs funded under the Hospital Services component of the NPCR.

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 National Efficient Price 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 which are out-of-scope of Commonwealth NHR funding.

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 2021–22 and 2022–23 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 to Local Hospital Networks in 2022-23 – Section 241(2)(C)(D)

RECIPIENT	AMOUNT PAID (\$'000)		
	State Pool Account	State Managed Fund	TOTAL
Barossa Hills Fleurieu Local Health Network	138,034	108,572	246,605
Central Adelaide Local Health Network	1,272,050	87,916	1,359,966
Central Office Services	80,607	-	80,607
Eyre and Far North Local Health Network	42,941	6,943	49,884
Flinders and Upper North Local Health Network	102,220	28,400	130,620
Limestone Coast Local Health Network	83,086	22,526	105,612
Northern Adelaide Local Health Network	699,480	43,712	743,192
Riverland Mallee Coorong Local Health Network	73,941	22,379	96,320
Southern Adelaide Local Health Network	940,072	61,031	1,001,103
Women's and Children's Health Network	340,201	19,231	359,432
Yorke and Northern Local Health Network	65,099	13,703	78,802
TOTAL	3,837,731	414,411	4,252,142

The 2022-23 amounts paid into the State Pool Accounts excludes Hospital Services Payments made under the NPCR of \$188,531,665.

For additional information please see the South Australia basis of payments.

The amounts paid from each State Pool Account and State Managed Fund to Local Hospital Networks in 2021-22 – Section 241(2)(C)(D)

RECIPIENT	AMOUNT PAID (\$'000)		
	State Pool Account	State Managed Fund	TOTAL
Barossa Hills Fleurieu Local Health Network	132,543	110,056	242,599
Central Adelaide Local Health Network	1,180,746	87,530	1,268,276
Central Office Services	73,714	-	73,714
Eyre and Far North Local Health Network	40,629	6,776	47,404
Flinders and Upper North Local Health Network	100,520	19,169	119,689
Limestone Coast Local Health Network	100,634	18,722	119,357
Northern Adelaide Local Health Network	614,165	42,613	656,777
Riverland Mallee Coorong Local Health Network	69,017	22,381	91,398
Southern Adelaide Local Health Network	891,366	57,112	948,479
Women's and Children's Health Network	308,738	17,380	326,118
Yorke and Northern Local Health Network	74,570	13,552	88,121
TOTAL	3,586,642	395,291	3,981,932

The 2021-22 amounts paid into the State Pool Accounts excludes Hospital Services Payments made under the NPCR of \$69,327,071.

For additional information please see the South Australia basis of payments.

South Australia basis for National Health Reform payments 2022-23

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 2020-25, the 2022-23 South Australia Funding Model has implemented the National Efficient Price (NEP22) and National Weighted Activity Unit (NWAU22) as the currency for Activity Based Funding (ABF) facilities. The National Efficient Cost (NEC22) Block funding model is used for the 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.

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 South Australia 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 of the NHR, for example, alcohol and drug services, dental services, child health and parenting services, primary care, home and community care
- Supplementation Grants and other site specifics that recognise that the LHN has reported average costs greater than the National Efficient Price
- capital investment such as in land and buildings, equipment and information and communication technology
- 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
- standalone 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
- non-NHRA and non-hospital services are Block funded and modelled based on historical expenditure profiles and other known growth factors
- the Supplementation Grants and site specifics 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 2022-23 and previous financial years is included at www.publichospitalfunding.gov.au.



Administrator
National Health
Funding Pool

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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 true and 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 2023 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
11 September 2023

**National Health Funding Pool
South Australia State Pool
Account Special Purpose
Financial Statement
for the year ended 30 June 2023**

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 Australian *National Health Funding Pool Administration (South Australia) Act 2012*.

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South Australia State Pool Account

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INDEPENDENT AUDITOR’S REPORT



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To the Administrator National Health Funding Pool

Opinion

I have audited the special purpose financial report of the National Health Funding Pool for the financial year ended 30 June 2023.

In my opinion, the accompanying financial report of the South Australian State Pool Account of the National Health Funding Pool for the year ended 30 June 2023, gives a true and fair view of the financial transactions of the South Australian State Pool Account of the National Health Funding Pool as at 30 June 2023, 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 2023
- notes, including material accounting policy information
- a statement from the Administrator of the South Australian 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 Australian 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 assisting 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 Administrator for the financial report

The Administrator is responsible for the preparation of the financial report that gives a true and fair view in accordance with 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 Australian State Pool Account of the National Health Funding Pool for the financial year ended 30 June 2023.

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 Australian State Pool Account of the National Health Funding Pool 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.



Daniel O'Donohue
Assistant Auditor-General

13 September 2023

South Australia State Pool Account

Statement of Receipts and Payments for the year ended 30 June 2023

	NOTES	2022-23 \$'000	2021-22 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth			
Activity Based Funding	2, 6	1,424,374	1,415,917
Block funding		213,947	214,047
Public Health funding		35,800	31,608
COVID-19 funding	8	196,635	252,382
From South Australia			
Activity Based Funding (in-scope)	2, 6	2,412,601	2,171,500
Activity Based Funding (out-of-scope)	7	-	-
Cross-border contribution	5	35,874	74,422
COVID-19 funding	8	194,718	257,106
From other States or Territories			
Cross-border receipts	3	68,497	77,972
From Reserve Bank of Australia			
Interest receipts		2,255	4
TOTAL RECEIPTS		4,584,701	4,494,957
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding (in-scope)	4, 6	3,837,731	3,586,642
Activity Based Funding (out-of-scope)	7	-	-
COVID-19 funding	8	185,275	69,597
To South Australia State Managed Fund			
Block funding		213,947	214,047
To Department of Health and Wellbeing			
Public Health funding		35,800	31,608
COVID-19 funding	8	206,078	439,890
Interest payments		2,255	4
Cross-border transfer		68,497	77,972
To other States or Territories			
Cross-border payments	5	35,874	74,422
TOTAL PAYMENTS		4,585,457	4,494,182
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		(756)	775
OPENING CASH BALANCE		5,866	5,091
CLOSING CASH BALANCE		5,109	5,866

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

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. Michael Lambert was appointed as the Administrator on 17 July 2018 for a five-year term. This was subsequently extended to include the period 11 September 2023 to 5 November 2023 pending the appointment of a new Administrator.

(B) Basis of preparation

The South Australian 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, section 242 of the Commonwealth *National Health Reform Act 2011* and clause B40 of the National Health Reform Agreement 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 11 September 2023.

(C) Comparative figures

Prior year comparative information has been disclosed. The results for 2021-22 and 2022-23 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 Health and Aged Care Pricing Authority (IHACPA). ABF is paid by the Commonwealth, States and Territories into the Funding Pool.

In 2021-22 and 2022-23 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
- v. Non-admitted services.

As system managers of the public hospital system, State or Territory ABF contributions into the Funding Pool may be calculated using State and Territory prices and activity measures. 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 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.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

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

(F) Activity Based Funding (out-of-scope)

In accordance with the Administrator's Three-Year Data Plan and Data Compliance Policy, from 1 July 2022 the States and Territories are required to identify both in-scope and out-of-scope activity in their LHN Service Agreements. In addition, a new fund account has been established (from 1 July 2022) in the Payments System to identify all payments for out-of-scope activity.

Out-of-scope activity is defined as those public hospital services with a funding source other than the National Health Reform Agreement. There are multiple funding sources for out-of-scope activity including the States and Territories (e.g. one-off budget measures, correctional facilities), the Commonwealth (e.g. Department of Veterans' Affairs, Medical Benefits Schedule) and other third-party revenue (e.g. Workers Compensation, Motor Vehicle Third Party Personal Claim).

(G) 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 2021-22 and 2022-23 the Commonwealth Block funding supported the following:

- i. Small rural hospitals
- ii. Teaching, training and research
- iii. Non-admitted mental health
- iv. Non-admitted child and adolescent mental health services
- v. Non-admitted home ventilation
- vi. Other non-admitted services
- vii. Highly Specialised Therapies.

In 2021-22 and 2022-23 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.

(H) Public Health funding

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

(I) 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.

(J) 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.

(K) 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.

(L) COVID-19 funding

The National Partnership on COVID-19 Response (NPCR) was agreed to and signed by the Council of Australian Governments in March 2020. The objective of this agreement was 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. The NPCR was further amended to assist residential aged care providers prevent, prepare for and respond to outbreaks of COVID-19 under Schedule D.

Financial assistance was 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. The Private Hospital Financial Viability Payment ceased on 30 September 2022. The Hospital Services Payments and the State Public Health Payments ceased on 31 December 2022.

(M) Commonwealth funding guarantee

For the 2019-20, 2020-21 and 2021-22 financial years only, the Commonwealth provided the States and Territories with a minimum funding guarantee for funding related to the NHR Agreement and the Hospital Services Payment component of the NPCR. Where a State or Territory was eligible for the Commonwealth funding guarantee, an additional payment was made in the following financial year after the annual reconciliation to meet the minimum amount guaranteed by the Commonwealth.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

Note 2: Activity Based Funding (in-scope) receipts

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

	2022-23 \$'000	2021-22 \$'000
Commonwealth	1,424,374	1,415,917
South Australia	2,412,601	2,171,500
TOTAL	3,836,975	3,587,417

The amounts paid into the South Australia State Pool Account excludes Hospital Services Payments made under the NPCR of \$188,531,665 in 2022-23 (\$69,327,071 in 2021-22). Please refer Note 8.

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	2022-23 \$'000	2021-22 \$'000
New South Wales	-	43,831
Victoria	-	29,173
Queensland	1,657	1,939
Western Australia	624	1,171
Tasmania	-	286
Australian Capital Territory	-	1,572
Northern Territory	66,216	-
TOTAL	68,497	77,972

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

Note 4: Activity Based Funding (in-scope) payments

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

LOCAL HOSPITAL NETWORK	2022-23 \$'000	2021-22 \$'000
Barossa Hills Fleurieu Local Health Network	138,034	132,543
Central Adelaide Local Health Network	1,272,050	1,180,746
Central Office Services	80,607	73,714
Eyre and Far North Local Health Network	42,941	40,629
Flinders and Upper North Local Health Network	102,220	100,520
Limestone Coast Local Health Network	83,086	100,634
Northern Adelaide Local Health Network	699,480	614,165
Riverland Mallee Coorong Local Health Network	73,941	69,017
Southern Adelaide Local Health Network	940,072	891,366
Women's and Children's Health Network	340,201	308,738
Yorke and Northern Local Health Network	65,099	74,570
TOTAL	3,837,731	3,586,642

The Administrator makes payments from the South Australia State Pool Account in accordance with the directions of the South Australia Minister for Health and in alignment with LHN Service Agreements.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

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	2022-23 \$'000	2021-22 \$'000
New South Wales	-	22,135
Victoria	-	45,983
Queensland	2,373	3,050
Western Australia	921	1,299
Tasmania	-	288
Australian Capital Territory	-	1,668
Northern Territory	32,581	-
TOTAL	35,874	74,422

Note 6: Activity Based Funding (in-scope) receipts and payments

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

	2022-23 \$'000	2021-22 \$'000
Total receipts from the Commonwealth	1,424,374	1,415,917
Total receipts from South Australia	2,412,601	2,171,500
Total payments to Local Hospital Networks	(3,837,731)	(3,586,642)
NET RECEIPTS/(PAYMENTS)	(756)	775

Note 7: Activity Based Funding (out-of-scope) receipts and payments

Total ABF contributions paid through the Pool for activities that are out-of-scope of the NHR Agreement:

	2022-23 \$'000	2021-22 \$'000
Total receipts from South Australia	-	-
Total payments to Local Hospital Networks	-	-
NET RECEIPTS/(PAYMENTS)	-	-

Note 8: COVID-19 funding

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

The types of funding and payments under the NPCR included:

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 was an advance payment to ensure the timely availability of funds under the NPCR. The Upfront Advance Payment has been subsequently reconciled against State Public Health requirements.

The Hospital Services Payment

The Commonwealth provided 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 Hospital Services Payment ceased on 31 December 2022.

The State Public Health Payment

The Commonwealth provided 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 February 2021, the NPCR was amended with respect to the delivery of the COVID-19 vaccine through the Vaccination Dose Delivery Payment under Schedule C. Where eligible, funding contributions in relation to this activity were included within the State Public Health Payment.

The NPCR was further amended in December 2021 to include a revised vaccination schedule (revised Schedule C) which included additional financial support to States and Territories for the set-up of COVID-19 vaccination sites, and an aged care schedule which provided a 100 per cent contribution for costs incurred from 1 July 2020 for supporting aged care prevention, preparedness and response activities including additional targeted infection prevention and control training in Residential Aged Care Facilities (Schedule D).

In January 2022, National Cabinet agreed measures supporting States and Territories to claim 50 per cent of the costs of the purchase, logistics and distribution of Rapid Antigen Tests (RATs) through the NPCR. Where States and Territories provided RATs to residential aged care facilities, they could claim a 100 per cent contribution for the costs.

The State Public Health Payment ceased on 31 December 2022.

The Private Hospital Financial Viability Payment

The Commonwealth contributed 100 per cent of the Private Hospital Financial Viability Payment made to private operators to retain capacity for responding to State and Territory or Commonwealth public health requirements. The Private Hospital Financial Viability Payment ceased on 30 September 2022.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

COVID-19 funding receipts and payments:

	2022-23 \$'000	2021-22 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT		
From Commonwealth		
Hospital Services Payments	89,567	34,664
State Public Health Payments	95,753	222,307
Private Hospital Financial Viability Payment	11,315	(4,589)
TOTAL COMMONWEALTH RECEIPTS	196,635	252,382
From South Australia		
Hospital Services Payments	98,965	34,664
State Public Health Payments	95,753	222,307
Private Hospital Financial Viability Payment	-	135
TOTAL SOUTH AUSTRALIA RECEIPTS	194,718	257,106
TOTAL RECEIPTS	391,354	509,487
PAYMENTS OUT OF THE STATE POOL ACCOUNT		
To South Australia (including Local Hospital Networks)		
Hospital Services Payments	188,532	69,327
State Public Health Payments	191,507	444,614
Private Hospital Financial Viability Payment	11,315	(4,454)
TOTAL PAYMENTS	391,354	509,487
NET RECEIPTS / (PAYMENTS) FOR THE YEAR	-	-
OPENING CASH BALANCE	-	-
CLOSING CASH BALANCE	-	-

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.

TASMANIA

FUNDING AND PAYMENTS



\$1.6B

TOTAL FUNDING THAT WAS PAID TO



1

LOCAL HOSPITAL NETWORK (LHN)



\$1.3B

IN ACTIVITY BASED FUNDING THAT DELIVERED



190,100

NATIONAL WEIGHTED ACTIVITY UNITS (NWAU)

National Health Reform disclosures for the year ended 30 June 2023

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*.

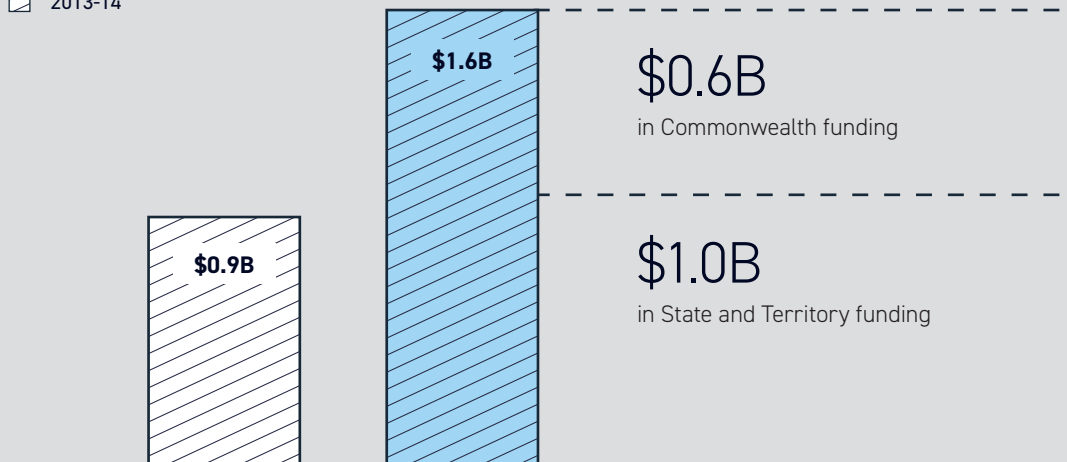
These amounts do not include transactions related to the NPCR. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

GROWTH IN PUBLIC HOSPITAL PAYMENTS

SINCE 2013-14

■ 2022-23

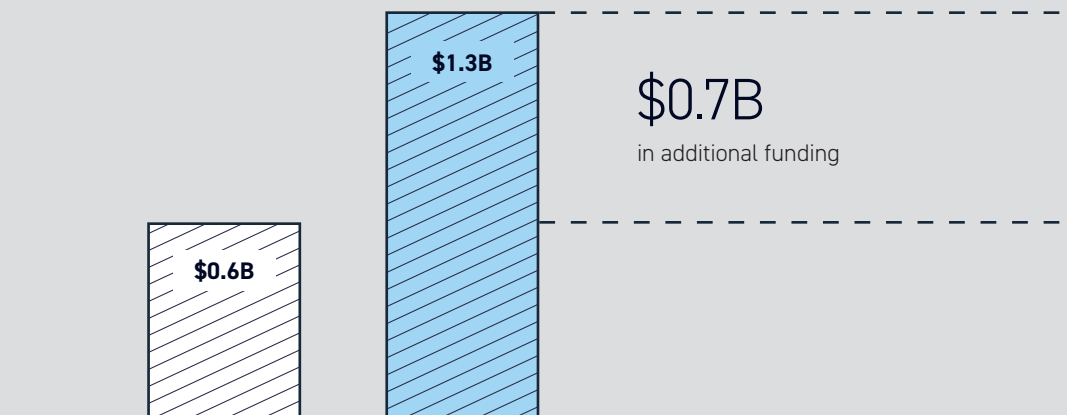
■ 2013-14

**GROWTH IN ACTIVITY BASED FUNDING**

SINCE 2013-14

■ 2022-23

■ 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 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

The table below shows the cash paid by the Commonwealth each financial year based on activity estimates provided by Tasmania. The table also shows the final Commonwealth NHR funding entitlement determined by the Commonwealth Treasurer which is based on an end of financial year reconciliation of actual services delivered. The subsequent funding adjustments, whether positive or negative, reflect the difference between estimated activity and actual services delivered.

	AMOUNT PAID TO TASMANIA (\$'000)					CASH PAID
	2018-19 Entitlement	2019-20 ¹ Entitlement	2020-21 ² Entitlement	2021-22 ³ Entitlement	2022-23 ⁴ Estimate	
Cash Paid 2018-19	430,413	-	-	-	-	430,413
Cash Paid 2019-20	6,531	437,901	-	-	-	444,432
Cash Paid 2020-21	-	5,267	473,481	-	-	478,748
Cash Paid 2021-22	-	-	7,818	512,584	-	520,402
Cash Paid 2022-23	-	-	-	13,174	559,933	573,107
FINAL ENTITLEMENT	436,944	443,168	481,300	525,758	559,933	

1 The 2019-20 Commonwealth NHR funding entitlement excludes \$6,490,165 in HSP under the NPCR.

2 The 2020-21 Commonwealth NHR funding entitlement excludes \$3,455,608 in HSP under the NPCR.

3 The 2021-22 Commonwealth NHR funding entitlement excludes \$18,568,478 in HSP under the NPCR.

4 The 2022-23 Commonwealth NHR funding estimate excludes \$9,678,754 in HSP under the NPCR.

The amounts paid into each State Pool Account by the Commonwealth – Section 241(2)(B)

COMPONENT	AMOUNT PAID BY COMMONWEALTH INTO TASMANIA STATE POOL ACCOUNT (\$'000)	
	2022-23	2021-22
Activity Based Funding	467,716	419,670
Block funding	93,845	91,016
Public Health funding	11,547	9,715
TOTAL	573,107	520,402

Additional financial assistance was provided by the Commonwealth under the NPCR including hospital services funding which was paid monthly based on activity estimates provided to the Administrator and reconciled annually with adjustments being made in the following financial year.

The above table does not include amounts paid into the State Pool Accounts by the Commonwealth under the NPCR, including Hospital Services Payments of \$9,678,754 in 2022-23 (\$31,036,925 in 2021-22) and State Public Health and Private Hospital Financial Viability Payments of \$29,061,532 in 2022-23 (\$122,815,373 in 2021-22). Details of this funding is provided in the Pool Account Special Purpose Financial Statement.

The amounts paid into each State Pool Account and State Managed Fund by the relevant State – Section 241(2)(A)

COMPONENT	AMOUNT PAID BY TASMANIA (\$'000)	
	2022-23	2021-22
State Pool Account - Activity Based Funding	804,865	651,736
State Managed Fund - Block funding	198,385	575,853
TOTAL	1,003,250	1,227,589

The above table does not include out-of-scope funding (ABF and Block), interest deposited into the Pool Account, over deposit of state contributions subsequently paid back to the respective State or Territory Health Department or cross-border contributions for transfer to other States or Territories.

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)		
	2022-23 ¹ Estimate	2021-22 ² Actual	2021-22 ³ Estimate
Tasmanian Health Service	190,100	181,797	190,722
TOTAL⁴	190,100	181,797	190,722

1 2022-23 NWAU as per the updated activity estimates as at the Administrator's June 2023 Payment Advice.

2 2021-22 NWAU as per the 2021-22 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations (National Health Reform Payments for 2021-22) Determination 2022.

3 2021-22 NWAU as per the activity estimates as at the Administrator's June 2022 Payment Advice.

4 The table above excludes NWAUs funded under the Hospital Services component of the NPCR.

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 National Efficient Price 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 which are out-of-scope of Commonwealth NHR funding.

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 2021–22 and 2022–23 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 to Local Hospital Networks in 2022-23 – Section 241(2)(C)(D)

RECIPIENT	AMOUNT PAID (\$'000)		
	State Pool Account	State Managed Fund	TOTAL
Tasmanian Health Service	1,272,581	292,230	1,564,811
TOTAL	1,272,581	292,230	1,564,811

The 2022-23 amounts paid into the State Pool Accounts excludes Hospital Services Payments made under the NPCR of \$9,678,754.

For additional information please see the Tasmania basis of payments.

The amounts paid from each State Pool Account and State Managed Fund to Local Hospital Networks in 2021-22 – Section 241(2)(C)(D)

RECIPIENT	AMOUNT PAID (\$'000)		
	State Pool Account	State Managed Fund	TOTAL
Tasmanian Health Service	1,071,406	666,870	1,738,276
TOTAL	1,071,406	666,870	1,738,276

The 2021-22 amounts paid into the State Pool Accounts excludes Hospital Services Payments made under the NPCR of \$31,036,925.

For additional information please see the Tasmania basis of payments.

Tasmania basis for National Health Reform payments 2022-23

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 2020-25, the 2022-23 Tasmanian Funding Model has implemented the National Efficient Price (NEP22) and National Weighted Activity Unit (NWAU22) as the currency for Activity Based Funding (ABF) facilities.

In addition, where it is determined that ABF facilities within the Tasmanian Health Service (THS) report higher average costs than the National Efficient Price, a supplementation grant has also been incorporated into the Funding Model for 2022-23 in recognition of those costs.

The National Efficient Cost (NEC22) Block funding model is used as the currency for small regional and remote public 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.

NHR payments in Tasmania are based upon the THS Service Plan between the Minister for Health and the Secretary of the Tasmanian Department of Health.

The THS Service Plan outlines:

- the schedule and volume of ABF services across streams to be delivered by or on behalf of the THS and the ABF funding to be provided in relation to the provision of those services
- the NEC Block funding for services 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 THS 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
- a schedule of supplementation grants at the hospital and ABF stream level
- standards of patient care and service delivery
- performance standards, performance targets and performance measures for the THS
- requirements for the THS to report on its performance, as required or otherwise
- a performance management process that is to be in continuous operation in respect of the THS.

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 and, 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
- standalone 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 Is based on the most recently available National Hospital Cost Data Collections ABF service category cost ratio data.

Further information regarding the basis for NHR payments in both 2022-23 and previous financial years is included at www.publichospitalfunding.gov.au.



Administrator
National Health
Funding Pool

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Canberra ACT 2601
1300 930 522
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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 true and 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 2023 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
11 September 2023

**National Health Funding Pool
Tasmania State Pool Account
Special Purpose Financial
Statement for the year ended
30 June 2023**

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*.

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Tasmania State Pool Account

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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 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 2023, 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 2023 and such components of financial position as are disclosed, at that date, in accordance with 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.

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 Management for the Financial Statement

The Administrator 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 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 Pool 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 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.



David Bond
Assistant Auditor-General
Delegate of the Auditor-General
Tasmanian Audit Office

13 September 2023
Hobart

Tasmania State Pool Account

Statement of Receipts and Payments for the year ended 30 June 2023

	NOTES	2022-23 \$'000	2021-22 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth			
Activity Based Funding	2, 6	467,716	419,670
Block funding		93,845	91,016
Public Health funding		11,547	9,715
COVID-19 funding	8	38,740	153,852
From Tasmania			
Activity Based Funding (in-scope)	2, 6	804,865	651,736
Activity Based Funding (out-of-scope)	7	-	-
Cross-border contribution	5	4,162	20,982
COVID-19 funding	8	-	-
From other States or Territories			
Cross-border receipts	3	2,148	4,340
From Reserve Bank of Australia			
Interest receipts		5	-
TOTAL RECEIPTS		1,423,029	1,351,313
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding (in-scope)	4, 6	1,272,581	1,071,406
Activity Based Funding (out-of-scope)	7	-	-
COVID-19 funding	8	-	73,134
To Tasmania State Managed Fund			
Block funding		93,845	91,016
To Department of Health			
Public Health funding		11,547	9,715
COVID-19 funding	8	38,740	80,718
Interest payments		5	-
Cross-border transfer		2,148	4,340
To other States or Territories			
Cross-border payments	5	4,162	20,982
TOTAL PAYMENTS		1,423,029	1,351,313
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.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

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. Michael Lambert was appointed as the Administrator on 17 July 2018 for a five-year term. This was subsequently extended to include the period 11 September 2023 to 5 November 2023 pending the appointment of a new Administrator.

(B) Basis of preparation

The Tasmanian State Pool Account was established at the Reserve Bank of Australia (RBA) in 2012-13 in accordance with Part 3, section 11 of the Tasmanian *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, section 242 of the Commonwealth *National Health Reform Act 2011* and clause B40 of the National Health Reform Agreement 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 11 September 2023.

(C) Comparative figures

Prior year comparative information has been disclosed. The results for 2021-22 and 2022-23 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 Health and Aged Care Pricing Authority (IHACPA). ABF is paid by the Commonwealth, States and Territories into the Funding Pool.

In 2021-22 and 2022-23 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
- v. Non-admitted services.

As system managers of the public hospital system, State or Territory ABF contributions into the Funding Pool may be calculated using State and Territory prices and activity measures. 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 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.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

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

(F) Activity Based Funding (out-of-scope)

In accordance with the Administrator's Three-Year Data Plan and Data Compliance Policy, from 1 July 2022 the States and Territories are required to identify both in-scope and out-of-scope activity in their LHN Service Agreements. In addition, a new fund account has been established (from 1 July 2022) in the Payments System to identify all payments for out-of-scope activity.

Out-of-scope activity is defined as those public hospital services with a funding source other than the National Health Reform Agreement. There are multiple funding sources for out-of-scope activity including the States and Territories (e.g. one-off budget measures, correctional facilities), the Commonwealth (e.g. Department of Veterans' Affairs, Medical Benefits Schedule) and other third-party revenue (e.g. Workers Compensation, Motor Vehicle Third Party Personal Claim).

(G) 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 2021–22 and 2022–23 the Commonwealth Block funding supported the following:

- i. Small rural hospitals
- ii. Teaching, training and research
- iii. Non-admitted mental health
- iv. Non-admitted child and adolescent mental health services
- v. Non-admitted home ventilation
- vi. Other non-admitted services
- vii. Highly Specialised Therapies.

In 2021–22 and 2022–23 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.

(H) Public Health funding

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

(I) 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.

(J) 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.

(K) 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.

(L) COVID-19 funding

The National Partnership on COVID-19 Response (NPCR) was agreed to and signed by the Council of Australian Governments in March 2020. The objective of this agreement was 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. The NPCR was further amended to assist residential aged care providers prevent, prepare for and respond to outbreaks of COVID-19 under Schedule D.

Financial assistance was 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. The Private Hospital Financial Viability Payment ceased on 30 September 2022. The Hospital Services Payments and the State Public Health Payments ceased on 31 December 2022.

(M) Commonwealth funding guarantee

For the 2019-20, 2020-21 and 2021-22 financial years only, the Commonwealth provided the States and Territories with a minimum funding guarantee for funding related to the NHR Agreement and the Hospital Services Payment component of the NPCR. Where a State or Territory was eligible for the Commonwealth funding guarantee, an additional payment was made in the following financial year after the annual reconciliation to meet the minimum amount guaranteed by the Commonwealth.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

Note 2: Activity Based Funding (in-scope) receipts

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

	2022-23 \$'000	2021-22 \$'000
Commonwealth	467,716	419,670
Tasmania	804,865	651,736
TOTAL	1,272,581	1,071,406

The amounts paid into the Tasmania State Pool Account excludes Hospital Services Payments made under the NPCR of \$9,678,754 in 2022-23 (\$31,036,925 in 2021-22). Please refer Note 8.

Note 3: Cross-border receipts

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

STATES AND TERRITORIES	2022-23 \$'000	2021-22 \$'000
New South Wales	949	1,142
Victoria	-	1,453
Queensland	765	1,103
Western Australia	87	236
South Australia	-	288
Australian Capital Territory	235	46
Northern Territory	113	72
TOTAL	2,148	4,340

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

Note 4: Activity Based Funding (in-scope) payments

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

LOCAL HOSPITAL NETWORK	2022-23 \$'000	2021-22 \$'000
Tasmanian Health Service	1,272,581	1,071,406
TOTAL	1,272,581	1,071,406

The Administrator makes payments from the Tasmania State Pool Account in accordance with the directions of the Tasmania Minister for Health and in alignment with LHN Service Agreements.

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	2022-23 \$'000	2021-22 \$'000
New South Wales	1,646	1,674
Victoria	-	16,503
Queensland	1,469	1,494
Western Australia	374	347
South Australia	-	286
Australian Capital Territory	439	120
Northern Territory	235	557
TOTAL	4,162	20,982

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

Note 6: Activity Based Funding (in-scope) receipts and payments

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

	2022-23 \$'000	2021-22 \$'000
Total receipts from the Commonwealth	467,716	419,670
Total receipts from Tasmania	804,865	651,736
Total payments to Local Hospital Networks	(1,272,581)	(1,071,406)
NET RECEIPTS/(PAYMENTS)	-	-

Note 7: Activity Based Funding (out-of-scope) receipts and payments

Total ABF contributions paid through the Pool for activities that are out-of-scope of the NHR Agreement.

	2022-23 \$'000	2021-22 \$'000
Total receipts from Tasmania	-	-
Total payments to Local Hospital Networks	-	-
NET RECEIPTS/(PAYMENTS)	-	-

Note 8: COVID-19 funding

COVID-19 funding was provided monthly in advance based on estimates submitted by States and Territories and subject to reconciliation. Final funding entitlements were determined after actual activity data on hospital services and actual in-scope expenditure were 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 was an advance payment to ensure the timely availability of funds under the NPCR. The Upfront Advance Payment has been subsequently reconciled against State Public Health requirements.

The Hospital Services Payment

The Commonwealth provided 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 Hospital Services Payment ceased on 31 December 2022.

The State Public Health Payment

The Commonwealth provided 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 February 2021, the NPCR was amended with respect to the delivery of the COVID-19 vaccine through the Vaccination Dose Delivery Payment under Schedule C. Where eligible, funding contributions in relation to this activity were included within the State Public Health Payment.

The NPCR was further amended in December 2021 to include a revised vaccination schedule (revised Schedule C) which included additional financial support to States and Territories for the set-up of COVID-19 vaccination sites, and an aged care schedule which provided a 100 per cent contribution for costs incurred from 1 July 2020 for supporting aged care prevention, preparedness and response activities including additional targeted infection prevention and control training in Residential Aged Care Facilities (Schedule D).

In January 2022, National Cabinet agreed measures supporting States and Territories to claim 50 per cent of the costs of the purchase, logistics and distribution of Rapid Antigen Tests (RATs) through the NPCR. Where States and Territories provided RATs to residential aged care facilities, they could claim a 100 per cent contribution for the costs.

The State Public Health Payment ceased on 31 December 2022.

The Private Hospital Financial Viability Payment

The Commonwealth contributed 100 per cent of the Private Hospital Financial Viability Payment made to private operators to retain capacity for responding to State and Territory or Commonwealth public health requirements. The Private Hospital Financial Viability Payment ceased on 30 September 2022.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

COVID-19 funding receipts and payments:

	2022-23 \$'000	2021-22 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT		
From Commonwealth		
Hospital Services Payments	9,679	31,037
State Public Health Payments	29,062	123,170
Private Hospital Financial Viability Payment	-	(355)
TOTAL COMMONWEALTH RECEIPTS	38,740	153,852
From Tasmania		
Hospital Services Payments	-	-
State Public Health Payments	-	-
Private Hospital Financial Viability Payment	-	-
TOTAL TASMANIA RECEIPTS	-	-
TOTAL RECEIPTS	38,740	153,852
PAYMENTS OUT OF THE STATE POOL ACCOUNT		
To Tasmania (including Local Hospital Networks)		
Hospital Services Payments	9,679	31,037
State Public Health Payments	29,062	123,170
Private Hospital Financial Viability Payment	-	(355)
TOTAL PAYMENTS	38,740	153,852
NET RECEIPTS / (PAYMENTS) FOR THE YEAR	-	-
OPENING CASH BALANCE	-	-
CLOSING CASH BALANCE	-	-

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



\$1.5B

TOTAL FUNDING THAT WAS PAID TO



1

LOCAL HOSPITAL NETWORKS (LHNs)



\$1.4B

IN ACTIVITY BASED FUNDING THAT DELIVERED



182,832

NATIONAL WEIGHTED ACTIVITY UNITS (NWAU)

National Health Reform disclosures for the year ended 30 June 2023

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*.

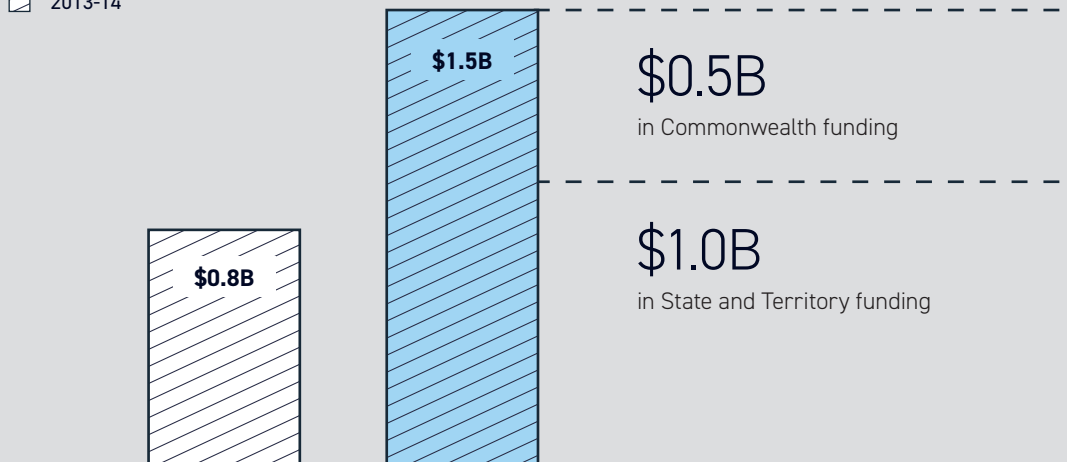
These amounts do not include transactions related to the NPCR. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

GROWTH IN PUBLIC HOSPITAL PAYMENTS

SINCE 2013-14

2022-23

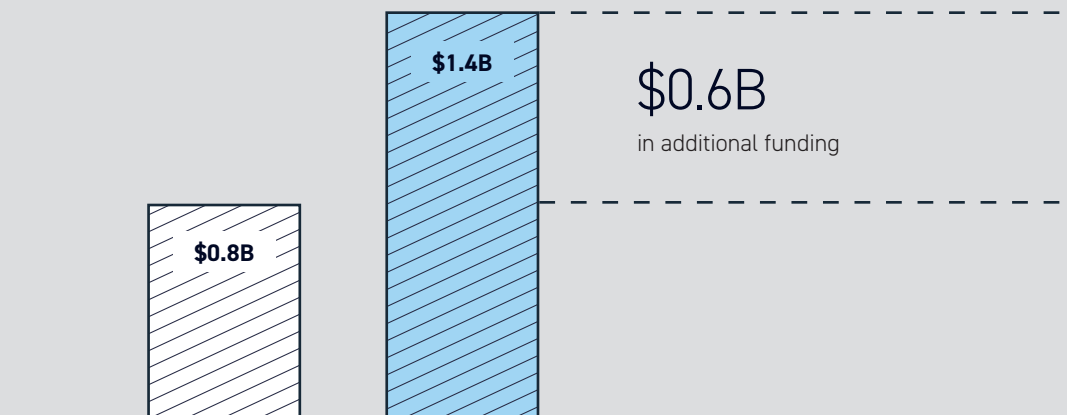
2013-14

**GROWTH IN ACTIVITY BASED FUNDING**

SINCE 2013-14

2022-23

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

The table below shows the cash paid by the Commonwealth each financial year based on activity estimates provided by Australian Capital Territory. The table also shows the final Commonwealth NHR funding entitlement determined by the Commonwealth Treasurer which is based on an end of financial year reconciliation of actual services delivered. The subsequent funding adjustments, whether positive or negative, reflect the difference between estimated activity and actual services delivered.

	AMOUNT PAID TO AUSTRALIAN CAPITAL TERRITORY (\$'000)					CASH PAID
	2018-19 Entitlement	2019-20 ¹ Entitlement	2020-21 ² Entitlement	2021-22 ³ Entitlement	2022-23 ⁴ Estimate	
Cash Paid 2018-19	386,622	-	-	-	-	386,622
Cash Paid 2019-20	13,696	420,339	-	-	-	434,035
Cash Paid 2020-21	-	(7,897)	441,294	-	-	433,398
Cash Paid 2021-22	-	-	3,020	457,044	-	460,064
Cash Paid 2022-23	-	-	-	(4,848)	486,669	481,822
FINAL ENTITLEMENT	400,317	412,442	444,314	452,196	486,669	

1 The 2019-20 Commonwealth NHR funding entitlement excludes \$7,896,726 in HSP under the NPCR.

2 The 2020-21 Commonwealth NHR funding entitlement excludes \$119,128 in HSP under the NPCR.

3 The 2021-22 Commonwealth NHR funding entitlement excludes \$16,800,801 in HSP under the NPCR.

4 The 2022-23 Commonwealth NHR funding estimate excludes \$1,901,669 in HSP under the NPCR.

The amounts paid into each State Pool Account by the Commonwealth – Section 241(2)(B)

COMPONENT	AMOUNT PAID BY COMMONWEALTH INTO AUSTRALIAN CAPITAL TERRITORY STATE POOL ACCOUNT (\$'000)	
	2022-23	2021-22
Activity Based Funding	437,940	419,517
Block funding	34,669	32,823
Public Health funding	9,212	7,724
TOTAL	481,822	460,064

Additional financial assistance has been provided by the Commonwealth under the NPCR including hospital services funding which was paid monthly based on activity estimates provided to the Administrator and reconciled annually with adjustments being made in the following financial year.

The above table does not include amounts paid into the State Pool Accounts by the Commonwealth under the NPCR, including Hospital Services Payments of \$18,702,470 in 2022-23 (recoveries of \$5,185,307 in 2021-22) and State Public Health and Private Hospital Financial Viability Payments of \$21,743,737 in 2022-23 (\$84,742,202 in 2021-22). Details of this funding is provided in the Pool Account Special Purpose Financial Statement.

The amounts paid into each State Pool Account and State Managed Fund by the relevant State – Section 241(2)(A)

COMPONENT	AMOUNT PAID BY AUSTRALIAN CAPITAL TERRITORY (\$'000)	
	2022-23	2021-22
State Pool Account - Activity Based Funding	915,322	908,341
State Managed Fund - Block funding	94,546	201,705
TOTAL	1,009,869	1,110,046

The above table does not include out-of-scope funding (ABF and Block), interest deposited into the Pool Account, over deposit of state contributions subsequently paid back to the respective State or Territory Health Department or cross-border contributions for transfer to other States or Territories.

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)		
	2022-23 ¹ Estimate	2021-22 ² Actual	2021-22 ³ Estimate
ACT Local Hospital Network	182,832	166,180	177,000
TOTAL⁴	182,832	166,180	177,000

1 2022-23 NWAU as per the updated activity estimates as at the Administrator's June 2023 Payment Advice.

2 2021-22 NWAU as per the 2021-22 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations (National Health Reform Payments for 2021-22) Determination 2022.

3 2021-22 NWAU as per the activity estimates as at the Administrator's June 2022 Payment Advice.

4 The table above excludes NWAUs funded under the Hospital Services component of the NPCR.

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 National Efficient Price 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 which are out-of-scope of Commonwealth NHR funding.

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 2021–22 and 2022–23 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 to Local Hospital Networks in 2022-23 – Section 241(2)(C)(D)

RECIPIENT	AMOUNT PAID (\$'000)		
	State Pool Account	State Managed Fund	TOTAL
ACT Local Hospital Network	1,353,263	129,215	1,482,478
TOTAL	1,353,263	129,215	1,482,478

The 2022-23 amounts paid into the State Pool Accounts excludes Hospital Services Payments made under the NPCR of \$18,702,470.

For additional information please see the Australian Capital Territory basis of payments.

The amounts paid from each State Pool Account and State Managed Fund to Local Hospital Networks in 2021-22 – Section 241(2)(C)(D)

RECIPIENT	AMOUNT PAID (\$'000)		
	State Pool Account	State Managed Fund	TOTAL
ACT Local Hospital Network	1,327,858	234,528	1,562,386
TOTAL	1,327,858	234,528	1,562,386

The 2021-22 amounts paid by the Commonwealth into the State Pool Accounts excludes recoveries against Hospital Services Payments made under the NPCR of \$5,185,307.

For additional information please see the Australian Capital Territory basis of payments.

Australian Capital Territory basis for National Health Reform payments 2022-23

To meet 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 Australian Capital Territory currently funds its public hospitals on a Block funding model. As such, the Australian Capital Territory does not apply a price per weighted service.

Whilst the Australian Capital Territory does not fund its public hospitals on an activity basis, it continues to provide activity estimates in the Australian Capital Territory Local Hospital Network (LHN) Service Level Agreement between the Australian Capital Territory Minister for Health and the Director-General of the Australian Capital Territory Health Directorate. The activity estimates reflect trending growth rates based on historical data.

The Australian Capital Territory 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, including for child and adolescent patients
 - 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 Australian Capital Territory Government, through the Australian Capital Territory 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
- health services associated with responses to the COVID-19 pandemic
- other NHRA out-of-scope and unallocated services.

Further information regarding the Basis for National Health Reform payments in both 2022-23 and previous financial years is included at www.publichospitalfunding.gov.au.



Administrator
National Health
Funding Pool

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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 true and 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 2023 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
11 September 2023

**National Health Funding Pool
Australian Capital Territory
State Pool Account
Special Purpose Financial
Statement for the year ended
30 June 2023**

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*.

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**Australian Capital Territory
State Pool Account**

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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 2023. 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 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; 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 2023.

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 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. As a result, the financial statement may not be suitable for another purpose. My opinion is not modified in respect of this matter.

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T 02 6207 0833 E actauditorgeneral@act.gov.au W www.audit.act.gov.au

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 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; 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 Australian Capital Territory *Health (National Health Funding Pool and Administration) Act 2013*, the Auditor-General is responsible for issuing an audit 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
13 September 2023

Australian Capital Territory State Pool Account

Statement of Receipts and Payments for the year ended 30 June 2023

	NOTES	2022-23 \$'000	2021-22 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth			
Activity Based Funding	2, 6	437,940	419,517
Block funding		34,669	32,823
Public Health funding		9,212	7,724
COVID-19 funding	8	40,446	79,557
From Australian Capital Territory			
Activity Based Funding (in-scope)	2, 6	915,322	908,341
Activity Based Funding (out-of-scope)	7	-	-
Cross-border contribution	5	48,389	36,304
COVID-19 funding	8	-	3,557
From other States or Territories			
Cross-border receipts	3	191,026	139,694
From Reserve Bank of Australia			
Interest receipts		-	-
TOTAL RECEIPTS		1,677,006	1,627,516
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding (in-scope)	4, 6	1,353,263	1,327,858
Activity Based Funding (out-of-scope)	7	-	-
COVID-19 funding	8	28,508	49,067
To Australian Capital Territory State Managed Fund			
Block funding		34,669	32,823
To Australian Capital Territory Health Directorate			
Public Health funding		9,212	7,724
COVID-19 funding	8	11,938	34,047
Interest payments		-	-
Cross-border transfer		191,026	139,485
To other States or Territories			
Cross-border payments	5	48,389	36,513
TOTAL PAYMENTS		1,677,006	1,627,516
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.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

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. Michael Lambert was appointed as the Administrator on 17 July 2018 for a five-year term. This was subsequently extended to include the period 11 September 2023 to 5 November 2023 pending the appointment of a new Administrator.

(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, section 242 of the Commonwealth *National Health Reform Act 2011* and clause B40 of the National Health Reform Agreement 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 11 September 2023.

(C) Comparative figures

Prior year comparative information has been disclosed. The results for 2021-22 and 2022-23 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 Health and Aged Care Pricing Authority (IHACPA). ABF is paid by the Commonwealth, States and Territories into the Funding Pool.

In 2021-22 and 2022-23 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
- v. Non-admitted services.

As system managers of the public hospital system, State or Territory ABF contributions into the Funding Pool may be calculated using State and Territory prices and activity measures. 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 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.

Notes to and forming part of the Special Purpose Financial Statement for the period ended 30 June 2023

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

(F) Activity Based Funding (out-of-scope)

In accordance with the Administrator's Three Year Data Plan and Data Compliance Policy, from 1 July 2022 the States and Territories are required to identify both in-scope and out-of-scope activity in their LHN Service Agreements. In addition, a new fund account has been established (from 1 July 2022) in the Payments System to identify all payments for out-of-scope activity.

Out-of-scope activity is defined as those public hospital services with a funding source other than the National Health Reform Agreement.

There are multiple funding sources for out-of-scope activity including the States and Territories (e.g. one-off budget measures, correctional facilities), the Commonwealth (e.g. Department of Veterans' Affairs, Medical Benefits Schedule) and other third-party revenue (e.g. Workers Compensation, Motor Vehicle Third Party Personal Claim).

(G) 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 2021-22 and 2022-23 the Commonwealth Block funding supported the following:

- i. Small rural hospitals
- ii. Teaching, training and research
- iii. Non-admitted mental health
- iv. Non-admitted child and adolescent mental health services
- v. Non-admitted home ventilation
- vi. Other non-admitted services
- vii. Highly Specialised Therapies.

In 2021-22 and 2022-23 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.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

(H) Public Health funding

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

(I) 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.

(J) 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.

(K) 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.

(L) COVID-19 funding

The National Partnership on COVID-19 Response (NPCR) was agreed to and signed by the Council of Australian Governments in March 2020. The objective of this agreement was 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. The NPCR was further amended to assist residential aged care providers prevent, prepare for and respond to outbreaks of COVID-19 under Schedule D.

Financial assistance was 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. The Private Hospital Financial Viability Payment ceased on 30 September 2022. The Hospital Services Payments and the State Public Health Payments ceased on 31 December 2022.

(M) Commonwealth funding guarantee

For the 2019-20, 2020-21 and 2021-22 financial years only, the Commonwealth provided the States and Territories with a minimum funding guarantee for funding related to the NHR Agreement and the Hospital Services Payment component of the NPCR. Where a State or Territory was eligible for the Commonwealth funding guarantee, an additional payment was made in the following financial year after the annual reconciliation to meet the minimum amount guaranteed by the Commonwealth.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

Note 2: Activity Based Funding (in-scope) receipts

Total receipts paid into the Australian Capital Territory State Pool Account in respect of Activity Based Funding:

	2022-23 \$'000	2021-22 \$'000
Commonwealth	437,940	419,517
Australian Capital Territory	915,322	908,341
TOTAL	1,353,263	1,327,858

The amounts paid by the Commonwealth into the State Pool Accounts excludes payments against Hospital Services Payments made under the NPCR of \$18,702,470 in 2022-23 (recoveries of \$5,185,307 in 2021-22). Please refer Note 8.

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	2022-23 \$'000	2021-22 \$'000
New South Wales	189,528	127,200
Victoria	-	5,905
Queensland	802	4,088
Western Australia	178	596
South Australia	-	1,668
Tasmania	439	120
Northern Territory	78	117
TOTAL	191,026	139,694

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

Note 4: Activity Based Funding (in-scope) payments

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

LOCAL HOSPITAL NETWORK	2022-23 \$'000	2021-22 \$'000
ACT Local Hospital Network	1,353,263	1,327,858
TOTAL	1,353,263	1,327,858

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 and in alignment with LHN Service Agreements.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

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	2022-23 \$'000	2021-22 \$'000
New South Wales	46,655	25,200
Victoria	-	4,497
Queensland	980	4,350
Western Australia	138	480
South Australia	-	1,572
Tasmania	235	46
Northern Territory	382	368
TOTAL	48,389	36,513

Note 6: Activity Based Funding (in-scope) receipts and payments

Total Commonwealth and Australian Capital Territory Activity Based Funding contributions and total Local Hospital Network Activity Based Funding payments:

	2022-23 \$'000	2021-22 \$'000
Total receipts from the Commonwealth	437,940	419,517
Total receipts from Australian Capital Territory	915,322	908,341
Total payments to Local Hospital Networks	(1,353,263)	(1,327,858)
NET RECEIPTS/(PAYMENTS)	-	-

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

Note 7: Activity Based Funding (out-of-scope) receipts and payments

Total ABF contributions paid through the Pool for activities that are out-of-scope of the NHR Agreement:

	2022-23 \$'000	2021-22 \$'000
Total receipts from Australian Capital Territory	-	-
Total payments to Local Hospital Networks	-	-
NET RECEIPTS/(PAYMENTS)	-	-

Note 8: COVID-19 funding

COVID-19 funding was provided monthly in advance based on estimates submitted by States and Territories and subject to reconciliation. Final funding entitlements were determined after actual activity data on hospital services and actual in-scope expenditure were 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 was an advance payment to ensure the timely availability of funds under the NPCR. The Upfront Advance Payment has been subsequently reconciled against State Public Health requirements.

The Hospital Services Payment

The Commonwealth provided 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 Hospital Services Payment ceased on 31 December 2022.

The State Public Health Payment

The Commonwealth provided 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 February 2021, the NPCR was amended with respect to the delivery of the COVID-19 vaccine through the Vaccination Dose Delivery Payment under Schedule C. Where eligible, funding contributions in relation to this activity were included within the State Public Health Payment.

The NPCR was further amended in December 2021 to include a revised vaccination schedule (revised Schedule C) which included additional financial support to States and Territories for the set-up of COVID-19 vaccination sites, and an aged care schedule which provided a 100 per cent contribution for costs incurred from 1 July 2020 for supporting aged care prevention, preparedness and response activities including additional targeted infection prevention and control training in Residential Aged Care Facilities (Schedule D).

In January 2022, National Cabinet agreed measures supporting States and Territories to claim 50 per cent of the costs of the purchase, logistics and distribution of Rapid Antigen Tests (RATs) through the NPCR. Where States and Territories provided RATs to residential aged care facilities, they could claim a 100 per cent contribution for the costs.

The State Public Health Payment ceased on 31 December 2022.

The Private Hospital Financial Viability Payment

The Commonwealth contributed 100 per cent of the Private Hospital Financial Viability Payment made to private operators to retain capacity for responding to State and Territory or Commonwealth public health requirements. The Private Hospital Financial Viability Payment ceased on 30 September 2022.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

COVID-19 funding receipts and payments:

	2022-23 \$'000	2021-22 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT		
From Commonwealth		
Hospital Services Payments	18,702	(5,185)
State Public Health Payments	14,053	80,008
Private Hospital Financial Viability Payment	7,691	4,734
TOTAL COMMONWEALTH RECEIPTS	40,446	79,557
From Australian Capital Territory		
Hospital Services Payments	-	3,557
State Public Health Payments	-	-
Private Hospital Financial Viability Payment	-	-
TOTAL AUSTRALIAN CAPITAL TERRITORY RECEIPTS	-	3,557
TOTAL RECEIPTS	40,446	83,114
PAYMENTS OUT OF THE STATE POOL ACCOUNT		
To Australian Capital Territory (including Local Hospital Networks)		
Hospital Services Payments	18,702	(1,629)
State Public Health Payments	14,053	80,008
Private Hospital Financial Viability Payment	7,691	4,734
TOTAL PAYMENTS	40,446	83,114
NET RECEIPTS / (PAYMENTS) FOR THE YEAR	-	-
OPENING CASH BALANCE	-	-
CLOSING CASH BALANCE	-	-

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



\$1.2B

TOTAL FUNDING THAT WAS PAID TO



1

LOCAL HOSPITAL NETWORK (LHN)



\$1.1B

IN ACTIVITY BASED FUNDING THAT DELIVERED



189,460

NATIONAL WEIGHTED ACTIVITY UNITS (NWAU)

National Health Reform disclosures for the year ended 30 June 2023

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*.

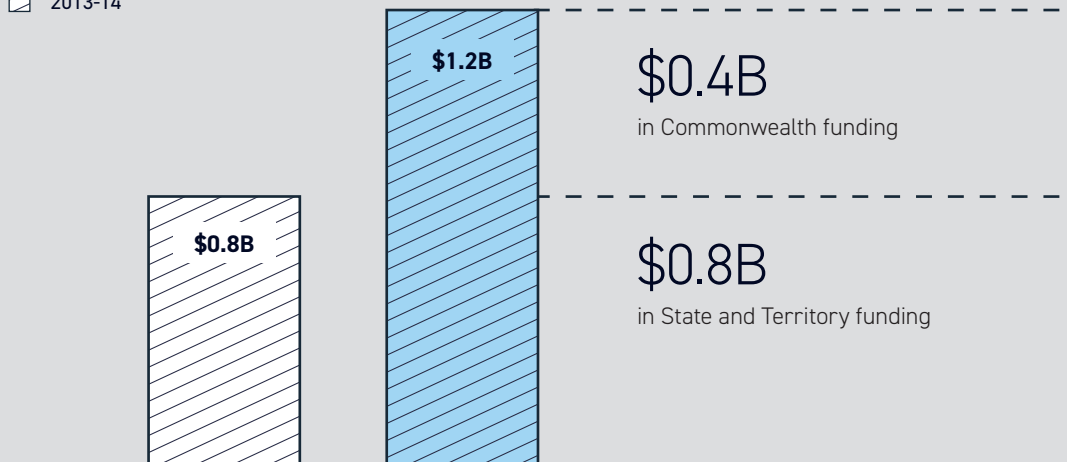
These amounts do not include transactions related to the NPCR. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

GROWTH IN PUBLIC HOSPITAL PAYMENTS

SINCE 2013-14

■ 2022-23

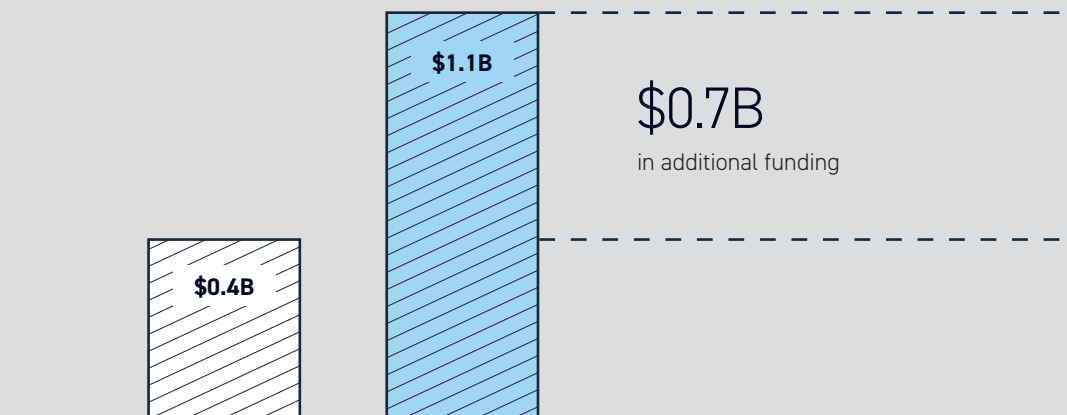
▨ 2013-14

**GROWTH IN ACTIVITY BASED FUNDING**

SINCE 2013-14

■ 2022-23

▨ 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

The table below shows the cash paid by the Commonwealth each financial year based on activity estimates provided by Northern Territory. The table also shows the final Commonwealth NHR funding entitlement determined by the Commonwealth Treasurer which is based on an end of financial year reconciliation of actual services delivered. The subsequent funding adjustments, whether positive or negative, reflect the difference between estimated activity and actual services delivered.

	AMOUNT PAID TO NORTHERN TERRITORY (\$'000)					CASH PAID
	2018-19 Entitlement	2019-20 ¹ Entitlement	2020-21 ² Entitlement	2021-22 ³ Entitlement	2022-23 ⁴ Estimate	
Cash Paid 2018-19	280,484	-	-	-	-	280,484
Cash Paid 2019-20	368	299,108	-	-	-	299,476
Cash Paid 2020-21	-	(1,607)	298,064	-	-	296,456
Cash Paid 2021-22	-	-	35,132	355,110	-	390,243
Cash Paid 2022-23	-	-	-	(6,864)	388,893	382,029
FINAL ENTITLEMENT	280,852	297,501	333,196	348,246	388,893	

1 The 2019-20 Commonwealth NHR funding entitlement excludes \$13,205,691 in HSP under the NPCR.

2 The 2020-21 Commonwealth NHR funding entitlement excludes \$8,700,043 in HSP under the NPCR.

3 The 2021-22 Commonwealth NHR funding entitlement excludes \$16,911,538 in HSP under the NPCR.

4 The 2022-23 Commonwealth NHR funding estimate excludes \$450,000 in HSP under the NPCR.

The amounts paid into each State Pool Account by the Commonwealth – Section 241(2)(B)

COMPONENT	AMOUNT PAID BY COMMONWEALTH INTO NORTHERN TERRITORY STATE POOL ACCOUNT (\$'000)	
	2022-23	2021-22
Activity Based Funding	354,625	351,309
Block funding	22,310	34,590
Public Health funding	5,095	4,343
TOTAL	382,029	390,243

Additional financial assistance was provided by the Commonwealth under the NPCR including hospital services funding which was paid monthly based on activity estimates provided to the Administrator and reconciled annually with adjustments being made in the following financial year.

The above table does not include amounts paid into the State Pool Accounts by the Commonwealth under the NPCR, including Hospital Services Payments of \$8,027,217 in 2022-23 (recoveries of \$16,864,078 in 2021-22) and State Public Health and Private Hospital Financial Viability Payments of \$16,525,849 in 2022-23 (\$61,279,767 in 2021-22). Details of this funding is provided in the Pool Account Special Purpose Financial Statement.

The amounts paid into each State Pool Account and State Managed Fund by the relevant State – Section 241(2)(A)

COMPONENT	AMOUNT PAID BY NORTHERN TERRITORY (\$'000)	
	2022-23	2021-22
State Pool Account - Activity Based Funding	736,526	705,063
State Managed Fund - Block funding	52,089	249,151
TOTAL	788,614	954,214

The above table does not include out-of-scope funding (ABF and Block), interest deposited into the Pool Account, over deposit of state contributions subsequently paid back to the respective State or Territory Health Department or cross-border contributions for transfer to other States or Territories.

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)		
	2022-23 ¹ Estimate	2021-22 ² Actual	2021-22 ³ Estimate
NT Regional Health Services	189,460	166,710	182,472
TOTAL⁴	189,460	166,710	182,472

1 2022-23 NWAU as per the updated activity estimates as at the Administrator's June 2023 Payment Advice.

2 2021-22 NWAU as per the 2021-22 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations (National Health Reform Payments for 2021-22) Determination 2022.

3 2021-22 NWAU as per the activity estimates as at the Administrator's June 2022 Payment Advice.

4 The table above excludes NWAUs funded under the Hospital Services component of the NPCR.

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 National Efficient Price 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 which are out-of-scope of Commonwealth NHR funding.

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 2021–22 and 2022–23 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 to Local Hospital Networks in 2022-23 – Section 241(2)(C)(D)

RECIPIENT	AMOUNT PAID (\$'000)		
	State Pool Account	State Managed Fund	TOTAL
NT Regional Health Services	1,091,150	74,399	1,165,549
TOTAL	1,091,150	74,399	1,165,549

The 2022-23 amounts paid into the State Pool Accounts excludes Hospital Services Payments made under the NPCR of \$8,027,217.

For additional information please see the Northern Territory basis of payments.

The amounts paid from each State Pool Account and State Managed Fund to Local Hospital Networks in 2021-22 – Section 241(2)(C)(D)

RECIPIENT	AMOUNT PAID (\$'000)		
	State Pool Account	State Managed Fund	TOTAL
NT Regional Health Services	1,056,373	283,740	1,340,113
TOTAL	1,056,373	283,740	1,340,113

The 2021-22 amounts paid into the State Pool Accounts excludes recoveries against Hospital Services Payments made under the NPCR of \$16,864,078.

For additional information please see the Northern Territory basis of payments.

Northern Territory basis for National Health Reform payments 2022-23

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 2020-25, the Northern Territory Funding Model has implemented the National Efficient Price (NEP22) and National Weighted Activity Unit (NWAU22) as the currency for Activity Based Funding (ABF) facilities. The National Efficient Cost (NEC22) Block funding model is used for the standalone 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 the Northern Territory are based upon the activity outlined in the service plan between the Chief Executive Officer of the Northern Territory Department of Health and the Regional Executive Directors within the Northern Territory Regional Health Services.

Objectives of the service plan are to:

- outline responsibilities and accountabilities of the delivery of health priorities and achievement of intended outcomes
- establish clear service delivery and performance expectations, including processes for performance management and monitoring
- ensure that consultation and management processes are appropriate to support the design and delivery of health services that meet local needs
- promote accountability to Government and the community.

The annual funding allocation for the Northern Territory Regional Health Services is determined on a historical basis for both the 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 activity is passed on to the LHN.

Further information regarding the Basis for National Health Reform payments in both 2022-23 and previous financial years is included at www.publichospitalfunding.gov.au.



Administrator
National Health
Funding Pool

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Canberra ACT 2601
1300 930 522
publichospitalfunding.gov.au

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 true and 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 2023 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
11 September 2023

**National Health Funding Pool
Northern Territory State Pool
Account Special Purpose
Financial Statement for the
year ended 30 June 2023**

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*.

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Northern Territory State Pool Account

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Auditor-General
Independent Auditor's Report
to the Administrator of the National Health Funding Pool
Northern Territory State Pool Account

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Opinion

I have audited the accompanying special purpose financial statement of the Northern Territory State Pool Account, which comprises the Statement of Receipts and Payments for the period ended 30 June 2023, 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 for the period ended 30 June 2023 in accordance with the *National Health Funding Pool and Administration (National Uniform Legislation) Act 2012 (NT)*, *National Health Reform Act 2011 (Cwlth)* 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 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 for the purpose of fulfilling the Administrator's financial reporting obligations under the *National Health Funding Pool and Administration (National Uniform Legislation) Act 2011 (NT)*, *National Health Reform Act 2011 (Cwlth)* 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 and Administration (National Uniform Legislation) Act 2012 (NT)*, *National Health Reform Act 2011 (Cwlth)* 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 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 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 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 National Health Funding 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 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 National Health Funding Pool 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 National Health Funding 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 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

13 September 2023

Northern Territory State Pool Account

Statement of Receipts and Payments for the year ended 30 June 2023

	NOTES	2022-23 \$'000	2021-22 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth			
Activity Based Funding	2, 6	354,625	351,309
Block funding		22,310	34,590
Public Health funding		5,095	4,343
COVID-19 funding	8	24,553	44,416
From Northern Territory			
Activity Based Funding (in-scope)	2, 6	736,526	705,063
Activity Based Funding (out-of-scope)	7	-	-
Cross-border contribution	5	86,988	6,969
COVID-19 funding	8	-	-
From other States or Territories			
Cross-border receipts	3	52,899	12,468
From Reserve Bank of Australia			
Interest receipts		-	-
TOTAL RECEIPTS		1,282,995	1,159,159
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding (in-scope)	4, 6	1,091,150	1,056,373
Activity Based Funding (out-of-scope)	7	-	-
COVID-19 funding	8	-	-
To Northern Territory State Managed Fund			
Block funding		22,310	34,590
To Department of Health Northern Territory			
Public Health funding		5,095	4,343
COVID-19 funding	8	24,553	44,416
Interest payments		-	-
Cross-border transfer		52,899	12,468
To other States or Territories			
Cross-border payments	5	86,988	6,969
TOTAL PAYMENTS		1,282,995	1,159,159
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.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

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. Michael Lambert was appointed as the Administrator on 17 July 2018 for a five-year term. This was subsequently extended to include the period 11 September 2023 to 5 November 2023 pending the appointment of a new Administrator.

(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 *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, section 242 of the Commonwealth *National Health Reform Act 2011* and clause B40 of the National Health Reform Agreement 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 11 September 2023.

(C) Comparative figures

Prior year comparative information has been disclosed. The results for 2021-22 and 2022-23 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 Health Pricing and Aged Care Authority (IHACPA). ABF is paid by the Commonwealth, States and Territories into the Funding Pool.

In 2021-22 and 2022-23 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
- v. Non-admitted services.

As system managers of the public hospital system, State or Territory ABF contributions into the Funding Pool may be calculated using State and Territory prices and activity measures. 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 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.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

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 is provided. 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 amended 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 funded 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 Addendum to the National Health Reform Agreement 2020–25 was entered into by the Commonwealth, State and Territory governments. The Addendum to the National Health Reform Agreement 2020–25 replaces the Addendum to the National Health Reform Agreement 2017–20 but retains the core principles.

(F) Activity Based Funding (out-of-scope)

In accordance with the Administrator's Three-Year Data Plan and Data Compliance Policy, from 1 July 2022 the States and Territories are required to identify both in-scope and out-of-scope activity in their LHN Service Agreements. In addition, a new fund account has been established (from 1 July 2022) in the Payments System to identify all payments for out-of-scope activity.

Out-of-scope activity is defined as those public hospital services with a funding source other than the National Health Reform Agreement.

There are multiple funding sources for out-of-scope activity including the States and Territories (e.g. one-off budget measures, correctional facilities), the Commonwealth (e.g. Department of Veterans' Affairs, Medical Benefits Schedule) and other third-party revenue (e.g. Workers Compensation, Motor Vehicle Third Party Personal Claim).

(G) 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 2021-22 and 2022-23 the Commonwealth Block funding supported the following:

- i.** Small rural hospitals
- ii.** Teaching, training and research
- iii.** Non-admitted mental health
- iv.** Non-admitted child and adolescent mental health services
- v.** Non-admitted home ventilation
- vi.** Other non-admitted services
- vii.** Highly Specialised Therapies.

In 2021-22 and 2022-23 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.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

(H) Public Health funding

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

(I) 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.

(J) 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.

(K) 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.

(L) COVID-19 funding

The National Partnership on COVID-19 Response (NPCR) was agreed to and signed by the Council of Australian Governments in March 2020. The objective of this agreement was 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. The NPCR was further amended to assist residential aged care providers prevent, prepare for and respond to outbreaks of COVID-19 under Schedule D.

Financial assistance was 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. The Private Hospital Financial Viability Payment ceased on 30 September 2022. The Hospital Services Payments and the State Public Health Payments ceased on 31 December 2022.

(M) Commonwealth funding guarantee

For the 2019-20, 2020-21 and 2021-22 financial years only, the Commonwealth provided the States and Territories with a minimum funding guarantee for funding related to the NHR Agreement and the Hospital Services Payment component of the NPCR. Where a State or Territory was eligible for the Commonwealth funding guarantee, an additional payment was made in the following financial year after the annual reconciliation to meet the minimum amount guaranteed by the Commonwealth.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

Note 2: Activity Based Funding (in-scope) receipts

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

	2022-23 \$'000	2021-22 \$'000
Commonwealth	354,625	351,309
Northern Territory	736,526	705,063
TOTAL	1,091,150	1,056,373

The amounts paid into the Northern Territory State Pool Account excludes Hospital Services Payments made under the NPCR of \$8,027,217 in 2022-23 (recoveries of \$16,864,078 in 2021-22). Please refer Note 8.

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	2022-23 \$'000	2021-22 \$'000
New South Wales	-	1,992
Victoria	7,447	-
Queensland	7,029	2,802
Western Australia	5,226	6,750
South Australia	32,581	-
Tasmania	235	557
Australian Capital Territory	382	368
TOTAL	52,899	12,468

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

Note 4: Activity Based Funding (in-scope) payments

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

LOCAL HOSPITAL NETWORK	2022-23 \$'000	2021-22 \$'000
NT Regional Health Services	1,091,150	1,056,373
TOTAL	1,091,150	1,056,373

The Administrator makes payments from the Northern Territory State Pool Account in accordance with the directions of the Northern Territory Minister for Health and in alignment with LHN Service Agreements.

PART 2: FINANCIAL STATEMENTS – NT

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

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	2022-23 \$'000	2021-22 \$'000
New South Wales	-	1,430
Victoria	10,758	-
Queensland	8,891	4,565
Western Australia	933	785
South Australia	66,216	-
Tasmania	113	72
Australian Capital Territory	78	117
TOTAL	86,988	6,969

Note 6: Activity Based Funding (in-scope) receipts and payments

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

	2022-23 \$'000	2021-22 \$'000
Total receipts from the Commonwealth	354,625	351,309
Total receipts from Northern Territory	736,526	705,063
Total payments to Local Hospital Networks	(1,091,150)	(1,056,373)
NET RECEIPTS/(PAYMENTS)	-	-

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

Note 7: Activity Based Funding (out-of-scope) receipts and payments

Total ABF contributions paid through the Pool for activities that are out-of-scope of the NHR Agreement:

	2022-23 \$'000	2021-22 \$'000
Total receipts from Northern Territory	-	-
Total payments to Local Hospital Networks	-	-
NET RECEIPTS/(PAYMENTS)	-	-

Note 8: COVID-19 funding

COVID-19 funding was provided monthly in advance based on estimates submitted by States and Territories and subject to reconciliation. Final funding entitlements were determined after actual activity data on hospital services and actual in-scope expenditure were 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 was an advance payment to ensure the timely availability of funds under the NPCR. The Upfront Advance Payment has been subsequently reconciled against State Public Health requirements.

The Hospital Services Payment

The Commonwealth provided 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 Hospital Services Payment ceased on 31 December 2022.

The State Public Health Payment

The Commonwealth provided 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 February 2021, the NPCR was amended with respect to the delivery of the COVID-19 vaccine through the Vaccination Dose Delivery Payment under Schedule C. Where eligible, funding contributions in relation to this activity are included within the State Public Health Payment.

The NPCR was further amended in December 2021 to include a revised vaccination schedule (revised Schedule C) which included additional financial support to States and Territories for the set-up of COVID-19 vaccination sites, and an aged care schedule which provided a 100 per cent contribution for costs incurred from 1 July 2020 for supporting aged care prevention, preparedness and response activities including additional targeted infection prevention and control training in Residential Aged Care Facilities (Schedule D).

In January 2022, National Cabinet agreed measures supporting States and Territories to claim 50 per cent of the costs of the purchase, logistics and distribution of Rapid Antigen Tests (RATs) through the NPCR. Where States and Territories provided RATs to residential aged care facilities, they could claim a 100 per cent contribution for the costs.

The State Public Health Payment ceased on 31 December 2022.

The Private Hospital Financial Viability Payment

The Commonwealth contributed 100 per cent of the Private Hospital Financial Viability Payment made to private operators to retain capacity for responding to State and Territory or Commonwealth public health requirements. The Private Hospital Financial Viability Payment ceased on 30 September 2022.

Notes to and forming part of the Special Purpose Financial Statement
for the period ended 30 June 2023

COVID-19 funding receipts and payments:

	2022-23 \$'000	2021-22 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT		
From Commonwealth		
Hospital Services Payments	8,027	(16,864)
State Public Health Payments	16,526	61,261
Private Hospital Financial Viability Payment	-	19
TOTAL COMMONWEALTH RECEIPTS	24,553	44,416
From Northern Territory		
Hospital Services Payments	-	-
State Public Health Payments	-	-
Private Hospital Financial Viability Payment	-	-
TOTAL NORTHERN TERRITORY RECEIPTS	-	-
TOTAL RECEIPTS	24,553	44,416
PAYMENTS OUT OF THE STATE POOL ACCOUNT		
To Northern Territory (including Local Hospital Networks)		
Hospital Services Payments	8,027	(16,864)
State Public Health Payments	16,526	61,261
Private Hospital Financial Viability Payment	-	19
TOTAL PAYMENTS	24,553	44,416
NET RECEIPTS / (PAYMENTS) FOR THE YEAR	-	-
OPENING CASH BALANCE	-	-
CLOSING CASH BALANCE	-	-

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



PART 3:

REFERENCE INFORMATION

This section provides an explanation of the terms used throughout our report and an alphabetical index to help our readers locate key information easily.

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ABBREVIATIONS AND ACRONYMS

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

GLOSSARY

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 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.

PART 3: REFERENCE INFORMATION

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.
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	<i>The Public Governance, Performance and Accountability Act 2013</i> 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 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	41	
(b)	The amounts paid into each State Pool Account by the Commonwealth and the basis on which the payments were made	42	NSW 74-95 VIC 98-123
(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	43	QLD 126-147 WA 150-171 SA 174-195
(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	44	TAS 198-219 ACT 222-241
(e)	The number of public hospital services funded for each LHN in accordance with the system of ABF	45	NT 244-263
(f)	The number of other public hospital services and functions funded from each State Pool Account or State Managed Fund	46	
241(3) THE ANNUAL REPORT IS TO BE ACCOMPANIED BY			
(a)	An audited financial statement for each State Pool Account	N/A	NSW – 84 VIC – 112 QLD – 136 WA – 160 SA – 184 TAS – 208 ACT – 230 NT – 252
(b)	A financial statement that combines the audited financial statements for each State Pool Account	51-54	N/A

LIST OF LEGISLATIVE REQUIREMENTS

JURISDICTION AND RELEVANT ACT	REQUIREMENT FOR THE FINANCIAL YEAR	COMMONWEALTH	NEW SOUTH WALES	VICTORIA
		National Health Reform Act 2011	Health Services Act 1997	Health (Commonwealth State Funding Arrangements) Act 2012
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)	s.17(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	s.17(3) and s.18
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	s.19
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)	s.17(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)	s.17(4)

QUEENSLAND	WESTERN AUSTRALIA	SOUTH AUSTRALIA	TASMANIA	AUSTRALIAN CAPITAL TERRITORY	NORTHERN TERRITORY
Hospital and Health Boards Act 2011	National Health Funding Pool Act 2012	National Health Funding Pool Administration (South Australia) Act 2012	National Health Funding Administration Act 2012	Health (National Health Funding Pool and Administration) Act 2013	National Health Funding Pool and Administration (National Uniform Legislation) Act 2012
s.53S(2)	s.19(2)	s.22(2)	s.18(2)	s.25(2)	s.18(2)
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.53U	s.21	s.24	s.20	s.27	s.20
s.53S(1)	s.19(1)	s.22(1)	s.18(1)	s.25(1)	s.18(1)
s.53S(4)	s.19(4)	s.22(4)	s.18(4)	s.25(4)	s.18(4)

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