



**Administrator**  
National Health  
Funding Pool

# Annual Report 2018-19

**\$50 billion**  
in funding  
for Australian  
public hospitals

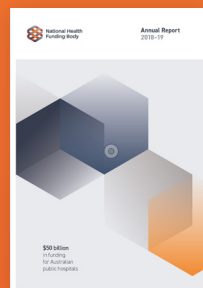
# The Administrator of the National Health Funding Pool

The Administrator of the National Health Funding Pool (the Administrator), 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 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 Administrator is supported by the National Health Funding Body (NHFB) to oversee the responsible, efficient and effective administration of Commonwealth and State and Territory public hospital funding and payments under the National Health Reform (NHR) Agreement.

This annual report provides an overview of the role and the work of the Administrator during 2018–19 and provides both the combined and individual State and Territory Pool Accounts for 2018–19.

This annual report should be read in conjunction with the NHFB 2018–19 Annual Report.



*Note on cover: The \$50 billion in funding for Australian public hospitals represents the total funding contributions for public hospital services from the State Pool Accounts and State Managed Funds. Further detail can be found on page III.*



\$50B

of Commonwealth,  
State and Territory funding  
for public hospital services



Advice provided to the  
Commonwealth Treasurer on

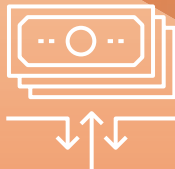
\$22B

of Commonwealth funding



8.8 million

**National Weighted Activity Units**  
(NWAU) funded through the  
National Health Funding Pool



4,137

**Banking transactions** processed  
through the National Health  
Funding Administrator  
Payments System



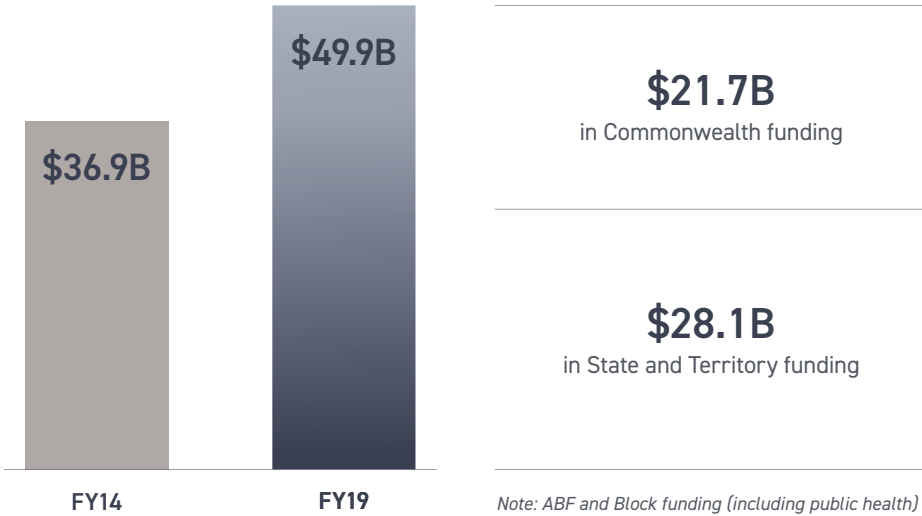
1,833

**Financial reports** published on  
national health reform funding and  
payment flows (including national,  
State and Territory and local  
hospital network reports),  
on [publichospitalfunding.gov.au](http://publichospitalfunding.gov.au)

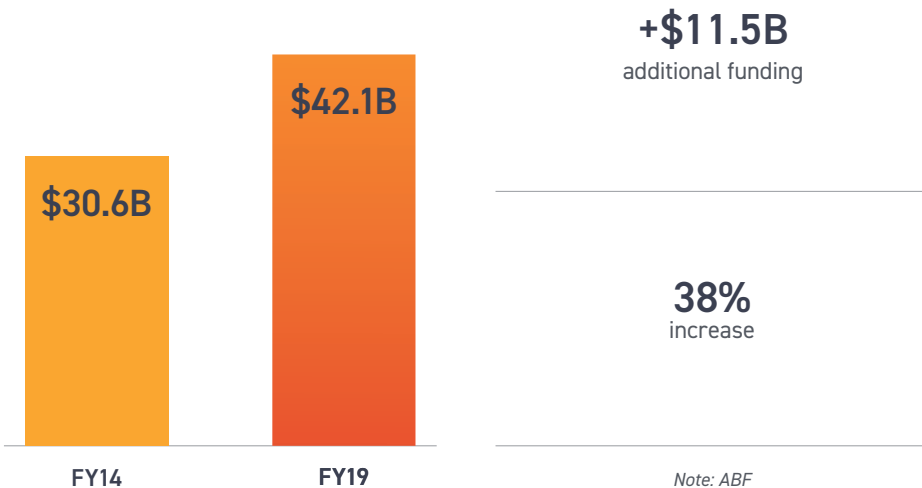
2018-19

# National

## Growth in Public Hospital Funding since 2013-14



## Growth in Activity Based Funding since 2013-14





# Administrator of the National Health Funding Pool

**Annual Report**  
2018-19

# Message from the Administrator

**I am pleased to present my annual report for the year ended 30 June 2019. This is the seventh report on the operation of the Pool and my second as Administrator.**

## **Responsibilities**

I am supported by the National Health Funding Body (NHFB) to oversee the responsible, efficient and effective administration of Commonwealth and State and Territory public hospital funding and payments under the National Health Reform (NHR) Agreement.

The great bulk of these payments are to fund Local Hospital Networks (LHNs) which provide hospital based acute and sub-acute services but also non-admitted services outside the hospital environment through community health centres and other facilities. The payments include the Commonwealth's contribution to State and Territory public health funding which are calculated by the NHFB and reviewed and approved by the Administrator and advised to the Commonwealth Treasurer.

A vital part of the role of LHNs is to work closely with their regional Primary Health Network (PHN) which have responsibility for coordinating and supporting the provision of primary care, promoting improved public health and undertaking preventive health activities.

A coordinated approach across each region involving LHNs and PHNs facilitates effective health planning for the region, delivers integrated care for patients and can avoid unnecessary hospitalisations.

## **Funding reconciliations**

In 2018-19, with support from the NHFB, the outstanding reconciliations for 2016-17 and 2017-18 were finalised. This provided States and Territories with an additional \$1 billion in Commonwealth payments in 2018-19 through the Pool.



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## Safety and quality development

An important development addressed in principle in the 2017 Addendum to the NHR Agreement and the subject of subsequent work was the adjustment of hospital funding for safety and quality factors. All Australian governments fully support initiatives that improve the quality and safety of hospital services and it's pleasing to see all States and Territories undertaking actions to make improvements in this area.

It was agreed to introduce funding adjustments in the case of certain identified areas of deficiency in quality and safety. Work was undertaken by the Independent Health Pricing Authority (IHPA) and the Australian Commission on Safety and Quality in Health Care (ACSQHC) to develop adjustments to funding to take into account safety and quality matters.

These actions involved zero funding for Sentinel events (a subset of adverse patient safety events that are wholly preventable and result in serious harm to, or death of, a patient) and a risk adjustment to funding for certain Hospital Acquired Complications (HACs) and avoidable hospital readmissions. The discount in funding for HACs (introduced in 2017–18) and sentinel events (introduced in 2018–19), while the adjustment for certain avoidable hospital readmissions will be trialed.

This is an important development and further work will be undertaken to explore adjustments for quality and safety with the IHPA and the ACSQHC. It should be noted that these adjustments, to be effective, must be accompanied by effective monitoring and follow up action on safety and quality incidents at the hospital level.

## Funding integrity

In accordance with the NHR Agreement, work has commenced with all Australian governments to identify if there are instances of double payments being made by the Commonwealth for the same service.

This involves a large data matching exercise, with data on individual patient level hospital services being matched against Medicare Benefits Schedule (MBS) claims data.

This exercise will help identify double payments, their order of magnitude, reasons for their occurrence and how to avoid these payments in the future.

## Improving transparency of public hospital funding

This annual report provides details on the funding and payments made through the Pool, including payments to LHNs at the national and State and Territory level. A financial statement, audited by the respective Auditor-General for each State and Territory Pool account is also included.

In 2018–19, \$49 billion in payments were made to LHNs from a total of \$50 billion in funding contributions for public hospital services. The balance of \$1 billion was paid direct to States and Territories for public health funding. Further information on funding and payments is available on pages 25–28.

## The year ahead

During the coming year I will actively engage with all jurisdictional representatives and allied organisations such as the IHPA, the Australian Institute of Health and Welfare (AIHW) and the ACSQHC. A particular priority will be to provide advice on ways to improve funding arrangements as part of the development of the new NHR Agreement.

Other areas to be explored include:

- + whether the funding system encourages the provision of integrated care across the health system or if there are disincentives in this regard and if so, how to address these
- + how to eliminate, where appropriate, avoidable hospitalisations by more effective coordination between primary and secondary care
- + achieving greater emphasis on preventive health
- + seeking to discourage low value health care
- + further refining and improving funding adjustments for safety and quality
- + discussions with States and Territories on ensuring consistency of approach.

Finally, I thank the NHFB CEO, Shannon White and the NHFB staff for their dedicated efforts in supporting me to fulfil my obligations and responsibilities.

**Michael Lambert**

Administrator National Health Funding Pool





# Letter of Transmittal



**Administrator  
National Health  
Funding Pool**

**Office of the Administrator**  
GPO Box 1252 Canberra ACT 2601

**Telephone:** 1300 930 522  
**Email:** nhfa.administrator@nhfa.gov.au

1 October 2019

The Hon. Greg Hunt MP  
Minister for Health  
Commonwealth of Australia

The Hon. Jenny Mikakos MP  
Minister for Health,  
Minister for Ambulance Services  
Victoria

The Hon. Roger Cook MLA  
Deputy Premier and Minister for Health;  
Mental Health  
Western Australia

The Hon. Sarah Courtney MP  
Minister for Health, Minister for Women  
Tasmania

The Hon. Natasha Fyles MLA  
Minister for Health  
Northern Territory

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

The Hon. Dr Steven Miles  
Minister for Health and Minister for  
Ambulance Services  
Queensland

The Hon. Stephen Wade MLC  
Minister for Health and Wellbeing  
South Australia

The Hon. Rachel Stephen-Smith MLA  
Minister for Health  
Australian Capital Territory

Dear Ministers,

## **Administrator of the National Health Funding Pool Annual Report 2018–19**

I am pleased to submit to you, for tabling in your respective Parliaments, my Annual Report for the year ended 30 June 2019.

This report has been prepared in accordance with the requirements of sections 241 to 243 of the Commonwealth *National Health Reform Act 2011* (the 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 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

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## 52 NSW

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# Annual Reporting: Legislative Requirements

This reporting is pursuant to the following jurisdictional national health reform legislation:

**Table 1: Jurisdictional National Health Reform Legislation**

JURISDICTION AND RELEVANT ACT	REQUIREMENT FOR THE FINANCIAL YEAR	NEW SOUTH WALES Health Services Act 1997	VICTORIA Health (Commonwealth State Funding Arrangements) Act 2012	QUEENSLAND Hospital and Health Boards Act 2011	WESTERN AUSTRALIA National Health Funding Pool Act 2012	SOUTH AUSTRALIA National Health Funding Pool Administration (South Australia) Act 2012	TASMANIA National Health Funding Administration Act 2012	AUSTRALIAN CAPITAL TERRITORY Health (National Health Funding Pool and Administration) Act 2013	NORTHERN TERRITORY National Health Funding Pool and Administration (National Uniform Legislation) Act 2012
<b>National Health Reform Funding and Payments Reporting</b>	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.	schedule 6A clause 16(2)	s.17(2)	s.53S(2)	s.19(2)	s.22(2)	s.18(2)	s.25(2)	s.18(2)
<b>Financial Statements</b>	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.	schedule 6A clauses 16(3) and 17	s.17(3) and s.18	s.53S(3) and s.53T	s.19(3) and s.20	s.22(3) and s.23	s.18(3) and s.19	s.25(3) and s.26	s.18(3) and s.19

Continued.

<b>JURISDICTION AND RELEVANT ACT</b>	<b>REQUIREMENT FOR THE FINANCIAL YEAR</b>	<b>COMMONWEALTH</b> <i>National Health Reform Act 2011</i>	<b>NEW SOUTH WALES</b> <i>Health Services Act 1997</i>	<b>VICTORIA</b> <i>Health (Commonwealth State Funding Arrangements) Act 2012</i>	<b>QUEENSLAND</b> <i>Hospital and Health Boards Act 2011</i>	<b>WESTERN AUSTRALIA</b> <i>National Health Funding Pool Act 2012</i>	<b>SOUTH AUSTRALIA</b> <i>National Health Funding Pool Administration (South Australia) Act 2012</i>	<b>TASMANIA</b> <i>National Health Funding Administration Act 2012</i>	<b>AUSTRALIAN CAPITAL TERRITORY</b> <i>Health (National Health Funding Pool and Administration) Act 2013</i>	<b>NORTHERN TERRITORY</b> <i>National Health Funding Pool and Administration (National Uniform Legislation) Act 2012</i>
<b>Audit of Financial Statements</b>	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	s.53U	s.21	s.24	s.20	s.27	s.20
<b>Administrator's Annual Report</b>	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)	s.53S(1)	s.19(1)	s.22(1)	s.18(1)	s.25(1)	s.18(1)
<b>Tabling of the Annual Report</b>	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)	s.53S(4)	s.19(4)	s.22(4)	s.18(4)	s.25(4)	s.18(4)



# OVERVIEW

# The Role of the Administrator of the National Health Funding Pool

**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 *National Health Reform Act 2011* (the NHR Act), and by the relevant legislation of each State and Territory.

The Administrator is supported by the NHFB, which is also independent of all governments. Both are responsible for the oversight, administration and provision of advice and associated funding arrangements according to the NHR Agreement and relevant legislation.

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

- + Accurately calculate and advise the Commonwealth Treasurer on its funding contributions to the Pool in a timely manner.
- + Undertake best practice financial administration of the Pool, ensuring:
  - the integrity of the payments system
  - Commonwealth and State and Territory payments are correct and timely
  - payments to LHNs from the Pool follow government directions
  - reconciliation between estimated and actual volumes of services and payments every six months.
- + Provide effective reporting on the monthly and annual funding arrangements to ensure transparency in the operation of the Pool.
- + Maintain productive and effective relationships with stakeholders and strategic partners, including all Australian Governments, the IHPA, the AIHW and the ACSQHC.



# The National Health Funding Pool

**Established on 1 July 2012 through enabling legislation in each jurisdiction, the single Pool is comprised of a Reserve Bank of Australia (RBA) account for each State and Territory to receive all Commonwealth (ABF and block) and State and Territory (ABF only) public hospital funding.**

Funds are also held in the jurisdictionally-controlled State Managed Funds. These are separate bank accounts or funds established by a State or Territory to receive or distribute Commonwealth and State and Territory block funding.

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

The State Pool Accounts are established under State and Territory NHR legislation for the purposes of:

- + receiving all Commonwealth national health reform funding;
- + receiving ABF State and Territory public hospital funding; and
- + distributing funds and making payments according to the National Health Reform Agreement.

To ensure payments from the Pool are correct, no payment is made until the respective State or Territory confirms the payment and instructs the Administrator to make payment on their behalf.

The Pool accounts are audited each year, have transparent accounting and reporting, and meet all other Council of Australian Governments (COAG) and legislative requirements.

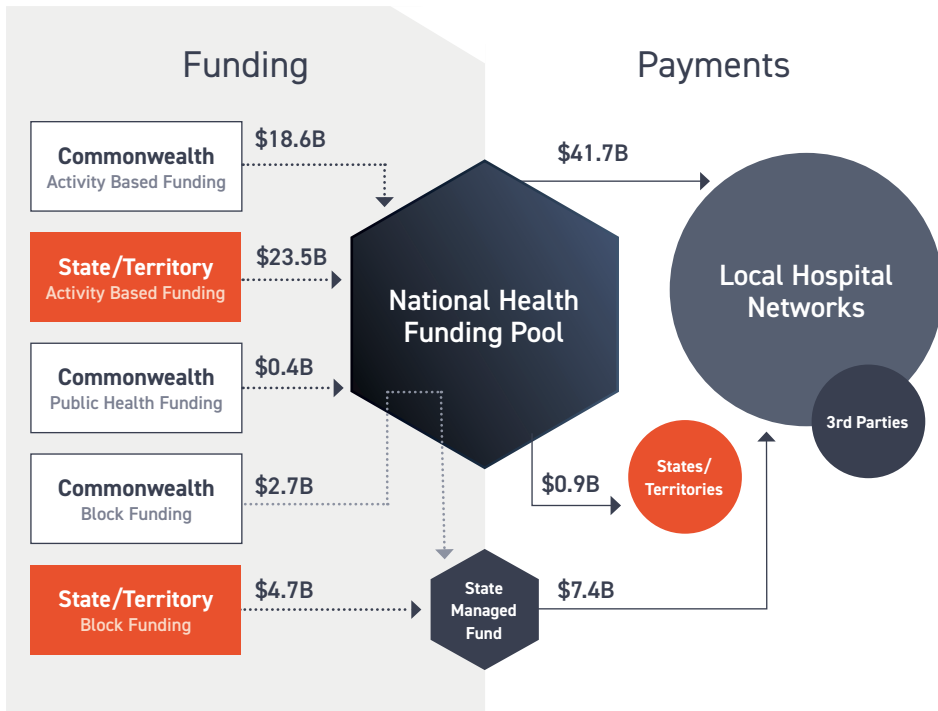
## Funding and Payments

NHR funding occurs when the Commonwealth or States and Territories pay NHR funding into a State Pool Account or State Managed Fund.

NHR payments occur when funding is paid out of the State Pool Account by the Administrator, or is paid out of the State Managed Fund by the States and Territories.

The payment recipients are LHNs, third parties on behalf of LHNs, State and Territory health departments, and other providers. **Figure: 2018–19 Public Hospital Funding Payment Flows** (page 7) highlights the source, types and amount of funding that flows through as payments to LHNs.

Figure: 2018–19 Public Hospital Funding Payment Flows



## Types of Funding

There are two broad types of funding: ABF and Block. Each type has specific criteria set for what services are appropriate, with the preference to use ABF where possible.

### Activity Based Funding

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

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

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 admission, emergency department presentation 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. These are provided for each State and Territory in the respective 'Funding and Payments' chapter.

The following service categories were ABF funded in 2018–19:

- + 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 a 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 assist 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.

### **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.

### Teaching, training and research

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

### Small regional and rural hospitals

Public hospitals, or public hospital services, are eligible for block grant funding if the requirements 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 activity 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 home ventilation

Non-admitted services where the patient receives 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 service not covered under other block funded categories, such as chronic disease management programs or falls prevention services.

### 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 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 that 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 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 in the account and is paid periodically by the RBA to the State or Territory account holder. Interest paid into the State Pool Account can be used for State and Territory funding.

## Over deposit

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

# The National Health Funding Body

**The NHFB supports obligations and responsibilities of the Administrator through best practice administration of public hospital funding.**

The NHFB is an independent statutory authority and non-corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). The NHFB was established under the NHR Act to support the obligations and responsibilities of the Administrator.

States and Territories work closely with the NHFB and the Administrator to process deposits and payments through the Administrator of the National Health Funding Pool Payments System (Payments System). In 2018–19, 4,137 transactions were processed through the Payments System.

# The National Health Funding Pool Framework

## Legislation and Agreements

The Administrator and the NHFB are governed by the NHR Act, State and Territory legislation, the NHR Agreement and the Addendum to the NHR Agreement (the Addendum).

All jurisdictions entered into the NHR Agreement in August 2011. It sets out the Commonwealth, State and Territory governments' shared intention to improve health outcomes and ensure the sustainability of the health system for all Australians.

## Funding Policies

### 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 contribution to funding public hospital services, conduct reconciliation activities, and ensure national comparability.

### Data Governance Policy

The Data Governance Policy sets out the policy for dealing with the collection, use, storage, disclosure and destruction of data received by the Administrator and the NHFB.

## Data Compliance Policy

The Data Compliance Policy comprises the Administrator's policy on jurisdictional compliance with data provisions as required in the Administrator's Three-Year Data Plan.

## Calculation of Commonwealth National Health Reform Funding 2017-20

This document sets out the approach and processes for calculating Commonwealth national health reform funding (including reconciliation). The policy also incorporates the implementation of the annual 6.5 per cent cap on Commonwealth growth funding and safety and quality adjustments which came into effect in 2017-18.

## Business Rules for Data Matching

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

## Payments System Procedures Manual

The National Health Reform Public Hospital Funding Procedures Manual and States and Territories Procedures Manual cover the procedures for authorised NHFB and State and Territory staff to process National Health Funding Pool deposits and payments through the Payments System.

# The Future of National Health Reform and Funding Arrangements

**On 1 April 2018, COAG drafted the *Heads of Agreement between the Commonwealth and the States and Territories on public hospital funding and health reform* (the HoA). The HoA sets out the public hospital funding arrangements for the period 2020–21 to 2024–25.**

These arrangements continue those agreed to by jurisdictions under the NHR Agreement and the Addendum, including the:

- + National Funding Cap, which limits growth in Commonwealth national health reform funding at 6.5 per cent a year
- + Safety and Quality Adjustment, a reduction in funding for poor safety and quality outcomes
- + Data Conditional Payment, a temporary funding reduction due to delayed submission of data.

The HoA also reaffirms the role of the Administrator and NHFB in the transparent and efficient administration of public hospital funding.

The Commonwealth, States and Territories will, within the framework of the HoA, negotiate a new NHR Agreement for the period 2020–21 to 2024–25.

As at time of writing, seven of the nine jurisdictions have signed the HoA.

# Calculating the Commonwealth Contribution

## 2018–19 Commonwealth Funding

**Commonwealth funding for ABF, block, and public health was calculated using the Commonwealth Contribution Model, a transparent, robust and independently reviewed methodology.**

The CCM calculations form the basis of payment advice to the Commonwealth Treasurer. This advice is provided to all Health Ministers.

The sequence of events leading to the provision of advice to the Commonwealth Treasurer and Commonwealth and State and Territory Health Ministers is summarised under **Highlights and What's Ahead** (page 14).

### 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. This is updated throughout the year based on revised estimates.

- + As input to the Mid-Year Economic and Fiscal Outlook (MYEFO).

Four updates were made to the Commonwealth contribution for 2018–19. The Administrator provided payment advice to the Commonwealth Treasurer and State and Territory Health Ministers on:

- + 2 August 2018;
- + 28 September 2018;
- + 27 March 2019; and
- + 28 May 2019.

This payment advice included the outstanding annual reconciliations for 2016–17 and 2017–18 which provided States and Territories with an additional \$1 billion in payments in 2018–19 through the Pool, resulting in a total of \$50 billion in public hospital funding.



# Highlights and What's Ahead

2018	Administrator's payment advice provided to the Commonwealth Treasurer (included 2016–17 annual reconciliation)	SEPTEMBER
	Administrator's National Health Funding Pool 2017–18 Annual Report published	OCTOBER
2019	Administrator's Data Governance Policy published	FEBRUARY
	Administrator's Three Year Data Plan provided to COAG HC	MARCH
	Administrator's payment advice provided to the Commonwealth Treasurer (included 2017–18 annual reconciliation)	
	New website <a href="http://publichospitalfunding.gov.au">publichospitalfunding.gov.au</a> launched	JUNE
	Administrator's payment advice provided to the Commonwealth Treasurer (included 2018–19 six month reconciliation)	AUGUST
	New Administrator's Payments System launched	OCTOBER
	Publish the Administrator's National Health Funding Pool 2018–19 Annual Report	
2020	Provide payment advice to the Commonwealth Treasurer	NOVEMBER
	Provide payment advice to the Commonwealth Treasurer	APRIL
	Table Administrator's Three Year Data Plan at COAG HC	JUNE
	Public hospital funding agreement to commence	JULY

# Reporting on Funding and Payments

**Section 240 of the NHR Act requires the Administrator to provide monthly reports to the Commonwealth and each State and Territory. These reports are also publicly available to improve the transparency of public hospital funding.**

The monthly reports provide details of monthly and year-to-date funding and payments into and out of the State Pool Accounts and State Managed Funds paid to LHNs. They also include the number of weighted public hospital services funded. All of these reports are broken down by Commonwealth and State and Territory contributions, and service category.

The NHFB produces approximately 152 reports each month on behalf of the Administrator, comprising:

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

These reports form the basis of the State and Territory funding and payments tables provided in this annual report and are available from: [publichospitalfunding.gov.au](http://publichospitalfunding.gov.au)



**\$49.9B**

total funding

MADE UP OF

**\$21.7B**

Commonwealth funding

**\$28.1B**

State funding

INCLUSIVE OF

**\$42.1B**

Activity Based Funding

DELIVERING

**8,823,088**

weighted public  
hospital services  
measured in NWAU



NATIONAL

# Certification Letter to the Administrator



**National Health  
Funding Body**

**National Health Funding Body**  
GPO Box 1252 Canberra ACT 2601  
ABN: 15337761242

**Telephone:** 1300 930 522  
**Email:** nhfb.enquiries@nhfb.gov.au

27 September 2019

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

Dear Mr Lambert,

## **National Health Funding Pool Annual Report 2018-19**

This letter outlines the assurance arrangements in place for the preparation of the 2018-19 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 2018-19.

### *Financial Statements*

The National Health Funding Body (NHFB) has prepared a financial statement for the year ended 30 June 2019 for each of the State Pool Accounts as required by section 241(3) of the Act. The financial statements have been prepared as special purpose financial statements on a cash accounting basis. This is consistent with the financial statements prepared in previous financial years.

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

System and process controls that ensure the integrity of the NHFA Payments System were in place throughout the financial year. A Reasonable Assurance Review of the NHFA Payments System for the financial year was conducted by an independent third party and no material issues were identified in the control framework. No incidents of fraud have been identified in relation to the operation of the State Pool Accounts through the NHFA Payments System or the Reserve Bank of Australia processes.

### *Funding and Payments*

The NHFB has also prepared funding and payment information for the 2018-19 financial year as required by section 241(2) of the Act. This information includes detail on funding and payments into and out of the State Pool Accounts and State Managed Funds by the Commonwealth and States and Territories, as well as amounts paid to local hospital networks, including the number of public hospital services funded.

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

*Proudly assisting the Administrator of the National Health Funding Pool*

*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 2019, 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



Svetlana Angelkoska  
A/g Chief Finance Officer  
National Health Funding Body

*Proudly assisting the Administrator of the National Health Funding Pool*





# NATIONAL

## Funding and payments

### **National Health Reform Disclosures for the Year Ended 30 June 2019**

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

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 [publichospitalfunding.gov.au](http://publichospitalfunding.gov.au)

For further information on the types of national health reform funding, refer to the 'Overview' 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.

The basis of Commonwealth NHR funding for 2018–19 is as follows:

### **Public Health (Clause A43 and A44)**

*Payments for Public Health activities for 2018–19 will be equal to the previous year's payment indexed by the former National Healthcare SPP growth factor.*

### **Block Funding (Clause A50)**

*Payments for 2017–18 and 2018–19 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 A27–A30 (calculated in accordance with clause A4).*

### **Activity Based Funding (Clause A34)**

*In 2017–18 and 2018–19, the Commonwealth's funding for each ABF service category will be calculated individually for each State by summing:*

- a. previous year amount: the Commonwealth's percentage funding rate for the relevant State in the previous year multiplied by the volume of weighted services provided in the previous year multiplied by the NEP in the previous year;*
- b. price adjustment: the volume of weighted services provided in the previous year multiplied by the change in the NEP relative to the previous year multiplied by 45 per cent; and*
- c. volume adjustment: the net change in volume of weighted services to be provided in the relevant State (relative to the volume of weighted services provided in the previous year) multiplied by the NEP multiplied by 45 per cent.*

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

State or Territory	Amount paid by State/Territory (\$'000)					
	2018-19			2017-18		
	State Pool Account — ABF	State Managed Fund — Block	Total	State Pool Account — ABF	State Managed Fund — Block	Total
New South Wales	6,163,816	954,889	7,118,705	6,472,130	899,005	7,371,135
Victoria	5,441,577	892,509	6,334,086	4,990,212	734,521	5,724,732
Queensland	5,588,033	1,121,938	6,709,971	5,829,653	1,031,608	6,861,261
Western Australia	2,751,444	308,798	3,060,243	1,920,468	441,397	2,361,864
South Australia	2,232,000	189,649	2,421,649	1,633,000	248,415	1,881,415
Tasmania	420,153	450,878	871,031	367,226	422,422	789,648
Australian Capital Territory	577,178	77,410	654,588	583,900	45,847	629,747
Northern Territory	294,319	675,557	969,876	294,319	645,909	940,228
<b>NATIONAL TOTAL</b>	<b>23,468,520</b>	<b>4,671,629</b>	<b>28,140,149</b>	<b>22,090,908</b>	<b>4,469,124</b>	<b>26,560,030</b>

<sup>^</sup>In accordance with the provisions of the Act, this table does not include interest deposited in the Pool account and cross-border receipts from other States and Territories, as these were made from contributors other than the relevant State or Territory. Details of these flows are located in the Pool Account Special Purpose Financial Statement of each State/Territory.

For each State and Territory's basis of payments, refer to individual State and Territory 'NHR funding and payments' chapters.

The amounts paid into each State Pool Account by the Commonwealth and the basis on which the Payments were made —  
Section 24(2)(B)

State or Territory	Amount paid by Commonwealth into State Pool Account (\$'000)									
	2018-19					2017-18				
	Activity Based Funding	Block funding	Public Health funding	Total		Activity Based Funding	Block funding	Public Health funding	Total	
New South Wales	5,727,444	881,703	127,554	6,736,701		5,156,605	742,001	123,892	6,022,498	
Victoria	4,235,453	709,424	105,326	5,050,203		4,343,654	578,304	99,719	5,021,676	
Queensland	4,663,022	495,720	80,252	5,238,994		3,765,086	446,514	77,549	4,289,149	
Western Australia	1,929,618	297,686	40,142	2,267,445		1,854,767	278,733	40,629	2,174,129	
South Australia	1,110,528	181,935	27,616	1,320,079		1,146,493	175,261	27,068	1,348,823	
Tasmania	345,244	70,851	8,432	424,526		353,084	62,819	8,172	424,075	
Australian Capital Territory	378,266	28,292	6,879	413,437		353,445	25,677	6,459	385,581	
Northern Territory	260,402	21,352	3,915	285,670		247,303	20,123	3,848	271,274	
<b>NATIONAL TOTAL</b>	<b>18,649,976</b>	<b>2,686,964</b>	<b>400,115</b>	<b>21,737,055</b>		<b>17,220,437</b>	<b>2,329,432</b>	<b>387,336</b>	<b>19,937,205</b>	

The amounts paid from each State Pool Account to Local Hospital Networks, a State Managed Fund or Other Organisations or Funds and the basis on which the Payments were made – Section 241(2)(C)

State or Territory	Amount paid from State Pool Account (including CW and S/T) (\$'000)							
	2018-19			2017-18				
	Local Hospital Networks	State Managed Fund	Other organisations or funds	Total	Local Hospital Networks	State Managed Fund	Other organisations or funds	Total
New South Wales	11,692,446	881,703	404,760	12,978,909	11,443,135	742,001	400,113	12,585,249
Victoria	9,723,818	709,424	204,620	10,637,862	9,177,214	578,304	215,343	9,970,860
Queensland	10,212,655	495,720	179,115	10,887,490	9,557,539	446,514	173,980	10,178,033
Western Australia	4,680,802	298,251	40,402	5,019,455	3,775,235	278,733	40,629	4,094,597
South Australia	3,080,086	181,935	27,616	3,289,637	2,938,609	175,261	27,068	3,140,938
Tasmania	764,831	70,851	9,263	844,945	720,309	62,819	8,182	791,310
Australian Capital Territory	1,034,764	28,292	26,679	1,089,735	1,013,545	25,677	25,659	1,064,881
Northern Territory	554,721	21,352	3,915	579,989	541,622	20,123	3,848	565,593
<b>NATIONAL TOTAL</b>	<b>41,744,122</b>	<b>2,687,529</b>	<b>896,390</b>	<b>45,328,021</b>	<b>39,167,208</b>	<b>2,329,432</b>	<b>894,822</b>	<b>42,391,461</b>

For detailed information regarding each State and Territory, including basis of payments refer to individual State and Territory 'National Health Reform Funding and Payments' chapters.

The amounts paid from each State Managed Fund to Local Hospital Networks or Other Organisations or Funds and the basis on which the Payments were made — Section 241(2)(D)

State or Territory	Amount paid from State Managed Fund (including CW and S/T) (\$'000)					
	2018-19			2017-18		
	Local Hospital Networks	Other organisations or funds	Total	Local Hospital Networks	Other organisations or funds	Total
New South Wales	1,836,592	-	1,836,592	1,641,006	-	1,641,006
Victoria	1,556,128	45,806	1,601,934	1,312,824	40,705	1,353,529
Queensland	1,617,658	-	1,617,658	1,478,122	-	1,478,122
Western Australia	598,486	7,998	606,484	712,974	7,155	720,129
South Australia	371,584	-	371,584	423,676	-	423,676
Tasmania	521,729	-	521,729	485,241	-	485,241
Australian Capital Territory	105,702	-	105,702	71,524	-	71,524
Northern Territory	696,909	-	696,909	666,032	-	666,032
<b>NATIONAL TOTAL</b>	<b>7,304,789</b>	<b>53,804</b>	<b>7,358,593</b>	<b>6,791,399</b>	<b>47,860</b>	<b>6,839,259</b>

For detailed information regarding each State and Territory, including basis of payments refer to individual State and Territory 'National Health Reform Funding and Payments' chapters.

**The number of Public Hospital Services funded for each State or Territory in accordance with the system of Activity Based Funding – Section 241(2)(E)**

State or Territory	Number of ABF public hospital services funded (NWAU)	
	2018-19 <sup>1</sup> Estimate	2017-18 <sup>2</sup> Actual
New South Wales	2,747,328	2,702,140
Victoria	2,215,000	2,035,773
Queensland	1,890,701	1,787,310
Western Australia	885,540	857,821
South Australia	595,071	585,295
Tasmania	164,000	159,559
Australian Capital Territory	158,697	154,570
Northern Territory	166,751	151,941
<b>NATIONAL TOTAL</b>	<b>8,823,088</b>	<b>8,434,409</b>

<sup>1</sup> 2018-19 NWAU as per the updated activity estimates as at the Administrator's June 2019 Payment Advice.

<sup>2</sup> 2017-18 NWAU as per the 2017-18 annual reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2017-18.

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

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

The amounts listed are aggregates for each State and Territory. For detailed information refer to individual State and Territory 'NHR funding and payments' chapters.

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

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

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







**National Health Funding Pool  
Combined State Pool Accounts  
Special purpose financial statement  
for the year ended 30 June 2019**

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



# COMBINED

Financial  
Statement



**Administrator  
National Health  
Funding Pool**

**Office of the Administrator**  
GPO Box 1252 Canberra ACT 2601

**Telephone:** 1300 930 522  
**Email:** nhfa.administrator@nhfa.gov.au

27 September 2019

**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 a statement of receipts and payments with attached notes provides a fair presentation in accordance with the Commonwealth *National Health Reform Act 2011* and the National Health Reform Agreement 2011.

In my opinion, the attached special purpose financial statement for the year ended 30 June 2019 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.

Yours sincerely,

Michael Lambert  
Administrator  
National Health Funding Pool

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Combined State Pool Accounts  
Statement of receipts and payments  
for the year ended 30 June 2019

	NSW \$ '000	VIC \$ '000	QLD \$ '000	WA \$ '000	SA \$ '000
<b>RECEIPTS INTO THE State Pool Account</b>					
<b>From Commonwealth</b>					
Activity based funding	5,727,444	4,235,453	4,663,022	1,929,618	1,110,528
Block funding	881,703	709,424	495,720	297,686	181,935
Public health funding	127,554	105,326	80,252	40,142	27,616
<b>From State/Territory</b>					
Activity based funding	5,956,396	5,431,977	5,549,633	2,751,184	2,232,000
Cross border contribution	207,420	9,600	38,400	260	-
<b>From other States or Territories</b>					
Cross border receipts	67,800	48,300	60,000	565	-
<b>From Reserve Bank of Australia</b>					
Interest receipts	1,986	1,725	463	-	3,810
<b>TOTAL RECEIPTS</b>	<b>12,970,302</b>	<b>10,541,805</b>	<b>10,887,490</b>	<b>5,019,455</b>	<b>3,555,888</b>
<b>PAYMENTS OUT OF THE State Pool Account</b>					
<b>To Local Hospital Networks</b>					
Activity based funding	11,692,446	9,723,818	10,212,655	4,680,802	3,080,086
<b>To State Managed Funds</b>					
Block funding	881,703	709,424	495,720	297,686	181,935
Cross border transfer	-	-	-	565	-
<b>To State/Territory Health Department</b>					
Public health funding	127,554	105,326	80,252	40,142	27,616
Interest payments	1,986	1,725	463	-	-
Cross border transfer	67,800	48,300	60,000	-	-
Withdrawal of over-deposit	-	39,670	-	-	-
<b>To other States or Territories</b>					
Cross border payments	207,420	9,600	38,400	260	-
<b>TOTAL PAYMENTS</b>	<b>12,978,909</b>	<b>10,637,862</b>	<b>10,887,490</b>	<b>5,019,455</b>	<b>3,289,637</b>
<b>NET RECEIPTS/(PAYMENTS) FOR THE YEAR</b>	<b>(8,606)</b>	<b>(96,057)</b>	<b>-</b>	<b>-</b>	<b>266,252</b>
<b>OPENING CASH BALANCE</b>	<b>8,606</b>	<b>96,057</b>	<b>-</b>	<b>7</b>	<b>43,060</b>
<b>CLOSING CASH BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>309,312</b>

The unaudited Combined State Pool Account is an aggregation of the audited financial statements for each State (and Territory) Pool Account for the year ended 30 June 2019. State Pool Accounts are audited by the respective Auditor-General for each State and Territory.

Combined State Pool Accounts  
Statement of receipts and payments  
for the year ended 30 June 2019

	TAS \$ '000	ACT \$ '000	NT \$ '000	TOTAL \$ '000
<b>RECEIPTS INTO THE State Pool Account</b>				
<b>From Commonwealth</b>				
Activity Based Funding	345,244	378,266	260,402	<b>18,649,976</b>
Block funding	70,851	28,292	21,352	<b>2,686,964</b>
Public health funding	8,432	6,879	3,915	<b>400,115</b>
<b>From State/Territory</b>				
Activity Based Funding	419,588	557,378	294,319	<b>23,192,474</b>
Cross border contribution	565	19,800	-	<b>276,046</b>
<b>From other States or Territories</b>				
Cross border receipts	260	99,120	-	<b>276,046</b>
<b>From Reserve Bank of Australia</b>				
Interest receipts	5	-	11	<b>8,001</b>
<b>TOTAL RECEIPTS</b>	<b>844,945</b>	<b>1,089,735</b>	<b>579,999</b>	<b>45,489,621</b>
<b>PAYMENTS OUT OF THE State Pool Account</b>				
<b>To Local Hospital Networks</b>				
Activity Based Funding	764,831	1,034,764	554,721	<b>41,744,122</b>
<b>To State Managed Fund</b>				
Block funding	70,851	28,292	21,352	<b>2,686,964</b>
Cross border transfer	-	-	-	<b>565</b>
<b>To State/Territory Health Department</b>				
Public health funding	8,432	6,879	3,915	<b>400,115</b>
Interest payments	5	-	-	<b>4,179</b>
Cross border transfer	260	-	-	<b>176,360</b>
Withdrawal of over deposit	-	-	-	<b>39,670</b>
<b>To other States or Territories</b>				
Cross border payments	565	19,800	-	<b>276,046</b>
<b>TOTAL PAYMENTS</b>	<b>844,945</b>	<b>1,089,735</b>	<b>579,988</b>	<b>45,328,021</b>
<b>NET RECEIPTS/(PAYMENTS) FOR THE YEAR</b>	<b>-</b>	<b>-</b>	<b>11</b>	<b>161,600</b>
<b>OPENING CASH BALANCE</b>	<b>-</b>	<b>-</b>	<b>75</b>	<b>147,805</b>
<b>CLOSING CASH BALANCE</b>	<b>-</b>	<b>-</b>	<b>86</b>	<b>309,405</b>

The unaudited Combined State Pool Account is an aggregation of the audited financial statements for each State (and Territory) Pool Account for the year ended 30 June 2019. State Pool Accounts are audited by the respective Auditor-General for each State and Territory.

Combined State Pool Accounts  
Statement of receipts and payments  
for the year ended 30 June 2018

	NSW \$ '000	VIC \$ '000	QLD \$ '000	WA \$ '000	SA \$ '000
<b>RECEIPTS INTO THE State Pool Account</b>					
<b>From Commonwealth</b>					
Activity based funding	5,156,605	4,343,653	3,765,086	1,854,767	1,146,493
Block funding	742,001	578,304	446,514	278,733	175,261
Public health funding	123,892	99,719	77,549	40,629	27,068
<b>From State/ Territory</b>					
Activity based funding	6,263,930	4,980,612	5,792,453	1,920,468	1,633,000
Cross border contribution	208,200	9,600	37,200	-	-
<b>From other States or Territories</b>					
Cross border receipts	66,000	54,000	58,800	-	-
<b>From Reserve Bank of Australia</b>					
Interest receipts	2,021	1,030	431	7	2,432
<b>TOTAL RECEIPTS</b>	<b>12,562,649</b>	<b>10,066,918</b>	<b>10,178,033</b>	<b>4,094,604</b>	<b>2,984,255</b>
<b>PAYMENTS OUT OF THE State Pool Account</b>					
<b>To Local Hospital Networks</b>					
Activity based funding	11,443,135	9,177,214	9,557,539	3,775,235	2,938,609
<b>To State Managed Funds</b>					
Block funding	742,001	578,305	446,514	278,733	175,261
Cross border transfer	-	-	-	-	-
<b>To State/Territory Health Department</b>					
Public health funding	123,892	99,719	77,549	40,629	27,068
Interest payments	2,021	1,030	431	-	-
Cross border transfer	66,000	54,000	58,800	-	-
Withdrawal of over-deposit	-	50,994	-	-	-
<b>To other States or Territories</b>					
Cross border payments	208,200	9,600	37,200	-	-
<b>TOTAL PAYMENTS</b>	<b>12,585,249</b>	<b>9,970,861</b>	<b>10,178,033</b>	<b>4,094,597</b>	<b>3,140,938</b>
<b>NET RECEIPTS/(PAYMENTS) FOR THE YEAR</b>	<b>( 22,600)</b>	<b>96,057</b>	<b>-</b>	<b>7</b>	<b>(156,683)</b>
<b>OPENING CASH BALANCE</b>	<b>31,206</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>199,743</b>
<b>CLOSING CASH BALANCE</b>	<b>8,606</b>	<b>96,057</b>	<b>-</b>	<b>7</b>	<b>43,060</b>

The unaudited Combined State Pool Account is an aggregation of the audited financial statements for each State (and Territory) Pool Account for the year ended 30 June 2018. State Pool Accounts are audited by the respective Auditor-General for each State and Territory.



Combined State Pool Accounts  
Statement of receipts and payments  
for the year ended 30 June 2018

	TAS \$ '000	ACT \$ '000	NT \$ '000	TOTAL \$ '000
<b>RECEIPTS INTO THE State Pool Account</b>				
<b>From Commonwealth</b>				
Activity Based Funding	353,084	353,445	247,303	<b>17,220,436</b>
Block funding	62,819	25,677	20,123	<b>2,329,432</b>
Public health funding	8,172	6,459	3,848	<b>387,336</b>
<b>From State/Territory</b>				
Activity Based Funding	367,226	564,700	294,319	<b>21,816,707</b>
Cross border contribution	-	19,200	-	<b>274,200</b>
<b>From other States or Territories</b>				
Cross border receipts	-	95,400	-	<b>274,200</b>
<b>From Reserve Bank of Australia</b>				
Interest receipts	10	-	12	<b>5,944</b>
<b>TOTAL RECEIPTS</b>	<b>791,310</b>	<b>1,064,881</b>	<b>565,605</b>	<b>42,308,255</b>
<b>PAYMENTS OUT OF THE State Pool Account</b>				
<b>To Local Hospital Networks</b>				
Activity Based Funding	720,309	1,013,545	541,622	<b>39,167,208</b>
<b>To State Managed Fund</b>				
Block funding	62,819	25,677	20,123	<b>2,329,433</b>
Cross border transfer	-	-	-	-
<b>To State/Territory Health Department</b>				
Public health funding	8,172	6,459	3,848	<b>387,336</b>
Interest payments	10	-	-	<b>3,493</b>
Cross border transfer	-	-	-	<b>178,800</b>
Withdrawal of over-deposit	-	-	-	<b>50,994</b>
<b>To other States or Territories</b>				
Cross border payments	-	19,200	-	<b>274,200</b>
<b>TOTAL PAYMENTS</b>	<b>791,310</b>	<b>1,064,881</b>	<b>565,593</b>	<b>42,391,464</b>
<b>NET RECEIPTS/(PAYMENTS) FOR THE YEAR</b>	<b>-</b>	<b>-</b>	<b>12</b>	<b>(83,207)</b>
<b>OPENING CASH BALANCE</b>	<b>-</b>	<b>-</b>	<b>63</b>	<b>231,012</b>
<b>CLOSING CASH BALANCE</b>	<b>-</b>	<b>-</b>	<b>75</b>	<b>147,805</b>

The unaudited Combined State Pool Account is an aggregation of the audited financial statements for each State (and Territory) Pool Account for the year ended 30 June 2018. State Pool Accounts are audited by the respective Auditor-General for each State and Territory.

## NOTE 1: Summary of Significant Accounting Policies

The Administrator of the National Health Funding Pool (Administrator) is an independent statutory office holder, distinct from the Commonwealth, State and Territory governments, established under legislation of the Commonwealth and State and Territory governments. Mr Peter Achterstraat AM was appointed in February 2016 and his contract concluded on 31 March 2018. The office of the Administrator was vacant from this date until 17 July 2018 upon which date Mr Michael Lambert was appointed as the new Administrator.

### (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.

### (B) Basis Of Preparation

The special purpose financial statement has been prepared in accordance with Section 242 of the Commonwealth National Health Reform Act 2011.

The special purpose financial statement has been prepared on a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

The financial statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The financial statement was authorised for release by the Administrator on 27 September 2019.

### (C) Comparative Figures

Prior year comparative information has been disclosed. The results for 2017–18 are for the year ended 30 June 2018 and the results for 2018–19 are for the year ended 30 June 2019.

## (D) National Health Funding Pool

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

## (E) Activity Based Funding

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

In 2017–18 and 2018–19 the Commonwealth, States and Territories ABF supported the following:

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

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

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

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

In 2017, the Council of Australian Governments signed an Addendum to the National Health Reform Agreement. The Addendum amends specified elements of the operation of the National Health Reform Agreement for a period of three years. From 1 July 2017 to 30 June 2020, the Commonwealth will fund 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.

## (F) Block Funding

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

In 2017–18 and 2018–19 the Commonwealth block funding supported the following:

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

In 2018–19 the Commonwealth block funding also supported other public hospital programs.

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.

State and Territory Block Funding is paid into State Managed Funds.

## (G) Public Health Funding

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

## (H) Cross-border

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

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

## (I) Interest

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

## **(J) Taxation**

State and Territory Pool Accounts are not subject to income tax. The majority of government funding, from both the Commonwealth and 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.

## Note 2: Amounts 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 (2018–19) and Note 2B (2017–18) summarise the calculated Commonwealth contribution by national health reform type and service category. These include amounts paid by the Commonwealth into each State Pool Account for funding related to services provided in the current year as well as adjustments due to reconciliation of actual services delivered in the prior year.

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

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

## NOTE 2A: Amounts paid by the Commonwealth into each State Pool Account in 2018–19 (\$'000)<sup>1</sup>

	NSW \$'000	VIC \$'000	QLD \$'000	WA \$'000	SA \$'000
<b>PAYMENTS IN RESPECT OF 2018–19 SERVICES</b>					
<b>ACTIVITY BASED FUNDING BY SERVICE TYPE</b>					
Emergency department	605,127	457,923	483,825	223,419	126,670
Acute admitted	3,075,561	2,892,521	2,544,684	1,163,016	669,794
Admitted mental health	238,834	212,056	174,678	102,399	75,935
Sub-acute	309,186	307,753	164,241	92,189	56,212
Non-admitted	1,221,314	521,460	699,409	320,244	203,093
Payments in respect of 2016–17 Services	181,268	(104,639)	209,057	2,589	(14,671)
Payments in respect of 2017–18 Services	96,154	(51,621)	387,129	25,761	(6,505)
<b>TOTAL ACTIVITY BASED FUNDING</b>	<b>5,727,444</b>	<b>4,235,453</b>	<b>4,663,022</b>	<b>1,929,618</b>	<b>1,110,528</b>
<b>BLOCK FUNDING</b>					
Small rural hospitals	205,666	126,953	62,777	103,022	31,632
Teaching, training and research	440,097	92,142	237,661	102,669	86,874
Non-admitted mental health	210,889	398,427	172,143	76,269	41,427
Non-admitted home ventilation services	8,627	4,820	7,021	5,545	1,088
Other non-admitted services	–	9	3,314	–	18,648
Other public hospital programs	–	77,805	–	–	–
Payments in respect of 2016–17 Services	8,007	4,527	5,953	4,806	1,429
Payments in respect of 2017–18 Services	8,417	4,740	6,850	5,374	837
<b>TOTAL BLOCK FUNDING</b>	<b>881,703</b>	<b>709,424</b>	<b>495,720</b>	<b>297,686</b>	<b>181,935</b>
<b>PUBLIC HEALTH FUNDING</b>					
Public health funding	128,077	103,937	80,398	41,491	27,735
Payments in respect of 2016–17 Services	(174)	1,433	(94)	(1,065)	(23)
Payments in respect of 2017–18 Services	(349)	(44)	(52)	(285)	(96)
<b>TOTAL PUBLIC HEALTH FUNDING</b>	<b>127,554</b>	<b>105,326</b>	<b>80,252</b>	<b>40,142</b>	<b>27,616</b>
<b>TOTAL AMOUNT PAID BY THE COMMONWEALTH INTO EACH STATE POOL ACCOUNT IN 2018–19<sup>2</sup></b>					
<b>AMOUNT PAID IN 2018–19</b>	<b>6,736,701</b>	<b>5,050,203</b>	<b>5,238,994</b>	<b>2,267,445</b>	<b>1,320,079</b>

<sup>1</sup> 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.

<sup>2</sup> Total amount paid by the Commonwealth is the sum of Activity Based Funding, Block funding and Public health funding.



## NOTE 2A: Amounts paid by the Commonwealth into each State Pool Account in 2018–19 (\$'000)<sup>1</sup>

	TAS \$'000	ACT \$'000	NT \$'000	TOTAL \$'000
<b>PAYMENTS IN RESPECT OF 2019–19 SERVICES</b>				
<b>ACTIVITY BASED FUNDING BY SERVICE TYPE</b>				
Emergency department	41,646	41,595	31,051	<b>2,011,255</b>
Acute admitted	236,694	229,396	153,151	<b>10,964,818</b>
Admitted mental health	13,526	16,771	6,772	<b>840,972</b>
Sub-acute	14,435	16,822	13,434	<b>974,272</b>
Non-admitted	47,028	48,085	50,866	<b>3,111,499</b>
Payments in respect of 2016–17 Services	(7,743)	15,908	(1,077)	<b>280,691</b>
Payments in respect of 2017–18 Services	(343)	9,689	6,206	<b>466,470</b>
<b>TOTAL ACTIVITY BASED FUNDING</b>	<b>345,244</b>	<b>378,266</b>	<b>260,402</b>	<b>18,649,976</b>
<b>BLOCK FUNDING</b>				
Small rural hospitals	15,867	6,410	5,516	<b>557,844</b>
Teaching, training and research	36,414	1,122	11,599	<b>1,008,578</b>
Non-admitted mental health	15,191	19,099	4,138	<b>937,583</b>
Non-admitted home ventilation services	1,158	562	35	<b>28,856</b>
Other non-admitted services	-	-	-	<b>21,972</b>
Other public hospital programs	-	-	-	<b>77,805</b>
Payments in respect of 2016–17 Services	1,074	537	32	<b>26,366</b>
Payments in respect of 2017–18 Services	1,147	562	34	<b>27,961</b>
<b>TOTAL BLOCK FUNDING</b>	<b>70,851</b>	<b>28,292</b>	<b>21,352</b>	<b>2,686,964</b>
<b>PUBLIC HEALTH FUNDING</b>				
Public health funding	8,455	6,759	3,924	400,775
Payments in respect of 2016–17 Services	(40)	87	(11)	112
Payments in respect of 2017–18 Services	17	33	3	(773)
<b>TOTAL PUBLIC HEALTH FUNDING</b>	<b>8,432</b>	<b>6,879</b>	<b>3,915</b>	<b>400,115</b>
<b>TOTAL AMOUNT PAID BY THE COMMONWEALTH INTO EACH STATE POOL ACCOUNT IN 2018–19<sup>2</sup></b>				
<b>AMOUNT PAID IN 2018–19</b>	<b>424,526</b>	<b>413,437</b>	<b>285,670</b>	<b>21,737,055</b>

<sup>1</sup> 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.

<sup>2</sup> Total amount paid by the Commonwealth is the sum of Activity Based Funding, Block funding and Public health funding.

## NOTE 2B: Amounts paid by the Commonwealth into each State Pool Account in 2017–18 (\$'000)<sup>1</sup>

	NSW \$'000	VIC \$'000	QLD \$'000	WA \$'000	SA \$'000
<b>PAYMENTS IN RESPECT OF 2017-18 SERVICES</b>					
<b>ACTIVITY BASED FUNDING</b>					
Emergency department	574,433	401,927	411,566	219,758	117,777
Acute admitted	2,936,790	2,766,859	2,216,525	1,085,310	668,114
Admitted mental health	223,910	166,334	165,441	103,184	81,299
Sub-acute	303,992	288,172	101,089	71,100	53,379
Non-admitted	1,140,079	624,304	534,948	322,721	183,335
Payments in respect of 2016–17 Services	38,672	100,622	166,952	27,560	2,611
Payments in respect of 2015–16 and 2014–15 Services	(61,271)	(4,565)	168,565	25,135	39,978
<b>TOTAL ACTIVITY BASED FUNDING</b>	<b>5,156,605</b>	<b>4,343,653</b>	<b>3,765,086</b>	<b>1,854,767</b>	<b>1,146,493</b>
<b>BLOCK FUNDING</b>					
Teaching, training and research	197,748	125,892	52,906	98,869	33,662
Small rural hospitals	340,624	87,391	238,258	107,569	83,040
Non-admitted mental health	203,629	364,980	152,116	72,294	40,125
Other non-admitted services	-	41	3,234	-	18,435
<b>TOTAL BLOCK FUNDING</b>	<b>742,001</b>	<b>578,304</b>	<b>446,514</b>	<b>278,733</b>	<b>175,261</b>
<b>PUBLIC HEALTH FUNDING</b>					
Public health funding	123,892	99,719	77,549	40,629	27,068
<b>TOTAL PUBLIC HEALTH FUNDING</b>	<b>123,892</b>	<b>99,719</b>	<b>77,549</b>	<b>40,629</b>	<b>27,068</b>
<b>TOTAL AMOUNT PAID BY THE COMMONWEALTH INTO EACH STATE POOL ACCOUNT IN 2017-18<sup>2</sup></b>					
<b>AMOUNT PAID IN 2017-18</b>	<b>6,022,498</b>	<b>5,021,676</b>	<b>4,289,149</b>	<b>2,174,129</b>	<b>1,348,822</b>

<sup>1</sup> 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.

<sup>2</sup> Total amount paid by the Commonwealth is the sum of Activity Based Funding, Block funding and Public health funding.

## NOTE 2B: Amounts paid by the Commonwealth into each State Pool Account in 2017–18 (\$'000)<sup>1</sup>

	TAS \$'000	ACT \$'000	NT \$'000	TOTAL \$'000
<b>PAYMENTS IN RESPECT OF 2017–18 SERVICES</b>				
<b>ACTIVITY BASED FUNDING</b>				
Emergency department	35,133	37,798	24,542	<b>1,822,934</b>
Acute admitted	229,129	213,275	152,040	<b>10,268,042</b>
Admitted mental health	13,429	15,114	3,112	<b>771,823</b>
Sub-acute	14,493	17,745	11,767	<b>861,737</b>
Non-admitted	48,118	46,865	41,691	<b>2,942,060</b>
Payments in respect of 2016–17 Services	8,493	7,341	2,146	<b>354,398</b>
Payments in respect of 2015–16 and 2014–15 Services	4,288	15,307	12,005	<b>199,442</b>
<b>TOTAL ACTIVITY BASED FUNDING</b>	<b>353,084</b>	<b>353,445</b>	<b>247,303</b>	<b>17,220,437</b>
<b>BLOCK FUNDING</b>				
Teaching, training and research	15,340	5,996	5,207	<b>535,619</b>
Small rural hospitals	34,360	1,075	11,051	<b>903,368</b>
Non-admitted mental health	13,120	18,605	3,866	<b>868,735</b>
Other non-admitted services	–	–	–	<b>21,709</b>
<b>TOTAL BLOCK FUNDING</b>	<b>62,819</b>	<b>25,677</b>	<b>20,123</b>	<b>2,329,432</b>
<b>PUBLIC HEALTH FUNDING</b>				
Public health funding	8,172	6,459	3,848	<b>387,336</b>
<b>TOTAL PUBLIC HEALTH FUNDING</b>	<b>8,172</b>	<b>6,459</b>	<b>3,848</b>	<b>387,336</b>
<b>TOTAL AMOUNT PAID BY THE COMMONWEALTH INTO EACH STATE POOL ACCOUNT IN 2017–18<sup>2</sup></b>				
<b>AMOUNT PAID IN 2017–18</b>	<b>424,075</b>	<b>385,581</b>	<b>271,274</b>	<b>19,937,204</b>

<sup>1</sup> 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.

<sup>2</sup> Total amount paid by the Commonwealth is the sum of Activity Based Funding, Block funding and Public health funding.

## Note 3: Commonwealth National Health Reform payment basis, cash and entitlements

The Administrator calculates the Commonwealth National Health Reform funding to local hospital networks on an entitlement basis for services provided. Cash payments in a financial year incorporate funding adjustments from the reconciliation of the prior year actual services provided.

Note 3 summarises the differences between entitlement based on actual services provided and cash paid in each financial year.

**The total of each row** is the cash paid in the relevant financial year, and is equal to the total for that financial year in the Combined Financial Statement.

**The total of each column** is the entitlement for services provided in the relevant financial year, and aligns with the respective Commonwealth Treasurer's *Federal Financial Relations (National Health Reform Payments) Determination*.

Combined State Pool Account  
Notes to and forming part of the special purpose financial statement  
for the year ended 30 June 2019

Cash basis: Financial year in which the payment is made into the National Health Funding Pool	Entitlement basis: Financial Year in which the activity occurred						
	\$'000	2014-15	2015-16 <sup>2</sup>	2016-17	2017-18	2018-19	Total
2014-15 <sup>1</sup> (Actual)	15,466,804	-	-	-	-	-	15,466,804
2015-16 (Actual)	327,760	16,858,720	-	-	-	-	17,186,480
2016-17 (Actual)	-	344,382	18,291,718	-	-	-	18,636,100
2017-18 (Actual)	31,554	167,888	354,398	19,383,365	-	-	19,937,205
2018-19 (Actual)	-	-	307,169	493,658	20,936,228	-	21,737,055
<b>TOTAL</b>	<b>15,826,119</b>	<b>17,370,989</b>	<b>18,953,284</b>	<b>19,877,023</b>	<b>20,936,228</b>	<b>-</b>	<b>-</b>

<sup>1</sup> The 2014-15 Actual of \$15,467 billion excludes \$0.0033 billion relating to service provided in 2013-14.

<sup>2</sup> The final funding entitlement for 2015-16 is in alignment with the 2015-16 Treasurer's Determination

**\$13.9B**

total funding

MADE UP OF

▼  
**\$6.7B**

Commonwealth funding

**\$7.1B**

State funding

INCLUSIVE OF

▼  
**\$5.7B**

Activity Based Funding

DELIVERING

**2,747,328**

weighted public  
hospital services  
measured in NWAU

A white hexagon is centered on a solid orange background. The letters 'NSW' are printed in a bold, orange, sans-serif font in the center of the hexagon. The hexagon is slightly offset from the center of the page, with more orange space on the right and bottom sides.

NSW

# NSW

## Funding and Payments

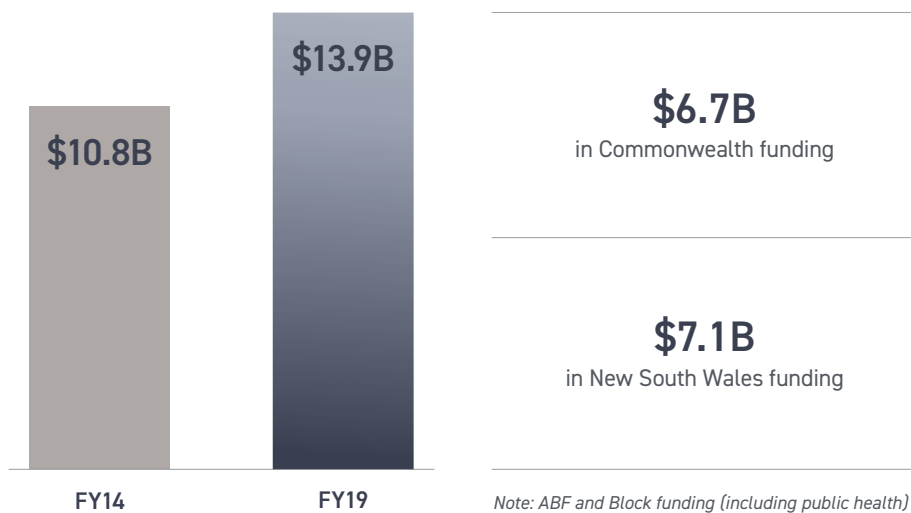
### **National Health Reform Disclosures for the Year Ended 30 June 2019**

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*.

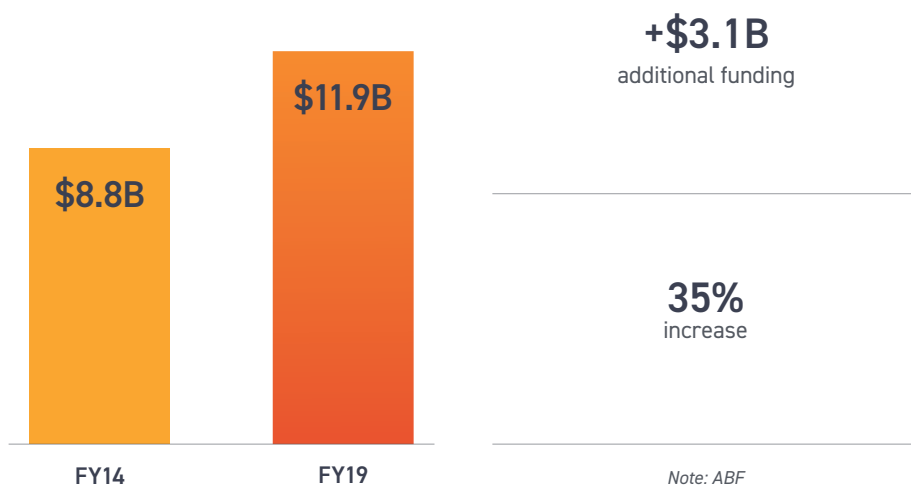


# New South Wales

## Growth in Public Hospital Funding since 2013-14



## Growth in Activity Based Funding since 2013-14



Section 241(2) of the NHR Act outlines certain disclosures to be reported 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. As such, figures may not add to the totals shown due to rounding.

NHR funding and payments shown in the following tables include 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 [publichospitalfunding.gov.au](http://publichospitalfunding.gov.au). For further information on the types of NHR funding, refer to the 'Overview' chapter of this Annual Report.

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

Component	Amount paid by Commonwealth into NSW State Pool Account (\$'000)	
	2018-19	2017-18
Activity Based Funding	5,727,444	5,156,605
Block funding	881,703	742,001
Public Health funding	127,554	123,892
<b>NSW TOTAL</b>	<b>6,736,701</b>	<b>6,022,498</b>

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

Component	Amount paid by New South Wales (\$'000)	
	2018-19	2017-18
State Pool Account – Activity Based Funding	6,163,816	6,472,130
State Managed Fund – Block funding	954,889	899,005
<b>NSW TOTAL</b>	<b>7,118,705</b>	<b>7,371,135</b>

*Note: In accordance with the provisions of the NHR Act, this table does not include interest deposited in the Pool account and cross-border receipts from other States and Territories, as these were made from contributors other than the relevant State or Territory. Details of these flows are located in the Pool Account Special Purpose Financial Statement of each State or Territory.*

**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)	
	2018-19 <sup>1</sup> Estimate	2017-18 <sup>2</sup> Actual
Albury NSW Local Health District	20,817	21,207
Central Coast Local Health District	133,218	121,623
Contracted Services	3,899	11,836
Far West Local Health District	10,856	11,397
Hunter New England Local Health District	316,970	308,186
Illawarra Shoalhaven Local Health District	148,900	144,346
Mid North Coast Local Health District	99,908	98,656
Murrumbidgee Local Health District	66,864	67,582
Nepean Blue Mountains Local Health District	140,661	131,735
Northern NSW Local Health District	134,332	131,583
Northern Sydney Local Health District	220,995	233,772
South Eastern Sydney Local Health District	271,571	259,999
South Western Sydney Local Health District	313,289	301,150
Southern NSW Local Health District	59,164	53,851
St Vincent's Health Network	75,475	71,992
Sydney Children's Hospitals Network	105,191	98,463
Sydney Local Health District	266,003	256,475
Western NSW Local Health District	102,545	106,086
Western Sydney Local Health District	256,670	272,201
<b>NSW TOTAL</b>	<b>2,747,328</b>	<b>2,702,140</b>

<sup>1</sup> 2018-19 NWAU as per the updated activity estimates as at the Administrator's June 2019 Payment Advice.

<sup>2</sup> 2017-18 NWAU as per the 2017-18 annual reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2017-18.

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

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

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

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

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

However, in 2017–18 and 2018–19 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 to Local Hospital Networks, a State Managed Fund or Other Organisations or Funds and the basis on which the Payments were made – Section 241(2)(C)

Recipient	Amount paid from NSW State Pool Account (\$'000)	
	2018-19	2017-18
Albury NSW Local Health Services	42,595	44,739
Central Coast Local Health District	583,837	571,171
Contracted Services	25,949	7,024
Far West Local Health District	59,274	59,975
Hunter New England Local Health District	1,338,872	1,284,579
Illawarra Shoalhaven Local Health District	631,783	634,429
Mid North Coast Local Health District	427,932	428,879
Murrumbidgee Local Health District	290,198	278,770
Nepean Blue Mountains Local Health District	602,387	591,995
Northern NSW Local Health District	570,434	560,181
Northern Sydney Local Health District	952,634	990,931
South Eastern Sydney Local Health District	1,091,840	1,086,305
South Western Sydney Local Health District	1,380,018	1,289,398
Southern NSW Local Health District	285,581	273,666
St Vincent's Health Network	306,610	270,961
Sydney Children's Hospitals Network	450,421	461,204
Sydney Local Health District	1,078,746	1,063,428
Western NSW Local Health District	439,414	445,046
Western Sydney Local Health District	1,133,921	1,100,454
<b>State Managed Fund</b>	<b>881,703</b>	<b>742,001</b>
<b>Other organisations or funds</b>	<b>404,760</b>	<b>400,113</b>
<b>NSW TOTAL</b>	<b>12,978,909</b>	<b>12,585,248</b>

<sup>^</sup>Includes a New South Wales cross-border contribution to other States or Territories.

For the New South Wales basis of payments, refer to page 61.

The amounts paid from each State Managed Fund to Local Hospital Networks or Other Organisations or Funds and the basis on which the Payments were made – Section 241(2)(D)

Recipient	Amount paid from NSW State Managed Fund (\$'000)	
	2018-19	2017-18
Albury NSW Local Health Services	12,176	12,188
Central Coast Local Health District	45,766	39,266
Contracted Services	16,052	-
Far West Local Health District	26,042	20,005
Hunter New England Local Health District	292,903	312,497
Illawarra Shoalhaven Local Health District	84,967	73,324
Justice Health & Forensic Mental Health Network	59,370	61,822
Mid North Coast Local Health District	55,709	44,977
Murrumbidgee Local Health District	159,641	159,749
Nepean Blue Mountains Local Health District	45,490	43,929
Northern NSW Local Health District	57,727	49,769
Northern Sydney Local Health District	142,357	139,598
South Eastern Sydney Local Health District	87,520	76,557
South Western Sydney Local Health District	102,301	82,585
Southern NSW Local Health District	57,209	54,602
St Vincent's Health Network	16,516	23,943
Sydney Children's Hospitals Network	43,248	33,748
Sydney Local Health District	143,863	139,584
Western NSW Local Health District	231,543	176,687
Western Sydney Local Health District	156,192	96,176
<b>Other organisations or funds</b>	<b>-</b>	<b>-</b>
<b>NSW TOTAL</b>	<b>1,836,592</b>	<b>1,641,006</b>

The basis for NHR payments to LHNs in NSW was advised by the NSW Ministry of Health (the Ministry) to be as follows:

### **Basis used to determine NHR payments to LHNs – NSW**

*The process for determining 2018–19 NHR payments to LHNs encompassed three distinct elements of preparation for the individual LHN Service Agreements, including development of annual activity estimates, discussion/negotiation of activity levels with individual LHNs, and total state-wide activity across each activity type.*

*Consistent with last year’s methodology and pursuant with the National Health Reform Agreement (NHRA), the Ministry of Health has adopted the National Weighted Activity Unit (NWAU) as the currency for Activity Based Funding with the applicable version being NWAU18, which is different from the previous year.*

*The Independent Hospital Pricing Authority (IHPA) has issued the National Efficient Cost (NEC18) funding model that applies to small regional and remote hospitals. However, NSW has introduced a better methodology to better account the significant challenges faced by small hospitals in rural settings and better integrate care between small regional and remote hospitals and ABF hospitals. The mechanics of the NSW funding model is used to determine the aggregate funding allocation to LHNs for these small hospitals within the NSW funding model parameters.*

*Ensuring access to health services for local populations is a key objective of NSW health policy. The Health Services Act 1997 stipulates that in determining LHN budgets, the Minister have regard to the size and health needs of the local population and provision of services to residents outside the local area. Accordingly, targets are adjusted considering factors appropriate to each LHN and service type, rather than simple extrapolation from historical activity data. The factors considered are reviewed on an annual basis.*

*In 2018–19, a series of elements will be applied to each in-scope service stream to ensure that activity targets are tailored to the requirements and patterns of each LHD/SHN. Activity targets are developed by the Ministry and LHDs/SHNs based on analysis of activity level drivers. This analysis was informed for 2018–19 by the following factors:*

- + Weighted population change: providing an indication of expected ‘natural’ growth*
- + Recent trends in activity growth for each LHN / SHN*
- + Relative Utilisation Rate adjusted for relevant demographic factors*
- + Inter-district and cross-border flows (where relevant)*
- + Current year activity relative to targets (for adjustment of baseline volumes, where relevant)*
- + Known service changes and developments, including planned capacity increases.*



Price weight adjustments which are being applied in 2018–19 include:

- a. Paediatric Adjustment
- b. Specialist Psychiatric Age Adjustment
- c. Patient Remoteness Area Adjustment
- d. Indigenous Adjustment
- e. Radiotherapy Adjustment
- f. Dialysis Adjustment
- g. Intensive Care Unit (ICU) Adjustment for eligible facilities
- h. Private Patient Service Adjustment
- i. Private Patient Accommodation Adjustment
- j. Multidisciplinary Clinic Adjustment
- k. Emergency Care Age Adjustment.

Provisional activity estimates are created at a LHD level to provide the basis for discussion and negotiation with individual health services to determine agreed LHD level activity targets, with the activity volumes measured using the NWAU for each Service Category. Additionally, where applicable, activity estimation is split by financial class to allow differential funding mechanisms to be applied to the respective service groups to reflect the variation in funding source.

Provisional estimates and historical activity measures provide the basis for discussions with individual LHDs and subsequent negotiations for approval or adjustment.

The negotiation process allows for relevant local LHN service issues and activity impacts to be communicated with the NSW Ministry of Health (Ministry) to assess the potential impact on future year activity volumes and the relevance of related service strategies to address these.

It is important that negotiation processes recognise that funding and purchasing are undertaken in the environment of a capped State/Commonwealth funding pool for 2018–19 and recognition that NSW contributes the larger portion of these funds as well as being responsible for management of the system as a whole. When negotiations have concluded, the Ministry incorporates the final activity targets in each LHN's annual Service Agreement. Where an LHN achieves delivery of selected services through Affiliated Health Organisations or contracted services with a private provider these arrangements are to be specified in agreements between the LHN and the respective provider. Both the funding (and subsidy) and associated activity pertaining to such providers are included in the budget and the activity estimates appearing in the LHN's annual Service Agreement.

*Cash payments processed within the National Health Funding Pool (NHFP) Payments System and included within the Administrator's monthly reports are based on the accrued budget for both ABF and in-scope block funding derived from the LHN Service Agreements after deducting an allowance to recognise own sourced revenue earned, and liabilities for superannuation and long service leave which are accepted by the Crown.*

*Based on the fact that not all cash related funding for in-scope services is flowed through the State Pool Account (ABF) or the State Managed Fund (in-scope block) and that those funds are retained by the LHD to contribute to the cost of service delivery, the Administrator's reported level of commonwealth vs state cash paid through the pool does not truly reflect the full cash component funded by the State.*

*Further, although a consistent methodology has been applied, variations in cash prices between LHNs will also reflect the differing mix of the above components (own sourced revenue and Crown accepted liabilities) of each local hospital network's accrued cost.*

*In addition to receiving weekly cash payments from the State Pool Account and the State Managed Fund, LHNs also receive direct State Government funding for 2018-19 for all "out of scope" services not subject to the National Health Reform Agreement arrangements as required under their 2018-19 Service Agreements.*

### **Monthly reports – Basis on which Payments were made**

*For NSW, all dollar values included in the tables issued by the Administrator are cash payments from either the NSW State Pool Account to LHNs and or cash payments from the State Managed Fund to LHNs. This includes cash payment to the Victorian Department of Health for Albury-Wodonga inter-jurisdictional agreement.*

*The tables provided do not include the level of additional state funding derived from own source revenues and retained by LHN's and acceptance of crown liabilities (eg LSL and Superannuation) that are also available to LHN's monthly to meet the cost of services.*

*The weekly cash payment to an LHN reflects the estimated cost of patient related services anticipated to be delivered during the monthly cash payment period. The estimated monthly activity and the weekly cash payments are determined based on the annual LHN Service Agreements.*

*Cash payments from the NSW State Pool Account and from the State Managed Fund to LHNs are processed each Tuesday. Reporting by the Administrator is based on cash payments made during a given month and is therefore dependent on the number of Tuesdays in a particular month.*

*During 2018-19, August 2018, November 2018, January 2019 and May 2019 each have five Tuesdays. If accrual accounting principles were being applied within the NHFA Payments System, the value of the reported cash payments would recognise only the number of*

calendar days in a particular month, not the 35 days (five weeks paid) or 28 days (four weeks paid), as reported by the Administrator.

In 2018–19 cash payments to LHNs from the NSW State Pool Account are generally calculated based on equal weekly instalments to health services unless otherwise negotiated.

State Managed Fund cash payments occur as cash is required and dependent on the LHD bank balance in accordance with NSW Treasury Circular TC15-01 Cash Management-expanding the Scope of the Treasury Banking System.

In respect to Albury Wodonga, the Victorian Department of Health has direct budget responsible for provision of services at Albury/Wodonga Health and the current and proposed IGA for Albury Wodonga, requires NSW to pay the Victorian Department of Health.

The payment that NSW makes to Victoria Health includes ABF, Block and a share of Public/Population Health funds received under NHR plus the NSW funded component.

On this basis NSW makes a single total payment to Victorian Department of Health each month however for transparency of Commonwealth monies under the NHRA, NSW established an ABF virtual entity for the Albury component of the Commonwealth.

Other payments will occur in 2018–19 that are outside the regular weekly (Tuesday) payment cycle for payments to other States/Territories for NSW residents treated in their public hospitals. Payments to LHNs may also vary where their cash entitlement alters during the financial year.

Monthly comparison of cash payments from the NSW state pool and State Managed Fund can vary month to month predominately due to these planned payments and cash requirements of an LHN.

The cash payments from the NSW State Pool Account or State Managed Fund do not reflect the full budgeted funding available to health services in NSW. Other sources of funds available to LHNs include separate payments from the Crown (for example, defined superannuation scheme and long service leave cash recovery) as well as own sourced revenues earned and retained by each LHN.

In July 2018 there was a carry over amount of cash of \$8.6M from 2017/18 to be used as a source of funds in 2018–19 to cover any liability to the NHFB for final reconciled prior year activity.

For more information on budget allocations, see the 2018–19 LHN Service Agreements which are available on each NSW LHN website as the Chief Executive and Board of the LHN's provide sign off.



**National Health Funding Pool  
New South Wales State Pool Account  
Special purpose financial statement  
for the year ended 30 June 2019**

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



NSW

Financial  
Statement



## INDEPENDENT AUDITOR'S REPORT

### National Health Funding Pool New South Wales State Pool Account

To the Administrator of the National Health Funding Pool

#### Opinion

As requested by the *Health Services Act 1997 (NSW)* and section 242 of the *National Health Reform Act 2011 (Cth)*, I have audited the accompanying special purpose financial statement of the New South Wales State Pool Account of the National Health Funding Pool (the Financial Statement) for the year ended 30 June 2019. The Financial Statement comprises a Statement of receipts and payments for the year ended 30 June 2019, notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the Financial Statement gives a true and fair view of the financial transactions of the New South Wales State Pool Account for the year ended 30 June 2019 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' (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 for Accounting

Without modifying my opinion, I draw attention to Note 1 to the Financial Statement, which describes the purpose of the Financial Statement and the basis of accounting. The Financial Statement has 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 Statement may not be suitable for another purpose.

Level 19, Darling Park Tower 2, 201 Sussex Street, Sydney NSW 2000  
GPO Box 12, Sydney NSW 2001 | t 02 9275 7101 | f 02 9275 7179 | mail@audit.nsw.gov.au | audit.nsw.gov.au

### Emphasis of Matter – Basis for Accounting

Without modifying my opinion, I draw attention to Note 1 to the Financial Statement, which describes the purpose of the Financial Statement and the basis of accounting. The Financial Statement has 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 Statement may not be suitable for another purpose.

### Other Information

The National Health Funding Body's annual report for the year ended 30 June 2019 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.

### Responsibilities of the Administrator of the National Health Funding Pool

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 Statement that is free from material misstatement, whether due to fraud or error.

### 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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

My opinion does not 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 they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Dominika Ryan  
Director, Financial Audit Services

19 September 2019  
SYDNEY



**Administrator  
National Health  
Funding Pool**

**Office of the Administrator**  
GPO Box 1252 Canberra ACT 2601

**Telephone:** 1300 930 522  
**Email:** nhfa.administrator@nhfa.gov.au

6 September 2019

**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 a statement of receipts and payments with attached notes provides a fair presentation in accordance with the *New South Wales Health Services Act 1997*, the Commonwealth *National Health Reform Act 2011* and the National Health Reform Agreement 2011.

In my opinion, the attached special purpose financial statement for the year ended 30 June 2019 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.

Yours sincerely,

Michael Lambert  
Administrator  
National Health Funding Pool



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New South Wales State Pool Account  
Statement of receipts and payments  
for the year ended 30 June 2019

	Notes	2019 \$ '000	2018 \$ '000
<b>RECEIPTS INTO THE State Pool Account</b>			
<b>From Commonwealth Government</b>			
Activity Based Funding	2, 6	5,727,444	5,156,605
Block funding		881,703	742,001
Public health funding		127,554	123,892
<b>From New South Wales Government</b>			
Activity Based Funding	2, 6	5,956,396	6,263,930
Cross-border contribution	5	207,420	208,200
<b>From other States or Territories</b>			
Cross-border receipts	3,6	67,800	66,000
<b>From Reserve Bank of Australia</b>			
Interest receipts		1,986	2,021
<b>TOTAL RECEIPTS</b>		<b>12,970,302</b>	<b>12,562,649</b>
<b>PAYMENTS OUT OF THE State Pool Account</b>			
<b>To Local Hospital Networks</b>			
Activity Based Funding	4, 6	11,692,446	11,443,135
<b>To New South Wales State Managed Fund</b>			
Block funding		881,703	742,001
Cross-border transfer		-	-
<b>To New South Wales Health</b>			
Public health funding		127,554	123,892
Interest payments		1,986	2,021
Cross-border transfer		67,800	66,000
<b>To other States or Territories</b>			
Cross-border payments	5,6	207,420	208,200
<b>TOTAL PAYMENTS</b>		<b>12,978,909</b>	<b>12,585,249</b>
<b>NET RECEIPTS/(PAYMENTS) FOR THE YEAR</b>		<b>(8,606)</b>	<b>(22,600)</b>
<b>OPENING CASH BALANCE</b>		<b>8,606</b>	<b>31,206</b>
<b>CLOSING CASH BALANCE</b>		<b>-</b>	<b>8,606</b>

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. Mr Michael Lambert was appointed as the Administrator on 17 July 2018.

### (B) Basis of Preparation

The New South Wales State Pool Account was established at the Reserve Bank of Australia (RBA) in 2012–13 in accordance with section 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 section 17 of that schedule and Act and section 242 of the Commonwealth *National Health Reform Act 2011*.

The special purpose financial statement has been prepared on a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

The special purpose financial statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The special purpose financial statement was authorised for release by the Administrator on 1 August 2019.

### (C) Comparative Figures

Prior year comparative information has been disclosed. The results for 2017–18 and 2018–19 are for the year ended 30 June.

## (D) National Health Funding Pool

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

## (E) Activity Based Funding

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

In 2017–18 and 2018–19 the Commonwealth, States and Territories ABF supported the following:

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

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

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

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

In 2017, the Council of Australian Governments signed an Addendum to the National Health Reform Agreement. The Addendum amends specified elements of the operation of the National Health Reform Agreement for a period of three years. From 1 July 2017 to 30 June 2020, the Commonwealth will fund 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.

In accordance with the functions of the Administrator under paragraph 238(1)(a) of the National Health Reform Act 2011, the Administrator calculated and advised the amounts required to be paid by the Commonwealth into each State Pool Account of the National Health Funding Pool under the National Health Reform Agreement.

In accordance with subsection 226(1) of the National Health Reform Act 2011 the Commonwealth Minister for Health issued a direction to the IHPA in relation to a number of changes to the classification, counting and scope of non-admitted activity in 2014–15 and 2015–16.

In response to the Commonwealth Minister for Health's direction, the IHPA published a statement that included matters relevant to the amounts required to be paid to States and Territories in accordance with the National Health Reform Agreement.

Having regard to the Administrator's advice and the IHPA statement on matters relevant to the amounts required to be paid to the States and Territories under the National Health Reform Agreement, in April 2018 the Commonwealth Treasurer issued a Determination of 2015–16 National Health Reform payments. The effect of this on the New South Wales Activity Based Funding receipts is shown in Note 6.

## (F) Block Funding

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

In 2017–18 and 2018–19 the Commonwealth block funding supported the following:

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

In 2018–19 the Commonwealth Block funding also supported Other public hospital programs.

In 2018–19 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.

State and Territory Block Funding is paid into State Managed Funds.

## (G) Public Health Funding

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

## (H) Cross-border

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

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

## (I) Interest

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

## (J) Taxation

State and Territory Pool Accounts are not subject to income tax. The majority of government funding, from both the Commonwealth and 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.

## NOTE 2: Activity Based Funding Receipts

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

	2019 \$ '000	2018 \$ '000
Commonwealth Activity Based Funding	5,727,444	5,156,605
New South Wales Activity Based Funding	5,956,396	6,263,930
<b>TOTAL</b>	<b>11,683,840</b>	<b>11,420,535</b>

## 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	2019 \$ '000	2018 \$ '000
<b>CROSS-BORDER RECEIPTS</b>		
Australian Capital Territory	19,800	19,200
Victoria	9,600	9,600
Queensland	38,400	37,200
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>67,800</b>	<b>66,000</b>

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



## NOTE 4: Activity Based Funding Payments

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

Local Hospital Networks	2019 \$ '000	2018 \$ '000
Albury Wodonga Health <sup>^</sup>	42,595	44,739
Central Coast	583,837	571,171
Contracted Services - NSW Ministry of Health	25,949	8,599
Far West	59,274	59,975
Hunter New England	1,338,872	1,256,444
Illawarra Shoalhaven	631,783	634,429
Mid North Coast	427,932	428,879
Murrumbidgee	290,198	278,770
Nepean Blue Mountains	602,387	591,995
Northern NSW	570,434	560,181
Northern Sydney	952,634	990,931
South Eastern Sydney	1,091,840	1,086,305
South Western Sydney	1,380,018	1,289,398
Southern NSW	285,581	273,666
St Vincent's Health Network	306,610	272,977
Sydney	1,078,746	1,063,428
Sydney Children's Hospitals Network	450,421	461,204
Western NSW	439,414	445,046
Western Sydney	1,133,921	1,124,998
<b>TOTAL</b>	<b>11,692,446</b>	<b>11,443,135</b>

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

<sup>^</sup> 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.

## 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	2019 \$ '000	2018 \$ '000
<b>CROSS-BORDER PAYMENTS</b>		
Australian Capital Territory	99,120	95,400
Victoria	48,300	54,000
Queensland	60,000	58,800
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>207,420</b>	<b>208,200</b>

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

## NOTE 6: Activity Based Funding Receipts and Payments

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

	2019 \$ '000	2018 \$ '000
Total Activity Based Funding receipts from the Commonwealth Government	5,727,444	5,156,605
Total Activity Based Funding receipts from New South Wales Government	5,956,396	6,263,930
Cross-border receipts	67,800	66,000
Less: Cross-border payments	(207,420)	(208,200)
Less: Activity Based Funding payments to Local Hospital Networks	(11,692,446)	(11,443,135)
<b>RECEIPTS IN EXCESS OF PAYMENTS</b>	<b>(148,226)</b>	<b>(164,800)</b>

Total Activity Based Funding receipts from the Commonwealth includes an increase of \$189,100,356 in relation to the Commonwealth Treasurer's Determination for 2016-17 and an increase of \$104,222,523 in relation to the Commonwealth Treasurer's Determination for 2017-18. The additional increase in 2019 relates to prior years payments for 2016-17 and 2017-18.

For 2019, the payments in excess of receipts balance is represented by underdeposits of the New South Wales Activity Based Funding Contribution of \$8,606,314, transfers of \$67,800,000 in cross-border receipts to the New South Wales State Health Account and cross-border payments of \$207,420,000.

For 2018, the payments in excess of receipts balance is represented by underdeposits of the New South Wales Activity Based Funding Contribution of \$22,600,000, transfers of \$66,000,000 in cross-border receipts to the New South Wales State Health Account and cross-border payments of \$208,200,000.

For 2018, total Activity Based Funding receipts from the Commonwealth includes a deduction of \$22,598,759 in relation to the Commonwealth Treasurer's Determination for 2015-16 and six months reconciliation for 2016-17.

**End of Audited Special Purpose Financial Statement.**

**\$11.4B**

total funding

MADE UP OF

▼  
**\$5.1B**

Commonwealth funding

**\$6.3B**

State funding

INCLUSIVE OF

▼  
**\$4.2B**

Activity Based Funding

DELIVERING

**2,215,000**

weighted public  
hospital services  
measured in NWAU

The image features a large white hexagon centered on a solid orange background. The hexagon is slightly offset from the center, with its top vertex pointing towards the top-left. The letters "VIC" are printed in a bold, orange, sans-serif font in the center of the hexagon. The background is a uniform orange color, and the hexagon's edges are sharp and well-defined.

VIC

# VIC

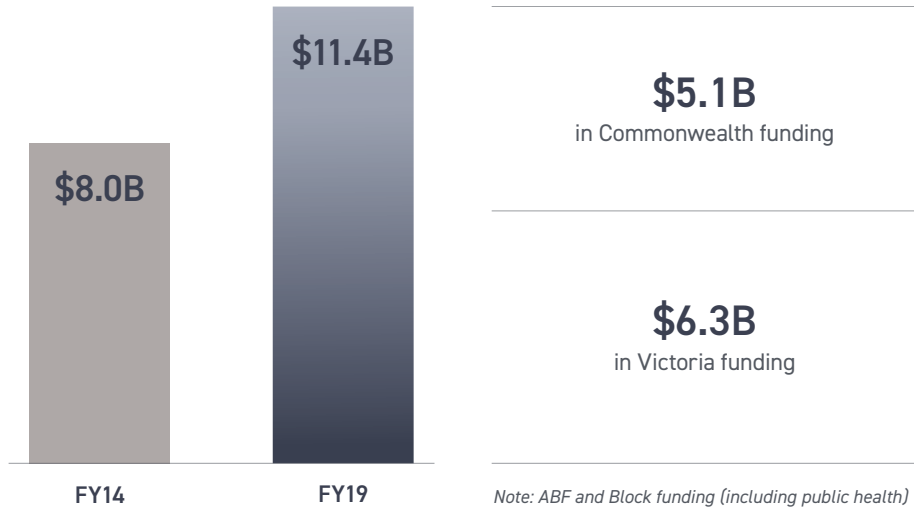
## Funding and Payments

### **National Health Reform Disclosures for the Year Ended 30 June 2019**

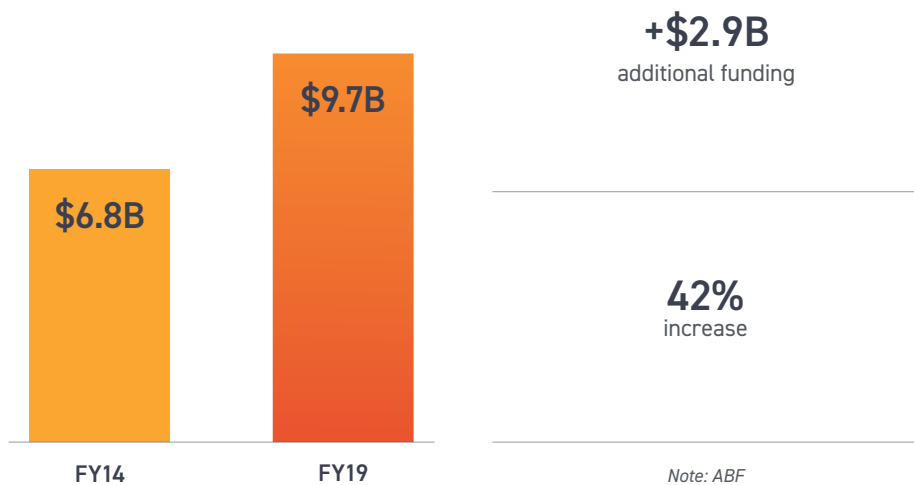
Issued by the Administrator of the National Health Funding Pool under section 241(2) of the Commonwealth *National Health Reform Act 2011* and Section 17(2) of the Victorian *Health (Commonwealth State Funding Arrangements) ACT 2012*.

# Victoria

## Growth in Public Hospital Funding since 2013-14



## Growth in Activity Based Funding since 2013-14



Section 241(2) of the NHR Act outlines certain disclosures to be reported 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. As such, figures may not add to the totals shown due to rounding.

NHR funding and payments shown in the following tables include 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 [publichospitalfunding.gov.au](http://publichospitalfunding.gov.au). For further information on the types of NHR funding, refer to the 'Overview' chapter of this Annual Report.



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

Component	Amount paid by Commonwealth into VIC State Pool Account (\$'000)	
	2018-19	2017-18
Activity Based Funding	4,235,453	4,343,654
Block funding	709,424	578,304
Public Health funding	105,326	99,719
<b>VIC TOTAL</b>	<b>5,050,203</b>	<b>5,021,677</b>

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

Component	Amount paid by Victoria (\$'000)	
	2018-19	2017-18
State Pool Account – Activity Based Funding	5,441,577	4,990,212
State Managed Fund – Block funding	892,509	734,521
<b>VIC TOTAL</b>	<b>6,334,086</b>	<b>5,724,733</b>

**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)	
	2018-19 <sup>1</sup> Estimate	2017-18 <sup>2</sup> Actual
Albury Wodonga Health	20,393	18,749
Alfred Health	168,583	154,395
Austin Health	135,354	124,349
Bairnsdale Regional Health Service	14,507	13,124
Ballarat Health Services	57,214	52,881
Barwon Health	105,568	97,356
Bass Coast Health	9,538	9,144
Benalla Health	3,997	3,658
Bendigo Health Care Group	64,217	59,370
Calvary Health Care Bethlehem Limited	3,473	3,347
Castlemaine Health	5,161	4,879
Central Gippsland Health Service	11,589	10,573
Colac Area Health	4,917	4,631
Contracted Services LHN - Victoria	13,484	9,492
Djerriwarrh Health Services	8,489	7,819
East Grampians Health Service	3,740	3,427
Eastern Health	180,016	165,556
Echuca Regional Health	11,607	10,576
Gippsland Southern Health Service	3,302	3,131
Goulburn Valley Health	34,497	32,295
Kyabram District Health Services	3,071	2,818
Latrobe Regional Hospital	40,445	37,203
Maryborough District Health Service	3,876	4,037
Melbourne Health	140,219	125,311
Mercy Public Hospitals Victoria Ltd.	70,210	63,988
Monash Health	302,124	279,917
Northeast Health Wangaratta	22,470	20,963

*Continued.*

Local Hospital Network	Number of ABF public hospital services funded (NWAU)	
	2018-19	2017-18
Northern Health	120,336	111,175
Peninsula Health	107,916	98,652
Peter Maccallum Cancer Institute	28,421	27,018
Portland District Health	5,969	5,533
Ramsay Healthcare Australia (Mildura Base Hospital)	23,086	20,822
Royal Victorian Eye and Ear Hospital	20,361	18,567
South West Healthcare	27,917	25,624
St Vincent's Hospital (Melbourne) Limited	94,073	87,070
Stawell Regional Health	3,162	3,057
Swan Hill District Hospital	7,996	7,477
The Royal Children's Hospital	90,521	83,431
The Royal Women's Hospital	48,041	43,358
West Gippsland Healthcare Group	16,324	15,276
Western District Health Service	8,249	7,444
Western Health	157,732	146,589
Wimmera Health Care Group	12,835	11,691
<b>VIC TOTAL</b>	<b>2,215,000</b>	<b>2,035,773</b>

<sup>1</sup> 2018-19 NWAU as per the updated activity estimates as at the Administrator's June 2019 Payment Advice.

<sup>2</sup> 2017-18 NWAU as per the 2017-18 annual reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2017-18.

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

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

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

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

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

However, in 2017–18 and 2018–19 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 to Local Hospital Networks, a State Managed Fund or Other Organisations or Funds and the basis on which the Payments were made – Section 241(2) (C)

Recipient	Amount paid from VIC State Pool Account (\$'000)	
	2018-19	2017-18
Albury Wodonga Health	123,452	103,047
Alexandra District Hospital	-	-
Alfred Health	746,356	711,912
Alpine Health	-	-
Austin Health	615,097	578,356
Bairnsdale Regional Health Service	60,569	56,933
Ballarat Health Services	257,836	231,849
Barwon Health	447,905	434,341
Bass Coast Health	45,992	43,074
Beaufort & Skipton Health Service	-	-
Beechworth Health Service	-	-
Benalla Health	18,273	18,104
Bendigo Health Care Group	264,178	242,602
Boort District Health	-	-
Calvary Health Care Bethlehem Limited^	20,653	18,968
Casterton Memorial Hospital	-	-
Castlemaine Health	24,919	22,529
Central Gippsland Health Service	57,642	53,926
Cobram District Health	-	-
Cohuna District Hospital	-	-
Colac Area Health	26,610	23,661
Contracted Services LHN - Victoria^	64,216	59,104
Djerriwarrh Health Services	47,677	43,220
Dunmunkle Health Services	-	-
East Grampians Health Service	18,365	16,427
East Wimmera Health Service	-	-
Eastern Health	735,714	689,970
Echuca Regional Health	54,212	47,397
Edenhope And District Memorial Hospital	-	-

Continued.

Recipient	Amount paid from VIC State Pool Account (\$'000)	
	2018-19	2017-18
Gippsland Southern Health Service	19,379	17,979
Goulburn Valley Health	165,925	151,453
Heathcote Health	-	-
Hepburn Health Service	-	-
Hesse Rural Health Service	-	-
Heywood Rural Health	-	-
Inglewood And Districts Health Service	-	-
Kerang & District Health	-	-
Kilmore And District Hospital	-	-
Kooweerup Regional Health Services	-	-
Kyabram District Health Services	14,424	13,452
Kyneton District Health Service	-	-
Latrobe Regional Hospital	179,562	171,876
Lorne Community Hospital	-	-
Maldon Hospital	-	-
Mallee Track Health And Community Service	-	-
Mansfield District Hospital.	-	-
Maryborough District Health Service	19,490	17,707
Melbourne Health	657,930	632,176
Mercy Public Hospitals Victoria Ltd.^	358,229	319,437
Monash Health	1,209,515	1,215,417
Moyne Health Services	-	-
Nathalia District Hospital	-	-
Northeast Health Wangaratta	102,771	92,899
Northern Health	482,338	430,277
Numurkah District Health Service	-	-
Omeo District Health	-	-
Orbost Regional Health	-	-
Otway Health And Community Services	-	-
Peninsula Health	437,561	408,020
Peter MacCallum Cancer Institute	142,901	126,536
Portland District Health	31,754	27,744

Recipient	Amount paid from VIC State Pool Account (\$'000)	
	2018-19	2017-18
Ramsay Healthcare Australia (Mildura Base Hospital)^	107,548	97,357
Robinvale District Health Services	-	-
Rochester And Elmore District Health Service	-	-
Royal Victorian Eye and Ear Hospital	91,978	83,019
Rural Northwest Health	-	-
Seymour District Memorial Hospital	-	-
South Gippsland Hospital	-	-
South West Healthcare	122,133	111,399
St Vincent's Hospital (Melbourne) Limited^	476,311	452,900
Stawell Regional Health	14,644	13,859
Swan Hill District Hospital	36,661	32,871
Tallangatta Health Service	-	-
Terang And Mortlake Health Service	-	-
The Royal Children's Hospital	435,316	410,158
The Royal Women's Hospital	209,583	195,535
Timboon And District Healthcare Service	-	-
Upper Murray Health And Community Services	-	-
Victorian Institute Of Forensic Mental Health	-	-
West Gippsland Healthcare Group	71,726	68,577
West Wimmera Health Care Group	-	-
Western District Health Service	40,355	37,067
Western Health	605,935	600,816
Wimmera Health Care Group	60,183	53,263
Yarram And District Health Service	-	-
Yarrawonga District Health Service	-	-
Yea And District Memorial Hospital	-	-
<b>State Managed Fund</b>	<b>709,424</b>	<b>578,304</b>
<b>Other organisations or funds</b>	<b>204,620</b>	<b>215,343</b>
<b>VIC TOTAL</b>	<b>10,637,862</b>	<b>9,970,860</b>

^Private provider contracted for public hospital services. Reported payments from the State Pool Account are GST inclusive.

**The amounts paid from each State Managed Fund to Local Hospital Networks or Other Organisations or Funds and the basis on which the Payments were made – Section 241(2) (D)**

Recipient	Amount paid from VIC State Managed Fund (\$'000)	
	2018-19	2017-18
Albury Wodonga Health	25,330	24,779
Alexandra District Hospital	6,549	6,109
Alfred Health	65,411	59,491
Alpine Health	11,520	11,061
Austin Health	60,336	50,101
Bairnsdale Regional Health Service	2,758	2,595
Ballarat Health Services	36,036	35,072
Barwon Health	76,712	47,404
Bass Coast Health	1,514	1,426
Beaufort and Skipton Health Service	5,053	4,280
Beechworth Health Service	4,806	4,067
Benalla Health	308	306
Bendigo Health Care Group	49,105	44,837
Boort District Health	2,985	2,402
Calvary Health Care Bethlehem Limited^	839	746
Casterton Memorial Hospital	3,781	3,714
Castlemaine Health	362	434
Central Gippsland Health Service	2,467	2,499
Cobram District Health	7,246	6,705
Cohuna District Hospital	6,299	6,079
Colac Area Health	412	341
Djerriwarrh Health Services	591	670
Dunmunkle Health Services	-	-
East Grampians Health Service	1,429	1,292
East Wimmera Health Service	12,866	12,384
Eastern Health	108,209	99,671
Echuca Regional Health	2,604	2,600

*Continued.*



Recipient	Amount paid from VIC State Managed Fund (\$'000)	
	2018-19	2017-18
Edenhope and District Memorial Hospital	4,311	3,538
Gippsland Southern Health Service	537	717
Goulburn Valley Health	28,324	27,160
Great Ocean Road Health	207	-
Heathcote Health	2,964	2,469
Hepburn Health Service	10,054	9,476
Hesse Rural Health Service	2,187	2,200
Heywood Rural Health	2,573	2,743
Inglewood and Districts Health Service	2,565	2,285
Kerang and District Health	6,515	6,161
Kilmore and District Hospital	15,027	12,802
Kooweerup Regional Health Services	5,364	5,060
Kyabram District Health Services	96	99
Kyneton District Health Service	10,642	10,730
Latrobe Regional Hospital	39,407	38,179
Lorne Community Hospital	2,420	2,466
Maldon Hospital	1,745	1,541
Mallee Track Health and Community Service	4,314	3,982
Mansfield District Hospital.	7,381	7,093
Maryborough District Health Service	681	592
Melbourne Health	162,368	147,544
Mercy Public Hospitals Victoria Ltd.^	41,345	32,443
Monash Health	229,659	130,988
Moyne Health Services	4,065	3,795
Nathalia District Hospital	2,844	1,874
Northeast Health Wangaratta	3,377	3,133
Northern Health	11,409	11,142
Numurkah District Health Service	8,686	9,342
Omeo District Health	1,962	1,666
Orbost Regional Health	5,878	5,781

Continued.

Recipient	Amount paid from VIC State Managed Fund (\$'000)	
	2018-19	2017-18
Otway Health and Community Services	3,008	2,904
Peninsula Health	46,063	41,410
Peter Maccallum Cancer Institute	6,679	4,176
Portland District Health	387	420
Ramsay Healthcare Australia (Mildura Base Hospital)^	18,202	14,752
Robinvale District Health Services	5,862	5,632
Rochester and Elmore District Health Service	5,986	5,555
Royal Victorian Eye and Ear Hospital	1,794	1,755
Rural Northwest Health	9,452	8,891
Seymour District Memorial Hospital	12,749	12,067
South Gippsland Hospital	5,882	5,434
South West Healthcare	21,236	20,762
St Vincent's Hospital (Melbourne) Limited^	66,803	55,924
Stawell Regional Health	436	457
Swan Hill District Hospital	873	884
Tallangatta Health Service	3,676	3,022
Terang and Mortlake Health Service	5,459	5,295
The Royal Children's Hospital	28,721	26,196
The Royal Women's Hospital	4,885	4,839
Timboon and District Healthcare Service	3,810	3,682
Upper Murray Health and Community Services	-	3,943
Victorian Institute of Forensic Mental Health	63,258	55,106
West Gippsland Healthcare Group	2,637	2,555
West Wimmera Health Service	14,557	14,097
Western District Health Service	3,742	3,812
Western Health	81,799	21,920
Wimmera Health Care Group	2,057	1,911
Yarram and District Health Service	5,585	5,110
Yarrawonga District Health Service	9,549	8,678

*Continued.*

Recipient	Amount paid from VIC State Managed Fund (\$'000)	
	2018-19	2017-18
Yea and District Memorial Hospital	2,573	2,407
Dental Health Services Victoria	-	72
Corryong Health	3,972	-
<b>Other organisations or funds</b>	<b>45,806</b>	<b>40,705</b>
<b>VIC TOTAL</b>	<b>1,601,934</b>	<b>1,302,438</b>

<sup>^</sup>Private provider contracted for public hospital services. Reported payments from the State Pool Account are GST inclusive.

Victorian LHNs receive Activity Based funding, block funding and other payments for different services and purposes. Adjustments are made for cash flow needs and costs administered by the Victorian Department of Health on behalf of LHNs.

The basis used to determine Victorian national health reform funding and payments for 2018-19 (at June 2019) was advised by the Victorian Department of Health and Human Services as follows:

*Payments in Victoria are based upon "Statement of Priorities" agreements between Victorian public health services (LHNs) and the Minister for Health (or Secretary). These annual agreements detail the service profile, strategic priorities and deliverables the local hospital network will achieve in the year ahead; list the key financial, access and service performance priorities and agreed targets; and list funding estimates and associated service activity. Once agreed, Statements of Priorities are published at [www2.health.vic.gov.au/about/statements-of-priorities](http://www2.health.vic.gov.au/about/statements-of-priorities).*

*Funding details are aggregated into ABF funded services (including NWAU equivalent service volume), Block funded services and other funding for the purpose of determining payments to and from the State Pool Account and the State Managed Fund.*

*Victoria makes 13 payments per annum to funded agencies. Adjustments to the payments are made for cash flow needs and costs administered by the Victorian Department of Health on behalf of LHNs.*

*While the basis of NHR payments are reported on a cash basis by the Administrator, LHNs generally report revenue and expenditure on an accrual basis.*



**National Health Funding Pool  
Victoria State Pool Account  
Special purpose financial statement  
for the year ended 30 June 2019**

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*

The image features a central, large, dark red hexagon. Inside this hexagon, the text "VIC" is written in a large, white, sans-serif font. Below "VIC", the words "Financial Statement" are written in a smaller, white, sans-serif font, stacked on two lines. The central hexagon is surrounded by several other hexagons of varying colors and opacities. To the left and right, there are lighter orange and peach-colored hexagons that overlap the central one. At the bottom, there is a light grey hexagon. The overall background is a light, warm tone, possibly a very light orange or cream color.

VIC

Financial  
Statement



Victorian Auditor-General's Office

## Independent Auditor's Report

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

<b>Opinion</b>	<p>I have audited the special purpose financial statements (financial statements) of the Victoria State Pool Account (the account) which comprises the:</p> <ul style="list-style-type: none"> <li>• statement of receipts and payments for the year ended 30 June 2019</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• statement by the Administrator of the National Health Funding Pool.</li> </ul> <p>In my opinion the financial statements presents fairly, in all material respects, the receipts and payments of the Victoria State Pool Account for the year ended 30 June 2019 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>
<b>Basis for Opinion</b>	<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 report 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>
<b>Emphasis of Matter - Basis of Accounting</b>	<p>I draw attention to Note 1(B) to the financial statements, which describes the purpose of the financial statements and its basis of accounting. The financial statements have 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 statements may not be suitable for another purpose. My opinion is not modified in respect of this matter.</p>
<b>Administrator's responsibilities for the financial statements</b>	<p>The Administrator of the National Health Funding Pool is responsible for the preparation and fair presentation of the financial statements 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 statements 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 statements**

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial statements based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial statements 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 report.

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 statements, 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 statements, including the disclosures, and whether the financial report 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  
13 September 2019



Travis Derricott  
*as delegate for the Auditor-General of Victoria*



**Administrator  
National Health  
Funding Pool**

**Office of the Administrator**  
GPO Box 1252 Canberra ACT 2601

**Telephone:** 1300 930 522  
**Email:** nhfa.administrator@nhfa.gov.au

10 September 2019

#### **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 a statement of receipts and payments with attached notes provides a fair presentation in accordance with the *Victoria 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 2019 is based on properly maintained financial records and gives a true and fair view of the matters required by the *Victoria Health (Commonwealth State Funding Arrangements) Act 2012*, the *Commonwealth National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

Yours sincerely,

Michael Lambert  
Administrator  
National Health Funding Pool



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Victoria State Pool Account  
Statement of receipts and payments  
for the year ended 30 June 2019

	Notes	2019 \$ '000	2018 \$ '000
<b>RECEIPTS INTO THE State Pool Account</b>			
<b>From Commonwealth Government</b>			
Activity Based Funding	2, 6	4,235,453	4,343,653
Block funding		709,424	578,304
Public health funding		105,326	99,719
<b>From Victorian Government</b>			
Activity Based Funding	2, 6	5,431,977	4,980,612
Cross-border contribution		9,600	9,600
<b>From other States or Territories</b>			
Cross-border receipts	3,6	48,300	54,000
<b>From Reserve Bank of Australia</b>			
Interest receipts		1,725	1,030
<b>TOTAL RECEIPTS</b>		<b>10,541,805</b>	<b>10,066,918</b>
<b>PAYMENTS OUT OF THE State Pool Account</b>			
<b>To Local Hospital Networks</b>			
Activity Based Funding	4, 6	9,723,818	9,177,214
<b>To Victoria State Managed Fund</b>			
Block funding		709,424	578,305
Cross-border transfer		-	-
<b>To Department of Health and Human Services</b>			
Public health funding		105,326	99,719
Interest payments		1,725	1,030
Cross-border transfer		48,300	54,000
Withdrawal of over-deposit		39,670	50,994
<b>To other States or Territories</b>			
Cross-border payments	5,6	9,600	9,600
<b>TOTAL PAYMENTS</b>		<b>10,637,862</b>	<b>9,970,861</b>
<b>NET RECEIPTS/(PAYMENTS) FOR THE YEAR</b>		<b>(96,057)</b>	<b>96,057</b>
<b>OPENING CASH BALANCE</b>		<b>96,057</b>	<b>-</b>
<b>CLOSING CASH BALANCE</b>		<b>-</b>	<b>96,057</b>

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. Mr Michael Lambert was appointed as the Administrator on 17 July 2018.

### (B) Basis of Preparation

The Victoria State Pool Account was established at the Reserve Bank of Australia (RBA) in 2012–13 in accordance with section 11 of the Victoria Health (*Commonwealth State Funding Arrangements*) Act 2012 and the special purpose financial statement has been prepared in accordance with section 18 of that Act and Section 242 of the Commonwealth *National Health Reform Act 2011*.

The special purpose financial statement has been prepared on a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

The special purpose financial statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The special purpose financial statement was authorised for release by the Administrator on 1 August 2019.

### (C) Comparative Figures

Prior year comparative information has been disclosed. The results for 2017–18 and 2018–19 are for the year ended 30 June.

## (D) National Health Funding Pool

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

## (E) Activity Based Funding

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

In 2017–18 and 2018–19 the Commonwealth, States and Territories ABF supported the following:

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

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

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

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

In 2017, the Council of Australian Governments signed an Addendum to the National Health Reform Agreement. The Addendum amends specified elements of the operation of the National Health Reform Agreement for a period of three years. From 1 July 2017 to 30 June 2020, the Commonwealth will fund 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.

## (F) Block Funding

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

In 2017–18 and 2018–19 the Commonwealth block funding supported the following:

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

In 2018–19 the Commonwealth Block funding also supported Other public hospital programs.

In 2018–19 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.

State and Territory Block Funding is paid into State Managed Funds.

## **(G) Public Health Funding**

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

## **(H) Cross-border**

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

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

## **(I) Interest**

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

## **(J) Taxation**

State and Territory Pool Accounts are not subject to income tax. The majority of government funding, from both the Commonwealth and 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.

## NOTE 2: Activity Based Funding Receipts

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

	2019 \$ '000	2018 \$ '000
Commonwealth Activity Based Funding	4,235,453	4,343,653
Victoria Activity Based Funding	5,431,977	4,980,612
<b>TOTAL</b>	<b>9,667,430</b>	<b>9,324,264</b>

## NOTE 3: Cross-border Receipts

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

States and Territories	2019 \$ '000	2018 \$ '000
<b>CROSS-BORDER RECEIPTS</b>		
Australian Capital Territory	-	-
New South Wales	48,300	54,000
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>48,300</b>	<b>54,000</b>

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

## NOTE 4: Activity Based Funding Payments

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

Local Hospital Networks	2019 \$ '000	2018 \$ '000
Albury Wodonga Health	123,452	103,047
Alfred Health	746,356	711,912
Austin Health	615,097	578,356
Bairnsdale Regional Health Service	60,569	56,933
Ballarat Health Services	257,836	231,849
Barwon Health	447,905	434,341
Bass Coast Health	45,992	43,074
Benalla Health	18,273	18,104
Bendigo Health Care Group	264,178	242,602
Calvary Health Care Bethlehem	20,653	18,968
Castlemaine Health	24,919	22,529
Central Gippsland Health Service	57,642	53,926
Colac Area Health	26,610	23,661
Contracted Services LHN Victoria	64,216	59,104
Djerriwarrh Health Services	47,677	43,220
East Grampians Health Service	18,365	16,427
Eastern Health	735,714	689,970
Echuca Regional Health	54,212	47,397
Gippsland Southern Health Service	19,379	17,979
Goulburn Valley Health	165,925	151,453
Kyabram District Health Service	14,424	13,452
Latrobe Regional Hospital	179,562	171,876
Maryborough District Health Service	19,490	17,707
Melbourne Health	657,930	632,176
Mercy Hospitals Victoria Ltd	358,229	319,437

*Continued.*



Victoria State Pool Account  
Notes to and forming part of the special purpose financial statement  
for the year ended 30 June 2019

Local Hospital Networks	2019 \$ '000	2018 \$ '000
Monash Health	1,209,515	1,215,417
Northeast Health Wangaratta	102,771	92,899
Northern Health	482,338	430,277
Peninsula Health	437,561	408,020
Peter MacCallum Cancer Centre	142,901	126,536
Portland District Health	31,754	27,744
Ramsay Healthcare Australia (Mildura Base Hospital)	107,548	97,357
Royal Victorian Eye & Ear Hospital	91,978	83,019
South West Healthcare	122,133	111,399
St Vincent's Hospital (Melbourne) Limited	476,311	452,900
Stawell Regional Health	14,644	13,859
Swan Hill District Hospital	36,661	32,871
The Royal Children's Hospital	435,316	410,158
The Royal Women's Hospital	209,583	195,535
West Gippsland Healthcare Group	71,726	68,577
Western District Health Service	40,355	37,067
Western Health	605,935	600,816
Wimmera Health Care Group	60,183	53,263
<b>TOTAL</b>	<b>9,723,818</b>	<b>9,177,214</b>

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

## 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	2019 \$ '000	2018 \$ '000
<b>CROSS-BORDER PAYMENTS</b>		
Australian Capital Territory	-	-
New South Wales	9,600	9,600
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>9,600</b>	<b>9,600</b>

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

## NOTE 6: Activity Based Funding Receipts and Payments

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

	2019 \$ '000	2018 \$ '000
Total Activity Based Funding receipts from Commonwealth Government	4,235,453	4,343,653
Total Activity Based Funding receipts from Victorian Government	5,431,977	4,980,612
Cross-border receipts	48,300	54,000
Less: Cross-border payments	(9,600)	(9,600)
Less: Activity Based Funding payments to Local Hospital Networks	(9,723,818)	(9,177,214)
<b>NET RECEIPTS/(PAYMENTS)</b>	<b>(17,688)</b>	<b>191,451</b>

Total Activity Based Funding receipts from the Commonwealth includes a decrease of \$98,679,299 in relation to the Commonwealth Treasurer's Determination for 2016–17 and a decrease of \$46,925,763 in relation to the Commonwealth Treasurer's Determination 2017–18.

For 2019, the payments in excess of receipts balance represented \$39,669,871 in over-deposits, \$48,300,000 in cross-border receipts received from New South Wales and \$9,600,000 in cross border payments to New South Wales. In addition, there was \$96,057,377 in Activity Based Funding receipts previously received from the Commonwealth relating to the Commonwealth Treasurer's Determination for 2015–16 and six months reconciliation for 2016–17, now paid out.

For 2018, the receipts in excess of payments balance represented \$50,994,197 in over-deposits, \$54,000,000 in cross-border receipts received from New South Wales and \$9,600,000 in cross border payments to New South Wales. In addition, there was \$96,057,377 in Activity Based Funding receipts from the Commonwealth relating to the Commonwealth Treasurer's Determination for 2015–16 and six months reconciliation for 2016–17, which was not spent.

**End of Audited Special Purpose Financial Statement.**

**\$11.9B**

total funding

MADE UP OF

▼  
**\$5.2B**

Commonwealth funding

**\$6.7B**

State funding

INCLUSIVE OF

▼  
**\$4.7B**

Activity Based Funding

DELIVERING

**1,890,701**

weighted public  
hospital services  
measured in NWAU

A white hexagon is centered on a solid orange background. The letters 'QLD' are printed in a bold, orange, sans-serif font in the center of the hexagon. The hexagon is slightly offset from the center of the page, with more orange space on the right and bottom sides.

QLD

# QLD

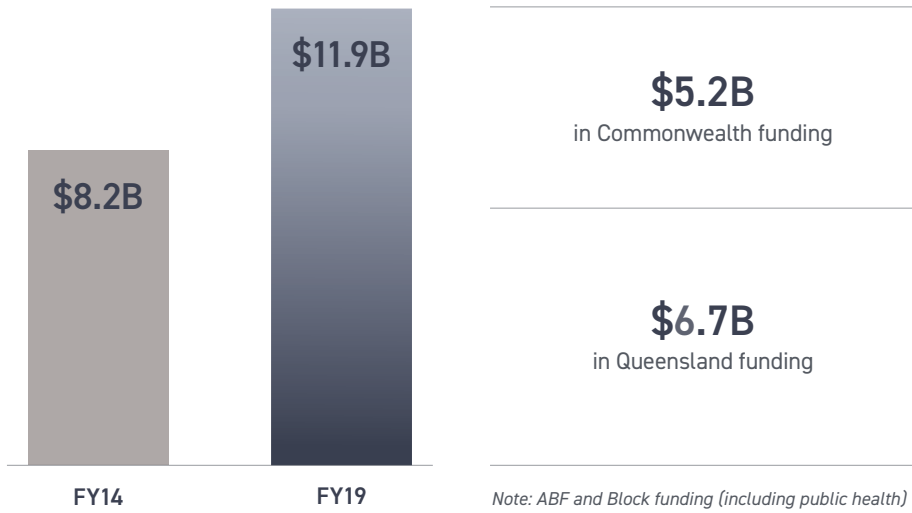
## Funding and Payments

### **National Health Reform Disclosures for the Year Ended 30 June 2019**

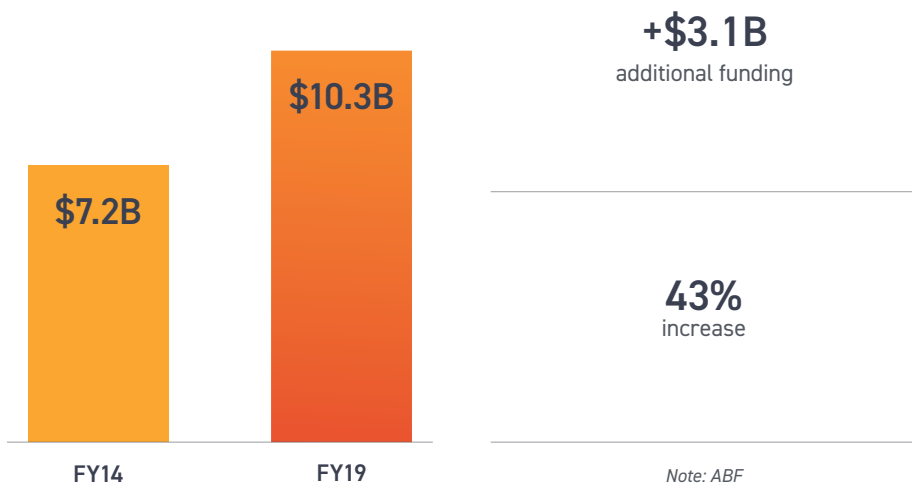
Issued by the Administrator of the National Health Funding Pool under section 242 of the Commonwealth *National Health Reform Act 2011* and section 53S(2) of the Queensland *Hospital and Health Boards Act 2011*.

# Queensland

## Growth in Public Hospital Funding since 2013-14



## Growth in Activity Based Funding since 2013-14



Section 241(2) of the NHR Act outlines certain disclosures to be reported 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. As such, figures may not add to the totals shown due to rounding.

NHR funding and payments shown in the following tables include 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 [publichospitalfunding.gov.au](http://publichospitalfunding.gov.au). For further information on the types of NHR funding, refer to the 'Overview' chapter of this Annual Report.



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

Component	Amount paid by Commonwealth into QLD State Pool Account (\$'000)	
	2018-19	2017-18
Activity Based Funding	4,663,022	3,765,086
Block funding	495,720	446,514
Public Health funding	80,252	77,549
<b>QLD TOTAL</b>	<b>5,238,994</b>	<b>4,289,149</b>

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

Component	Amount paid by Queensland (\$'000)	
	2018-19	2017-18
State Pool Account – Activity Based Funding	5,588,033	5,829,653
State Managed Fund – Block funding	1,121,938	1,031,608
<b>QLD TOTAL</b>	<b>6,709,971</b>	<b>6,861,261</b>

## 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)	
	2018-19 <sup>1</sup> Estimate	2017-18 <sup>2</sup> Actual
Cairns and Hinterland Hospital and Health Service	121,613	116,190
Central Queensland Hospital and Health Service	64,311	62,185
Children's Health Queensland Hospital and Health Service	78,941	78,680
Darling Downs Hospital and Health Service	82,688	79,512
Gold Coast Hospital and Health Service	209,318	200,289
Mackay Hospital and Health Service	53,557	51,016
Mater Misericordiae Health Service Brisbane	86,242	81,107
Metro North Hospital and Health Service	398,635	384,426
Metro South Hospital and Health Service	331,090	307,473
North West Hospital and Health Service	14,973	12,306
Sunshine Coast Hospital and Health Service	144,081	135,795
Townsville Hospital and Health Service	121,059	120,326
West Moreton Hospital and Health Service	72,832	73,556
Wide Bay Hospital and Health Service	84,702	82,139
Queensland Health Virtual LHN	26,661	2,310
<b>QLD TOTAL</b>	<b>1,890,701</b>	<b>1,787,310</b>

<sup>1</sup> 2018-19 NWAU as per the updated activity estimates as at the Administrator's June 2019 Payment Advice.

<sup>2</sup> 2017-18 NWAU as per the 2017-18 annual reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2017-18.

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

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

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

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

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

However, in 2017–18 and 2018–19 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 to Local Hospital Networks, a State Managed Fund or Other Organisations or Funds and the basis on which the Payments were made – Section 241(2) (C)

Recipient	Amount paid from QLD State Pool Account (\$'000)	
	2018-19	2017-18
Cairns and Hinterland Hospital and Health Service	651,779	598,791
Central Queensland Hospital and Health Service	349,132	329,055
Children's Health Queensland Hospital and Health Service	451,616	449,323
Darling Downs Hospital and Health Service	445,521	376,717
Gold Coast Hospital and Health Service	1,144,686	1,042,649
Mackay Hospital and Health Service	274,185	249,072
Mater Misericordiae Health Service Brisbane^	477,550	463,679
Metro North Hospital and Health Service	2,098,145	1,989,343
Metro South Hospital and Health Service	1,820,877	1,712,571
North West Hospital and Health Service	82,971	84,599
Sunshine Coast Hospital and Health Service	886,536	854,549
Townsville Hospital and Health Service	641,273	616,777
West Moreton Hospital and Health Service	378,872	349,401
Wide Bay Hospital and Health Service	445,117	429,811
Queensland Health Virtual LHN	64,395	11,202
<b>State Managed Fund</b>	<b>495,720</b>	<b>446,514</b>
<b>Other organisations or funds</b>	<b>179,115</b>	<b>173,980</b>
<b>QLD TOTAL</b>	<b>10,887,490</b>	<b>10,178,033</b>

^Private provider contracted for public hospital services. Reported payments from the State Pool Account are GST inclusive.

**The amounts paid from each State Managed Fund to Local Hospital Networks or Other Organisations or Funds and the basis on which the Payments were made – Section 241(2) (D)**

Recipient	Amount paid from QLD State Managed Fund (\$'000)	
	2018-19	2017-18
Cairns and Hinterland Hospital and Health Service	133,922	107,173
Central Queensland Hospital and Health Service	99,993	88,818
Central West Hospital and Health Service	46,236	29,778
Children's Health Queensland Hospital and Health Service	28,512	27,231
Darling Downs Hospital and Health Service	178,599	158,538
Gold Coast Hospital and Health Service	91,642	85,686
Mackay Hospital and Health Service	71,037	59,892
Mater Misericordiae Health Service Brisbane <sup>^</sup>	13,944	11,237
Metro North Hospital and Health Service	181,620	171,381
Metro South Hospital and Health Service	169,079	188,049
North West Hospital and Health Service	35,607	39,963
South West Hospital and Health Service	73,492	68,458
Sunshine Coast Hospital and Health Service	67,879	61,967
Torres and Cape Hospital and Health Service	77,153	75,676
Townsville Hospital and Health Service	143,409	122,104
West Moreton Hospital and Health Service	145,188	124,331
Wide Bay Hospital and Health Service	60,347	56,717
<b>Other organisations or funds</b>	<b>-</b>	<b>-</b>
<b>QLD TOTAL</b>	<b>1,617,658</b>	<b>1,476,998</b>

<sup>^</sup>Private provider contracted for public hospital services. Reported payments from the State Pool Account are GST inclusive.

The basis used to determine NHR payments to LHNs in Queensland for 2018-19 (at June 2019) was advised by the Queensland Department of Health to be as follows:

*Service agreements between the Department of Health and each Hospital and Health Service (HHS) are based on the Department's funding and purchasing models. In broad terms, the funding model determines the price at which the department purchases services from HHSs, and the purchasing model determines the volume of services that are purchased.*

*In terms of the funding model:*

*36 of the largest public hospitals are funded through the Queensland Activity Based Funding (ABF) model, which sets prices at a disaggregated level for each type of public hospital service. The Queensland ABF model is based largely on the national ABF model, but includes a number of modifications to reflect Queensland priorities.*

*83 public hospitals, predominantly small regional and rural hospitals, and 4 specialist mental health facilities are funded through block funding arrangements which take account of hospital size and location. These are based on 2017-18 reported expenditure (net of depreciation) indexed to 2018-19 levels.*

*Most non-hospital services (e.g. preventive health, primary and community health) are funded based on historical funding levels. However, some services, such as oral health and breast screening, are funded based on a price per unit of output.*

*The purchasing model determines the volume and value of services that the Department agrees to purchase from each HHS through the service agreement. The model reflects key priority areas for investment which is informed through a range of planning models, growth projections and performance objectives for each HHS.*





**National Health Funding Pool  
Queensland State Pool Account  
Special purpose financial statement  
for the year ended 30 June 2019**

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





QLD

Financial  
Statement

## 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 Queensland State Pool Account.

The financial statement comprises the statement of receipts and payments for the year ended 30 June 2019, notes to the financial statement including summaries of significant accounting policies and other explanatory information, and the certificate provided by the Administrator of the National Health Funding Pool (the Administrator).

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 2019
- b) complies with *Hospital and Health Boards Act 2011* and the financial reporting framework described in Note 1(B).

#### Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland 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 of Queensland Auditing Standards*.

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

#### Emphasis of matter – basis of accounting

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

#### Responsibilities of the entity for the financial statement

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

### **Auditor's responsibilities for the audit of the financial statement**

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

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

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Administrator'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.

13 September 2019



Brendan Worrall  
Auditor-General

Queensland Audit Office  
Brisbane



**Administrator**  
National Health  
Funding Pool

**Office of the Administrator**  
GPO Box 1252 Canberra ACT 2601

**Telephone:** 1300 930 522  
**Email:** nhfa.administrator@nhfa.gov.au

11 September 2019

#### **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 a statement of receipts and payments with attached notes provides a fair presentation in accordance with the Queensland *Hospital and Health Boards Act 2011*, the Commonwealth *National Health Reform Act 2011* and the National Health Reform Agreement 2011.

In my opinion, the attached special purpose financial statement for the year ended 30 June 2019 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.

Yours sincerely,

Michael Lambert  
Administrator  
National Health Funding Pool

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Queensland State Pool Account  
Statement of receipts and payments  
for the year ended 30 June 2019

	Notes	2019 \$ '000	2018 \$ '000
<b>RECEIPTS INTO THE State Pool Account</b>			
<b>From Commonwealth Government</b>			
Activity Based Funding	2, 6	4,663,022	3,765,086
Block funding		495,720	446,514
Public health funding		80,252	77,549
<b>From Queensland Government</b>			
Activity Based Funding	2, 6	5,549,633	5,792,453
Cross-border contribution	5	38,400	37,200
<b>From other States or Territories</b>			
Cross-border receipts	3,6	60,000	58,800
<b>From Reserve Bank of Australia</b>			
Interest receipts		463	431
<b>TOTAL RECEIPTS</b>		<b>10,887,490</b>	<b>10,178,033</b>
<b>PAYMENTS OUT OF THE State Pool Account</b>			
<b>To Local Hospital Networks</b>			
Activity Based Funding	4, 6	10,212,655	9,557,539
<b>To Queensland State Managed Fund</b>			
Block funding		495,720	446,514
Cross-border transfer		-	-
<b>To Queensland Health</b>			
Public health funding		80,252	77,549
Interest payments		463	431
Cross-border transfer		60,000	58,800
<b>To other States or Territories</b>			
Cross-border payments	5,6	38,400	37,200
<b>TOTAL PAYMENTS</b>		<b>10,887,490</b>	<b>10,178,033</b>
<b>NET RECEIPTS/(PAYMENTS) FOR THE YEAR</b>		<b>-</b>	<b>-</b>
<b>OPENING CASH BALANCE</b>		<b>-</b>	<b>-</b>
<b>CLOSING CASH BALANCE</b>		<b>-</b>	<b>-</b>

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. Mr Michael Lambert was appointed as the Administrator on 17 July 2018.

### (B) Basis of Preparation

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

The special purpose financial statement has been prepared on a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

The special purpose financial statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The special purpose financial statement was authorised for release by the Administrator on 1 August 2019.

### (C) Comparative Figures

Prior year comparative information has been disclosed. The results for 2017-18 and 2018-19 are for the year ended 30 June.

## (D) National Health Funding Pool

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

## (E) Activity Based Funding

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

In 2017–18 and 2018–19 the Commonwealth, States and Territories ABF supported the following:

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

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

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



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

In 2017, the Council of Australian Governments signed an Addendum to the National Health Reform Agreement. The Addendum amends specified elements of the operation of the National Health Reform Agreement for a period of three years. From 1 July 2017 to 30 June 2020, the Commonwealth will fund 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.

## (F) Block Funding

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

In 2017–18 and 2018–19 the Commonwealth block funding supported the following:

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

In 2018–19 the Commonwealth Block funding also supported Other public hospital programs.

In 2018–19 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.

State and Territory Block Funding is paid into State Managed Funds.

## **(G) Public Health Funding**

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

## **(H) Cross-border**

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

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

## **(I) Interest**

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

## **(J) Taxation**

State and Territory Pool Accounts are not subject to income tax. The majority of government funding, from both the Commonwealth and 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.

## NOTE 2: Activity Based Funding Receipts

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

	2019 \$ '000	2018 \$ '000
Commonwealth Government Activity Based Funding	4,663,022	3,765,086
Queensland Government Activity Based Funding	5,549,633	5,792,453
<b>TOTAL</b>	<b>10,212,655</b>	<b>9,557,539</b>

## NOTE 3: Cross-Border Receipts

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

States and Territories	2019 \$ '000	2018 \$ '000
<b>CROSS-BORDER RECEIPTS</b>		
Australian Capital Territory	-	-
New South Wales	60,000	58,800
Victoria	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>60,000</b>	<b>58,800</b>

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

## NOTE 4: Activity Based Funding Payments

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

Local Hospital Networks	2019 \$ '000	2018 \$ '000
Cairns and Hinterland Hospital and Health Services	651,779	598,791
Central Queensland Hospital and Health Services	349,132	329,055
Children's Health Queensland Hospital and Health Services	451,616	449,323
Darling Downs Hospital and Health Services	445,521	376,717
Gold Coast Hospital and Health Services	1,144,686	1,042,649
Mackay Hospital and Health Services	274,185	249,072
Mater Misericordiae Health Services Brisbane	477,550	463,679
Metro North Hospital and Health Services	2,098,145	1,989,343
Metro South Hospital and Health Services	1,820,877	1,712,571
North West Hospital and Health Services	82,971	84,599
QLD Virtual LHN	64,395	11,202
Sunshine Coast Hospital and Health Services	886,536	854,549
Townsville Hospital and Health Services	641,273	616,777
West Moreton Hospital and Health Services	378,872	349,401
Wide Bay Hospital and Health Services	445,117	429,811
<b>TOTAL</b>	<b>10,212,655</b>	<b>9,557,539</b>

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

## NOTE 5: Cross-Border Payments

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

States and Territories	2019 \$ '000	2018 \$ '000
<b>CROSS-BORDER PAYMENTS</b>		
Australian Capital Territory	-	-
New South Wales	38,400	37,200
Victoria	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>38,400</b>	<b>37,200</b>

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

## NOTE 6: Activity Based Funding Receipts and Payments

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

	2019 \$ '000	2018 \$ '000
Total Activity Based Funding receipts from Commonwealth Government	4,663,022	3,765,086
Total Activity Based Funding receipts from Queensland Government	5,549,633	5,792,453
Cross-border receipts	60,000	58,800
Less: Cross-border payments	(38,400)	(37,200)
Less: Activity Based Funding payments to Local Hospital Networks	(10,212,655)	(9,557,539)
<b>NET RECEIPTS/(PAYMENTS)</b>	<b>21,600</b>	<b>21,600</b>

Total Activity Based Funding receipts from the Commonwealth includes an increase of \$214,916,381 in relation to the Commonwealth Treasurer's Determination for 2016-17 and an increase of \$393,927,273 in relation to Commonwealth Treasurer's Determination for 2017-18.

For 2019, the receipts in excess of payments balance represented withdrawals by the Queensland Department of Health of \$60,000,000 in cross-border receipts received from New South Wales, offset by payments to New South Wales of \$38,400,000.

For 2018, the receipts in excess of payments balance represented withdrawals by the Queensland Department of Health of \$58,800,000 in cross-border receipts received from New South Wales, offset by payments to New South Wales of \$37,200,000.

**End of Audited Special Purpose Financial Statement.**



**\$5.3B**

total funding

MADE UP OF

**\$2.3B**

Commonwealth funding

**\$3.1B**

State funding

INCLUSIVE OF

**\$1.9B**

Activity Based Funding

DELIVERING

**885,540**

weighted public  
hospital services  
measured in NWAU



WA



WA

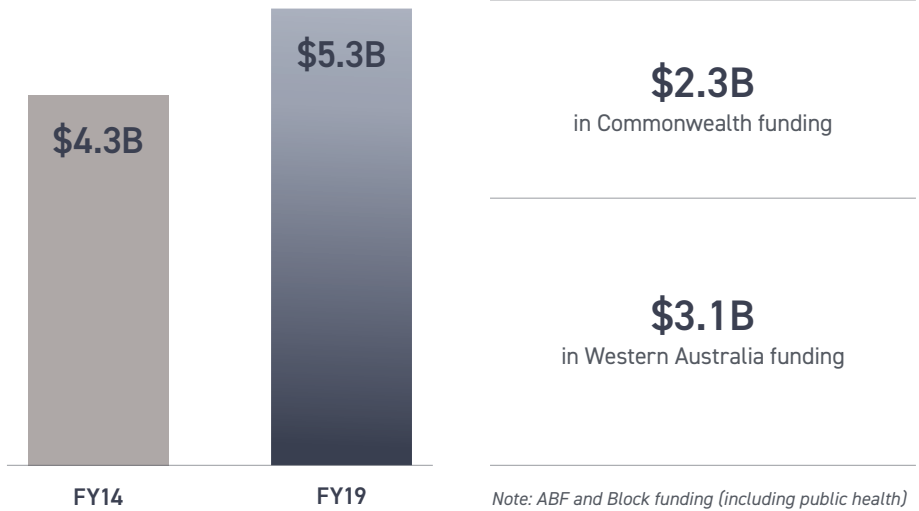
Funding and  
Payments

**National Health Reform  
Disclosures for the  
Year Ended 30 June 2019**

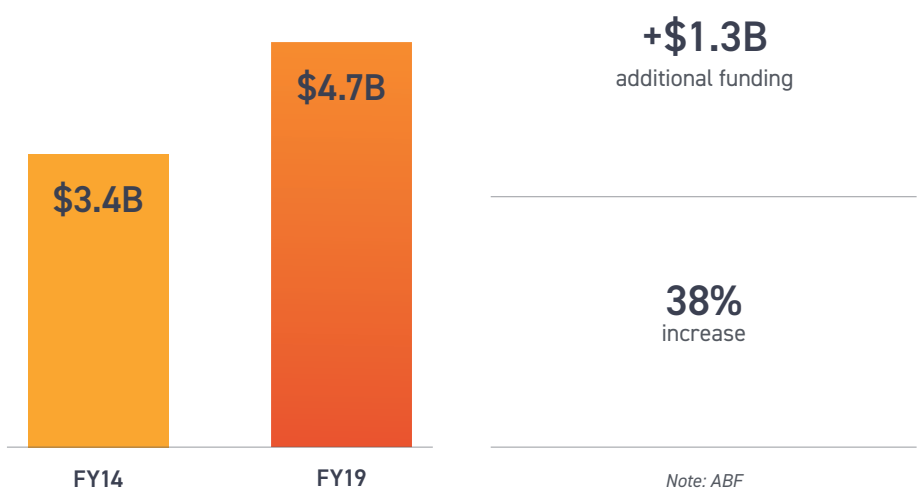
Issued by the Administrator of the National Health Funding Pool under section 242 of the Commonwealth *National Health Reform Act 2011* and section 19(2) of the Western Australian *National Health Funding Pool Act 2012*..

# Western Australia

## Growth in Public Hospital Funding since 2013-14



## Growth in Activity Based Funding since 2013-14



Section 241(2) of the NHR Act outlines certain disclosures to be reported 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. As such, figures may not add to the totals shown due to rounding.

NHR funding and payments shown in the following tables include 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 [publichospitalfunding.gov.au](http://publichospitalfunding.gov.au). For further information on the types of NHR funding, refer to the 'Overview' chapter of this Annual Report.

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

Component	Amount paid by Commonwealth into WA State Pool Account (\$'000)	
	2018-19	2017-18
Activity Based Funding	1,929,618	1,854,767
Block funding	297,686	278,733
Public Health funding	40,142	40,629
<b>WA TOTAL</b>	<b>2,267,445</b>	<b>2,174,129</b>

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

Component	Amount paid by Western Australia (\$'000)	
	2018-19	2017-18
State Pool Account – Activity Based Funding	2,751,444	1,920,468
State Managed Fund – Block funding	308,798	441,397
<b>WA TOTAL</b>	<b>3,060,243</b>	<b>2,361,865</b>

## 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)	
	2018-19 <sup>1</sup> Estimate	2017-18 <sup>2</sup> Actual
Child and Adolescent Health Service	54,773	49,040
North Metropolitan Health Service	254,726	243,855
East Metropolitan Health Service	196,235	194,308
Notional LHN - Royal Street - WA	15,909	18,735
South Metropolitan Health Service	230,989	217,671
WA Country Health Service	132,908	134,212
<b>WA TOTAL</b>	<b>885,540</b>	<b>857,821</b>

<sup>1</sup> 2018-19 NWAU as per the updated activity estimates as at the Administrator's June 2019 Payment Advice.

<sup>2</sup> 2017-18 NWAU as per the 2017-18 annual reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2017-18.

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

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

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

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

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

However, in 2017-18 and 2018-19 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 to Local Hospital Networks, a State Managed Fund or Other Organisations or Funds and the basis on which the Payments were made – Section 241(2)(C)

Recipient	Amount paid from WA State Pool Account (\$'000)	
	2018-19	2017-18
Child and Adolescent Health Service	369,762	232,575
North Metropolitan Health Service	1,348,628	1,104,283
East Metropolitan Health Service	1,028,075	824,703
Notional LHN - Royal Street - WA	42,391	108,769
South Metropolitan Health Service	1,081,931	957,844
WA Country Health Service	810,013	547,062
<b>State Managed Fund</b>	<b>297,686</b>	<b>278,733</b>
<b>Other organisations or funds</b>	<b>40,967</b>	<b>40,629</b>
<b>WA TOTAL</b>	<b>5,019,455</b>	<b>4,094,597</b>

The amounts paid from each State Managed Fund to Local Hospital Networks or Other Organisations or funds and the basis on which the Payments were made – Section 241(2)(D)

Recipient	Amount paid from WA State Managed Fund (\$'000)	
	2018-19	2017-18
Child and Adolescent Health Service	23,643	21,538
North Metropolitan Health Service	138,113	158,731
East Metropolitan Health Service	92,747	118,241
South Metropolitan Health Service	76,114	104,989
WA Country Health Service	267,869	309,477
<b>Other organisations or funds</b>	<b>7,998</b>	<b>7,155</b>
<b>WA TOTAL</b>	<b>606,484</b>	<b>720,129</b>

The basis used to determine National Health Reform (NHR) payments to LHNs in Western Australia (WA) for 2018-19 (at June 2019) is as follows:

*Service agreements between the Department of Health (the Department) and Health Service Providers (HSPs) are based on the Department's funding and purchasing policies and resource allocation models.*

*The Western Australia Activity Based Funding (WA ABF) model determines the price at which the Department purchases services from HSPs and the type and volume of services that are purchased. Metropolitan public hospitals and Regional and District rural hospitals are funded through the WA ABF model. The WA ABF model is based on the national ABF model however, it includes a range of modifications reflecting WA funding principles and purchasing mechanisms.*

*Small rural hospitals are funded through block funding arrangements which, although based on the National Efficient Cost Determination contain some funding modifications.*

*The vast majority of non-hospital services are block-funded. Block funding is based on budget to budget build from the previous year using WA State Government funding parameters consistent with the WA State budget.*







**National Health Funding Pool  
Western Australia State Pool Account  
Special purpose financial statement  
for the year ended 30 June 2019**

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*.



WA

Financial  
Statement



## Auditor General

### INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

### WESTERN AUSTRALIAN STATE POOL ACCOUNT

#### Opinion

As required by section 21 of the *National Health Funding Pool Act 2012 (WA)* and section 243 of the *National Health Reform Act 2011*, I have audited the accompanying special purpose financial statement (the financial statement) of the Western Australian State Pool Account of the National Health Funding Pool for the year ended 30 June 2019. The financial statement comprises a Statement of Receipts and Payments for the year ended 30 June 2019, 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 2019 in accordance with the *National Health Funding Pool Act 2012 (WA)* and *National Health Reform Act 2011*.

#### Basis for Opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibility section of my report. I am independent of the National Health Funding Body in accordance with the *Auditor General Act 2006* and the relevant 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. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 1 to the financial statement, which describes the purpose of the financial statement and basis of accounting. The financial statement has been prepared using the cash basis of accounting and for the purpose of fulfilling the Administrator of the National Health Funding Pool (the 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 statement may not be suitable for another purpose.

#### The Responsibility of the Administrator of the National Health Funding Pool 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 the *National Health Funding Pool Act 2012 (WA)* and the *National Health Reform Act 2011*, and has determined that the basis of preparation described in Note 1 to the financial statement is appropriate to meet these requirements. The Administrator is also responsible 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.

**Auditor's Responsibility**

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

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

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

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



CAROLINE SPENCER  
AUDITOR GENERAL  
FOR WESTERN AUSTRALIA  
Perth, Western Australia  
12 September 2019



**Administrator  
National Health  
Funding Pool**

**Office of the Administrator**  
GPO Box 1252 Canberra ACT 2601

**Telephone:** 1300 930 522  
**Email:** [nhfa.administrator@nhfa.gov.au](mailto:nhfa.administrator@nhfa.gov.au)

10 September 2019

**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 a statement of receipts and payments with attached notes provides a fair presentation in accordance with the Western Australian *National Health Funding Pool and Administration Act 2012*, the Commonwealth *National Health Reform Act 2011* and the National Health Reform Agreement 2011.

In my opinion, the attached special purpose financial statement for the year ended 30 June 2019 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 and Administration Act 2012*, the Commonwealth *National Health Reform Act 2011* and the National Health Reform Agreement 2011.

Yours sincerely,

Michael Lambert  
Administrator  
National Health Funding Pool

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Western Australia State Pool Account  
Statement of receipts and payments  
for the year ended 30 June 2019

	Notes	2019 \$ '000	2018 \$ '000
<b>RECEIPTS INTO THE State Pool Account</b>			
<b>From Commonwealth Government</b>			
Activity Based Funding	2, 6	1,929,618	1,854,767
Block funding		297,686	278,733
Public health funding		40,142	40,629
<b>From Western Australia Government</b>			
Activity Based Funding	2, 6	2,751,184	1,920,468
Cross-border contribution	5	260	-
<b>From other States or Territories</b>			
Cross-border receipts	3,6	565	-
<b>From Reserve Bank of Australia</b>			
Interest receipts		-	7
<b>TOTAL RECEIPTS</b>		<b>5,019,455</b>	<b>4,094,604</b>
<b>PAYMENTS OUT OF THE State Pool Account</b>			
<b>To Local Hospital Networks</b>			
Activity Based Funding	4, 6	4,680,802	3,775,235
<b>To Western Australia State Managed Fund</b>			
Block funding		297,686	278,733
Cross-border transfer		565	-
<b>To Department of Health</b>			
Public health funding		40,142	40,629
Interest payments		-	-
Cross-border transfer		-	-
<b>To other States or Territories</b>			
Cross-border payments	5,6	260	-
<b>TOTAL PAYMENTS</b>		<b>5,019,455</b>	<b>4,094,597</b>
<b>NET RECEIPTS FOR THE YEAR</b>		<b>-</b>	<b>7</b>
<b>OPENING CASH BALANCE</b>		<b>7</b>	<b>-</b>
<b>CLOSING CASH BALANCE</b>		<b>7</b>	<b>7</b>

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. Mr Michael Lambert was appointed as the Administrator on 17 July 2018.

### (B) Basis of Preparation

The Western Australia State Pool Account was established at the Reserve Bank of Australia (RBA) in 2012–13 in accordance with section 12 of the *Western Australia National Health Funding Pool Act 2012* and the special purpose financial statement has been prepared in accordance with section 20 of that Act and section 242 of the *Commonwealth National Health Reform Act 2011*.

The special purpose financial statement has been prepared on a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

The special purpose financial statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The special purpose financial statement was authorised for release by the Administrator on 1 August 2019.

### (C) Comparative Figures

Prior year comparative information has been disclosed. The results for 2017–18 and 2018–19 are for the year ended 30 June.

## (D) National Health Funding Pool

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

## (E) Activity Based Funding

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

In 2017–18 and 2018–19 the Commonwealth, States and Territories ABF supported the following:

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

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

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

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

In 2017, the Council of Australian Governments signed an Addendum to the National Health Reform Agreement. The Addendum amends specified elements of the operation of the National Health Reform Agreement for a period of three years. From 1 July 2017 to 30 June 2020, the Commonwealth will fund 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.

## (F) Block Funding

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

In 2017–18 and 2018–19 the Commonwealth block funding supported the following:

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

In 2018–19 the Commonwealth Block funding also supported Other public hospital programs.

In 2018–19 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.

State and Territory Block Funding is paid into State Managed Funds.

## **(G) Public Health Funding**

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

## **(H) Cross-border**

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

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

## **(I) Interest**

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

## **(J) Taxation**

State and Territory Pool Accounts are not subject to income tax. The majority of government funding, from both the Commonwealth and 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.

## NOTE 2: Activity Based Funding Receipts

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

	2019 \$ '000	2018 \$ '000
Commonwealth Activity Based Funding	1,929,618	1,854,767
Western Australia Activity Based Funding	2,751,184	1,920,468
<b>TOTAL</b>	<b>4,680,802</b>	<b>3,775,235</b>

## 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	2019 \$ '000	2018 \$ '000
<b>CROSS-BORDER RECEIPTS</b>		
Australian Capital Territory	-	-
New South Wales	-	-
Victoria	-	-
Queensland	-	-
South Australia	-	-
Tasmania	565	-
Northern Territory	-	-
<b>TOTAL</b>	<b>565</b>	<b>-</b>

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

## NOTE 4: Activity Based Funding Payments

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

Local Hospital Networks	2019 \$ '000	2018 \$ '000
Child and Adolescent Health Service	369,762	232,575
East Metropolitan Health Service	1,028,075	829,507
North Metropolitan Health Service	1,348,628	1,110,809
Notional LHN - Royal Street	42,391	91,025
South Metropolitan Health Service	1,081,931	960,000
WA Country Health Service	810,013	551,319
<b>TOTAL</b>	<b>4,680,802</b>	<b>3,775,235</b>

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

## NOTE 5: Cross-border Payments

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

States and Territories	2019 \$ '000	2018 \$ '000
<b>CROSS-BORDER PAYMENTS</b>		
Australian Capital Territory	-	-
New South Wales	-	-
Victoria	-	-
Queensland	-	-
South Australia	-	-
Tasmania	260	-
Northern Territory	-	-
<b>TOTAL</b>	<b>260</b>	<b>-</b>

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

## NOTE 6: Activity Based Funding Receipts and Payments

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

	2019 \$ '000	2018 \$ '000
Total Activity Based Funding receipts from the Commonwealth	1,929,618	1,854,767
Total Activity Based Funding receipts from Western Australia	2,751,184	1,920,468
Cross-border receipts	565	-
Less: Cross-border payments	(260)	-
Less: Activity Based Funding payments to Local Hospital Networks	(4,680,802)	(3,775,235)
<b>NET RECEIPTS/(PAYMENTS)</b>	<b>305</b>	<b>-</b>

Total Activity Based Funding receipts from the Commonwealth includes an increase of \$6,329,912 in relation to the Commonwealth Treasurer's Determination for 2016-17 and an increase of \$30,849,581 in relation to Commonwealth Treasurer's Determination for 2017-18.

For 2019, the receipts in excess of payments balance represented \$565,325 in cross-border receipts received from Tasmania offset by \$260,382 in cross-border payments to Tasmania.

**End of Audited Special Purpose Financial Statement.**





**\$3.7B**

total funding

MADE UP OF

**\$1.3B**

Commonwealth funding

**\$2.4B**

State funding

INCLUSIVE OF

**\$1.1B**

Activity Based Funding

DELIVERING

**595,071**

weighted public  
hospital services  
measured in NWAU

A white hexagon is centered on a solid orange background. Inside the hexagon, the letters 'SA' are written in a simple, orange, sans-serif font. The hexagon is slightly offset from the center of the page, with more orange space on the right and bottom sides.

SA



# SA

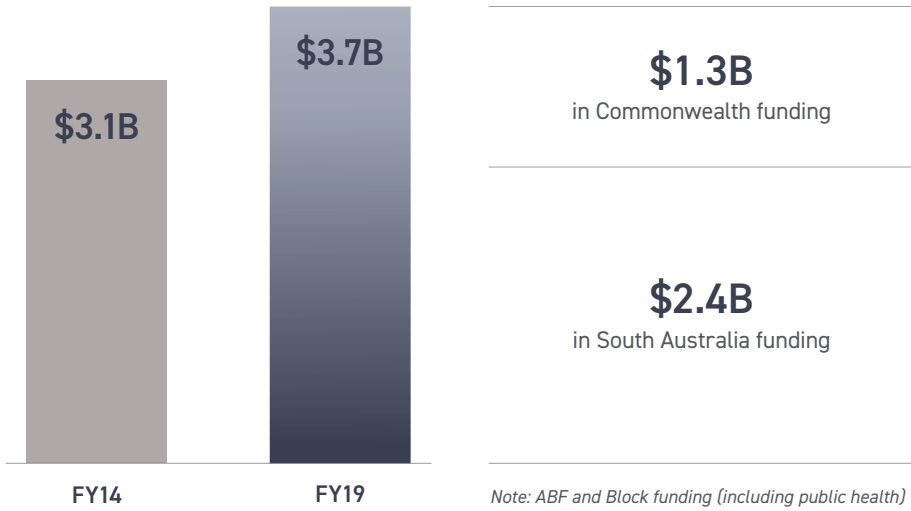
## Funding and Payments

### **National Health Reform Disclosures for the Year Ended 30 June 2019**

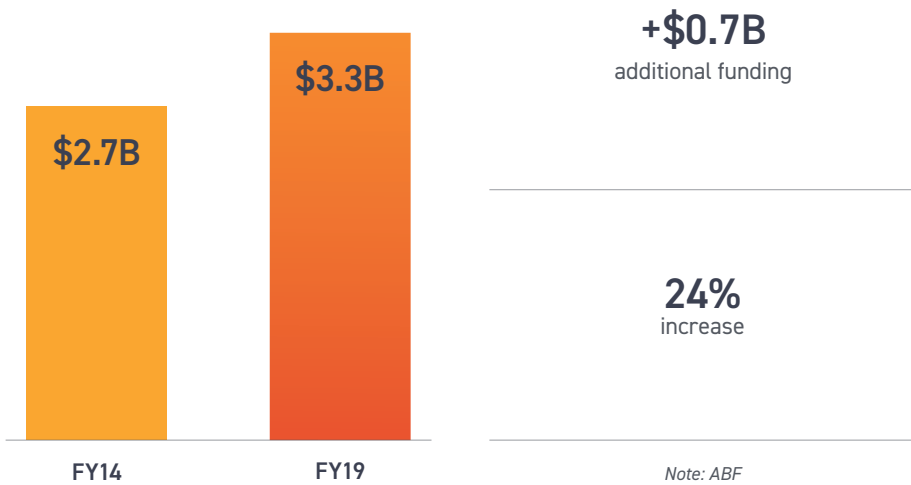
Issued by the Administrator of the National Health Funding Pool under section 242 of the Commonwealth *National Health Reform Act 2011* and section 22(2) of the South Australia *National Health Funding Pool Administration (South Australia) Act 2012*.

# South Australia

## Growth in Public Hospital Funding since 2013-14



## Growth in Activity Based Funding since 2013-14



Section 241(2) of the NHR Act outlines certain disclosures to be reported 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. As such, figures may not add to the totals shown due to rounding.

NHR funding and payments shown in the following tables include 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 [publichospitalfunding.gov.au](http://publichospitalfunding.gov.au). For further information on the types of NHR funding, refer to the 'Overview' chapter of this Annual Report.

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

Component	Amount paid by Commonwealth into SA State Pool Account (\$'000)	
	2018-19	2017-18
Activity Based Funding	1,110,528	1,146,493
Block funding	181,935	175,261
Public Health funding	27,616	27,068
<b>SA TOTAL</b>	<b>1,320,079</b>	<b>1,348,822</b>

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

Component	Amount paid by South Australia (\$'000)	
	2018-19	2017-18
State Pool Account – Activity Based Funding	2,232,000	1,633,000
State Managed Fund – Block funding	189,649	248,415
<b>SA TOTAL</b>	<b>2,421,649</b>	<b>1,881,415</b>

## 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)	
	2018-19 <sup>1</sup> Estimate	2017-18 <sup>2</sup> Actual
Central Office Services	5,369	5,089
Central Adelaide Local Health Network	203,838	198,506
Country Health SA Local Health Network	70,633	71,485
Northern Adelaide Local Health Network	100,863	102,960
Southern Adelaide Local Health Network	157,851	154,027
Women's and Children's Health Network	56,517	53,228
<b>SA TOTAL</b>	<b>595,071</b>	<b>585,295</b>

<sup>1</sup> 2018-19 NWAU as per the updated activity estimates as at the Administrator's June 2019 Payment Advice.

<sup>2</sup> 2017-18 NWAU as per the 2017-18 annual reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2017-18.

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

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

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

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

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

However, in 2017-18 and 2018-19 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 to Local Hospital Networks, a State Managed Fund or Other Organisations or Funds and the basis on which the Payments were made – Section 241(2)(C)

Recipient	Amount paid from SA State Pool Account (\$'000)	
	2018-19	2017-18
Central Office Services	27,791	50,354
Central Adelaide Local Health Network	1,077,123	1,027,635
Country Health SA Local Health Network	365,598	349,511
Northern Adelaide Local Health Network	522,067	473,426
Southern Adelaide Local Health Network	794,977	767,026
Women's and Children's Health Network	292,530	270,657
<b>State Managed Fund</b>	<b>181,935</b>	<b>175,261</b>
<b>Other organisations or funds</b>	<b>27,616</b>	<b>27,068</b>
<b>SA TOTAL</b>	<b>3,289,637</b>	<b>3,140,938</b>

The amounts paid from each State Managed Fund to Local Hospital Networks or Other Organisations or Funds and the basis on which the Payments were made – Section 241(2)(D)

Recipient	Amount paid from SA State Managed Fund (\$'000)	
	2018-19	2017-18
Central Adelaide Local Health Network	77,001	74,223
Country Health SA Local Health Network	209,257	246,349
Northern Adelaide Local Health Network	42,533	40,134
Southern Adelaide Local Health Network	26,023	54,504
Women's and Children's Health Network	16,770	8,466
<b>Other organisations or funds</b>	<b>-</b>	<b>-</b>
<b>SA TOTAL</b>	<b>371,584</b>	<b>423,676</b>

The basis used to determine NHR payments to LHNs in South Australia for 2018–19 (at June 2019) was advised by the SA Department of Health to be as follows:

*In determining the annual funding allocation for all LHNs, the budget has been built up predominantly on an activity basis that shares principles with the IHPA framework. It is designed to equitably distribute funding to each LHN relative to all LHNs in South Australia. This occurs within the confines of a limited funding pool that includes adjustments to recognise cost improvements and the attainment of service efficiencies that are also equitably allocated on an activity basis. Supplementation is provided as block funding where an activity-based approach is not appropriate. This captures the provision of services including teaching, training and research, some mental health services and the delivery of out of hospital strategies incorporating primary health.*

*Monthly allocations to LHNs will vary for a variety of reasons, but they are predominantly cash flow financed based on need which includes the activity demand on hospital services.*





**National Health Funding Pool  
South Australia State Pool Account  
Special purpose financial statement  
for the year ended 30 June 2019**

Issued by the Administrator of the National Health Funding Pool under section 242 of the Commonwealth *National Health Reform Act 2011* and section 23 of the South Australia *National Health Funding Pool Administration (South Australia) Act 2012*.



SA

Financial  
Statement

**INDEPENDENT AUDITOR'S REPORT**

Government of South Australia  
Auditor-General's Department

Level 9  
State Administration Centre  
200 Victoria Square  
Adelaide SA 5000  
DX 56208  
Victoria Square  
Tel +618 8226 9640  
Fax +618 8226 9688  
ABN 53 327 061 410  
audgensa@audit.sa.gov.au  
www.audit.sa.gov.au

**To the Administrator of the National Health Funding Pool****Opinion**

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 statement of the National Health Funding Pool South Australia State Pool Account for the year ended 30 June 2019. The financial statement comprises:

- a Statement of Receipts and Payments for the year ended 30 June 2019
- notes to and forming part of the special purpose financial statement
- a statement by the Administrator of the National Health Funding Pool.

In my opinion, the financial statement for the year ended 30 June 2019 gives a true and fair view of the financial transactions of the National Health Funding Pool South Australia State Pool Account in accordance with the financial reporting requirements of the *National Health Funding Pool Administration (South Australia) Act 2011*, the *National Health Reform Act 2011* and the National Health Reform Agreement 2011.

**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 statement' section of my report. I am independent of the Administrator of the National Health Funding Pool. 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 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**

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 is prepared using the cash basis of accounting and for the purpose of fulfilling the Administrator's financial

reporting obligations under the *National Health Funding Pool Administration (South Australia) Act 2011*, the *National Health Reform Act 2011* and the National Health Reform Agreement 2011. As a result, the financial statement may not be suitable for another purpose. My opinion is not modified in respect of this matter.

### **Responsibilities of the Administrator for the financial statement**

The Administrator of the National Funding Pool is responsible for the preparation of the financial statement that gives a true and fair view in accordance with financial reporting requirements of the *National Health Funding Pool Administration (South Australia) Act 2011*, 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 statement 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 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 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 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 South Australia State Pool Account's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Administrator
- evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial statement described above and does not provide assurance over the integrity of electronic publication on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the statement.

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 the audit.



Andrew Richardson  
**Auditor-General**  
13 September 2019





**Administrator  
National Health  
Funding Pool**

**Office of the Administrator**  
GPO Box 1252 Canberra ACT 2601

**Telephone:** 1300 930 522  
**Email:** nhfa.administrator@nhfa.gov.au

10 September 2019

#### **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 a statement of receipts and payments with attached notes provides a fair presentation in accordance with the South Australian *National Health Funding Pool Administration (South Australia) Act 2012*, the Commonwealth *National Health Reform Act 2011* and the National Health Reform Agreement 2011.

In my opinion, the attached special purpose financial statement for the year ended 30 June 2019 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.

Yours sincerely,

Michael Lambert  
Administrator  
National Health Funding Pool



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South Australia State Pool Account  
Statement of receipts and payments  
for the year ended 30 June 2019

	Notes	2019 \$ '000	2018 \$ '000
<b>RECEIPTS INTO THE State Pool Account</b>			
<b>From Commonwealth</b>			
Activity Based Funding	2, 6	1,110,528	1,146,493
Block funding		181,935	175,261
Public health funding		27,616	27,068
<b>From South Australian Government</b>			
Activity Based Funding	2, 6	2,232,000	1,633,000
Cross-border contribution		-	-
<b>From other States or Territories</b>			
Cross-border receipts	3,6	-	-
<b>From Reserve Bank of Australia</b>			
Interest receipts		3,810	2,432
<b>TOTAL RECEIPTS</b>		<b>3,555,888</b>	<b>2,984,255</b>
<b>PAYMENTS OUT OF THE State Pool Account</b>			
<b>To Local Hospital Networks</b>			
Activity Based Funding	4, 6	3,080,086	2,938,609
<b>To South Australian State Managed Fund</b>			
Block funding		181,935	175,261
Cross-border transfer		-	-
<b>To Department for Health and Wellbeing</b>			
Public health funding		27,616	27,068
Interest payments		-	-
Cross-border transfer		-	-
<b>To other States or Territories</b>			
Cross-border payments	5,6	-	-
<b>TOTAL PAYMENTS</b>		<b>3,289,637</b>	<b>3,140,938</b>
<b>NET RECEIPTS/(PAYMENTS) FOR THE YEAR</b>		<b>266,252</b>	<b>(156,683)</b>
<b>OPENING CASH BALANCE</b>		<b>43,060</b>	<b>199,743</b>
<b>CLOSING CASH BALANCE</b>		<b>309,312</b>	<b>43,060</b>

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. Mr Michael Lambert was appointed as the Administrator on 17 July 2018.

### (B) Basis of Preparation

The South Australia State Pool Account was established at the Reserve Bank of Australia (RBA) in 2012–13 in accordance with Part 3, section 13 of the *South Australia National Health Funding Pool Administration (South Australia) Act 2012* and the special purpose financial statement has been prepared in accordance with Part 5, section 23 of that Act and section 242 of the Commonwealth *National Health Reform Act 2011*.

The special purpose financial statement has been prepared on a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

The special purpose financial statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The special purpose financial statement was authorised for release by the Administrator on 1 August 2019.

### (C) Comparative Figures

Prior year comparative information has been disclosed. The results for 2017–18 and 2018–19 are for the year ended 30 June.

## (D) National Health Funding Pool

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

## (E) Activity Based Funding

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

In 2017–18 and 2018–19 the Commonwealth, States and Territories ABF supported the following:

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

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

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

In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements. Final funding entitlements for the year

are calculated after actual data on hospital services becomes available. This calculation will generally result in reconciliation adjustments being made to the Commonwealth ABF contribution to each LHN.

In 2017, the Council of Australian Governments signed an Addendum to the National Health Reform Agreement. The Addendum amends specified elements of the operation of the National Health Reform Agreement for a period of three years. From 1 July 2017 to 30 June 2020, the Commonwealth will fund 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.

## (F) Block Funding

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

In 2017–18 and 2018–19 the Commonwealth block funding supported the following:

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

In 2018–19 the Commonwealth Block funding also supported Other public hospital programs.

In 2018–19 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.

State and Territory Block Funding is paid into State Managed Funds.

## **(G) Public Health Funding**

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

## **(H) Cross-border**

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

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

## **(I) Interest**

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

## **(J) Taxation**

State and Territory Pool Accounts are not subject to income tax. The majority of government funding, from both the Commonwealth and 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.



## NOTE 2: Activity Based Funding Receipts

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

	2019 \$ '000	2018 \$ '000
Commonwealth Activity Based Funding	1,110,528	1,146,493
South Australia Activity Based Funding	2,232,000	1,633,000
<b>TOTAL</b>	<b>3,342,528</b>	<b>2,779,493</b>

## 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	2019 \$ '000	2018 \$ '000
<b>CROSS-BORDER RECEIPTS</b>		
Australian Capital Territory	-	-
New South Wales	-	-
Victoria	-	-
Queensland	-	-
Western Australia	-	-
Tasmania	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>

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

## NOTE 4: Activity Based Funding Payments

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

Local Hospital Networks	2019 \$ '000	2018 \$ '000
Central Adelaide Local Health Network	1,077,123	1,027,635
Central Office Services	27,791	50,354
Country Health SA Local Health Network	365,598	349,511
Northern Adelaide Local Health Network	522,067	473,426
Southern Adelaide Local Health Network	794,977	767,026
Women's and Children's Health Network	292,530	270,657
<b>TOTAL</b>	<b>3,080,086</b>	<b>2,938,609</b>

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

The South Australia Minister for Health directed all Activity Based Funding contributions paid to Local Hospital Networks.

## NOTE 5: Cross-border Payments

Total cross-border payments made out of the South Australia State Pool Account in respect of other States and Territories:

States and Territories	2019 \$ '000	2018 \$ '000
<b>CROSS-BORDER PAYMENTS</b>		
Australian Capital Territory	-	-
New South Wales	-	-
Victoria	-	-
Queensland	-	-
Western Australia	-	-
Tasmania	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>

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

## NOTE 6: Activity Based Funding Receipts and Payments

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

	2019 \$ '000	2018 \$ '000
Total Activity Based Funding receipts from Commonwealth Government	1,110,528	1,146,493
Total Activity Based Funding receipts from South Australian Government	2,232,000	1,633,000
Cross-border receipts	-	-
Less: Cross-border payments	-	-
Less: Activity Based Funding payments to Local Hospital Networks	(3,080,086)	(2,938,609)
<b>NET RECEIPTS/(PAYMENTS)</b>	<b>262,442</b>	<b>(159,115)</b>

Total Activity Based Funding receipts from the Commonwealth includes a decrease of \$13,265,245 in relation to the Commonwealth Treasurer's Determination for 2016-17 and a decrease of \$5,763,711 in relation to the Commonwealth Treasurer's Determination for 2017-18.

For 2019, the receipts in excess of payments balance is represented by overdeposits of the South Australian Activity Based Funding Contribution of \$266,251,744 offset by interest receipts of \$3,809,816.

For 2018, the payments in excess of receipts balance is represented by underdeposits of the South Australian Activity Based Funding Contribution of \$156,683,000 offset by interest receipts of \$2,432,000.

**End of Audited Special Purpose Financial Statement.**



**\$1.3B**

total funding

MADE UP OF

**\$0.4B**

Commonwealth funding

**\$0.9B**

State funding

INCLUSIVE OF

**\$0.3B**

Activity Based Funding

DELIVERING

**164,000**

weighted public  
hospital services  
measured in NWAU

The image features a large white hexagon centered on a solid orange background. The hexagon is slightly offset from the center, with more orange space on the right side. Inside the white hexagon, the letters 'TAS' are written in a simple, orange, sans-serif font. The 'T' and 'A' are connected at the top, and the 'S' is positioned to the right of the 'A'.

TAS

# TAS

## Funding and Payments

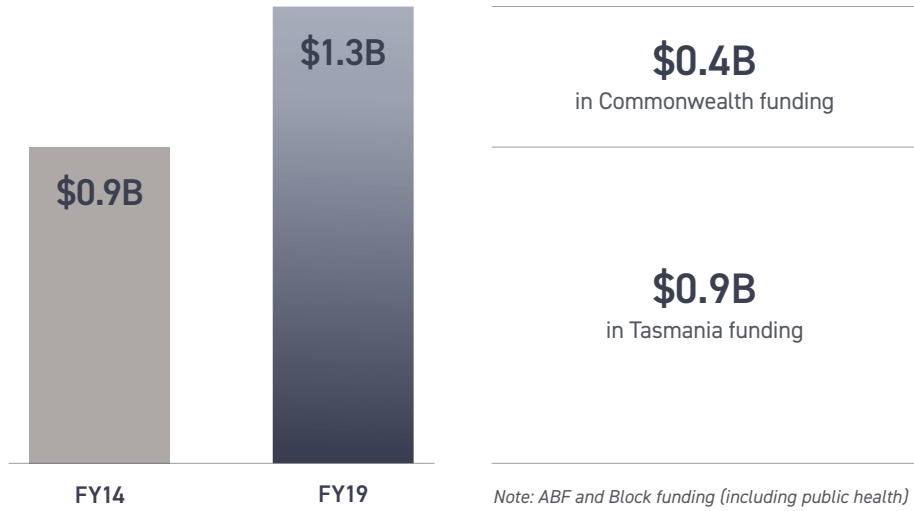
### **National Health Reform Disclosures for the Year Ended 30 June 2019**

Issued by the Administrator of the National Health Funding Pool under section 242 of the Commonwealth *National Health Reform Act 2011* and section 18(2) of the Tasmanian *National Health Funding Administration Act 2012*.

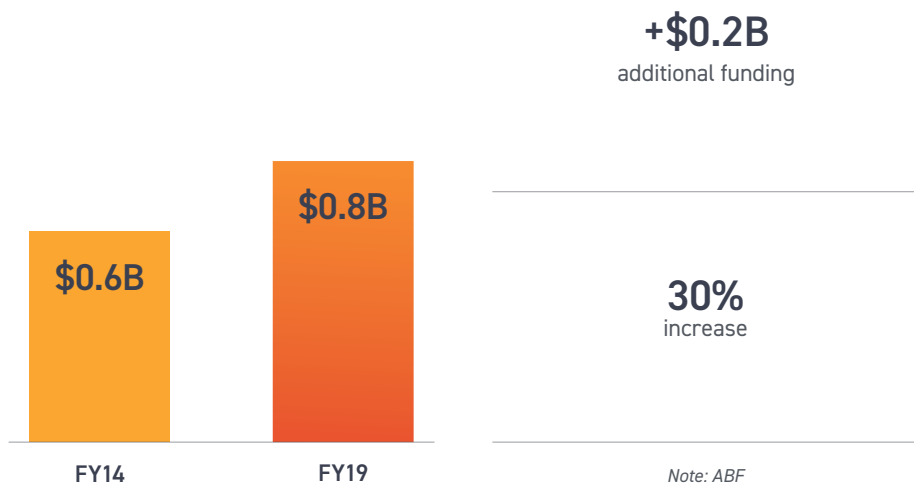


# Tasmania

## Growth in Public Hospital Funding since 2013-14



## Growth in Activity Based Funding since 2013-14



Section 241(2) of the NHR Act outlines certain disclosures to be reported 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. As such, figures may not add to the totals shown due to rounding.

NHR funding and payments shown in the following tables include 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 [publichospitalfunding.gov.au](http://publichospitalfunding.gov.au). For further information on the types of NHR funding, refer to the 'Overview' chapter of this Annual Report.

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

Component	Amount paid by Commonwealth into TAS State Pool Account (\$'000)	
	2018-19	2017-18
Activity Based Funding	345,244	353,084
Block funding	70,851	62,819
Public Health funding	8,432	8,172
<b>TAS TOTAL</b>	<b>424,526</b>	<b>424,075</b>

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

Component	Amount paid by Tasmania (\$'000)	
	2018-19	2017-18
State Pool Account – Activity Based Funding	420,153	367,226
State Managed Fund – Block funding	450,878	422,422
<b>TAS TOTAL</b>	<b>871,031</b>	<b>789,648</b>

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)	
	2018-19 <sup>1</sup> Estimate	2017-18 <sup>2</sup> Actual
Tasmanian Health Services	164,000	159,559
<b>TAS TOTAL</b>	<b>164,000</b>	<b>159,559</b>

<sup>1</sup> 2018-19 NWAU as per the updated activity estimates as at the Administrator's June 2019 Payment Advice.

<sup>2</sup> 2017-18 NWAU as per the 2017-18 annual reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2017-18.

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

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

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

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

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

However, in 2017-18 and 2018-19 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 to Local Hospital Networks, a State Managed Fund or Other Organisations or Funds and the basis on which the Payments were made – Section 241(2)(C)

Recipient	Amount paid from TAS State Pool Account (\$'000)	
	2018-19	2017-18
Tasmanian Health Service	764,831	720,309
<b>State Managed Fund</b>	<b>70,851</b>	<b>62,819</b>
<b>Other organisations or funds</b>	<b>9,263</b>	<b>8,182</b>
<b>TAS TOTAL</b>	<b>844,945</b>	<b>791,310</b>

### The amounts paid from each State Managed Fund to Local Hospital Networks or Other Organisations or Funds and the basis on which the Payments were made – Section 241(2)(D)

Recipient	Amount paid from TAS State Managed Fund (\$'000)	
	2018-19	2017-18
Tasmanian Health Service	521,729	485,241
<b>Other organisations or funds</b>	<b>-</b>	<b>-</b>
<b>TAS TOTAL</b>	<b>521,729</b>	<b>485,241</b>

The basis used to determine NHR payments to LHNs in Tasmania for 2018–19 (at June 2019) was advised by the Tasmanian Department of Health and Human Services to be as follows:

*NHR payments in Tasmania are based upon the activity outlined in the annual service agreement between the Minister for Health and the Tasmanian Health Service (THS).*

*The service agreement is informed by the Statement of Purchaser Intent (SOPI) and includes:*

- + a schedule of services to be provided by or on behalf of the THS and the funding to be provided in relation to the provision of those services;*
- + performance standards, performance targets and performance measures for the THS, and*
- + standards of patient care and service delivery.*

*Acute admitted and sub and non-acute service activity volumes are modelled based on age adjusted, population growth and other known factors using historical activity data. Emergency Department and outpatient service volumes are modelled based on agreed growth rates and other known historical data factors.*

*To provide consistency in methodology and consistency with the National Health Reform Agreement (NHRA), the 2018–19 Tasmanian Funding Model has adopted the National Weighted Activity Unit (NWAU) as the currency for Activity Based Funding, with the applicable version being NWAU18, and National Efficient Cost (NEC18), with some modifications in relation to small regional and remote hospitals, stand - alone hospitals providing specialist Mental Health services (admitted and non-admitted), and teaching, training and research.*

*The 2018–19 Tasmanian Funding Model also provides funding via operational and block grants to the THS covering services provided and activities undertaken that are not within scope for ABF.*



**National Health Funding Pool  
Tasmania State Pool Account  
Special purpose financial statement  
for the year ended 30 June 2019**

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*.



TAS

Financial  
Statement



**Tasmanian**  
Audit Office

## **Independent Auditor's Report**

**To Members of the Tasmanian Parliament**

**National Health Funding Pool – Tasmania State Pool Account**

**Report on the Audit of the Special Purpose Financial Statements**

### **Opinion**

I have audited the accompanying special purpose financial statement of the Tasmania State Pool Account of the National Health Funding Pool (the Statement), which comprises a statement of receipts and payments as at 30 June 2019, cash balances at the beginning and end of that year, notes to the statement including a summary of significant accounting policies and other explanatory information and a statement by the Administrator of the National Health Funding Pool (the Administrator). The Statement has been prepared as required by section 19 of the *National Health Funding Administration Act 2012* (Tasmania) and section 242 of the *National Health Reform Act 2011* (Commonwealth).

In my opinion the Statement presents fairly, in all material respects, the receipts and payments of the Tasmania State Pool Account of the National Health Funding Pool for the year ended 30 June 2019 in accordance with the *National Health Funding Administration Act 2012* (Tasmania) and section 242 of the *National Health Reform Act 2011* (Commonwealth) and the National Health Reform Agreement 2011.

### **Basis for Opinion**

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Statement* section of my report. I am independent of the Tasmania State Pool Account 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* (the Code) that are relevant to my audit of the financial report 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.

...1 of 3

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.  
Professionalism | Respect | Camaraderie | Continuous Improvement | Customer Focus

*Strive | Lead | Excel | To Make a Difference*



### Emphasis of Matter - Basis of Accounting and Restriction on Distribution

I draw attention to Note 1(B) to the Statement, which describes the basis of accounting. The Statement has been prepared using the cash basis of accounting for the purpose of fulfilling the Administrator's financial reporting obligations under section 19 of the *National Health Funding Administration Act 2012* (Tasmania) and section 242 of the *National Health Reform Act 2011* (Commonwealth) and National Reform Agreement 2011. As a result, the Statement may not be suitable for another purpose. My opinion is not modified in respect of this matter.

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

The Administrator is responsible for the preparation and fair presentation of the Statement and has determined that the basis of presentation, which is a special purpose framework, is appropriate to meet the requirements of section 19 of the *National Health Funding Administration Act 2012* (Tasmania) and section 242 of the *National Health Reform Act 2011* (Commonwealth) and the National Health Reform Agreement 2011. The Administrator's responsibility also includes such internal control as he determines is necessary to enable the preparation of the Statement that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibilities for the Audit of the Statement

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

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 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 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.
- Evaluate the overall presentation, structure and content of the Statement, including the disclosures, and whether the Statement represents the underlying transactions and events in a manner that achieves fair presentation.

...2 of 3

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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.



Rod Whitehead  
**Auditor-General**

**Tasmanian Audit Office**

17 September 2019  
Hobart

...3 of 3

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.  
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**Administrator  
National Health  
Funding Pool**

**Office of the Administrator**  
GPO Box 1252 Canberra ACT 2601

**Telephone:** 1300 930 522  
**Email:** nhfa.administrator@nhfa.gov.au

16 September 2019

#### **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 a statement of receipts and payments with attached notes provides a fair presentation in accordance with the Tasmanian *National Health Funding Administration Act 2012*, the Commonwealth *National Health Reform Act 2011* and the National Health Reform Agreement 2011.

In my opinion, the attached special purpose financial statement for the year ended 30 June 2019 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.

Yours sincerely,

Michael Lambert  
Administrator  
National Health Funding Pool



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Tasmania State Pool Account  
Statement of receipts and payments  
for the year ended 30 June 2019

	Notes	2019 \$ '000	2018 \$ '000
<b>RECEIPTS INTO THE State Pool Account</b>			
<b>From Commonwealth</b>			
Activity Based Funding	2, 6	345,244	353,084
Block funding		70,851	62,819
Public health funding		8,432	8,172
<b>From Tasmania Government</b>			
Activity Based Funding	2, 6	419,588	367,226
Cross-border contribution		565	-
<b>From other States or Territories</b>			
Cross-border receipts	3,6	260	-
<b>From Reserve Bank of Australia</b>			
Interest receipts		5	10
<b>TOTAL RECEIPTS</b>		<b>844,945</b>	<b>791,310</b>
<b>PAYMENTS OUT OF THE State Pool Account</b>			
<b>To Local Hospital Networks</b>			
Activity Based Funding	4, 6	764,831	720,309
<b>To Tasmania State Managed Fund</b>			
Block funding		70,851	62,819
Cross-border transfer		-	-
<b>To Department of Health and Human Services</b>			
Public health funding		8,432	8,172
Interest payments		5	10
Cross-border transfer		260	-
<b>To other States or Territories</b>			
Cross-border payments	5,6	565	-
<b>TOTAL PAYMENTS</b>		<b>844,945</b>	<b>791,310</b>
<b>NET RECEIPTS/(PAYMENTS) FOR THE YEAR</b>		<b>-</b>	<b>-</b>
<b>OPENING CASH BALANCE</b>		<b>-</b>	<b>-</b>
<b>CLOSING CASH BALANCE</b>		<b>-</b>	<b>-</b>

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. Mr Michael Lambert was appointed as the Administrator on 17 July 2018.

### (B) Basis of Preparation

The Tasmania State Pool Account was established at the Reserve Bank of Australia (RBA) in 2012-13 in accordance with Part 3, section 11 of the Tasmania *National Health Funding Administration Act 2012* and the special purpose financial statement has been prepared in accordance with Part 4, section 19 of that Act and section 242 of the Commonwealth *National Health Reform Act 2011*.

The special purpose financial statement has been prepared on a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

The special purpose financial statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The special purpose financial statement was authorised for release by the Administrator on 1 August 2019.

### (C) Comparative Figures

Prior year comparative information has been disclosed. The results for 2017-18 and 2018-19 are for the year ended 30 June.

## (D) National Health Funding Pool

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

## (E) Activity Based Funding

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

In 2017–18 and 2018–19 the Commonwealth, States and Territories ABF supported the following:

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

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

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



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

In 2017, the Council of Australian Governments signed an Addendum to the National Health Reform Agreement. The Addendum amends specified elements of the operation of the National Health Reform Agreement for a period of three years. From 1 July 2017 to 30 June 2020, the Commonwealth will fund 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.

## (F) Block Funding

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

In 2017–18 and 2018–19 the Commonwealth block funding supported the following:

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

In 2018–19 the Commonwealth Block funding also supported Other public hospital programs.

In 2018–19 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.

State and Territory Block Funding is paid into State Managed Funds.

## **(G) Public Health Funding**

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

## **(H) Cross-border**

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

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

## **(I) Interest**

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

## **(J) Taxation**

State and Territory Pool Accounts are not subject to income tax. The majority of government funding, from both the Commonwealth and 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.

## NOTE 2: Activity Based Funding Receipts

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

	2019 \$ '000	2018 \$ '000
Commonwealth Activity Based Funding	345,244	353,084
Tasmania Activity Based Funding	419,588	367,226
<b>TOTAL</b>	<b>764,831</b>	<b>720,309</b>

## NOTE 3: Cross-border Receipts

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

States and Territories	2019 \$ '000	2018 \$ '000
<b>CROSS-BORDER RECEIPTS</b>		
Australian Capital Territory	-	-
New South Wales	-	-
Victoria	-	-
Queensland	-	-
Western Australia	260	-
South Australia	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>260</b>	<b>-</b>

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

## NOTE 4: Activity Based Funding Payments

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

Local Hospital Networks	2019 \$ '000	2018 \$ '000
Tasmanian Health Service	764,831	720,309
<b>TOTAL</b>	<b>764,831</b>	<b>720,309</b>

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

## NOTE 5: Cross-border Payments

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

States and Territories	2019 \$ '000	2018 \$ '000
<b>CROSS-BORDER PAYMENTS</b>		
Australian Capital Territory	-	-
New South Wales	-	-
Victoria	-	-
Queensland	-	-
Western Australia	565	-
South Australia	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>565</b>	<b>-</b>

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

## NOTE 6: Activity Based Funding Receipts and Payments

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

	2019 \$ '000	2018 \$ '000
Total Activity Based Funding receipts from the Commonwealth Government	345,244	353,084
Total Activity Based Funding receipts from Tasmania Government	419,588	367,226
Cross-border receipts	260	-
Less: Cross-border payments	(565)	-
Less: Activity Based Funding payments to Local Hospital Networks	(764,831)	(720,309)
<b>NET RECEIPTS/(PAYMENTS)</b>	<b>(305)</b>	<b>-</b>

Total Activity Based Funding receipts from the Commonwealth includes a decrease of \$6,708,534 in relation to the Commonwealth Treasurer's Determination for 2016-17 and an increase of \$822,187 in relation to Commonwealth Treasurer's Determination for 2017-18.

For 2019, the payments in excess of receipts balance represented \$565,325 in cross-border receipts received from Tasmania offset by \$260,382 in cross-border payments to Tasmania.

**End of Audited Special Purpose Financial Statement.**

**\$1.1B**

total funding

MADE UP OF

**\$0.4B**

Commonwealth funding

**\$0.7B**

State funding

INCLUSIVE OF

**\$0.4B**

Activity Based Funding

DELIVERING

**158,697**

weighted public  
hospital services  
measured in NWAU

The image features a large white hexagon centered on a solid orange background. The hexagon is slightly offset from the center, with more orange space on the left and bottom. Inside the white hexagon, the word "ACT" is written in a bold, orange, sans-serif font, centered horizontally and vertically.

ACT

# ACT

## Funding and Payments

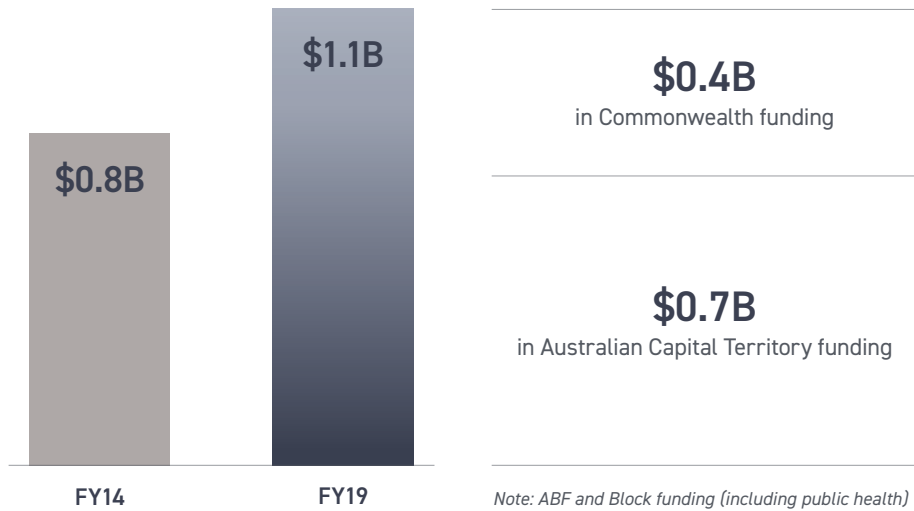
### **National Health Reform Disclosures for the Year Ended 30 June 2019**

Issued by the Administrator of the National Health Funding Pool under section 242 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*.

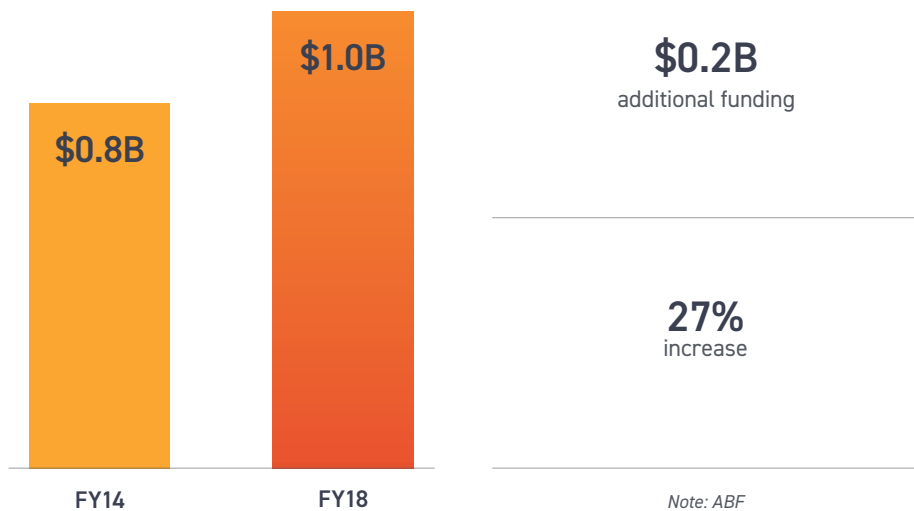


# Australian Capital Territory

## Growth in Public Hospital Funding since 2013-14



## Growth in Activity Based Funding since 2013-14



Section 241(2) of the NHR Act outlines certain disclosures to be reported 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. As such, figures may not add to the totals shown due to rounding.

NHR funding and payments shown in the following tables include 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 [publichospitalfunding.gov.au](http://publichospitalfunding.gov.au). For further information on the types of NHR funding, refer to the 'Overview' chapter of this Annual Report.

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

Component	Amount paid by Commonwealth into ACT State Pool Account (\$'000)	
	2018-19	2017-18
Activity Based Funding	378,266	353,445
Block funding	28,292	25,677
Public Health funding	6,879	6,459
<b>ACT TOTAL</b>	<b>413,437</b>	<b>385,581</b>

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

Component	Amount paid by Australian Capital Territory (\$'000)	
	2018-19	2017-18
State Pool Account – Activity Based Funding	577,178	583,900
State Managed Fund – Block funding	77,410	45,847
<b>ACT TOTAL</b>	<b>654,588</b>	<b>629,747</b>

**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)	
	2018-19 <sup>1</sup> Estimate	2017-18 <sup>2</sup> Actual
ACT Local Hospital Network Directorate	158,697	154,570
<b>ACT TOTAL</b>	<b>158,697</b>	<b>154,570</b>

<sup>1</sup> 2018-19 NWAU as per the updated activity estimates as at the Administrator's June 2019 Payment Advice.

<sup>2</sup> 2017-18 NWAU as per the 2017-18 annual reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2017-18.

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

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

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

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

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

However, in 2017-18 and 2018-19 the 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 to Local Hospital Networks, a State Managed Fund or Other Organisations or Funds and the basis on which the Payments were made – Section 241(2)(C)**

Recipient	Amount paid from ACT State Pool Account (\$'000)	
	2018-19	2017-18
ACT Local Hospital Network Directorate	1,034,764	1,013,545
<b>State Managed Fund</b>	<b>28,292</b>	<b>25,677</b>
<b>Other organisations or funds</b>	<b>26,679</b>	<b>25,659</b>
<b>ACT TOTAL</b>	<b>1,089,735</b>	<b>1,064,881</b>

**The amounts paid from each State Managed Fund to Local Hospital Networks or Other Organisations or Funds and the basis on which the Payments were made – Section 241(2)(D)**

Recipient	Amount paid from ACT State Managed Fund (\$'000)	
	2018-19	2017-18
ACT Local Hospital Network Directorate	105,702	71,524
<b>Other organisations or funds</b>	<b>-</b>	<b>-</b>
<b>ACT TOTAL</b>	<b>105,702</b>	<b>71,524</b>

The basis used to determine NHR payments to the Australian Capital Territory Local Hospital Network (LHN) for 2018–19 (at June 2019) was advised by the ACT Health Directorate to be as follows:

*The annual funding allocation for the ACT in 2018–19 is based on budget-neutral modelling. This modelling is predicated on the historical cost of providing hospital services plus wages and non-wages indexation. The activity for activity-based funded services is derived using historical activity levels plus an allowance for reasonable growth in public hospital services for the current year. The weighted activity is measured and funded based on the full Independent Hospital Pricing Authority pricing model and framework parameters.*



**National Health Funding Pool  
Australian Capital Territory State Pool Account  
Special purpose financial statement  
for the year ended 30 June 2019**

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*.



ACT

Financial  
Statement

**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 2019. The financial statement is comprised of the statement of receipts and payments and accompanying notes.

In my opinion, the financial statement:

- (i) is in accordance with the *Health (National Health Funding Pool and Administration) Act 2013*, the *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*; and
- (ii) present fairly the receipts and payments of the Australian Capital Territory 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 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* (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 accounting**

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 to prepare the financial statement.

The Administrator has determined that a special purpose framework using the cash basis of accounting is appropriate to meet the financial reporting requirements under the *Health (National Health Funding Pool and Administration) Act 2013*, the *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*. As a result, the financial statement may not be suitable for another purpose. My opinion is not modified in respect of this matter.



### Responsibility for preparing and fairly presenting the financial statement

The Administrator of the National Health Funding Pool is responsible for:

- preparing and fairly presenting the financial statement in accordance with the *Health (National Health Funding Pool and Administration) Act 2013*, the *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*; and
- determining the internal controls necessary for the preparation and fair presentation of the financial statement so that it is free from material misstatements, whether due to error or fraud.

### Auditor's responsibilities for the audit of the financial statement

Under the *Health (National Health Funding Pool and Administration) Act 2013*, the Auditor-General is responsible for issuing an auditor's report that includes an independent opinion on the financial statement of the Australian Capital Territory State Pool Account.

My objective is to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to error or fraud, and to issue an auditor's report that includes my opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from error or fraud and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statement.

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

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

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



Ajay Sharma  
Assistant Auditor-General, Financial Audit  
4 September 2019



**Administrator  
National Health  
Funding Pool**

**Office of the Administrator**  
GPO Box 1252 Canberra ACT 2601

**Telephone:** 1300 930 522  
**Email:** [nhfa.administrator@nhfa.gov.au](mailto:nhfa.administrator@nhfa.gov.au)

29 August 2019

**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 a statement of receipts and payments with attached notes provides a fair presentation in accordance with the Australian Capital Territory Health (*National Health Funding Pool and Administration*) Act 2013, the Commonwealth *National Health Reform Act 2011* and the National Health Reform Agreement 2011.

In my opinion, the attached special purpose financial statement for the year ended 30 June 2019 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.

Yours sincerely,

Michael Lambert  
Administrator  
National Health Funding Pool

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Australian Capital Territory State Pool Account  
Statement of receipts and payments  
for the year ended 30 June 2019

	Notes	2019 \$ '000	2018 \$ '000
<b>RECEIPTS INTO THE State Pool Account</b>			
<b>From Commonwealth Government</b>			
Activity Based Funding	2, 6	378,266	353,445
Block funding		28,292	25,677
Public health funding		6,879	6,459
<b>From Australian Capital Territory</b>			
Activity Based Funding	2, 6	557,378	564,700
Cross-border contribution	5	19,800	19,200
<b>From other States or Territories</b>			
Cross-border receipts	3,6	99,120	95,400
<b>From Reserve Bank of Australia</b>			
Interest receipts		-	-
<b>TOTAL RECEIPTS</b>		<b>1,089,735</b>	<b>1,064,881</b>
<b>PAYMENTS OUT OF THE State Pool Account</b>			
<b>To Local Hospital Network</b>			
Activity Based Funding	4, 6	1,034,764	1,013,545
<b>To Australian Capital Territory State Managed Fund</b>			
Block funding		28,292	25,677
Cross-border transfer		-	-
<b>To Australian Capital Territory Health Directorate</b>			
Public health funding		6,879	6,459
Interest payments		-	-
Cross-border transfer		-	-
<b>To other States or Territories</b>			
Cross-border payments	5	19,800	19,200
<b>TOTAL PAYMENTS</b>		<b>1,089,735</b>	<b>1,064,881</b>
<b>NET RECEIPTS/(PAYMENTS) FOR THE YEAR</b>		<b>-</b>	<b>-</b>
<b>OPENING CASH BALANCE</b>		<b>-</b>	<b>-</b>
<b>CLOSING CASH BALANCE</b>		<b>-</b>	<b>-</b>

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. Mr Michael Lambert was appointed as the Administrator on 17 July 2018.

### (B) Basis of Preparation

The Australian Capital Territory State Pool Account was established at the Reserve Bank of Australia (RBA) in 2012–13 in accordance with section 15 of the Australian Capital Territory *Health (National Health Funding Pool and Administration) Act 2013* and the special purpose financial statement has been prepared in accordance with section 26 of that Act and section 242 of the Commonwealth *National Health Reform Act 2011*.

The special purpose financial statement has been prepared on a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

The special purpose financial statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The special purpose financial statement was authorised for release by the Administrator on 1 August 2019.

### (C) Comparative Figures

Prior year comparative information has been disclosed. The results for 2017–18 and 2018–19 are for the year ended 30 June.

## (D) National Health Funding Pool

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

## (E) Activity Based Funding

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

In 2017–18 and 2018–19 the Commonwealth, States and Territories ABF supported the following:

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

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

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

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

In 2017, the Council of Australian Governments signed an Addendum to the National Health Reform Agreement. The Addendum amends specified elements of the operation of the National Health Reform Agreement for a period of three years. From 1 July 2017 to 30 June 2020, the Commonwealth will fund 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.

## (F) Block Funding

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

In 2017–18 and 2018–19 the Commonwealth block funding supported the following:

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

In 2018–19 the Commonwealth Block funding also supported Other public hospital programs.

In 2018–19 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.

State and Territory Block Funding is paid into State Managed Funds.

## **(G) Public Health Funding**

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

## **(H) Cross-border**

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

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

## **(I) Interest**

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

## **(J) Taxation**

State and Territory Pool Accounts are not subject to income tax. The majority of government funding, from both the Commonwealth and 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.



## NOTE 2: Activity Based Funding Receipts

Total receipts paid into the Australian Capital Territory State Pool Account in respect of Activity Based Funding:

	2019 \$ '000	2018 \$ '000
Commonwealth Activity Based Funding	378,266	353,445
Australian Capital Territory Activity Based Funding	557,378	564,700
<b>TOTAL</b>	<b>935,644</b>	<b>918,145</b>

## 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	2019 \$ '000	2018 \$ '000
<b>CROSS-BORDER RECEIPTS</b>		
New South Wales	99,120	95,400
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>99,120</b>	<b>95,400</b>

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

## NOTE 4: Activity Based Funding Payments

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

Local Hospital Networks	2019 \$ '000	2018 \$ '000
ACT Local Hospital Network	1,034,764	1,013,545
<b>TOTAL</b>	<b>1,034,764</b>	<b>1,013,545</b>

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

## NOTE 5: Cross-border Payments

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

States and Territories	2019 \$ '000	2018 \$ '000
<b>CROSS-BORDER PAYMENTS</b>		
New South Wales	19,800	19,200
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>19,800</b>	<b>19,200</b>

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

## NOTE 6: Activity Based Funding Receipts and Payments

Total Australian Capital Territory and Commonwealth Activity Based Funding contributions and total Local Hospital Network Activity Based Funding payments:

	2019 \$ '000	2018 \$ '000
Total Activity Based Funding receipts from Commonwealth Government	378,266	353,445
Total Activity Based Funding receipts from Australian Capital Territory	557,378	564,700
Cross-border receipts	99,120	95,400
Less: Cross-border payments	(19,800)	(19,200)
Less: Activity Based Funding payments to the Local Hospital Network	(1,034,764)	(1,013,545)
<b>NET RECEIPTS/(PAYMENTS)</b>	<b>(19,800)</b>	<b>(19,200)</b>

Total Activity Based Funding receipts from the Commonwealth includes an increase of \$16,531,995 in relation to the Commonwealth Treasurer's Determination for 2016-17 and an increase of \$10,283,690 in relation to the Commonwealth Treasurer's Determination for 2017-18.

For 2019, the payments in excess of receipts balance represented \$19,800,000 in cross-border payments to New South Wales.

For 2018, the payments in excess of receipts balance represented \$19,200,000 in cross-border payments to New South Wales.

**End of Audited Special Purpose Financial Statement.**

**\$1.3B**

total funding

MADE UP OF

▼  
**\$0.3B**

Commonwealth funding

**\$1.0B**

State funding

INCLUSIVE OF



**\$0.3B**

Activity Based Funding

DELIVERING

**166,751**

weighted public  
hospital services  
measured in NWAU

The image features a large white hexagon centered on a solid orange background. The hexagon is slightly offset from the center, with more orange space on the right side. Inside the white hexagon, the letters 'NT' are printed in a simple, orange, sans-serif font. The 'N' and 'T' are positioned side-by-side, with the 'N' on the left and the 'T' on the right. The overall design is minimalist and geometric.

NT



NT

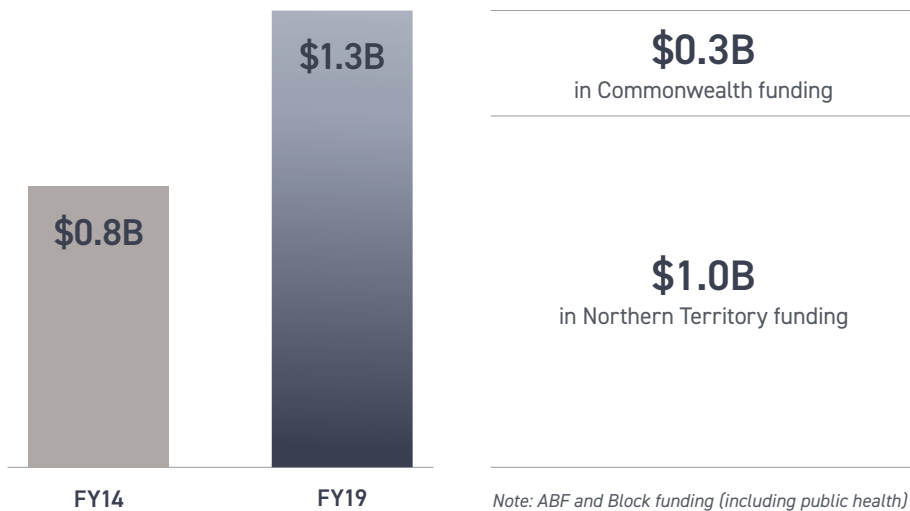
Funding and  
Payments

**National Health Reform  
Disclosures for the  
Year Ended 30 June 2019**

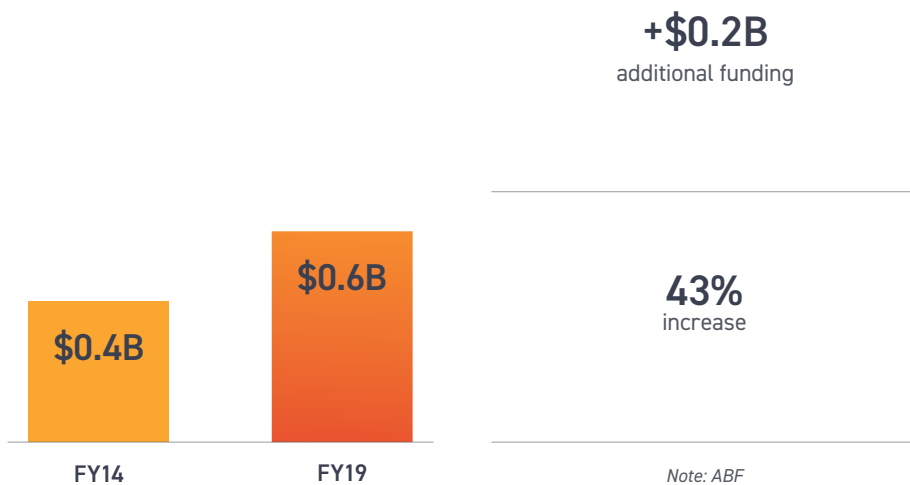
Issued by the Administrator of the National Health Funding Pool under section 242 of the Commonwealth *National Health Reform Act 2011* and section 18(2) of the Northern Territory *National Health Funding Pool and Administration (National Uniform Legislation) Act 2012*.

# Northern Territory

## Growth in Public Hospital Funding since 2013-14



## Growth in Activity Based Funding since 2013-14



Section 241(2) of the NHR Act outlines certain disclosures to be reported 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. As such, figures may not add to the totals shown due to rounding.

NHR funding and payments shown in the following tables include 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 [publichospitalfunding.gov.au](http://publichospitalfunding.gov.au). For further information on the types of NHR funding, refer to the 'Overview' chapter of this Annual Report.

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

Component	Amount paid by Commonwealth into NT State Pool Account (\$'000)	
	2018-19	2017-18
Activity based funding	260,402	247,303
Block funding	21,352	20,123
Public Health funding	3,915	3,848
<b>NT TOTAL</b>	<b>285,670</b>	<b>271,274</b>



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

Component	Amount paid by Northern Territory (\$'000)	
	2018-19	2017-18
State Pool Account – Activity Based Funding	294,319	294,319
State Managed Fund – Block funding	675,557	645,909
<b>NT TOTAL</b>	<b>969,876</b>	<b>940,228</b>

**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)	
	2018-19 <sup>1</sup> Estimate	2017-18 <sup>2</sup> Actual
Central Australian Hospital Network	56,700	51,216
Top End Hospital Network	110,051	100,725
<b>NT TOTAL</b>	<b>166,751</b>	<b>151,941</b>

<sup>1</sup> 2018-19 NWAU as per the updated activity estimates as at the Administrator's June 2019 Payment Advice.

<sup>2</sup> 2017-18 NWAU as per the 2017-18 annual reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2017-18.

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

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

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

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

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

However, in 2017–18 and 2018–19 the 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 to Local Hospital Networks, a State Managed Fund or Other Organisations or Funds and the basis on which the Payments were made – Section 241(2)(C)

Recipient	Amount paid from NT State Pool Account (\$'000)	
	2018–19	2017–18
Central Australian Hospital Network	202,085	191,993
Top End Hospital Network	352,636	349,629
<b>State Managed Fund</b>	<b>21,352</b>	<b>20,123</b>
<b>Other organisations or funds</b>	<b>3,915</b>	<b>3,848</b>
<b>NT TOTAL</b>	<b>579,989</b>	<b>565,593</b>

**The amounts paid from each State Managed Fund to Local Hospital Networks or Other Organisations or Funds and the basis on which the Payments were made – Section 241(2)(D)**

Recipient	Amount paid from NT State Managed Fund (\$'000)	
	2018-19	2017-18
Central Australian Hospital Network	156,361	160,191
Top End Hospital Network	540,548	505,841
<b>Other organisations or funds</b>	<b>-</b>	<b>-</b>
<b>NT TOTAL</b>	<b>696,909</b>	<b>666,032</b>

The basis used to determine NHR payments to LHNs in the Northern Territory for 2018-19 (at June 2019) was advised by the NT Department of Health to be as follows:

*The annual funding allocation for the Top End and Central Australia Health Services of Northern Territory is determined on a historical basis for both the activity based funding (ABF) and block service streams, supplemented by a level of growth based on Northern Territory Government Wage and Consumer Price Index parameters. Projected activity increases are not budgeted for and both local hospital networks are required to meet demand increases from within existing budgets supplemented by National Health Reform Agreement efficient growth payments.*

*Variations to monthly payments to the Northern Territory LHNs are made based on cash requirements. Cash requirements are impacted by the Northern Territory salary payment cycle and other monthly variations, such as contractual obligation payment cycles which the LHNs are engaged in.*



**National Health Funding Pool  
Northern Territory State Pool Account  
Special purpose financial statements  
for the year ended 30 June 2019**

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 Northern Territory *National Health Funding Pool and Administration (National Uniform Legislation) Act 2012*.



NT

Financial  
Statement



**Auditor-General**  
**Independent Auditor's Report**  
**to the Minister for Health**  
**Northern Territory State Pool Account of National Health Funding Body**  
**Page 1 of 2**

**Opinion**

I have audited the accompanying special purpose financial statement of the Northern Territory State Pool Account of the National Health Funding Pool, which comprises the Statement of Receipts and Payments for the period ended 30 June 2019, and notes to the financial statement, including a summary of significant accounting policies, and the Statement by the Administrator of the National Health Funding Pool.

In my opinion the accompanying special purpose financial statement presents fairly, in all material respects, the receipts and payments of the Northern Territory State Pool Account of the National Health Funding Pool for the period ended 30 June 2019 in accordance with the *National Health Funding Pool Administration (National Uniform Legislation) Act 2012*, *National Health Reform Act 2011* and the National Health Reform Agreement 2011.

**Basis for Opinion**

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of my report. I am independent of the Northern Territory State Pool Account of the National Health Funding Pool in accordance with ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial statement in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

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

**Emphasis of matter – Basis of accounting**

Without modifying my opinion, I draw attention to Note 1 to the financial statement, which describes the basis of accounting. The financial statement has been prepared to assist the Northern Territory State Pool Account of the National Health Funding Pool to fulfil the Administrator's financial reporting obligations under the *National Health Funding Pool Administration (National Uniform Legislation) Act 2011*, *National Health Reform Act 2011* and the National Health Reform Agreement 2011. As a result, the financial statement may not be suitable for another purpose.

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

The Administrator is responsible for the preparation and fair presentation of the financial statement, and has determined that the basis of preparation described in Note 1, which is a special purpose framework using the cash basis of accounting, is appropriate to meet the requirements of the *National Health Funding Pool Administration (National Uniform Legislation) Act 2012*, *National Health Reform Act 2011* and the National Health Reform Agreement 2011. The Administrator is responsible for establishing and maintaining such internal control as the Administrator determines is necessary to enable the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, the Administrator is responsible for assessing the ability of the Northern Territory State Pool Account of the National Health Funding Pool to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Administrator either intends to liquidate the Northern Territory State Pool Account of the National Health Funding Pool or to cease operations, or has no realistic alternative but to do so.

Level 12 Northern Territory House 22 Mitchell Street Darwin 0800 Tel: 08 8999 7155



## Auditor-General

### Page 2 of 2

The Administrator is responsible for overseeing the financial reporting process for the Northern Territory State Pool Account of the National Health Funding Pool.

#### Auditor's Responsibilities for the audit of the Financial Statement

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

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

- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls as they apply to the Northern Territory State Pool Account.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Administrator.
- conclude on the appropriateness of the Administrator's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Northern Territory State Pool Account to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report however, future events or conditions may cause the Northern Territory State Pool Account to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

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

Julie Crisp  
Auditor-General for the Northern Territory  
Darwin, Northern Territory

6 September 2019

Level 12 Northern Territory House 22 Mitchell Street Darwin 0800 Tel: 08 8999 7155



**Administrator**  
National Health  
Funding Pool

**Office of the Administrator**  
GPO Box 1252 Canberra ACT 2601

**Telephone:** 1300 930 522  
**Email:** nhfa.administrator@nhfa.gov.au

5 September 2019

Ms Julie Crisp  
Auditor-General for the Northern Territory  
GPO Box 4594  
DARWIN NT 0801

Dear Ms Crisp,

**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 a receipts and payments account with attached notes provides a fair presentation in accordance with the Northern Territory *National Health Funding Pool and Administration (National Uniform Legislation) Act 2012*, the Commonwealth *National Health Reform Act 2011* and the National Health Reform Agreement 2011.

In my opinion, the attached financial statement for the year ended 30 June 2019 is based on properly maintained financial records and gives a true and fair view of the matters required 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.

Yours sincerely,

Michael Lambert  
Administrator  
National Health Funding Pool



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Northern Territory State Pool Account  
Statement of receipts and payments  
for the year ended 30 June 2019

	Notes	2019 \$ '000	2018 \$ '000
<b>RECEIPTS INTO THE State Pool Account</b>			
<b>From Commonwealth Government</b>			
Activity Based Funding	2, 6	260,402	247,303
Block funding		21,352	20,123
Public health funding		3,915	3,848
<b>From Northern Territory Government</b>			
Activity Based Funding	2, 6	294,319	294,319
Cross-border contribution	5	-	-
<b>From other States or Territories</b>			
Cross-border receipts	3,6	-	-
<b>From Reserve Bank of Australia</b>			
Interest receipts		11	12
<b>TOTAL RECEIPTS</b>		<b>579,999</b>	<b>565,605</b>
<b>PAYMENTS OUT OF THE State Pool Account</b>			
<b>To Local Hospital Networks</b>			
Activity Based Funding	4, 6	554,721	541,622
<b>To Northern Territory State Managed Fund</b>			
Block funding		21,352	20,123
Cross-border transfer		-	-
<b>To Department of Health Northern Territory</b>			
Public health funding		3,915	3,848
Interest payments		-	-
Cross-border transfer		-	-
<b>To other States or Territories</b>			
Cross-border payments	5,6	-	-
<b>TOTAL PAYMENTS</b>		<b>579,988</b>	<b>565,593</b>
<b>NET RECEIPTS/(PAYMENTS) FOR THE YEAR</b>		<b>11</b>	<b>12</b>
<b>OPENING CASH BALANCE</b>		<b>75</b>	<b>63</b>
<b>CLOSING CASH BALANCE</b>		<b>86</b>	<b>75</b>

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. Mr Michael Lambert was appointed as the Administrator on 17 July 2018.

### (B) Basis of Preparation

The Northern Territory State Pool Account was established at the Reserve Bank of Australia (RBA) in 2012–13 in accordance with section 11 of the *Northern Territory of Australia National Health Funding Pool and Administration (National Uniform Legislation) Act 2012* and the special purpose financial statement has been prepared in accordance with section 19 of that Act and section 242 of the Commonwealth *National Health Reform Act 2011*.

The special purpose financial statement has been prepared on a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

The special purpose financial statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The special purpose financial statement was authorised for release by the Administrator on 1 August 2019.

### (C) Comparative Figures

Prior year comparative information has been disclosed. The results for 2017–18 and 2018–19 are for the year ended 30 June.

## (D) National Health Funding Pool

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

## (E) Activity Based Funding

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

In 2017–18 and 2018–19 the Commonwealth, States and Territories ABF supported the following:

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

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

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

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

In 2017, the Council of Australian Governments signed an Addendum to the National Health Reform Agreement. The Addendum amends specified elements of the operation of the National Health Reform Agreement for a period of three years. From 1 July 2017 to 30 June 2020, the Commonwealth will fund 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.

## (F) Block Funding

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

In 2017–18 and 2018–19 the Commonwealth block funding supported the following:

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

In 2018–19 the Commonwealth Block funding also supported Other public hospital programs.

In 2018–19 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.

## **(G) Public Health Funding**

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

## **(H) Cross-border**

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

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

## **(I) Interest**

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

## **(J) Taxation**

State and Territory Pool Accounts are not subject to income tax. The majority of government funding, from both the Commonwealth and 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.

## NOTE 2: Activity Based Funding Receipts

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

	2019 \$ '000	2018 \$ '000
Commonwealth Activity Based Funding	260,402	247,303
Northern Territory Activity Based Funding	294,319	294,319
<b>TOTAL</b>	<b>554,721</b>	<b>541,622</b>

## 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	2019 \$ '000	2018 \$ '000
<b>CROSS-BORDER RECEIPTS</b>		
Australian Capital Territory	-	-
New South Wales	-	-
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>

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

## NOTE 4: Activity Based Funding Payments

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

Local Hospital Networks	2019 \$ '000	2018 \$ '000
Central Australia Health Service	202,085	191,993
Top End Health Service	352,636	349,629
<b>TOTAL</b>	<b>554,721</b>	<b>541,622</b>

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

## NOTE 5: Cross-border Payments

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

States and Territories	2019 \$ '000	2018 \$ '000
<b>CROSS-BORDER PAYMENTS</b>		
Australian Capital Territory	-	-
New South Wales	-	-
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>

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



## NOTE 6: Activity Based Funding Receipts and Payments

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

	2019 \$ '000	2018 \$ '000
Total Activity Based Funding receipts from the Commonwealth Government	260,402	247,303
Total Activity Based Funding receipts from Northern Territory Government	294,319	294,319
Cross-border receipts	-	-
Less: Cross-border payments	-	-
Less: Activity Based Funding payments to Local Hospital Networks	(554,721)	(541,622)
<b>RECEIPTS IN EXCESS OF PAYMENTS</b>	<b>-</b>	<b>-</b>

Total Activity Based Funding receipts from the Commonwealth includes a decrease of \$1,056,465 in relation to the Commonwealth Treasurer's Determination for 2016-17 and an increase of \$6,241,990 in relation to the Commonwealth Treasurer's Determination for 2017-18.

**End of Audited Special Purpose Financial Statement.**



# ENDNOTES

# Appendix 1

The Administrator's monthly reports form the basis of the Funding and Payments reported in the Annual Report, under section 241(2) of the NHR Act. The matrix below is designed as a quick reference guide for translation between the June (year-to-date) reports (vertical) and the Annual Reports (horizontal).

State Reports	Section 241(2)(A) — Paid into each SPA or SMF by States	Section 241(2)(B) — Paid into each SPA by the Commonwealth	Section 241(2)(C) — Paid from each SPA to LHNs, a SMF or Other <i>GST exclusive</i>	Section 241(2)(D) — Paid from each SMF to LHNs or Other <i>GST exclusive</i>	Section 241(2)(E) — NWAU Funded
Table 1b — State (and Territory) Pool Account transactions YTD	For ABF State and Territory payments into SPA, minus payments made back to State and Territory (e.g. for interest)	For ABF, Block and Public Health funding			
Table 2b — State (and Territory) Managed Fund transactions YTD	For Block funding				
Table 4b — NHR contributions by LHN YTD			For Activity Based Funding	For Block funding	
Table 5 — Estimated monthly, YTD and annual NWAU by LHN					For NWAU

# Glossary

TERM	MEANING
<b>Activity Based Funding</b>	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.
<b>(the) Addendum</b>	<p>The Addendum to the NHR Agreement entered into by all States, Territories and the Commonwealth in 2017, included as Schedule I to the Agreement.</p> <p>The Addendum sets out additional reforms to the way in which public hospitals are funded nationally.</p>
<b>(the) Administrator</b>	<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 (NHR) Agreement.</p>
<b>AHMAC</b>	Australian Health Ministers' Advisory Council, advisory body to the COAG Health Council (CHC).
<b>block funding</b>	<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>
<b>CEO</b>	Chief Executive Officer.
<b>CFO</b>	Chief Finance Officer.
<b>Council of Australian Governments (COAG)</b>	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.
<b>COAG Health Council (CHC)</b>	The CHC provides a forum for continued cooperation on health issues, especially primary and secondary care, and considers increasing cost pressures.
<b>(the) Funding Pool</b>	See 'National Health Funding Pool'.
<b>Independent Hospital Pricing Authority (IHPA)</b>	An independent government agency established under Commonwealth legislation to calculate and deliver an annual National Efficient Price (NEP) used in the calculation of national activity-based funding for Australian public hospitals.

*Continued.*

TERM	MEANING
JAC	Administrator's Jurisdictional Advisory Committee.
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.
Mid-year Economic and Financial Outcome (MYEFO)	The Mid-Year Economic and Fiscal Outlook (MYEFO) updates the economic and fiscal outlook from the previous Budget. As well as updating the economic and fiscal outlook, the MYEFO updates the budgetary position. In particular, the MYEFO takes account of all decisions made since the release of the Budget which affect expenses and revenue and hence revises the Budget aggregates.
National Funding Cap	The limit in growth in Commonwealth funding for Public Hospital Services for all States and Territories of 6.5 per cent per annum and where the context so requires includes the operation of the Funding Cap as provided in the NHR Agreement.
National Health Funding Body (NHFB)	An independent statutory body established under Commonwealth legislation to assist the Administrator in carrying out his or her functions under Commonwealth, State and Territory legislation.
National Health Funding Pool (the Funding Pool)	A collective name for the State Pool Accounts of all States and Territories, also known as the 'the Funding 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 reform	National health reform includes reforms to the way in which public hospitals are funded nationally in Australia, as set out in the NHR Agreement entered into by all States, Territories and the Commonwealth in August 2011.
National Health Reform Agreement (NHR Agreement)	The NHR Agreement outlines the funding, governance and performance arrangements for the delivery of public hospital services in Australia. The Agreement was entered into by all States, Territories and the Commonwealth in August 2011.
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.
(the) NHR Act	<i>The National Health Reform Act 2011.</i>
(the) NHR Agreement	See National Health Reform Agreement.
Payments System (the)	The Administrator's Payments System processes the NHR Commonwealth, State / Territory deposits and payments into and out of the Pool, as required under the Act.
Pharmaceutical Benefits Scheme (PBS)	Details of the medicines subsidised by the Australian Government.

*Continued.*

TERM	MEANING
<b>PGPA Act</b>	The <i>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.
<b>Public Health funding</b>	Public Health funding covers amounts previously relating to national public health, youth health services and essential vaccines (service delivery) in 2008–09 (\$244.0 million).
<b>Soft Cap</b>	The limit in growth in Commonwealth funding for Public Hospital Services in a State or Territory of 6.5 per cent per annum.
<b>State Managed Fund (SMF)</b>	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.
<b>State Pool Account (SPA)</b>	A Reserve Bank account established by a State or Territory for the purpose of receiving all Commonwealth and Activity Based State and Territory public hospital funding, and for making payments under the Agreement. The State (and Territory) Pool Accounts of all States and Territories are collectively known as the National Health Funding Pool or the Pool.

# Disclosure Index

Section	Description	Location – National Level	Location – State and Territory Level
<b>241(2) The Annual Report must include the following information for the relevant financial year</b>			
(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	25	
(b)	The amounts paid into each State Pool Account by the Commonwealth and the basis on which the payments were made	26	
(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	27	NSW 56-64 VIC 86-96 QLD 118-123 WA 146-149
(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	28	SA 172-175 TAS 199-202 ACT 223-226 NT 245-248
(e)	The number of public hospital services funded for each LHN in accordance with the system of ABF	29	
(f)	The number of other public hospital services and functions funded from each State Pool Account or State Managed Fund	29	
<b>241(3) The Annual Report is to be accompanied by</b>			
(a)	An audited financial statement for each State Pool Account	N/A	NSW – 67 VIC – 99 QLD – 127 WA – 153 SA – 179 TAS – 205 ACT – 229 NT – 251
(b)	A financial statement that combines the audited financial statements for each State Pool Account	35-38	N/A



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The Administrator is required to prepare an Annual Report of operations and present it to Commonwealth and State and Territory Health Ministers for tabling in their respective Parliaments.

This Annual Report includes:

1. An individual financial statement for each State and Territory's State Pool Account and a combined financial statement.
2. NHR funding and payments, including number of weighted hospital services delivered.

State and Territory financial statements are audited by the relevant Auditor-General.

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## **Further Information**

If you require further information or have any queries in relation to this Annual Report, please contact:

### **National Health Funding Body**

GPO Box 1252 Canberra ACT 2601

1300 930 522

[nhfb.enquiries@nhfb.gov.au](mailto:nhfb.enquiries@nhfb.gov.au)

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