



Administrator
National Health
Funding Pool

ANNUAL REPORT
2012-13



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Internet sites

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LEGISLATIVE REQUIREMENT

The Administrator of the National Health Funding Pool is required to prepare an annual report of operations and present it to Commonwealth and State/Territory Health Ministers.

This report is required under sections 241 and 242 of the Commonwealth *National Health Reform Act 2011* and under the following national health reform state and territory legislation:

- + New South Wales — *Health Services Act 1997*
- + Queensland — *Hospital and Health Boards Act 2011*
- + South Australia — *National Health Funding Pool Administration (South Australia) Act 2012*
- + Western Australia — *National Health Funding Pool 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*

The Victorian *Health (Commonwealth State Funding Arrangements) Act 2012* also requires the Administrator to prepare an annual report, but as at 30 June 2013 Victoria had not appointed an Administrator.

The primary purpose of this report is to detail the operations of the National Health Funding Pool during its first year of operation from 1 July 2012 to 30 June 2013.

FURTHER INFORMATION

If you require further information or have any queries in relation to this Annual Report, please contact:

Administrator

National Health Funding Pool

PO Box 3139, Manuka ACT 2603

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Email: nhfa.administrator@nhfa.gov.au

In line with government policies on efficiency and waste management, an accessible copy of this Annual Report is also available online at the Publications — Annual Reports page of the National Health Reform Public Hospital Funding website.

www.publichospitalfunding.gov.au/publications/annual-reports

LETTER OF TRANSMITTAL



Administrator
National Health
Funding Pool

Office of the Administrator
PO Box 3139 Manuka ACT 2603

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

31 October 2013

The Hon Peter Dutton MP,
Commonwealth Minister for Health

The Hon David Davis MP,
Victorian Minister for Health

The Hon Kim Hames MLA,
Western Australian Minister for Health

The Hon Michelle O'Byrne MHA,
Tasmanian Minister for Health

The Hon Robyn Lambley MLA,
Northern Territory Minister for Health

The Hon Jillian Skinner MP,
NSW Minister for Health

The Hon Lawrence Springborg MP,
Queensland Minister for Health

The Hon Jack Snelling MP,
South Australian Minister for Health and Ageing

The Hon Katy Gallagher MLA,
Australian Capital Territory Minister for Health

Dear Ministers,

Administrator of the National Health Funding Pool Annual Report 2012-13

I am pleased to submit to you, for tabling in your respective Parliaments, my inaugural Annual Report for the year ended 30 June 2013.

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 for the National Health Funding Pool, 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,

RJ Sendt
Administrator
National Health Funding Pool

ADMINISTRATOR: PROVIDING TRANSPARENCY OF AUSTRALIAN HEALTH SYSTEM FUNDING

The role and responsibility of the Administrator, who is independent of Commonwealth and states and territories, is of significant importance in ensuring that the calculation of the Commonwealth contribution to states and territories and local hospital networks, through the National Health Funding Pool, is accurate and impartial. This includes the proper and efficient management and administration of the Pool.

The core of the Administrator's reporting obligations is to ensure the transparency of Australian hospital system funding, provided to the general public and jurisdictions via www.publichospitalfunding.gov.au, together with the comprehensive information contained in this Annual Report.

These obligations of the Administrator help ensure that 'the new [national health reform] funding approach delivers tangible improvements to the health and hospital system for all Australians, delivering the funding public hospitals need.'¹



MESSAGE FROM THE ADMINISTRATOR

I am pleased to present the inaugural Annual Report of the Administrator of the National Health Funding Pool (the Administrator) for the year ended 30 June 2013.

The National Health Funding Pool (the Pool) and the position of Administrator were established following the signing of the *National Health Reform Agreement* (the Agreement) by all Australian governments in August 2011. A key focus of the Agreement was to provide more sustainable and transparent funding arrangements for Australia's health system.

The Pool commenced operations on 1 July 2012, following passage of the *Commonwealth National Health Reform Act 2011* and the progressive passing of related national health reform legislation in all state and territory parliaments.

In the first twelve months of operation, the position of the Administrator, the Pool, and the National Health Funding Body (Funding Body) in its role assisting the Administrator, have begun delivering and contributing to the key national health reform funding objectives of transparency and sustainability in the funding of Australia's health and hospital system.

RESULTS

As the inaugural Administrator, I am proud to recognise the significant achievements in the Pool's first year of operation, including the commencement of a number of major initiatives designed to enable a sustainable financial basis.

During 2012–13 we have seen increased transparency in the funding and payment reporting under the national health reform arrangements, as intended under the Agreement, by successfully delivering the legislated monthly reports via my www.publichospitalfunding.gov.au website. These reports provide detailed information on \$36 billion of national health reform funding and payments at the national, state and territory and individual local hospital network levels, in 2012–13.

Importantly, the reporting of this information will:

- + Enable the general public to access and understand national health reform funding mechanisms and arrangements.
- + Improve the ability of all stakeholders over time, including the general public, to make informed comparisons within and between local hospital networks across all states and territories about services provided and how they are funded.

During 2012–13, one of my main responsibilities was to calculate the Commonwealth Government's \$13.1 billion funding contribution into the Pool. The independent calculation of these funds for each state and territory — in discrete funding streams — assists states and territories (as the system managers of public hospital services) to develop incentives for efficiency in local hospital networks and increases transparency in the delivery of public hospital services across Australia.

To ensure the robustness of national health reform funding arrangements, I directly managed and administered approximately \$30 billion of transactions in 2012–13 within the Pool, and oversaw the payment of \$26.3 billion Commonwealth, state and territory public hospital activity based funding from the Pool directly to local hospital networks and other parties. This Annual Report includes an audited special purpose financial statement for each Pool account, and a combined financial statement that brings together all the individual Pool accounts.

In the second half of 2012–13, preparation of my 'Three Year Data Plan 2013–2016', which sets out my data requirements for the following three years, was completed and subsequently approved without amendment by the Standing Council on Health on 26 July 2013.

In addition, during the year the following strategic documents were developed in consultation with relevant stakeholders and are now in full operation:

- + Four 'Administrator Determinations' covering:
 - + 01: Provision of monthly data by states and territories as the basis of monthly reporting.
 - + 02: Adjustments to Commonwealth funding under the Agreement.
 - + 03: Provision of actual 2012–13 hospital services data for reconciliation with estimated services.
 - + 04: Notional contracted services.
- + 2012–13 Reconciliation Framework — which specifies the approach to adjusting Commonwealth funding to individual local hospital networks to reflect the actual level of hospital services they provided, once the data becomes available.
- + Business Rules volume 1 (July to December 2012) — which outlines the business rules for determining those 2012–13 activity based funded hospital services that are eligible for national health reform Commonwealth funding.

OUTLOOK

While encouraged by the positive results achieved during 2012–13, I recognise that further developments are required in the following key areas. Supported by the Funding Body and all relevant stakeholders, I will work to achieve the most effective, equitable and accurate solutions in each area.

RECONCILIATION AND DATA MATCHING

A key feature of the Agreement is the introduction of Commonwealth funding for activity based funded services. Initially, Commonwealth payments are based on the estimated quantum of these services delivered by local hospital networks. As Administrator, I am then required to conduct reconciliations between estimated and actual service volume data to ensure that all local hospital networks receive Commonwealth funding based on their actual activity. This process also includes determining whether any of these services should be excluded from funding on the basis that they are paid for by the Commonwealth via other funding streams.

Both the reconciliation and data matching approaches will need to be accurate and robust for Commonwealth funding contribution purposes.

GROWTH AND FUNDING GUARANTEE DETERMINATION

A significant component of national health reform funding arrangements is the determination and allocation of the Commonwealth's additional \$16.4 billion efficient growth and funding guarantees between 2014–15 and 2019–20. Over the coming years this will support the transition to the Commonwealth providing 50 per cent of the efficient price of the growth in hospital services.

DATA PLAN HARMONISATION

Harmonising the data requirements of the different national health reform agencies established under the Agreement is essential to ensure that the concept of 'single provision, multiple use' under clause B86(d) of the Agreement is met.

This will allow the relevant bodies to share information and work towards aligning data policies. In particular, those related to timing, privacy / legal matters, information management, communication and engagement with jurisdictions.

ACKNOWLEDGEMENTS

I am fortunate that my role involves working in partnership with a wide range of stakeholders across the Commonwealth, states, territories and other national health reform agencies, towards improving health outcomes for all Australians. The success of the Pool depends on the involvement of these stakeholders.

I acknowledge the contribution of the Commonwealth, and states and territories, who in partnership with me, strive to deliver a more transparent, sustainable and efficient health system.

I would like to thank the Funding Body for assisting me to discharge my statutory functions across all jurisdictions over the last twelve months. The enthusiasm and efforts of this small but dynamic and energetic team of professionals has ensured an outstanding result in the establishment and ongoing operation of the Pool and national health reform funding arrangements. I look forward to a continued collaborative relationship into the future.

I also recognise the leadership and expertise of Mr Lynton Norris, the Funding Body Chief Executive Officer for his guidance during the Pool's inaugural year, and the ongoing operations of the Funding Body.



Bob Sendt

RJ Sendt

Administrator

National Health Funding Pool



OVERVIEW



NATIONAL HEALTH REFORM

In August 2011, the Council of Australian Governments agreed to major structural reforms to the organisation, funding and delivery of health care, and new financial and governance arrangements for Australian public hospital services in the form of the *National Health Reform Agreement* (the Agreement).

The Agreement outlined the Commonwealth and all state and territory governments' shared intentions to work together to establish the foundations of Australia's future health system, improve health outcomes for all Australians, and to ensure the future sustainability of the Australian health system.

The establishment of the Pool was a specific focus of the Agreement, in order to provide more sustainable and transparent funding arrangements for public hospital funding.

The objectives of the national health funding reforms are to deliver a nationally unified and locally controlled health system through:

- + Introducing new financial arrangements for the partnerships between the Commonwealth, state, and territory governments.
- + Confirming the roles state and territory governments play in public health and as system managers for public hospital services.

- + Improving patient access to services and public hospital efficiency through the use of activity based funding calculated on a national efficient price.
- + Ensuring the sustainability of funding for public hospitals by increasing the Commonwealth's share of public hospital funding through an increased contribution to the costs of growth.
- + Improving the transparency of public hospital funding through an independently administered Pool.

The *National Health Reform Act 2011*, the Agreement, and the relevant legislation of each state and territory govern the role, functions and responsibilities of the Administrator.



THE ADMINISTRATOR OF THE NATIONAL HEALTH FUNDING POOL

The Administrator is a single independent statutory office holder, selected by the Standing Council on Health (made up of the health ministers of each jurisdiction), and appointed to the position under the legislation of the Commonwealth and each state and territory. The Administrator is independent of Commonwealth and state and territory government departments and is not subject to the control or direction of any Commonwealth Minister.

The Administrator, with support from the Funding Body, administers the Pool for each state and territory, oversees payments into and out of the state pool account for each state and territory, and reports on various funding and service delivery matters, as outlined in the Agreement.

Some of the Administrator's main responsibilities are to:

- + Calculate the Commonwealth funding contribution to states and territories, including the calculation of efficient growth and funding guarantee payments.
- + Administer the Pool, which receives all Commonwealth and activity-based state and territory hospital funding.

The Pool comprises a pool account for each state and territory ('state pool account') and was established to increase the transparency and efficiency of public hospital funding.

- + Oversee payments into and out of each state pool account.
- + Ensure that state and territory deposits into state pool accounts and payments from the state pool accounts to local hospital networks and other provider organisations are made in accordance with directions from the responsible state or territory Minister, and are in line with the Agreement.
- + Ensure that Commonwealth funds are deposited into state pool accounts in line with the Agreement.
- + Report publicly on the operations of the Pool and other relevant matters.
- + Reconcile estimated and actual service delivery volumes for Commonwealth payment purposes.

The Funding Body was established under the *Financial Management and Accountability Act 1997* in July 2012, as an independent inter-jurisdictional statutory authority. The primary function of the Funding Body is to assist the Administrator in performing his functions under the relevant legislation. The Funding Body provides effective and efficient policy and administrative mechanisms to the Administrator to support the implementation and operation of these functions.

THE NATIONAL HEALTH FUNDING POOL

Under the Agreement, the Commonwealth, state, and territory governments are jointly responsible for funding public hospital services, using either activity based or block funding.

Commonwealth national health reform funding for public hospitals is paid monthly into a Pool which consists of eight state and territory bank accounts with the Reserve Bank of Australia.

These are known as state pool accounts and are established under state and territory national health reform legislation for the purposes of:

- + receiving all Commonwealth national health reform funding.
- + receiving activity based state and territory public hospital funding.
- + distributing funds and making payments according to the Agreement.

The national health reform funding and payment flows are outlined in Figure 1. As depicted in Figure 1, Funding contributors and payment recipients are described as:

FUNDING CONTRIBUTORS

The funding contributors are the Commonwealth Government and state or territory governments for their own state and territory activity, and cross-border funding for interstate patients. National health reform funding occurs when contributors have paid into a state pool account or state managed fund.

PAYMENT RECIPIENTS

The payment recipients are the local hospital networks, third parties on behalf of the local hospital networks, state and territory Health Departments and other providers. Recipients receive payments from the state pool account or state managed fund.

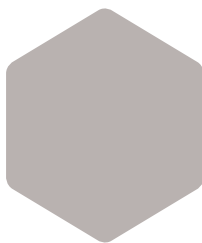
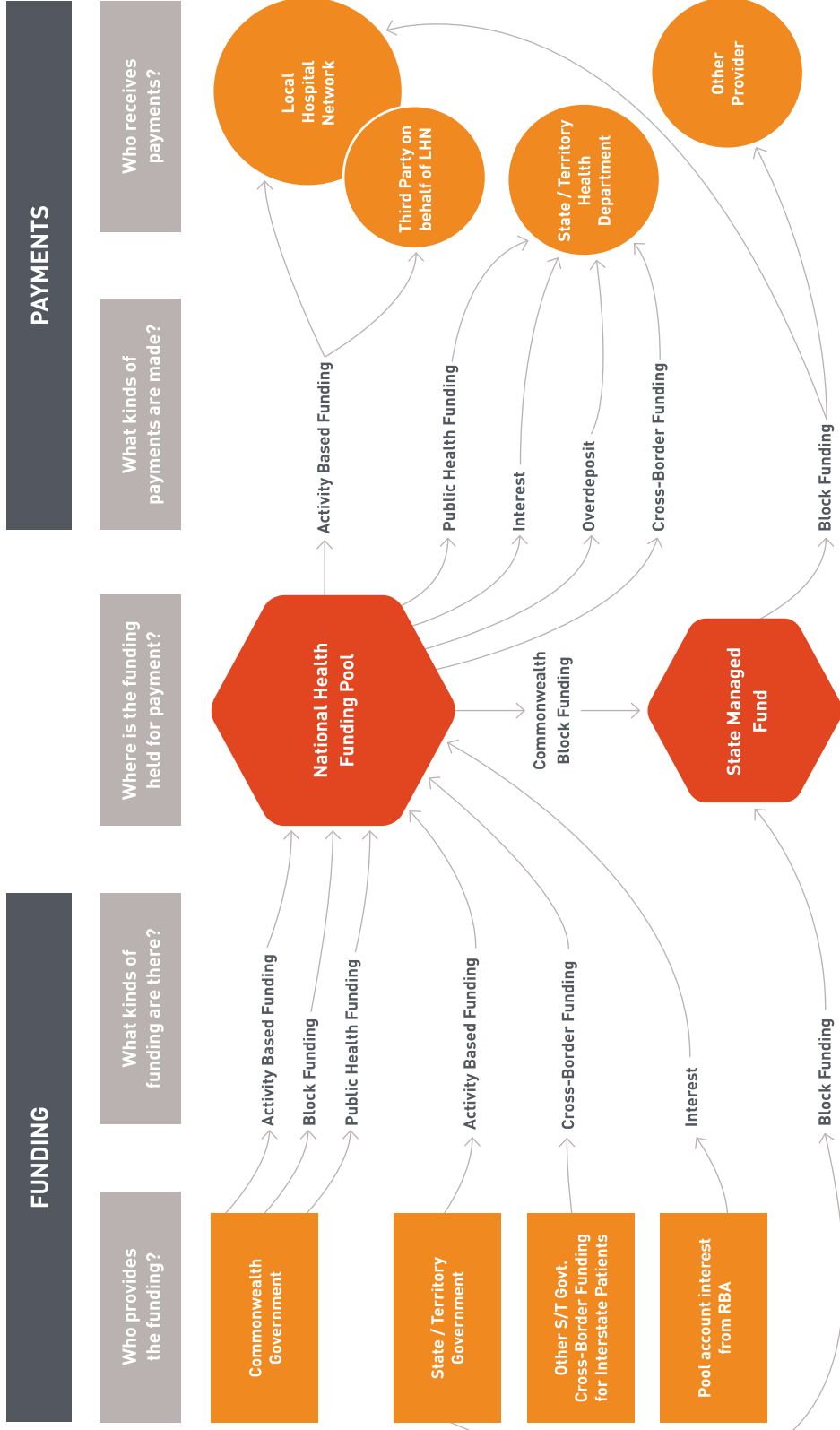


FIGURE 1: NATIONAL HEALTH REFORM FUNDING AND PAYMENT FLOWS



The types of funding and payments available under national health reform arrangements are described below.

NATIONAL HEALTH REFORM FUNDING TYPES

Activity based funding

A system for funding public hospital services based on the number of services provided to patients and the price to be paid for delivering those services. Activity based funding uses national classifications, cost weights and state, territory and Commonwealth prices to determine the amount of funding for each activity or service.

The Commonwealth's activity based funding contribution to local hospital networks is based on an efficient price per service known as the national efficient price, for as many services estimated to be provided (and later, when data is available, for services actually provided).

The following categories of services were activity based funded for 2012–13:

- + Acute admitted public patient services
- + Acute admitted private patient services
- + Non-admitted services
- + Emergency department services

Block funding

Block funding is 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 to be block funded, particularly for smaller rural and regional hospitals.

A considerable amount of hospital work is block funded, and many small hospitals are entirely block funded. Small hospitals in rural areas often have fluctuating activity that would result in unpredictable revenue if funded on the basis of activity.

The following categories of services were block funded for 2012–13:

- + Small rural hospitals
- + Mental health services
- + Sub-acute services
- + Teaching, training and research
- + Other

Public health funding

A component to be paid by the Commonwealth into the Pool, and from there to state or territory health departments for the purposes of Population Health activities.

States and territories have full discretion over the application of public health funding to the outcomes set out in the Agreement. This amount represents the sum of amounts identified under the Agreement to support national public health, youth health services and essential vaccines (service delivery).

Cross-border activity based 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 the cost of that care via a cross-border activity based payment.

Commonwealth activity based funding contributions through the Pool to each state or territory are made on a 'provider' state or territory basis and therefore already reflect the cost sharing of this cross-border activity. This component of Commonwealth funding, based on an estimate of expected services is separately identified in Commonwealth Budget Papers.

For state and territory activity based funding contributions, the 'resident' state or territory is required to meet the portion of the cost of services where its resident receives hospital treatment in another state or territory. The 'resident' state or territory makes cross-border funding contributions to the provider state's pool account, and these funds are used by the provider state or territory as part of its activity based funding payments to local hospital networks. 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 Reserve Bank of Australia to the state or territory account holder. Several options are available to the state or territory for the payment of this interest — if the interest is paid into the pool account, it can be used as a component of state and territory funding.

Over deposit

If more money is deposited into the state pool account than required, this money can either be earmarked as an 'over deposit' and paid to the state or territory health department or can be used for the next payment to local hospital networks.

TRANSITION TO THE NATIONAL HEALTH FUNDING POOL

In signing the Agreement, it was the intention of all states and territories that they would be able to participate in the Pool from 1 July 2012. However, not all states and territories had the necessary legislation in place by that date.

New South Wales, Western Australia and Tasmania had legislation in place to enable them to participate in the Pool from 1 July 2012.

Legislation in other states and territories has come into effect progressively since then, and from 1 March 2013, all states and territories have used the Pool to process national health reform funding and payments.

Prior to March 2013, those states or territories that did not have their legislation in place received equivalent funding from the Commonwealth Treasury, and made payments from departmental bank accounts to local hospital networks.

The transition of states and territories to the Pool took place as shown in Table 1.

TABLE 1: STATE OR TERRITORY TRANSITION TO THE POOL

| State or Territory | Transition to National Health Funding Pool |
|------------------------------|--|
| New South Wales | 1 July 2012 |
| Western Australia | 1 July 2012 |
| Tasmania | 1 July 2012 |
| Queensland | 1 August 2012 |
| Victoria | 28 September 2012 |
| South Australia | 1 October 2012 |
| Northern Territory | 1 October 2012 |
| Australian Capital Territory | 1 March 2013 |

ANNUAL REPORTING COMPONENTS

The information included in this Annual Report includes the following components of legislative reporting requirements.

NATIONAL HEALTH REFORM FUNDING AND PAYMENTS REPORTING

Pursuant to the following jurisdictional national health reform legislation:

- + Commonwealth — section 241(2) of the *National Health Reform Act 2011*
- + New South Wales — schedule 6A clause 16(2) of the *Health Services Act 1997*
- + Victoria — section 17(2) of the *Health (Commonwealth State Funding Arrangements) Act 2012*
- + Queensland — section 53S(2) of the *Hospital and Health Boards Act 2011*

- + South Australia — section 22(2) of the *National Health Funding Pool Administration (South Australia) Act 2012*
- + Western Australia — section 19(2) of the *National Health Funding Pool Act 2012*
- + Tasmania — section 18(2) of the *National Health Funding Administration Act 2012*
- + Australian Capital Territory — section 25(2) of the *Health (National Health Funding Pool and Administration) Act 2013*
- + Northern Territory — section 18(2) of the *National Health Funding Pool and Administration (National Uniform Legislation) Act 2012*

This reporting on a national level and for each state and territory reflects all national health reform amounts transacted in 2012–13, including ‘notional payments’.

Notional payments were amounts paid into and out of departmental bank accounts by states or territories to local hospital networks that would have been transacted through the Pool and/or State Managed Fund had national health reform funding arrangements been in place for that state or territory (see ‘Transition to the National Health Funding Pool’ for further information). Notional payments are included in 2012–13 to enable national comparability, but have been separately identified.

FINANCIAL STATEMENTS

Pursuant to the following national health reform legislation:

- + Commonwealth — sections 241(3), 242 and 243 of the *National Health Reform Act 2011*
- + New South Wales — schedule 6A clauses 16(3), 17 and 18 of the *Health Services Act 1997*
- + Victoria — sections 17(3), 18 and 19 of the *Health (Commonwealth State Funding Arrangements) Act 2012*
- + Queensland — sections 53S(3), 53T and 53U of the *Hospital and Health Boards Act 2011*
- + South Australia — sections 22(3), 23 and 24 of the *National Health Funding Pool Administration (South Australia) Act 2012*
- + Western Australia — sections 19(3), 20 and 21 of the *National Health Funding Pool Act 2012*
- + Tasmania — sections 18(3), 19 and 20 of the *National Health Funding Administration Act 2012*
- + Australian Capital Territory — sections 25(3), 26 and 27 of the *Health (National Health Funding Pool and Administration) Act 2013*
- + Northern Territory — sections 18(3), 19 and 20 of the *National Health Funding Pool and Administration (National Uniform Legislation) Act 2012*

Financial Statements within this Annual Report are compiled on a cash basis, and reflect when each state and territory commenced transacting through the Pool.





NATIONAL HEALTH REFORM FUNDING AND PAYMENTS — NATIONAL

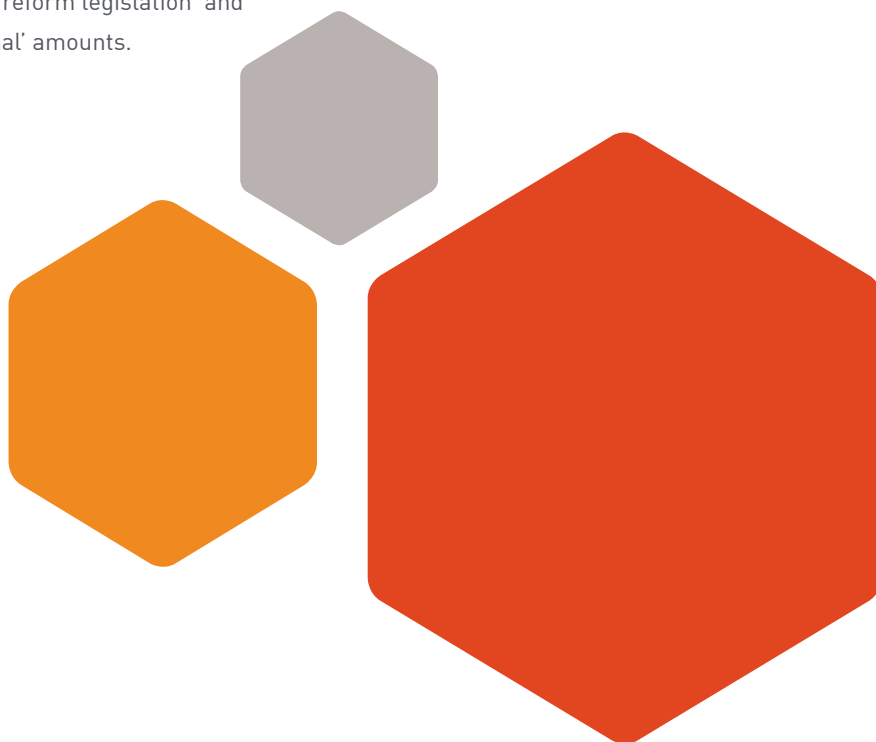
Section 241(2) of the *National Health Reform Act 2011* outlines certain disclosures to be reported in this Annual Report. The information reported is specific to the transactions of the 'relevant state or territory'. For the purposes of this legislative reporting, the 'relevant state or territory' is the state or territory that holds the bank accounts opened under the laws of the state or territory for the purposes of the *National Health Reform Agreement*.

The information below is on a national level; detailed information regarding each state and territory appears in the individual state or territory chapter.

The figures reported reflect all national health reform amounts transacted in 2012–13, including 'under national health reform legislation' and 'notional' amounts.

Notional payments were amounts paid into and out of departmental bank accounts by states or territories to local hospital networks that would have been transacted through the Pool and/or State Managed Fund had national health reform funding arrangements been in place for that state or territory (see 'Transition to the National Health Funding Pool' for further information). Notional payments are included in 2012–13 to enable national comparability, but have been separately identified.

Notional amounts are based on information provided by states and territories for the purposes of the Administrator's monthly reporting requirements, located on the www.publichospitalfunding.gov.au website.



SECTION 241(2) 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

| State or Territory | Amount paid by the relevant State/Territory into | | | | | | Total (\$'000) |
|------------------------------|--|------------------|---|----------------|--------------------------|------------------|-------------------|
| | State Pool Account (Activity based funding) (\$'000) | | State Managed Fund (Block funding) (\$'000) | | | | |
| | Under NHR legislation | Notional | Under NHR legislation | Notional | Under NHR legislation | Notional | |
| New South Wales | 4,662,446 | - | 2,168,572 | - | 6,831,017 | - | - |
| Victoria | 2,108,528 | 964,992 | 891,736 | 294,113 | 3,000,263 | 1,259,105 | 1,259,105 |
| Queensland | 3,708,716 | 338,162 | 1,026,315 | 84,280 | 4,735,031 | 422,443 | 422,443 |
| Western Australia | 2,654,929 | - | 754,837 | - | 3,409,766 | - | - |
| South Australia | 1,201,000 | 318,989 | 165,051 | 70,867 | 1,366,051 | 389,856 | 389,856 |
| Tasmania | 247,061 | - | 242,086 | - | 489,147 | - | - |
| Australian Capital Territory | 135,187 | 214,867 | 10,569 | 32,720 | 145,756 | 247,586 | 247,586 |
| Northern Territory | 210,684 | 50,230 | 204,957 | 51,770 | 415,640 | 102,000 | 102,000 |
| NATIONAL TOTAL | 14,928,550 | 1,887,240 | 5,464,121 | 533,750 | 20,392,671 | 2,420,990 | 2,420,990 |

For each state and territory's basis of payments see state and territory specific 'National health reform funding and payments' reporting towards the end of this Annual Report.

SECTION 241(2) B) THE AMOUNTS PAID INTO EACH STATE POOL ACCOUNT BY THE COMMONWEALTH AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

| State or Territory | Amount paid by Commonwealth into State Pool Account for | | | | | | | | Total (\$'000) |
|------------------------------|---|------------------|---------------------------|----------------|-----------------------------------|---------------|--------------------------|------------------|-------------------|
| | Activity based funding (\$'000) | | Block funding (\$'000) | | Public Health funding (\$'000) | | Under NHR legislation | | |
| | Under NHR legislation | Notional | Under NHR legislation | Notional | Under NHR legislation | Notional | Under NHR legislation | Notional | |
| New South Wales | 2,771,509 | - | 1,300,577 | - | 99,901 | - | 4,171,986 | - | - |
| Victoria | 1,690,549 | 588,519 | 653,237 | 227,410 | 56,386 | 19,303 | 2,400,171 | 835,232 | - |
| Queensland | 1,906,154 | 180,800 | 441,700 | 41,906 | 56,553 | 5,275 | 2,404,407 | 227,981 | - |
| Western Australia | 1,024,177 | - | 341,316 | - | 32,653 | - | 1,398,146 | - | - |
| South Australia | 592,667 | 205,435 | 139,087 | 48,218 | 17,494 | 5,975 | 749,247 | 259,628 | - |
| Tasmania | 233,205 | - | 51,887 | - | 6,829 | - | 291,921 | - | - |
| Australian Capital Territory | 71,570 | 155,297 | 8,560 | 8,144 | 1,566 | 3,141 | 81,695 | 166,582 | - |
| Northern Territory | 71,116 | 24,214 | 33,521 | 11,402 | 2,638 | 889 | 107,275 | 36,505 | - |
| NATIONAL TOTAL | 8,360,946 | 1,154,264 | 2,969,884 | 337,080 | 274,019 | 34,583 | 11,604,849 | 1,525,928 | 1,525,928 |

The basis of Commonwealth National Health Reform funding for 2012–13 as specified in the National Health Reform Agreement (clause A32) is as follows:

For 2012–13, the Commonwealth is providing funding to each state and territory equivalent to the amount that would otherwise have been payable through the former National Healthcare Specific Purpose Payment (SPP).

This amount is divided into the following funding streams:

- a. An amount for public health activities calculated as the sum of amounts identified under the Agreement relating to national public health, youth health services and essential vaccines (service delivery) in 2008–09 (\$244.0 million), indexed by the former National Healthcare SPP growth factor.*
- b. A proportion of the total amount for hospital services to patients in public hospitals funded through block grants and in respect of teaching, training and research functions funded by states and territories undertaken in public hospitals, with the distribution of funds between these block funded elements based on state and territory advice.*
- c. The residual amount is divided between the following interim ABF service categories based on state and territory NWAU(12) service estimates for the following:*
 - i. Acute admitted public patients*
 - ii. Acute admitted private patients*
 - iii. Emergency department services*
 - iv. Non-admitted patient services*

Subject to further adjustments for cross-border arrangements, the residual amounts in c. above represent the funds available for Commonwealth Activity Based Funding for each state or territory.



SECTION 241(2) C) 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

The amounts below are aggregate for each state and territory, see 'National health reform funding and payments' reporting relating to each state and territory towards the end of this Annual Report for detailed information regarding each state and territory, including basis of payments.

| State or Territory | Amount paid from State Pool Account (including CW & S/T) to | | | | | | Total (\$'000) | |
|------------------------------|---|------------------|--------------------------------|----------------|--|---------------|-------------------|------------------|
| | Local Hospital Networks (\$'000) | | State Managed Fund (\$'000) | | Other organisations or funds (\$'000) | | | |
| | Under NHR legislation | Notional | Under NHR legislation | Notional | Under NHR legislation | Notional | | |
| New South Wales | 7,380,892 | - | 1,324,703 | - | 154,827 | - | 8,860,422 | - |
| Victoria | 3,724,978 | 1,553,511 | 653,237 | 227,410 | 195,623 | 19,303 | 4,573,838 | 1,800,224 |
| Queensland | 5,619,921 | 514,215 | 441,397 | 41,906 | 57,199 | 5,275 | 6,118,516 | 561,396 |
| Western Australia | 3,679,106 | - | 341,316 | - | 32,653 | - | 4,053,075 | - |
| South Australia | 1,786,176 | 524,425 | 139,087 | 48,218 | 17,916 | 5,975 | 1,943,178 | 578,618 |
| Tasmania | 470,043 | - | 51,887 | - | 17,072 | - | 539,002 | - |
| Australian Capital Territory | 206,757 | 370,163 | 8,560 | 8,144 | 1,566 | 3,141 | 216,882 | 381,448 |
| Northern Territory | 281,800 | 74,444 | 33,521 | 11,402 | 2,638 | 889 | 317,959 | 86,735 |
| NATIONAL TOTAL | 23,149,672 | 3,036,758 | 2,993,708 | 337,080 | 479,493 | 34,583 | 26,622,873 | 3,408,421 |

SECTION 241(2) D) 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

The amounts below are aggregate for each state and territory, see 'National health reform funding and payments' reporting relating to each state and territory towards the end of this Annual Report for detailed information regarding each state and territory, including basis of payments.

| State or Territory | Amount paid from State Managed Fund (including CW & S/T) to | | | | | | Total (\$'000) |
|------------------------------|---|----------------|---------------------------------------|--------------|----------|------------------|----------------|
| | Local Hospital Networks (\$'000) | | Other organisations or funds (\$'000) | | Notional | Notional | |
| | Under NHR legislation | Notional | Under NHR legislation | Notional | | | |
| New South Wales | 3,368,233 | - | 76,788 | - | - | 3,445,021 | - |
| Victoria | 1,510,551 | 516,146 | 34,421 | 5,377 | - | 1,544,972 | 521,523 |
| Queensland | 1,468,963 | 124,837 | - | - | - | 1,468,963 | 124,837 |
| Western Australia | 1,096,153 | - | - | - | - | 1,096,153 | - |
| South Australia | 304,137 | 119,085 | - | - | - | 304,137 | 119,085 |
| Tasmania | 280,088 | - | 13,885 | - | - | 293,972 | - |
| Australian Capital Territory | 19,129 | 40,864 | - | - | - | 19,129 | 40,864 |
| Northern Territory | 238,477 | 63,172 | - | - | - | 238,477 | 63,172 |
| NATIONAL TOTAL | 8,285,732 | 864,104 | 125,094 | 5,377 | - | 8,410,826 | 869,481 |

SECTION 241(2) E) THE NUMBER OF PUBLIC HOSPITAL SERVICES FUNDED FOR EACH LOCAL HOSPITAL NETWORK IN ACCORDANCE WITH THE SYSTEM OF ACTIVITY BASED FUNDING

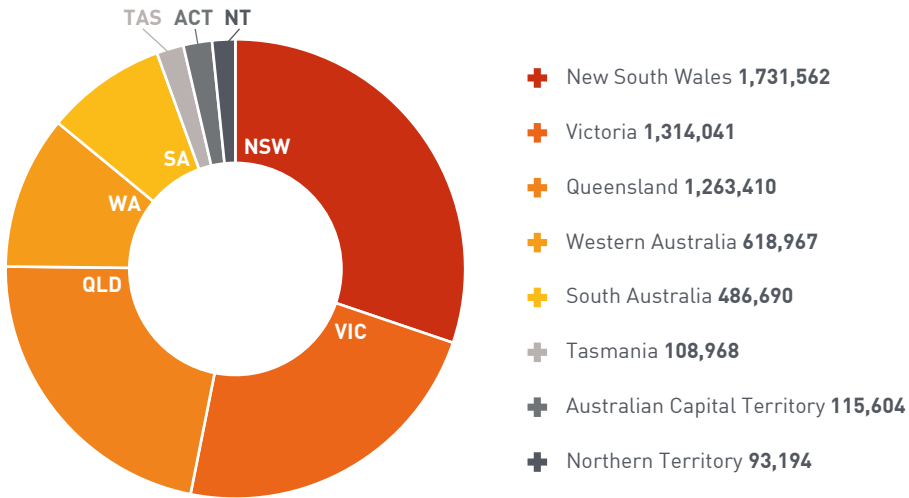
The National Weighted Activity Unit (NWAU) is the unit of measurement for the activity based funding system. It is a measure of health service activity expressed as a common unit, against which the national efficient price is paid. It provides a way of comparing and valuing each activity based funded public hospital service, by weighting it for its clinical complexity.

The information is provided by states and territories as service estimates at the start of each financial year for Commonwealth payment purposes. Estimates may continue to be refined during the course of the year. These estimates form the basis of service volumes until actual service numbers become available.

The amounts below and in figure 2 are aggregate for each state and territory. See 'National health reform funding and payments' reporting relating to each state and territory towards the end of this Annual Report for detailed information regarding each state and territory.

| State or Territory | Number of ABF public hospital services funded (NWAU) |
|------------------------------|--|
| New South Wales | 1,731,562 |
| Victoria | 1,314,041 |
| Queensland | 1,263,410 |
| Western Australia | 618,967 |
| South Australia | 486,690 |
| Tasmania | 108,968 |
| Australian Capital Territory | 115,604 |
| Northern Territory | 93,194 |
| NATIONAL TOTAL | 5,732,436 |

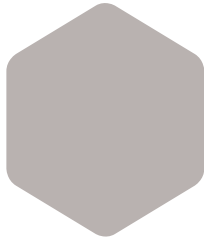
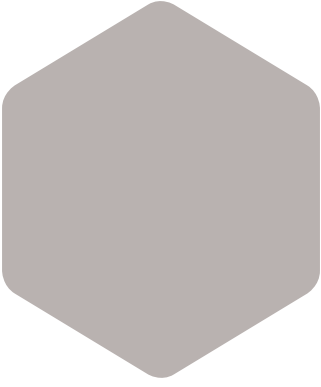
FIGURE 2: NUMBER OF ESTIMATED NWAU PROVIDED BY STATES AND TERRITORIES FOR COMMONWEALTH ACTIVITY BASED FUNDING PURPOSES



SECTION 241(2) F) THE NUMBER OF OTHER PUBLIC HOSPITAL SERVICES AND FUNCTIONS FUNDED FROM EACH STATE POOL ACCOUNT OR STATE MANAGED FUND

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

However, in 2012–13 no state or territory reported ‘other public hospital services and functions funded’ from any Pool Account or State Managed Fund.





COMBINED FINANCIAL STATEMENT



**National Health Funding Pool —
Combined State Pool Accounts
Special Purpose Financial Statement
for the year ended 30 June 2013**

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



**Administrator
National Health
Funding Pool**

Combined State Pool Account

I report that, as indicated in note 1 (a) 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 Commonwealth *National Health Reform Act 2011* and the National Health Reform Agreement 2011.

In my opinion, the attached special purpose financial statement for the period ended 30 June 2013 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.

Bob Sendt

RJ Sendt
Administrator
National Health Funding Pool

9 October 2013

Combined State Pool Accounts
Special purpose financial statement
for the year ended 30 June 2013

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Special purpose financial statement

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Combined State Pool Accounts
 Statement of receipts and payments
 for the year ended 30 June 2013

| | NSW* \$'000 | VIC* \$'000 | QLD* \$'000 | WA* \$'000 | SA* \$'000 |
|---|------------------|------------------|------------------|------------------|------------------|
| Cash at bank at 1 July 2012 | - | - | - | - | - |
| Receipts into the state pool account | | | | | |
| From Commonwealth | | | | | |
| Activity based funding | 2,771,509 | 1,690,549 | 1,906,154 | 1,024,177 | 592,667 |
| Block funding | 1,300,576 | 653,237 | 441,700 | 341,316 | 139,087 |
| Public health funding | 99,901 | 56,386 | 56,553 | 32,653 | 17,494 |
| From State / Territory | | | | | |
| Activity based funding | 4,609,383 | 2,108,527 | 3,708,716 | 2,654,929 | 1,201,000 |
| Cross border contribution | 53,063 | - | - | - | - |
| From other States/ Territories | | | | | |
| Cross border receipts | 24,127 | 63,286 | - | - | - |
| From Reserve Bank of Australia | | | | | |
| Interest receipts | 1,863 | 1,853 | 646 | - | 2,322 |
| Total receipts | 8,860,422 | 4,573,838 | 6,113,769 | 4,053,075 | 1,952,570 |
| Payments out of the state pool account | | | | | |
| To Local Hospital Networks | | | | | |
| Activity based funding | 7,380,892 | 3,724,978 | 5,615,173 | 3,679,106 | 1,786,176 |
| To State Managed Fund | | | | | |
| Block funding | 1,300,576 | 653,237 | 441,397 | 341,316 | 139,087 |
| Cross border transfer | 24,127 | - | - | - | - |
| To State / Territory Health Department | | | | | |
| Public health funding | 99,901 | 56,386 | 56,553 | 32,653 | 17,494 |
| Interest payments | 1,863 | 1,853 | 646 | - | 422 |
| Over deposit withdrawal | - | 113,257 | - | - | - |
| To other States/ Territories | | | | | |
| Cross border payments | 53,063 | 24,127 | - | - | - |
| To Reserve Bank Australia | | | | | |
| Penalty interest | - | - | - | - | - |
| Total payments | 8,860,422 | 4,573,838 | 6,113,769 | 4,053,075 | 1,943,179 |
| Cash at bank 30 June 2013 | - | - | - | - | 9,391 |

Continued.

* Refer to note (g) for commencement date.

NSW – New South Wales, VIC – Victoria, QLD – Queensland, WA – Western Australia, SA – South Australia.

Combined State Pool Accounts
Statement of receipts and payments
for the year ended 30 June 2013

| | TAS* \$'000 | ACT* \$'000 | NT* \$'000 | Total \$'000 |
|---|----------------|----------------|----------------|-------------------|
| Cash at bank at 1 July 2012 | - | - | - | - |
| Receipts into the state pool account | | | | |
| From Commonwealth | | | | |
| Activity based funding | 233,205 | 71,570 | 71,116 | 8,360,947 |
| Block funding | 51,887 | 8,560 | 33,521 | 2,969,884 |
| Public health funding | 6,829 | 1,565 | 2,638 | 274,019 |
| From State / Territory | | | | |
| Activity based funding | 236,838 | 135,187 | 210,684 | 14,865,264 |
| Cross border contribution | 10,223 | - | - | 63,286 |
| From other States/ Territories | | | | |
| Cross border receipts | - | - | - | 87,413 |
| From Reserve Bank of Australia | | | | |
| Interest receipts | 20 | - | 15 | 6,719 |
| Total receipts | 539,002 | 216,882 | 317,974 | 26,627,532 |
| Payments out of the state pool account | | | | |
| To Local Hospital Networks | | | | |
| Activity based funding | 470,043 | 206,757 | 281,800 | 23,144,925 |
| To State Managed Fund | | | | |
| Block funding | 51,887 | 8,560 | 33,521 | 2,969,581 |
| Cross border transfer | - | - | - | 24,127 |
| To State / Territory Health Department | | | | |
| Public health funding | 6,829 | 1,565 | 2,638 | 274,019 |
| Interest payments | 20 | - | - | 4,804 |
| Over deposit withdrawal | - | - | - | 113,257 |
| To other States/ Territories | | | | |
| Cross border payments | 10,223 | - | - | 87,413 |
| To Reserve Bank Australia | | | | |
| Penalty interest | - | - | - | - |
| Total payments | 539,002 | 216,882 | 317,959 | 26,618,126 |
| Cash at bank 30 June 2013 | - | - | 15 | 9,406 |

* Refer to note (g) for commencement date.

TAS – Tasmania, ACT – Australian Capital Territory, NT – Northern Territory.

Combined State Pool Accounts
Notes to the special purpose financial statement
for the year ended 30 June 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statement are set out below. The financial statement is for the Combined state pool accounts (which were established at the Reserve Bank of Australia in 2012–13) and is a special purpose financial statement.

(a) Basis of preparation

This 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 basis of accounting. 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 unless otherwise specified. The financial statement relates to the period ended 30 June 2013.

The special purpose financial statement was authorised for issue by the Administrator of the National Health Funding Pool on 9 October 2013.

(b) Activity Based Funding, Block Funding and Public Health Funding

The Commonwealth and state or territory governments provide three types of funding into the pool account as follows:

- i. Activity based funding (Commonwealth and state) — represents acute admitted public, acute admitted private, non-admitted, and emergency department categories of service funded by both the Commonwealth and state or territory governments. These are funded through the state or territory pool account and paid to local hospital networks.
- ii. Block funding (Commonwealth) — represents mental health, small rural and metropolitan hospitals, sub-acute, teaching, training and research, and other categories which are paid to state or territory managed funds, normally, in the first instance, to state or territory health departments.
- iii. Public health funding — other amounts transacted through the state or territory pool account and subsequently paid to the state or territory health departments.

Combined State Pool Accounts Notes to the special purpose financial statement for the year ended 30 June 2013

As disclosed in note 1(a) funding received is brought to account when received and payments are brought to account when paid. Funding received may not equal payments made due to timing differences. Commonwealth activity based funding payments into the pool are based on prices set by the Independent Hospital Pricing Authority and are applied to the activity estimates provided by the states or territories at the local hospital network level.

(c) Interest

Interest earned and deposited by the Reserve Bank of Australia 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.

(d) Cross border

When a resident of one state receives hospital treatment in another state, the 'resident state' compensates the treating or 'provider state' for the cost of that care via a cross border payment.

State and territory cross border payments can either be:

- i. Paid to the relevant state or territory's local hospital networks, or
- ii. Reimbursed to the relevant state or territory where the state or territory's local hospital networks are already being funded for the cost of treating cross-border patients.

(e) Taxation

The state or territory pool account is not subject to income tax. The majority of government funding, from both the Commonwealth and state or territory, to local hospital is not subject to 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, where applicable.

(f) Governance of the National Health Funding Pool

The Administrator of the National Health Funding Pool (the Administrator) is an independent statutory office holder, distinct from the Commonwealth and state and territory governments, established under legislation of the Commonwealth and state and territory governments.

Combined State Pool Accounts
Notes to the special purpose financial statement
for the year ended 30 June 2013

(g) Date of commencement

The dates of commencement for transacting within the National Health Funding Pool were as follows:

| | |
|----------------------------------|-------------------|
| + New South Wales — | 1 July 2012 |
| + Tasmania — | 1 July 2012 |
| + Western Australia — | 1 July 2012 |
| + Queensland — | 1 August 2012 |
| + Victoria — | 28 September 2012 |
| + Northern Territory — | 1 October 2012 |
| + South Australia — | 1 October 2012 |
| + Australian Capital Territory — | 1 March 2013 |

(h) Activity Based Funding payments

Refer to respective National Health Funding Pool state pool account special purpose financial statements for activity based funding payments made to separate local hospital networks.





NEW SOUTH WALES

Financial Statement



**National Health Funding Pool —
New South Wales State Pool Account
Special Purpose Financial Statement
for the year ended 30 June 2013**

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



INDEPENDENT AUDITOR'S REPORT

National Health Funding Pool

To the Administrator of the National Health Funding Pool

As required by the *Health Services Act 1997 (NSW)* and section 243 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 2013. The Financial Statement comprises:

- a Statement of Receipts and Payments for the year ended 30 June 2013
- notes, comprising a summary of significant accounting policies and other explanatory information
- a declaration by the Administrator of the National Health funding Pool (the Administrator).

Opinion

In my opinion, the Financial Statement for the year ended 30 June 2013, presents fairly, in all material respects, the financial transactions of the New South Wales State Pool Account and such components of financial position as are disclosed 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*.

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 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.

The Responsibility of the Administrator of the National Health Funding Pool New South Wales State Pool Account

The Administrator is responsible for the preparation and fair presentation of the Financial Statement 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)* and 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; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the Financial Statement based on my audit. My audit was conducted in accordance with Australian Auditing Standards. Auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

My audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statement. Procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Financial Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Financial Statement 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Administrator, as well as the overall presentation of the Financial Statement.

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

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and relevant ethical pronouncements. The *Public Finance and Act 1983* further promotes independence 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, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.



A T Whitfield
Acting Auditor-General

30 September 2013



Administrator
National Health
Funding Pool

New South Wales State Pool Account

I report that, as indicated in note 1 (a) 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 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 2013 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.

Bob Sendt

RJ Sendt
Administrator
National Health Funding Pool

27 September 2013

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| 5 Cross border payments | 43 |
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New South Wales State Pool Account
Statement of receipts and payments
for the year ended 30 June 2013

| | Notes | 2013 \$'000 |
|---|-------|------------------|
| Cash at bank as at 1 July 2012 | | – |
| Receipts into the state pool account | | |
| From Commonwealth | | |
| Activity based funding | 2 | 2,771,509 |
| Block funding | | 1,300,576 |
| Public health funding | | 99,901 |
| From New South Wales | | |
| Activity based funding | 2 | 4,609,383 |
| Cross border contribution | | 53,063 |
| From other States/ Territories | | |
| Cross border receipts | 3 | 24,127 |
| From Reserve Bank of Australia | | |
| Interest receipts | | 1,863 |
| Total receipts | | 8,860,422 |
| Payments out of the state pool account | | |
| To Local Hospital Networks | | |
| Activity based funding | 4 | 7,380,892 |
| To New South Wales Ministry of Health | | |
| Public health funding | | 99,901 |
| Interest payments | | 1,863 |
| To other States/ Territories | | |
| Cross border payments | 5 | 53,063 |
| To New South Wales State Managed Fund | | |
| Block funding | | 1,300,576 |
| Cross border transfer | | 24,127 |
| Total payments | | 8,860,422 |
| Net receipts/(payments) for the year | | – |
| Cash at bank 30 June 2013 | | – |

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statement are set out below. The financial statement is for the New South Wales state pool account (which was established at the Reserve Bank of Australia in 2012–13) and is a special purpose financial statement.

(a) Basis of preparation

The New South Wales state pool account was established in accordance with the New South Wales *Health Services Act 1997* and the special purpose financial statement has been prepared in accordance with that Act and section 242 of the Commonwealth *National Health Reform Act 2011*.

The special purpose financial statement has been prepared on a cash basis of accounting. 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 unless otherwise specified.

The financial statement relates to the period commencing 1 July 2012 when New South Wales first transacted through the National Health Funding Pool. As such there is no comparative information.

The special purpose financial statement was authorised for issue by the Administrator of the National Health Funding Pool on 27 September 2013.

(b) Activity Based Funding, Block Funding and Public Health Funding

The Commonwealth and state or territory governments provide three types of funding into the pool account as follows:

- i. Activity based funding (Commonwealth and state) — represents acute admitted public, acute admitted private, non-admitted, and emergency department categories of service funded by both the Commonwealth and state or territory governments. These are funded through the state or territory pool account and paid to local hospital networks.

New South Wales State Pool Account
Notes to the special purpose financial statement
for the year ended 30 June 2013

- ii. Block funding (Commonwealth) — represents mental health, small rural and metropolitan hospitals, sub-acute, teaching, training and research, and other categories which are paid to state or territory managed funds, normally, in the first instance, to state or territory health departments.
- iii. Public health funding — other amounts transacted through the state or territory pool account and subsequently paid to the state or territory health departments.

As disclosed in note 1(a) funding received is brought to account when received and payments are brought to account when paid. Funding received may not equal payments made due to timing differences. Commonwealth activity based funding payments into the pool are based on prices set by the Independent Hospital Pricing Authority and are applied to the activity estimates provided by the state at the local hospital network.

(c) Interest

Interest earned and deposited by the Reserve Bank of Australia 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.

(d) Cross border

When a resident of one state receives hospital treatment in another state, the 'resident state' compensates the treating or 'provider state' for the cost of that care via a cross border payment.

State and territory cross border payments can either be:

- i. Paid to the relevant state or territory's local hospital networks, or
- ii. Reimbursed to the relevant state or territory where the state or territory's local hospital networks are already being funded for the cost of treating cross-border patients.

(e) Taxation

The state or territory pool account is not subject to income tax. The majority of government funding, from both the Commonwealth and state or territory, to local hospitals is not subject to 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, where applicable.

(f) Governance of the National Health Funding Pool

The Administrator of the National Health Funding Pool (the Administrator) is an independent statutory office holder, distinct from the Commonwealth and state and territory governments, established under legislation of the Commonwealth and state and territory governments.

2 SUMMARY OF ACTIVITY BASED FUNDING RECEIPTS

Total receipts paid into the New South Wales state pool account in respect of activity based funding were as follows:

| | 2013 \$'000 |
|-------------------------------------|------------------|
| Commonwealth activity based funding | 2,771,509 |
| State activity based funding | 4,609,383 |
| Total | 7,380,892 |

3 CROSS BORDER RECEIPTS

Total cross border receipts into the New South Wales state pool account from other states and territories were as follows:

| STATES/ TERRITORIES | 2013 \$'000 |
|------------------------------|----------------|
| Cross border receipts | |
| Victoria | 24,127 |
| Queensland | - |
| Western Australia | - |
| South Australia | - |
| Tasmania | - |
| Australian Capital Territory | - |
| Northern Territory | - |
| Total | 24,127 |

Where no cross border receipts are reported through the New South Wales state pool account, there may be other bilateral arrangements between the states and territories.

4 SUMMARY OF ACTIVITY BASED FUNDING PAYMENTS

Total payments made out of the New South Wales state pool account in respect of each local hospital network were as follows:

| LOCAL HOSPITAL NETWORKS | 2013 \$'000 |
|---|------------------|
| Central Coast Local Health District | 331,502 |
| Far West Local Health District | 38,858 |
| Hunter New England Local Health District | 817,230 |
| Illawarra Shoalhaven Local Health District | 388,328 |
| Mid North Coast Local Health District | 264,371 |
| Murrumbidgee Local Health District | 164,644 |
| Nepean Blue Mountains Local Health District | 324,915 |
| Northern NSW Local Health District | 326,809 |
| Northern Sydney Local Health District | 591,552 |
| South Eastern Sydney Local Health District | 775,809 |
| South Western Sydney Local Health District | 872,279 |
| Southern NSW Local Health District | 122,035 |
| Sydney Local Health District | 734,551 |
| Sydney Children's Hospital Network | 368,596 |
| St Vincent's Health Network | 236,669 |
| Western NSW Local Health District | 235,380 |
| Western Sydney Local Health District | 787,364 |
| Total | 7,380,892 |

5 CROSS BORDER PAYMENTS

Total cross border payments out of the New South Wales state pool account to other states and territories were as follows:

| STATES/ TERRITORIES | 2013 \$'000 |
|------------------------------|----------------|
| Cross border payments | |
| Victoria | 53,063 |
| Queensland | - |
| Western Australia | - |
| South Australia | - |
| Tasmania | - |
| Australian Capital Territory | - |
| Northern Territory | - |
| Total | 53,063 |

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.

6 ACTIVITY BASED FUNDING RECONCILIATION

Total state and Commonwealth activity based funding contributions and total local hospital network activity based funding payments were as follows:

| | 2013 \$'000 |
|--|----------------|
| Total Commonwealth and state activity based funding receipts | 7,380,892 |
| Total local hospital network activity based funding payments | 7,380,892 |
| Total | - |

The Administrator makes payments from the state pool account in accordance with the directions of the state concerned. Under the direction of the New South Wales Ministry of Health, total Commonwealth and state activity based funding receipts equal total activity based funding payments made to the local hospital networks.

End of audited special purpose financial statement.

National Health Reform Funding and Payments



Section 241(2) of the *National Health Reform Act 2011* outlines certain disclosures to be reported in this Annual Report. The information reported is specific to the transactions of the 'relevant state or territory'. For the purposes of this legislative reporting, the 'relevant state or territory' is the state or territory that holds the bank accounts opened under the laws of the state or territory for the purposes of the *National Health Reform Agreement*.

The figures reported reflect all national health reform amounts transacted in 2012–13.

SECTION 241(2) 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

| Component | Amount paid by New South Wales into | | Total (\$'000) |
|------------------------|-------------------------------------|--------------------------------|-------------------|
| | State Pool Account* (\$'000) | State Managed Fund (\$'000) | |
| Activity based funding | 4,662,446 | - | 4,662,446 |
| Block funding | - | 2,168,572 | 2,168,572 |
| NSW TOTAL | 4,662,446 | 2,168,572 | 6,831,017 |

**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. Detail on these flows are located in the NSW Pool Account Special Purpose Financial Statement.*

The basis used to determine national health reform payments to local hospital networks in New South Wales for 2012–13 [at June 2013] was advised by the NSW Ministry of Health to be as follows:

BASIS USED TO DETERMINE NATIONAL HEALTH REFORM PAYMENTS TO LOCAL HOSPITAL NETWORKS — NEW SOUTH WALES

The process for determining 2012–13 national health reform payments to local hospital networks encompassed three distinct elements of preparation for the individual local hospital network Service Agreements, including development of annual activity estimates, discussion/negotiation of activity levels with individual local hospital networks, and total state-wide activity across each activity type.

Annual activity estimates for inpatient and emergency department services were developed from actual historical activity levels over the previous five years and forecast 2011–12 actual.

Generally, a linear extrapolation model was used to produce a provisional activity estimate for 2012–13 for each local hospital network.

The provisional results were then reviewed to take into account volume variations considered excessive (for example, unusually high peaks or troughs in any given year), known capacity enhancements or limitations to physical capacity, population growth projections, current year activity relative to targets.

The resulting activity estimates were provided for the basis of discussion and negotiation with individual local hospital networks to determine agreed 2012–13 activity targets. Activity weights used in these calculations were NSW cost weighted separations — for acute admitted/inpatient services and cost weighted attendances (UDAG) — for emergency department services.

The projections for the acute admitted activity were further split between public, private and compensable weighted patient activity, based on the historic trends at each facility. This allowed for differential funding mechanisms to be applied to the respective service groups to reflect the variation in funding sources available to an individual local hospital network.

Provisional activity estimates for each activity-based funding (ABF) service type were provided to individual local hospital networks for each facility in-scope for ABF funding.

The provisional estimates and historical activity measures provided the basis for discussions with individual local hospital networks. Following feedback from local hospital networks, the resultant weighted activity volumes were then incorporated within the Service Agreements issued to all local hospital networks in June 2012.

It is important to note that the activity volume information was subsequently converted into the National Weighted Activity Unit (NWAU) to be multiplied by the state price or average cost. The result led to the development of a Service Agreement for each local hospital network. Also included in the local hospital network Service Agreement, which is available on each local hospital network website, was activity information in both 'activity currencies' those being the standard NSW cost weights, and the new National Weighted Activity Unit (NWAUs).

Due to the lack of available national systems for counting, coding and classification for mental health, subacute, and teaching, training and research services, the amounts presented for these services under block funding are based on an extrapolation from the 2009–10 National Health Cost Data Collection. These cash amounts are estimations for the amounts spent by local hospital networks in 2012–13 and do not necessarily relate directly to numbers of services provided. NSW Health is working with national bodies and other jurisdictions to progress standardised costing methodology for these services. 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 local hospital network Service Agreements after deducting an allowance to recognise own sourced revenue earned, and retained by the local hospital networks and liabilities for superannuation and long service leave which are accepted by the Crown.

The resultant cash value is processed through the state pool account (ABF) or the state managed fund (in-scope block). Although a consistent methodology has been applied, variations in cash prices between local hospital networks 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, local hospital networks also receive direct State Government funding for new initiatives implemented in 2012–13, including start-up funding for new services, such as new intensive care beds and increasing the number of new nurses within local hospital networks to support a reasonable nursing workload.

In addition, further cash payments for all “out of scope” services not subject to the National Health Reform Agreement arrangements are also provided to local hospital networks as required under their 2012–13 Service Agreements.

ADMINISTRATOR'S MONTHLY REPORTING — 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 local hospital networks or cash payments from the state managed fund to local hospital networks, and one exception that requires a quarterly cash payment to the Victorian Department of Health for NSW contribution for the Albury-Wodonga inter-jurisdictional agreement.

The weekly cash payment to a local hospital network 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 local hospital network Service Agreements.

Cash payments from the NSW state pool account and from the state managed fund to local hospital networks 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 2012–13, July 2012, October 2012, January 2013 and April 2013 each have five Tuesdays, with all other months having four 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.

Cash payments to local hospital networks from both the NSW state pool account and state managed fund are generally calculated based on equal weekly instalments to health services unless otherwise negotiated.

Other payments will occur in 2012–13 that are outside the regular weekly (Tuesday) payment cycle. Such payments include the full year insurance premium, quarterly payments to the Australian Red Cross Blood Service, quarterly payments to Victoria Health for the Albury-Wodonga inter-jurisdictional agreement, and payments to other states and territories for NSW residents treated in their public hospitals. Payments to local hospital networks 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.

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 local hospital networks include separate payments from the Crown (for example, defined superannuation scheme and long service leave cash recovery) as well as own source revenues earned and retained by each local hospital network.

For more information on budget allocations, see the 2012–13 local hospital network Service Agreements which are available on each NSW local hospital network website.

SECTION 241(2) B) THE AMOUNTS PAID INTO EACH STATE POOL ACCOUNT BY THE COMMONWEALTH AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

| Component | Amount paid by Commonwealth into NSW State Pool Account (\$'000) |
|------------------------|---|
| Public Health funding | 99,901 |
| Block funding | 1,300,577 |
| Activity based funding | 2,771,509 |
| NSW TOTAL | 4,171,986 |

For the Commonwealth basis of payments see part b) of the ‘National health reform funding and payments — National’ section.

SECTION 241(2) C) 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

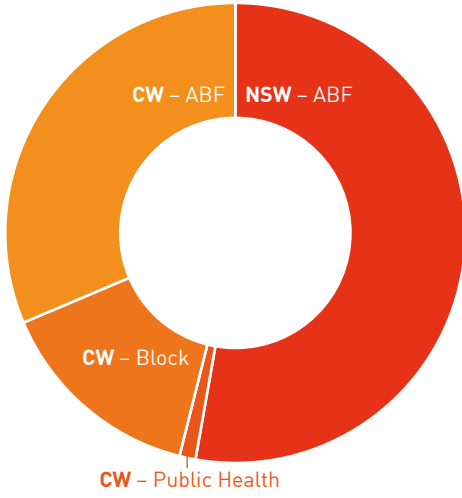
| Recipient | Amount paid from NSW State Pool Account to (\$'000) |
|---|--|
| Central Coast Local Health District | 331,502 |
| Far West Local Health District | 38,858 |
| Hunter New England Local Health District | 817,230 |
| Illawarra Shoalhaven Local Health District | 388,328 |
| Mid North Coast Local Health District | 264,371 |
| Murrumbidgee Local Health District | 164,644 |
| Nepean Blue Mountains Local Health District | 324,915 |
| Northern NSW Local Health District | 326,809 |
| Northern Sydney Local Health District | 591,552 |
| South Eastern Sydney Local Health District | 775,809 |
| South Western Sydney Local Health District | 872,278 |
| Southern NSW Local Health District | 122,035 |
| St Vincent's Health Network | 236,669 |
| Sydney Children's Hospitals Network | 368,596 |
| Sydney Local Health District | 734,551 |
| Western NSW Local Health District | 235,380 |
| Western Sydney Local Health District | 787,364 |
| Total LHNs | 7,380,892 |
| State Managed Fund | 1,324,703 |
| Other organisations or funds* | 154,827 |
| NSW TOTAL | 8,860,422 |

**Includes a state cross-border contribution to another state or territory.*

For the New South Wales basis of payments see part a) of this section.

PAYMENTS INTO THE POOL — NSW (\$M)

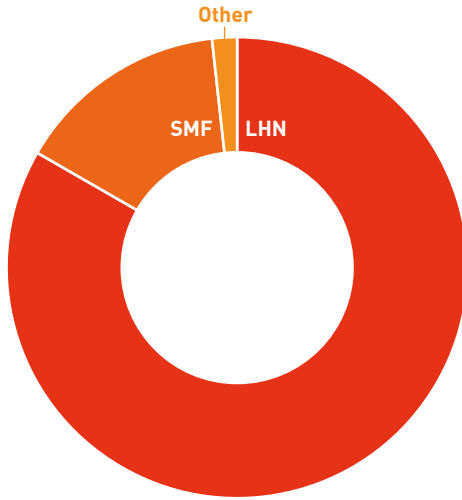
Includes notional amounts.



- + NSW — Activity Based Funding **4,662**
- + Commonwealth — Public Health **100**
- + Commonwealth — Block Funding **1,301**
- + Commonwealth — Activity Based Funding **2,772**

PAYMENTS OUT OF THE POOL — NSW (\$M)

Includes notional amounts.



- + Local Hospital Networks **7,381**
- + State Managed Fund **1,325**
- + Other Organisations and Funds **155**

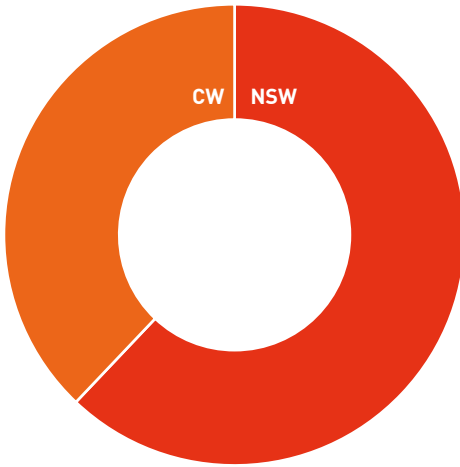
SECTION 241(2) D) THE AMOUNTS PAID FROM EACH STATE MANAGED FUND TO LOCAL HOSPITAL NETWORKS OR OTHER ORGANISATIONS OR FUNDS AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

| Provider | Amount paid from NSW State Managed Fund to (\$'000) |
|---|--|
| Central Coast Local Health District | 151,577 |
| Far West Local Health District | 30,040 |
| Hunter New England Local Health District | 517,257 |
| Illawarra Shoalhaven Local Health District | 177,067 |
| Justice Health and Forensic Mental Health Network | 48,277 |
| Mid North Coast Local Health District | 108,348 |
| Murrumbidgee Local Health District | 172,222 |
| Nepean Blue Mountains Local Health District | 131,313 |
| Northern NSW Local Health District | 157,192 |
| Northern Sydney Local Health District | 340,403 |
| South Eastern Sydney Local Health District | 247,045 |
| South Western Sydney Local Health District | 231,386 |
| Southern NSW Local Health District | 116,732 |
| St Vincent's Health Network | 58,494 |
| Sydney Children's Hospitals Network | 56,436 |
| Sydney Local Health District | 299,169 |
| Western NSW Local Health District | 327,457 |
| Western Sydney Local Health District | 197,818 |
| Total LHNs | 3,368,233 |
| Other organisations or funds | 76,788 |
| NSW TOTAL | 3,445,021 |

For the New South Wales basis of payments see part a) of this section.

PAYMENTS INTO THE STATE MANAGED FUND — NSW (\$M)

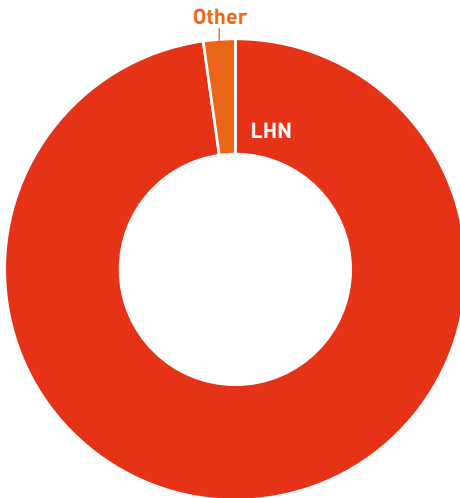
Includes notional amounts.



- + New South Wales **2,169**
- + Pool — Commonwealth **1,325**

PAYMENTS OUT OF THE STATE MANAGED FUND — NSW (\$M)

Includes notional amounts.



- + Local Hospital Networks **3,368**
- + Other Organisations and Funds **77**

SECTION 241(2) E) THE NUMBER OF PUBLIC HOSPITAL SERVICES FUNDED FOR EACH LOCAL HOSPITAL NETWORK IN ACCORDANCE WITH THE SYSTEM OF ACTIVITY BASED FUNDING

The National Weighted Activity Unit (NWAU) is the unit of measurement for the activity based funding system. It is a measure of health service activity expressed as a common unit, against which the national efficient price is paid. It provides a way of comparing and valuing each activity based funded public hospital service, by weighting it for its clinical complexity.

The information outlined below is provided by the New South Wales as service estimates at the start of each financial year for Commonwealth payment purposes. Estimates may continue to be refined during the course of the year. These estimates form the basis of monthly reporting of service volumes until actual service numbers become available.

| Local Hospital Network | Number of ABF public hospital services funded (NWAU) |
|---|--|
| Central Coast Local Health District | 84,725 |
| Far West Local Health District | 10,232 |
| Hunter New England Local Health District | 208,303 |
| Illawarra Shoalhaven Local Health District | 84,073 |
| Mid North Coast Local Health District | 60,088 |
| Murrumbidgee Local Health District | 35,131 |
| Nepean Blue Mountains Local Health District | 69,316 |
| Northern NSW Local Health District | 74,947 |
| Northern Sydney Local Health District | 141,176 |
| South Eastern Sydney Local Health District | 180,524 |
| South Western Sydney Local Health District | 217,983 |
| Southern NSW Local Health District | 27,031 |
| St Vincent's Health Network | 52,334 |
| Sydney Children's Hospitals Network | 82,362 |
| Sydney Local Health District | 180,897 |
| Western NSW Local Health District | 57,898 |
| Western Sydney Local Health District | 164,543 |
| NSW TOTAL | 1,731,562 |

SECTION 241(2) F) THE NUMBER OF OTHER PUBLIC HOSPITAL SERVICES AND FUNCTIONS FUNDED FROM EACH STATE POOL ACCOUNT OR STATE MANAGED FUND

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

However, in 2012-13 New South Wales did not report any 'other public hospital services and functions funded' from their Pool Account or State Managed Fund.





VICTORIA

Financial Statement



**National Health Funding Pool —
Victorian State Pool Account
Special Purpose Financial Statement
for the period 28 September 2012 to 30 June 2013**

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



Victorian Auditor-General's Office

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INDEPENDENT AUDITOR'S REPORT

To the Administrator, National Health Funding Pool – Victorian State Pool Account

The Financial Statement

As required by section 243 of the *National Health Reform Act 2011*, I have audited the accompanying special purpose financial statement (the financial statement) of the Victoria State Pool Account of the National Health Funding Pool for the period ended 30 June 2013. The financial statement comprises:

- a Statement of Receipts and Payments for the period from 28 September 2012 to 30 June 2013
- notes, comprising a summary of significant accounting policies and other explanatory information
- the Administrator's declaration.

The Responsibility of the Administrator of the National Health Funding Pool for the Financial Statement

The Administrator of the National Health Funding Pool (the Administrator) is responsible for the preparation of the financial statement that gives a true and fair view in accordance with the financial reporting provisions of the *National Health Reform Act 2011*, 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.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statement based on the audit. The audit was conducted in accordance with Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statement that gives a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statement.

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

Auditing in the Public Interest

Independent Auditor's Report (continued)*Independence*

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Opinion

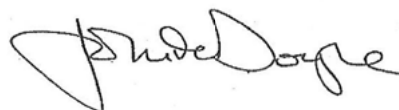
In my opinion, the financial statement gives a true and fair view of the receipts and payments of the Victoria State Pool Account of the National Health Funding Pool for the period ended 30 June 2013 in accordance with the financial reporting provisions of the *National Health Reform Act 2011*.

Basis of Accounting for Financial Statement

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's financial reporting obligations under the *National Health Reform Act 2011*. As a result, the financial statement may not be suitable for another purpose.

Matters Relating to the Electronic Publication of the Audited Financial Statement

This auditor's report relates to the financial statement of the Victorian State Pool Account for the period ended 30 June 2013 included in the National Health Funding Pool Administrator's annual report. The auditor's report may be posted on the National Health Funding Pool Administrator's website or the Victorian Department of Health's website. The Administrator of the National Health Funding Pool and the Secretary of the Victorian Department of Health are responsible for their respective websites. I have not been engaged to report on the integrity of these websites. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial statement are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statement to confirm the information contained in the website version of the financial statement.



MELBOURNE
27 August 2013

John Doyle
Auditor-General

2

Auditing in the Public Interest



**Administrator
National Health
Funding Pool**

Victorian State Pool Account

I report that, as indicated in note 1 (a) 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 Commonwealth *National Health Reform Act 2011* and the National Health Reform Agreement 2011.

In my opinion, the attached financial statement for the period 28 September 2012 to 30 June 2013 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.

Bob Sendt

RJ Sendt
Administrator
National Health Funding Pool

26 August 2013

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Victorian State Pool Account
Statement of receipts and payments
for the period 28 September 2012 to 30 June 2013

| | Notes | 2013 \$'000 |
|---|-------|------------------|
| Cash at bank as at 28 September 2012 | | - |
| Receipts into the state pool account | | |
| From Commonwealth | | |
| Activity based funding | 2 | 1,690,549 |
| Block funding | | 653,237 |
| Public health funding | | 56,386 |
| From Victoria | | |
| Activity based funding | 2 | 2,108,527 |
| Cross border contribution | | - |
| From other States/ Territories | | |
| Cross border receipts | 3 | 63,286 |
| From Reserve Bank of Australia | | |
| Interest receipts | | 1,853 |
| Total receipts | | 4,573,838 |
| Payments out of the state pool account | | |
| To Local Hospital Networks | | |
| Activity based funding | 4 | 3,724,978 |
| To Department of Health Victoria | | |
| Public health funding | | 56,386 |
| Interest payments | | 1,853 |
| Withdrawal of over-deposit | 5 | 74,098 |
| Withdrawal of net cross border receipts | 6 | 39,159 |
| To other States/ Territories | | |
| Cross border payments | 7 | 24,127 |
| To Victorian State Managed Fund | | |
| Block funding | | 653,237 |
| Total payments | | 4,573,838 |
| Net receipts/(payments) for the year | | - |
| Cash at bank 30 June 2013 | | - |

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statement are set out below. The financial statement is for the Victorian state pool account (which was established at the Reserve Bank of Australia in 2012–13) and is a special purpose financial statement.

(a) 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 basis of accounting. 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 unless otherwise specified. The financial statement relates to the period commencing 28 September 2012 when Victoria first transacted through the National Health Funding Pool. As such there is no comparative information.

The special purpose financial statement was authorised for issue by the Administrator of the National Health Funding Pool on 26 August 2013.

(b) Activity Based Funding, Block Funding and Public Health Funding

The Commonwealth and state or territory governments provide three types of funding into the pool account as follows:

- i. Activity based funding (Commonwealth and state) — represents acute admitted public, acute admitted private, non-admitted, and emergency department categories of service funded by both the Commonwealth and state or territory governments. These are funded through the state or territory pool account and paid to local hospital networks.
- ii. Block funding (Commonwealth) — represents mental health, small rural and metropolitan hospitals, sub-acute, teaching, training and research, and other categories which are paid to state or territory managed funds, normally, in the first instance, to state or territory health departments.

Victorian State Pool Account
Notes to the special purpose financial statement
for the period 28 September 2012 to 30 June 2013

- iii. Public health funding — other amounts transacted through the state or territory pool account and subsequently paid to the state or territory health departments.

As disclosed in note 1(a) funding received is brought to account when received and payments are brought to account when paid. Funding received may not equal payments made due to timing differences. Commonwealth activity based funding payments into the pool are based on prices set by the Independent Hospital Pricing Authority and are applied to the activity estimates provided by the state at the local hospital network.

(c) Interest

Interest earned and deposited by the Reserve Bank of Australia 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.

(d) Cross border

When a resident of one state receives hospital treatment in another state, the 'resident state' compensates the treating or 'provider state' for the cost of that care via a cross border payment.

State and territory cross border payments can either be:

- i. Paid to the relevant state or territory's local hospital networks, or
- ii. Reimbursed to the relevant state or territory where the state or territory's local hospital networks are already being funded for the cost of treating cross-border patients.

(e) Taxation

The state or territory pool account is not subject to income tax. The majority of government funding, from both the Commonwealth and state or territory, to local hospitals is not subject to 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, where applicable.

(f) Governance of the National Health Funding Pool

The Administrator of the National Health Funding Pool (the Administrator) is an independent statutory office holder, distinct from the Commonwealth and state and territory governments, established under legislation of the Commonwealth and state and territory governments.

2 SUMMARY OF ACTIVITY BASED FUNDING RECEIPTS

Total receipts paid into the Victorian state pool account in respect of activity based funding were as follows:

| | 2013 \$'000 |
|-------------------------------------|------------------|
| Commonwealth activity based funding | 1,690,549 |
| State activity based funding | 2,108,527 |
| Total | 3,799,076 |

3 CROSS BORDER RECEIPTS

Total cross border receipts into the Victorian state pool account from other states and territories were as follows:

| STATES/ TERRITORIES | 2013 \$'000 |
|------------------------------|----------------|
| Cross border receipts | |
| New South Wales | 53,063 |
| Queensland | - |
| Western Australia | - |
| South Australia | - |
| Tasmania | 10,223 |
| Australian Capital Territory | - |
| Northern Territory | - |
| Total | 63,286 |

Where no cross border receipts are reported through the Victorian state pool account, there may be other bilateral arrangements between the states and territories.

4 SUMMARY OF ACTIVITY BASED FUNDING PAYMENTS

Total payments made out of the Victorian state pool account in respect of each local hospital network were as follows:

| LOCAL HOSPITAL NETWORKS | 2013 \$'000 |
|--|----------------|
| Albury Wodonga Health | 41,623 |
| Alfred Health | 288,517 |
| Austin Health | 248,735 |
| Bairnsdale Regional Health Service | 24,105 |
| Ballarat Health Services | 94,308 |
| Barwon Health | 168,729 |
| Bass Coast Regional Health | 11,972 |
| Benalla Health | 9,003 |
| Bendigo Health Care Group | 84,778 |
| Castlemaine Health | 7,164 |
| Central Gippsland Health Service | 25,960 |
| Colac Area Health | 11,973 |
| Djerriwarrh Health Services | 22,227 |
| East Grampians Health Service | 8,840 |
| Eastern Health | 267,408 |
| Echuca Regional Health | 17,680 |
| Gippsland Southern Health Service | 9,333 |
| Goulburn Valley Health | 58,750 |
| Kyabram District Health Service | 7,221 |
| Latrobe Regional Hospital | 61,726 |
| MTAA Superannuation Fund — Mildura Base Hospital | 43,728 |
| Maryborough District Health Service | 9,299 |
| Melbourne Health | 214,632 |
| Mercy Public Hospitals Incorporated | 122,519 |

Continued.

Victorian State Pool Account
Notes to the special purpose financial statement
for the period 28 September 2012 to 30 June 2013

| LOCAL HOSPITAL NETWORKS | 2013 \$'000 |
|---|------------------|
| Northeast Health Wangaratta | 40,096 |
| Northern Health | 151,279 |
| Peninsula Health | 159,960 |
| Peter MacCallum Cancer Institute | 51,913 |
| Portland District Health | 11,223 |
| Royal Victorian Eye and Ear Hospital | 47,167 |
| South West Healthcare | 47,622 |
| Monash Health | 487,865 |
| St Vincent's Hospital Melbourne Limited | 199,289 |
| Stawell Regional Health | 6,859 |
| Swan Hill District Hospital | 16,440 |
| The Royal Children's Hospital | 205,868 |
| The Royal Women's Hospital | 102,723 |
| West Gippsland Healthcare Group | 25,642 |
| Western District Health Service | 18,145 |
| Western Health | 269,481 |
| Wimmera Health Care Group | 23,176 |
| Total | 3,724,978 |

5 WITHDRAWAL OF OVER-DEPOSIT

The amount shown as withdrawal of over-deposit, paid to the Victorian Department of Health, related to activity based funding as follows:

| | 2013 \$'000 |
|--|----------------|
| Total Commonwealth and state activity based funding receipts | 3,799,076 |
| Total local hospital network activity based funding payments | (3,724,978) |
| Total | 74,098 |

The Administrator makes payments from the state pool account in accordance with the directions of the state concerned. The difference relates to withdrawals to the Victorian Department of Health of \$24.759m (May 2013) and \$49.339m (June 2013) which resulted in the net zero (\$0) cash balance at year end as reported on the face statement.

6 WITHDRAWAL OF NET CROSS BORDER RECEIPTS

The amount withdrawn as net cross border receipts comprised the following:

| | 2013 \$'000 |
|-------------------------------------|----------------|
| Cross border receipts as per Note 3 | 63,286 |
| Cross border payments as per Note 7 | (24,127) |
| Total | 39,159 |

7 CROSS BORDER PAYMENTS

Total cross border payments out of the Victorian state pool account to other states and territories were as follows:

| STATES/ TERRITORIES | 2013 \$'000 |
|------------------------------|----------------|
| Cross border payments | |
| New South Wales | 24,127 |
| Queensland | - |
| Western Australia | - |
| South Australia | - |
| Tasmania | - |
| Australian Capital Territory | - |
| Northern Territory | - |
| Total | 24,127 |

Where no cross border payments are reported through the Victorian state pool account, there may be other bilateral arrangements between the states and territories.

National Health Reform Funding and Payments



Section 241(2) of the *National Health Reform Act 2011* outlines certain disclosures to be reported in this Annual report. The information reported is specific to the transactions of the 'relevant state or territory'. For the purposes of this legislative reporting, the 'relevant state or territory' is the state or territory that holds the bank accounts opened under the laws of the state or territory for the purposes of the *National Health Reform Agreement*.

The figures reported reflect all national health reform amounts transacted in 2012-13, including 'under national health reform legislation' and 'notional payments'.

Notional payments were amounts paid into and out of departmental bank accounts by states or territories to local hospital networks that would have been transacted through the Pool and/or State Managed Fund had national health reform funding arrangements been in place for that state or territory (see 'Transition to the National Health Funding Pool' for further information). Notional payments are included in 2012-13 to enable national comparability, but have been separately identified.

Notional amounts are based on information provided by Victoria for the purposes of the Administrator's monthly reporting requirements, located on the www.publichospitalfunding.gov.au website.

SECTION 241(2) 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

| Component | Amount paid by Victoria into | | | | Total (\$'000) | |
|------------------------|------------------------------|----------------|-----------------------------|----------------|-----------------------|------------------|
| | State Pool Account* (\$'000) | | State Managed Fund (\$'000) | | Under NHR legislation | Notional |
| | Under NHR legislation | Notional | Under NHR legislation | Notional | | |
| Activity based funding | 2,108,528 | 964,992 | - | - | 2,108,528 | 964,992 |
| Block funding | - | - | 891,736 | 294,113 | 891,736 | 294,113 |
| VIC TOTAL | 2,108,528 | 964,992 | 891,736 | 294,113 | 3,000,263 | 1,259,105 |

**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. Detail on these flows are located in the VIC Pool Account Special Purpose Financial Statement.*

The basis used to determine national health reform payments to local hospital networks in Victoria for 2012-13 (at June 2013) was advised by the Victorian Department of Health to be as follows:

Payments in Victoria are based upon “Statement of priorities” agreements between Victorian public health services 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 www.health.vic.gov.au/hospitals/sops.htm.

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.

Payments are made twice monthly on the basis of one-twelfth of the agreed funding budget, adjusted for cash flow requirements of individual Victorian public health services.

While the basis of national health reform payments are reported on a cash basis by the Administrator, local hospital networks generally report revenue and expenditure on an accrual basis.

Victorian local hospital networks 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 local hospital networks.

SECTION 241(2) B) THE AMOUNTS PAID INTO EACH STATE POOL ACCOUNT BY THE COMMONWEALTH AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

| Component | Amount paid by Commonwealth into VIC State Pool Account (\$'000) | | Total (\$'000) |
|------------------------|--|----------------|------------------|
| | Under NHR legislation | Notional | |
| Public Health funding | 56,386 | 19,303 | 75,689 |
| Block funding | 653,237 | 227,410 | 880,647 |
| Activity based funding | 1,690,549 | 588,519 | 2,279,067 |
| VIC TOTAL | 2,400,171 | 835,232 | 3,235,403 |

For the Commonwealth basis of payments see part b) of the ‘National health reform funding and payment — National’ section.

SECTION 24(2) C) 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

| Recipient | Amount paid from VIC State Pool Account to (\$'000) | | Total (\$'000) |
|-------------------------------------|---|----------|----------------|
| | Under NHR legislation | Notional | |
| Albury Wodonga Health | 41,623 | - | 41,623 |
| Alfred Health | 288,517 | - | 288,517 |
| Austin Health | 248,735 | - | 248,735 |
| Bairnsdale Regional Health Service | 24,105 | - | 24,105 |
| Ballarat Health Services | 94,307 | - | 94,307 |
| Barwon Health | 168,729 | - | 168,729 |
| Bass Coast Regional Health | 11,972 | - | 11,972 |
| Benalla Health | 9,003 | - | 9,003 |
| Bendigo Health Care Group | 84,778 | - | 84,778 |
| Castlemaine Health | 7,164 | - | 7,164 |
| Central Gippsland Health Service | 25,960 | - | 25,960 |
| Colac Area Health | 11,972 | - | 11,972 |
| Djerriwarrh Health Services | 22,227 | - | 22,227 |
| East Grampians Health Service | 8,840 | - | 8,840 |
| Eastern Health | 267,408 | - | 267,408 |
| Echuca Regional Health | 17,680 | - | 17,680 |
| Gippsland Southern Health Service | 9,333 | - | 9,333 |
| Goulburn Valley Health | 58,749 | - | 58,749 |
| Kyabram District Health Services | 7,221 | - | 7,221 |
| Latrobe Regional Hospital | 61,726 | - | 61,726 |
| Maryborough District Health Service | 9,299 | - | 9,299 |
| Melbourne Health | 214,632 | - | 214,632 |
| Mercy Public Hospitals Inc. | 122,519 | - | 122,519 |
| Southern Health | 487,864 | - | 487,864 |

Continued.

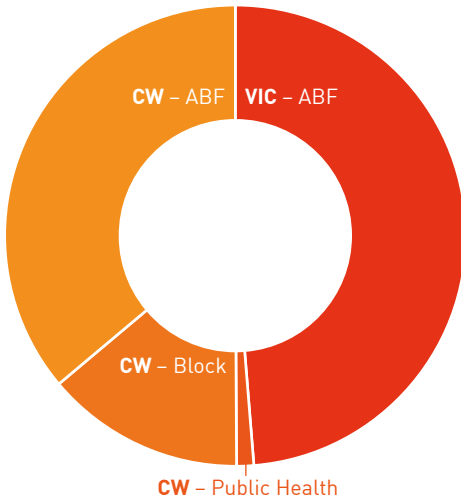
| Recipient | Amount paid from VIC State Pool Account to (\$'000) | | Total (\$'000) |
|--|---|------------------|-------------------|
| | Under NHR legislation | Notional | |
| MTAA Superannuation Fund (Mildura Base Hospital) Facilities and Services Pty Ltd | 43,728 | - | 43,728 |
| Northern Health | 151,279 | - | 151,279 |
| Northeast Health Wangaratta | 40,096 | - | 40,096 |
| Peninsula Health | 159,960 | - | 159,960 |
| Peter MacCallum Cancer Institute | 51,913 | - | 51,913 |
| Portland District Health | 11,223 | - | 11,223 |
| Royal Victorian Eye and Ear Hospital | 47,167 | - | 47,167 |
| South West Healthcare | 47,622 | - | 47,622 |
| St Vincent's Hospital (Melbourne) Limited | 199,289 | - | 199,289 |
| Stawell Regional Health | 6,859 | - | 6,859 |
| Swan Hill District Hospital | 16,440 | - | 16,440 |
| The Royal Children's Hospital | 205,868 | - | 205,868 |
| The Royal Women's Hospital | 102,723 | - | 102,723 |
| Western District Health Service | 18,145 | - | 18,145 |
| West Gippsland Healthcare Group | 25,642 | - | 25,642 |
| Western Health | 269,481 | - | 269,481 |
| Wimmera Health Care Group | 23,176 | - | 23,176 |
| Total LHNs | 3,724,978 | - | 3,724,978 |
| Aggregate Total LHN Notional | - | 1,553,511 | 1,553,511 |
| State Managed Fund | 653,237 | 227,410 | 880,647 |
| Other organisations or funds* | 195,623 | 19,303 | 214,926 |
| VIC TOTAL | 4,573,838 | 1,800,224 | 6,374,062 |

*Includes a state cross-border contribution to another state or territory.

For the Victoria basis of payments see part a) of this section.

PAYMENTS INTO THE POOL — VIC (\$M)

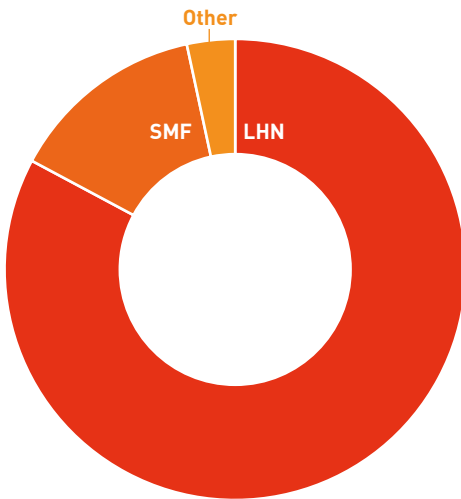
Includes notional amounts.



- + VIC — Activity Based Funding **3,074**
- + Commonwealth — Public Health **76**
- + Commonwealth — Block Funding **881**
- + Commonwealth — Activity Based Funding **2,279**

PAYMENTS OUT OF THE POOL — VIC (\$M)

Includes notional amounts.



- + Local Hospital Networks **5,278**
- + State Managed Fund **881**
- + Other Organisations and Funds **215**

SECTION 241(2) D) 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

| Provider | Amount paid from VIC State Managed Fund to (\$'000) | | Total (\$'000) |
|---|---|----------|----------------|
| | Under NHR legislation | Notional | |
| Albury Wodonga Health | 20,859 | - | 20,859 |
| Alexandra District Hospital | 3,674 | - | 3,674 |
| Alfred Health | 91,551 | - | 91,551 |
| Alpine Health | 7,148 | - | 7,148 |
| Austin Health | 88,140 | - | 88,140 |
| Bairnsdale Regional Health Service | 4,979 | - | 4,979 |
| Ballarat Health Services | 44,460 | - | 44,460 |
| Barwon Health | 60,625 | - | 60,625 |
| Bass Coast Regional Health | 2,998 | - | 2,998 |
| Beaufort and Skipton Health Service | 2,480 | - | 2,480 |
| Beechworth Health Service | 2,900 | - | 2,900 |
| Benalla Health | 1,116 | - | 1,116 |
| Bendigo Health Care Group | 56,879 | - | 56,879 |
| Boort District Health | 1,272 | - | 1,272 |
| Calvary Health Care Bethlehem Limited | 18,121 | - | 18,121 |
| Casterton Memorial Hospital | 2,238 | - | 2,238 |
| Castlemaine Health | 4,667 | - | 4,667 |
| Central Gippsland Health Service | 4,373 | - | 4,373 |
| Cobram District Health | 3,813 | - | 3,813 |
| Cohuna District Hospital | 3,021 | - | 3,021 |
| Colac Area Health | 1,597 | - | 1,597 |
| Djerriwarrh Health Services | 2,025 | - | 2,025 |
| Dunmunkle Health Services | 485 | - | 485 |
| East Grampians Health Service | 1,160 | - | 1,160 |
| East Wimmera Health Service | 5,405 | - | 5,405 |
| Eastern Health | 124,899 | - | 124,899 |
| Echuca Regional Health | 3,014 | - | 3,014 |
| Edenhope and District Memorial Hospital | 2,342 | - | 2,342 |

Continued.

| Provider | Amount paid from VIC State Managed Fund to (\$'000) | | Total (\$'000) |
|---|---|----------|-------------------|
| | Under NHR legislation | Notional | |
| Gippsland Southern Health Service | 1,058 | - | 1,058 |
| Goulburn Valley Health | 30,067 | - | 30,067 |
| Heathcote Health | 1,457 | - | 1,457 |
| Hepburn Health Service | 5,200 | - | 5,200 |
| Hesse Rural Health Service | 1,233 | - | 1,233 |
| Heywood Rural Health | 1,402 | - | 1,402 |
| Inglewood and Districts Health Service | 1,191 | - | 1,191 |
| Kerang and District Health | 3,685 | - | 3,685 |
| Kilmore and District Hospital | 5,805 | - | 5,805 |
| Kooweerup Regional Health Services | 3,044 | - | 3,044 |
| Kyabram District Health Services | 187 | - | 187 |
| Kyneton District Health Service | 4,795 | - | 4,795 |
| Latrobe Regional Hospital | 42,811 | - | 42,811 |
| Lorne Community Hospital | 1,398 | - | 1,398 |
| Maldon Hospital | 743 | - | 743 |
| Mallee Track Health and Community Service | 2,473 | - | 2,473 |
| Mansfield District Hospital | 3,857 | - | 3,857 |
| Maryborough District Health Service | 955 | - | 955 |
| Melbourne Health | 167,120 | - | 167,120 |
| Mercy Public Hospitals Inc. | 32,047 | - | 32,047 |
| Moyne Health Services | 2,179 | - | 2,179 |
| MTAA Superannuation Fund (Mildura Base Hospital) Facilities and Services Pty Ltd | 14,472 | - | 14,472 |
| Nathalia District Hospital | 1,072 | - | 1,072 |
| Northeast Health Wangaratta | 10,268 | - | 10,268 |
| Northern Health | 47,772 | - | 47,772 |
| Numurkah District Health Service | 5,526 | - | 5,526 |
| Omeo District Health | 1,089 | - | 1,089 |
| Orbost Regional Health | 3,839 | - | 3,839 |
| Otway Health And Community Services | 1,622 | - | 1,622 |

Continued.

| Provider | Amount paid from VIC State Managed Fund to (\$'000) | | Total (\$'000) |
|--|---|----------|-------------------|
| | Under NHR legislation | Notional | |
| Peninsula Health | 68,616 | - | 68,616 |
| Peter MacCallum Cancer Institute | 7,822 | - | 7,822 |
| Portland District Health | 1,647 | - | 1,647 |
| Robinvale District Health Services | 3,366 | - | 3,366 |
| Rochester and Elmore District Health Service | 3,269 | - | 3,269 |
| Royal Victorian Eye and Ear Hospital | 1,780 | - | 1,780 |
| Rural Northwest Health | 5,280 | - | 5,280 |
| Seymour District Memorial Hospital | 7,582 | - | 7,582 |
| South Gippsland Hospital | 3,078 | - | 3,078 |
| South West Healthcare | 21,723 | - | 21,723 |
| Southern Health | 164,650 | - | 164,650 |
| St Vincent's Hospital (Melbourne) Limited | 90,690 | - | 90,690 |
| Stawell Regional Health | 1,303 | - | 1,303 |
| Swan Hill District Hospital | 2,075 | - | 2,075 |
| Tallangatta Health Service | 1,933 | - | 1,933 |
| Terang and Mortlake Health Service | 3,319 | - | 3,319 |
| The Royal Children's Hospital | 40,040 | - | 40,040 |
| The Royal Women's Hospital | 417 | - | 417 |
| Timboon and District Healthcare Service | 2,314 | - | 2,314 |
| Upper Murray Health and Community Services | 2,403 | - | 2,403 |
| Victorian Institute of Forensic Mental Health | 29,419 | - | 29,419 |
| West Gippsland Healthcare Group | 4,256 | - | 4,256 |
| West Wimmera Health Service | 8,037 | - | 8,037 |
| Western District Health Service | 5,276 | - | 5,276 |
| Western Health | 52,948 | - | 52,948 |
| Wimmera Health Care Group | 3,615 | - | 3,615 |

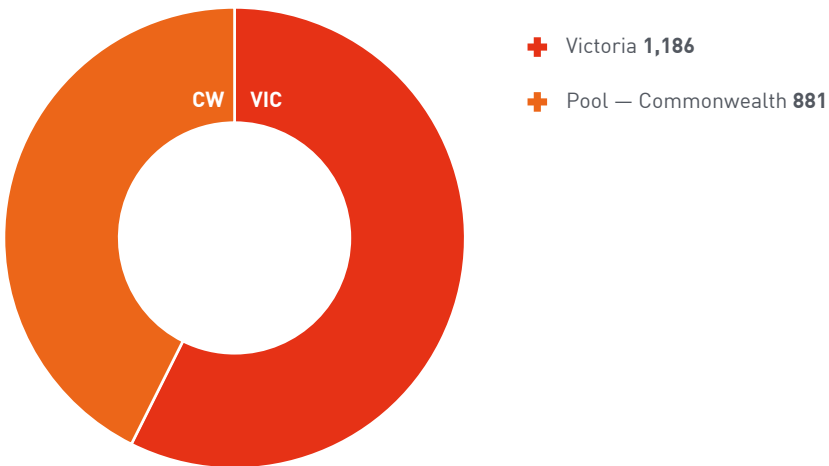
Continued.

| Provider | Amount paid from VIC State Managed Fund to (\$'000) | | Total (\$'000) |
|-------------------------------------|---|----------------|------------------|
| | Under NHR legislation | Notional | |
| Yarram and District Health Service | 3,255 | - | 3,255 |
| Yarrawonga District Health Service | 4,357 | - | 4,357 |
| Yea and District Memorial Hospital | 1,472 | - | 1,472 |
| Total LHNs | 1,510,551 | - | 1,510,551 |
| Aggregate Total LHN Notional | - | 516,146 | 516,146 |
| Other organisations or funds | 34,421 | 5,377 | 39,798 |
| VIC TOTAL | 1,544,972 | 521,523 | 2,066,495 |

For the Victoria basis of payments see part a) of this section.

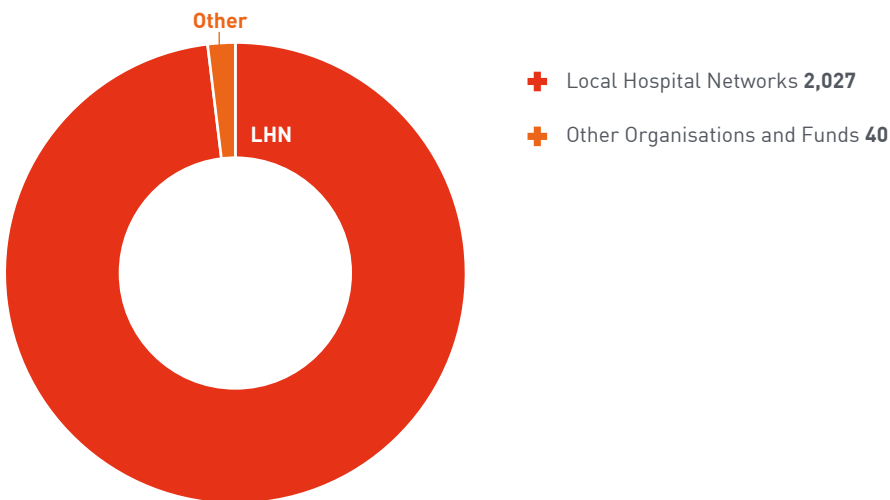
PAYMENTS INTO THE STATE MANAGED FUND — VIC (\$M)

Includes notional amounts.



PAYMENTS OUT OF THE STATE MANAGED FUND — VIC (\$M)

Includes notional amounts.



SECTION 241(2) E) THE NUMBER OF PUBLIC HOSPITAL SERVICES FUNDED FOR EACH LOCAL HOSPITAL NETWORK IN ACCORDANCE WITH THE SYSTEM OF ACTIVITY BASED FUNDING

The National Weighted Activity Unit (NWAU) is the unit of measurement for the activity based funding system. It is a measure of health service activity expressed as a common unit, against which the national efficient price is paid. It provides a way of comparing and valuing each activity based funded public hospital service, by weighting it for its clinical complexity.

The information outlined below is provided by Victoria as service estimates at the start of each financial year for Commonwealth payment purposes. Estimates may continue to be refined during the course of the year. These estimates form the basis of monthly reporting of service volumes until actual service numbers become available.

| Local Hospital Network | Number of ABF public hospital services funded (NWAU) |
|------------------------------------|--|
| Albury Wodonga Health | 15,082 |
| Alfred Health | 103,275 |
| Austin Health | 85,746 |
| Bairnsdale Regional Health Service | 9,332 |
| Ballarat Health Services | 33,491 |
| Barwon Health | 63,553 |
| Bass Coast Regional Health | 5,463 |

Continued.

| Local Hospital Network | Number of ABF public hospital services funded (NWAU) |
|--|--|
| Benalla Health | 3,055 |
| Bendigo Health Care Group | 31,450 |
| Castlemaine Health | 2,460 |
| Central Gippsland Health Service | 9,483 |
| Colac Area Health | 3,784 |
| Djerriwarrh Health Services | 5,980 |
| East Grampians Health Service | 2,703 |
| Eastern Health | 99,431 |
| Echuca Regional Health | 6,335 |
| Gippsland Southern Health Service | 2,779 |
| Goulburn Valley Health | 22,405 |
| Kyabram District Health Services | 2,454 |
| Latrobe Regional Hospital | 23,225 |
| Maryborough District Health Service | 2,699 |
| Melbourne Health | 86,006 |
| Mercy Public Hospitals Inc. | 42,111 |
| MATA Superannuation Fund (Mildura Base Hospital) Facilities and Services Pty Ltd | 15,385 |
| Northeast Health Wangaratta | 13,770 |
| Northern Health | 52,681 |
| Peninsula Health | 60,530 |
| Peter MacCallum Cancer Institute | 20,051 |
| Portland District Health | 3,868 |
| Royal Victorian Eye and Ear Hospital | 16,233 |
| South West Healthcare | 17,357 |
| Southern Health | 176,546 |
| St Vincent's Hospital (Melbourne) Limited | 59,790 |
| Stawell Regional Health | 2,437 |
| Swan Hill District Hospital | 5,844 |
| The Royal Children's Hospital | 53,099 |
| The Royal Women's Hospital | 33,611 |

Continued.

| Local Hospital Network | Number of ABF public hospital services funded (NWAU) |
|---------------------------------|--|
| West Gippsland Healthcare Group | 10,121 |
| Western District Health Service | 5,635 |
| Western Health | 95,602 |
| Wimmera Health Care Group | 9,179 |
| VIC TOTAL | 1,314,041 |

SECTION 241(2) F) THE NUMBER OF OTHER PUBLIC HOSPITAL SERVICES AND FUNCTIONS FUNDED FROM EACH STATE POOL ACCOUNT OR STATE MANAGED FUND

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

However, in 2012-13 Victoria did not report any ‘other public hospital services and functions funded’ from their Pool Account or State Managed Fund.



QUEENSLAND

Financial Statement



**National Health Funding Pool —
Queensland State Pool Account
Special Purpose Financial Statement
for the period 1 August 2012 to 30 June 2013**

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*.

INDEPENDENT AUDITOR'S REPORT

To the Administrator, National Health Funding Pool

Report on the Financial Report

I have audited the accompanying financial report, being a special purpose financial report, of the Queensland State Pool Account, prepared in order to report on the receipt and disbursement of funding provided during 2012-13 to the Queensland Department of Health in accordance with Section 53T of the Queensland *Hospital and Health Boards Act 2011*.

The financial report comprises the statement of receipts and payments for the period 1 August 2012 to 30 June 2013 and notes comprising the basis of preparation and other explanatory information and the certificate provided by the Administrator of the National Health Funding Pool.

The financial report has been prepared using a cash basis of accounting as described in the Basis of Preparation note in the statements.

Administrator of the National Health Funding Pool's Responsibility for the Financial Report

The Administrator of the National Health Funding Pool is responsible for the preparation and fair presentation of the financial report in accordance with the basis of preparation and prescribed requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards. The Administrator's responsibility also includes such internal control as the Administrator determines is necessary to enable the preparation of a financial report 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 report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by the National Health Funding Pool, as well as evaluating the overall presentation of the financial report.

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.


Opinion

In accordance with the Section 53U of the *Queensland Hospital and Health Boards Act 2011*, I have audited the financial report, and -

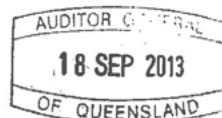
- (a) I have received all the information and explanations which I have required: and
- (b) in my opinion the attached special purpose financial report for the period 1 August 2012 to 30 June 2013 is based on properly maintained financial records and gives a true and fair view of the matters required by the *Queensland Hospital and Health Boards Act 2011*, the *Commonwealth National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

Emphasis of Matter – Basis of Accounting

Without modifying my opinion, attention is drawn to Note 2 (a) to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Administrator's financial reporting responsibilities under the *Queensland Hospital and Health Boards Act 2011*. As a result, the financial report may not be suitable for another purpose.



A M GREAVES FCA FCPA
Auditor-General of Queensland



Queensland Audit Office
Brisbane



Administrator
National Health
Funding Pool

Queensland State Pool Account

I report that, as indicated in note 1 (a) 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 *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 period 1 August 2012 to 30 June 2013 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.

Bob Sendt

RJ Sendt
Administrator
National Health Funding Pool

16 September 2013

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Queensland State Pool Account
Statement of receipts and payments
for the period 1 August 2012 to 30 June 2013

| | Notes | 2013 \$'000 |
|---|-------|------------------|
| Cash at bank as at 1 August 2012 | | - |
| Receipts into the state pool account | | |
| From Commonwealth | | |
| Activity based funding | 2 | 1,906,154 |
| Block funding | | 441,700 |
| Public health funding | | 56,553 |
| From Queensland | | |
| Activity based funding | 2 | 3,708,716 |
| Cross border contribution | | - |
| From other States/ Territories | | |
| Cross border receipts | 3 | - |
| From Reserve Bank of Australia | | |
| Interest receipts | | 646 |
| Total receipts | | 6,113,769 |
| Payments out of the state pool account | | |
| To Local Hospital Networks | | |
| Activity based funding | 4 | 5,615,173 |
| To Queensland Health | | |
| Public health funding | | 56,553 |
| Interest payments | | 646 |
| To other States/ Territories | | |
| Cross border payments | 5 | - |
| To Queensland State Managed Fund | | |
| Block funding | | 441,397 |
| Total payments | | 6,113,769 |
| Net receipts/(payments) for the year | | - |
| Cash at bank 30 June 2013 | | - |

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statement are set out below. The financial statement is for the Queensland state pool account (which was established at the Reserve Bank of Australia in 2012–13) and is a special purpose financial statement.

(a) Basis of preparation

The Queensland state pool account was established in accordance with the Queensland *Hospital and Health Boards Act 2011* and the special purpose financial statement has been prepared in accordance with section 53 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 basis of accounting. 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 unless otherwise specified.

The financial statement relates to the period commencing 1 August 2012 when Queensland first transacted through the National Health Funding Pool. As such there is no comparative information.

The special purpose financial statement was authorised for issue by the Administrator of the National Health Funding Pool on 16 September 2013.

(b) Activity Based Funding, Block Funding and Public Health Funding

The Commonwealth and state or territory governments provide three types of funding into the pool account as follows:

- i. Activity based funding (Commonwealth and state) — represents acute admitted public, acute admitted private, non-admitted, and emergency department categories of service funded by both the Commonwealth and state or territory governments. These are funded through the state or territory pool account and paid to local hospital networks.

Queensland State Pool Account
Notes to the special purpose financial statement
for the period 1 August 2012 to 30 June 2013

- ii. Block funding (Commonwealth) — represents mental health, small rural and metropolitan hospitals, sub-acute, teaching, training and research, and other categories which are paid to state or territory managed funds, normally, in the first instance, to state or territory health departments.
- iii. Public health funding — other amounts transacted through the state or territory pool account and subsequently paid to the state or territory health departments.

As disclosed in note 1(a) funding received is brought to account when received and payments are brought to account when paid. Funding received may not equal payments made due to timing differences. Commonwealth activity based funding payments into the pool are based on prices set by the Independent Hospital Pricing Authority and are applied to the activity estimates provided by the state at the local hospital network.

(c) Interest

Interest earned and deposited by the Reserve Bank of Australia 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.

(d) Cross border

When a resident of one state receives hospital treatment in another state, the 'resident state' compensates the treating or 'provider state' for the cost of that care via a cross border payment.

State and territory cross border payments can either be:

- i. Paid to the relevant state or territory's local hospital networks, or
- ii. Reimbursed to the relevant state or territory where the state or territory's local hospital networks are already being funded for the cost of treating cross-border patients.

(e) Taxation

The state or territory pool account is not subject to income tax. The majority of government funding, from both the Commonwealth and state or territory, to local hospitals is not subject to 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, where applicable.

(f) Governance of the National Health Funding Pool

The Administrator of the National Health Funding Pool (the Administrator) is an independent statutory office holder, distinct from the Commonwealth and state and territory governments, established under legislation of the Commonwealth and state and territory governments.

2 SUMMARY OF ACTIVITY BASED FUNDING RECEIPTS

Total receipts paid into the Queensland state pool account in respect of activity based funding were as follows:

| | 2013 \$'000 |
|-------------------------------------|------------------|
| Commonwealth activity based funding | 1,906,154 |
| State activity based funding | 3,708,716 |
| Total | 5,614,870 |

3 CROSS BORDER RECEIPTS

Total cross border receipts into the Queensland state pool account from other states and territories were as follows:

| STATES/ TERRITORIES | 2013 \$'000 |
|------------------------------|----------------|
| Cross border receipts | |
| New South Wales | - |
| Victoria | - |
| Western Australia | - |
| South Australia | - |
| Tasmania | - |
| Australian Capital Territory | - |
| Northern Territory | - |
| Total | - |

Where no cross border receipts are reported through the Queensland state pool account, there may be other bilateral arrangements between the states and territories.

Queensland State Pool Account
Notes to the special purpose financial statement
for the period 1 August 2012 to 30 June 2013

4 SUMMARY OF ACTIVITY BASED FUNDING PAYMENTS

Total payments made out of the Queensland state pool account in respect of each local hospital network were as follows:

| LOCAL HOSPITAL NETWORKS | 2013 \$'000 |
|--|------------------|
| Cairns and Hinterland Hospital and Health Service | 338,377 |
| Cape York Hospital and Health Service | - |
| Central Queensland Hospital and Health Service | 180,999 |
| Central West Hospital and Health Service | - |
| Children's Health Queensland Hospital and Health Service | 182,372 |
| Darling Downs Hospital and Health Service | 174,281 |
| Gold Coast Hospital and Health Service | 506,956 |
| Mackay Hospital and Health Service | 142,749 |
| Mater Misericordiae Health Service Brisbane | 413,926 |
| Metro North Hospital and Health Service | 1,349,332 |
| Metro South Hospital and Health Service | 1,069,319 |
| North West Hospital and Health Service | 52,775 |
| South West Hospital and Health Service | - |
| Sunshine Coast Hospital and Health Service | 364,339 |
| Torres Strait — Northern Peninsula Hospital and Health Service | - |
| Townsville Hospital and Health Service | 389,525 |
| West Moreton Hospital and Health Service | 185,437 |
| Wide Bay Hospital and Health Service | 264,786 |
| Total | 5,615,173 |

5 CROSS BORDER PAYMENTS

Total cross border payments out of the Queensland state pool account to other states and territories were as follows:

| STATES/ TERRITORIES | 2013 \$'000 |
|------------------------------|----------------|
| Cross border payments | |
| New South Wales | - |
| Victoria | - |
| Western Australia | - |
| South Australia | - |
| Tasmania | - |
| Australian Capital Territory | - |
| Northern Territory | - |
| Total | - |

Where no cross border payments are reported through the Queensland state pool account, there may be other bilateral arrangements between the states and territories.

6 ACTIVITY BASED FUNDING RECONCILIATION

Total state and Commonwealth activity based funding contributions and total local hospital network activity based funding payments are listed below:

| | 2013 \$'000 |
|--|----------------|
| Total Commonwealth and state activity based funding receipts | 5,614,870 |
| Total local hospital network activity based funding payments | 5,615,173 |
| Total | (303) |

The Administrator makes payments from the state pool account in accordance with the directions of the state concerned. Queensland Health allocated Commonwealth block funding amounts in May 2013 to activity based funding for local hospital networks (refer to Statement of Receipts and Payments).

National Health Reform Funding and Payments



Section 241(2) of the *National Health Reform Act 2011* outlines certain disclosures to be reported in this Annual report. The information reported is specific to the transactions of the 'relevant state or territory'. For the purposes of this legislative reporting, the 'relevant state or territory' is the state or territory that holds the bank accounts opened under the laws of the state or territory for the purposes of the *National Health Reform Agreement*.

The figures reported reflect all national health reform amounts transacted in 2012–13, including 'under national health reform legislation' and 'notional payments'.

Notional payments were amounts paid into and out of departmental bank accounts by states or territories to local hospital networks that would have been transacted through the Pool and/or State Managed Fund had national health reform funding arrangements been in place for that state or territory (see 'Transition to the National Health Funding Pool' for further information). Notional payments are included in 2012–13 to enable national comparability, but have been separately identified.

Notional amounts are based on information provided by Queensland for the purposes of the Administrator's monthly reporting requirements, located on the www.publichospitalfunding.gov.au website.

SECTION 241(2) 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

| Component | Amount paid by Queensland into | | | | Total (\$'000) | |
|------------------------|--------------------------------|----------------|-----------------------------|---------------|-----------------------|----------------|
| | State Pool Account* (\$'000) | | State Managed Fund (\$'000) | | Under NHR legislation | Notional |
| | Under NHR legislation | Notional | Under NHR legislation | Notional | | |
| Activity based funding | 3,708,716 | 338,162 | – | – | 3,708,716 | 338,162 |
| Block funding | – | – | 1,026,315 | 84,280 | 1,026,315 | 84,280 |
| QLD TOTAL | 3,708,716 | 338,162 | 1,026,315 | 84,280 | 4,735,031 | 422,443 |

**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. Detail on these flows are located in the QLD Pool Account Special Purpose Financial Statement.*

The basis used to determine national health reform payments to local hospital networks in Queensland for 2012-13 (at June 2013) was advised by the Queensland Department of Health to be as follows:

In determining the annual funding allocation for hospital and health services in Queensland, the budget has been based on the Queensland activity-based funding (ABF) model adjusted for agreed transition paths. Activity levels are based on purchased levels in 2011-12 and increased where an assessment of health need demonstrates that additional activity should be purchased, and it is within available funding. With regards to services not covered by activity-based funding, block funding has been provided based on funding levels received in 2011-12 increased for Enterprise Bargaining agreements and non-labour escalation. In addition, efficiency requirements have been levied on all hospital and health services to ensure improved productivity and a closer alignment between costs incurred and the national efficient price.

On a monthly basis, the System Manager makes payments to the Hospital and Health Services as related funding is received. The funding received is from a variety of sources with variable timing of receipt. As such there is variability in relation to the amount paid to Hospital and Health Services on a monthly basis. The major factor relating to payment variability is the timing of state appropriation payments.

SECTION 241(2) B) THE AMOUNTS PAID INTO EACH STATE POOL ACCOUNT BY THE COMMONWEALTH AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

| Component | Amount paid by Commonwealth into QLD State Pool Account (\$'000) | | Total (\$'000) |
|------------------------|--|----------------|------------------|
| | Under NHR legislation | Notional | |
| Public Health funding | 56,553 | 5,275 | 61,829 |
| Block funding | 441,700 | 41,906 | 483,606 |
| Activity based funding | 1,906,154 | 180,800 | 2,086,953 |
| QLD TOTAL | 2,404,407 | 227,981 | 2,632,388 |

For the Commonwealth basis of payments see part b) of the 'National health reform funding and payment — National' section.

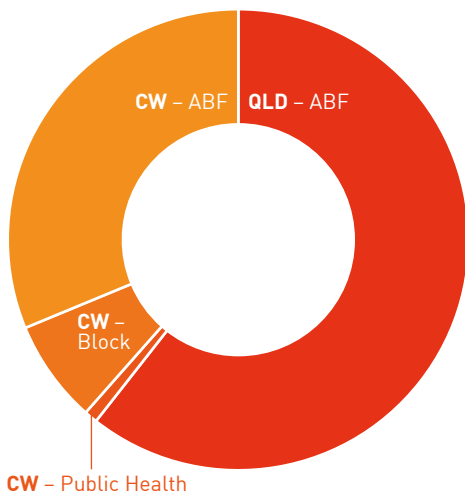
SECTION 241(2) C) THE AMOUNTS PAID FROM EACH STATE POOL ACCOUNT TO LOCAL HOSPITAL NETWORKS, A STATE MANAGED FUND OR OTHER ORGANISATIONS OR FUNDS AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

| Recipient | Amount paid from QLD State Pool Account to (\$'000) | | Total (\$'000) |
|--|---|----------------|------------------|
| | Under NHR legislation | Notional | |
| Cairns and Hinterland Hospital and Health Service | 338,377 | 31,352 | 369,729 |
| Central Queensland Hospital and Health Service | 180,999 | 19,237 | 200,236 |
| Children's Health Queensland Hospital and Health Service | 182,372 | 15,363 | 197,735 |
| Darling Downs Hospital and Health Service | 174,280 | 17,170 | 191,450 |
| Gold Coast Hospital and Health Service | 506,956 | 47,589 | 554,545 |
| Mackay Hospital and Health Service | 142,749 | 14,532 | 157,281 |
| Mater Misericordiae Health Service Brisbane | 418,674 | 24,710 | 443,383 |
| Metro North Hospital and Health Service | 1,349,332 | 125,422 | 1,474,754 |
| Metro South Hospital and Health Service | 1,069,319 | 103,642 | 1,172,961 |
| North West Hospital and Health Service | 52,775 | 5,080 | 57,855 |
| Sunshine Coast Hospital and Health Service | 364,339 | 32,508 | 396,847 |
| Townsville Hospital and Health Service | 389,525 | 36,691 | 426,216 |
| West Moreton Hospital and Health Service | 185,437 | 16,781 | 202,218 |
| Wide Bay Hospital and Health Service | 264,786 | 24,138 | 288,924 |
| Total LHNs | 5,619,921 | 514,215 | 6,134,135 |
| State Managed Fund | 441,397 | 41,906 | 483,302 |
| Other organisations or funds | 57,199 | 5,275 | 62,474 |
| QLD TOTAL | 6,118,516 | 561,396 | 6,679,912 |

For the Queensland basis of payments see part a) of this section.

PAYMENTS INTO THE POOL — QLD (\$M)

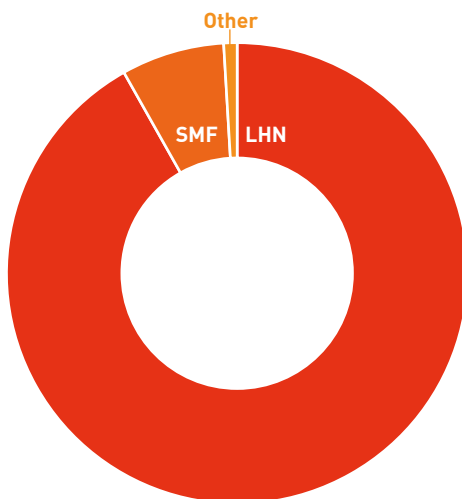
Includes notional amounts.



- + QLD — Activity Based Funding **4,047**
- + Commonwealth — Public Health **62**
- + Commonwealth — Block Funding **484**
- + Commonwealth — Activity Based Funding **2,087**

PAYMENTS OUT OF THE POOL — QLD (\$M)

Includes notional amounts.



- + Local Hospital Networks **6,134**
- + State Managed Fund **483**
- + Other Organisations and Funds **62**

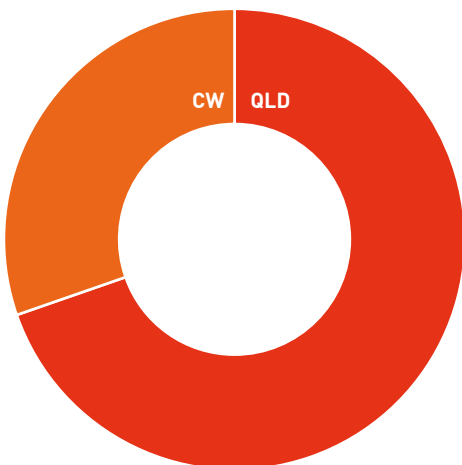
SECTION 241(2) D) THE AMOUNTS PAID FROM EACH STATE MANAGED FUND TO LOCAL HOSPITAL NETWORKS OR OTHER ORGANISATIONS OR FUNDS AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

| Provider | Amount paid from QLD State Managed Fund to (\$'000) | | Total (\$'000) |
|--|---|----------------|------------------|
| | Under NHR legislation | Notional | |
| Cairns and Hinterland Hospital and Health Service | 81,663 | 7,001 | 88,664 |
| Cape York Hospital and Health Service | 37,095 | 3,188 | 40,283 |
| Central Queensland Hospital and Health Service | 97,429 | 8,588 | 106,017 |
| Central West Hospital and Health Service | 28,788 | 2,535 | 31,323 |
| Children's Health Queensland Hospital and Health Service | 28,718 | 2,466 | 31,184 |
| Darling Downs Hospital and Health Service | 191,089 | 16,380 | 207,469 |
| Gold Coast Hospital and Health Service | 84,775 | 7,170 | 91,945 |
| Mackay Hospital and Health Service | 70,195 | 6,016 | 76,211 |
| Mater Misericordiae Health Service Brisbane | 20,483 | - | 20,483 |
| Metro North Hospital and Health Service | 180,910 | 15,510 | 196,420 |
| Metro South Hospital and Health Service | 174,268 | 15,075 | 189,343 |
| North West Hospital and Health Service | 27,761 | 2,379 | 30,140 |
| South West Hospital and Health Service | 53,897 | 4,748 | 58,645 |
| Sunshine Coast Hospital and Health Service | 53,709 | 4,603 | 58,312 |
| Torres Strait — Northern Peninsula Hospital and Health Service | 57,323 | 4,912 | 62,235 |
| Townsville Hospital and Health Service | 117,848 | 10,296 | 128,144 |
| West Moreton Hospital and Health Service | 102,216 | 8,760 | 110,976 |
| Wide Bay Hospital and Health Service | 60,795 | 5,210 | 66,005 |
| Total LHNs | 1,468,963 | 124,837 | 1,593,800 |
| Other organisations or funds | - | - | - |
| QLD TOTAL | 1,468,963 | 124,837 | 1,593,800 |

For the Queensland basis of payments see part a) of this section.

PAYMENTS INTO THE STATE MANAGED FUND — QLD (\$M)

Includes notional amounts.



- + Queensland **1,111**
- + Pool — Commonwealth **483**

PAYMENTS OUT OF THE STATE MANAGED FUND — QLD (\$M)

Includes notional amounts.



- + Local Hospital Networks **1,594**

SECTION 241(2) E) THE NUMBER OF PUBLIC HOSPITAL SERVICES FUNDED FOR EACH LOCAL HOSPITAL NETWORK IN ACCORDANCE WITH THE SYSTEM OF ACTIVITY BASED FUNDING

The National Weighted Activity Unit (NWAU) is the unit of measurement for the activity based funding system. It is a measure of health service activity expressed as a common unit, against which the national efficient price is paid.

It provides a way of comparing and valuing each activity based funded public hospital service, by weighting it for its clinical complexity.

The information outlined below is provided by Queensland as service estimates at the start of each financial year for Commonwealth payment purposes. Estimates may continue to be refined during the course of the year. These estimates form the basis of monthly reporting of service volumes until actual service numbers become available.

| Local Hospital Network | Number of ABF public hospital services funded (NWAU) |
|--|--|
| Cairns and Hinterland Hospital and Health Service | 76,899 |
| Central Queensland Hospital and Health Service | 41,719 |
| Children's Health Queensland Hospital and Health Service | 41,126 |
| Darling Downs Hospital and Health Service | 39,819 |
| Gold Coast Hospital and Health Service | 115,499 |
| Mackay Hospital and Health Service | 32,712 |
| Mater Misericordiae Health Service Brisbane | 77,454 |
| Metro North Hospital and Health Service | 306,729 |
| Metro South Hospital and Health Service | 245,068 |
| North West Hospital and Health Service | 12,033 |
| Sunshine Coast Hospital and Health Service | 82,539 |
| Townsville Hospital and Health Service | 89,457 |
| West Moreton Hospital and Health Service | 42,142 |
| Wide Bay Hospital and Health Service | 60,214 |
| QLD TOTAL | 1,263,410 |

SECTION 241(2) F) THE NUMBER OF OTHER PUBLIC HOSPITAL SERVICES AND FUNCTIONS FUNDED FROM EACH STATE POOL ACCOUNT OR STATE MANAGED FUND

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

However, in 2012–13 Queensland did not report any 'other public hospital services and functions funded' from their Pool Account or State Managed Fund.



WESTERN AUSTRALIA

Financial Statement



**National Health Funding Pool —
Western Australian State Pool Account
Special Purpose Financial Statement
for the year ended 30 June 2013**

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*.



Auditor General

INDEPENDENT AUDITOR'S REPORT

WESTERN AUSTRALIAN STATE POOL ACCOUNT

To the Parliament of Western Australia

Report on the Special Purpose Financial Statement

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 2013.

The financial statement comprises a Statement of Receipts and Payments for the year ended 30 June 2013, notes comprising a summary of significant accounting policies and other explanatory information, and the Administrator's declaration.

The Responsibility of the Administrator of the National Health Funding Pool for the Financial Statement

The Administrator of the National Health Funding Pool (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(a) 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 based on my audit. The audit was conducted in accordance with Australian Auditing Standards, the National Health Funding Pool Act 2012 (WA), and the National Health Reform Act 2011. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statement that gives a true and fair view 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 internal controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Administrator, as well as the overall presentation of the financial statement.

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

Opinion

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 2013 in accordance with the National Health Funding Pool Act 2012 (WA) and National Health Reform Act 2011.

Independence

In conducting this audit, I have complied with the independence requirements of the Auditor General Act 2006 and Australian Auditing Standards, and other relevant ethical requirements.

Basis of Accounting

Without modifying my opinion, I draw attention to Note 1(a) 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'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.



COLIN MURPHY
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
24 September 2013



**Administrator
National Health
Funding Pool**

Western Australian State Pool Account

I report that, as indicated in note 1 (a) 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 Western Australian *National Health Funding Pool Act 2012*, the Commonwealth *National Health Reform Act 2011* and the National Health Reform Agreement 2011.

In my opinion, the attached special purpose financial statement for the year ended 30 June 2013 is based on properly maintained financial records and gives a true and fair view of the matters required by the Western Australian *National Health Funding Pool Act 2012*, the Commonwealth *National Health Reform Act 2011* and the National Health Reform Agreement 2011.

Bob Sendt

RJ Sendt
Administrator
National Health Funding Pool

18 September 2013

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Western Australian State Pool Account
Statement of receipts and payments
for the year ended 30 June 2013

| | Notes | 2013 \$'000 |
|---|-------|------------------|
| Cash at bank as at 1 July 2012 | | - |
| Receipts into the state pool account | | |
| From Commonwealth | | |
| Activity based funding | 2 | 1,024,177 |
| Block funding | | 341,316 |
| Public health funding | | 32,653 |
| From Western Australia | | |
| Activity based funding | 2 | 2,654,929 |
| Cross border contribution | | - |
| From other States/ Territories | | |
| Cross border receipts | 3 | - |
| From Reserve Bank of Australia | | |
| Interest receipts | | - |
| Total receipts | | 4,053,075 |
| Payments out of the state pool account | | |
| To Local Hospital Networks | | |
| Activity based funding | 4 | 3,679,106 |
| To Western Australia Health | | |
| Public health funding | | 32,653 |
| Interest payments | | - |
| To other States/ Territories | | |
| Cross border payments | 5 | - |
| To Western Australian State Managed Fund | | |
| Block funding | | 341,316 |
| Total payments | | 4,053,075 |
| Net receipts/(payments) for the year | | - |
| Cash at bank 30 June 2013 | | - |

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statement are set out below. The financial statement is for the Western Australian state pool account (which was established at the Reserve Bank of Australia in 2012–13) and is a special purpose financial statement.

(a) Basis of preparation

The Western Australian state pool account was established in accordance with the Western Australian *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 basis of accounting. 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 unless otherwise specified. The financial statement relates to the period commencing 1 July 2012 when Western Australia first transacted through the National Health Funding Pool. As such there is no comparative information.

The special purpose financial statement was authorised for issue by the Administrator of the National Health Funding Pool on 18 September 2013.

(b) Activity Based Funding, Block Funding and Public Health Funding

The Commonwealth and state or territory governments provide three types of funding into the pool account as follows:

- i. Activity based funding (Commonwealth and state) — represents acute admitted public, acute admitted private, non-admitted, and emergency department categories of service funded by both the Commonwealth and state or territory governments. These are funded through the state or territory pool account and paid to local hospital networks.
- ii. Block funding (Commonwealth) — represents mental health, small rural and metropolitan hospitals, sub-acute, teaching, training and research, and other categories which are paid to state or territory managed funds, normally, in the first instance, to state or territory health departments.

Western Australian State Pool Account
Notes to the special purpose financial statement
for the year ended 30 June 2013

- iii. Public health funding — other amounts transacted through the state or territory pool account and subsequently paid to the state or territory health departments.

As disclosed in note 1(a) funding received is brought to account when received and payments are brought to account when paid. Funding received may not equal payments made due to timing differences. Commonwealth activity based funding payments into the pool are based on prices set by the Independent Hospital Pricing Authority and are applied to the activity estimates provided by the state at the local hospital network.

(c) Interest

Interest earned and deposited by the Reserve Bank of Australia 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.

(d) Cross border

When a resident of one state receives hospital treatment in another state, the 'resident state' compensates the treating or 'provider state' for the cost of that care via a cross border payment.

State and territory cross border payments can either be:

- i. Paid to the relevant state or territory's local hospital networks, or
- ii. Reimbursed to the relevant state or territory where the state or territory's local hospital networks are already being funded for the cost of treating cross-border patients.

(e) Taxation

The state or territory pool account is not subject to income tax. The majority of government funding, from both the Commonwealth and state or territory, to local hospitals is not subject to 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, where applicable.

(f) Governance of the National Health Funding Pool

The Administrator of the National Health Funding Pool (the Administrator) is an independent statutory office holder, distinct from the Commonwealth and state and territory governments, established under legislation of the Commonwealth and state and territory governments.

2 SUMMARY OF ACTIVITY BASED FUNDING RECEIPTS

Total receipts paid into the Western Australian state pool account in respect of activity based funding were as follows:

| | 2013 \$'000 |
|-------------------------------------|------------------|
| Commonwealth activity based funding | 1,024,177 |
| State activity based funding | 2,654,929 |
| Total | 3,679,106 |

3 CROSS BORDER RECEIPTS

Total cross border receipts into the Western Australian state pool account from other states and territories were as follows:

| STATES/ TERRITORIES | 2013 \$'000 |
|------------------------------|----------------|
| Cross border receipts | |
| Victoria | - |
| Queensland | - |
| New South Wales | - |
| South Australia | - |
| Tasmania | - |
| Australian Capital Territory | - |
| Northern Territory | - |
| Total | - |

Where no cross border receipts are reported through the Western Australian state pool account, there may be other bilateral arrangements between the states and territories.

4 SUMMARY OF ACTIVITY BASED FUNDING PAYMENTS

Total payments made out of the Western Australian state pool account in respect of each local hospital network were as follows:

| LOCAL HOSPITAL NETWORKS | 2013 \$'000 |
|-------------------------------------|------------------|
| Child and Adolescent Health Service | 259,907 |
| North Metropolitan Health Service | 1,247,260 |
| South Metropolitan Health Service | 1,514,285 |
| WA Country Health Service | 657,654 |
| Total | 3,679,106 |

5 CROSS BORDER PAYMENTS

Total cross border payments out of the Western Australian state pool account to other states and territories were as follows:

| STATES/ TERRITORIES | 2013 \$'000 |
|------------------------------|----------------|
| Cross border payments | |
| Victoria | - |
| Queensland | - |
| New South Wales | - |
| South Australia | - |
| Tasmania | - |
| Australian Capital Territory | - |
| Northern Territory | - |
| Total | - |

Where no cross border payments are reported through the Western Australian state pool account, there may be other bilateral arrangements between the states and territories.

6 ACTIVITY BASED FUNDING RECONCILIATION

Total state and Commonwealth activity based funding contributions and total local hospital network activity based funding payments were as follows:

| | 2013 \$'000 |
|--|----------------|
| Total Commonwealth and state activity based funding receipts | 3,679,106 |
| Total local hospital network activity based funding payments | 3,679,106 |
| Total | - |

The Administrator makes payments from the state pool account in accordance with the directions of the state concerned. Under the direction of Western Australia Health, total Commonwealth and state activity based funding receipts equal total activity based funding payments made to the local hospital networks.

National Health Reform Funding and Payments



Section 241(2) of the *National Health Reform Act 2011* outlines certain disclosures to be reported in this Annual report. The information reported is specific to the transactions of the 'relevant state or territory'. For the purposes of this legislative reporting, the 'relevant state or territory' is the state or territory that holds the bank accounts opened under the laws of the state or territory for the purposes of the *National Health Reform Agreement*.

The figures reported reflect all national health reform amounts transacted in 2012–13.

SECTION 241(2) 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

| Component | Amount paid by Western Australia into | | Total (\$'000) |
|------------------------|---------------------------------------|--------------------------------|-------------------|
| | State Pool Account (\$'000) | State Managed Fund (\$'000) | |
| Activity based funding | 2,654,929 | – | 2,654,929 |
| Block funding | – | 754,837 | 754,837 |
| WA TOTAL | 2,654,929 | 754,837 | 3,409,766 |

The basis used to determine national health reform payments to local hospital networks in Western Australia for 2012–13 (at June 2013) was advised by the WA Department of Health to be as follows:

The 2012–13 annual funding allocations for Western Australia have been developed using the Western Australian Activity Based Funding (ABF) program methodology. Activity profiles have been developed consistent with the WA Health clinical services framework. The funding allocations include activity based services, block funded services and specified programs. The national activity-based funding classifications and associated price weights including all of the loadings (specialised paediatric, rural/remote, indigenous, intensive care unit (ICU) and private patient) have been used to define activity-based funding profiles. State specific loadings have been applied to adjust for peer relativities in the metropolitan area and for rural and remote sites. Block funding is based on budget to budget build from the previous year using State Government funding parameters consistent with the State budget.

Monthly allocations to local hospital networks will vary for a variety of reasons, for example, allowance for annual insurance premiums, or variation in number of staff pay days in a month.

SECTION 241(2) B) THE AMOUNTS PAID INTO EACH STATE POOL ACCOUNT BY THE COMMONWEALTH AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

| Component | Amount paid by Commonwealth into WA State Pool Account (\$'000) |
|------------------------|--|
| Public Health funding | 32,653 |
| Block funding | 341,316 |
| Activity based funding | 1,024,177 |
| WA TOTAL | 1,398,146 |

For the Commonwealth basis of payments see part b) of the 'National health reform funding and payment — National' section.

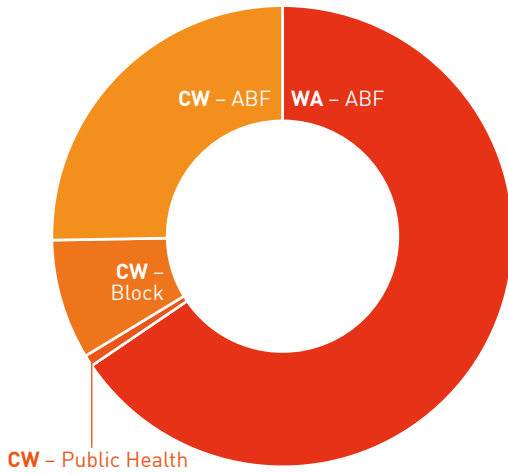
SECTION 241(2) C) THE AMOUNTS PAID FROM EACH STATE POOL ACCOUNT TO LOCAL HOSPITAL NETWORKS, A STATE MANAGED FUND OR OTHER ORGANISATIONS OR FUNDS AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

| Recipient | Amount paid from WA State Pool Account to (\$'000) |
|-------------------------------------|---|
| Child and Adolescent Health Service | 259,906 |
| North Metropolitan Health Service | 1,247,260 |
| South Metropolitan Health Service | 1,514,285 |
| WA Country Health Service | 657,654 |
| Total LHNs | 3,679,106 |
| State Managed Fund | 341,316 |
| Other organisations or funds | 32,653 |
| WA TOTAL | 4,053,075 |

For the Western Australia basis of payments see part a) of this section.

PAYMENTS INTO THE POOL — WA (\$M)

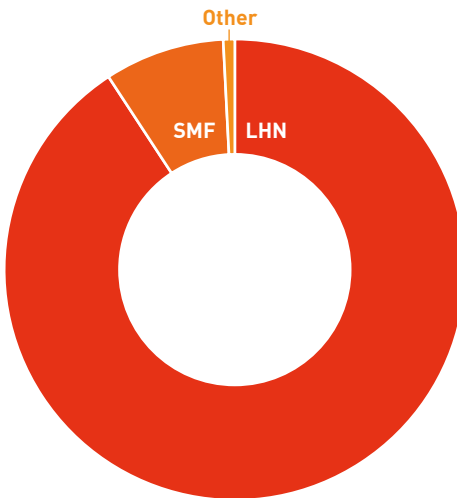
Includes notional amounts.



- + WA — Activity Based Funding **2,655**
- + Commonwealth — Public Health **33**
- + Commonwealth — Block Funding **341**
- + Commonwealth — Activity Based Funding **1,024**

PAYMENTS OUT OF THE POOL — WA (\$M)

Includes notional amounts.



- + Local Hospital Networks **3,679**
- + State Managed Fund **341**
- + Other Organisations and Funds **33**

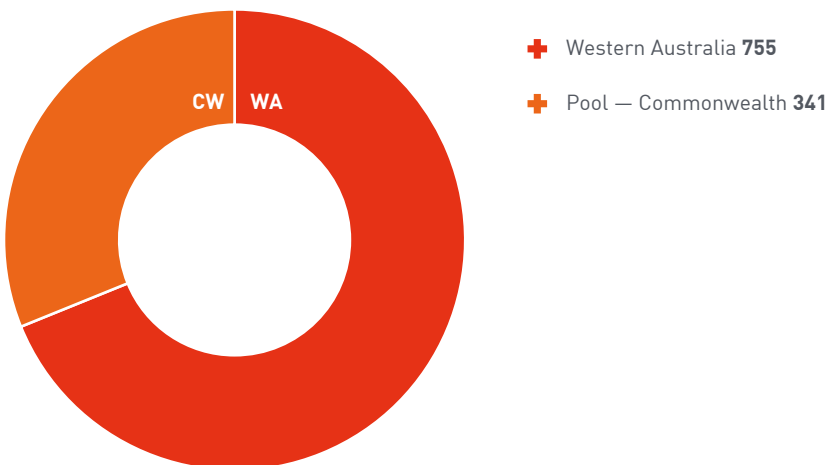
SECTION 241(2) D) THE AMOUNTS PAID FROM EACH STATE MANAGED FUND TO LOCAL HOSPITAL NETWORKS OR OTHER ORGANISATIONS OR FUNDS AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

| Provider | Amount paid from WA State Managed Fund to (\$'000) |
|-------------------------------------|--|
| Child and Adolescent Health Service | 124,530 |
| North Metropolitan Health Service | 269,556 |
| South Metropolitan Health Service | 219,086 |
| WA Country Health Service | 482,981 |
| Total LHNs | 1,096,153 |
| Other organisations or funds | - |
| WA TOTAL | 1,096,153 |

For the Western Australia basis of payments see part a) of this section.

PAYMENTS INTO THE STATE MANAGED FUND — WA (\$M)

Includes notional amounts.



PAYMENTS OUT OF THE STATE MANAGED FUND — WA (\$M)

Includes notional amounts.



+ Local Hospital Networks 1,096

SECTION 241(2) E) THE NUMBER OF PUBLIC HOSPITAL SERVICES FUNDED FOR EACH LOCAL HOSPITAL NETWORK IN ACCORDANCE WITH THE SYSTEM OF ACTIVITY BASED FUNDING

The National Weighted Activity Unit (NWAU) is the unit of measurement for the activity based funding system. It is a measure of health service activity expressed as a common unit, against which the national efficient price is paid. It provides a way of comparing and valuing each activity based funded public hospital service, by weighting it for its clinical complexity.

The information outlined below is provided by Western Australia as service estimates at the start of each financial year for Commonwealth payment purposes. Estimates may continue to be refined during the course of the year. These estimates form the basis of monthly reporting of service volumes until actual service numbers become available.

| Local Hospital Network | Number of ABF public hospital services funded (NWAU) |
|-------------------------------------|--|
| Child and Adolescent Health Service | 43,771 |
| North Metropolitan Health Service | 207,108 |
| South Metropolitan Health Service | 286,617 |
| WA Country Health Service | 81,471 |
| WA TOTAL | 618,967 |

SECTION 241(2) F) THE NUMBER OF OTHER PUBLIC HOSPITAL SERVICES AND FUNCTIONS FUNDED FROM EACH STATE POOL ACCOUNT OR STATE MANAGED FUND

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

However, in 2012-13 Western Australia did not report any 'other public hospital services and functions funded' from their Pool Account or State Managed Fund.





SOUTH AUSTRALIA

Financial Statement



**National Health Funding Pool —
South Australian State Pool Account
Special Purpose Financial Statement
for the period 1 October 2012 to 30 June 2013**

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

INDEPENDENT AUDITOR'S REPORT

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Auditor-General's Department

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To the Administrator of the National Health Funding Pool

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 accompanying special purpose financial statement (the financial statement) of the South Australian State Pool Account of the National Health Funding Pool for the period ended 30 June 2013. The financial statement comprises:

- a Statement of Receipts and Payments for the period 1 October 2012 to 30 June 2013
- notes, comprising a summary of significant accounting policies and other explanatory information
- the Administrator's declaration.

The Responsibility of the Administrator of the National Health Funding Pool for the Financial Statement

The Administrator of the National Health Funding Pool (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 Administration (South Australia) Act 2012* and 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 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 based on the audit. The audit was conducted in accordance with Australian Auditing Standards and the *National Health Funding Pool Administration (South Australia) Act 2012*, *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statement that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Administrator, as well as the overall presentation of the financial statement.

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

Opinion

In my opinion, the attached special purpose financial statement for the period ended 30 June 2013 is based on properly maintained financial records and gives a true and fair view of the matters required by the *National Health Funding Pool Administration (South Australia) Act 2012*, *Commonwealth National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

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's financial reporting obligations under the *National Health Funding Pool Administration (South Australia) Act 2012*, *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.



S O'Neill
Auditor-General for South Australia

26 September 2013



Administrator
National Health
Funding Pool

South Australian State Pool Account

I report that, as indicated in note 1 (a) 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 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 period 1 October 2012 to 30 June 2013 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.

Bob Sendt

RJ Sendt
Administrator
National Health Funding Pool

24 September 2013

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South Australian State Pool Account
Statement of receipts and payments
for the period 1 October 2012 to 30 June 2013

| | Notes | 2013 \$'000 |
|---|----------|------------------|
| Cash at bank as at 1 October 2012 | | - |
| Receipts into the state pool account | | |
| From Commonwealth | | |
| Activity based funding | 2 | 592,667 |
| Block funding | | 139,087 |
| Public health funding | | 17,494 |
| From South Australia | | |
| Activity based funding | 2 | 1,201,000 |
| Cross border contribution | | - |
| From other States/ Territories | | |
| Cross border receipts | 3 | - |
| From Reserve Bank of Australia | | |
| Interest receipts | | 2,322 |
| Total receipts | | 1,952,570 |
| Payments out of the state pool account | | |
| To Local Hospital Networks | | |
| Activity based funding | 4 | 1,786,176 |
| To South Australia Health | | |
| Public health funding | | 17,494 |
| Interest payments | | 422 |
| To other States/ Territories | | |
| Cross border payments | 5 | - |
| To South Australian State Managed Fund | | |
| Block funding | | 139,087 |
| Total payments | | 1,943,179 |
| Net receipts/(payments) for the year | | 9,391 |
| Cash at bank 30 June 2013 | 7 | 9,391 |

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statement are set out below. The financial statement is for the South Australian state pool account (which was established at the Reserve Bank of Australia in 2012–13) and is a special purpose financial statement.

(a) Basis of preparation

The South Australian state pool account was established in accordance with the South Australian *National Health Funding Pool Administration (South Australia) Act 2012* and the special purpose financial statement has been prepared in accordance with 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 basis of accounting. 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 unless otherwise specified.

The financial statement relates to the period commencing 1 October 2012 when South Australia first transacted through the National Health Funding Pool. As such there is no comparative information.

The special purpose financial statement was authorised for issue by the Administrator of the National Health Funding Pool on 24 September 2013.

(b) Activity Based Funding, Block Funding and Public Health Funding

The Commonwealth and state or territory governments provide three types of funding into the pool account as follows:

- i. Activity based funding (Commonwealth and state) — represents acute admitted public, acute admitted private, non-admitted, and emergency department categories of service funded by both the Commonwealth and state or territory governments. These are funded through the state or territory pool account and paid to local hospital networks.
- ii. Block funding (Commonwealth) — represents mental health, small rural and metropolitan hospitals, sub-acute, teaching, training and research, and other categories which are paid to state or territory managed funds, normally, in the first instance, to state or territory health departments.

South Australian State Pool Account
Notes to the special purpose financial statement
for the period 1 October 2012 to 30 June 2013

- iii. Public health funding — other amounts transacted through the state or territory pool account and subsequently paid to the state or territory health departments.

As disclosed in note 1(a) funding received is brought to account when received and payments are brought to account when paid. Funding received may not equal payments made due to timing differences. Commonwealth activity based funding payments into the pool are based on prices set by the Independent Hospital Pricing Authority and are applied to the activity estimates provided by the state at the local hospital network.

(c) Interest

Interest earned and deposited by the Reserve Bank of Australia 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.

(d) Cross border

When a resident of one state receives hospital treatment in another state, the 'resident state' compensates the treating or 'provider state' for the cost of that care via a cross border payment.

State and territory cross border payments can either be:

- i. Paid to the relevant state or territory's local hospital networks, or
- ii. Reimbursed to the relevant state or territory where the state or territory's local hospital networks are already being funded for the cost of treating cross-border patients.

(e) Taxation

The state or territory pool account is not subject to income tax. The majority of government funding, from both the Commonwealth and state or territory, to local hospitals is not subject to 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, where applicable.

(f) Governance of the National Health Funding Pool

The Administrator of the National Health Funding Pool (the Administrator) is an independent statutory office holder, distinct from the Commonwealth and state and territory governments, established under legislation of the Commonwealth and state and territory governments.

2 SUMMARY OF ACTIVITY BASED FUNDING RECEIPTS

Total receipts paid into the South Australian state pool account in respect of activity based funding were as follows:

| | 2013 \$'000 |
|-------------------------------------|------------------|
| Commonwealth activity based funding | 592,667 |
| State activity based funding | 1,201,000 |
| Total | 1,793,667 |

3 CROSS BORDER RECEIPTS

Total cross border receipts into the South Australian state pool account from other states and territories were as follows:

| STATES/ TERRITORIES | 2013 \$'000 |
|------------------------------|----------------|
| Cross border receipts | |
| New South Wales | - |
| Victoria | - |
| Queensland | - |
| Western Australia | - |
| Tasmania | - |
| Australian Capital Territory | - |
| Northern Territory | - |
| Total | - |

Where no cross border receipts are reported through the South Australian state pool account, there may be other bilateral arrangements between the states and territories.

4 SUMMARY OF ACTIVITY BASED FUNDING PAYMENTS

Total payments made out of the South Australian state pool account in respect of each local hospital network were as follows:

| LOCAL HOSPITAL NETWORKS | 2013 \$'000 |
|--|------------------|
| Central Adelaide Local Health Network | 630,862 |
| Country Health SA Local Health Network | 281,339 |
| Northern Adelaide Local Health Network | 218,624 |
| Southern Adelaide Local Health Network | 460,056 |
| Women's and Children's Health Network | 195,295 |
| Total | 1,786,176 |

5 CROSS BORDER PAYMENTS

Total cross border payments out of the South Australian state pool account to other states and territories were as follows:

| STATES/ TERRITORIES | 2013 \$'000 |
|------------------------------|----------------|
| Cross border payments | |
| New South Wales | - |
| Victoria | - |
| Queensland | - |
| Western Australia | - |
| Tasmania | - |
| Australian Capital Territory | - |
| Northern Territory | - |
| Total | - |

Where no cross border payments are reported through the South Australian state pool account, there may be other bilateral arrangements between the states and territories.

6 ACTIVITY BASED FUNDING RECONCILIATION

Total state and Commonwealth activity based funding contributions and total local hospital network activity based funding payments were as follows:

| | 2013 \$'000 |
|--|----------------|
| Total Commonwealth and state activity based funding receipts | 1,793,667 |
| Total local hospital network activity based funding payments | 1,786,176 |
| Total | 7,490 |

The Administrator makes payments from the state pool account in accordance with the directions of the state concerned. South Australia Health has not fully utilised activity based funding to local hospital networks for the period ended 30 June 2013.

7 CASH AT BANK RECONCILIATION

The cash at bank as at period end is as follows:

| | 2013 \$'000 |
|-----------------------------------|----------------|
| Balance as at 30 June 2013 | 9,391 |

The balance as at 30 June 2013 for the state pool account relates to the difference between activity based funding receipts and payments, and interest earned but not paid.

National Health Reform Funding and Payments



Section 241(2) of the *National Health Reform Act 2011* outlines certain disclosures to be reported in this Annual Report. The information reported is specific to the transactions of the 'relevant state or territory'. For the purposes of this legislative reporting, the 'relevant state or territory' is the state or territory that holds the bank accounts opened under the laws of the state or territory for the purposes of the *National Health Reform Agreement*.

The figures reported reflect all national health reform amounts transacted in 2012–13, including 'under national health reform legislation' and 'notional payments'.

Notional payments were amounts paid into and out of departmental bank accounts by states or territories to local hospital networks that would have been transacted through the Pool and/or State Managed Fund had national health reform funding arrangements been in place for that state or territory (see 'Transition to the National Health Funding Pool' for further information). Notional payments are included in 2012–13 to enable national comparability, but have been separately identified.

Notional amounts are based on information provided by South Australia for the purposes of the Administrator's monthly reporting requirements, located on the www.publichospitalfunding.gov.au website.

SECTION 241(2) 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

| Component | Amount paid by South Australia into | | | | Total (\$'000) | |
|------------------------|-------------------------------------|----------------|-----------------------------|---------------|-----------------------|----------------|
| | State Pool Account* (\$'000) | | State Managed Fund (\$'000) | | Under NHR legislation | Notional |
| | Under NHR legislation | Notional | Under NHR legislation | Notional | | |
| Activity based funding | 1,201,000 | 318,989 | – | – | 1,201,000 | 318,989 |
| Block funding | – | – | 165,051 | 70,867 | 165,051 | 70,867 |
| SA TOTAL | 1,201,000 | 318,989 | 165,051 | 70,867 | 1,366,051 | 389,856 |

**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. Detail on these flows are located in the SA Pool Account Special Purpose Financial Statement.*

The basis used to determine national health reform payments to local hospital networks in South Australia for 2012-13 (at June 2013) was advised by the SA Department of Health to be as follows:

In determining the annual funding allocation for all local hospital networks, the budget has been built up predominantly on an activity basis applying an internally developed allocation methodology that is designed to equitably distribute funding to each local hospital network relative to all local hospital networks 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 sub-acute, teaching, training and research, some mental health services and the delivery of out of hospital strategies incorporating primary health

Monthly allocations to local hospital networks 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.

SECTION 241(2) B) THE AMOUNTS PAID INTO EACH STATE POOL ACCOUNT BY THE COMMONWEALTH AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

| Component | Amount paid by Commonwealth into SA State Pool Account (\$'000) | | Total (\$'000) |
|------------------------|---|----------------|------------------|
| | Under NHR legislation | Notional | |
| Public Health funding | 17,494 | 5,975 | 23,469 |
| Block funding | 139,087 | 48,218 | 187,305 |
| Activity based funding | 592,667 | 205,435 | 798,102 |
| SA TOTAL | 749,247 | 259,628 | 1,008,876 |

For the Commonwealth basis of payments see part b) of the 'National health reform funding and payment — National' section.

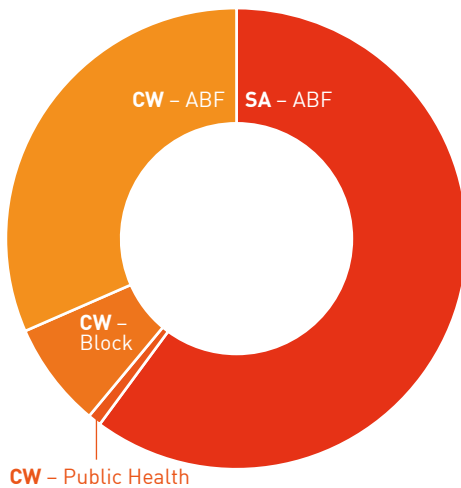
SECTION 241(2) C) THE AMOUNTS PAID FROM EACH STATE POOL ACCOUNT TO LOCAL HOSPITAL NETWORKS, A STATE MANAGED FUND OR OTHER ORGANISATIONS OR FUNDS AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

| Recipient | Amount paid from SA State Pool Account to (\$'000) | | Total (\$'000) |
|--|--|----------------|------------------|
| | Under NHR legislation | Notional | |
| Central Adelaide Local Health Network | 630,862 | 186,633 | 817,495 |
| Country Health SA Local Health Network | 281,338 | 73,277 | 354,615 |
| Northern Adelaide Local Health Network | 218,624 | 70,734 | 289,358 |
| Southern Adelaide Local Health Network | 460,056 | 139,956 | 600,012 |
| Women's and Children's Health Network | 195,295 | 53,825 | 249,121 |
| Total LHNs | 1,786,176 | 524,425 | 2,310,600 |
| State Managed Fund | 139,087 | 48,218 | 187,305 |
| Other organisations or funds | 17,916 | 5,975 | 23,891 |
| SA TOTAL | 1,943,178 | 578,618 | 2,521,796 |

For the South Australia basis of payments see part a) of this section.

PAYMENTS INTO THE POOL — SA (\$M)

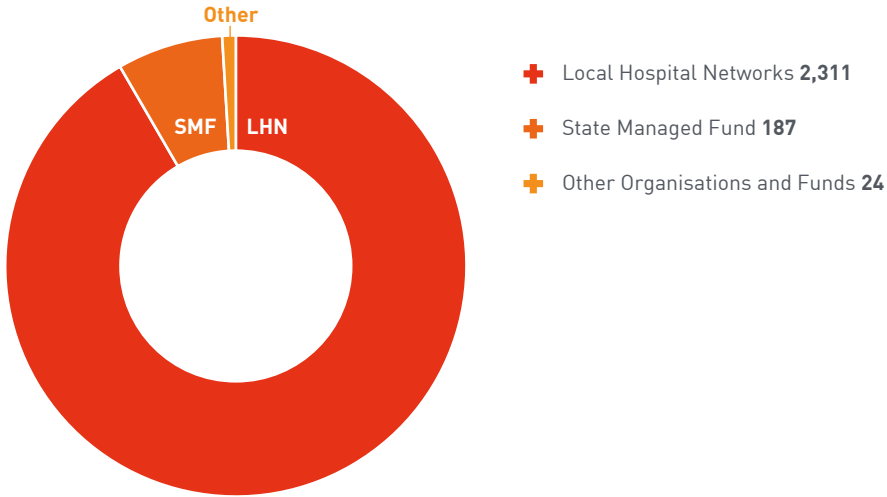
Includes notional amounts.



- + SA — Activity Based Funding **1,520**
- + Commonwealth — Public Health **23**
- + Commonwealth — Block Funding **187**
- + Commonwealth — Activity Based Funding **798**

PAYMENTS OUT OF THE POOL — SA (\$M)

Includes notional amounts.



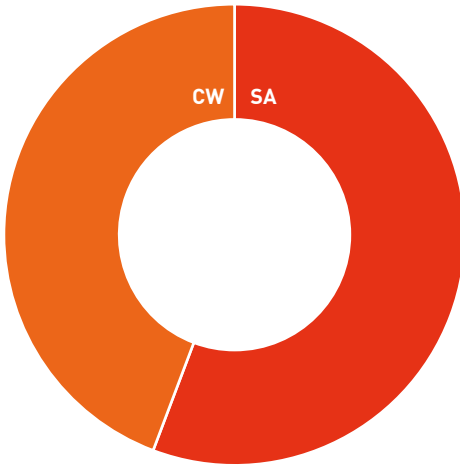
SECTION 241(2) D) THE AMOUNTS PAID FROM EACH STATE MANAGED FUND TO LOCAL HOSPITAL NETWORKS OR OTHER ORGANISATIONS OR FUNDS AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

| Provider | Amount paid from SA State Managed Fund to (\$'000) | | Total (\$'000) |
|--|--|----------------|----------------|
| | Under NHR legislation | Notional | |
| Central Adelaide Local Health Network | 131,175 | 40,590 | 171,765 |
| Country Health SA Local Health Network | 80,672 | 36,786 | 117,459 |
| Northern Adelaide Local Health Network | 29,120 | 13,484 | 42,604 |
| Southern Adelaide Local Health Network | 48,063 | 21,356 | 69,418 |
| Women's and Children's Health Network | 15,108 | 6,869 | 21,976 |
| Total LHNs | 304,137 | 119,085 | 423,222 |
| Other organisations or funds | - | - | - |
| SA TOTAL | 304,137 | 119,085 | 423,222 |

For the South Australia basis of payments see part a) of this section.

PAYMENTS INTO THE STATE MANAGED FUND — SA (\$M)

Includes notional amounts.



- + South Australia **236**
- + Pool — Commonwealth **187**

PAYMENTS OUT OF THE STATE MANAGED FUND — SA (\$M)

Includes notional amounts.



- + Local Hospital Networks **423**

SECTION 241(2) E) THE NUMBER OF PUBLIC HOSPITAL SERVICES FUNDED FOR EACH LOCAL HOSPITAL NETWORK IN ACCORDANCE WITH THE SYSTEM OF ACTIVITY BASED FUNDING

The National Weighted Activity Unit (NWAU) is the unit of measurement for the activity based funding system. It is a measure of health service activity expressed as a common unit, against which the national efficient price is paid. It provides a way of comparing and valuing each activity based funded public hospital service, by weighting it for its clinical complexity.

The information outlined below is provided by South Australia as service estimates at the start of each financial year for Commonwealth payment purposes. Estimates may continue to be refined during the course of the year. These estimates form the basis of monthly reporting of service volumes until actual service numbers become available

| Local Hospital Network | Number of ABF public hospital services funded (NWAU) |
|--|--|
| Central Adelaide Local Health Network | 162,612 |
| Country Health SA Local Health Network | 70,935 |
| Northern Adelaide Local Health Network | 81,497 |
| Southern Adelaide Local Health Network | 120,327 |
| Women's and Children's Health Network | 51,320 |
| SA TOTAL | 486,690 |

SECTION 241(2) F) THE NUMBER OF OTHER PUBLIC HOSPITAL SERVICES AND FUNCTIONS FUNDED FROM EACH STATE POOL ACCOUNT OR STATE MANAGED FUND

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

However, in 2012-13 South Australia did not report any 'other public hospital services and functions funded' from their Pool Account or State Managed Fund.

TASMANIA



Financial Statement



**National Health Funding Pool —
Tasmanian State Pool Account
Special Purpose Financial Statement
for the year ended 30 June 2013**

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*.



Tasmanian
Audit Office

Independent Auditor's Report

To Members of the Parliament of Tasmania

National Health Funding Pool – Tasmanian State Pool Account

Special Purpose Financial Statement for the Year Ended 30 June 2013

Report on the Special Purpose Financial Statement

As required by section 20 of the *National Health Funding Administration Act 2012* (Tasmania) and section 243 of the *National Health Reform Act 2011* (Commonwealth), I have audited the accompanying special purpose financial statement of the Tasmanian State Pool Account of the National Health Funding Pool (the financial statement) for the year ended 30 June 2013. The financial statement comprises a statement of receipts and payments for the year ended 30 June 2013, cash balances at the beginning and end of that year, notes comprising a summary of significant accounting policies and other explanatory information and a declaration by the Administrator of the National Health Funding Pool (the Administrator).

Auditor's Opinion

In my opinion the financial statement for the year ended 30 June 2013 presents fairly, in all material respects, the financial transactions of the Tasmanian State Pool Account and such components of financial position at that date, as are disclosed, in accordance with the *National Health Funding Administration Act 2012* (Tasmania), the *National Health Reform Act 2011* (Commonwealth) and the National Health Reform Agreement 2011.

Basis of Accounting and Restriction on Distribution

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 section 19 of the *National Health Funding Administration Act 2012* (Tasmania), section 242 of the *National Health Reform Act 2011* (Commonwealth), the National Health Reform Agreement 2011 and section 17 of the *Audit Act 2008* (Tasmania). As a result, the financial statement may not be suitable for another purpose.

The Responsibility of the Administrator 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 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 section 19 of the *National Health Funding Administration Act 2012* (Tasmania), section 242 of the *National Health Reform Act 2011* (Commonwealth), the National Health Reform Agreement 2011 and section 17 of the *Audit Act 2008* (Tasmania). The Administrator's responsibility

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

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; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statement based on my audit. My audit was conducted in accordance with Australian Auditing Standards. Auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

My audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. Procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Administrator's preparation of the financial statement 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 applied by the Administrator. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Administrator, as well as the overall presentation of the financial statement.

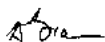
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and relevant ethical pronouncements. The *Audit Act 2008* (Tasmania) further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General; and
- mandating the Auditor-General as auditor of state entities but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Tasmanian Audit Office are not compromised in their role by the possibility of losing clients or income.

Tasmanian Audit Office



H M Blake

Auditor-General

Hobart, 2 September 2013

...2 of 2

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



Administrator
National Health
Funding Pool

Tasmanian State Pool Account

I report that, as indicated in note 1 (a) 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 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 2013 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.

Bob Sendt

RJ Sendt
Administrator
National Health Funding Pool

30 August 2013

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Tasmanian State Pool Account
Statement of receipts and payments
for the year ended 30 June 2013

| | Notes | 2013 \$'000 |
|---|-------|----------------|
| Cash at bank as at 1 July 2012 | | - |
| Receipts into the state pool account | | |
| From Commonwealth | | |
| Activity based funding | 2 | 233,205 |
| Block funding | | 51,887 |
| Public health funding | | 6,829 |
| From Tasmania | | |
| Activity based funding | 2 | 236,838 |
| Cross border contribution | | 10,223 |
| From other States/ Territories | | |
| Cross border receipts | 3 | - |
| From Reserve Bank of Australia | | |
| Interest receipts | | 20 |
| Total receipts | | 539,002 |
| Payments out of the state pool account | | |
| To Local Hospital Networks | | |
| Activity based funding | 4 | 470,043 |
| To Tasmanian Department of Health and Human Services | | |
| Public health funding | | 6,829 |
| Interest payments | | 20 |
| To other States/ Territories | | |
| Cross border payments | 5 | 10,223 |
| To Tasmanian State Managed Fund | | |
| Block funding | | 51,887 |
| Total payments | | 539,002 |
| Net receipts/(payments) for the year | | - |
| Cash at bank 30 June 2013 | | - |

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statement are set out below. The financial statement is for the Tasmanian state pool account (which was established at the Reserve Bank of Australia in 2012–13) and is a special purpose financial statement.

(a) Basis of preparation

The Tasmanian state pool account was established in accordance with the Tasmanian *National Health Funding Administration 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 basis of accounting. 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 unless otherwise specified.

The financial statement relates to the period commencing 1 July 2012 when Tasmania first transacted through the National Health Funding Pool. As such there is no comparative information.

The special purpose financial statement was authorised for issue by the Administrator of the National Health Funding Pool on 30 August 2013.

(b) Activity Based Funding, Block Funding and Public Health Funding

The Commonwealth and state or territory governments provide three types of funding into the pool account as follows:

- i. Activity based funding (Commonwealth and state) — represents acute admitted public, acute admitted private, non-admitted, and emergency department categories of service funded by both the Commonwealth and state or territory governments. These are funded through the state or territory pool account and paid to local hospital networks.

Tasmanian State Pool Account
Notes to the special purpose financial statement
for the year ended 30 June 2013

- ii. Block funding (Commonwealth) — represents mental health, small rural and metropolitan hospitals, sub-acute, teaching, training and research, and other categories which are paid to state or territory managed funds, normally, in the first instance, to state or territory health departments.
- iii. Public health funding — other amounts transacted through the state or territory pool account and subsequently paid to the state or territory health departments.

As disclosed in note 1(a) funding received is brought to account when received and payments are brought to account when paid. Funding received may not equal payments made due to timing differences. Commonwealth activity based funding payments into the pool are based on prices set by the Independent Hospital Pricing Authority and are applied to the activity estimates provided by the state at the local hospital network.

(c) Interest

Interest earned and deposited by the Reserve Bank of Australia 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.

(d) Cross border

When a resident of one state receives hospital treatment in another state, the 'resident state' compensates the treating or 'provider state' for the cost of that care via a cross border payment.

State and territory cross border payments can either be:

- i. Paid to the relevant state or territory's local hospital networks, or
- ii. Reimbursed to the relevant state or territory where the state or territory's local hospital networks are already being funded for the cost of treating cross-border patients.

(e) Taxation

The state or territory pool account is not subject to income tax. The majority of government funding, from both the Commonwealth and state or territory, to local hospitals is not subject to 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, where applicable.

(f) Governance of the National Health Funding Pool

The Administrator of the National Health Funding Pool (the Administrator) is an independent statutory office holder, distinct from the Commonwealth and state and territory governments, established under legislation of the Commonwealth and state and territory governments.

2 SUMMARY OF ACTIVITY BASED FUNDING RECEIPTS

Total receipts paid into the Tasmanian state pool account in respect of activity based funding were as follows:

| | 2013 \$'000 |
|-------------------------------------|----------------|
| Commonwealth activity based funding | 233,205 |
| State activity based funding | 236,838 |
| Total | 470,043 |

3 CROSS BORDER RECEIPTS

Total cross border receipts into the Tasmanian state pool account from other states and territories were as follows:

| STATES/ TERRITORIES | 2013 \$'000 |
|------------------------------|----------------|
| Cross border receipts | |
| New South Wales | - |
| Victoria | - |
| Queensland | - |
| Western Australia | - |
| South Australia | - |
| Australian Capital Territory | - |
| Northern Territory | - |
| Total | - |

Where no cross border receipts are reported through the Tasmanian state pool account, there may be other bilateral arrangements between the states and territories.

4 SUMMARY OF ACTIVITY BASED FUNDING PAYMENTS

Total payments made out of the Tasmanian state pool account in respect of each local hospital network were as follows:

| LOCAL HOSPITAL NETWORKS | 2013 \$'000 |
|--|----------------|
| Tasmanian Health Organisation — North | 167,790 |
| Tasmanian Health Organisation — North West | 55,396 |
| Tasmanian Health Organisation — South | 246,857 |
| Total | 470,043 |

5 CROSS BORDER PAYMENTS

Total cross border payments out of the Tasmanian state pool account to other states and territories were as follows:

| STATES/ TERRITORIES | 2013 \$'000 |
|------------------------------|----------------|
| Cross border payments | |
| New South Wales | - |
| Victoria | 10,223 |
| Queensland | - |
| Western Australia | - |
| South Australia | - |
| Australian Capital Territory | - |
| Northern Territory | - |
| Total | 10,223 |

Where no cross border payments are reported through the Tasmanian state pool account, there may be other bilateral arrangements between the states and territories.

6 ACTIVITY BASED FUNDING RECONCILIATION

Total state and Commonwealth activity based funding contributions and total local hospital network activity based funding payments were as follows:

| | 2013 \$'000 |
|--|----------------|
| Total Commonwealth and state activity based funding receipts | 470,043 |
| Total local hospital network activity based funding payments | 470,043 |
| Total | - |

The Administrator makes payments from the state pool account in accordance with the directions of the state concerned. Under the direction of the Tasmanian Department of Health and Human Services, total Commonwealth and state activity based funding receipts equal total activity based funding payments made to the local hospital networks.

National Health Reform Funding and Payments



Section 241(2) of the *National Health Reform Act 2011* outlines certain disclosures to be reported in this Annual Report. The information reported is specific to the transactions of the 'relevant state or territory'. For the purposes of this legislative reporting, the 'relevant state or territory' is the state or territory that holds the bank accounts opened under the laws of the state or territory for the purposes of the *National Health Reform Agreement*.

The figures reported reflect all national health reform amounts transacted in 2012–13.

SECTION 241(2) 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

| Component | Amount paid by Tasmania into | | Total (\$'000) |
|------------------------|---------------------------------|--------------------------------|-------------------|
| | State Pool Account* (\$'000) | State Managed Fund (\$'000) | |
| Activity based funding | 247,061 | – | 247,061 |
| Block funding | – | 242,086 | 242,086 |
| TAS TOTAL | 247,061 | 242,086 | 489,147 |

**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. Detail on these flows are located in the TAS Pool Account Special Purpose Financial Statement.*

The basis used to determine national health reform payments to local hospital networks in Tasmania for 2012–13 (at June 2013) was advised by the Tasmanian Department of Health and Human Services to be as follows:

In determining the annual allocation for Tasmanian local hospital networks (also known as Tasmanian Health Organisations (THOs)), budgets have been developed using state based historical funding amounts for both activity-based funding (ABF) and block service streams, supplemented by indexation at a flat rate of 2.5% which approximates the level of indexation which would have been provided to the local hospital networks in previous years based on:

- + *Indexation on new wage agreements at 2.0% per annum*
- + *Indexation of general operating expenses at 2.5% per annum, and*
- + *Indexation on medical, surgical and pharmaceutical supplies at 4.0% per annum.*

On a monthly basis, from October 2012, state activity-based funding is based on one twelfth of the total funding provided to each local hospital network and block payments are currently based on the timing of expenditure in accordance with budget cash flows, for example, three pays in October/May and payment of an annual insurance premium in November.

SECTION 241(2) B) THE AMOUNTS PAID INTO EACH STATE POOL ACCOUNT BY THE COMMONWEALTH AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

| Component | Amount paid by Commonwealth into TAS State Pool Account (\$'000) |
|------------------------|--|
| Public Health funding | 6,829 |
| Block funding | 51,887 |
| Activity based funding | 233,205 |
| TAS TOTAL | 291,921 |

For the Commonwealth basis of payments see part b) of the 'National health reform funding and payment — National' section.

SECTION 241(2) C) 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

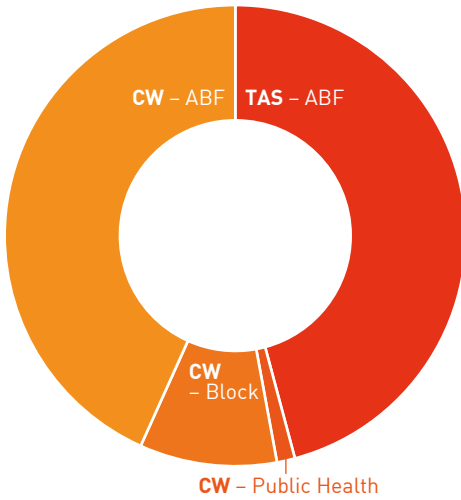
| Recipient | Amount paid from TAS State Pool Account to (\$'000) |
|--|---|
| Tasmanian Health Organisation — North | 167,790 |
| Tasmanian Health Organisation — North West | 55,396 |
| Tasmanian Health Organisation — South | 246,857 |
| Total LHNs | 470,043 |
| State Managed Fund | 51,887 |
| Other organisations or funds* | 17,072 |
| TAS TOTAL | 539,002 |

**Includes a state cross-border contribution to another state or territory.*

For the Tasmania basis of payments see part a) of this section.

PAYMENTS INTO THE POOL — TAS (\$M)

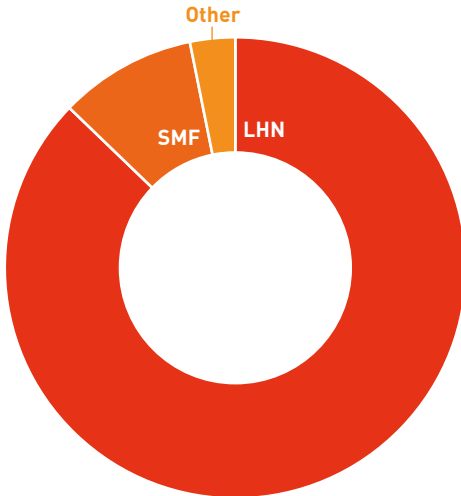
Includes notional amounts.



- + TAS — Activity Based Funding **247**
- + Commonwealth — Public Health **7**
- + Commonwealth — Block Funding **52**
- + Commonwealth — Activity Based Funding **233**

PAYMENTS OUT OF THE POOL — TAS (\$M)

Includes notional amounts.



- + Local Hospital Networks **470**
- + State Managed Fund **52**
- + Other Organisations and Funds **17**

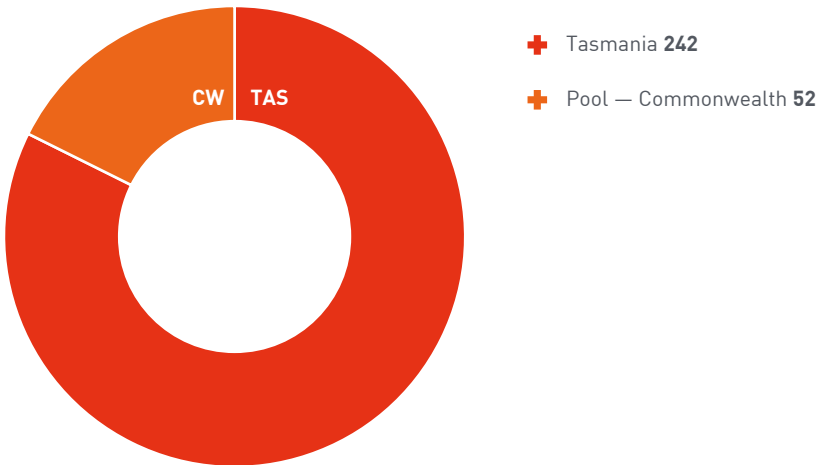
SECTION 241(2) D) THE AMOUNTS PAID FROM EACH STATE MANAGED FUND TO LOCAL HOSPITAL NETWORKS OR OTHER ORGANISATIONS OR FUNDS AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

| Provider | Amount paid from TAS State Managed Fund to (\$'000) |
|--|---|
| Tasmanian Health Organisation — North | 83,748 |
| Tasmanian Health Organisation — North West | 55,999 |
| Tasmanian Health Organisation — South | 140,341 |
| Total LHNs | 280,088 |
| Other organisations or funds | 13,885 |
| TAS TOTAL | 293,972 |

For the Tasmania basis of payments see part a) of this section.

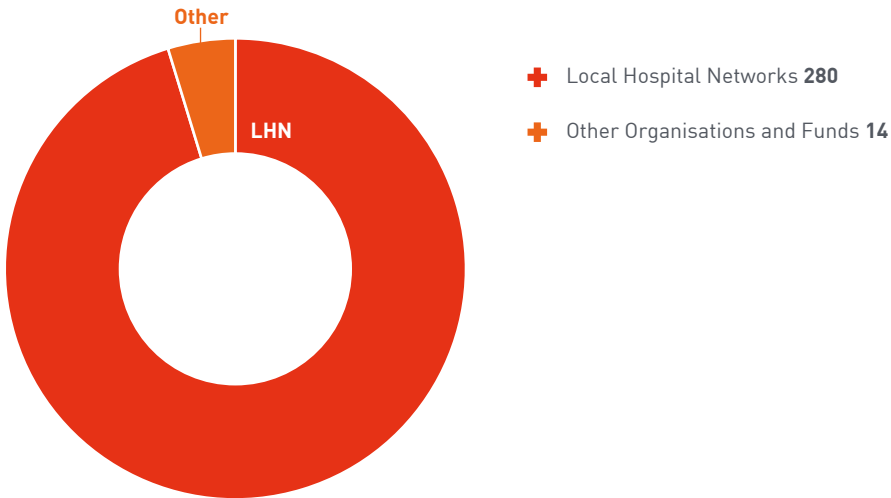
PAYMENTS INTO THE STATE MANAGED FUND — TAS (\$M)

Includes notional amounts.



PAYMENTS OUT OF THE STATE MANAGED FUND — TAS (\$M)

Includes notional amounts.



SECTION 241(2) E) THE NUMBER OF PUBLIC HOSPITAL SERVICES FUNDED FOR EACH LOCAL HOSPITAL NETWORK IN ACCORDANCE WITH THE SYSTEM OF ACTIVITY BASED FUNDING

The National Weighted Activity Unit (NWAU) is the unit of measurement for the activity based funding system. It is a measure of health service activity expressed as a common unit, against which the national efficient price is paid. It provides a way of comparing and valuing each activity based funded public hospital service, by weighting it for its clinical complexity.

The information outlined below is provided by Tasmania as service estimates at the start of each financial year for Commonwealth payment purposes. Estimates may continue to be refined during the course of the year. These estimates form the basis of monthly reporting of service volumes until actual service numbers become available.

| Local Hospital Network | Number of ABF public hospital services funded (NWAU) |
|--|--|
| Tasmanian Health Organisation — North | 37,209 |
| Tasmanian Health Organisation — North West | 14,002 |
| Tasmanian Health Organisation — South | 57,757 |
| TAS TOTAL | 108,968 |

SECTION 241(2) F) THE NUMBER OF OTHER PUBLIC HOSPITAL SERVICES AND FUNCTIONS FUNDED FROM EACH STATE POOL ACCOUNT OR STATE MANAGED FUND

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

However, in 2012-13 Tasmania did not report any 'other public hospital services and functions funded' from their Pool Account or State Managed Fund.





AUSTRALIAN CAPITAL TERRITORY

Financial Statement



**National Health Funding Pool —
Australian Capital Territory State Pool Account
Special Purpose Financial Statement
for the period 1 March 2013 to 30 June 2013**

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 AUDITOR-GENERAL'S OFFICE



INDEPENDENT AUDIT REPORT

Australian Capital Territory State Pool Account

To the Administrator of the National Health Funding Pool

Report on the special purpose financial statement

The special purpose financial statement (financial statement) for the Australian Capital Territory State Pool Account for the period from 1 March 2013 to 30 June 2013 has been audited. The financial statement comprises a statement of receipts and payments, accompanying notes and Administrator's Declaration.

Responsibility for the financial statement

The Administrator of the National Health Funding Pool (the Administrator) is responsible for the preparation and presentation of the financial statement that gives a true and fair view in accordance with the *Health (National Health Funding Pool and Administration) Act 2013*, *National Health Reform Act 2011* and *National Health Reform Agreement 2011*. This includes responsibility for maintaining adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and the accounting policies used in the preparation of the financial statement.

The auditor's responsibility

My responsibility is to express an independent audit opinion on the financial statement provided by the Administrator. The audit was conducted in accordance with the *Health (National Health Funding Pool and Administration) Act 2013*, *National Health Reform Act 2011* and *National Health Reform Agreement 2011*. It was also conducted in accordance with Australian Auditing Standards to provide reasonable assurance that the financial statement is free of material misstatement.

I formed the audit opinion following the use of audit procedures to obtain evidence about the amounts and disclosures in the financial statement. As these procedures are influenced by the use of professional judgement, selective testing of evidence supporting the amounts and other disclosures in the financial statement, inherent limitations of internal control and the availability of persuasive rather than conclusive evidence, an audit cannot guarantee that all material misstatements have been detected.

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Although the effectiveness of internal controls is considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance on internal controls.

Independence

Applicable independence requirements of the Australian professional ethical pronouncements were followed in conducting the audit.

Audit opinion

In my opinion, the financial statement prepared by the Administrator for the period from 1 March 2013 to 30 June 2013:

- (i) gives a true and fair view of the receipts and payments of the Australia Capital Territory State Pool Account of the National Health Funding Pool; and
- (ii) is in accordance with the *Health (National Health Funding Pool and Administration) Act 2013*, *National Health Reform Act 2011* and *National Health Reform Agreement 2011*.

Basis of preparation

Without modifying the audit opinion, I draw attention to Note 1 of 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's financial reporting responsibilities under the *Health (National Health Funding Pool and Administration) Act 2013*, *National Health Reform Act 2011* and *National Health Reform Agreement 2011*. As a result, the financial statement may not be suitable for another purpose.



Maxine Cooper
Auditor-General
2 September 2013



Administrator
National Health
Funding Pool

Australian Capital Territory State Pool Account

I report that, as indicated in note 1 (a) 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 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 period 1 March 2013 to 30 June 2013 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 Administrator) Act 2013*, the Commonwealth *National Health Reform Act 2011* and the National Health Reform Agreement 2011.

Bob Sendt

RJ Sendt
Administrator
National Health Funding Pool

30 August 2013

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Australian Capital Territory State Pool Account
Statement of receipts and payments
for the period 1 March 2013 to 30 June 2013

| | Notes | 2013 \$'000 |
|---|-------|----------------|
| Cash at bank as at 1 March 2013 | | - |
| Receipts into the state pool account | | |
| From Commonwealth | | |
| Activity based funding | 2 | 71,570 |
| Block funding | | 8,560 |
| Public health funding | | 1,565 |
| From Australian Capital Territory | | |
| Activity based funding | 2 | 135,187 |
| Cross border contribution | | - |
| From other States/ Territories | | |
| Cross border receipts | 3 | - |
| From Reserve Bank of Australia | | |
| Interest receipts | | - |
| Total receipts | | 216,882 |
| Payments out of the state pool account | | |
| To Local Hospital Networks | | |
| Activity based funding | 4 | 206,757 |
| To Australian Capital Territory Health Directorate | | |
| Public health funding | | 1,565 |
| Interest payments | | - |
| To other States/ Territories | | |
| Cross border payments | 5 | - |
| To Australian Capital Territory State Managed Fund | | |
| Block funding | | 8,560 |
| Total payments | | 216,882 |
| Net receipts/(payments) for the period | | - |
| Cash at bank 30 June 2013 | | - |

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statement are set out below. The financial statement is for the Australian Capital Territory state pool account (which was established at the Reserve Bank of Australia in 2012–13) and is a special purpose financial statement.

(a) Basis of preparation

The Australian Capital Territory state pool account was established in accordance with the Australian Capital Territory *Health (National Health Funding Pool and Administration) Act 2012* 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 basis of accounting. 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 unless otherwise specified.

The financial statement relates to the period commencing 1 March 2013 when the Australian Capital Territory first transacted through the National Health Funding Pool. As such there is no comparative information.

The special purpose financial statement was authorised for issue by the Administrator of the National Health Funding Pool on 30 August 2013.

(b) Activity Based Funding, Block Funding and Public Health Funding

The Commonwealth and state or territory governments provide three types of funding into the pool account as follows:

- i. Activity based funding (Commonwealth and state) — represents acute admitted public, acute admitted private, non-admitted, and emergency department categories of service funded by both the Commonwealth and state or territory governments. These are funded through the state or territory pool account and paid to local hospital networks.

**Australian Capital Territory State Pool Account
Notes to the special purpose financial statement
for the period 1 March 2013 to 30 June 2013**

- ii. Block funding (Commonwealth) — represents mental health, small rural and metropolitan hospitals, sub-acute, teaching, training and research, and other categories which are paid to state or territory managed funds, normally, in the first instance, to state or territory health departments.
- iii. Public health funding — other amounts transacted through the state or territory pool account and subsequently paid to the state or territory health departments.

As disclosed in note 1(a) funding received is brought to account when received and payments are brought to account when paid. Funding received may not equal payments made due to timing differences. Commonwealth activity based funding payments into the pool are based on prices set by the Independent Hospital Pricing Authority and are applied to the activity estimates provided by the territory at the local hospital network.

(c) Interest

Interest earned and deposited by the Reserve Bank of Australia 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.

(d) Cross border

When a resident of one state receives hospital treatment in another state, the 'resident state' compensates the treating or 'provider state' for the cost of that care via a cross border payment.

State and territory cross border payments can either be:

- i. Paid to the relevant state or territory's local hospital networks, or
- ii. Reimbursed to the relevant state or territory where the state or territory's local hospital networks are already being funded for the cost of treating cross-border patients.

(e) Taxation

The state or territory pool account is not subject to income tax. The majority of government funding, from both the Commonwealth and state or territory, to local hospitals is not subject to 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, where applicable.

(f) Governance of the National Health Funding Pool

The Administrator of the National Health Funding Pool (the Administrator) is an independent statutory office holder, distinct from the Commonwealth and state and territory governments, established under legislation of the Commonwealth and state and territory governments.

2 SUMMARY OF ACTIVITY BASED FUNDING RECEIPTS

Total receipts paid into the Australian Capital Territory state pool account in respect of activity based funding were as follows:

| | 2013 \$'000 |
|-------------------------------------|----------------|
| Commonwealth activity based funding | 71,570 |
| Territory activity based funding | 135,187 |
| Total | 206,757 |

3 CROSS BORDER RECEIPTS

Total cross border receipts into the Australian Capital Territory state pool account from other states and territories for the period from 1 March 2013 to 30 June 2013 were as follows:

| STATES/ TERRITORIES | 2013 \$'000 |
|------------------------------|----------------|
| Cross border receipts | |
| New South Wales | - |
| Victoria | - |
| Queensland | - |
| Western Australia | - |
| South Australia | - |
| Tasmania | - |
| Northern Territory | - |
| Total | - |

Where no cross border receipts are reported through the Australian Capital Territory state pool account, there may be other bilateral arrangements between the states and territories.

Australian Capital Territory State Pool Account
Notes to the special purpose financial statement
for the period 1 March 2013 to 30 June 2013

4 SUMMARY OF ACTIVITY BASED FUNDING PAYMENTS

Total payments made out of the Australian Capital Territory state pool account in respect of each local hospital network were as follows:

| LOCAL HOSPITAL NETWORKS | 2013 \$'000 |
|---|----------------|
| ACT Local Hospital Network Directorate | |
| Activity based payments | 206,757 |
| Total | 206,757 |

5 CROSS BORDER PAYMENTS

Total cross border payments out of the Australian Capital Territory state pool account to other states and territories were as follows:

| STATES/ TERRITORIES | 2013 \$'000 |
|------------------------------|----------------|
| Cross border payments | |
| New South Wales | - |
| Victoria | - |
| Queensland | - |
| Western Australia | - |
| South Australia | - |
| Tasmania | - |
| Northern Territory | - |
| Total | - |

Where no cross border payments are reported through the Australian Capital Territory state pool account, there may be other bilateral arrangements between the states and territories.

6 ACTIVITY BASED FUNDING RECONCILIATION

Total state and Commonwealth activity based funding contributions and total local hospital network activity based funding payments were as follows:

| LOCAL HOSPITAL NETWORKS | 2013 \$'000 |
|--|----------------|
| Total Commonwealth and territory activity based funding receipts | 206,757 |
| Total local hospital network activity based funding payments | 206,757 |
| Total | - |

The Administrator makes payments from the territory pool account in accordance with the directions of the Australian Capital Territory Health Minister.

Under the direction of the Australian Capital Territory Health Directorate, total Commonwealth and territory activity based funding receipts equal total activity based funding payments made to the local hospital networks.

National Health Reform Funding and Payments



Section 241(2) of the *National Health Reform Act 2011* outlines certain disclosures to be reported in this Annual Report. The information reported is specific to the transactions of the 'relevant state or territory'. For the purposes of this legislative reporting, the 'relevant state or territory' is the state or territory that holds the bank accounts opened under the laws of the state or territory for the purposes of the *National Health Reform Agreement*.

The figures reported reflect all national health reform amounts transacted in 2012–13, including 'under national health reform legislation' and 'notional payments'.

Notional payments were amounts paid into and out of departmental bank accounts by states or territories to local hospital networks that would have been transacted through the Pool and/or State Managed Fund had national health reform funding arrangements been in place for that state or territory (see 'Transition to the National Health Funding Pool' for further information). Notional payments are included in 2012–13 to enable national comparability, but have been separately identified.

Notional amounts are based on information provided by the Australian Capital Territory for the purposes of the Administrator's monthly reporting requirements, located on the www.publichospitalfunding.gov.au website.

SECTION 241(2) 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

| Component | Amount paid by Australian Capital Territory into | | | | Total (\$'000) | |
|------------------------|--|----------------|-----------------------------|---------------|-----------------------|----------------|
| | State Pool Account (\$'000) | | State Managed Fund (\$'000) | | Under NHR legislation | Notional |
| | Under NHR legislation | Notional | Under NHR legislation | Notional | | |
| Activity based funding | 135,187 | 214,867 | - | - | 135,187 | 214,867 |
| Block funding | - | - | 10,569 | 32,720 | 10,569 | 32,720 |
| ACT TOTAL | 135,187 | 214,867 | 10,569 | 32,720 | 145,756 | 247,586 |

The basis used to determine national health reform payments to local hospital networks in Australian Capital Territory for 2012–13 (at June 2013) was advised by the ACT Health Directorate to be as follows:

The annual funding allocation for the ACT in 2012–13 was based on budget neutral modelling. This modelling was based on the historic cost of providing services plus cost indexation. The activity to be funded through activity-based funding was projected on historic activity levels for public hospital services in the ACT, and derived through the application of the Independent Hospital Pricing Authority determination.

The payments made by the ACT Government and the Commonwealth Government in June 2013 through the ACT Local Hospital Network Directorate were net of third party revenue, and were paid on the basis of estimated ACT local hospital network activity for the month of June 2013.

SECTION 241(2) B) THE AMOUNTS PAID INTO EACH STATE POOL ACCOUNT BY THE COMMONWEALTH AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

| Component | Amount paid by Commonwealth into ACT State Pool Account (\$'000) | | Total (\$'000) |
|------------------------|--|----------------|----------------|
| | Under NHR legislation | Notional | |
| Public Health funding | 1,566 | 3,141 | 4,706 |
| Block funding | 8,560 | 8,144 | 16,705 |
| Activity based funding | 71,570 | 155,297 | 226,866 |
| ACT TOTAL | 81,695 | 166,582 | 248,277 |

For the Commonwealth basis of payments see part b) of the 'National health reform funding and payment — National' section.

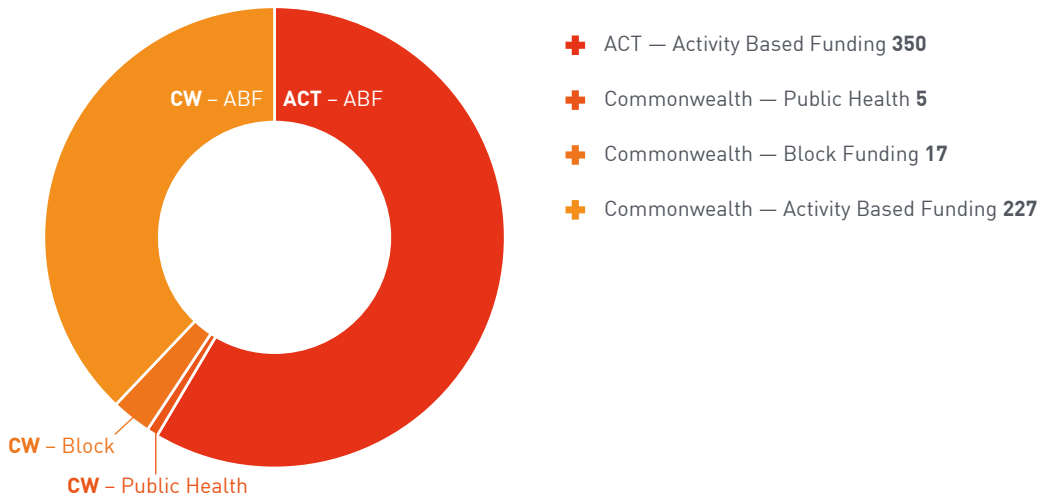
SECTION 241(2) C) THE AMOUNTS PAID FROM EACH STATE POOL ACCOUNT TO LOCAL HOSPITAL NETWORKS, A STATE MANAGED FUND OR OTHER ORGANISATIONS OR FUNDS AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

| Recipient | Amount paid from ACT State Pool Account to (\$'000) | | Total (\$'000) |
|--|---|----------------|----------------|
| | Under NHR legislation | Notional | |
| ACT Local Hospital Network Directorate | 206,757 | 370,163 | 576,920 |
| State Managed Fund | 8,560 | 8,144 | 16,705 |
| Other organisations or funds | 1,566 | 3,141 | 4,706 |
| ACT TOTAL | 216,882 | 381,448 | 598,331 |

For the Australian Capital Territory basis of payments see part a) of this section.

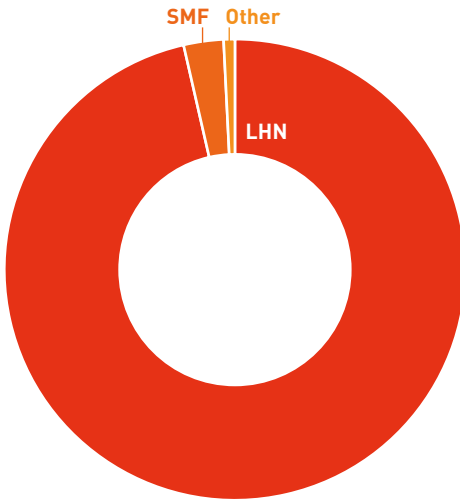
PAYMENTS INTO THE POOL — ACT (\$M)

Includes notional amounts.



PAYMENTS OUT OF THE POOL — ACT (\$M)

Includes notional amounts.



- + Local Hospital Networks **577**
- + State Managed Fund **17**
- + Other Organisations and Funds **5**

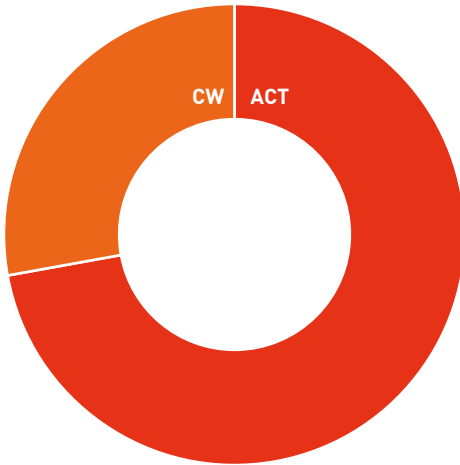
SECTION 241(2) D) THE AMOUNTS PAID FROM EACH STATE MANAGED FUND TO LOCAL HOSPITAL NETWORKS OR OTHER ORGANISATIONS OR FUNDS AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

| Provider | Amount paid from ACT State Managed Fund to (\$'000) | | Total |
|--|---|---------------|---------------|
| | Under NHR legislation | Notional | |
| ACT Local Hospital Network Directorate | 19,129 | 40,864 | 59,993 |
| Other organisations or funds | - | - | - |
| ACT TOTAL | 19,129 | 40,864 | 59,993 |

For the Australian Capital Territory basis of payments see part a) of this section.

PAYMENTS INTO THE STATE MANAGED FUND — ACT (\$M)

Includes notional amounts.



+ Australian Capital Territory **43**

+ Pool — Commonwealth **17**

PAYMENTS OUT OF THE STATE MANAGED FUND — ACT (\$M)

Includes notional amounts.



+ Local Hospital Networks **60**

SECTION 241(2) E) THE NUMBER OF PUBLIC HOSPITAL SERVICES FUNDED FOR EACH LOCAL HOSPITAL NETWORK IN ACCORDANCE WITH THE SYSTEM OF ACTIVITY BASED FUNDING

The National Weighted Activity Unit (NWAU) is the unit of measurement for the activity based funding system. It is a measure of health service activity expressed as a common unit, against which the national efficient price is paid. It provides a way of comparing and valuing each activity based funded public hospital service, by weighting it for its clinical complexity.

The information outlined below is provided by the Australian Capital Territory as service estimates at the start of each financial year for Commonwealth payment purposes. Estimates may continue to be refined during the course of the year. These estimates form the basis of monthly reporting of service volumes until actual service numbers become available.

| Local Hospital Network | Number of ABF public hospital services funded (NWAU) |
|--|--|
| ACT Local Hospital Network Directorate | 115,604 |
| ACT TOTAL | 115,604 |

SECTION 241(2) F) THE NUMBER OF OTHER PUBLIC HOSPITAL SERVICES AND FUNCTIONS FUNDED FROM EACH STATE POOL ACCOUNT OR STATE MANAGED FUND

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

However, in 2012-13 Australian Capital Territory did not report any ‘other public hospital services and functions funded’ from their Pool Account or State Managed Fund.



NORTHERN TERRITORY

Financial Statement



**National Health Funding Pool —
Northern Territory State Pool Account
Special Purpose Financial Statement
For the period 1 October 2012 to 30 June 2013**

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 Northern Territory *National Health Funding Pool and Administration (National Uniform Legislation) Act 2012*.



Auditor-General

Independent Auditor's Report to the Minister for Health

Northern Territory State Pool Account of the National Health Funding Pool

As required by section 20 of the *National Health Funding Pool and Administration (National Uniform Legislation) Act 2012* and section 243 of the *National Health Reform Act 2011*, I have audited the accompanying special purpose financial statement (the financial statement) of the Northern Territory State Pool Account of the National Health Funding Pool for the period ended 30 June 2013. The financial statement comprises:

- a Statement of Receipts and Payments for the period 1 October 2012 to 30 June 2013;
- notes, comprising a summary of significant accounting policies and other explanatory information; and
- the Administrator's declaration.

The Responsibility of the Administrator of the National Health Funding Pool for the Financial Statement

The Administrator of the National Health Funding Pool (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 and Administration (National Uniform Legislation) Act 2012* and 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 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 based on the audit. The audit was conducted in accordance with Australian Auditing Standards and the *National Health Funding Pool and Administration (National Uniform Legislation) Act 2012*, *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statement that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Administrator, as well as the overall presentation of the financial statement.

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

Opinion

In my opinion, the financial statement gives a true and fair view of the receipts and payments of the Northern Territory State Pool Account of the National Health Funding Pool for the period ended 30 June 2013 in accordance with the *National Health Funding Pool and Administration (National Uniform Legislation) Act 2012*, *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.



Auditor-General

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's financial reporting obligations under the *National Health Funding Pool and Administration (National Uniform Legislation) Act 2012*, *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.

A handwritten signature in black ink, appearing to read 'F McGuinness'.

F McGuinness
Auditor-General for the Northern Territory
Darwin, Northern Territory

25 September 2013



**Administrator
National Health
Funding Pool**

Northern Territory State Pool Account

I report that, as indicated in note 1 (a) 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 special purpose financial statement for the period 1 October 2012 to 30 June 2013 is based on properly maintained financial records and gives a true and fair view of the matters required by the Northern Territory *National Health Funding Pool and Administration (National Uniform Legislation) Act 2012*, the Commonwealth *National Health Reform Act 2011* and the National Health Reform Agreement 2011.

Bob Sendt
RJ Sendt
Administrator
National Health Funding Pool

23 September 2013

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Northern Territory State Pool Account
Statement of receipts and payments
for the period 1 October 2012 to 30 June 2013

| | Notes | 2013 \$'000 |
|---|----------|----------------|
| Cash at bank as at 1 October 2012 | | - |
| Receipts into the state pool account | | |
| From Commonwealth | | |
| Activity based funding | 2 | 71,116 |
| Block funding | | 33,521 |
| Public health funding | | 2,638 |
| From Northern Territory | | |
| Activity based funding | 2 | 210,684 |
| Cross border contribution | | - |
| From other States/ Territories | | |
| Cross border receipts | 3 | - |
| From Reserve Bank of Australia | | |
| Interest receipts | | 15 |
| Total receipts | | 317,974 |
| Payments out of the state pool account | | |
| To Local Hospital Networks | | |
| Activity based funding | 4 | 281,800 |
| To Northern Territory Department of Health | | |
| Public health funding | | 2,638 |
| Interest payments | | - |
| To other States/ Territories | | |
| Cross border payments | 5 | - |
| To Northern Territory State Managed Fund | | |
| Block funding | | 33,521 |
| Total payments | | 317,959 |
| Net receipts/(payments) for the period | | 15 |
| Cash at bank 30 June 2013 | 7 | 15 |

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statement are set out below. The financial statement is for the Northern Territory state pool account (which was established at the Reserve Bank of Australia in 2012–13) and is a special purpose financial statement.

(a) Basis of preparation

The Northern Territory state pool account was established in accordance with the Northern Territory *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 basis of accounting. 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 unless otherwise specified.

The financial statement relates to the period commencing 1 October 2012 when the Northern Territory first transacted through the National Health Funding Pool. As such there is no comparative information.

The special purpose financial statement was authorised for issue by the Administrator of the National Health Funding Pool on 23 September 2013.

(b) Activity Based Funding, Block Funding and Public Health Funding

The Commonwealth and state or territory governments provide three types of funding into the pool account as follows:

- i. Activity based funding (Commonwealth and state) — represents acute admitted public, acute admitted private, non-admitted, and emergency department categories of service funded by both the Commonwealth and state or territory governments. These are funded through the state or territory pool account and paid to local hospital networks.

Northern Territory State Pool Account
Notes to the special purpose financial statement
for the period 1 October 2012 to 30 June 2013

- ii. Block funding (Commonwealth) — represents mental health, small rural and metropolitan hospitals, sub-acute, teaching, training and research, and other categories which are paid to state or territory managed funds, normally, in the first instance, to state or territory health departments.
- iii. Public health funding — other amounts transacted through the state or territory pool account and subsequently paid to the state or territory health departments.

As disclosed in note 1(a) funding received is brought to account when received and payments are brought to account when paid. Funding received may not equal payments made due to timing differences. Commonwealth activity based funding payments into the pool are based on prices set by the Independent Hospital Pricing Authority and are applied to the activity estimates provided by the territory at the local hospital network.

(c) Interest

Interest earned and deposited by the Reserve Bank of Australia 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.

(d) Cross border

When a resident of one state receives hospital treatment in another state, the 'resident state' compensates the treating or 'provider state' for the cost of that care via a cross border payment.

State and territory cross border payments can either be:

- i. Paid to the relevant state or territory's local hospital networks, or
- ii. Reimbursed to the relevant state or territory where the state or territory's local hospital networks are already being funded for the cost of treating cross-border patients.

(e) Taxation

The state or territory pool account is not subject to income tax. The majority of government funding, from both the Commonwealth and state or territory, to local hospitals is not subject to 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, where applicable.

(f) Governance of the National Health Funding Pool

The Administrator of the National Health Funding Pool (the Administrator) is an independent statutory office holder, distinct from the Commonwealth and state and territory governments, established under legislation of the Commonwealth and state and territory governments.

2 SUMMARY OF ACTIVITY BASED FUNDING RECEIPTS

Total receipts paid into the Northern Territory state pool account in respect of activity based funding were as follows:

| | 2013 \$'000 |
|-------------------------------------|----------------|
| Commonwealth activity based funding | 71,116 |
| Territory activity based funding | 210,684 |
| Total | 281,800 |

3 CROSS BORDER RECEIPTS

Total cross border receipts into the Northern Territory state pool account from other states and territories were as follows:

| STATES/ TERRITORIES | 2013 \$'000 |
|------------------------------|----------------|
| Cross border receipts | |
| New South Wales | - |
| Victoria | - |
| Queensland | - |
| Western Australia | - |
| South Australia | - |
| Tasmania | - |
| Australian Capital Territory | - |
| Total | - |

Where no cross border receipts are reported through the Northern Territory state pool account, there may be other bilateral arrangements between the states and territories.

Northern Territory State Pool Account
Notes to the special purpose financial statement
for the period 1 October 2012 to 30 June 2013

4 SUMMARY OF ACTIVITY BASED FUNDING PAYMENTS

Total payments made out of the Northern Territory state pool account in respect of each local hospital network were as follows:

| LOCAL HOSPITAL NETWORKS | 2013 \$'000 |
|--|----------------|
| Central Australian Hospital Network | 104,111 |
| Top End Hospital Network | 177,689 |
| Total activity based funding payments | 281,800 |

5 CROSS BORDER PAYMENTS

Total cross border payments out of the Northern Territory state pool account to other states and territories were as follows:

| STATES/ TERRITORIES | 2013 \$'000 |
|------------------------------|----------------|
| Cross border payments | |
| New South Wales | - |
| Victoria | - |
| Queensland | - |
| Western Australia | - |
| South Australia | - |
| Tasmania | - |
| Australian Capital Territory | - |
| Total | - |

Where no cross border transactions are reported through the Northern Territory state pool account, there may be other bilateral arrangements between the states and territories.

6 ACTIVITY BASED FUNDING RECONCILIATION

Total territory and Commonwealth activity based funding contributions and total local hospital network activity based funding payments were as follows:

| LOCAL HOSPITAL NETWORKS | 2013 \$'000 |
|--|----------------|
| Total Commonwealth and territory activity based funding receipts | 281,800 |
| Total local hospital network activity based funding payments | 281,800 |
| Total | - |

The Administrator makes payments from the state pool account in accordance with the directions of the territory concerned. Under the direction of the Northern Territory Department of Health, total Commonwealth and territory activity based funding receipts equal total activity based funding payments made to the local hospital networks.

7 CASH AT BANK RECONCILIATION

The cash at bank as at period end is as follows:

| | 2013 \$'000 |
|-----------------------------------|----------------|
| Balance as at 30 June 2013 | 15 |

The balance as at 30 June 2013 of the state pool account relates to interest earned but not paid.

National Health Reform Funding and Payments



Section 241(2) of the *National Health Reform Act 2011* outlines certain disclosures to be reported in this Annual Report. The information reported is specific to the transactions of the 'relevant state or territory'. For the purposes of this legislative reporting, the 'relevant state or territory' is the state or territory that holds the bank accounts opened under the laws of the state or territory for the purposes of the *National Health Reform Agreement*.

The figures reported reflect all national health reform amounts transacted in 2012–13, including 'under national health reform legislation' and 'notional payments'.

Notional payments were amounts paid into and out of departmental bank accounts by states or territories to local hospital networks that would have been transacted through the Pool and/or State Managed Fund had national health reform funding arrangements been in place for that state or territory (see 'Transition to the National Health Funding Pool' for further information). Notional payments are included in 2012–13 to enable national comparability, but have been separately identified.

Notional amounts are based on information provided by Northern Territory for the purposes of the Administrator's monthly reporting requirements, located on the www.publichospitalfunding.gov.au website.

SECTION 241(2) 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

| Component | Amount paid by Northern Territory into | | | | Total (\$'000) | |
|------------------------|--|---------------|-----------------------------|---------------|-----------------------|----------------|
| | State Pool Account (\$'000) | | State Managed Fund (\$'000) | | | |
| | Under NHR legislation | Notional | Under NHR legislation | Notional | Under NHR legislation | Notional |
| Activity based funding | 210,684 | 50,230 | - | - | 210,684 | 50,230 |
| Block funding | - | - | 204,957 | 51,770 | 204,957 | 51,770 |
| NT TOTAL | 210,684 | 50,230 | 204,957 | 51,770 | 415,640 | 102,000 |

The basis used to determine national health reform payments to local hospital networks in Northern Territory for 2012-13 (at June 2013) was advised by the NT Department of Health to be as follows:

The annual funding allocation for the Top End and Central Australian Hospital Networks of Northern Territory has been 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 resources as a cost containment strategy.

Variations to monthly payments to the Northern Territory local hospital networks 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 local hospital networks are engaged in. The local hospital networks in the Northern Territory have been in a transitional phase and payments during this period have varied based on costs held centrally being transitionally transferred over.

SECTION 241(2) B) THE AMOUNTS PAID INTO EACH STATE POOL ACCOUNT BY THE COMMONWEALTH AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

| Component | Amount paid by Commonwealth into NT State Pool Account (\$'000) | | Total (\$'000) |
|------------------------|---|---------------|----------------|
| | Under NHR legislation | Notional | |
| Public Health funding | 2,638 | 889 | 3,527 |
| Block funding | 33,521 | 11,402 | 44,922 |
| Activity based funding | 71,116 | 24,214 | 95,330 |
| NT TOTAL | 107,275 | 36,505 | 143,780 |

For the Commonwealth basis of payments see part b) of the 'National health reform funding and payment — National' section.

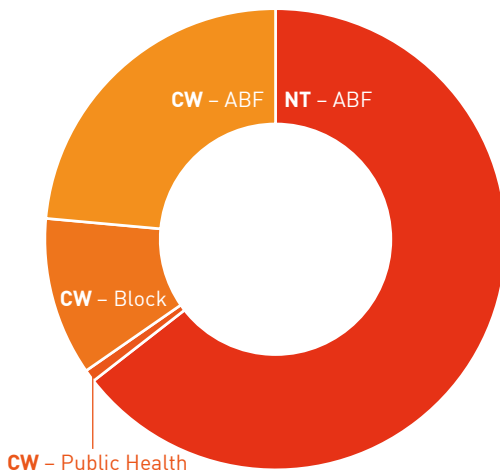
SECTION 241(2) C) THE AMOUNTS PAID FROM EACH STATE POOL ACCOUNT TO LOCAL HOSPITAL NETWORKS, A STATE MANAGED FUND OR OTHER ORGANISATIONS OR FUNDS AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

| Recipient | Amount paid from NT State Pool Account to (\$'000) | | Total (\$'000) |
|-------------------------------------|--|---------------|----------------|
| | Under NHR legislation | Notional | |
| Central Australian Hospital Network | 104,111 | 28,634 | 132,745 |
| Top End Hospital Network | 177,689 | 45,810 | 223,499 |
| Total LHNs | 281,800 | 74,444 | 356,244 |
| State Managed Fund | 33,521 | 11,402 | 44,922 |
| Other organisations or funds | 2,638 | 889 | 3,527 |
| NT TOTAL | 317,959 | 86,735 | 404,694 |

For the Northern Territory basis of payments see part a) of this section.

PAYMENTS INTO THE POOL — NT (\$M)

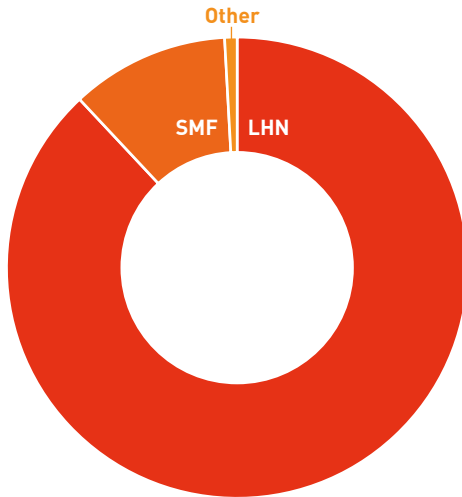
Includes notional amounts.



- + NT — Activity Based Funding **261**
- + Commonwealth — Public Health **4**
- + Commonwealth — Block Funding **45**
- + Commonwealth — Activity Based Funding **95**

PAYMENTS OUT OF THE POOL — NT (\$M)

Includes notional amounts.



- + Local Hospital Networks **356**
- + State Managed Fund **45**
- + Other Organisations and Funds **4**

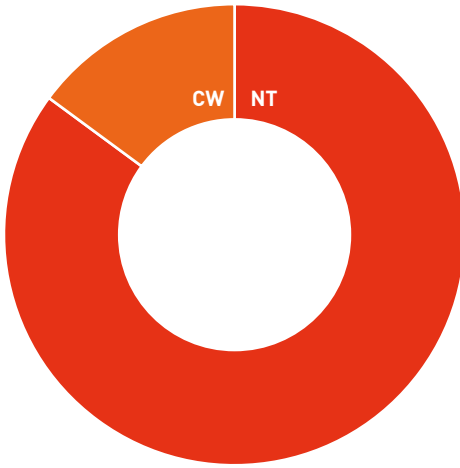
SECTION 241(2) D) THE AMOUNTS PAID FROM EACH STATE MANAGED FUND TO LOCAL HOSPITAL NETWORKS OR OTHER ORGANISATIONS OR FUNDS AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

| Provider | Amount paid from NT State Managed Fund to (\$'000) | | Total |
|-------------------------------------|--|---------------|----------------|
| | Under NHR legislation | Notional | |
| Central Australian Hospital Network | 44,278 | 13,517 | 57,795 |
| Top End Hospital Network | 194,199 | 49,655 | 243,854 |
| Other organisations or funds | - | - | - |
| NT TOTAL | 238,477 | 63,172 | 301,649 |

For the Northern Territory basis of payments see part a) of this section.

PAYMENTS INTO THE STATE MANAGED FUND — NT (\$M)

Includes notional amounts.



- + Northern Territory **257**
- + Pool — Commonwealth **45**

PAYMENTS OUT OF THE STATE MANAGED FUND — NT (\$M)

Includes notional amounts.



- + Local Hospital Networks **302**

SECTION 241(2) E) THE NUMBER OF PUBLIC HOSPITAL SERVICES FUNDED FOR EACH LOCAL HOSPITAL NETWORK IN ACCORDANCE WITH THE SYSTEM OF ACTIVITY BASED FUNDING

The National Weighted Activity Unit (NWAU) is the unit of measurement for the activity based funding system. It is a measure of health service activity expressed as a common unit, against which the national efficient price is paid. It provides a way of comparing and valuing each activity based funded public hospital service, by weighting it for its clinical complexity.

The information outlined below is provided by the Northern Territory as service estimates at the start of each financial year for Commonwealth payment purposes. Estimates may continue to be refined during the course of the year. These estimates form the basis of monthly reporting of service volumes until actual service numbers become available.

| Local Hospital Network | Number of ABF public hospital services funded (NWAU) |
|-------------------------------------|--|
| Central Australian Hospital Network | 35,838 |
| Top End Hospital Network | 57,357 |
| NT TOTAL | 93,194 |

SECTION 241(2) F) THE NUMBER OF OTHER PUBLIC HOSPITAL SERVICES AND FUNCTIONS FUNDED FROM EACH STATE POOL ACCOUNT OR STATE MANAGED FUND

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

However, in 2012-13 Northern Territory did not report any ‘other public hospital services and functions funded’ from their Pool Account or State Managed Fund.



ACRONYMS, ABBREVIATIONS AND GLOSSARY

| Word or term | Meaning |
|-------------------------------------|--|
| (the) Act | The <i>National Health Reform Act 2011</i> . |
| Activity Based Funding (ABF) | A system for funding public hospital services based on the actual number of services provided to patients and the efficient cost of delivering those services. Activity based funding uses national classifications, cost weights and nationally efficient prices to determine the amount of funding for each activity or service. |
| (the) Administrator | <p>The Administrator of the National Health Funding Pool (the Administrator) is an independent statutory office holder, distinct from Commonwealth and state and territory government departments, established under legislation of the Commonwealth and state and territory governments.</p> <p>The role of the Administrator, with support from the National Health Funding Body, is to administer the payment of public hospital funding according to the <i>National Health Reform Agreement</i>, and to oversee payments into and out of the Reserve Bank pool account for each state and territory, collectively known as the National Health Funding Pool (the Pool).</p> |
| (the) Agreement | The <i>National Health Reform Agreement</i> entered into by all states, territories and the Commonwealth in August 2011 sets out significant reforms to the way in which public hospitals are funded nationally. |
| Block Funding | <p>A system of funding public hospital functions and services as a fixed amount based on population and previous funding.</p> <p>Under National Health Reform, 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> |

Continued.

| Word or term | Meaning |
|---|---|
| Council of Australian Governments (COAG) | The peak intergovernmental forum in Australia. The members of COAG are the Prime Minister, state and territory Premiers and Chief Ministers and the President of the Australian Local Government Association. |
| Local Hospital Network (LHN) | <p>An organisation that provides public hospital services in accordance with the <i>National Health Reform Agreement</i>. A local hospital network can contain one or more hospitals, and is usually defined as a business group, geographical area or community. Every Australian public hospital is part of a local hospital network. Local hospital networks receive activity based and block funding under the Agreement.</p> <p>Some states and territories use their own terminology to describe local hospital networks, such as 'local health districts'.</p> |
| National Health Funding Body (Funding Body) | 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 (Pool) | A collective name for the state pool accounts of all states and territories, also known as the 'the Pool'. The Pool was established under Commonwealth and state and territory legislation for the purpose of receiving all Commonwealth and activity based state and territory public hospital funding, and for making payments under the Agreement. |
| National Health Reform (NHR) | National Health Reform includes significant reforms to the way in which public hospitals are funded nationally in Australia, as set out in the <i>National Health Reform Agreement</i> entered into by all states, territories and the Commonwealth in August 2011. |
| National Health Reform Agreement (the Agreement) | <i>National Health Reform Agreement</i> , see '(the) Agreement'. |

Continued.

| Word or term | Meaning |
|--|---|
| <p>Other Funding</p> | <p>The other funding category represents:</p> <ul style="list-style-type: none"> + Public health funding — funding provided for various public health programs such as essential vaccines, child health and youth services. + Cross border funding — funding provided from other states and territories for patients who received services in a state or territory other than their resident state or territory. + Over deposit funding — funding provided into the state pool account that is surplus to payment requirements for a particular month. + Interest — interest received on funds in the state pool account. + ‘Other’ funding — as determined by the state or territory and notated in the monthly reports. |
| <p>(the) Pool</p> | <p>See ‘National Health Funding Pool’.</p> |
| <p>Standing Council on Health</p> | <p>Membership of Commonwealth, state, territory and New Zealand Ministers with responsibility for health matters, and the Commonwealth Minister for Veterans’ Affairs.</p> |
| <p>State Managed Fund</p> | <p>A separate bank account or fund established by a state or territory for the purposes of health funding under the Agreement which must be undertaken in the state or territory.</p> |
| <p>State Pool Account</p> | <p>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 pool accounts of all states and territories are collectively known as the National Health Funding Pool or the Pool.</p> |



DISCLOSURE INDEX

Sections 241(2) and (3) of the *National Health Reform Act 2011* outline the list of requirements that must be included in this Annual Report. Their inclusion within the document is highlighted in the table below.

| Section | Description | Location — National level | Location — State / Territory level |
|---|--|---------------------------|--|
| 241 (2) The annual report must include the following information for the relevant financial year | | | |
| (a) | the amounts paid into each State Pool Account and State Managed Fund by the relevant State and the basis on which the payments were made | Page 13 | NSW p.44–54 VIC p.70–82 QLD p.96–103 WA p.118–124 SA p.138–144 TAS p.158–164 ACT p.178–184 NT p.198–204 |
| (b) | the amounts paid into each State Pool Account by the Commonwealth and the basis on which the payments were made | Pages 14–15 | |
| (c) | 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 | Page 16 | |
| (d) | 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 | Page 17 | |
| (e) | the number of public hospital services funded for each local hospital network in accordance with the system of activity based funding | Page 18 | |
| (f) | the number of other public hospital services and functions funded from each State Pool Account or State Managed Fund | Page 19 | |
| 241 (3) The annual report is to be accompanied by | | | |
| (a) | an audited financial statement for each State Pool Account | N/A | NSW p.32–43 VIC p.56–69 QLD p.84–95 WA p.106–117 SA p.126–137 TAS p.146–157 ACT p.166–177 NT p.186–197 |
| (b) | a financial statement that combines the audited financial statements for each State Pool Account | Pages 21–30 | N/A |



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