



Administrator
National Health
Funding Pool

Improving the transparency of
public hospital funding in Australia

ANNUAL REPORT 2019-20



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

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

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

This Annual Report provides an overview of the role and work of the Administrator during 2019-20 and provides both the combined and individual State and Territory Pool Accounts for 2019-20.

This report should be read in conjunction with the *National Health Funding Body Annual Report 2019-20*.

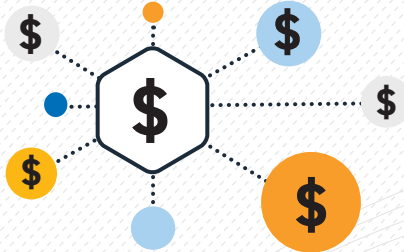


www.publichospitalfunding.gov.au/publications

WE ADMINISTERED...

\$55 BILLION

in public hospital funding



WE SAW A **\$18 BILLION INCREASE**
in public hospital funding

\$37 BILLION IN FY 2013-14



\$55 BILLION IN FY 2019-20



WITH **\$53 BILLION** PAID TO...

145 Local Hospital Networks (LHNs)

COMPRISING OF

692
public hospitals



WE ALSO PAID

\$3 BILLION

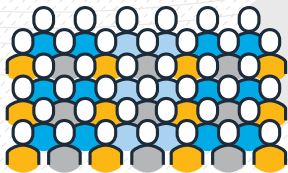
in Commonwealth funding to States and Territories for

COVID-19



THAT DELIVERED...

39 MILLION
PUBLIC HOSPITAL
SERVICES



LAUNCHED A NEW

PAYMENTS SYSTEM

streamlining the processing of 3,505 banking transactions



MESSAGE FROM THE ADMINISTRATOR

MICHAEL LAMBERT

I am pleased to present the Administrator's National Health Funding Pool Annual Report for the financial year ending 30 June 2020, which is the eighth report on the operation of the National Health Funding Pool (the Pool) and my third report as the Administrator.

The year was challenging with the COVID-19 pandemic requiring new funding arrangements to be quickly put in place in response to the outbreak, at the same time the Commonwealth, States and Territories were negotiating a new National Health Reform Agreement. Together with all jurisdictions we progressed important funding integrity measures such as data matching to reduce the likelihood of potential duplicate payments.

Funding and Annual Reconciliation

In 2019-20, \$53 billion in payments were made to Local Hospital Networks from a total of \$55 billion in Commonwealth, State and Territory funding contributions. The balance was paid to State and Territory Health Departments. Of the total \$55 billion in funding, the Commonwealth contributed \$23 billion and the States and Territories provided \$32 billion.

The 2018-19 Annual Reconciliation of Commonwealth National Health Reform (NHR) funding was completed in March 2019 based on actual public hospital services delivered in 2018-19, resulting in a total funding adjustment of \$233 million. Therefore the total Commonwealth NHR funding paid in 2019-20 was \$22.561 billion, including the \$233 million funding adjustment for prior year services.

Cash payments compared to final Commonwealth funding entitlements

Cash payments reflect the level of Commonwealth NHR funding actually paid within a financial year. These payments include both, funding for forecast activity estimates for the current financial year provided by States and Territories, as well as funding adjustments based on the reconciliation of actual public hospital services delivered in the prior financial year. These funding adjustments are based on the final Commonwealth NHR funding entitlement which is determined after the financial year is concluded and all activity data is submitted for reconciliation. The table on page 28 shows the National comparison between these two figures, and for the first time this information is also shown for each State and Territory.

COVID-19 Payments

The COVID-19 pandemic, in addition to placing enormous pressure on Australian governments, the community, the economy and the health system, required a funding system be put in place dedicated to funding public and private hospitals and public health in response to COVID-19. On 13 March 2020, the Australian governments established a National Partnership on COVID-19 Response (NPCR) under which the Commonwealth committed to provide 50 per cent of the cost of treating COVID-19 patients and associate public health activity. In addition, following the cancellation of elective surgery, the Commonwealth agreed to provide 100 per cent of the payments to private hospitals that entered into contracts with States and Territories in order to retain and integrate infrastructure, equipment and workforce capacity to fight COVID-19 and until the pandemic is over. This was incorporated in the NPCR on 14 April 2020.

The National Health Funding Pool Payments System (Payments System) was upgraded to deliver timely NPCR funding. For the period to 30 June 2020 a total of \$2.955 billion in Commonwealth COVID-19 funding was paid to States and Territories. The amount of COVID-19 funding provided to each State and Territory is outlined in each financial statement, in particular Note 7: COVID-19 Funding.



Funding Integrity and Data Matching

Under the NHR Agreement there is a requirement that the Commonwealth will not fund any service which has been funded through another Commonwealth program, such as the Medicare Benefits Schedule (MBS) and Pharmaceutical Benefits Scheme (PBS). In order to identify, assess and take appropriate actions where such duplicate payments occur, an extensive data matching program has been established. During 2018-19 and 2019-20 data matching was undertaken, matching MBS data with public hospital services data.

In June 2019 data matches for financial years 2014-15, 2015-16 and 2016-17 were provided to all jurisdictions for investigation and a report was provided to the COAG Health Council in November 2019. It was agreed that the next step was to further develop and refine the data matching business rules and apply this to data for 2017-18 and 2018-19. This work is currently being undertaken and forms a key part of our work program for 2020-21.

New Payments System and Website

Over the last year, a new payment system was developed and implemented which utilises the TechnologyOne OneGov Cloud based software, which significantly improved the automation of key processes and system security. There was extensive collaboration with States and Territories and I wish to express my appreciation for the work and close cooperation involved.

The new Payments System was successfully brought on line from 1 October 2019 and has worked extremely well, including system changes at short notice to facilitate the additional COVID-19 payments. Following a short stakeholder survey, further system enhancements are planned which will be co-designed in collaboration with all jurisdictions and other stakeholders.

In addition, a new website was developed, publichospitalfunding.gov.au, combining the Administrator's and NHFB's websites and providing substantially enhanced functionality for users to assess public hospital funding information and prepare reports.

National Health Reform Agreement

The NHR Agreement, first executed in 2011, has since been subject to a number of Addendums that introduce changes. The Addendum for 2017-18 to 2019-20 expired on 30 June 2020 and was replaced by the Addendum for 2020-21 to 2024-25 which was signed by all jurisdictions in May 2020. It broadly continues the current funding arrangements with the Commonwealth funding 45 per cent of efficient growth in public hospital funding, subject to a cap on growth in Commonwealth funding of 6.5 per cent per annum. Further information on each phase of the NHR Agreement is provided in the Legislative and Regulatory Framework section of this report on page 1.

While not part of the Addendum, the Australian Government has provided a minimum funding guarantee in respect to the level of Commonwealth NHR funding for 2019-20 and 2020-21 in recognition of the potential adverse impacts of COVID-19 on State and Territory public hospital systems and funding levels.

Stakeholder Engagement

Throughout 2019-20, there was regular engagement with all jurisdictions, both through the Jurisdictional Advisory Committee and through one on one meetings with single jurisdictions to review the consistency and transparency of public hospital funding. In addition, there were regular meetings with the national bodies. This will continue in 2020 21.

The Year Ahead

During the coming year, Shannon White and I will actively engage with all jurisdictional stakeholders, industry partners, and with allied organisations such as the Independent Hospital Pricing Authority (IHPA), the Australian Institute of Health and Welfare (AIHW), and the Australian Commission on Safety and Quality in Health Care (ACSQHC). Building on our achievements over the last two years, our future priorities include the following:

- Working with all jurisdictions to ensure the successful implementation and operation of the 2020-2025 Addendum to the National Health Reform Agreement;
- Working with the AIHW and all jurisdictions to improve the transparency, consistency and timeliness of public hospital funding information;
- Undertaking data matching, in full consultation with all jurisdictions, to improve financial integrity while at the same time avoiding creating obstacles to coordinated health care;
- Exploring with the ACSQHC and the IHPA ways to encourage and facilitate improved quality and safety in health care and avoiding unnecessary hospitalisations;
- Working with the IHPA to ensure financial neutrality between private and public patients in public hospitals; and
- Progress further enhancements to the Payments System and website to improve the transparency of public hospital funding.

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

Michael Lambert

Administrator
National Health Funding Pool

LETTER OF TRANSMITTAL



Administrator
National Health
Funding Pool

Office of the Administrator
GPO Box 1252 Canberra ACT 2601
Telephone: 1300 930 522
Email: nhfa.administrator@nhfa.gov.au

1 October 2020

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

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

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

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

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

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

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

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

The Hon. Natasha Fyles MLA
Minister for Health
Northern Territory

Dear Ministers,

Administrator of the National Health Funding Pool Annual Report 2019-20

I am pleased to submit to you, for tabling in your respective Parliaments,
my Annual Report for the year ended 30 June 2020.

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

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

Yours sincerely,

Michael Lambert
Administrator
National Health Funding Pool

CONTENTS

Message from the Administrator		I
Letter of Transmittal		V
INTRODUCTION		1
Annual Report Legislative Requirements		1
The Role of the Administrator		3
Legislative and Regulatory Framework		5
Administrator Policies		7
Calculating the Commonwealth Contribution in 2019-20		8
Public Hospital Funding and Payments		10
The National Health Funding Body		14
Highlights and What's Ahead		16
NATIONAL	17	SOUTH AUSTRALIA
Funding and Payments	18	Funding and Payments
Financial Statement	29	Financial Statement
NEW SOUTH WALES	47	TASMANIA
Funding and Payments	48	Funding and Payments
Financial Statement	59	Financial Statement
VICTORIA	73	AUSTRALIAN CAPITAL TERRITORY
Funding and Payments	74	Funding and Payments
Financial Statement	87	Financial Statement
QUEENSLAND	103	NORTHERN TERRITORY
Funding and Payments	104	Funding and Payments
Financial Statement	113	Financial Statement
WESTERN AUSTRALIA	127	ENDNOTES
Funding and Payments	128	Acronyms
Financial Statement	135	Glossary
		Index
		241
		242
		243
		246

ANNUAL REPORT LEGISLATIVE REQUIREMENTS

Jurisdiction and relevant Act	Requirement for the financial year	COMMONWEALTH National Health Reform Act 2011	NEW SOUTH WALES Health Services Act 1997
National Health Reform Funding and Payments Reporting	The Administrator's Annual Report must include: the amounts paid into the State Pool Account and State Managed Fund, and the number of weighted hospital services funded.	s.241(2)	schedule 6A clause 16(2)
Financial Statements	The Administrator must prepare a financial statement for each State Pool Account and a financial statement that combines the financial statements for each State Pool Account.	s.241(3) and s.242	schedule 6A clauses 16(3) and 17
Audit of Financial Statements	A financial statement for the State Pool Account is to be audited by the relevant Auditor-General.	s.243	schedule 6A clause 18
Administrator's Annual Report	The Administrator must, within four months after the end of each financial year, provide to the responsible Ministers an annual report on the exercise or performance of his/her functions.	s.241(1)	schedule 6A clause 16(1)
Tabling of the Annual Report	A responsible Minister must, as soon as practicable after receiving an annual report, cause a copy of the report to be tabled in the Parliament of the relevant jurisdiction.	s.241(4)	schedule 6A clause 16(4)

VICTORIA Health (Commonwealth State Funding Arrangements) Act 2012	QUEENSLAND Hospital and Health Boards Act 2011	WESTERN AUSTRALIA National Health Funding Pool Act 2012	SOUTH AUSTRALIA National Health Funding Pool Administration (South Australia) Act 2012	TASMANIA National Health Funding Administration Act 2012	AUSTRALIAN CAPITAL TERRITORY Health (National Health Funding Pool and Administration) Act 2013	NORTHERN TERRITORY National Health Funding Pool and Administration (National Uniform Legislation) Act 2012
s.17(2)	s.53S(2)	s.19(2)	s.22(2)	s.18(2)	s.25(2)	s.18(2)
s.17(3) and s.18	s.53S(3) and s.53T	s.19(3) and s.20	s.22(3) and s.23	s.18(3) and s.19	s.25(3) and s.26	s.18(3) and s.19
s.19	s.53U	s.21	s.24	s.20	s.27	s.20
s.17(1)	s.53S(1)	s.19(1)	s.22(1)	s.18(1)	s.25(1)	s.18(1)
s.17(4)	s.53S(4)	s.19(4)	s.22(4)	s.18(4)	s.25(4)	s.18(4)

THE ROLE OF THE ADMINISTRATOR

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

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

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

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

PRIME MINISTER,
PREMIERS AND
CHIEF MINISTERS

COMMONWEALTH,
STATE AND TERRITORY
HEALTH MINISTERS

COMMONWEALTH
TREASURER

INTRODUCTION

NATIONAL

NSW

VIC

QLD

WA

SA

TAS

ACT

NT

ENDNOTES

ADMINISTRATOR OF THE NATIONAL HEALTH FUNDING POOL



Michael Lambert, Administrator

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

THE NATIONAL HEALTH FUNDING BODY



Shannon White, CEO

Led by a CEO, the 21 staff in the NHFB support the Administrator to oversee the administration of Commonwealth, State and Territory public hospital funding and payments under the National Health Reform Agreement.

WHO WE WORK WITH

PORTFOLIO
AGENCIES

COMMONWEALTH,
STATE AND TERRITORY
STAKEHOLDERS

INDUSTRY
PARTNERS

LEGISLATIVE AND REGULATORY FRAMEWORK

Legislation

The role of the Administrator, the Pool and the NHFB in Australia's health system was the result of significant public hospital funding reforms agreed by the Commonwealth and all States and Territories in August 2011, forming the NHR Act and NHR Agreement.

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

On 29 May 2020, the Commonwealth, States and Territories entered into a new agreement through the Addendum to the National Health Reform Agreement 2020-21 to 2024-25 (the Addendum).

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

Overview of health care agreements

NATIONAL HEALTHCARE SPECIFIC PURPOSE PAYMENT PRE-2012

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

NATIONAL HEALTH REFORM AGREEMENT 2012-13 TO 2016-17

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

ADDENDUM TO THE NATIONAL HEALTH REFORM AGREEMENT 2017–18 TO 2019–20

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

ADDENDUM TO THE NATIONAL HEALTH REFORM AGREEMENT 2020–21 TO 2024–25

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

- Improving efficiency and ensuring financial sustainability;
- Delivering safe, high-quality care in the right place at the right time;
- Prioritising prevention and helping people manage their health across their lifetime; and
- Driving best practice and performance using data and research.

ADMINISTRATOR POLICIES

The Administrator's policies make transparent the approach taken to performing the Administrator's functions. This includes the provision of data, data quality and management, calculation of initial payments, reconciliation of final entitlements, funding integrity, and guidance on the operation of the National Health Funding Pool.

Three-Year Data Plan

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

Data Compliance Policy

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

Data Governance Policy

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

Calculation of Commonwealth National Health Reform Funding

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

Business Rules for Data Matching

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

National Health Funding Pool Payments System Procedures Manual

The Manual covers the procedures for authorised NHFB and State and Territory staff to process Pool deposits and payments through the Payments System.

CALCULATING THE COMMONWEALTH CONTRIBUTION IN 2019-20

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

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

There are two broad types of funding: (ABF) and Block funding (see Figure 4). Under the NHR Agreement, the scope of public hospital services that are funded on an ABF or Block funding basis and are eligible for a Commonwealth funding contribution currently includes:

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

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

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

Payment Advice

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

- As input to the Commonwealth Budget, based on initial estimates of activity from States and Territories.
- Establishing Commonwealth contributions for the future financial year, based on confirmed estimates of activity from States and Territories.
- Updating Commonwealth contributions for the current financial year, based on revised activity estimates from States and Territories.
- As input to the Mid-Year Economic and Fiscal Outlook (MYEFO).
- Updating Commonwealth contributions following the 2018-19 Six-month Reconciliation and Annual Reconciliation.

Five updates were made to the Commonwealth contribution for 2019-20. The Administrator's:

- July 2019 payment advice (**\$22.125 billion**) was provided to the Commonwealth Treasurer on 28 June 2019.
- September 2019 payment advice (**\$22.194 billion**) was provided to the Commonwealth Treasurer on 29 August 2019.
- March 2020 payment advice (**\$22.243 billion**) was provided to the Commonwealth Treasurer on 27 February 2020.
- April 2020 payment advice (**\$22.573 billion**) was provided to the Commonwealth Treasurer on 26 March 2020.
- June 2020 payment advice (**\$22.561 billion**) was provided to the Commonwealth Treasurer on 28 May 2020.

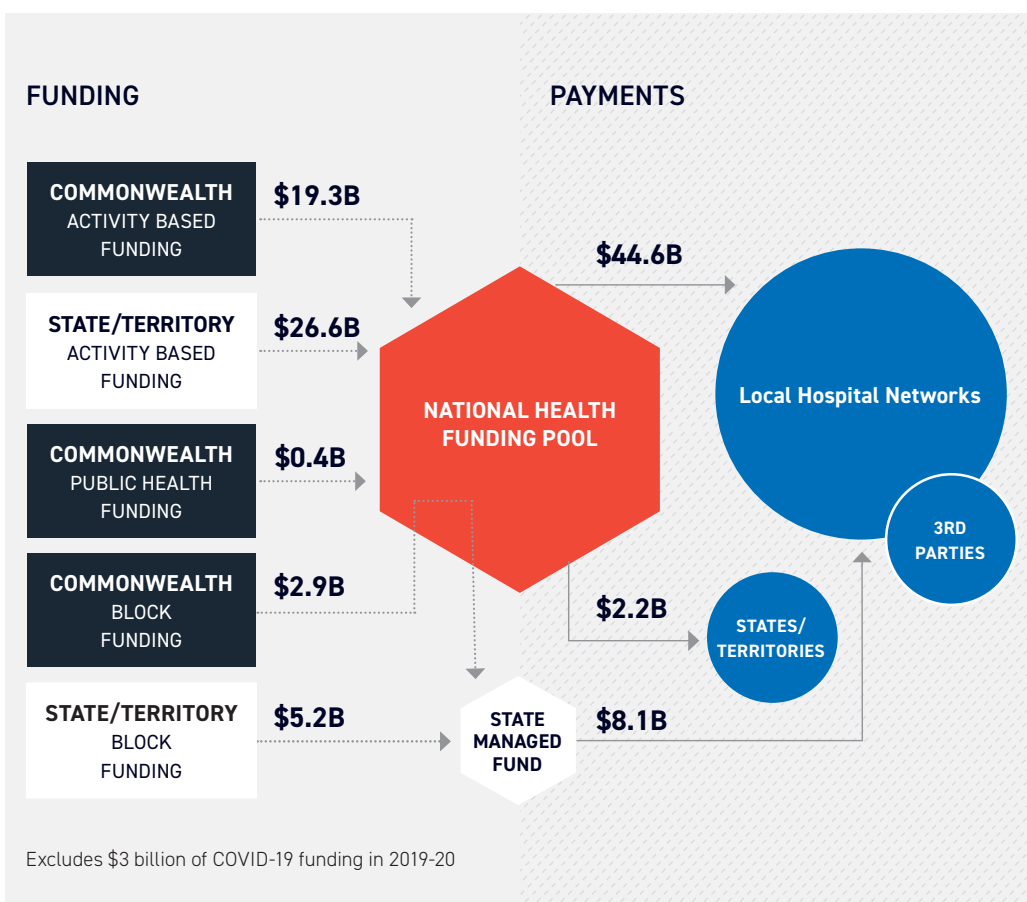
PUBLIC HOSPITAL FUNDING AND PAYMENTS

Payments

The Pool was established to receive all Commonwealth (ABF and Block) and State and Territory (ABF only) public hospital funding. The Pool comprises of a Reserve Bank of Australia (RBA) account for each State and Territory, with each State and Territory also having established a State Managed Fund to manage Block funding. The Pool

and SMF provide a line-of-sight mechanism to trace each jurisdiction's contribution to LHNs and third parties. The balance is paid to State and Territories (including public health, cross border, interest and over deposits). Figure 1 highlights the source, types and amount of funding and payments that flowed through the Pool and SMFs in 2019-20. The NHR Agreement also allows for additional streams of funding to be paid through the Pool if agreed by Government, as was done in response to COVID-19.

FIGURE 1 2019-20 Public Hospital Funding Payment Flows



NHR funding occurs when the Commonwealth or State and Territories pay into a State Pool account or State Managed Fund. NHR payments occur when the funding is paid out of the State Pool account by the Administrator or is paid out of the State Managed Fund by the State or Territory.

Funding

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

ACTIVITY BASED FUNDING

ABF is a funding method for public hospital services based on the number of weighted services provided to patients, and the price to be paid for delivering those services. The method uses national classifications for service types, price weights, the National Efficient Price (NEP) that is independently determined by the IHPA, and the level of activity as represented by the National Weighted Activity Unit (NWAU) (i.e. the NEP is the price per NWAU).

A NWAU represents a measure of health service activity expressed as a common unit of resources. This provides a way of comparing and valuing each public hospital service (whether it is an emergency department presentation, admission or outpatient episode), by weighting it for clinical complexity. States and Territories are required to outline their basis of payments to each LHN, including an explanation of the factors taken into account. The following service categories were ABF funded in 2019-20:

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

EMERGENCY DEPARTMENT SERVICES

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

ACUTE ADMITTED SERVICES

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

ADMITTED MENTAL HEALTH

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

SUB-ACUTE AND NON-ACUTE SERVICES

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

NON-ADMITTED SERVICES

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

BLOCK FUNDING

Block funding supports teaching, training and research in public hospitals, and public health programs. It is also used for certain public hospital services where Block funding is more appropriate, particularly for smaller rural and regional hospitals. Categories of Block funding in 2019-20 included:

- Teaching, training and research
- Small rural hospitals
- Non-admitted mental health
- Non-admitted CAMHS
- Non-admitted home ventilation
- Other non-admitted services
- Other hospital programs
- CAR-T Therapy (Kymriah)

TEACHING, TRAINING AND RESEARCH

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

SMALL RURAL HOSPITALS

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

NON-ADMITTED MENTAL HEALTH

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

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

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

NON-ADMITTED HOME VENTILATION

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

OTHER NON-ADMITTED SERVICES

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

OTHER PUBLIC HOSPITAL PROGRAMS

Programs as approved by the IHPA for inclusion on the General List of In-Scope Public Hospital Services.

CAR-T THERAPY (KYMRIAH)

Kymriah is a type of CAR T-cell therapy that uses the body's own immune system to fight cancer. Kymriah is provided to children and young adults with Acute Lymphoblastic Leukaemia for free. Kymriah is one of a category of therapies called Highly Specialised Therapies (HST) which can be approved by Australian governments under the Addendum for provision by States and Territories.

OTHER FUNDING TYPES

PUBLIC HEALTH FUNDING

Public Health funding is paid into the Pool by the Commonwealth as a contribution to funding population health activities within each State and Territory, directed at improving the overall health of the population and seeking to prevent the development of poor health.

These activities include national public health, youth health services and essential vaccines (service delivery). States and Territories have full discretion over the application of Public Health funding to the outcomes set out in the NHR Agreement.

CROSS-BORDER FUNDING

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

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

INTEREST

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

OVER DEPOSIT

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

Reporting on Funding and Payments

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

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

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

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

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

THE NATIONAL HEALTH FUNDING BODY

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

The NHFB operates as a Commonwealth non-corporate entity under the *Public Governance, Performance and Accountability Act* and is funded as a micro agency under

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

To assist the Administrator and achieve their vision of improving the transparency of public hospital funding in Australia, the NHFB works collaboratively across four key functions outlined in Figure 2.

FIGURE 2 National Health Funding Body's four key functions



IN 2019-20 THE NHFB...

IMPLEMENTED

An updated Commonwealth Contribution Model (CCM)

THAT CALCULATED

9 MILLION

National
Weighted
Activity
Units
(NWAU)



LAUNCHED A NEW

PAYMENTS SYSTEM

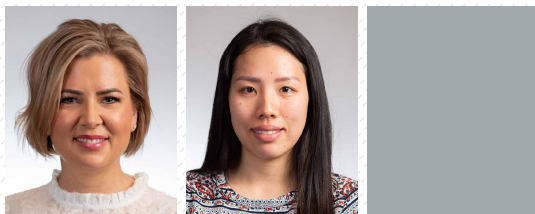
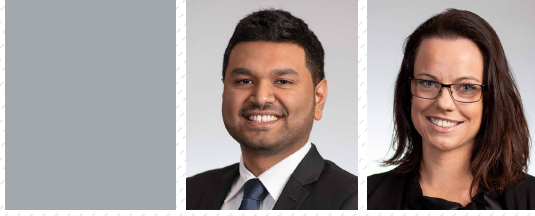
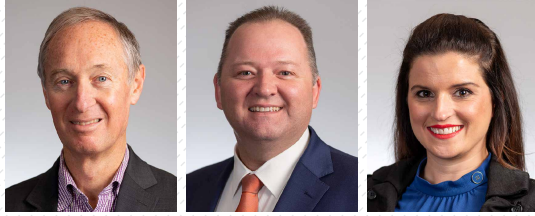
streamlining the processing
of 3,505 banking transactions



COMPLETED PHASE 2 OF
publichospitalfunding.gov.au



**New 5 year trend tables
added to interactive
funding reports**



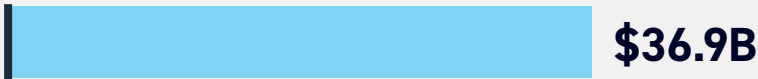
HIGHLIGHTS AND WHAT'S AHEAD

2019		INTRODUCTION
JUNE	Provide payment advice to the Commonwealth Treasurer	NATIONAL
	New website publichospitalfunding.gov.au launched	
AUGUST	Administrator's payment advice provided to the Commonwealth Treasurer (included an additional \$50 million for the 2018-19 Six-month Reconciliation)	NSW
OCTOBER	New National Health Funding Pool Payments System Launched	
	Publish the Administrator's National Health Funding Pool 2018-19 Annual Report	
NOVEMBER	Provide payment advice to the Commonwealth Treasurer	VIC
2020		QLD
FEBRUARY	Provide payment advice to the Commonwealth Treasurer (included an additional \$183 million for the 2018-19 Annual Reconciliation)	WA
MARCH	Provide payment advice to the Commonwealth Treasurer	
APRIL	Administrator's Three-Year Data Plan provided to COAG Health Council	SA
JUNE	Provide advice to the Commonwealth Treasurer	
	Administrator's Three-Year Data Plan and Compliance Policy published	
JULY	Addendum to the National Health Reform Agreement 2020-21 to 2024-25 commences	TAS
OCTOBER	Commonwealth 2020-21 Budget	ACT
NOVEMBER	Report to Government on the implementation of data matching activities	
2021		NT
MARCH	Finalise 2019-20 Annual Reconciliation	ENDNOTES
	Administrator's Maintenance of Effort report for 2019-20	
APRIL	Provide advice to the Commonwealth Treasurer	
	Administrator's Three-Year Data Plan provided to Government	
JULY	Advice to Health Ministers from the Administrator, IHPA and ACSQHC on options for further development of safety and quality reforms, including reducing avoidable and preventable hospitalisations	
	Implementation of a pricing model for avoidable hospital readmissions	
	Revise pricing parity arrangements between public and private patients in public hospitals	

NATIONAL

GROWTH IN PUBLIC HOSPITAL FUNDING SINCE 2013-14

FY 2013-14

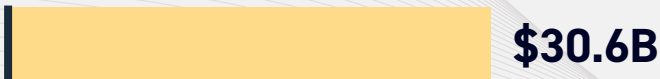


FY 2019-20



GROWTH IN ACTIVITY BASED FUNDING SINCE 2013-14

FY 2013-14



FY 2019-20



NATIONAL HEALTH REFORM DISCLOSURES FOR THE YEAR ENDED 30 JUNE 2020

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

^ These amounts do not include transactions related to the COVID-19 National Partnership Agreement. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

The infographic features a central red hexagon with the word 'NATIONAL' inside. Surrounding it are several other hexagons in various colors (blue, grey, yellow, orange) and sizes, some solid and some hollow. The background consists of light grey wavy lines that create a sense of movement and depth.

FUNDING AND PAYMENTS

NATIONAL

\$55.0B

total funding

WITH \$52.7B PAID TO...

145

Local Hospital Networks

\$45.4B

Activity Based Funding

THAT DELIVERED...

39 MILLION

public hospital services

MEASURED AS...

8,861,124

NWAU

Certification Letter to the Administrator



**National Health
Funding Body**

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

Mr Michael Lambert

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

Dear Mr Lambert,

National Health Funding Body Annual Report 2019-20

This letter outlines the assurance arrangements in place for the preparation of the 2019-20 Financial Statements for the State Pool Accounts, and the Funding and Payment disclosures as per the Commonwealth *National Health Reform Act 2011* (the Act), and expresses opinion on their inclusion in the *National Health Funding Pool Annual Report 2019-20*.

Financial Statements

The National Health Funding Body (NHFB) has prepared a financial statement for the year ended 30 June 2020 for each of the State Pool Accounts as required by section 241(3) of the Act. The financial statements have been prepared as special purpose financial statements on a cash accounting basis. This is consistent with the financial statements prepared in previous financial years.

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

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

Funding and Payments

The NHFB has also prepared funding and payment information for the 2019-20 financial year as required by section 241(2) of the Act. This information includes detail on funding and payments into and out of the State Pool Accounts and State Managed Funds by the Commonwealth and States and Territories, as well as amounts paid to local hospital networks, including the number of public hospital services funded.

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

NHFB Opinion

It is the NHFB's opinion that the special purpose financial statements and the funding and payments information, prepared for the year ended 30 June 2020, give a true and fair view of the matters required by the Act and the *National Health Reform Agreement*.

Yours sincerely,



Shannon White
Chief Executive Officer
National Health Funding Body

24 September 2020



Nathan Dascarolis
Chief Financial Officer
National Health Funding Body

24 September 2020

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

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

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

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

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

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

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

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

Basis for Commonwealth National Health Reform funding for 2017-18, 2018-19 and 2019-20

The basis of Commonwealth NHR funding for 2017-18, 2018-19 and 2019-20 as specified in the Agreement and the Addendum is as follows:

PUBLIC HEALTH (CLAUSE A43 AND I19)

Payments for Public Health activities for 2017-18, 2018-19 and 2019-20 will be equal to the previous year's payment indexed by the former National Healthcare SPP growth factor.

BLOCK FUNDING (CLAUSE A50 AND I18)

Payments for 2017-18, 2018-19 and 2019-20 will consist of the previous year's payment plus 45 per cent of the growth in the efficient cost of providing the services, adjusted for the addition or removal of Block services as provided in clauses A27-A30 (calculated in accordance with clause A4).

ACTIVITY BASED FUNDING (CLAUSE A34, I15 AND I16)

In 2017-18, 2018-19 and 2019-20, the Commonwealth's funding for each ABF service category will be calculated individually for each State by summing:

- previous year amount: the Commonwealth's percentage funding rate for the relevant State in the previous year multiplied by the volume of weighted services provided in the previous year multiplied by the NEP in the previous year;

- price adjustment: the volume of weighted services provided in the previous year multiplied by the change in the NEP relative to the previous year multiplied by 45 per cent; and
- volume adjustment: the net change in volume of weighted services to be provided in the relevant State (relative to the volume of weighted services provided in the previous year) multiplied by the NEP multiplied by 45 per cent.

FUNDING CAP (CLAUSE 110 AND 120 TO 127)

For 2017-18, 2018-19 and 2019-20, the growth in annual Commonwealth NHR funding for national public hospital services will not exceed 6.5 per cent a year (the Funding Cap) (clause 110). The Funding Cap includes:

- a state-based Soft Cap of 6.5 per cent, to be applied to the Commonwealth NHR funding entitlement of each State throughout the financial year (clause 120a); and
- a National Funding Cap of 6.5 per cent, to be applied to the Commonwealth NHR funding entitlement for all States throughout the financial year.

States may be entitled to additional funding over the Soft Cap if there is funding available under the National Funding Cap (a Redistribution Amount) upon completion of the annual reconciliation. The Redistribution Amount will be determined as the total of any funding remaining under the National Funding Cap, resulting from a State with growth less than 6.5 per cent (clause 120).

SAFETY AND QUALITY ADJUSTMENT (CLAUSE 160 TO 174)

Services that are considered to put patient safety and quality at risk will be subject to a Safety and Quality Adjustment, calculated as part of a State or Territory's actual NWAU during the Reconciliation

process. For 2017-18, 2018-19 and 2019-20, adjustments will be included for Sentinel Events and Hospital Acquired Complications (HACs). For a service that results in the occurrence of a Sentinel Event (a Sentinel Event is an unanticipated event in a healthcare setting resulting in death or serious injury), the adjustment will assign an NWAU weight of zero (i.e. no funding) as per clause 163. A pricing and funding model for Hospital Acquired Complications (HACs) was introduced from 1 July 2018.

An appropriate model for Avoidable Hospital Readmissions is to be agreed for implementation from 1 July 2021, taking into account any potential advice from the COAG Health Council (clause 174).

DATA CONDITIONAL PAYMENT (CLAUSE 135 TO 139)

A temporary deferral of an agreed percentage of Commonwealth NHR funding will apply in the event a State or Territory has not provided the required data for annual reconciliation to the Administrator by 30 September of the relevant financial year (clauses 135 to 139). If the required data is not provided by 31 October of the relevant financial year, a deferral of further funds will occur.

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

State or Territory	Amount paid by State/Territory (\$'000)					
	2019-20 [^]			2018-19		
	State Pool Account — ABF	State Managed Fund — Block	Total	State Pool Account — ABF	State Managed Fund — Block	Total
New South Wales	6,369,916	976,771	7,346,687	6,163,816	954,889	7,118,705
Victoria	6,581,213	975,483	7,556,696	5,441,577	892,509	6,334,086
Queensland	6,324,967	1,358,531	7,683,498	5,588,033	1,121,938	6,709,971
Western Australia	3,112,949	536,873	3,649,822	2,751,444	308,798	3,060,243
South Australia	2,012,856	207,336	2,220,193	2,232,000	189,649	2,421,649
Tasmania	460,206	550,062	1,010,268	420,153	450,878	871,031
Australian Capital Territory	687,325	156,439	843,764	577,178	77,410	654,588
Northern Territory	522,306	463,488	985,794	294,319	675,557	969,876
NATIONAL TOTAL	26,071,738	5,224,984	31,296,722	23,468,520	4,671,629	28,140,149

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

[^] These amounts do not include transactions related to the COVID-19 National Partnership Agreement. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

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

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

State or Territory	Amount paid by State/Territory (\$'000)							
	2019-20 [^]				2018-19			
	Activity Based Funding	Block funding	Public Health funding	Total	Activity Based Funding	Block funding	Public Health funding	Total
New South Wales	5,907,420	911,545	134,798	6,953,763	5,727,444	881,703	127,554	6,736,701
Victoria	4,657,104	758,363	110,068	5,525,535	4,235,453	709,424	105,326	5,050,203
Queensland	4,384,530	538,877	84,579	5,007,985	4,663,022	495,720	80,252	5,238,994
Western Australia	2,043,618	314,102	43,294	2,401,014	1,929,618	297,686	40,142	2,267,445
South Australia	1,273,742	191,967	28,912	1,494,620	1,110,528	181,935	27,616	1,320,079
Tasmania	362,922	72,667	8,842	444,432	345,244	70,851	8,432	424,526
Australian Capital Territory	398,418	28,488	7,129	434,035	378,266	28,292	6,879	413,437
Northern Territory	266,742	28,659	4,074	299,476	260,402	21,352	3,915	285,670
NATIONAL TOTAL	19,294,496	2,844,667	421,696	22,560,859	18,649,976	2,686,964	400,115	21,737,055

[^] These amounts do not include transactions related to the COVID-19 National Partnership Agreement. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

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

State or Territory	Amount paid from State Pool Account (including CW & S/T) (\$'000)							
	2019-20 [^]				2018-19			
	Local Hospital Networks	State Managed Fund	Other organisations or funds	Total	Local Hospital Networks	State Managed Fund	Other organisations or funds	Total
New South Wales	12,277,336	911,545	466,146	13,655,027	11,692,446	881,703	404,760	12,978,909
Victoria	10,480,466	758,363	1,082,982	12,321,811	9,723,818	709,424	204,620	10,637,862
Queensland	10,709,496	538,877	281,009	11,529,383	10,212,655	495,720	179,115	10,887,490
Western Australia	5,156,567	314,102	116,436	5,587,106	4,680,802	298,251	40,402	5,019,455
South Australia	3,132,843	191,967	139,169	3,463,979	3,080,086	181,935	27,616	3,289,637
Tasmania	823,128	72,667	46,351	942,146	764,831	70,851	9,263	844,945
Australian Capital Territory	1,195,332	28,488	32,512	1,256,333	1,034,764	28,292	26,679	1,089,735
Northern Territory	826,774	28,659	44,422	899,855	554,721	21,352	3,915	579,989
NATIONAL TOTAL	44,601,944	2,844,667	2,209,030	49,655,641	41,744,122	2,687,529	896,390	45,328,021

[^] These amounts do not include transactions related to the COVID-19 National Partnership Agreement. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

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

State or Territory	Amount paid from State Managed Fund (including CW & S/T) (\$'000)					
	2019-20 [^]			2018-19		
	Local Hospital Networks	Other organisations or funds	Total	Local Hospital Networks	Other organisations or funds	Total
New South Wales	1,888,315	-	1,888,315	1,836,592	-	1,836,592
Victoria	1,685,857	47,989	1,733,846	1,556,128	45,806	1,601,934
Queensland	1,897,409	-	1,897,409	1,617,658	-	1,617,658
Western Australia	842,431	8,544	850,975	598,486	7,998	606,484
South Australia	399,303	-	399,303	371,584	-	371,584
Tasmania	622,729	-	622,729	521,729	-	521,729
Australian Capital Territory	184,927	-	184,927	105,702	-	105,702
Northern Territory	492,147	-	492,147	696,909	-	696,909
NATIONAL TOTAL	8,013,119	56,533	8,069,652	7,304,789	53,804	7,358,593

[^] These amounts do not include transactions related to the COVID-19 National Partnership Agreement. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

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

States and Territories	2019-2020 ¹	2018-2019 ²
New South Wales	2,792,035	2,757,690
Victoria	2,125,929	2,075,011
Queensland	1,938,706	1,898,179
Western Australia	895,241	907,509
South Australia	610,215	623,233
Tasmania	159,065	166,486
Australian Capital Territory	169,986	168,377
Northern Territory	169,947	165,276
NATIONAL TOTAL	8,861,124	8,761,760

1 2019-20 NWAU as per the updated activity estimates as at the Administrator's June 2020 Payment Advice.

2 2018-19 NWAU as per the 2018-19 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2018-19.

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

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

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

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

\$'000	2015-2016 Entitlement	2016-2017 Entitlement	2017-2018 Entitlement	2018-2019 Entitlement	2019-2020 [^] Entitlement	TOTAL
Cash Paid 2015-16 Total	16,858,720	-	-	-	-	16,858,720
Cash Paid 2016-17 Total	344,382	18,291,718	-	-	-	18,636,100
Cash Paid 2017-18 Total	167,888	354,398	19,383,365	-	-	19,905,650
Cash Paid 2018-19 Total	-	307,169	493,658	20,936,228	-	21,737,055
Cash Paid 2019-20 Total	-	-	-	232,802	22,328,058	22,560,859
CURRENT ENTITLEMENT TOTAL	17,370,989	18,953,285	19,877,023	21,169,029	22,328,058	99,698,384

[^] These amounts do not include transactions related to the COVID-19 National Partnership Agreement. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.



FINANCIAL
STATEMENT

COMBINED

NATIONAL HEALTH FUNDING POOL
COMBINED STATE POOL ACCOUNTS
SPECIAL PURPOSE FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020

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

CONTENTS

Statement by the Administrator of the National Health Funding Pool	32
Combined State Pool Account	
Statement of receipts and payments for the year ended 30 June 2020	33
Combined State Pool Account	
Statement of receipts and payments for the year ended 30 June 2019	35
COMBINED STATE POOL ACCOUNT NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL STATEMENT FOR THE YEAR ENDING 30 JUNE 2020	
NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	37
NOTE 2: AMOUNTS PAID BY THE COMMONWEALTH INTO EACH STATE POOL ACCOUNT	39
NOTE 2A: AMOUNTS PAID BY THE COMMONWEALTH INTO EACH STATE POOL ACCOUNT IN 2019-20	41
NOTE 2B: AMOUNTS PAID BY THE COMMONWEALTH INTO EACH STATE POOL ACCOUNT IN 2018-19	43
NOTE 3: COVID-19 FUNDING AMOUNTS THROUGH EACH STATE POOL ACCOUNT IN 2019-20	45



Statement by the Administrator of the National Health Funding Pool



Administrator
National Health
Funding Pool

STATEMENT BY THE ADMINISTRATOR OF THE NATIONAL HEALTH FUNDING POOL COMBINED STATE POOL ACCOUNT

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

In my opinion, the attached special purpose financial statement for the year ended 30 June 2020 is based on properly maintained financial records and gives a true and fair view of the matters required by the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

Michael Lambert
Administrator
National Health Funding Pool

24 September 2020

Combined State Pool Account

Statement of receipts and payments for the year ended 30 June 2020

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

Combined State Pool Account
Statement of receipts and payments for the year ended 30 June 2020

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

INTRODUCTION

NATIONAL

NSW

VIC

QLD

WA

SA

TAS

ACT

NT

ENDNOTES

Combined State Pool Account

Statement of receipts and payments for the year ended 30 June 2019

	NSW \$ '000	VIC \$ '000	QLD \$ '000	WA \$ '000	SA \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT					
From Commonwealth					
Activity Based Funding	5,727,444	4,235,453	4,663,022	1,929,618	1,110,528
Block funding	881,703	709,424	495,720	297,686	181,935
Public health funding	127,554	105,326	80,252	40,142	27,616
From State/ Territory					
Activity Based Funding	5,956,396	5,431,977	5,549,633	2,751,184	2,232,000
Withdrawal of Activity Based Funding in excess of funding obligations	-	(39,670)	-	-	-
Cross border contribution	207,420	9,600	38,400	260	-
From other States or Territories					
Cross border receipts	67,800	48,300	60,000	565	-
From Reserve Bank of Australia					
Interest receipts	1,986	1,725	463	-	3,810
TOTAL RECEIPTS	12,970,302	10,502,135	10,887,490	5,019,455	3,555,888
PAYMENTS OUT OF THE STATE POOL ACCOUNT					
To Local Hospital Networks					
Activity Based Funding	11,692,446	9,723,818	10,212,655	4,680,802	3,080,086
To State Managed Funds					
Block funding	881,703	709,424	495,720	297,686	181,935
Cross border transfer	-	-	-	565	-
To State/Territory Health Department					
Public health funding	127,554	105,326	80,252	40,142	27,616
Interest payments	1,986	1,725	463	-	-
Cross border transfer	67,800	48,300	60,000	-	-
To other States or Territories					
Cross border payments	207,420	9,600	38,400	260	-
TOTAL PAYMENTS	12,978,909	10,598,192	10,887,490	5,019,455	3,289,637
NET RECEIPTS/(PAYMENTS) FOR THE YEAR	(8,606)	(96,057)	-	-	266,252
OPENING CASH BALANCE	8,606	96,057	-	7	43,060
CLOSING CASH BALANCE	-	-	-	7	309,312

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

	TAS \$ '000	ACT \$ '000	NT \$ '000	TOTAL \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT				
From Commonwealth				
Activity Based Funding	345,244	378,266	260,402	18,649,976
Block funding	70,851	28,292	21,352	2,686,964
Public health funding	8,432	6,879	3,915	400,115
From State/ Territory				
Activity Based Funding	419,588	557,378	294,319	23,192,474
Withdrawal of Activity Based Funding in excess of funding obligations	-	-	-	(39,670)
Cross border contribution	565	19,800	-	276,046
From other States or Territories				
Cross border receipts	260	99,120	-	276,046
From Reserve Bank of Australia				
Interest receipts	5	-	11	8,001
TOTAL RECEIPTS	844,945	1,089,735	579,999	45,449,951
PAYMENTS OUT OF THE STATE POOL ACCOUNT				
To Local Hospital Networks				
Activity Based Funding	764,831	1,034,764	554,721	41,744,122
To State Managed Funds				
Block funding	70,851	28,292	21,352	2,686,964
Cross border transfer	-	-	-	565
To State/Territory Health Department				
Public health funding	8,432	6,879	3,915	400,115
Interest payments	5	-	-	4,179
Cross border transfer	260	-	-	176,360
To other States or Territories				
Cross border payments	565	19,800	-	276,046
TOTAL PAYMENTS	844,945	1,089,735	579,988	45,288,351
NET RECEIPTS/(PAYMENTS) FOR THE YEAR	-	-	11	161,600
OPENING CASH BALANCE	-	-	75	147,805
CLOSING CASH BALANCE	-	-	86	309,405

INTRODUCTION

NATIONAL

NSW

VIC

QLD

WA

SA

TAS

ACT

NT

ENDNOTES

Combined State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the special purpose financial statement are set out below.

(A) REPORTING ENTITY

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

(B) BASIS OF PREPARATION

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

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

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

The special purpose financial statement was authorised for release by the Administrator on 15 September 2020.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2018-19 and 2019-20 are for the year ended 30 June.

(D) NATIONAL HEALTH FUNDING POOL

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

(E) ACTIVITY BASED FUNDING

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

In 2018-19 and 2019-20 the Commonwealth, States and Territories ABF supported the following:

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

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

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

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

(F) BLOCK FUNDING

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

In 2018-19 and 2019-20 the Commonwealth Block funding supported the following:

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

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

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

Commonwealth block contributions for each service category were calculated by summing prior year amounts and 45 per cent of the change in the National Efficient Cost between the current year and the prior year.

(G) PUBLIC HEALTH FUNDING

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

(H) CROSS-BORDER

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

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

(I) INTEREST

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

Combined State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

(J) TAXATION

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

(K) COVID-19 FUNDING

On 31 January 2020, the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. As a result of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic.

COVID-19 was declared a pandemic by the Governor-General on 18 March 2020. A National Cabinet, made up of the Prime Minister, Premiers and Chief Ministers was set up in response to the announcement. A National Partnership Agreement was entered into by the Commonwealth and the States and Territories in recognition of the costs incurred by state health services in response to the COVID-19 outbreak on 13 March 2020. The Agreement was revised to incorporate a financial viability payment for private hospitals on 14 April 2020.

Financial assistance has been provided by the Commonwealth in the form of the hospital services payments calculated on an activity basis, state public health payments as well as private hospital capacity and financial viability payments.

NOTE 2: AMOUNTS PAID BY THE COMMONWEALTH INTO EACH STATE POOL ACCOUNT

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

Note 2A (2019-20) and Note 2B (2018-19) summarise the calculated Commonwealth contribution by national health reform type and service category. These include amounts paid by the Commonwealth into each State Pool Account for funding related to services provided in the current year as well as adjustments due to reconciliation of actual services delivered in the prior year.

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

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



Combined State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

NOTE 2A: AMOUNTS PAID BY THE COMMONWEALTH INTO EACH STATE POOL ACCOUNT IN 2019-20 (\$'000)¹

	NSW \$'000	VIC \$'000	QLD \$'000	WA \$'000	SA \$'000
<i>Payments in respect of 2019-20 Services</i>					
ACTIVITY BASED FUNDING BY SERVICE TYPE:					
Emergency department	705,196	297,943	544,756	233,996	146,664
Acute admitted	3,361,266	3,298,476	2,739,639	1,218,810	726,571
Admitted mental health	308,172	202,737	225,888	89,796	105,913
Sub-acute	447,883	359,620	233,419	92,483	67,272
Non-admitted	1,014,922	502,103	603,669	358,099	168,809
Payments in respect of 2018-19 Services	69,982	(3,775)	37,158	50,435	58,512
TOTAL ACTIVITY BASED FUNDING	5,907,420	4,657,104	4,384,530	2,043,618	1,273,742
BLOCK FUNDING					
Small rural hospitals	461,707	93,844	254,038	109,627	88,228
Teaching, training and research	215,780	142,360	71,091	107,467	37,739
Non-admitted mental health	220,163	397,600	194,114	85,432	45,485
Non-admitted home ventilation services	8,937	4,941	7,197	5,745	1,116
Non-Admitted CAMHS	-	33,456	8,989	5,840	360
Other non-admitted services	-	10	3,397	-	19,074
CAR-T	4,957	8,986	-	-	-
Other public hospital programs	-	77,198	-	-	-
Payments in respect of 2018-19 Services	1	(31)	51	(9)	(34)
TOTAL BLOCK FUNDING	911,545	758,363	538,877	314,102	191,967
PUBLIC HEALTH FUNDING					
Public health funding	134,821	110,137	84,560	43,305	28,911
Payments in respect of 2018-19 Services	(23)	(69)	19	(11)	1
TOTAL PUBLIC HEALTH FUNDING	134,798	110,068	84,579	43,294	28,912
COVID-19 FUNDING					
Up Front Advance Payment	31,899	26,005	20,091	10,338	6,908
Hospital Services Payments	85,401	75,545	57,480	33,834	6,655
State Public Health Payments	626,062	598,799	60,695	63,778	12,853
Private Hospital Capacity and Financial Viability Payment	331,034	396,769	207,032	80,447	88,958
TOTAL COVID-19 FUNDING	1,074,396	1,097,118	345,298	188,397	115,374
<i>Total amount paid by the Commonwealth into each State Pool Account in 2019-2020²</i>					
AMOUNT PAID IN 2019-20	8,028,159	6,622,653	5,353,284	2,589,411	1,609,995

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

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

	TAS \$'000	ACT \$'000	NT \$'000	TOTAL \$'000
<i>Payments in respect of 2019-20 Services</i>				
ACTIVITY BASED FUNDING BY SERVICE TYPE:				
Emergency department	43,718	49,041	37,091	2,058,405
Acute admitted	237,061	249,138	167,709	11,998,670
Admitted mental health	16,385	19,455	5,896	974,242
Sub-acute	17,385	28,187	14,489	1,260,738
Non-admitted	41,885	38,888	41,172	2,769,547
Payments in respect of 2018-19 Services	6,488	13,709	386	232,895
TOTAL ACTIVITY BASED FUNDING	362,922	398,417	266,742	19,294,495
BLOCK FUNDING				
Small rural hospitals	38,456	1,182	12,303	1,059,385
Teaching, training and research	16,573	6,861	7,527	605,398
Non-admitted mental health	16,296	19,817	6,960	985,867
Non-admitted home ventilation services	1,187	600	36	29,759
Non-Admitted CAMHS	118	29	1,841	50,633
Other non-admitted services	-	-	-	22,481
CAR-T	-	-	-	13,943
Other public hospital programs	-	-	-	77,198
Payments in respect of 2018-19 Services	38	-	(7)	10
TOTAL BLOCK FUNDING	72,667	28,488	28,659	2,844,668
PUBLIC HEALTH FUNDING				
Public health funding	8,838	7,143	4,085	421,800
Payments in respect of 2018-19 Services	5	(14)	(11)	(104)
TOTAL PUBLIC HEALTH FUNDING	8,842	7,129	4,074	421,696
COVID-19 FUNDING				
Up Front Advance Payment	2,107	1,683	970	100,000
Hospital Services Payments	644	4,939	3,142	267,640
State Public Health Payments	39,769	20,467	9,332	1,431,755
Private Hospital Capacity and Financial Viability Payment	32,894	14,580	4,098	1,155,811
TOTAL COVID-19 FUNDING	75,414	41,669	17,542	2,955,208
<i>Total amount paid by the Commonwealth into each State Pool Account in 2019-2020²</i>				
AMOUNT PAID IN 2019-20	519,845	475,703	317,017	25,516,067

² Total amount paid by the Commonwealth is the sum of Activity Based Funding, Block funding, Public Health funding and COVID-19 funding

Combined State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

NOTE 2B: AMOUNTS PAID BY THE COMMONWEALTH INTO EACH STATE POOL ACCOUNT IN 2018-19 (\$'000)¹

	NSW \$'000	VIC \$'000	QLD \$'000	WA \$'000	SA \$'000
<i>Payments in respect of 2018-19 Services</i>					
ACTIVITY BASED FUNDING BY SERVICE TYPE					
Emergency department	605,127	457,923	483,825	223,419	126,670
Acute admitted	3,075,561	2,892,521	2,544,684	1,163,016	669,794
Admitted Mental Health	238,834	212,056	174,678	102,399	75,935
Sub-acute	309,186	307,753	164,241	92,189	56,212
Non-admitted	1,221,314	521,460	699,409	320,244	203,093
Payments in respect of 2016-17 Services	181,268	(104,639)	209,057	2,589	(14,671)
Payments in respect of 2017-18 Services	96,154	(51,621)	387,129	25,761	(6,505)
TOTAL ACTIVITY BASED FUNDING	5,727,444	4,235,453	4,663,022	1,929,618	1,110,528
BLOCK FUNDING					
Small rural hospitals	205,666	126,953	62,777	103,022	31,632
Teaching, training and research	440,097	92,142	237,661	102,669	86,874
Non-admitted mental health	210,889	398,427	172,143	76,269	41,427
Non-admitted home ventilation services	8,627	4,820	7,021	5,545	1,088
Other non-admitted services	-	9	3,314	-	18,648
Other public hospital programs	-	77,805	-	-	-
Payments in respect of 2016-17 Services	8,007	4,527	5,953	4,806	1,429
Payments in respect of 2017-18 Services	8,417	4,740	6,850	5,374	837
TOTAL BLOCK FUNDING	881,703	709,424	495,720	297,686	181,935
PUBLIC HEALTH FUNDING					
Public health funding	128,077	103,937	80,398	41,491	27,735
Payments in respect of 2016-17 Services	(174)	1,433	(94)	(1,065)	(23)
Payments in respect of 2017-18 Services	(349)	(44)	(52)	(285)	(96)
TOTAL PUBLIC HEALTH FUNDING	127,554	105,326	80,252	40,142	27,616
<i>Total amount paid by the Commonwealth into each State Pool Account in 2018-19²</i>					
AMOUNT PAID IN 2018-19	6,736,701	5,050,203	5,238,994	2,267,445	1,320,079

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

NOTE 2B: Amounts paid by the Commonwealth into each State Pool Account in 2018-19 (\$'000)¹

	TAS \$'000	ACT \$'000	NT \$'000	TOTAL \$'000
<i>Payments in respect of 2018-19 Services</i>				
ACTIVITY BASED FUNDING BY SERVICE TYPE				
Emergency department	41,646	41,595	31,051	2,011,255
Acute admitted	236,694	229,396	153,151	10,964,818
Admitted Mental Health	13,526	16,771	6,772	840,972
Sub-acute	14,435	16,822	13,434	974,272
Non-admitted	47,028	48,085	50,866	3,111,499
Payments in respect of 2016-17 Services	(7,743)	15,908	(1,077)	280,691
Payments in respect of 2017-18 Services	(343)	9,689	6,206	466,470
TOTAL ACTIVITY BASED FUNDING	345,244	378,266	260,402	18,649,976
BLOCK FUNDING				
Small rural hospitals	15,867	6,410	5,516	557,844
Teaching, training and research	36,414	1,122	11,599	1,008,578
Non-admitted mental health	15,191	19,099	4,138	937,583
Non-admitted home ventilation services	1,158	562	35	28,856
Other non-admitted services	-	-	-	21,972
Other public hospital programs	-	-	-	77,805
Payments in respect of 2016-17 Services	1,074	537	32	26,366
Payments in respect of 2017-18 Services	1,147	562	34	27,961
TOTAL BLOCK FUNDING	70,851	28,292	21,352	2,686,964
PUBLIC HEALTH FUNDING				
Public health funding	8,455	6,759	3,924	400,775
Payments in respect of 2016-17 Services	(40)	87	(11)	112
Payments in respect of 2017-18 Services	17	33	3	(773)
TOTAL PUBLIC HEALTH FUNDING	8,432	6,879	3,915	400,115
<i>Total amount paid by the Commonwealth into each State Pool Account in 2018-19²</i>				
AMOUNT PAID IN 2018-19	424,526	413,437	285,670	21,737,055

² Total amount paid by the Commonwealth is the sum of Activity Based Funding, Block funding and Public Health funding

Combined State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

NOTE 3: COVID-19 FUNDING AMOUNTS THROUGH EACH STATE POOL ACCOUNT IN 2019-20 (\$'000)

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

The types of funding and payments under the National Partnership Agreement include:

THE UPFRONT ADVANCE PAYMENT

The Commonwealth has provided an upfront advanced payment of \$100 million to States and Territories on a population share basis. This is an advance payment to ensure the timely availability of funds under the National Partnership Agreement. The Up Front Advance Payment has been subsequently offset against State Public Health requirements.

THE HOSPITAL SERVICES PAYMENT

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

THE STATE PUBLIC HEALTH PAYMENT

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

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

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

THE PRIVATE HOSPITAL CAPACITY AND FINANCIAL VIABILITY PAYMENT

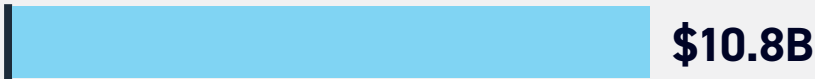
The Commonwealth will contribute 100 per cent of the financial viability payments for private hospitals to retain capacity for responding to State and Territory or Commonwealth public health requirements.

All payments, excluding the Upfront Advance Payment, are provided monthly in advance based on estimates submitted by States and Territories and are reconciled quarterly. Final funding entitlements are determined after actual activity data on hospital services and actual in-scope expenditure are submitted. This may result in future funding adjustments.

NEW SOUTH WALES

GROWTH IN PUBLIC HOSPITAL FUNDING SINCE 2013-14

FY 2013-14

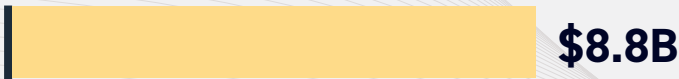


FY 2019-20



GROWTH IN ACTIVITY BASED FUNDING SINCE 2013-14

FY 2013-14



FY 2019-20



NATIONAL HEALTH REFORM DISCLOSURES FOR THE YEAR ENDED 30 JUNE 2020

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

^ These amounts do not include transactions related to the COVID-19 National Partnership Agreement. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.



**FUNDING AND
PAYMENTS**

NSW

\$14.3B
total funding

THAT WAS PAID TO...

20

Local Hospital Networks

\$12.3B
Activity Based Funding

THAT DELIVERED...

2,792,035
NWAU

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

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

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

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

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

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

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

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

\$'000	2015-2016 Entitlement	2016-2017 Entitlement	2017-2018 Entitlement	2018-2019 Entitlement	2019-2020 [^] Entitlement	TOTAL
Cash Paid 2015-16 Total	5,375,177	-	-	-	-	5,375,177
Cash Paid 2016-17 Total	35,105	5,695,036	-	-	-	5,730,140
Cash Paid 2017-18 Total	(63,057)	38,672	6,045,097	-	-	6,020,712
Cash Paid 2018-19 Total	-	189,100	104,223	6,443,378	-	6,736,701
Cash Paid 2019-20 Total	-	-	-	69,960	6,883,803	6,953,763
CURRENT ENTITLEMENT TOTAL	5,347,224	5,922,809	6,149,319	6,513,337	6,883,803	30,816,493

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

Component	Amount paid by Commonwealth into NSW State Pool Account (\$'000)	
	2019-20 [^]	2018-19
Activity Based Funding	5,907,420	5,727,444
Block funding	911,545	881,703
Public Health funding	134,798	127,554
NSW TOTAL	6,953,763	6,736,701

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

Component	Amount paid by New South Wales (\$'000)	
	2019-20 [^]	2018-19
State Pool Account - Activity Based Funding	6,369,916	6,163,816
State Managed Fund - Block funding	976,771	954,889
NSW TOTAL	7,346,687	7,118,705

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

[^] These amounts do not include transactions related to the COVID-19 National Partnership Agreement. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

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

Local Hospital Network	Number of ABF public hospital services funded (NWAU)	
	2019-20 ¹ Estimate	2018-19 ² Actual
Albury NSW Local Health District	21,223	22,176
Central Coast Local Health District	135,517	127,805
Contracted Services	3,899	12,658
Far West Local Health District	10,813	11,595
Hunter New England Local Health District	325,448	314,091
Illawarra Shoalhaven Local Health District	156,340	150,416
Mid North Coast Local Health District	101,379	102,659
Murrumbidgee Local Health District	71,004	71,925
Nepean Blue Mountains Local Health District	144,994	138,056
Northern NSW Local Health District	138,037	136,274
Northern Sydney Local Health District	208,805	220,210
South Eastern Sydney Local Health District	270,036	267,976
South Western Sydney Local Health District	326,730	317,354
Southern NSW Local Health District	61,011	55,585
St Vincent's Health Network	76,281	72,618
Sydney Children's Hospitals Network	103,694	104,603
Sydney Local Health District	265,976	263,638
Western NSW Local Health District	104,043	100,693
Western Sydney Local Health District	266,805	267,357
NSW TOTAL	2,792,035	2,757,690

- 1 2019-20 NWAU as per the updated activity estimates as at the Administrator's June 2020 Payment Advice.
- 2 2018-19 NWAU as per the 2018-19 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2018-19.

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

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

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

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

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

However, in 2018–19 and 2019–20 New South Wales did not report any 'other public hospital services and functions funded' from their Pool account or State Managed Fund.

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

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

^ These amounts do not include transactions related to the COVID-19 National Partnership Agreement. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

For the New South Wales basis of payments, refer to page 55.

The amounts paid from each State Pool Account and State Managed Fund and the basis on which the Payments were made in 2018-19 (\$ '000) – Section 241(2)(C)(D)

Recipient	Amount paid (\$ '000)		
	State Pool Account	State Managed Fund	Total
Albury NSW Local Health District	42,595	12,176	54,771
Central Coast Local Health District	583,837	45,766	629,603
Contracted Services	25,949	16,052	42,001
Far West Local Health District	59,274	26,042	85,316
Hunter New England Local Health District	1,338,872	292,903	1,631,775
Illawarra Shoalhaven Local Health District	631,783	84,967	716,749
Justice Health and Forensic Mental Health Network	-	59,370	59,370
Mid North Coast Local Health District	427,932	55,709	483,641
Murrumbidgee Local Health District	290,198	159,641	449,840
Nepean Blue Mountains Local Health District	602,387	45,490	647,876
Northern NSW Local Health District	570,434	57,727	628,161
Northern Sydney Local Health District	952,634	142,357	1,094,991
South Eastern Sydney Local Health District	1,091,840	87,520	1,179,360
South Western Sydney Local Health District	1,380,018	102,301	1,482,319
Southern NSW Local Health District	285,581	57,209	342,790
St Vincent's Health Network	306,610	16,516	323,126
Sydney Children's Hospitals Network	450,421	43,248	493,669
Sydney Local Health District	1,078,746	143,863	1,222,608
Western NSW Local Health District	439,414	231,543	670,957
Western Sydney Local Health District	1,133,921	156,192	1,290,113
State Managed Fund	881,703	-	881,703
Other organisations or funds	404,760	-	404,760
NSW TOTAL	12,978,909	1,836,592	14,815,501

For the New South Wales basis of payments, refer to page 55.

New South Wales basis for National Health Reform payments 2019-20

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

BASIS USED TO DETERMINE NHR PAYMENTS TO LHNS – NSW

The process for determining 2019-20 NHR payments to LHNs encompassed three distinct elements of preparation for the individual LHN Service Agreements, including development of annual activity estimates, discussion/negotiation of activity levels with individual LHNs, and total State-wide activity across each activity type.

Consistent with last year's methodology and pursuant with the National Health Reform Agreement (the Agreement), the Ministry of Health has adopted the National Weighted Activity Unit (NWAU) as the currency for Activity Based Funding (ABF) with the applicable version being NWAU19, which is different from the previous year.

The Independent Hospital Pricing Authority (IHPA) has issued the National Efficient Cost (NEC19) funding model that applies to small regional and remote hospitals. However, NSW has introduced an alternative methodology to better account the significant challenges faced by small hospitals in rural settings and better integrate care between small regional and remote hospitals and ABF hospitals. This model uses a fixed and variable cost approach to funding and is expected that similar approaches will be considered moving forward under the national model. The mechanics of the NSW funding model is used to determine the aggregate funding allocation to LHNs for these small hospitals within the NSW funding model parameters.

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

In 2019-20, a series of elements will be applied to each in-scope service stream to ensure that activity targets are tailored to the requirements and patterns of each LHD/SHN. Activity targets are developed by the Ministry and LHDs/SHNs based on analysis of activity level drivers. This analysis was informed for 2019-20 by the following factors:

Weighted population change: providing an indication of expected 'natural' growth;

- Recent trends in activity growth for each LHD/SHN;
- Relative Utilisation Rate adjusted for relevant demographic factors;
- Inter-district and cross-border flows (where relevant);
- Current year activity relative to targets (for adjustment of baseline volumes, where relevant);
- Known service changes and developments, including planned capacity increases.

Price weight adjustments which are being applied in 2019-20 include:

- Paediatric Adjustment
- Specialist Psychiatric Age Adjustment
- Patient Residential Remoteness Area Adjustment
- Indigenous Adjustment
- Radiotherapy Adjustment
- Dialysis Adjustment
- Patient Treatment Remoteness Area Adjustment
- Intensive Care Unit (ICU) Adjustment for eligible facilities
- Private Patient Service Adjustment
- Private Patient Accommodation Adjustment
- Multidisciplinary Clinic Adjustment
- Emergency Care Age Adjustment

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

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

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

It is important that negotiation processes recognise that funding and purchasing are undertaken in the environment of a capped State/Commonwealth funding pool for 2019-20 and recognition that NSW contributes the larger portion of these funds as well as being responsible for management of the system as a whole. When negotiations have concluded, the Ministry incorporates the final activity targets in each LHN's annual Service Agreement. Where an LHN achieves delivery of selected services through Affiliated Health Organisations or contracted services with a private provider these arrangements are to be specified in agreements between the LHN and the respective provider. Both the funding (and subsidy) and associated activity pertaining to such providers are included in the budget and the activity estimates appearing in the LHN's annual Service Agreement.

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

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

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

In addition to receiving weekly cash payments from the State Pool Account and the State Managed Fund, LHNs also receive direct State Government funding for 2019-20 for all "out of scope" services not subject to the National Health Reform Agreement arrangements as required under their 2019-20 Service Agreements.

MONTHLY REPORTS – BASIS ON WHICH PAYMENTS WERE MADE

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

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

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

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

During 2019-20, July 2019, October 2019, December 2019 and March 2020 each have five Tuesdays. If accrual accounting principles were being applied within the NHFA Payments System, the value of the reported cash payments would recognise only the number of calendar days in a particular month, not the 35 days (five weeks paid) or 28 days (four weeks paid), as reported by the Administrator.

In 2019-20 cash payments to LHNs from the NSW State Pool Account are calculated based on LHN cash flow requirements and will fluctuate depending on their commitments.

State Managed Fund cash payments occur on a monthly pro rata basis.

In respect to Albury Wodonga, the Victorian Department of Health has direct budget responsible for provision of services at Albury/Wodonga Health and the current and proposed Intergovernmental Agreement on Federal Financial Relations (IGA) for Albury Wodonga, requires NSW to pay the Victorian Department of Health.

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

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

Other payments may occur in 2019-20 that are outside the regular weekly (Tuesday) payment cycle for payments to other States/Territories for NSW residents treated in their public hospitals. Payments to LHNs may also vary where their cash entitlement alters during the financial year.

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

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

For more information on budget allocations, see the 2019-20 LHN Service Agreements which are available on each NSW LHN website as the Chief Executive and Board of the LHN's provide sign off.



FINANCIAL
STATEMENT

NSW

NATIONAL HEALTH FUNDING POOL
NEW SOUTH WALES STATE POOL
ACCOUNT SPECIAL PURPOSE
FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020

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

CONTENTS

Independent Auditor's Report	61
Statement by the Administrator of the National Health Funding Pool	63
New South Wales State Pool Account	
Statement of receipts and payments for the year ended 30 June 2020	64
NEW SOUTH WALES STATE POOL ACCOUNT NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL STATEMENT	
NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	65
NOTE 2: ACTIVITY BASED FUNDING RECEIPTS	68
NOTE 3: CROSS-BORDER RECEIPTS	68
NOTE 4: ACTIVITY BASED FUNDING PAYMENTS	69
NOTE 5: CROSS-BORDER PAYMENTS	70
NOTE 6: ACTIVITY BASED FUNDING RECEIPTS AND PAYMENTS	70
NOTE 7: COVID-19 FUNDING	71

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

National Health Funding Pool New South Wales State Pool Account

To the Administrator of the National Health Funding Pool

Opinion

As requested by the *Health Services Act 1997* (NSW) and section 242 of the *National Health Reform Act 2011* (Cth), I have audited the accompanying special purpose financial statement of the New South Wales State Pool Account of the National Health Funding Pool (the financial statement) for the year ended 30 June 2020. The financial statement comprises a Statement of receipts and payments for the year ended 30 June 2020, a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statement gives a true and fair view of the financial transactions of the New South Wales State Pool Account for the year ended 30 June 2020 in accordance with the financial reporting provisions of the *Health Services Act 1997* (NSW), the *National Health Reform Act 2011* (Cth) and the National Health Reform Agreement 2011.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter – Basis of Accounting

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

Other Information

The National Health Funding Body's annual report for the year ended 30 June 2020 includes other information in addition to the financial statement and my Independent Auditor's Report thereon. The Administrator of the National Health Funding Body is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprises the statement by the Administrator of the National Health Funding Pool.

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

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

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

I have nothing to report in this regard.

The Administrator's Responsibilities for the Financial 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 the *Health Services Act 1997 (NSW)*, the *National Health Reform Act 2011 (Cth)* and the National Health Reform Agreement 2011. The Administrator's responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statement

My objectives are to:

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

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

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

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

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



Dominika Ryan
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

16 September 2020
SYDNEY

Statement by the Administrator of the National Health Funding Pool



Administrator
National Health
Funding Pool

STATEMENT BY THE ADMINISTRATOR OF THE NATIONAL HEALTH FUNDING POOL NEW SOUTH WALES STATE POOL ACCOUNT

I report that, as indicated in Note 1(b) to the financial statement, I have determined that the attached special purpose financial statement comprising of a statement of receipts and payments 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 2020 is based on properly maintained financial records and gives a true and fair view of the matters required by the New South Wales *Health Services Act 1997*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

Michael Lambert
Administrator
National Health Funding Pool

15 September 2020

New South Wales State Pool Account

Statement of receipts and payments for the year ended 30 June 2020

	Notes	2020 \$ '000	2019 \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth Government			
Activity Based Funding	2, 6	5,907,420	5,727,444
Block funding		911,545	881,703
Public health funding		134,798	127,554
COVID-19 funding	7	1,074,396	-
From New South Wales Government			
Activity Based Funding	2, 6	6,369,916	5,956,396
Cross-border contribution	5	235,751	207,420
COVID-19 funding	7	-	-
From other States or Territories			
Cross-border receipts	3,6	94,804	67,800
From Reserve Bank of Australia			
Interest receipts		793	1,986
TOTAL RECEIPTS		14,729,423	12,970,302
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding	4, 6	12,277,336	11,692,446
COVID-19 funding	7	-	-
To New South Wales State Managed Fund			
Block funding		911,545	881,703
Cross-border transfer		-	-
To New South Wales Health			
Public health funding		134,798	127,554
COVID-19 funding	7	1,074,396	-
Interest payments		793	1,986
Cross-border transfer		94,804	67,800
To other States or Territories			
Cross-border payments	5,6	235,751	207,420
TOTAL PAYMENTS		14,729,423	12,978,909
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		-	(8,606)
OPENING CASH BALANCE		-	8,606
CLOSING CASH BALANCE		-	-

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the special purpose financial statement are set out below.

(A) REPORTING ENTITY

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

(B) BASIS OF PREPARATION

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

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

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

The special purpose financial statement was authorised for release by the Administrator on 15 September 2020.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2018-19 and 2019-20 are for the year ended 30 June.

(D) NATIONAL HEALTH FUNDING POOL

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

(E) ACTIVITY BASED FUNDING

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

In 2018-19 and 2019-20 the Commonwealth, States and Territories ABF supported the following:

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

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

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

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

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

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

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

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

In response to the Commonwealth Minister for Health's direction, the IHPA published a

statement that included matters relevant to the amounts required to be paid to States and Territories in accordance with the National Health Reform Agreement.

Having regard to the Administrator's advice and the IHPA statement on matters relevant to the amounts required to be paid to the States and Territories under the National Health Reform Agreement, in April 2018 to Commonwealth Treasurer issued a Determination of 2015-16 National Health Reform payments.

(F) BLOCK FUNDING

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

In 2018-19 and 2019-20 the Commonwealth Block funding supported the following:

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

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

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

New South Wales State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

(G) PUBLIC HEALTH FUNDING

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

(H) CROSS-BORDER

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

The Commonwealth share of the cost of treating the patient is paid through the Funding Pool as part of the normal Activity Based Funding - the Commonwealth contribution to each State or Territory covers all eligible patients treated, regardless of where they reside. The 'resident State or Territory' pays its share through the Funding Pool to the provider State or Territory (see Note 3 and Note 5).

(I) INTEREST

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

(J) TAXATION

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

(K) COVID-19 FUNDING

On 31 January 2020, the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. As a result of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic.

COVID-19 was declared a pandemic by the Governor-General on 18 March 2020. A National Cabinet, made up of the Prime Minister, Premiers and Chief Ministers was set up in response to the announcement. A National Partnership Agreement was entered into by the Commonwealth and the States and Territories in recognition of the costs incurred by state health services in response to the COVID-19 outbreak on 13 March 2020. The Agreement was revised to incorporate a financial viability payment for private hospitals on 14 April 2020.

Financial assistance has been provided by the Commonwealth in the form of the hospital services payments calculated on an activity basis, state public health payments as well as private hospital capacity and financial viability payments.

NOTE 2: ACTIVITY BASED FUNDING RECEIPTS

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

	2020 \$ '000	2019 \$ '000
Commonwealth Activity Based Funding	5,907,420	5,727,444
New South Wales Activity Based Funding	6,369,916	5,956,396
TOTAL	12,277,336	11,683,840

NOTE 3: CROSS-BORDER RECEIPTS

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

States and Territories	2020 \$ '000	2019 \$ '000
CROSS-BORDER RECEIPTS		
Australian Capital Territory	21,300	19,800
Victoria	15,600	9,600
Queensland	41,592	38,400
Western Australia	11,239	-
South Australia	-	-
Tasmania	3,507	-
Northern Territory	1,566	-
TOTAL	94,804	67,800

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

New South Wales State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

NOTE 4: ACTIVITY BASED FUNDING PAYMENTS

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

Local Hospital Networks	2020 \$ '000	2019 \$ '000
Albury NSW Local Health District [^]	45,707	42,595
Central Coast Local Health District	628,865	583,837
Contracted Services	32,658	25,949
Far West Local Health District	57,240	59,274
Hunter New England Local Health District	1,391,190	1,338,872
Illawarra Shoalhaven Local Health District	681,836	631,783
Mid North Coast Local Health District	442,787	427,932
Murrumbidgee Local Health District	327,402	290,198
Nepean Blue Mountains Local Health District	650,952	602,387
Northern NSW Local Health District	598,127	570,434
Northern Sydney Local Health District	959,955	952,634
South Eastern Sydney Local Health District	1,171,399	1,091,840
South Western Sydney Local Health District	1,419,588	1,380,018
Southern NSW Local Health District	288,584	285,581
St Vincent's Health Network	341,563	306,610
Sydney Local Health District	1,140,222	1,078,746
Sydney Children's Hospitals Network	472,117	450,421
Western NSW Local Health District	445,098	439,414
Western Sydney Local Health District	1,182,046	1,133,921
TOTAL	12,277,336	11,692,446

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

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

NOTE 5: CROSS-BORDER PAYMENTS

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

States and Territories	2020 \$ '000	2019 \$ '000
CROSS-BORDER PAYMENTS		
Australian Capital Territory	104,340	99,120
Victoria	51,150	48,300
Queensland	65,520	60,000
Western Australia	9,831	-
South Australia	-	-
Tasmania	2,402	-
Northern Territory	2,508	-
TOTAL	235,751	207,420

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

NOTE 6: ACTIVITY BASED FUNDING RECEIPTS AND PAYMENTS

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

	2020 \$ '000	2019 \$ '000
Total Activity Based Funding receipts from the Commonwealth Government	5,907,420	5,727,444
Total Activity Based Funding receipts from New South Wales Government	6,369,916	5,956,396
Cross-border receipts	94,804	67,800
Less: Cross-border payments	(235,751)	(207,420)
Less: Activity Based Funding payments to Local Hospital Networks	(12,277,336)	(11,692,446)
NET RECEIPTS/(PAYMENTS)	(140,947)	(148,226)

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

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

New South Wales State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

NOTE 7: COVID-19 FUNDING

The types of funding and payments under the National Partnership Agreement include:

THE UPFRONT ADVANCE PAYMENT

The Commonwealth has provided an upfront advanced payment of \$100 million to States and Territories on a population share basis. This is an advance payment to ensure the timely availability of funds under the National Partnership Agreement. The Up Front Advance Payment has been subsequently offset against State Public Health requirements.

THE HOSPITAL SERVICES PAYMENT

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

THE STATE PUBLIC HEALTH PAYMENT

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

THE PRIVATE HOSPITAL CAPACITY AND FINANCIAL VIABILITY PAYMENT

The Commonwealth will contribute 100 per cent of the financial viability payments for private hospitals to retain capacity for responding to State and Territory or Commonwealth public health requirements.

All payments, excluding the Upfront Advance Payment, are provided monthly in advance based on estimates submitted by States and Territories and are reconciled quarterly. Final funding entitlements are determined after actual activity data on hospital services and actual in-scope expenditure are submitted. This may result in future funding adjustments.

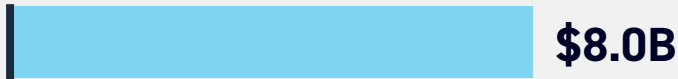
COVID-19 Funding Receipts and Payments:

	2020 \$ '000	2019 \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT		
From Commonwealth Government		
Up Front Advance Payment	31,899	-
Hospital Services Payments	85,401	-
State Public Health Payments	626,062	-
Private Hospital Capacity and Financial Viability Payment	331,034	-
TOTAL COMMONWEALTH RECEIPTS	1,074,396	-
From New South Wales Government		
Hospital Services Payments	-	-
State Public Health Payments	-	-
TOTAL NEW SOUTH WALES GOVERNMENT RECEIPTS	-	-
TOTAL RECEIPTS	1,074,396	-
PAYMENTS OUT OF THE STATE POOL ACCOUNT		
To New South Wales Government (Including Local Hospital Networks)		
Hospital Services Payments	85,401	-
State Public Health Payments	657,961	-
Private Hospital Capacity and Financial Viability Payment	331,034	-
TOTAL PAYMENTS	1,074,396	-
NET RECEIPTS / (PAYMENTS) FOR THE YEAR	-	-

VICTORIA

GROWTH IN PUBLIC HOSPITAL FUNDING SINCE 2013-14

FY 2013-14



FY 2019-20



GROWTH IN ACTIVITY BASED FUNDING SINCE 2013-14

FY 2013-14



FY 2019-20



NATIONAL HEALTH REFORM DISCLOSURES FOR THE YEAR ENDED 30 JUNE 2020

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

^ These amounts do not include transactions related to the COVID-19 National Partnership Agreement. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

FUNDING AND
PAYMENTS

A large red hexagon with the letters "VIC" in white, centered on the page. It is surrounded by several smaller hexagons in various colors (blue, grey, yellow, red) and some are hollow. The background features a series of horizontal wavy lines that create a sense of motion or flow.

VIC

\$13.1B
total funding

THAT WAS PAID TO...

85
Local Hospital Networks

\$11.2B
Activity Based Funding

THAT DELIVERED...

2,125,929
NWAU

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

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

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

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

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

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

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

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

\$'000	2015-2016 Entitlement	2016-2017 Entitlement	2017-2018 Entitlement	2018-2019 Entitlement	2019-2020 [^] Entitlement	TOTAL
Cash Paid 2015-16 Total	4,151,622	-	-	-	-	4,151,622
Cash Paid 2016-17 Total	97,150	4,624,994	-	-	-	4,722,144
Cash Paid 2017-18 Total	(4,565)	100,622	4,925,619	-	-	5,021,676
Cash Paid 2018-19 Total	-	(98,679)	(46,926)	5,195,808	-	5,050,203
Cash Paid 2019-20 Total	-	-	-	(3,874)	5,529,409	5,525,535
CURRENT ENTITLEMENT TOTAL	4,244,208	4,626,937	4,878,693	5,191,933	5,529,409	24,471,180

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

Component	Amount paid by Commonwealth into VIC State Pool Account (\$'000)	
	2019-20 [^]	2018-19
Activity Based Funding	4,657,104	4,235,453
Block funding	758,363	709,424
Public Health funding	110,068	105,326
VIC TOTAL	5,525,535	5,050,203

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

Component	Amount paid by Victoria (\$'000)	
	2019-20 [^]	2018-19
State Pool Account - Activity Based Funding	6,581,213	5,441,577
State Managed Fund - Block funding	975,483	892,509
VIC TOTAL	7,556,696	6,334,086

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

[^] These amounts do not include transactions related to the COVID-19 National Partnership Agreement. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

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

Local Hospital Network	Number of ABF public hospital services funded (NWAU)	
	2019-20 ¹ Estimate	2018-19 ² Actual
Albury Wodonga Health	25,379	18,913
Alfred Health	155,343	155,471
Austin Health	130,043	127,380
Bairnsdale Regional Health Service	13,866	13,378
Ballarat Health Services	55,440	55,467
Barwon Health	98,634	95,097
Bass Coast Regional Health	10,080	9,875
Benalla Health	3,987	4,008
Bendigo Health Care Group	63,356	63,700
Calvary Health Care Bethlehem Limited	4,034	3,702
Castlemaine Health	5,116	5,028
Central Gippsland Health Service	11,887	10,932
Colac Area Health	5,605	5,745
Djerriwarrh Health Services	8,725	8,130
East Grampians Health Service	3,761	3,656
Eastern Health	171,941	168,950
Echuca Regional Health	11,948	11,732
Gippsland Southern Health Service	4,093	3,319
Goulburn Valley Health	33,278	33,460
Kyabram District Health Services	2,993	2,662
Latrobe Regional Hospital	39,674	39,324
Maryborough District Health Service	4,088	3,809
Melbourne Health	133,262	132,141
Mercy Public Hospitals Inc.	70,394	69,244
Monash Health	286,160	274,136
Northeast Health Wangaratta	22,973	22,520
Northern Health	117,096	115,973
Peninsula Health	104,225	102,397
Peter MacCallum Cancer Institute	28,521	29,139
Portland District Health	4,978	5,711
Ramsay Health Care Australia PTY LTD	21,394	20,678

Continued page 78

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

Local Hospital Network	Number of ABF public hospital services funded (NWAU)	
	2019–20 ¹ Estimate	2018–19 ² Actual
Royal Victorian Eye and Ear Hospital	19,097	18,734
South West Healthcare	26,067	24,903
St Vincent's Hospital (Melbourne) Limited	89,960	88,536
Stawell Regional Health	2,918	3,058
Swan Hill District Hospital	7,737	7,695
The Royal Children's Hospital	91,199	88,782
The Royal Women's Hospital	44,936	44,027
West Gippsland Healthcare Group	15,828	15,800
Western District Health Service	8,433	7,626
Western Health	140,723	137,509
Wimmera Health Care Group	12,095	11,935
Contracted Services LHN Victoria	14,662	10,729
VIC TOTAL	2,125,929	2,075,011

1 2019-20 NWAU as per the updated activity estimates as at the Administrator's June 2020 Payment Advice.

2 2018-19 NWAU as per the 2018-19 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2018-19.

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

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

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

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

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

However, in 2018–19 and 2019–20 Victoria did not report any 'other public hospital services and functions funded' from their Pool account or State Managed Fund.

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

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

Continued

^ These amounts do not include transactions related to the COVID-19 National Partnership Agreement. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

The amounts paid from each State Pool Account and State Managed Fund and the basis on which the Payments were made in 2018-19 (\$ '000) – Section 241(2)(C)(D)

Recipient	Amount paid (\$ '000)		
	State Pool Account	State Managed Fund	Total
Albury Wodonga Health	123,452	25,330	148,782
Alexandra District Hospital	-	6,549	6,549
Alfred Health	746,356	65,411	811,767
Alpine Health	-	11,520	11,520
Austin Health	615,097	60,336	675,433
Bairnsdale Regional Health Service	60,569	2,758	63,327
Ballarat Health Services	257,836	36,036	293,872
Barwon Health	447,905	76,712	524,617
Bass Coast Health	45,992	1,514	47,506
Beaufort & Skipton Health Service	-	5,053	5,053
Beechworth Health Service	-	4,806	4,806
Benalla Health	18,273	308	18,581
Bendigo Health Care Group	264,178	49,105	313,283
Boort District Health	-	2,985	2,985
Calvary Health Care Bethlehem Limited	20,653	839	21,491
Casterton Memorial Hospital	-	3,781	3,781
Castlemaine Health	24,919	362	25,281
Central Gippsland Health Service	57,642	2,467	60,109
Cobram District Health	-	7,246	7,246
Cohuna District Hospital	-	6,299	6,299
Colac Area Health	26,610	412	27,022
Contracted Services LHN - Victoria	64,216	-	64,216
Corryong Health	-	3,972	3,972
Djerriwarrh Health Services	47,677	591	48,269
East Grampians Health Service	18,365	1,429	19,794
East Wimmera Health Service	-	12,866	12,866
Eastern Health	735,714	108,209	843,924
Echuca Regional Health	54,212	2,604	56,815
Edenhope And District Memorial Hospital	-	4,311	4,311
Gippsland Southern Health Service	19,379	537	19,916
Goulburn Valley Health	165,925	28,324	194,249

Continued

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

Recipient	Amount paid (\$ '000)^		
	State Pool Account	State Managed Fund	Total
Hepburn Health Service	–	5,760	5,760
Hesse Rural Health Service	–	2,546	2,546
Heywood Rural Health	–	3,045	3,045
Inglewood and Districts Health Service	–	2,573	2,573
Kerang and District Health	–	7,144	7,144
Kilmore and District Hospital	–	16,283	16,283
Kooweerup Regional Health Services	–	5,962	5,962
Kyabram District Health Services	13,751	196	13,947
Kyneton District Health Service	–	6,469	6,469
Latrobe Regional Hospital	185,298	43,193	228,491
Maldon Hospital	–	1,864	1,864
Mallee Track Health and Community Service	–	4,752	4,752
Mansfield District Hospital	–	8,259	8,259
Maryborough District Health Service	21,238	698	21,936
Melbourne Health	733,254	178,546	911,801
Mercy Public Hospitals Inc.	389,995	44,484	434,479
Monash Health	1,345,829	228,737	1,574,566
Moyne Health Services	–	5,107	5,107
NCN Health	–	21,216	21,216
Northeast Health Wangaratta	118,530	4,729	123,259
Northern Health	518,387	12,638	531,025
Omeo District Health	–	2,138	2,138
Orbost Regional Health	–	6,741	6,741
Peninsula Health	463,353	52,314	515,667
Peter MacCallum Cancer Institute	167,468	7,670	175,138
Portland District Health	30,205	472	30,676
Ramsay Health Care Australia PTY LTD	108,594	19,778	128,372
Robinvale District Health Services	–	6,093	6,093
Rochester and Elmore District Health Service	–	6,299	6,299
Royal Victorian Eye and Ear Hospital	94,030	2,114	96,144

Continued

^ These amounts do not include transactions related to the COVID-19 National Partnership Agreement. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

**The amounts paid from each State Pool Account and State Managed Fund and the basis on which the Payments were made in 2018-19 (\$ '000)— Section 241(2)(C)(D)
(Continued)**

Recipient	Amount paid (\$ '000)		
	State Pool Account	State Managed Fund	Total
Great Ocean Road Health	-	207	207
Heathcote Health	-	2,964	2,964
Hepburn Health Service	-	10,054	10,054
Hesse Rural Health Service	-	2,187	2,187
Heywood Rural Health	-	2,573	2,573
Inglewood And Districts Health Service	-	2,565	2,565
Kerang & District Health	-	6,515	6,515
Kilmore And District Hospital	-	15,027	15,027
Kooweerup Regional Health Services	-	5,364	5,364
Kyabram District Health Service	14,424	96	14,520
Kyneton District Health Service	-	10,642	10,642
Latrobe Regional Hospital	179,562	39,407	218,969
Lorne Community Hospital	-	2,420	2,420
Maldon Hospital	-	1,745	1,745
Mallee Track Health And Community Service	-	4,314	4,314
Mansfield District Hospital	-	7,381	7,381
Maryborough District Health Service	19,490	681	20,170
Melbourne Health	657,930	162,368	820,298
Mercy Hospitals Victoria Ltd	358,229	41,345	399,574
Monash Health	1,209,515	229,659	1,439,174
Moyne Health Services	-	4,065	4,065
Nathalia District Hospital	-	2,844	2,844
Northeast Health Wangaratta	102,771	3,377	106,149
Northern Health	482,338	11,409	493,747
Numurkah District Health Service	-	8,686	8,686
Omeo District Health	-	1,962	1,962
Orbost Regional Health	-	5,878	5,878
Otway Health And Community Services	-	3,008	3,008
Peninsula Health	437,561	46,063	483,625
Peter MacCallum Cancer Institute	142,901	6,679	149,580

Continued

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

Recipient	Amount paid (\$ '000)^		
	State Pool Account	State Managed Fund	Total
Rural Northwest Health	-	9,887	9,887
Seymour District Memorial Hospital	-	13,751	13,751
South Gippsland Hospital	-	6,513	6,513
South West Healthcare	136,125	23,191	159,316
St Vincent's Hospital (Melbourne) Limited	514,256	74,207	588,463
Stawell Regional Health	14,958	827	15,785
Swan Hill District Hospital	43,071	1,090	44,161
Tallangatta Health Service	-	4,538	4,538
Terang and Mortlake Health Service	-	5,761	5,761
The Royal Children's Hospital	460,423	36,720	497,143
The Royal Women's Hospital	216,887	5,518	222,405
Timboon and District Healthcare Service	-	4,134	4,134
Victorian Institute Of Forensic Mental Health	-	69,746	69,746
West Gippsland Healthcare Group	77,297	3,661	80,958
West Wimmera Health Service	-	15,756	15,756
Western District Health Service	44,450	3,999	48,449
Western Health	644,674	82,131	726,805
Wimmera Health Care Group	66,689	2,564	69,254
Yarram and District Health Service	-	6,217	6,217
Yarrawonga District Health Service	-	10,388	10,388
Yea and District Memorial Hospital	-	3,035	3,035
Other Provider (VIC)	-	45,104	45,104
Contracted Services LHN Victoria	65,588	2,886	68,473
Central Highlands Rural Health	-	10,244	10,244
State Managed Fund	758,363	-	758,363
Other organisations or funds	1,082,982	-	1,082,982
VIC TOTAL	12,321,812	1,733,846	14,055,658

^ These amounts do not include transactions related to the COVID-19 National Partnership Agreement. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

For the Victoria basis of payments, refer to page 85.

**The amounts paid from each State Pool Account and State Managed Fund and the basis on which the Payments were made in 2018-19 (\$ '000)— Section 241(2)(C)(D)
(Continued)**

Recipient	Amount paid (\$ '000)		
	State Pool Account	State Managed Fund	Total
Portland District Health	31,754	387	32,141
Ramsay Healthcare Australia (Mildura Base Hospital)	107,548	18,202	125,750
Robinvale District Health Services	-	5,862	5,862
Rochester And Elmore District Health Service	-	5,986	5,986
Royal Victorian Eye and Ear Hospital	91,978	1,794	93,773
Rural Northwest Health	-	9,452	9,452
Seymour District Memorial Hospital	-	12,749	12,749
South Gippsland Hospital	-	5,882	5,882
South West Healthcare	122,133	21,236	143,369
St Vincent's Hospital (Melbourne) Limited	476,311	66,803	543,114
Stawell Regional Health	14,644	436	15,080
Swan Hill District Hospital	36,661	873	37,533
Tallangatta Health Service	-	3,676	3,676
Terang And Mortlake Health Service	-	5,459	5,459
The Royal Children's Hospital	435,316	28,721	464,037
The Royal Women's Hospital	209,583	4,885	214,468
Timboon And District Healthcare Service	-	3,810	3,810
Victorian Institute Of Forensic Mental Health	-	63,258	63,258
West Gippsland Healthcare Group	71,726	2,637	74,363
West Wimmera Health Care Group	-	14,557	14,557
Western District Health Service	40,355	3,742	44,097
Western Health	605,935	81,799	687,734
Wimmera Health Care Group	60,183	2,057	62,241
Yarram And District Health Service	-	5,585	5,585
Yarrawonga District Health Service	-	9,549	9,549
Yea And District Memorial Hospital	-	2,573	2,573
State Managed Fund	709,424	-	709,424
Other organisations or funds	204,620	45,806	250,426
VIC TOTAL	10,637,862	1,601,934	12,239,796

For the Victoria basis of payments, refer to page 85.

Victoria basis for National Health Reform payments 2019-20

The basis used to determine NHR payments to LHNs in Victoria was advised by the Victorian Department of Health and Human Services to be as follows:

Payments in Victoria are based upon "Statement of Priorities" agreements between Victorian public health services (LHNs) and the Minister for Health (or Secretary). These annual agreements detail the service profile, strategic priorities and deliverables the Local Hospital Network will achieve in the year ahead; list the key financial, access and service performance priorities and agreed targets; and list funding estimates and associated service activity.

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

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

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

Amounts shown in the monthly reports do not include the New South Wales contributions to Victoria for Albury Wodonga Health.





FINANCIAL STATEMENT

VIC

**NATIONAL HEALTH FUNDING POOL
VICTORIA STATE POOL ACCOUNT
SPECIAL PURPOSE FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020**

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

CONTENTS

Independent Auditor's Report	89
Statement by the Administrator of the National Health Funding Pool	91
Victoria State Pool Account Statement of receipts and payments for the year ended 30 June 2020	92
VICTORIA STATE POOL ACCOUNT NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL STATEMENT	
NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	93
NOTE 2: ACTIVITY BASED FUNDING RECEIPTS	96
NOTE 3: CROSS-BORDER RECEIPTS	96
NOTE 4: ACTIVITY BASED FUNDING PAYMENTS	97
NOTE 5: CROSS-BORDER PAYMENTS	99
NOTE 6: ACTIVITY BASED FUNDING RECEIPTS AND PAYMENTS	100
NOTE 7: COVID-19 FUNDING	101

Independent Auditor's Report



Victorian Auditor-General's Office

Independent Auditor's Report

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

Opinion	<p>I have audited the special purpose financial statement (financial statement) of the Victoria State Pool Account (the account) which comprises the:</p> <ul style="list-style-type: none"> • statement of receipts and payments for the year ended 30 June 2020 • notes to the financial statements, including significant accounting policies • statement by the Administrator of the National Health Funding Pool. <p>In my opinion the financial statement presents fairly, in all material respects, the receipts and payments of the Victoria State Pool Account for the year ended 30 June 2020 in accordance with the financial reporting requirements of section 242 of the <i>National Health Reform Act 2011 (Cwlth)</i> and section 18 of the <i>Health (Commonwealth State Funding Arrangements) Act 2012 (Vic)</i>.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the account in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial statement in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Emphasis of Matter - Basis of Accounting	<p>I draw attention to Note 1(B) to the financial statement, which describes the purpose of the financial statement and its basis of accounting. The financial statement has been prepared using the cash basis of accounting and for the purpose of fulfilling the Administrator's financial reporting obligations under the <i>National Health Reform Act 2011 (Cwlth)</i> and the <i>Health (Commonwealth State Funding Arrangements) Act 2012 (Vic)</i>. As a result, the financial statement may not be suitable for another purpose. My opinion is not modified in respect of this matter.</p>
Administrator's responsibilities for the financial statement	<p>The Administrator of the National Health Funding Pool is responsible for the preparation and fair presentation of the financial statement in accordance with the financial reporting requirements of the <i>National Health Reform Act 2011 (Cwlth)</i> and the <i>Health (Commonwealth State Funding Arrangements) Act 2012 (Vic)</i>, and for such internal control as the Administrator determines is necessary to enable the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.</p> <p>The Administrator is responsible for overseeing the Victoria State Pool Account's financial reporting process.</p>

Auditor's responsibilities for the audit of the financial statement

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

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

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

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

MELBOURNE
16 September 2020



Travis Derricott
as delegate for the Auditor-General of Victoria

Statement by the Administrator of the National Health Funding Pool



Administrator
National Health
Funding Pool

STATEMENT BY THE ADMINISTRATOR OF THE NATIONAL HEALTH FUNDING POOL VICTORIA STATE POOL ACCOUNT

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

In my opinion, the attached special purpose financial statement for the year ended 30 June 2020 is based on properly maintained financial records and gives a true and fair view of the matters required by the *Victorian Health (Commonwealth State Funding Arrangements) Act 2012*, the *Commonwealth National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

Michael Lambert
Administrator
National Health Funding Pool

15 September 2020

Victoria State Pool Account

Statement of receipts and payments for the year ended 30 June 2020

	Notes	2020 \$ '000	2019 \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth Government			
Activity Based Funding	2, 6	4,657,104	4,235,453
Block funding		758,363	709,424
Public health funding		110,068	105,326
COVID-19 funding	7	1,097,118	-
From Victorian Government			
Activity Based Funding			
Activity Based Funding	2, 6	6,581,212	5,431,977
Withdrawal of Activity Based Funding in excess of funding obligations		(757,850)	(39,670)
Cross-border contribution		78,751	9,600
COVID-19 funding	7	-	-
From other States or Territories			
Cross-border receipts	3,6	135,739	48,300
From Reserve Bank of Australia			
Interest receipts		574	1,725
TOTAL RECEIPTS		12,661,079	10,502,135
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding	4, 6	10,480,466	9,723,818
COVID-19 funding	7	-	-
To Victoria State Managed Fund			
Block funding		758,363	709,424
Cross-border transfer		-	-
To Department of Health and Human Services			
Public health funding		110,068	105,326
COVID-19 funding	7	1,097,118	-
Interest payments		574	1,725
Cross-border transfer		135,739	48,300
To other States or Territories			
Cross-border payments	5,6	78,751	9,600
TOTAL PAYMENTS		12,661,079	10,598,192
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		-	(96,057)
OPENING CASH BALANCE		-	96,057
CLOSING CASH BALANCE		-	-

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

Victoria State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the special purpose financial statement are set out below.

(A) REPORTING ENTITY

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

(B) BASIS OF PREPARATION

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

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

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

The special purpose financial statement was authorised for release by the Administrator on 15 September 2020.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2018-19 and 2019-20 are for the year ended 30 June.

(D) NATIONAL HEALTH FUNDING POOL

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

(E) ACTIVITY BASED FUNDING

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

In 2018-19 and 2019-20 the Commonwealth, States and Territories ABF supported the following:

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

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

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

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

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

(F) BLOCK FUNDING

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

In 2018-19 and 2019-20 the Commonwealth Block funding supported the following:

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

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

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

(G) PUBLIC HEALTH FUNDING

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

(H) CROSS-BORDER

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

The Commonwealth share of the cost of treating the patient is paid through the Funding Pool as part of the normal Activity Based Funding- the Commonwealth contribution to each State or Territory covers all eligible patients treated, regardless of where they reside. The 'resident State or Territory' pays its share through the Funding Pool to the provider State or Territory (see Note 3 and Note 5).

(I) INTEREST

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

Victoria State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

(J) TAXATION

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

(K) COVID-19 FUNDING

On 31 January 2020, the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. As a result of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic.

COVID-19 was declared a pandemic by the Governor-General on 18 March 2020. A National Cabinet, made up of the Prime Minister, Premiers and Chief Ministers was set up in response to the announcement. A National Partnership Agreement was entered into by the Commonwealth and the States and Territories in recognition of the costs incurred by state health services in response to the COVID-19 outbreak on 13 March 2020. The Agreement was revised to incorporate a financial viability payment for private hospitals on 14 April 2020.

Financial assistance has been provided by the Commonwealth in the form of the hospital services payments calculated on an activity basis, state public health payments as well as private hospital capacity and financial viability payments.

NOTE 2: ACTIVITY BASED FUNDING RECEIPTS

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

	2020 \$ '000	2019 \$ '000
Commonwealth Activity Based Funding	4,657,104	4,235,453
Victoria Activity Based Funding	6,581,212	5,431,977
Withdrawal of Activity Based Funding in excess of funding obligations	(757,850)	(39,670)
TOTAL	10,480,466	9,627,760

NOTE 3: CROSS-BORDER RECEIPTS

Total cross-border receipts paid into the Victoria State Pool

Account from other States and Territories:

States and Territories	2020 \$ '000	2019 \$ '000
CROSS-BORDER RECEIPTS		
Australian Capital Territory	2,229	-
New South Wales	51,150	48,300
Queensland	15,596	-
Western Australia	8,591	-
South Australia	30,937	-
Tasmania	19,646	-
Northern Territory	7,590	-
TOTAL	135,739	48,300

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

Victoria State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

NOTE 4: ACTIVITY BASED FUNDING PAYMENTS

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

Local Hospital Networks	2020 \$ '000	2019 \$ '000
Albury Wodonga Health	127,606	123,452
Alfred Health	800,067	746,356
Austin Health	661,532	615,097
Bairnsdale Regional Health Service	63,233	60,569
Ballarat Health Services	273,671	257,836
Barwon Health	462,858	447,905
Bass Coast Regional Health	54,310	45,992
Benalla Health	20,232	18,273
Bendigo Health Care Group	289,490	264,178
Calvary Health Care Bethlehem Limited	22,284	20,653
Castlemaine Health	26,616	24,919
Central Gippsland Health Service	59,795	57,642
Colac Area Health	30,710	26,610
Contracted Services LHN Victoria	65,588	64,216
Djerriwarrh Health Services	49,267	47,677
East Grampians Health Service	21,343	18,365
Eastern Health	785,932	735,714
Echuca Regional Health	60,874	54,212
Gippsland Southern Health Service	20,370	19,379
Goulburn Valley Health	175,927	165,925
Kyabram District Health Service	13,751	14,424
Latrobe Regional Hospital	185,298	179,562
Maryborough District Health Service	21,238	19,490
Melbourne Health	733,254	657,930
Mercy Public Hospital Inc.	389,995	358,229
Monash Health	1,345,829	1,209,515
Northeast Health Wangaratta	118,530	102,771
Northern Health	518,387	482,338
Peninsula Health	463,353	437,561
Peter MacCallum Cancer Institute	167,468	142,901
Portland District Health	30,205	31,754
Ramsay Healthcare Australia Pty Ltd	108,594	107,548

Continued page 98

NOTE 4: ACTIVITY BASED FUNDING PAYMENTS (CONTINUED)

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

Local Hospital Networks	2020 \$ '000	2019 \$ '000
Royal Victorian Eye and Ear Hospital	94,030	91,978
South West Healthcare	136,125	122,133
St Vincent's Hospital (Melbourne) Limited	514,256	476,311
Stawell Regional Health	14,958	14,644
Swan Hill District Hospital	43,071	36,661
The Royal Children's Hospital	460,423	435,316
The Royal Women's Hospital	216,887	209,583
West Gippsland Healthcare Group	77,297	71,726
Western District Health Service	44,450	40,355
Western Health	644,674	605,935
Wimmera Health Care Group	66,688	60,183
TOTAL	10,480,466	9,723,818

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

Victoria State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

NOTE 5: CROSS-BORDER PAYMENTS

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

States and Territories	2020 \$ '000	2019 \$ '000
CROSS-BORDER PAYMENTS		
Australian Capital Territory	3,885	-
New South Wales	15,600	9,600
Queensland	25,214	-
Western Australia	5,925	-
South Australia	20,299	-
Tasmania	2,600	-
Northern Territory	5,228	-
TOTAL	78,751	9,600

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

NOTE 6: ACTIVITY BASED FUNDING RECEIPTS AND PAYMENTS

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

	2020 \$ '000	2019 \$ '000
Total Activity Based Funding receipts from Commonwealth Government	4,657,104	4,235,453
Total Activity Based Funding receipts from Victorian Government	6,581,212	5,431,977
Withdrawal of Activity Based Funding in excess of funding obligations	(757,850)	(39,670)
Cross-border receipts	135,739	48,300
Less: Cross-border payments	(78,751)	(9,600)
Less: Activity Based Funding payments to Local Hospital Networks	(10,480,466)	(9,723,818)
NET RECEIPTS/(PAYMENTS)	56,988	(57,358)

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

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

Victoria State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

NOTE 7: COVID-19 FUNDING

The types of funding and payments under the National Partnership Agreement include:

THE UPFRONT ADVANCE PAYMENT

The Commonwealth has provided an upfront advanced payment of \$100 million to States and Territories on a population share basis. This is an advance payment to ensure the timely availability of funds under the National Partnership Agreement. The Up Front Advance Payment has been subsequently offset against State Public Health requirements.

THE HOSPITAL SERVICES PAYMENT

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

THE STATE PUBLIC HEALTH PAYMENT

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

THE PRIVATE HOSPITAL CAPACITY AND FINANCIAL VIABILITY PAYMENT

The Commonwealth will contribute 100 per cent of the financial viability payments for private hospitals to retain capacity for responding to State and Territory or Commonwealth public health requirements.

All payments, excluding the Upfront Advance Payment, are provided monthly in advance based on estimates submitted by States and Territories and are reconciled quarterly. Final funding entitlements are determined after actual activity data on hospital services and actual in-scope expenditure are submitted. This may result in future funding adjustments.

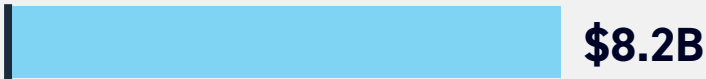
COVID-19 Funding Receipts and Payments:

	2020 \$ '000	2019 \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT		
From Commonwealth Government		
Up Front Advance Payment	26,005	-
Hospital Services Payments	75,545	-
State Public Health Payments	598,799	-
Private Hospital Capacity and Financial Viability Payment	396,769	-
TOTAL COMMONWEALTH RECEIPTS	1,097,118	-
From Victorian Government		
Hospital Services Payments	-	-
State Public Health Payments	-	-
TOTAL VICTORIAN GOVERNMENT RECEIPTS	-	-
TOTAL RECEIPTS	1,097,118	-
PAYMENTS OUT OF THE STATE POOL ACCOUNT		
To Victorian Government (Including Local Hospital Network)		
Hospital Services Payments	75,545	-
State Public Health Payments	624,804	-
Private Hospital Capacity and Financial Viability Payment	396,769	-
TOTAL PAYMENTS	1,097,118	-
NET RECEIPTS / (PAYMENTS) FOR THE YEAR	-	-

QUEENSLAND

GROWTH IN PUBLIC HOSPITAL FUNDING SINCE 2013-14

FY 2013-14



FY 2019-20



GROWTH IN ACTIVITY BASED FUNDING SINCE 2013-14

FY 2013-14



FY 2019-20



NATIONAL HEALTH REFORM DISCLOSURES FOR THE YEAR ENDED 30 JUNE 2020

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

[^] These amounts do not include transactions related to the COVID-19 National Partnership Agreement. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

FUNDING AND
PAYMENTS



QLD

\$12.7B
total funding

THAT WAS PAID TO...

18

Local Hospital Networks

\$10.7B

Activity Based Funding

THAT DELIVERED...

1,938,706
NWAU

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

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

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

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

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

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

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

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

\$'000	2015-2016 Entitlement	2016-2017 Entitlement	2017-2018 Entitlement	2018-2019 Entitlement	2019-2020 [^] Entitlement	TOTAL
Cash Paid 2015-16 Total	3,399,816	-	-	-	-	3,399,816
Cash Paid 2016-17 Total	138,629	3,712,330	-	-	-	3,850,959
Cash Paid 2017-18 Total	138,796	166,952	3,953,632	-	-	4,259,380
Cash Paid 2018-19 Total	-	214,916	393,927	4,630,150	-	5,238,994
Cash Paid 2019-20 Total	-	-	-	37,228	4,970,758	5,007,985
CURRENT ENTITLEMENT TOTAL	3,677,241	4,094,199	4,347,559	4,667,378	4,970,758	21,757,135

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

Component	Amount paid by Commonwealth into QLD State Pool Account (\$'000)	
	2019-20 [^]	2018-19
Activity Based Funding	4,384,530	4,663,022
Block funding	538,877	495,720
Public Health funding	84,579	80,252
QLD TOTAL	5,007,985	5,238,994

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

Component	Amount paid by Queensland (\$'000)	
	2019-20 [^]	2018-19
State Pool Account - Activity Based Funding	6,324,967	5,588,033
State Managed Fund - Block funding	1,358,531	1,121,938
QLD TOTAL	7,683,498	6,709,971

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

[^] These amounts do not include transactions related to the COVID-19 National Partnership Agreement. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

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

Local Hospital Network	Number of ABF public hospital services funded (NWAU)	
	2019-20 ¹ Estimate	2018-19 ² Actual
Cairns and Hinterland Hospital and Health Service	124,093	123,061
Central Queensland Hospital and Health Service	72,096	66,800
Children's Health Queensland Hospital and Health Service	80,706	82,656
Darling Downs Hospital and Health Service	85,813	85,615
Gold Coast Hospital and Health Service	215,088	213,267
Mackay Hospital and Health Service	56,526	55,086
Mater Misericordiae Health Service Brisbane	86,798	83,775
Metro North Hospital and Health Service	415,405	400,883
Metro South Hospital and Health Service	343,396	334,584
North West Hospital and Health Service	16,247	15,332
Queensland Health Virtual LHN	7,500	4,030
Sunshine Coast Hospital and Health Service	147,592	144,202
Townsville Hospital and Health Service	124,135	124,035
West Moreton Hospital and Health Service	75,755	78,811
Wide Bay Hospital and Health Service	87,555	86,041
QLD TOTAL	1,938,706	1,898,179

1 2019-20 NWAU as per the updated activity estimates as at the Administrator's June 2020 Payment Advice.

2 2018-19 NWAU as per the 2018-19 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2018-19.

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

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

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

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

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

However, in 2018–19 and 2019–20 Queensland did not report any 'other public hospital services and functions funded' from their Pool account or State Managed Fund.

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

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

^ These amounts do not include transactions related to the COVID-19 National Partnership Agreement. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

The amounts paid from each State Pool Account and State Managed Fund and the basis on which the Payments were made in 2018-19 (\$ '000) – Section 241(2)(C)(D)

Recipient	Amount paid (\$ '000)		
	State Pool Account	State Managed Fund	Total
Cairns and Hinterland Hospital and Health Service	651,779	133,922	785,701
Central Queensland Hospital and Health Service	349,132	99,993	449,124
Central West Hospital and Health Service	-	46,236	46,236
Children's Health Queensland Hospital and Health Service	451,616	28,512	480,127
Darling Downs Hospital and Health Service	445,521	178,599	624,120
Gold Coast Hospital and Health Service	1,144,686	91,642	1,236,328
Mackay Hospital and Health Service	274,185	71,037	345,222
Mater Misericordiae Health Service Brisbane	477,550	13,944	491,494
Metro North Hospital and Health Service	2,098,145	181,620	2,279,764
Metro South Hospital and Health Service	1,820,877	169,079	1,989,956
North West Hospital and Health Service	82,971	35,607	118,578
Queensland Health Virtual LHN	64,395	-	64,395
South West Hospital and Health Service	-	73,492	73,492
Sunshine Coast Hospital and Health Service	886,536	67,879	954,415
Torres and Cape Hospital and Health Service	-	77,153	77,153
Townsville Hospital and Health Service	641,273	143,409	784,682
West Moreton Hospital and Health Service	378,872	145,188	524,060
Wide Bay Hospital and Health Service	445,117	60,347	505,465
State Managed Fund	495,720	-	495,720
Other organisations or funds	179,115	-	179,115
QLD TOTAL	10,887,490	1,617,658	12,505,148

INTRODUCTION

NATIONAL

NSW

VIC

QLD

WA

SA

TAS

ACT

NT

ENDNOTES

Queensland basis for National Health Reform payments 2019-20

The basis used to determine NHR payments to LHNs in Queensland was advised by the Queensland Department of Health to be as follows:

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

In terms of the funding model:

- 39 of the largest public hospitals are funded through the Queensland Activity Based Funding (ABF) model, which sets prices at a Diagnosis Related Group, clinic type and emergency department presentation triage level for public hospital services. The Queensland ABF model is based on the national ABF model, but includes a number of modifications to reflect Queensland priorities and service investments.
- Other Queensland hospitals and facilities are funded through Block funding arrangements, which take account hospital size and location. It is consisting of small rural hospitals, standalone hospitals providing specialist mental health services such as the Baillie Henderson Hospital, The Park-Centre for Mental Health, Kirwan Rehabilitation Unit, and Charter Towers Rehabilitation Unit, and mental health community care units.
- Queensland Block funding uses the National Efficient Cost (NEC) as a benchmark, and are based on 2017-18 reported expenditure (net of Depreciation and Other patient revenue and Department of Veterans' Affairs revenue source) indexed by 2.5% per annual for two years to 2019-20 levels.
- Most non-hospital services (e.g. preventive health, primary and community health) are funded based on historical funding levels. However, some services, such as oral health and breast screening, are funded based on a price per unit of output.
- The purchasing model determines the volume and value of services that the Department agrees to purchase from each HHS through the service agreement. The model reflects key priority areas for investment which is informed through a range of planning models, growth projections and performance objectives for each HHS.





FINANCIAL STATEMENT

QLD

**NATIONAL HEALTH FUNDING POOL
QUEENSLAND STATE POOL ACCOUNT
SPECIAL PURPOSE FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020**

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

CONTENTS

Independent Auditor's Report	115
Statement by the Administrator of the National Health Funding Pool	117
Queensland State Pool Account Statement of receipts and payments for the year ended 30 June 2020	118
QUEENSLAND STATE POOL ACCOUNT NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL STATEMENT	
NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	119
NOTE 2: ACTIVITY BASED FUNDING RECEIPTS	122
NOTE 3: CROSS-BORDER RECEIPTS	122
NOTE 4: ACTIVITY BASED FUNDING PAYMENTS	123
NOTE 5: CROSS-BORDER PAYMENTS	124
NOTE 6: ACTIVITY BASED FUNDING RECEIPTS AND PAYMENTS	124
NOTE 7: COVID-19 FUNDING	125

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

To the Administrator of the National Health Funding Pool

Report on the audit of the financial statement

Opinion

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

The financial statement comprises the statement of receipts and payments for the year ended 30 June 2020, notes to the financial statement including summaries of significant accounting policies and other explanatory information, and the certificate provided by the Administrator of the National Health Funding Pool (the Administrator).

In my opinion, the financial statement:

- a) gives a true and fair view of the entity's cash receipts and payments for the year ended 30 June 2020
- b) complies with *Hospital and Health Boards Act 2011* and the financial reporting framework described in Note 1(B).

Basis for opinion

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

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

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

Emphasis of matter – basis of accounting

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

Responsibilities of the entity for the financial statement

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

Auditor's responsibilities for the audit of the financial statement

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

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

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

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



Brendan Worrall
Auditor-General

17 September 2020

Queensland Audit Office
Brisbane

Statement by the Administrator of the National Health Funding Pool



Administrator
National Health
Funding Pool

STATEMENT BY THE ADMINISTRATOR OF THE NATIONAL HEALTH FUNDING POOL QUEENSLAND STATE POOL ACCOUNT

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

In my opinion, the attached special purpose financial statement for the year ended 30 June 2020 is based on properly maintained financial records and gives a true and fair view of the matters required by the Queensland *Hospital and Health Boards Act 2011*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

Michael Lambert
Administrator
National Health Funding Pool

15 September 2020

Queensland State Pool Account

Statement of receipts and payments for the year ended 30 June 2020

	Notes	2020 \$ '000	2019 \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth Government			
Activity Based Funding	2, 6	4,384,530	4,663,022
Block funding		538,877	495,720
Public health funding		84,579	80,252
COVID-19 funding	7	345,298	-
From Queensland Government			
Activity Based Funding	2, 6	6,324,967	5,549,633
Cross-border contribution	5	78,583	38,400
COVID-19 funding	7	9,930	-
From other States or Territories			
Cross-border receipts	3,6	117,618	60,000
From Reserve Bank of Australia			
Interest receipts		230	463
TOTAL RECEIPTS		11,884,612	10,887,490
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding	4, 6	10,709,496	10,212,655
COVID-19 funding	7	72,566	-
To Queensland State Managed Fund			
Block funding		538,877	495,720
Cross-border transfer		-	-
To Queensland Health			
Public health funding		84,579	80,252
COVID-19 funding	7	227,953	-
Interest payments		230	463
Cross-border transfer		117,618	60,000
To other States or Territories			
Cross-border payments	5,6	78,583	38,400
TOTAL PAYMENTS		11,829,902	10,887,490
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		54,710	-
OPENING CASH BALANCE		-	-
CLOSING CASH BALANCE		54,710	-

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

Queensland State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the special purpose financial statement are set out below.

(A) REPORTING ENTITY

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

(B) BASIS OF PREPARATION

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

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

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

The special purpose financial statement was authorised for release by the Administrator on 15 September 2020.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2018-19 and 2019-20 are for the year ended 30 June.

(D) NATIONAL HEALTH FUNDING POOL

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

(E) ACTIVITY BASED FUNDING

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

In 2018-19 and 2019-20 the Commonwealth, States and Territories ABF supported the following:

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

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

Commonwealth ABF contributions for each service category were calculated by summing prior year amounts and efficient growth. Efficient growth is determined by measuring the change in price and volume.

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

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

(F) BLOCK FUNDING

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

In 2018-19 and 2019-20 the Commonwealth Block funding supported the following:

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

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

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

Commonwealth block contributions for each service category were calculated by summing prior year amounts and 45 per cent of the change in the National Efficient Cost between the current year and the prior year.

(G) PUBLIC HEALTH FUNDING

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

(H) CROSS-BORDER

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

The Commonwealth share of the cost of treating the patient is paid through the Funding Pool as part of the normal Activity Based Funding- the Commonwealth contribution to each State or Territory covers all eligible patients treated, regardless of where they reside. The 'resident State or Territory' pays its share through the Funding Pool to the provider State or Territory (see Note 3 and Note 5).

(I) INTEREST

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

Queensland State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

(J) TAXATION

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

(K) COVID-19 FUNDING

On 31 January 2020, the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. As a result of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic.

COVID-19 was declared a pandemic by the Governor-General on 18 March 2020. A National Cabinet, made up of the Prime Minister, Premiers and Chief Ministers was set up in response to the announcement. A National Partnership Agreement was entered into by the Commonwealth and the States and Territories in recognition of the costs incurred by state health services in response to the COVID-19 outbreak on 13 March 2020. The Agreement was revised to incorporate a financial viability payment for private hospitals on 14 April 2020.

Financial assistance has been provided by the Commonwealth in the form of the hospital services payments calculated on an activity basis, state public health payments as well as private hospital capacity and financial viability payments.

NOTE 2: ACTIVITY BASED FUNDING RECEIPTS

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

	2020 \$ '000	2019 \$ '000
Commonwealth Government Activity Based Funding	4,384,529	4,663,022
Queensland Government Activity Based Funding	6,324,967	5,549,633
TOTAL	10,709,496	10,212,655

NOTE 3: CROSS-BORDER RECEIPTS

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

States and Territories	2020 \$ '000	2019 \$ '000
CROSS-BORDER RECEIPTS		
Australian Capital Territory	1,449	-
New South Wales	65,520	60,000
Victoria	25,213	-
Western Australia	9,451	-
South Australia	5,508	-
Tasmania	3,941	-
Northern Territory	6,536	-
TOTAL	117,618	60,000

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

Queensland State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

NOTE 4: ACTIVITY BASED FUNDING PAYMENTS

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

Local Hospital Networks	2020 \$ '000	2019 \$ '000
Cairns and Hinterland Hospital and Health Service	692,151	651,779
Central Queensland Hospital and Health Service	386,606	349,132
Children's Health Queensland Hospital and Health Service	465,744	451,616
Darling Downs Hospital and Health Service	481,797	445,521
Gold Coast Hospital and Health Service	1,214,888	1,144,686
Mackay Hospital and Health Service	293,307	274,185
Mater Misericordiae Health Services Brisbane	484,808	477,550
Metro North Hospital and Health Service	2,245,692	2,098,145
Metro South Hospital and Health Service	1,931,362	1,820,877
North West Hospital and Health Service	91,569	82,971
QLD Health Virtual LHN	(37,395)	64,395
Sunshine Coast Hospital and Health Service	919,367	886,536
Townsville Hospital and Health Service	675,309	641,273
West Moreton Hospital and Health Service	397,015	378,872
Wide Bay Hospital and Health Service	467,276	445,117
TOTAL	10,709,496	10,212,655

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

NOTE 5: CROSS-BORDER PAYMENTS

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

States and Territories	2020 \$ '000	2019 \$ '000
CROSS-BORDER PAYMENTS		
Australian Capital Territory	1,000	-
New South Wales	41,592	38,400
Victoria	15,596	-
Western Australia	7,815	-
South Australia	4,752	-
Tasmania	1,856	-
Northern Territory	5,972	-
TOTAL	78,583	38,400

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

NOTE 6: ACTIVITY BASED FUNDING RECEIPTS AND PAYMENTS

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

	2020 \$ '000	2019 \$ '000
Total Activity Based Funding receipts from Commonwealth Government	4,384,529	4,663,022
Total Activity Based Funding receipts from Queensland Government	6,324,967	5,549,633
Cross-border receipts	117,618	60,000
Less: Cross-border payments	(78,583)	(38,400)
Less: Activity Based Funding payments to Local Hospital Networks	(10,709,496)	(10,212,655)
NET RECEIPTS/(PAYMENTS)	39,035	21,600

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

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

Queensland State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

NOTE 7: COVID-19 FUNDING

The types of funding and payments under the National Partnership Agreement include:

THE UPFRONT ADVANCE PAYMENT

The Commonwealth has provided an upfront advanced payment of \$100 million to States and Territories on a population share basis. This is an advance payment to ensure the timely availability of funds under the National Partnership Agreement. The Up Front Advance Payment has been subsequently offset against State Public Health requirements.

THE HOSPITAL SERVICES PAYMENT

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

THE STATE PUBLIC HEALTH PAYMENT

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

THE PRIVATE HOSPITAL CAPACITY AND FINANCIAL VIABILITY PAYMENT

The Commonwealth will contribute 100 per cent of the financial viability payments for private hospitals to retain capacity for responding to State and Territory or Commonwealth public health requirements.

All payments, excluding the Upfront Advance Payment, are provided monthly in advance based on estimates submitted by States and Territories and are reconciled quarterly. Final funding entitlements are determined after actual activity data on hospital services and actual in-scope expenditure are submitted. This may result in future funding adjustments.

COVID-19 Funding Receipts and Payments:

	2020 \$ '000	2019 \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT		
From Commonwealth Government		
Up Front Advance Payment	20,091	-
Hospital Services Payments	57,480	-
State Public Health Payments	60,695	-
Private Hospital Capacity and Financial Viability Payment	207,032	-
TOTAL COMMONWEALTH RECEIPTS	345,298	-
From Queensland Government		
Hospital Services Payments	9,930	-
State Public Health Payments	-	-
TOTAL QUEENSLAND GOVERNMENT RECEIPTS	9,930	-
TOTAL RECEIPTS	355,228	-
PAYMENTS OUT OF THE STATE POOL ACCOUNT		
To Queensland Government (Including Local Hospital Networks)		
Hospital Services Payments	21,756	-
State Public Health Payments	128,745	-
Private Hospital Capacity and Financial Viability Payment	150,017	-
TOTAL PAYMENTS	300,518	-
NET RECEIPTS / (PAYMENTS) FOR THE YEAR	54,710	-

INTRODUCTION

NATIONAL

NSW

VIC

QLD

WA

SA

TAS

ACT

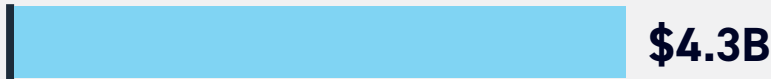
NT

ENDNOTES

WESTERN AUSTRALIA

GROWTH IN PUBLIC HOSPITAL FUNDING SINCE 2013-14

FY 2013-14

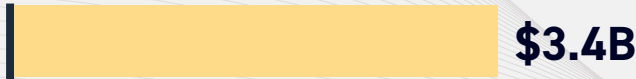


FY 2019-20



GROWTH IN ACTIVITY BASED FUNDING SINCE 2013-14

FY 2013-14



FY 2019-20



NATIONAL HEALTH REFORM DISCLOSURES FOR THE YEAR ENDED 30 JUNE 2020

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

[^] These amounts do not include transactions related to the COVID-19 National Partnership Agreement. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

FUNDING AND PAYMENTS



\$6.0B
total funding

THAT WAS PAID TO...

7

Local Hospital Networks

\$5.2B

Activity Based Funding

THAT DELIVERED...

895,241
NWAU

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

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

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

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

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

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

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

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

\$'000	2015-2016 Entitlement	2016-2017 Entitlement	2017-2018 Entitlement	2018-2019 Entitlement	2019-2020 [^] Entitlement	TOTAL
Cash Paid 2015-16 Total	1,858,705	-	-	-	-	1,858,705
Cash Paid 2016-17 Total	67,916	2,021,141	-	-	-	2,089,058
Cash Paid 2017-18 Total	25,135	27,560	2,121,434	-	-	2,174,129
Cash Paid 2018-19 Total	-	6,330	30,850	2,230,266	-	2,267,445
Cash Paid 2019-20 Total	-	-	-	50,415	2,350,599	2,401,014
CURRENT ENTITLEMENT TOTAL	1,951,757	2,055,031	2,152,284	2,280,681	2,350,599	10,790,351

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

Component	Amount paid by Commonwealth into WA State Pool Account (\$'000)	
	2019-20 [^]	2018-19
Activity Based Funding	2,043,618	1,929,618
Block funding	314,102	297,686
Public Health funding	43,294	40,142
WA TOTAL	2,401,014	2,267,445

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

Component	Amount paid by Western Australia (\$'000)	
	2019-20 [^]	2018-19
State Pool Account - Activity Based Funding	3,112,949	2,751,444
State Managed Fund - Block funding	536,873	308,798
WA TOTAL	3,649,822	3,060,243

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

[^] These amounts do not include transactions related to the COVID-19 National Partnership Agreement. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

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

Local Hospital Network	Number of ABF public hospital services funded (NWAU)	
	2019-20 ¹ Estimate	2018-19 ² Actual
Child and Adolescent Health Service	54,689	57,863
East Metropolitan Health Service	197,360	205,484
North Metropolitan Health Service	256,912	254,078
Notional LHN - Royal Street	19,643	20,582
South Metropolitan Health Service	229,846	225,683
WA Country Health Service	136,790	143,818
WA TOTAL	895,240	907,509

- 1 2019-20 NWAU as per the updated activity estimates as at the Administrator's June 2020 Payment Advice.
- 2 2018-19 NWAU as per the 2018-19 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2018-19.

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

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

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

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

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

However, in 2018–19 and 2019–20 Western Australia did not report any 'other public hospital services and functions funded' from their Pool account or State Managed Fund.

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

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

^ These amounts do not include transactions related to the COVID-19 National Partnership Agreement. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

The amounts paid from each State Pool Account and State Managed Fund and the basis on which the Payments were made in 2018-19 (\$ '000) – Section 241(2)(C)(D)

Recipient	Amount paid (\$ '000)		
	State Pool Account	State Managed Fund	Total
Child and Adolescent Health Service	369,762	23,643	393,405
East Metropolitan Health Service	1,028,075	92,747	1,120,822
North Metropolitan Health Service	1,348,628	138,113	1,486,741
Notional LHN - Royal Street	42,391	–	42,391
South Metropolitan Health Service	1,081,931	76,114	1,158,045
WA Country Health Service	810,013	267,869	1,077,883
State Managed Fund	297,686	–	297,686
Other organisations or funds	40,967	7,998	48,965
WA TOTAL	5,019,455	606,484	5,625,939

Western Australia basis for National Health Reform payments 2019-20

The basis used to determine NHR payments to LHNs in Western Australia is as follows:

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

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

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

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



FINANCIAL STATEMENT

WA

NATIONAL HEALTH FUNDING POOL
WESTERN AUSTRALIA STATE POOL
ACCOUNT SPECIAL PURPOSE
FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020

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

CONTENTS

Independent Auditor's Report	137
Statement by the Administrator of the National Health Funding Pool	139
Western Australia State Pool Account	
Statement of receipts and payments for the year ended 30 June 2020	140
WESTERN AUSTRALIA STATE POOL ACCOUNT NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL STATEMENT	
NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	141
NOTE 2: ACTIVITY BASED FUNDING RECEIPTS	144
NOTE 3: CROSS-BORDER RECEIPTS	144
NOTE 4: ACTIVITY BASED FUNDING PAYMENTS	145
NOTE 5: CROSS-BORDER PAYMENTS	145
NOTE 6: ACTIVITY BASED FUNDING RECEIPTS AND PAYMENTS	146
NOTE 7: COVID-19 FUNDING	147

Independent Auditor's Report



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

Western Australian State Pool Account

Opinion

As required by section 21 of the *National Health Funding Pool Act 2012 (WA)* and section 243 of the *National Health Reform Act 2011*, I have audited the accompanying special purpose financial statement (the financial statement) of the Western Australian State Pool Account of the National Health Funding Pool for the year ended 30 June 2020. The financial statement comprises a Statement of Receipts and Payments for the year ended 30 June 2020, notes comprising a summary of significant accounting policies and other explanatory information, and the Administrator's declaration.

In my opinion, the financial statement gives a true and fair view of the receipts and payments of the Western Australian State Pool Account of the National Health Funding Pool for the year ended 30 June 2020 in accordance with the *National Health Funding Pool Act 2012 (WA)* and *National Health Reform Act 2011*.

Basis for Opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibility section of my report. I am independent of the National Health Funding Body in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to my audit of the financial statement. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter - Basis of Accounting

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

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

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

Auditor's Responsibility

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

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

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

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



CAROLINE SPENCER
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
/ 7 September 2020

Statement by the Administrator of the National Health Funding Pool



Administrator
National Health
Funding Pool

STATEMENT BY THE ADMINISTRATOR OF THE NATIONAL HEALTH FUNDING POOL WESTERN AUSTRALIA STATE POOL ACCOUNT

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

In my opinion, the attached special purpose financial statement for the year ended 30 June 2020 is based on properly maintained financial records and gives a true and fair view of the matters required by the Western Australia *National Health Funding Pool and Administration Act 2012*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

Michael Lambert
Administrator
National Health Funding Pool

15 September 2020

Western Australia State Pool Account

Statement of receipts and payments for the year ended 30 June 2020

	Notes	2020 \$ '000	2019 \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth Government			
Activity Based Funding	2, 6	2,043,618	1,929,618
Block funding		314,102	297,686
Public health funding		43,294	40,142
COVID-19 funding	7	188,397	-
From Western Australia Government			
Activity Based Funding	2, 6	3,112,949	2,751,184
Cross-border contribution	5	44,846	260
COVID-19 funding	7	49,017	-
From other States or Territories			
Cross-border receipts	3,6	28,284	565
From Reserve Bank of Australia			
Interest receipts		6	-
TOTAL RECEIPTS		5,824,513	5,019,455
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding	4, 6	5,156,567	4,680,802
COVID-19 funding	7	-	-
To Western Australia State Managed Fund			
Block funding		314,102	297,686
Cross-border transfer		-	565
To Department of Health			
Public health funding		43,294	40,142
COVID-19 funding	7	222,595	-
Interest payments		14	-
Cross-border transfer		28,284	-
To other States or Territories			
Cross-border payments	5,6	44,846	260
TOTAL PAYMENTS		5,809,702	5,019,455
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		14,811	-
OPENING CASH BALANCE		7	7
CLOSING CASH BALANCE		14,818	7

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

Western Australia State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the special purpose financial statement are set out below.

(A) REPORTING ENTITY

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

(B) BASIS OF PREPARATION

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

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

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

The special purpose financial statement was authorised for release by the Administrator on 15 September 2020.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2018-19 and 2019-20 are for the year ended 30 June.

(D) NATIONAL HEALTH FUNDING POOL

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

(E) ACTIVITY BASED FUNDING

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

In 2018-19 and 2019-20 the Commonwealth, States and Territories ABF supported the following:

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

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

Commonwealth ABF contributions for each service category were calculated by summing prior year amounts and efficient growth. Efficient growth is determined by measuring the change in price and volume.

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

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

(F) BLOCK FUNDING

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

In 2018-19 and 2019-20 the Commonwealth Block funding supported the following:

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

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

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

Commonwealth block contributions for each service category were calculated by summing prior year amounts and 45 per cent of the change in the National Efficient Cost between the current year and the prior year.

(G) PUBLIC HEALTH FUNDING

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

(H) CROSS-BORDER

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

The Commonwealth share of the cost of treating the patient is paid through the Funding Pool as part of the normal Activity Based Funding- the Commonwealth contribution to each State or Territory covers all eligible patients treated, regardless of where they reside. The 'resident State or Territory' pays its share through the Funding Pool to the provider State or Territory (see Note 3 and Note 5).

(I) INTEREST

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

Western Australia State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

(J) TAXATION

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

(K) COVID-19 FUNDING

On 31 January 2020, the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. As a result of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic.

COVID-19 was declared a pandemic by the Governor-General on 18 March 2020. A National Cabinet, made up of the Prime Minister, Premiers and Chief Ministers was set up in response to the announcement. A National Partnership Agreement was entered into by the Commonwealth and the States and Territories in recognition of the costs incurred by state health services in response to the COVID-19 outbreak on 13 March 2020. The Agreement was revised to incorporate a financial viability payment for private hospitals on 14 April 2020.

Financial assistance has been provided by the Commonwealth in the form of the hospital services payments calculated on an activity basis, state public health payments as well as private hospital capacity and financial viability payments.

NOTE 2: ACTIVITY BASED FUNDING RECEIPTS

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

	2020 \$ '000	2019 \$ '000
Commonwealth Activity Based Funding	2,043,618	1,929,618
Western Australia Activity Based Funding	3,112,949	2,751,184
TOTAL	5,156,567	4,680,802

NOTE 3: CROSS-BORDER RECEIPTS

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

States and Territories	2020 \$ '000	2019 \$ '000
CROSS-BORDER RECEIPTS		
Australian Capital Territory	234	-
New South Wales	9,832	-
Victoria	5,925	-
Queensland	7,815	-
South Australia	1,522	-
Tasmania	908	565
Northern Territory	2,048	-
TOTAL	28,284	565

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

Western Australia State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

NOTE 4: ACTIVITY BASED FUNDING PAYMENTS

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

Local Hospital Networks	2020 \$ '000	2019 \$ '000
Child and Adolescent Health Service	392,665	369,762
East Metropolitan Health Service	1,094,179	1,028,075
Mental Health Commission	2,905	2,564
North Metropolitan Health Service	1,491,517	1,348,628
Notional LHN - Royal Street	61,884	39,827
South Metropolitan Health Service	1,242,630	1,081,931
WA Country Health Service	870,787	810,013
TOTAL	5,156,567	4,680,802

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

NOTE 5: CROSS-BORDER PAYMENTS

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

States and Territories	2020 \$ '000	2019 \$ '000
CROSS-BORDER PAYMENTS		
Australian Capital Territory	188	-
New South Wales	11,240	-
Victoria	8,591	-
Queensland	9,451	-
South Australia	1,476	-
Tasmania	721	260
Northern Territory	13,179	-
TOTAL	44,846	260

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

NOTE 6: ACTIVITY BASED FUNDING RECEIPTS AND PAYMENTS

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

	2020 \$ '000	2019 \$ '000
Total Activity Based Funding receipts from the Commonwealth	2,043,618	19,929,618
Total Activity Based Funding receipts from Western Australia	3,112,949	2,751,184
Cross-border receipts	28,284	565
Less: Cross-border payments	(44,846)	(260)
Less: Activity Based Funding payments to Local Hospital Networks	(5,156,567)	(4,680,802)
NET RECEIPTS/(PAYMENTS)	(16,562)	305

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

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

Western Australia State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

NOTE 7: COVID-19 FUNDING

The types of funding and payments under the National Partnership Agreement include:

THE UPFRONT ADVANCE PAYMENT

The Commonwealth has provided an upfront advanced payment of \$100 million to States and Territories on a population share basis. This is an advance payment to ensure the timely availability of funds under the National Partnership Agreement. The Up Front Advance Payment has been subsequently offset against State Public Health requirements.

THE HOSPITAL SERVICES PAYMENT

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

THE STATE PUBLIC HEALTH PAYMENT

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

THE PRIVATE HOSPITAL CAPACITY AND FINANCIAL VIABILITY PAYMENT

The Commonwealth will contribute 100 per cent of the financial viability payments for private hospitals to retain capacity for responding to State and Territory or Commonwealth public health requirements.

All payments, excluding the Upfront Advance Payment, are provided monthly in advance based on estimates submitted by States and Territories and are reconciled quarterly. Final funding entitlements are determined after actual activity data on hospital services and actual in-scope expenditure are submitted. This may result in future funding adjustments.

COVID-19 Funding Receipts and Payments:

	2020 \$ '000	2019 \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT		
From Commonwealth Government		
Up Front Advance Payment	10,338	-
Hospital Services Payments	33,834	-
State Public Health Payments	63,778	-
Private Hospital Capacity and Financial Viability Payment	80,447	-
TOTAL COMMONWEALTH RECEIPTS	188,397	
From Western Australia Government		
Hospital Services Payments	-	-
State Public Health Payments	49,017	-
TOTAL WESTERN AUSTRALIA GOVERNMENT RECEIPTS	49,017	
TOTAL RECEIPTS	237,414	-
PAYMENTS OUT OF THE STATE POOL ACCOUNT		
To Western Australia Government (including Local Hospital Networks)		
Hospital Services Payments	33,833	-
State Public Health Payments	123,133	-
Private Hospital Capacity and Financial Viability Payment	65,629	-
TOTAL PAYMENTS	222,595	-
NET RECEIPTS / (PAYMENTS) FOR THE YEAR	14,819	-

SOUTH AUSTRALIA

GROWTH IN PUBLIC HOSPITAL FUNDING SINCE 2013-14

FY 2013-14

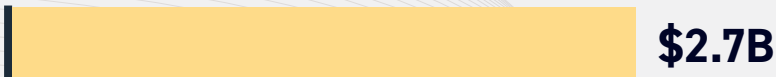


FY 2019-20



GROWTH IN ACTIVITY BASED FUNDING SINCE 2013-14

FY 2013-14



FY 2019-20



NATIONAL HEALTH REFORM DISCLOSURES FOR THE YEAR ENDED 30 JUNE 2020

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

[^] These amounts do not include transactions related to the COVID-19 National Partnership Agreement. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

FUNDING AND
PAYMENTS

SA

\$3.7B

total funding

THAT WAS PAID TO...

11

Local Hospital Networks

\$3.3B

Activity Based Funding

THAT DELIVERED...

610,215

NWAU

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

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

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

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

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

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

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

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

\$'000	2015-2016 Entitlement	2016-2017 Entitlement	2017-2018 Entitlement	2018-2019 Entitlement	2019-2020 [^] Entitlement	TOTAL
Cash Paid 2015-16 Total	1,201,871	-	-	-	-	1,201,871
Cash Paid 2016-17 Total	(2,585)	1,268,316	-	-	-	1,265,731
Cash Paid 2017-18 Total	39,978	2,611	1,306,234	-	-	1,348,823
Cash Paid 2018-19 Total	-	(13,265)	(5,764)	1,339,108	-	1,320,079
Cash Paid 2019-20 Total	-	-	-	58,479	1,436,142	1,494,620
CURRENT ENTITLEMENT TOTAL	1,239,264	1,257,661	1,300,471	1,397,586	1,436,142	6,631,124

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

Component	Amount paid by Commonwealth into SA State Pool Account (\$'000)	
	2019-20 [^]	2018-19
Activity Based Funding	1,273,742	1,110,528
Block funding	191,967	181,935
Public Health funding	28,912	27,616
SA TOTAL	1,494,620	1,320,079

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

Component	Amount paid by South Australia (\$'000)	
	2019-20 [^]	2018-19
State Pool Account - Activity Based Funding	2,012,856	2,232,000
State Managed Fund - Block funding	207,336	189,649
SA TOTAL	2,220,193	2,421,649

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

[^] These amounts do not include transactions related to the COVID-19 National Partnership Agreement. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

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

Local Hospital Network	Number of ABF public hospital services funded (NWAU)	
	2019-20 ¹ Estimate	2018-19 ² Actual
Barossa Hills Fleurieu Local Health Network	19,825	-
Central Adelaide Local Health Network	205,700	211,858
Central Office Services	8,695	10,755
Country Health SA Local Health Network	-	74,433
Eyre and Far North Local Health Network	6,285	-
Flinders and Upper North Local Health Network	17,215	-
Limestone Coast Local Health Network	12,965	-
Northern Adelaide Local Health Network	112,885	111,443
Riverland Mallee Coorong Local Health Network	11,340	-
Southern Adelaide Local Health Network	153,890	159,308
Women's and Children's Health Network	54,285	55,435
Yorke and Northern Local Health Network	7,130	-
SA TOTAL	610,215	623,233

1 2019-20 NWAU as per the updated activity estimates as at the Administrator's June 2020 Payment Advice.

2 2018-19 NWAU as per the 2018-19 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2018-19.

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

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

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

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

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

However, in 2018–19 and 2019–20 South Australia did not report any 'other public hospital services and functions funded' from their Pool account or State Managed Fund.

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

Recipient	Amount paid (\$ '000)^		
	State Pool Account	State Managed Fund	Total
Barossa Hills Fleurieu Local Health Network	101,865	98,549	200,415
Central Adelaide Local Health Network	1,071,019	81,404	1,152,423
Central Office Services	44,769	–	44,769
Eyre and Far North Local Health Network	35,726	13,052	48,779
Flinders and Upper North Local Health Network	83,877	16,681	100,558
Limestone Coast Local Health Network	67,635	23,047	90,681
Northern Adelaide Local Health Network	573,847	38,893	612,740
Riverland Mallee Coorong Local Health Network	56,944	26,601	83,545
Southern Adelaide Local Health Network	767,599	55,882	823,481
Women's and Children's Health Network	286,884	20,700	307,584
Yorke and Northern Local Health Network	42,678	24,493	67,172
State Managed Fund	191,967	–	191,967
Other organisations or funds	139,169	–	139,169
SA TOTAL	3,463,980	399,303	3,863,283

^ These amounts do not include transactions related to the COVID-19 National Partnership Agreement. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

The amounts paid from each State Pool Account and State Managed Fund and the basis on which the Payments were made in 2018-19 (\$ '000) – Section 241(2)(C)(D)

Recipient	Amount paid (\$ '000)		
	State Pool Account	State Managed Fund	Total
Central Adelaide Local Health Network	1,077,123	77,001	1,154,124
Central Office Services	27,791	–	27,791
Country Health SA Local Health Network	365,598	209,257	574,855
Northern Adelaide Local Health Network	522,067	42,533	564,600
Southern Adelaide Local Health Network	794,977	26,023	821,000
Women's and Children's Health Network	292,530	16,770	309,300
State Managed Fund	181,935	–	181,935
Other organisations or funds	27,616	–	27,616
SA TOTAL	3,289,637	371,584	3,661,221

South Australia basis for National Health Reform payments 2019-20

The basis used to determine NHR payments to LHNs in South Australia was advised by the SA Department of Health to be as follows:

In determining the annual funding allocation for all LHNs, the budget has been built up predominantly on an activity basis that shares principles with the IHPA framework. It is designed to equitably distribute funding to each LHN relative to all LHNs in South Australia. This occurs within the confines of a limited funding pool that includes adjustments to recognise cost improvements and the attainment of service efficiencies that are also equitably allocated on an activity basis.

Supplementation is provided as Block funding where an activity-based approach is not appropriate. This captures the provision of services which includes teaching, training and research, some mental health services and the delivery of out of hospital strategies also incorporating primary health.

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



FINANCIAL STATEMENT

SA

**NATIONAL HEALTH FUNDING POOL
SOUTH AUSTRALIA STATE POOL ACCOUNT
SPECIAL PURPOSE FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020**

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

CONTENTS

Independent Auditor's Report	159
Statement by the Administrator of the National Health Funding Pool	163
South Australia State Pool Account	
Statement of receipts and payments for the year ended 30 June 2020	164
SOUTH AUSTRALIA STATE POOL ACCOUNT NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL STATEMENT	
NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	165
NOTE 2: ACTIVITY BASED FUNDING RECEIPTS	168
NOTE 3: CROSS-BORDER RECEIPTS	168
NOTE 4: ACTIVITY BASED FUNDING PAYMENTS	169
NOTE 5: CROSS-BORDER PAYMENTS	169
NOTE 6: ACTIVITY BASED FUNDING RECEIPTS AND PAYMENTS	170
NOTE 7: COVID-19 FUNDING	171

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT



Government of South Australia

Auditor-General's Department

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000

Tel +618 6226 9640
Fax +618 6226 9688

ABN 53 327 061 410

audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Administrator National Health Funding Pool

Opinion

I have audited the special purpose financial statement (the financial statement) of the South Australia State Pool Account of the National Health Funding Pool for the year ended 30 June 2020. The financial statement comprises:

- a Statement of Receipts and Payments for the year ended 30 June 2020
- notes to and forming part of the special purpose financial statement
- a statement by the Administrator of the National Health Funding Pool.

In my opinion, the financial statement for the year ended 30 June 2020 gives a true and fair view of the financial transactions of the South Australia State Pool Account of the National Health Funding Pool in accordance with the financial reporting requirements of the *National Health Funding Pool Administration (South Australia) Act 2011*, the *National Health Reform Act 2011* and the National Health Reform Agreement 2011.

Basis for opinion

I conducted the audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statement' section of my report. I am independent of the South Australia State Pool Account of the National Health Funding Pool and the National Health Funding Body. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* have been met.

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

Emphasis of matter – basis of accounting

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

Responsibilities of the Administrator for the financial statement

The Administrator of the National Funding Pool is responsible for the preparation of the financial statement that gives a true and fair view in accordance with financial reporting requirements of the *National Health Funding Pool Administration (South Australia) Act 2011*, the *National Health Reform Act 2011* and the National Health Reform Agreement 2011, and for such internal control as the Administrator determines is necessary to enable the preparation of the financial statement that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statement

As required by section 24 of the *National Health Funding Pool Administration (South Australia) Act 2012* and section 243 of the *National Health Reform Act 2011*, I have audited the financial statement of the South Australia State Pool Account of the National Health Funding Pool for the year ended 30 June 2020.

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


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

- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the South Australia State Pool Account's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Administrator
- evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

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

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



Andrew Richardson
Auditor-General
17 September 2020



ENDNOTES

NT

ACT

TAS

SA

WA

QLD

VIC

NSW

NATIONAL

INTRODUCTION

Statement by the Administrator of the National Health Funding Pool



Administrator
National Health
Funding Pool

STATEMENT BY THE ADMINISTRATOR OF THE NATIONAL HEALTH FUNDING POOL SOUTH AUSTRALIA STATE POOL ACCOUNT

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

In my opinion, the attached special purpose financial statement for the year ended 30 June 2020 is based on properly maintained financial records and gives a true and fair view of the matters required by the South Australian *National Health Funding Pool Administration (South Australia) Act 2012*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

Michael Lambert
Administrator
National Health Funding Pool

15 September 2020

South Australia State Pool Account

Statement of receipts and payments for the year ended 30 June 2020

	Notes	2020 \$ '000	2019 \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth Government			
Activity Based Funding	2, 6	1,273,742	1,110,528
Block funding		191,967	181,935
Public health funding		28,912	27,616
COVID-19 funding	7	115,374	-
From South Australian Government			
Activity Based Funding	2, 6		
Activity Based Funding		2,012,856	2,232,000
Withdrawal of Activity Based Funding in excess of funding obligations		(12,000)	-
Cross-border contribution		48,983	-
COVID-19 funding	7	33,265	-
From other States or Territories			
Cross-border receipts	3, 6	49,274	-
From Reserve Bank of Australia			
Interest receipts		2,589	3,810
TOTAL RECEIPTS		3,744,962	3,555,888
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding	4, 6	3,132,843	3,080,086
COVID-19 funding	7	35,938	-
To South Australian State Managed Fund			
Block funding		191,967	181,935
Cross-border transfer		-	-
To Department for Health and Wellbeing			
Public health funding		28,912	27,616
COVID-19 funding	7	92,821	-
Interest payments		-	-
Cross-border transfer		49,275	-
To other States or Territories			
Cross-border payments	5, 6	48,983	-
TOTAL PAYMENTS		3,580,739	3,289,637
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		164,223	266,252
OPENING CASH BALANCE		309,312	43,060
CLOSING CASH BALANCE		473,535	309,312

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

South Australia State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the special purpose financial statement are set out below.

(A) REPORTING ENTITY

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

(B) BASIS OF PREPARATION

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

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

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

The special purpose financial statement was authorised for release by the Administrator on 15 September 2020.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2018-19 and 2019-20 are for the year ended 30 June.

(D) NATIONAL HEALTH FUNDING POOL

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

(E) ACTIVITY BASED FUNDING

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

In 2018-19 and 2019-20 the Commonwealth, States and Territories ABF supported the following:

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

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

Commonwealth ABF contributions for each service category were calculated by summing prior year amounts and efficient growth. Efficient growth is determined by measuring the change in price and volume.

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

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

(F) BLOCK FUNDING

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

In 2018-19 and 2019-20 the Commonwealth Block funding supported the following:

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

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

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

(G) PUBLIC HEALTH FUNDING

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

(H) CROSS-BORDER

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

The Commonwealth share of the cost of treating the patient is paid through the Funding Pool as part of the normal Activity Based Funding- the Commonwealth contribution to each State or Territory covers all eligible patients treated, regardless of where they reside. The 'resident State or Territory' pays its share through the Funding Pool to the provider State or Territory (see Note 3 and Note 5).

(I) INTEREST

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

South Australia State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

(J) TAXATION

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

(K) COVID-19 FUNDING

On 31 January 2020, the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. As a result of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic.

COVID-19 was declared a pandemic by the Governor-General on 18 March 2020. A National Cabinet, made up of the Prime Minister, Premiers and Chief Ministers was set up in response to the announcement. A National Partnership Agreement was entered into by the Commonwealth and the States and Territories in recognition of the costs incurred by state health services in response to the COVID-19 outbreak on 13 March 2020. The Agreement was revised to incorporate a financial viability payment for private hospitals on 14 April 2020.

Financial assistance has been provided by the Commonwealth in the form of the hospital services payments calculated on an activity basis, state public health payments as well as private hospital capacity and financial viability payments.

NOTE 2: ACTIVITY BASED FUNDING RECEIPTS

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

	2020 \$ '000	2019 \$ '000
Commonwealth Activity Based Funding	1,273,742	1,110,528
South Australia Activity Based Funding	2,012,856	2,232,000
Withdrawal of Activity Based Funding in excess of funding obligations	(12,000)	-
TOTAL	3,274,598	3,342,528

NOTE 3: CROSS-BORDER RECEIPTS

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

States and Territories	2020 \$ '000	2019 \$ '000
CROSS-BORDER RECEIPTS		
Australian Capital Territory	-	-
New South Wales	-	-
Victoria	20,298	-
Queensland	4,752	-
Western Australia	1,476	-
Tasmania	743	-
Northern Territory	22,005	-
TOTAL	49,274	-

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

South Australia State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

NOTE 4: ACTIVITY BASED FUNDING PAYMENTS

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

Local Hospital Networks	2020 \$ '000	2019 \$ '000
Barossa Hills Fleurieu Local Health Network	101,865	-
Central Adelaide Local Health Network	1,071,019	1,077,123
Central Office Services	44,769	27,791
Country Health SA Local Health Network	-	365,598
Eyre and Far North Local Health Network	35,726	-
Flinders and Upper North Local Health Network	83,877	-
Limestone Coast Local Health Network	67,635	-
Northern Adelaide Local Health Network	573,847	522,067
Riverland Mallee Coorong Local Health Network	56,944	-
Southern Adelaide Local Health Network	767,599	794,977
Women's and Children's Health Network	286,884	292,530
Yorke and Northern Local Health Network	42,678	-
TOTAL	3,132,843	3,080,086

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

NOTE 5: CROSS-BORDER PAYMENTS

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

States and Territories	2020 \$ '000	2019 \$ '000
CROSS-BORDER PAYMENTS		
Australian Capital Territory	-	-
New South Wales	-	-
Victoria	30,937	-
Queensland	5,508	-
Western Australia	1,522	-
Tasmania	449	-
Northern Territory	10,567	-
TOTAL	48,983	-

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

NOTE 6: ACTIVITY BASED FUNDING RECEIPTS AND PAYMENTS

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

	2020 \$ '000	2019 \$ '000
Total Activity Based Funding receipts from Commonwealth Government	1,273,742	1,110,528
Total Activity Based Funding receipts from South Australian Government	2,012,856	2,232,000
Withdrawal of Activity Based Funding in excess of funding obligations	(12,000)	-
Cross-border receipts	49,274	-
Less: Cross-border payments	(48,983)	-
Less: Activity Based Funding payments to Local Hospital Networks	(3,132,843)	(3,080,086)
NET RECEIPTS/(PAYMENTS)	142,046	262,442

For 2020, the receipts in excess of payments balance is represented by overdeposits of the South Australian Activity Based Funding Contribution of \$141,754,101, transfers of \$49,274,607 in cross-border receipts to the South Australia State Health Account and cross-border payments of \$48,982,653.

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

South Australia State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

NOTE 7: COVID-19 FUNDING

The types of funding and payments under the National Partnership Agreement include:

THE UPFRONT ADVANCE PAYMENT

The Commonwealth has provided an upfront advanced payment of \$100 million to States and Territories on a population share basis. This is an advance payment to ensure the timely availability of funds under the National Partnership Agreement. The Up Front Advance Payment has been subsequently offset against State Public Health requirements.

THE HOSPITAL SERVICES PAYMENT

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

THE STATE PUBLIC HEALTH PAYMENT

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

THE PRIVATE HOSPITAL CAPACITY AND FINANCIAL VIABILITY PAYMENT

The Commonwealth will contribute 100 per cent of the financial viability payments for private hospitals to retain capacity for responding to State and Territory or Commonwealth public health requirements.

All payments, excluding the Upfront Advance Payment, are provided monthly in advance based on estimates submitted by States and Territories and are reconciled quarterly. Final funding entitlements are determined after actual activity data on hospital services and actual in-scope expenditure are submitted. This may result in future funding adjustments.

COVID-19 Funding Receipts and Payments:

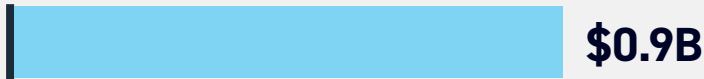
	2020 \$ '000	2019 \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT		
From Commonwealth Government		
Up Front Advance Payment	6,908	-
Hospital Services Payments	6,655	-
State Public Health Payments	12,853	-
Private Hospital Capacity and Financial Viability Payment	88,958	-
TOTAL COMMONWEALTH RECEIPTS	115,374	-
From South Australian Government		
Hospital Services Payments	17,969	-
State Public Health Payments	15,296	-
TOTAL SOUTH AUSTRALIAN GOVERNMENT RECEIPTS	33,265	-
TOTAL RECEIPTS	148,639	-
PAYMENTS OUT OF THE STATE POOL ACCOUNT		
To South Australian Government (Including Local Hospital Networks)		
Hospital Services Payments	24,624	-
State Public Health Payments	35,056	-
Private Hospital Capacity and Financial Viability Payment [^]	69,079	-
TOTAL PAYMENTS	128,759	-
NET RECEIPTS / (PAYMENTS) FOR THE YEAR	19,880	-

[^] The \$69,079 million is a net figure being an initial payment of \$88.958 million offset by \$19.880 million that was subsequently repaid into the State Pool in June 2020.

TASMANIA

GROWTH IN PUBLIC HOSPITAL FUNDING SINCE 2013-14

FY 2013-14

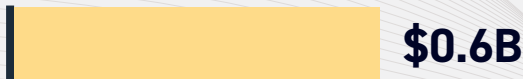


FY 2019-20



GROWTH IN ACTIVITY BASED FUNDING SINCE 2013-14

FY 2013-14



FY 2019-20



NATIONAL HEALTH REFORM DISCLOSURES FOR THE YEAR ENDED 30 JUNE 2020

Issued by the Administrator of the National Health Funding Pool under section 241(2) of the Commonwealth *National Health Reform Act 2011* and section 18(2) of the Tasmanian *National Health Funding Administration Act 2012*.

[^] These amounts do not include transactions related to the COVID-19 National Partnership Agreement. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

FUNDING AND PAYMENTS

TAS

\$1.4B
total funding

THAT WAS PAID TO...

1

Local Hospital Network

\$0.8B

Activity Based Funding

THAT DELIVERED...

159,065
NWAU

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

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

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

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

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

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

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

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

\$'000	2015-2016 Entitlement	2016-2017 Entitlement	2017-2018 Entitlement	2018-2019 Entitlement	2019-2020 [^] Entitlement	TOTAL
Cash Paid 2015-16 Total	362,015	-	-	-	-	362,015
Cash Paid 2016-17 Total	(10)	387,688	-	-	-	387,678
Cash Paid 2017-18 Total	4,288	8,493	411,293	-	-	424,075
Cash Paid 2018-19 Total	-	(6,709)	822	430,413	-	424,526
Cash Paid 2019-20 Total	-	-	-	6,531	437,901	444,432
CURRENT ENTITLEMENT TOTAL	366,293	389,473	412,115	436,944	437,901	2,042,725

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

Component	Amount paid by Commonwealth into TAS State Pool Account (\$'000)	
	2019-20 [^]	2018-19
Activity Based Funding	362,922	345,244
Block funding	72,667	70,851
Public Health funding	8,842	8,432
TAS TOTAL	444,432	424,526

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

Component	Amount paid by Tasmania (\$'000)	
	2019-20 [^]	2018-19
State Pool Account - Activity Based Funding	460,206	420,153
State Managed Fund - Block funding	550,062	450,878
TAS TOTAL	1,010,268	871,031

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

[^] These amounts do not include transactions related to the COVID-19 National Partnership Agreement. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

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

Local Hospital Network	Number of ABF public hospital services funded (NWAU)	
	2019-20 ¹ Estimate	2018-19 ² Actual
Tasmanian Health Service	159,065	166,486
TAS TOTAL	159,065	166,486

- 1 2019-20 NWAU as per the updated activity estimates as at the Administrator's June 2020 Payment Advice.
- 2 2018-19 NWAU as per the 2018-19 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2018-19.

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

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

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

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

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

However, in 2018–19 and 2019–20 Tasmania did not report any 'other public hospital services and functions funded' from their Pool account or State Managed Fund.

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

Recipient	Amount paid (\$ '000)^		
	State Pool Account	State Managed Fund	Total
Tasmanian Health Service	823,128	622,729	1,445,857
State Managed Fund	72,667	–	72,667
Other organisations or funds	46,351	–	46,351
TAS TOTAL	942,146	622,729	1,564,876

^ These amounts do not include transactions related to the COVID-19 National Partnership Agreement. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

The amounts paid from each State Pool Account and State Managed Fund and the basis on which the Payments were made in 2018-19 (\$ '000) – Section 241(2)(C)(D)

Recipient	Amount paid (\$ '000)		Total
	State Pool Account	State Managed Fund	
Tasmanian Health Service	764,831	521,729	1,286,560
State Managed Fund	70,851	-	70,851
Other organisations or funds	9,263	-	9,263
TAS TOTAL	844,945	521,729	1,366,674

INTRODUCTION

NATIONAL

NSW

VIC

QLD

WA

SA

TAS

ACT

NT

ENDNOTES

Tasmania basis for National Health Reform payments 2019-20

The basis used to determine NHR payments to LHNs in Tasmania was advised by the Tasmanian Department of Health and Human Services to be as follows:

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

The annual service plan outlines:

- the schedule of services to be delivered by or on behalf of the THS and the funding to be provided in relation to the provision of those services
- standards of patient care and service delivery
- performance standards, performance targets and performance measures for the THS
- requirements for the THS to report on its performance, as required or otherwise
- a performance management process that is to be in continuous operation in respect of the THS

To provide consistency in methodology and consistency with the National Health Reform Agreement (the Agreement), the 2019-20 Tasmanian Funding Model has adopted the National Weighted Activity Unit (NWAU) as the currency for Activity-Based Funding, with the applicable version being NWAU19, National Efficient Price (NEP19) and where applicable National Efficient Cost (NEC19).

The ABF funded facilities service profile are developed in negotiation with the THS as follows:

- Acute admitted and Sub and non-acute service activity volumes are modelled based historical activity data and agreed growth rates and adjusted for known service provision changes.
- Emergency Department and Outpatient service volumes are modelled based on agreed growth rates and other known historical data factors.
- Teacher Training and Research, Home Ventilation services are modelled based on historical expenditure profiles and funded via the National Block funding model of NEC19.
- Non-NHRA and non-hospital services are block-funded. The Block funding is based on historical expenditure profiles.

The ABF block funded facilities which is the small regional and remote hospitals, stand - alone hospitals providing specialist Mental Health services (admitted and non-admitted), adolescent mental health services (CAMHS) are funded using the NEC19 model with some modifications where applicable.

The 2019-20 Tasmanian Funding Model also provides funding via operational and block grants to the THS covering services provided and activities undertaken that are not within scope for ABF, for example, cross-border, dental services, primary care, home and community care.



ENDNOTES

NT

ACT

TAS

SA

WA

QLD

VIC

NSW

NATIONAL

INTRODUCTION



FINANCIAL STATEMENT

TAS

**NATIONAL HEALTH FUNDING POOL
TASMANIA STATE POOL ACCOUNT
SPECIAL PURPOSE FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020**

Issued by the Administrator of the National Health Funding Pool under section 242 of the Commonwealth *National Health Reform Act 2011* and section 19 of the Tasmanian *National Health Funding Administration Act 2012*.

CONTENTS

Independent Auditor's Report	185
Statement by the Administrator of the National Health Funding Pool	187
Tasmania State Pool Account	
Statement of receipts and payments for the year ended 30 June 2020	188
TASMANIA STATE POOL ACCOUNT NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL STATEMENT	
NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	189
NOTE 2: ACTIVITY BASED FUNDING RECEIPTS	192
NOTE 3: CROSS-BORDER RECEIPTS	192
NOTE 4: ACTIVITY BASED FUNDING PAYMENTS	193
NOTE 5: CROSS-BORDER PAYMENTS	193
NOTE 6: ACTIVITY BASED FUNDING RECEIPTS AND PAYMENTS	194
NOTE 7: COVID-19 FUNDING	195

Independent Auditor's Report



Independent Auditor's Report

To Members of the Tasmanian Parliament

National Health Funding Pool – Tasmania State Pool Account

Report on the Audit of the Statement of Receipts and Payments

Opinion

I have audited the accompanying financial statement of the Tasmania State Pool Account of the National Health Funding Pool (the Pool), which comprises a statement of receipts and payments for the year ended 30 June 2020, cash balances at the beginning and end of that year, other explanatory notes and the statement of certification by the Administrator of the Pool (the Administrator).

In my opinion, the accompanying financial statement presents fairly, in all material respects, the receipts and payments for the year ended 30 June 2020 in accordance with the *National Health Funding Administration Act 2012 (Tasmania)* and section 242 of the *National Health Reform Act 2011 (Commonwealth)* and the *National Health Reform Agreement 2011*.

Basis for Opinion

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statement* section of my report. I am independent of the Tasmania State Pool Account of the National Health Funding Pool in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (Including the Independence standards)* (the Code) that are relevant to my audit of the financial statements in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

The *Audit Act 2008* further promotes the independence of the Auditor-General. The Auditor-General is the auditor of all Tasmanian public sector entities and can only be removed 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.

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

Emphasis of Matter - Basis of Accounting

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

...1 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

Responsibilities of the Administrator for the Financial Statement

The Administrator is responsible for the preparation and fair presentation of the financial statement in accordance with the financial reporting requirements of section 19 of the *National Health Funding Administration Act 2012 (Tasmania)* and section 242 of the *National Health Reform Act 2011 (Commonwealth)* and the National Health Reform Agreement 2011. The Administrator's responsibility also includes such internal control as he determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statement

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

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

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

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



Leigh Franklin
Assistant Auditor-General, Financial Audit Services
Delegate of the Auditor-General

Tasmanian Audit Office

17 September 2020
Hobart

...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

Statement by the Administrator of the National Health Funding Pool



Administrator
National Health
Funding Pool

STATEMENT BY THE ADMINISTRATOR OF THE NATIONAL HEALTH FUNDING POOL TASMANIA STATE POOL ACCOUNT

I report that, as indicated in Note 1(b) to the financial statement, I have determined that the attached special purpose financial statement comprising of a statement of receipts and payments 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 2020 is based on properly maintained financial records and gives a true and fair view of the matters required by the Tasmanian *National Health Funding Administration Act 2012*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

Michael Lambert
Administrator
National Health Funding Pool

15 September 2020

Tasmania State Pool Account

Statement of receipts and payments for the year ended 30 June 2020

	Notes	2020 \$ '000	2019 \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth Government			
Activity Based Funding	2, 6	362,922	345,244
Block funding		72,667	70,851
Public health funding		8,842	8,432
COVID-19 funding	7	75,414	-
From Tasmanian Government			
Activity Based Funding	2, 6	460,206	419,588
Cross-border contribution		29,300	565
COVID-19 funding	7	-	-
From other States or Territories			
Cross-border receipts	3,6	8,208	260
From Reserve Bank of Australia			
Interest receipts		1	5
TOTAL RECEIPTS		1,017,560	844,945
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding	4, 6	823,128	764,831
COVID-19 funding	7	67	-
To Tasmania State Managed Fund			
Block funding		72,667	70,851
Cross-border transfer		-	-
To Department of Health and Human Services			
Public health funding		8,842	8,432
COVID-19 funding	7	75,347	-
Interest payments		1	5
Cross-border transfer		8,208	260
To other States or Territories			
Cross-border payments	5,6	29,300	565
TOTAL PAYMENTS		1,017,560	844,945
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		-	-
OPENING CASH BALANCE		-	-
CLOSING CASH BALANCE		-	-

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

Tasmania State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the special purpose financial statement are set out below.

(A) REPORTING ENTITY

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

(B) BASIS OF PREPARATION

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

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

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

The special purpose financial statement was authorised for release by the Administrator on 15 September 2020.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2018-19 and 2019-20 are for the year ended 30 June.

(D) NATIONAL HEALTH FUNDING POOL

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

(E) ACTIVITY BASED FUNDING

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

In 2018-19 and 2019-20 the Commonwealth, States and Territories ABF supported the following:

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

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

Commonwealth ABF contributions for each service category were calculated by summing prior year amounts and efficient growth. Efficient growth is determined by measuring the change in price and volume.

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

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

(F) BLOCK FUNDING

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

In 2018-19 and 2019-20 the Commonwealth Block funding supported the following:

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

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

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

(G) PUBLIC HEALTH FUNDING

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

(H) CROSS-BORDER

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

The Commonwealth share of the cost of treating the patient is paid through the Funding Pool as part of the normal Activity Based Funding- the Commonwealth contribution to each State or Territory covers all eligible patients treated, regardless of where they reside. The 'resident State or Territory' pays its share through the Funding Pool to the provider State or Territory (see Note 3 and Note 5).

(I) INTEREST

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

Tasmania State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

(J) TAXATION

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

(K) COVID-19 FUNDING

On 31 January 2020, the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. As a result of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic.

COVID-19 was declared a pandemic by the Governor-General on 18 March 2020. A National Cabinet, made up of the Prime Minister, Premiers and Chief Ministers was set up in response to the announcement. A National Partnership Agreement was entered into by the Commonwealth and the States and Territories in recognition of the costs incurred by state health services in response to the COVID-19 outbreak on 13 March 2020. The Agreement was revised to incorporate a financial viability payment for private hospitals on 14 April 2020.

Financial assistance has been provided by the Commonwealth in the form of the hospital services payments calculated on an activity basis, state public health payments as well as private hospital capacity and financial viability payments.

NOTE 2: ACTIVITY BASED FUNDING RECEIPTS

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

	2020 \$ '000	2019 \$ '000
Commonwealth Activity Based Funding	362,922	345,244
Tasmania Activity Based Funding	460,206	419,588
TOTAL	823,128	764,831

NOTE 3: CROSS-BORDER RECEIPTS

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

States and Territories	2020 \$ '000	2019 \$ '000
CROSS-BORDER RECEIPTS		
Australian Capital Territory	59	-
New South Wales	2,402	-
Victoria	2,600	-
Queensland	1,856	-
Western Australia	720	260
South Australia	450	-
Northern Territory	121	-
TOTAL	8,208	260

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

Tasmania State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

NOTE 4: ACTIVITY BASED FUNDING PAYMENTS

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

Local Hospital Networks	2020 \$ '000	2019 \$ '000
Tasmanian Health Service	823,128	764,831
TOTAL	823,128	764,831

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

NOTE 5: CROSS-BORDER PAYMENTS

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

States and Territories	2020 \$ '000	2019 \$ '000
CROSS-BORDER PAYMENTS		
Australian Capital Territory	94	-
New South Wales	3,507	-
Victoria	19,647	-
Queensland	3,941	-
Western Australia	908	565
South Australia	743	-
Northern Territory	460	-
TOTAL	29,300	565

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

NOTE 6: ACTIVITY BASED FUNDING RECEIPTS AND PAYMENTS

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

	2020 \$ '000	2019 \$ '000
Total Activity Based Funding receipts from Commonwealth Government	362,922	345,244
Total Activity Based Funding receipts from Tasmania Government	460,206	419,588
Cross-border receipts	8,208	260
Less: Cross-border payments	(29,300)	(565)
Less: Activity Based Funding payments to Local Hospital Networks	(823,128)	(764,831)
NET RECEIPTS/(PAYMENTS)	(21,090)	(305)

For 2020, the payments in excess of receipts balance is represented by transfers of \$8,208,477 in cross-border receipts to the Tasmania State Health Account and cross-border payments of \$29,299,739.

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

Tasmania State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

NOTE 7: COVID-19 FUNDING

The types of funding and payments under the National Partnership Agreement include:

THE UPFRONT ADVANCE PAYMENT

The Commonwealth has provided an upfront advanced payment of \$100 million to States and Territories on a population share basis. This is an advance payment to ensure the timely availability of funds under the National Partnership Agreement. The Up Front Advance Payment has been subsequently offset against State Public Health requirements.

THE HOSPITAL SERVICES PAYMENT

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

THE STATE PUBLIC HEALTH PAYMENT

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

THE PRIVATE HOSPITAL CAPACITY AND FINANCIAL VIABILITY PAYMENT

The Commonwealth will contribute 100 per cent of the financial viability payments for private hospitals to retain capacity for responding to State and Territory or Commonwealth public health requirements.

All payments, excluding the Upfront Advance Payment, are provided monthly in advance based on estimates submitted by States and Territories and are reconciled quarterly. Final funding entitlements are determined after actual activity data on hospital services and actual in-scope expenditure are submitted. This may result in future funding adjustments.

COVID-19 Funding Receipts and Payments:

	2020 \$ '000	2019 \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT		
From Commonwealth Government		
Up Front Advance Payment	2,107	-
Hospital Services Payments	644	-
State Public Health Payments	39,769	-
Private Hospital Capacity and Financial Viability Payment	32,894	-
TOTAL COMMONWEALTH RECEIPTS	75,414	-
From Tasmanian Government		
Hospital Services Payments	-	-
State Public Health Payments	-	-
TOTAL TASMANIAN GOVERNMENT RECEIPTS	-	-
TOTAL RECEIPTS	75,414	-
PAYMENTS OUT OF THE STATE POOL ACCOUNT		
To Tasmanian Government (Including Local Hospital Networks)		
Hospital Services Payments	644	-
State Public Health Payments	41,876	-
Private Hospital Capacity and Financial Viability Payment	32,894	-
TOTAL PAYMENTS	75,414	-
NET RECEIPTS / (PAYMENTS) FOR THE YEAR	-	-

AUSTRALIAN CAPITAL TERRITORY

GROWTH IN PUBLIC HOSPITAL FUNDING SINCE 2013-14

FY 2013-14

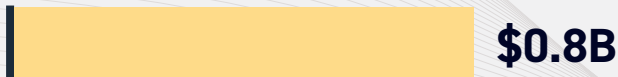


FY 2019-20



GROWTH IN ACTIVITY BASED FUNDING SINCE 2013-14

FY 2013-14



FY 2019-20



NATIONAL HEALTH REFORM DISCLOSURES FOR THE YEAR ENDED 30 JUNE 2020

Issued by the Administrator of the National Health Funding Pool under section 241(2) of the Commonwealth *National Health Reform Act 2011* and section 25(2) of the Australian Capital Territory *Health (National Health Funding Pool and Administration) Act 2013*.

[^] These amounts do not include transactions related to the COVID-19 National Partnership Agreement. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

FUNDING AND
PAYMENTS



ACT

\$1.3B
total funding

THAT WAS PAID TO...

1

Local Hospital Network

\$1.1B

Activity Based Funding

THAT DELIVERED...

169,986
NWAU

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

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

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

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

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

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

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

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

\$'000	2015-2016 Entitlement	2016-2017 Entitlement	2017-2018 Entitlement	2018-2019 Entitlement	2019-2020 [^] Entitlement	TOTAL
Cash Paid 2015-16 Total	321,665	-	-	-	-	321,665
Cash Paid 2016-17 Total	3,714	340,782	-	-	-	344,496
Cash Paid 2017-18 Total	15,307	7,341	362,933	-	-	385,581
Cash Paid 2018-19 Total	-	16,532	10,284	386,622	-	413,437
Cash Paid 2019-20 Total	-	-	-	13,696	420,339	434,035
CURRENT ENTITLEMENT TOTAL	340,685	364,655	373,216	400,317	420,339	1,899,213

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

Component	Amount paid by Commonwealth into ACT State Pool Account (\$'000)	
	2019-20 [^]	2018-19
Activity Based Funding	398,418	378,266
Block funding	28,488	28,292
Public Health funding	7,129	6,879
ACT TOTAL	434,035	413,437

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

Component	Amount paid by Australian Capital Territory (\$'000)	
	2019-20 [^]	2018-19
State Pool Account - Activity Based Funding	687,325	577,178
State Managed Fund - Block funding	156,439	77,410
ACT TOTAL	843,764	654,588

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

[^] These amounts do not include transactions related to the COVID-19 National Partnership Agreement. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

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

Local Hospital Network	Number of ABF public hospital services funded (NWAU)	
	2019-20 ¹ Estimate	2018-19 ² Actual
ACT Local Hospital Network	169,986	168,377
ACT TOTAL	169,986	168,377

- 1 2019-20 NWAU as per the updated activity estimates as at the Administrator's June 2020 Payment Advice.
- 2 2018-19 NWAU as per the 2018-19 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2018-19.

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

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

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

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

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

However, in 2018–19 and 2019–20 Australian Capital Territory did not report any 'other public hospital services and functions funded' from their Pool account or State Managed Fund.

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

Recipient	Amount paid (\$ '000)^		
	State Pool Account	State Managed Fund	Total
ACT Local Hospital Network	1,195,332	184,927	1,380,259
State Managed Fund	28,488	–	28,488
Other organisations or funds	32,512	–	32,512
ACT TOTAL	1,256,333	184,927	1,441,259

^ These amounts do not include transactions related to the COVID-19 National Partnership Agreement. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

The amounts paid from each State Pool Account and State Managed Fund and the basis on which the Payments were made in 2018-19 (\$ '000) – Section 241(2)(C)(D)

Recipient	Amount paid (\$ '000)		
	State Pool Account	State Managed Fund	Total
ACT Local Hospital Network	1,034,764	105,702	1,140,467
State Managed Fund	28,292	–	28,292
Other organisations or funds	26,679	–	26,679
ACT TOTAL	1,089,735	105,702	1,195,438

Australian Capital Territory basis for National Health Reform payments 2019-20

The basis used to determine NHR payments to the Australian Capital Territory LHNs was advised by the ACT Health Directorate to be as follows:

The annual funding allocation for the ACT in 2019-20 is based on budget-neutral modelling. This modelling is predicated on the historical cost of providing hospital services plus wages and non-wages indexation. The activity for activity-based funded services is derived using historical activity levels plus an allowance for reasonable growth in public hospital services for the current year. The weighted activity is measured and funded based on the full Independent Hospital Pricing Authority pricing model and framework parameters.



FINANCIAL STATEMENT

ACT

**NATIONAL HEALTH FUNDING POOL
AUSTRALIAN CAPITAL TERRITORY STATE
POOL ACCOUNT SPECIAL PURPOSE FINANCIAL
STATEMENT FOR THE YEAR ENDED 30 JUNE 2020**

Issued by the Administrator of the National Health Funding Pool under section 242 of the Commonwealth *National Health Reform Act 2011* and section 26 of the Australian Capital Territory *Health (National Health Funding Pool and Administration) Act 2013*.

CONTENTS

Independent Auditor's Report	207
Statement by the Administrator of the National Health Funding Pool	209
Australian Capital Territory State Pool Account Statement of receipts and payments for the year ended 30 June 2020	210
AUSTRALIAN CAPITAL TERRITORY STATE POOL ACCOUNT NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL STATEMENT	
NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	211
NOTE 2: ACTIVITY BASED FUNDING RECEIPTS	214
NOTE 3: CROSS-BORDER RECEIPTS	214
NOTE 4: ACTIVITY BASED FUNDING PAYMENTS	215
NOTE 5: CROSS-BORDER PAYMENTS	215
NOTE 6: ACTIVITY BASED FUNDING RECEIPTS AND PAYMENTS	216
NOTE 7: COVID-19 FUNDING	217

Independent Auditor's Report



AUDITOR-GENERAL AN OFFICER
OF THE ACT LEGISLATIVE ASSEMBLY 

INDEPENDENT AUDITOR'S REPORT

AUSTRALIAN CAPITAL TERRITORY STATE POOL ACCOUNT

To the Administrator of the National Health Funding Pool

Opinion

I have audited the special purpose financial statement (financial statement) of the Australian Capital Territory State Pool Account for the year ended 30 June 2020. The financial statement is comprised of the statement of receipts and payments and accompanying notes.

In my opinion, the financial statement:

- (i) is in accordance with the *Health (National Health Funding Pool and Administration) Act 2013*, the *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*; and
- (ii) present fairly the receipts and payments of the Australian Capital Territory State Pool Account of the National Health Funding Pool.

Basis for opinion

I conducted the audit in accordance with the Australian Auditing Standards. My responsibilities under the standards are further described in the 'Auditor's responsibilities for the audit of the financial statement' section of this report.

I am independent of the National Health Funding Pool in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (Code). I have also fulfilled my other ethical responsibilities in accordance with the Code.

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

Emphasis of matter – Basis of accounting

I draw your attention to Note 1(B): 'Basis of preparation' of the financial statement, which describes the purpose of the financial statement and the basis of accounting used to prepare the financial statement.

The Administrator has determined that a special purpose framework using the cash basis of accounting is appropriate to meet the financial reporting requirements under the *Health (National Health Funding Pool and Administration) Act 2013*, the *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*. As a result, the financial statement may not be suitable for another purpose. My opinion is not modified in respect of this matter.

Responsibility for preparing and fairly presenting the financial statement

The Administrator of the National Health Funding Pool is responsible for:

- preparing and fairly presenting the financial statement in accordance with the *Health (National Health Funding Pool and Administration) Act 2013*, the *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*; and
- determining the internal controls necessary for the preparation and fair presentation of the financial statement so that it is free from material misstatements, whether due to error or fraud.

Auditor's responsibilities for the audit of the financial statement

Under the *Health (National Health Funding Pool and Administration) Act 2013*, the Auditor-General is responsible for issuing an auditor's report that includes an independent opinion on the financial statement of the Australian Capital Territory State Pool Account.

My objective is to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to error or fraud, and to issue an auditor's report that includes my opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from error or fraud and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statement.

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

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

I communicated with the Administrator of the National Health Funding Pool regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that I identify during my audit.



Ajay Sharma
Assistant Auditor-General, Financial Audit
16 September 2020

Statement by the Administrator of the National Health Funding Pool



Administrator
National Health
Funding Pool

STATEMENT BY THE ADMINISTRATOR OF THE NATIONAL HEALTH FUNDING POOL AUSTRALIAN CAPITAL TERRITORY STATE POOL ACCOUNT

I report that, as indicated in Note 1(b) to the financial statement, I have determined that the attached special purpose financial statement comprising of a statement of receipts and payments with attached notes provides a fair presentation in accordance with the Australian Capital Territory *Health (National Health Funding Pool and Administration) Act 2013*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

In my opinion, the attached special purpose financial statement for the year ended 30 June 2020 is based on properly maintained financial records and gives a true and fair view of the matters required by the Australian Capital Territory *Health (National Health Funding Pool and Administration) Act 2013*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

Michael Lambert
Administrator
National Health Funding Pool

15 September 2020

Australian Capital Territory State Pool Account

Statement of receipts and payments for the year ended 30 June 2020

	Notes	2020 \$ '000	2019 \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth Government			
Activity Based Funding	2, 6	398,417	378,266
Block funding		28,488	28,292
Public health funding		7,129	6,879
COVID-19 funding	7	41,669	-
From Australian Capital Territory Government			
Activity Based Funding	2, 6	687,325	557,378
Cross-border contribution	5	25,383	19,800
COVID-19 funding	7	-	-
From other States or Territories			
Cross-border receipts	3,6	109,590	99,120
From Reserve Bank of Australia			
Interest receipts		-	-
TOTAL RECEIPTS		1,298,001	1,089,735
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Network			
Activity Based Funding	4, 6	1,195,332	1,034,764
COVID-19 funding	7	37,530	-
From Australian Capital Territory Government			
Block funding		28,488	28,292
Cross-border transfer		-	-
To Australian Capital Territory Health Directorate			
Public health funding		7,129	6,879
COVID-19 funding	7	4,139	-
Interest payments		-	-
Cross-border transfer		-	-
To other States or Territories			
Cross-border payments	5	25,383	19,800
TOTAL PAYMENTS		1,298,001	1,089,735
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		-	-
OPENING CASH BALANCE		-	-
CLOSING CASH BALANCE		-	-

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

Australian Capital Territory State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the special purpose financial statement are set out below.

(A) REPORTING ENTITY

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

(B) BASIS OF PREPARATION

The Australian Capital Territory State Pool Account was established at the Reserve Bank of Australia (RBA) in 2012-13 in accordance with section 15 of the Australian Capital Territory *Health (National Health Funding Pool and Administration) Act 2013* and the special purpose financial statement has been prepared in accordance with section 26 of that Act and section 242 of the Commonwealth *National Health Reform Act 2011*.

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

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

The special purpose financial statement was authorised for release by the Administrator on 15 September 2020.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2018-19 and 2019-20 are for the year ended 30 June.

(D) NATIONAL HEALTH FUNDING POOL

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

(E) ACTIVITY BASED FUNDING

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

In 2018-19 and 2019-20 the Commonwealth, States and Territories ABF supported the following:

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

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

Commonwealth ABF contributions for each service category were calculated by summing prior year amounts and efficient growth. Efficient growth is determined by measuring the change in price and volume.

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

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

(F) BLOCK FUNDING

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

In 2018-19 and 2019-20 the Commonwealth Block funding supported the following:

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

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

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

(G) PUBLIC HEALTH FUNDING

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

(H) CROSS-BORDER

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

The Commonwealth share of the cost of treating the patient is paid through the Funding Pool as part of the normal Activity Based Funding- the Commonwealth contribution to each State or Territory covers all eligible patients treated, regardless of where they reside. The 'resident State or Territory' pays its share through the Funding Pool to the provider State or Territory (see Note 3 and Note 5).

(I) INTEREST

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

Australian Capital Territory State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

(J) TAXATION

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

(K) COVID-19 FUNDING

On 31 January 2020, the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. As a result of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic.

COVID-19 was declared a pandemic by the Governor-General on 18 March 2020. A National Cabinet, made up of the Prime Minister, Premiers and Chief Ministers was set up in response to the announcement. A National Partnership Agreement was entered into by the Commonwealth and the States and Territories in recognition of the costs incurred by state health services in response to the COVID-19 outbreak on 13 March 2020. The Agreement was revised to incorporate a financial viability payment for private hospitals on 14 April 2020.

Financial assistance has been provided by the Commonwealth in the form of the hospital services payments calculated on an activity basis, state public health payments as well as private hospital capacity and financial viability payments.

NOTE 2: ACTIVITY BASED FUNDING RECEIPTS

Total receipts paid into the Australian Capital Territory State Pool Account in respect of Activity Based Funding:

	2020 \$ '000	2019 \$ '000
Commonwealth Activity Based Funding	398,417	378,266
Australian Capital Territory Activity Based Funding	687,325	557,378
TOTAL	1,085,742	935,644

NOTE 3: CROSS-BORDER RECEIPTS

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

States and Territories	2020 \$ '000	2019 \$ '000
CROSS-BORDER RECEIPTS		
New South Wales	104,340	99,120
Victoria	3,885	-
Queensland	1,000	-
Western Australia	188	-
South Australia	-	-
Tasmania	94	-
Northern Territory	83	-
TOTAL	109,590	99,120

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

Australian Capital Territory State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

NOTE 4: ACTIVITY BASED FUNDING PAYMENTS

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

Local Hospital Networks	2020 \$ '000	2019 \$ '000
ACT Local Hospital Network	1,195,332	1,034,764
TOTAL	1,195,332	1,034,764

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

NOTE 5: CROSS-BORDER PAYMENTS

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

States and Territories	2020 \$ '000	2019 \$ '000
CROSS-BORDER PAYMENTS		
New South Wales	21,300	19,800
Victoria	2,228	-
Queensland	1,448	-
Western Australia	234	-
South Australia	-	-
Tasmania	59	-
Northern Territory	114	-
TOTAL	25,383	19,800

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.

NOTE 6: ACTIVITY BASED FUNDING RECEIPTS AND PAYMENTS

Total Australian Capital Territory and Commonwealth Activity Based Funding contributions and total Local Hospital Network Activity Based Funding payments:

	2020 \$ '000	2019 \$ '000
Total Activity Based Funding receipts from Commonwealth Government	398,417	378,266
Total Activity Based Funding receipts from Australian Capital Territory	687,325	557,378
Cross-border receipts	109,590	99,120
Less: Cross-border payments	(25,383)	(19,800)
Less: Activity Based Funding payments to Local Hospital Networks	(1,195,332)	(1,034,764)
NET RECEIPTS/(PAYMENTS)	(25,383)	(19,800)

For 2020, the payments in excess of receipts balance is represented by cross-border payments of \$25,383,460.

For 2019, the payments in excess of receipts balance represented \$19,800,000 in cross-border payments to New South Wales.

Australian Capital Territory State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

NOTE 7: COVID-19 FUNDING

The types of funding and payments under the National Partnership Agreement include:

THE UPFRONT ADVANCE PAYMENT

The Commonwealth has provided an upfront advanced payment of \$100 million to States and Territories on a population share basis. This is an advance payment to ensure the timely availability of funds under the National Partnership Agreement. The Up Front Advance Payment has been subsequently offset against State Public Health requirements.

THE HOSPITAL SERVICES PAYMENT

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

THE STATE PUBLIC HEALTH PAYMENT

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

THE PRIVATE HOSPITAL CAPACITY AND FINANCIAL VIABILITY PAYMENT

The Commonwealth will contribute 100 per cent of the financial viability payments for private hospitals to retain capacity for responding to State and Territory or Commonwealth public health requirements.

All payments, excluding the Upfront Advance Payment, are provided monthly in advance based on estimates submitted by States and Territories and are reconciled quarterly. Final funding entitlements are determined after actual activity data on hospital services and actual in-scope expenditure are submitted. This may result in future funding adjustments.

COVID-19 Funding Receipts and Payments:

	2020 \$ '000	2019 \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT		
From Commonwealth		
Up Front Advance Payment	1,683	-
Hospital Services Payments	4,939	-
State Public Health Payments	20,467	-
Private Hospital Capacity and Financial Viability Payment	14,580	-
TOTAL COMMONWEALTH RECEIPTS	41,669	-
From Australian Capital Territory Government		
Hospital Services Payments	-	-
State Public Health Payments	-	-
TOTAL AUSTRALIAN CAPITAL TERRITORY GOVERNMENT RECEIPTS	-	-
TOTAL RECEIPTS	41,669	-
PAYMENTS OUT OF THE STATE POOL ACCOUNT		
To Australian Capital Territory Government (Including Local Hospital Networks)		
Hospital Services Payments	4,939	-
State Public Health Payments	22,150	-
Private Hospital Capacity and Financial Viability Payment	14,580	-
TOTAL PAYMENTS	41,669	-
NET RECEIPTS / (PAYMENTS) FOR THE YEAR	-	-

INTRODUCTION

NATIONAL

NSW

VIC

QLD

WA

SA

TAS

ACT

NT

ENDNOTES

NORTHERN TERRITORY

GROWTH IN PUBLIC HOSPITAL FUNDING SINCE 2013-14

FY 2013-14

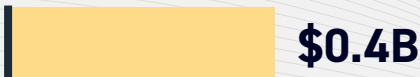


FY 2019-20



GROWTH IN ACTIVITY BASED FUNDING SINCE 2013-14

FY 2013-14



FY 2019-20



NATIONAL HEALTH REFORM DISCLOSURES FOR THE YEAR ENDED 30 JUNE 2020

Issued by the Administrator of the National Health Funding Pool under section 241(2) of the Commonwealth *National Health Reform Act 2011* and section 18(2) of the Northern Territory *National Health Funding Pool and Administration (National Uniform Legislation) Act 2012*.

[^] These amounts do not include transactions related to the COVID-19 National Partnership Agreement. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

FUNDING AND PAYMENTS

NT

\$1.3B

total funding

THAT WAS PAID TO...

2

Local Hospital Network

\$0.8B

Activity Based Funding

THAT DELIVERED...

169,947

NWAU

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

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

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

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

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

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

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

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

\$'000	2015-2016 Entitlement	2016-2017 Entitlement	2017-2018 Entitlement	2018-2019 Entitlement	2019-2020 [^] Entitlement	TOTAL
Cash Paid 2015-16 Total	187,850	-	-	-	-	187,850
Cash Paid 2016-17 Total	4,462	241,430	-	-	-	245,893
Cash Paid 2017-18 Total	12,005	2,146	257,123	-	-	271,274
Cash Paid 2018-19 Total	-	(1,056)	6,242	280,484	-	285,670
Cash Paid 2019-20 Total	-	-	-	368	299,108	299,476
CURRENT ENTITLEMENT TOTAL	204,318	242,520	263,365	280,852	299,108	1,290,163

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

Component	Amount paid by Commonwealth into NT State Pool Account (\$'000)	
	2019-20 [^]	2018-19
Activity Based Funding	266,742	260,402
Block funding	28,659	21,352
Public Health funding	4,074	3,915
NT TOTAL	299,476	285,670

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

Component	Amount paid by Northern Territory (\$'000)	
	2019-20 [^]	2018-19
State Pool Account - Activity Based Funding	522,306	294,319
State Managed Fund - Block funding	463,488	675,557
NT TOTAL	985,794	969,876

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

[^] These amounts do not include transactions related to the COVID-19 National Partnership Agreement. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

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

Local Hospital Network	Number of ABF public hospital services funded (NWAU)	
	2019-20 ¹ Estimate	2018-19 ² Actual
Central Australia Health Service	56,393	54,547
Top End Health Service	113,554	110,729
NT TOTAL	169,947	165,276

- 1 2019-20 NWAU as per the updated activity estimates as at the Administrator's June 2020 Payment Advice.
- 2 2018-19 NWAU as per the 2018-19 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2018-19.

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

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

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

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

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

However, in 2018–19 and 2019–20 Northern Territory did not report any 'other public hospital services and functions funded' from their Pool account or State Managed Fund.

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

Recipient	Amount paid (\$ '000)^		
	State Pool Account	State Managed Fund	Total
Central Australia Health Service	283,855	102,831	386,686
Top End Health Service	542,919	389,316	932,236
State Managed Fund	28,659	–	28,659
Other organisations or funds	44,422	–	44,422
NT TOTAL	899,855	492,147	1,392,002

^ These amounts do not include transactions related to the COVID-19 National Partnership Agreement. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

The amounts paid from each State Pool Account and State Managed Fund and the basis on which the Payments were made in 2018-19 (\$ '000) – Section 241(2)(C)(D)

Recipient	Amount paid (\$ '000)		
	State Pool Account	State Managed Fund	Total
Central Australia Health Service	202,085	156,361	358,446
Top End Health Service	352,636	540,548	893,185
State Managed Fund	21,352	–	21,352
Other organisations or funds	3,915	–	3,915
NT TOTAL	579,989	696,909	1,276,898

Northern Territory basis for National Health Reform payments 2019-20

The basis used to determine National Health Reform (NHR) payments to Local Hospital Networks (LHNs) in the Northern Territory was advised by the NT Department of Health to be as follows:

The annual funding allocation for the Top End and Central Australia Health Services of Northern Territory is determined on a historical basis for both the Activity Based Funding (ABF) and block service streams, supplemented by a level of growth based on Northern Territory Government Wage and Consumer Price Index parameters. Projected activity increases are not budgeted for and both LHNs are required to meet demand increases from within existing budgets supplemented by the NHR Agreement efficient growth payments.

Variations to monthly payments to the Northern Territory LHNs are made based on cash requirements. Cash requirements are impacted by the Northern Territory salary payment cycle and other monthly variations, such as contractual obligation payment cycles which the LHNs are engaged in.



FINANCIAL STATEMENT

NT

**NATIONAL HEALTH FUNDING POOL
NORTHERN TERRITORY STATE POOL ACCOUNT
SPECIAL PURPOSE FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020**

Issued by the Administrator of the National Health Funding Pool under section 242 of the Commonwealth *National Health Reform Act 2011* and section 19 of the Northern Territory *National Health Funding Pool and Administration (National Uniform Legislation) Act 2012*.

CONTENTS

Independent Auditor's Report	229
Statement by the Administrator of the National Health Funding Pool	231
Northern Territory State Pool Account	
Statement of receipts and payments for the year ended 30 June 2020	232
NORTHERN TERRITORY STATE POOL ACCOUNT NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL STATEMENT	
NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	233
NOTE 2: ACTIVITY BASED FUNDING RECEIPTS	236
NOTE 3: CROSS-BORDER RECEIPTS	236
NOTE 4: ACTIVITY BASED FUNDING PAYMENTS	237
NOTE 5: CROSS-BORDER PAYMENTS	237
NOTE 6: ACTIVITY BASED FUNDING RECEIPTS AND PAYMENTS	238
NOTE 7: COVID-19 FUNDING	239

Independent Auditor's Report



Auditor-General

Independent Auditor's Report to the Minister for Health

Northern Territory State Pool Account of National Health Funding Body

Page 1 of 2

Opinion

I have audited the accompanying special purpose financial statement of the Northern Territory State Pool Account of the National Health Funding Pool, which comprises the Statement of Receipts and Payments for the period ended 30 June 2020, and notes to the financial statement, including a summary of significant accounting policies, and the Statement by the Administrator of the National Health Funding Pool.

In my opinion the accompanying special purpose financial statement presents fairly, in all material respects, the receipts and payments of the Northern Territory State Pool Account of the National Health Funding Pool for the period ended 30 June 2020 in accordance with the *National Health Funding Pool Administration (National Uniform Legislation) Act 2012*, *National Health Reform Act 2011* and the National Health Reform Agreement 2011.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of my report. I am independent of the Northern Territory State Pool Account of the National Health Funding Pool in accordance with ethical requirements of the Accounting Professional and Ethical Standards Board's APEs 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial statement in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

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

Emphasis of matter – Basis of accounting

Without modifying my opinion, I draw attention to Note 1 to the financial statement, which describes the basis of accounting. The financial statement has been prepared to assist the Northern Territory State Pool Account of the National Health Funding Pool to fulfil the Administrator's financial reporting obligations under the *National Health Funding Pool Administration (National Uniform Legislation) Act 2011*, *National Health Reform Act 2011* and the National Health Reform Agreement 2011. As a result, the financial statement may not be suitable for another purpose.

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

The Administrator is responsible for the preparation and fair presentation of the financial statement, and has determined that the basis of preparation described in Note 1, which is a special purpose framework using the cash basis of accounting, is appropriate to meet the requirements of the *National Health Funding Pool Administration (National Uniform Legislation) Act 2012*, *National Health Reform Act 2011* and the National Health Reform Agreement 2011. The Administrator is responsible for establishing and maintaining such internal control as the Administrator determines is necessary to enable the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, the Administrator is responsible for assessing the ability of the Northern Territory State Pool Account of the National Health Funding Pool to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Administrator either intends to liquidate the Northern Territory State Pool Account of the National Health Funding Pool or to cease operations, or has no realistic alternative but to do so.



Auditor-General

Page 2 of 2

The Administrator is responsible for overseeing the financial reporting process for the Northern Territory State Pool Account of the National Health Funding Pool.

Auditor's Responsibilities for the audit of the Financial Statement

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

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

- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls as they apply to the Northern Territory State Pool Account.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Administrator.
- conclude on the appropriateness of the Administrator's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Northern Territory State Pool Account to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report however, future events or conditions may cause the Northern Territory State Pool Account to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

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

Julie Crisp
Auditor-General for the Northern Territory
Darwin, Northern Territory

16 September 2020

Statement by the Administrator of the National Health Funding Pool



Administrator
National Health
Funding Pool

STATEMENT BY THE ADMINISTRATOR OF THE NATIONAL HEALTH FUNDING POOL NORTHERN TERRITORY STATE POOL ACCOUNT

I report that, as indicated in Note 1(b) to the financial statement, I have determined that the attached special purpose financial statement comprising of a statement of receipts and payments 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 year ended 30 June 2020 is based on properly maintained financial records and gives a true and fair view of the matters required by the Northern Territory *National Health Funding Pool and Administration (National Uniform Legislation) Act 2012*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

Michael Lambert
Administrator
National Health Funding Pool

15 September 2020

Northern Territory State Pool Account

Statement of receipts and payments for the year ended 30 June 2020

	Notes	2020 \$ '000	2019 \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth Government			
Activity Based Funding	2, 6	266,742	260,402
Block funding		28,659	21,352
Public health funding		4,074	3,915
COVID-19 funding	7	17,542	-
From Northern Territory Government			
Activity Based Funding	2, 6	522,306	294,319
Cross-border contribution	5	39,950	-
COVID-19 funding	7	-	-
From other States or Territories			
Cross-border receipts	3,6	38,028	-
From Reserve Bank of Australia			
Interest receipts		8	11
TOTAL RECEIPTS		917,309	579,999
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding	4, 6	826,774	554,721
COVID-19 funding	7	-	-
To Northern Territory State Managed Fund			
Block funding		28,659	21,352
Cross-border transfer		-	-
To Department of Health Northern Territory			
Public health funding		4,074	3,915
COVID-19 funding	7	17,542	-
Interest payments		93	-
Cross-border transfer		303	-
To other States or Territories			
Cross-border payments	5,6	39,950	-
TOTAL PAYMENTS		917,395	579,988
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		(86)	11
OPENING CASH BALANCE		86	75
CLOSING CASH BALANCE		-	86

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

Northern Territory State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the special purpose financial statement are set out below.

(A) REPORTING ENTITY

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

(B) BASIS OF PREPARATION

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

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

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

The special purpose financial statement was authorised for release by the Administrator on 15 September 2020.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2018-19 and 2019-20 are for the year ended 30 June.

(D) NATIONAL HEALTH FUNDING POOL

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

(E) ACTIVITY BASED FUNDING

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

In 2018-19 and 2019-20 the Commonwealth, States and Territories ABF supported the following:

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

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

Commonwealth ABF contributions for each service category were calculated by summing prior year amounts and efficient growth. Efficient growth is determined by measuring the change in price and volume.

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

State and Territory ABF funding and payments were not transacted through the Northern Territory State Pool Account between July and September 2019, and were instead paid through the Northern Territory State Managed Fund.

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

(F) BLOCK FUNDING

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

In 2018-19 and 2019-20 the Commonwealth Block funding supported the following:

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

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

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

(G) PUBLIC HEALTH FUNDING

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

(H) CROSS-BORDER

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

The Commonwealth share of the cost of treating the patient is paid through the Funding Pool as part of the normal Activity Based Funding– the Commonwealth contribution to each State or Territory covers all eligible patients treated, regardless of where they reside. The 'resident State or Territory' pays its share through the Funding Pool to the provider State or Territory (see Note 3 and Note 5).

(I) INTEREST

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

Northern Territory State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

(J) TAXATION

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

(K) COVID-19 FUNDING

On 31 January 2020, the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. As a result of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic.

COVID-19 was declared a pandemic by the Governor-General on 18 March 2020. A National Cabinet, made up of the Prime Minister, Premiers and Chief Ministers was set up in response to the announcement. A National Partnership Agreement was entered into by the Commonwealth and the States and Territories in recognition of the costs incurred by state health services in response to the COVID-19 outbreak on 13 March 2020. The Agreement was revised to incorporate a financial viability payment for private hospitals on 14 April 2020.

Financial assistance has been provided by the Commonwealth in the form of the hospital services payments calculated on an activity basis, state public health payments as well as private hospital capacity and financial viability payments.

NOTE 2: ACTIVITY BASED FUNDING RECEIPTS

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

	2020 \$ '000	2019 \$ '000
Commonwealth Activity Based Funding	266,742	260,402
Northern Territory Activity Based Funding	522,306	294,319
TOTAL	789,048	554,721

NOTE 3: CROSS-BORDER RECEIPTS

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

States and Territories	2020 \$ '000	2019 \$ '000
CROSS-BORDER RECEIPTS		
Australian Capital Territory	114	-
New South Wales	2,508	-
Victoria	5,228	-
Queensland	5,972	-
Western Australia	13,179	-
South Australia	10,567	-
Tasmania	460	-
TOTAL	38,028	-

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

Northern Territory State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

NOTE 4: ACTIVITY BASED FUNDING PAYMENTS

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

Local Hospital Networks	2020 \$ '000	2019 \$ '000
Central Australia Health Service	283,855	202,085
Top End Health Service	542,919	352,636
TOTAL	826,774	554,721

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

NOTE 5: CROSS-BORDER PAYMENTS

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

States and Territories	2020 \$ '000	2019 \$ '000
CROSS-BORDER PAYMENTS		
Australian Capital Territory	83	-
New South Wales	1,566	-
Victoria	7,590	-
Queensland	6,536	-
Western Australia	2,048	-
South Australia	22,005	-
Tasmania	122	-
TOTAL	39,950	-

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

NOTE 6: ACTIVITY BASED FUNDING RECEIPTS AND PAYMENTS

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

	2020 \$ '000	2019 \$ '000
Total Activity Based Funding receipts from the Commonwealth Government	266,742	260,402
Total Activity Based Funding receipts from Northern Territory Government	522,306	294,319
Cross-border receipts	38,028	-
Less: Cross-border payments	(39,950)	-
Less: Activity Based Funding payments to Local Hospital Networks	(826,774)	(554,721)
RECEIPTS IN EXCESS OF PAYMENTS	(39,648)	-

For 2020, the payments in excess of receipts balance is represented by transfers of \$38,028,287 in cross-border receipts to the Northern Territory State Health Account and cross-border payments of \$39,950,409.

Northern Territory State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2020

NOTE 7: COVID-19 FUNDING

The types of funding and payments under the National Partnership Agreement include:

THE UPFRONT ADVANCE PAYMENT

The Commonwealth has provided an upfront advanced payment of \$100 million to States and Territories on a population share basis. This is an advance payment to ensure the timely availability of funds under the National Partnership Agreement. The Up Front Advance Payment has been subsequently offset against State Public Health requirements.

THE HOSPITAL SERVICES PAYMENT

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

THE STATE PUBLIC HEALTH PAYMENT

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


THE PRIVATE HOSPITAL CAPACITY AND FINANCIAL VIABILITY PAYMENT

The Commonwealth will contribute 100 per cent of the financial viability payments for private hospitals to retain capacity for responding to State and Territory or Commonwealth public health requirements.

All payments, excluding the Upfront Advance Payment, are provided monthly in advance based on estimates submitted by States and Territories and are reconciled quarterly. Final funding entitlements are determined after actual activity data on hospital services and actual in-scope expenditure are submitted. This may result in future funding adjustments.

COVID-19 Funding Receipts and Payments:

	2020 \$ '000	2019 \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT		
From Commonwealth Government		
Up Front Advance Payment	970	-
Hospital Services Payments	3,142	-
State Public Health Payments	9,332	-
Private Hospital Capacity and Financial Viability Payment	4,098	-
TOTAL COMMONWEALTH RECEIPTS	17,542	-
From Northern Territory Government		
Hospital Services Payments	-	-
State Public Health Payments	-	-
TOTAL NORTHERN TERRITORY GOVERNMENT RECEIPTS	-	-
TOTAL RECEIPTS	17,542	-
PAYMENTS OUT OF THE STATE POOL ACCOUNT		
To Northern Territory Government (including Local Hospital Networks)		
Hospital Services Payments	3,142	-
State Public Health Payments	10,302	-
Private Hospital Capacity and Financial Viability Payment	4,098	-
TOTAL PAYMENTS	17,542	-
NET RECEIPTS / (PAYMENTS) FOR THE YEAR	-	-



ENDNOTES



ACRONYMS

ABF	Activity Based Funding
ACSQHC	Australian Commission on Safety and Quality in Health Care
AIHW	Australian Institute of Health and Welfare
CCM	Commonwealth Contribution Model
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COAG	Council of Australian Governments
IGA	Intergovernmental Agreement on Federal Financial Relations
IHPA	Independent Hospital Pricing Authority
JAC	Jurisdictional Advisory Committee
LHN	Local Hospital Network
NEC	National Efficient Cost
NEP	National Efficient Price
NHFB	National Health Funding Body
NHR Act	National Health Reform Act 2011
NHR Agreement	National Health Reform Agreement 2011
NPCR	National Partnership on COVID-19 Response
NWAU	National Weighted Activity Unit
PGPA Act	Public Governance, Performance and Accountability Act 2013
RBA	Reserve Bank of Australia
SPP	National Healthcare Specific Purpose Payment
The Administrator	Administrator of the National Health Funding Pool
The Pool	National Health Funding Pool

GLOSSARY

Term	Meaning
Activity Based Funding	Refers to a method for funding public hospital services provided to individual patients using national classifications, cost weights and nationally efficient prices developed by the IHPA. Funding is based on the actual number of services provided to patients and the efficient cost of delivering those services.
(the) Administrator	<p>The Administrator of the National Health Funding Pool (the Administrator) is an independent statutory office holder, distinct from Commonwealth and State and Territory government departments, established under legislation of the Commonwealth and State and Territory governments.</p> <p>The role of the Administrator, with support from the NHFB, is to oversee the responsible, efficient and effective administration of Commonwealth and State and Territory public hospital funding and payments under the National Health Reform Agreement (NHR Agreement).</p>
Block funding	<p>A method of funding public hospital functions and services as a fixed amount based on population and previous funding.</p> <p>Under the NHR Agreement, Block funding will be provided to States and Territories to support teaching and research undertaken in public hospitals and for some public hospital services where it is more appropriate, particularly smaller rural and regional hospitals.</p>
Council of Australian Governments (COAG)	The peak intergovernmental forum in Australia. The members of COAG are the Prime Minister, State and Territory Premiers and Chief Ministers and the President of the Australian Local Government Association.
Local Hospital Networks (LHNs)	Recipients of the payments from the National Health Funding Pool, Commonwealth Block funding and State (and Territory) Managed Funds.
Medicare Benefits Schedule (MBS)	A listing of the Medicare services subsidised by the Australian Government.
National Funding Cap	The limit in growth in Commonwealth funding for Public Hospital Services for all States and Territories of 6.5 per cent per annum and where the context so requires includes the operation of the Funding Cap as provided in the NHR Agreement.
National Health Funding Body (NHFB)	An independent statutory body established under Commonwealth legislation to assist the Administrator in carrying out his or her functions under Commonwealth, State and Territory legislation.
National Health Funding Pool (the Pool)	A collective name for the State Pool Accounts of all States and Territories, also known as the 'the Pool'. The Pool was established under Commonwealth and State and Territory legislation for the purpose of receiving all Commonwealth and Activity Based State and Territory public hospital funding, and for making payments under the NHR Agreement.
National Health Funding Pool Payments System (the Payments System)	The Administrator's National Health Funding Pool Payments System processes the NHR Commonwealth, State/Territory deposits and payments into and out of the Pool, as required under the NHR Act.

Continued

Term	Meaning
National Weighted Activity Unit (NWAU)	The NWAU is a measure of health service activity expressed as a common unit, against which the NEP is paid. It provides a way of comparing and valuing each public hospital service (whether it is an admission, emergency department presentation or outpatient episode), by weighting it for clinical complexity.
PGPA Act	The Public Governance, Performance and Accountability Act 2013 establishes a coherent system of governance and accountability for public resources, with an emphasis on planning, performance and reporting.
State Managed Fund (SMF)	A separate bank account or fund established by a State or Territory for the purposes of health funding under the NHR Agreement which must be undertaken in the State or Territory through a State Managed Fund.
State Pool Account (SPA)	A Reserve Bank of Australia account established by a State or Territory for the purpose of receiving all Commonwealth and Activity Based State and Territory public hospital funding, and for making payments under the Agreement. The State (and Territory) Pool Accounts of all States and Territories are collectively known as the National Health Funding Pool or the Pool.

DISCLOSURE INDEX

Section	Description	Location – National Level	Location – State and Territory Level
241(2) THE ANNUAL REPORT MUST INCLUDE THE FOLLOWING INFORMATION FOR THE RELEVANT FINANCIAL YEAR			
(a)	The amounts paid into each State Pool Account and State Managed Fund by the relevant State and the basis on which the Payments were made	23	
(b)	The amounts paid into each State Pool Account by the Commonwealth and the basis on which the payments were made	24	NSW 50–58 VIC 76–85
(c)	The amounts paid from each State Pool Account to LHNs, a State Managed Fund or other organisations or funds and the basis on which the Payments were made	25	QLD 106–111 WA 130–134
(d)	The amounts paid from each State Managed Fund to LHNs or other organisations or funds and the basis on which these payments were made	26	SA 152–156 TAS 174–179 ACT 200–204
(e)	The number of public hospital services funded for each LHN in accordance with the system of ABF	27	NT 222–226
(f)	The number of other public hospital services and functions funded from each State Pool Account or State Managed Fund	27	
241(3) THE ANNUAL REPORT IS TO BE ACCOMPANIED BY			
(a)	An audited financial statement for each State Pool Account	N/A	NSW – 61 VIC – 89 QLD – 115 WA – 137 SA – 159 TAS – 183 ACT – 207 NT – 229
(b)	A financial statement that combines the audited financial statements for each State Pool Account	33–36	N/A

INDEX

A

- acronyms, 242
- activity based funding, 8, 10, 11, 18, 21–22, 27–28, 37–38, 39, 243
 - amounts paid, 23–24, 28, 41–44
 - growth, 17
 - number of public hospital services funded, 27–28
 - payment flows, 10
 - see also* National Weighted Activity Unit (NWAU); weighted public hospital services
- acute admitted services, 11
- Addendum to the National Health Reform Agreement, iii, iv, 5, 6, 12, 21
- Administrator, 243
 - financial statement, 29–46
 - letter of transmittal, v
 - message from, i–iv
 - payment advice to Commonwealth Treasurer, 8, 9
 - policies, 7
 - reporting obligations, 3, 13, 21
 - role, 3, 4, 37
- admitted mental health services, 11, 37
- adolescent mental health services, 12, 38
- advance payments, 45
- annual report legislative requirements, 1–2
- Australian Capital Territory, 197–204
 - financial statement, 205–218
- Australian Commission on Safety and Quality in Health Care (ACSQHC), iv, 3
- Australian Institute of Health and Welfare (AIHW), iv, 3

B

- block funding, 5, 8, 10, 12, 21, 38, 243
 - amounts paid, 23–24, 39, 41–44
 - payment flows, 10
- business rules for data matching, 7

C

- Calculation of Commonwealth National Health Reform Funding*, 7
- CAR-T therapy (Kymriah), 12, 38, 66, 94
- cash payments, i–ii
- Chief Executive Officer, iv, 4
- child and adolescent mental health services, 12, 38
- combined financial statements, 29–46
 - State Pool Accounts, 32–46
- Commonwealth Contribution Model and contributions, 8, 9, 15, 39
- Commonwealth Treasurer, payment advice to, 8, 9
- Council of Australian Governments (COAG), 5, 243
 - Health Council, ii, 22
- COVID-19 pandemic
 - funding (payments), 41–42
 - funding arrangements, i, ii, iii, 39, 45–46
- cross-border agreements, 13, 38

D

- Data Compliance Policy, 7
- Data Compliance Report, 7
- data conditional funding, 22
- Data Governance Policy, 7
- data matching, ii, iv, 7
- Data Plan (Three-Year), 7
- Department of the Treasury, 38
- disclosure index, 245

E

- emergency department services, 8, 11, 37

F

financial statements

- Australian Capital Territory, 205–218
- national (combined), 29–46
- New South Wales, 59–72
- Northern Territory, 227–240
- Queensland, 113–126
- South Australia, 157–172
- Tasmania, 183–196
- Victoria, 87–102
- Western Australia, 135–148

funding and payments, 8, 11–13, 17–29, 37

- activity based, 10, 11, 18, 21–24, 27–28, 37–38, 39, 41–44, 243
- basis for, 21–22
- block funding, 5, 10, 12, 21, 23–24, 38, 39, 41–44, 243
- certification letter (NHFB), 19–20
- COVID-19 funding, i, ii, iii, 39, 41–42, 45–46
- cross-border agreements, 13, 38
- data conditional, 22
- funding cap, 22, 243
- growth, 17
- interest, 13, 38
- national, 18–29
- national combined financial statements, 29–46
- over deposit, 13
- payment flows, 10
- policy framework, 7
- Public Health funding, 21, 23, 39, 41–44
- public hospital funding, 18, 27
- reconciliations, i, 7, 22, 38
- reporting requirements, 13, 21
- Safety and Quality Adjustment, 22
- services funded (number), 18, 27
- services funded (types), 11–12, 37–38
- totals, 18, 23–28
- types under NPA, 45–46
- upfront advance payments, 45
- see also and names of individual states*

funding cap, 22, 243

G

glossary, 243–244

- Goods and Services Tax (GST), 39
- growth in funding, 17

H

- health system reform strategic priorities, 6
- highlights and what's ahead, 15, 16
- Highly Specialised Therapies, 12

I

- Independent Health Pricing Authority (IHPA), iv, 3, 11, 12, 37
- information technology, iii
- interest, 13, 38

J

- Jurisdictional Advisory Committee, iii

K

- Kymriah (CAR-T therapy), 12, 38, 66, 94

L

- Lambert, Michael (Administrator), 4, 37
 - message from, i–iv
 - see also Administrator*
- legislation, 5 *see also National Health Reform Act 2011*
- legislative requirements (annual report), 1–2
- letter of transmittal, v
- local hospital networks (LHNs), i, 27, 243
 - payments to, 10, 18, 25–26, 39

M

- mental health services, 8, 11, 12, 37, 38

N

- National Efficient Cost, 38
- National Efficient Price, 11, 37
- National Funding Cap, 22, 243
- National Health Funding Body (NHFB)
 - Administrator's message, i–iv
 - certification letter, 19–20
 - highlights and what's ahead, 16
 - reports, 13
 - roles and functions, 14–15, 243
 - see also Administrator
- National Health Funding Pool, 7, 37, 243 see also State Pool Accounts
- National Health Funding Pool Administrator see Administrator
- National Health Funding Pool Payments System see Payments System
- National Health Reform
 - disclosures, 21–28
 - financial statement, 29–46
- National Health Reform Act 2011*, v, 3, 5, 13, 19, 21, 37
- National Health Reform Agreement, i, ii, 5–6
 - Addendum, iii, iv, 5, 6, 12, 21
 - funding types, 8 see also activity based funding; block funding
 - minimum funding guarantee, iii
- National Healthcare Specific Purpose Payment arrangements, 5
- National Partnership on COVID-19 Response, ii, 39
- National Weighted Activity Unit (NWAU), 11, 15, 18, 55, 244 see also activity based funding
- New South Wales, 47–58
 - financial statement, 59–72
- non-acute services, 11, 37
- non-admitted child and adolescent mental health services, 12, 38
- non-admitted home ventilation, 12, 38
- non-admitted mental health, 12, 38
- non-admitted services, 11, 12, 37, 38
- Northern Territory, 219–226
 - financial statement, 227–240

O

- Other Public Hospital Services and functions, 8, 27, 38
- overview, 1–16

P

- pandemic see COVID-19 pandemic
- payment advice to Commonwealth Treasurer, 8, 9
- payments see funding and payments
- Payments System, iv, 19, 243
 - new system, iii, 15
 - NPCR funding, ii
 - procedures manual, 7
 - see also financial statements
- policy framework, 7
- portfolio membership, 14
- price
 - adjustment, 24
 - National Efficient Price, 11, 37
- private hospitals, COVID-19 response, ii, 39, 46
- procedure manuals, 7
- Public Governance, Performance and Accountability Act 2013*, 14, 244
- Public Health funding, 21, 38, 39, 41–44
- public hospital funding, 5, 8, 11–13, 18
 - growth, 17
 - payment flows, 10
 - services funded (number), 18, 27
 - services funded (types), 11–12, 37–38
 - see also funding and payments; National Health Reform Agreement

Q

- Queensland, 101–111
 - financial statement, 113–126

R

reconciliation adjustments, i, 7, 22, 38
 regional and rural hospitals, 12, 38
 regulatory framework, 5–6
 reporting requirements
 funding and payments, 3, 13
 payment advice to Commonwealth Treasurer, 8, 9
 see also financial statements
 research *see* teaching, training and research
 roles and functions
 Administrator, 3, 4, 37
 NHFB, 14–15, 243
 rural and regional hospitals, 12, 38

S

Safety and Quality Adjustment, 22
 South Australia, 149–156
 financial statement, 157–172
 staff, 14, 15
 stakeholders, iii–iv, 3, 4
 State Managed Funds, 10, 244
 payments from, 25, 26
 payments into, 23
 State Pool Accounts, 10, 244
 accounting policies, 37–40
 combined, 33–36
 financial statements certification letter, 19–20
 interest, 13, 38
 over deposit, 13
 payments from, 25
 payments into, 23–24, 39, 41–46
 statement by the Administrator, 32
 statement of receipts and payments, 33–36
 statutory office holder *see* Administrator
 strategic priorities for health system reform, 6
 sub-acute services, 8, 11, 37

T

Tasmania, 173–181
 financial statement, 183–196
 taxation, 39
 teaching, training and research, 12, 38
 Three-Year Data Plan, 7

U

upfront advance payments, 45

V

ventilatory support, 12, 38
 Victoria, 73–85
 financial statement, 87–102
 volume adjustments, 22, 37 *see also* activity based funding

W

website, iii, 15
 weighted public hospital services, 11, 15, 21–22
see also activity based funding; National Weighted Activity Unit (NWAU)
 Western Australia, 127–134
 financial statement, 135–148
 White, Shannon (CEO), iv, 4

Y

year ahead, iv

National Health Funding Pool Annual Report 2019–20

October 2020

ISSN 2206-0952 (ONLINE)

ISSN 2206-0960 (PRINT)

The Administrator is required to prepare an Annual Report of operations and present it to Commonwealth and State and Territory Health Ministers for tabling in their respective Parliaments.

This Annual Report includes:

- An individual financial statement for each State and Territory's State Pool Account and a combined financial statement.
- NHR funding and payments, including number of weighted hospital services delivered.
- State and Territory financial statements are audited by the relevant Auditor-General.

Further Information

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

National Health Funding Body

GPO Box 1252 Canberra ACT 2601

1300 930 522

nhfb.enquiries@nhfb.gov.au

An accessible copy of this Annual Report is available online at publichospitalfunding.gov.au

Creative Commons Licence



The material in this publication is licensed under a Creative Commons Attribution 4.0 International Licence (creativecommons.org/licenses/by/4.0/), with the exception of:

- any logos and trademarks;
- any photographs and images;
- any signatures; and

Creative Commons Attribution 4.0 International Licence is a standard form license agreement that allows you to copy, distribute, transmit and adapt this publication provided that you attribute the work. The full legal code for the licence (which includes any relevant licence conditions) is available on the Creative Commons website accessible by using this link: creativecommons.org/licenses/by/4.0/legalcode.

The National Health Funding Body's preference is that you attribute this publication (and any material sourced from it) using the following wording:

Source: Licensed from the National Health Funding Body under a Creative Commons Attribution 4.0 International Licence.

Attribution

Without limiting your obligations under the Licence, the National Health Funding Body requests that you attribute this publication in your work. This report should be attributed as the National Health Funding Pool Annual Report 2019–20.

Any reasonable form of words may be used provided that you:

- include a reference to this publication and where, practicable, the relevant page numbers;
- make it clear that you have permission to use the material under the Creative Commons Attribution 4.0 International Public License;
- make it clear whether or not you have changed the material used from this publication;
- include a copyright notice in relation to the material used. In the case of no change to the material, the words "© National Health Funding Body 2020" may be used. In the case where the material has been changed or adapted, the words: "Based on National Health Funding Body material" may be used; and
- do not suggest that the National Health Funding Body endorses you or your use of the material.

Enquiries

If you require further information or have any queries in relation to this Annual Report please send via e-mail to nhfb.enquiries@nhfb.gov.au



publichospitalfunding.gov.au