

National Health Reform Public hospital funding

New South Wales report February 2013

Issued by the Administrator of the National Health Funding Pool
under section 240 of the *National Health Reform Act 2011*

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This report is issued by the Administrator of the National Health Funding Pool under section 240 of the *National Health Reform Act 2011*.

This report is prepared on a cash basis. It shows monthly and year-to-date (YTD) National Health Reform (NHR) funding and payments for New South Wales for February 2013 as part of the *National Health Reform Agreement*.

Participation in the National Health Funding Pool – New South Wales, February 2013

In signing the *National Health Reform Agreement* (the Agreement), it was the intention of all states and territories that they would have the necessary legislation in place to enable them to participate in the National Health Funding Pool from 1 July 2012.

New South Wales has participated in the National Health Funding Pool since 1 July 2012.

Local hospital networks and National Health Reform

Under the Agreement, local hospital networks receive funding for the following public hospital services:

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

Note: Local hospital networks 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 Agreement, for example dental services, primary care, home and community care, residential aged care and pharmaceuticals. For further information on total funding to a particular local hospital network, contact the New South Wales Department of Health to view the service agreement for that local hospital network.

Basis for National Health Reform payments – New South Wales, February 2013

The basis for NHR payments to local hospital networks (LHNs) in New South Wales was advised by the NSW Ministry of Health to be as follows:

Basis used to determine NHR payments to local hospital networks (LHNs) – New South Wales

The process for determining 2012-13 NHR payments to local hospital networks 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 local hospital networks, and total state-wide activity across each activity type.

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

Generally, a linear extrapolation model was used to produce a provisional activity estimate for 2012-13 for each local hospital network. The provisional results were then reviewed to

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

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

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

Provisional activity estimates for each activity-based funding (ABF) service type were provided to individual local hospital networks for each facility in-scope for ABF funding. The provisional estimates and historical activity measures provided the basis for discussions with individual local hospital networks. Following feedback from local hospital networks, the resultant weighted activity volumes were then incorporated within the Service Agreements issued to all local hospital networks in June 2012.

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

Due to the lack of available national systems for counting, coding and classification for mental health, subacute, and teaching, training and research services, the amounts presented for these services under block funding are based on an extrapolation from the 2009-10 National Health Cost Data Collection. These cash amounts are estimations for the amounts spent by local hospital networks in 2012-13 and do not necessarily relate directly to numbers of services provided. NSW Health is working with national bodies and other jurisdictions to progress standardised costing methodology for these services.

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

The resultant cash value is processed through the state pool account (ABF) or the state managed fund (in-scope block). Although a consistent methodology has been applied, variations in cash prices between local hospital networks reflect the differing mix of the above components (own sourced revenue and Crown accepted liabilities) of each local hospital network's accrued cost.

In addition to receiving weekly cash payments from the state pool account and the state managed fund, local hospital networks also receive direct State Government funding for new initiatives implemented in 2012-13, including start-up funding for new services, such as new intensive care beds and increasing the number of new nurses within local hospital networks to support a reasonable nursing workload. In addition, further cash payments for all "out of scope" services not subject to the National Health Reform Agreement arrangements are also provided to local hospital networks as required under their 2012-13 Service Agreements.

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 local hospital networks or cash payments from the state managed fund to local hospital networks, and one exception that requires a quarterly cash payment to the Victorian Department of Health for NSW

contribution for the Albury-Wodonga inter-jurisdictional agreement.

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

Cash payments from the NSW state pool account and from the state managed fund to local hospital networks are processed each Tuesday. Reporting by the Administrator is based on cash payments made during a given month and is therefore dependent on the number of Tuesdays in a particular month. During 2012-13, July 2012, October 2012, January 2013 and April 2013 each have five Tuesdays, with all other months having four Tuesdays. If accrual accounting principles were being applied within the NHFA Payments System, the value of the reported cash payments would recognise only the number of calendar days in a particular month, not the 35 days (five weeks paid) or 28 days (four weeks paid), as reported by the Administrator.

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

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

Monthly comparison of cash payments from the NSW state pool and state managed fund can vary month to month predominately due to these planned payments.

The cash payments from the NSW state pool account or state managed fund do not reflect the full budgeted funding available to health services in NSW. Other sources of funds available to local hospital networks include separate payments from the Crown (for example, defined superannuation scheme and long service leave cash recovery) as well as own source revenues earned and retained by each local hospital network.

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

Reference information

The financial information outlined in the following report is categorised as:

- *NHR funding* – when the Commonwealth or state or territory government pays NHR funding into a state pool account or state managed fund.
- *NHR payments* – when NHR funding deposited into a state pool account or state managed fund 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.

Report tables

This report includes the following tables:

Table 1 – Transactions on the New South Wales state pool account, February 2013

Table 2 – Transactions on the New South Wales state managed fund, February 2013

Table 3 – New South Wales NHR funding and payments by service category, February 2013

Table 4 – New South Wales NHR payment distribution by LHN, February 2013

Table 5 – New South Wales estimated monthly, YTD and annual NWAU by LHN, February 2013

Table 1 – Transactions on the New South Wales state pool account, February 2013

Table 1a – State pool account transactions, February 2013

This table shows funding paid into the New South Wales state pool account by the Commonwealth and New South Wales, and payments out of the state pool account to local hospital networks, the state managed fund, and the state health department for February 2013.

NHR funding by source	Paid into state pool account (\$)	Paid out of state pool account			Total paid out (\$)
		To local hospital networks (\$)	To state managed fund (\$)	To state health department (\$)	
Commonwealth ABF funding	225,224,690	225,224,690			225,224,690
Commonwealth Block funding	105,655,010		105,655,010		105,655,010
Commonwealth Other funding	8,185,088			8,185,088	8,185,088
Total Commonwealth funding	339,064,788	225,224,690	105,655,010	8,185,088	339,064,788
State/territory funding	348,842,647	348,708,116		134,531	348,842,647
Grand Total	687,907,435	573,932,806	105,655,010	8,319,619	687,907,435

See definitions and explanatory notes following table 1b.

Table 1b – State pool account transactions YTD, February 2013

Following on from table 1a, this table shows the year-to-date (YTD) funding paid into the New South Wales state pool account by the Commonwealth and New South Wales, and payments out of the state pool account to local hospital networks, the state managed fund, and the state health department as at February 2013.

NHR funding by source	Paid into state pool account YTD (\$)	Paid out of state pool account YTD			
		To local hospital networks (\$)	To state managed fund (\$)	To state health department (\$)	Total paid out YTD (\$)
Commonwealth ABF funding	1,865,859,553	1,865,859,553			1,865,859,553
Commonwealth Block funding	875,569,012		875,569,012		875,569,012
Commonwealth Other funding	66,979,240			66,979,240	66,979,240
Total Commonwealth funding	2,808,407,805	1,865,859,553	875,569,012	66,979,240	2,808,407,805
State/territory funding	3,107,691,248	3,106,468,718		1,222,530	3,107,691,248
Grand Total	5,916,099,053	4,972,328,271	875,569,012	68,201,770	5,916,099,053

Commonwealth ABF funding represents Acute admitted public, Acute admitted private, Non-admitted, and Emergency department service categories, which are funded by the Commonwealth through the state pool account and subsequently paid to local hospital networks.

Commonwealth Block funding represents Mental health, Small rural and metropolitan hospitals, Sub-acute, Teaching, training and research, and Other categories, which are funded by the Commonwealth and paid to the state managed fund.

Commonwealth Other funding represents other amounts funded by the Commonwealth, transacted through the state pool account and subsequently paid to state or territory health departments. This currently represents the Commonwealth contribution to public health.

State/territory funding represents funding contributions paid in by New South Wales into its own state pool account, and subsequently paid to local hospital networks within the state or territory and/or to state or territory health departments.

Note: The grey shaded areas in these tables reflect that these amounts are not applicable for a particular 'paid out' column. For example, Commonwealth block funding is only paid to state managed funds and is not applicable for local hospital networks or state health departments.

NHR funding and payments shown in these tables include GST where applicable.

For more information on NHR funding and payments, see [National Health Reform funding and payments](#).

Table 2 – Transactions on the New South Wales state managed fund, February 2013

Table 2a – State managed fund transactions, February 2013

This table shows funding paid into the New South Wales state managed fund by the Commonwealth and New South Wales, and payments out of the state managed fund for February 2013.

NHR funding by source	Paid into state managed fund (\$)	Paid out of state managed fund		
		To local hospital networks (\$)	To Other (\$)	Total paid out (\$)
Commonwealth Block funding	105,655,010			105,655,010
State/territory Block funding	211,455,104			211,455,104
Total	317,110,114	317,110,114	0	317,110,114

See explanatory notes below table 2b.

Table 2b – State managed fund transactions YTD, February 2013

Following on from table 2a, this table shows the year-to-date (YTD) funding paid into the New South Wales state managed fund by the Commonwealth and New South Wales, and payments out of the state managed fund as at February 2013.

NHR funding by source	Paid into state managed fund YTD (\$)	Paid out of state managed fund YTD		
		To local hospital networks (\$)	To Other (\$)	Total paid out YTD (\$)
Commonwealth Block funding	875,569,012			875,569,012
State/territory Block funding	1,532,980,315			1,532,980,315
Total	2,408,549,328	2,350,049,328	58,500,000	2,408,549,328

Block funding represents Mental health, Small rural and metropolitan hospitals, Sub-acute, Teaching, training and research, and Other categories.

Commonwealth Block funding represents Commonwealth block funding contributions paid into the state managed fund from the state pool account, and block payments out of the state managed fund to local hospital networks and other provider organisations.

State/territory Block funding represents New South Wales block funding contributions into the state managed fund, and block payments out of the state managed fund to local hospital networks and other provider organisations.

Note: The grey shaded areas in these tables reflect that these block payments cannot at this stage be identified by source of funding (state, territory or Commonwealth contribution).

NHR funding and payments shown in these tables include GST where applicable. For more information on NHR funding and payments, see [National Health Reform funding and payments](#).

Table 3 – New South Wales NHR funding and payments by service category, February 2013

This table shows the NHR funding and payments by service category on both a monthly and year-to-date (YTD) basis for New South Wales for February 2013.

NHR funding and payments are separated into an activity based funding (ABF) component, block component, and other components.

Service category	NHR funding (\$)	NHR payments (\$)	NHR funding YTD (\$)	NHR payments YTD (\$)
ABF				
Acute admitted - public	354,777,970	354,777,970	3,073,091,875	3,073,091,875
Acute admitted - private	48,766,760	48,766,760	422,479,326	422,479,326
Non-admitted	95,835,205	95,835,205	829,847,414	829,847,414
Emergency department	74,552,871	74,552,871	646,909,655	646,909,655
Total ABF (Pool)	573,932,806	573,932,806	4,972,328,271	4,972,328,271
Block				
Mental health	91,466,541	91,466,541	704,543,474	704,543,474
Small rural & metro hospitals	72,070,742	72,070,742	491,979,072	491,979,072
Sub-acute	64,702,092	64,702,092	480,133,644	480,133,644
Teaching, training & research	37,564,554	37,564,554	291,332,162	291,332,162
Other	51,306,185	51,306,185	440,560,975	440,560,975
Total Block (SMF)	317,110,114	317,110,114	2,408,549,328	2,408,549,328
Other				
Public health funding	8,185,088	8,185,088	66,979,240	66,979,240
Overdeposit	0	0	0	0
Cross border	0	0	0	0
Interest	134,531	134,531	1,222,530	1,222,530
Total Other (Pool)	8,319,619	8,319,619	68,201,770	68,201,770
Grand Total	899,362,539	899,362,539	7,449,079,368	7,449,079,368

Total ABF (Pool) is an aggregate of both Commonwealth and state or territory NHR funding and payments for activity based funding (ABF) which is transacted through the state pool account.

Total Block (SMF) is an aggregate of both Commonwealth and state or territory NHR funding and payments for block funding which is transacted through the state managed fund (SMF).

Total Other (Pool) represents other funding and payments, which are transacted through the state pool account, including public health funding, overdeposits, cross border funding and payments, and interest.

State and territory cross border payments can either be:

- Paid to the relevant state or territory's local hospital networks - included within ABF and/or block payments in the above table, or
- Reimbursed to the relevant state or territory where the state or territory's local hospital networks are already being funded for the cost of treating cross-border patients - shown in the Cross border payment row under Other in the above table.

Cross border funding arrangements between states and territories are yet to be put in place for state and territory contributions.

NHR funding and payments shown in these tables include GST where applicable.

For more information on NHR funding and payments, see [National Health Reform funding and payments](#).

Table 4 – New South Wales NHR payment distribution by LHN, February 2013

This table shows NHR payments (from state, territory and Commonwealth sources) made to each local hospital network (LHN) in New South Wales during February 2013.

NHR payments are separated into an activity based funding (ABF) component and a block component.

Local hospital network (LHN)	ABF component (ex GST)	Block component (ex GST)	Total NHR payments (ex GST)
	(\$)	(\$)	(\$)
Central Coast Local Health District	25,510,348	13,490,007	39,000,355
Far West Local Health District	2,973,695	2,549,651	5,523,346
Hunter New England Local Health District	62,991,999	49,742,605	112,734,604
Illawarra Shoalhaven Local Health District	29,871,412	14,362,364	44,233,776
Justice Health & Forensic Mental Health Network	0	3,730,000	3,730,000
Mid North Coast Local Health District	20,338,671	9,625,112	29,963,783
Murrumbidgee Local Health District	12,670,288	17,024,980	29,695,268
Nepean Blue Mountains Local Health District	24,885,840	11,982,031	36,867,871
Northern NSW Local Health District	25,183,029	13,734,475	38,917,504
Northern Sydney Local Health District	45,733,049	33,448,944	79,181,993
South Eastern Sydney Local Health District	59,687,758	26,078,408	85,766,166
South Western Sydney Local Health District	69,912,320	23,188,036	93,100,356
Southern NSW Local Health District	9,387,285	11,950,722	21,338,007
St Vincent's Health Network	18,213,008	4,892,904	23,105,912
Sydney Children's Hospitals Network	28,408,547	4,682,276	33,090,823
Sydney Local Health District	58,650,892	24,023,036	82,673,928
Western NSW Local Health District	18,223,093	39,045,662	57,268,755
Western Sydney Local Health District	61,291,572	13,558,902	74,850,474
Total	573,932,806	317,110,114	891,042,920

A local hospital network (LHN) is an organisation that provides public hospital services in accordance with the *National Health Reform Agreement*. A local hospital network can contain one or more hospitals, and is usually defined as a business group, geographical area or community. Every Australian public hospital is part of a local hospital network.

NHR payments in this table are GST exclusive to enable comparability of NHR payments in each local hospital network report.

Note: This table excludes GST and payments to other provider organisations (non-local hospital networks).

Note: The majority of government funding to local hospital networks is not subject to GST. However in some cases hospital funding to non-government entities does attract GST, for example, denominational hospitals, privately and commercially owned health facilities, or any other non-government third party provider of health services or related supplies.

For more information on NHR funding and payments, see [National Health Reform funding and payments](#).

Table 5 – New South Wales estimated monthly, YTD and annual NWAU by LHN, February 2013

This table shows estimated state or territory hospital activity for activity based funding services expressed as National Weighted Activity Units (NWAU) for February 2013, the associated cumulative year-to-date (YTD) and total annual estimated NWAU for each local hospital network in New South Wales.

NHR funding amounts and service volumes are provided by states and territories as service *estimates* at the start of each financial year, and may continue to be refined during the course of the year. These *estimates* form the basis of monthly reporting of service volumes until *actual* service numbers become available.

The estimated annual NWAU for each local hospital network (LHN) was provided to the Administrator as a basis for determining the Commonwealth NHR activity based funding. Current month NWAU estimates accumulate through the year-to-date NWAU to equal the annual NWAU at the end of the financial year.

Local hospital network (LHN)	Estimated NWAU delivered in current month	Estimated NWAU delivered YTD	Estimated annual NWAU 2012-13
Central Coast Local Health District	6,525	57,058	84,725
Far West Local Health District	787	6,887	10,232
Hunter New England Local Health District	16,117	140,601	208,303
Illawarra Shoalhaven Local Health District	6,467	56,588	84,073
Mid North Coast Local Health District	4,624	40,450	60,088
Murrumbidgee Local Health District	2,706	23,660	35,131
Nepean Blue Mountains Local Health District	5,337	46,675	69,316
Northern NSW Local Health District	5,789	50,520	74,947
Northern Sydney Local Health District	11,011	95,627	141,176
South Eastern Sydney Local Health District	13,893	121,536	180,524
South Western Sydney Local Health District	17,760	152,589	217,983
Southern NSW Local Health District	2,079	18,194	27,031
St Vincent's Health Network	4,031	35,246	52,334
Sydney Children's Hospitals Network	6,368	55,558	82,362
Sydney Local Health District	15,090	126,695	180,897
Western NSW Local Health District	4,550	39,356	57,898
Western Sydney Local Health District	13,098	112,597	164,543
Total	136,232	1,179,836	1,731,562

An NWAU is a measure of health service activity expressed as a common unit. It provides a way of comparing and valuing each public hospital service, whether they are admissions, emergency department presentations or outpatient episodes, by weighting them for their clinical complexity. The average hospital service is worth one NWAU – the most intensive and expensive activities are worth multiple NWAU, the simplest and least expensive are worth fractions of an NWAU.

Monthly NHR payments relate to the cash needs of public hospitals and do not necessarily reflect the volume of services to be delivered in the month.

For more information on NHR funding and payments, see [National Health Reform funding and payments](#).

For more information on the NWAU calculation, see [Calculation of NWAU](#).