



Administrator
National Health
Funding Pool

National Health Reform
Public Hospital Funding

New South Wales Report
July 2017

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

National Health Reform public hospital funding New South Wales report – July 2017

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 July 2017 as part of the *National Health Reform Agreement*.

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Local hospital networks and National Health Reform

A local hospital network (LHN) is an organisation that provides public hospital services in accordance with the Agreement. An LHN 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 an LHN.

Note: The term ‘local hospital network’ is a national term. Some states and territories use their own terminology to describe these networks, such as local health districts, health organisations, and hospital and health services.

Under the Agreement, LHNs 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: LHNs 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 LHN, contact the NSW Ministry of Health to view the service agreement for that LHN.

Basis for National Health Reform payments – NSW, July 2017

For the basis of the Commonwealth contribution to NHR funding, see [Basis of Commonwealth NHR funding, 2017-18](#).

The basis for NHR payments to local health 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 Health Networks (LHNs) – New South Wales

The process for determining 2017/18 NHR payments to LHNs encompassed three distinct elements of preparation for the individual LHN Service Agreements, including development of annual activity estimates, discussion/negotiation of activity levels with individual LHNs, and total state-wide activity across each activity type.

Consistent with last year’s methodology and pursuant with the National Health Reform Agreement (NHRA), the Ministry of Health has adopted the National Weighted Activity Unit (NWAU) as the currency for Activity Based Funding with the applicable version being NWAU17, which is different from the previous year.

The Independent Hospital Pricing Authority (IHPA) has issued the National Efficient Cost (NEC17) funding model that applies to small regional and remote hospitals. However, NSW has introduced a better methodology to better account the significant challenges faced by small hospitals in rural settings and better integrate care between small regional and remote hospitals and ABF hospitals. The mechanics of the NSW funding model is used to determine the aggregate funding allocation to LHNs for these small hospitals within the NSW funding model parameters.

Ensuring access to health services for local populations is a key objective of NSW health policy. The Health Services Act 1997 stipulates that in determining LHN budgets, the Minister have regard to the

size and health needs of the local population and provision of services to residents outside the local area. Accordingly, targets are adjusted considering factors appropriate to each LHN and service type, rather than simple extrapolation from historical activity data. The factors considered are reviewed on an annual basis.

In 2017/18, 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 2017/18 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 2017/18 include:

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

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

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

It is important that negotiation processes recognise that funding and purchasing are undertaken in the environment of a capped State / Commonwealth funding pool for 2017/18 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 2017/18 for all "out of scope" services not subject to the National Health Reform Agreement arrangements as required under their 2017/18 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 2017/18, August 2017, October 2016, January 2018 and May 2018 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 2017/18 cash payments to LHNs from the NSW state pool account are generally calculated based on equal weekly instalments to health services unless otherwise negotiated.

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

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

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

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

Other payments will occur in 2017/18 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 2017/18 LHN Service Agreements which are available on each NSW LHN website as the Chief Executive and Board of the LHN's provide sign off.

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 that has been 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.

State pool account transactions

Table 1a – State pool account transactions – New South Wales, July 2017

This table shows funding paid into the New South Wales state pool account by the Commonwealth, New South Wales or other states/territories, and payments out of the state pool account to LHNs, the state managed fund, the NSW Ministry of Health or the state pool accounts of other states/territories for July 2017.

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 (\$)	To state pool (other State) (\$)	
Commonwealth ABF funding	431,600,353	431,600,353				431,600,353
Commonwealth Block funding	59,704,661		59,704,661			59,704,661
Commonwealth Other funding	10,329,342			10,329,342		10,329,342
Total C'wealth funding	501,634,356	431,600,353	59,704,661	10,329,342		501,634,356
NSW funding	471,509,202	458,415,675		243,526	12,850,000	471,509,202
Other state/territory funding	4,700,000		0	4,700,000		4,700,000
Total	977,843,558	890,016,029	59,704,661	15,272,869	12,850,000	977,843,558

See definitions and explanatory notes following table 1b.

Table 1b – State pool account transactions YTD – New South Wales, July 2017

Following on from table 1a, this table shows year-to-date (YTD) funding paid into the New South Wales state pool account by the Commonwealth, New South Wales or other states/territories, and payments out of the state pool account to LHNs, the state managed fund, and the NSW Ministry of Health or the state pool accounts of other states/territories as at July 2017.

NHR funding by source	Paid into state pool account (\$)	Paid out of state pool account				Total paid out YTD (\$)
		To Local hospital networks YTD (\$)	To State Managed Fund YTD (\$)	To state health department YTD (\$)	To state pool (other State) YTD (\$)	
Commonwealth ABF funding	431,600,353	431,600,353				431,600,353
Commonwealth Block funding	59,704,661		59,704,661			59,704,661
Commonwealth Other funding	10,329,342			10,329,342		10,329,342
Total C'wealth funding	501,634,356	431,600,353	59,704,661	10,329,342		501,634,356
NSW funding	471,509,202	458,415,675		243,526	12,850,000	471,509,202
Other state/territory funding	4,700,000		0	4,700,000		4,700,000
Total	977,843,558	890,016,029	59,704,661	15,272,869	12,850,000	977,843,558

Commonwealth ABF funding represents Acute admitted, Non-admitted, Emergency department, Sub-acute, and Admitted mental health service categories, which are funded by the Commonwealth through the state pool account and subsequently paid to LHNs.

Commonwealth Block funding represents Non-admitted mental health, Small rural hospitals, Teaching, training & research, and Other non-admitted 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.

NSW funding represents funding contributions paid by New South Wales into its own state pool account, and subsequently paid to LHNs within the state, to the New South Wales health department and/or to other state pool accounts.

Other state/territory funding represents contributions paid to New South Wales by other states and territories for cross-border activity.

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

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

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

State managed fund transactions

Table 2a – State managed fund transactions – New South Wales, July 2017

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 to LHNs and other provider organisations for July 2017.

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	59,704,661			59,704,661
State/territory Block funding	131,399,602			131,399,602
Total	191,104,263	191,104,263	0	191,104,263

See explanatory notes below table 2b.

Table 2b – State managed fund transactions YTD – New South Wales, July 2017

Following on from table 2a, this table shows year-to-date (YTD) funding paid into the New South Wales state managed fund by the Commonwealth and New South Wales, and YTD payments out of the state managed fund to LHNs and other provider organisations as at July 2017.

NHR funding by source	Paid into state managed fund YTD (\$)	Paid out of state managed fund YTD		
		To local hospital networks YTD (\$)	To Other YTD (\$)	Total paid out YTD (\$)
Commonwealth Block funding	59,704,661			59,704,661
State/territory Block funding	131,399,602			131,399,602
Total	191,104,263	191,104,263	0	191,104,263

Block funding represents Non-admitted mental health, Small rural hospitals, Teaching, training & research, and Other non-admitted 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 LHNs 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 LHNs and other provider organisations.

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

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

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

NHR funding and payments by service category

Table 3 – NHR funding and payments by service category – New South Wales, July 2017

This table shows NHR funding and payments by service category on both a monthly and year-to-date (YTD) basis for New South Wales for July 2017. NHR funding and payments are separated into the following service categories – activity-based funding (ABF), block funding, and other funding.

Service category	NHR funding (\$)	NHR payments (\$)	NHR funding YTD (\$)	NHR payments YTD (\$)
ABF				
Acute admitted	522,846,289	522,846,289	522,846,289	522,846,289
Admitted mental health	47,861,918	47,861,918	47,861,918	47,861,918
Sub-acute	57,422,311	57,422,311	57,422,311	57,422,311
Emergency department	108,314,002	108,314,002	108,314,002	108,314,002
Non-admitted	153,571,509	153,571,509	153,571,509	153,571,509
Total ABF (Pool)	890,016,029	890,016,029	890,016,029	890,016,029
Block				
Small rural hospitals	121,210,645	121,210,645	121,210,645	121,210,645
Teaching, training & research	29,421,480	29,421,480	29,421,480	29,421,480
Non-admitted mental health	40,472,138	40,472,138	40,472,138	40,472,138
Other non-admitted services	0	0	0	0
Total Block (SMF)	191,104,263	191,104,263	191,104,263	191,104,263
Other				
Public health funding	10,329,342	10,329,342	10,329,342	10,329,342
Overdeposit	0	0	0	0
Cross border	17,550,000	17,550,000	17,550,000	17,550,000
Interest	243,526	243,526	243,526	243,526
Total Other (Pool)	28,122,869	28,122,869	28,122,869	28,122,869
Grand Total	1,109,243,160	1,109,243,160	1,109,243,160	1,109,243,160

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 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 LHNs – 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 LHNs are already being funded for the cost of treating cross-border patients – shown in the Cross-border row under Other in the above table.

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

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

NHR contributions by local hospital network

Table 4a – NHR contributions by local hospital network – New South Wales, July 2017

This table shows NHR contributions (from state, territory and Commonwealth sources) made to each LHN in New South Wales during July 2017.

NHR contributions to LHNs are separated into an activity-based funding (ABF) component and a block component.

Local hospital network	ABF component (ex GST)	Block component (ex GST)	Total NHR payments (ex GST)
	(\$)	(\$)	(\$)
Albury NSW Local Health District	3,172,144	1,015,693	4,187,837
Central Coast Local Health District	42,140,584	5,460,604	47,601,188
Contracted Services	781,689		781,689
Far West Local Health District	4,608,120	1,538,824	6,146,944
Hunter New England Local Health District	92,479,540	18,382,161	110,861,701
Illawarra Shoalhaven Local Health District	46,347,872	3,236,492	49,584,364
Justice Health & Forensic Mental Health Network	0	3,368,407	3,368,407
Mid North Coast Local Health District	32,390,388	275,709	32,666,097
Murrumbidgee Local Health District	19,292,436	78,510,314	97,802,750
Nepean Blue Mountains Local Health District	96,914,648	1,952,688	98,867,336
Northern NSW Local Health District	41,338,990	2,882,718	44,221,708
Northern Sydney Local Health District	70,895,284	10,612,600	81,507,884
South Eastern Sydney Local Health District	77,688,000	4,475,634	82,163,634
South Western Sydney Local Health District	95,070,700	6,357,952	101,428,652
Southern NSW Local Health District	20,803,292	20,350,000	41,153,292
St Vincent's Health Network	20,412,292	1,877,000	22,289,292
Sydney Children's Hospitals Network	34,415,632	2,774,290	37,189,922
Sydney Local Health District	76,848,160	10,471,736	87,319,896
Western NSW Local Health District	32,392,314	11,649,704	44,042,018
Western Sydney Local Health District	82,023,944	5,911,737	87,935,681
Total	890,016,029	191,104,263	1,081,120,292

See explanatory notes below table 4b.

Table 4b – NHR contributions by local hospital network YTD – New South Wales, July 2017

This table shows YTD NHR contributions (from state, territory and Commonwealth sources) made to each LHN in New South Wales as at July 2017.

NHR contributions to LHNs are separated into an activity-based funding (ABF) component and a block component.

Local hospital network	ABF component YTD (ex GST) (\$)	Block component YTD (ex GST) (\$)	Total NHR payments YTD (ex GST) (\$)
Albury NSW Local Health District	3,172,144	1,015,693	4,187,837
Central Coast Local Health District	42,140,584	5,460,604	47,601,188
Contracted Services	781,689		781,689
Far West Local Health District	4,608,120	1,538,824	6,146,944
Hunter New England Local Health District	92,479,540	18,382,161	110,861,701
Illawarra Shoalhaven Local Health District	46,347,872	3,236,492	49,584,364
Justice Health & Forensic Mental Health Network	0	3,368,407	3,368,407
Mid North Coast Local Health District	32,390,388	275,709	32,666,097
Murrumbidgee Local Health District	19,292,436	78,510,314	97,802,750
Nepean Blue Mountains Local Health District	96,914,648	1,952,688	98,867,336
Northern NSW Local Health District	41,338,990	2,882,718	44,221,708
Northern Sydney Local Health District	70,895,284	10,612,600	81,507,884
South Eastern Sydney Local Health District	77,688,000	4,475,634	82,163,634
South Western Sydney Local Health District	95,070,700	6,357,952	101,428,652
Southern NSW Local Health District	20,803,292	20,350,000	41,153,292
St Vincent's Health Network	20,412,292	1,877,000	22,289,292
Sydney Children's Hospitals Network	34,415,632	2,774,290	37,189,922
Sydney Local Health District	76,848,160	10,471,736	87,319,896
Western NSW Local Health District	32,392,314	11,649,704	44,042,018
Western Sydney Local Health District	82,023,944	5,911,737	87,935,681
Total	890,016,029	191,104,263	1,081,120,292

NHR contributions in this table are GST exclusive to enable comparability of NHR contributions in each LHN report.

Note: This table excludes GST. The majority of government funding to LHNs 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, see [National Health Reform funding and payments](#).

Estimated monthly, YTD and annual activity

States and territories provide service volume *estimates* at the start of each financial year, and if required, can continue to refine these estimates during the course of the year. These *estimates* form the basis of monthly reporting of service volumes until *actual* service numbers become available. These estimates are expressed as National Weighted Activity Units (NWAU).

States and territories provide estimated annual NWAU to the Administrator as a basis for determining the Commonwealth activity-based funding. Current month NWAU estimates accumulate through the year-to-date (YTD) NWAU, to be equal to the annual NWAU at the end of the financial year.

States and territories may also provide activity information relating to the delivery of other public hospital functions funded.

Table 5 – Estimated monthly, YTD and annual NWAU by local hospital network – New South Wales, July 2017

This table shows estimated state or territory hospital activity for activity-based funding services expressed as NWAU for July 2017, the associated cumulative year-to-date (YTD), and total estimated annual NWAU for each LHN in New South Wales.

Local hospital network	Estimated NWAU delivered in current month	Estimated NWAU delivered YTD	Estimated annual NWAU 2017-18
Albury NSW Local Health District	316	316	20,031
Central Coast Local Health District	9,870	9,870	122,703
Contracted Services	338	338	3,790
Far West Local Health District	858	858	9,876
Hunter New England Local Health District	25,553	25,553	302,344
Illawarra Shoalhaven Local Health District	11,636	11,636	141,493
Mid North Coast Local Health District	8,160	8,160	95,037
Murrumbidgee Local Health District	4,880	4,880	62,237
Nepean Blue Mountains Local Health District	10,586	10,586	131,313
Northern NSW Local Health District	10,391	10,391	126,505
Northern Sydney Local Health District	17,044	17,044	216,357
South Eastern Sydney Local Health District	21,985	21,985	261,773
South Western Sydney Local Health District	23,852	23,852	293,223
Southern NSW Local Health District	4,574	4,574	56,435
St Vincent's Health Network	6,194	6,194	69,197
Sydney Children's Hospitals Network	8,256	8,256	107,378
Sydney Local Health District	20,750	20,750	252,297
Western NSW Local Health District	8,431	8,431	98,996
Western Sydney Local Health District	23,408	23,408	255,098
Total	217,083	217,083	2,626,084

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 the NWAU calculation, see [Calculation of NWAU](#).