

CORPORATE PLAN

2025-26

Improving the
transparency of
public hospital
funding in Australia

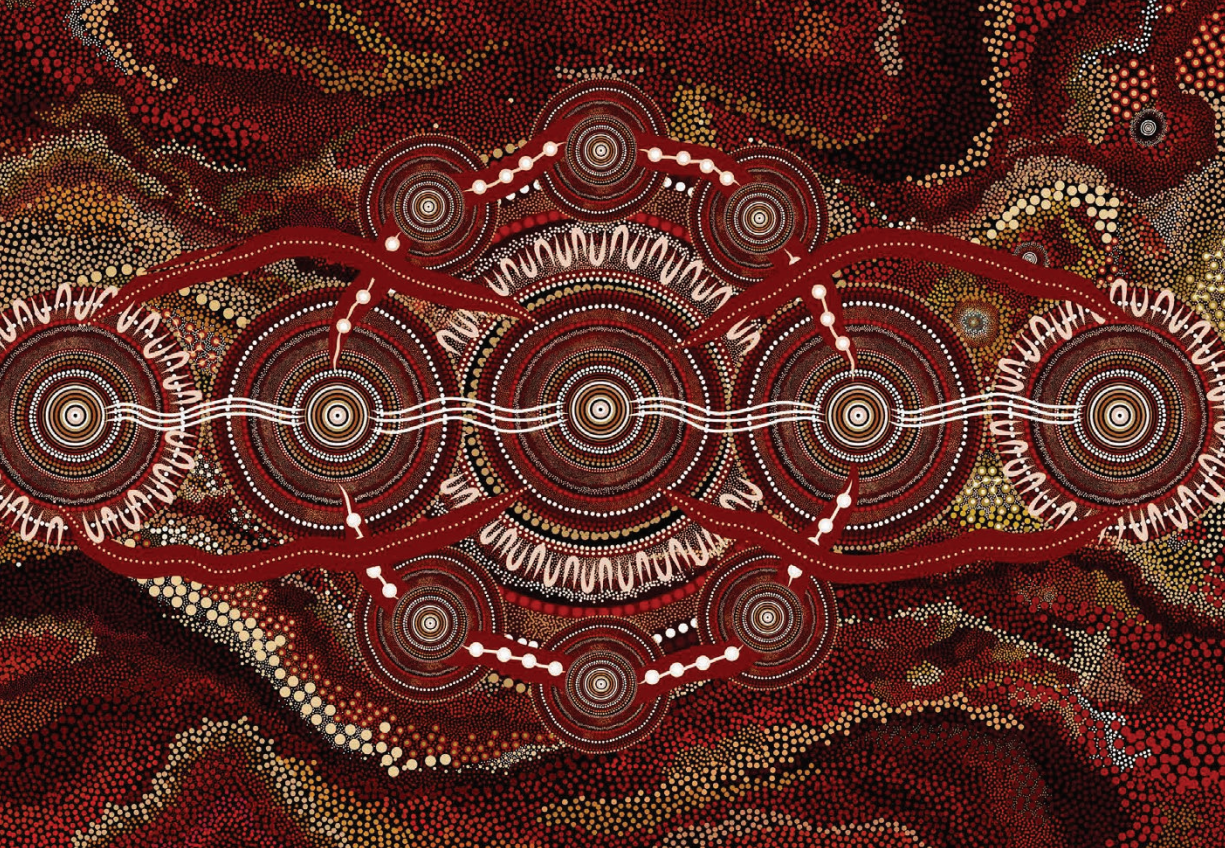
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Administrator
National Health
Funding Pool



**National Health
Funding Body**



Acknowledgement of Country

The National Health Funding Body acknowledges the Traditional Owners of Country throughout Australia, and their continuing connection to land, water and community. We pay our respects to them and their cultures and to Elders both past and present.

Artwork credit

Kristie Peters, 2025

Artist biography

Kristie Peters is a proud Wiradjuri artist, graphic/fashion designer and the recipient of ACT NAIDOC Artist of the year 2021.

Kristie is the founder of Yarrudhamarra Creations (rebranding as Blaklabel Dreaming) and currently lives in Canberra on Ngunnawal/Ngambri Country with her family and nine beautiful boys.

She prides herself working with community where she is being recognised and well known with high demand for her distinctive styles and powerful artworks including her Indigenous murals.

"To create an art piece for people to see is one thing, but to create and design an art piece for someone that can change someone's life journey is even more special."

Artist statement

This artwork is a visual representation of the true essence of the NHFB, embodying its role in health and reconciliation across Australia.

At its core, the artwork features five large meeting places, each symbolising the key objectives that the NHFB strives to achieve.

These five meeting places work together to illustrate the strategic direction of the organisation, emphasising the interconnectedness of accurate funding calculation, best practice financial administration, effective communication, collaborative relationships, and organisational excellence in achieving the vision for funding transparency.

Surrounding these large meeting places are six smaller ones, representing the core values of the APS and the NHFB.

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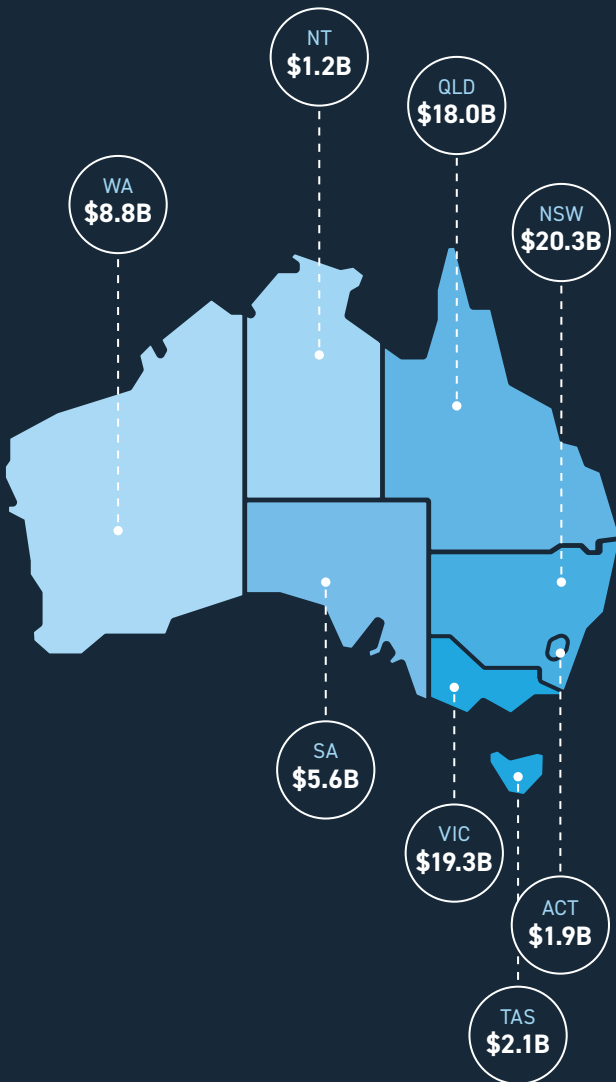
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2024-25 HIGHLIGHTS

PUBLIC HOSPITAL FUNDING



We administered over...
\$77 BILLION
in public hospital funding

\$76.6 BILLION

paid to...



136

Local Hospital Networks

Comprising of...



700

public hospitals






That delivered over...



46 MILLION

public hospital services

FUNDING BY SERVICE CATEGORY

EMERGENCY 	Commonwealth: \$3.6 BILLION	States and Territories: \$5.5 BILLION
ACUTE ADMITTED 	Commonwealth: \$15.2 BILLION	States and Territories: \$25.2 BILLION
MENTAL HEALTH 	Commonwealth: \$1.2 BILLION	States and Territories: \$2.1 BILLION
SUB-ACUTE 	Commonwealth: \$1.7 BILLION	States and Territories: \$2.1 BILLION
NON-ADMITTED 	Commonwealth: \$4.0 BILLION	States and Territories: \$5.4 BILLION

STAKEHOLDER ENGAGEMENT

Collaboration through quarterly multilateral meetings, informed by **32 bilateral discussions**, has led to...



**STRENGTHENED STAKEHOLDER RELATIONSHIPS
AND IMPROVED FUNDING TRANSPARENCY**

Our stakeholders rated us...

4.5/5



MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



I am pleased to present the National Health Funding Body Corporate Plan for 2025-26. This plan builds on our outstanding record of achievement and sets our strategic direction for the next four years 2025-2029.

A handwritten signature in dark ink, reading "Shannon White".

Shannon White

Chief Executive Officer,
National Health Funding Body

Australia's health system is one of the most effective in the world, however, there are long-term challenges including the burden of chronic disease, an ageing population, modern medicine, and rising consumer expectations. This is placing added pressure on our broader care economy with an estimated value of \$3 trillion over the next decade.

In the short-term, the public hospital system is under strain from workforce shortages, limitations on capacity and growing fiscal constraints.

Our agency performs a unique role in Australia's health system, delivering best practice administration of over \$77 billion in public hospital funding. We perform the calculations, payments and reporting of public hospital funding across 136 Local Hospital Networks (LHNs) encompassing 700 public hospitals delivering more than 46 million hospital services.

Building on our success

In December 2024, we concluded the 2023-24 Annual Reconciliation of Commonwealth National Health Reform (NHR) funding which resulted in a final entitlement of \$28.3 billion representing funding growth of \$1.8 billion or 6.5 per cent. This also represents total funding growth of \$16.9 billion, or 127.1 per cent since the NHR Agreement commenced in 2012-13.

On 5 February 2025, the Commonwealth and States agreed a one-year extension to the 2020-25 Addendum to the NHRA (the Addendum). The one-year extension provides States and Territories with a one-off funding boost of \$1.7 billion in 2025-26 for hospital and health related services.

In June 2025, we provided the Administrator's 2025-26 payment advice to the Commonwealth Treasurer which shows an estimated entitlement of \$32.2 billion, representing funding growth of \$2.0 billion or 6.5 per cent. This advice excluded the one-off funding boost of \$1.7 billion which will be paid separately by the Commonwealth Treasury.

Priorities for the future

While Health Ministers renegotiate a new Addendum, our focus will be the administration of Commonwealth NHR funding under the one-year extension including:

- public hospital funding integrity and duplicate payments
- funding neutrality for private patients in public hospitals
- funding cap exemption and reconciliation of highly specialised therapies
- safety and quality measures (e.g. sentinel events, complications and readmissions)
- funding transparency (including out-of-scope funding).

In the year ahead, we will focus on completing the 2024-25 Annual Reconciliation, executing 2025-26 payments, and preparing for the implementation of a new Addendum.

Productive relationships

Over the past six years, we have continuously sought feedback from our stakeholders and partners. We believe they value our open communication, respectful engagement, expertise and high-quality advice. This is again observed in the 2025 stakeholder survey results with a rating of 4.5 out of 5.

Our organisational success relies on enhanced trust with our Commonwealth, State and Territory stakeholders as well as our portfolio agency partners.

We are determined to further improve our key relationships through existing bilateral and multilateral fora. We also acknowledge our stakeholders are seeking closer engagement through our communities of practice and technical workshops.

Positive workplace culture

I am proud that our workforce reflects the community around us through our backgrounds, skills, talents and views - with each person playing a critical role in achieving our purpose.

Our United Leadership behaviours are the centrepiece of our positive workplace culture where we value people and results equally. One of our success stories has been a risk culture of 'not blaming others' and 'no finger pointing' when identifying more than one hundred near miss events. This has enabled us to learn from mistakes, enhance our business processes, and improve our performance.

This also reflects everyone's contribution to our positive culture underpinned by a psychologically secure workplace, outstanding levels of personal integrity and a focus on organisational stewardship for the long-term.

In 2025-26, we will also continue to focus on:

- strengthening our leadership and culture to remain an employer of choice
- investing in our people through learning and development to enhance our organisational capability
- reviewing our business operations for innovation opportunities
- leveraging our digital investment and data analytics to improve our advice.

Together with my high performing team, we look forward to supporting the Administrator Toni Cunningham to improve the transparency of public hospital funding in Australia; and play our part to improve the health outcomes of all Australians now and into the future.

STRATEGIC OVERVIEW

OUR VISION

To improve transparency of public hospital funding in Australia.

OUR PURPOSE

To support the obligations and responsibilities of the Administrator through best practice administration of public hospital funding.

OUR OBJECTIVES



Accurate and timely calculation of Commonwealth funding contributions.



Best practice financial administration of the National Health Funding Pool (the Pool).



Effective reporting of public hospital funding.



Productive relationships with stakeholders and partners.



Operate as a high performing organisation.

OUR APS VALUES

- ✓ **IMPARTIAL**
- ✓ **COMMITTED**
- ✓ **ACCOUNTABLE**
- ✓ **RESPECTFUL**
- ✓ **ETHICAL**
- ✓ **STEWARDSHIP**

OUR BEHAVIOURS

One NHFB

We contribute as a united team and encourage new ideas.

Open communication

We listen actively to the views of others and share information.

Enhance trust

We treat others as equals and collaborate openly across boundaries.

Own it

We own our performance by knowing, accepting and performing our roles to the best of our ability.

NHFB AND AUSTRALIA'S HEALTH SYSTEM



OUR PURPOSE

To support the obligations and responsibilities of the Administrator through best practice administration of public hospital funding.

The agency

The National Health Funding Body (NHFB) and the Administrator of the National Health Funding Pool were established through the *National Health Reform Agreement* (NHR Agreement) of August 2011 (see page 15).

The NHFB operates as a non-corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013* (PGPA) and is funded as a small agency within the Commonwealth Department of Health, Disability and Ageing Portfolio.

The NHFB is an independent agency with 35 people that support the Administrator to oversee the administration of Commonwealth, State and Territory public hospital funding and payments under the NHR Agreement.

The functions of the Administrator are set out in the *National Health Reform Act 2011* (NHR Act) and common provisions in relevant State and Territory legislation.

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



Our key activities

In 2025-26, our key activities will support the Administrator in:

- calculating and advising the Commonwealth Treasurer of the Commonwealth's contribution to public hospital funding in each State and Territory
- reconciling estimated and actual public hospital services, and adjusting Commonwealth payments
- undertaking funding integrity analysis to identify public hospital services that potentially received funding through other Commonwealth programs
- monitoring payments of Commonwealth, State and Territory public hospital funding into the National Health Funding Pool (the Pool)
- making payments from the Pool to each LHN
- reporting publicly on funding, payments and services
- developing and providing three-year data plans to the Commonwealth, States and Territories
- supporting additional funding streams to be transacted through the Pool.

To assist the Administrator and achieve our vision of improving the transparency of public hospital funding in Australia, we work collaboratively across four key functions outlined in Figure 1.

Figure 1: NHFB's four key functions



CALCULATE

- Calculate funding and issue payment advice
- Data collection and analysis
- Reconcile actual activity
- Funding integrity



PAY

- Timely payments and bank reconciliations
- End of month processing
- National Health Funding Pool financial statements
- Payments System administration



REPORT

- Funding, payment and activity reporting
- Data plan and compliance reporting
- Trend analysis and reporting
- publichospitalfunding.gov.au



ORGANISATION

- Leadership and culture
- Corporate planning
- Organisational performance
- Risk management, assurance and governance

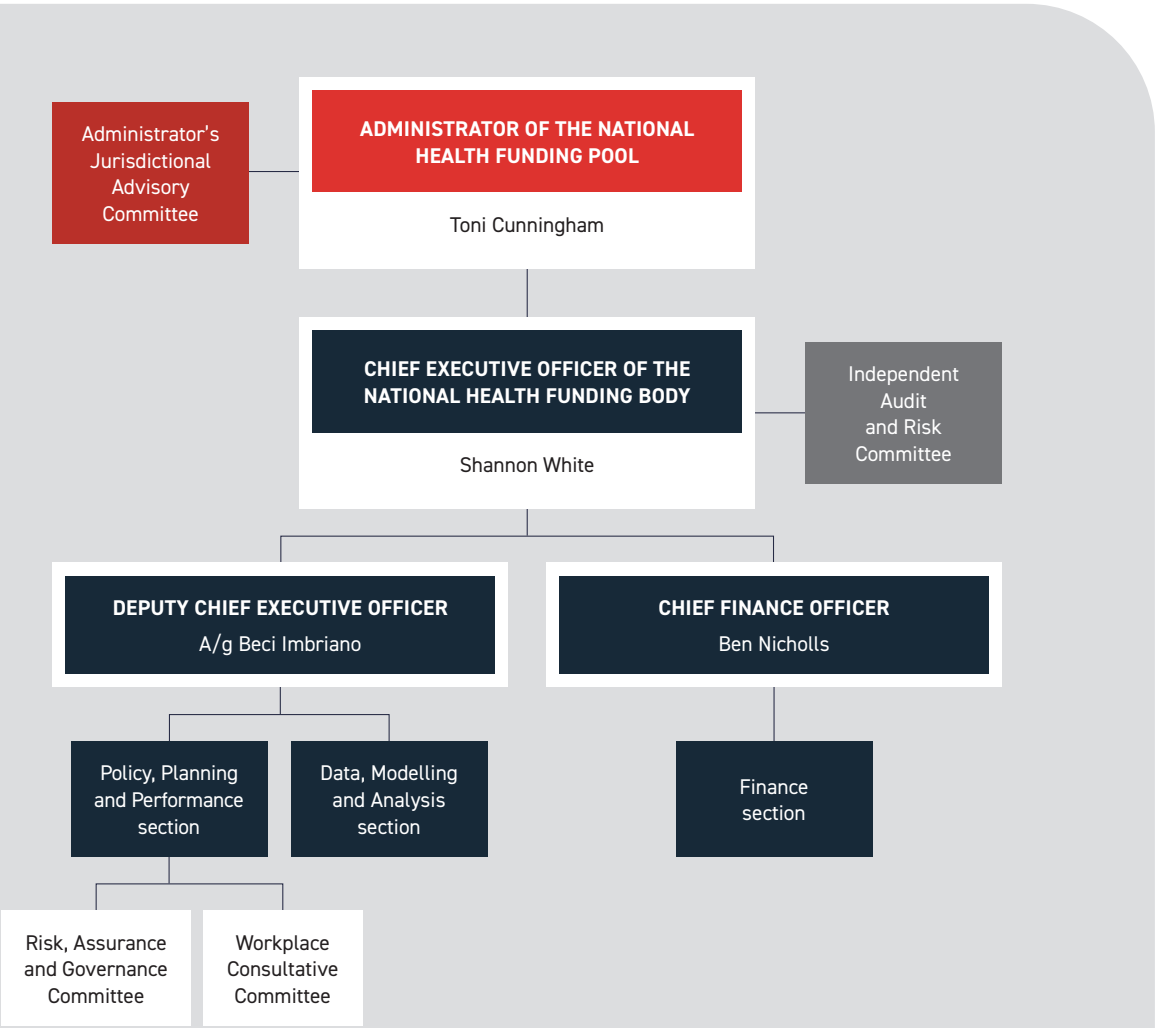
Organisational structure

Our structure has been designed to:

- support the delivery of Government objectives
- ensure our agency can deliver outcomes now and into the future
- align to our core functions, providing clear lines of responsibility.

Figure 2 shows the relationship between the NHFB's organisational and governance elements. Our Governance arrangements are further detailed on page 39-40.

Figure 2: Organisational structure as at 30 June 2025



Our teams

POLICY, PLANNING AND PERFORMANCE

The Policy, Planning and Performance section is responsible for developing the NHFB's Strategic Direction, Corporate Plan, Organisational Performance Reporting and Annual Reports.

The section is also responsible for setting the strategic HR direction of the agency through the development and implementation of our Workforce Capability Plan, Workforce Diversity Plan and Learning and Development Strategy. Key to this is leading the NHFB's positive workplace culture, through our United Leadership behaviours, where 'how' we do things is just as important as 'what' we do.

The section provides essential business support services to the NHFB, CEO and Administrator across corporate and operational functions, including risk management, assurance, governance, communications, security, management of Memorandums of Understanding (MoU) and Secretariat for the Administrator's JAC and NHFB's Independent Audit and Risk Committee (ARC).

DATA, MODELLING AND ANALYSIS

The Data, Modelling and Analysis (DMA) section develop and operate models that determine the Commonwealth funding contribution to LHNs for delivering public hospital services (over \$30 billion in 2024-25).

The section also reconciles estimated and actual service volumes through a range of data submissions (over 46 million records each year) related to public hospital funding. DMA are also responsible for linking hospital activity data with Medicare Benefits Schedule (MBS) claims data to identify if the Commonwealth has potentially paid for the same hospital service more than once (reviewing over 610 million MBS records per annum).

The team also engages with States and Territories on data quality and timeliness, sharing best-practice approaches across jurisdictions. This includes working with colleagues, jurisdictions and portfolio agencies to maintain the Administrator's policies; Administrator's Three Year Data Plan, Data Compliance Policy, Calculation and Reconciliation Framework, and Data Matching Business Rules.

FINANCE

The Finance section provide financial support to the NHFB, CEO and Administrator, including maintaining the integrity of the National Health Funding Pool Payments System (Payments System). This includes working with colleagues, jurisdictions, industry partners and the Reserve Bank of Australia (RBA) on further enhancements to the Payments System, improving user experience and providing training and support.

The section monitors payments of Commonwealth, State and Territory public hospital funding into the Pool and improves funding transparency through their engagement with stakeholders and publication of monthly funding and activity data on publichospitalfunding.gov.au.

The section assists the Administrator in the preparation of the annual financial statements for each State and Territory Pool account which are audited by each State and Territory Auditors-General as well as preparation of the NHFB's financial statements which are audited by the Commonwealth Auditor-General.

The section also manages the NHFB's financial resources through sound budgeting and appropriate financial management practices.

Our leadership



Toni Cunningham

Administrator
National Health Funding Pool

Toni was appointed as the Administrator on 6 November 2023 for a five-year term.

Toni is an expert in public hospital funding models and the systems that support health services to report on their performance in relation to health funding matters. Toni has occupied leadership roles in the public health sector, most recently in executive roles at Queensland Health. Toni's career, having spanned over forty years, has been predominantly in leadership roles that improved systems and processes for the development of transparency in public hospital casemix data collection, including costing, funding and reporting.



Shannon White

Chief Executive Officer
National Health Funding Body

Shannon was appointed CEO of the National Health Funding Body in April 2018 and was subsequently reappointed on 1 July 2023 for a further five years.

Shannon has a broad range of experience across national security, economic and social policy environments. Shannon has thirty years' experience in the APS across Health, Immigration and Border Protection, and Defence with his previous roles having a strong focus on financial management and strategic advice on budget related policy and operational matters.

In his previous senior executive role in Health System Financing at the Department of Health, Disability and Ageing, Shannon worked extensively on national health reform issues and represented the Australian Government at a number of national and international committees. This included health system fiscal sustainability as well as the negotiations on public hospital funding under the two Addendums to the NHR Agreement.



Beci Imbriano

A/g Deputy Chief Executive Officer

Beci joined the NHFB in November 2018 initially as Director Policy, Planning and Performance and is currently acting Deputy Chief Executive Officer.

As the acting Deputy Chief Executive Officer, Beci oversees the functions of the agency's Policy, Planning and Performance Team, and Data, Modelling and Analysis Team.

She is proud of NHFB's culture, where 'how' we do things is just as important as 'what' we do and is passionate about building organisational capability, in particular through entry level programs.

Prior to joining the NHFB, Beci spent 10 years in the APS across the Health and Immigration and Border Protection Portfolios in stakeholder focused policy and operational roles, including reporting on system sustainability through modelling outcomes of policy settings and budget scenarios.



Ben Nicholls

Chief Finance Officer

Ben joined the NHFB in February 2024 as the NHFB's Chief Finance Officer.

As the Chief Finance Officer, Ben oversees the National Health Funding Pool Payments System, National Health Funding Pool daily operations and our departmental budget.

He is passionate about collaborating with stakeholders to achieve positive outcomes and is proud of the continuous improvement culture the NHFB has developed to drive efficiency and effectiveness of core capabilities.

Prior to joining the NHFB, Ben worked at the Australian National Audit Office for more than 10 years conducting the independent examination of the financial records, transactions and internal controls of Commonwealth entities. Ben is a Chartered Accountant and has a Bachelor of Business (Hons.) from Charles Sturt University.

“We are proud of our high performing team where ‘how’ we do things is just as important as ‘what’ we do.”

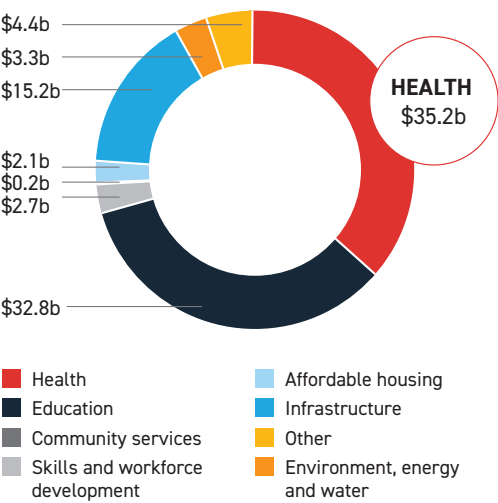
OPERATING ENVIRONMENT

Our role 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 National Health Reform 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 5 February 2025, the Commonwealth and States and Territories agreed a one-year extension of the Addendum to the NHR Agreement to provide financial certainty for public hospitals while the Commonwealth and States continue to work together on longer term health and disability reforms. The one-year extension provides States and Territories with a one-off funding boost of \$1.7 billion for hospital and related health services and a one-off uplift to the Northern Territory.

Figure 3: Payments for specific purposes 2025-26, by sector (Treasury Budget Paper 3)



The Addendum maintains a commitment to ensuring equitable access to public hospitals for all Australians and reaffirms the role of the Administrator and the NHFB.

In 2025-26, the Australian Government will provide States and Territories with a total of \$95.9 billion in payments for specific purposes (see Figure 3), with over a third of that money (almost \$34 billion) calculated by the NHFB and paid through our Payments System.

Health System

To achieve our purpose and preserve our role in the health system into the future, we must provide best practice financial administration that is accurate, timely and independent. In 2025-26 we will deliver on our commitment to:

- prepare accurate payment advice, including preparation for the implementation of a new Addendum (from 1 July 2026)
- enhance our funding integrity capabilities
- improve the quality and timeliness of data
- make payments without any delays or errors
- maintain the integrity of the Payments System
- improve access to information through public reporting.

These activities will contribute to an efficient, sustainable and accessible public hospital system for all Australians.

KEY MOMENTS IN PUBLIC HOSPITAL FUNDING HISTORY

1816

→

Australia's first public hospital, the Rum Hospital opened in Sydney. In 1894 it was renamed the Sydney Hospital.

1945

→

The *Hospital Benefits Act 1945* provided for all people to have access to a public hospital free of charge.

1981

→

Funding for public hospitals from the Commonwealth is based on per capita block grants.

1984

→

Introduction of Australia's universal health care scheme Medicare.

2008

→

The National Health and Hospitals Reform Commission was established to provide advice on progressing health reform.

2011

→

The *National Health Reform Agreement* was signed, establishing the Administrator and NHFB. A new approach to health funding based on Activity Based Funding (ABF) was put into effect and Local Hospital Networks (LHNs) were established.

2017

→

The *Addendum to the National Health Reform Agreement 2017-18 to 2019-20*, introduced safety and quality elements to funding.

2020

→

The *National Partnership on COVID-19 Response* was agreed to and signed in March 2020, providing additional financial assistance to States and Territories. The *Addendum to the National Health Reform Agreement 2020-25* was signed by all Australian governments in May 2020.

2022

→

A Mid-term Review of the Addendum to the National Health Reform Agreement was commissioned to provide advice on a future health reform agreement.

2023

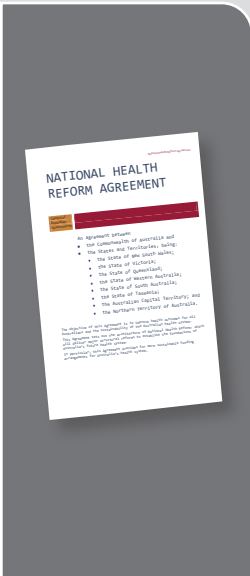
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National Cabinet agrees the funding parameters for a future health reform agreement.

2025

→

Schedule K to the *Addendum to the National Health Reform Agreement* was agreed in February 2025, providing a one-year extension and an additional one-time fixed funding amount of \$1.7b in 2025-26.



Images from top to bottom: 1. Interior of the women's surgical ward, Sydney Hospital, 1890s. (State Library of NSW 06472)
2. Medicare card. 3. Front cover of the NHR Agreement. 4. First ministers National Cabinet December 2023. (ABC News: Matt Roberts)

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 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, the Council of Australian Governments (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, including long-term reforms in:
 - nationally cohesive health technology assessment
 - paying for value and outcomes
 - joint planning and funding at a local level.
- prioritising prevention and helping people manage their health across their lifetime, including long-term reforms in:
 - empowering people through health literacy
 - prevention and wellbeing.
- driving best practice and performance using data and research, including long-term reforms in enhanced health data.

The Addendum saw over \$131 billion in Commonwealth funding to public hospitals over the five years of the agreement.

In conjunction with the new Addendum, the Federal Government provided a funding guarantee (2019-20, 2020-21 and 2021-22) to all States and Territories to ensure no jurisdiction was left worse off as a result of the COVID-19 pandemic.

National Partnership on COVID-19 Response (NPCR)

The NPCR was initially agreed to and signed by COAG on 13 March 2020 and ceased on 31 December 2022. The NPCR provided financial assistance to States and Territories for the additional costs incurred in responding to COVID-19 and included key functions to be performed by the Administrator supported by the NHFB and other portfolio agencies.

Over the life of the NPCR (2019-20 to 2022-23), the Commonwealth contributed a total of \$14.3 billion in COVID-19 funding to States and Territories.

Further detail on COVID-19 funding is available from the 2019-20, 2020-21, 2021-22, 2022-23 and 2023-24 National Health Funding Pool Annual Reports.

Schedule K - Addendum to the National Health Reform Agreement 2025-26

On 5 February 2025, the Commonwealth, States and Territories agreed *Schedule K - Addendum to the NHR Agreement: Revised Public Hospital Funding and Health Reform Arrangements* (Schedule K). Schedule K provided a one-year extension to the Addendum to the NHR Agreement, from 1 July 2025 to 30 June 2026, and revised arrangements for 2025-26:

- an additional one-time fixed funding amount of \$1.7 billion in 2025-26, for States and Territories, to be considered as a top up contribution
- a one-off uplift to the Commonwealth contribution rate for the Northern Territory
- Commonwealth, State and Territory agreement to strengthen their shared commitment to the National Agreement on Closing the Gap during the period 1 July 2025 to 30 June 2026.

States must use the one-time fixed funding to fund hospital and related health services. The one-time fixed funding will be paid from Commonwealth Treasury through to:

- State and Territory Treasury Departments
- State and Territory Health Departments.

Future Addendum to the National Health Reform Agreement

Following a review of the NHR Agreement in December 2023 and the Federal Election in early 2025, it is anticipated that negotiations will commence in the second half of 2025 in preparation for 1 July 2026.

PUBLIC HOSPITAL FUNDING ARRANGEMENTS

The NHFB assist the Administrator in calculating and advising the Treasurer of the Commonwealth's contribution to public hospital funding.

Calculating funding

There are two broad types of funding: Activity Based Funding (ABF) and Block (see Figure 5), with the preference to use ABF wherever possible. Under the NHR Agreement, the scope of public hospital services that are funded on an ABF or Block basis and are eligible for a Commonwealth funding contribution currently includes:

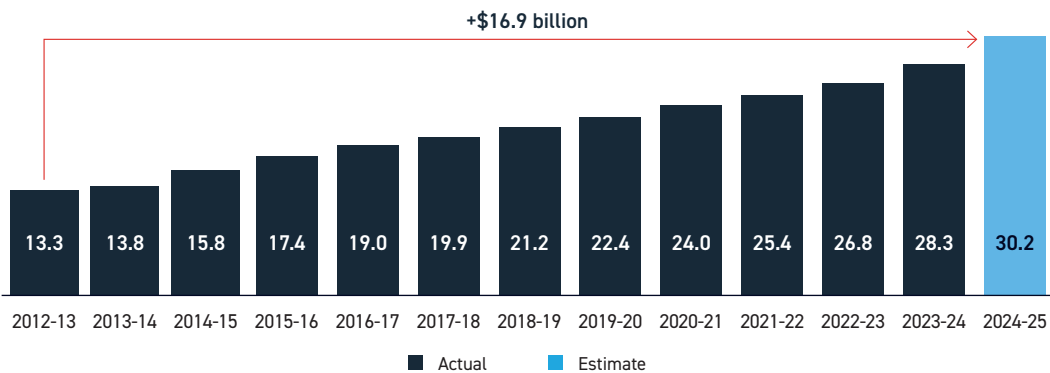
- all emergency department services provided by a recognised emergency department
- all admitted and non-admitted services
- other outpatient, mental health, sub-acute services and other services that could reasonably be considered a public hospital service.

The Administrator's Calculation Policy sets out the method and processes that are used to calculate the Commonwealth's NHR contribution as well as the approach to reconciling public hospital services actually delivered. The Commonwealth Contribution Model (CCM) calculations form the basis of the Administrator's payment advice to the Commonwealth Treasurer.

The Independent Health and Aged Care Pricing Authority's (IHACPA) price and cost determinations are key inputs into this model in addition to public hospital activity estimates from States and Territories.

Figure 4 provides an overview of the Commonwealth's funding contributions from 2012-13 to 2024-25.

Figure 4: Commonwealth funding contributions from 2012-13 to 2024-25



Note: These amounts include NHR, Hospital Service Payments and Minimum Funding Guarantee amounts. State Public Health Payments and Financial Viability Payments are not included.

Activity Based Funding

ABF is a funding method used to fund public hospitals across Australia. ABF is calculated based on the number of weighted services provided to patients and the price 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 IHACPA, and the level of activity as represented by the National Weighted Activity Unit (NWAU) (i.e., the NEP is the price per NWAU).

An 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 considered. This information is made publicly available (for all years) via our website and is published in the National Health Funding Pool Annual Report each year.

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.

Public Health funding

Public Health funding is paid 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, breast cancer screening, youth health services and essential vaccines (service delivery).

Out-of-scope

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, dental services, other hospital services, home and community care, residential aged care and disability services).

Figure 5: Types of public hospital funding



ACTIVITY BASED FUNDING

- Emergency department services
- Acute admitted services
- Admitted mental health services
- Sub-acute and non-acute services
- Non-admitted services
- Community mental health



BLOCK FUNDING

- Teaching, training and research
- Small rural hospitals
- Non-admitted mental health
- Non-admitted home ventilation
- Other non-admitted services
- Highly specialised therapies

Making 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 (SMF) 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 States and Territories (including public health and cross-border).

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

Figure 6 highlights the source, types and amount of funding and payments that flowed through the Pool and SMFs in 2024-25.

The NHR Agreement allows for additional streams of funding to be paid through the Pool, for example out-of-scope funding.

Out-of-scope activity is defined as non-hospital services or public hospital services with a funding source other than the NHR Agreement.

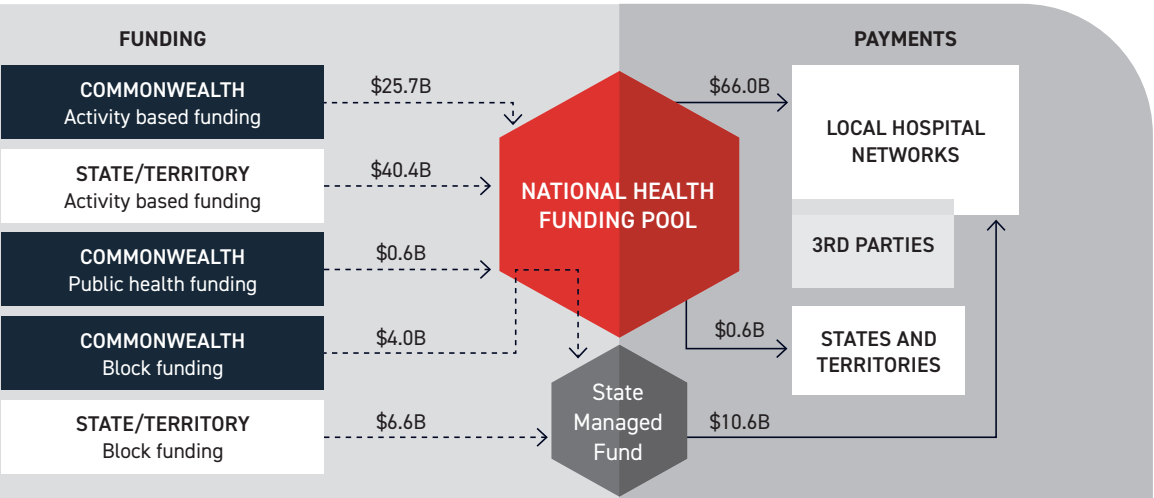
There are multiple funding sources for out-of-scope activity, for example, Medical Benefits Schedule, additional Schedule K funding, and other third-party revenue. Payments made through the Pool for out-of-scope activities must be identified so it can be distinguished from NHR funding.

Commonwealth payments into the Pool are made as equal monthly instalments of an estimated annual payment, while States and Territories can determine how much and when they deposit funds into the Pool and SMF. The Commonwealth's contributions to LHNs are adjusted in arrears at the end of each 6 and 12 months for each financial year once actual volumes have been validated.

To ensure that payments from the Pool are correct, no payment will be made until the respective State or Territory has validated and instructed the Administrator to make payment on its behalf.

The NHFB supports the Administrator to publish monthly reports detailing the funding and payments into and out of the Pool and SMFs. These reports are publicly available on publichospitalfunding.gov.au.

Figure 6: 2024-25 Public hospital funding and payment flows



Publishing reports

To improve the transparency and integrity of public hospital funding, we report publicly on the payments made to LHNs.

Funding and payments

We produce and publish monthly reports that detail funding and payments into and out of the Pool and SMF. The reports are provided at a national, State and Territory and LHN level, and detail both Commonwealth and State and Territory contributions. These reports are prepared on a cash basis and align to the reporting of funding and payments in the National Health Funding Pool Annual Report. Full year 2024-25 funding and payment information was published to the website on 17 July 2025, within three weeks after the end of the financial year.

Maintenance of Effort

Parties to the Addendum agreed, at a minimum, to maintain levels of funding for public hospital services through the Pool for 2020-21 to 2024-25 at not less than the level of funding for 2018-19. The assessment of Maintenance of Effort focuses on in-scope public hospital services under the NHR Agreement.

Out-of-scope activity is defined as non-hospital services or those public hospital services with a funding source other than the NHR Agreement.

This work has identified some inconsistencies in the level of in-scope and out-of-scope funding transacted through the Pool as well as pricing and activity information published in LHN Service Agreements. With the Administrator, we will continue to work with all Parties to the Addendum towards achieving consistency and transparency in the reporting of public hospital funding.

Compliance

The Administrator's rolling Three Year Data Plan sets out the minimum level of data that States, Territories and the Commonwealth must provide to the Administrator, and the timeframes it must be provided within. Each quarter, a compliance report is published that details whether States, Territories and the Commonwealth have met their obligations under the Data Plan.

Service Agreements

Service Agreements between the States and LHNs support transparency of public hospital funding and services and are provided to the Administrator (once agreed). Service Agreements are to include, at a minimum:

- a. the number and broad mix of services to be provided by the LHN, to inform the community of the expected outputs from the LHN and allow the Administrator to calculate the Commonwealth's funding contribution
- b. the quality and service standards that apply to services delivered by the LHN, including the Performance and Accountability Framework and the level of funding to be provided to the LHN under the Service Agreement, through ABF and Block funding
- c. the teaching, training and research functions to be undertaken at the LHN level.

In addition, the funding paid on an activity basis to LHNs will be based on the price set by that State as reported in Service Agreements, the State Price. The Administrator and NHFB have been working with States and Territories to highlight inconsistencies in Service Agreements and identify where improvements can be made including on accuracy of State Prices and identification of in-scope and out-of-scope activity.

STAKEHOLDERS AND PARTNERS

Productive relationships and regular engagement with our stakeholders and partners support us to improve the transparency of funding for public hospital services.

We will continue to proactively engage with our stakeholders and partners, as productive discussions not only assist all parties to understand the basis of funding calculations and outcomes, but also builds trust in our functions.

States and Territories

Early and impartial engagement with all stakeholders, especially States, Territories and the Commonwealth, allows time to discuss and resolve issues in a collaborative manner. The Administrator's Jurisdictional Advisory Committee (JAC) is a key channel for this engagement and is comprised of senior representatives of all States and Territories and relevant Commonwealth departments and portfolio agencies.

Key discussion topics for the Administrator's JAC in 2025-26 will include:

- Commonwealth NHR funding and implementation of Schedule K to the Addendum to the NHR Agreement
- 2024-25 Annual Reconciliation of public hospital funding and services
- funding integrity, including data matching
- Administrator's policy documents
- consistency and transparency of public hospital funding
- Payments System administration
- implementation of a new Addendum (once agreed).

Commonwealth

We will continue to be supported by, and work with our Commonwealth stakeholders through a range of formal and informal arrangements, including:

- the provision of shared services (e.g., payroll and IT desktop) from the Department of Health, Disability and Ageing
- Enterprise Data Warehouse (EDW) technical support from the Department of Health, Disability and Ageing
- the provision of public hospital activity data from Services Australia
- website hosting with GovCMS from the Department of Finance
- monthly roundtable discussions on NHR Agreement funding and activities with the Department of the Prime Minister and Cabinet, the Treasury, the Department of Finance and the Department of Health, Disability and Ageing.

Portfolio agencies

We work closely with our portfolio agency partners to support the Administrator to provide trusted and impartial advice to all stakeholders and deliver best practice administration of public hospital funding. These agencies include the IHACPA, the Australian Commission on Safety and Quality in Health Care (ACSQHC) and the Australian Institute of Health and Welfare (AIHW).

Independent Health and Aged Care Pricing Authority

The main functions of the IHACPA are to determine each year the National Efficient Price (NEP) for ABF and National Efficient Cost (NEC) for Block funding for health care services provided by public hospitals.

The NEP is a major determinant of the level of Commonwealth funding for public hospital services and provides a benchmark for the efficient cost of providing public hospital services.

We work closely with IHACPA throughout the year on public hospital activity data and are a member of their Jurisdictional Advisory Committee and Technical Advisory Committee.

Australian Commission on Safety and Quality in Health Care

The ACSQHC leads and coordinates key improvements in safety and quality in health care. The Commission works in four key priority areas:

- patient, consumer and staff safety in all places where health care is delivered
- partnering with consumers; patients, carers and communities to improve health care for all
- partnering with health professionals to support delivery of safe and high-quality care
- quality, value and outcomes.

Australian Institute of Health and Welfare

The AIHW develops, collects, compiles, analyses, manages and disseminates Australian health and welfare data information. We collaborate with the AIHW on public hospital funding related matters via a number of committees including the Strategic Committee for National Health Information, the National Hospitals Information Advisory Committee and the Health Expenditure Advisory Committee.

“We provide trusted and impartial advice and collaborate openly with our stakeholders.”

INDEPENDENT HEALTH AND AGED CARE PRICING AUTHORITY (IHACPA)



Data collection

The IHACPA collects quarterly public hospital activity data submissions from States and Territories about various kinds of patient services provided by Australian hospitals. They use this data as inputs into the classification, costing and pricing process. The NHFB use this same data for reconciliation of actual services delivered.



Classification

Classifications provide a nationally consistent method of classifying all types of patients, their treatment and associated costs. IHACPA undertakes reviews and updates of existing classifications and is also responsible for introducing new classifications.



Costing

Hospital costing focuses on the cost and mix of resources used to deliver patient care. Costing plays a vital role in Activity Based Funding, providing valuable information for pricing purposes.



Pricing

The IHACPA determines the National Efficient Price. This pricing model determines how much is paid for an average patient. It also recognises factors that increase the cost of care, for example, the additional cost of providing health services in remote areas, or to children. The NHFB use this when calculating the Commonwealth's contribution to public hospital funding.

NATIONAL HEALTH FUNDING BODY (NHFB)



Calculate

Commonwealth funding is calculated using the Commonwealth Contribution Model. The IHACPA's National Efficient Price and public hospital activity estimates from States and Territories are key inputs into this model.



Pay

The Payments System is used to facilitate Commonwealth and State and Territory public hospital funding payments to Local Hospital Networks.



Report

Reports on funding, payments and services are published to publichospitalfunding.gov.au on a monthly basis to provide transparency of public hospital funding.

“Together, we are responsible for implementing Australia’s public hospital funding arrangements.”

MESSAGE FROM THE CHIEF FINANCE OFFICER



I am proud of the culture we have developed at the NHFB. I have had the privilege of observing the benefits of empowering our people to act on opportunities for growth and innovation.



Ben Nicholls

Chief Finance Officer,
National Health Funding Body

Our culture is based on our United Leadership behaviours which supports us to remain accountable to achieve high standards of performance.

We continue to invest in our people to enhance and innovate our approaches to deliver our core capabilities. We partner with industry to obtain valuable insights that can propel our organisation forward. We will also continue to encourage experimentation by leveraging digital platforms to support automation and reporting.

As we move into the next financial year, we will continue to focus on the effective allocation of resources to ensure our organisation can respond to emerging priorities. We are committed to delivering best practice financial administration and improving transparency in public hospital funding in an evolving environment.

In 2025-26 we will continue to manage our finances in line with three key principles:

- **People** – Invest in our people to enhance and sustain core capabilities.
- **Process** – Continue to focus on core business, leveraging industry partner expertise and advice.
- **Technology** – Maximise benefit from digital platforms.

In order to live within our means, we will ensure that we are operating as efficiently and effectively as possible. We will explore opportunities to improve collaboration with our public and private sector partners, through the successful completion of short-term initiatives (see "Performance Section" starting page 27).

FINANCE

We are funded by an annual appropriation from the Commonwealth, as represented in the Portfolio Budget Statements (PBS) 2025-26.

Outlook

In March 2025, the Commonwealth released the 2025-26 Budget. Table 1 includes a summary of the 2025-26 Budget and forward estimates. Much of our expenditure relates to employee expenses which demonstrates our commitment to investing in our people and reducing reliance on contractors.

In accordance with existing legislation and national agreements, we have core responsibilities for the calculation, payment and reporting of public hospital funding. We have implemented financial management practices to support effective allocation of resources and ensure the organisation can successfully perform our core functions.

Table 1: 2025-26 Budget and forward estimates

\$'000	2025-26 BUDGET	2026-27 ESTIMATE	2027-28 ESTIMATE	2028-29 ESTIMATE
REVENUE				
Appropriation	6,954	7,063	7,047	7,014
Other ¹	98	98	98	98
TOTAL REVENUE	7,052	7,161	7,145	7,112
EXPENSES				
Employees	4,531	4,631	4,721	4,811
Suppliers	2,131	2,140	2,034	1,911
Depreciation and amortisation	363	363	363	363
Interest on RoU ²	7	7	7	7
TOTAL EXPENSES	7,032	7,141	7,125	7,092

1 Other revenue covers audit fee expenses not requiring appropriation (resources received free of charge).

2 Interest on lease liability relates to Right of Use (RoU) asset (AASB 16: Leases).

PERFORMANCE

This section outlines our objectives and describes how our performance will be measured.

Our five objectives are:

- Accurate and timely calculation of Commonwealth funding contributions
- Best practice financial administration of the National Health Funding Pool (the Pool)
- Effective reporting of public hospital funding
- Productive relationships with stakeholders and partners
- Operate as a high performing organisation.

We will enhance our capabilities through key initiatives that will help us to support the obligations and responsibilities of the Administrator.

The following tables outline the performance criteria to be used for the 2025-26 reporting period to determine whether we have achieved our purpose. We recognise the importance of measuring and reporting on our performance and will continue to improve the way we gather quantitative and qualitative evidence to measure how well we deliver against our objectives.

Monitoring our performance

We monitor our performance monthly through a combined organisational performance, finance and risk discussion. The results are incorporated into our annual summary of performance and included in our annual report.

Figure 7 outlines how the performance of each objective is measured.

Figure 7: Key to the tables

OBJECTIVE TITLE				
ACTIVITY	PERFORMANCE CRITERIA	EVIDENCE	2025-26 TARGET	2026-29 TARGET
Outcome	Activity to produce outcome	Source of evidence	Target	Target

OBJECTIVE ONE**Accurate and timely calculation of Commonwealth funding contributions**


ACTIVITY	PERFORMANCE CRITERIA	EVIDENCE	2025-26 TARGET	2026-29 TARGET
1.1 Funding calculations are accurate	Commonwealth funding contributions to be paid into each State and Territory Pool Account are accepted by the Administrator	Administrator sign-off of payment advice	100% signed-off	100% signed-off
1.2 Funding entitlements reconcile to actual services delivered	Adjustments made to Commonwealth payments to Local Hospital Networks (LHNs) due to reconciliation are accepted by the Administrator	Administrator sign-off of payment advice including any adjustments	Half-yearly and annual	Half-yearly and annual
1.3 Public hospital services are funded through the appropriate Commonwealth program	Integrity analysis of hospital activity and other Commonwealth program activity identifies instances where the same hospital service has been funded more than once	Integrity measures in place	Notify stakeholders of potential duplicate payments by 30 November 2025	Notify stakeholders of potential duplicate payments by 30 November
1.4 The Treasurer is advised in a timely manner	Advice regarding Commonwealth funding is provided to the Treasurer in a timely manner by the Administrator	Administrator sign-off	100% signed-off	100% signed-off

KEY INITIATIVES**Short term 2025-26**

- 2024-25 Annual Reconciliation
- Undertake funding integrity data matching activities as part of the 2024-25 Annual Reconciliation
- Initial 2025-26 funding calculation
- 2025-26 Six-month Reconciliation
- Continue to work with States and Territories through the Data Community of Practice to improve data quality and timeliness
- Identify ways to share our insights and data resources to improve the transparency of funding, payments and activities

Medium term 2026-29

- Work with stakeholders to implement the new Addendum (from 1 July 2026)

<div>OBJECTIVE TWO</div> <div>Best practice financial administration of the National Health Funding Pool</div> <div></div>				
ACTIVITY	PERFORMANCE CRITERIA	EVIDENCE	2025-26 TARGET	2026-29 TARGET
2.1 Payments to each Local Hospital Network (LHN) accord with directions from responsible State and Territory Ministers and Service Agreements	All payments from the Pool are made in accordance with directions	Advice from relevant Ministers	100% in accordance with advice	100% in accordance with advice
2.2 Maintain the integrity of the Payments System	Payments System policies, plans and manuals are reviewed and maintained	Policies, plans and manuals are complete, available, and approved annually	100% approved	100% approved
KEY INITIATIVES				
Short term 2025-26				
<ul style="list-style-type: none">Engage with States and Territories to ensure both Commonwealth payments and State and Territory payments (ABF and Block) align to Service AgreementsProvide greater transparency of payments through the Pool (including out-of-scope funding)Ensure strong governance and system administration of the Payments SystemContinue to work with States and Territories through the Payments System Community of Practice on improving user experience, including training and support				
Medium term 2026-29				
<ul style="list-style-type: none">Explore opportunities to provide greater transparency of Commonwealth, State and Territory public hospital funding contributions				

OBJECTIVE THREE

Effective reporting of public hospital funding



ACTIVITY	PERFORMANCE CRITERIA	EVIDENCE	2025-26 TARGET	2026-29 TARGET
3.1 Ministers receive required information in a timely manner	The Annual Report on the operations of the National Health Funding Pool is submitted to each Health Minister for tabling as per the NHR Act	Administrator's Annual Report	Tabled in all jurisdictions within timeframe	Tabled in all jurisdictions within timeframe
3.2 Monthly and annual reporting of funding, payments and services	Monthly and annual reporting is uploaded to the website	Website update	All LHN, State and National reports updated within two weeks of period close	All LHN, State and National reports updated within two weeks of period close
3.3 Quarterly and annual reporting of Commonwealth, State and Territory compliance with the Administrator's Data Plan	Increase public access to information on Commonwealth, State and Territory compliance with the Administrator's Data Plan	Administrator's Quarterly Compliance Report	Publish Quarterly Compliance reports within four weeks of period close	Publish Quarterly Compliance reports within four weeks of period close


KEY INITIATIVES

Short term 2025-26

- Publish the Administrator's 2024-25 Annual Report
- Publish the Administrator's 2024-25 Annual Report on Maintenance of Effort
- Publish the Administrator's report on final entitlement and activity at the Local Hospital Network level
- Review the Administrator's Three Year Data Plan, Data Compliance Policy and Data Governance Policy in collaboration with portfolio agency partners and stakeholders
- Improve public reporting of funding, payments and services in consultation with portfolio agency partners and stakeholders

Medium term 2026-29

- Identify ways to increase public awareness of public hospital funding and activity

<div>OBJECTIVE FOUR</div> <div>Productive relationships with stakeholders and partners</div> <div></div>				
ACTIVITY	PERFORMANCE CRITERIA	EVIDENCE	2025-26 TARGET	2026-29 TARGET
4.1 Provide trusted and impartial advice	Communication and stakeholder engagement is fit-for-purpose and caters to stakeholder needs	Annual stakeholder benchmarking survey results	Positive trend	Positive trend
	Provide advice on the implementation of funding arrangements	Active participation in bilateral and multilateral forums with all jurisdictions	100% complete	100% complete
4.2 Work plans and information requirements are developed in collaboration with stakeholders	The Administrator's rolling Three Year Data Plan is updated, agreed with stakeholders and published on the website	Administrator's Three Year Data Plan	30 June 2025	30 June
KEY INITIATIVES				
Short term 2025-26				
<ul style="list-style-type: none">Implement improvements to our communication and engagement following stakeholder survey feedbackActively engage and collaborate with other national bodies and stakeholders (including through our bilaterals and Communities of Practice)Increase the awareness and profile of the role of the Administrator and the NHFB				
Medium term 2026-29				
<ul style="list-style-type: none">Identify ways in which we can engage, collaborate and provide trusted advice to improve health sector outcomes				

OBJECTIVE FIVE

Operate as a high performing organisation



ACTIVITY	PERFORMANCE CRITERIA	EVIDENCE	2025-26 TARGET	2026-29 TARGET
5.1 A positive workplace culture where people feel valued	Our United Leadership behaviours are embedded in our culture	APS Census 2026	Positive trend	Positive trend
	Our forward work plans are developed in consultation with our people	<ul style="list-style-type: none"> Strategic Direction Risk Tolerance Corporate Plan Section Plans Performance Agreements 	100% complete	100% complete
	All APS and PGPA reporting requirement are met	Approval by the CEO	100% complete within timelines	100% complete within timelines
5.2 An innovative team willing to explore best practice approaches	Innovation is promoted and change is well managed	APS Census 2026	Positive trend	Positive trend
	Corporate policies are best practice and fit for purpose for a small agency	Approved by the CEO	100% complete	100% complete

KEY INITIATIVES

Short term 2025-26

- Monitor our performance against our Corporate Plan 2025-26
- Build upon our Workplace Diversity, Workforce Capability and Learning and Development Plans
- Continue to sustain a strong agency culture based on our United Leadership behaviours (One NHFB, Enhanced Trust, Open Communication, and Own It)
- Implement the NHFB Academy to provide our team with learning pathways to support them to perform their roles to the best of their ability

Medium term 2026-29

- Be a leader in best-practice for small agencies; a strong, independent and expert agency
- Plan for a sustainable future by operating as productively and cost effectively as we can
- Explore new initiatives to support an agile and responsive workforce

Our key deliverables

Calculate

- Payment Advice updates (as required) throughout financial year 2025-26
- Undertake 2024-25 Funding Integrity data matching activity
- Review of previous Funding Integrity compliance activities
- 2024-25 Annual Reconciliation
- 2025-26 Six-month Reconciliation
- Data Community of Practice

Pay

- Payments to each LHN
- Bank reconciliations
- End of Month processing
- Nine sets of 2025-26 Financial Statements
- Payments System Policy review
- Review Governance arrangements
- Payments System Community of Practice

Report

- Monthly and annual reports
- Compliance reporting
- Maintenance of Effort reporting
- Website enhancements

Organisation

- Host monthly round tables and quarterly bilaterals
- Facilitate the Administrator's JAC meetings
- Invest in our strong people culture
- Promote Learning and Development
- Implement NHFB Academy and learning pathways
- Promote innovation

APS-wide key deliverables



APS Reform

On 1 November 2023, the Government announced its commitment to continue to strengthen the public service through a second phase of targeted APS Reform initiatives. Three priority areas for ongoing reform were identified:

- bolster integrity
- build an outwardly-engaged APS
- continue to strengthen capability.

Since the initial announcement, the NFHB has been committed to the APS Reform agenda and has been embodying the key priorities in all aspects of our business, including through our United Leadership behaviours.

We demonstrate these by:

- embedding a pro-integrity culture
- developing productive relationships with our stakeholders and partners
- increasing transparency
- championing stewardship.

In 2025-26, we remain committed to the APS Reform agenda and will continue to foster a pro-integrity culture, build organisational capability and embed stewardship as an APS value.



APS Strategic Commissioning Framework

The APS Strategic Commissioning Framework was issued by the Australian Public Service Commission (APSC) in October 2023. It is intended to strengthen APS capability through reducing reliance on contractors and consultants for core work.

As a small agency with an operating budget of \$7.1 million and a staffing allocation of 28 ASL, we have planned rigorously to reduce contractor reliance and strengthen our in-house APS capability. These efforts are reflected in our 2025 APS Agency Survey response where we reported zero core work is outsourced. In 2025-26, our target remains at zero.

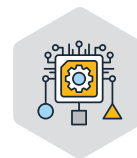


APS Workforce Strategy

Delivering for Tomorrow: the APS Workforce Strategy 2025 (the Strategy) is an APS Reform initiative agreed by the Government in its Delivering for Australians Reform agenda. In 2025-26, we will align our workforce planning with the three key focus areas:

- strengthen integrity and purposeful leadership
- attract, build and retain skills, expertise and talent
- embrace data, technology and flexible and responsive workforce models.

Formally launching in 2025-26, the NHFB Academy will strengthen our capacity across these focus areas, with a particular focus on skills, expertise, talent and the use of data and technology.



Responsible Use of Artificial Intelligence

The *Policy for the responsible use of AI in government*, which came into effect on 1 September 2024, aims to ensure that government plays a leadership role in embracing AI for the benefit of Australians while ensuring its safe, ethical and responsible use, in line with community expectations.

The NHFB and our Shared Services provider (the Department of Health, Disability and Ageing) are committed to the aspirations of the Policy. While the NHFB does not currently use or apply any new AI tools or methodologies, we may pursue its use in the future. Any future use would be done in consultation with our stakeholders while carefully managing the risks to support our vision of improving the transparency of public hospital funding in Australia. The NHFB's AI Transparency Statement is available on our website.

MANAGING RISKS

Understanding our risks, and managing them well, helps us to deliver on our objectives.

Our risk culture - communication is key

By using consistent language, robust methodologies and simple documentation across the organisation, managing risk has become a part of our core business.

We have embedded 'risk' as a natural part of our business – this means that everyone understands their responsibilities for managing risk. We have created an organisational culture that supports risk-aware decision-making and encourages innovation.

Having regular risk discussions at all levels ensures our people have the opportunity to raise potential risks, as well as identify potential opportunities as part of their day-to-day activities.

We acknowledge that sometimes things can and do go wrong. When they do, we discuss these 'near misses' so that differences can be addressed quickly. Instead of finger-pointing or laying blame, we reflect on, and use the lessons learned to improve our capability, internal processes and technology.

When it comes to our people however, we have no appetite for risks that would compromise their safety or wellbeing. This means we work as a united team to keep our working environment safe, friendly, and inclusive for everybody.

Best practice and fit-for-purpose approach

Our Risk Tolerance Statement defines the level of risk we are willing to take to achieve our objectives (see Figure 8).

Our Risk Management Policy and Framework is based on the International Standard on Risk Management (ISO 31000:2018 - Risk Management Guidelines) and aligns with the nine elements of the Commonwealth Risk Management Policy. Our Risk Management Instructions support the risk policy and framework and describe 'how' our risks are managed.

To ensure we maintain an appropriate system for risk oversight, we undertake an annual review of our Strategic Risks and the associated preventative, detective and recovery controls.

Figure 8: Risk Tolerance Statement



Risk Management approach

With a \$7.1 million budget and a staffing allocation of 28 ASL administering over \$79 billion in public hospital payments, it is critical that we have a proactive approach to risk management.

Figure 9 shows the NHFB’s approach to risk management and the policies and frameworks that support our people to maintain a robust system of risk management and oversight.

In 2025-26, we will continue to:

- hold monthly all-staff discussions on our strategic objectives, budget, risk, stakeholder engagement and workplace culture
- fortnightly risk management updates
- weekly executive meetings
- lessons learned workshops.

Figure 9: Risk management approach

ENVIRONMENT



- Strategic Direction
- Corporate Plan
- United Leadership behaviours

IDENTIFY



- Risk Tolerance Statement
- Risk Management Policy and Framework
- Risk Management Instructions

TREAT



- Risk Assessments Worksheets
- Residual Risk Rating
- Residual Action Matrix

MONITOR



- Risk Performance Report
- Annual Report
- Risk Review



Oversight and assurance

Our strong corporate governance framework is critical to managing our strategic and operational activities to ensure we achieve our purpose and deliver on our objectives.

Our formal governance arrangements provide a clear structure and process for reporting to the CEO and independent Audit and Risk Committee on the effectiveness of current risk controls and the implementation of new treatments.

We have adopted the principles of the Institute of Internal Auditors 'three lines' model and adapted the model to ensure it is fit-for-purpose for our small agency (see Figure 10).

This model ensures that we have robust, independent and objective oversight embedded at all levels to provide appropriate assurance.

Figure 10: NHFB three lines model



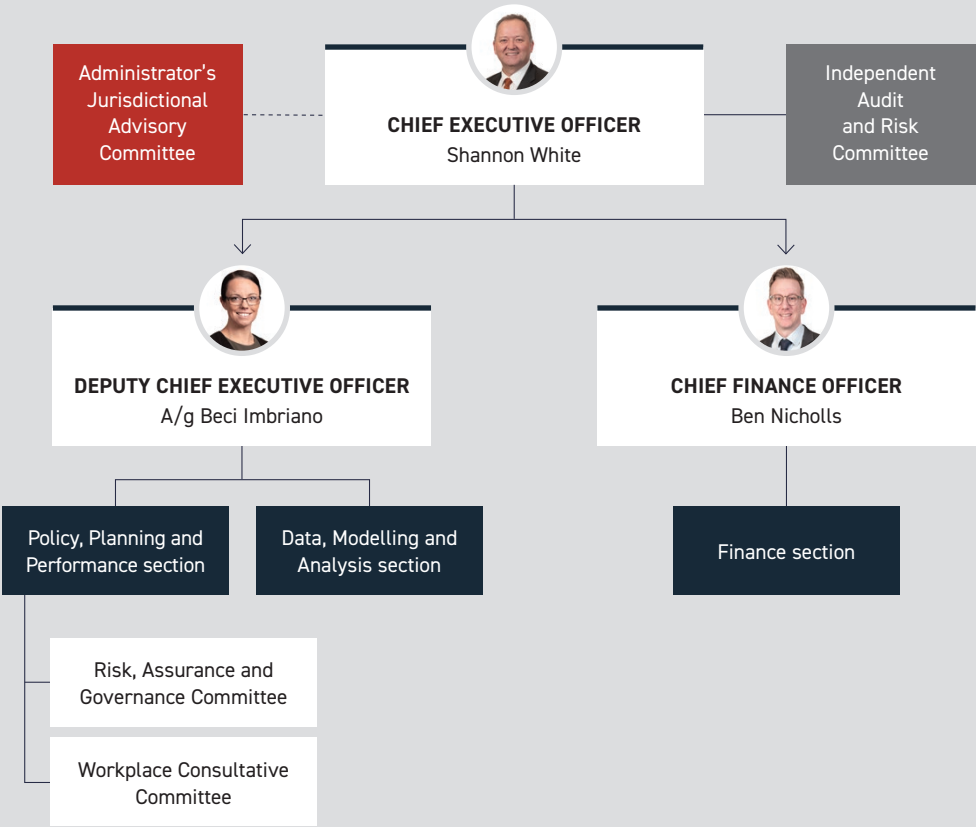
GOVERNANCE

Our governance approach ensures we can deliver on our strategic objectives and statutory obligations.

Executive Committee

The Executive Committee (see “our Leadership” on pages 11-12, for profiles) is our internal forum for engagement and discussion, including providing advice and recommendations to the CEO on strategic direction, key initiatives, agency policies, as well as immediate and emerging issues.

Figure 11: NHFB Executive Committee



Independent Audit and Risk Committee

The independent Audit and Risk Committee (ARC) is an integral component of our corporate governance and a valuable source of independent advice for the CEO. In providing advice, the ARC reviews and comments on the appropriateness of our:

- performance reporting
- financial reporting
- system of risk oversight and management
- system of internal control.

The ARC also provides advice to the CEO and Administrator on the operation, management and financial reporting of the Pool. Full details of the ARC's Charter is available at publichospitalfunding.gov.au.

Risk, Assurance and Governance Committee

The Risk, Assurance and Governance Committee (RAGC) provides assurance to the CEO, Executive Committee and the independent ARC on the adequacy, effectiveness and performance of our governance arrangements including:

- risk management (including fraud control and corruption)
- compliance and control
- audit and assurance
- information governance
- cyber security and agency security (people and systems)
- business continuity.

The RAGC is comprised of the following members:

- Chair (Director Policy, Planning and Performance)
- CFO
- Director, Data, Modelling and Analysis
- Payments System Administrator
- Risk Manager
- Health and Safety Representative.

Workplace Consultative Committee

The Workplace Consultative Committee (WCC) is our staff consultative body for communication, consultation and engagement with our people on topics related to the work environment and employment conditions including:

- health, safety and wellbeing
- workplace conditions
- 2024-2027 Enterprise Agreement
- strategic planning
- human resources policies and procedures
- APS Census action plan.

The WCC is comprised of the following members:

- Chair (Director Policy, Planning and Performance)
- Management Representative
- Human Resource Manager
- Health and Safety Representative
- Employee Representative.

The WCC also assists the CEO to carry out his statutory obligations in accordance with the *Work Health and Safety Act 2011*.

CAPABILITY

In 2025-26 we will continue to strengthen our leadership and culture to remain an employer of choice.

Our people

Our people are at the core of everything we do and we are committed to creating a workplace where they feel respected, empowered, and supported to thrive.

We operate under a flexible legislative framework guided by the *Public Service Act 1999*, with terms and conditions outlined in our *National Health Funding Body Enterprise Agreement 2024–2027* (the EA). This framework helps us support our people in meaningful, practical ways.

We believe 'how' we do things is just as important as 'what' we do. All our work is supported by our commitment to a positive workplace culture underpinned by our United Leadership behaviours:

- One NHFB
- Enhanced Trust
- Open Communication
- Own It

Our people are supported with a clear Strategic Direction, cascading into practical goals through our Corporate Plan, Risk Framework, section plans, and individual performance agreements. This gives everyone a clear line of sight between their work and our objectives.

Our diversity

We are committed to creating a workplace where everyone feels welcome, respected, and valued - no matter their background, identity, or life experience. We are proud that our workforce reflects the community around us.

Our Workforce Diversity Plan celebrates the unique skills, perspectives, and contributions of our people. It focuses on four key principles:

- living our values through inclusive behaviours and actions
- using inclusive language and respectful communication
- ensuring fairness and equality in all employment decisions
- designing flexible work structures that respect personal commitments outside of work.

The Plan supports our approach to :

- gender diversity and leadership
- cultural and linguistic inclusion
- Indigenous employment
- disability employment and accessibility
- mature-age workforce support.

We encourage our people to be involved in diversity communities and forums made available through APS-wide Communities of Practice and the Department of Health, Disability and Ageing's six diversity and inclusion networks.

Our workforce capability

In developing our capability plan, we considered the internal and external factors that could impact our staffing profile, our strengths and weaknesses, areas of risk and opportunities for improvement.

The Capability Plan has three elements that help guide our decision making to ensure we have the right capability across our agency:

- **Managing the workforce composition** - through continual review of core functions, critical skills and experience, monitoring of turnover trends, and attracting and retaining the right people.
- **Building people capability** - ensuring role clarity for our people, increasing Learning and Development opportunities, and investing in career development.
- **Continued focus on culture and leadership** - regular communication and engagement with people as well as celebrating success together.

As a small agency with an operating budget of \$7.1 million and a staffing allocation of 28 ASL, we have planned rigorously to reduce our reliance on contractors and strengthen our in-house APS capability. These efforts are reflected in our 2025 APS Agency Survey response where we reported zero core work is outsourced. In 2025-26, our target remains at zero.

Our learning and development

We are committed to investing in our people through learning and development that is tailored to individual, team and agency needs. Our Learning and Development Strategy aims to build our organisational capability and support the career development of our people by identifying a broad range of learning methods that best support our workforce, including:

- the NHFB Academy
- self-managed learning (i.e. online training)
- group learning and facilitator-led training (classroom)
- conferences and seminars
- mobility (inter-team, or secondments and temporary transfers)
- mentoring / coaching.

The NHFB Academy will support our new starters by providing a structured learning pathway to build their knowledge and technical expertise; from on-boarding to becoming a subject matter expert. Each learning pathway includes flexible training options that support individual learning preferences as well as outlining opportunities for people to become a mentor or trainer.

IN 2025-26 WE REMAIN FOCUSED ON:

- strengthening our leadership and culture to remain an employer of choice
- investing in our people through learning and development to enhance our organisational capability
- reviewing our business operations for innovation opportunities
- leveraging our digital investment and embracing data to improve our advice.

Our processes

Our processes are considered best-practice and fit-for-purpose for a small agency however we are constantly looking at new or better ways of doing things. We ask ourselves:

- Is this the most efficient way to do it?
- Have we documented it properly?
- Have we optimised each step?
- Can it be done digitally?

We lean on our risk culture and approach to near misses to identify improvements to our processes. We also use our audit and assurance activities to check we haven't missed anything and to ensure our processes really are best practice.

Stewardship

We will continue to look into the future, ensuring our advice to government and our stakeholders reflects both the short-term and long-term impacts on the health system by:

- providing independent advice
- sharing knowledge and information openly
- maintaining accurate and accessible records of decisions
- growing our capability (people, process and technology).

This approach demonstrates our commitment to sustainable outcomes.

“Stewardship underpins the integrity of advice and implementation of Government policies and programs.”

Source: Embedding stewardship as an APS Value.

Integrity

We have worked hard to create a psychologically safe workplace where our people can raise ideas or concerns and we talk openly about opportunities for improvement.

We support our people to act with integrity and understand their obligations and responsibilities as APS employees.

We have a strong record of managing our fraud and corruption risks and a reputation for operating with integrity in our role in Australia's Health System.

Our United Leadership behaviours have supported us to maintain a culture of respect and trust. We are committed to not only upholding integrity in the APS, but championing it. Through regular engagement across a variety of forums, we hold ourselves accountable for 'what' we deliver and 'how' we deliver it, ensuring our decisions and actions are driven by the APS Values, Employment Principles and Code of Conduct.

“The pursuit of high standards of APS professionalism, which in turn means doing the right thing at the right time to deliver the best outcomes for Australia sought by the government of the day.”

Source: 2020, Stephen Sedgwick AO, Report into consultations regarding APS approaches to ensure institutional integrity.

Our technology

The functions of the Administrator and NHFB involve the use of data and information from multiple sources. As some of the data may be sensitive in nature, specific treatments and/or security arrangements are required. The large and complex datasets require our systems to be capable of managing significant records, calculations and analysis in a safe and secure environment.

The most significant technological resources we use include:

- our Commonwealth Contribution Model (CCM)
- Department of Health, Disability and Ageing's Enterprise Data Warehouse (EDW)
- our National Health Funding Pool Payments System
- data.gov.au
- our (GovCMS hosted) website.

Each of these systems is governed by robust and transparent business processes, with arrangements relating to the privacy and protection of data clearly outlined in our overarching Data Governance Policy.

In 2025-26 we will continue to leverage our digital investment and embrace data to improve our services and advice to stakeholders.

Calculate

Commonwealth Contribution Model

The CCM enables us to accurately calculate the Commonwealth's NHR funding contribution at a State and Territory, LHN and hospital service category level. The CCM incorporates inputs from multiple sources, including State and Territory activity estimates and IHACPA's price determinations, and is independently reviewed and assured annually.

Department of Health, Disability and Ageing Enterprise Data Warehouse

In 2010, the EDW was established to enable us (together with other key agencies) to perform our role under the NHR Agreement. The EDW is a high-quality, secure, reliable, easy-to-use, shared data storage, analysis and reporting system that supports some of our key information management requirements.

Pay

National Health Funding Pool Payments System

The Payments System utilises the TechnologyOne Cloud based Software as a Service and is hosted on the Amazon Web Services secure Australian Government Cloud. The Payments System is protected using domain whitelisting, two-factor authentication, and a comprehensive range of data security and backup infrastructure including data encryption in transit.

Report

Website

The Administrator and the NHFB have a combined online presence (publichospitalfunding.gov.au) which is hosted on the whole-of-government GovCMS platform. Our innovative reporting tool draws data from data.gov.au to populate streamlined reports with a purpose-built comparison tool that supports users to undertake additional analysis.

REFERENCE INFORMATION

Appendix A - Abbreviations and acronyms

ABF	Activity Based Funding
ACSQHC	Australian Commission on Safety and Quality in Health Care
Addendum	<i>Addendum to the National Health Reform Agreement 2020-2025</i>
AI	Artificial Intelligence
AIHW	Australian Institute of Health and Welfare
APS	Australian Public Service
APSC	Australian Public Service Commission
ARC	Audit and Risk Committee
ASL	Average Staffing Level
CCM	Commonwealth Contribution Model
CEO	Chief Executive Officer
CFO	Chief Finance Officer
COAG	Council of Australian Governments
EA	<i>NHFB Enterprise Agreement 2024-2027</i>
EDW	Enterprise Data Warehouse
IHACPA	Independent Health and Aged Care Pricing Authority
JAC	Jurisdictional Advisory Committee
LHN	Local Hospital Network
NEC	National Efficient Cost
NEP	National Efficient Price
NHFB	National Health Funding Body
NHR	National Health Reform
NHR Act	<i>National Health Reform Act 2011</i>
NHR Agreement	<i>National Health Reform Agreement 2011</i>
NPCR	National Partnership on COVID-19 Response
NWAU	National Weighted Activity Unit
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
RAGC	Risk, Assurance and Governance Committee
RBA	Reserve Bank of Australia
Schedule K	<i>Schedule K - Addendum to the NHR Agreement: Revised Public Hospital Funding and Health Reform Arrangements</i>
SMF	State Managed Fund
The Administrator	Administrator of the National Health Funding Pool
The Pool	National Health Funding Pool
WCC	Workplace Consultative Committee

Appendix B - Strategic direction 2025-2029

STRATEGIC DIRECTION
2025-2029



Administrator
National Health
Funding Pool



National Health
Funding Body

>

Our vision

To improve transparency of public hospital funding in Australia.

>

Our purpose

To support the obligations and responsibilities of the Administrator through best practice administration of public hospital funding.

Our key objectives



Accurate and timely calculation of Commonwealth funding contributions

- Funding calculations are accurate.
- Funding entitlements reconcile to actual services delivered.
- Public hospital services are funded through the appropriate Commonwealth program.
- The Treasurer is advised in a timely manner.



Best practice financial administration of the National Health Funding Pool (the Pool)

- Payments to each Local Hospital Network (LHN) accord with directions from responsible State and Territory Ministers and Service Agreements.
- Maintain the integrity of the Payments System.



Effective reporting of public hospital funding

- Ministers receive required information in a timely manner.
- Monthly and annual reporting of funding, payments and services.
- Quarterly and annual reporting of Commonwealth, State and Territory compliance with the Addendum and Administrator's Data Plan.



Productive relationships with stakeholders and partners

- Provide trusted and impartial advice.
- Work plans and information requirements are developed in collaboration with stakeholders.



Operate as a high performing organisation

- A positive workplace culture where people feel valued.
- An innovative team willing to explore best practice approaches.

About us

The National Health Funding Body (NHFB) and the Administrator of the National Health Funding Pool 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* and common provisions in relevant State and Territory legislation.

The NHFB operates as a non-corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013* and is funded as a small agency under the Commonwealth Department of Health, Disability and Ageing Portfolio.

Our APS values

- Impartial
- Committed

- Accountable
- Respectful

- Ethical
- Stewardship

Our behaviours

One NHFB

We contribute as a united team and encourage new ideas.

Enhance trust

We treat others as equals and collaborate openly across boundaries.

Open communication

We listen actively to the views of others and share information.

Own it

We own our performance by knowing, accepting and performing our roles to the best of our ability.

Improving the transparency of public hospital funding in Australia

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Appendix C - Our behaviours

OUR BEHAVIOURS
2025-2026

Administrator
National Health
Funding Pool

National Health
Funding Body



> **ONE NHFB**
We contribute as a united team and encourage new ideas.

> **OPEN COMMUNICATION**
We listen actively to the views of others and share information.

> **ENHANCE TRUST**
We treat others as equals and collaborate openly across boundaries.

> **OWN IT**
We own our performance by knowing, accepting and performing our roles to the best of our ability.

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