

Corporate Plan 2026–27

Improving the transparency of
public hospital funding in Australia

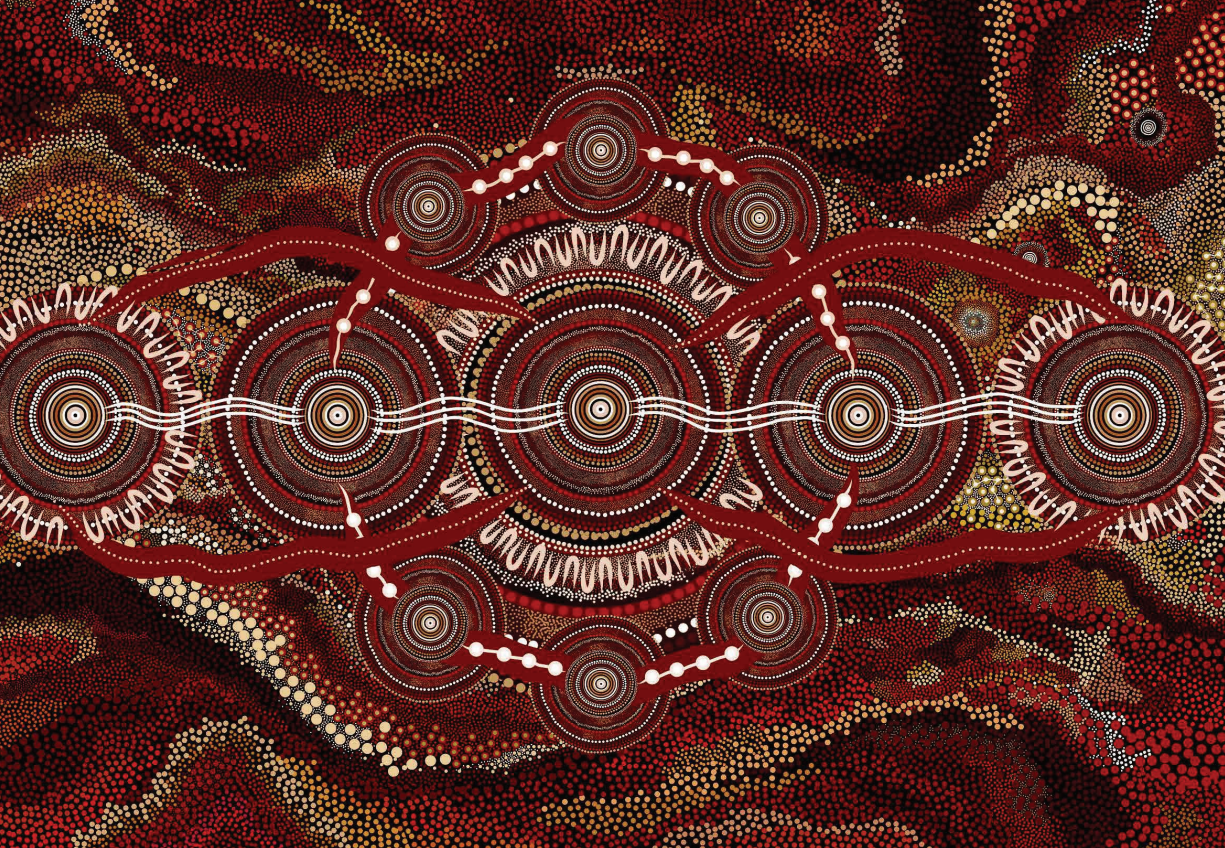
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Administrator
National Health
Funding Pool



**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 9 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 5 large meeting places, each symbolising the key objectives that the NHFB strives to achieve.

These 5 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.

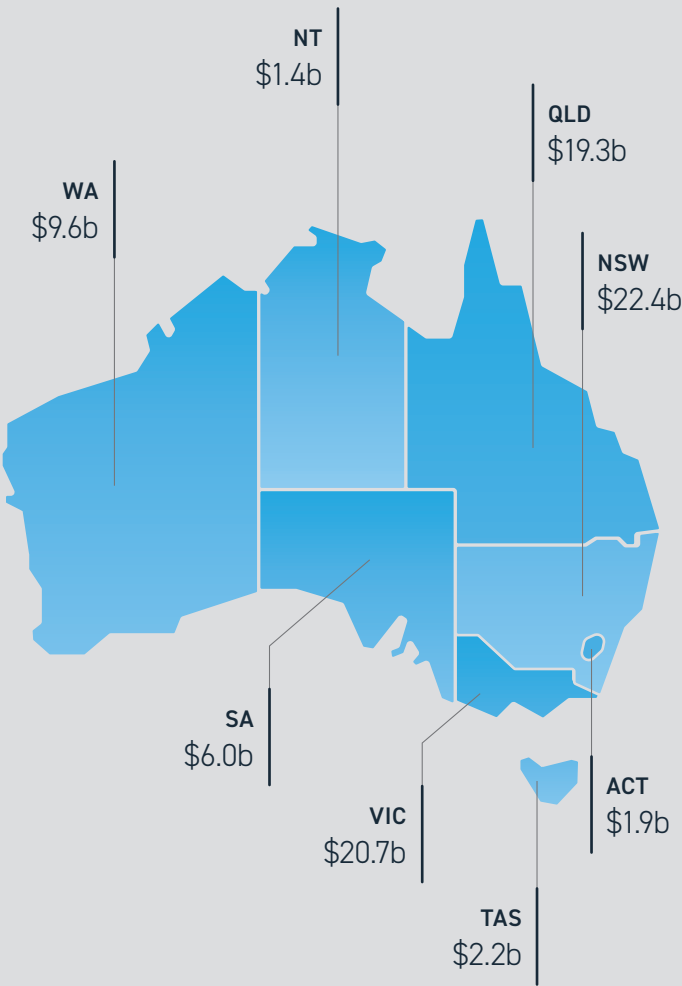
Surrounding these large meeting places are 6 smaller ones, representing the core values of the APS and the NHFB.

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2025-26 HIGHLIGHTS

PUBLIC HOSPITAL FUNDING



We administered over...

\$83.6 billion

in public hospital funding

\$83.0 billion

paid to...



138

Local Hospital Networks

Comprising of...



704

public hospitals

That delivered over...



57.6 million

public hospital services

FUNDING BY SERVICE CATEGORY

Commonwealth States and Territories

Largest service category



ACUTE
ADMITTED

\$16.46b



\$26.90b

Remaining service categories



EMERGENCY

\$3.62b



\$6.22b



MENTAL HEALTH

\$1.46b



\$2.32b



COMMUNITY
MENTAL HEALTH

\$1.25b



\$2.12b



SUB-ACUTE

\$1.96b



\$2.68b



NON-ADMITTED

\$4.05b



\$6.23b

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...

4.6/5



MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



I am pleased to present the National Health Funding Body Corporate Plan for 2026–27. This plan builds on our outstanding record of achievement and sets our strategic direction for the next 4 years 2026–2030.

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

Shannon White
Chief Executive Officer
National Health Funding Body

Australia's health system is still 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. These pressures are placing added strain on our broader health, disability and ageing care economy, estimated to be worth \$3 trillion over the next decade.

In the short term, the public hospital system faces capacity constraints, workforce shortages and growing fiscal pressures as demand increases.

A pivotal year for public hospital funding

On 1 July 2026, the new Addendum to the National Health Reform Agreement 2026–2031 (the Addendum) commenced, replacing the arrangements that have governed public hospital funding since 2020. This marks a pivotal time for Australia's public hospital funding arrangements.

The Addendum introduces fundamental changes to how Commonwealth public hospital funding is to be calculated and paid. The new funding model features a glide path for the Commonwealth's funding contribution, rising from 40.5% in 2026–27 to 42.5% by 2030–31. The funding cap will also increase to 10.25% in 2026–27 and 8% per annum thereafter – substantially higher than the 6.5% per annum under the earlier Addendum. A Minimum Funding Guarantee (MFG) of \$15 billion in added funding over 5 years, provides States and Territories with certainty of the Commonwealth's commitment.

These changes represent the most significant reform to Commonwealth public hospital funding since Activity Based Funding (ABF) was introduced in 2012–13.

Our role in the transition

Our agency performs a unique role in Australia's health system, delivering best practice administration of public hospital funding. In 2026–27, we will calculate, pay and report on over \$90 billion in combined Commonwealth, State and Territory funding across 136 Local Hospital Networks (LHNs) encompassing approximately 700 public hospitals delivering more than 58 million hospital services.

Implementing the Addendum is not as simple as updating our calculations. It requires:

- standing up the new glide path calculation methodology, funding cap framework and minimum funding guarantee calculations from 1 July 2026
- assuming responsibility for Block funding reconciliation and cross-border payments (commencing 2026–27)
- recalibrating our systems and processes to accommodate new funding streams such as the Service Model Reform Funding (SMRF) stream (commencing 2027–28)
- contributing to the development of the Funding Models Framework with the Independent Health and Aged Care Pricing Authority (IHACPA) (due 30 June 2027)
- contributing to the review of safety and quality measures with the Australian Commission on Safety and Quality in Health Care (ACSQHC) (due 30 June 2027)
- contributing to the development of the Performance Framework with the Australian Institute of Health and Welfare (AIHW) (due 30 June 2027)
- working with IHACPA to complete reports on private patient neutrality and incorporating grand fathered services (A17 list) into the general list of public hospital services (due December 2027).

Building on our success

Our stakeholders continue to rate us 4.6 out of 5, reflecting the trust they place in our impartial advice, open communication and respectful engagement. This trust has been built over years of consistent, reliable performance.

In December 2025, we concluded the 2024–25 Annual Reconciliation of Commonwealth National Health Reform funding, which resulted in a final entitlement of \$30.2 billion. In June 2026, we provided the Administrator's 2026–27 payment advice to the Commonwealth Treasurer under the new Addendum, showing an estimated entitlement of \$37.4 billion – the first calculation under the new glide path methodology.

Priorities for the future

In 2026–27, we will focus on:

- implementing the new Addendum (including a new funding model, ICR glide path, a higher funding cap and MFG calculations)
- undertaking funding integrity analysis to identify potential duplicate payments
- completing the 2025–26 Annual Reconciliation
- executing 2026–27 payments under the new Addendum, and developing a reconciliation process for Block funding
- preparing for SMRF stream commencement in 2027–28, including developing operational processes
- working with IHACPA in developing a Funding Models Framework
- working with ACSQHC in reviewing Safety and Quality adjustments
- enhancing our public reporting to reflect the new Addendum arrangements.

Productive relationships

Over the past 7 years, we have continuously sought feedback from our stakeholders and partners.

We believe they value our open communication, respectful engagement, transparent approach and high-quality administration.

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 maintain trust as we navigate the transition to the new Addendum, through our existing bilateral and multilateral forums, 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 and contributing to a positive workplace culture. One of our success stories has been a risk culture of 'not blaming others' and 'no finger pointing' when identifying near miss events. This has enabled us to learn from mistakes, enhance our business processes and improve our performance.

Our approach to high performance is underpinned by unwavering commitment, good governance, regular performance conversations and our United Leadership behaviours. Our behaviours are the centerpiece of our positive workplace culture where we value people and results equally. This was reflected in our recent 2026 APS Employee Census results where we ranked in the top 9 out of 112 agencies for leadership, innovation and employee wellbeing.

In 2026–27, we will 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, including expanding the NHFB Academy learning pathways
- 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.

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

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 5 key objectives



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.

OUR APS VALUES

- ✓ Impartial
- ✓ Committed
- ✓ Accountable
- ✓ Respectful
- ✓ Ethical
- ✓ Stewardship

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 (the Pool) were established through the *National Health Reform Agreement* (NHR Agreement) of August 2011 (see page 19).

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 staff that supports the Administrator to oversee the administration of Commonwealth, State and Territory public hospital funding and payments under the NHR Agreement.

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



Our key activities

In 2026–27, our key activities will support the Administrator in carrying out functions under the NHR Act and the Addendum, including:

Calculating and advising

- Calculating and advising the Commonwealth Treasurer of the Commonwealth's contribution to public hospital funding in each State and Territory under the new National Funding Model, including the ICR glide path and new funding cap methodology
- Calculating MFG entitlements for each State annually.

Reconciling and adjusting

- Reconciling estimated and actual public hospital services, and adjusting Commonwealth payments accordingly, in accordance with the Annual Reconciliation process.

Ensuring funding integrity

- Undertaking funding integrity analysis to identify public hospital services potentially funded through more than one Commonwealth program.

Paying

- Monitoring payments of Commonwealth, State and Territory public hospital funding into the Pool
- Making payments from the Pool to each LHN.

Reporting

- Reporting publicly on funding flows, LHN service volumes, Commonwealth and State funding into and from Pool accounts
- Publishing and maintaining the Administrator's rolling Three-Year Data Plan.

Coordinating with national bodies and supporting reform development

- Coordinating planning with IHACPA, ACSQHC and AIHW to ensure integrated effort on shared priorities
- Supporting IHACPA to develop a Funding Models Framework
- Developing operational processes for the new SMRF stream, which will provide dedicated Commonwealth investment for States to trial new approaches to hospital funding and care delivery (commencing 2027–28)
- Working with IHACPA to report on private patient neutrality methodology
- Supporting ACSQHC to review safety and quality measures.

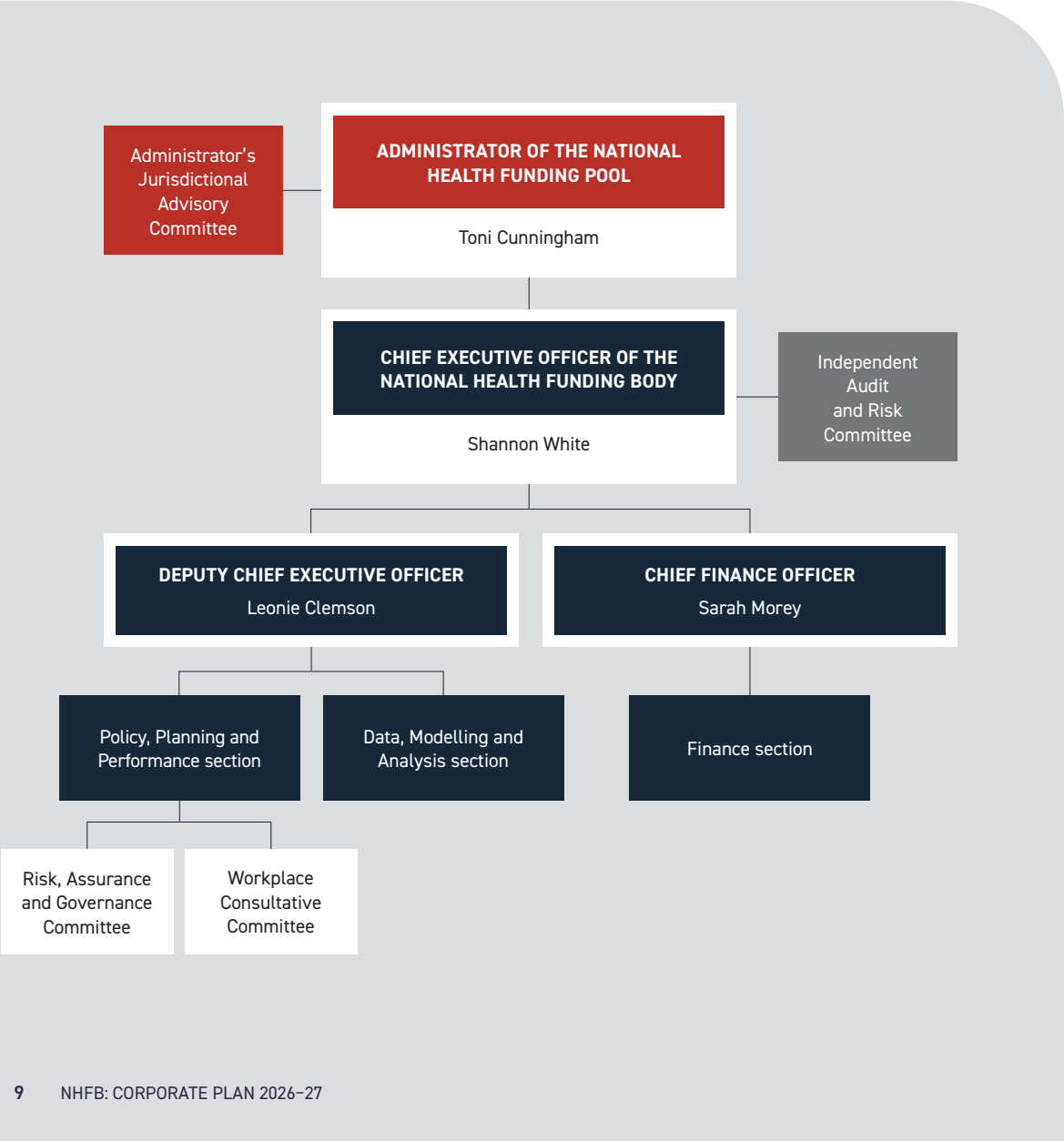
These key activities align to our key deliverables outlined on pages 37–38. We work together across these functions to assist the Administrator and achieve our vision of improving the transparency of public hospital funding in Australia.

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, and align to our core functions, providing clear lines of responsibility.

Figure 1 shows the relationship between the NHFB's organisational and governance elements. Our Governance arrangements are further detailed on pages 43–44.

Figure 1: Organisational structure as at 30 June 2026



Our teams



Policy, Planning and Performance

The Policy, Planning and Performance (PPP) 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. This includes risk management, assurance, governance, communications, security, management of Memoranda of Understanding and Secretariat for the Administrator's Jurisdictional Advisory Committee (JAC) and NHFB's independent Audit and Risk Committee (ARC).



Data, Modelling and Analysis

The Data, Modelling and Analysis (DMA) section develops models that determine the Commonwealth funding contribution to LHNs for delivering public hospital services.

The section reconciles estimated and actual service volumes through a range of data submissions related to public hospital funding. DMA is also responsible for ensuring the integrity of hospital funding by linking hospital activity data with Medicare Benefits Schedule claims data to identify if the Commonwealth may have paid for the same hospital service more than once. The section has also commenced work linking hospital activity data with Pharmaceutical Benefits Scheme claims data to identify instances where the Commonwealth may have paid twice for pharmaceuticals supplied in public hospitals.

The section also engages with States and Territories on data quality and timeliness, sharing best practice across jurisdictions. These engagements support the development and maintenance of the Administrator's policies.



Finance

The Finance section provides financial support to the NHFB CEO and Administrator, including maintaining the integrity of the Pool Payments System (Payments System). This includes working with jurisdictions, industry partners and the Reserve Bank of Australia on further enhancements to the Payments System.

The section monitors payments of public hospital funding out of the Pool and improves transparency through publishing monthly funding and activity data on publichospitalfunding.gov.au.

The section assists the Administrator to prepare the annual financial statements for each State and Territory Pool account, audited by each State and Territory Auditor-General, as well as the NHFB's financial statements, audited by the Commonwealth Auditor-General.

The Finance section 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 5-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 40 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 NHFB in April 2018 and was subsequently reappointed on 1 July 2023 for a further 5 years.

Shannon has a broad range of experience across national security, economic and social policy environments. Shannon has 30 years’ experience in the Australian Public Service (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, health system fiscal sustainability as well as the negotiations on public hospital funding under the 2 Addenda to the NHR Agreement.



Leonie Clemson
Deputy Chief Executive Officer
National Health Funding Body

Leonie Clemson joined the NHFB in September 2025 as the Deputy Chief Executive Officer.

She is a highly experienced senior executive with a passion for strategic leadership, governance, and building organisational capability across the public sector. Prior to joining the NHFB, Leonie worked in the Department of Health, Disability and Ageing leading system-wide assurance and governance functions, managing complex stakeholder relationships, and driving capability uplift initiatives. Leonie is committed to strengthening accountability through internal frameworks and improving performance through best practice approaches.

NHFB AND AUSTRALIA'S HEALTH SYSTEM



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 NHR Agreement.

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

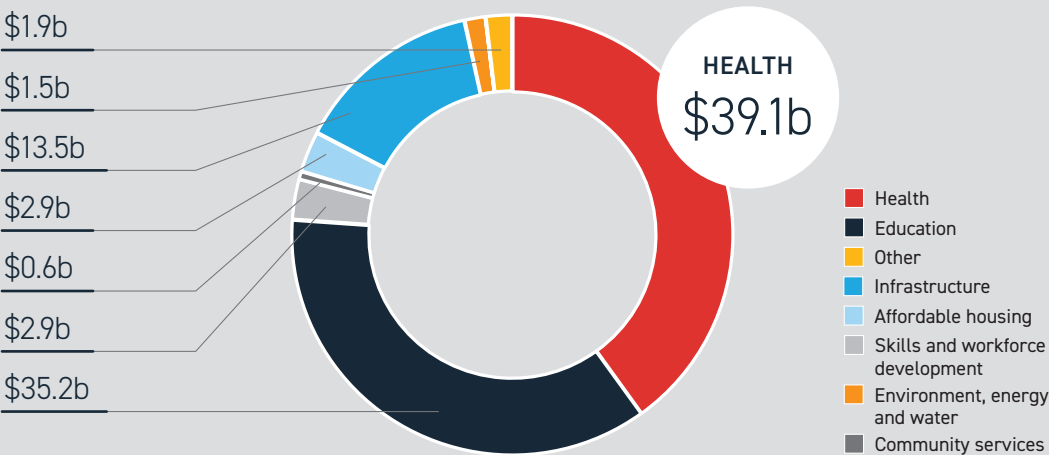
Health System context

Australia's health system is one of the most effective in the world. However, it continues to face long-term pressures including the burden of chronic disease, an ageing population, workforce shortages and rising consumer expectations. These pressures are placing added strain on our care economy, estimated to be worth \$3 trillion over the next decade.

In the short term, the public hospital system faces capacity constraints and growing fiscal pressures as demand continues to outpace available resources.

In 2026–27, the Australian Government will provide States and Territories with a total of \$97.5 billion in payments for specific purposes (see Figure 2), with over a third of that money (over \$37 billion) calculated by the NHFB and paid through our Payments System.

Figure 2: Payments for specific purposes 2026–27, by sector (Treasury Budget Paper 3)



The Addendum to the National Health Reform Agreement 2026–2031

On 1 July 2026, the new Addendum commenced. This represents a significant change to Commonwealth public hospital funding arrangements.

The Addendum replaces the earlier 2020–25 arrangements (extended by one year to 2025–26) and introduces a comprehensive new framework for public hospital funding for the period to 30 June 2031.

The new National Funding Model is designed to be simpler, increase the Commonwealth funding contribution and improve equity through:

- the introduction of an ICR glide path, rising from 40.5% in 2026–27 to 42.5% by 2030–31
- a significantly higher funding cap – increasing to 10.25% in 2026–27 and 8% per annum thereafter
- a MFG of \$15 billion in added funding over 5 years compared to what States and Territories would have received under the earlier 2020–2025 arrangements
- a SMRF stream to invest in new models of care (commencing in 2027–28)
- expanded safety and quality, and value-based care price settings that will progressively apply across the term of the Addendum
- the transition of public health to Block funding with a focus on preventative and population health priorities.

Governance structure

The governance structure for the Addendum involves National Cabinet, the Health Ministers Meeting, the Health Chief Executives Forum and the System Reform Deputies Group.

National bodies – including the Administrator/ NHFB, IHACPA, ACSQHC and AIHW – provide regular updates to the Health Chief Executives Forum on progress, risks and opportunities.

The Administrator and NHFB sit within this structure as a national funding body. Commonwealth and State health departments are the primary contact points on Addendum matters.

The NHFB's evolving role as a national body

The Addendum formalises the NHFB's role as a national body within Australia's health reform architecture. While the NHFB has always worked collaboratively with portfolio agencies and jurisdictions, the new Addendum establishes explicit obligations for coordination, joint work planning and regular reporting on progress, risks and opportunities.

As a national body, the NHFB will provide regular updates to the Health Chief Executives Forum on implementation progress and emerging issues. We will coordinate work planning with IHACPA, ACSQHC and AIHW to ensure our activities are aligned and mutually reinforcing. This shift from implicit cooperation to formal coordination reflects the maturity of the national health reform framework and the importance of integrated effort across all national bodies to support States and Territories in delivering high-quality public hospital services.

The Administrator's independence remains protected under this framework. While we remain responsive to Ministerial priorities, this responsiveness cannot encroach on the Administrator's independent statutory functions in calculating Commonwealth funding contributions, reconciling actual services delivered, and advising the Commonwealth Treasurer.

National Funding Model –
key features

Input Contribution Rate glide path

The ICR glide path represents the Commonwealth's share of funding for public hospital services. Under the ICR glide path, the contribution increases annually (see Figure 3).

Each State's designated ICR is the greater of the glide path rate; the State's 2025–26 Commonwealth Contribution Rate; or any other specific rate (e.g. 50% for Highly Specialised Therapies).

Funding cap

The Commonwealth's total annual funding contribution for each State under the Addendum will be subject to a funding cap. The funding cap for 2026–27 is based on the 2025–26 final entitlement plus additional amounts under *Schedule K – Addendum to the NHR Agreement: Revised Public Hospital Funding and Health Reform Arrangements 2025–26* (Schedule K) for the one-year extension (\$1.701 billion nationally), multiplied by 110.25%. For 2027–28 to 2030–31, the funding cap grows at 8% per annum.

Minimum Funding Guarantee

The Commonwealth will provide a minimum additional \$15 billion in funding over the 5 years of the Addendum compared to the maximum amount that States would have received if the 2020–2025 Addendum funding arrangements applied. The NHFB calculates annual State-specific MFG amounts.

Funding streams

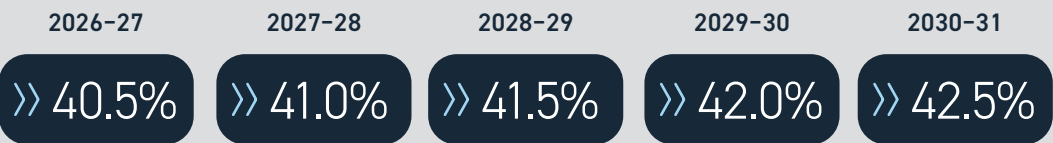
The Addendum maintains 3 established funding streams:

- **Activity Based Funding (ABF)** – based on the number of weighted services provided and the price for delivering those services
- **Block funding** – based on the efficient cost of providing services such as teaching and training, small rural hospitals, other mental health and highly specialised therapies
- **Public Health funding** – based on the Commonwealth's historical contribution to population health services within each State and Territory. Under the new Addendum this will be transitioned to Block funding.

From 2027–28, a new stream commences:

- **Service Model Reform Funding (SMRF)** – represents dedicated funding for reform (up to 0.5% of each State's funding cap per year).

Figure 3: ICR glide path



Safety and quality

Sentinel Event funding adjustments will continue where episodes are priced at zero National Weighted Activity Units (NWAUs) with the funding adjustment made after the funding cap has been applied. Funding adjustments for Hospital Acquired Complications and Avoidable Hospital Readmissions are paused pending review by the Australian Commission on Safety and Quality in Health Care (due 30 June 2027), with shadow pricing maintained during this period.

Value

From 2029–30, the Addendum enables value-based pricing adjustments for low-value and high-value care. The ACSQHC will develop low-value and high-value care lists (due 30 June 2028).

Implications for NHFB operations

The transition to the Addendum has significant implications for how the NHFB delivers its core functions:

Calculate

- Implementing the new funding model from 1 July 2026
- Incorporating the new ICR glide path
- Calculating the MFG amounts annually
- Introducing a reconciliation of Block funding (commencing 2026–27)
- Preparing for the SMRF stream (commencing 2027–28)
- Contributing to IHACPA's development of a Funding Models Framework (due 30 June 2027)
- Contributing to ACSQHC's safety and quality review (due 30 June 2027).

Pay

- Continuing monthly payments to LHNs under new funding arrangements
- Implementing SMRF payment flows through the Pool (commencing 2027–28).

Report

- Continuing monthly and annual reports on funding, payments and services reflecting the new Addendum reporting requirements
- Maintaining and publishing the Administrator's rolling Three-Year Data Plan including new data collection requirements.

To achieve our purpose and preserve our role in the health system, we must provide best practice financial administration that is accurate, timely and independent. In 2026–27 we will deliver on our commitment to:

- Prepare accurate payment advice, including implementation of the new Addendum from 1 July 2026
- Improve the quality and timeliness of data
- Enhance our funding integrity capabilities
- 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.

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 a new Addendum, Commonwealth, State and Territory Governments agreed to 4 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 5 years of the agreement.

In conjunction with the 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

The *National Partnership on COVID-19 Response* (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 *National Health Funding Pool Annual Report 2019–20 to 2023–24*.

“Over the life of the NPCR, the Commonwealth contributed a total of \$14.3 billion in COVID-19 funding to States and Territories.”

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

On 5 February 2025, the Commonwealth, States and Territories agreed to Schedule K, providing 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.

2026–31 Addendum to the National Health Reform Agreement

The *Addendum to the National Health Reform Agreement 2026–2031* was agreed by National Cabinet in January 2026. The Addendum introduces fundamental changes to the Commonwealth's public hospital funding methodology through the glide path ICR, higher funding cap growth rates, the MFG and a range of health reforms.

KEY MOMENTS IN PUBLIC HOSPITAL FUNDING HISTORY



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



Introduction of Australia's universal health care scheme, Medicare



1816

1945

1981

1984

2008

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

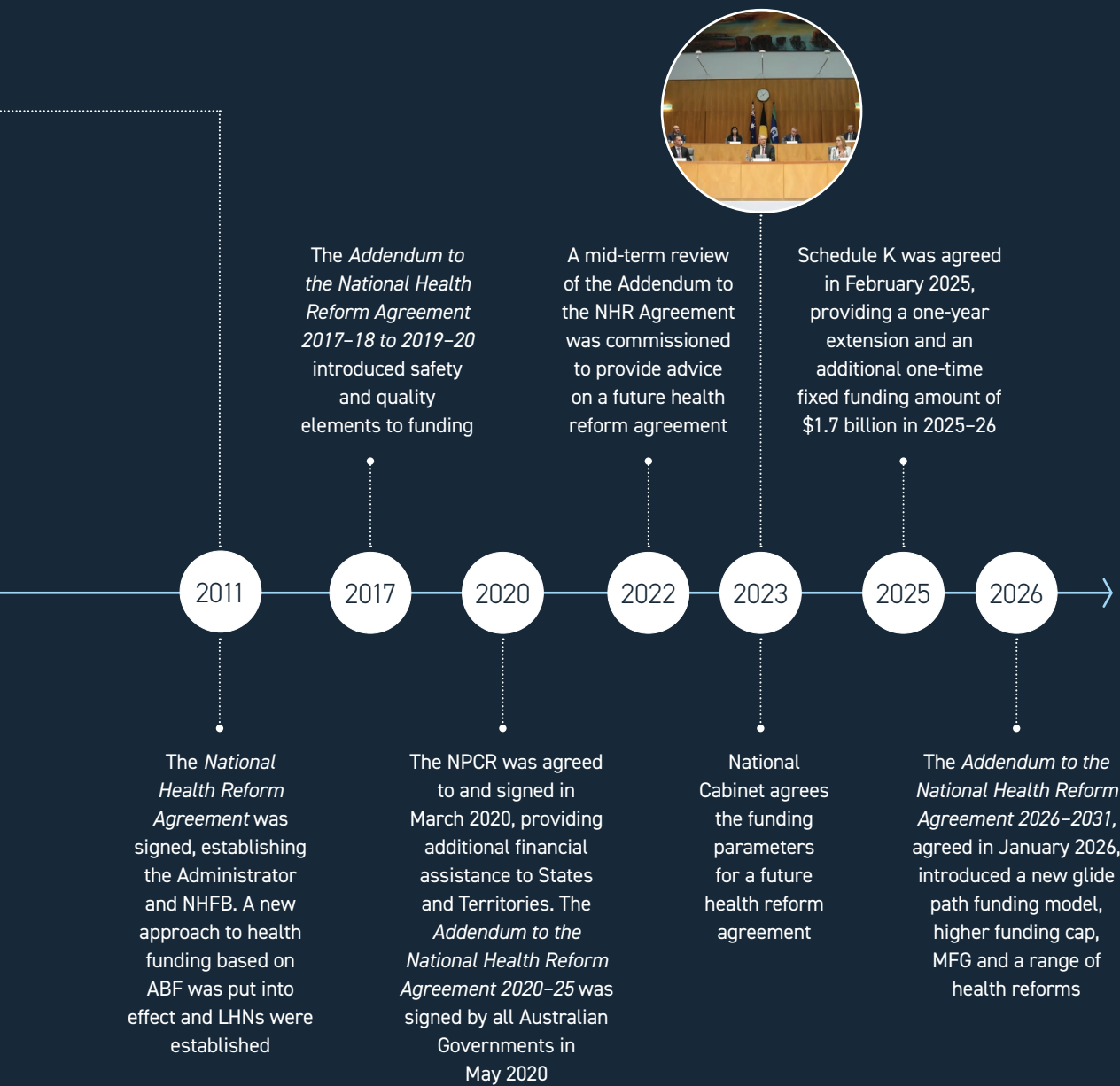
Funding for public hospitals from the Commonwealth is based on per capita block grants

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

Images from left to right:

- 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)





PUBLIC HOSPITAL FUNDING ARRANGEMENTS

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

National Funding Model under the Addendum 2026–2031

From 1 July 2026, Commonwealth public hospital funding is calculated and paid in accordance with the new glide path funding model under the Addendum. The model retains the fundamental ABF and Block funding structure but introduces the ICR glide path and higher funding cap as its defining features.

Calculating funding

Under the NHR Agreement, the scope of public hospital services that are funded on an ABF or Block basis (see Figure 4) 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 and subacute services
- other services that could reasonably be considered a public hospital service.

Figure 4: Types of public hospital funding



ACTIVITY BASED FUNDING

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



BLOCK FUNDING

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

The Commonwealth Contribution Model (CCM) calculations form the basis of the Administrator's payment advice to the Commonwealth Treasurer. IHACPA's price and cost determinations are key inputs into this model in addition to public hospital activity estimates from States and Territories.

The Administrator's Calculation Policy sets out the method and processes that are used to calculate the Commonwealth's NHR funding contribution as well as the approach to reconciling public hospital services actually delivered.

Figure 5 provides an overview of the Commonwealth's funding contributions from 2012–13 to 2026–27.

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 NEP that is independently determined by the IHACPA each

year, and the level of activity as represented by the 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.

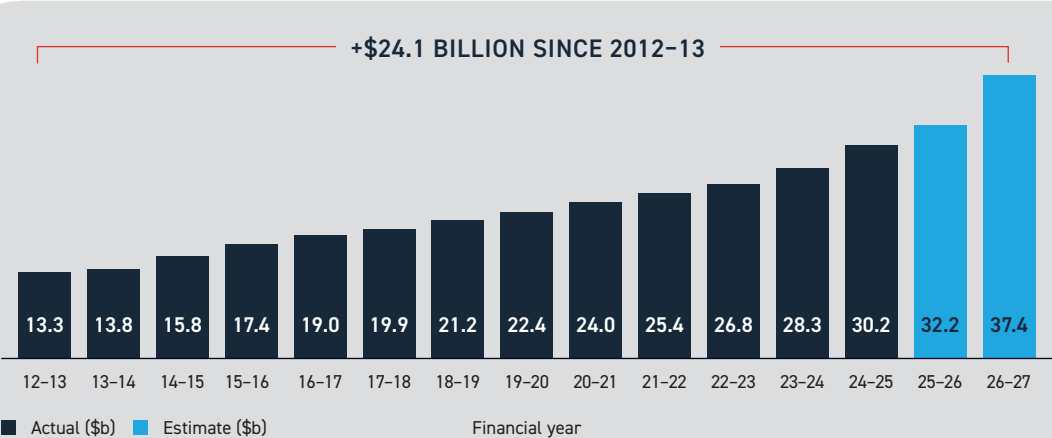
Under the new Addendum, the Commonwealth ABF contribution is calculated as:

Commonwealth ABF Contribution =
Activity (NWAUs) × NEP × ICR

The ICR under the glide path is 40.5% in 2026–27, rising to 42.5% by 2030–31.

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.

Figure 5: Commonwealth funding contributions from 2012–13 to 2026–27



Note: These amounts include NHR, Hospital Service Payments and MFG amounts. State Public Health Payments and Financial Viability Payments are not included. 2025–26 is an estimate and excludes the one-off \$1.7 billion Schedule K funding.

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 potentially more appropriate, for example smaller rural and regional hospitals.

Under the new Addendum, the Commonwealth Block contribution is calculated as:

$$\text{Commonwealth Block Contribution} = \text{NEC} \times \text{ICR}$$

The NEC is determined by IHACPA per block service category. The same ICR glide path approach applies as for ABF.

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).

Under the new Addendum, Public Health funding continues to grow by the former National Healthcare Specific Purpose Payment growth factor until incorporated into the Block funding stream.

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

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 cross-border, reimbursements and public health).

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 2025–26.

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.

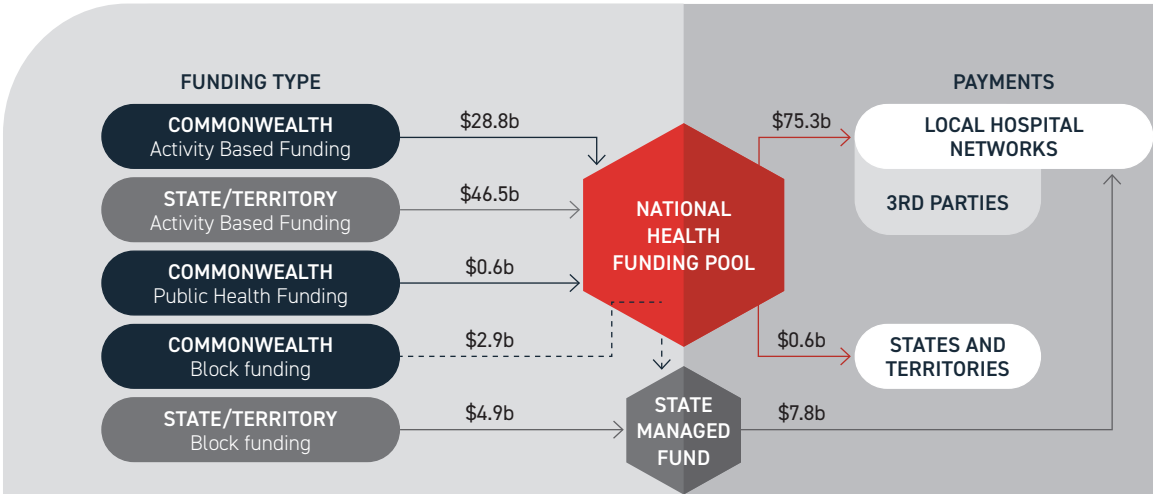
There are multiple funding sources for out-of-scope activity, for example, Medical Benefits Schedule, additional Schedule K funding, and other third-party revenue. Payments made through the Pool for out-of-scope activities must be identified so that they can be distinguished from NHR funding.

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 financial year once actual volumes have been validated.

To ensure that individual 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: 2025–26 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 2025–26 funding and payment information was published to the website on 14 July 2026, within 3 weeks after the end of the financial year.

Maintenance of Effort

For the period 2026–27 to 2030–31, Parties to the Addendum have agreed to, at a minimum, maintain 2025–26 levels of funding for public hospital and health services through the Pool and SMFs, while having regard to new, appropriate models of care that may change the setting in which care is delivered.

The Administrator and AIHW will work with all Parties to continue improving consistency and transparency of reporting for the Administrator to provide an annual report on maintenance of effort.

The assessment of Maintenance of Effort focuses on in-scope public hospital services. 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:

- The number and broad mix of services to be provided by the LHN
- The quality and service standards that apply to services delivered by the LHN
- The level of funding to be provided to the LHN under the Service Agreement, through ABF and Block funding
- The teaching, training and research functions to be undertaken at the LHN level.

The funding paid on an activity basis to LHNs is 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 build 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 JAC is a key channel for this engagement and comprises senior representatives of all States and Territories and relevant Commonwealth departments and portfolio agencies.

In 2026–27, the transition to the new Addendum requires intensive bilateral engagement with each jurisdiction on key matters including agreeing Service Agreements and preliminary entitlements under the new model, standing up SMRF operational arrangements and implementing the new reconciliation framework.

Key discussion topics for the Administrator's JAC in 2026–27 will include:

- Implementation of the new Addendum 2026–2031
- Commonwealth NHR funding 2026–27 including the new funding arrangements
- 2025–26 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
- Reporting and website enhancements.

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 Government Content Management System (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 IHACPA, ACSQHC and AIHW.

Independent Health and Aged Care Pricing Authority

The main functions of IHACPA are to determine the NEP for ABF and the NEC for Block funding each year 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.

In 2026–27, the NHFB will work with IHACPA on:

- the Statement of Impact process for any material pricing framework changes
- the new Funding Models Framework (due 30 June 2027)
- a review of the private patient neutrality methodology (due December 2027)
- a report on incorporating grandfathered services (A17 list) into the general list of public hospital services (due December 2027).

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

Australian Commission on Safety and Quality in Health Care

The ACSQHC leads and coordinates national improvements in safety and quality in health care. The Commission works in 4 key priority areas:

- high-quality care in an evolving environment
- strong outcome focused clinical governance
- empowered patients, carers and communities
- an improvement driven workforce culture.

In 2026–27, the NHFB will work with ACSQHC on:

- a review of the pricing adjustments for Sentinel Events, Hospital Acquired Complications and Avoidable Hospital Readmissions (due 30 June 2027)
- the establishment of a low-value and high-value care list (due 30 June 2028).

Australian Institute of Health and Welfare

The AIHW develops, collects, compiles, analyses, manages and disseminates Australian health and welfare data and information. The AIHW leads health system performance reporting under the Addendum.

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. The AIHW is a prescribed data sharing partner under the Addendum.

OVERVIEW OF THE RELATIONSHIP BETWEEN THE IHACPA AND THE NHFB

Independent Health and Aged Care Pricing Authority



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 ABF, providing valuable information for pricing purposes.



Pricing

The IHACPA determines the NEP. 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



Calculate

Commonwealth funding is calculated using the CCM. The IHACPA's NEP 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 LHNs.



Report

Reports on funding, payments and services are published on the NHFB website on a monthly basis to provide transparency of public hospital funding.

MESSAGE FROM THE CHIEF FINANCE OFFICER



Sarah Morey

Chief Finance Officer
National Health Funding Body

I joined the NHFB in June 2026 as Chief Finance Officer, at a pivotal moment for the organisation and for Australia's public hospital funding arrangements. The transition to the new Addendum represents a significant change to Commonwealth funding methodology since the introduction of ABF in 2012–13.

I am impressed by the strong financial management foundations already in place. The NHFB's track record of delivering accurate calculations, timely payments and transparent reporting – while administering over \$80 billion in public hospital funding – demonstrates the capability of our people and effectiveness of our processes and systems.

Our culture, based on United Leadership behaviours, will support us to remain accountable and achieve high standards of performance. We continue to invest in our people to attain valuable insights into public hospital funding. We will continue to partner with industry to leverage our digital platforms to support automation, innovation and contemporary best practice.

Effective allocation of resources will be critical to the successful implementation of the new Addendum while sustaining the delivery of our core functions.

In 2026–27, we will manage our finances in line with 3 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.

“We are committed to delivering best practice financial administration while improving transparency in public hospital funding.”

FINANCE

We are funded by an annual appropriation from the Commonwealth, as represented in the Portfolio Budget Statements 2026–27.

Outlook

Table 1 includes a summary of the 2026–27 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: 2026–27 Budget and forward estimates

\$'000	2026–27 BUDGET	2027–28 ESTIMATE	2028–29 ESTIMATE	2029–30 ESTIMATE
REVENUE				
Appropriation	8,671	8,428	7,682	7,738
Other ¹	98	98	98	98
TOTAL REVENUE	8,769	8,526	7,780	7,836
EXPENSES				
Employees	6,047	6,014	5,370	5,537
Suppliers	2,235	2,039	1,952	1,857
Depreciation and amortisation	683	683	683	683
Interest on RoU ²	104	90	75	59
TOTAL EXPENSES	9,069	8,826	8,080	8,136

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 5 objectives are:

- Accurate and timely calculation of Commonwealth funding contributions
- Best practice financial administration of 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 2026–27 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 combined organisational performance, finance and risk discussions. 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	2026–27 TARGET	2027–30 TARGET
Outcome	Activity to produce outcome	Source of evidence	Target	Target

OBJECTIVE 1**Accurate and timely calculation of Commonwealth funding contributions**

ACTIVITY	PERFORMANCE CRITERIA	EVIDENCE	2026-27 TARGET	2027-30 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 LHNs due to reconciliation are accepted by the Administrator	Administrator sign-off of payment advice including any adjustments	Annual	Quarterly 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 2026	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 aligning to Treasury timelines	100% signed-off	100% signed-off

KEY INITIATIVES**Short term 2026-27**

- Initial implementation of the new Addendum 2026-2031 (including a new funding model, ICR glide path, a higher funding cap and MFG calculations)
- Initial 2026-27 funding calculation
- Undertake 2025-26 funding integrity data matching activity
- Complete the 2025-26 Annual Reconciliation
- Continue Data Community of Practice with States and Territories to improve data quality and timeliness
- Develop a reconciliation process for Block funding (commencing 2026-27)
- Develop operational processes for the SMRF stream (commencing 2027-28)
- Work with IHACPA to develop a Funding Models Framework (due 30 June 2027)
- Work with ACSQHC to review Safety and Quality adjustments (due 30 June 2027)

Medium term 2027-30

- Work with National Bodies and stakeholders to progress ongoing implementation of the Addendum 2026-2031
- Identify ways to share our insights and data resources to improve the transparency of funding, payments and services

OBJECTIVE 2 Best practice financial administration of the National Health Funding Pool 				
ACTIVITY	PERFORMANCE CRITERIA	EVIDENCE	2026-27 TARGET	2027-30 TARGET
2.1 Payments to each 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 2026-27 - Engage with States and Territories to ensure Service Agreements align to the Administrator's payment advice - Engage with States and Territories to ensure both Commonwealth payments and State and Territory payments (ABF and Block) align to Service Agreements - Provide greater transparency of payments through the Pool (including out-of-scope funding) - Implement SMRF payment flows through the Pool (commencing 2027-28) - Ensure strong governance and system administration of the Payments System - Continue to work with States and Territories through the Finance Community of Practice on improving user experience, training and support (including system enhancements to reflect new Addendum payment requirements)				
Medium term 2027-30 Explore opportunities to provide greater transparency of Commonwealth, State and Territory public hospital funding contributions				

OBJECTIVE 3

Effective reporting of public hospital funding



ACTIVITY	PERFORMANCE CRITERIA	EVIDENCE	2026-27 TARGET	2027-30 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 2 weeks of period close	All LHN, State and National reports updated within 2 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 4 weeks of period close	Publish Quarterly Compliance reports within 4 weeks of period close

KEY INITIATIVES

Short term 2026-27

- Publish the Administrator's 2025-26 Annual Report
- Publish the Administrator's 2025-26 Annual Report on Maintenance of Effort
- Publish the Administrator's report on final entitlement and activity at the LHN 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 (including enhancements to reflect new Addendum reporting requirements)

Medium term 2027-30

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

OBJECTIVE 4 Productive relationships with stakeholders and partners 				
ACTIVITY	PERFORMANCE CRITERIA	EVIDENCE	2026-27 TARGET	2027-30 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 2027	30 June
KEY INITIATIVES				
Short term 2026-27				
▪ Implement improvements to our communication and engagement following stakeholder survey feedback ▪ Engage with the Commonwealth, States and Territories as well as the national bodies on implementation of the new Addendum 2026-2031 ▪ Actively engage and collaborate with other national bodies and stakeholders (including through our roundtables, bilaterals and Communities of Practice) ▪ Deepen engagement through communities of practice and technical workshops ▪ Increase the awareness and profile of the role of the Administrator and the NHFB				
Medium term 2027-30				
▪ Identify ways in which we can engage, collaborate and provide trusted advice to improve health sector outcomes				

OBJECTIVE 5
Operate as a high performing organisation


ACTIVITY	PERFORMANCE CRITERIA	EVIDENCE	2026-27 TARGET	2027-30 TARGET
5.1 A positive workplace culture where people feel valued	Our United Leadership behaviours are embedded in our culture	APS Census 2027	Positive trend	Positive trend
	Our forward work plans are developed in consultation with our people	- Strategic Direction - Risk Tolerance - Corporate Plan - Section Plans - Performance Agreements	100% complete	100% complete
	All APS and PGPA reporting requirements 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 2027	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 2026-27

- Publish the NHFB Annual Report 2025-26
- Monitor our performance against our Corporate Plan 2026-27
- 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)
- Embed the NHFB Academy as standard practice for onboarding, skills development and building knowledge across the agency

Medium term 2027-30

- 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

- ✓ Implement the Addendum 2026–31 including new funding model and system reforms
- ✓ Payment Advice updates (as required) throughout financial year 2026–27
- ✓ Review of previous Funding Integrity compliance activities
- ✓ Undertake 2025–26 Funding Integrity data matching activity
- ✓ 2025–26 Annual Reconciliation
- ✓ Ensure accurate and timely data collection and analysis
- ✓ Data Community of Practice



PAY

- ✓ Payments to each LHN
- ✓ Bank reconciliations
- ✓ End of Month processing
- ✓ 9 sets of 2026–27 Financial Statements
- ✓ Payments System policies, plans and manuals review
- ✓ Review Governance arrangements
- ✓ Finance Community of Practice
- ✓ Payments System enhancements including software upgrade



REPORT

- ✓ Monthly and annual reports
- ✓ Compliance reporting
- ✓ Maintenance of Effort reporting
- ✓ Website enhancements
- ✓ Administrator's policy review (Data Plan, Data Compliance and Data Governance)
- ✓ Health Chief Executives Forum performance report on new funding arrangement (post 2026–27 Annual Reconciliation)



ORGANISATION

- ✓ Invest in our strong stakeholder engagement
- ✓ Host monthly roundtable discussions and quarterly bilaterals
- ✓ Facilitate the Administrator's JAC meetings
- ✓ Invest in our strong people leadership and culture
- ✓ Expand NHFB Academy and learning pathways
- ✓ Learning and development outcomes
- ✓ Innovation outcomes

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 they can be addressed quickly. Instead of directing blame, we reflect on and use the lessons learned to improve our capability, internal processes and technology.

However, when it comes to our people, 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

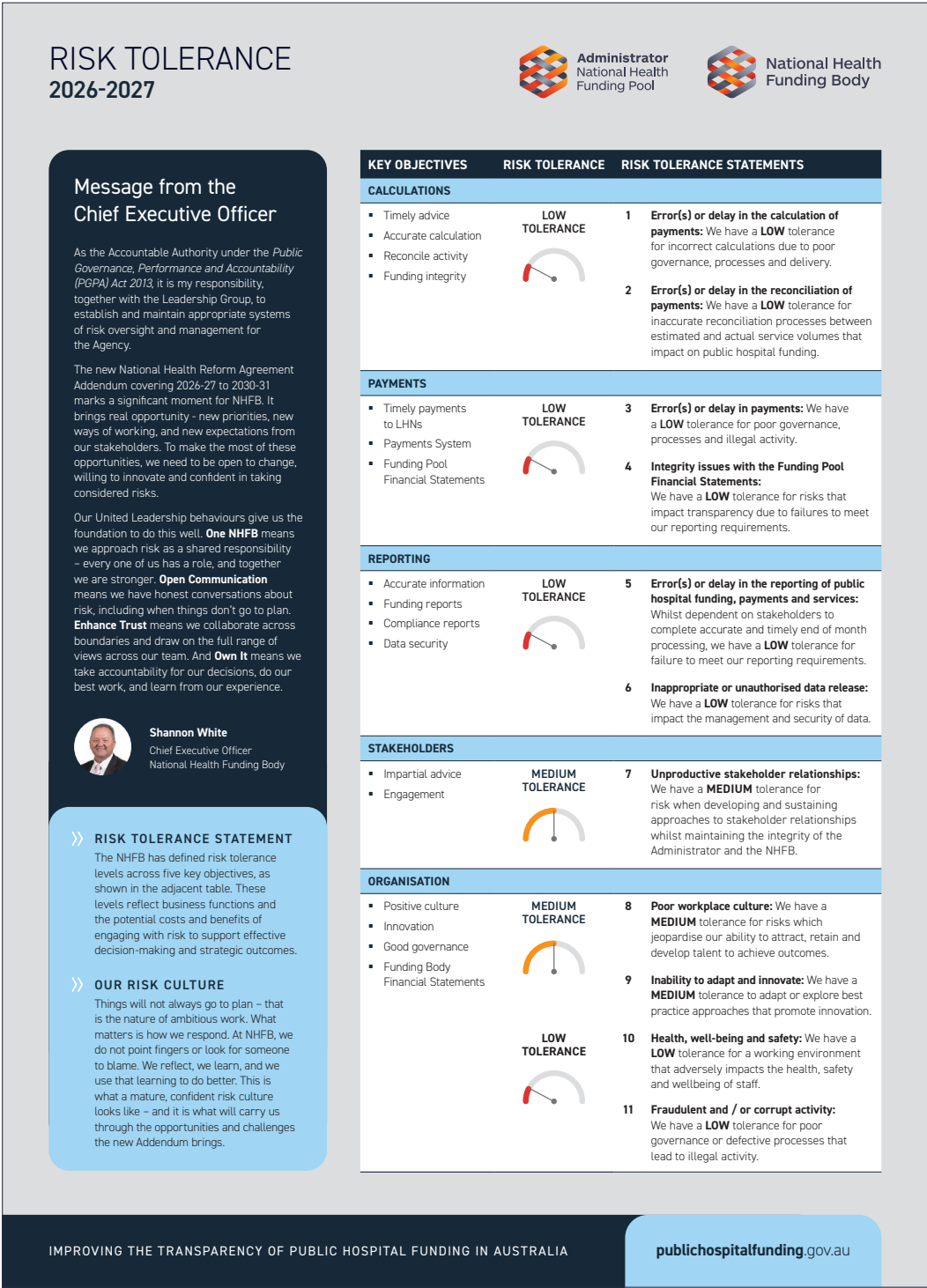
Our Risk Tolerance Statement defines the level of risk we are willing to take to achieve our objectives (see Figure 8).

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 9 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.

“At NHFB, we do not point fingers or look for someone to blame.”

Figure 8: Risk Tolerance Statement



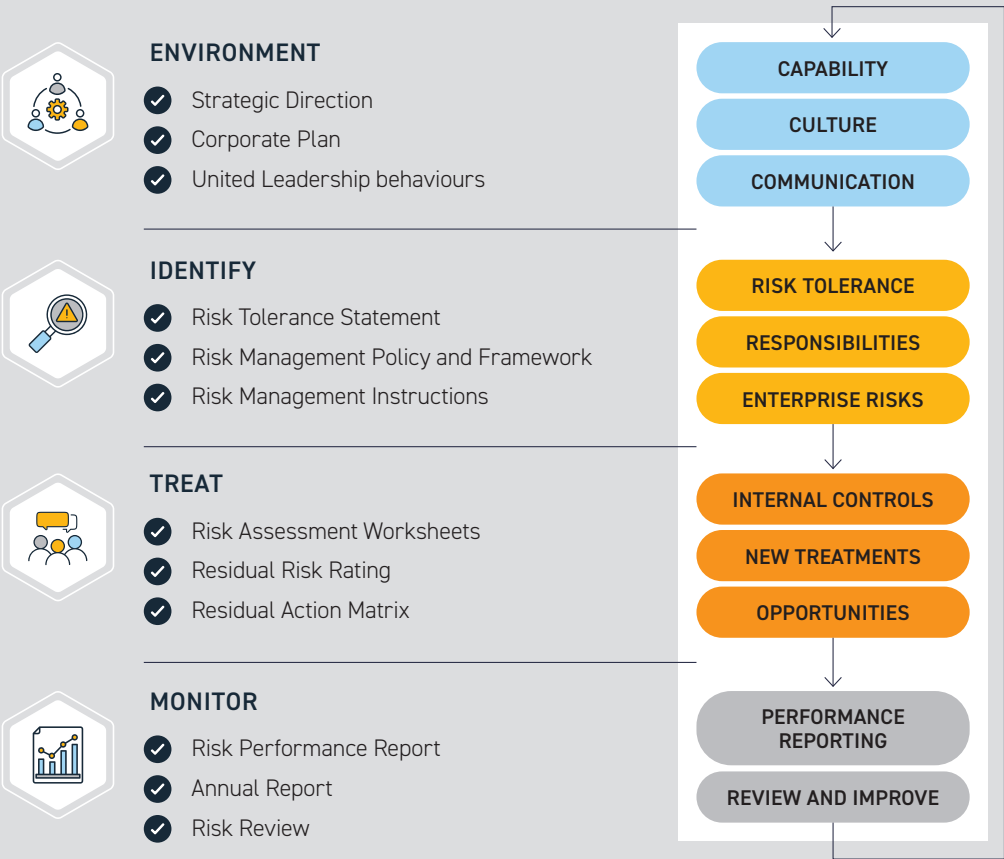
Risk Management approach

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 2026–27, we will continue to hold:

- monthly all-staff discussions on our strategic objectives, budget, risk, stakeholder engagement and workplace culture
- regular presentations providing deep dives into relevant near misses
- weekly executive meetings
- lessons learned workshops.

Figure 9: Risk management approach



Oversight and assurance

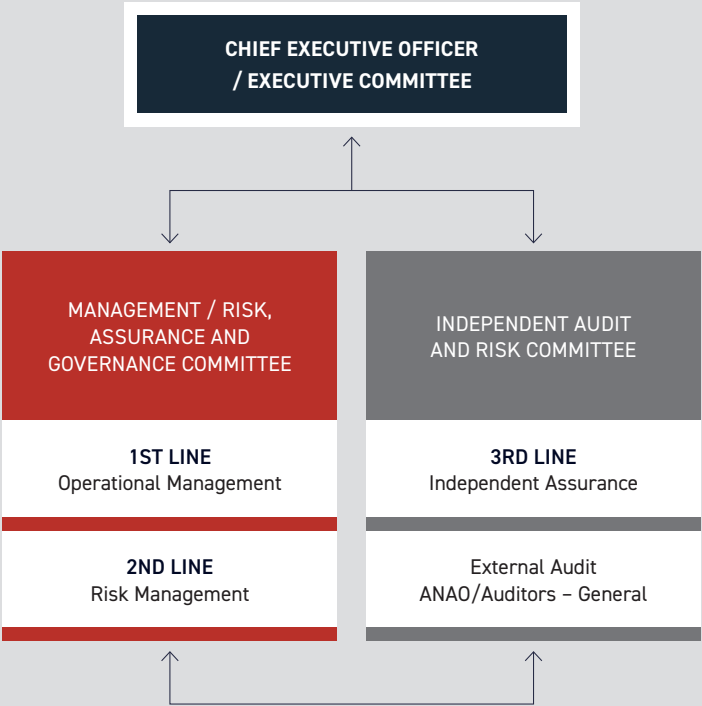
Our strong corporate governance framework is critical to managing our strategic and operational activities to ensure we achieve our purpose and deliver on our objectives.

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

We have adopted the principles of the Institute of Internal Auditors '3 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 3 lines model



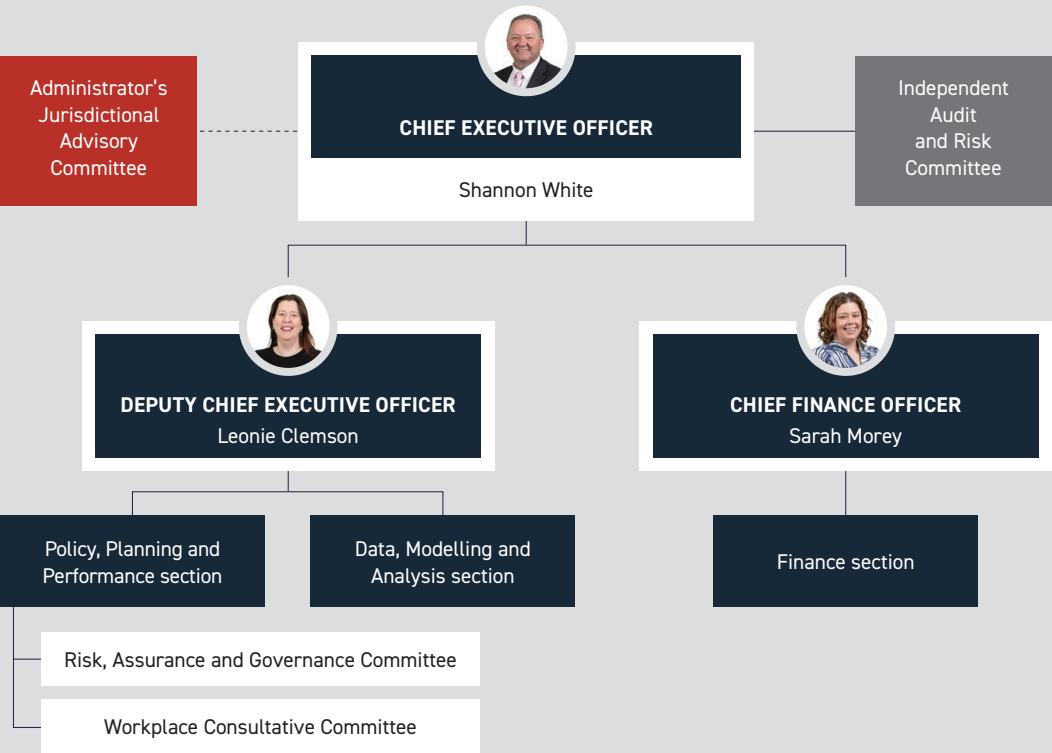
GOVERNANCE

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

Executive Committee

The Executive Committee (see “Our leadership” on page 11, 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, and emerging issues.

Figure 11: NHFB Executive Committee



Independent Audit and Risk Committee

The independent 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 are 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 comprises 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
- the *National Health Funding Body Enterprise Agreement 2024–2027* (the EA)
- the next EA and associated policies
- strategic planning
- APS Census action plans.

The WCC comprises the following members:

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

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

CAPABILITY

In 2026–27 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 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 4 key principles:

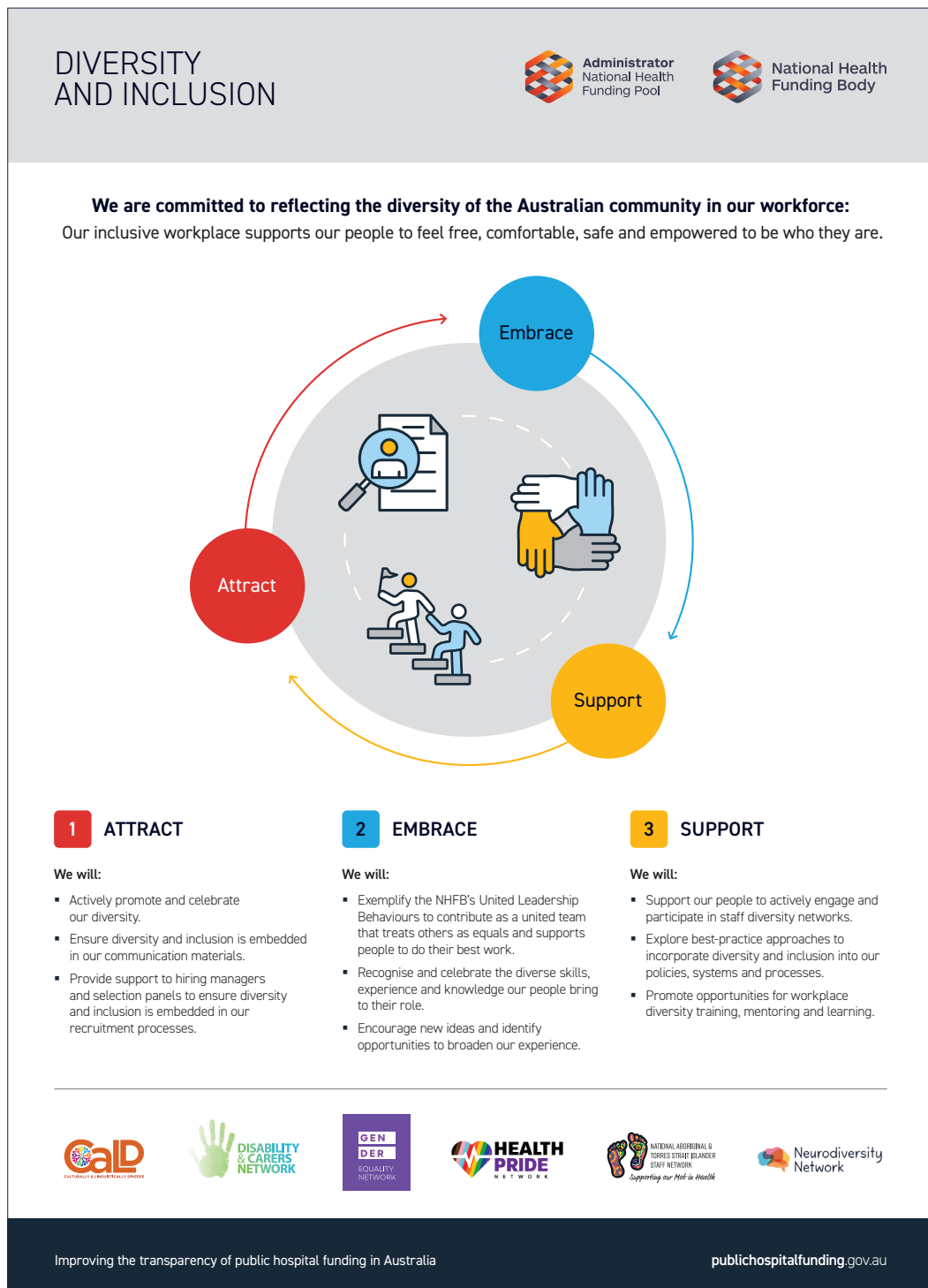
- living our values through inclusive behaviours and actions
- using inclusive language and respectful communication
- ensuring fairness and equality in all employment decisions
- designing flexible work structures that respect personal commitments outside of work.

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 6 diversity and inclusion networks.

Figure 12: Workforce Diversity Plan



Our workforce capability

The NHFB's core capability rests in 4 areas: calculation and modelling expertise; financial administration and Payments System; stakeholder engagement; planning, governance and innovation. The transition to the new Addendum places demands across all areas simultaneously.

In 2026–27, key capability priorities are:

- ability to implement the Addendum, including new funding model, and system reforms
- Payments System administration including alignment with contemporary practices
- enhance our stakeholder engagement practices for improved outcomes
- continued investment in the NHFB Academy to develop internal APS capability and reduce reliance on contractors
- responsible exploration of digital automation and data analytics to improve the quality of our advice.

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 3 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 \$9.1 million and a staffing allocation of 37 ASL, we have planned rigorously to reduce our reliance on contractors and strengthen our in-house APS capability.

“As a small agency, we reported zero core work outsourced in 2026 – and our target remains 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 and coaching.

The NHFB Academy supports our people by providing structured learning pathways to build their knowledge and technical expertise, from on-boarding to becoming a subject matter expert. Launched in 2025–26, the Academy will continue to expand in 2026–27 with additional pathways and learning modules. 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 2026–27, a key focus will be building capability to implement the Addendum 2026–2031 through targeted training on the enhancements required to our annual business cycle as well as the implementation of new reform initiatives.

IN 2026–27 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.

APS-wide key deliverables

APS Reform

On 1 November 2023, the Government announced a second phase of targeted APS Reform initiatives focused on strengthening the public service across 3 priority areas:

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

Since that time, the APS Reform agenda has progressed from design to implementation, including the passage of the Public Service Amendment Act 2024, which embeds key reforms to strengthen integrity, stewardship, transparency and capability across the APS.

The NHFB continues to actively implement APS Reform in our decision-making, operations and organisational culture.

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

We demonstrate this by:

- embedding a pro-integrity culture supported by clear governance, ethical decision-making and accountability mechanisms
- championing stewardship as an APS Value, emphasising long-term responsibility and the effective use of public resources
- increasing transparency through open communication, publication of information and responsiveness to stakeholder needs
- developing productive and outward-facing relationships with stakeholders and partners, informed by collaboration and engagement.

In 2026–27, we will continue to embed APS Reform, with a focus on:

- uplifting integrity capability and contributing to a consistent APS-wide integrity framework
- supporting a culture of stewardship, accountability and high performance
- building organisational capability through workforce planning, data and digital literacy, and continuous improvement
- strengthening our engagement with stakeholders to support better policy and service delivery outcomes.

APS Strategic Commissioning Framework

The APS Strategic Commissioning Framework, issued in October 2023, supports APS Reform by strengthening in-house capability and reducing reliance on external contractors and consultants for core work.

We maintain a disciplined approach to reducing reliance on contractors and strengthening our in-house APS capability.

In our 2026 APS Agency Survey response we reported no core work was outsourced. Our target remains at zero for 2026–27, in line with APS-wide expectations.

APS Workforce Strategy

Delivering for Tomorrow: the APS Workforce Strategy 2025 is a key APS Reform initiative supporting a capable, future-ready workforce. In 2026–27, we will continue to align our workforce planning with the Strategy's 3 focus areas:

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

We launched the NHFB Academy in 2025–26, supporting delivery across these focus areas, with particular emphasis on building capability in leadership, data and digital tools.

Responsible use of Artificial Intelligence

The Policy for the responsible use of Artificial Intelligence (AI) in government, which came into effect on 1 September 2024, aims to ensure that government adopts AI in a safe, ethical and transparent manner in line with community expectations.

The NHFB and our Shared Services provider (the Department of Health, Disability and Ageing) are committed to these principles. While the NHFB does not currently deploy new AI tools, we will continue to build awareness and capability in data and emerging technologies. Any future adoption of AI will be undertaken in consultation with stakeholders and with appropriate risk management, consistent with our focus on transparency and public trust.

The NHFB's AI Transparency Statement is available on our website.

“The NHFB adopts a ‘best practice, fit-for-purpose for a small agency’ approach across all business activities, including using AI.”

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:

- Have we documented it properly?
- Is this the most efficient way to do it?
- 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:

- maintaining accurate and accessible records of decisions
- sharing knowledge and information openly
- providing independent advice
- 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 CCM
- the Department of Health, Disability and Ageing's 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 2026–27 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

AASB	Australian Accounting Standards Board	NHFB	National Health Funding Body
ABF	Activity Based Funding	NHR	National Health Reform
ACSQHC	Australian Commission on Safety and Quality in Health Care	NHR Act	<i>National Health Reform Act 2011</i>
the Addendum	Addendum to the National Health Reform Agreement 2026–2031	NHR Agreement	National Health Reform Agreement
AI	Artificial Intelligence	NPCR	National Partnership on COVID-19 Response
AIHW	Australian Institute of Health and Welfare	NWAU	National Weighted Activity Unit
APS	Australian Public Service	PGPA (Act)	<i>Public Governance, Performance and Accountability Act 2013</i>
ARC	Audit and Risk Committee	PPP	Policy, Planning and Performance
ASL	Average Staffing Level	RAGC	Risk, Assurance and Governance Committee
CCM	Commonwealth Contribution Model	RBA	Reserve Bank of Australia
CEO	Chief Executive Officer	RoU	Right of Use (asset)
CFO	Chief Finance Officer	Schedule K	<i>Schedule K – Addendum to the NHR Agreement: Revised Public Hospital Funding and Health Reform Arrangements 2025–26</i>
COAG	Council of Australian Governments	SMF	State Managed Fund
DMA	Data, Modelling and Analysis	SMRF	Service Model Reform Funding
the EA	Enterprise Agreement	the Administrator	Administrator of the National Health Funding Pool
EDW	Enterprise Data Warehouse	the Pool	National Health Funding Pool
GovCMS	Government Content Management System	WCC	Workplace Consultative Committee
ICR	Input Contribution Rate		
IHACPA	Independent Health and Aged Care Pricing Authority		
JAC	Jurisdictional Advisory Committee		
LHN	Local Hospital Network		
MFG	Minimum Funding Guarantee		
NEC	National Efficient Cost		
NEP	National Efficient Price		

Appendix B – Strategic direction 2026–2030

STRATEGIC DIRECTION
2026-2030



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.

About the NHFB

The National Health Funding Body (NHFB) and the Administrator of the National Health Funding Pool (the Pool) were established through the *National Health Reform Agreement* (2011) to support the transparent and independent administration of Commonwealth, State and Territory funding for public hospital services. The Pool is the mechanism through which public hospital funding flows to the states and territories. The Administrator is an independent statutory office holder, appointed by agreement of all governments, under the *National Health Reform Act 2011*. The NHFB is an independent agency of 35 people supporting the Administrator to oversee public hospital funding, operating as a non-corporate Commonwealth entity within the Health, Disability and Ageing Portfolio.

Our 5 key objectives

1



1

2



2

3



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5



5

» ACCURATE AND TIMELY CALCULATION OF COMMONWEALTH FUNDING CONTRIBUTIONS

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

» BEST PRACTICE FINANCIAL ADMINISTRATION OF THE NATIONAL HEALTH FUNDING POOL

- Payments to each Local Hospital Network accord with Ministerial directions and Service Agreements.
- The integrity of the Payments System is maintained.

» EFFECTIVE REPORTING OF PUBLIC HOSPITAL FUNDING

- Ministers receive information on time.
- Funding, payments and services are reported monthly and annually.
- Commonwealth, State and Territory compliance is reported quarterly and annually.

» PRODUCTIVE RELATIONSHIPS WITH STAKEHOLDERS AND PARTNERS

- Trusted and impartial advice is provided.
- Work plans and information requirements are developed collaboratively.

» OPERATE AS A HIGH PERFORMING ORGANISATION

- A positive culture where people feel valued.
- An innovative team committed to best practice.

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.

OUR APS VALUES

 Impartial

 Respectful

 Committed

 Ethical

 Accountable

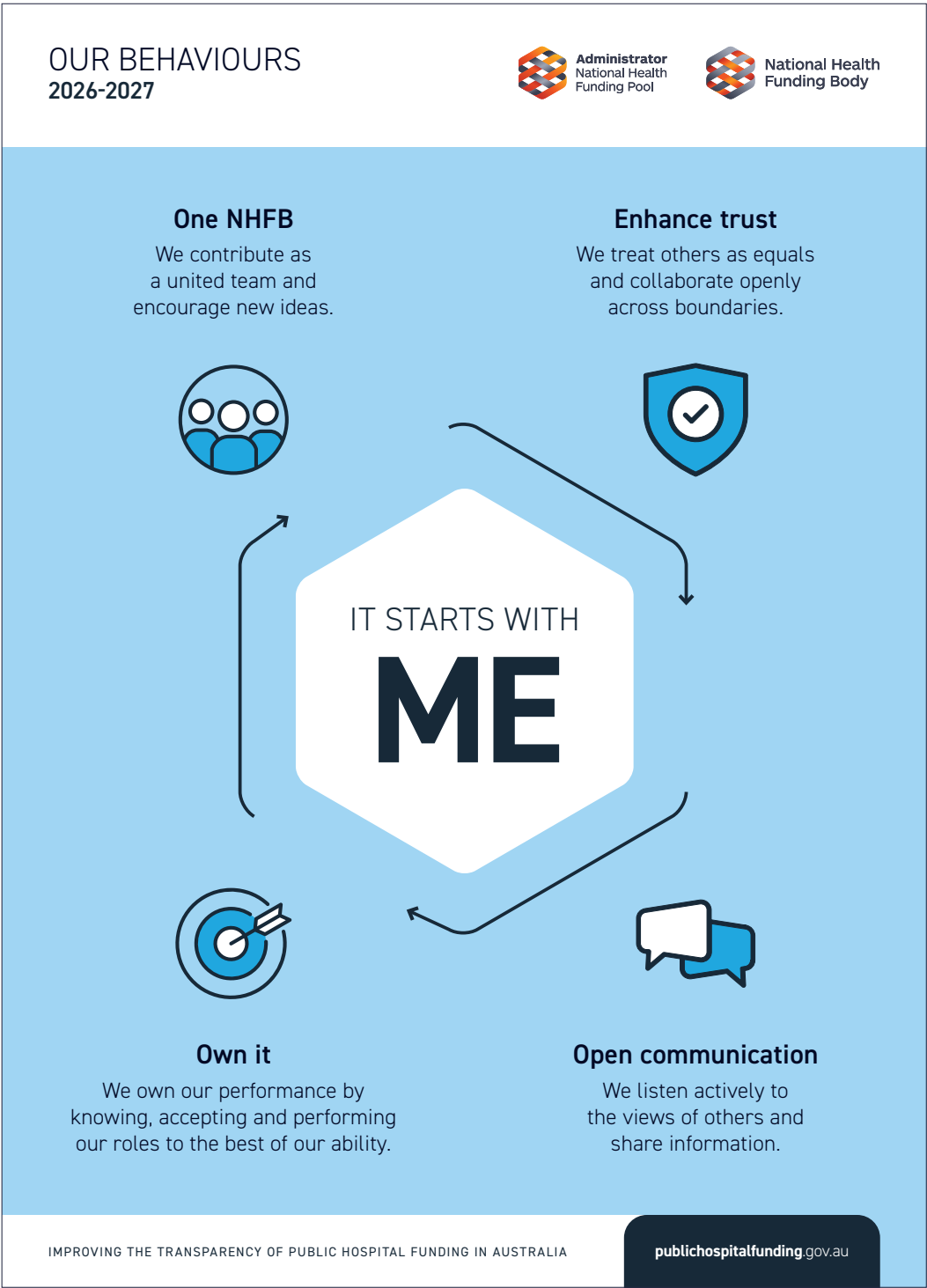
 Stewardship

IMPROVING THE TRANSPARENCY OF PUBLIC HOSPITAL FUNDING IN AUSTRALIA

publichospitalfunding.gov.au

NHFB: CORPORATE PLAN 2026–27 54

Appendix C – Our behaviours



Publication details

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