



National Health  
Funding Body

# CORPORATE PLAN **2022-23**

Improving the transparency of public  
hospital funding in Australia



## 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 FIVE OBJECTIVES



Accurate and timely calculation of Commonwealth funding contributions.



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



Effective reporting of public hospital funding.



Productive relationships with stakeholders and partners.



Operate as a high performing organisation.

## OUR 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

# OUR ROLE IN AUSTRALIA'S HEALTH SYSTEM

## WHO WE SUPPORT



## ADMINISTRATOR OF THE NATIONAL HEALTH FUNDING POOL



### Michael Lambert, Administrator

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

## THE NATIONAL HEALTH FUNDING BODY



### Shannon White, CEO

Led by a CEO, the 28 staff in the NHFB support the Administrator to oversee the administration of Commonwealth, State and Territory public hospital funding and payments under the *National Health Reform Agreement*.

## WHO WE WORK WITH



PORTFOLIO AGENCIES



COMMONWEALTH, STATE AND TERRITORY STAKEHOLDERS



INDUSTRY PARTNERS

## MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



I am pleased to present the National Health Funding Body Corporate Plan for 2022-23. This plan builds on our outstanding record of achievement and sets our strategic direction for the next four years 2022-2026.

**Shannon White**

Chief Executive Officer  
National Health Funding Body

Australia's health system faces several challenges over the next decade including an ageing population, chronic disease, consumer expectations, cost impact of technology, workforce shortages as well as the safety and quality of services.

Our agency continues to perform a unique role in Australia's health system, delivering best practice financial administration of \$59 billion in public hospital funding. We perform the calculations, payments and reporting of public hospital funding across 143 Local Hospital Networks (LHNs) comprising of 692 public hospitals and delivering more than 41 million hospital services.

Since March 2020, the Australian Government has also provided more than \$12 billion in additional financial assistance to States and Territories to assist with the public health response to the coronavirus (COVID 19) global pandemic.

## Building on our success

In February 2022, together with the Administrator we finalised the 2020-21 annual reconciliation of Commonwealth National Health Reform (NHR) funding as well as the National Partnership on COVID-19 Response (NPCR).

The final 2020-21 Commonwealth NHR funding entitlement of \$22.448 billion, represents an increase of \$1.144 billion or 5.4 per cent compared to 2019-20. The Australian Government also provided \$0.223 billion under the Commonwealth's minimum funding guarantee.

In addition, the final 2020-21 NPCR funding entitlement of \$3.990 billion, included \$1.325 billion for COVID 19 related hospital services, \$2.309 billion for COVID-19 related public health activities and \$0.356 billion for additional capacity provided by private hospitals.

## Priorities for the future

One of the key priorities for this planning period will be the ongoing administration of Commonwealth NHR funding for public hospital services as well as the NPCR. In relation to Commonwealth NHR funding, the Addendum outlines clear direction in several key areas including:

- Public hospital funding integrity and duplicate payments
- Funding neutrality for private patients in public hospitals
- Funding cap exemption for highly specialised therapies
- The progression of safety and quality measures (e.g. avoidable readmissions)
- Measures to reduce demand for potentially preventable hospitalisations.

The NPCR has been in place since March 2020 and is currently planned to cease effective 31 December 2022. In the year ahead, we will be focused on administering 2022-23 payments as well as completing the 2021-22 annual reconciliation.

## Productive relationships

Communication and engagement are important facets of our ongoing success. It is pleasing to see our stakeholder survey results improving year on year, from an average satisfaction score of 4.2 to most recently 4.5 out of 5. It is essential that we continue to enhance trust through open and respectful relationships with our Commonwealth, State and Territory stakeholders as well as our portfolio agency partners.

## Positive workplace culture

It was June 2018 when our United Leadership behaviours (One NHFB, Enhance Trust, Open Communication and Own It) first started to take shape. Four years later, there are numerous examples of these behaviours demonstrated every day right across the agency. This has contributed to our excellent 2022 APS Employee Census results, ranking first out of 98 agencies in leadership, supervision, communication, innovation and wellbeing. I am delighted with these results, however once again we must not take this for granted. It is important that we sustain our positive workplace culture underpinned by our approach to united leadership.

In 2022-23, we remain focused on:

- Building on our strong stakeholder engagement for greater impact
- Leveraging our digital investment and embracing data to improve services and advice
- Strengthening our leadership and culture to remain an employer of choice
- Investing in our people through learning and development to strengthen our organisational capability
- Reviewing our business operations for productivity improvements, cost efficiencies, value for money and responsiveness.

I look forward to working closely with Michael Lambert (the Administrator), our stakeholders and partners, and my outstanding team at the NHFB to further improve the transparency of public hospital funding in Australia.

# PURPOSE

## The Agency

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

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

The NHFB is an independent agency with 28 staff that support 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. All Commonwealth, State and Territory Governments have to 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.

## What we do

Our primary functions are to assist the Administrator in:

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

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

**FIGURE 1 National Health Funding Body's four key functions**



# FINANCIAL YEAR 2021-22 HIGHLIGHTS FOR THE 28 STAFF OF THE NHFB



WE ADMINISTERED OVER...

# \$59 BILLION

in public hospital payments

WITH \$59 BILLION PAID TO...

# 143

Local Hospital Networks (LHNs)

COMPRISING OF...

# 692

 public hospitals

THAT DELIVERED...



# 41 MILLION

 public hospital services

## COVID-19 SUPPORT

SINCE MARCH 2020, WE HAVE PAID OVER

# \$12 BILLION

in Commonwealth funding to States and Territories to respond to COVID-19 including

 **\$2.5 BILLION** for COVID-19 testing

 **\$1.8 BILLION** in Personal Protective Equipment

 **\$1.2 BILLION** for additional cleaning in hospitals, schools and public transport

 **\$3.8 BILLION** for public health activities

 **\$0.3 BILLION** in COVID-19 vaccinations

IN THE 2022

# APS EMPLOYEE CENSUS

OUT OF

# 98 AGENCIES

WE RANKED...



LEADERSHIP (SUPERVISOR)

LEADERSHIP (SES)

COMMUNICATION

INNOVATION

WELLBEING & SUPPORT



ENGAGEMENT

OUR STAKEHOLDERS RATED US



# 4.5/5

EARLY ENGAGEMENT on funding and reconciliation

+

THROUGH COLLABORATION across quarterly multilateral meetings informed by 32 bilateral discussions

=

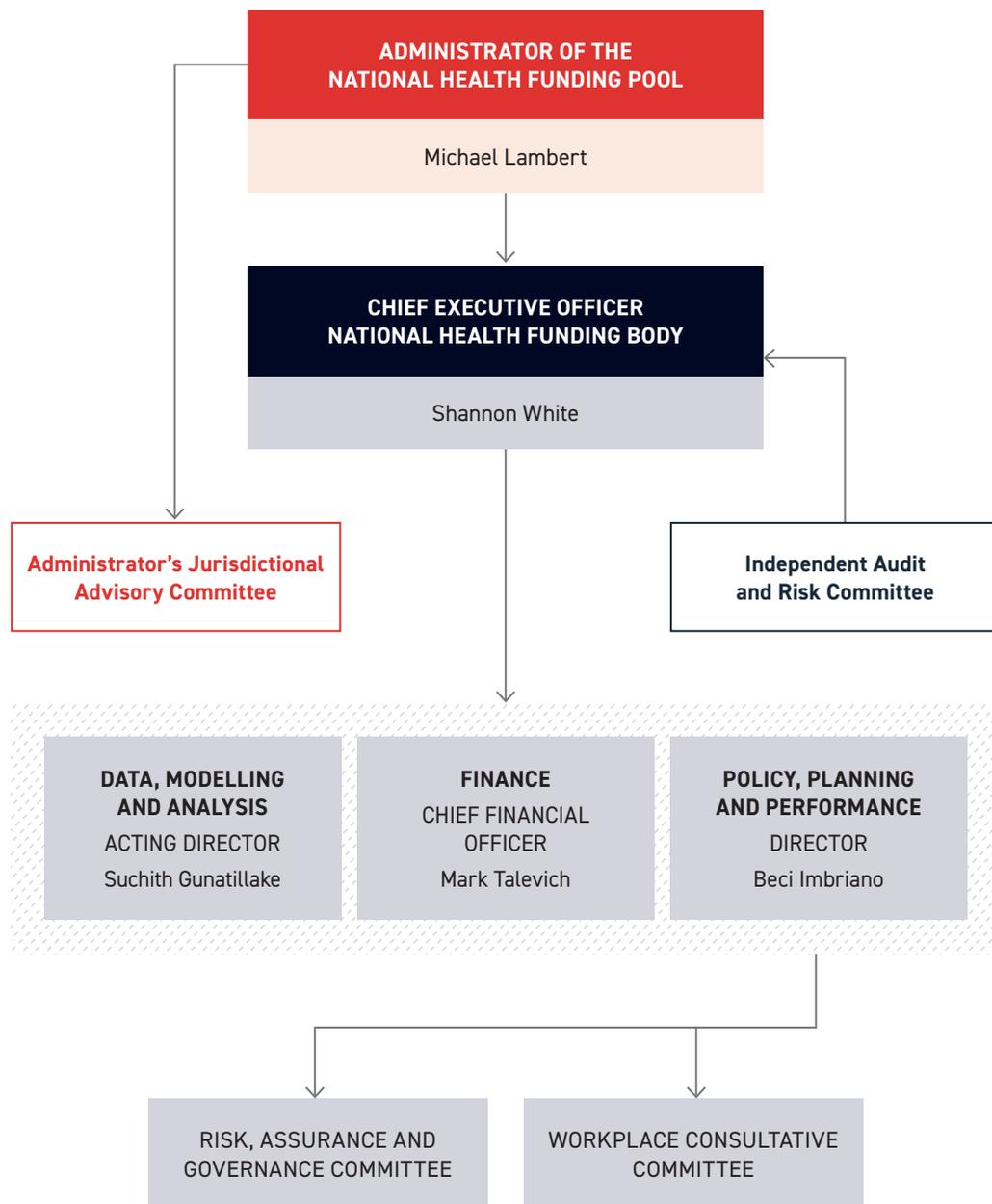
IMPROVED SATISFACTION and built trust with our stakeholders

## Organisational structure

Our structure ensures resources are aligned to core functions, providing for clear lines of reporting.

'Figure 2' shows the relationship between the NHFB's organisational and governance elements.

**FIGURE 2** Organisational structure as at 30 August 2022



## Leadership team



### Michael Lambert

#### Administrator of the National Health Funding Pool

Michael was appointed Administrator of the National Health Funding Pool in July 2018.

Michael's career has covered four broad areas: public sector policy and finance; investment banking; Non-Executive director roles; and working in areas related to the health sector. Michael spent 17 years in a range of senior state government positions culminating in the role of NSW Treasury Secretary. Michael has also held Non-Executive Directorships within the health sector, including the NSW Northern Suburbs Area Health Board and the NSW Cancer Council. Michael is currently a Non-Executive director with the Sax Institute, a not for profit organisation that seeks to align health research to health policy and programs in order to improve health outcomes.

Michael holds an Honours and Masters degree in Economics, a Masters in Philosophy and is a Graduate of the Australian Institute of Company Directors.



### Shannon White

#### CEO National Health Funding Body

Shannon was appointed CEO of the National Health Funding Body in April 2018.

Shannon has a broad range of experience across national security, economic and social policy environments. Shannon has 30 years' experience in the APS across Health, Immigration and Border Protection, and Defence with his previous roles having a strong focus on financial management and strategic advice on budget related policy and operational matters.

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



## Suchith Gunatillake

### Acting Director, Data, Modelling and Analysis

Suchith joined the NHFB in August 2016. The Data, Modelling and Analysis section develop and operate models that determine the Commonwealth funding contribution to LHNs for delivering public hospital services (over \$24 billion for 2021-22). The section also reconciles estimated and actual service volumes through a range of data submissions (over 41 million records each year) related to public hospital funding. The Data, Modelling and Analysis section is also responsible for linking hospital activity data with Medical Benefits Schedule (MBS) claims data to identify if the Commonwealth has potentially paid for the same hospital service more than once (over 610 million MBS records per annum).

Suchith has more than 8 years experience in risk management, analytics and data modelling in the banking and finance industry prior to joining NHFB. He has a Bachelor of Commerce and Science (Hons) from the University of New South Wales.



## Mark Talevich

### Chief Financial Officer

Mark joined the NHFB in September 2021 as Chief Financial Officer and is responsible for the Finance section. The Finance section provide financial support to the CEO and the Administrator, including managing the National Health Funding Pool Payments System, processing Commonwealth, State and Territory payments into and out of the Pool as well as facilitating authorisation by the Administrator for payments to LHNs and other providers.

The Finance Section are also responsible for the production of NHFB and individual Pool Financial Statements for auditing by the Australian National Audit Office and each State and Territory's Auditor-General respectively.

Prior to joining the NHFB, Mark worked at the Commonwealth Department of Health for more than 19 years, working predominately in corporate roles in financial management, external budget and grants management. Mark is a Certified Practising Accountant (CPA) and has a Graduate Diploma in Professional Accountancy from the University of Canberra.



## Beci Imbriano

### Director, Policy Planning and Performance

Beci joined the NHFB in November 2018 as Director, Policy, Planning and Performance. The Policy, Planning and Performance section are responsible for developing the NHFB's Strategic Direction, Corporate Plan, Portfolio Budget Statements and Annual Reports.

The section works with colleagues, jurisdictions and portfolio agencies to maintain the full suite of Administrator's policies:

- Administrator's Three Year Data Plan
- Data Compliance Policy
- Data Governance Policy
- Calculation and Reconciliation Framework
- Data Matching Business Rules.

The section also works with stakeholders to improve reporting through the development of a strategic outlook of public hospital funding, trend reporting and analysis, including the publication of monthly funding and activity data on [publichospitalfunding.gov.au](http://publichospitalfunding.gov.au).

“ We are proud of our culture that focuses on 'how' we do things, not just 'what' we do

The section also provide essential business support services to the NHFB, CEO and Administrator across risk management, assurance, governance, human resources, communications, security, management of Memorandums of Understanding (MoU) and Secretariat for the Administrator's Jurisdictional Advisory Committee and Independent Audit and Risk Committee.

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

# ENVIRONMENT

Our role in Australia's health system was the result of significant public hospital funding reforms agreed by the Commonwealth and all States and Territories in August 2011, forming the National Health Reform Agreement.

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

On 29 May 2020, the Commonwealth, States and Territories entered into a new agreement through the *Addendum to the National Health Reform Agreement 2020-21 to 2024-25* (see page 15). The new Addendum maintains a commitment to ensuring equitable access to public hospitals for all Australians, and reaffirms the role of the Administrator and the NHFB.

## Health system

Australia's health system and the national economy both face significant challenges in response to COVID-19. The pandemic is substantially impacting the underlying level of public hospital services delivered across all States and Territories.

To fulfil our duties and preserve our role in the health system into the future, we must provide best practice financial administration that is accurate, timely and independent. Delivering on our commitments to strengthen the Commonwealth Contribution Model (CCM), enhance our funding integrity capabilities and improve access to information provides our stakeholders with confidence in the funding system and in our capabilities to achieve our purpose.

## Key moments in public hospital funding history

1816

Australia's first public hospital, the Rum Hospital opened in Sydney.

In 1894 it was renamed the Sydney Hospital.



Interior of the women's surgical ward, Sydney Hospital, 1890s. State Library of NSW 06472

2008

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

2017

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

2020

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

1945

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

1984

Introduction of Australia's universal health care scheme Medicare.

1981

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

2011

The *National Health Reform Agreement* was signed, establishing the Administrator and NHFB.

A new approach to health funding based on Activity Based Funding (ABF) was put into effect and Local Hospital Networks (LHNs) were established.

2021

Extension to the NPCR to include Aged Care and vaccinations

## Overview of health care agreements

### National Healthcare Specific Purpose Payment Pre-2012

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

### National Health Reform Agreement 2012-13 to 2016-17

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

### Addendum to the National Health Reform Agreement 2017-18 to 2019-20

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

### Addendum to the National Health Reform Agreement 2020-21 to 2024-25

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

- Improving efficiency and ensuring financial sustainability
- Delivering safe, high-quality care in the right place at the right time, including long-term reforms in:
  - » nationally cohesive health technology assessment
  - » paying for value and outcomes
  - » joint planning and funding at a local level.
- Prioritising prevention and helping people manage their health across their lifetime, including long-term reforms in:
  - » empowering people through health literacy
  - » prevention and wellbeing.
- Driving best practice and performance using data and research, including long-term reforms in enhanced health data.

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

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

### National Partnership on COVID-19 Response (NPCR)

The NPCR was agreed to and signed by COAG on Friday, 13 March 2020. The NPCR was subsequently amended and agreed to in April 2020 to include a provision for private hospital financial viability payment. A third update to the NPCR was made in February 2021 to support the COVID-19 vaccine rollout. The NPCR was further amended to assist residential aged care providers prevent, prepare for and respond to outbreaks of COVID-19 under Schedule D.

The objective of the NPCR is to provide financial assistance to States and Territories for the additional costs incurred in responding to COVID-19. Under the NPCR, there are a range of responsibilities and functions to be performed by the Administrator supported by the NHFB and other portfolio agencies.

In March 2020, the NHFB established a new funding account in the Payments System to facilitate payments to all States and Territories.

Since then, more than \$12 billion (2019-20, 2020-21 and 2021-22) in Commonwealth COVID-19 funding has been paid to States and Territories:

- Hospital Service payments for COVID-19 related hospital activities, with the Commonwealth funding 50%
- State Public Health payments for public health activities associated with addressing the pandemic, with the Commonwealth funding 50%
- Private Hospital Capacity and Viability payment to enable private hospitals to retain capacity, with the Commonwealth funding 100%
- Schedule C: COVID-19 vaccine payments including vaccine dose delivery payments and vaccine rollout support payments, with the Commonwealth funding 50%
- Schedule D: supporting aged care prevention, preparedness and response activities including additional targeted infection prevention and control training in Residential Aged Care Facilities, with the Commonwealth funding 100%
- Costs of the purchase, logistics and distribution of Rapid Antigen Tests (RATs), with the Commonwealth funding 50%

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

## Public hospital funding and payments

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

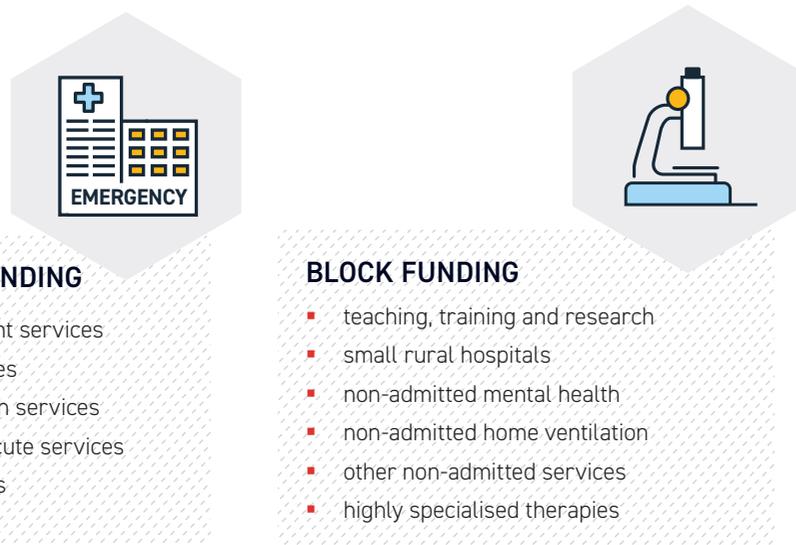
### Activity Based Funding

ABF is a funding method for public hospital services based on the number of weighted services provided to patients, and the price to be paid for delivering those services.

The method uses national classifications for service types, price weights, the National Efficient Price (NEP) that is independently determined by the Independent Health and Aged Care Pricing Authority (IHACPA), and the level of activity as represented by the National Weighted Activity Unit (NWAU) (i.e. the NEP is the price per NWAU).

A NWAU represents a measure of health service activity expressed as a common unit of resources. This provides a way of comparing and valuing each public hospital service (whether it is an emergency department presentation, admission or outpatient episode), by weighting it for clinical complexity.

**FIGURE 3** Types of public hospital funding



States and Territories are required to outline their basis of payments to each LHN, including an explanation of the factors taken into account.

### Block funding

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

### Out of scope

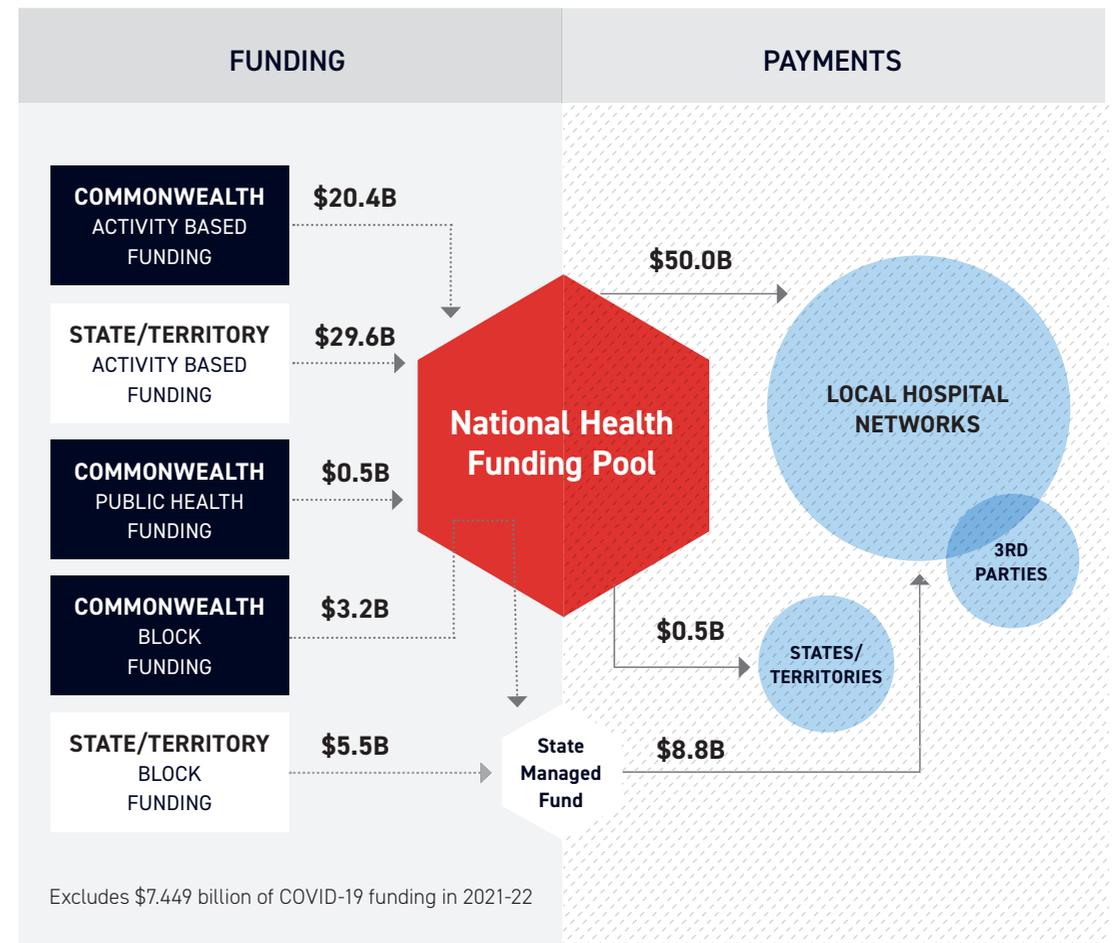
Public hospitals also receive funding from other sources, including the Commonwealth, States and Territories, and third parties for the provision of other specific functions and services outside the scope of the NHR Agreement (e.g. pharmaceuticals, primary care, other hospital services, home and community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

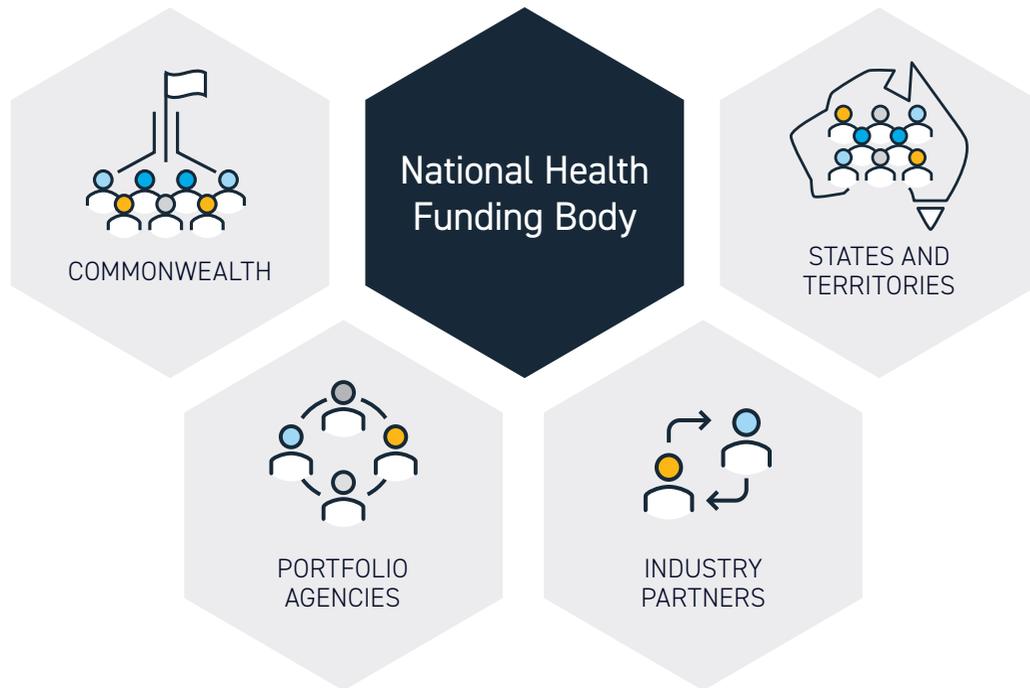
## Payments

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 State and Territories (including public health, cross-border, interest and over deposits).

'Figure 4' highlights the source, types and amount of funding and payments that flowed through the Pool and SMFs in 2021-22. The NHR Agreement also allows for additional streams of funding to be paid through the Pool if agreed by Government, as was done in response to COVID-19.

**FIGURE 4** 2021-22 Public hospital funding payment flows



**FIGURE 5 National Health Funding Body stakeholders and partners**


## Stakeholders and partners

Productive relationships and regular communication with our stakeholders and partners supports 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 provide valuable guidance to assist all parties understand the basis of funding calculations and outcomes, but also builds trust in our functions.

### States and Territories

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

The objectives of the Administrator's JAC are to:

- consider and provide advice to the Administrator on strategic issues related to the Administrator's functions under the NHR Agreement and NHR Act
- enable collaboration between the Administrator, NHFB, Commonwealth, State and Territory health departments and IHACPA on the relevant operational arrangements and priorities under the NHR Agreement and NHR Act.

Key discussion topics for the Administrator's JAC in 2022-23 will include:

- implementation of the Addendum
- Administrator's policy documents
- 2021-22 Annual Reconciliation of public hospital funding and services
- 2021-22 NPCR reconciliation
- funding integrity, including data matching
- Payments System administration
- consistency and transparency of public hospital funding.

## 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 and Aged Care
- Enterprise Data Warehouse (EDW) technical support from the Department of Health and Aged Care
- the provision of public hospital activity data from Services Australia
- website hosting with GovCMS from the Department of Finance
- monthly roundtable discussions with the Department of the Prime Minister and Cabinet, The Treasury, the Department of Finance and the Department of Health and Aged Care on NHR Agreement funding and activities.

## Portfolio agencies

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

### INDEPENDENT HEALTH AND AGED CARE PRICING AUTHORITY

The main functions of the IHACPA are to determine each year the NEP for ABF and National Efficient Cost (NEC) for Block funding for health care services provided by public hospitals. The NEP is a major determinant of the level of Australian Government funding for public hospital services and provides a benchmark for the efficient cost of providing public hospital services. As such, we routinely engage with the IHACPA, including as a member of IHACPA's Jurisdictional Advisory Committee and Technical Advisory Committee.

### AUSTRALIAN COMMISSION ON SAFETY AND QUALITY IN HEALTH CARE

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

- patient safety
- partnering with patients, consumers and communities
- quality, cost and value
- supporting health professionals to provide care that is informed, supported and organised to deliver safe and high-quality care.

### AUSTRALIAN INSTITUTE OF HEALTH AND WELFARE

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

### INDUSTRY PARTNERS

In 2022-23, we will work with a number of industry partners to support our small agency deliver on our objectives. We will leverage their expertise, be supported by their advice and rely on their independence and in the process, ensure we promote knowledge sharing to continue to build our internal capability.

Industry partners that currently assist us to deliver on our four key functions:

- CALCULATE** KPMG, PwC and Taylor Fry
- PAY** TechOne, Charter Tech, Libratum and RSM
- REPORT** Salsa
- ORGANISATION** Kirribilli Partners and contentgroup.

# Overview of the relationship between the IHACPA and NHFB

In August 2011, COAG agreed to major changes in how public hospitals were to be funded by Commonwealth, State and Territory governments, including the move from block grants to a system that is predominantly funded on an 'activity-based' approach, supplemented by Block funding in certain circumstances.

These changes included establishing the:

- Administrator and the NHFB to improve transparency of public hospital funding arrangements
- IHACPA to set the National Efficient Price (NEP) for ABF activity and the National Efficient Cost (NEC) for Block funded services.

The NEP and NEC are a major determinant of the level of Commonwealth Government funding for public hospital services and provide a price signal or benchmark for the efficient cost of providing public hospital services.

## Independent Health and Aged Care Pricing Authority (IHACPA)

### Data collection



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

### Classification



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

### Costing



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

### Pricing



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

## National Health Funding Body (NHFB)

### Calculate



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

### Pay



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

### Report



Reports on funding, payments and services are published to [publichospitalfunding.gov.au](http://publichospitalfunding.gov.au) on a monthly basis to provide transparency of public hospital funding.

“ We work together to align our data requirements, standards and timelines. ”

# FINANCE

We are funded by an annual appropriation from the Commonwealth, as represented in the Portfolio Budget Statements (PBS) 2022-23.

In March 2022, the Australian Government released the 2022-23 Budget. Table 1 includes a summary of the 2022-23 Budget and forward estimates.

The majority of our expenditure relates to employees and suppliers. This demonstrates a continued focus on investing in our people and key digital platforms to best support the obligations and responsibilities of the Administrator and be ready to adapt to new developments.

## Outlook

The *Addendum to the National Health Reform Agreement 2020-21 to 2024-25* was signed in May 2020 and provided funding certainty for our agency in future years.

In order to live within our means we will ensure that we are operating as efficiently and effectively as possible. We will explore opportunities to better collaborate with our public and private sector partners, through the successful completion of short-term initiatives (see "Performance Section" starting page 25).

We have implemented financial management practices to support effective allocation of resources and ensure the organisation can respond to emerging priorities.

## Supporting the National Partnership on COVID-19 Response

In accordance with existing legislation and national agreements, we have core responsibilities for the calculation, payment and reporting of public hospital funding. On this basis, the Administrator and the NHFB were well placed to administer the funding arrangements for the National Partnership on COVID-19 Response.

We engaged additional employees, and will continue to work with our existing industry partners to assist in administering funding arrangements.

In 2022-23, we will continue to manage our finances in line with three key principles:

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

**TABLE 1 2022-23 Budget and Forward Estimates**

	2022-23 Budget \$'000	2023-24 Estimate \$'000	2024-25 Estimate \$'000	2025-26 Estimate \$'000
<b>Revenue</b>				
Appropriation	7,387	7,400	6,737	6,783
Other <sup>1</sup>	92	92	92	92
<b>TOTAL REVENUE</b>	<b>7,479</b>	<b>7,492</b>	<b>6,829</b>	<b>6,875</b>
<b>Expenses</b>				
Employees	4,555	4,540	4,131	4,131
Suppliers	2,547	2,562	2,308	2,354
Depreciation and amortisation	851	526	526	526
Interest on RoU <sup>2</sup>	11	7	7	7
<b>TOTAL EXPENSES</b>	<b>7,964</b>	<b>7,635</b>	<b>6,972</b>	<b>7,018</b>

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

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

# PERFORMANCE

This section outlines our objectives that must be met to fulfil our purpose and describes how our performance will be measured.

Our five objectives are:

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

We will enhance our organisational capabilities through key initiatives that will further empower our people, processes and technology to best support the obligations and responsibilities of the Administrator.

The following tables outline the performance criteria that will be used for the 2022-23 reporting period to determine whether we have achieved our purpose. We recognise the importance of measuring and reporting on our performance, and will continue to improve the way we gather quantitative and qualitative evidence to measure how well we deliver against our objectives.

## Monitoring our performance

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

'Figure 6' outlines how the performance of each objective is measured.

**FIGURE 6** Key to the tables

Objective Title			
Performance Criteria	Evidence	2022-23 Target	2023-26 Target
<b>Outcome</b>			
Activity to produce outcome	Source of evidence	Target	Target



## Objective One

Accurate and timely calculation of Commonwealth funding contributions

Performance Criteria	Evidence	2022-23 Target	2023-26 Target
<b>1.1 The Treasurer of the Commonwealth is advised by the Administrator in a timely manner</b>			
The advice regarding the amounts required to be paid into each State and Territory Pool Account is provided to the Treasurer in a timely manner	Administrator sign-off of payment advice including any adjustments	100% signed-off	100% signed-off
<b>1.2 Commonwealth funding calculations are accurate</b>			
Current and future year CCMs are accepted by the Administrator	CCM sign-off by the Administrator	100% signed-off	100% signed-off
<b>1.3 Funding entitlements reconcile to actual services delivered</b>			
Adjustments made to Commonwealth payments to LHNs due to reconciliation are accepted by the Administrator	Administrator sign-off of payment advice including any adjustments	Half-yearly and annual	Half-yearly and annual
<b>1.4 Public hospital services are funded through the appropriate Commonwealth program</b>			
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 2022	Notify stakeholders of potential duplicate payments by 30 November 2022

### Key Initiatives

#### Short term 2022-23

- Initial 2022-23 funding calculation
- 2021-22 Annual Reconciliation (including National Partnership on COVID-19 Response)
- Undertake funding integrity data matching activities as part of the 2021-22 Annual Reconciliation
- 2022-23 Six-month Reconciliation
- Work with our stakeholders to further improve reconciliation processes and funding integrity measures
- Work with the Administrator, ACSQHCC and IHACPA on incorporating additional safety and quality measures into public hospital funding, including for potentially preventable hospitalisations

#### Medium term 2023-26

- Identify ways in which our valuable data resources can be leveraged to improve transparency of funding, payments and activities.



## Objective Two

Best practice financial administration of the National Health Funding Pool

Performance Criteria	Evidence	2022-23 Target	2023-26 Target
<b>2.1 Payments to each Local Hospital Network (LHN) accord with directions from responsible State and Territory Ministers and Service Agreements</b>			
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
<b>2.2 Maintain the integrity of the Payments System in accordance with policies, plans and manuals</b>			
Payments System policies, plans and manuals are maintained	Policies, plans and manuals are complete, available and approved annually	100% approved	100% approved

### Key Initiatives

#### Short term 2022-23

- Review Payments System governance arrangements to ensure they are fit for purpose and best practice
- Work with States and Territories through the Payments System Community of Practice on improving user experience, including training and support
- Work with our stakeholders on further enhancements to the Payments System
- Provide greater transparency of payments through the Pool (including out of scope funding)

#### Medium term 2023-26

- Explore opportunities to provide greater transparency of Commonwealth, State and Territory public hospital funding contributions



## Objective Three

Effective reporting of public hospital funding

Performance Criteria	Evidence	2022-23 Target	2023-26 Target
<b>3.1 Ministers receive required information in a timely manner</b>			
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
<b>3.2 Monthly and annual reporting of funding, payments and services</b>			
Monthly and annual reporting is uploaded to the website	Website update	All LHN, State and National reports updated within three weeks of period close	All LHN, State and National reports updated within three weeks of period close
<b>3.3 Quarterly and annual reporting of Commonwealth, State and Territory compliance with the Administrator's Data Plan</b>			
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 six weeks of period close	Publish Quarterly Compliance reports within six weeks of period close

### Key Initiatives

#### Short term 2022-23

- Publish the Administrator's 2021-22 Annual Report
- Publish the Administrator's 2021-22 Annual Report on Maintenance of Effort
- Review the Administrator's Three Year Data Plan 2023-24 to 2025-26 in consultation with portfolio agency partners and stakeholders
- Review the Administrator's 2023-24 Data Compliance Policy in consultation with portfolio agency partners and stakeholders
- Provide greater transparency and enhance public reporting

#### Medium term 2023-26

- Improve public reporting of funding, payments and services in consultation with portfolio agency partners and stakeholders



## Objective Four

Productive relationships with stakeholders and partners

Performance Criteria	Evidence	2022-23 Target	2023-26 Target
<b>4.1 Provide trusted and impartial advice</b>			
Strategic communication and stakeholder engagement is fit for purpose and caters to stakeholder needs	Strategic Communication and Stakeholder Engagement Framework is reviewed, updated and approved by the CEO	100% complete	100% complete
	Annual stakeholder benchmarking survey results	Positive trend on prior-year	Positive trend on prior-year
Provide advice on the implementation of funding arrangements	Actively participate in bilateral and multilateral forums with all jurisdictions	100% complete	100% complete
<b>4.2 Work plans and information requirements are developed in collaboration and consultation with stakeholders</b>			
The Administrator's rolling Three Year Data Plan is updated, agreed with stakeholders and published on the website	Three Year Data Plans endorsed by the Administrator in a timely manner	100% complete	100% complete

### Key Initiatives

#### Short term 2022-23

- Implement improvements to our communication and engagement following stakeholder survey feedback
- Increase the awareness and profile of the role of the Administrator and the NHFB
- Actively engage and collaborate with other national bodies (IHACPA, ACSQHC, AIHW)

#### Medium term 2023-26

- Identify ways in which we can engage, collaborate and provide trusted advice to improve health sector outcomes



## Objective Five

Operate as a high performing organisation

Performance Criteria	Evidence	2022-23 Target	2023-26 Target
<b>5.1 A positive workplace culture where people adopt best practice approaches to achieve results</b>			
Our behaviours are embedded in an inclusive culture	APS Census 2023	Positive trend on prior-year	Positive trend on prior-year
Our forward work plans are developed in consultation with staff	<ul style="list-style-type: none"> <li>▪ Strategic Direction</li> <li>▪ Risk Tolerance</li> <li>▪ Corporate Plan</li> <li>▪ Section Plans and Performance Agreements</li> </ul>	100% complete	100% complete
All compliance reporting requirements for the NHFB as a non-corporate entity are met within timelines	Approval by the CEO	100% complete	100% complete
<b>5.2 An agile and responsive workforce ready to adapt to new developments</b>			
Innovation is promoted and change is well managed	APS Census 2023	Positive trend on prior-year	Positive trend on prior-year
Corporate policies are best practice and fit for purpose for a small agency	Policies are approved by the CEO	100% complete	100% complete

### Key Initiatives

#### Short term 2022-23

- Monitor our performance against our Corporate Plan 2022-23
- Apply enhancements to our risk management practices
- Apply enhancements to our audit and assurance approach
- Apply enhancements to our business continuity planning
- Implement our Workforce Capability Plan 2022-2026
- Implement our Learning and Development Strategy 2022-2026
- Publish the NHFB's 2021-22 Annual Report

#### Medium term 2023-26

- 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
- Be a leader in best-practice for small agencies; a strong and independent agency that provides advice and expertise to government

## Key initiatives



### Calculate

#### ENHANCEMENTS TO THE COMMONWEALTH CONTRIBUTION MODEL (CCM)

- We will monitor the implementation of enhancements made to the CCM as a result of the Addendum, including new Highly Specialised Therapies, private patient neutrality and avoidable readmissions.
- We will continue to use a stand-alone model to enable the calculation of the Commonwealth's contribution under the NPCR.
- We will continue to invest and support staff in their training and development to further enhance their modelling skills.

#### FUNDING INTEGRITY AND DATA MATCHING

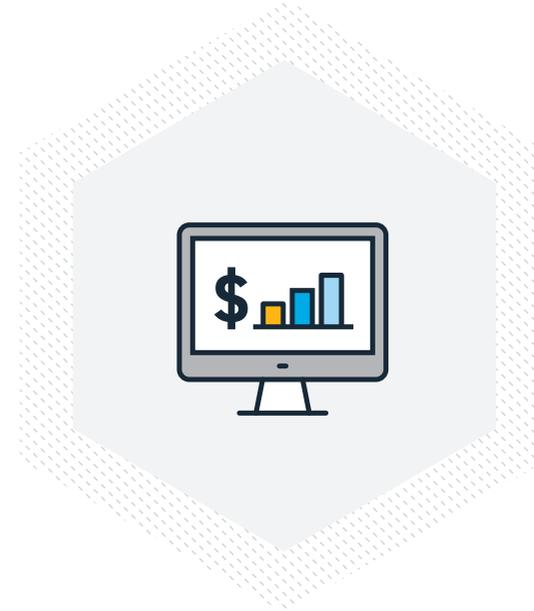
We will continue to invest in our data capabilities to provide greater transparency, integrity and assurance of payments for public hospital services. Our work on funding integrity and data matching provides greater confidence to the Commonwealth, States and Territories of the financial administration of public hospital funding.



### Pay

#### ENHANCEMENTS TO THE PAYMENTS SYSTEM

- We will review our Payments System policies, plans and manuals to ensure they are best practice and fit-for-purpose.
- We will improve the efficiency and effectiveness of processes between our systems, and those of our partners.
- We will host a quarterly Community of Practice with State and Territory Payments System users to share information and refine our dedicated learning and development activities.
- We will consult with jurisdictions and other stakeholders to identify future Payments System enhancements.



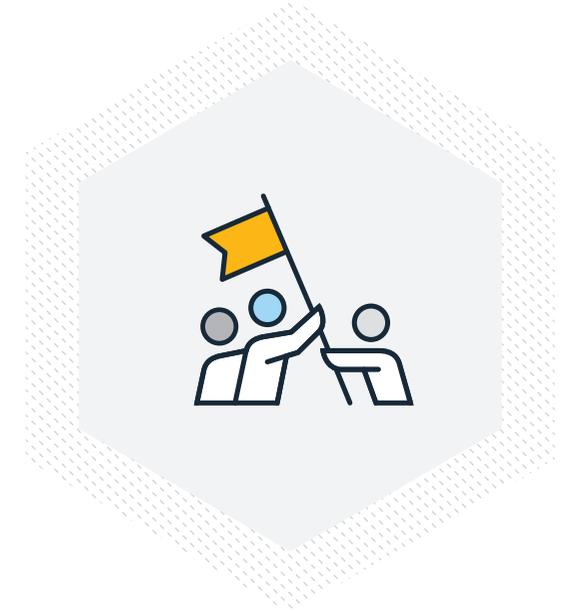
### Report

#### WEBSITE

We will continue to improve the transparency of hospital funding and activity by enhancing our reporting capabilities and simplifying public access.

#### TREND REPORTING

We will continue to work with portfolio agency partners, and the Commonwealth, States and Territories to improve public reporting of funding, payments and services. This includes identifying broader health and hospital funding, as well as payments for public hospital services transacted through the Pool. This work will contribute to the Administrator's 2021-22 Annual Report on Maintenance of Effort.



### Organisation

#### CULTIVATING PRODUCTIVE WORKING RELATIONSHIPS

We will continue to explore ways in which we can engage and collaborate with our stakeholders and partners, as well as increase the awareness and profile of the NHFB.

#### PEOPLE

We will continue to focus on positive workplace culture through our United Leadership behaviours and developing our people. We will ensure our policies and approach focus on 'how we do things' just as much as 'what we deliver'. This will help strengthen our high performing environment, where everyone is valued and performs their role to the best of their ability.

# RISK

Risk management is an essential component of sound business management and good corporate governance. Understanding risks and managing them appropriately enhances our ability to make better decisions, deliver on objectives and improve our performance.

As a PGPA Act agency our Risk Management Policy and Framework aligns with the Commonwealth Risk Management Policy and is based on the International Standard on Risk Management (ISO 31000:2018 - Risk Management Guidelines)

Our Risk Tolerance Statement and Risk Management Instructions support our risk policy and framework. These fundamental documents are reviewed annually to ensure we maintain an appropriate system for risk oversight and the management of internal controls.

## Culture and risk tolerance

We have embedded a robust organisational culture that continues to support risk-aware decision-making and encourages innovation and creativity.

As a united team, we collaborate when defining our risk tolerance in order to set objectives, allocate resources, comply with legal obligations, and improve transparent decision making.

We manage risk across our five strategic objectives and work with the Administrator to assess and monitor risks in relation to the successful operation of the Pool.

Our Risk Tolerance Statement articulates the amount of risk that we are willing to accept to successfully achieve our objectives.

## RISK TOLERANCE 2022 – 2023



### MESSAGE FROM THE CEO Mr Shannon White

As the Accountable Officer under the Public Governance, Performance and Accountability (PGPA) Act 2013, it is my responsibility to establish and maintain appropriate systems of risk oversight and management. This includes setting the Agency's appetite and tolerance for risk, which helps keep us focussed on successfully achieving objectives, comply with legal and policy obligations, effectively manage resources and improve transparent and accountable decision making.

As a small Agency, good risk management culture is fundamental to our day to day business activities, in pursuing new opportunities and in the way we respond to unforeseen circumstances. Our growing risk maturity and whole-of-agency culture contributed significantly to our high levels of resilience and our successful contribution to Australia's COVID-19 response.

Our risk culture is clearly demonstrated by our maturing approach to identifying near misses, learning from these instances and responding promptly. Our risk culture is also demonstrated by our pursuit of further innovation through digital transformation and business process improvement.

Our strong workplace culture, together with our shared values and behaviours, support us to engage with risk and make risk-based decisions to achieve best practice fit-for-purpose outcomes. As valued members of the NHFB team I encourage you to continue making a positive difference for our stakeholders and partners.

### PEOPLE, PROCESSES AND TECHNOLOGY

As a small Agency, we have invested significantly in our people, processes and technology by engaging with risk and continually finding better solutions to help achieve our strategic objectives. A return on this kind of investment can be difficult to measure however we are encouraged by our overall performance in 2021-22 including our excellent 2021 APS Employee Census results, great stakeholder feedback and achieving a Silver Award for our approach to enterprise-wide risk management.

FIGURE 7 National Health Funding Body Risk Tolerance Statement

### OUR RISK TOLERANCE

Our risk tolerance levels across our five key objectives are highlighted below. Tolerance levels are based on the supporting business function, together with the potential cost and/or the benefit of engaging with risk to improve our decision-making ability.

Area	Tolerance Level	Key Risks
<b>CALCULATIONS</b>	<b>LOW TOLERANCE</b>	<ul style="list-style-type: none"> <li>Timely advice</li> <li>Accurate calculation</li> <li>Reconcile activity</li> <li>Funding integrity</li> </ul>
<b>PAYMENTS</b>	<b>LOW TOLERANCE</b>	<ul style="list-style-type: none"> <li>Timely payments to LHNs</li> <li>Payments System</li> <li>Funding Pool Financial Statements</li> </ul>
<b>REPORTING</b>	<b>LOW TOLERANCE</b>	<ul style="list-style-type: none"> <li>Accurate information</li> <li>Funding reports</li> <li>Compliance reports</li> <li>Data security</li> </ul>
<b>STAKEHOLDERS</b>	<b>MEDIUM TOLERANCE</b>	<ul style="list-style-type: none"> <li>Impartial advice</li> <li>Engagement</li> </ul>
<b>ORGANISATION</b>	<b>MEDIUM TOLERANCE</b>	<ul style="list-style-type: none"> <li>Positive culture</li> <li>Innovation</li> <li>Good governance</li> <li>Funding Body Financial Statements</li> </ul>

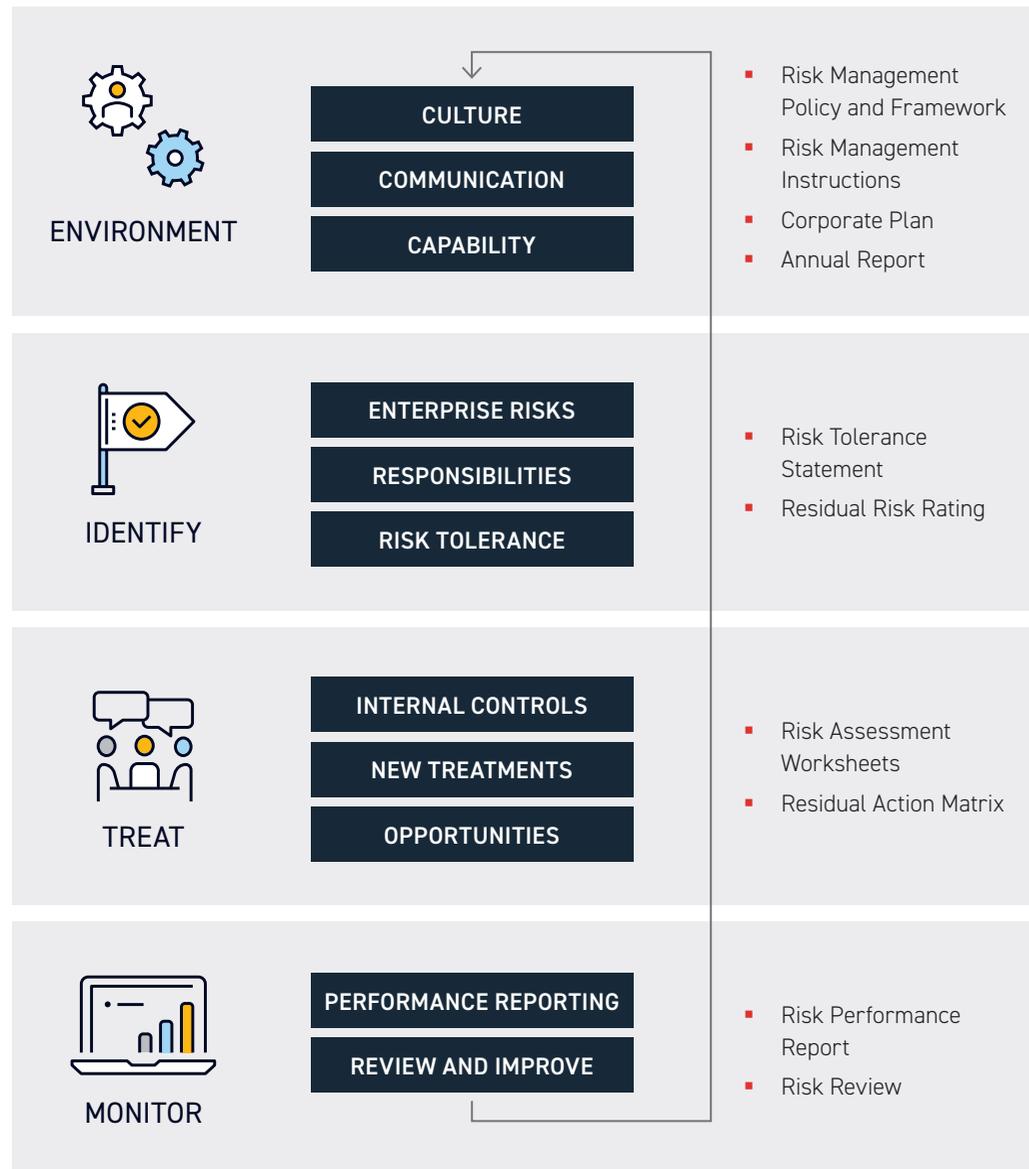
Objective	Tolerance Level	Description
1. Error(s) or delay in the calculation of payments	LOW	We have a <b>LOW</b> tolerance for incorrect calculations due to poor governance, processes and delivery
2. Error(s) or delay in the reconciliation of payments	LOW	We have a <b>LOW</b> tolerance for inaccurate reconciliation processes between estimated and actual service volumes that impact on public hospital funding
3. Error(s) or delay in payments	LOW	We have a <b>LOW</b> tolerance for poor governance, processes and illegal activity
4. A modified audit opinion is given on the Administrator's Financial Statements	LOW	We have a <b>LOW</b> tolerance for risks that impact transparency due to failures to meet our reporting requirements
5. Error(s) or delay in the reporting of public hospital funding, payments and services	LOW	Whilst dependent on stakeholders to complete accurate and timely end of month processing, we have a <b>LOW</b> tolerance for failure to meet our reporting requirements
6. Inappropriate or unauthorised data release	LOW	We have a <b>LOW</b> tolerance for risks that impact the management and security of data
7. Unproductive stakeholder relationships	MEDIUM	We have a <b>MEDIUM</b> tolerance for risk when developing and sustaining approaches to stakeholder relationships whilst maintaining the integrity of the Administrator and the NHFB
8. Poor workplace culture	MEDIUM	We have a <b>MEDIUM</b> tolerance for risks which jeopardise our ability to attract, retain and develop talent to achieve outcomes
9. Inability to adapt and innovate	MEDIUM	We have a <b>MEDIUM</b> tolerance to adapt or explore best practice approaches that promote innovation
10. Impacts on the health, safety and wellbeing of staff	LOW	We have a <b>LOW</b> tolerance for a working environment that adversely impacts the health, safety and wellbeing of staff
11. Fraudulent activity	LOW	We have a <b>LOW</b> tolerance for poor governance or defective processes that lead to illegal activity

## Managing risk and identifying opportunities

Being a small agency, managing risk is everyone's responsibility. We encourage early engagement and open conversations about risk, we see this as an essential factor in identifying and assessing emerging or new risks impacting on business activities that could hinder us from achieving our objectives.

By using consistent language, methodologies and documentation across the organisation, managing risk has become a natural part of core business activities. Having regular risk discussions at all levels ensures every member of our organisation raises potential risks in their business area, as well as identifying any potential opportunities, as part of their day-to-day activities.

**FIGURE 8 Risk management approach**



## Oversight and assurance

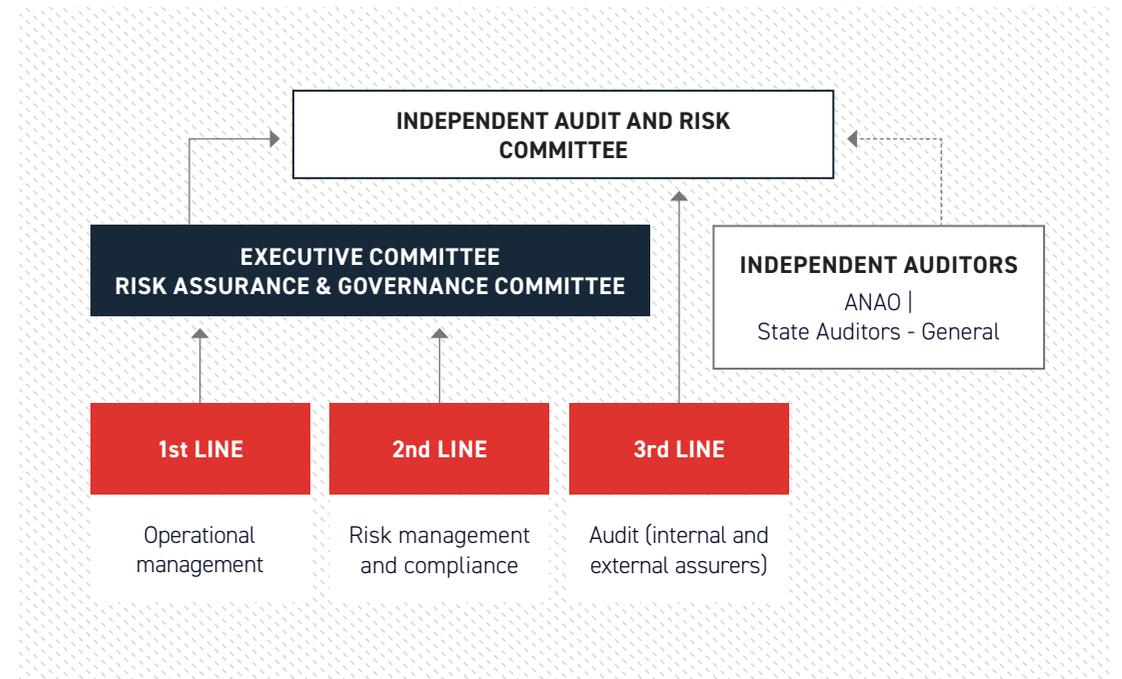
Our strong corporate governance framework (see page 37) is critical to managing our strategic and operational activities to ensure we achieve our purpose and deliver on our objectives.

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

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

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

**FIGURE 9 NHFB three lines model**



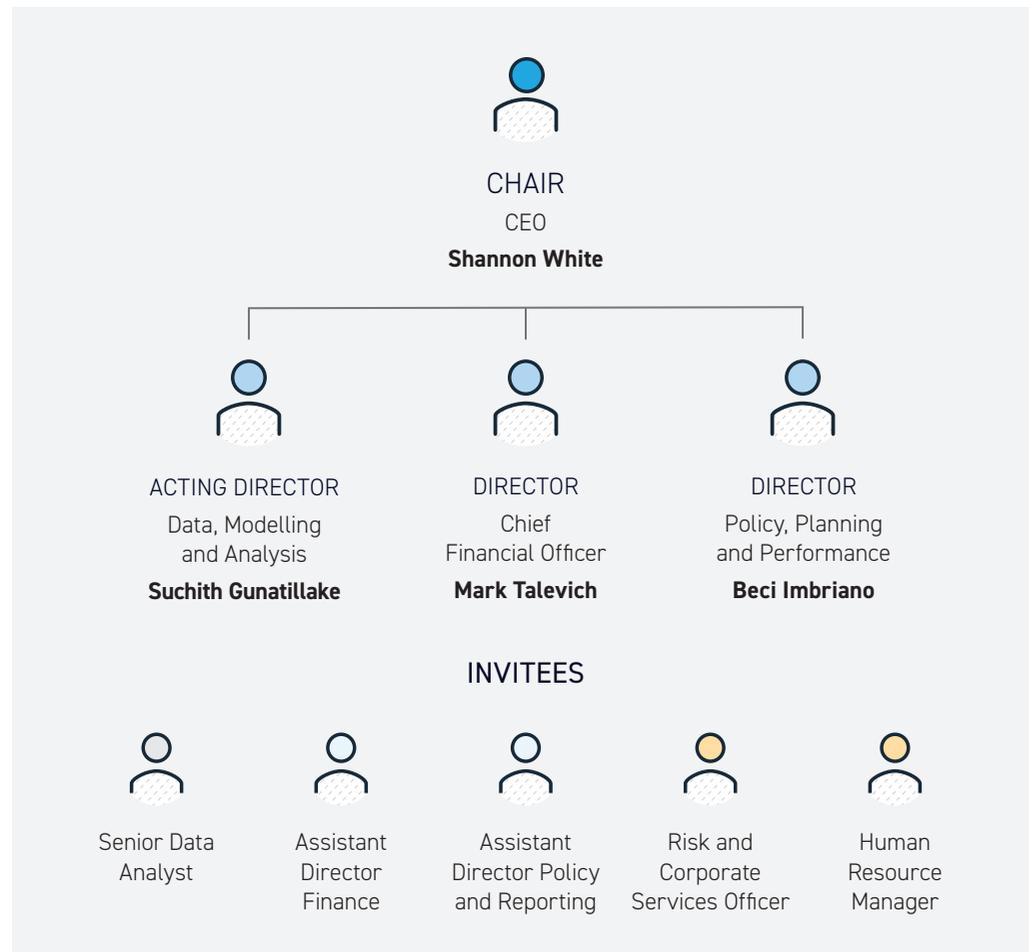
# GOVERNANCE

Our governance and management practices play an integral role in ensuring the Administrator and NHFB deliver on our NHR Agreement responsibilities, strategic objectives and statutory obligations.

## Executive Committee

The Executive Committee (see “Leadership team” on page 10, for profiles) is our internal forum for engagement and discussion, including providing advice and recommendations to the CEO on strategic direction, key initiatives, agency policies, as well as immediate and emerging issues.

**FIGURE 10** National Health Funding Body Executive Committee



## Risk, Assurance and Governance Committee

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

- risk management (including fraud control)
- compliance and control
- audit and assurance
- information governance
- security
- business continuity.

The RAGC is comprised of the following members:

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

## Workplace Consultative Committee

The Workplace Consultative Committee (WCC) is our consultative body for communication, consultation and employee participation in the management of NHFB’s Work Health and Safety matters including all HR policies and procedures.

The WCC is comprised of the following members:

- Chair (currently the Director, Policy Planning and Performance)
- CFO
- Director, Data, Modelling and Analysis
- Human Resource Manager
- Health and Safety Representative
- Employee Representative.

## Independent Audit and Risk Committee

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

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

The ARC also provides advice to the CEO and Administrator on the operation, management and financial reporting of the Pool. Full details of the ARC’s Charter is available at [publichospitalfunding.gov.au](http://publichospitalfunding.gov.au)

# CAPABILITY

## Our people

We are agile, innovative, responsive and unique. We have a small and specialised workforce that is capable, diverse and balanced.

Our workforce is supported by a flexible legislative framework under the Public Service Act 1999 with terms and conditions governed by the *National Health Funding Body Enterprise Agreement 2016–2019*.

We recognise that engaged, skilled and versatile people are critical to the achievement of our objectives. We aim to support our workforce by:

- attracting and retaining skilled, adaptable and responsive people
- promoting a culture where people work within and across teams to maximise expertise and produce results that benefit the agency as a whole
- supporting and developing the capabilities of our staff to meet our objectives and their career aspirations.
- refining our organisational approaches to reflect that we are a dynamic, small-sized agency capable of responding quickly and flexibly to meet emerging requirements.

In 2022-23 we will continue to look for opportunities to expand and diversify our workforce through activities such as:

- 2023 Australian Public Service Graduate Development Program (through the Australian Public Service Commission)
- 2023 Career Starter Program (through the Department of Finance)
- Jawun secondment program

## Our behaviours

### It starts with me

We are committed to sharing a common set of behaviours and working together as a united team to achieve our objectives.

### 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 values

We are committed to demonstrating the Australian Public Service Values and Code of Conduct, both of which represent our approach to interacting and collaborating with colleagues, stakeholders, and the community:

- impartial
- committed
- accountable
- respectful
- ethical

## Diversity

We are committed to reflecting the diversity of the Australian community in our workforce. Our Workforce Diversity Plan acknowledges and appreciates the differences in every employee and encourages diversity in our backgrounds, skills, talents and views to enrich our working environment and the quality of work.

Diversity within an organisation has many benefits including increased innovation, improved understanding of - and service to - stakeholders, and attraction of talent from the widest possible pool of potential staff. Diversity refers to the characteristics that make everyone different; a diverse workforce is one that reflects the breadth of differences between people.

We aim to attract and retain the right people for the right jobs, no matter what their gender, race, age, religious beliefs or personal commitments. This will be achieved by embedding diversity and inclusion in all aspects including workplace culture, recruitment, career development, policies and procedures, and stakeholder engagement.

## Workforce

We are committed to managing our workforce in the most efficient, effective, economical and ethical way. Our Workforce Capability Plan aligns with the organisation's Strategic Direction, Corporate and Section Plans, Learning and Development Strategy and individual Performance Agreements. Our Workforce Capability sets out the strategies to build and strengthen our workforce, including:

- understanding our workforce profile
- identifying our strengths, weaknesses, areas of risk and opportunities for development
- aligning HR strategies to maximise capacity and focus on critical gaps.
- understanding and planning for future workforce requirements

The Plan takes into account internal and external factors, and identifies workforce gaps, priorities and strategies for delivering the best outcomes now and into the future. The following objectives are highlighted over the term of the Workforce Capability Plan:

- **MANAGING THE WORKFORCE COMPOSITION** – continual review of NHFB staffing and section structures to optimise service delivery, monitoring of turnover trends and indicators of external competition, and attracting and retaining the right people.
- **BUILDING PEOPLE CAPABILITY** – ensuring role clarity, effective performance, access to learning and development, and investing in career development.
- **CONTINUED FOCUS ON CULTURE AND LEADERSHIP** – effective change management processes, active measurement and management of employee engagement, and celebrating success.

The progress of the Workforce Capability Plan will be actively monitored by and reported to the Executive Committee, through the WWC. Governance at this level will ensure collaboration and consultation to enable the continuous improvement of this program.

## Learning and development

We are committed to supporting and developing staff capability by providing a learning environment that is diverse, and helps achieve agency outcomes through building a fully effective and capable workforce. Our Learning and Development Strategy aligns with our Strategic Direction, Corporate Plan and Section Plans, in identifying and implementing effective training and development programs. We will continue to invest and support staff in their development, valuing expertise and experience and respecting diverse learning styles.

## Our processes

We will continue to review and improve our business processes, ensuring they are fit for purpose for our small agency and leverage the expertise of others where possible, for example through our Shared Services Agreement with the Department of Health and Aged Care (IT, payroll, travel etc).

We are committed to monitoring the implementation of recommendations for improvement stemming from our program of audit and assurance.

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

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.

## Calculate

### COMMONWEALTH CONTRIBUTION MODEL

The CCM enables us to accurately calculate the Commonwealth's NHR Agreement 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 IHAPCA's price determinations and is independently reviewed and assured annually.

### HEALTH AND AGED CARE ENTERPRISE DATA WAREHOUSE

In 2010 the EDW ICT capability 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) and 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.

# ENDNOTES

## Glossary

<b>ABF</b>	Activity-Based Funding
<b>ACSQHC</b>	Australian Commission on Safety and Quality in Health Care
<b>AIHW</b>	Australian Institute of Health and Welfare
<b>CCM</b>	Commonwealth Contribution Model
<b>CEO</b>	Chief Executive Officer
<b>COAG</b>	Council of Australian Governments
<b>DHS</b>	Commonwealth Department of Human Services
<b>EA</b>	<i>NHFB Enterprise Agreement 2016-2019</i>
<b>EDW</b>	Enterprise Data Warehouse
<b>HoA</b>	Heads of Agreement
<b>ICT</b>	Information and Communication Technology
<b>IGA</b>	Intergovernmental Agreement on Federal Financial Relations
<b>IHACPA</b>	Independent Health and Aged Care Pricing Authority
<b>JAC</b>	Jurisdictional Advisory Committee
<b>LHN</b>	Local Hospital Network
<b>NEC</b>	National Efficient Cost
<b>NEP</b>	National Efficient Price
<b>NHA</b>	National Healthcare Agreement
<b>NHFB</b>	National Health Funding Body
<b>NHR Act</b>	<i>National Health Reform Act 2011</i>
<b>NHR Agreement</b>	<i>National Health Reform Agreement 2011</i>
<b>NPCR</b>	National Partnership on COVID-19 Response
<b>NWAU</b>	National Weighted Activity Unit
<b>PGPA Act</b>	<i>Public Governance, Performance and Accountability Act 2013</i>
<b>RBA</b>	Reserve Bank of Australia
<b>SPP</b>	National Healthcare Specific Purpose Payment
<b>The Administrator</b>	Administrator of the National Health Funding Pool
<b>The Pool</b>	National Health Funding Pool

## Appendix A - Strategic Direction 2022-2026

### STRATEGIC DIRECTION 2021-2025



#### 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 US

Our primary functions are to assist the Administrator in:

- Calculating and advising the Commonwealth Treasurer of the Commonwealth's contribution to public hospital funding in each State and Territory
- Reconciling estimated and actual public hospital services, and adjusting Commonwealth payments
- Undertaking funding integrity analysis to identify public hospital services that potentially received funding through other Commonwealth programs
- Monitoring payments of Commonwealth, State and Territory public hospital funding into the National Health Funding Pool (the Pool)
- Making payments from the Pool to each Local Hospital Network (LHN)
- Reporting publicly on funding, payments and services
- Developing and providing three-year data plans to the Commonwealth, States and Territories
- Supporting additional funding streams to be transacted through the Pool

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

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

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

#### OUR BEHAVIOURS

It starts with me

**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 OBJECTIVES



##### Accurate and timely calculation of Commonwealth funding contributions

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



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

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



##### Effective reporting of public hospital funding

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



##### Productive relationships with stakeholders and partners

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



##### Operate as a high performing organisation

- A positive workplace culture where people adopt best practice approaches to achieve results
- An agile and responsive workforce ready to adapt to new developments

#### OUR APS VALUES

- Impartial
- Respectful
- Committed
- Ethical
- Accountable



## Appendix B - Our Behaviours

### OUR BEHAVIOURS IT STARTS WITH ME



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### National Health Funding Body Corporate Plan 2022-23

August 2022

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#### Enquiries

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