



Administrator
National Health
Funding Pool

Improving the
transparency of
public hospital
funding in Australia

NATIONAL HEALTH FUNDING POOL ANNUAL REPORT **2021-22**



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

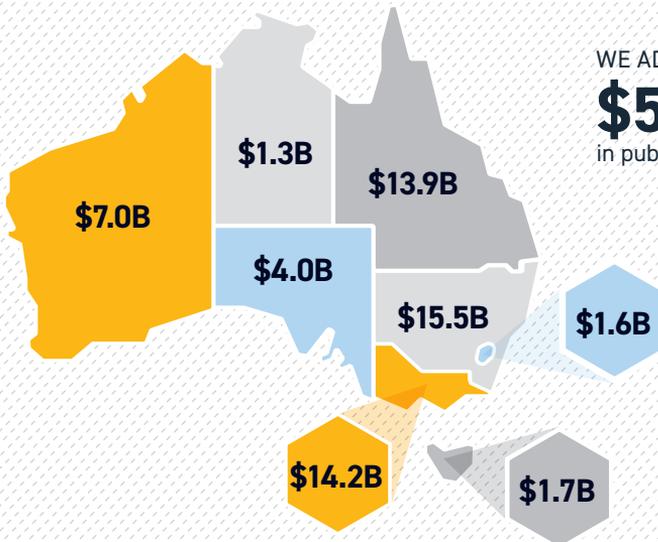
The National Health Funding Body (NHFB) operates as a Commonwealth non-corporate entity under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and is funded as a small agency under the Commonwealth Department of Health and Aged Care Portfolio. The NHFB is an independent agency with 29 staff that support the Administrator to oversee the administration of Commonwealth, State and Territory public hospital funding and payments under the *National Health Reform Agreement* (NHR Agreement) and *National Partnership on COVID-19 Response* (NPCR).

This Annual Report provides an overview of the role and work of the Administrator during 2021-22 and provides both the combined and individual State and Territory Pool Accounts for 2021-22.

This report should be read in conjunction with the *National Health Funding Body Annual Report 2021-22*.



www.publichospitalfunding.gov.au/publications



WE ADMINISTERED...

\$59 BILLION

in public hospital payments

IN THE 2022
**APS EMPLOYEE
 CENSUS**
 OUT OF
98 AGENCIES
 WE RANKED...



LEADERSHIP (SES)
 LEADERSHIP (SUPERVISOR)
 INNOVATION
 COMMUNICATION
 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

LETTER OF TRANSMITTAL



Administrator National Health Funding Pool

The Hon. Mark Butler MP
Minister for Health and Aged Care
Commonwealth of Australia

The Hon. Brad Hazzard MP
Minister for Health
New South Wales

The Hon. Mary-Anne Thomas MP
Minister for Health and
Minister for Ambulance Services
Victoria

The Hon. Yvette D'Ath
Minister for Health and Ambulance Services
Queensland

The Hon. Amber-Jade Sanderson MLA
Minister for Health; Mental Health
Western Australia

The Hon. Chris Picton MLC
Minister for Health and Wellbeing
South Australia

The Hon. Jeremy Rockliff MP
Premier of Tasmania
Minister for Health, Minister for Mental
Health and Wellbeing, Minister for Tourism,
Minister for Trade
Tasmania

The Hon. Rachel Stephen-Smith MLA
Minister for Health, Minister for Families and
Community Services and Minister for
Aboriginal and Torres Strait Islander Affairs
Australian Capital Territory

The Hon. Natasha Fyles MLA
Chief Minister
Minister for Health, Minister for Alcohol Policy,
Minister for Defence, Minister for Major Projects
Northern Territory

Dear Ministers,

Administrator of the National Health Funding Pool Annual Report 2021-22

I am pleased to submit to you, for tabling in your respective Parliaments, my Annual Report for the year ended 30 June 2022.

This report has been prepared in accordance with the requirements of sections 241 to 243 of the Commonwealth *National Health Reform Act 2011 (the NHR Act)* and corresponding State and Territory National Health Reform legislation.

The report includes a combined Financial Statement of the National Health Funding Pool accounts, and a Financial Statement for each State and Territory State Pool Account audited by the respective Auditor-General. The report also includes the reporting required under section 241(2) of the NHR Act on National Health Reform funding and payments, on a national level and for each State and Territory.

Yours sincerely,

Michael Lambert
Administrator
National Health Funding Pool

21 September 2022

CONTENTS

Letter of Transmittal			3
The Role of the Administrator			5
The role of the National Health Funding Body			7
Structure			9
Message from the Administrator			13
Highlights and what's ahead			18
Legislative and regulatory framework			19
Administrator policies			21
Calculating the Commonwealth Contribution in 2021-22			22
Public hospital funding and payments			24
Reporting			28
Our stakeholders and partners			30
National	35	Tasmania	197
Funding and Payments	35	Funding and Payments	197
Financial Statement	47	Financial Statement	207
New South Wales	69	Australian Capital Territory	223
Funding and Payments	69	Funding and Payments	223
Financial Statement	79	Financial Statement	233
Victoria	93	Northern Territory	247
Funding and Payments	93	Funding and Payments	247
Financial Statement	107	Financial Statement	257
Queensland	123	Endnotes	271
Funding and Payments	123	Acronyms	272
Financial Statement	133	Annual Report	
		Legislative Requirements	273
Western Australia	147	Glossary	275
Funding and Payments	147	Disclosure Index	277
Financial Statement	157	Index	278
South Australia	171		
Funding and Payments	171		
Financial Statement	181		

THE ROLE OF THE ADMINISTRATOR

The Administrator of the National Health Funding Pool (the Pool) is a statutory office holder, independent from Commonwealth and State and Territory Governments and is appointed to the position under Commonwealth, State and Territory legislation.

The position was established by the NHR Act, and relevant legislation of each State and Territory. The Administrator is supported by the NHFB, which is also independent of all governments.

The key functions of the Administrator, with the support of the NHFB are to:

- Calculate and advise the Commonwealth Treasurer of the Commonwealth's contribution to public hospital funding in each State and Territory
- Reconcile 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
- maintain productive and effective relationships with stakeholders and industry partners, including all Australian Governments, the Independent Health and Aged Care Pricing Authority (IHACPA), Australian Institute of Health and Welfare (AIHW) and the Australian Commission on Safety and Quality in Health Care (ACSQHC).

OUR ROLE IN AUSTRALIA'S HEALTH SYSTEM

WHO WE SUPPORT

PRIME MINISTER,
PREMIERS AND
CHIEF MINISTERS

COMMONWEALTH,
STATE AND TERRITORY
HEALTH MINISTERS

COMMONWEALTH
TREASURER

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 29 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

THE ROLE OF THE NATIONAL HEALTH FUNDING BODY

The NHFBs primary purpose is to support the obligations and responsibilities of the Administrator through best practice administration of public hospital funding.

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

The NHFB is an independent agency with 29 staff that support the Administrator to oversee the administration of Commonwealth, State and Territory public hospital funding and payments under the NHR Agreement.

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

FIGURE 1 National Health Funding Body's four key functions



Supporting the Administrator

FINANCIAL YEAR 2021-22 HIGHLIGHTS FOR THE 29 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

NATIONAL

NSW

VIC

QLD

WA

SA

TAS

ACT

NT

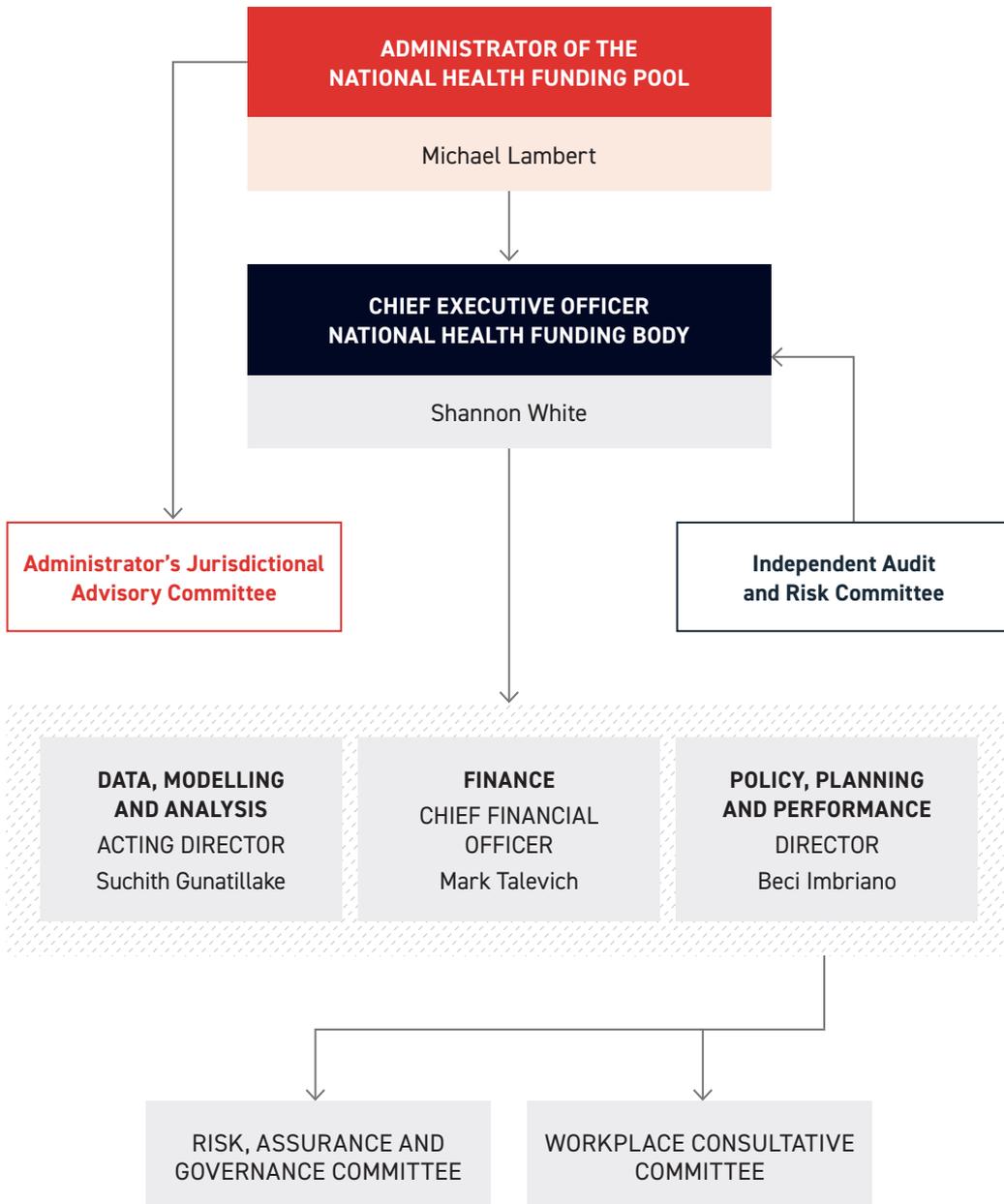
ENDNOTES

STRUCTURE

The NHFB's structure ensures resources are aligned to core functions, providing for clear lines of reporting.

'Figure 2' shows the relationship between the Administrator, NHFB and governance elements.

FIGURE 2 Organisational structure as at 30 June 2022





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, the NSW Cancer Council and 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.

He has also held Non-Executive Directorships in the finance, energy and not for profit sectors.

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 29 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 and Aged Care, 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 and Aged Care 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 NHFBs 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.

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.

MESSAGE FROM THE ADMINISTRATOR



I am pleased to present the Administrator's National Health Funding Pool Annual Report for the financial year ending 30 June 2022, which is the tenth report on the operation of the National Health Funding Pool (the Pool).

A handwritten signature in black ink, appearing to read 'Michael Lambert'.

Michael Lambert

Administrator
National Health Funding Pool

2021-22 was another challenging year to operate in with the continuing impact of COVID-19 on the public hospital system, the broader health system as well as on the community and the economy. The main areas of focus, beyond undertaking the key functions of calculate, pay, report were:

- Putting in place the reforms and initiatives set out in the Addendum
- Continuing work to improve the consistency and transparency of public hospital funding
- Enhancing funding integrity with respect to both data matching and miscoded private patients
- Bilateral engagement with all key stakeholders, including jurisdictions and national bodies.

National Health Reform Funding and Annual Reconciliation

In 2021-22, \$59.2 billion in payments were made. Total Commonwealth, State and Territory (hereafter States refers to States and Territories) payments have increased from \$37 billion in 2013-14 to \$59 billion in 2021-22, representing an increase of more than \$22 billion over the last eight years. Of the \$59.2 billion, the Commonwealth contributed \$24.1 billion, with States contributing the balance.

The 2020-21 Six-month Reconciliation was deferred to the annual reconciliation this year due to the ongoing impact of COVID-19 and the uncertainty of public hospital activity.

The 2020-21 Annual Reconciliation was completed in early 2022, with my Payment Advice provided to the Commonwealth Treasurer (and all health ministers) on 24 February 2022. This is the fastest the NHFB has completed an Annual Reconciliation, and the fourth year in a row it has been completed by March.

The Federal Government provided a Minimum Funding Guarantee for 2019-20 to 2020-21, which was then extended to include 2021-22, to ensure no jurisdiction is left worse off as a result of the pandemic. Funding Guarantee payments of \$0.532 million and \$0.223 million for 2019-20 and 2020-21 respectively have been made, with eligibility in 2021-22 to be assessed by the Commonwealth Treasurer as part of the 2021-22 Annual Reconciliation in early 2023.

Funding compared to final Commonwealth funding entitlements

Cash payments reflect the level of Commonwealth NHR funding actually paid within a financial year. These payments include both, funding for forecast activity estimates for the current financial year provided by States and Territories, as well as funding adjustments based on the reconciliation of actual public hospital services delivered in the prior financial year. These funding adjustments are based on the final Commonwealth NHR funding entitlement, which is determined after the financial year is concluded and all activity data is submitted for reconciliation. The table on page 46 shows the national comparison between these two figures, with the State and Territory information in each chapter.

COVID-19 payments

The National Partnership on COVID-19 Response (NPCR) was signed by all Australian Governments in March 2020 with the objective of the Commonwealth providing assistance for the additional costs incurred by States in responding to COVID-19. Subsequently the NPCR was extended to include vaccination payments and aged care support.

Since March 2020, \$12 billion in critical funding (of which, \$5.1 billion was paid in 2021-22), has been paid to States to support their response to COVID-19, including:

- \$2.7 billion in Hospital Services Payments (HSP) for COVID-19 related hospital activity (including COVID-19 testing)
- \$7.6 billion in State Public Health Payments (SPHP) for activities aimed at reducing the spread of COVID-19
- \$1.3 billion in Private Hospital Financial Viability Payments (FVP) which relate to agreements entered into by States with private hospitals to maintain the viability of private hospitals and assist in the COVID response.

The Agreement has been extended to December 2022.

Funding integrity and data matching

Data matching activities are undertaken to ensure public hospital funding integrity. Data matching identifies instances where the Commonwealth may have inadvertently contributed funding for the same public hospital service under the NHR Agreement and another Commonwealth program (e.g. Medical Benefits Schedule). An extensive data matching program has been established that:

- Identifies public hospital services that appear to have been paid for twice

- Refers these matters to the Commonwealth in the first instance to support Commonwealth compliance activities through mechanisms outside of the Addendum with States provided copies of their data matches
- Determines data matching business rules, in consultation with jurisdictions.

A sample of higher probability positive matches and potential false negative matches is provided to the Commonwealth and all States for investigation and feedback. The sampling process has been refined to focus on complete episodes of care and to address specific issues raised by jurisdictions during consultation.

The Commonwealth Department of Health and Aged Care is responsible for MBS compliance activity, including any adjustments for true positive matches and is required to provide an annual report on the outcomes of any compliance activities.

Miscoded private patients (i.e. patients coded as public patients that upon examination are likely to be private patients in public hospitals) are addressed through the reconciliation process. In 2021-22, details of potentially miscoded private patients were provided to jurisdictions during the 2020-21 Six-Month and Annual Reconciliation for investigation and feedback. Where potentially miscoded private patients were identified, the NHFB worked with the relevant State to correct the data and facilitate a resubmission.

Implementation of Addendum Initiatives

There are a number of initiatives in the Addendum which have been progressed during the year, these being:

- a pricing model to discount funding for avoidable hospital readmissions has been developed by the IHACPA to take effect from July 2021
- an exemption from the Commonwealth funding cap for a two- year period for Highly Specialised Therapies, approved by the Medical Services Advisory Committee, is now in place
- an approach to ensuring payment neutrality between public and private patients in public hospitals has been developed and will be incorporated in the 2021-22 Annual Reconciliation
- a draft 2020-21 Annual Report on Maintenance of Effort to assess Commonwealth, State and Territory public hospital funding contributions since 2018-19
- Work with the IHACPA and the ACSQHC to provide advice to health ministers on options for the further development of safety and quality-related reforms, including ways that avoidable and potentially preventable hospitalisations can be reduced.

Consistency and transparency of public hospital funding

Parties to the Addendum agreed to, at a minimum, maintain 2018-19 levels of funding for public hospital services through the National Health Funding Pool from 2020-21 to 2024-25.

To provide a meaningful annual report on Maintenance of Effort, the NHFB and I have worked with States through bilaterals, the Administrator's JAC and with the AIHW to improve consistency and transparency in reporting.

The draft report highlights that all States and the Commonwealth have maintained their rate of effort when comparing 2018-19 funding for in-scope public hospital services through the Pool against 2020-21. The draft report also highlights that there are inconsistencies in approach to funding transacted through the Pool and information in Service Agreements which requires additional engagement between the Parties, in particular:

- Not all in scope ABF payments appear to being paid into the Pool as required under the NHR Agreement
- Out-of-scope ABF payments are being paid into the Pool, which is not an issue, but they need to be clearly identified
- The accuracy and completeness of Service Agreements entered into by States with LHNs, including data on State Prices, needs to be improved and be in full accord with the NHR Agreement.
- Work needs to be undertaken with AIHW to improve public hospital reporting for out-of-scope activity, including third party revenue.

Administrator's policies and plans

There are a series of Administrator's policies and plans which are reviewed and updated on a regular basis. The following were updated in 2021-22:

- Administrator's Three-Year Data Plan 2022-23 to 2024-25
- Data Compliance Policy 2022-23
- Administrator's Calculation Policy 2020-25, which sets out the approach to calculating Commonwealth payments, incorporating the treatment of Highly Specialised Therapies, Private and Public Patient Neutrality and a pricing model for avoidable hospital readmittances
- Administrator's Guidance on Financial Arrangements for the NPCR
- Data Matching Business Rules.

Stakeholder engagement

There has been regular, very helpful engagement with all stakeholders including States and the national bodies. In 2021-22 we held quarterly bilateral discussions with all States in the lead up to the quarterly Administrator's Jurisdictional Advisory Committee meetings to discuss key agenda items, and we continue these bilateral meetings into 2022-23.

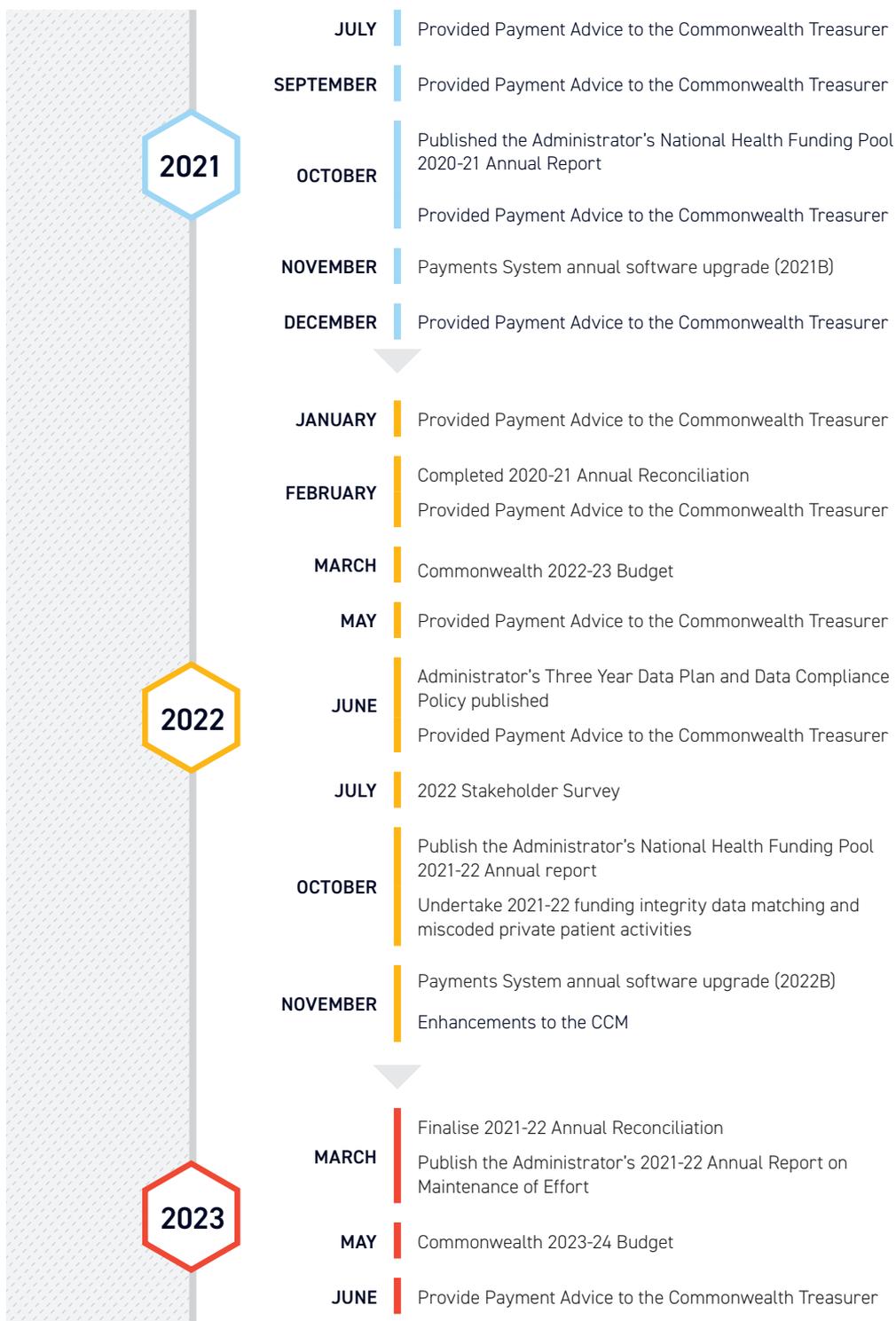
The year ahead

During 2022-23, Shannon White and I will actively engage with all jurisdictions, national bodies and industry partners. Our priorities, beyond our core ongoing functions, include:

- Finalising the implementation of the Addendum initiatives
- Addressing consistency and transparency issues identified in public hospital funding and reporting
- Further refining and improving the approach to data matching
- Working with the IHACPA to identify and address anomalies in service pricing between public hospital activity categories and improve the transparency and accountability in respect to Block funding
- Working with the IHACPA, ACSQHC and all jurisdictions to enhance the approach to achieving improved safety and quality and reducing potentially preventable hospitalisations.

Finally, I thank the NHFB CEO, Shannon White, and his first-class team at the NHFB for their dedicated work in supporting me to fulfill our mutual responsibilities and advance our vision of improving transparency of public hospital funding in Australia.

HIGHLIGHTS AND WHAT'S AHEAD



LEGISLATIVE AND REGULATORY FRAMEWORK

Legislation

The role of the Administrator, the Pool and the NHFB 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 Act and 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.

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* (the Addendum).

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. The Addendum also includes a commitment by all Australian governments to a shared long-term vision for health reform, with reforms aimed to make it easier to provide flexible, high-quality care that meets the needs and preferences of Australians, and reduces pressure on hospitals.

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
- prioritising prevention and helping people manage their health across their lifetime
- driving best practice and performance using data and research.

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

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 Federal Government also provided a Minimum Funding Guarantee to States and Territories for the period 2019–20 to 2021–22, 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 Payments.

A third update to the NPCR was made in April 2021 to support the COVID-19 vaccine rollout.

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 (e.g. the IHACPA).

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 in Commonwealth COVID-19 funding has been paid to States and Territories:

- Hospital Services Payments for COVID-19 related hospital activities, with the Commonwealth funding 50 per cent
- State Public Health Payments for public health activities associated with addressing the pandemic, with the Commonwealth funding 50 per cent
- Private Hospital Financial Viability Payments to enable private hospitals to retain capacity, with the Commonwealth funding 100 per cent
- Schedule C: COVID-19 vaccine payments including vaccine dose delivery payments and vaccine rollout support payments.

In 2021–22, the Federal Government announced an extension to the NPCR through to December 2022.

ADMINISTRATOR POLICIES

The Administrator's policies make transparent the approach taken to performing the Administrator's functions.

This includes the provision of data, data quality and management, calculation of initial payments, reconciliation of final entitlements, funding integrity and guidance on the operation of the National Health Funding Pool.

Three-Year Data Plan

The Administrator's Three-Year Data Plan describes the Administrator's determination of the minimum level of data required from the Commonwealth, States and Territories, to calculate the Commonwealth's National Health Reform funding to public hospital services, conduct reconciliation activities and report publicly on NHR funding and payments.

Data Compliance Policy

The Data Compliance Policy comprises the Administrator's policy on jurisdictional compliance with data provision as required in the Administrator's Three-Year Data Plan. The NHFB, on behalf of the Administrator, publishes a quarterly Data Compliance Report on jurisdictional compliance with the Data Plan and Data Compliance Policy.

Data Governance Policy

The Data Governance Policy covers both the Administrator and the NHFB. It details the information collected, the purpose for the collection, its use, storage, disclosure and disposal, by the Administrator.

Calculation of Commonwealth National Health Reform Funding

This document sets out the approach and processes used by the Administrator to calculate Commonwealth NHR funding paid to States and Territories. The calculation policy includes funding for Activity Based Funding (ABF), Block and Public Health funding categories as well as the approach to reconciliation activities.

Business Rules for Data Matching

The business rules outline the business and data matching rules in relation to clause A6 of the NHR Agreement, where assessment is undertaken to ensure the Commonwealth does not fund activities twice, through ABF and through MBS and/or PBS funding or another Commonwealth program.

National Health Funding Pool Payments System Policy

The policy covers the governance and management of the Payments System, and the obligations and responsibilities of users.

Administrator's Guidance on Financial Arrangements (NPCR)

The Guidance provides States and Territories with information to assist them with the funding arrangements and financial administration of the NPCR in their respective health systems.

CALCULATING THE COMMONWEALTH CONTRIBUTION IN 2021-22

Commonwealth funding for Activity Based, Block and Public Health funding categories is calculated using the Commonwealth Contribution Model, a transparent, robust and independently reviewed methodology.

The Commonwealth Contribution Model (CCM) calculations form the basis of the Administrator's payment advice to the Commonwealth Treasurer. This advice is also provided to State and Territory health ministers and State and Territory health departments.

There are two broad types of funding: ABF and Block (see Figure 3). Under the NHR Agreement, the scope of public hospital services that are funded on an ABF or Block basis and are eligible for a Commonwealth funding contribution currently includes:

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

Commonwealth funding for ABF, Block and Public Health is calculated using the CCM which is accurate, correct and independently reviewed each year.

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

FIGURE 3 Types of public hospital funding



ACTIVITY BASED FUNDING

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



BLOCK FUNDING

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

Payment Advice

The Administrator provides payment advice to the Commonwealth Treasurer for the following purposes:

- as input to the Commonwealth Budget, based on initial estimates of activity from States and Territories
- establishing Commonwealth contributions for the future financial year, based on confirmed estimates of activity from States and Territories
- updating Commonwealth contributions for the current financial year, based on revised activity estimates from States and Territories
- as input to the Mid-Year Economic and Fiscal Outlook (MYEFO)
- updating Commonwealth contributions following the Six-month Reconciliation and Annual Reconciliation

The first payment advice for 2021-22 was provided to the Treasurer on 28 June 2021, with further updates to 2021-22 Payment Advice provided to the Commonwealth Treasurer on:

- 23 September 2021, which updated payments from 1 October 2021 to 30 June 2022
- 26 October 2021, which updated payments from 1 November 2021 to 30 June 2022
- 25 January 2022, which updated payments from 1 February 2022 to 30 June 2022
- 24 February 2022, which updated payments from 1 March 2022 to 30 June 2022
- 25 May 2022, which updated payments from 1 June 2022 to 30 June 2022.

Once the Payment Advice is provided to the Treasurer, the advice is also distributed to all health ministers and State and Territory health department CFOs.

The final 2021-22 Payment Advice resulted in \$22.448 billion in Commonwealth NHR funding for 2021-22.

PUBLIC HOSPITAL FUNDING AND PAYMENTS

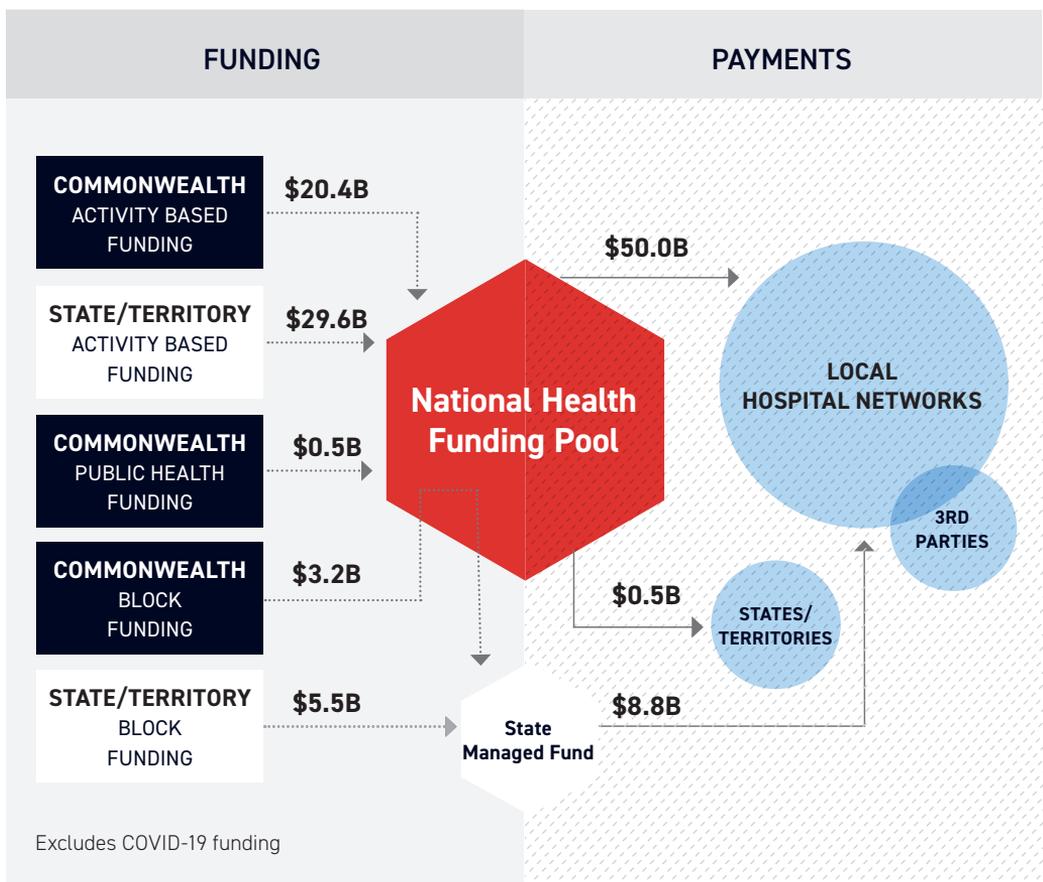
Payments

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.

NHR funding occurs when the Commonwealth or State 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 4 2021-22 Public hospital funding payment flows



Funding

Each funding type has a specific criteria set for what services are appropriate, with the preference to use 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 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. States and Territories are required to outline their basis of payments to each LHN, including an explanation of the factors taken into account. The following service categories were ABF funded in 2021-22:

- emergency department services
- acute admitted services
- admitted mental health services
- sub-acute and non-acute services
- non-admitted services

EMERGENCY DEPARTMENT SERVICES

These involve the provision of care for patients who may have an urgent need for medical, surgical or other care, such as treatment for a broken limb or initial treatment of a severe injury or illness.

ACUTE ADMITTED SERVICES

These are services where the treatment goal is to cure or reduce the severity or symptoms of illness or injury that requires hospital admission, such as surgery following an accident or for general services such as obstetric care.

ADMITTED MENTAL HEALTH

These are hospital-based services involving diagnosis, treatment, and preventive care that assists how persons with mental illness feel both physically and emotionally.

SUB-ACUTE AND NON-ACUTE SERVICES

These are specialised multidisciplinary care in which the primary need for care is optimisation of the patient's functioning and quality of life, through rehabilitation, palliative, geriatric or maintenance care.

NON-ADMITTED SERVICES

These are services provided to patients who do not undergo a formal admission process, and do not occupy a hospital bed, such as specialist clinics and community health services.

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. Categories of Block funding in 2021-22 included:

- teaching, training and research
- small rural hospitals
- non-admitted mental health
- non-admitted child and adolescent mental health services (CAMHS)

- non-admitted home ventilation
- other non-admitted services (e.g. chronic disease management)
- Highly Specialised Therapies (e.g. CAR-T).

TEACHING, TRAINING AND RESEARCH

Teaching and training are activities provided to facilitate the acquisition of knowledge, or development of skills and expertise. Research is an activity undertaken to improve consumer and patient health outcomes and/or performance.

SMALL RURAL HOSPITALS

Public hospitals, or public hospital services, are eligible for Block funding if the requirement for ABF cannot be satisfied. They may also be eligible when economies of scale are not present, meaning the provision of services is not financially viable under ABF. Block funding is set in these circumstances based on a scale of NWAU levels for the relevant hospitals.

NON-ADMITTED MENTAL HEALTH

Non-admitted mental health services are specialist mental health services that do not involve an admission to hospital, such as older persons' community mental health services.

NON-ADMITTED CHILD AND ADOLESCENT MENTAL HEALTH SERVICES (CAMHS)

Non-admitted Child and Adolescent Mental Health Services (CAMHS) provides consultation to other service providers working with children and adolescents to promote early intervention and effective delivery of primary level responses for children and young people experiencing mild to moderate mental health problems.

NON-ADMITTED HOME VENTILATION

Non-admitted home ventilation services are where the patient received ventilatory support (self-administered by the patient or the patient's carer). Ventilatory support is a process by which gases are moved into the lungs by a device that assists respiration by augmenting or replacing the patient's own respiratory effort.

OTHER NON-ADMITTED SERVICES

These are any non-admitted services not covered under other Block funded categories, such as chronic disease management programs or falls prevention services.

HIGHLY SPECIALISED THERAPIES

Under the Addendum, all Australian Governments agreed funding arrangements for new high cost, highly specialised therapies (HSTs), recommended for delivery in a public hospital setting by the Medical Services Advisory Committee (MSAC). Since the Addendum was signed, four HSTs have been recommended by MSAC:

- Kymriah – for the treatment of acute lymphoblastic leukaemia in children and young adults
- Kymriah or Yescarta (DLBCL) – for the treatment of diffuse large B-cell lymphoma, primary mediastinal large B-Cell lymphoma and transformed follicular lymphoma
- Qarziba – for the treatment of high risk neuroblastoma
- Luxturna – for the treatment of inherited retinal disease.

Other funding types

Public Health funding

Public Health funding is paid into the Pool 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, youth health services and essential vaccines (service delivery). States and Territories have full discretion over the application of Public Health funding to the outcomes set out in the NHR Agreement.

Cross-border funding

When a resident of one State or Territory receives hospital treatment in another State or Territory, the 'resident' State or Territory compensates the 'provider' State or Territory for its share of the cost of the service. This is known as a cross-border payment.

The Commonwealth's share of the cost of these services is made directly to the 'provider' State or Territory. Cross-border agreements, including the scope of the services and payment arrangements, can occur bilaterally between all States and Territories.

Interest

When a State Pool Account has an overnight credit balance, interest accrues into the account and is paid periodically by the RBA to the State or Territory account holder. Interest paid into the State Pool Account can be used for State and Territory funding.

Over deposit

Excess funding deposited into the State Pool Account can be earmarked as an 'over deposit' and paid to the State or Territory health department, or be used as part of a subsequent payment to LHNs.

REPORTING

Funding and payments

Section 240 of the NHR Act requires the Administrator to provide monthly reports to the Commonwealth and each State and Territory. These reports are made publicly available via publichospitalfunding.gov.au to improve the transparency of public hospital funding.

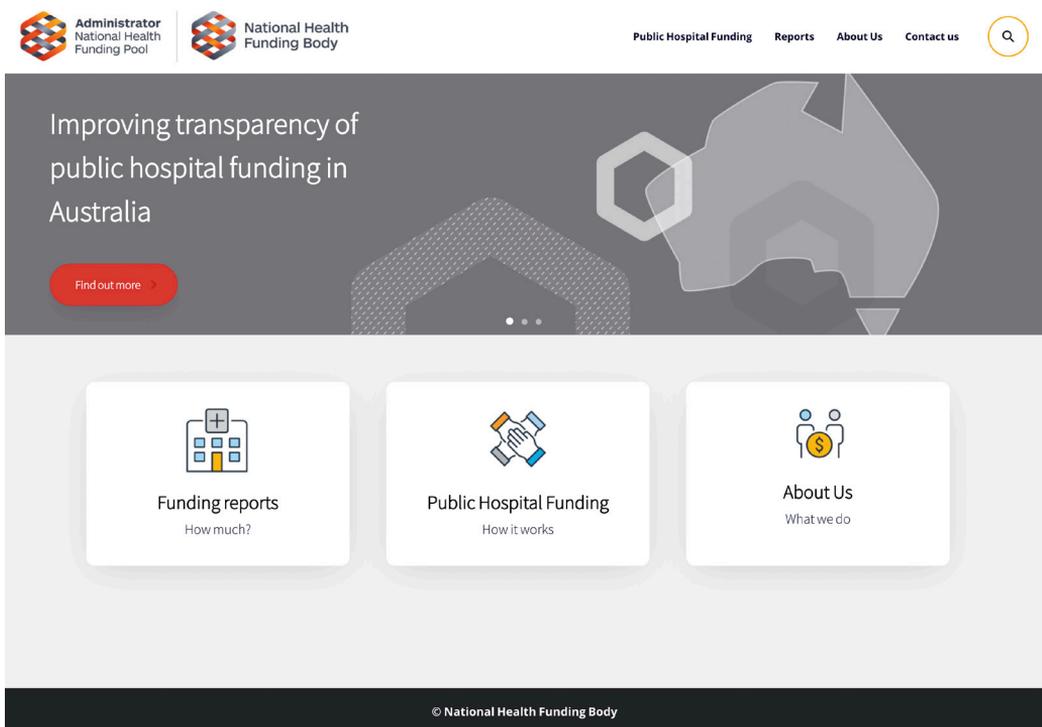
Monthly reports provide details of funding and payments into and out of the Pool and State Managed Funds. This information is provided at a national, State and Territory and LHN level, and details both the Commonwealth and State and Territory contributions.

The NHFB produces approximately 160 reports each month on behalf of the Administrator, comprising of:

- a national report
- a report for each State and Territory
- a report for each LHN.

These reports are prepared on a cash basis and align to the reporting of funding and payments provided in this Annual Report. Full year 2021-22 funding and payment information was published to the website on 21 July 2022, three weeks after the end of the financial year.

FIGURE 5 publichospitalfunding.gov.au



Compliance

Through engagement with States and Territories, compliance with the NHR Agreement improved in 2021-22 with respect to data submissions and service agreements. Overall, compliance with the Administrator's Three-Year Data Plan also improved however there are some areas that require more work.

DATA SUBMISSIONS

Timeliness of annual data submissions to support the annual reconciliation improved on the prior year with six out of eight States and Territories providing Submission A files on time, and six of eight providing Submission B files on time.

Timeliness of the six-month data submissions remained consistent between 2020-21 and 2021-22 for Submission A, with seven out of eight States and Territories having provided files on time for the 2021-22 Six-month Reconciliation. Timeliness of Submission B improved in 2021-22 with seven out of eight providing data on time, compared to five of the eight in the prior year.

SERVICE AGREEMENTS

Whilst there has been some improvement, there is further work to do on the timeliness of providing Service Agreements to the Administrator, alignment of Service Agreements to estimate submissions and compliance requirements.

Following engagement with States and Territories on transparency of public hospital funding, 29 of the 90 Service Agreements submitted to the Administrator in 2021-22 aligned to activity estimate submissions, compared to 2 of 52 submitted as at 30 June 2021.

It is not currently clear in LHN Service Agreements whether out-of-scope activity is included or excluded. It is also unclear whether, and to what degree, out-of-scope funding is transacted through the Pool. To improve this, from 1 July 2022, States are required to identify both in-scope and out-of-scope activity in their Service Agreements.

MAINTENANCE OF EFFORT

Parties to the Addendum agreed to, at a minimum, maintain levels of funding for public hospital services through the Pool for 2020-21 to 2024-25 at no less than the level of funding for 2018-19, while having regard to new, appropriate models of care that may change the setting in which care is delivered.

This requirement, and the assessment of Maintenance of Effort, is only against funding and payments for in-scope public hospital services under the NHR Agreement.

This work has identified some historical inconsistencies in approach to funding transacted through the Pool, information detailed in Service Agreements, and public hospital expenditure reporting.

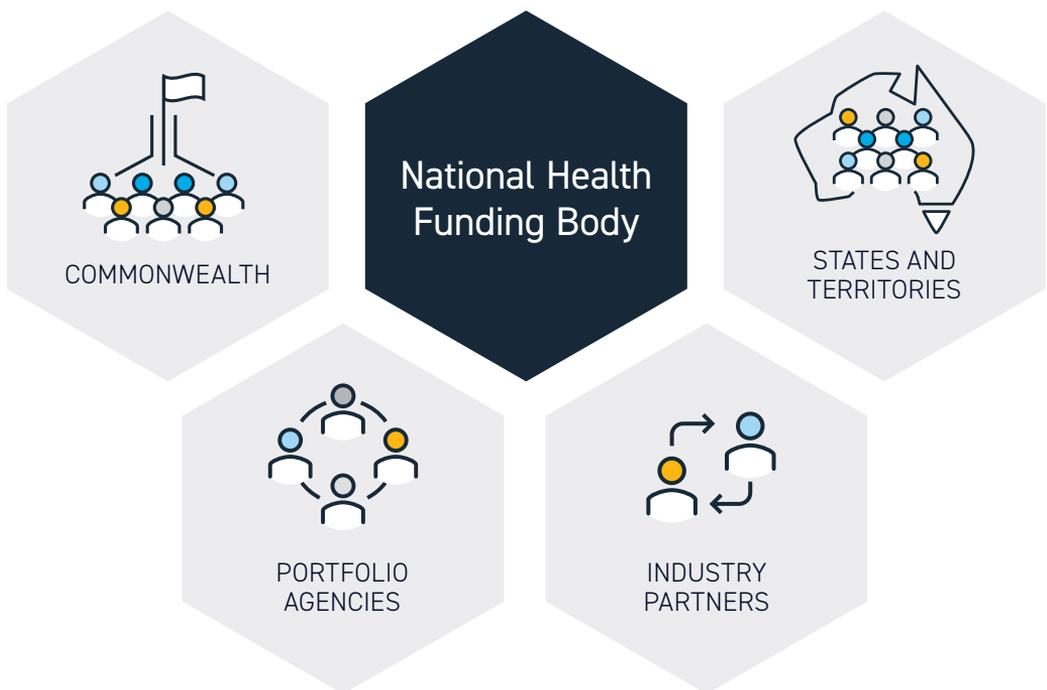
To provide a meaningful annual report on Maintenance of Effort for 2021-22, the Administrator will continue to work with all Parties to the Addendum and the AIHW towards achieving more consistency and transparency in the reporting of public hospital funding.

OUR STAKEHOLDERS AND PARTNERS

Productive relationships and regular communication with stakeholders and partners supports the Administrator and NHFB to improve the transparency of funding for public hospital services.

In 2021-22, the Administrator and NHFB continued to proactively engage with stakeholders as productive discussions not only provide valuable guidance to assist all parties understand the basis of funding calculations and outcomes, but also build trust in the functions of the Administrator and NHFB.

FIGURE 6 National Health Funding Body stakeholders and partners



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. This is supplemented by regular bilateral discussions with States and Territories ahead of the more formal JAC meetings.

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 2021-22 included:

- implementation of the Addendum
- Administrator's policy documents
- 2020-21 Annual Reconciliation of public hospital funding and services
- National Partnership on COVID-19 Response Reconciliation
- funding integrity, including data matching
- Payments System administration
- Consistency and transparency of public hospital funding.

Commonwealth

In 2020-21 the Administrator and NHFB were supported by, and worked with Commonwealth stakeholders through a range of formal and informal arrangements, including:

- Enterprise Data Warehouse (EDW) technical support from the Department of Health and Aged Care
- the provision of public hospital activity data from Services Australia
- monthly roundtable 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
- website hosting on Australia's whole-of-government platform, GovCMS from Department of Finance.

Portfolio Agencies

These agencies include the Independent Health and Aged Care Pricing Authority (IHACPA), the Australian Institute of Health and Welfare (AIHW) and the Australian Commission on Safety and Quality in Health Care (ACSQHC), and contribute to the Administrator providing trusted and impartial advice to all stakeholders and delivering best practice administration of public hospital funding.

Independent Health and Aged Care Pricing Authority

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

Australian Institute of Health and Welfare

The AIHW develops, collects, compiles, analyses, manages and disseminates Australian health and welfare data information. The NHFB collaborates with the AIHW on public hospital funding related matters. Work is being undertaken with the AIHW, Commonwealth and States and Territories to improve consistency and transparency of public reporting in preparation for the Administrator's annual Maintenance of Effort Report, as required by the Addendum.

Australian Commission on Safety and Quality in Healthcare

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.

In 2021-22 the ACSQHC, IHACPA and the Administrator, provided a report to all Health Ministers on further options for safety and quality reforms including avoidable and potentially preventable hospitalisations.

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.

Independent Health and Aged Care Pricing Authority (IHACPA)

Data collection



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

Classification



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

Costing



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

Pricing



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

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.

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, State and Territory public hospital funding payments to Local Hospital Networks.

Report



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

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

NATIONAL

Funding and Payments

\$59.2B

total payments with
\$58.7B paid to

143

Local Hospital
Networks (LHNs)

\$50.0B

in Activity Based Funding
that delivered

40.6 Million

public hospital services

9,146,890

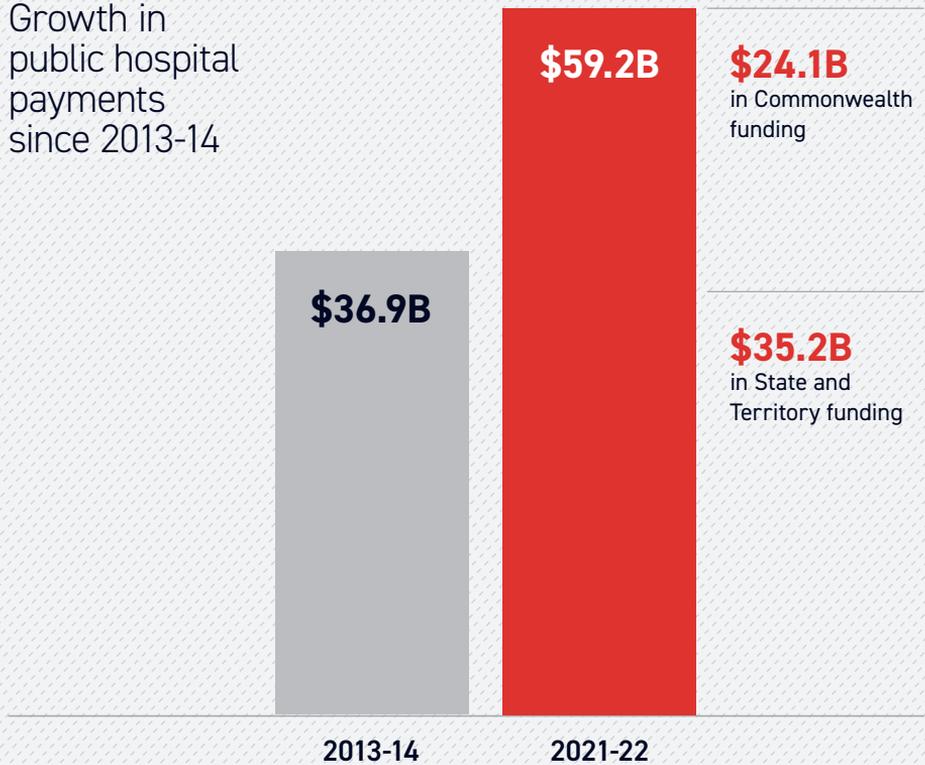
National Weighted
Activity Units (NWAU)

These amounts do not include transactions related to the NPCR. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

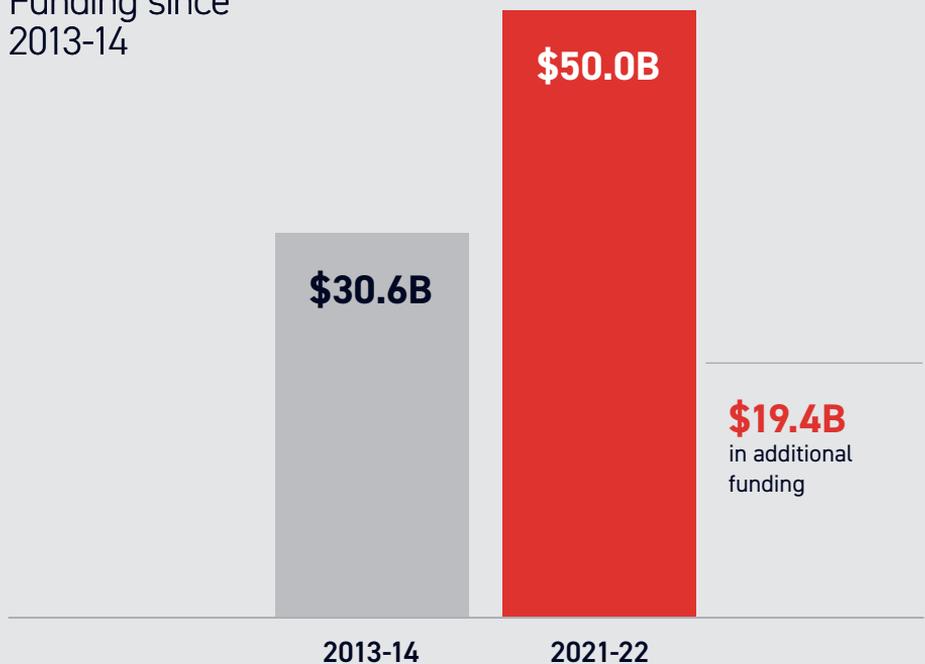
National Health Reform disclosures for the year ended 30 June 2022

Issued by the Administrator of the National Health Funding Pool under section 241(2) of the Commonwealth *National Health Reform Act 2011*.

Growth in
public hospital
payments
since 2013-14



Growth in
Activity Based
Funding since
2013-14



Certification Letter to the Administrator



**National Health
Funding Body**

National Health Funding Body

GPO Box 1252 Canberra ACT 2601

ABN: 15337761242

Telephone: 1300 930 522

Email: nhfa.administrator@nhfa.gov.au

Mr Michael Lambert
Administrator of the National Health Funding Pool
GPO Box 1252
Canberra ACT 2601

Dear Mr Lambert,

National Health Funding Body Annual Report 2021-22

This letter outlines the assurance arrangements in place for the preparation of the 2021-22 Financial Statements for the State Pool Accounts, and the Funding and Payment disclosures as per the *Commonwealth National Health Reform Act 2011* (the Act), and expresses opinion on their inclusion in the *National Health Funding Pool Annual Report 2021-22*.

Financial Statements

The National Health Funding Body (NHFB) has prepared a financial statement for the year ended 30 June 2022 for each of the State Pool Accounts as required by section 241(3) of the Act. The financial statements have been prepared as Special Purpose Financial statements on a cash accounting basis in accordance with Australian Accounting Standards and other mandatory professional and statutory reporting requirements. This is consistent with the financial statements prepared in previous financial years, except for a change to the presentation of Note 6 Activity Based Funding receipts and payments relating to cross-border receipts and payments. This impacts the prior year comparative figures in Note 6, however this information is available in Note 3 cross border receipts and Note 5 cross-border payments.

The financial statements for each of the States and Territories have been audited by their respective Auditor General. To assist with this process, the NHFB has provided all financial records and related data, explanations and assistance necessary to conduct the audit in accordance with the Act and relevant State and Territory legislation.

The NHFB maintains strong governance processes over the preparation of the financial statements including monthly reconciliations of transactions recorded through the Pool Accounts with transactions recorded through the National Health Funding Pool (NHFP) Payments System.

The NHFB has internal controls and policies in place to prevent and detect errors, misstatements or instances of fraud. These include:

- The NHFP Payments System Internal Control Framework that ensures the integrity of systems and processes
- an Information Security Registered Assessor Program (IRAP) security documentation review (conducted by a third party) to ensure compliance against the Information Security Manual (ISM) and no material issues were identified
- a Reasonable Assurance Review of the NHFP Payments System (conducted by a third party) and no material issues were identified

In addition, the NHFB's processes and approach relating to risk management and oversight of the preparation of the financial statements are monitored through its external Audit and Risk Committee.

No errors, misstatements or instances of fraud have been identified in relation to the operation of the State Pool Accounts through the NHFP Payments System or the Reserve Bank of Australia processes. In addition, we are not aware of any breaches, or possible breaches, of relevant legislation, contracts, agreements or licensing conditions, that could affect the financial statements.

Funding and Payments

The NHFB has also prepared funding and payment information for the 2021-22 financial year as required by section 241(2) of the Act. This information includes detail on funding and payments into and out of the State Pool Accounts and State Managed Funds by the Commonwealth, States and Territories, as well as amounts paid to Local Hospital Networks, including the number of public hospital services funded.

The NHFB works with each State and Territory to prepare and publish reports containing this data on a monthly basis. This process includes strong governance arrangements, including a monthly verification by the State and Territory, to ensure the accuracy of the data. These reports form the basis of the information used to prepare the funding and payments section of the Annual Report.

To enhance the presentation of the funding and payments section, we have excluded over deposits by States and Territories which are subsequently withdrawn, interest and cross-border transactions. This impacts the prior year comparative figures; however this information is available in the Statement of Receipts and Payments.

NHFB Opinion

It is the NHFB's opinion that the Special Purpose Financial Statements and the funding and payments information, prepared for the year ended 30 June 2022, give a true and fair view of the matters required by the Act and the *National Health Reform Agreement*.

Yours sincerely,



Shannon White

Chief Executive Officer
National Health Funding Body
21 September 2022



Mark Talevich

Chief Financial Officer
National Health Funding Body
21 September 2022

Section 241(2) of the NHR Act outlines certain disclosures to be included in this Annual Report.

The information reported is specific to the transactions of the 'relevant State'.

For the purposes of this legislative reporting, the 'relevant State' is the State or Territory that holds the bank accounts opened under the laws of that State or Territory for NHR Agreement purposes.

The values are rounded to the nearest thousand dollars unless otherwise specified.

NHR funding and payments shown in the following tables include Goods and Services Tax (GST) where applicable.

The information disclosed in the following tables is provided by States and Territories and forms part of the Administrator's monthly reporting requirements, located at www.publichospitalfunding.gov.au.

For further information on the types of NHR funding, refer to the 'Introduction' chapter of this Annual Report.

The information contained in this chapter is on a national basis; detailed information for each State or Territory appears in the chapters following.

Basis of National Health Reform funding - Commonwealth 2020-21 to 2024-25

The basis of Commonwealth NHR funding for 2020-21 to 2024-25 as specified in the Addendum is as follows:

PUBLIC HEALTH (A14)

Payments for Public Health activities will continue to grow by the former National Healthcare Specific Purpose Payment (SPP) growth factor. That is, payments for public health activities will be equal to the previous year's payment indexed by the former National Healthcare SPP growth factor.

BLOCK FUNDING (A49)

The Commonwealth will continue to provide funding to States for public hospital services or functions that are more appropriately funded through Block funding and will fund 45 per cent of the growth in the efficient cost of providing these services or performing these functions. Payments will consist of the previous year's payment plus 45 per cent of the growth in the efficient cost of providing the services, adjusted for the addition or removal of Block services as provided in clauses A52 to A55 (calculated in accordance with clause A7). Highly Specialised Therapies are contributed at 50 per cent of the growth in the efficient price or cost.

ACTIVITY BASED FUNDING (A33-A35)

The Commonwealth will fund 45 per cent of the efficient growth of ABF Service delivery, subject to the operation of the National Funding Cap. The Commonwealth's funding for all ABF Service Categories will be calculated individually for each State by summing:

- previous year amount – the Commonwealth's contribution rate for the relevant State in the previous year, multiplied by the volume of weighted ABF Services provided in the previous year, multiplied by the National Efficient Price in the previous year
- price adjustment – the volume of weighted services provided in the previous year, multiplied by the change in the National Efficient Price relative to the previous year, multiplied by 45 per cent
- volume adjustment – the net change in volume of weighted services provided in the relevant State (relative to the volume of weighted ABF Services provided in the previous year), multiplied by the National Efficient Price, multiplied by 45 per cent.

Commonwealth funding will be distributed across all ABF Service Categories in each State at a single Commonwealth Contribution Rate.

FUNDING CAP (A56)

Overall growth in Commonwealth funding will be capped at 6.5 per cent a year (the National Funding Cap).

States may be entitled to additional funding over the Soft Cap if there is funding available under the National Funding Cap (a Redistribution Amount) upon completion of the annual reconciliation.

The Redistribution Amount will be determined as the total of any funding remaining under the National Funding Cap, resulting from a State with growth less than 6.5 per cent.

SAFETY AND QUALITY ADJUSTMENT (A163, A165, A175)

Services that are considered to put patient safety and quality at risk will be subject to a Safety and Quality Adjustment, calculated as part of a State or Territory's actual National Weighted Activity Unit (NWAU) during the Reconciliation process. Adjustments will be included for Sentinel events, Hospital Acquired Complications (HACs), and Avoidable hospital readmissions.

DATA CONDITIONAL PAYMENT (A155)

A temporary deferral of an agreed percentage of Commonwealth NHR funding will apply in the event a State or Territory has not provided the required data for annual reconciliation to the Administrator by 30 September of the relevant financial year. If the required data is not provided by 31 October of the relevant financial year, a deferral of further funds will occur.

COMMONWEALTH FUNDING GUARANTEE

For the 2019-20, 2020-21 and 2021-22 financial years, the Commonwealth provided the States and Territories with a minimum funding guarantee for funding related to the National Health Reform Agreement and the Hospital Services Payment component of the NPCR. Where a State or Territory is eligible for the Commonwealth funding guarantee, an additional payment is made in the following financial year after the annual reconciliation to meet the minimum amount guaranteed by the Commonwealth.

The amounts paid into each State Pool Account and State Managed Fund by the relevant State – Section 241(2)(A)

State or Territory	Amount paid by State/Territory (\$'000)					
	2021-22			2020-21		
	State Pool Account – ABF	State Managed Fund – Block	Total	State Pool Account – ABF	State Managed Fund – Block	Total
New South Wales	7,185,150	1,024,221	8,209,372	7,181,924	993,701	8,175,625
Victoria	7,581,170	1,250,211	8,831,381	5,719,723	1,111,519	6,831,241
Queensland	6,777,673	1,399,978	8,177,651	6,462,020	1,356,708	7,818,728
Western Australia	3,624,977	666,903	4,291,880	3,390,287	592,420	3,982,707
South Australia	2,171,500	181,244	2,352,744	1,578,823	191,289	1,770,112
Tasmania	651,736	575,853	1,227,589	519,902	558,859	1,078,761
Australian Capital Territory	908,341	201,705	1,110,046	795,491	170,431	965,922
Northern Territory	705,063	249,151	954,214	643,941	410,395	1,054,336
NATIONAL TOTAL	29,605,609	5,549,266	35,154,875	26,292,110	5,385,321	31,677,432

The above table does not include interest deposited into the Pool Account, over deposit of state contributions subsequently paid back to the respective State or Territory Health Department or cross-border contributions for transfer to other States or Territories.

Transactions relating to the NPCR are also excluded where separately reported by the State. Details of this funding is provided in the Pool Account Special Purpose Financial Statement of each State or Territory.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account; this will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

The amounts paid into each State Pool Account by the Commonwealth – Section 241(2)(B)

State or Territory	Amount paid by Commonwealth (\$'000)									
	2021-22					2020-21				
	Activity Based Funding	Block funding	Health funding	Public funding	Total	Activity Based Funding	Block funding	Health funding	Public funding	Total
New South Wales	6,113,270	998,805	145,833	145,833	7,257,908	5,335,287	953,509	140,297	140,297	6,429,093
Victoria	4,426,126	842,471	119,306	119,306	5,387,904	4,718,791	815,038	115,621	115,621	5,649,450
Queensland	4,988,926	629,128	93,351	93,351	5,711,404	4,574,072	579,634	89,598	89,598	5,243,304
Western Australia	2,241,148	376,628	47,842	47,842	2,665,617	2,035,652	333,906	46,115	46,115	2,415,673
South Australia	1,415,917	214,047	31,608	31,608	1,661,571	1,257,859	203,920	30,631	30,631	1,492,410
Tasmania	419,670	91,016	9,715	9,715	520,402	389,165	80,207	9,376	9,376	478,748
Australian Capital Territory	419,517	32,823	7,724	7,724	460,064	395,216	30,828	7,354	7,354	433,398
Northern Territory	351,309	34,590	4,343	4,343	390,243	259,540	32,792	4,124	4,124	296,456
NATIONAL TOTAL	20,375,884	3,219,507	459,722	459,722	24,055,113	18,965,582	3,029,834	443,116	443,116	22,438,532

Additional financial assistance has been provided by the Commonwealth under the NPCR including hospital services funding which is paid monthly based on activity estimates provided to the Administrator and reconciled annually with adjustments being made in the following financial year. Details of this funding is provided in the Pool Account Special Purpose Financial Statement of each State or Territory.

The above table excludes amounts paid by the Commonwealth into the State Pool Accounts made under the NPCR relating to Hospital Services Payments of \$1,475,900,889 in 2021-22 (\$927,146,778 in 2020-21) and State Public Health and Private Hospital Financial Viability Payments of \$4,342,001,446 in 2021-22 (\$1,883,574,139 in 2020-21).

The amounts paid from each State Pool Account to Local Hospital Networks, a State Managed Fund or other organisations or funds — Section 241(2)(C)

State or Territory	Amount paid from State Pool Account (including CW & S/T) (\$'000)							
	2021-22				2020-21			
	Local Hospital Networks	State Managed Fund	Other Organisations or Funds	Total	Local Hospital Networks	State Managed Fund	Other Organisations or Funds	Total
New South Wales	13,298,421	998,805	145,867	14,443,092	12,517,211	953,509	140,385	13,611,103
Victoria	12,007,296	842,471	119,315	12,969,083	10,438,514	815,038	115,691	11,369,243
Queensland	11,766,599	629,128	93,384	12,489,110	11,036,091	579,634	89,659	11,705,384
Western Australia	5,866,124	376,628	478,42	6,290,593	5,425,940	333,906	46,121	5,805,966
South Australia	3,586,642	214,047	31,612	3,832,300	3,259,760	203,920	56,444	3,520,124
Tasmania	1,071,406	91,016	9,715	1,172,138	909,067	80,207	9,376	998,650
Australian Capital Territory	1,327,858	32,823	7,724	1,368,405	1,219,881	30,828	7,354	1,258,063
Northern Territory	1,056,373	34,590	4,343	1,095,306	916,297	32,792	4,124	953,214
NATIONAL TOTAL	49,980,718	3,219,507	459,803	53,660,028	45,722,761	3,029,834	469,154	49,221,749

The above table does not include any interest paid from the Pool Account, over deposit of state contributions paid back to the respective State Health Department or cross-border funding transferred to other States or Territories or paid back to the respective State or Territory Health Departments.

Transactions relating to the NPCR are also excluded. Details of this funding is provided in the Pool Account Special Purpose Financial Statement of each State or Territory.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account; this will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

The amounts paid from each State Managed Fund to Local Hospital Networks or other organisations or funds – Section 241(2)(D)

State or Territory	Amount paid from State Managed Fund (including CW & S/T) (\$'000)					
	2021-22			2020-21		
	Local Hospital Networks	Other Organisations or Funds	Total	Local Hospital Networks	Other Organisations or Funds	Total
New South Wales	2,023,026	-	2,023,026	1,947,210	-	1,947,210
Victoria	2,061,923	30,759	2,092,682	1,889,841	36,716	1,926,556
Queensland	2,029,106	-	2,029,106	1,936,342	-	1,936,342
Western Australia	1,043,531	-	1,043,531	926,325	-	926,325
South Australia	395,291	-	395,291	395,209	-	395,209
Tasmania	666,870	-	666,870	639,066	-	639,066
Australian Capital Territory	234,528	-	234,528	201,259	-	201,259
Northern Territory	283,740	-	283,740	443,187	-	443,187
NATIONAL TOTAL	8,738,014	30,759	8,768,774	8,378,440	36,716	8,415,156

The above table does not include transactions relating to the NPCR. Details of this funding is provided in the Pool Account Special Purpose Financial Statement of each State or Territory.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account; this will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

The number of public hospital services funded for each Local Hospital Network in accordance with the system of Activity Based Funding – Section 241(2)(E)

States and Territories	2021-22 ¹ Estimate	2020-21 ² Actual	2020-21 ³ Estimate
New South Wales	2,589,353	2,832,754	2,641,208
Victoria	2,334,090	1,732,099	2,191,275
Queensland	2,076,674	2,016,665	2,031,780
Western Australia	956,608	933,834	923,710
South Australia	639,971	633,639	612,737
Tasmania	190,722	173,205	169,903
Australian Capital Territory	177,000	178,264	176,976
Northern Territory	182,472	177,897	163,245
NATIONAL TOTAL	9,146,890	8,678,356	8,910,834

- 1 2021-22 NWAU as per the updated activity estimates as at the Administrator's June 2022 Payment Advice.
- 2 2020-21 NWAU as per the 2020-21 annual reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2020-21.
- 3 2020-21 NWAU as per the activity estimates as at the Administrator's June 2021 Payment Advice.

The number of Other Public Hospital Services and functions funded from each State Pool Account or State Managed Fund – Section 241(2)(F)

Unlike the unit of measurement for Activity based services (i.e. NWAU), there is currently no nationally standardised measurement system for other public hospital services.

In the absence of such a national system, the NHR Agreement allows for information to be based on the unit measurement classification and funding arrangements used in individual States and Territories.

Commonwealth National Health Reform funding entitlement based on actual services provided and cash paid in each financial year

The table below shows the cash paid by the Commonwealth each financial year based on activity estimates provided by States and Territories. The table also shows the final Commonwealth NHR funding entitlement determined by the Commonwealth Treasurer which is based on an end of financial year reconciliation of actual services delivered. The subsequent funding adjustments, whether positive or negative, reflect the difference between estimated activity and actual services delivered.

\$'000	2017-18 Entitlement	2018-19 Entitlement	2019-20 Entitlement	2020-21 Entitlement	2021-22 Estimate	TOTAL
Cash Paid 2017-18 Total	19,383,365	-	-	-	-	19,383,365
Cash Paid 2018-19 Total	493,658	20,936,228	-	-	-	21,429,886
Cash Paid 2019-20 Total	-	232,802	22,328,058	-	-	22,560,859
Cash Paid 2020-21 Total	-	-	(492,493)	22,931,025	-	22,438,532
Cash Paid 2021-22 Total	-	-	-	(260,146)	24,315,259	24,055,113
CURRENT ENTITLEMENT TOTAL	19,877,023	21,169,030	21,835,565¹	22,670,879²	24,315,259³	109,867,755

1 The 2019-20 Commonwealth NHR funding entitlement excludes \$572,278,881 in HSP under the NPCR.

2 The 2020-21 Commonwealth NHR funding entitlement excludes \$1,325,128,059 in HSP under the NPCR.

3 The 2021-22 Commonwealth NHR funding estimate excludes \$773,280,278 in HSP under the NPCR.



COMBINED

Financial Statement

**National Health Funding Pool
Combined State Pool Account
Special Purpose Financial Statement
for the year ended 30 June 2022**

Issued by the Administrator of the National Health Funding Pool under section 242 of the Commonwealth *National Health Reform Act 2011*.

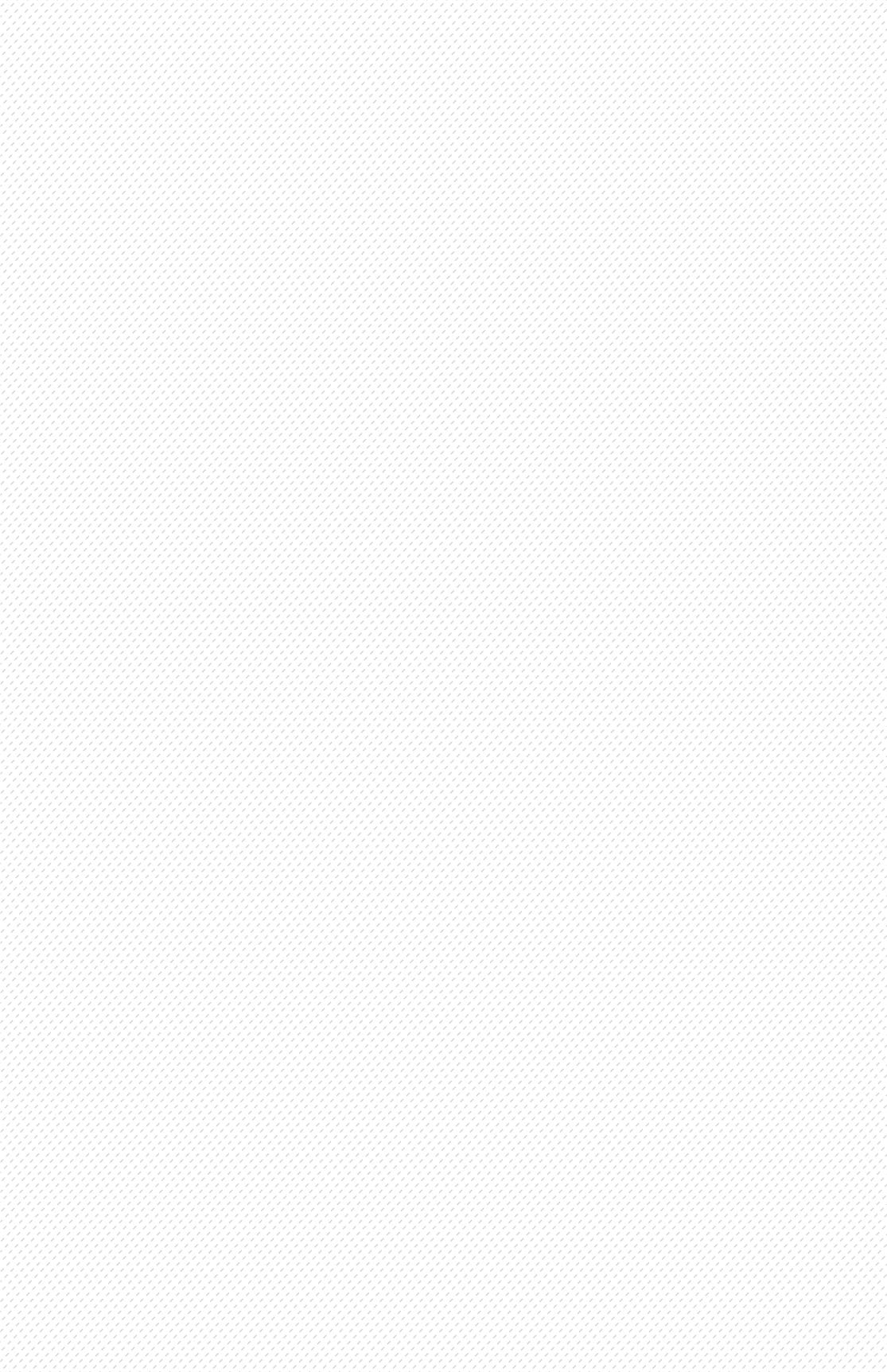


Contents

Statement by the Administrator of the National Health Funding Pool Combined State Pool Account	50
Statement of Receipts and Payments for the year ended 30 June 2022 Combined State Pool Account	51
Statement of Receipts and Payments for the year ended 30 June 2021	53

Combined State Pool Account Notes to and forming part of the Special Purpose Financial Statement for the year ended 30 June 2022

Note 1: Summary of significant accounting policies	55
Note 2: Amount paid by the Commonwealth into each State Pool Account	58
Note 2A: Amounts paid by the Commonwealth into each State Pool Account in 2021-22 (\$'000)	59
Note 2B: Amounts paid by the Commonwealth into each State Pool Account in 2020-21 (\$'000)	61
Note 3: COVID-19 funding	63
Note 3A: COVID-19 funding amounts through each State Pool Account in 2021-22 (\$'000)	65
Note 3B: COVID-19 funding amounts through each State Pool Account in 2020-21 (\$'000)	67



Statement by the Administrator of the National Health Funding Pool



Statement by the Administrator of the National Health Funding Pool Combined State Pool Account

I report that, as indicated in Note 1(b) to the financial statement, I have determined that the attached Special Purpose Financial Statement comprising of a Statement of Receipts and Payments and accompanying notes provides a true and fair presentation in accordance with the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

In my opinion, the attached Special Purpose Financial Statement for the year ended 30 June 2022 is based on properly maintained financial records and gives a true and fair view of the matters required by the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.



Michael Lambert
Administrator
National Health Funding Pool

2 September 2022

Combined State Pool Account

Statement of Receipts and Payments for the year ended 30 June 2022

	NSW \$'000	VIC \$'000	QLD \$'000	WA \$'000	SA \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT					
From Commonwealth					
Activity Based Funding	6,113,270	4,426,126	4,988,926	2,241,148	1,415,917
Block funding	998,805	842,471	629,128	376,628	214,047
Public Health funding	145,833	119,306	93,351	47,842	31,608
COVID-19 funding	1,813,880	1,983,238	791,994	698,584	252,382
From State/Territory					
Activity Based Funding	7,185,150	7,664,056	6,777,673	3,624,977	2,171,500
Withdrawal of ABF in excess of funding obligations	-	(82,886)	-	-	-
Cross-border contribution	315,133	67,328	69,265	19,817	74,422
COVID-19 funding	-	-	87,157	553,248	257,106
From other States or Territories					
Cross-border receipts	118,673	132,542	113,790	10,951	77,972
From Reserve Bank of Australia					
Interest receipts	34	9	33	-	4
TOTAL RECEIPTS	16,690,779	15,152,190	13,551,316	7,573,194	4,494,957
PAYMENTS OUT OF THE STATE POOL ACCOUNT					
To Local Hospital Networks					
Activity Based Funding	13,298,421	12,007,296	11,766,599	5,866,124	3,586,642
COVID-19 funding	-	-	174,301	134,413	69,597
To State Managed Funds					
Block funding	998,805	842,471	629,128	376,628	214,047
To State/Territory Health Department					
Public Health funding	145,833	119,306	93,351	47,842	31,608
COVID-19 funding	1,813,880	1,983,238	718,946	1,117,419	439,890
Interest payments	34	9	33	-	4
Cross-border transfer	118,673	132,542	113,790	10,951	77,972
To other States or Territories					
Cross-border payments	315,133	67,328	69,265	19,817	74,422
TOTAL PAYMENTS	16,690,779	15,152,190	13,565,413	7,573,194	4,494,182
NET RECEIPTS/(PAYMENTS) FOR THE YEAR	-	-	(14,097)	-	775
OPENING CASH BALANCE	-	-	38,335	-	5,091
CLOSING CASH BALANCE	-	-	24,239	-	5,866

	TAS \$'000	ACT \$'000	NT \$'000	TOTAL \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT				
From Commonwealth				
Activity Based Funding	419,670	419,517	351,309	20,375,884
Block funding	91,016	32,823	34,590	3,219,507
Public Health funding	9,715	7,724	4,343	459,722
COVID-19 funding	153,852	79,557	44,416	5,817,902
From State/Territory				
Activity Based Funding	651,736	908,341	705,063	29,688,495
Withdrawal of ABF in excess of funding obligations	-	-	-	(82,886)
Cross-border contribution	20,982	36,304	6,969	610,221
COVID-19 funding	-	3,557	-	901,067
From other States or Territories				
Cross-border receipts	4,340	139,694	12,468	610,430
From Reserve Bank of Australia				
Interest receipts	-	-	-	81
TOTAL RECEIPTS	1,351,313	1,627,516	1,159,159	61,600,424
PAYMENTS OUT OF THE STATE POOL ACCOUNT				
To Local Hospital Networks				
Activity Based Funding	1,071,406	1,327,858	1,056,373	49,980,718
COVID-19 funding	73,134	49,067	-	500,512
To State Managed Funds				
Block funding	91,016	32,823	34,590	3,219,507
To State/Territory Health Department				
Public Health funding	9,715	7,724	4,343	459,722
COVID-19 funding	80,718	34,047	44,416	6,232,554
Interest payments	-	-	-	81
Cross-border transfer	4,340	139,485	12,468	610,221
To other States or Territories				
Cross-border payments	20,982	36,513	6,969	610,430
TOTAL PAYMENTS	1,351,313	1,627,516	1,159,159	61,613,746
NET RECEIPTS/(PAYMENTS) FOR THE YEAR	-	-	-	(13,322)
OPENING CASH BALANCE	-	-	-	43,426
CLOSING CASH BALANCE	-	-	-	30,104

Combined State Pool Account

Statement of Receipts and Payments for the year ended 30 June 2021

	NSW \$'000	VIC \$'000	QLD \$'000	WA \$'000	SA \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT					
From Commonwealth					
Activity Based Funding	5,335,287	4,718,791	4,574,072	2,035,652	1,257,859
Block funding	953,509	815,038	579,634	333,906	203,920
Public Health funding	140,297	115,621	89,598	46,115	30,631
COVID-19 funding	1,194,095	985,755	267,013	175,557	66,638
From State/Territory					
Activity Based Funding	7,181,924	6,046,189	6,462,020	3,390,287	1,578,823
Withdrawal of ABF in excess of funding obligations	-	(326,467)	-	-	-
Cross-border contribution	253,289	54,784	74,296	33,972	10,995
COVID-19 funding	-	-	80,187	168,075	180,677
From other States or Territories					
Cross-border receipts	94,132	118,881	119,059	20,133	9,857
From Reserve Bank of Australia					
Interest receipts	87	70	60	6	327
TOTAL RECEIPTS	15,152,620	12,528,662	12,245,938	6,203,704	3,339,727
PAYMENTS OUT OF THE STATE POOL ACCOUNT					
To Local Hospital Networks					
Activity Based Funding	12,517,211	10,438,514	11,036,091	5,425,940	3,259,760
COVID-19 funding	-	-	159,695	65,415	40,098
To State Managed Funds					
Block funding	953,509	815,038	579,634	333,906	203,920
To State/Territory Health Department					
Public Health funding	140,297	115,621	89,598	46,115	30,631
COVID-19 funding	1,194,095	985,755	203,880	293,035	227,096
Interest payments	87	70	60	6	25,813
Cross-border transfer	94,132	118,881	119,059	20,133	9,857
To other States or Territories					
Cross-border payments	253,289	54,784	74,296	33,972	10,995
TOTAL PAYMENTS	15,152,620	12,528,662	12,262,313	6,218,522	3,808,170
NET RECEIPTS/(PAYMENTS) FOR THE YEAR	-	-	(16,375)	(14,818)	(468,443)
OPENING CASH BALANCE	-	-	54,710	14,818	473,535
CLOSING CASH BALANCE	-	-	38,335	-	5,091

	TAS \$'000	ACT \$'000	NT \$'000	TOTAL \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT				
From Commonwealth				
Activity Based Funding	389,165	395,216	259,540	18,965,582
Block funding	80,207	30,828	32,792	3,029,834
Public Health funding	9,376	7,354	4,124	443,116
COVID-19 funding	32,570	28,834	60,259	2,810,721
From State/Territory				
Activity Based Funding	519,902	795,491	643,941	26,618,577
Withdrawal of ABF in excess of funding obligations	-	-	-	(326,467)
Cross-border contribution	47,529	24,115	14,064	513,044
COVID-19 funding	-	5,339	-	434,278
From other States or Territories				
Cross-border receipts	8,525	116,816	25,641	513,044
From Reserve Bank of Australia				
Interest receipts	1	-	1	553
TOTAL RECEIPTS	1,087,275	1,403,993	1,040,362	53,002,282
PAYMENTS OUT OF THE STATE POOL ACCOUNT				
To Local Hospital Networks				
Activity Based Funding	909,067	1,219,881	916,297	45,722,761
COVID-19 funding	9,358	21,507	-	296,073
To State Managed Funds				
Block funding	80,207	30,828	32,792	3,029,834
To State/Territory Health Department				
Public Health funding	9,376	7,354	4,124	443,116
COVID-19 funding	23,212	12,666	60,259	2,999,998
Interest payments	1	-	1	26,037
Cross-border transfer	8,525	87,642	12,825	471,054
To other States or Territories				
Cross-border payments	47,529	24,115	14,064	513,044
TOTAL PAYMENTS	1,087,275	1,403,993	1,040,362	53,501,918
NET RECEIPTS/(PAYMENTS) FOR THE YEAR	-	-	-	(499,636)
OPENING CASH BALANCE	-	-	-	543,063
CLOSING CASH BALANCE	-	-	-	43,426

Combined State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 1: Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the Special Purpose Financial Statement are set out below.

(A) REPORTING ENTITY

The Administrator of the National Health Funding Pool (Administrator) is an independent statutory office holder, distinct from the Commonwealth, State and Territory governments, established under legislation of the Commonwealth and State and Territory governments. Mr Michael Lambert was appointed as the Administrator on 17 July 2018.

(B) BASIS OF PREPARATION

The Special Purpose Financial Statement has been prepared in accordance with Section 242 of the Commonwealth *National Health Reform Act 2011*.

The Special Purpose Financial Statement has been prepared on a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

The Special Purpose Financial Statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The Special Purpose Financial Statement was authorised for release by the Administrator on 2 September 2022.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2020-21 and 2021-22 are for the year ended 30 June.

(D) NATIONAL HEALTH FUNDING POOL

The National Health Funding Pool (Funding Pool) consists of eight State and Territory bank accounts (State Pool Accounts).

(E) ACTIVITY BASED FUNDING

Activity Based Funding (ABF) is a system for funding public hospital services provided to individual patients using national classifications, price weights and National Efficient Prices developed by the Independent Hospital Pricing Authority (IHPA). ABF is paid by the Commonwealth, States and Territories into the Funding Pool.

In 2020-21 and 2021-22 the Commonwealth, States and Territories ABF supported the following:

- i. Emergency department services
- ii. Acute admitted services
- iii. Admitted mental health services
- iv. Sub-acute and non-acute services
- v. Non-admitted services.

As system managers of the public hospital system, State or Territory ABF contributions into the Funding Pool may be calculated using the State and Territory prices and activity measures. The Service Agreement between the State or Territory and each Local Hospital Network (LHN) specifies the service delivery and funding parameters.

Commonwealth ABF contributions for each service category are calculated by summing the prior year amounts and efficient growth. Efficient growth is determined by measuring the change in efficient price and volume. The price adjustment is 45 per cent of the change in the National Efficient Price relative to the prior year. The volume adjustment is 45 per cent of the net change in the volume of weighted services relative to the prior year.

In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements. Final funding entitlements for the year are calculated after actual data on hospital services becomes available. This calculation will generally result in reconciliation adjustments being made to the Commonwealth ABF contribution to each LHN to align estimated funding with actual funding.

In 2017, the Council of Australian Governments signed an Addendum to the National Health Reform Agreement. The Addendum amends specified elements of the operation of the National Health Reform Agreement for a period of three years. From 1 July 2017 to 30 June 2020, the Commonwealth funds 45 per cent of the efficient growth of public hospital services, subject to a 6.5 per cent cap in the growth of overall Commonwealth funding.

On 29 May 2020, the 2020–25 Addendum to the National Health Reform Agreement was entered into by the Commonwealth, State and Territory governments. The 2020–25 Addendum to the National Health Reform Agreement replaces the 2017–20 Addendum to the National Health Reform Agreement but retains the core principles.

(F) BLOCK FUNDING

Block funding is provided by the Commonwealth into the Funding Pool for States and Territories to support teaching and research undertaken in public hospitals and for some public hospital services where it is more appropriate to be Block funded, particularly for smaller rural and regional hospitals.

In 2020-21 and 2021-22 the Commonwealth Block funding supported the following:

- i. Small rural hospitals
- ii. Teaching, training and research
- iii. Non-admitted mental health
- iv. Non-admitted child and adolescent mental health services
- v. Non-admitted home ventilation
- vi. Other non-admitted services
- vii. Highly Specialised Therapies.

In 2020-21 and 2021-22 the Commonwealth Block contributions for each service category were calculated by summing prior year amounts and 45 per cent of the change in the National Efficient Cost between the current year and the prior year. Highly Specialised Therapies are contributed at 50 per cent of the growth in the efficient price or cost.

(G) PUBLIC HEALTH FUNDING

The Commonwealth contributes amounts into the Funding Pool for Public Health funding. This is calculated by the Commonwealth Department of the Treasury and includes funding for services such as national public health, youth health services and essential vaccines. This payment is indexed in accord with the previous existing health specific purpose payment.

Combined State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

(H) CROSS-BORDER

When a resident of one State or Territory receives hospital treatment in another State or Territory, the provider State or Territory is compensated for the cost of that treatment. The resident State or Territory pays its share through the Funding Pool to the provider State or Territory.

The Commonwealth share of the cost of treating the patient is paid through the Funding Pool as part of the normal Activity Based Funding. The Commonwealth contribution to each State or Territory covers all eligible patients treated, regardless of where they reside.

(I) INTEREST

Interest earned and deposited by the RBA into the State Pool Account is recognised as interest received at the time the deposit is made. Interest paid from the State Pool Account to the State or Territory is recognised as an interest payment at the time the payment is made from the State Pool Account.

(J) TAXATION

State Pool Accounts are not subject to income tax. The majority of government funding, from the Commonwealth, State or Territory, to LHNs is not subject to the Goods and Services Tax (GST). However, in some cases hospital funding to non-government entities does attract GST, for example, denominational hospitals, privately and commercially owned health facilities, or other non-government third party providers of health services or related supplies.

(K) COVID-19 FUNDING

The National Partnership on COVID-19 Response (NPCR) was agreed to and signed by the Council of Australian Governments in March 2020. The objective of this agreement is to provide Commonwealth financial assistance for the additional costs incurred by State and Territory health services in responding to the COVID-19 outbreak. The NPCR was subsequently amended and agreed to in April 2020 to include the Private Hospital Financial Viability Payment. In February 2021, the NPCR was amended with respect to the coordination and delivery of the COVID-19 vaccine under Schedule C. The NPCR was further amended to assist residential aged care providers prevent, prepare for and respond to outbreaks of COVID-19 under Schedule D.

Financial assistance has been provided by the Commonwealth in the form of the Hospital Services Payments calculated on an activity basis, State Public Health Payments (including coordination and delivery of the COVID-19 vaccine) as well as Private Hospital Financial Viability Payments.

(L) COMMONWEALTH FUNDING GUARANTEE

For the 2019-20, 2020-21 and 2021-22 financial years, the Commonwealth provided the States and Territories with a minimum funding guarantee for funding related to the National Health Reform Agreement and the Hospital Services Payment component of the NPCR. Where a State or Territory is eligible for the Commonwealth funding guarantee, an additional payment is made in the following financial year after the annual reconciliation to meet the minimum amount guaranteed by the Commonwealth.

Note 2: Amount paid by the Commonwealth into each State Pool Account

The Administrator calculates the Commonwealth's contribution to public hospital funding including Activity Based Funding, Block funding and Public Health funding. The activity based component is initially calculated using an estimate of the activity that is expected to be delivered. Each six months, the Administrator undertakes a reconciliation process whereby the actual services delivered in the period are reconciled to the estimate and an adjustment is made when there is a difference.

Note 2A (2021-22) and Note 2B (2020-21) summarise the calculated Commonwealth contribution by National Health Reform type and service category. These include amounts paid by the Commonwealth into each State Pool Account for funding related to services provided in the current year as well as adjustments due to reconciliation of actual services delivered in the prior year.

Note: Totals may not equal the sum of components due to rounding. Figures are added then rounded as per accepted accounting practice.

Combined State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 2A: Amounts paid by the Commonwealth into each State Pool Account in 2021-22¹

	NSW \$'000	VIC \$'000	QLD \$'000	WA \$'000	SA \$'000
ACTIVITY BASED FUNDING BY SERVICE TYPE					
Emergency department	733,612	624,910	615,985	295,469	168,732
Acute admitted	3,259,036	3,370,915	3,124,923	1,362,833	811,355
Admitted mental health	281,826	401,159	265,897	160,187	97,579
Sub-acute	324,233	380,172	274,324	87,518	98,452
Non-admitted	1,056,002	525,421	679,919	310,906	189,759
2020-21 Commonwealth funding guarantee	-	222,817	-	-	-
Payments in respect of 2020-21 Services	458,561	(1,099,268)	27,878	24,236	50,039
TOTAL ACTIVITY BASED FUNDING	6,113,270	4,426,126	4,988,926	2,241,148	1,415,917
BLOCK FUNDING BY SERVICE TYPE					
Small rural hospitals	488,013	104,250	277,543	127,941	102,586
Teaching, training and research	257,831	137,886	86,407	118,889	40,062
Non-admitted mental health	224,215	417,093	213,717	109,122	49,150
Non-admitted CAMHS	-	33,266	19,461	11,878	1,910
Non-admitted home ventilation	9,676	5,090	8,281	6,220	1,178
Other non-admitted services	-	10	3,507	-	19,233
Highly Specialised Therapies	17,983	14,673	15,836	2,584	-
Other public hospital programs	-	121,640	-	-	-
Payments in respect of 2020-21 Services	1,088	8,563	4,375	(6)	(73)
TOTAL BLOCK FUNDING	998,805	842,471	629,128	376,628	214,047
PUBLIC HEALTH FUNDING					
Public Health funding	147,025	121,366	94,001	48,040	31,833
Payments in respect of 2020-21 Services	(1,192)	(2,060)	(650)	(199)	(225)
TOTAL PUBLIC HEALTH FUNDING	145,833	119,306	93,351	47,842	31,608
COVID-19 FUNDING BY SERVICE TYPE					
Hospital Services Payments	466,529	83,824	49,905	114,811	17,784
State Public Health Payments	1,387,775	999,369	550,002	514,036	179,936
Private Hospital Financial Viability Payment	130,000	151,820	116,402	29,075	135
Payments in respect of 2020-21 Services	(170,424)	748,225	75,685	40,662	54,526
TOTAL COVID-19 FUNDING	1,813,880	1,983,238	791,994	698,584	252,382
AMOUNT PAID IN 2021-22	9,071,788	7,371,142	6,503,398	3,364,201	1,913,953

Combined State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

	TAS \$'000	ACT \$'000	NT \$'000	Total \$'000
ACTIVITY BASED FUNDING BY SERVICE TYPE				
Emergency department	50,844	44,798	44,416	2,578,767
Acute admitted	282,339	254,566	198,876	12,664,842
Admitted mental health	17,781	24,059	8,975	1,257,464
Sub-acute	16,939	35,369	11,929	1,228,936
Non-admitted	43,862	57,642	52,036	2,915,547
2020-21 Commonwealth funding guarantee	-	-	-	222,817
Payments in respect of 2020-21 Services	7,904	3,083	35,077	(492,490)
TOTAL ACTIVITY BASED FUNDING	419,670	419,517	351,309	20,375,884
BLOCK FUNDING BY SERVICE TYPE				
Small rural hospitals	44,520	1,396	13,869	1,160,117
Teaching, training and research	17,600	8,860	10,137	677,672
Non-admitted mental health	25,628	21,522	8,484	1,068,931
Non-admitted CAMHS	2,017	396	2,053	70,982
Non-admitted home ventilation	1,247	650	39	32,380
Other non-admitted services	-	-	-	22,749
Highly Specialised Therapies	-	-	-	51,076
Other public hospital programs	-	-	-	121,640
Payments in respect of 2020-21 Services	4	-	8	13,959
TOTAL BLOCK FUNDING	91,016	32,823	34,590	3,219,507
PUBLIC HEALTH FUNDING				
Public Health funding	9,806	7,787	4,296	464,154
Payments in respect of 2020-21 Services	(90)	(63)	47	(4,431)
TOTAL PUBLIC HEALTH FUNDING	9,715	7,724	4,343	459,722
COVID-19 FUNDING BY SERVICE TYPE				
Hospital Services Payments	31,093	-	(16,864)	747,082
State Public Health Payments	118,672	79,615	65,554	3,894,959
Private Hospital Financial Viability Payment	-	4,639	25	432,096
Payments in respect of 2020-21 Services	4,087	(4,697)	(4,300)	743,766
TOTAL COVID-19 FUNDING	153,852	79,557	44,416	5,817,902
AMOUNT PAID IN 2021-22	674,254	539,621	434,658	29,873,015

1 Further detail on the total amount paid by the Commonwealth into each State Pool Account may be found in the financial statements and 'Funding and Payments' chapters.

Combined State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 2B: Amounts paid by the Commonwealth into each State Pool Account in 2020-21¹

	NSW \$'000	VIC \$'000	QLD \$'000	WA \$'000	SA \$'000
ACTIVITY BASED FUNDING BY SERVICE TYPE					
Emergency department	722,046	575,069	569,883	278,083	158,990
Acute admitted	3,211,405	3,194,564	2,958,578	1,253,803	757,431
Admitted mental health	288,006	267,749	240,807	136,384	88,638
Sub-acute	332,902	361,771	247,333	89,888	85,837
Non-admitted	974,292	500,284	627,906	318,432	169,278
2019-20 Commonwealth funding guarantee	256,955	250,202	10,712	2,443	-
Payments in respect of 2019-20 Services	(450,318)	(430,848)	(81,148)	(43,382)	(2,314)
TOTAL ACTIVITY BASED FUNDING	5,335,287	4,718,791	4,574,072	2,035,652	1,257,859
BLOCK FUNDING BY SERVICE TYPE					
Small rural hospitals	475,741	97,474	269,849	115,633	95,397
Teaching, training and research	228,587	136,865	72,179	112,122	38,886
Non-admitted mental health	231,906	411,212	211,320	93,095	47,595
Non-admitted CAMHS	-	33,058	15,039	7,036	1,648
Non-admitted home ventilation	9,330	4,966	7,906	5,998	1,144
Other non-admitted services	-	10	3,421	-	19,171
Highly Specialised Therapies	8,123	4,624	-	-	-
Other public hospital programs	-	126,743	-	-	-
Payments in respect of 2019-20 Services	(178)	86	(80)	22	79
TOTAL BLOCK FUNDING	953,509	815,038	579,634	333,906	203,920
PUBLIC HEALTH FUNDING					
Public Health funding	140,937	115,972	89,480	45,858	30,504
Payments in respect of 2019-20 Services	(640)	(351)	118	257	127
TOTAL PUBLIC HEALTH FUNDING	140,297	115,621	89,598	46,115	30,631
COVID-19 FUNDING BY SERVICE TYPE					
Hospital Services Payments	389,335	42,389	58,053	78,272	10,744
State Public Health Payments	836,696	941,069	228,363	149,604	83,038
Private Hospital Financial Viability Payment	27,651	275,760	9,983	3,023	7,800
Payments in respect of 2019-20 Services	(59,586)	(273,464)	(29,386)	(55,342)	(34,944)
TOTAL COVID-19 FUNDING	1,194,095	985,755	267,013	175,557	66,638
AMOUNT PAID IN 2020-21	7,623,188	6,635,205	5,510,317	2,591,230	1,559,048

Combined State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

	TAS \$'000	ACT \$'000	NT \$'000	Total \$'000
ACTIVITY BASED FUNDING BY SERVICE TYPE				
Emergency department	47,825	44,006	36,571	2,432,473
Acute admitted	256,476	237,586	161,716	12,031,559
Admitted mental health	17,043	23,648	8,127	1,070,402
Sub-acute	18,164	32,165	10,561	1,178,621
Non-admitted	44,480	65,620	44,123	2,744,414
2019-20 Commonwealth funding guarantee	9,487	2,013	-	531,814
Payments in respect of 2019-20 Services	(4,309)	(9,823)	(1,559)	(1,023,700)
TOTAL ACTIVITY BASED FUNDING	389,165	395,216	259,540	18,965,582
BLOCK FUNDING BY SERVICE TYPE				
Small rural hospitals	42,033	1,327	13,219	1,110,673
Teaching, training and research	17,080	7,925	9,573	623,217
Non-admitted mental health	18,838	20,725	7,985	1,042,676
Non-admitted CAMHS	977	224	1,980	59,962
Non-admitted home ventilation	1,216	627	38	31,225
Other non-admitted services	-	-	-	22,602
Highly Specialised Therapies	-	-	-	12,747
Other public hospital programs	-	-	-	126,743
Payments in respect of 2019-20 Services	63	-	(3)	(11)
TOTAL BLOCK FUNDING	80,207	30,828	32,792	3,029,834
PUBLIC HEALTH FUNDING				
Public Health funding	9,349	7,441	4,169	443,710
Payments in respect of 2019-20 Services	27	(87)	(45)	(594)
TOTAL PUBLIC HEALTH FUNDING	9,376	7,354	4,124	443,116
COVID-19 FUNDING BY SERVICE TYPE				
Hospital Services Payments	3,512	5,304	34,898	622,507
State Public Health Payments	52,881	38,237	20,583	2,350,471
Private Hospital Financial Viability Payment	355	5,813	144	330,529
Payments in respect of 2019-20 Services	(24,178)	(20,521)	4,634	(492,787)
TOTAL COVID-19 FUNDING	32,570	28,834	60,259	2,810,721
AMOUNT PAID IN 2020-21	511,318	462,232	356,715	25,249,253

1 Further detail on the total amount paid by the Commonwealth into each State Pool Account may be found in the financial statements and 'Funding and Payments' chapters.

Combined State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 3: COVID-19 funding

COVID-19 funding is provided monthly in advance based on estimates submitted by States and Territories and is subject to reconciliation. Final funding entitlements are determined after actual activity data on hospital services and actual in-scope expenditure are submitted.

The types of funding and payments under the NPCR include:

THE UPFRONT ADVANCE PAYMENT

In March 2020, the Commonwealth provided an upfront advanced payment of \$100 million to States and Territories on a population share basis. This is an advance payment to ensure the timely availability of funds under the NPCR. The Upfront Advance Payment has been subsequently reconciled against State Public Health requirements.

THE HOSPITAL SERVICES PAYMENT

The Commonwealth provides a 50 per cent contribution of the National Efficient Price, for costs incurred by States and Territories, through monthly payments, for the diagnosis and treatment of COVID-19 including suspected cases.

THE STATE PUBLIC HEALTH PAYMENT

The Commonwealth provides a 50 per cent contribution for additional costs incurred by States and Territories, through monthly payments, for COVID-19 activities undertaken by State and Territory public health systems for the management of the outbreak.

In February 2021, the NPCR was amended with respect to the delivery of the COVID-19 vaccine through the Vaccination Dose Delivery Payment under Schedule C. Where eligible, funding contributions in relation to this activity are included within the State Public Health Payment.

The NPCR was further amended in December 2021 to include a revised vaccination schedule (revised Schedule C) which includes additional financial support to States and Territories for the set-up of COVID-19 vaccination sites, and an aged care schedule which provides a 100 per cent contribution for costs incurred from 1 July 2020 for supporting aged care prevention, preparedness and response activities including additional targeted infection prevention and control training in Residential Aged Care Facilities (Schedule D).

In January 2022, National Cabinet agreed measures supporting States and Territories to claim 50 per cent of the costs of the purchase, logistics and distribution of Rapid Antigen Tests (RATs) through the NPCR. Where States and Territories provide RATs to residential aged care facilities, they may claim a 100 per cent contribution for the costs.

THE PRIVATE HOSPITAL FINANCIAL VIABILITY PAYMENT

The Commonwealth contributes 100 per cent of the Private Hospital Financial Viability Payment made to private operators to retain capacity for responding to State and Territory or Commonwealth public health requirements.

Combined State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 3A: COVID-19 funding amounts through each State Pool Account in 2021-22

	NSW \$'000	VIC \$'000	QLD \$'000	WA \$'000	SA \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT					
From Commonwealth					
Hospital Services Payments	294,354	956,939	35,578	145,378	34,664
State Public Health Payments	1,389,525	842,405	640,014	525,386	222,307
Private Hospital Financial Viability Payment	130,000	183,893	116,402	27,820	(4,589)
TOTAL COMMONWEALTH RECEIPTS	1,813,880	1,983,238	791,994	698,584	252,382
From State/Territory					
Hospital Services Payments	-	-	87,157	20,839	34,664
State Public Health Payments	-	-	-	532,409	222,307
Private Hospital Financial Viability Payment	-	-	-	-	135
TOTAL STATE/TERRITORY RECEIPTS	-	-	87,157	553,248	257,106
TOTAL RECEIPTS	1,813,880	1,983,238	879,151	1,251,832	509,487
PAYMENTS OUT OF THE STATE POOL ACCOUNT					
To State/Territory (Including Local Hospital Networks)					
Hospital Services Payments	294,354	956,939	174,301	166,216	69,327
State Public Health Payments	1,389,525	842,405	622,601	1,057,796	444,614
Private Hospital Financial Viability Payment	130,000	183,893	96,346	27,820	(4,454)
TOTAL PAYMENTS	1,813,880	1,983,238	893,248	1,251,832	509,487
NET RECEIPTS/(PAYMENTS) FOR THE YEAR	-	-	(14,097)	-	-
OPENING CASH BALANCE	-	-	38,335	-	-
CLOSING CASH BALANCE	-	-	24,239	-	-

Combined State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

	TAS \$'000	ACT \$'000	NT \$'000	TOTAL \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT				
From Commonwealth				
Hospital Services Payments	31,037	(5,185)	(16,864)	1,475,901
State Public Health Payments	123,170	80,008	61,261	3,884,077
Private Hospital Financial Viability Payment	(355)	4,734	19	457,924
TOTAL COMMONWEALTH RECEIPTS	153,852	79,557	44,416	5,817,902
From State/Territory				
Hospital Services Payments	-	3,557	-	146,215
State Public Health Payments	-	-	-	754,716
Private Hospital Financial Viability Payment	-	-	-	135
TOTAL STATE/TERRITORY RECEIPTS	-	3,557	-	901,067
TOTAL RECEIPTS	153,852	83,114	44,416	6,718,969
PAYMENTS OUT OF THE STATE POOL ACCOUNT				
To State/Territory (Including Local Hospital Networks)				
Hospital Services Payments	31,037	(1,629)	(16,864)	1,673,683
State Public Health Payments	123,170	80,008	61,261	4,621,381
Private Hospital Financial Viability Payment	(355)	4,734	19	438,003
TOTAL PAYMENTS	153,852	83,114	44,416	6,733,066
NET RECEIPTS/(PAYMENTS) FOR THE YEAR	-	-	-	(14,097)
OPENING CASH BALANCE	-	-	-	38,335
CLOSING CASH BALANCE	-	-	-	24,239

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

Combined State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 3B: COVID-19 funding amounts through each State Pool Account in 2020-21

	NSW \$'000	VIC \$'000	QLD \$'000	WA \$'000	SA \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT					
From Commonwealth					
Hospital Services Payments	498,114	171,701	89,603	85,098	20,049
State Public Health Payments	873,804	739,831	298,442	135,778	103,609
Private Hospital Financial Viability Payment	(177,823)	74,223	(121,032)	(45,319)	(57,020)
TOTAL COMMONWEALTH RECEIPTS	1,194,095	985,755	267,013	175,557	66,638
From State/Territory					
Hospital Services Payments	-	-	80,187	18,352	29,914
State Public Health Payments	-	-	-	149,723	150,763
Private Hospital Financial Viability Payment	-	-	-	-	-
TOTAL STATE/ TERRITORY RECEIPTS	-	-	80,187	168,075	180,677
TOTAL RECEIPTS	1,194,095	985,755	347,200	343,632	247,315
PAYMENTS OUT OF THE STATE POOL ACCOUNT					
To State/Territory (Including Local Hospital Networks)					
Hospital Services Payments	498,114	171,701	159,694	103,450	49,963
State Public Health Payments	873,804	739,831	267,894	285,504	254,370
Private Hospital Financial Viability Payment	(177,823)	74,223	(64,107)	(30,500)	(37,141)
TOTAL PAYMENTS	1,194,095	985,755	363,575	358,450	267,194
NET RECEIPTS/(PAYMENTS) FOR THE YEAR	-	-	(16,375)	(14,819)	(19,880)
OPENING CASH BALANCE	-	-	54,710	14,819	19,880
CLOSING CASH BALANCE	-	-	38,335	-	-

Combined State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

	TAS \$'000	ACT \$'000	NT \$'000	TOTAL \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT				
From Commonwealth				
Hospital Services Payments	9,358	8,262	44,962	927,147
State Public Health Payments	46,261	23,882	17,421	2,239,027
Private Hospital Financial Viability Payment	(23,049)	(3,310)	(2,124)	(355,453)
TOTAL COMMONWEALTH RECEIPTS	32,570	28,834	60,259	2,810,721
From State/Territory				
Hospital Services Payments	-	-	-	128,453
State Public Health Payments	-	5,339	-	305,825
Private Hospital Financial Viability Payment	-	-	-	-
TOTAL STATE/TERRITORY RECEIPTS	-	5,339	-	434,278
TOTAL RECEIPTS	32,570	34,173	60,259	3,244,999
PAYMENTS OUT OF THE STATE POOL ACCOUNT				
To State/Territory (Including Local Hospital Networks)				
Hospital Services Payments	9,358	8,262	44,962	1,045,505
State Public Health Payments	46,261	29,221	17,421	2,514,308
Private Hospital Financial Viability Payment	(23,049)	(3,310)	(2,124)	(263,740)
TOTAL PAYMENTS	32,570	34,173	60,259	3,296,071
NET RECEIPTS/(PAYMENTS) FOR THE YEAR	-	-	-	(51,074)
OPENING CASH BALANCE	-	-	-	89,409
CLOSING CASH BALANCE	-	-	-	38,335

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

NEW SOUTH WALES

Funding and Payments

\$15.5B

total funding
that was paid to

20

Local Hospital
Networks (LHNs)

\$13.3B

in Activity Based Funding
that delivered

2,589,353

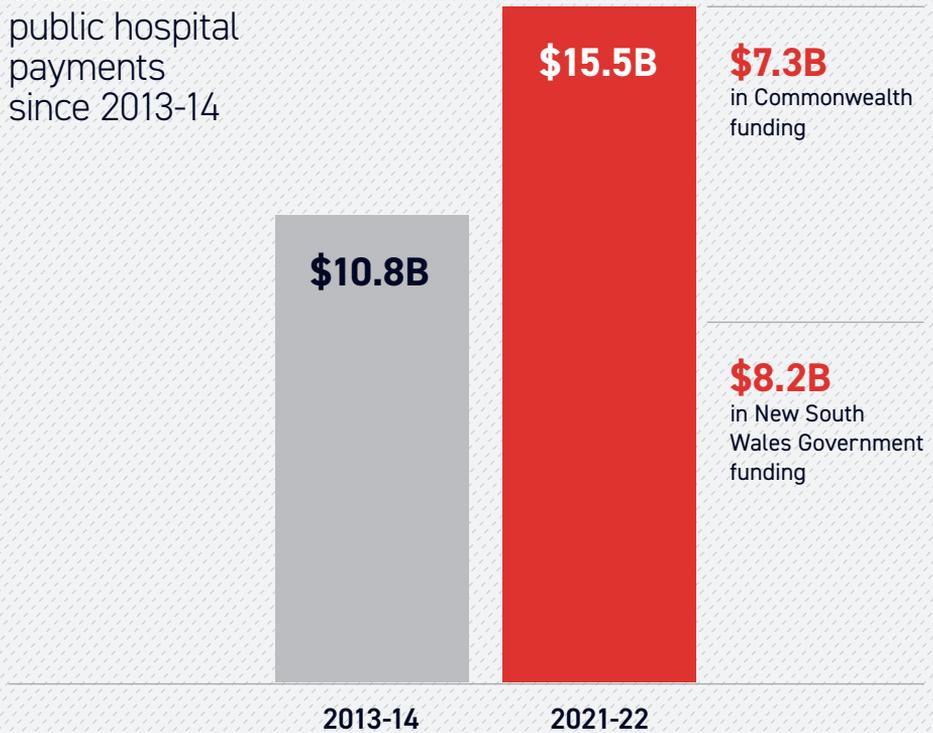
National Weighted
Activity Units (NWAU)

These amounts do not include transactions related to the NPCR. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

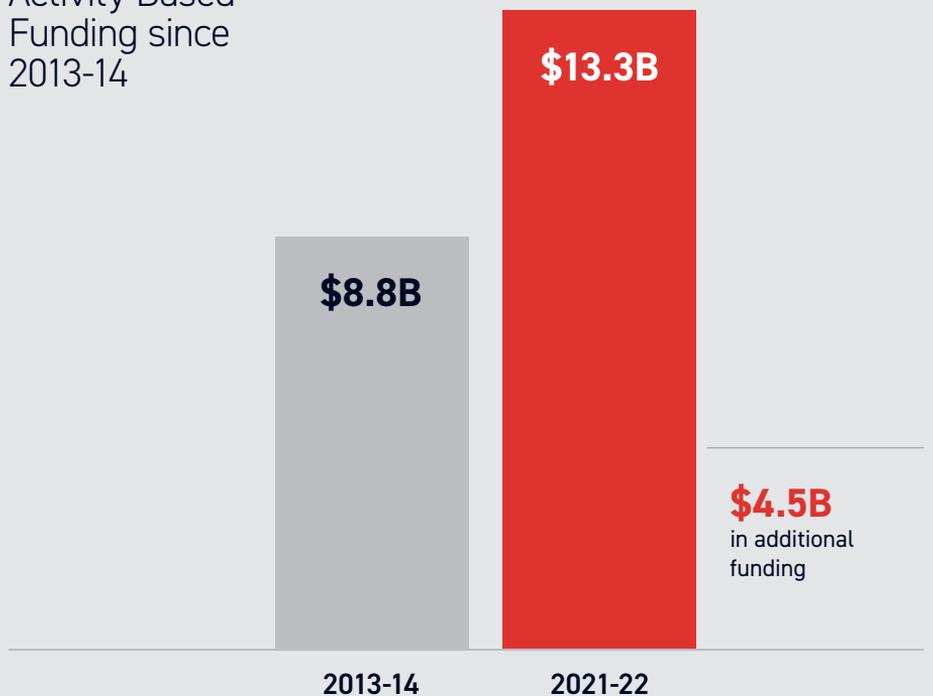
National Health Reform disclosures for the year ended 30 June 2022

Issued by the Administrator of the National Health Funding Pool under section 241(2) of the Commonwealth *National Health Reform Act 2011* and the New South Wales *Health Services Act 1997*.

Growth in
public hospital
payments
since 2013-14



Growth in
Activity Based
Funding since
2013-14



Section 241(2) of the NHR Act outlines certain disclosures to be included in this Annual Report.

The information reported is specific to the transactions of the 'relevant State'.

For the purposes of this legislative reporting, the 'relevant State' is the State or Territory that holds the bank accounts opened under the laws of that State or Territory for NHR Agreement purposes.

The values are rounded to the nearest thousand dollars unless otherwise specified.

NHR funding and payments shown in the following tables include Goods and Services Tax (GST) where applicable. The information disclosed in the following tables is provided by New South Wales (NSW) and forms part of the Administrator's monthly reporting requirements, located at www.publichospitalfunding.gov.au

For further information on the types of National Health Reform funding, refer to the 'Introduction' chapter of this Annual Report.

Commonwealth National Health Reform funding entitlement based on actual services provided and cash paid in each financial year

The table below shows the cash paid by the Commonwealth each financial year based on activity estimates provided by States and Territories. The table also shows the final Commonwealth NHR funding entitlement determined by the Commonwealth Treasurer which is based on an end of financial year reconciliation of actual services delivered. The subsequent funding adjustments, whether positive or negative, reflect the difference between estimated activity and actual services delivered.

\$'000	2017-18 Entitlement	2018-19 Entitlement	2019-20 Entitlement	2020-21 Entitlement	2021-22 Estimate	TOTAL
Cash Paid 2017-18 Total	6,045,097	-	-	-	-	6,045,097
Cash Paid 2018-19 Total	104,223	6,443,378	-	-	-	6,547,601
Cash Paid 2019-20 Total	-	69,960	6,883,803	-	-	6,953,763
Cash Paid 2020-21 Total	-	-	(194,180)	6,623,273	-	6,429,093
Cash Paid 2021-22 Total	-	-	-	458,458	6,799,450	7,257,908
CURRENT ENTITLEMENT TOTAL	6,149,319	6,513,337	6,689,622¹	7,081,731²	6,799,450³	33,233,462

1 The 2019-20 Commonwealth NHR funding entitlement excludes \$194,180,263 in HSP under the NPCR.

2 The 2020-21 Commonwealth NHR funding entitlement excludes \$217,160,494 in HSP under the NPCR.

3 The 2021-22 Commonwealth NHR funding estimate excludes \$466,528,544 in HSP under the NPCR.

The amounts paid into each State Pool Account by the Commonwealth – Section 241(2)(B)

Component	Amount paid by Commonwealth into New South Wales State Pool Account (\$'000)	
	2021-22	2020-21
Activity Based Funding	6,113,270	5,335,287
Block funding	998,805	953,509
Public Health funding	145,833	140,297
NEW SOUTH WALES TOTAL	7,257,908	6,429,093

Additional financial assistance has been provided by the Commonwealth under the NPCR including hospital services funding which is paid monthly based on activity estimates provided to the Administrator and reconciled annually with adjustments being made in the following financial year. Details of this funding is provided in the Pool Account Special Purpose Financial Statement.

The amounts paid by the Commonwealth into the State Pool Accounts excludes payments made under the NPCR, relating to Hospital Services Payments of \$294,354,478 in 2021-22 (\$498,113,867 in 2020-21) and State Public Health and Private Hospital Financial Viability Payments of \$1,519,525,094 in 2021-22 (\$695,981,244 in 2020-21).

The amounts paid into each State Pool Account and State Managed Fund by the relevant State – Section 241(2)(A)

Component	Amount paid by New South Wales State (\$'000)	
	2021-22	2020-21
State Pool Account - Activity Based Funding	7,185,150	7,181,924
State Managed Fund - Block funding	1,024,221	993,701
NEW SOUTH WALES TOTAL	8,209,372	8,175,625

The above table does not include interest deposited into the Pool Account, over deposit of state contributions subsequently paid back to the respective State or Territory Health Department or cross-border contributions for transfer to other States or Territories.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

The number of public hospital services funded for each Local Hospital Network in accordance with the system of Activity Based Funding – Section 241(2)(E)

Local Hospital Network	Number of ABF public hospital services funded (NWAU)		
	2021-22 ¹ Estimate	2020-21 ² Actual	2020-21 ³ Estimate
Albury NSW Local Health District	22,379	23,624	20,210
Central Coast Local Health District	126,980	135,973	127,981
Contracted Services	3,899	12,751	3,899
Far West Local Health District	10,211	11,036	10,274
Hunter New England Local Health District	302,146	329,807	308,595
Illawarra Shoalhaven Local Health District	140,928	154,232	147,428
Mid North Coast Local Health District	96,927	103,890	96,220
Murrumbidgee Local Health District	65,012	69,516	66,971
Nepean Blue Mountains Local Health District	134,780	142,676	136,900
Northern NSW Local Health District	124,249	140,662	130,948
Northern Sydney Local Health District	201,100	225,434	197,384
South Eastern Sydney Local Health District	242,110	274,742	254,697
South Western Sydney Local Health District	304,310	333,852	309,056
Southern NSW Local Health District	52,839	54,713	57,811
St Vincent's Health Network	65,671	72,683	71,742
Sydney Children's Hospitals Network	97,788	113,040	98,491
Sydney Local Health District	245,656	254,631	251,268
Western NSW Local Health District	99,367	105,013	98,673
Western Sydney Local Health District	253,001	274,479	252,660
NEW SOUTH WALES TOTAL	2,589,353	2,832,754	2,641,208

1 2021-22 NWAU as per the updated activity estimates as at the Administrator's June 2022 Payment Advice.

2 2020-21 NWAU as per the 2020-21 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2020-21.

3 2020-21 NWAU as per the activity estimates as at the Administrator's June 2021 Payment Advice.

The NWAU is the unit of measurement for the ABF system. It is a measure of health service activity expressed as a common unit, against which the NEP is paid. It provides a way of comparing and valuing each ABF public hospital service, by weighting it for its clinical complexity.

States and Territories provide NWAU estimates at the start of each financial year for Commonwealth payment purposes. These estimates may be revised during the course of the year and form the basis of Commonwealth funding until actual service volumes become available.

The number of other public hospital services and functions funded from each State Pool Account or State Managed Fund – Section 241(2)(F)

Unlike the unit of measurement for Activity based services (i.e. NWAU), there is currently no nationally standardised measurement system for other public hospital services.

In the absence of such a national system, the NHR Agreement allows for information to be based on the unit measurement classification and funding arrangements used in individual States and Territories.

However, in 2020–21 and 2021–22 New South Wales did not report any other public hospital services and functions funded from their Pool Account or State Managed Fund.

The amounts paid from each State Pool Account and State Managed Fund to Local Hospital Networks in 2021-22 – Section 241(2)(C)(D)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
Albury NSW Local Health District	56,498	12,748	69,246
Central Coast Local Health District	672,046	47,950	719,997
Contracted Services	27,303	-	27,303
Far West Local Health District	68,540	24,970	93,510
Hunter New England Local Health District	1,508,447	297,255	1,805,703
Illawarra Shoalhaven Local Health District	752,953	70,069	823,022
Justice Health and Forensic Mental Health Network	-	67,798	67,798
Mid North Coast Local Health District	485,577	71,041	556,618
Murrumbidgee Local Health District	351,288	194,018	545,306
Nepean Blue Mountains Local Health District	707,666	56,745	764,411
Northern NSW Local Health District	635,983	81,013	716,997
Northern Sydney Local Health District	1,040,685	151,214	1,191,899
South Eastern Sydney Local Health District	1,213,147	96,621	1,309,767
South Western Sydney Local Health District	1,542,621	110,071	1,652,692
Southern NSW Local Health District	314,753	63,428	378,181
St Vincent's Health Network	335,635	24,684	360,319
Sydney Children's Hospitals Network	565,853	51,952	617,805
Sydney Local Health District	1,235,428	153,657	1,389,085
Western NSW Local Health District	524,825	260,838	785,663
Western Sydney Local Health District	1,259,172	186,954	1,446,126
NEW SOUTH WALES TOTAL	13,298,421	2,023,026	15,321,447

The 2021-22 amounts paid by the Commonwealth into the State Pool Accounts excludes Hospital Services Payments made under the NPCR of \$294,354,478.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

For the New South Wales basis of payments, refer to page 77.

The amounts paid from each State Pool Account and State Managed Fund to Local Hospital Networks in 2020-21 – Section 241(2)(C)(D)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
Albury NSW Local Health District	44,082	13,039	57,121
Central Coast Local Health District	654,606	48,891	703,497
Contracted Services	32,995	-	32,995
Far West Local Health District	62,990	24,194	87,184
Hunter New England Local Health District	1,447,445	295,529	1,742,974
Illawarra Shoalhaven Local Health District	690,711	89,408	780,119
Justice Health and Forensic Mental Health Network	-	64,812	64,812
Mid North Coast Local Health District	451,591	66,685	518,276
Murrumbidgee Local Health District	309,054	183,046	492,100
Nepean Blue Mountains Local Health District	663,008	54,712	717,720
Northern NSW Local Health District	612,935	73,899	686,834
Northern Sydney Local Health District	992,326	146,040	1,138,366
South Eastern Sydney Local Health District	1,168,396	91,293	1,259,689
South Western Sydney Local Health District	1,449,809	107,005	1,556,814
Southern NSW Local Health District	296,817	61,585	358,402
St Vincent's Health Network	336,416	22,367	358,783
Sydney Children's Hospitals Network	487,985	48,654	536,639
Sydney Local Health District	1,164,236	145,948	1,310,184
Western NSW Local Health District	464,687	247,950	712,637
Western Sydney Local Health District	1,187,122	162,154	1,349,276
NEW SOUTH WALES TOTAL	12,517,211	1,947,210	14,464,420

The 2020-21 amounts paid by the Commonwealth into the State Pool Accounts excludes Hospital Services Payments made under the NPCR of \$498,113,867.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

For the New South Wales basis of payments, refer to page 77.

New South Wales basis for National Health Reform payments 2021-22

To meet the reporting requirements of Section 240 of the *National Health Reform Act 2011*, the Administrator is to include the basis of each State and Territory's National Health Reform (NHR) funding and payments.

To provide consistency in methodology and with the *Addendum to the National Health Reform Agreement 2020-2025*, the 2021-22 New South Wales Funding Model has implemented the State Efficient Price and National Weighted Activity Unit (NWAU21) as the currency for Activity Based Funding (ABF) facilities. The National Efficient Cost (NEC21) for small rural public hospitals model is used for small regional and remote hospitals however NSW has retained an alternative methodology to better account locally for the significant challenges faced by small hospitals in rural settings and better integrate care between small regional and remote hospitals and ABF hospitals.

The ABF component of NHR payments in New South Wales are based on activity outlined in the service plan between the Minister for Health and the Secretary of NSW Health. In determining activity targets consideration is given to the size and health needs of a Local Hospital District (LHD) population and provision of services to residents outside the local area. Accordingly, targets are adjusted considering factors appropriate to each LHD and service type, rather than simple extrapolation

from historical activity data. Activity targets are developed by the Ministry and LHDs based on analysis of activity level drivers. Provisional activity estimates are created at LHD level to provide the basis for discussion and negotiation with individual health services to determine agreed LHD level activity targets.

Service agreements set the performance and accountability requirements for health services measured against key performance indicators for 2021-22. The agreements clearly document the NSW Health Strategic Priorities, service delivery and performance expectations, activity volumes and funding provided to each organisation.

The service agreement outlines:

- the schedule of services to be delivered by or on behalf of the LHD and specialty health network and funding to be provided in relation to the provision of those services
- the Block funding to be provided for:
 - » Small rural hospitals, standalone hospitals providing specialist mental health services and eligible community mental health services
 - » LHDs for:
 - Non-admitted home ventilation
 - Clinical teaching, training and research
 - Highly Specialised Therapies

- operational and Block grants to the LHDs covering services provided and activities undertaken that are not within scope for ABF, for example, alcohol and drug services, dental services, child health and parenting services, primary care, home and community care
- standards of patient care and service delivery to ensure the provision of equitable, safe, high quality and human centred healthcare services
- performance standards, performance targets and performance measures for the LHDs and specialty health networks that will be monitored in line with the NSW Health Performance Framework
- requirements for the LHDs and specialty health networks to report on performance, as required or otherwise
- a performance management process that is to be in continuous operation in respect of the LHD or specialty health network.

Further information regarding the Basis for National Health Reform payments in both 2021-22 and previous financial years is included at www.publichospitalfunding.gov.au



NEW SOUTH WALES

Financial Statement

National Health Funding Pool New South Wales State Pool Account Special Purpose Financial Statement for the year ended 30 June 2022

Issued by the Administrator of the National Health Funding Pool under section 242 of the Commonwealth *National Health Reform Act 2011* and clause 17 of schedule 6A of the New South Wales *Health Services Act 1997*.



Contents

Independent Auditor's Report	81
Statement by the Administrator of the National Health Funding Pool	83
New South Wales State Pool Account	
Statement of Receipts and Payments for the year ended 30 June 2022	84

New South Wales State Pool Account Notes to and forming part of the Special Purpose Financial Statement for the year ended 30 June 2022

Note 1: Summary of significant accounting policies	85
Note 2: Activity Based Funding receipts	88
Note 3: Cross-border receipts	88
Note 4: Activity Based Funding payments	89
Note 5: Cross-border payments	90
Note 6: Activity Based Funding receipts and payments	90
Note 7: COVID-19 funding	91

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

National Health Funding Pool - New South Wales State Pool Account

To the Administrator of the National Health Funding Pool

Opinion

As requested by the *Health Services Act 1997* (NSW) and section 242 of the *National Health Reform Act 2011* (Cth), I have audited the accompanying special purpose financial statements of the New South Wales State Pool Account of the National Health Funding Pool (the financial statements) for the year ended 30 June 2022. The financial statements comprises a Statement of Receipts and Payments for the year ended 30 June 2022, a Summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the Government Sector Finance Regulation 2018 (GSF Regulation) and the Treasurer's Directions
- present fairly the financial transactions of the New South Wales State Pool Account for the year ended 30 June 2022 in accordance with the financial reporting provisions of the *Health Services Act 1997* (NSW), the *National Health Reform Act 2011* (Cth) and the National Health Reform Agreement 2011.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the National Health Funding Pool in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 1 of the financial statements, which describes the purpose of the financial statements and the basis of accounting. The financial statements have been prepared solely for the purpose of fulfilling the Administrator's financial reporting obligations under the financial reporting provisions of the *Health Services Act 1997* (NSW), *National Health Reform Act 2011* (Cth) and the National Health Reform Agreement 2011. As a result, the financial statements may not be suitable for another purpose.

Other Information

The National Health Funding Body's annual report for the year ended 30 June 2022 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Administrator of the National Health Funding Body is responsible for the other information.

Independent Auditor's Report

At the date of this Independent Auditor's Report, the other information I have received comprise the statement by the Administrator of the National Health Funding Pool.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Administrator's Responsibilities for the Financial Statements

The Administrator is responsible for the preparation and fair presentation of the financial statements and has determined that the basis of presentation described in Note 1, which is a special purpose framework using the cash basis of accounting, is appropriate to meet the financial reporting provisions of the *Health Services Act 1997 (NSW)*, the *National Health Reform Act 2011 (Cth)* and the National Health Reform Agreement 2011. The Administrator's responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that is free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the Administrator is responsible for assessing the National Health Funding Pool's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the New South Wales State Pool Account of the National Health Funding Pool carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Lisa Berwick
 Director, Financial Audit Branch
 Delegate of the Auditor-General for New South Wales
 22 August 2022
 SYDNEY

Statement by the Administrator of the National Health Funding Pool



Administrator
National Health
Funding Pool

Statement by the Administrator of the National Health Funding Pool New South Wales State Pool Account

I report that, as indicated in Note 1(b) to the financial statement, I have determined that the attached Special Purpose Financial Statement comprising of a statement of receipts and payments and accompanying notes provides a true and fair presentation in accordance with the New South Wales *Health Services Act 1997*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

In my opinion, the attached Special Purpose Financial Statement for the year ended 30 June 2022 is based on properly maintained financial records and gives a true and fair view of the matters required by the New South Wales *Health Services Act 1997*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

Michael Lambert

Administrator
National Health Funding Pool

19 August 2022

New South Wales State Pool Account

Statement of Receipts and Payments for the year ended 30 June 2022

	Notes	2021-22 \$'000	2020-21 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth Government			
Activity Based Funding	2, 6	6,113,270	5,335,287
Block funding		998,805	953,509
Public Health funding		145,833	140,297
COVID-19 funding	7	1,813,880	1,194,095
From New South Wales Government			
Activity Based Funding	2, 6	7,185,150	7,181,924
Cross-border contribution	5	315,133	253,289
COVID-19 funding	7	-	-
From other States or Territories			
Cross-border receipts	3	118,673	94,132
From Reserve Bank of Australia			
Interest receipts		34	87
TOTAL RECEIPTS		16,690,779	15,152,620
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding	4, 6	13,298,421	12,517,211
COVID-19 funding	7	-	-
To New South Wales State Managed Fund			
Block funding		998,805	953,509
To New South Wales Health			
Public Health funding		145,833	140,297
COVID-19 funding	7	1,813,880	1,194,095
Interest payments		34	87
Cross-border transfer		118,673	94,132
To other States or Territories			
Cross-border payments	5	315,133	253,289
TOTAL PAYMENTS		16,690,779	15,152,620
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		-	-
OPENING CASH BALANCE		-	-
CLOSING CASH BALANCE		-	-

The above statement of receipts and payments should be read in conjunction with the accompanying notes.

New South Wales State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 1: Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the Special Purpose Financial Statement are set out below.

(A) REPORTING ENTITY

The Administrator of the National Health Funding Pool (Administrator) is an independent statutory office holder, distinct from the Commonwealth, State and Territory governments, established under legislation of the Commonwealth and State and Territory governments. Mr Michael Lambert was appointed as the Administrator on 17 July 2018.

(B) BASIS OF PREPARATION

The New South Wales State Pool Account was established at the Reserve Bank of Australia (RBA) in 2012-13 in accordance with clause 9 of schedule 6A of the New South Wales *Health Services Act 1997* and the Special Purpose Financial Statement has been prepared in accordance with clause 17 of that schedule and Act and section 242 of the Commonwealth *National Health Reform Act 2011*.

The Special Purpose Financial Statement has been prepared on a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

The Special Purpose Financial Statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The Special Purpose Financial Statement was authorised for release by the Administrator on 19 August 2022.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2020-21 and 2021-22 are for the year ended 30 June.

(D) NATIONAL HEALTH FUNDING POOL

The National Health Funding Pool (Funding Pool) consists of eight State and Territory bank accounts (State Pool Accounts).

(E) ACTIVITY BASED FUNDING

Activity Based Funding (ABF) is a system for funding public hospital services provided to individual patients using national classifications, price weights and National Efficient Prices developed by the Independent Hospital Pricing Authority (IHPA). ABF is paid by the Commonwealth, States and Territories into the Funding Pool.

In 2020-21 and 2021-22 the Commonwealth, States and Territories ABF supported the following:

- i. Emergency department services
- ii. Acute admitted services
- iii. Admitted mental health services
- iv. Sub-acute and non-acute services
- v. Non-admitted services.

As system managers of the public hospital system, State or Territory ABF contributions into the Funding Pool may be calculated using State and Territory prices and activity measures. The Service Agreement between the State or Territory and each Local Hospital Network (LHN) specifies the service delivery and funding parameters.

Commonwealth ABF contributions for each service category were calculated by summing the prior year amounts and efficient growth. Efficient growth is determined by measuring the change in efficient price and volume. The price adjustment is 45 per cent of the change in the National Efficient Price relative to the prior year. The volume adjustment is 45 per cent of the net change in the volume of weighted services relative to the prior year.

In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements. Final funding entitlements for the year are calculated after actual data on hospital services becomes available. This calculation will generally result in reconciliation adjustments being made to the Commonwealth ABF contribution to each LHN to align with the actual services delivered.

In 2017, the Council of Australian Governments signed an Addendum to the National Health Reform Agreement. The Addendum amends specified elements of the operation of the National Health Reform Agreement for a period of three years. From 1 July 2017 to 30 June 2020, the Commonwealth funds 45 per cent of the efficient growth of public hospital services, subject to a 6.5 per cent cap in the growth of overall Commonwealth funding.

On 29 May 2020, the 2020–25 Addendum to the National Health Reform Agreement was entered into by the Commonwealth, State and Territory governments. The 2020–25 Addendum to the National Health Reform Agreement replaces the 2017–20 Addendum to the National Health Reform Agreement but retains the core principles.

(F) BLOCK FUNDING

Block funding is provided by the Commonwealth into the Funding Pool for States and Territories to support teaching and research undertaken in public hospitals and for some public hospital services where it is more appropriate to be Block funded, particularly for smaller rural and regional hospitals.

In 2020-21 and 2021-22 the Commonwealth Block funding supported the following:

- i. Small rural hospitals
- ii. Teaching, training and research
- iii. Non-admitted mental health
- iv. Non-admitted child and adolescent mental health services
- v. Non-admitted home ventilation
- vi. Other non-admitted services
- vii. Highly Specialised Therapies.

In 2020-21 and 2021-22 the Commonwealth Block contributions for each service category were calculated by summing prior year amounts and 45 per cent of the change in the National Efficient Cost between the current year and the prior year. Highly Specialised Therapies are contributed at 50 per cent of the growth in the efficient price or cost.

(G) PUBLIC HEALTH FUNDING

The Commonwealth contributes amounts into the Funding Pool for Public Health funding. This is calculated by the Commonwealth Treasury and includes funding for services such as national public health, youth health services and essential vaccines. This payment is indexed in accord with the previous existing health specific purpose payment.

New South Wales State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

(H) CROSS-BORDER

When a resident of one State or Territory receives hospital treatment in another State or Territory, the provider State or Territory is compensated for the cost of that treatment. The resident State or Territory pays its share through the Funding Pool to the provider State or Territory (refer Note 3 and Note 5).

The Commonwealth share of the cost of treating the patient is paid through the Funding Pool as part of the normal Activity Based Funding. The Commonwealth contribution to each State or Territory covers all eligible patients treated, regardless of where they reside.

(I) INTEREST

Interest earned and deposited by the RBA into the State Pool Account is recognised as interest received at the time the deposit is made. Interest paid from the State Pool Account to the State or Territory is recognised as an interest payment at the time the payment is made from the State Pool Account.

(J) TAXATION

State Pool Accounts are not subject to income tax. The majority of government funding, from the Commonwealth, State or Territory, to LHNs is not subject to the Goods and Services Tax (GST). However, in some cases hospital funding to non-government entities does attract GST, for example, denominational hospitals, privately and commercially owned health facilities, or other non-government third party providers of health services or related supplies.

(K) COVID-19 FUNDING

The National Partnership on COVID-19 Response (NPCR) was agreed to and signed by the Council of Australian Governments in March 2020. The objective of this agreement is to provide Commonwealth financial assistance for the additional costs incurred by State and Territory health services in responding to the COVID-19 outbreak. The NPCR was subsequently amended and agreed to in April 2020 to include financial viability payments for private hospitals. In February 2021, the NPCR was amended with respect to the coordination and delivery of the COVID-19 vaccine under Schedule C. The NPCR was further amended to assist residential aged care providers prevent, prepare for and respond to outbreaks of COVID-19 under Schedule D.

Financial assistance has been provided by the Commonwealth in the form of the Hospital Services Payments calculated on an activity basis, State Public Health Payments (including coordination and delivery of the COVID-19 vaccine) as well as Private Hospital Financial Viability Payments.

(L) COMMONWEALTH FUNDING GUARANTEE

For the 2019-20, 2020-21 and 2021-22 financial years, the Commonwealth provided the States and Territories with a minimum funding guarantee for funding related to the National Health Reform Agreement and the Hospital Services Payment component of the NPCR. Where a State or Territory is eligible for the Commonwealth funding guarantee, an additional payment is made in the following financial year after the annual reconciliation to meet the minimum amount guaranteed by the Commonwealth.

Note 2: Activity Based Funding receipts

Total receipts paid into the New South Wales State Pool Account in respect of Activity Based Funding:

	2021-22 \$'000	2020-21 \$'000
Commonwealth Activity Based Funding	6,113,270	5,335,287
New South Wales Activity Based Funding	7,185,150	7,181,924
TOTAL	13,298,421	12,517,211

The amounts paid by the Commonwealth into the New South Wales State Pool Account excludes Hospital Services Payments made under the NPCR of \$294,354,478 in 2021-22 (\$498,113,867 in 2020-21). Please refer Note 7.

Note 3: Cross-border receipts

Total cross-border receipts paid into the New South Wales State Pool Account from other States and Territories:

States and Territories	2021-22 \$'000	2020-21 \$'000
Victoria	15,360	16,200
Queensland	50,040	43,800
Western Australia	2,834	3,659
South Australia	22,135	-
Tasmania	1,674	3,971
Australian Capital Territory	25,200	23,700
Northern Territory	1,430	2,802
TOTAL	118,673	94,132

New South Wales State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 4: Activity Based Funding payments

Total payments made out of the New South Wales State Pool Account in respect of each Local Hospital Network:

Local Hospital Network	2021-22 \$'000	2020-21 \$'000
Albury NSW Local Health District ¹	56,498	44,082
Central Coast Local Health District	672,046	654,606
Contracted Services	27,303	32,995
Far West Local Health District	68,540	62,990
Hunter New England Local Health District	1,508,447	1,447,445
Illawarra Shoalhaven Local Health District	752,953	690,711
Mid North Coast Local Health District	485,577	451,591
Murrumbidgee Local Health District	351,288	309,054
Nepean Blue Mountains Local Health District	707,666	663,008
Northern NSW Local Health District	635,983	612,935
Northern Sydney Local Health District	1,040,685	992,326
South Eastern Sydney Local Health District	1,213,147	1,168,396
South Western Sydney Local Health District	1,542,621	1,449,809
Southern NSW Local Health District	314,753	296,817
St Vincent's Health Network	335,635	336,416
Sydney Children's Hospitals Network	565,853	487,985
Sydney Local Health District	1,235,428	1,164,236
Western NSW Local Health District	524,825	464,687
Western Sydney Local Health District	1,259,172	1,187,122
TOTAL	13,298,421	12,517,211

1 The Wodonga Campus is a Victorian Campus and Activity Based Funding is therefore recognised in the Victorian State Pool Account Special Purpose Financial Statement. The amount recognised in this Financial Statement is for the Albury Campus only.

The Administrator makes payments from the New South Wales State Pool Account in accordance with the directions of the New South Wales Minister for Health. The New South Wales Minister for Health directed all Activity Based Funding contributions paid to Local Hospital Networks.

Note 5: Cross-border payments

Total cross-border payments made out of the New South Wales State Pool Account to other States and Territories:

States and Territories	2021-22 \$'000	2020-21 \$'000
Victoria	53,760	56,400
Queensland	84,480	69,600
Western Australia	2,728	3,218
South Australia	43,831	-
Tasmania	1,142	2,806
Australian Capital Territory	127,200	116,400
Northern Territory	1,992	4,865
TOTAL	315,133	253,289

Note 6: Activity Based Funding receipts and payments

Total New South Wales and Commonwealth Activity Based Funding contributions and total Local Hospital Network Activity Based Funding payments:

	2021-22 \$'000	2020-21 \$'000
Total Activity Based Funding receipts from the Commonwealth Government	6,113,270	5,335,287
Total Activity Based Funding receipts from New South Wales Government	7,185,150	7,181,924
Activity Based Funding payments to Local Hospital Networks	(13,298,421)	(12,517,211)
NET RECEIPTS/(PAYMENTS)	-	-

New South Wales State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 7: COVID-19 funding

COVID-19 funding is provided monthly in advance based on estimates submitted by States and Territories and is subject to reconciliation. Final funding entitlements are determined after actual activity data on hospital services and actual in-scope expenditure are submitted.

The types of funding and payments under the NPCR include:

THE UPFRONT ADVANCE PAYMENT

In March 2020, the Commonwealth provided an upfront advanced payment of \$100 million to States and Territories on a population share basis. This is an advance payment to ensure the timely availability of funds under the NPCR. The Upfront Advance Payment has been subsequently reconciled against State Public Health requirements.

THE HOSPITAL SERVICES PAYMENT

The Commonwealth provides a 50 per cent contribution of the National Efficient Price, for costs incurred by States and Territories, through monthly payments, for the diagnosis and treatment of COVID-19 including suspected cases.

THE STATE PUBLIC HEALTH PAYMENT

The Commonwealth provides a 50 per cent contribution for additional costs incurred by States and Territories, through monthly payments, for COVID-19 activities undertaken by State and Territory public health systems for the management of the outbreak.

In February 2021, the NPCR was amended with respect to the delivery of the COVID-19 vaccine through the Vaccination Dose Delivery Payment under Schedule C. Where eligible, funding contributions in relation to this activity are included within the State Public Health Payment.

The NPCR was further amended in December 2021 to include a revised vaccination schedule (revised Schedule C) which includes additional financial support to States and Territories for the set-up of COVID-19 vaccination sites, and an aged care schedule which provides a 100 per cent contribution for costs incurred from 1 July 2020 for supporting aged care prevention, preparedness and response activities including additional targeted infection prevention and control training in Residential Aged Care Facilities (Schedule D).

In January 2022, National Cabinet agreed measures supporting States and Territories to claim 50 per cent of the costs of the purchase, logistics and distribution of Rapid Antigen Tests (RATs) through the NPCR. Where States and Territories provide RATs to residential aged care facilities, they may claim a 100 per cent contribution for the costs.

THE PRIVATE HOSPITAL FINANCIAL VIABILITY PAYMENT

The Commonwealth contributes 100 per cent of the Private Hospital Financial Viability Payment made to private operators to retain capacity for responding to State and Territory or Commonwealth public health requirements.

COVID-19 funding receipts and payments:

	2021-22 \$'000	2020-21 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT		
From Commonwealth Government		
Hospital Services Payments	294,354	498,114
State Public Health Payments	1,389,525	873,804
Private Hospital Financial Viability Payment	130,000	(177,823)
TOTAL COMMONWEALTH RECEIPTS	1,813,880	1,194,095
From New South Wales Government		
Hospital Services Payments	-	-
State Public Health Payments	-	-
Private Hospital Financial Viability Payment	-	-
TOTAL NEW SOUTH WALES GOVERNMENT RECEIPTS	-	-
TOTAL RECEIPTS	1,813,880	1,194,095
PAYMENTS OUT OF THE STATE POOL ACCOUNT		
To New South Wales Government (Including Local Hospital Networks)		
Hospital Services Payments	294,354	498,114
State Public Health Payments	1,389,525	873,804
Private Hospital Financial Viability Payment	130,000	(177,823)
TOTAL PAYMENTS	1,813,880	1,194,095
NET RECEIPTS / (PAYMENTS) FOR THE YEAR	-	-
OPENING CASH BALANCE	-	-
CLOSING CASH BALANCE	-	-

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

End of Audited Special Purpose Financial Statement.

VICTORIA

Funding and Payments

\$14.2B

total funding
that was paid to

84

Local Hospital
Networks (LHNs)

\$12.0B

in Activity Based Funding
that delivered

2,334,090

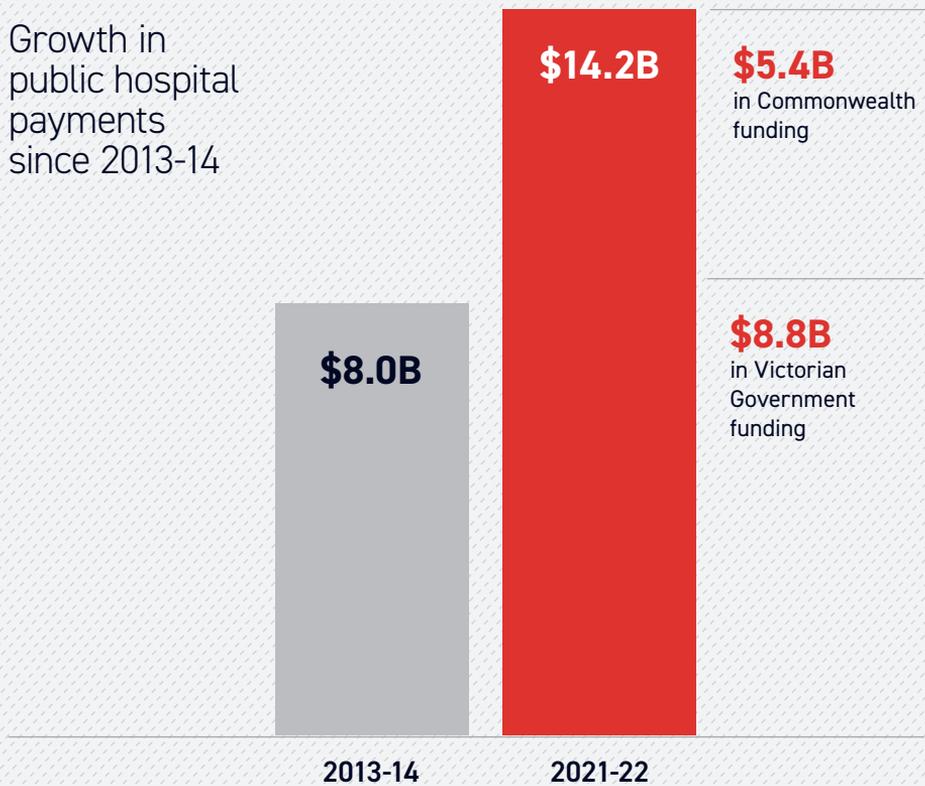
National Weighted
Activity Units (NWAU)

These amounts do not include transactions related to the NPCR. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

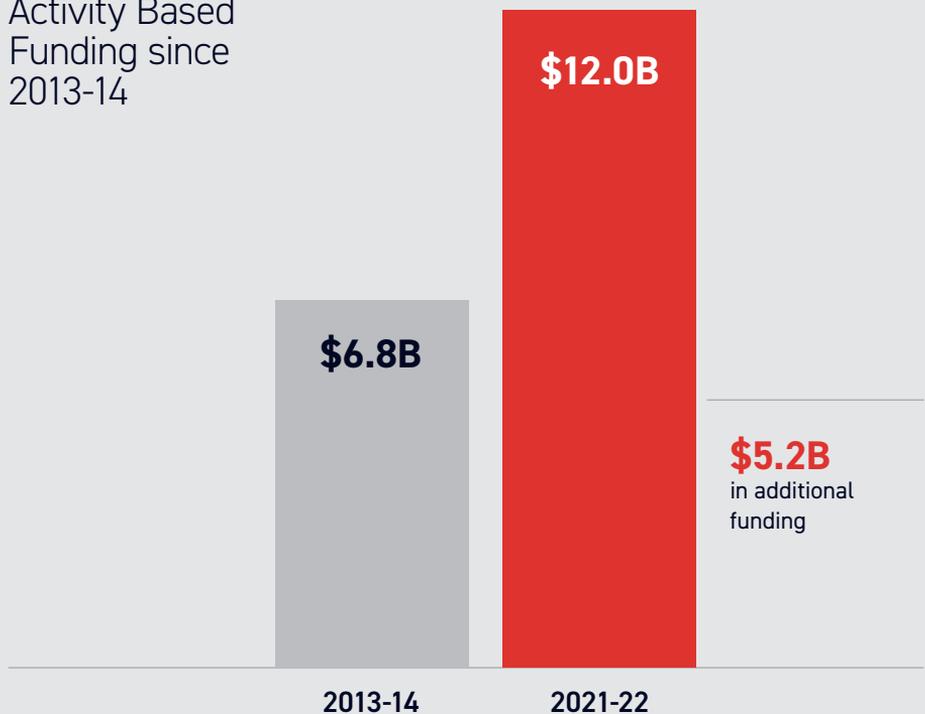
National Health Reform disclosures for the year ended 30 June 2022

Issued by the Administrator of the National Health Funding Pool under section 241(2) of the Commonwealth *National Health Reform Act 2011* and Section 17(2) of the Victorian *Health (Commonwealth State Funding Arrangements) ACT 2012*.

Growth in
public hospital
payments
since 2013-14



Growth in
Activity Based
Funding since
2013-14



Section 241(2) of the NHR Act outlines certain disclosures to be included in this Annual Report.

The information reported is specific to the transactions of the 'relevant State'.

For the purposes of this legislative reporting, the 'relevant State' is the State or Territory that holds the bank accounts opened under the laws of that State or Territory for NHR Agreement purposes.

The values are rounded to the nearest thousand dollars unless otherwise specified.

NHR funding and payments shown in the following tables include Goods and Services Tax (GST) where applicable.

The information disclosed in the following tables is provided by Victoria (VIC) and forms part of the Administrator's monthly reporting requirements, located at www.publichospitalfunding.gov.au

For further information on the types of National Health Reform funding, refer to the 'Introduction' chapter of this Annual Report.

Commonwealth National Health Reform funding entitlement based on actual services provided and cash paid in each financial year

The table below shows the cash paid by the Commonwealth each financial year based on activity estimates provided by States and Territories. The table also shows the final Commonwealth NHR funding entitlement determined by the Commonwealth Treasurer which is based on an end of financial year reconciliation of actual services delivered. The subsequent funding adjustments, whether positive or negative, reflect the difference between estimated activity and actual services delivered.

\$'000	2017-18 Entitlement	2018-19 Entitlement	2019-20 Entitlement	2020-21 Entitlement	2021-22 Estimate	TOTAL
Cash Paid 2017-18 Total	4,925,619	-	-	-	-	4,925,619
Cash Paid 2018-19 Total	(46,926)	5,195,808	-	-	-	5,148,882
Cash Paid 2019-20 Total	-	(3,874)	5,529,409	-	-	5,525,535
Cash Paid 2020-21 Total	-	-	(180,911)	5,830,361	-	5,649,450
Cash Paid 2021-22 Total	-	-	-	(869,948)	6,257,852	5,387,904
CURRENT ENTITLEMENT TOTAL	4,878,693	5,191,933	5,348,498¹	4,960,413²	6,257,852³	26,637,389

1 The 2019-20 Commonwealth NHR funding entitlement excludes \$204,856,778 in HSP under the NPCR.

2 The 2020-21 Commonwealth NHR funding entitlement excludes \$915,504,081 in HSP under the NPCR.

3 The 2021-22 Commonwealth NHR funding estimate excludes \$83,824,444 in HSP under the NPCR.

The amounts paid into each State Pool Account by the Commonwealth – Section 241(2)(B)

Component	Amount paid by Commonwealth into Victoria State Pool Account (\$'000)	
	2021-22	2020-21
Activity Based Funding	4,426,126	4,718,791
Block funding	842,471	815,038
Public Health funding	119,306	115,621
VICTORIA TOTAL	5,387,904	5,649,450

Additional financial assistance has been provided by the Commonwealth under the NPCR including hospital services funding which is paid monthly based on activity estimates provided to the Administrator and reconciled annually with adjustments being made in the following financial year. Details of this funding is provided in the Pool Account Special Purpose Financial Statement.

The amounts paid by the Commonwealth into the State Pool Accounts excludes payments made under the NPCR, relating to Hospital Services Payments of \$956,939,422 in 2021-22 (\$171,701,014 in 2020-21) and State Public Health and Private Hospital Financial Viability Payments of \$1,026,298,902 in 2021-22 (\$814,053,590 in 2020-21).

The amounts paid into each State Pool Account and State Managed Fund by the relevant State – Section 241(2)(A)

Component	Amount paid by Victoria (\$'000)	
	2021-22	2020-21
State Pool Account - Activity Based Funding	7,581,170	5,719,723
State Managed Fund - Block funding	1,250,211	1,111,519
VICTORIA TOTAL	8,831,381	6,831,242

The above table does not include interest deposited into the Pool Account, over deposit of state contributions subsequently paid back to the respective State or Territory Health Department or cross-border contributions for transfer to other States or Territories.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

The number of public hospital services funded for each Local Hospital Network in accordance with the system of Activity Based Funding – Section 241(2)(E)

Local Hospital Network	Number of ABF public hospital services funded (NWAU)		
	2021-22 ¹ Estimate	2020-21 ² Actual	2020-21 ³ Estimate
Albury Wodonga Health	21,612	19,149	20,429
Alfred Health	168,972	107,325	163,471
Austin Health	140,851	104,627	134,157
Bairnsdale Regional Health Service	14,710	13,943	14,128
Ballarat Health Services	65,039	51,610	58,621
Barwon Health	115,271	86,719	100,081
Bass Coast Health	10,714	10,561	10,349
Benalla Health	3,877	3,290	4,218
Bendigo Health	72,073	61,656	67,548
Calvary Health Care Bethlehem Limited	4,072	2,724	3,990
Castlemaine Health	5,438	4,502	5,358
Central Gippsland Health Service	11,744	10,516	11,710
Colac Area Health	4,814	5,479	6,128
Contracted Services LHN Victoria	11,565	9,703	10,604
Djerriwarrh Health Services	1,551	9,432	8,679
East Grampians Health Service	3,926	3,677	3,872
Eastern Health	185,620	131,386	178,225
Echuca Regional Health	12,750	11,253	12,451
Gippsland Southern Health Service	3,461	3,703	3,457
Goulburn Valley Health	37,112	33,176	35,277
Grampians Health	36,919	-	-
Kyabram District Health Service	2,840	2,452	2,847
Latrobe Regional Hospital	44,987	39,084	41,879
Maryborough District Health Service	3,966	3,647	4,069
Melbourne Health	159,398	107,701	139,002
Mercy Hospitals Victoria Limited	67,837	63,571	74,213
Mildura Base Public Hospital	19,509	19,474	18,246
Monash Health	319,749	235,377	289,309
Northeast Health Wangaratta	24,235	19,109	23,631
Northern Health	115,285	90,525	122,827
Other Provider (VIC)	-	-	-
Peninsula Health	100,292	78,886	108,241
Peter MacCallum Cancer Institute	31,137	27,880	30,333

The number of public hospital services funded for each Local Hospital Network in accordance with the system of Activity Based Funding – Section 241(2)(E) (continued)

Local Hospital Network	Number of ABF public hospital services funded (NWAU)		
	2021-22 ¹ Estimate	2020-21 ² Actual	2020-21 ³ Estimate
Portland District Health	5,537	4,760	6,020
Ramsay Health Care Australia PTY LTD	-	-	3,726
South West Healthcare	27,799	22,174	26,426
St Vincent's Hospital (Melbourne) Limited	108,336	69,124	93,110
Stawell Regional Health	3,385	2,795	3,187
Swan Hill District Hospital	8,253	6,877	8,098
The Royal Children's Hospital	92,964	55,783	93,765
The Royal Victorian Eye and Ear Hospital	20,291	15,145	20,067
The Royal Women's Hospital	45,134	41,225	46,806
West Gippsland Healthcare Group	17,169	16,789	16,609
Western District Health Service	8,361	6,881	8,136
Western Health	162,110	108,106	145,451
Wimmera Health Care Group	13,425	10,302	12,523
VICTORIA TOTAL	2,334,090	1,732,099	2,191,275

1 2021-22 NWAU as per the updated activity estimates as at the Administrator's June 2022 Payment Advice.

2 2020-21 NWAU as per the 2020-21 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2020-21.

3 2020-21 NWAU as per the activity estimates as at the Administrator's June 2021 Payment Advice.

The NWAU is the unit of measurement for the ABF system. It is a measure of health service activity expressed as a common unit, against which the NEP is paid. It provides a way of comparing and valuing each ABF public hospital service, by weighting it for its clinical complexity.

States and Territories provide NWAU estimates at the start of each financial year for Commonwealth payment purposes. These estimates may be revised during the course of the year and form the basis of Commonwealth funding until actual service volumes become available.

The number of other public hospital services and functions funded from each State Pool Account or State Managed Fund – Section 241(2)(F)

Unlike the unit of measurement for Activity based services (i.e. NWAU), there is currently no nationally standardised measurement system for other public hospital services.

In the absence of such a national system, the NHR Agreement allows for information to be based on the unit measurement classification and funding arrangements used in individual States and Territories.

However, in 2020–21 and 2021–22 Victoria did not report any other public hospital services and functions funded from their Pool Account or State Managed Fund.

The amounts paid from each State Pool Account and State Managed Fund to Local Hospital Networks in 2021-22 – Section 241(2)(C)(D)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
Albury Wodonga Health	154,248	32,835	187,083
Alexandra District Hospital	-	7,835	7,835
Alfred Health	829,143	130,958	960,101
Alpine Health	-	13,249	13,249
Austin Health	766,909	75,026	841,935
Bairnsdale Regional Health Service	79,676	3,673	83,349
Ballarat Health Services	169,188	25,175	194,363
Barwon Health	552,809	106,116	658,925
Bass Coast Health	66,099	1,814	67,913
Beaufort and Skipton Health Service	-	6,558	6,558
Beechworth Health Service	-	5,663	5,663
Benalla Health	21,145	484	21,630
Bendigo Health	334,953	62,613	397,566
Boort District Health	-	3,183	3,183
Calvary Health Care Bethlehem Limited	23,974	941	24,915
Casterton Memorial Hospital	-	4,938	4,938
Castlemaine Health	29,562	625	30,187
Central Gippsland Health Service	67,239	2,737	69,976
Central Highlands Rural Health	-	26,193	26,193
Cohuna District Hospital	-	7,696	7,696
Colac Area Health	33,026	755	33,781
Contracted Services LHN Victoria	80,569	8,007	88,576
Corryong Health	-	5,347	5,347
Djerriwarrh Health Services	12,705	112	12,817
East Grampians Health Service	24,197	1,555	25,752
East Wimmera Health Service	-	17,300	17,300
Eastern Health	877,221	141,506	1,018,727
Echuca Regional Health	70,001	3,070	73,071
Edenhope and District Memorial Hospital	-	2,613	2,613
Gippsland Southern Health Service	23,327	526	23,853
Goulburn Valley Health	237,549	36,548	274,096
Grampians Health	181,022	29,383	210,405
Great Ocean Road Health	-	6,684	6,684
Heathcote Health	-	3,473	3,473
Hesse Rural Health Service	-	2,673	2,673

The amounts paid from each State Pool Account and State Managed Fund to Local Hospital Networks in 2020-21 – Section 241(2)(C)(D)

Recipient	Amount paid (\$ '000)		
	State Pool Account	State Managed Fund	Total
Albury Wodonga Health	136,728	29,016	165,744
Alexandra District Hospital	-	7,216	7,216
Alfred Health	723,663	128,602	852,265
Alpine Health	-	12,690	12,690
Austin Health	647,653	64,637	712,290
Bairnsdale Regional Health Service	65,850	3,183	69,033
Ballarat Health Services	268,589	44,783	313,372
Barwon Health	467,945	103,593	571,538
Bass Coast Health	52,903	1,712	54,615
Beaufort and Skipton Health Service	-	5,777	5,777
Beechworth Health Service	-	5,267	5,267
Benalla Health	19,976	367	20,343
Bendigo Health	297,784	56,165	353,949
Boort District Health	-	3,077	3,077
Calvary Health Care Bethlehem Limited	22,999	683	23,682
Casterton Memorial Hospital	-	4,467	4,467
Castlemaine Health	26,214	495	26,709
Central Gippsland Health Service	62,339	2,603	64,942
Central Highlands Rural Health	-	24,904	24,904
Cohuna District Hospital	-	7,349	7,349
Colac Area Health	28,297	451	28,748
Contracted Services LHN Victoria	69,612	6,753	76,365
Corryong Health	-	4,905	4,905
Djerriwarrh Health Services	45,689	624	46,313
East Grampians Health Service	21,359	1,738	23,097
East Wimmera Health Service	-	15,256	15,256
Eastern Health	780,254	118,431	898,685
Echuca Regional Health	61,374	2,982	64,356
Edenhope and District Memorial Hospital	-	4,999	4,999
Gippsland Southern Health Service	20,510	526	21,036
Goulburn Valley Health	194,041	32,920	226,961
Grampians Health	-	-	-
Great Ocean Road Health	-	6,350	6,350
Heathcote Health	-	3,364	3,364
Hesse Rural Health Service	-	2,534	2,534

INTRODUCTION

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ENDNOTES

The amounts paid from each State Pool Account and State Managed Fund to Local Hospital Networks in 2021-22 – Section 241(2)(C)(D) (continued)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
Heywood Rural Health	-	3,286	3,286
Inglewood and Districts Health Service	-	3,182	3,182
Kerang and District Health	-	7,699	7,699
Kilmore and District Hospital	-	18,671	18,671
Kooweerup Regional Health Services	-	6,236	6,236
Kyabram District Health Service	17,050	265	17,315
Latrobe Regional Hospital	211,621	54,325	265,946
Maldon Hospital	-	2,351	2,351
Mallee Track Health and Community Service	-	5,029	5,029
Mansfield District Hospital	-	10,211	10,211
Maryborough District Health Service	23,514	520	24,035
Melbourne Health	832,313	223,939	1,056,252
Mercy Hospitals Victoria Limited	441,915	56,699	498,614
Mildura Base Public Hospital	120,606	20,738	141,343
Monash Health	1,579,709	261,685	1,841,393
Moyne Health Services	-	4,931	4,931
NCN Health	-	24,405	24,405
Northeast Health Wangaratta	137,689	3,830	141,520
Northern Health	565,327	41,496	606,822
Omeo District Health	-	2,834	2,834
Orbost Regional Health	-	7,121	7,121
Other Provider (VIC)	-	30,759	30,759
Peninsula Health	535,953	58,980	594,933
Peter MacCallum Cancer Institute	172,841	29,963	202,804
Portland District Health	29,380	652	30,031
Ramsay Health Care Australia PTY LTD	-	-	-
Robinvale District Health Services	-	7,021	7,021
Rochester and Elmore District Health Service	-	6,649	6,649
Rural Northwest Health	-	10,602	10,602
Seymour District Memorial Hospital	-	15,992	15,992
South Gippsland Hospital	-	7,512	7,512
South West Healthcare	150,824	27,320	178,144

The amounts paid from each State Pool Account and State Managed Fund to Local Hospital Networks in 2020-21 – Section 241(2)(C)(D) (continued)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
Heywood Rural Health	-	3,170	3,170
Inglewood and Districts Health Service	-	3,034	3,034
Kerang and District Health	-	7,460	7,460
Kilmore and District Hospital	-	17,539	17,539
Kooweerup Regional Health Services	-	6,041	6,041
Kyabram District Health Service	15,895	180	16,075
Latrobe Regional Hospital	195,599	45,670	241,269
Maldon Hospital	-	1,916	1,916
Mallee Track Health and Community Service	-	4,838	4,838
Mansfield District Hospital	-	8,838	8,838
Maryborough District Health Service	21,667	857	22,524
Melbourne Health	715,421	189,158	904,579
Mercy Hospitals Victoria Limited	388,610	47,408	436,018
Mildura Base Public Hospital	86,582	15,097	101,679
Monash Health	1,398,070	242,599	1,640,669
Moyne Health Services	-	4,870	4,870
NCN Health	-	23,269	23,269
Northeast Health Wangaratta	110,473	4,406	114,879
Northern Health	487,361	38,065	525,426
Omeo District Health	-	2,255	2,255
Orbost Regional Health	-	6,933	6,933
Other Provider (VIC)	218	36,716	36,933
Peninsula Health	472,065	54,969	527,034
Peter MacCallum Cancer Institute	149,526	25,751	175,277
Portland District Health	26,310	464	26,774
Ramsay Health Care Australia PTY LTD	23,192	4,785	27,977
Robinvale District Health Services	-	6,548	6,548
Rochester and Elmore District Health Service	-	6,500	6,500
Rural Northwest Health	-	10,279	10,279
Seymour District Memorial Hospital	-	15,099	15,099
South Gippsland Hospital	-	7,099	7,099
South West Healthcare	140,012	24,174	164,186

INTRODUCTION

NATIONAL

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ENDNOTES

The amounts paid from each State Pool Account and State Managed Fund to Local Hospital Networks in 2021-22 – Section 241(2)(C)(D) (continued)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
St Vincent's Hospital (Melbourne) Limited	589,119	80,947	670,065
Stawell Regional Health	9,368	394	9,761
Swan Hill District Hospital	46,760	1,102	47,863
Tallangatta Health Service	-	5,557	5,557
Terang and Mortlake Health Service	-	6,560	6,560
The Royal Children's Hospital	525,047	41,397	566,445
The Royal Victorian Eye and Ear Hospital	104,685	3,834	108,520
The Royal Women's Hospital	237,116	5,359	242,474
Timboon and District Healthcare Service	-	4,430	4,430
Victorian Institute of Forensic Mental Health	-	75,390	75,390
West Gippsland Healthcare Group	93,663	3,476	97,139
West Wimmera Health Service	-	18,237	18,237
Western District Health Service	49,389	3,946	53,335
Western Health	858,857	85,388	944,245
Wimmera Health Care Group	39,989	1,326	41,315
Yarram and District Health Service	-	7,346	7,346
Yarrawonga District Health Service	-	11,904	11,904
Yea and District Memorial Hospital	-	3,325	3,325
VICTORIA TOTAL	12,007,296	2,092,682	14,099,978

The 2021-22 amounts paid by the Commonwealth into the State Pool Accounts excludes Hospital Services Payments made under the NPCR of \$956,939,422.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

For the Victoria basis of payments, refer to page 105.

The amounts paid from each State Pool Account and State Managed Fund to Local Hospital Networks in 2020-21 – Section 241(2)(C)(D) (continued)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
St Vincent's Hospital (Melbourne) Limited	504,286	75,779	580,065
Stawell Regional Health	16,149	786	16,935
Swan Hill District Hospital	41,414	954	42,368
Tallangatta Health Service	-	4,772	4,772
Terang and Mortlake Health Service	-	6,198	6,198
The Royal Children's Hospital	458,172	37,778	495,950
The Royal Victorian Eye and Ear Hospital	99,634	3,621	103,255
The Royal Women's Hospital	223,182	4,811	227,993
Timboon and District Healthcare Service	-	4,222	4,222
Victorian Institute of Forensic Mental Health	-	70,849	70,849
West Gippsland Healthcare Group	82,256	3,471	85,727
West Wimmera Health Service	-	16,932	16,932
Western District Health Service	45,104	3,833	48,937
Western Health	661,490	95,161	756,651
Wimmera Health Care Group	62,049	2,312	64,361
Yarram and District Health Service	-	6,293	6,293
Yarrawonga District Health Service	-	11,167	11,167
Yea and District Memorial Hospital	-	3,209	3,209
VICTORIA TOTAL	10,438,514	1,926,556	12,365,070

The 2020-21 amounts paid by the Commonwealth into the State Pool Accounts excludes Hospital Services Payments made under the NPCR of \$171,701,014.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

For the Victoria basis of payments, refer to page 105.

Victoria basis for National Health Reform payments 2021-22

To meet the reporting requirements of Section 240 of the *National Health Reform Act 2011*, the Administrator is to include the basis of each State and Territory's National Health Reform (NHR) funding and payments.

To provide consistency in methodology with *the Addendum to the National Health Reform Agreement 2020-21 to 2024-25*, in 2021-22 Victoria receives Commonwealth Activity Based Funding (ABF) contributions as calculated by the National Funding Model using the National Efficient Price (NEP21) and National Weighted Activity Unit (NWAU21) as the currency for Victorian Local Hospital Networks (LHNs). The National Efficient Cost (NEC21) Block funding model is used for calculating Commonwealth funding contributions to Block funded hospitals and Block funded services as summarised below.

NHR payments in Victoria are based upon the activity and budgets set out in Statements of Priorities (Service Agreements). Statement of Priorities are annual accountability agreements between Victorian public healthcare services and the Minister for Health. Further information on system-wide terms and conditions can be found in the Policy and Funding Guidelines (www.health.vic.gov.au/funding-performance-accountability/funding-policy).

In conjunction with the Policy and Funding Guidelines, the Statement of Priorities for Victorian public healthcare services, outline:

- the schedule of services to be delivered by or on behalf of the LHN and the funding to be provided in relation to the provision of those services
- Block funding to be provided to:
 - » Small rural hospitals, standalone hospitals providing specialist mental health services and eligible community mental health services
 - » health services for:
 - Teaching, training and research
 - Non-admitted mental health
 - Child and adolescent mental health services (CAMHS)
 - Non-admitted home ventilation
 - HealthLinks: Chronic Care program
 - other Non-admitted services (as set out in the National Efficient Price determination)
 - high cost, Highly Specialised Therapies
- operational and Block grants to the LHN covering services provided and activities undertaken that are not within scope for ABF, for example, alcohol and drug services, dental services, child health and parenting services, primary care, home and community care
- Supplementation Grants at the ABF stream level in recognition that the LHN has reported average costs greater than the NEP
- standards of patient care and service delivery
- performance standards, service delivery targets and performance measures for the LHN
- requirements for the LHN to report on its performance, as required or otherwise
- a performance management process that is to be in continuous operation in respect of the LHN.

The ABF funded facilities' service profiles are developed in negotiation with the LHN as follows:

- acute admitted and sub-acute and non-acute service activity volumes are modelled based on historical activity data and agreed growth rates and adjusted for known service capacity and profile changes
- emergency department and outpatient service volumes are modelled based on agreed growth rates and other known factors
- Clinical teaching, training and research, home ventilation services are modelled based on historical expenditure profiles and adjusted for known changes
- small regional and remote hospitals are modelled based on the small hospital NEC result
- standalone hospitals providing specialist mental health services (admitted and non-admitted) and modelled based on historical activity volumes and expenditure profiles and adjusted for known changes in service delivery and capacity
- non-NHRA and non-hospital services are Block funded and modelled based on historical expenditure profiles and other known growth factors
- the Supplementation Grant at the ABF stream level is based on the prior year National Hospital Cost Data Collections ABF stream cost ratio
- other funding required for system management of the public hospitals.

Further information regarding the Basis for National Health Reform payments in both 2021-22 and previous financial years is included at www.publichospitalfunding.gov.au



VICTORIA

Financial Statement

**National Health Funding Pool
Victoria State Pool Account
Special Purpose Financial Statement
for the year ended 30 June 2022**

Issued by the Administrator of the National Health Funding Pool under section 242 of the Commonwealth *National Health Reform Act 2011* and section 18 of the Victorian *Health (Commonwealth State Funding Arrangements) Act 2012*.



Contents

Independent Auditor's Report	109
Statement by the Administrator of the National Health Funding Pool	111
Victoria State Pool Account	
Statement of Receipts and Payments for the year ended 30 June 2022	112

Victoria State Pool Account Notes to and forming part of the Special Purpose Financial Statement for the year ended 30 June 2022

Note 1: Summary of significant accounting policies	113
Note 2: Activity Based Funding receipts	116
Note 3: Cross-border receipts	116
Note 4: Activity Based Funding payments	117
Note 4: Activity Based Funding payments (continued)	118
Note 5: Cross-border payments	119
Note 6: Activity Based Funding receipts and payments	120
Note 7: COVID-19 funding	121

Independent Auditor's Report



Victorian Auditor-General's Office

Independent Auditor's Report

To the Administrator, National Health Funding Pool - Victoria State Pool Account

Opinion	<p>I have audited the special purpose financial statement (financial statement) of the Victoria State Pool Account (the account) which comprises the:</p> <ul style="list-style-type: none"> • statement of receipts and payments for the year ended 30 June 2022 • notes to the financial statement, including significant accounting policies • statement by the Administrator of the National Health Funding Pool. <p>In my opinion the financial statement presents fairly, in all material respects, the receipts and payments of the Victoria State Pool Account for the year ended 30 June 2022 in accordance with the financial reporting requirements of section 242 of the <i>National Health Reform Act 2011 (Cwlth)</i> and section 18 of the <i>Health (Commonwealth State Funding Arrangements) Act 2012 (Vic)</i>.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the account in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial statement in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Emphasis of Matter - Basis of Accounting	<p>I draw attention to Note 1(B) to the financial statement, which describes the purpose of the financial statement and its basis of accounting. The financial statement has been prepared using the cash basis of accounting and for the purpose of fulfilling the Administrator's financial reporting obligations under the <i>National Health Reform Act 2011 (Cwlth)</i> and the <i>Health (Commonwealth State Funding Arrangements) Act 2012 (Vic)</i>. As a result, the financial statement may not be suitable for another purpose. My opinion is not modified in respect of this matter.</p>
Administrator's responsibilities for the financial statement	<p>The Administrator of the National Health Funding Pool is responsible for the preparation and fair presentation of the financial statement in accordance with the financial reporting requirements of the <i>National Health Reform Act 2011 (Cwlth)</i> and the <i>Health (Commonwealth State Funding Arrangements) Act 2012 (Vic)</i>, and for such internal control as the Administrator determines is necessary to enable the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.</p> <p>The Administrator is responsible for overseeing the Victoria State Pool Account's financial reporting process.</p>

Independent Auditor's Report

Auditor's responsibilities for the audit of the financial statement

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial statement based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the account's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Administrator
- evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Administrator regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Dominika Ryan
as delegate for the Auditor-General of Victoria

MELBOURNE
31 August 2022

Statement by the Administrator of the National Health Funding Pool



Administrator
National Health
Funding Pool

Statement by the Administrator of the National Health Funding Pool Victoria State Pool Account

I report that, as indicated in Note 1(b) to the financial statement, I have determined that the attached Special Purpose Financial Statement comprising of a statement of receipts and payments and accompanying notes provides a true and fair presentation in accordance with the Victorian *Health (Commonwealth State Funding Arrangements) Act 2012*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

In my opinion, the attached Special Purpose Financial Statement for the year ended 30 June 2022 is based on properly maintained financial records and gives a true and fair view of the matters required by the Victorian *Health (Commonwealth State Funding Arrangements) Act 2012*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

A handwritten signature in black ink, appearing to read 'M Lambert', written in a cursive style.

Michael Lambert
Administrator
National Health Funding Pool

26 August 2022

Victoria State Pool Account

Statement of Receipts and Payments for the year ended 30 June 2022

	Notes	2021-22 \$'000	2020-21 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth Government			
Activity Based Funding	2, 6	4,426,126	4,718,791
Block funding		842,471	815,038
Public Health funding		119,306	115,621
COVID-19 funding	7	1,983,238	985,755
From Victoria Government			
Activity Based Funding	2, 6	7,664,056	6,046,189
Withdrawal of ABF in excess of funding obligations	2, 6	(82,886)	(326,467)
Cross-border contribution	5	67,328	54,784
COVID-19 funding	7	-	-
From other States or Territories			
Cross-border receipts	3	132,542	118,881
From Reserve Bank of Australia			
Interest receipts		9	70
TOTAL RECEIPTS		15,152,190	12,528,662
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding	4, 6	12,007,296	10,438,514
COVID-19 funding	7	-	-
To Victoria State Managed Fund			
Block funding		842,471	815,038
To Department of Health Victoria			
Public Health funding		119,306	115,621
COVID-19 funding	7	1,983,238	985,755
Interest payments		9	70
Cross-border transfer		132,542	118,881
To other States or Territories			
Cross-border payments	5	67,328	54,784
TOTAL PAYMENTS		15,152,190	12,528,662
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		-	-
OPENING CASH BALANCE		-	-
CLOSING CASH BALANCE		-	-

The above statement of receipts and payments should be read in conjunction with the accompanying notes.

Victoria State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 1: Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the Special Purpose Financial Statement are set out below.

(A) REPORTING ENTITY

The Administrator of the National Health Funding Pool (Administrator) is an independent statutory office holder, distinct from the Commonwealth, State and Territory governments, established under legislation of the Commonwealth and State and Territory governments. Mr Michael Lambert was appointed as the Administrator on 17 July 2018.

(B) BASIS OF PREPARATION

The Victorian State Pool Account was established at the Reserve Bank of Australia (RBA) in 2012-13 in accordance with section 11 of the *Victoria Health (Commonwealth State Funding Arrangements) Act 2012* and the Special Purpose Financial Statement has been prepared in accordance with section 18 of that Act and Section 242 of the Commonwealth *National Health Reform Act 2011*.

The Special Purpose Financial Statement has been prepared on a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

The Special Purpose Financial Statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The Special Purpose Financial Statement was authorised for release by the Administrator on 26 August 2022.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2020-21 and 2021-22 are for the year ended 30 June.

(D) NATIONAL HEALTH FUNDING POOL

The National Health Funding Pool (Funding Pool) consists of eight State and Territory bank accounts (State Pool Accounts).

(E) ACTIVITY BASED FUNDING

Activity Based Funding (ABF) is a system for funding public hospital services provided to individual patients using national classifications, price weights and National Efficient Prices developed by the Independent Hospital Pricing Authority (IHPA). ABF is paid by the Commonwealth, States and Territories into the Funding Pool.

In 2020-21 and 2021-22 the Commonwealth, States and Territories ABF supported the following:

- i. Emergency department services
- ii. Acute admitted services
- iii. Admitted mental health services
- iv. Sub-acute and non-acute services
- v. Non-admitted services.

As system managers of the public hospital system, State or Territory ABF contributions into the Funding Pool may be calculated using State and Territory prices and activity measures. The Service Agreement between the State or Territory and each Local Hospital Network (LHN) specifies the service delivery and funding parameters.

Commonwealth ABF contributions for each service category were calculated by summing the prior year amounts and efficient growth. Efficient growth is determined by measuring the change in efficient price and volume. The price adjustment is 45 per cent of the change in the National Efficient Price relative to the prior year. The volume adjustment is 45 per cent of the net change in the volume of weighted services relative to the prior year.

In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements. Final funding entitlements for the year are calculated after actual data on hospital services becomes available. This calculation will generally result in reconciliation adjustments being made to the Commonwealth ABF contribution to each LHN to align with the actual services delivered.

In 2017, the Council of Australian Governments signed an Addendum to the National Health Reform Agreement. The Addendum amends specified elements of the operation of the National Health Reform Agreement for a period of three years. From 1 July 2017 to 30 June 2020, the Commonwealth funds 45 per cent of the efficient growth of public hospital services, subject to a 6.5 per cent cap in the growth of overall Commonwealth funding.

On 29 May 2020, the 2020–25 Addendum to the National Health Reform Agreement was entered into by the Commonwealth, State and Territory governments. The 2020–25 Addendum to the National Health Reform Agreement replaces the 2017–20 Addendum to the National Health Reform Agreement but retains the core principles.

(F) BLOCK FUNDING

Block funding is provided by the Commonwealth into the Funding Pool for States and Territories to support teaching and research undertaken in public hospitals and for some public hospital services where it is more appropriate to be Block funded, particularly for smaller rural and regional hospitals.

In 2020-21 and 2021-22 the Commonwealth Block funding supported the following:

- i. Small rural hospitals
- ii. Teaching, training and research
- iii. Non-admitted mental health
- iv. Non-admitted child and adolescent mental health services
- v. Non-admitted home ventilation
- vi. Other non-admitted services
- vii. Highly Specialised Therapies.

In 2020-21 and 2021-22 the Commonwealth Block contributions for each service category were calculated by summing prior year amounts and 45 per cent of the change in the National Efficient Cost between the current year and the prior year. Highly Specialised Therapies are contributed at 50 per cent of the growth in the efficient price or cost.

(G) PUBLIC HEALTH FUNDING

The Commonwealth contributes amounts into the Funding Pool for Public Health funding. This is calculated by the Commonwealth Treasury and includes funding for services such as national public health, youth health services and essential vaccines. This payment is indexed in accord with the previous existing health specific purpose payment.

Victoria State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

(H) CROSS-BORDER

When a resident of one State or Territory receives hospital treatment in another State or Territory, the provider State or Territory is compensated for the cost of that treatment.

The resident State or Territory pays its share through the Funding Pool to the provider State or Territory (refer Note 3 and Note 5).

The Commonwealth share of the cost of treating the patient is paid through the Funding Pool as part of the normal Activity Based Funding. The Commonwealth contribution to each State or Territory covers all eligible patients treated, regardless of where they reside.

(I) INTEREST

Interest earned and deposited by the RBA into the State Pool Account is recognised as interest received at the time the deposit is made. Interest paid from the State Pool Account to the State or Territory is recognised as an interest payment at the time the payment is made from the State Pool Account.

(J) TAXATION

State Pool Accounts are not subject to income tax. The majority of government funding, from the Commonwealth, State or Territory, to LHNs is not subject to the Goods and Services Tax (GST). However, in some cases hospital funding to non-government entities does attract GST, for example, denominational hospitals, privately and commercially owned health facilities, or other non-government third party providers of health services or related supplies.

(K) COVID-19 FUNDING

The National Partnership on COVID-19 Response (NPCR) was agreed to and signed by the Council of Australian Governments in March 2020. The objective of this agreement is to provide Commonwealth financial assistance for the additional costs incurred by State and Territory health services in responding to the COVID-19 outbreak. The NPCR was subsequently amended and agreed to in April 2020 to include financial viability payments for private hospitals. In February 2021, the NPCR was amended with respect to the coordination and delivery of the COVID-19 vaccine under Schedule C. The NPCR was further amended to assist residential aged care providers prevent, prepare for and respond to outbreaks of COVID-19 under Schedule D.

Financial assistance has been provided by the Commonwealth in the form of the Hospital Services Payments calculated on an activity basis, State Public Health Payments (including coordination and delivery of the COVID-19 vaccine) as well as Private Hospital Financial Viability Payments.

(L) COMMONWEALTH FUNDING GUARANTEE

For the 2019-20, 2020-21 and 2021-22 financial years, the Commonwealth provided the States and Territories with a minimum funding guarantee for funding related to the National Health Reform Agreement and the Hospital Services Payment component of the NPCR. Where a State or Territory is eligible for the Commonwealth funding guarantee, an additional payment is made in the following financial year after the annual reconciliation to meet the minimum amount guaranteed by the Commonwealth.

Note 2: Activity Based Funding receipts

Total receipts paid into the Victoria State Pool Account in respect of Activity Based Funding:

	2021-22 \$'000	2020-21 \$'000
Commonwealth Activity Based Funding	4,426,126	4,718,791
Victoria Activity Based Funding	7,664,056	6,046,189
Withdrawal of Activity Based Funding in excess of funding obligations	(82,886)	(326,467)
TOTAL	12,007,296	10,438,513

The amounts paid by the Commonwealth into the Victoria State Pool Account excludes Hospital Services Payments made under the NPCR of \$956,939,422 in 2021-22 (\$171,701,014 in 2020-21). Please refer Note 7.

Note 3: Cross-border receipts

Total cross-border receipts paid into the Victoria State Pool Account from other States and Territories:

States and Territories	2021-22 \$'000	2020-21 \$'000
New South Wales	53,760	56,400
Queensland	6,799	15,754
Western Australia	4,999	7,174
South Australia	45,983	-
Tasmania	16,503	39,552
Australian Capital Territory	4,497	-
Northern Territory	-	-
TOTAL	132,542	118,881

Victoria State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 4: Activity Based Funding payments

Total payments made out of the Victoria State Pool Account in respect of each Local Hospital Network:

Local Hospital Network	2021-22 \$'000	2020-21 \$'000
Albury Wodonga Health	154,248	136,728
Alfred Health	829,143	723,663
Austin Health	766,909	647,653
Bairnsdale Regional Health Service	79,676	65,850
Ballarat Health Services	169,188	268,589
Barwon Health	552,809	467,945
Bass Coast Health	66,099	52,903
Benalla Health	21,145	19,976
Bendigo Health	334,953	297,784
Calvary Health Care Bethlehem Limited	23,974	22,999
Castlemaine Health	29,562	26,214
Central Gippsland Health Service	67,239	62,339
Colac Area Health	33,026	28,297
Contracted Services LHN Victoria	80,569	28,297
Djerriwarrh Health Services	12,705	45,689
East Grampians Health Service	24,197	21,359
Eastern Health	877,221	780,254
Echuca Regional Health	70,001	61,374
Gippsland Southern Health Service	23,327	20,510
Goulburn Valley Health	237,549	194,041
Grampians Health	181,022	-
Kyabram District Health Service	17,050	15,895
Latrobe Regional Hospital	211,621	195,599
Maryborough District Health Service	23,514	21,667
Melbourne Health	832,313	715,421
Mercy Hospitals Victoria Limited	441,915	388,610
Mildura Base Public Hospital	120,606	86,582
Monash Health	1,579,709	1,398,070
Northeast Health Wangaratta	137,689	110,473
Northern Health	565,327	487,361
Other Provider (VIC)	-	218
Peninsula Health	535,953	472,065
Peter MacCallum Cancer Institute	172,841	149,526
Portland District Health	29,380	26,310
Ramsay Health Care Australia PTY LTD	-	23,192
South West Healthcare	150,824	140,012
St Vincent's Hospital (Melbourne) Limited	589,119	504,286

Note 4: Activity Based Funding payments (continued)

Total payments made out of the Victoria State Pool Account in respect of each Local Hospital Network:

Local Hospital Network	2021-22 \$'000	2020-21 \$'000
Stawell Regional Health	9,368	16,149
Swan Hill District Hospital	46,760	41,414
The Royal Children's Hospital	525,047	458,172
The Royal Victorian Eye and Ear Hospital	104,685	99,634
The Royal Women's Hospital	237,116	223,182
West Gippsland Healthcare Group	93,663	82,256
Western District Health Service	49,389	45,104
Western Health	858,857	661,490
Wimmera Health Care Group	39,989	62,049
TOTAL	12,007,296	10,438,514

The Administrator makes payments from the Victoria State Pool Account in accordance with the directions of the Victoria Minister for Health. The Victoria Minister for Health directed all Activity Based Funding contributions paid to Local Hospital Networks.

Victoria State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 5: Cross-border payments

Total cross-border payments made out of the Victoria State Pool
Account to other States and Territories:

States and Territories	2021-22 \$'000	2020-21 \$'000
New South Wales	15,360	16,200
Queensland	12,619	28,423
Western Australia	2,818	6,937
South Australia	29,173	-
Tasmania	1,453	3,223
Australian Capital Territory	5,905	-
Northern Territory	-	-
TOTAL	67,328	54,784

Note 6: Activity Based Funding receipts and payments

Total Victoria and Commonwealth Activity Based Funding contributions and total Local Hospital Network Activity Based Funding payments:

	2021-22 \$'000	2020-21 \$'000
Total Activity Based Funding receipts from the Commonwealth Government	4,426,126	4,718,791
Total Activity Based Funding receipts from Victoria Government	7,664,056	6,046,189
Withdrawal of Activity Based Funding in excess of funding obligations	(82,886)	(326,467)
Activity Based Funding payments to Local Hospital Networks	(12,007,296)	(10,438,514)
NET RECEIPTS/(PAYMENTS)	-	-

Victoria State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 7: COVID-19 funding

COVID-19 funding is provided monthly in advance based on estimates submitted by States and Territories and is subject to reconciliation. Final funding entitlements are determined after actual activity data on hospital services and actual in-scope expenditure are submitted.

The types of funding and payments under the NPCR include:

THE UPFRONT ADVANCE PAYMENT

In March 2020, the Commonwealth provided an upfront advanced payment of \$100 million to States and Territories on a population share basis. This is an advance payment to ensure the timely availability of funds under the NPCR. The Upfront Advance Payment has been subsequently reconciled against State Public Health requirements.

THE HOSPITAL SERVICES PAYMENT

The Commonwealth provides a 50 per cent contribution of the National Efficient Price, for costs incurred by States and Territories, through monthly payments, for the diagnosis and treatment of COVID-19 including suspected cases.

THE STATE PUBLIC HEALTH PAYMENT

The Commonwealth provides a 50 per cent contribution for additional costs incurred by States and Territories, through monthly payments, for COVID-19 activities undertaken by State and Territory public health systems for the management of the outbreak.

In February 2021, the NPCR was amended with respect to the delivery of the COVID-19 vaccine through the Vaccination Dose Delivery Payment under Schedule C. Where eligible, funding contributions in relation to this activity are included within the State Public Health Payment.

The NPCR was further amended in December 2021 to include a revised vaccination schedule (revised Schedule C) which includes additional financial support to States and Territories for the set-up of COVID-19 vaccination sites, and an aged care schedule which provides a 100 per cent contribution for costs incurred from 1 July 2020 for supporting aged care prevention, preparedness and response activities including additional targeted infection prevention and control training in Residential Aged Care Facilities (Schedule D).

In January 2022, National Cabinet agreed measures supporting States and Territories to claim 50 per cent of the costs of the purchase, logistics and distribution of Rapid Antigen Tests (RATs) through the NPCR. Where States and Territories provide RATs to residential aged care facilities, they may claim a 100 per cent contribution for the costs.

THE PRIVATE HOSPITAL FINANCIAL VIABILITY PAYMENT

The Commonwealth contributes 100 per cent of the Private Hospital Financial Viability Payment made to private operators to retain capacity for responding to State and Territory or Commonwealth public health requirements.

COVID-19 funding receipts and payments:

	2021-22 \$'000	2020-21 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT		
From Commonwealth Government		
Hospital Services Payments	956,939	171,701
State Public Health Payments	842,405	739,831
Private Hospital Financial Viability Payment	183,893	74,223
TOTAL COMMONWEALTH RECEIPTS	1,983,238	985,755
From Victoria Government		
Hospital Services Payments	-	-
State Public Health Payments	-	-
Private Hospital Financial Viability Payment	-	-
TOTAL VICTORIA GOVERNMENT RECEIPTS	-	-
TOTAL RECEIPTS	1,983,238	985,755
PAYMENTS OUT OF THE STATE POOL ACCOUNT		
To Victoria Government (Including Local Hospital Networks)		
Hospital Services Payments	956,939	171,701
State Public Health Payments	842,405	739,831
Private Hospital Financial Viability Payment	183,893	74,223
TOTAL PAYMENTS	1,983,238	985,755
NET RECEIPTS / (PAYMENTS) FOR THE YEAR	-	-
OPENING CASH BALANCE	-	-
CLOSING CASH BALANCE	-	-

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

End of Audited Special Purpose Financial Statement.

QUEENSLAND

Funding and Payments

\$13.9B

total funding
that was paid to

18

Local Hospital
Networks (LHNs)

\$11.8B

in Activity Based Funding
that delivered

2,076,674

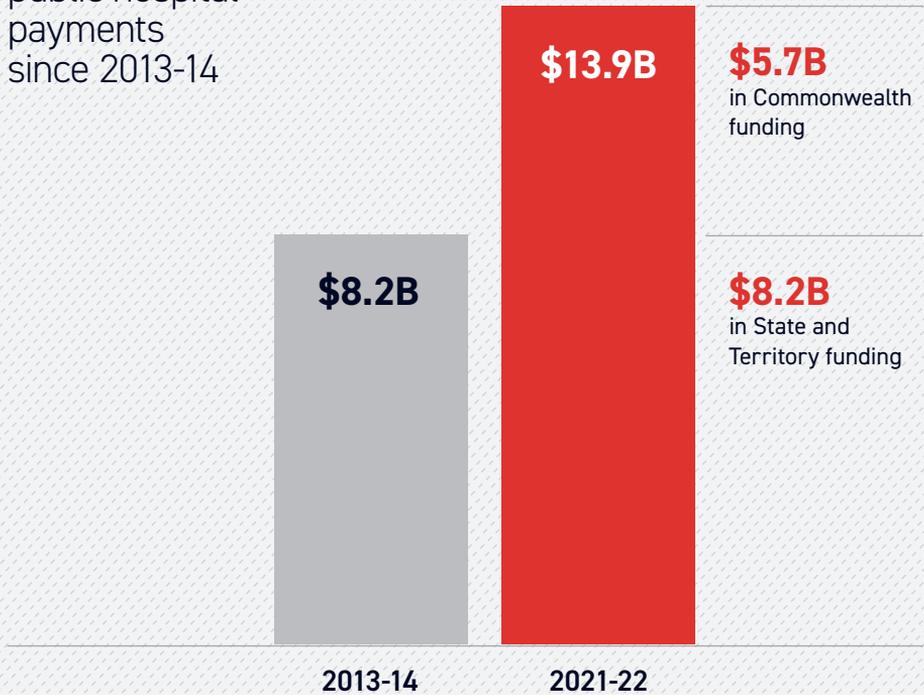
National Weighted
Activity Units (NWAU)

These amounts do not include transactions related to the NPCR. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

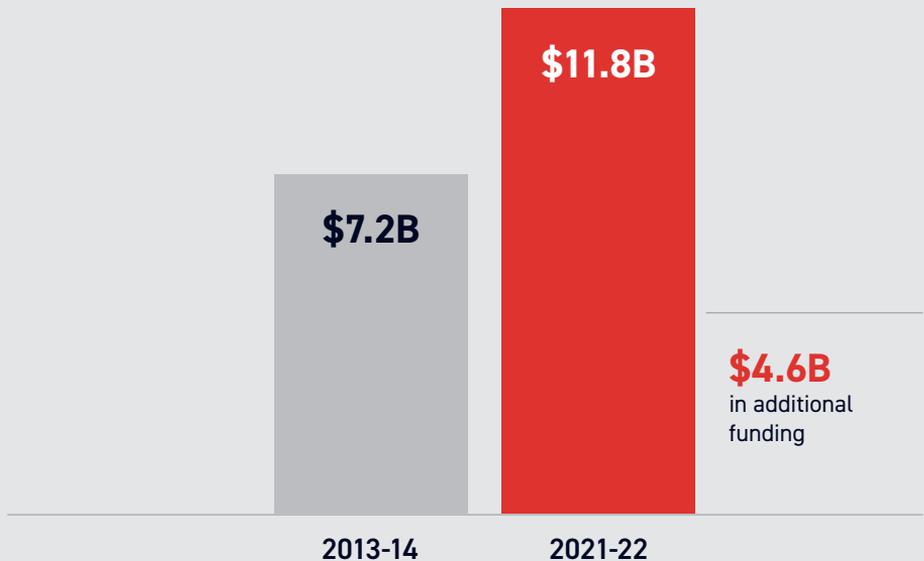
National Health Reform disclosures for the year ended 30 June 2022

Issued by the Administrator of the National Health Funding Pool under section 241(2) of the Commonwealth *National Health Reform Act 2011* and section 53S(2) of the Queensland *Hospital and Health Boards Act 2011*.

Growth in
public hospital
payments
since 2013-14



Growth in
Activity Based
Funding since
2013-14



Section 241(2) of the NHR Act outlines certain disclosures to be included in this Annual Report.

The information reported is specific to the transactions of the 'relevant State'.

For the purposes of this legislative reporting, the 'relevant State' is the State or Territory that holds the bank accounts opened under the laws of that State or Territory for NHR Agreement purposes.

The values are rounded to the nearest thousand dollars unless otherwise specified.

NHR funding and payments shown in the following tables include Goods and Services Tax (GST) where applicable.

The information disclosed in the following tables is provided by Queensland (QLD) and forms part of the Administrator's monthly reporting requirements, located at www.publichospitalfunding.gov.au

For further information on the types of National Health Reform funding, refer to the 'Introduction' chapter of this Annual Report.

Commonwealth National Health Reform funding entitlement based on actual services provided and cash paid in each financial year

The table below shows the cash paid by the Commonwealth each financial year based on activity estimates provided by States and Territories. The table also shows the final Commonwealth NHR funding entitlement determined by the Commonwealth Treasurer which is based on an end of financial year reconciliation of actual services delivered. The subsequent funding adjustments, whether positive or negative, reflect the difference between estimated activity and actual services delivered.

\$'000	2017-18 Entitlement	2018-19 Entitlement	2019-20 Entitlement	2020-21 Entitlement	2021-22 Estimate	TOTAL
Cash Paid 2017-18 Total	3,953,632	-	-	-	-	3,953,632
Cash Paid 2018-19 Total	393,928	4,630,150	-	-	-	5,024,078
Cash Paid 2019-20 Total	-	37,228	4,970,758	-	-	5,007,985
Cash Paid 2020-21 Total	-	-	(70,397)	5,313,701	-	5,243,304
Cash Paid 2021-22 Total	-	-	-	31,603	5,679,802	5,711,404
CURRENT ENTITLEMENT TOTAL	4,347,559	4,667,378	4,900,361¹	5,345,303²	5,679,802³	24,940,404

1 The 2019-20 Commonwealth NHR funding entitlement excludes \$89,029,362 in HSP under the NPCR.

2 The 2020-21 Commonwealth NHR funding entitlement excludes \$43,726,900 in HSP under the NPCR.

3 The 2021-22 Commonwealth NHR funding estimate excludes \$49,904,727 in HSP under the NPCR.

The amounts paid into each State Pool Account by the Commonwealth – Section 241(2)(B)

Component	Amount paid by Commonwealth into Queensland State Pool Account (\$'000)	
	2021-22	2020-21
Activity Based Funding	4,988,926	4,574,072
Block funding	629,128	579,634
Public Health funding	93,351	89,598
QUEENSLAND TOTAL	5,711,404	5,243,304

Additional financial assistance has been provided by the Commonwealth under the NPCR including hospital services funding which is paid monthly based on activity estimates provided to the Administrator and reconciled annually with adjustments being made in the following financial year. Details of this funding is provided in the Pool Account Special Purpose Financial Statement.

The amounts paid by the Commonwealth into the State Pool Accounts excludes payments made under the NPCR, relating to Hospital Services Payments of \$35,578,256 in 2021-22 (\$89,602,870 in 2020-21) and State Public Health and Private Hospital Financial Viability Payments of \$756,415,728 in 2021-22 (\$177,410,103 in 2020-21).

The amounts paid into each State Pool Account and State Managed Fund by the relevant State – Section 241(2)(A)

Component	Amount paid by Queensland (\$'000)	
	2021-22	2020-21
State Pool Account - Activity Based Funding	6,777,673	6,462,020
State Managed Fund - Block funding	1,399,978	1,356,708
QUEENSLAND TOTAL	8,177,651	7,818,728

The above table does not include interest deposited into the Pool Account, over deposit of state contributions subsequently paid back to the respective State or Territory Health Department or cross-border contributions for transfer to other States or Territories.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

The number of public hospital services funded for each Local Hospital Network in accordance with the system of Activity Based Funding – Section 241(2)(E)

Local Hospital Network	Number of ABF public hospital services funded (NWAU)		
	2021-22 ¹ Estimate	2020-21 ² Actual	2020-21 ³ Estimate
Cairns and Hinterland Hospital and Health Service	130,946	128,530	129,363
Central Queensland Hospital and Health Service	78,391	74,402	75,563
Children's Health Queensland Hospital and Health Service	82,959	85,245	86,321
Darling Downs Hospital and Health Service	89,595	90,580	87,529
Gold Coast Hospital and Health Service	244,474	233,709	233,758
Mackay Hospital and Health Service	60,354	58,320	59,175
Mater Misericordiae Health Service Brisbane	92,498	88,091	88,532
Metro North Hospital and Health Service	448,972	434,211	429,566
Metro South Hospital and Health Service	367,505	359,765	361,779
North West Hospital and Health Service	17,032	17,213	16,495
Queensland Health Virtual LHN	7,500	515	10,000
Sunshine Coast Hospital and Health Service	157,371	156,464	158,352
Townsville Hospital and Health Service	128,420	124,391	126,719
West Moreton Hospital and Health Service	78,407	80,057	77,922
Wide Bay Hospital and Health Service	92,252	85,173	90,705
QUEENSLAND TOTAL	2,076,674	2,016,665	2,031,780

1 2021-22 NWAU as per the updated activity estimates as at the Administrator's June 2022 Payment Advice.

2 2020-21 NWAU as per the 2020-21 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2020-21.

3 2020-21 NWAU as per the activity estimates as at the Administrator's June 2021 Payment Advice.

The NWAU is the unit of measurement for the ABF system. It is a measure of health service activity expressed as a common unit, against which the NEP is paid. It provides a way of comparing and valuing each ABF public hospital service, by weighting it for its clinical complexity.

States and Territories provide NWAU estimates at the start of each financial year for Commonwealth payment purposes. These estimates may be revised during the course of the year and form the basis of Commonwealth funding until actual service volumes become available.

The number of other public hospital services and functions funded from each State Pool Account or State Managed Fund – Section 241(2)(F)

Unlike the unit of measurement for Activity based services (i.e. NWAU), there is currently no nationally standardised measurement system for other public hospital services.

In the absence of such a national system, the NHR Agreement allows for information to be based on the unit measurement classification and funding arrangements used in individual States and Territories.

However, in 2020–21 and 2021–22 Queensland did not report any other public hospital services and functions funded from their Pool Account or State Managed Fund.

The amounts paid from each State Pool Account and State Managed Fund to Local Hospital Networks in 2021-22 – Section 241(2)(C)(D)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
Cairns and Hinterland Hospital and Health Service	760,151	156,861	917,012
Central Queensland Hospital and Health Service	421,713	106,275	527,987
Central West Hospital and Health Service	-	32,612	32,612
Children's Health Queensland Hospital and Health Service	475,481	124,027	599,508
Darling Downs Hospital and Health Service	550,428	209,965	760,393
Gold Coast Hospital and Health Service	1,369,214	110,696	1,479,910
Mackay Hospital and Health Service	326,008	85,178	411,186
Mater Misericordiae Health Service Brisbane	522,626	22,983	545,609
Metro North Hospital and Health Service	2,510,503	243,058	2,753,561
Metro South Hospital and Health Service	2,050,678	205,805	2,256,483
North West Hospital and Health Service	95,345	27,623	122,968
Queensland Health Virtual LHN	35,267	81,883	117,150
South West Hospital and Health Service	-	82,707	82,707
Sunshine Coast Hospital and Health Service	977,376	80,057	1,057,433
Torres and Cape Hospital and Health Service	-	70,109	70,109
Townsville Hospital and Health Service	722,318	151,777	874,096
West Moreton Hospital and Health Service	445,851	157,879	603,730
Wide Bay Hospital and Health Service	503,640	79,610	583,249
QUEENSLAND TOTAL	11,766,599	2,029,106	13,795,704

The 2021-22 amounts paid by the Commonwealth into the State Pool Accounts excludes Hospital Services Payments made under the NPCR of \$35,578,256.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

For the Queensland basis of payments, refer to page 131.

The amounts paid from each State Pool Account and State Managed Fund to Local Hospital Networks in 2020-21 – Section 241(2)(C)(D)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
Cairns and Hinterland Hospital and Health Service	705,061	148,332	853,393
Central Queensland Hospital and Health Service	398,676	99,177	497,853
Central West Hospital and Health Service	-	53,654	53,654
Children's Health Queensland Hospital and Health Service	456,834	103,776	560,610
Darling Downs Hospital and Health Service	505,967	189,435	695,402
Gold Coast Hospital and Health Service	1,236,042	108,597	1,344,639
Mackay Hospital and Health Service	304,028	74,865	378,893
Mater Misericordiae Health Service Brisbane	496,116	19,610	515,726
Metro North Hospital and Health Service	2,267,293	225,172	2,492,465
Metro South Hospital and Health Service	1,958,549	191,153	2,149,702
North West Hospital and Health Service	89,745	40,059	129,804
Queensland Health Virtual LHN	102,816	-	102,816
South West Hospital and Health Service	-	94,432	94,432
Sunshine Coast Hospital and Health Service	962,192	82,889	1,045,081
Torres and Cape Hospital and Health Service	-	87,041	87,041
Townsville Hospital and Health Service	684,595	161,217	845,812
West Moreton Hospital and Health Service	404,936	181,355	586,291
Wide Bay Hospital and Health Service	463,241	75,578	538,819
QUEENSLAND TOTAL	11,036,091	1,936,342	12,972,434

The 2020-21 amounts paid by the Commonwealth into the State Pool Accounts excludes Hospital Services Payments made under the NPCR of \$89,602,870.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

For the Queensland basis of payments, refer to page 131.

Queensland basis for National Health Reform payments 2021-22

To meet the reporting requirements of Section 240 of the *National Health Reform Act 2011*, the Administrator is to include the basis of each State and Territory's National Health Reform (NHR) funding and payments.

Queensland utilises the National Efficient Price and Price Weights as determined by the Independent Hospital Pricing Authority as the underlying funding model for Activity Based Funding in the State. Block funded services, in scope of the NHR are in accordance with the National Efficient Cost Supplementary for all services except Block funded hospitals, which are funded on the basis of State reported cost.

NHR payments in Queensland are based upon the activity outlined in the Budget Statements as agreed between the Minister for Health, Queensland Treasury and the Director-General, Queensland Health.

The funding and purchased activity are outlined in each of the Hospital and Health Service (HHS) Service Agreements and includes:

- the schedule of services to be delivered by or on behalf of the HHS and the funding to be provided in relation to the provision of those services
- the Block funding to be provided to:
 - » Small rural hospitals, standalone hospitals providing specialist mental health services and eligible community mental health services
 - » major hospitals for:
 - Non-admitted home ventilation
 - Highly Specialised Therapies
 - Clinical teaching, training and research
- operational and Block grants to the HHS covering services provided and activities undertaken that are not within scope for ABF, for example, community dental services, primary care, home and community care
- Supplementation Grants at the ABF stream level in recognition that the HHS is to deliver services or models of care that are new to the case mix classification and these costs are greater than average costs in the NEP
- standards of patient care and service delivery
- performance standards, performance targets and performance measures for the HHS
- requirements for the HHS to report on its performance, as required or otherwise
- a performance management process that is to be in continuous operation in respect of the HHS.

The ABF funded facilities' service profiles are developed in negotiation with the HHS as follows:

- Acute admitted, Sub-acute and non-acute service activity volumes are modelled based on historical activity data, agreed growth rates and adjusted for known service capacity and profile changes
- Emergency department and outpatient service volumes are purchased based on agreed growth and other known factors
- Clinical teaching and training is based on methodologies applied to salaried employees in clinical training positions, under-graduate and post-graduate student scholarship and clinical placements
- Home ventilation services are based on the historical expenditure profiles and adjusted for known patient volume changes
- Small regional and remote hospitals are modelled based on the expenditure reported and the small hospital NEC results
- standalone hospitals providing specialist mental health services (admitted and non-admitted) are modelled based on historical expenditure profiles and adjusted for known changes in service delivery and new system investment through the Mental Health Connecting Care to Recovery
- non-NHRA services that are activity driven, e.g. in the case of a Department of Veteran Affairs (DVA) hospital admissions, are included in the activity target calculations within the State model, noting that these are funded by that program
- other non-NHRA and non-hospital services are Block funded and based on historical funding and other known growth factors.

NHR National Partnership Agreement on COVID-19 response (NPA) payments are provided to the HHS on a cost recovery basis in respect to State Public Hospital Services, supported by detailed financial data provided as part of monthly reporting to the Department. Where an HHS has provided activity services in scope of COVID-19 prevention and treatment services, funding via Hospital Service Payments was made, adjusting the NHR funding in the case of an HHS that delivered less than the NHR activity purchased in year, and additional funding if NHR activity delivered.

Vaccine payments were advanced to HHSs from the State, pending the provision of vaccine dose delivery payments from the Commonwealth under the NPA.

Further information regarding the Basis for National Health Reform payments in both 2021-22 and previous financial years is included at www.publichospitalfunding.gov.au



QUEENSLAND

Financial Statement

**National Health Funding Pool
Queensland State Pool Account
Special Purpose Financial Statement
for the year ended 30 June 2022**

Issued by the Administrator of the National Health Funding Pool under section 242 of the Commonwealth *National Health Reform Act 2011* and section 53T of the Queensland *Hospital and Health Boards Act 2011*.



Contents

Independent Auditor's Report	135
Statement by the Administrator of the National Health Funding Pool	137
Queensland State Pool Account	
Statement of Receipts and Payments for the year ended 30 June 2022	138

Queensland State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 1: Summary of significant accounting policies	139
Note 2: Activity Based Funding receipts	142
Note 3: Cross-border receipts	142
Note 4: Activity Based Funding payments	143
Note 5: Cross-border payments	144
Note 6: Activity Based Funding receipts and payments	144
Note 7: COVID-19 funding	145

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

To the Administrator of the National Health Funding Pool

Report on the audit of the financial statement

Opinion

I have audited the accompanying financial statement of the Queensland State Pool Account.

In my opinion, the financial statement:

- a) gives a true and fair view of the entity's cash receipts and payments for the year ended 30 June 2022
- b) complies with the *Hospital and Health Boards Act 2011* and the financial reporting framework described in Note 1(B).

The financial statement comprises the statement of receipts and payments for the year ended 30 June 2022, notes to the financial statement including summaries of significant accounting policies and other explanatory information, and the statement provided by the Administrator of the National Health Funding Pool (the Administrator).

Basis for opinion

I conducted my audit in accordance with the *Auditor-General Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statement* section of my report.

I am independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial statement in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General Auditing Standards*.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter – basis of accounting

I draw attention to Note 1(B) to the financial statement, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the financial reporting responsibilities of the Administrator. As a result, the financial statement may not be suitable for another purpose. My opinion is not modified in respect of this matter.

Responsibilities of the entity for the financial statement

The Administrator is responsible for the preparation of the financial statement that gives a true and fair view in accordance with the *Hospital and Health Boards Act 2011* and the financial reporting framework described in Note 1(B), and for such internal control as the Administrator determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error. In fulfilling this responsibility, the Administrator determined that the basis of preparation described in Note 1(B) is appropriate to meet the requirements of the *Hospital and Health Boards Act 2011*.

Independent Auditor's Report



Auditor's responsibilities for the audit of the financial statement

My objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the entity.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Administrator regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Brendan Worrall
Auditor-General

1 September 2022

Queensland Audit Office
Brisbane

Statement by the Administrator of the National Health Funding Pool



Administrator
National Health
Funding Pool

Statement by the Administrator of the National Health Funding Pool Queensland State Pool Account

I report that, as indicated in Note 1(b) to the financial statement, I have determined that the attached Special Purpose Financial Statement comprising of a statement of receipts and payments and accompanying notes provides a true and fair presentation in accordance with the Queensland *Hospital and Health Boards Act 2011*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

In my opinion, the attached Special Purpose Financial Statement for the year ended 30 June 2022 is based on properly maintained financial records and gives a true and fair view of the matters required by the Queensland *Hospital and Health Boards Act 2011*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

A handwritten signature in black ink, appearing to read 'Michael Lambert', written in a cursive style.

Michael Lambert
Administrator
National Health Funding Pool

31 August 2022

Queensland State Pool Account

Statement of Receipts and Payments for the year ended 30 June 2022

	Notes	2021-22 \$'000	2020-21 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth Government			
Activity Based Funding	2, 6	4,988,926	4,574,072
Block funding		629,128	579,634
Public Health funding		93,351	89,598
COVID-19 funding	7	791,994	267,013
From Queensland Government			
Activity Based Funding	2, 6	6,777,673	6,462,020
Cross-border contribution	5	69,265	74,296
COVID-19 funding	7	87,157	80,187
From other States or Territories			
Cross-border receipts	3	113,790	119,059
From Reserve Bank of Australia			
Interest receipts		33	60
TOTAL RECEIPTS		13,551,316	12,245,938
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding	4, 6	11,766,599	11,036,091
COVID-19 funding	7	174,301	159,695
To Queensland State Managed Fund			
Block funding		629,128	579,634
To Queensland Health			
Public Health funding		93,351	89,598
COVID-19 funding	7	718,946	203,880
Interest payments		33	60
Cross-border transfer		113,790	119,059
To other States or Territories			
Cross-border payments	5	69,265	74,296
TOTAL PAYMENTS		13,565,413	12,262,313
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		(14,097)	(16,375)
OPENING CASH BALANCE		38,335	54,710
CLOSING CASH BALANCE		24,239	38,335

The above statement of receipts and payments should be read in conjunction with the accompanying notes.

Queensland State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 1: Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the Special Purpose Financial Statement are set out below.

(A) REPORTING ENTITY

The Administrator of the National Health Funding Pool (Administrator) is an independent statutory office holder, distinct from the Commonwealth, State and Territory governments, established under legislation of the Commonwealth and State and Territory governments. Mr Michael Lambert was appointed as the Administrator on 17 July 2018.

(B) BASIS OF PREPARATION

The Queensland State Pool Account was established at the Reserve Bank of Australia (RBA) in 2012-13 in accordance with Part 3A, Division 2, section 53B of the *Hospital and Health Boards Act 2011* and the Special Purpose Financial Statement has been prepared in accordance with section 53T of that Act and section 242 of the Commonwealth *National Health Reform Act 2011*.

The Special Purpose Financial Statement has been prepared on a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

The Special Purpose Financial Statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The Special Purpose Financial Statement was authorised for release by the Administrator on 31 August 2022.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2020-21 and 2021-22 are for the year ended 30 June.

(D) NATIONAL HEALTH FUNDING POOL

The National Health Funding Pool (Funding Pool) consists of eight State and Territory bank accounts (State Pool Accounts).

(E) ACTIVITY BASED FUNDING

Activity Based Funding (ABF) is a system for funding public hospital services provided to individual patients using national classifications, price weights and National Efficient Prices developed by the Independent Hospital Pricing Authority (IHPA). ABF is paid by the Commonwealth, States and Territories into the Funding Pool.

In 2020-21 and 2021-22 the Commonwealth, States and Territories ABF supported the following:

- i. Emergency department services
- ii. Acute admitted services
- iii. Admitted mental health services
- iv. Sub-acute and non-acute services
- v. Non-admitted services.

As system managers of the public hospital system, State or Territory ABF contributions into the Funding Pool may be calculated using State and Territory prices and activity measures. The Service Agreement between the State or Territory and each Local Hospital Network (LHN) specifies the service delivery and funding parameters.

Commonwealth ABF contributions for each service category were calculated by summing the prior year amounts and efficient growth. Efficient growth is determined by measuring the change in efficient price and volume. The price adjustment is 45 per cent of the change in the National Efficient Price relative to the prior year. The volume adjustment is 45 per cent of the net change in the volume of weighted services relative to the prior year.

In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements. Final funding entitlements for the year are calculated after actual data on hospital services becomes available. This calculation will generally result in reconciliation adjustments being made to the Commonwealth ABF contribution to each LHN to align with the actual services delivered.

In 2017, the Council of Australian Governments signed an Addendum to the National Health Reform Agreement. The Addendum amends specified elements of the operation of the National Health Reform Agreement for a period of three years. From 1 July 2017 to 30 June 2020, the Commonwealth funds 45 per cent of the efficient growth of public hospital services, subject to a 6.5 per cent cap in the growth of overall Commonwealth funding.

On 29 May 2020, the 2020–25 Addendum to the National Health Reform Agreement was entered into by the Commonwealth, State and Territory governments. The 2020–25 Addendum to the National Health Reform Agreement replaces the 2017-20 Addendum to the National Health Reform Agreement but retains the core principles.

(F) BLOCK FUNDING

Block funding is provided by the Commonwealth into the Funding Pool for States and Territories to support teaching and research undertaken in public hospitals and for some public hospital services where it is more appropriate to be Block funded, particularly for smaller rural and regional hospitals.

In 2020-21 and 2021-22 the Commonwealth Block funding supported the following:

- i. Small rural hospitals
- ii. Teaching, training and research
- iii. Non-admitted mental health
- iv. Non-admitted child and adolescent mental health services
- v. Non-admitted home ventilation
- vi. Other non-admitted services
- vii. Highly Specialised Therapies.

In 2020-21 and 2021-22 the Commonwealth Block contributions for each service category were calculated by summing prior year amounts and 45 per cent of the change in the National Efficient Cost between the current year and the prior year. Highly Specialised Therapies are contributed at 50 per cent of the growth in the efficient price or cost.

(G) PUBLIC HEALTH FUNDING

The Commonwealth contributes amounts into the Funding Pool for Public Health funding. This is calculated by the Commonwealth Treasury and includes funding for services such as national public health, youth health services and essential vaccines. This payment is indexed in accord with the previous existing health specific purpose payment.

Queensland State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

(H) CROSS-BORDER

When a resident of one State or Territory receives hospital treatment in another State or Territory, the provider State or Territory is compensated for the cost of that treatment. The resident State or Territory pays its share through the Funding Pool to the provider State or Territory (refer Note 3 and Note 5).

The Commonwealth share of the cost of treating the patient is paid through the Funding Pool as part of the normal Activity Based Funding. The Commonwealth contribution to each State or Territory covers all eligible patients treated, regardless of where they reside.

(I) INTEREST

Interest earned and deposited by the RBA into the State Pool Account is recognised as interest received at the time the deposit is made. Interest paid from the State Pool Account to the State or Territory is recognised as an interest payment at the time the payment is made from the State Pool Account.

(J) TAXATION

State Pool Accounts are not subject to income tax. The majority of government funding, from the Commonwealth, State or Territory, to LHNs is not subject to the Goods and Services Tax (GST). However, in some cases hospital funding to non-government entities does attract GST, for example, denominational hospitals, privately and commercially owned health facilities, or other non-government third party providers of health services or related supplies.

(K) COVID-19 FUNDING

The National Partnership on COVID-19 Response (NPCR) was agreed to and signed by the Council of Australian Governments in March 2020. The objective of this agreement is to provide Commonwealth financial assistance for the additional costs incurred by State and Territory health services in responding to the COVID-19 outbreak. The NPCR was subsequently amended and agreed to in April 2020 to include financial viability payments for private hospitals. In February 2021, the NPCR was amended with respect to the coordination and delivery of the COVID-19 vaccine under Schedule C. The NPCR was further amended to assist residential aged care providers prevent, prepare for and respond to outbreaks of COVID-19 under Schedule D.

Financial assistance has been provided by the Commonwealth in the form of the Hospital Services Payments calculated on an activity basis, State Public Health Payments (including coordination and delivery of the COVID-19 vaccine) as well as Private Hospital Financial Viability Payments.

(L) COMMONWEALTH FUNDING GUARANTEE

For the 2019-20, 2020-21 and 2021-22 financial years, the Commonwealth provided the States and Territories with a minimum funding guarantee for funding related to the National Health Reform Agreement and the Hospital Services Payment component of the NPCR. Where a State or Territory is eligible for the Commonwealth funding guarantee, an additional payment is made in the following financial year after the annual reconciliation to meet the minimum amount guaranteed by the Commonwealth.

Note 2: Activity Based Funding receipts

Total receipts paid into the Queensland State Pool Account in respect of Activity Based Funding:

	2021-22 \$'000	2020-21 \$'000
Commonwealth Activity Based Funding	4,988,926	4,574,072
Queensland Activity Based Funding	6,777,673	6,462,020
TOTAL	11,766,599	11,036,092

The amounts paid by the Commonwealth into the Queensland State Pool Account excludes Hospital Services Payments made under the NPCR of \$35,578,256 in 2021-22 (\$89,602,870 in 2020-21).

Please refer Note 7.

Note 3: Cross-border receipts

Total cross-border receipts paid into the Queensland State Pool Account from other States and Territories:

States and Territories	2021-22 \$'000	2020-21 \$'000
New South Wales	84,480	69,600
Victoria	12,619	28,423
Western Australia	3,231	3,955
South Australia	3,050	6,524
Tasmania	1,494	2,056
Australian Capital Territory	4,350	-
Northern Territory	4,565	8,500
TOTAL	113,790	119,059

Queensland State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 4: Activity Based Funding payments

Total payments made out of the Queensland State Pool Account
in respect of each Local Hospital Network:

Local Hospital Network	2021-22 \$'000	2020-21 \$'000
Cairns and Hinterland Hospital and Health Service	760,151	705,061
Central Queensland Hospital and Health Service	421,713	398,676
Children's Health Queensland Hospital and Health Service	475,481	456,834
Darling Downs Hospital and Health Service	550,428	505,967
Gold Coast Hospital and Health Service	1,369,214	1,236,042
Mackay Hospital and Health Service	326,008	304,028
Mater Misericordiae Health Service Brisbane	522,626	496,116
Metro North Hospital and Health Service	2,510,503	2,267,293
Metro South Hospital and Health Service	2,050,678	1,958,549
North West Hospital and Health Service	95,345	89,745
Queensland Health Virtual LHN	35,267	102,816
Sunshine Coast Hospital and Health Service	977,376	962,192
Townsville Hospital and Health Service	722,318	684,595
West Moreton Hospital and Health Service	445,851	404,936
Wide Bay Hospital and Health Service	503,640	463,241
TOTAL	11,766,599	11,036,091

The Administrator makes payments from the Queensland State Pool Account in accordance with the directions of the Queensland Minister for Health. The Queensland Minister for Health directed all Activity Based Funding contributions paid to Local Hospital Networks.

Note 5: Cross-border payments

Total cross-border payments made out of the Queensland State Pool Account to other States and Territories:

States and Territories	2021-22 \$'000	2020-21 \$'000
New South Wales	50,040	43,800
Victoria	6,799	15,754
Western Australia	2,495	2,791
South Australia	1,939	4,644
Tasmania	1,103	1,324
Australian Capital Territory	4,088	-
Northern Territory	2,802	5,983
TOTAL	69,265	74,296

Note 6: Activity Based Funding receipts and payments

Total Queensland and Commonwealth Activity Based Funding contributions and total Local Hospital Network Activity Based Funding payments:

	2021-22 \$'000	2020-21 \$'000
Total Activity Based Funding receipts from the Commonwealth Government	4,988,926	4,574,072
Total Activity Based Funding receipts from Queensland Government	6,777,673	6,462,020
Activity Based Funding payments to Local Hospital Networks	(11,766,599)	(11,036,091)
NET RECEIPTS/(PAYMENTS)	-	-

Queensland State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 7: COVID-19 funding

COVID-19 funding is provided monthly in advance based on estimates submitted by States and Territories and is subject to reconciliation. Final funding entitlements are determined after actual activity data on hospital services and actual in-scope expenditure are submitted.

The types of funding and payments under the NPCR include:

THE UPFRONT ADVANCE PAYMENT

In March 2020, the Commonwealth provided an upfront advanced payment of \$100 million to States and Territories on a population share basis. This is an advance payment to ensure the timely availability of funds under the NPCR. The Upfront Advance Payment has been subsequently reconciled against State Public Health requirements.

THE HOSPITAL SERVICES PAYMENT

The Commonwealth provides a 50 per cent contribution of the National Efficient Price, for costs incurred by States and Territories, through monthly payments, for the diagnosis and treatment of COVID-19 including suspected cases.

THE STATE PUBLIC HEALTH PAYMENT

The Commonwealth provides a 50 per cent contribution for additional costs incurred by States and Territories, through monthly payments, for COVID-19 activities undertaken by State and Territory public health systems for the management of the outbreak.

In February 2021, the NPCR was amended with respect to the delivery of the COVID-19 vaccine through the Vaccination Dose Delivery Payment under Schedule C. Where eligible, funding contributions in relation to this activity are included within the State Public Health Payment.

The NPCR was further amended in December 2021 to include a revised vaccination schedule (revised Schedule C) which includes additional financial support to States and Territories for the set-up of COVID-19 vaccination sites, and an aged care schedule which provides a 100 per cent contribution for costs incurred from 1 July 2020 for supporting aged care prevention, preparedness and response activities including additional targeted infection prevention and control training in Residential Aged Care Facilities (Schedule D).

In January 2022, National Cabinet agreed measures supporting States and Territories to claim 50 per cent of the costs of the purchase, logistics and distribution of Rapid Antigen Tests (RATs) through the NPCR. Where States and Territories provide RATs to residential aged care facilities, they may claim a 100 per cent contribution for the costs.

THE PRIVATE HOSPITAL FINANCIAL VIABILITY PAYMENT

The Commonwealth contributes 100 per cent of the Private Hospital Financial Viability Payment made to private operators to retain capacity for responding to State and Territory or Commonwealth public health requirements.

COVID-19 funding receipts and payments:

	2021-22 \$'000	2020-21 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT		
From Commonwealth Government		
Hospital Services Payments	35,578	89,603
State Public Health Payments	640,014	298,442
Private Hospital Financial Viability Payment	116,402	(121,032)
TOTAL COMMONWEALTH RECEIPTS	791,994	267,013
From Queensland Government		
Hospital Services Payments	87,157	80,187
State Public Health Payments	-	-
Private Hospital Financial Viability Payment	-	-
TOTAL QUEENSLAND GOVERNMENT RECEIPTS	87,157	80,187
TOTAL RECEIPTS	879,151	347,200
PAYMENTS OUT OF THE STATE POOL ACCOUNT		
To Queensland Government (Including Local Hospital Networks)		
Hospital Services Payments	174,301	159,694
State Public Health Payments	622,601	267,894
Private Hospital Financial Viability Payment	96,346	(64,017)
TOTAL PAYMENTS	893,248	363,575
NET RECEIPTS / (PAYMENTS) FOR THE YEAR	(14,097)	(16,375)
OPENING CASH BALANCE	38,335	54,710
CLOSING CASH BALANCE	24,239	38,335

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

End of Audited Special Purpose Financial Statement.

WESTERN AUSTRALIA

Funding and Payments

\$7.0B

total funding
that was paid to

7

Local Hospital
Networks (LHNs)

\$5.9B

in Activity Based Funding
that delivered

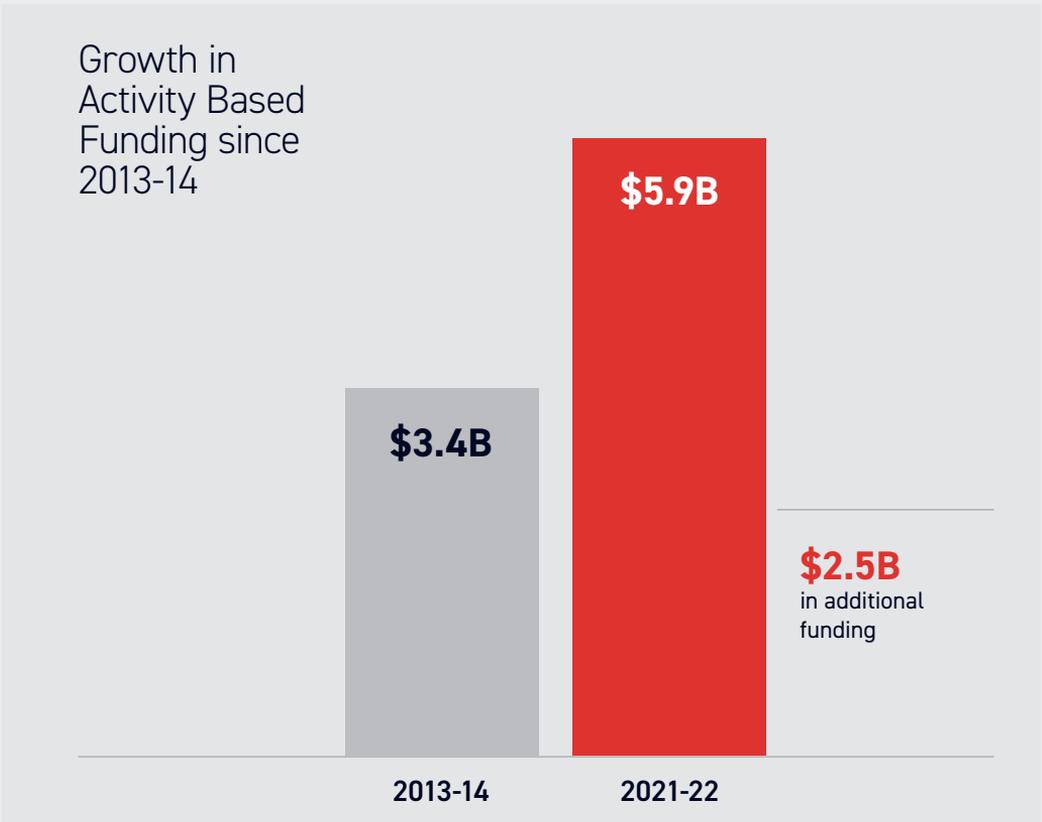
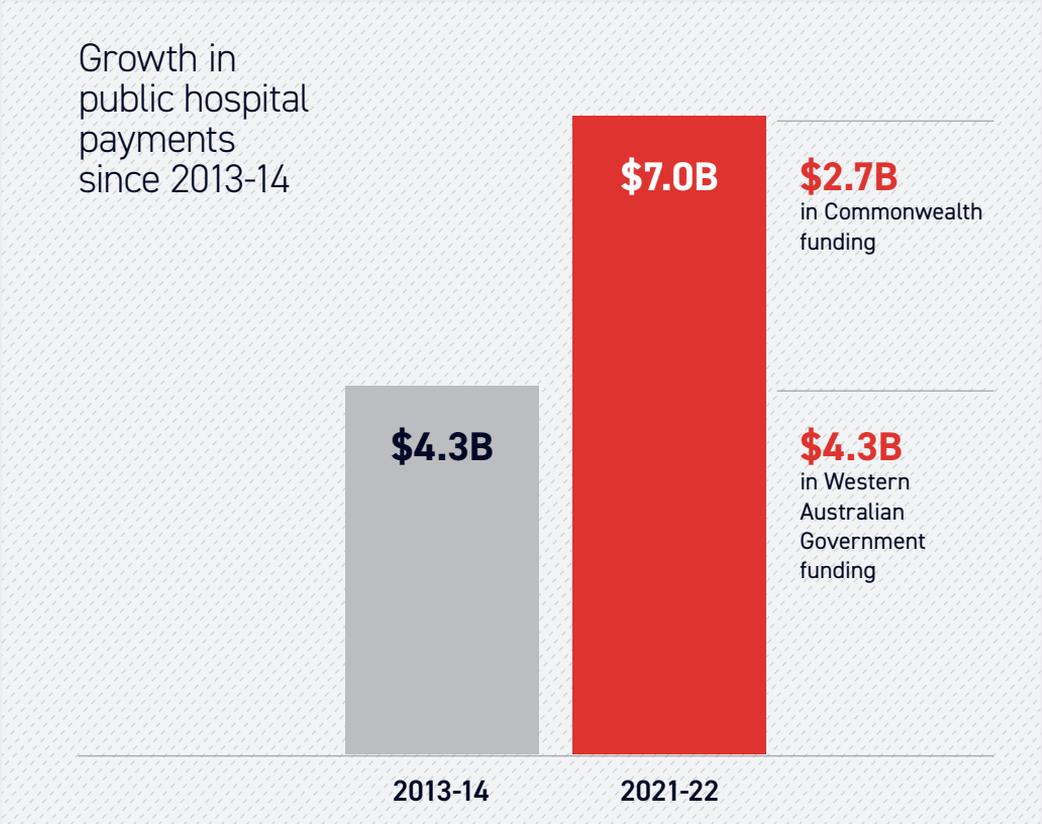
956,608

National Weighted
Activity Units (NWAU)

These amounts do not include transactions related to the NPCR. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

National Health Reform disclosures for the year ended 30 June 2022

Issued by the Administrator of the National Health Funding Pool under section 241(2) of the Commonwealth *National Health Reform Act 2011* and section 19(2) of the *Western Australian National Health Funding Pool Act 2012*.



Section 241(2) of the NHR Act outlines certain disclosures to be included in this Annual Report.

The information reported is specific to the transactions of the 'relevant State'.

For the purposes of this legislative reporting, the 'relevant State' is the State or Territory that holds the bank accounts opened under the laws of that State or Territory for NHR Agreement purposes.

The values are rounded to the nearest thousand dollars unless otherwise specified.

NHR funding and payments shown in the following tables include Goods and Services Tax (GST) where applicable.

The information disclosed in the following tables is provided by Western Australia (WA) and forms part of the Administrator's monthly reporting requirements, located at www.publichospitalfunding.gov.au

For further information on the types of National Health Reform funding, refer to the 'Introduction' chapter of this Annual Report.

Commonwealth National Health Reform funding entitlement based on actual services provided and cash paid in each financial year

The table below shows the cash paid by the Commonwealth each financial year based on activity estimates provided by States and Territories. The table also shows the final Commonwealth NHR funding entitlement determined by the Commonwealth Treasurer which is based on an end of financial year reconciliation of actual services delivered. The subsequent funding adjustments, whether positive or negative, reflect the difference between estimated activity and actual services delivered.

\$'000	2017-18 Entitlement	2018-19 Entitlement	2019-20 Entitlement	2020-21 Entitlement	2021-22 Estimate	TOTAL
Cash Paid 2017-18 Total	2,121,434	-	-	-	-	2,121,434
Cash Paid 2018-19 Total	30,850	2,230,266	-	-	-	2,261,116
Cash Paid 2019-20 Total	-	50,415	2,350,599	-	-	2,401,014
Cash Paid 2020-21 Total	-	-	(40,659)	2,456,333	-	2,415,673
Cash Paid 2021-22 Total	-	-	-	24,030	2,641,587	2,665,617
CURRENT ENTITLEMENT TOTAL	2,152,284	2,280,681	2,309,939¹	2,480,363²	2,641,587³	11,864,854

1 The 2019-20 Commonwealth NHR funding entitlement excludes \$40,659,378 in HSP under the NPCR.

2 The 2020-21 Commonwealth NHR funding entitlement excludes \$108,838,713 in HSP under the NPCR.

3 The 2021-22 Commonwealth NHR funding estimate excludes \$114,810,761 in HSP under the NPCR.

The amounts paid into each State Pool Account by the Commonwealth – Section 241(2)(B)

Component	Amount paid by Commonwealth into Western Australia State Pool Account (\$'000)	
	2021-22	2020-21
Activity Based Funding	2,241,148	2,035,652
Block funding	376,628	333,906
Public Health funding	47,842	46,115
WESTERN AUSTRALIA TOTAL	2,665,617	2,415,673

Additional financial assistance has been provided by the Commonwealth under the NPCR including hospital services funding which is paid monthly based on activity estimates provided to the Administrator and reconciled annually with adjustments being made in the following financial year. Details of this funding is provided in the Pool Account Special Purpose Financial Statement.

The amounts paid by the Commonwealth into the State Pool Accounts excludes payments made under the NPCR, relating to Hospital Services Payments of \$145,377,657 in 2021-22 (\$85,097,853 in 2020-21) and State Public Health and Private Hospital Financial Viability Payments of \$553,206,377 in 2021-22 (\$90,459,570 in 2020-21).

The amounts paid into each State Pool Account and State Managed Fund by the relevant State – Section 241(2)(A)

Component	Amount paid by Western Australia (\$'000)	
	2021-22	2020-21
State Pool Account - Activity Based Funding	3,624,977	3,390,287
State Managed Fund - Block funding	666,903	592,420
WESTERN AUSTRALIA TOTAL	4,291,880	3,982,707

The above table does not include interest deposited into the Pool Account, over deposit of state contributions subsequently paid back to the respective State or Territory Health Department or cross-border contributions for transfer to other States or Territories.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

The number of public hospital services funded for each Local Hospital Network in accordance with the system of Activity Based Funding – Section 241(2)(E)

Local Hospital Network	Number of ABF public hospital services funded (NWAU)		
	2021-22 ¹ Estimate	2020-21 ² Actual	2020-21 ³ Estimate
Child and Adolescent Health Service	72,034	63,166	64,171
East Metropolitan Health Service	213,506	209,359	203,731
North Metropolitan Health Service	243,493	254,277	242,413
Notional LHN - Royal Street	17,050	15,748	20,260
South Metropolitan Health Service	240,833	235,710	233,887
WA Country Health Service	169,692	155,574	159,249
WESTERN AUSTRALIA TOTAL	956,608	933,834	923,710

1 2021-22 NWAU as per the updated activity estimates as at the Administrator's June 2022 Payment Advice.

2 2020-21 NWAU as per the 2020-21 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2020-21.

3 2020-21 NWAU as per the activity estimates as at the Administrator's June 2021 Payment Advice.

The NWAU is the unit of measurement for the ABF system. It is a measure of health service activity expressed as a common unit, against which the NEP is paid. It provides a way of comparing and valuing each ABF public hospital service, by weighting it for its clinical complexity.

States and Territories provide NWAU estimates at the start of each financial year for Commonwealth payment purposes. These estimates may be revised during the course of the year and form the basis of Commonwealth funding until actual service volumes become available.

The number of other public hospital services and functions funded from each State Pool Account or State Managed Fund – Section 241(2)(F)

Unlike the unit of measurement for Activity based services (i.e. NWAU), there is currently no nationally standardised measurement system for other public hospital services.

In the absence of such a national system, the NHR Agreement allows for information to be based on the unit measurement classification and funding arrangements used in individual States and Territories.

However, in 2020–21 and 2021–22 Western Australia did not report any other public hospital services and functions funded from their Pool Account or State Managed Fund.

The amounts paid from each State Pool Account and State Managed Fund to Local Hospital Networks in 2021-22 – Section 241(2)(C)(D)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
Child and Adolescent Health Service	526,885	98,836	625,722
East Metropolitan Health Service	1,254,068	152,313	1,406,380
North Metropolitan Health Service	1,501,286	191,491	1,692,776
Notional LHN - Royal Street	29,393	-	29,393
Payments to Non-LHNs	-	10,293	10,293
South Metropolitan Health Service	1,396,000	155,685	1,551,685
WA Country Health Service	1,158,493	422,193	1,580,686
WESTERN AUSTRALIA TOTAL	5,866,124	1,030,810	6,896,935

The 2021-22 amounts paid by the Commonwealth into the State Pool Accounts excludes Hospital Services Payments made under the NPCR of \$145,377,657.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

For the Western Australia basis of payments, refer to page 155.

The amounts paid from each State Pool Account and State Managed Fund to Local Hospital Networks in 2020-21 – Section 241(2)(C)(D)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
Child and Adolescent Health Service	469,186	86,377	555,563
East Metropolitan Health Service	1,143,353	139,912	1,283,265
North Metropolitan Health Service	1,427,051	175,550	1,602,601
Notional LHN - Royal Street	36,198	-	36,198
Payments to Non-LHNs	-	8,151	8,151
South Metropolitan Health Service	1,297,135	133,225	1,430,360
WA Country Health Service	1,053,017	383,110	1,436,127
WESTERN AUSTRALIA TOTAL	5,425,940	926,325	6,352,265

The 2020-21 amounts paid by the Commonwealth into the State Pool Accounts excludes Hospital Services Payments made under the NPCR of \$85,097,853.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

For the Western Australia basis of payments, refer to page 155.

Western Australia basis for National Health Reform payments 2021-22

To meet the reporting requirements of Section 240 of the *National Health Reform Act 2011*, the Administrator is to include the basis of each State and Territory's National Health Reform (NHR) funding and payments.

To provide consistency in the methodology with the *Addendum to the National Health Reform Agreement 2020-21 to 2024-25* (NHRA) Addendum 2020-2025, the 2021-22 Western Australia (WA) Activity Funding Model has implemented the 2021-22 National Pricing Framework, with some modifications to meet specific local costs, for Activity Based Funding (ABF) facilities. The National Efficient Cost (NEC21) Block funded model is used to support the information for the calculation of funding for the small rural, remote and very remote hospitals. The NEC21 includes WA's estimated costs for standalone hospitals providing specialist mental health services (admitted and non-admitted), eligible community mental health services (for child and adolescents, adults and older persons), Non-admitted home ventilation services, Highly Specialised Therapies and Clinical teaching, training and research provided in the major hospitals.

NHR payments in Western Australia are based upon the activity outlined in the Service Agreements and Deeds of Amendment between Local Hospital Networks (LHNs) and the Director General of the WA Department of Health.

The Service Agreement outlines:

- the schedule of services to be delivered by or on behalf of LHNs and the funding to be provided in relation to the provision of those services
- the Block funding to be provided to:
 - » Small rural hospitals, standalone hospitals providing specialist mental health services and eligible community mental health services
 - » major hospitals for:
 - Non-admitted home ventilation
 - Highly Specialised Therapies
 - Clinical teaching, training and research
- operational and Block grants to the LHN covering services provided and activities undertaken that are not within the scope for ABF, for example, dental services, primary care, home and community care
- Supplementation Grants at the ABF stream level, if necessary, in recognition that the LHN has reported average costs greater than the current allocation price.

Via reference to mandatory policy frameworks:

- » standards of patient care and service delivery
- » performance standards, performance targets and performance measures for the LHN
- » requirements for the LHN to report on its performance, as required or otherwise
- » a performance management process that is to be in continuous operation in respect of the LHN.

The ABF funded facilities' service profiles are developed in negotiation with the LHN as follows:

- Acute admitted, sub-acute and non-acute service activity volumes are modelled based on historical activity data and agreed growth rates (within State Government set parameters) and adjusted for known service capacity and profile changes
- Emergency department and outpatient service volumes are modelled based on historical activity data and agreed growth rates (within State Government set parameters) and other known factors
- Clinical teaching, training and research and home ventilation services are modelled based on historical expenditure profiles and adjusted for known changes
- Small rural and remote hospitals are modelled based on historical expenditure profiles and other known growth factors
- standalone hospitals providing specialist mental health services (admitted and non-admitted) are modelled based on historical activity volumes and expenditure profiles and adjusted for known changes in service delivery and capacity
- ABF services out of scope for NHRA funding, Block funded hospitals and non-hospital services are modelled based on historical expenditure profiles and other known growth factors
- any Supplementation Grant at the ABF stream level, if deemed necessary, are based on demonstrated need during the Service Agreement development process, supported by WA costing information used for the National Hospital Cost Data Collection process.

Further information regarding the Basis for National Health Reform payments in both 2021-22 and previous financial years is included at www.publichospitalfunding.gov.au



WESTERN AUSTRALIA

Financial Statement

**National Health Funding Pool
Western Australia State Pool Account
Special Purpose Financial Statement
for the year ended 30 June 2022**

Issued by the Administrator of the National Health Funding Pool under section 242 of the Commonwealth *National Health Reform Act 2011* and section 20 of the Western Australian *National Health Funding Pool Act 2012*.



Contents

Independent Auditor's Report	159
Statement by the Administrator of the National Health Funding Pool	161
Western Australia State Pool Account	
Statement of Receipts and Payments for the year ended 30 June 2022	162

Western Australia State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 1: Summary of significant accounting policies	163
Note 2: Activity Based Funding receipts	166
Note 3: Cross-border receipts	166
Note 4: Activity Based Funding payments	167
Note 5: Cross-border payments	167
Note 6: Activity Based Funding receipts and payments	168
Note 7: COVID-19 funding	169

Independent Auditor's Report



Auditor General

INDEPENDENT AUDITOR'S REPORT 2022 Western Australian State Pool Account

To the Parliament of Western Australia

Opinion

As required by section 21 of the *National Health Funding Pool Act 2012* (WA) and section 243 of the *National Reform Act 2011*, I have audited the accompanying special purpose financial statement (the financial statement) of the Western Australian State Pool Account of the National Health Funding Pool for the year ended 30 June 2022. The financial statement comprises a Statement of Receipts and Payments for the year ended 30 June 2022, notes comprising a summary of significant accounting policies and other explanatory information, and the Administrator's declaration.

In my opinion, the financial statement gives a true and fair view of the receipts and payments of the Western Australian State Pool Account of the National Health Funding Pool for the year ended 30 June 2022 in accordance with the *National Health Funding Pool Act 2012* (WA) and *National Health Reform Act 2011*.

Basis for opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

I draw attention to Note 1 to the financial statement, which describes the basis of accounting. The financial statement has been prepared using the cash basis for accounting and for the purpose of fulfilling the Administrator of the National Health Funding Pool's (Administrator's) financial reporting obligations under the *National Health Funding Pool Act 2012* (WA), and the *National Health Reform Act 2011*. As a result the financial report may not be suitable for another purpose. My opinion is not modified in respect of this matter. My report is intended solely for the Entity and should not be distributed to or be used by other parties.

Other Information

The Administrator is responsible for the other information. Other information comprises the information in the Entity's annual report for the year ended 30 June 2022, but does not include the financial report and my auditor's report thereon.

My opinion on the financial report does not cover the other information and, accordingly, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

Independent Auditor's Report

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I did not receive the other information prior to the date of this auditor's report. When I do receive it, I will read it and if I conclude that there is a material misstatement in this information, I am required to communicate the matter to the Administrator and request them to correct the misstated information. If the misstated information is not corrected, I may need to retract this auditor's report and re-issue an amended report.

Responsibilities of the Administrator of the National Health Funding Pool for the Financial Statement

The Administrator is responsible for:

- Preparation of the financial statement that gives a true and fair view in accordance with the *National Health Funding Pool 2012 (WA)* and the *National Health Reform Act 2011*, and has determined that the basis of preparation described in Note 1 to the financial statement is appropriate to meet these requirements
- Such internal control as the Administrator determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial report

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial report. The objectives of my audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

A further description of my responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website. This description forms part of my auditor's report and can be found at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

My independence and quality control relating to the report on the financial report

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Jordan Langford-Smith
Senior Director, Financial Audit
Delegate of the Auditor General for Western Australia
25 August 2022

Statement by the Administrator of the National Health Funding Pool



Administrator
National Health
Funding Pool

Statement by the Administrator of the National Health Funding Pool Western Australia State Pool Account

I report that, as indicated in Note 1(b) to the financial statement, I have determined that the attached Special Purpose Financial Statement comprising of a statement of receipts and payments and accompanying notes provides a true and fair presentation in accordance with the Western Australia *National Health Funding Pool and Administration Act 2012*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

In my opinion, the attached Special Purpose Financial Statement for the year ended 30 June 2022 is based on properly maintained financial records and gives a true and fair view of the matters required by the Western Australia *National Health Funding Pool and Administration Act 2012*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

A handwritten signature in black ink, appearing to read 'Michael Lambert', written in a cursive style.

Michael Lambert
Administrator
National Health Funding Pool

24 August 2022

Western Australia State Pool Account Statement of Receipts and Payments for the year ended 30 June 2022

	Notes	2021-22 \$'000	2020-21 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth Government			
Activity Based Funding	2, 6	2,241,148	2,035,652
Block funding		376,628	333,906
Public Health funding		47,842	46,115
COVID-19 funding	7	698,584	175,557
From Western Australia Government			
Activity Based Funding	2, 6	3,624,977	3,390,287
Cross-border contribution	5	19,817	33,972
COVID-19 funding	7	553,248	168,075
From other States or Territories			
Cross-border receipts	3	10,951	20,133
From Reserve Bank of Australia			
Interest receipts		-	6
TOTAL RECEIPTS		7,573,194	6,203,704
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding	4, 6	5,866,124	5,425,940
COVID-19 funding	7	134,413	65,415
To Western Australia State Managed Fund			
Block funding		376,628	333,906
To Department of Health			
Public Health funding		47,842	46,115
COVID-19 funding	7	1,117,419	293,035
Interest payments		-	6
Cross-border transfer		10,951	20,133
To other States or Territories			
Cross-border payments	5	19,817	33,972
TOTAL PAYMENTS		7,573,194	6,218,522
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		-	(14,818)
OPENING CASH BALANCE		-	14,818
CLOSING CASH BALANCE		-	-

The above statement of receipts and payments should be read in conjunction with the accompanying notes.

Western Australia State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 1: Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the Special Purpose Financial Statement are set out below.

(A) REPORTING ENTITY

The Administrator of the National Health Funding Pool (Administrator) is an independent statutory office holder, distinct from the Commonwealth, State and Territory governments, established under legislation of the Commonwealth and State and Territory governments. Mr Michael Lambert was appointed as the Administrator on 17 July 2018.

(B) BASIS OF PREPARATION

The West Australian State Pool Account was established at the Reserve Bank of Australia (RBA) in 2012-13 in accordance with section 12 of the Western Australia *National Health Funding Pool Act 2012* and the Special Purpose Financial Statement has been prepared in accordance with section 20 of that Act and section 242 of the Commonwealth *National Health Reform Act 2011*.

The Special Purpose Financial Statement has been prepared on a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

The Special Purpose Financial Statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The Special Purpose Financial Statement was authorised for release by the Administrator on 24 August 2022.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2020-21 and 2021-22 are for the year ended 30 June.

(D) NATIONAL HEALTH FUNDING POOL

The National Health Funding Pool (Funding Pool) consists of eight State and Territory bank accounts (State Pool Accounts).

(E) ACTIVITY BASED FUNDING

Activity Based Funding (ABF) is a system for funding public hospital services provided to individual patients using national classifications, price weights and National Efficient Prices developed by the Independent Hospital Pricing Authority (IHPA). ABF is paid by the Commonwealth, States and Territories into the Funding Pool.

In 2020-21 and 2021-22 the Commonwealth, States and Territories ABF supported the following:

- i. Emergency department services
- ii. Acute admitted services
- iii. Admitted mental health services
- iv. Sub-acute and non-acute services
- v. Non-admitted services.

As system managers of the public hospital system, State or Territory ABF contributions into the Funding Pool may be calculated using State and Territory prices and activity measures. The Service Agreement between the State or Territory and each Local Hospital Network (LHN) specifies the service delivery and funding parameters.

Commonwealth ABF contributions for each service category were calculated by summing the prior year amounts and efficient growth. Efficient growth is determined by measuring the change in efficient price and volume. The price adjustment is 45 per cent of the change in the National Efficient Price relative to the prior year. The volume adjustment is 45 per cent of the net change in the volume of weighted services relative to the prior year.

In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements. Final funding entitlements for the year are calculated after actual data on hospital services becomes available. This calculation will generally result in reconciliation adjustments being made to the Commonwealth ABF contribution to each LHN to align with the actual services delivered.

In 2017, the Council of Australian Governments signed an Addendum to the National Health Reform Agreement. The Addendum amends specified elements of the operation of the National Health Reform Agreement for a period of three years. From 1 July 2017 to 30 June 2020, the Commonwealth funds 45 per cent of the efficient growth of public hospital services, subject to a 6.5 per cent cap in the growth of overall Commonwealth funding.

On 29 May 2020, the 2020–25 Addendum to the National Health Reform Agreement was entered into by the Commonwealth, State and Territory governments. The 2020–25 Addendum to the National Health Reform Agreement replaces the 2017–20 Addendum to the National Health Reform Agreement but retains the core principles.

(F) BLOCK FUNDING

Block funding is provided by the Commonwealth into the Funding Pool for States and Territories to support teaching and research undertaken in public hospitals and for some public hospital services where it is more appropriate to be Block funded, particularly for smaller rural and regional hospitals.

In 2020-21 and 2021-22 the Commonwealth Block funding supported the following:

- i. Small rural hospitals
- ii. Teaching, training and research
- iii. Non-admitted mental health
- iv. Non-admitted child and adolescent mental health services
- v. Non-admitted home ventilation
- vi. Other non-admitted services
- vii. Highly Specialised Therapies.

In 2020-21 and 2021-22 the Commonwealth Block contributions for each service category were calculated by summing prior year amounts and 45 per cent of the change in the National Efficient Cost between the current year and the prior year. Highly Specialised Therapies are contributed at 50 per cent of the growth in the efficient price or cost.

(G) PUBLIC HEALTH FUNDING

The Commonwealth contributes amounts into the Funding Pool for Public Health funding. This is calculated by the Commonwealth Treasury and includes funding for services such as national public health, youth health services and essential vaccines. This payment is indexed in accord with the previous existing health specific purpose payment.

Western Australia State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

(H) CROSS-BORDER

When a resident of one State or Territory receives hospital treatment in another State or Territory, the provider State or Territory is compensated for the cost of that treatment. The resident State or Territory pays its share through the Funding Pool to the provider State or Territory (refer Note 3 and Note 5).

The Commonwealth share of the cost of treating the patient is paid through the Funding Pool as part of the normal Activity Based Funding. The Commonwealth contribution to each State or Territory covers all eligible patients treated, regardless of where they reside.

(I) INTEREST

Interest earned and deposited by the RBA into the State Pool Account is recognised as interest received at the time the deposit is made. Interest paid from the State Pool Account to the State or Territory is recognised as an interest payment at the time the payment is made from the State Pool Account.

(J) TAXATION

State Pool Accounts are not subject to income tax. The majority of government funding, from the Commonwealth, State or Territory, to LHNs is not subject to the Goods and Services Tax (GST). However, in some cases hospital funding to non-government entities does attract GST, for example, denominational hospitals, privately and commercially owned health facilities, or other non-government third party providers of health services or related supplies.

(K) COVID-19 FUNDING

The National Partnership on COVID-19 Response (NPCR) was agreed to and signed by the Council of Australian Governments in March 2020. The objective of this agreement is to provide Commonwealth financial assistance for the additional costs incurred by State and Territory health services in responding to the COVID-19 outbreak. The NPCR was subsequently amended and agreed to in April 2020 to include financial viability payments for private hospitals. In February 2021, the NPCR was amended with respect to the coordination and delivery of the COVID-19 vaccine under Schedule C. The NPCR was further amended to assist residential aged care providers prevent, prepare for and respond to outbreaks of COVID-19 under Schedule D.

Financial assistance has been provided by the Commonwealth in the form of the Hospital Services Payments calculated on an activity basis, State Public Health Payments (including coordination and delivery of the COVID-19 vaccine) as well as Private Hospital Financial Viability Payments.

(L) COMMONWEALTH FUNDING GUARANTEE

For the 2019-20, 2020-21 and 2021-22 financial years, the Commonwealth provided the States and Territories with a minimum funding guarantee for funding related to the National Health Reform Agreement and the Hospital Services Payment component of the NPCR. Where a State or Territory is eligible for the Commonwealth funding guarantee, an additional payment is made in the following financial year after the annual reconciliation to meet the minimum amount guaranteed by the Commonwealth.

Note 2: Activity Based Funding receipts

Total receipts paid into the Western Australia State Pool Account in respect of Activity Based Funding:

	2021-22 \$'000	2020-21 \$'000
Commonwealth Activity Based Funding	2,241,148	2,035,652
Western Australia Activity Based Funding	3,624,977	3,390,287
TOTAL	5,866,124	5,425,939

The amounts paid by the Commonwealth into the Western Australia State Pool Account excludes Hospital Services Payments made under the NPCR of \$145,377,657 in 2021-22 (\$85,097,853 in 2020-21). Please refer Note 7.

Note 3: Cross-border receipts

Total cross-border receipts paid into the Western Australia State Pool Account from other States and Territories:

States and Territories	2021-22 \$'000	2020-21 \$'000
New South Wales	2,728	3,218
Victoria	2,818	6,937
Queensland	2,495	2,791
South Australia	1,299	3,785
Tasmania	347	581
Australian Capital Territory	480	171
Northern Territory	785	2,650
TOTAL	10,951	20,133

Western Australia State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 4: Activity Based Funding payments

Total payments made out of the Western Australia State Pool Account in respect of each Local Hospital Network:

Local Hospital Network	2021-22 \$'000	2020-21 \$'000
Child and Adolescent Health Service	526,885	469,186
East Metropolitan Health Service	1,254,068	1,143,353
North Metropolitan Health Service	1,501,286	1,427,051
Notional LHN - Royal Street	29,393	36,198
South Metropolitan Health Service	1,396,000	1,297,135
WA Country Health Service	1,158,493	1,053,017
TOTAL	5,866,124	5,425,940

The Administrator makes payments from the Western Australia State Pool Account in accordance with the directions of the Western Australia Minister for Health. The Western Australia Minister for Health directed all Activity Based Funding contributions paid to Local Hospital Networks.

Note 5: Cross-border payments

Total cross-border payments made out of the Western Australia State Pool Account to other States and Territories:

States and Territories	2021-22 \$'000	2020-21 \$'000
New South Wales	2,834	3,659
Victoria	4,999	7,174
Queensland	3,231	3,955
South Australia	1,171	4,111
Tasmania	236	448
Australian Capital Territory	596	342
Northern Territory	6,750	14,283
TOTAL	19,817	33,972

Western Australia State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 6: Activity Based Funding receipts and payments

Total Western Australia and Commonwealth Activity Based Funding contributions and total Local Hospital Network Activity Based Funding payments:

	2021-22 \$'000	2020-21 \$'000
Total Activity Based Funding receipts from the Commonwealth Government	2,241,148	2,035,652
Total Activity Based Funding receipts from Western Australia Government	3,624,977	3,390,287
Activity Based Funding payments to Local Hospital Networks	(5,866,124)	(5,425,940)
NET RECEIPTS/(PAYMENTS)	-	-

Western Australia State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 7: COVID-19 funding

COVID-19 funding is provided monthly in advance based on estimates submitted by States and Territories and is subject to reconciliation. Final funding entitlements are determined after actual activity data on hospital services and actual in-scope expenditure are submitted.

The types of funding and payments under the NPCR include:

THE UPFRONT ADVANCE PAYMENT

In March 2020, the Commonwealth provided an upfront advanced payment of \$100 million to States and Territories on a population share basis. This is an advance payment to ensure the timely availability of funds under the NPCR. The Upfront Advance Payment has been subsequently reconciled against State Public Health requirements.

THE HOSPITAL SERVICES PAYMENT

The Commonwealth provides a 50 per cent contribution of the National Efficient Price, for costs incurred by States and Territories, through monthly payments, for the diagnosis and treatment of COVID-19 including suspected cases.

THE STATE PUBLIC HEALTH PAYMENT

The Commonwealth provides a 50 per cent contribution for additional costs incurred by States and Territories, through monthly payments, for COVID-19 activities undertaken by State and Territory public health systems for the management of the outbreak.

In February 2021, the NPCR was amended with respect to the delivery of the COVID-19 vaccine through the Vaccination Dose Delivery Payment under Schedule C. Where eligible, funding contributions in relation to this activity are included within the State Public Health Payment.

The NPCR was further amended in December 2021 to include a revised vaccination schedule (revised Schedule C) which includes additional financial support to States and Territories for the set-up of COVID-19 vaccination sites, and an aged care schedule which provides a 100 per cent contribution for costs incurred from 1 July 2020 for supporting aged care prevention, preparedness and response activities including additional targeted infection prevention and control training in Residential Aged Care Facilities (Schedule D).

In January 2022, National Cabinet agreed measures supporting States and Territories to claim 50 per cent of the costs of the purchase, logistics and distribution of Rapid Antigen Tests (RATs) through the NPCR. Where States and Territories provide RATs to residential aged care facilities, they may claim a 100 per cent contribution for the costs.

THE PRIVATE HOSPITAL FINANCIAL VIABILITY PAYMENT

The Commonwealth contributes 100 per cent of the Private Hospital Financial Viability Payment made to private operators to retain capacity for responding to State and Territory or Commonwealth public health requirements.

COVID-19 funding receipts and payments:

	2021-22 \$'000	2020-21 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT		
From Commonwealth Government		
Hospital Services Payments	145,378	85,098
State Public Health Payments	525,386	135,778
Private Hospital Financial Viability Payment	27,820	(45,319)
TOTAL COMMONWEALTH RECEIPTS	698,584	175,557
From Western Australia Government		
Hospital Services Payments	20,839	18,352
State Public Health Payments	532,409	149,723
Private Hospital Financial Viability Payment	-	-
TOTAL WESTERN AUSTRALIA GOVERNMENT RECEIPTS	553,248	168,075
TOTAL RECEIPTS	1,251,832	343,632
PAYMENTS OUT OF THE STATE POOL ACCOUNT		
To Western Australia Government (Including Local Hospital Networks)		
Hospital Services Payments	166,216	103,450
State Public Health Payments	1,057,796	285,504
Private Hospital Financial Viability Payment	27,820	(30,500)
TOTAL PAYMENTS	1,251,832	358,450
NET RECEIPTS / (PAYMENTS) FOR THE YEAR	-	(14,819)
OPENING CASH BALANCE	-	14,819
CLOSING CASH BALANCE	-	-

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

End of Audited Special Purpose Financial Statement.

SOUTH AUSTRALIA

Funding and Payments

\$4.0B

total funding
that was paid to

11

Local Hospital
Networks (LHNs)

\$3.6B

in Activity Based Funding
that delivered

639,971

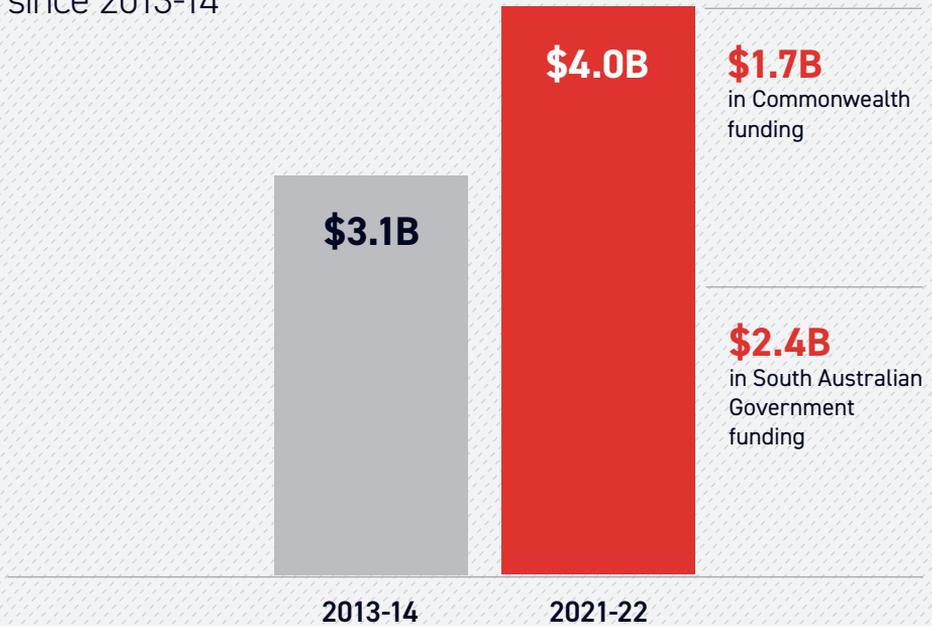
National Weighted
Activity Units (NWAU)

These amounts do not include transactions related to the NPCR. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

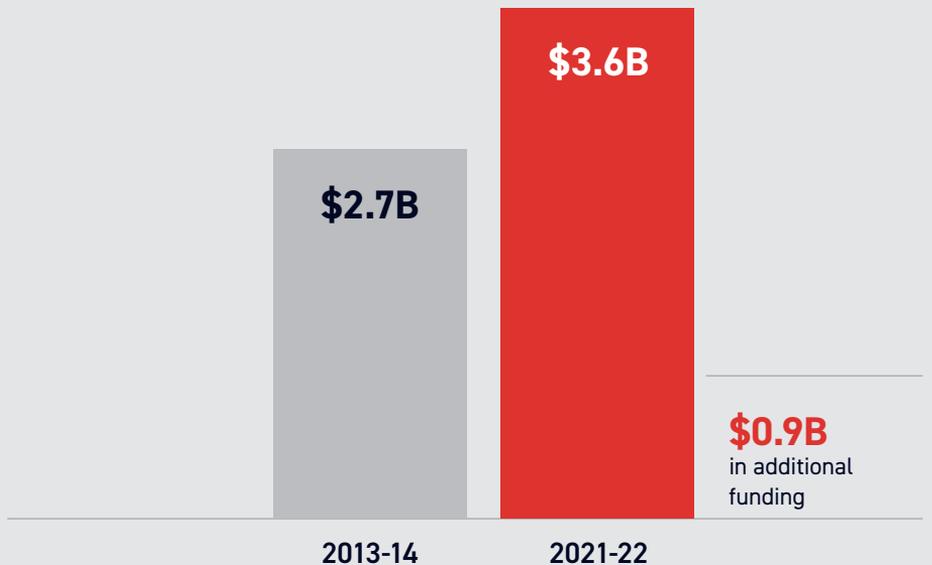
National Health Reform disclosures for the year ended 30 June 2022

Issued by the Administrator of the National Health Funding Pool under section 241(2) of the Commonwealth *National Health Reform Act 2011* and section 22(2) of the South Australia *National Health Funding Pool Administration (South Australia) Act 2012*.

Growth in
public hospital
payments
since 2013-14



Growth in
Activity Based
Funding since
2013-14



Section 241(2) of the NHR Act outlines certain disclosures to be included in this Annual Report.

The information reported is specific to the transactions of the 'relevant State'.

For the purposes of this legislative reporting, the 'relevant State' is the State or Territory that holds the bank accounts opened under the laws of that State or Territory for NHR Agreement purposes.

The values are rounded to the nearest thousand dollars unless otherwise specified.

NHR funding and payments shown in the following tables include Goods and Services Tax (GST) where applicable.

The information disclosed in the following tables is provided by South Australia (SA) and forms part of the Administrator's monthly reporting requirements, located at www.publichospitalfunding.gov.au

For further information on the types of National Health Reform funding, refer to the 'Introduction' chapter of this Annual Report.

Commonwealth National Health Reform funding entitlement based on actual services provided and cash paid in each financial year

The table below shows the cash paid by the Commonwealth each financial year based on activity estimates provided by States and Territories. The table also shows the final Commonwealth NHR funding entitlement determined by the Commonwealth Treasurer which is based on an end of financial year reconciliation of actual services delivered. The subsequent funding adjustments, whether positive or negative, reflect the difference between estimated activity and actual services delivered.

\$'000	2017-18 Entitlement	2018-19 Entitlement	2019-20 Entitlement	2020-21 Entitlement	2021-22 Estimate	TOTAL
Cash Paid 2017-18 Total	1,306,234	-	-	-	-	1,306,234
Cash Paid 2018-19 Total	(5,764)	1,339,108	-	-	-	1,333,344
Cash Paid 2019-20 Total	-	58,479	1,436,142	-	-	1,494,620
Cash Paid 2020-21 Total	-	-	(2,108)	1,494,519	-	1,492,410
Cash Paid 2021-22 Total	-	-	-	49,741	1,611,830	1,661,571
CURRENT ENTITLEMENT TOTAL	1,300,471	1,397,586	1,434,034¹	1,544,260²	1,611,830³	7,288,180

1 The 2019-20 Commonwealth NHR funding entitlement excludes \$15,960,519 in HSP under the NPCR.

2 The 2020-21 Commonwealth NHR funding entitlement excludes \$27,623,093 in HSP under the NPCR.

3 The 2021-22 Commonwealth NHR funding estimate excludes \$17,784,030 in HSP under the NPCR.

The amounts paid into each State Pool Account by the Commonwealth – Section 241(2)(B)

Component	Amount paid by Commonwealth into South Australia State Pool Account (\$'000)	
	2021-22	2020-21
Activity Based Funding	1,415,917	1,257,859
Block funding	214,047	203,920
Public Health funding	31,608	30,631
SOUTH AUSTRALIA TOTAL	1,661,571	1,492,410

Additional financial assistance has been provided by the Commonwealth under the NPCR including hospital services funding which is paid monthly based on activity estimates provided to the Administrator and reconciled annually with adjustments being made in the following financial year. Details of this funding is provided in the Pool Account Special Purpose Financial Statement.

The amounts paid by the Commonwealth into the State Pool Accounts excludes payments made under the NPCR, Hospital Services Payments of \$34,663,535 in 2021-22 (\$20,049,199 in 2020-21) and State Public Health and Private Hospital Financial Viability Payments of \$217,718,002 in 2021-22 (\$46,588,579 in 2020-21).

The amounts paid into each State Pool Account and State Managed Fund by the relevant State – Section 241(2)(A)

Component	Amount paid by South Australia (\$'000)	
	2021-22	2020-21
State Pool Account - Activity Based Funding	2,171,500	1,578,823
State Managed Fund - Block funding	181,244	191,289
SOUTH AUSTRALIA TOTAL	2,352,744	1,770,112

The above table does not include interest deposited into the Pool Account, over deposit of state contributions subsequently paid back to the respective State or Territory Health Department or cross-border contributions for transfer to other States or Territories.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

The number of public hospital services funded for each Local Hospital Network in accordance with the system of Activity Based Funding – Section 241(2)(E)

Local Hospital Network	Number of ABF public hospital services funded (NWAU)		
	2021-22 ¹ Estimate	2020-21 ² Actual	2020-21 ³ Estimate
Barossa Hills Fleurieu Local Health Network	23,633	21,028	20,478
Central Adelaide Local Health Network	210,444	209,590	208,202
Central Office Services	13,150	11,328	10,917
Eyre and Far North Local Health Network	7,250	7,123	6,902
Flinders and Upper North Local Health Network	17,934	16,471	17,388
Limestone Coast Local Health Network	18,219	14,418	13,363
Northern Adelaide Local Health Network	109,607	118,202	106,443
Riverland Mallee Coorong Local Health Network	12,318	12,493	11,772
Southern Adelaide Local Health Network	159,023	159,285	156,874
Women's and Children's Health Network	55,101	56,694	53,237
Yorke and Northern Local Health Network	13,292	7,008	7,162
SOUTH AUSTRALIA TOTAL	639,971	633,639	612,737

1 2021-22 NWAU as per the updated activity estimates as at the Administrator's June 2022 Payment Advice.

2 2020-21 NWAU as per the 2020-21 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2020-21.

3 2020-21 NWAU as per the activity estimates as at the Administrator's June 2021 Payment Advice.

The NWAU is the unit of measurement for the ABF system. It is a measure of health service activity expressed as a common unit, against which the NEP is paid. It provides a way of comparing and valuing each ABF public hospital service, by weighting it for its clinical complexity.

States and Territories provide NWAU estimates at the start of each financial year for Commonwealth payment purposes. These estimates may be revised during the course of the year and form the basis of Commonwealth funding until actual service volumes become available.

The number of other public hospital services and functions funded from each State Pool Account or State Managed Fund – Section 241(2)(F)

Unlike the unit of measurement for Activity based services (i.e. NWAU), there is currently no nationally standardised measurement system for other public hospital services.

In the absence of such a national system, the NHR Agreement allows for information to be based on the unit measurement classification and funding arrangements used in individual States and Territories.

However, in 2020–21 and 2021–22 South Australia did not report any other public hospital services and functions funded from their Pool Account or State Managed Fund.

The amounts paid from each State Pool Account and State Managed Fund to Local Hospital Networks in 2021-22 – Section 241(2)(C)(D)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
Barossa Hills Fleurieu Local Health Network	132,543	110,056	242,599
Central Adelaide Local Health Network	1,180,746	87,530	1,268,276
Central Office Services	73,714	-	73,714
Eyre and Far North Local Health Network	40,629	6,776	47,404
Flinders and Upper North Local Health Network	100,520	19,169	119,689
Limestone Coast Local Health Network	100,634	18,722	119,357
Northern Adelaide Local Health Network	614,165	42,613	656,777
Riverland Mallee Coorong Local Health Network	69,017	22,381	91,398
Southern Adelaide Local Health Network	891,366	57,112	948,479
Women's and Children's Health Network	308,738	17,380	326,118
Yorke and Northern Local Health Network	74,570	13,552	88,121
SOUTH AUSTRALIA TOTAL	3,586,642	395,291	3,981,932

The 2021-22 amounts paid by the Commonwealth into the State Pool Accounts excludes Hospital Services Payments made under the NPCR of \$34,663,535.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

For the South Australia basis of payments, refer to page 179.

The amounts paid from each State Pool Account and State Managed Fund to Local Hospital Networks in 2020-21 – Section 241(2)(C)(D)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
Barossa Hills Fleurieu Local Health Network	108,941	99,312	208,253
Central Adelaide Local Health Network	1,113,240	90,790	1,204,030
Central Office Services	58,074	-	58,074
Eyre and Far North Local Health Network	36,721	6,716	43,437
Flinders and Upper North Local Health Network	87,056	23,226	110,282
Limestone Coast Local Health Network	70,932	21,715	92,647
Northern Adelaide Local Health Network	566,276	42,693	608,969
Riverland Mallee Coorong Local Health Network	62,626	21,729	84,355
Southern Adelaide Local Health Network	834,571	58,623	893,194
Women's and Children's Health Network	283,223	16,971	300,194
Yorke and Northern Local Health Network	38,100	13,433	51,533
SOUTH AUSTRALIA TOTAL	3,259,760	395,209	3,654,969

The 2020-21 amounts paid by the Commonwealth into the State Pool Accounts excludes Hospital Services Payments made under the NPCR of \$20,049,199.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

For the South Australia basis of payments, refer to page 179.

South Australia basis for National Health Reform payments 2021-22

To meet the reporting requirements of Section 240 of the *National Health Reform Act 2011*, the Administrator is to include the basis of each State and Territory's National Health Reform (NHR) funding and payments.

To provide consistency in methodology and with the *Addendum to the National Health Reform Agreement 2020-21 to 2024-25*, the 2021-22 South Australia Funding Model has implemented the National Efficient Price (NEP21) and National Weighted Activity Unit (NWAU21) as the currency for Activity Based Funding (ABF) facilities. The National Efficient Cost (NEC21) Block funded model is used for the Small regional and remote hospitals, standalone hospitals providing specialist mental health services (admitted and non-admitted), Child and adolescent mental health services, Non-admitted home ventilation and Clinical teaching, training and research provided in the major hospitals.

NHR payments in South Australia are based upon the activity outlined in the service plan between the Minister for Health and the Chief Executive of the Department for Health and Wellbeing.

The service plan outlines:

- the schedule of services to be delivered by or on behalf of the LHN and the funding to be provided in relation to the provision of those services
- the Block funding to be provided to:
 - » Small rural hospitals, standalone hospitals providing specialist mental health services and eligible community mental health services
 - » major hospitals for:
 - Non-admitted home ventilation
 - Clinical teaching, training and research
- operational and Block grants to the LHN covering services provided and activities undertaken that are not within scope of the NHR, for example, Alcohol and drug services, dental services, Child health and parenting services, primary care, home and community care
- Supplementation Grants and other site specifics that recognise that the LHN has reported average costs greater than the NEP
- capital investment such as in land and buildings, equipment and information and communication technology
- standards of patient care and service delivery
- performance standards, performance targets and performance measures for the LHN
- requirements for the LHN to report on its performance, as required or otherwise
- a performance management process that is to be in continuous operation in respect of the LHN.

The ABF funded facilities' service profiles are developed in negotiation with the LHN as follows:

- Acute admitted and Sub-acute and Non-acute service activity volumes are modelled based on historical activity data and agreed growth rates and adjusted for known service capacity and profile changes
- Emergency department and outpatient service volumes are modelled based on agreed growth rates and other known factors
- Clinical teaching, training and research, home ventilation services are modelled based on historical expenditure profiles and adjusted for known changes
- small regional and remote hospitals are modelled based on the small hospital NEC result
- standalone hospitals providing specialist mental health services (admitted and non-admitted) are modelled based on historical activity volumes and expenditure profiles and adjusted for known changes in service delivery and capacity
- non-NHRA and non-hospital services are Block funded and modelled based on historical expenditure profiles and other known growth factors
- The Supplementation Grants and site specifics are based on the prior year National Hospital Cost Data Collections ABF stream cost ratio.

Further information regarding the Basis for National Health Reform payments in both 2021-22 and previous financial years is included at www.publichospitalfunding.gov.au



SOUTH AUSTRALIA

Financial Statement

**National Health Funding Pool
South Australia State Pool Account
Special Purpose Financial Statement
for the year ended 30 June 2022**

Issued by the Administrator of the National Health Funding Pool under section 242 of the Commonwealth *National Health Reform Act 2011* and section 23 of the South Australia *National Health Funding Pool Administration (South Australia) Act 2012*.



Contents

Independent Auditor's Report	183
Statement by the Administrator of the National Health Funding Pool	187
South Australia State Pool Account	
Statement of Receipts and Payments for the year ended 30 June 2022	188

South Australia State Pool Account Notes to and forming part of the Special Purpose Financial Statement for the year ended 30 June 2022

Note 1: Summary of significant accounting policies	189
Note 2: Activity Based Funding receipts	192
Note 3: Cross-border receipts	192
Note 4: Activity Based Funding payments	193
Note 5: Cross-border payments	194
Note 6: Activity Based Funding receipts and payments	194
Note 7: COVID-19 funding	195

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Administrator National Health Funding Pool

Opinion

I have audited the special purpose financial report of the National Health Funding Pool for the financial year ended 30 June 2022.

In my opinion, the accompanying financial report of the South Australian State Pool Account of the National Health Funding Pool for the year ended 30 June 2022, gives a true and fair view of the financial transactions of the South Australian State Pool Account of the National Health Funding Pool as at 30 June 2022, in accordance with the financial reporting requirements of the *National Health Funding Pool Administration (South Australia) Act 2012*, the *National Health Reform Act 2011* and the National Health Reform Agreement 2011.

The financial report comprises:

- a statement of receipts and payments for the year ended 30 June 2022
- notes to and forming part of the special purpose financial report
- a statement from the Administrator of the South Australian State Pool Account of the National Health Funding Pool.

Basis for opinion

I conducted the audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of South Australian State Pool Account of the National Health Funding Pool and the National Health Funding Body. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* have been met.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Independent Auditor's Report

Emphasis of matter – basis of accounting and restriction on distribution and use

I draw attention to note 1(b) to the financial report, which describes the purpose of the financial report and the basis of accounting. The financial report has been prepared using the cash basis of accounting and solely for the purpose of assisting the Administrator's financial reporting responsibilities under the *National Health Funding Pool Administration (South Australia) Act 2012*, the *National Health Reform Act 2011* and the National Health Reform Agreement 2011. As a result, the financial report may not be suitable for another purpose. My opinion is not modified in respect of this matter.

My report is intended solely for the Administrator of the National Health Funding Pool and the National Health Funding Body and should not be distributed to or used by any other parties.

Responsibilities of Administrator for the financial report

The Administrator is responsible for the preparation of the financial report that gives a true and fair view in accordance with the *National Health Funding Pool Administration (South Australia) Act 2012*, the *National Health Reform Act 2011* and the National Health Reform Agreement 2011 and for such internal control as the Administrator determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial report

As required by section 24 of the *National Health Funding Pool Administration (South Australia) Act 2012* and section 243 of the *National Health Reform Act 2011*, I have audited the financial report of South Australian State Pool Account of the National Health Funding Pool for the financial year ended 30 June 2022.

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

Independent Auditor's Report

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of South Australian State Pool Account of the National Health Funding Pool internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Administrator
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Administrator about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Daniel O'Donohue

Assistant Auditor-General (Financial Audit)

31 August 2022

INTRODUCTION

NATIONAL

NSW

VIC

QLD

WA

SA

TAS

ACT

NT

ENDNOTES

Statement by the Administrator of the National Health Funding Pool



Administrator
National Health
Funding Pool

Statement by the Administrator of the National Health Funding Pool South Australia State Pool Account

I report that, as indicated in Note 1(b) to the financial statement, I have determined that the attached Special Purpose Financial Statement comprising of a statement of receipts and payments and accompanying notes provides a true and fair presentation in accordance with the South Australian *National Health Funding Pool Administration (South Australia) Act 2012*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

In my opinion, the attached Special Purpose Financial Statement for the year ended 30 June 2022 is based on properly maintained financial records and gives a true and fair view of the matters required by the South Australian *National Health Funding Pool Administration (South Australia) Act 2012*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

Michael Lambert
Administrator
National Health Funding Pool

24 August 2022

South Australia State Pool Account Statement of Receipts and Payments for the year ended 30 June 2022

	Notes	2021-22 \$'000	2020-21 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth Government			
Activity Based Funding	2, 6	1,415,917	1,257,859
Block funding		214,047	203,920
Public Health funding		31,608	30,631
COVID-19 funding	7	252,382	66,638
From South Australia Government			
Activity Based Funding	2, 6	2,171,500	1,578,823
Cross-border contribution	5	74,422	10,995
COVID-19 funding	7	257,106	180,677
From other States or Territories			
Cross-border receipts	3	77,972	9,857
From Reserve Bank of Australia			
Interest receipts		4	327
TOTAL RECEIPTS		4,494,957	3,339,727
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding	4, 6	3,586,642	3,259,760
COVID-19 funding	7	69,597	40,098
To South Australia State Managed Fund			
Block funding		214,047	203,920
To Department of Health and Wellbeing			
Public Health funding		31,608	30,631
COVID-19 funding	7	439,890	227,096
Interest payments		4	25,813
Cross-border transfer		77,972	9,857
To other States or Territories			
Cross-border payments	5	74,422	10,995
TOTAL PAYMENTS		4,494,182	3,808,170
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		775	(468,443)
OPENING CASH BALANCE		5,091	473,535
CLOSING CASH BALANCE		5,866	5,091

The above statement of receipts and payments should be read in conjunction with the accompanying notes.

South Australia State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 1: Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the Special Purpose Financial Statement are set out below.

(A) REPORTING ENTITY

The Administrator of the National Health Funding Pool (Administrator) is an independent statutory office holder, distinct from the Commonwealth, State and Territory governments, established under legislation of the Commonwealth and State and Territory governments. Mr Michael Lambert was appointed as the Administrator on 17 July 2018.

(B) BASIS OF PREPARATION

The South Australian State Pool Account was established at the Reserve Bank of Australia (RBA) in 2012-13 in accordance with Part 3, section 13 of the South Australia *National Health Funding Pool Administration (South Australia) Act 2012* and the Special Purpose Financial Statement has been prepared in accordance with Part 5, section 23 of that Act and section 242 of the Commonwealth *National Health Reform Act 2011*.

The Special Purpose Financial Statement has been prepared on a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

The Special Purpose Financial Statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The Special Purpose Financial Statement was authorised for release by the Administrator on 24 August 2022.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2020-21 and 2021-22 are for the year ended 30 June.

(D) NATIONAL HEALTH FUNDING POOL

The National Health Funding Pool (Funding Pool) consists of eight State and Territory bank accounts (State Pool Accounts).

(E) ACTIVITY BASED FUNDING

Activity Based Funding (ABF) is a system for funding public hospital services provided to individual patients using national classifications, price weights and National Efficient Prices developed by the Independent Hospital Pricing Authority (IHPA). ABF is paid by the Commonwealth, States and Territories into the Funding Pool.

In 2020-21 and 2021-22 the Commonwealth, States and Territories ABF supported the following:

- i. Emergency department services
- ii. Acute admitted services
- iii. Admitted mental health services
- iv. Sub-acute and non-acute services
- v. Non-admitted services.

As system managers of the public hospital system, State or Territory ABF contributions into the Funding Pool may be calculated using State and Territory prices and activity measures. The Service Agreement between the State or Territory and each Local Hospital Network (LHN) specifies the service delivery and funding parameters.

Commonwealth ABF contributions for each service category were calculated by summing the prior year amounts and efficient growth. Efficient growth is determined by measuring the change in efficient price and volume. The price adjustment is 45 per cent of the change in the National Efficient Price relative to the prior year. The volume adjustment is 45 per cent of the net change in the volume of weighted services relative to the prior year.

In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements. Final funding entitlements for the year are calculated after actual data on hospital services becomes available. This calculation will generally result in reconciliation adjustments being made to the Commonwealth ABF contribution to each LHN to align with the actual services delivered.

In 2017, the Council of Australian Governments signed an Addendum to the National Health Reform Agreement. The Addendum amends specified elements of the operation of the National Health Reform Agreement for a period of three years. From 1 July 2017 to 30 June 2020, the Commonwealth funds 45 per cent of the efficient growth of public hospital services, subject to a 6.5 per cent cap in the growth of overall Commonwealth funding.

On 29 May 2020, the 2020–25 Addendum to the National Health Reform Agreement was entered into by the Commonwealth, State and Territory governments. The 2020–25 Addendum to the National Health Reform Agreement replaces the 2017–20 Addendum to the National Health Reform Agreement but retains the core principles.

(F) BLOCK FUNDING

Block funding is provided by the Commonwealth into the Funding Pool for States and Territories to support teaching and research undertaken in public hospitals and for some public hospital services where it is more appropriate to be Block funded, particularly for smaller rural and regional hospitals.

In 2020-21 and 2021-22 the Commonwealth Block funding supported the following:

- i. Small rural hospitals
- ii. Teaching, training and research
- iii. Non-admitted mental health
- iv. Non-admitted child and adolescent mental health services
- v. Non-admitted home ventilation
- vi. Other non-admitted services
- vii. Highly Specialised Therapies.

In 2020-21 and 2021-22 the Commonwealth Block contributions for each service category were calculated by summing prior year amounts and 45 per cent of the change in the National Efficient Cost between the current year and the prior year. Highly Specialised Therapies are contributed at 50 per cent of the growth in the efficient price or cost.

(G) PUBLIC HEALTH FUNDING

The Commonwealth contributes amounts into the Funding Pool for Public Health funding. This is calculated by the Commonwealth Treasury and includes funding for services such as national public health, youth health services and essential vaccines. This payment is indexed in accord with the previous existing health specific purpose payment.

South Australia State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

(H) CROSS-BORDER

When a resident of one State or Territory receives hospital treatment in another State or Territory, the provider State or Territory is compensated for the cost of that treatment. The resident State or Territory pays its share through the Funding Pool to the provider State or Territory (refer Note 3 and Note 5).

The Commonwealth share of the cost of treating the patient is paid through the Funding Pool as part of the normal Activity Based Funding. The Commonwealth contribution to each State or Territory covers all eligible patients treated, regardless of where they reside.

(I) INTEREST

Interest earned and deposited by the RBA into the State Pool Account is recognised as interest received at the time the deposit is made. Interest paid from the State Pool Account to the State or Territory is recognised as an interest payment at the time the payment is made from the State Pool Account.

(J) TAXATION

State Pool Accounts are not subject to income tax. The majority of government funding, from the Commonwealth, State or Territory, to LHNs is not subject to the Goods and Services Tax (GST). However, in some cases hospital funding to non-government entities does attract GST, for example, denominational hospitals, privately and commercially owned health facilities, or other non-government third party providers of health services or related supplies.

(K) COVID-19 FUNDING

The National Partnership on COVID-19 Response (NPCR) was agreed to and signed by the Council of Australian Governments in March 2020. The objective of this agreement is to provide Commonwealth financial assistance for the additional costs incurred by State and Territory health services in responding to the COVID-19 outbreak. The NPCR was subsequently amended and agreed to in April 2020 to include financial viability payments for private hospitals. In February 2021, the NPCR was amended with respect to the coordination and delivery of the COVID-19 vaccine under Schedule C. The NPCR was further amended to assist residential aged care providers prevent, prepare for and respond to outbreaks of COVID-19 under Schedule D.

Financial assistance has been provided by the Commonwealth in the form of the Hospital Services Payments calculated on an activity basis, State Public Health Payments (including coordination and delivery of the COVID-19 vaccine) as well as Private Hospital Financial Viability Payments.

(L) COMMONWEALTH FUNDING GUARANTEE

For the 2019-20, 2020-21 and 2021-22 financial years, the Commonwealth provided the States and Territories with a minimum funding guarantee for funding related to the National Health Reform Agreement and the Hospital Services Payment component of the NPCR. Where a State or Territory is eligible for the Commonwealth funding guarantee, an additional payment is made in the following financial year after the annual reconciliation to meet the minimum amount guaranteed by the Commonwealth.

Note 2: Activity Based Funding receipts

Total receipts paid into the South Australia State Pool Account in respect of Activity Based Funding:

	2021-22 \$'000	2020-21 \$'000
Commonwealth Activity Based Funding	1,415,917	1,257,859
South Australia Activity Based Funding	2,171,500	1,578,823
TOTAL	3,587,417	2,836,682

The amounts paid by the Commonwealth into the South Australia State Pool Account excludes Hospital Services Payments made under the NPCR of \$34,663,535 in 2021-22 (\$20,049,199 in 2020-21). Please refer Note 7.

Note 3: Cross-border receipts

Total cross-border receipts paid into the South Australia State Pool Account from other States and Territories:

States and Territories	2021-22 \$'000	2020-21 \$'000
New South Wales	43,831	-
Victoria	29,173	-
Queensland	1,939	4,644
Western Australia	1,171	4,111
Tasmania	286	1,102
Australian Capital Territory	1,572	-
Northern Territory	-	-
TOTAL	77,972	9,857

South Australia State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 4: Activity Based Funding payments

Total payments made out of the South Australia State Pool Account in respect of each Local Hospital Network:

Local Hospital Network	2021-22 \$'000	2020-21 \$'000
Barossa Hills Fleurieu Local Health Network	132,543	108,941
Central Adelaide Local Health Network	1,180,746	1,113,240
Central Office Services	73,714	58,074
Eyre and Far North Local Health Network	40,629	36,721
Flinders and Upper North Local Health Network	100,520	87,056
Limestone Coast Local Health Network	100,634	70,932
Northern Adelaide Local Health Network	614,165	566,276
Riverland Mallee Coorong Local Health Network	69,017	62,626
Southern Adelaide Local Health Network	891,366	834,571
Women's and Children's Health Network	308,738	283,223
Yorke and Northern Local Health Network	74,570	38,100
TOTAL	3,586,642	3,259,760

The Administrator makes payments from the South Australia State Pool Account in accordance with the directions of the South Australia Minister for Health. The South Australia Minister for Health directed all Activity Based Funding contributions paid to Local Hospital Networks.

Note 5: Cross-border payments

Total cross-border payments made out of the South Australia State Pool Account to other States and Territories:

States and Territories	2021-22 \$'000	2020-21 \$'000
New South Wales	22,135	-
Victoria	45,983	-
Queensland	3,050	6,524
Western Australia	1,299	3,785
Tasmania	288	686
Australian Capital Territory	1,668	-
Northern Territory	-	-
TOTAL	74,422	10,995

Note 6: Activity Based Funding receipts and payments

Total South Australia and Commonwealth Activity Based Funding contributions and total Local Hospital Network Activity Based Funding payments:

	2021-22 \$'000	2020-21 \$'000
Total Activity Based Funding receipts from the Commonwealth Government	1,415,917	1,257,859
Total Activity Based Funding receipts from South Australia Government	2,171,500	1,578,823
Activity Based Funding payments to Local Hospital Networks	(3,586,642)	(3,259,760)
NET RECEIPTS/(PAYMENTS)	775	(423,078)

South Australia State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 7: COVID-19 funding

COVID-19 funding is provided monthly in advance based on estimates submitted by States and Territories and is subject to reconciliation. Final funding entitlements are determined after actual activity data on hospital services and actual in-scope expenditure are submitted.

The types of funding and payments under the NPCR include:

THE UPFRONT ADVANCE PAYMENT

In March 2020, the Commonwealth provided an upfront advanced payment of \$100 million to States and Territories on a population share basis. This is an advance payment to ensure the timely availability of funds under the NPCR. The Upfront Advance Payment has been subsequently reconciled against State Public Health requirements.

THE HOSPITAL SERVICES PAYMENT

The Commonwealth provides a 50 per cent contribution of the National Efficient Price, for costs incurred by States and Territories, through monthly payments, for the diagnosis and treatment of COVID-19 including suspected cases.

THE STATE PUBLIC HEALTH PAYMENT

The Commonwealth provides a 50 per cent contribution for additional costs incurred by States and Territories, through monthly payments, for COVID-19 activities undertaken by State and Territory public health systems for the management of the outbreak.

In February 2021, the NPCR was amended with respect to the delivery of the COVID-19 vaccine through the Vaccination Dose Delivery Payment under Schedule C. Where eligible, funding contributions in relation to this activity are included within the State Public Health Payment.

The NPCR was further amended in December 2021 to include a revised vaccination schedule (revised Schedule C) which includes additional financial support to States and Territories for the set-up of COVID-19 vaccination sites, and an aged care schedule which provides a 100 per cent contribution for costs incurred from 1 July 2020 for supporting aged care prevention, preparedness and response activities including additional targeted infection prevention and control training in Residential Aged Care Facilities (Schedule D).

In January 2022, National Cabinet agreed measures supporting States and Territories to claim 50 per cent of the costs of the purchase, logistics and distribution of Rapid Antigen Tests (RATs) through the NPCR. Where States and Territories provide RATs to residential aged care facilities, they may claim a 100 per cent contribution for the costs.

THE PRIVATE HOSPITAL FINANCIAL VIABILITY PAYMENT

The Commonwealth contributes 100 per cent of the Private Hospital Financial Viability Payment made to private operators to retain capacity for responding to State and Territory or Commonwealth public health requirements.

South Australia State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

COVID-19 funding receipts and payments:

	2021-22 \$'000	2020-21 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT		
From Commonwealth Government		
Hospital Services Payments	34,664	20,049
State Public Health Payments	222,307	103,609
Private Hospital Financial Viability Payment	(4,589)	(57,020)
TOTAL COMMONWEALTH RECEIPTS	252,382	66,638
From South Australia Government		
Hospital Services Payments	34,664	29,914
State Public Health Payments	222,307	150,763
Private Hospital Financial Viability Payment	135	-
TOTAL SOUTH AUSTRALIA GOVERNMENT RECEIPTS	257,106	180,677
TOTAL RECEIPTS	509,487	247,315
PAYMENTS OUT OF THE STATE POOL ACCOUNT		
To South Australia Government (Including Local Hospital Networks)		
Hospital Services Payments	69,327	49,963
State Public Health Payments	444,614	254,370
Private Hospital Financial Viability Payment	(4,454)	(37,141)
TOTAL PAYMENTS	509,487	267,194
NET RECEIPTS / (PAYMENTS) FOR THE YEAR	-	(19,880)
OPENING CASH BALANCE	-	19,880
CLOSING CASH BALANCE	-	-

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

End of Audited Special Purpose Financial Statement.

TASMANIA

Funding and Payments

\$1.7B

total funding
that was paid to

1

Local Hospital
Network (LHN)

\$1.1B

in Activity Based Funding
that delivered

190,722

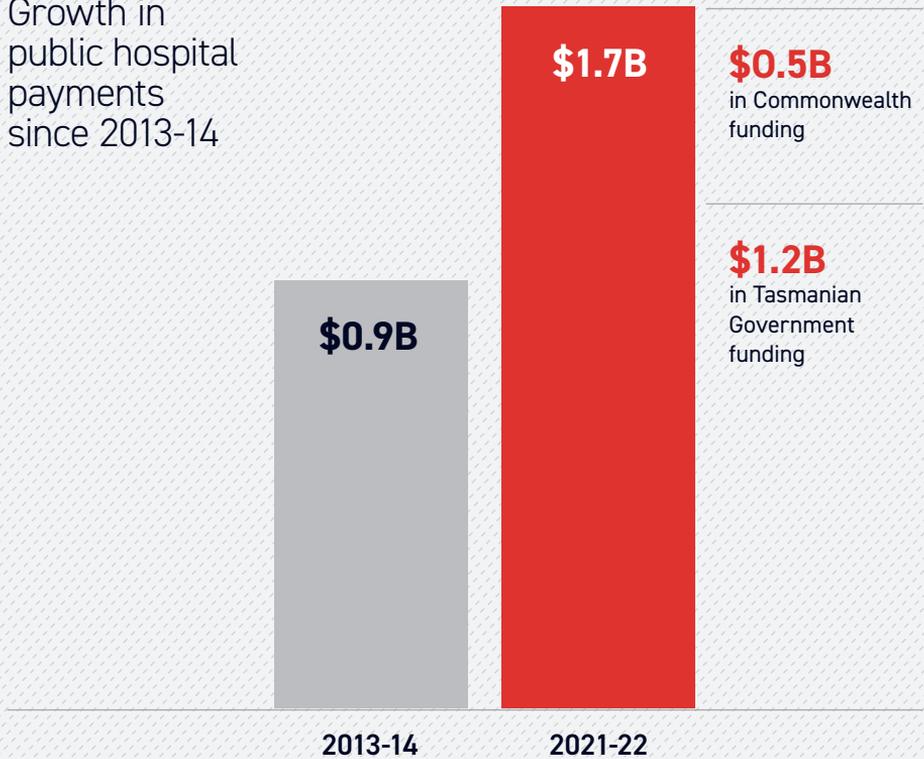
National Weighted
Activity Units (NWAU)

These amounts do not include transactions related to the NPCR. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

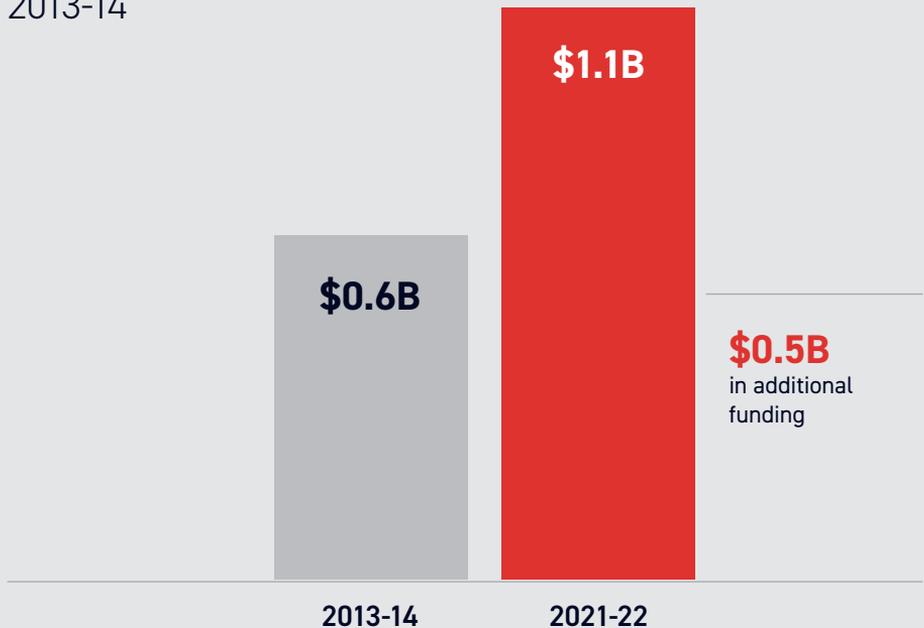
National Health Reform disclosures for the year ended 30 June 2022

Issued by the Administrator of the National Health Funding Pool under section 241(2) of the Commonwealth *National Health Reform Act 2011* and section 18(2) of the Tasmanian *National Health Funding Administration Act 2012*.

Growth in
public hospital
payments
since 2013-14



Growth in
Activity Based
Funding since
2013-14



Section 241(2) of the NHR Act outlines certain disclosures to be included in this Annual Report.

The information reported is specific to the transactions of the 'relevant State'.

For the purposes of this legislative reporting, the 'relevant State' is the State or Territory that holds the bank accounts opened under the laws of that State or Territory for NHR Agreement purposes.

The values are rounded to the nearest thousand dollars unless otherwise specified.

NHR funding and payments shown in the following tables include Goods and Services Tax (GST) where applicable.

The information disclosed in the following tables is provided by Tasmania (TAS) and forms part of the Administrator's monthly reporting requirements, located at www.publichospitalfunding.gov.au

For further information on the types of National Health Reform funding, refer to the 'Introduction' chapter of this Annual Report.

Commonwealth National Health Reform funding entitlement based on actual services provided and cash paid in each financial year

The table below shows the cash paid by the Commonwealth each financial year based on activity estimates provided by States and Territories. The table also shows the final Commonwealth NHR funding entitlement determined by the Commonwealth Treasurer which is based on an end of financial year reconciliation of actual services delivered. The subsequent funding adjustments, whether positive or negative, reflect the difference between estimated activity and actual services delivered.

\$'000	2017-18 Entitlement	2018-19 Entitlement	2019-20 Entitlement	2020-21 Entitlement	2021-22 Estimate	TOTAL
Cash Paid 2017-18 Total	411,293	-	-	-	-	411,293
Cash Paid 2018-19 Total	822	430,413	-	-	-	431,235
Cash Paid 2019-20 Total	-	6,531	437,901	-	-	444,432
Cash Paid 2020-21 Total	-	-	5,267	473,481	-	478,748
Cash Paid 2021-22 Total	-	-	-	7,818	512,584	520,402
CURRENT ENTITLEMENT TOTAL	412,115	436,944	443,168¹	481,300²	512,584³	2,286,110

1 The 2019-20 Commonwealth NHR funding entitlement excludes \$6,490,165 in HSP under the NPCR.

2 The 2020-21 Commonwealth NHR funding entitlement excludes \$3,455,608 in HSP under the NPCR.

3 The 2021-22 Commonwealth NHR funding estimate excludes \$31,093,451 in HSP under the NPCR.

The amounts paid into each State Pool Account by the Commonwealth – Section 241(2)(B)

Component	Amount paid by Commonwealth into Tasmania State Pool Account (\$'000)	
	2021-22	2020-21
Activity Based Funding	419,670	389,165
Block funding	91,016	80,207
Public Health funding	9,715	9,376
TASMANIA TOTAL	520,402	478,748

Additional financial assistance has been provided by the Commonwealth under the NPCR including hospital services funding which is paid monthly based on activity estimates provided to the Administrator and reconciled annually with adjustments being made in the following financial year. Details of this funding is provided in the Pool Account Special Purpose Financial Statement.

The amounts paid by the Commonwealth into the State Pool Accounts excludes payments made under the NPCR, Hospital Services Payments of \$31,036,925 in 2021-22 (\$9,357,981 in 2020-21) and State Public Health and Private Hospital Financial Viability Payments of \$122,815,373 in 2021-22 (\$23,211,852 in 2020-21).

The amounts paid into each State Pool Account and State Managed Fund by the relevant State – Section 241(2)(A)

Component	Amount paid by Tasmania (\$'000)	
	2021-22	2020-21
State Pool Account - Activity Based Funding	651,736	519,902
State Managed Fund - Block funding	575,853	558,859
TASMANIA TOTAL	1,227,589	1,078,761

The above table does not include interest deposited into the Pool Account, over deposit of state contributions subsequently paid back to the respective State or Territory Health Department or cross-border contributions for transfer to other States or Territories.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

The number of public hospital services funded for each Local Hospital Network in accordance with the system of Activity Based Funding – Section 241(2)(E)

Local Hospital Network	Number of ABF public hospital services funded (NWAU)		
	2021-22 ¹ Estimate	2020-21 ² Actual	2020-21 ³ Estimate
Tasmanian Health Service	190,722	173,205	169,903
TASMANIA TOTAL	190,722	173,205	169,903

- 1 2021-22 NWAU as per the updated activity estimates as at the Administrator's June 2022 Payment Advice.
- 2 2020-21 NWAU as per the 2020-21 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2020-21.
- 3 2020-21 NWAU as per the activity estimates as at the Administrator's June 2021 Payment Advice.

The NWAU is the unit of measurement for the ABF system. It is a measure of health service activity expressed as a common unit, against which the NEP is paid. It provides a way of comparing and valuing each ABF public hospital service, by weighting it for its clinical complexity.

States and Territories provide NWAU estimates at the start of each financial year for Commonwealth payment purposes. These estimates may be revised during the course of the year and form the basis of Commonwealth funding until actual service volumes become available.

The number of other public hospital services and functions funded from each State Pool Account or State Managed Fund – Section 241(2)(F)

Unlike the unit of measurement for Activity based services (i.e. NWAU), there is currently no nationally standardised measurement system for other public hospital services.

In the absence of such a national system, the NHR Agreement allows for information to be based on the unit measurement classification and funding arrangements used in individual States and Territories.

However, in 2020–21 and 2021–22 Tasmania did not report any other public hospital services and functions funded from their Pool Account or State Managed Fund.

The amounts paid from each State Pool Account and State Managed Fund to Local Hospital Networks in 2021-22 – Section 241(2)(C)(D)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
Tasmanian Health Service	1,071,406	666,870	1,738,276
TASMANIA TOTAL	1,071,406	666,870	1,738,276

The 2021-22 amounts paid by the Commonwealth into the State Pool Accounts excludes Hospital Services Payments made under the NPCR of \$31,036,925.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

For the Tasmania basis of payments, refer to page 205.

The amounts paid from each State Pool Account and State Managed Fund to Local Hospital Networks in 2020-21 – Section 241(2)(C)(D)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
Tasmanian Health Service	909,067	639,066	1,548,133
TASMANIA TOTAL	909,067	639,066	1,548,133

The 2020-21 amounts paid by the Commonwealth into the State Pool Accounts excludes Hospital Services Payments made under the NPCR of \$9,357,981.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

For the Tasmania basis of payments, refer to page 205.

Tasmania basis for National Health Reform payments 2021-22

To meet the reporting requirements of Section 240 of the *National Health Reform Act 2011*, the Administrator is to include the basis of each State and Territory's National Health Reform (NHR) funding and payments.

To provide consistency in methodology with the *2020-25 Addendum to the National Health Reform Agreement the 2021-22 Tasmanian Funding Model* has implemented the National Efficient Price (NEP21) and National Weighted Activity Unit (NWAU21) as the currency for Activity Based Funding (ABF) facilities. However, in recognition that the Tasmanian Health Service (THS) ABF facilities reports higher average cost than the NEP, a Supplementation Grant at the Hospital and ABF stream level has been incorporated into the Funding Model for 2021-22. The National Efficient Cost (NEC21) Block funded model is used as the currency for small regional and remote public hospitals, standalone hospitals providing specialist mental health services (admitted and non-admitted), Child and adolescent mental health services, Non-admitted home ventilation and Clinical teaching, training and research provided in the major hospitals,

NHR payments in Tasmania are based upon the service plan between the Minister for Health and the Secretary of the Tasmanian Department of Health.

The service plan outlines:

- the schedule and volume of ABF services across streams to be delivered by or on behalf of the LHN and the ABF funding to be provided in relation to the provision of those services
- the NEC block funding for service provided through:
 - » small rural hospitals, standalone hospitals providing specialist mental health services and eligible community mental health services
 - » major hospitals for:
 - Non-admitted home ventilation
 - Clinical teaching, training and research
- operational and block grants to the LHN covering services provided and activities undertaken that are not within scope for ABF, for example, alcohol and drug services, dental services, child health and parenting services, primary care, home and community care
- schedule of Supplementation Grants at the hospital and ABF stream level
- standards of patient care and service delivery
- performance standards, performance targets and performance measures for the LHN
- requirements for the LHN to report on its performance, as required or otherwise.

A performance management process that is to be in continuous operation in respect of the LHN.

The ABF funded facilities' service profiles are developed in negotiation with the LHN as follows:

- Acute admitted and Sub-acute and Non-acute service activity volumes are modelled based on historical activity data and agreed growth rates and adjusted for known service capacity and profile changes
- Emergency department and outpatient service volumes are modelled based on agreed growth rates and other known factors
- Clinical teaching, training and research, Home ventilation services are modelled based on historical expenditure profiles and adjusted for known changes
- small regional and remote hospitals are modelled based on the small hospital NEC fixed cost component and the variable cost component result
- standalone hospitals providing specialist mental health services (admitted and non-admitted) child and adolescent mental health services, teaching, training, and research and Non-admitted home ventilation are modelled based on historical activity volumes and expenditure profiles and adjusted for known changes in service delivery and capacity
- non-NHRA and non-hospital services are Block funded and modelled based on historical expenditure profiles and other known growth factors
- the Supplementation Grant at the hospital and ABF stream level are based on the prior year National Hospital Cost Data Collections ABF Service category cost ratio.

Further information regarding the Basis for National Health Reform payments in both 2021-22 and previous financial years is included at www.publichospitalfunding.gov.au



TASMANIA

Financial Statement

**National Health Funding Pool
Tasmania State Pool Account Special
Purpose Financial Statement for
the year ended 30 June 2022**

Issued by the Administrator of the National Health Funding Pool under section 242 of the Commonwealth *National Health Reform Act 2011* and section 19 of the Tasmanian *National Health Funding Administration Act 2012*.



Contents

Independent Auditor's Report	209
Statement by the Administrator of the National Health Funding Pool	213
Tasmania State Pool Account	
Statement of Receipts and Payments for the year ended 30 June 2022	214

Tasmania State Pool Account Notes to and forming part of the Special Purpose Financial Statement for the year ended 30 June 2022

Note 1: Summary of significant accounting policies	215
Note 2: Activity Based Funding receipts	218
Note 3: Cross-border receipts	218
Note 4: Activity Based Funding payments	219
Note 5: Cross-border payments	219
Note 6: Activity Based Funding receipts and payments	220
Note 7: COVID-19 funding	221

Independent Auditor's Report



Independent Auditor's Report

To the Members of the Tasmanian Parliament

National Health Funding Pool – Tasmanian State Pool Account

Report on the Audit of the Statement of Receipts and Payments

Opinion

I have audited the accompanying financial statement of the Tasmanian State Pool Account of the National Health Funding Pool (the Pool), which comprises a statement of receipts and payments for the year ended year ended 30 June 2022, other explanatory notes and the statement of certification by the Administrator of the Pool (the Administrator).

In my opinion, the accompanying financial statement presents fairly, in all material respects, the cash receipts and payments for the year ended 30 June 2022 and such components of financial position as are disclosed, at that date, in accordance with the financial reporting requirements of Section 19 of the *National Health Funding Administration Act 2012 (Tasmania)*, Section 242 of the *National Health Reform Act 2011 (Commonwealth)* and the *National Health Reform Agreement 2011*.

Basis for Opinion

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statement* section of my report. I am independent of the Pool in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial statement in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter - Basis of Accounting

I draw attention to Note 1(B) to the financial statement, which describes the basis of accounting. The financial statement has been prepared to assist the Pool to meet the financial reporting requirements of Section 19 of the *National Health Funding Administration Act 2012 (Tasmania)*, Section 242 of the *National Health Reform Act 2011 (Commonwealth)* and the *National Health Reform Agreement 2011*. As a result, the financial statement may not be suitable for another purpose. My opinion is not modified in respect of this matter.

Responsibilities of the Administrator for the Financial Statement

The Administrator is responsible for the preparation and fair presentation of the financial statement in accordance with the cash receipts and disbursements basis of accounting as described in Note 1(B); this includes determining that the cash receipts and disbursements basis of accounting is an acceptable basis for preparation of the financial statement in the circumstances, and for such internal control as the Administrator determines is necessary to enable the preparation of a financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, the Administrator is responsible for assessing the Pool's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Administrator either intends to liquidate the Pool or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statement

My objectives are to obtain reasonable assurance about whether the financial statement as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Administrator.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pool's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate,

Independent Auditor's Report

to modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Pool to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



David Bond
Assistant Auditor-General
Delegate of the Auditor-General
Tasmanian Audit Office

31 August 2022
Hobart

Statement by the Administrator of the National Health Funding Pool



Administrator
National Health
Funding Pool

Statement by the Administrator of the National Health Funding Pool Tasmania State Pool Account

I report that, as indicated in Note 1(b) to the financial statement, I have determined that the attached Special Purpose Financial Statement comprising of a statement of receipts and payments and accompanying notes provides a true and fair presentation in accordance with the Tasmanian *National Health Funding Administration Act 2012*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

In my opinion, the attached Special Purpose Financial Statement for the year ended 30 June 2022 is based on properly maintained financial records and gives a true and fair view of the matters required by the Tasmanian *National Health Funding Administration Act 2012*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

Michael Lambert
Administrator
National Health Funding Pool

30 August 2022

Tasmania State Pool Account

Statement of Receipts and Payments for the year ended 30 June 2022

	Notes	2021-22 \$'000	2020-21 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth Government			
Activity Based Funding	2, 6	419,670	389,165
Block funding		91,016	80,207
Public Health funding		9,715	9,376
COVID-19 funding	7	153,852	32,570
From Tasmania Government			
Activity Based Funding	2, 6	651,736	519,902
Cross-border contribution	5	20,982	47,529
COVID-19 funding	7	-	-
From other States or Territories			
Cross-border receipts	3	4,340	8,525
From Reserve Bank of Australia			
Interest receipts		-	1
TOTAL RECEIPTS		1,351,313	1,087,275
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding	4, 6	1,071,406	909,067
COVID-19 funding	7	73,134	9,358
To Tasmania State Managed Fund			
Block funding		91,016	80,207
To Department of Health			
Public Health funding		9,715	9,376
COVID-19 funding	7	80,718	23,212
Interest payments		-	1
Cross-border transfer		4,340	8,525
To other States or Territories			
Cross-border payments	5	20,982	47,529
TOTAL PAYMENTS		1,351,313	1,087,275
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		-	-
OPENING CASH BALANCE		-	-
CLOSING CASH BALANCE		-	-

The above statement of receipts and payments should be read in conjunction with the accompanying notes.

INTRODUCTION

NATIONAL

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ACT

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ENDNOTES

Tasmania State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 1: Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the Special Purpose Financial Statement are set out below.

(A) REPORTING ENTITY

The Administrator of the National Health Funding Pool (Administrator) is an independent statutory office holder, distinct from the Commonwealth, State and Territory governments, established under legislation of the Commonwealth and State and Territory governments. Mr Michael Lambert was appointed as the Administrator on 17 July 2018.

(B) BASIS OF PREPARATION

The Tasmanian State Pool Account was established at the Reserve Bank of Australia (RBA) in 2012-13 in accordance with Part 3, section 11 of the *Tasmania National Health Funding Administration Act 2012* and the Special Purpose Financial Statement has been prepared in accordance with Part 4, section 19 of that Act and section 242 of the Commonwealth *National Health Reform Act 2011*.

The Special Purpose Financial Statement has been prepared on a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

The Special Purpose Financial Statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The Special Purpose Financial Statement was authorised for release by the Administrator on 30 August 2022.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2020-21 and 2021-22 are for the year ended 30 June.

(D) NATIONAL HEALTH FUNDING POOL

The National Health Funding Pool (Funding Pool) consists of eight State and Territory bank accounts (State Pool Accounts).

(E) ACTIVITY BASED FUNDING

Activity Based Funding (ABF) is a system for funding public hospital services provided to individual patients using national classifications, price weights and National Efficient Prices developed by the Independent Hospital Pricing Authority (IHPA). ABF is paid by the Commonwealth, States and Territories into the Funding Pool.

In 2020-21 and 2021-22 the Commonwealth, States and Territories ABF supported the following:

- i. Emergency department services
- ii. Acute admitted services
- iii. Admitted mental health services
- iv. Sub-acute and non-acute services
- v. Non-admitted services.

As system managers of the public hospital system, State or Territory ABF contributions into the Funding Pool may be calculated using State and Territory prices and activity measures. The Service Agreement between the State or Territory and each Local Hospital Network (LHN) specifies the service delivery and funding parameters.

Commonwealth ABF contributions for each service category were calculated by summing the prior year amounts and efficient growth. Efficient growth is determined by measuring the change in efficient price and volume. The price adjustment is 45 per cent of the change in the National Efficient Price relative to the prior year. The volume adjustment is 45 per cent of the net change in the volume of weighted services relative to the prior year.

In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements. Final funding entitlements for the year are calculated after actual data on hospital services becomes available. This calculation will generally result in reconciliation adjustments being made to the Commonwealth ABF contribution to each LHN to align with the actual services delivered.

In 2017, the Council of Australian Governments signed an Addendum to the National Health Reform Agreement. The Addendum amends specified elements of the operation of the National Health Reform Agreement for a period of three years. From 1 July 2017 to 30 June 2020, the Commonwealth funds 45 per cent of the efficient growth of public hospital services, subject to a 6.5 per cent cap in the growth of overall Commonwealth funding.

On 29 May 2020, the 2020–25 Addendum to the National Health Reform Agreement was entered into by the Commonwealth, State and Territory governments. The 2020–25 Addendum to the National Health Reform Agreement replaces the 2017–20 Addendum to the National Health Reform Agreement but retains the core principles.

(F) BLOCK FUNDING

Block funding is provided by the Commonwealth into the Funding Pool for States and Territories to support teaching and research undertaken in public hospitals and for some public hospital services where it is more appropriate to be Block funded, particularly for smaller rural and regional hospitals.

In 2020-21 and 2021-22 the Commonwealth Block funding supported the following:

- i. Small rural hospitals
- ii. Teaching, training and research
- iii. Non-admitted mental health
- iv. Non-admitted child and adolescent mental health services
- v. Non-admitted home ventilation
- vi. Other non-admitted services
- vii. Highly Specialised Therapies.

In 2020-21 and 2021-22 the Commonwealth Block contributions for each service category were calculated by summing prior year amounts and 45 per cent of the change in the National Efficient Cost between the current year and the prior year. Highly Specialised Therapies are contributed at 50 per cent of the growth in the efficient price or cost.

(G) PUBLIC HEALTH FUNDING

The Commonwealth contributes amounts into the Funding Pool for Public Health funding. This is calculated by the Commonwealth Treasury and includes funding for services such as national public health, youth health services and essential vaccines. This payment is indexed in accord with the previous existing health specific purpose payment.

Tasmania State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

(H) CROSS-BORDER

When a resident of one State or Territory receives hospital treatment in another State or Territory, the provider State or Territory is compensated for the cost of that treatment. The resident State or Territory pays its share through the Funding Pool to the provider State or Territory (refer Note 3 and Note 5).

The Commonwealth share of the cost of treating the patient is paid through the Funding Pool as part of the normal Activity Based Funding. The Commonwealth contribution to each State or Territory covers all eligible patients treated, regardless of where they reside.

(I) INTEREST

Interest earned and deposited by the RBA into the State Pool Account is recognised as interest received at the time the deposit is made. Interest paid from the State Pool Account to the State or Territory is recognised as an interest payment at the time the payment is made from the State Pool Account.

(J) TAXATION

State Pool Accounts are not subject to income tax. The majority of government funding, from the Commonwealth, State or Territory, to LHNs is not subject to the Goods and Services Tax (GST). However, in some cases hospital funding to non-government entities does attract GST, for example, denominational hospitals, privately and commercially owned health facilities, or other non-government third party providers of health services or related supplies.

(K) COVID-19 FUNDING

The National Partnership on COVID-19 Response (NPCR) was agreed to and signed by the Council of Australian Governments in March 2020. The objective of this agreement is to provide Commonwealth financial assistance for the additional costs incurred by State and Territory health services in responding to the COVID-19 outbreak. The NPCR was subsequently amended and agreed to in April 2020 to include financial viability payments for private hospitals. In February 2021, the NPCR was amended with respect to the coordination and delivery of the COVID-19 vaccine under Schedule C. The NPCR was further amended to assist residential aged care providers prevent, prepare for and respond to outbreaks of COVID-19 under Schedule D.

Financial assistance has been provided by the Commonwealth in the form of the Hospital Services Payments calculated on an activity basis, State Public Health Payments (including coordination and delivery of the COVID-19 vaccine) as well as Private Hospital Financial Viability Payments.

(L) COMMONWEALTH FUNDING GUARANTEE

For the 2019-20, 2020-21 and 2021-22 financial years, the Commonwealth provided the States and Territories with a minimum funding guarantee for funding related to the National Health Reform Agreement and the Hospital Services Payment component of the NPCR. Where a State or Territory is eligible for the Commonwealth funding guarantee, an additional payment is made in the following financial year after the annual reconciliation to meet the minimum amount guaranteed by the Commonwealth.

Note 2: Activity Based Funding receipts

Total receipts paid into the Tasmania State Pool Account in respect of Activity Based Funding:

	2021-22 \$'000	2020-21 \$'000
Commonwealth Activity Based Funding	419,670	389,165
Tasmania Activity Based Funding	651,736	519,902
TOTAL	1,071,406	909,067

The amounts paid by the Commonwealth into the Tasmania State Pool Account excludes Hospital Services Payments made under the NPCR of \$31,036,925 in 2021-22 (\$9,357,981 in 2020-21). Please refer Note 7.

Note 3: Cross-border receipts

Total cross-border receipts paid into Tasmania State Pool Account from other States and Territories:

States and Territories	2021-22 \$'000	2020-21 \$'000
New South Wales	1,142	2,806
Victoria	1,453	3,223
Queensland	1,103	1,324
Western Australia	236	448
South Australia	288	686
Australian Capital Territory	46	-
Northern Territory	72	38
TOTAL	4,340	8,525

Tasmania State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 4: Activity Based Funding payments

Total payments made out of Tasmania State Pool Account in respect of each Local Hospital Network:

Local Hospital Network	2021-22 \$'000	2020-21 \$'000
Tasmanian Health Service	1,071,406	909,067
TOTAL	1,071,406	909,067

The Administrator makes payments from the Tasmania State Pool Account in accordance with the directions of the Tasmania Minister for Health. The Tasmania Minister for Health directed all Activity Based Funding contributions paid to Local Hospital Networks.

Note 5: Cross-border payments

Total cross-border payments made out of the Tasmania State Pool Account to other States and Territories:

States and Territories	2021-22 \$'000	2020-21 \$'000
New South Wales	1,674	3,971
Victoria	16,503	39,553
Queensland	1,494	2,056
Western Australia	347	581
South Australia	286	1,102
Australian Capital Territory	120	-
Northern Territory	557	266
TOTAL	20,982	47,529

Tasmania State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 6: Activity Based Funding receipts and payments

Total Tasmania and Commonwealth Activity Based Funding contributions and total Local Hospital Network Activity Based Funding payments:

	2021-22 \$'000	2020-21 \$'000
Total Activity Based Funding receipts from the Commonwealth Government	419,670	389,165
Total Activity Based Funding receipts from Tasmania Government	651,736	519,902
Activity Based Funding payments to Local Hospital Networks	(1,071,406)	(909,067)
NET RECEIPTS/(PAYMENTS)	-	-

Tasmania State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 7: COVID-19 funding

COVID-19 funding is provided monthly in advance based on estimates submitted by States and Territories and is subject to reconciliation. Final funding entitlements are determined after actual activity data on hospital services and actual in-scope expenditure are submitted.

The types of funding and payments under the NPCR include:

THE UPFRONT ADVANCE PAYMENT

In March 2020, the Commonwealth provided an upfront advanced payment of \$100 million to States and Territories on a population share basis. This is an advance payment to ensure the timely availability of funds under the NPCR. The Upfront Advance Payment has been subsequently reconciled against State Public Health requirements.

THE HOSPITAL SERVICES PAYMENT

The Commonwealth provides a 50 per cent contribution of the National Efficient Price, for costs incurred by States and Territories, through monthly payments, for the diagnosis and treatment of COVID-19 including suspected cases.

THE STATE PUBLIC HEALTH PAYMENT

The Commonwealth provides a 50 per cent contribution for additional costs incurred by States and Territories, through monthly payments, for COVID-19 activities undertaken by State and Territory public health systems for the management of the outbreak.

In February 2021, the NPCR was amended with respect to the delivery of the COVID-19 vaccine through the Vaccination Dose Delivery Payment under Schedule C. Where eligible, funding contributions in relation to this activity are included within the State Public Health Payment.

The NPCR was further amended in December 2021 to include a revised vaccination schedule (revised Schedule C) which includes additional financial support to States and Territories for the set-up of COVID-19 vaccination sites, and an aged care schedule which provides a 100 per cent contribution for costs incurred from 1 July 2020 for supporting aged care prevention, preparedness and response activities including additional targeted infection prevention and control training in Residential Aged Care Facilities (Schedule D).

In January 2022, National Cabinet agreed measures supporting States and Territories to claim 50 per cent of the costs of the purchase, logistics and distribution of Rapid Antigen Tests (RATs) through the NPCR. Where States and Territories provide RATs to residential aged care facilities, they may claim a 100 per cent contribution for the costs.

THE PRIVATE HOSPITAL FINANCIAL VIABILITY PAYMENT

The Commonwealth contributes 100 per cent of the Private Hospital Financial Viability Payment made to private operators to retain capacity for responding to State and Territory or Commonwealth public health requirements.

COVID-19 funding receipts and payments:

	2021-22 \$'000	2020-21 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT		
From Commonwealth Government		
Hospital Services Payments	31,037	9,358
State Public Health Payments	123,170	46,261
Private Hospital Financial Viability Payment	(355)	(23,049)
TOTAL COMMONWEALTH RECEIPTS	153,852	32,570
From Tasmania Government		
Hospital Services Payments	-	-
State Public Health Payments	-	-
Private Hospital Financial Viability Payment	-	-
TOTAL TASMANIA GOVERNMENT RECEIPTS	-	-
TOTAL RECEIPTS	153,852	32,570
PAYMENTS OUT OF THE STATE POOL ACCOUNT		
To Tasmania Government (Including Local Hospital Networks)		
Hospital Services Payments	31,037	9,358
State Public Health Payments	123,170	46,261
Private Hospital Financial Viability Payment	(355)	(23,049)
TOTAL PAYMENTS	153,852	32,570
NET RECEIPTS / (PAYMENTS) FOR THE YEAR	-	-
OPENING CASH BALANCE	-	-
CLOSING CASH BALANCE	-	-

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

End of Audited Special Purpose Financial Statement.

AUSTRALIAN CAPITAL TERRITORY

Funding and Payments

\$1.6B

total funding
that was paid to

1

Local Hospital
Network (LHN)

\$1.3B

in Activity Based Funding
that delivered

177,000

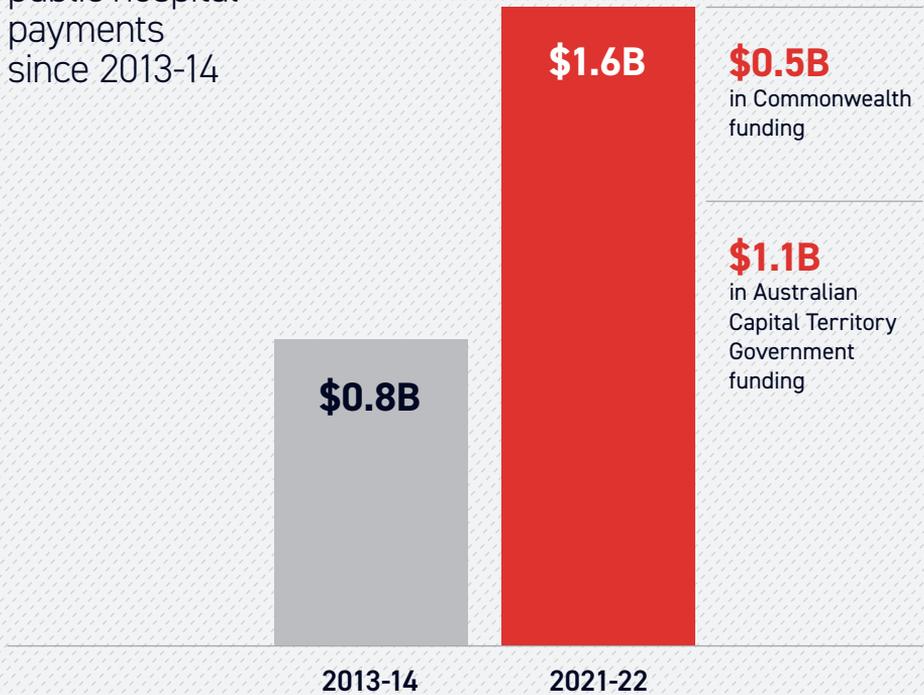
National Weighted
Activity Units (NWAU)

These amounts do not include transactions related to the NPCR. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

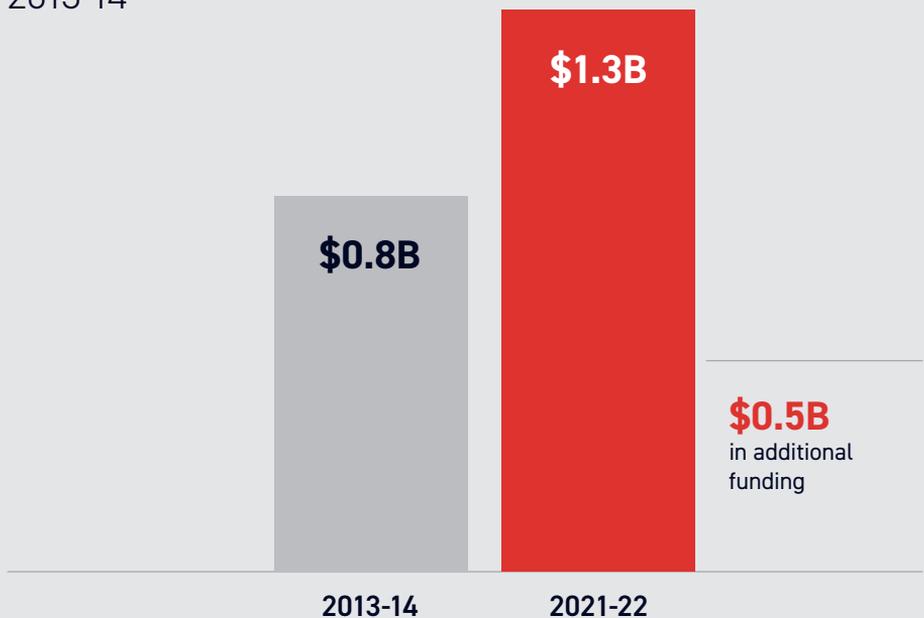
National Health Reform disclosures for the year ended 30 June 2022

Issued by the Administrator of the National Health Funding Pool under section 241(2) of the Commonwealth *National Health Reform Act 2011* and section 25(2) of the Australian Capital Territory *Health (National Health Funding Pool and Administration) Act 2013*.

Growth in
public hospital
payments
since 2013-14



Growth in
Activity Based
Funding since
2013-14



Section 241(2) of the NHR Act outlines certain disclosures to be included in this Annual Report.

The information reported is specific to the transactions of the 'relevant State'.

For the purposes of this legislative reporting, the 'relevant State' is the State or Territory that holds the bank accounts opened under the laws of that State or Territory for NHR Agreement purposes.

The values are rounded to the nearest thousand dollars unless otherwise specified.

NHR funding and payments shown in the following tables include Goods and Services Tax (GST) where applicable.

The information disclosed in the following tables is provided by Australian Capital Territory (ACT) and forms part of the Administrator's monthly reporting requirements, located at www.publichospitalfunding.gov.au

For further information on the types of National Health Reform funding, refer to the 'Introduction' chapter of this Annual Report.

Commonwealth National Health Reform funding entitlement based on actual services provided and cash paid in each financial year

The table below shows the cash paid by the Commonwealth each financial year based on activity estimates provided by States and Territories. The table also shows the final Commonwealth NHR funding entitlement determined by the Commonwealth Treasurer which is based on an end of financial year reconciliation of actual services delivered. The subsequent funding adjustments, whether positive or negative, reflect the difference between estimated activity and actual services delivered.

\$'000	2017-18 Entitlement	2018-19 Entitlement	2019-20 Entitlement	2020-21 Entitlement	2021-22 Estimate	TOTAL
Cash Paid						
2017-18 Total	362,933	-	-	-	-	362,933
Cash Paid						
2018-19 Total	10,284	386,622	-	-	-	396,906
Cash Paid						
2019-20 Total	-	13,696	420,339	-	-	434,035
Cash Paid						
2020-21 Total	-	-	(7,897)	441,294	-	433,398
Cash Paid						
2021-22 Total	-	-	-	3,020	457,044	460,064
CURRENT ENTITLEMENT TOTAL	373,216	400,317	412,442¹	444,314²	457,044³	2,087,335

1 The 2019-20 Commonwealth NHR funding entitlement excludes \$7,896,726 in HSP under the NPCR.

2 The 2020-21 Commonwealth NHR funding entitlement excludes \$119,128 in HSP under the NPCR.

3 The 2021-22 Commonwealth NHR funding estimate excludes \$nil in HSP under the NPCR.

The amounts paid into each State Pool Account by the Commonwealth – Section 241(2)(B)

Component	Amount paid by Commonwealth into Australian Capital Territory State Pool Account (\$'000)	
	2021-22	2020-21
Activity Based Funding	419,517	395,216
Block funding	32,823	30,828
Public Health funding	7,724	7,354
AUSTRALIAN CAPITAL TERRITORY TOTAL	460,064	433,398

Additional financial assistance has been provided by the Commonwealth under the NPCR including hospital services funding which is paid monthly based on activity estimates provided to the Administrator and reconciled annually with adjustments being made in the following financial year. Details of this funding is provided in the Pool Account Special Purpose Financial Statement.

The amounts paid by the Commonwealth into the State Pool Accounts excludes recoveries against Hospital Services Payments made under the NPCR of \$5,185,307 in 2021-22 (\$8,262,161 in 2020-21) and State Public Health and Private Hospital Financial Viability Payments of \$84,742,202 in 2021-22 (\$20,571,848 in 2020-21).

The amounts paid into each State Pool Account and State Managed Fund by the relevant State – Section 241(2)(A)

Component	Amount paid by Australian Capital Territory (\$'000)	
	2021-22	2020-21
State Pool Account - Activity Based Funding	908,341	795,491
State Managed Fund - Block funding	201,705	170,431
AUSTRALIAN CAPITAL TERRITORY TOTAL	1,110,046	965,922

The above table does not include interest deposited into the Pool Account, over deposit of state contributions subsequently paid back to the respective State or Territory Health Department or cross-border contributions for transfer to other States or Territories.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

The number of public hospital services funded for each Local Hospital Network in accordance with the system of Activity Based Funding – Section 241(2)(E)

Local Hospital Network	Number of ABF public hospital services funded (NWAU)		
	2021-22 ¹ Estimate	2020-21 ² Actual	2020-21 ³ Estimate
ACT Local Hospital Network	177,000	178,264	176,976
AUSTRALIAN CAPITAL TERRITORY TOTAL	177,000	178,264	176,976

1 2021-22 NWAU as per the updated activity estimates as at the Administrator's June 2022 Payment Advice.

2 2020-21 NWAU as per the 2020-21 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2020-21.

3 2020-21 NWAU as per the activity estimates as at the Administrator's June 2021 Payment Advice.

The NWAU is the unit of measurement for the ABF system. It is a measure of health service activity expressed as a common unit, against which the NEP is paid. It provides a way of comparing and valuing each ABF public hospital service, by weighting it for its clinical complexity.

States and Territories provide NWAU estimates at the start of each financial year for Commonwealth payment purposes. These estimates may be revised during the course of the year and form the basis of Commonwealth funding until actual service volumes become available.

The number of other public hospital services and functions funded from each State Pool Account or State Managed Fund – Section 241(2)(F)

Unlike the unit of measurement for Activity based services (i.e. NWAU), there is currently no nationally standardised measurement system for other public hospital services.

In the absence of such a national system, the NHR Agreement allows for information to be based on the unit measurement classification and funding arrangements used in individual States and Territories.

However, in 2020–21 and 2021–22 Australian Capital Territory did not report any other public hospital services and functions funded from their Pool Account or State Managed Fund.

The amounts paid from each State Pool Account and State Managed Fund to Local Hospital Networks in 2021-22 – Section 241(2)(C)(D)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
ACT Local Hospital Network	1,327,858	234,528	1,562,386
AUSTRALIAN CAPITAL TERRITORY TOTAL	1,327,858	234,528	1,562,386

The 2021-22 amounts paid by the Commonwealth into the State Pool Accounts recoveries against Hospital Services Payments made under the NPCR of \$5,185,307.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

For the Australian Capital Territory basis of payments, refer to page 231.

The amounts paid from each State Pool Account and State Managed Fund to Local Hospital Networks in 2020-21 – Section 241(2)(C)(D)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
ACT Local Hospital Network	1,219,881	201,259	1,421,140
AUSTRALIAN CAPITAL TERRITORY TOTAL	1,219,881	201,259	1,421,140

The 2020-21 amounts paid by the Commonwealth into the State Pool Accounts excludes Hospital Services Payments made under the NPCR of \$8,262,161.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

For the Australian Capital Territory basis of payments, refer to page 231.

Australian Capital Territory basis for National Health Reform payments 2021-22

To meet the reporting requirements of Section 240 of the *National Health Reform Act 2011*, the Administrator is to include the basis of each State and Territory's National Health Reform (NHR) funding and payments.

The ACT currently funds its public hospitals on a Block funding model. As such, the ACT does not apply a price per weighted service.

Whilst the ACT does not fund its public hospitals on an activity basis, it continues to provide activity estimates in the ACT Local Hospital Network Service Level Agreement between the ACT Minister for Health and the Director-General of the ACT Health Directorate. The activity estimates reflect trending growth rates based on historical data.

The ACT LHN Service Level Agreement outlines:

- the schedule of services to be delivered by or on behalf of the LHN and the funding to be provided in relation to the provision of those services
- the Block funding to be provided to:
 - » small hospitals
 - » major hospitals for:
 - Non-admitted home ventilation
 - Non-admitted mental health services, including for child and adolescent patients
 - Clinical teaching, training and research
- standards of patient care and service delivery
- performance standards, performance targets and performance measures for the LHN
- requirements for the LHN to report on its performance, as required or otherwise.

The following services are funded by the ACT Government, through the ACT LHN:

- Emergency department services
- Acute admitted services
- Mental health admitted services
- Sub/Non-acute admitted services
- Non-admitted services
- Non-admitted mental health
- Queen Elizabeth II Hospital
- Non-admitted child and adolescent mental health services
- Non-admitted home ventilation
- Teaching, training and research
- health services associated with responses to the COVID-19 pandemic
- other NHRA out-of-scope and unallocated services.

Further information regarding the Basis for National Health Reform payments in both 2021-22 and previous financial years is included at www.publichospitalfunding.gov.au

INTRODUCTION

NATIONAL

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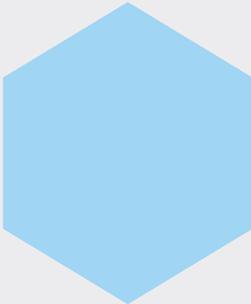
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ENDNOTES



AUSTRALIAN CAPITAL TERRITORY

Financial Statement



National Health Funding Pool Australian Capital Territory State Pool Account Special Purpose Financial Statement for the year ended 30 June 2022

Issued by the Administrator of the National Health Funding Pool under section 242 of the Commonwealth *National Health Reform Act 2011* and section 26 of the Australian Capital Territory *Health (National Health Funding Pool and Administration) Act 2013*.

Contents

Independent Auditor's Report	235
Statement by the Administrator of the National Health Funding Pool	237
Australian Capital Territory State Pool Account	
Statement of Receipts and Payments for the year ended 30 June 2022	238

Australian Capital Territory State Pool Account Notes to and forming part of the Special Purpose Financial Statement for the year ended 30 June 2022

Note 1: Summary of significant accounting policies	239
Note 2: Activity Based Funding receipts	242
Note 3: Cross-border receipts	242
Note 4: Activity Based Funding payments	243
Note 5: Cross-border payments	244
Note 6: Activity Based Funding receipts and payments	244
Note 7: COVID-19 funding	245

Independent Auditor's Report



AUDITOR-GENERAL AN OFFICER
OF THE ACT LEGISLATIVE ASSEMBLY 

INDEPENDENT AUDITOR'S REPORT

AUSTRALIAN CAPITAL TERRITORY STATE POOL ACCOUNT

To the Administrator of the National Health Funding Pool

Opinion

I have audited the special purpose financial statement (financial statement) of the Australian Capital Territory State Pool Account for the year ended 30 June 2022. The financial statement is comprised of the statement of receipts and payments and accompanying notes.

In my opinion, the financial statement:

- (i) is in accordance with the Australian Capital Territory *Health (National Health Funding Pool and Administration) Act 2013*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*; and
- (ii) present fairly, in all material aspects, the receipts and payments of the Australian Capital Territory State Pool Account for the year ended 30 June 2022.

Basis for opinion

I conducted the audit in accordance with the Australian Auditing Standards. My responsibilities under the standards are further described in the 'Auditor's responsibilities for the audit of the financial statement' section of this report.

I am independent of the National Health Funding Pool in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (Code). I have also fulfilled my other ethical responsibilities in accordance with the Code.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter – Basis of preparation

I draw your attention to Note 1(B): 'Basis of preparation' of the financial statement, which describes the purpose of the financial statement and the basis of accounting used in the preparation of the financial statement.

The Administrator has determined that a special purpose framework using the cash basis of accounting is appropriate to meet the financial reporting requirements under the Australian Capital Territory *Health (National Health Funding Pool and Administration) Act 2013*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*. As a result, the financial statement may not be suitable for another purpose. My opinion is not modified in respect of this matter.

Level 4, Nara Centre, 3 Constitution Avenue Canberra ACT 2601 PO Box 275 Civic Square ACT 2608

T 02 6207 0833 E actauditorgeneral@act.gov.au W www.audit.act.gov.au

Independent Auditor's Report

Responsibility for preparing and fairly presenting the financial statement

The Administrator of the National Health Funding Pool is responsible for:

- preparing and fairly presenting the financial statement in accordance with the Australian Capital Territory *Health (National Health Funding Pool and Administration) Act 2013*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*; and
- determining the internal controls necessary for the preparation and fair presentation of the financial statement so that it is free from material misstatements, whether due to error or fraud.

Auditor's responsibilities for the audit of the financial statement

Under the Australian Capital Territory *Health (National Health Funding Pool and Administration) Act 2013*, the Auditor-General is responsible for issuing an auditor's report that includes an independent opinion on the financial statement of the Australian Capital Territory State Pool Account.

My objective is to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to error or fraud, and to issue an auditor's report that includes my opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from error or fraud and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statement.

As part of the audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identified and assessed the risks of material misstatement of the financial statement, whether due to error or fraud, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- obtained an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the internal controls;
- evaluate the appropriateness of accounting policies used to prepare the financial statement and related disclosures made in the financial statement; and
- evaluated the overall presentation, structure and content of the financial statement, including the disclosures, and whether they represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Administrator of the National Health Funding Pool regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that I identify during my audit.



Rosario San Miguel
Senior Director, Financial Audit
24 August 2022

Statement by the Administrator of the National Health Funding Pool



Administrator
National Health
Funding Pool

Statement by the Administrator of the National Health Funding Pool Australian Capital Territory State Pool Account

I report that, as indicated in Note 1(b) to the financial statement, I have determined that the attached Special Purpose Financial Statement comprising of a statement of receipts and payments and accompanying notes provides a true and fair presentation in accordance with the Australian Capital Territory *Health (National Health Funding Pool and Administration) Act 2013*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

In my opinion, the attached Special Purpose Financial Statement for the year ended 30 June 2022 is based on properly maintained financial records and gives a true and fair view of the matters required by the Australian Capital Territory *Health (National Health Funding Pool and Administration) Act 2013*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

Michael Lambert
Administrator
National Health Funding Pool

19 August 2022

Australian Capital Territory State Pool Account Statement of Receipts and Payments for the year ended 30 June 2022

	Notes	2021-22 \$'000	2020-21 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth Government			
Activity Based Funding	2, 6	419,517	395,216
Block funding		32,823	30,828
Public Health funding		7,724	7,354
COVID-19 funding	7	79,557	28,834
From Australian Capital Territory Government			
Activity Based Funding	2, 6	908,341	795,491
Cross-border contribution		36,304	24,115
COVID-19 funding	7	3,557	5,339
From other States or Territories			
Cross-border receipts	3	139,694	116,816
From Reserve Bank of Australia			
Interest receipts		-	-
TOTAL RECEIPTS		1,627,516	1,403,993
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding	4, 6	1,327,858	1,219,881
COVID-19 funding	7	49,067	21,507
To Australian Capital Territory State Managed Fund			
Block funding		32,823	30,828
To Australian Capital Territory Health Directorate			
Public Health funding		7,724	7,354
COVID-19 funding	7	34,047	12,666
Interest payments		-	-
Cross-border transfer		139,485	87,642
To other States or Territories			
Cross-border payments	5	36,513	24,115
TOTAL PAYMENTS		1,627,516	1,403,993
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		-	-
OPENING CASH BALANCE		-	-
CLOSING CASH BALANCE		-	-

The above statement of receipts and payments should be read in conjunction with the accompanying notes.

Australian Capital Territory State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 1: Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the Special Purpose Financial Statement are set out below.

(A) REPORTING ENTITY

The Administrator of the National Health Funding Pool (Administrator) is an independent statutory office holder, distinct from the Commonwealth, State and Territory governments, established under legislation of the Commonwealth and State and Territory governments. Mr Michael Lambert was appointed as the Administrator on 17 July 2018.

(B) BASIS OF PREPARATION

The Australian Capital Territory State Pool Account was established at the Reserve Bank of Australia (RBA) in 2012-13 in accordance with section 15 of the Australian Capital Territory *Health (National Health Funding Pool and Administration) Act 2013* and the Special Purpose Financial Statement has been prepared in accordance with section 26 of that Act and section 242 of the Commonwealth *National Health Reform Act 2011*.

The Special Purpose Financial Statement has been prepared on a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

The Special Purpose Financial Statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The Special Purpose Financial Statement was authorised for release by the Administrator on 19 August 2022.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2020-21 and 2021-22 are for the year ended 30 June.

(D) NATIONAL HEALTH FUNDING POOL

The National Health Funding Pool (Funding Pool) consists of eight State and Territory bank accounts (State Pool Accounts).

(E) ACTIVITY BASED FUNDING

Activity Based Funding (ABF) is a system for funding public hospital services provided to individual patients using national classifications, price weights and National Efficient Prices developed by the Independent Hospital Pricing Authority (IHPA). ABF is paid by the Commonwealth, States and Territories into the Funding Pool.

In 2020-21 and 2021-22 the Commonwealth, States and Territories ABF supported the following:

- i. Emergency department services
- ii. Acute admitted services
- iii. Admitted mental health services
- iv. Sub-acute and non-acute services
- v. Non-admitted services.

As system managers of the public hospital system, State or Territory ABF contributions into the Funding Pool may be calculated using State and Territory prices and activity measures. The Service Agreement between the State or Territory and each Local Hospital Network (LHN) specifies the service delivery and funding parameters.

Commonwealth ABF contributions for each service category were calculated by summing the prior year amounts and efficient growth. Efficient growth is determined by measuring the change in efficient price and volume. The price adjustment is 45 per cent of the change in the National Efficient Price relative to the prior year. The volume adjustment is 45 per cent of the net change in the volume of weighted services relative to the prior year.

In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements. Final funding entitlements for the year are calculated after actual data on hospital services becomes available. This calculation will generally result in reconciliation adjustments being made to the Commonwealth ABF contribution to each LHN to align with the actual services delivered.

In 2017, the Council of Australian Governments signed an Addendum to the National Health Reform Agreement. The Addendum amends specified elements of the operation of the National Health Reform Agreement for a period of three years. From 1 July 2017 to 30 June 2020, the Commonwealth funds 45 per cent of the efficient growth of public hospital services, subject to a 6.5 per cent cap in the growth of overall Commonwealth funding.

On 29 May 2020, the 2020–25 Addendum to the National Health Reform Agreement was entered into by the Commonwealth, State and Territory governments. The 2020–25 Addendum to the National Health Reform Agreement replaces the 2017–20 Addendum to the National Health Reform Agreement but retains the core principles.

(F) BLOCK FUNDING

Block funding is provided by the Commonwealth into the Funding Pool for States and Territories to support teaching and research undertaken in public hospitals and for some public hospital services where it is more appropriate to be Block funded, particularly for smaller rural and regional hospitals.

In 2020-21 and 2021-22 the Commonwealth Block funding supported the following:

- i. Small rural hospitals
- ii. Teaching, training and research
- iii. Non-admitted mental health
- iv. Non-admitted child and adolescent mental health services
- v. Non-admitted home ventilation
- vi. Other non-admitted services
- vii. Highly Specialised Therapies.

In 2020-21 and 2021-22 the Commonwealth Block contributions for each service category were calculated by summing prior year amounts and 45 per cent of the change in the National Efficient Cost between the current year and the prior year. Highly Specialised Therapies are contributed at 50 per cent of the growth in the efficient price or cost.

(G) PUBLIC HEALTH FUNDING

The Commonwealth contributes amounts into the Funding Pool for Public Health funding. This is calculated by the Commonwealth Treasury and includes funding for services such as national public health, youth health services and essential vaccines. This payment is indexed in accord with the previous existing health specific purpose payment.

Australian Capital Territory State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

(H) CROSS-BORDER

When a resident of one State or Territory receives hospital treatment in another State or Territory, the provider State or Territory is compensated for the cost of that treatment. The resident State or Territory pays its share through the Funding Pool to the provider State or Territory (refer Note 3 and Note 5).

The Commonwealth share of the cost of treating the patient is paid through the Funding Pool as part of the normal Activity Based Funding. The Commonwealth contribution to each State or Territory covers all eligible patients treated, regardless of where they reside.

(I) INTEREST

Interest earned and deposited by the RBA into the State Pool Account is recognised as interest received at the time the deposit is made. Interest paid from the State Pool Account to the State or Territory is recognised as an interest payment at the time the payment is made from the State Pool Account.

(J) TAXATION

State Pool Accounts are not subject to income tax. The majority of government funding, from the Commonwealth, State or Territory, to LHNs is not subject to the Goods and Services Tax (GST). However, in some cases hospital funding to non-government entities does attract GST, for example, denominational hospitals, privately and commercially owned health facilities, or other non-government third party providers of health services or related supplies.

(K) COVID-19 FUNDING

The National Partnership on COVID-19 Response (NPCR) was agreed to and signed by the Council of Australian Governments in March 2020. The objective of this agreement is to provide Commonwealth financial assistance for the additional costs incurred by State and Territory health services in responding to the COVID-19 outbreak. The NPCR was subsequently amended and agreed to in April 2020 to include financial viability payments for private hospitals. In February 2021, the NPCR was amended with respect to the coordination and delivery of the COVID-19 vaccine under Schedule C. The NPCR was further amended to assist residential aged care providers prevent, prepare for and respond to outbreaks of COVID-19 under Schedule D.

Financial assistance has been provided by the Commonwealth in the form of the Hospital Services Payments calculated on an activity basis, State Public Health Payments (including coordination and delivery of the COVID-19 vaccine) as well as Private Hospital Financial Viability Payments.

(L) COMMONWEALTH FUNDING GUARANTEE

For the 2019-20, 2020-21 and 2021-22 financial years, the Commonwealth provided the States and Territories with a minimum funding guarantee for funding related to the National Health Reform Agreement and the Hospital Services Payment component of the NPCR. Where a State or Territory is eligible for the Commonwealth funding guarantee, an additional payment is made in the following financial year after the annual reconciliation to meet the minimum amount guaranteed by the Commonwealth.

Note 2: Activity Based Funding receipts

Total receipts paid into the Australian Capital Territory State Pool Account in respect of Activity Based Funding:

	2021-22 \$'000	2020-21 \$'000
Commonwealth Activity Based Funding	419,517	395,216
Australian Capital Territory Activity Based Funding	908,341	795,491
TOTAL	1,327,858	1,190,707

The amounts paid by the Commonwealth into the State Pool Accounts excludes recoveries against Hospital Services Payments made under the NPCR of \$5,185,307 in 2021-22 (Hospital Services Payments of \$8,262,161 in 2020-21). Please refer Note 7.

Note 3: Cross-border receipts

Total cross-border receipts paid into Australian Capital Territory State Pool Account from other States and Territories:

States and Territories	2021-22 \$'000	2020-21 \$'000
New South Wales	127,200	116,400
Victoria	5,905	-
Queensland	4,088	-
Western Australia	596	341
South Australia	1,668	-
Tasmania	120	-
Northern Territory	117	75
TOTAL	139,694	116,816

Australian Capital Territory State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 4: Activity Based Funding payments

Total payments made out of Australian Capital Territory State Pool Account in respect of each Local Hospital Network:

Local Hospital Network	2021-22 \$'000	2020-21 \$'000
ACT Local Hospital Network	1,327,858	1,219,881
TOTAL	1,327,858	1,219,881

The Administrator makes payments from the Australian Capital Territory State Pool Account in accordance with the directions of the Australian Capital Territory Minister for Health. The Australian Capital Territory Minister for Health directed all Activity Based Funding contributions paid to Local Hospital Networks.

Note 5: Cross-border payments

Total cross-border payments made out of the Australian Capital Territory State Pool Account to other States and Territories:

States and Territories	2021-22 \$'000	2020-21 \$'000
New South Wales	25,200	23,700
Victoria	4,497	-
Queensland	4,350	-
Western Australia	480	171
South Australia	1,572	-
Tasmania	46	-
Northern Territory	368	244
TOTAL	36,513	24,115

Note 6: Activity Based Funding receipts and payments

Total Australian Capital Territory and Commonwealth Activity Based Funding contributions and total Local Hospital Network Activity Based Funding payments:

	2021-22 \$'000	2020-21 \$'000
Total Activity Based Funding receipts from the Commonwealth Government	419,517	395,216
Total Activity Based Funding receipts from Australian Capital Territory Government	908,341	795,491
Activity Based Funding payments to Local Hospital Networks	(1,327,858)	(1,219,881)
NET RECEIPTS/(PAYMENTS)	-	(29,175)

Australian Capital Territory State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 7: COVID-19 funding

COVID-19 funding is provided monthly in advance based on estimates submitted by States and Territories and is subject to reconciliation. Final funding entitlements are determined after actual activity data on hospital services and actual in-scope expenditure are submitted.

The types of funding and payments under the NPCR include:

THE UPFRONT ADVANCE PAYMENT

In March 2020, the Commonwealth provided an upfront advanced payment of \$100 million to States and Territories on a population share basis. This is an advance payment to ensure the timely availability of funds under the NPCR. The Upfront Advance Payment has been subsequently reconciled against State Public Health requirements.

THE HOSPITAL SERVICES PAYMENT

The Commonwealth provides a 50 per cent contribution of the National Efficient Price, for costs incurred by States and Territories, through monthly payments, for the diagnosis and treatment of COVID-19 including suspected cases.

THE STATE PUBLIC HEALTH PAYMENT

The Commonwealth provides a 50 per cent contribution for additional costs incurred by States and Territories, through monthly payments, for COVID-19 activities undertaken by State and Territory public health systems for the management of the outbreak.

In February 2021, the NPCR was amended with respect to the delivery of the COVID-19 vaccine through the Vaccination Dose Delivery Payment under Schedule C. Where eligible, funding contributions in relation to this activity are included within the State Public Health Payment.

The NPCR was further amended in December 2021 to include a revised vaccination schedule (revised Schedule C) which includes additional financial support to States and Territories for the set-up of COVID-19 vaccination sites, and an aged care schedule which provides a 100 per cent contribution for costs incurred from 1 July 2020 for supporting aged care prevention, preparedness and response activities including additional targeted infection prevention and control training in Residential Aged Care Facilities (Schedule D).

In January 2022, National Cabinet agreed measures supporting States and Territories to claim 50 per cent of the costs of the purchase, logistics and distribution of Rapid Antigen Tests (RATs) through the NPCR. Where States and Territories provide RATs to residential aged care facilities, they may claim a 100 per cent contribution for the costs.

THE PRIVATE HOSPITAL FINANCIAL VIABILITY PAYMENT

The Commonwealth contributes 100 per cent of the Private Hospital Financial Viability Payment made to private operators to retain capacity for responding to State and Territory or Commonwealth public health requirements.

COVID-19 funding receipts and payments:

	2021-22 \$'000	2020-21 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT		
From Commonwealth Government		
Hospital Services Payments	(5,185)	8,262
State Public Health Payments	80,008	23,882
Private Hospital Financial Viability Payment	4,734	(3,310)
TOTAL COMMONWEALTH RECEIPTS	79,557	28,834
From Australian Capital Territory Government		
Hospital Services Payments	3,557	-
State Public Health Payments	-	5,339
Private Hospital Financial Viability Payment	-	-
TOTAL AUSTRALIAN CAPITAL TERRITORY GOVERNMENT RECEIPTS	3,557	5,339
TOTAL RECEIPTS	83,114	34,173
PAYMENTS OUT OF THE STATE POOL ACCOUNT		
To Australian Capital Territory Government (Including Local Hospital Networks)		
Hospital Services Payments	(1,629)	8,262
State Public Health Payments	80,008	29,221
Private Hospital Financial Viability Payment	4,734	(3,310)
TOTAL PAYMENTS	83,114	34,173
NET RECEIPTS / (PAYMENTS) FOR THE YEAR	-	-
OPENING CASH BALANCE	-	-
CLOSING CASH BALANCE	-	-

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

End of Audited Special Purpose Financial Statement.

NORTHERN TERRITORY

Funding and Payments

\$1.3B

total funding
that was paid to

1

Local Hospital
Network (LHN)

\$1.1B

in Activity Based Funding
that delivered

182,472

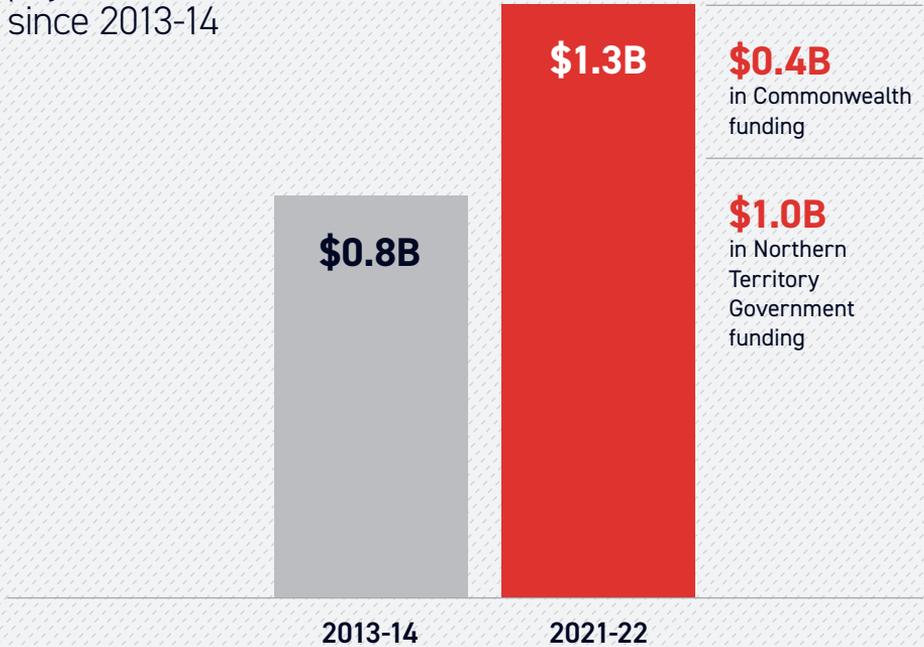
National Weighted
Activity Units (NWAU)

These amounts do not include transactions related to the NPCR. Details of these transactions are located in the Pool Account Special Purpose Financial Statement of each State or Territory.

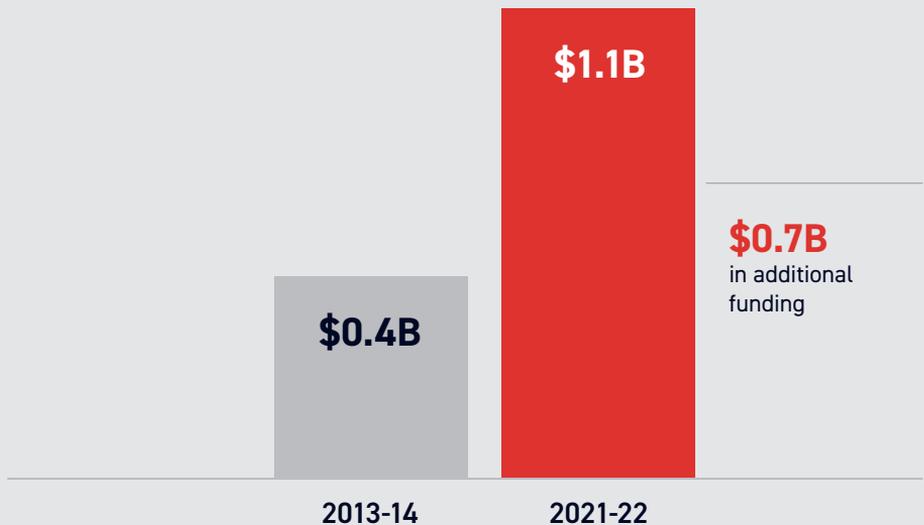
National Health Reform disclosures for the year ended 30 June 2022

Issued by the Administrator of the National Health Funding Pool under section 241(2) of the Commonwealth *National Health Reform Act 2011* and section 18(2) of the Northern Territory *National Health Funding Pool and Administration (National Uniform Legislation) Act 2012*.

Growth in
public hospital
payments
since 2013-14



Growth in
Activity Based
Funding since
2013-14



Section 241(2) of the NHR Act outlines certain disclosures to be included in this Annual Report.

The information reported is specific to the transactions of the 'relevant State'.

For the purposes of this legislative reporting, the 'relevant State' is the State or Territory that holds the bank accounts opened under the laws of that State or Territory for NHR Agreement purposes.

The values are rounded to the nearest thousand dollars unless otherwise specified.

NHR funding and payments shown in the following tables include Goods and Services Tax (GST) where applicable.

The information disclosed in the following tables is provided by Northern Territory (NT) and forms part of the Administrator's monthly reporting requirements, located at www.publichospitalfunding.gov.au

For further information on the types of National Health Reform funding, refer to the 'Introduction' chapter of this Annual Report.

Commonwealth National Health Reform funding entitlement based on actual services provided and cash paid in each financial year

The table below shows the cash paid by the Commonwealth each financial year based on activity estimates provided by States and Territories. The table also shows the final Commonwealth NHR funding entitlement determined by the Commonwealth Treasurer which is based on an end of financial year reconciliation of actual services delivered. The subsequent funding adjustments, whether positive or negative, reflect the difference between estimated activity and actual services delivered.

\$'000	2017-18 Entitlement	2018-19 Entitlement	2019-20 Entitlement	2020-21 Entitlement	2021-22 Estimate	TOTAL
Cash Paid						
2017-18 Total	257,123	-	-	-	-	257,123
Cash Paid						
2018-19 Total	6,242	280,484	-	-	-	286,726
Cash Paid						
2019-20 Total	-	368	299,108	-	-	299,476
Cash Paid						
2020-21 Total	-	-	(1,607)	298,064	-	296,456
Cash Paid						
2021-22 Total	-	-	-	35,132	355,100	390,243
CURRENT ENTITLEMENT TOTAL	263,365	280,852	297,501¹	333,196²	355,100³	1,530,024

1 The 2019-20 Commonwealth NHR funding entitlement excludes \$13,205,691 in HSP under the NPCR.

2 The 2020-21 Commonwealth NHR funding entitlement excludes \$8,700,043 in HSP under the NPCR.

3 The 2021-22 Commonwealth NHR funding estimate excludes \$9,334,321 in HSP under the NPCR.

The amounts paid into each State Pool Account by the Commonwealth – Section 241(2)(B)

Component	Amount paid by Commonwealth into Northern Territory State Pool Account (\$'000)	
	2021-22	2020-21
Activity Based Funding	351,309	259,540
Block funding	34,590	32,792
Public Health funding	4,343	4,124
NORTHERN TERRITORY TOTAL	390,243	296,456

Additional financial assistance has been provided by the Commonwealth under the NPCR including hospital services funding which is paid monthly based on activity estimates provided to the Administrator and reconciled annually with adjustments being made in the following financial year. Details of this funding is provided in the Pool Account Special Purpose Financial Statement.

The amounts paid by the Commonwealth into the State Pool Accounts excludes recoveries against Hospital Services Payments made under the NPCR of \$16,864,078 in 2021-22 (\$44,961,834 in 2020-21) and State Public Health and Private Hospital Financial Viability Payments of \$61,279,767 in 2021-22 (\$15,297,353 in 2020-21).

The amounts paid into each State Pool Account and State Managed Fund by the relevant State – Section 241(2)(A)

Component	Amount paid by Northern Territory (\$'000)	
	2021-22	2020-21
State Pool Account - Activity Based Funding	705,063	643,941
State Managed Fund - Block funding	249,151	410,395
NORTHERN TERRITORY TOTAL	954,214	1,054,336

The above table does not include interest deposited into the Pool Account, over deposit of state contributions subsequently paid back to the respective State or Territory Health Department or cross-border contributions for transfer to other States or Territories.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

The number of public hospital services funded for each Local Hospital Network in accordance with the system of Activity Based Funding – Section 241(2)(E)

Local Hospital Network	Number of ABF public hospital services funded (NWAU)		
	2021-22 ¹ Estimate	2020-21 ² Actual	2020-21 ³ Estimate
Central Australia Health Service	-	57,744	53,916
NT Regional Health Services	182,472	-	-
Top End Health Service	-	120,153	109,329
NORTHERN TERRITORY TOTAL	182,472	177,897	163,245

- 1 2021-22 NWAU as per the updated activity estimates as at the Administrator's June 2022 Payment Advice.
- 2 2020-21 NWAU as per the 2020-21 Annual Reconciliation outcome, forming the basis of the Federal Financial Relations Determination 2020-21.
- 3 2020-21 NWAU as per the activity estimates as at the Administrator's June 2021 Payment Advice.

The NWAU is the unit of measurement for the ABF system. It is a measure of health service activity expressed as a common unit, against which the NEP is paid. It provides a way of comparing and valuing each ABF public hospital service, by weighting it for its clinical complexity.

States and Territories provide NWAU estimates at the start of each financial year for Commonwealth payment purposes. These estimates may be revised during the course of the year and form the basis of Commonwealth funding until actual service volumes become available.

The number of other public hospital services and functions funded from each State Pool Account or State Managed Fund – Section 241(2)(F)

Unlike the unit of measurement for Activity based services (i.e. NWAU), there is currently no nationally standardised measurement system for other public hospital services.

In the absence of such a national system, the NHR Agreement allows for information to be based on the unit measurement classification and funding arrangements used in individual States and Territories.

However, in 2020–21 and 2021–22 Northern Territory did not report any other public hospital services and functions funded from their Pool Account or State Managed Fund.

The amounts paid from each State Pool Account and State Managed Fund to Local Hospital Networks in 2021-22 – Section 241(2)(C)(D)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
Central Australia Health Service	-	-	-
NT Regional Health Services	1,056,373	283,740	1,340,113
Top End Health Service	-	-	-
NORTHERN TERRITORY TOTAL	1,056,373	283,740	1,340,113

The 2021-22 amounts paid by the Commonwealth into the State Pool Accounts recoveries against Hospital Services Payments made under the NPCR of \$16,864,078.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

For the Northern Territory basis of payments, refer to page 255.

The amounts paid from each State Pool Account and State Managed Fund to Local Hospital Networks in 2020-21 – Section 241(2)(C)(D)

Recipient	Amount paid (\$'000)		
	State Pool Account	State Managed Fund	Total
Central Australia Health Service	300,973	94,836	395,809
NT Regional Health Services	-	-	-
Top End Health Service	615,324	348,351	963,675
NORTHERN TERRITORY TOTAL	916,297	443,187	1,359,485

The 2020-21 amounts paid by the Commonwealth into the State Pool Accounts excludes Hospital Services Payments made under the NPCR of \$44,961,834.

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

For the Northern Territory basis of payments, refer to page 255.

Northern Territory basis for National Health Reform payments 2021-22

To meet the reporting requirements of Section 240 of the *National Health Reform Act 2011*, the Administrator is to include the basis of each State and Territory's National Health Reform (NHR) funding and payments.

To provide consistency in methodology and with the *Addendum to the National Health Reform Agreement 2020-21 to 2024-25*, the NT Funding Model has implemented the National Efficient Price (NEP21) and National Weighted Activity Unit (NWAU21) as the currency for Activity Based Funding (ABF) facilities. The National Efficient Cost (NEC21) Block funded model is used for the standalone hospitals, Non-admitted mental health services (including child and adolescent mental health services), Non-admitted home ventilation and Clinical teaching, training and research provided in hospitals.

NHR payments in the Northern Territory (NT) are based upon the activity outlined in the service plan between the Chief Executive Officer of the Department of Health and the Regional Executive Directors within the NT Regional Health Services.

Objectives of the service plan are to:

- outline responsibilities and accountabilities of the delivery of health priorities and achievement of intended outcomes
- establish clear service delivery and performance expectations, including processes for performance management and monitoring
- ensure that consultation and management processes are appropriate to support the design and delivery of health services that meet local needs
- promote accountability to Government and the community.

The annual funding allocation for the NT Regional Health Services of the Northern Territory is determined on a historical basis for both the Activity Based Funding (ABF) and Block service streams, supplemented by a level of growth based on Northern Territory Government Wage, Consumer Price Index and demand growth parameters.

Cross-border settlements received from other jurisdictions in respect to prior year's activity are on passed to the LHN.

Further information regarding the Basis for National Health Reform payments in both 2021-22 and previous financial years is included at www.publichospitalfunding.gov.au



NORTHERN TERRITORY

Financial Statement

National Health Funding Pool Northern Territory State Pool Account Special Purpose Financial Statement for the year ended 30 June 2022

Issued by the Administrator of the National Health Funding Pool under section 242 of the Commonwealth *National Health Reform Act 2011* and section 16 and 19 of the Northern Territory *National Health Funding Pool and Administration (National Uniform Legislation) Act 2012*.



Contents

Independent Auditor's Report	259
Statement by the Administrator of the National Health Funding Pool	261
Northern Territory State Pool Account	
Statement of Receipts and Payments for the year ended 30 June 2022	262

Northern Territory State Pool Account Notes to and forming part of the Special Purpose Financial Statement for the year ended 30 June 2022

Note 1: Summary of significant accounting policies	263
Note 2: Activity Based Funding receipts	266
Note 3: Cross-border receipts	266
Note 4: Activity Based Funding payments	267
Note 5: Cross-border payments	267
Note 6: Activity Based Funding receipts and payments	268
Note 7: COVID-19 funding	269

Independent Auditor's Report



Auditor-General
Independent Auditor's Report
to the Administrator of the National Health Funding Pool
Northern Territory State Pool Account

Page 1 of 2

Opinion

I have audited the accompanying special purpose financial statement of the Northern Territory State Pool Account, which comprises the Statement of Receipts and Payments for the period ended 30 June 2022, and notes to the financial statement, including a summary of significant accounting policies, and the Statement by the Administrator of the National Health Funding Pool.

In my opinion the accompanying special purpose financial statement presents fairly, in all material respects, the receipts and payments of the Northern Territory State Pool Account for the period ended 30 June 2022 in accordance with the *National Health Funding Pool and Administration (National Uniform Legislation) Act 2012 (NT)*, *National Health Reform Act 2011 (Cwlth)* and the National Health Reform Agreement 2011.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of my report. I am independent of the National Health Funding Pool in accordance with ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial statement in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter – Basis of accounting

Without modifying my opinion, I draw attention to Note 1 to the financial statement, which describes the basis of accounting. The financial statement has been prepared for the purpose of fulfilling the Administrator's financial reporting obligations under the *National Health Funding Pool and Administration (National Uniform Legislation) Act 2011 (NT)*, *National Health Reform Act 2011 (Cwlth)* and the National Health Reform Agreement 2011. As a result, the financial statement may not be suitable for another purpose.

Responsibilities of the Administrator of the National Health Funding Pool for the Financial Statement

The Administrator is responsible for the preparation and fair presentation of the financial statement, and has determined that the basis of preparation described in Note 1, which is a special purpose framework using the cash basis of accounting, is appropriate to meet the requirements of the *National Health Funding Pool and Administration (National Uniform Legislation) Act 2012 (NT)*, *National Health Reform Act 2011 (Cwlth)* and the National Health Reform Agreement 2011. The Administrator is responsible for establishing and maintaining such internal control as the Administrator determines is necessary to enable the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, the Administrator is responsible for assessing the ability of the National Health Funding Pool to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Administrator either intends to liquidate the National Health Funding Pool or to cease operations, or has no realistic alternative but to do so.



Auditor-General

Page 2 of 2

The Administrator is responsible for overseeing the financial reporting process for the National Health Funding Pool.

Auditor's Responsibilities for the audit of the Financial Statement

My objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls as they apply to the National Health Funding Pool's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Administrator.
- conclude on the appropriateness of the Administrator's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the National Health Funding Pool to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report however, future events or conditions may cause the National Health Funding Pool to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Julie Crisp
Auditor-General for the Northern Territory
Darwin, Northern Territory

29 August 2022

Statement by the Administrator of the National Health Funding Pool



Administrator
National Health
Funding Pool

Statement by the Administrator of the National Health Funding Pool Northern Territory State Pool Account

I report that, as indicated in Note 1(b) to the financial statement, I have determined that the attached Special Purpose Financial Statement comprising of a statement of receipts and payments and accompanying notes provides a true and fair presentation in accordance with the Northern Territory *National Health Funding Pool and Administration (National Uniform Legislation) Act 2012*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

In my opinion, the attached Special Purpose Financial Statement for the year ended 30 June 2022 is based on properly maintained financial records and gives a true and fair view of the matters required by the *Northern Territory National Health Funding Pool and Administration (National Uniform Legislation) Act 2012*, the Commonwealth *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

Michael Lambert
Administrator
National Health Funding Pool

25 August 2022

Northern Territory State Pool Account Statement of Receipts and Payments for the year ended 30 June 2022

	Notes	2021-22 \$'000	2020-21 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth Government			
Activity Based Funding	2, 6	351,309	259,540
Block funding		34,590	32,792
Public Health funding		4,343	4,124
COVID-19 funding	7	44,416	60,259
From Northern Territory Government			
Activity Based Funding	2, 6	705,063	643,941
Cross-border contribution	5	6,969	14,064
COVID-19 funding	7	-	-
From other States or Territories			
Cross-border receipts	3	12,468	25,641
From Reserve Bank of Australia			
Interest receipts		-	1
TOTAL RECEIPTS		1,159,159	1,040,362
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding	4, 6	1,056,373	916,297
COVID-19 funding	7	-	-
To Northern Territory State Managed Fund			
Block funding		34,590	32,792
To Department of Health Northern Territory			
Public Health funding		4,343	4,124
COVID-19 funding	7	44,416	60,259
Interest payments		-	1
Cross-border transfer		12,468	12,825
To other States or Territories			
Cross-border payments	5	6,969	14,064
TOTAL PAYMENTS		1,159,159	1,040,362
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		-	-
OPENING CASH BALANCE		-	-
CLOSING CASH BALANCE		-	-

The above statement of receipts and payments should be read in conjunction with the accompanying notes.

Northern Territory State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 1: Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the Special Purpose Financial Statement are set out below.

(A) REPORTING ENTITY

The Administrator of the National Health Funding Pool (Administrator) is an independent statutory office holder, distinct from the Commonwealth, State and Territory governments, established under legislation of the Commonwealth and State and Territory governments. Mr Michael Lambert was appointed as the Administrator on 17 July 2018.

(B) BASIS OF PREPARATION

The Northern Territory State Pool Account was established at the Reserve Bank of Australia (RBA) in 2012-13 in accordance with section 11 of the Northern Territory *Health National Health Funding Pool and Administration (National Uniform Legislation) Act 2012* and the Special Purpose Financial Statement has been prepared in accordance with section 16 and 19 of that Act and section 242 of the Commonwealth *National Health Reform Act 2011*.

The Special Purpose Financial Statement has been prepared on a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

The Special Purpose Financial Statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The Special Purpose Financial Statement was authorised for release by the Administrator on 25 August 2022.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2020-21 and 2021-22 are for the year ended 30 June.

(D) NATIONAL HEALTH FUNDING POOL

The National Health Funding Pool (Funding Pool) consists of eight State and Territory bank accounts (State Pool Accounts).

(E) ACTIVITY BASED FUNDING

Activity Based Funding (ABF) is a system for funding public hospital services provided to individual patients using national classifications, price weights and National Efficient Prices developed by the Independent Hospital Pricing Authority (IHPA). ABF is paid by the Commonwealth, States and Territories into the Funding Pool.

In 2020-21 and 2021-22 the Commonwealth, States and Territories ABF supported the following:

- i. Emergency department services
- ii. Acute admitted services
- iii. Admitted mental health services
- iv. Sub-acute and non-acute services
- v. Non-admitted services.

As system managers of the public hospital system, State or Territory ABF contributions into the Funding Pool may be calculated using State and Territory prices and activity measures. The Service Agreement between the State or Territory and each Local Hospital Network (LHN) specifies the service delivery and funding parameters.

Commonwealth ABF contributions for each service category were calculated by summing the prior year amounts and efficient growth. Efficient growth is determined by measuring the change in efficient price and volume. The price adjustment is 45 per cent of the change in the National Efficient Price relative to the prior year. The volume adjustment is 45 per cent of the net change in the volume of weighted services relative to the prior year.

In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements. Final funding entitlements for the year are calculated after actual data on hospital services becomes available. This calculation will generally result in reconciliation adjustments being made to the Commonwealth ABF contribution to each LHN to align with the actual services delivered.

In 2017, the Council of Australian Governments signed an Addendum to the National Health Reform Agreement. The Addendum amends specified elements of the operation of the National Health Reform Agreement for a period of three years. From 1 July 2017 to 30 June 2020, the Commonwealth funds 45 per cent of the efficient growth of public hospital services, subject to a 6.5 per cent cap in the growth of overall Commonwealth funding.

On 29 May 2020, the 2020–25 Addendum to the National Health Reform Agreement was entered into by the Commonwealth, State and Territory governments. The 2020–25 Addendum to the National Health Reform Agreement replaces the 2017–20 Addendum to the National Health Reform Agreement but retains the core principles.

(F) BLOCK FUNDING

Block funding is provided by the Commonwealth into the Funding Pool for States and Territories to support teaching and research undertaken in public hospitals and for some public hospital services where it is more appropriate to be Block funded, particularly for smaller rural and regional hospitals.

In 2020-21 and 2021-22 the Commonwealth Block funding supported the following:

- i. Small rural hospitals
- ii. Teaching, training and research
- iii. Non-admitted mental health
- iv. Non-admitted child and adolescent mental health services
- v. Non-admitted home ventilation
- vi. Other non-admitted services
- vii. Highly Specialised Therapies.

In 2020-21 and 2021-22 the Commonwealth Block contributions for each service category were calculated by summing prior year amounts and 45 per cent of the change in the National Efficient Cost between the current year and the prior year. Highly Specialised Therapies are contributed at 50 per cent of the growth in the efficient price or cost.

(G) PUBLIC HEALTH FUNDING

The Commonwealth contributes amounts into the Funding Pool for Public Health funding. This is calculated by the Commonwealth Treasury and includes funding for services such as national public health, youth health services and essential vaccines. This payment is indexed in accord with the previous existing health specific purpose payment.

Northern Territory State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

(H) CROSS-BORDER

When a resident of one State or Territory receives hospital treatment in another State or Territory, the provider State or Territory is compensated for the cost of that treatment. The resident State or Territory pays its share through the Funding Pool to the provider State or Territory (refer Note 3 and Note 5).

The Commonwealth share of the cost of treating the patient is paid through the Funding Pool as part of the normal Activity Based Funding. The Commonwealth contribution to each State or Territory covers all eligible patients treated, regardless of where they reside.

(I) INTEREST

Interest earned and deposited by the RBA into the State Pool Account is recognised as interest received at the time the deposit is made. Interest paid from the State Pool Account to the State or Territory is recognised as an interest payment at the time the payment is made from the State Pool Account.

(J) TAXATION

State Pool Accounts are not subject to income tax. The majority of government funding, from the Commonwealth, State or Territory, to LHNs is not subject to the Goods and Services Tax (GST). However, in some cases hospital funding to non-government entities does attract GST, for example, denominational hospitals, privately and commercially owned health facilities, or other non-government third party providers of health services or related supplies.

(K) COVID-19 FUNDING

The National Partnership on COVID-19 Response (NPCR) was agreed to and signed by the Council of Australian Governments in March 2020. The objective of this agreement is to provide Commonwealth financial assistance for the additional costs incurred by State and Territory health services in responding to the COVID-19 outbreak. The NPCR was subsequently amended and agreed to in April 2020 to include financial viability payments for private hospitals. In February 2021, the NPCR was amended with respect to the coordination and delivery of the COVID-19 vaccine under Schedule C. The NPCR was further amended to assist residential aged care providers prevent, prepare for and respond to outbreaks of COVID-19 under Schedule D.

Financial assistance has been provided by the Commonwealth in the form of the Hospital Services Payments calculated on an activity basis, State Public Health Payments (including coordination and delivery of the COVID-19 vaccine) as well as Private Hospital Financial Viability Payments.

(L) COMMONWEALTH FUNDING GUARANTEE

For the 2019-20, 2020-21 and 2021-22 financial years, the Commonwealth provided the States and Territories with a minimum funding guarantee for funding related to the National Health Reform Agreement and the Hospital Services Payment component of the NPCR. Where a State or Territory is eligible for the Commonwealth funding guarantee, an additional payment is made in the following financial year after the annual reconciliation to meet the minimum amount guaranteed by the Commonwealth.

Note 2: Activity Based Funding receipts

Total receipts paid into the Northern Territory State Pool Account in respect of Activity Based Funding:

	2021-22 \$'000	2020-21 \$'000
Commonwealth Activity Based Funding	351,309	259,540
Northern Territory Activity Based Funding	705,063	643,941
TOTAL	1,056,373	903,481

The amounts paid by the Commonwealth into the State Pool Accounts excludes recoveries against Hospital Services Payments made under the NPCR of \$16,864,078 in 2021-22 (Hospital Services Payments of \$44,961,834 in 2020-21). Please refer Note 7.

Note 3: Cross-border receipts

Total cross-border receipts paid into Northern Territory State Pool Account from other States and Territories:

States and Territories	2021-22 \$'000	2020-21 \$'000
New South Wales	1,992	4,865
Victoria	-	-
Queensland	2,802	5,983
Western Australia	6,750	14,283
South Australia	-	-
Tasmania	557	266
Australian Capital Territory	368	244
TOTAL	12,468	25,641

Northern Territory State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 4: Activity Based Funding payments

Total payments made out of Northern Territory State Pool Account
in respect of each Local Hospital Network:

Local Hospital Network	2021-22 \$'000	2020-21 \$'000
Central Australia Health Service	-	300,973
NT Regional Health Services	1,056,373	-
Top End Health Service	-	615,324
TOTAL	1,056,373	916,297

The Administrator makes payments from the Northern Territory State Pool Account in accordance with the directions of the Northern Territory Minister for Health. The Northern Territory Minister for Health directed all Activity Based Funding contributions paid to Local Hospital Networks.

Note 5: Cross-border payments

Total cross-border payments made out of the Northern Territory
State Pool Account to other States and Territories:

States and Territories	2021-22 \$'000	2020-21 \$'000
New South Wales	1,430	2,802
Victoria	-	-
Queensland	4,565	8,500
Western Australia	785	2,650
South Australia	-	-
Tasmania	72	38
Australian Capital Territory	117	75
TOTAL	6,969	14,064

Note 6: Activity Based Funding receipts and payments

Total Northern Territory and Commonwealth Activity Based Funding contributions and total Local Hospital Network Activity Based Funding payments:

	2021-22 \$'000	2020-21 \$'000
Total Activity Based Funding receipts from the Commonwealth Government	351,309	259,540
Total Activity Based Funding receipts from Northern Territory Government	705,063	643,941
Activity Based Funding payments to Local Hospital Networks	(1,056,373)	(916,297)
NET RECEIPTS/(PAYMENTS)	-	(12,816)

Northern Territory State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

Note 7: COVID-19 funding

COVID-19 funding is provided monthly in advance based on estimates submitted by States and Territories and is subject to reconciliation. Final funding entitlements are determined after actual activity data on hospital services and actual in-scope expenditure are submitted.

The types of funding and payments under the NPCR include:

THE UPFRONT ADVANCE PAYMENT

In March 2020, the Commonwealth provided an upfront advanced payment of \$100 million to States and Territories on a population share basis. This is an advance payment to ensure the timely availability of funds under the NPCR. The Upfront Advance Payment has been subsequently reconciled against State Public Health requirements.

THE HOSPITAL SERVICES PAYMENT

The Commonwealth provides a 50 per cent contribution of the National Efficient Price, for costs incurred by States and Territories, through monthly payments, for the diagnosis and treatment of COVID-19 including suspected cases.

THE STATE PUBLIC HEALTH PAYMENT

The Commonwealth provides a 50 per cent contribution for additional costs incurred by States and Territories, through monthly payments, for COVID-19 activities undertaken by State and Territory public health systems for the management of the outbreak.

In February 2021, the NPCR was amended with respect to the delivery of the COVID-19 vaccine through the Vaccination Dose Delivery Payment under Schedule C. Where eligible, funding contributions in relation to this activity are included within the State Public Health Payment.

The NPCR was further amended in December 2021 to include a revised vaccination schedule (revised Schedule C) which includes additional financial support to States and Territories for the set-up of COVID-19 vaccination sites, and an aged care schedule which provides a 100 per cent contribution for costs incurred from 1 July 2020 for supporting aged care prevention, preparedness and response activities including additional targeted infection prevention and control training in Residential Aged Care Facilities (Schedule D).

In January 2022, National Cabinet agreed measures supporting States and Territories to claim 50 per cent of the costs of the purchase, logistics and distribution of Rapid Antigen Tests (RATs) through the NPCR. Where States and Territories provide RATs to residential aged care facilities, they may claim a 100 per cent contribution for the costs.

THE PRIVATE HOSPITAL FINANCIAL VIABILITY PAYMENT

The Commonwealth contributes 100 per cent of the Private Hospital Financial Viability Payment made to private operators to retain capacity for responding to State and Territory or Commonwealth public health requirements.

Northern Territory State Pool Account
Notes to and forming part of the Special Purpose Financial Statement
for the year ended 30 June 2022

COVID-19 funding receipts and payments:

	2021-22 \$'000	2020-21 \$'000
RECEIPTS INTO THE STATE POOL ACCOUNT		
From Commonwealth Government		
Hospital Services Payments	(16,864)	44,962
State Public Health Payments	61,261	17,421
Private Hospital Financial Viability Payment	19	(2,124)
TOTAL COMMONWEALTH RECEIPTS	44,416	60,259
From Northern Territory Government		
Hospital Services Payments	-	-
State Public Health Payments	-	-
Private Hospital Financial Viability Payment	-	-
TOTAL NORTHERN TERRITORY GOVERNMENT RECEIPTS	-	-
TOTAL RECEIPTS	44,416	60,259
PAYMENTS OUT OF THE STATE POOL ACCOUNT		
To Northern Territory Government (Including Local Hospital Networks)		
Hospital Services Payments	(16,864)	44,962
State Public Health Payments	61,261	17,421
Private Hospital Financial Viability Payment	19	(2,124)
TOTAL PAYMENTS	44,416	60,259
NET RECEIPTS / (PAYMENTS) FOR THE YEAR	-	-
OPENING CASH BALANCE	-	-
CLOSING CASH BALANCE	-	-

Noting the volatility of public hospital services through the year, some States and Territories elected not to separately report COVID-19 funding contributions through the State Pool Account. This will affect the comparison of COVID-19 funding contributions between the Commonwealth, States and Territories.

End of Audited Special Purpose Financial Statement

ENDNOTES



Acronyms

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

Annual Report Legislative Requirements

Jurisdiction and relevant Act	Requirement for the financial year	COMMONWEALTH National Health Reform Act 2011	NEW SOUTH WALES Health Services Act 1997
National Health Reform Funding and Payments Reporting	The Administrator's Annual Report must include: the amounts paid into the State Pool Account and State Managed Fund, and the number of weighted hospital services funded.	s.241(2)	schedule 6A clause 16(2)
Financial Statements	The Administrator must prepare a financial statement for each State Pool Account and a financial statement that combines the financial statements for each State Pool Account.	s.241(3) and s.242	schedule 6A clauses 16(3) and 17
Audit of Financial Statements	A financial statement for the State Pool Account is to be audited by the relevant Auditor-General.	s.243	schedule 6A clause 18
Administrator's Annual Report	The Administrator must, within four months after the end of each financial year, provide to the responsible Ministers an annual report on the exercise or performance of his/her functions.	s.241(1)	schedule 6A clause 16(1)
Tabling of the Annual Report	A responsible Minister must, as soon as practicable after receiving an annual report, cause a copy of the report to be tabled in the Parliament of the relevant jurisdiction.	s.241(4)	schedule 6A clause 16(4)

VICTORIA Health (Commonwealth State Funding Arrangements) Act 2012	QUEENSLAND Hospital and Health Boards Act 2011	WESTERN AUSTRALIA National Health Funding Pool Act 2012	SOUTH AUSTRALIA National Health Funding Pool Administration (South Australia) Act 2012	TASMANIA National Health Funding Administration Act 2012	AUSTRALIAN CAPITAL TERRITORY Health (National Health Funding Pool and Administration) Act 2013	NORTHERN TERRITORY National Health Funding Pool and Administration (National Uniform Legislation) Act 2012
s.17(2)	s.53S(2)	s.19(2)	s.22(2)	s.18(2)	s.25(2)	s.18(2)
s.17(3) and s.18	s.53S(3) and s.53T	s.19(3) and s.20	s.22(3) and s.23	s.18(3) and s.19	s.25(3) and s.26	s.18(3) and s.19
s.19	s.53U	s.21	s.24	s.20	s.27	s.20
s.17(1)	s.53S(1)	s.19(1)	s.22(1)	s.18(1)	s.25(1)	s.18(1)
s.17(4)	s.53S(4)	s.19(4)	s.22(4)	s.18(4)	s.25(4)	s.18(4)

Glossary

Term	Meaning
Activity Based Funding	Refers to a method for funding public hospital services provided to individual patients using national classifications, cost weights and nationally efficient prices developed by the IHPA. Funding is based on the actual number of services provided to patients and the efficient cost of delivering those services.
(the) Administrator	<p>The Administrator of the National Health Funding Pool (the Administrator) is an independent statutory office holder, distinct from Commonwealth and State and Territory government departments, established under legislation of the Commonwealth and State and Territory governments.</p> <p>The role of the Administrator, with support from the NHFB, is to oversee the responsible, efficient and effective administration of Commonwealth and State and Territory public hospital funding and payments under the National Health Reform Agreement (NHR Agreement).</p>
Block funding	<p>A method of funding public hospital functions and services as a fixed amount based on population and previous funding.</p> <p>Under the NHR Agreement, Block funding will be provided to States and Territories to support teaching and research undertaken in public hospitals and for some public hospital services where it is more appropriate, particularly smaller rural and regional hospitals.</p>
Council of Australian Governments (COAG)	The peak intergovernmental forum in Australia. The members of COAG are the Prime Minister, State and Territory Premiers and Chief Ministers and the President of the Australian Local Government Association.
Local Hospital Networks (LHNs)	Recipients of the payments from the National Health Funding Pool, Commonwealth Block funding and State (and Territory) Managed Funds.
Medicare Benefits Schedule (MBS)	A listing of the Medicare services subsidised by the Australian Government.
National Funding Cap	The limit in growth in Commonwealth funding for Public Hospital Services for all States and Territories of 6.5 per cent per annum and where the context so requires includes the operation of the Funding Cap as provided in the NHR Agreement.
National Health Funding Body (NHFB)	An independent statutory body established under Commonwealth legislation to assist the Administrator in carrying out his or her functions under Commonwealth, State and Territory legislation.
National Health Funding Pool (the Pool)	A collective name for the State Pool Accounts of all States and Territories, also known as the 'the Pool'. The Pool was established under Commonwealth and State and Territory legislation for the purpose of receiving all Commonwealth and Activity Based State and Territory public hospital funding, and for making payments under the NHR Agreement.
National Health Funding Pool Payments System (the Payments System)	The Administrator's National Health Funding Pool Payments System processes the NHR Commonwealth, State/Territory deposits and payments into and out of the Pool, as required under the NHR Act.

Term	Meaning
National Weighted Activity Unit (NWAU)	The NWAU is a measure of health service activity expressed as a common unit, against which the NEP is paid. It provides a way of comparing and valuing each public hospital service (whether it is an admission, emergency department presentation or outpatient episode), by weighting it for clinical complexity.
PGPA Act	The Public Governance, Performance and Accountability Act 2013 establishes a coherent system of governance and accountability for public resources, with an emphasis on planning, performance and reporting.
State Managed Fund (SMF)	A separate bank account or fund established by a State or Territory for the purposes of health funding under the NHR Agreement which must be undertaken in the State or Territory through a State Managed Fund.
State Pool Account (SPA)	A Reserve Bank of Australia account established by a State or Territory for the purpose of receiving all Commonwealth and Activity Based State and Territory public hospital funding, and for making payments under the Agreement. The State (and Territory) Pool Accounts of all States and Territories are collectively known as the National Health Funding Pool or the Pool.

Disclosure Index

Section	Description	Location – National Level	Location – State and Territory Level
241(2) THE ANNUAL REPORT MUST INCLUDE THE FOLLOWING INFORMATION FOR THE RELEVANT FINANCIAL YEAR			
(a)	The amounts paid into each State Pool Account and State Managed Fund by the relevant State and the basis on which the Payments were made	41	
(b)	The amounts paid into each State Pool Account by the Commonwealth and the basis on which the payments were made	42	NSW 69-92 VIC 93-122
(c)	The amounts paid from each State Pool Account to LHNs, a State Managed Fund or other organisations or funds and the basis on which the Payments were made	43	QLD 123-146 WA 147-170 SA 171-196
(d)	The amounts paid from each State Managed Fund to LHNs or other organisations or funds and the basis on which these payments were made	44	TAS 197-222 ACT 223-246
(e)	The number of public hospital services funded for each LHN in accordance with the system of ABF	45	NT 247-270
(f)	The number of other public hospital services and functions funded from each State Pool Account or State Managed Fund	46	
241(3) THE ANNUAL REPORT IS TO BE ACCOMPANIED BY			
(a)	An audited financial statement for each State Pool Account	N/A	NSW – 81 VIC – 109 QLD – 135 WA – 159 SA – 183 TAS – 209 ACT – 235 NT – 259
(b)	A financial statement that combines the audited financial statements for each State Pool Account	51-54	N/A

Index

A

acronyms, 272

activity based funding, 19, 21, 22, 24, 25, 40

- amounts paid, 35, 42, 59–62
- determination of, 40 *see also* National Efficient Price
- growth, 36
- number of public hospital services funded, 8, 35, 45
- payment flows, 24
- receipts and payments, 51–54
- services supported, 25, 55–56, 57 *see also* National Weighted Activity Unit (NWAU)

acute admitted services, 25, 55

Addendum to the National Health Reform Agreement *see* National Health Reform Agreement: Addendum

Administrator, 10

- certification letter from NHFB, 37–38
- Jurisdictional Advisory Committee, 16, 31
- letter of transmittal, 3
- message from, 13–17
- payment advice to Commonwealth Treasurer, 5, 23
- policies, 17, 21
- reporting obligations, 5, 16, 28–29
- role, 1, 5, 6, 55

admitted mental health services, 25, 55, 59–62

admitted services *see* acute admitted services; admitted mental health services

adolescent mental health services, 26, 56, 59–62

advance payments, 63

Annual Reconciliation, 14, 15, 16, 23

annual report legislative requirements, 3

Australian Capital Territory, 223–232

- financial statement, 233–246

Australian Commission on Safety and Quality in Health Care (ACSQHC), 5, 16, 17, 32

Australian Institute of Health and Welfare (AIHW), 5, 16, 29, 32

Australian National Audit Office, 58

Australian Public Service Employee Census, 2

B

basis of funding *see* funding and payments

benchmark *see* National Efficient Price

block funding, 21, 22, 24, 25–26

- amounts paid, 42, 59–62
- determination of, 39

- payment flows, 24
- receipts and payments, 51–54
- services supported, 25–26, 56

C

calculating the Commonwealth contribution *see* Commonwealth Contribution Model

Calculation of Commonwealth National Health Reform Funding (policy document), 21

Chief Executive Officer, 6, 10

Chief Financial Officer, 9, 11

child and adolescent mental health services, 26, 56, 59–62

combined financial statements *see* national (combined) funding and payments

Commonwealth Contribution Model, 22, 58

Commonwealth funding guarantee, 14, 20, 40, 57, 59–62

Commonwealth stakeholders, 31–32

Commonwealth Treasurer, payment advice to, 5, 23

Commonwealth upfront advance payment, 63

Council of Australian Governments (COAG), 19, 20, 33

COVID-19 pandemic

- funding (payments), 15, 20, 51–54, 57, 59–68
- National Partnership on COVID-19 Response (NPCR), 1, 14–15, 20, 21, 57, 63
- vaccine delivery, 14, 20, 57

cross-border agreements, 27, 51–54, 57

D

data conditional payment, 40

data governance plans and policies, 17, 21, 29

data matching, 15, 17, 21

data submissions, 29

Department of Finance, 24

Department of Health and Aged Care, 1, 7, 31

Department of the Prime Minister and Cabinet, 31

Department of the Treasury, 31, 58

Director, Data, Modelling and Analysis, 9, 11

Director, Policy Planning and Performance, 9, 12

E

emergency department services, 22, 25, 55, 59–62

enabling legislation, 1, *see also* *National Health Reform Act 2011*

D

data conditional payment, 40
 data governance plans and policies, 17, 21, 29
 data matching, 15, 17, 21
 data submissions, 29
 Department of Finance, 24
 Department of Health and Aged Care, 1, 7, 31
 Department of the Prime Minister and Cabinet, 31
 Department of the Treasury, 31, 58
 Director, Data, Modelling and Analysis, 9, 11
 Director, Policy Planning and Performance, 9, 12

E

emergency department services, 22, 25, 55, 59–62
 enabling legislation, 1, *see also* National Health Reform Act 2011

F

financial neutrality *see* patient payment neutrality
 financial statements
 Australian Capital Territory, 233–246
 national (combined), 37–68
 New South Wales, 79–92
 Northern Territory, 257–270
 Queensland, 133–146
 South Australia, 181–196
 Tasmania, 207–222
 Victoria, 107–122
 Western Australia, 157–170
 fraud control certification, 37–38
 funding and payments, 14–15, 24–27, 35–36, 41–68
 activity based *see* activity based funding
 basis for, 39–40
 block funding *see* block funding
 calculating, 21, 22
 certification letter (NHFB), 37–38
 Commonwealth Contribution Model, 22, 58
 Commonwealth funding guarantee, 14, 20, 40, 57, 59–62
 Commonwealth upfront advance payment, 63
 COVID-19 *see* COVID-19 pandemic
 cross-border agreements, 27, 51–54, 57
 data conditional, 40
 funding cap, 16, 20, 40
 growth, 36
 interest, 27, 57
 national, 35–46
 national combined financial statements, 37–68
 over deposit, 27

 patient payment neutrality, 16
 payment flows, 24
 policy framework, 17, 21
 Public Health funding, 21, 22, 24, 27, 39, 42, 51–54, 56, 58, 59–62
 public hospitals *see* public hospital funding
 reconciliations, 14, 16, 23
 reporting requirements, 5, 16, 28–29
 Safety and Quality Adjustment, 40
 services funded (number), 8, 35, 45
 services funded (types), 22, 25–27, 55–56, 59–62
 totals, 2, 8, 23, 35, 59–62
 types, 22, 24–27
 see also names of states and territories
 funding cap, 16, 20, 40
 funding integrity, 15
 funding transparency, 16, 29

G

Goods and Services Tax (GST), 57
 growth in funding, 36
 Gunatillake, Suchith, 11

H

health care agreements, 19–20
 highlights, 8, 18
 highly specialised therapies, 16, 26, 59–62
 Hospital Services Payments (HSP), 15, 20, 57, 59–62, 63, 65–68
 hospitalisations, avoidable, 16, 32

I

Imbriano, Beci, 12
 Independent Health and Aged Care Pricing Authority (IHACPA), 5, 16, 17, 25, 31, 32
 relationship between IHACPA and NHFB, 33–34
 interest, 27, 51–54, 57

J

Jurisdictional Advisory Committee, 16, 31

K

Kymriah, 26

L

Lambert, Michael (Administrator), 6, 10, 55
 message from, 13–17
 see also Administrator
 legislation, 1, 19, 26, *see also* National Health Reform Act 2011

legislative requirements
 annual report, 3, 39
 reporting on funding and payments *see*
 reporting requirements
 letter of transmittal, 3
 local hospital networks (LHNs)
 number of services funded, 8, 35, 45
 payment flows, 24
 payments to, 8, 35, 43–44, 55–56
 Luxturna, 26

M

Maintenance of Effort Report on State and
 Territory contributions to public hospital
 funding, 16, 29
 Medical Services Advisory Committee, 26
 Medicare Benefits Schedule (MBS), 15
 mental health services, 25, 26, 55, 56, 59–62
 Minimum Funding Guarantee, 14, 20, 40, 57, 59–62

N

national (combined) funding and payments, 35–46
 amounts paid, 41–46
 certification letter (NHFB), 37–38
 financial statements, 37–38
 NHR entitlement, 46
 NHR funding basis, 39–40
 services funded (number), 8, 35, 45
see also State Pool Accounts
 National Efficient Cost, 33–34
 National Efficient Price, 25, 32, 33–34,
 40, 55–56, 63
 National Funding Cap, 16, 20, 40
 National Health Funding Body (NHFB)
 certification letter, 37–38
 establishment, 1
 governance elements, 9
 organisational structure, 9
 priorities, 17
 relationship between NHFB and
 IHACPA, 33–34
 reports *see* reporting requirements
 role and functions, 7, 34
 senior executives, 9–12
 National Health Funding Pool, 5, 24, 55
 Administrator *see* Administrator
 Payments System, 14, 20, 21, 34
see also funding and payments; State
 Pool Accounts
National Health Reform Act 2011, 1, 3, 5, 19, 28,
 31, 39, 55
 National Health Reform Agreement, 1, 14, 19, 23

Addendum, 16, 19–20, 26, 39, 56
 compliance with, 29 *see also* reporting
 requirements
 funding types, 22, 25–27 *see also* funding
 and payments

National Healthcare Specific Purpose Payment
 arrangements, 19, 39
 National Partnership on COVID-19 Response
 (NPCR), 1, 14–15, 20, 21, 57, 63, *see also*
 COVID-19 pandemic
 National Weighted Activity Unit (NWAU), 25, 26,
 35, *see also* activity based funding
 New South Wales, 69–78
 financial statement, 79–92
 non-acute services, 25, 55
 non-admitted child and adolescent mental health
 services, 26, 56, 59–62
 non-admitted home ventilation, 26, 56, 59–62
 non-admitted mental health, 26, 56, 59–62
 non-admitted services, 25, 26, 55, 56, 59–62
 Northern Territory, 247–256
 financial statement, 257–270

O

organisational structure, 9
 Other Public Hospital Services and functions, 45
 over deposit, 27

P

pandemic *see* COVID-19 pandemic
 partners *see* stakeholders
 patient payment neutrality, 16
 payment advice to Commonwealth
 Treasurer, 5, 23
 Payments System, 14, 20, 21, 34, *see also* funding
 and payments
 performance highlights, 8, 18, *see also* financial
 statements; funding and payments
 policy framework, 17, 21
 compliance with, 29
 population health *see* Public Health funding
 portfolio agencies, 32
 portfolio membership, 1, 7
 price *see* National Efficient Price
 priorities (NHFB), 17
 Private Hospital Financial Viability Payments, 15,
 20, 57, 59–62, 63, 65–68
*Public Governance, Performance and
 Accountability Act 2013*, 1, 7
 Public Health funding, 21, 22, 24, 27, 39, 42, 51–54,
 56, 58, 59–62
 public hospital funding, 2, 5, 7, 8, 24–27, 35–36

consistency and transparency, 16, 29
 growth, 36
 integrity, 15
 Maintenance of Effort Report on State and Territory contributions, 16, 29
 payment flows, 24
 reports on *see* reporting requirements
 services funded (number), 8, 35, 45
 services funded (types), 22, 55–56, 59–62
 sources, 22
 types, 22, 25–27
see also funding and payments; National Health Reform Agreement

purpose, 7

Q

Qarziba, 26

Queensland, 123–132

financial statement, 133–146

R

reconciliations, 14, 15, 16, 23

regional and rural hospitals, 26, 56, 59–62

regulatory framework, 19–20

reporting requirements

funding and payments, 5, 16, 28–29

Maintenance of Effort Report on State and Territory contributions, 16, 29

payment advice to Commonwealth Treasurer, 5, 23

see also financial statements

research *see* teaching, training and research

roles and functions

Administrator, 1, 5, 6, 55

IHACPA, 33

NHFB, 7, 34

rural and regional hospitals, 26, 56, 59–62

S

Safety and Quality Adjustment, 40

senior executives (NHFB), 9–12

service agreements, 29

Services Australia, 31

small rural hospitals, 26, 56, 59–62

South Australia, 171–180

financial statement, 181–196

staff, 6, 8

stakeholder engagement, 2, 17

stakeholders, 5, 6, 30–34

state and territory health departments, 22, 23, 31,

see also names of states and territories

State Managed Funds, 28

payment flows, 24

payments from, 44, 45

payments into, 41, 43

State Pool Accounts, 24, 27

accounting policies, 55–57

COVID-19 funding, 51–54, 57, 59–68

financial statement certification letter, 37–38

financial statement (national combined State Pool Account), 37–68

interest, 51–54

over deposit, 27

payments from, 43, 45

payments into, 41–42, 58–64

statement by the Administrator, 50

statement of receipts and payments, 51–54

see also names of states and territories for individual State Pool Accounts

State Public Health Payments, 15, 20, 57, 59–62, 63, 65–68

State Public Health Payments (SPHP), 15

statutory office holder *see* Administrator

sub-acute services, 25, 55, 59–62

T

Talevich, Mark, 11

Tasmania, 197–206

financial statement, 207–222

taxation, 57

teaching, training and research, 26, 56, 59–62

therapies, highly specialised, 16, 26, 59–62

Three-Year Data Plan, 21

timeliness of data submissions, 29, *see also*

reporting requirements

Treasury, 31, 58

U

upfront advance payments, 63

V

vaccine delivery, 14, 20, 57

ventilatory support, 26, 56, 59–62

Victoria, 93–105

financial statement, 107–122

volume adjustments, 40, *see also* activity based funding

W

website, 31

weighted public hospital services *see* activity based funding; National Weighted Activity Unit (NWAU)

Western Australia, 147–156

 financial statement, 157–170

White, Shannon (CEO), 6, 10

Y

year ahead, 17–18

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This Annual Report includes:

- An individual financial statement for each State and Territory's State Pool Account and a combined financial statement.
- NHR funding and payments, including number of weighted hospital services delivered.
- State and Territory financial statements are audited by the relevant Auditor-General.

Further Information

If you require further information or have any queries in relation to this Annual Report, please contact:

National Health Funding Body
GPO Box 1252 Canberra ACT 2601
1300 930 522
nhfb.enquiries@nhfb.gov.au

An accessible copy of this Annual Report is available online at publichospitalfunding.gov.au

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