



**Administrator**  
National Health  
Funding Pool

The background is a photograph of a hospital ward, showing medical equipment, a patient bed, and a person in a white coat. A large, semi-transparent orange rectangle is overlaid across the middle of the image, containing the text.

**ANNUAL  
REPORT  
2013-14**

## **FURTHER INFORMATION**

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# LETTER OF TRANSMITTAL

NATIONAL  
HEALTH  
FUNDING  
POOL

ANNUAL  
REPORT  
2013-14



**Administrator**  
National Health  
Funding Pool

**Office of the Administrator**  
GPO Box 1252 Canberra ACT 2601

**Telephone:** 1300 930 522  
**Email:** nhfa.administrator@nhfa.gov.au

28 October 2014

The Hon Peter Dutton MP  
Minister for Health  
Commonwealth of Australia

The Hon David Davis MP  
Minister for Health  
Victoria

The Hon Kim Hames MLA  
Minister for Health  
Western Australia

The Hon Michael Ferguson MP  
Minister for Health  
Tasmania

The Hon Robyn Lambley MLA  
Minister for Health  
Northern Territory

The Hon Jillian Skinner MP  
Minister for Health  
New South Wales

The Hon Lawrence Springborg MP  
Minister for Health  
Queensland

The Hon Jack Snelling MP  
Minister for Health  
South Australia

Ms Katy Gallagher MLA  
Minister for Health  
Australian Capital Territory

Dear Ministers,

## **Administrator of the National Health Funding Pool Annual Report 2013-14**

I am pleased to submit to you, for tabling in your respective Parliaments, my Annual Report for the year ended 30 June 2014.

This report has been prepared in accordance with the requirements of sections 241 to 243 of the Commonwealth *National Health Reform Act 2011* (the Act) and corresponding state and territory national health reform legislation.

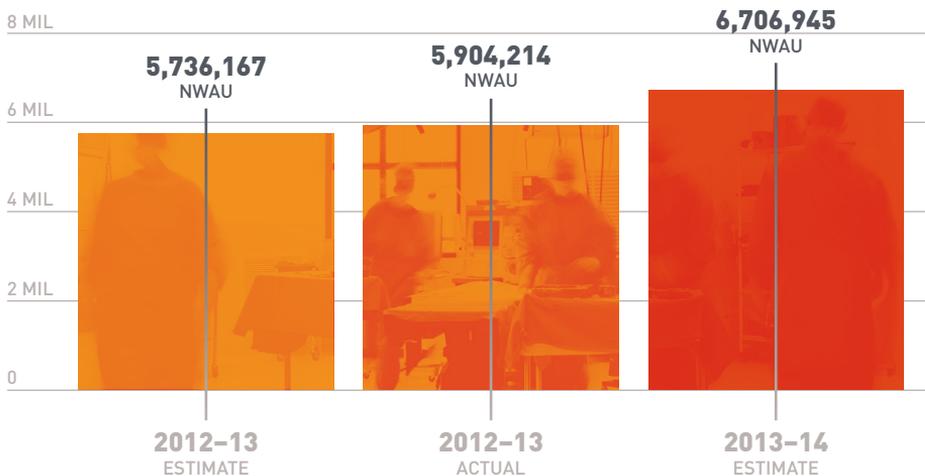
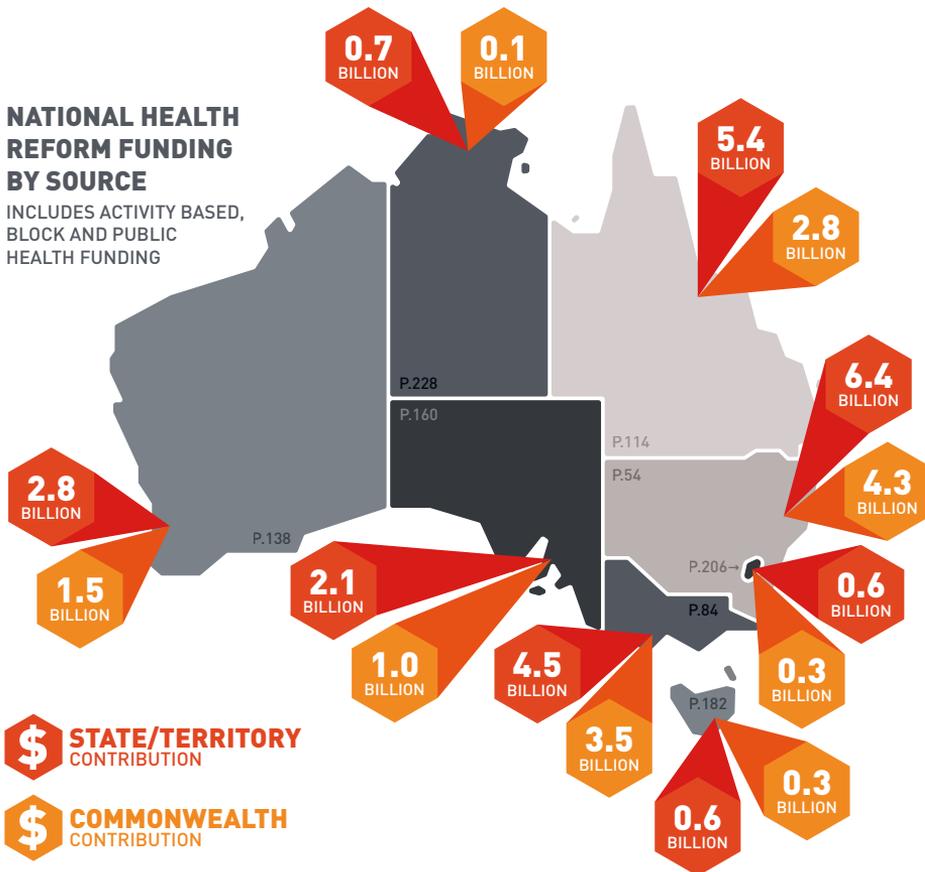
The report includes a combined Financial Statement of the National Health Funding Pool accounts, and a Financial Statement for each state and territory State Pool Account audited by the respective Auditor-General. The report also includes the reporting required under section 241(2) of the Act on national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

Yours sincerely,

RJ Sendt  
Administrator  
National Health Funding Pool

# NATIONAL HEALTH REFORM FUNDING 2013-14

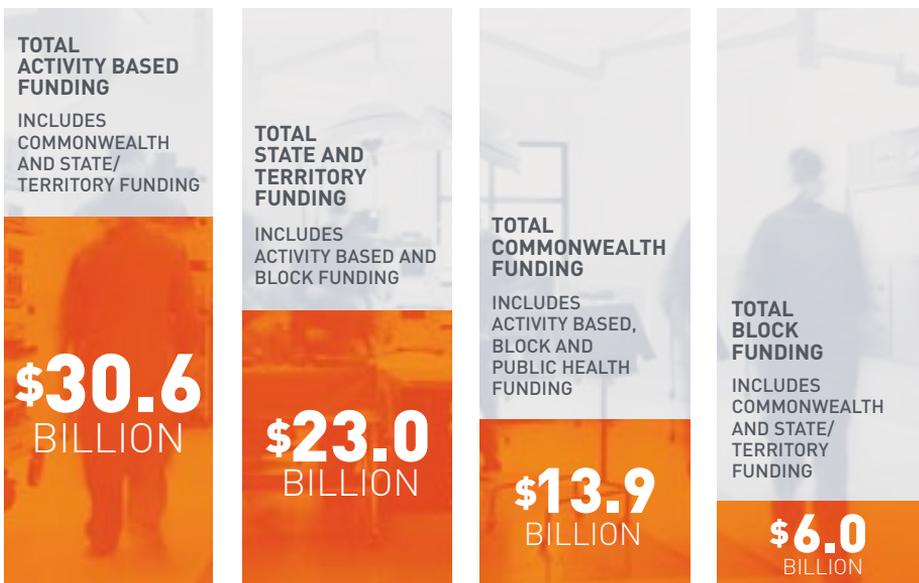
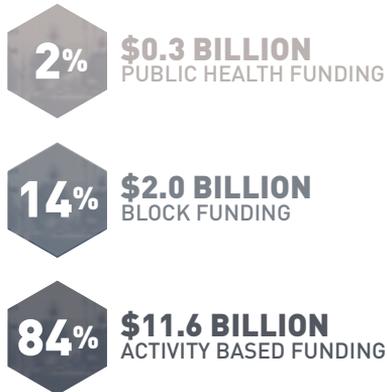
INFORMATION CONTAINED IN THESE GRAPHICS ARE BASED ON THE NATIONAL CONTENT ON PAGES 28 TO 36



## NUMBER OF PUBLIC HOSPITAL SERVICES FUNDED

SCOPE CHANGE BETWEEN 2012-13 AND 2013-14. SEE PAGE 5.

COMPONENTS OF  
COMMONWEALTH  
FUNDING



PAYMENTS TO LOCAL HOSPITAL NETWORKS



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## MESSAGE FROM THE ADMINISTRATOR

I am pleased to present my Annual Report for the year ended 30 June 2014, the second year of operation of the National Health Funding Pool (the Pool) and the role of Administrator.

In 2013–14 I have again worked closely with the National Health Funding Body (NHFB) to deliver independence and transparency in the calculation, payment and reporting of public hospital funding in Australia.

During 2013–14 one of my key responsibilities was to calculate the Commonwealth Government's funding contribution into the Pool — comprising activity based, block and public health funding — totalling nearly \$14 billion. 2013–14 was the second year of a two-year transition period in which the Commonwealth provided funding to states and territories equivalent to the amount that would otherwise have been paid under the former National Healthcare Specific Purpose Payment.

The 2013–14 calculations differed from 2012–13 as the scope of activity based funding services was broadened to include sub-acute and admitted mental health. This was in line with the intention of the National Health Reform Agreement (the Agreement) to move more health services to an activity basis of funding. In addition, in 2013–14 I was also required to calculate the Commonwealth block funding component of national health reform funding.



**BOB SENDT**  
**ADMINISTRATOR**  
**NATIONAL HEALTH FUNDING POOL**

In 2013–14 nearly \$74 billion in funding and payment transactions was processed through the National Health Funding Pool and state managed funds, and I directly oversaw the payment of over \$33 billion in funding from the Pool to local hospital networks, state managed funds and other parties.

As required by section 241(3) of the *National Health Reform Act 2011* (the Act), this Annual Report includes a financial statement for each state and territory State Pool Account (audited by the respective Auditor-General) and a financial statement for the combined State Pool Accounts. Also included for each state and territory is a set of tables satisfying the reporting requirements of section 241(2) of the Act. These tables provide detail on funding and payments for each state and territory Pool Account and state managed fund.

## FORWARD OUTLOOK

### GROWTH AND FUNDING GUARANTEES

From July 2014 to June 2017, my calculation of Commonwealth funding will be linked to the level of services delivered by public hospitals in each state and territory. This funding will be calculated on a 2013–14 base plus 45% of the efficient growth in volume and activity each financial year, as outlined in the Agreement.

My calculation (and subsequent advice to jurisdictions and the Commonwealth Treasurer) will also include the calculation of funding guarantees as set out in the Agreement.

### DATA PROVISION

With the move to growth funding from 2014–15, there will be an increasing imperative for the supply of patient and aggregate level data to support the accurate calculation of the Commonwealth contribution. My data requirements were detailed in my *Three Year Data Plan* released on 14 March 2014.

The continued timely supply of data to support my monthly public reporting of funding and payments is integral to the transparency of contribution and payment flows. These reports are available from my Public Hospital Funding website: [www.publichospitalfunding.gov.au](http://www.publichospitalfunding.gov.au).

### DATA MATCHING

Clause A6 of the Agreement states that the Commonwealth will not fund patient services through the Agreement if the same service is funded through the Medical Benefits Schedule (MBS) or the Pharmaceuticals Benefits Scheme (PBS).

Together with the NHFB I have undertaken significant data preparation and analysis in order to progress this data matching requirement across 2012–13 and 2013–14. My intention over the next year is to work towards implementing this clause of the Agreement.

### **STRUCTURAL CHANGE**

In its 2014–15 Budget, the Commonwealth flagged its intention to create a new health productivity and performance commission by merging several existing bodies including the Administrator and the NHFB. I will work with the NHFB, the Commonwealth, and states and territories to ensure that effective stakeholder relationships are maintained during this process.

### **ACKNOWLEDGEMENTS**

My role necessitates working in collaboration with a wide range of stakeholders across the Commonwealth, states, territories and other national health agencies. The success of the operations of the Pool depends on the engagement and support of stakeholders and I extend my thanks to those who have contributed their time and expertise in 2013–14.

The NHFB is integral in assisting me to discharge my functions. The enthusiasm and commitment of this small but hardworking team of professionals is to be commended.



**RJ Sendt**

Administrator

*National Health Funding Pool*

# ANNUAL REPORTING: LEGISLATIVE REQUIREMENTS

The Administrator of the National Health Funding Pool is required to prepare an annual report of operations and present it to Commonwealth and state/territory Health Ministers.

The information included in this Annual Report includes the mandatory reporting of:

1. An individual financial statement for each state and territory's State Pool Account and a combined financial statement.
2. National health reform funding and payments.

This reporting is on both a national level and for each state and territory, reflecting all national health reform amounts transacted in 2013–14.

State and territory financial statements are audited and certified by the relevant Auditor-General.

Both of these financial reporting components have been compiled on a cash basis and are in Australian dollars. All amounts are rounded to the nearest thousand dollars unless otherwise specified.

This reporting is pursuant to the following jurisdictional national health reform legislation:

**Table 1 Jurisdictional national health reform legislation**

JURISDICTION	FINANCIAL STATEMENTS	NATIONAL HEALTH REFORM FUNDING AND PAYMENTS REPORTING
<b>COMMONWEALTH</b>	s.241(3), s.242 and s.243 of the <i>National Health Reform Act 2011</i>	s.241(2) of the <i>National Health Reform Act 2011</i>
<b>NEW SOUTH WALES</b>	schedule 6A clauses 16(3), 17 and 18 of the <i>Health Services Act 1997</i>	schedule 6A clause 16(2) of the <i>Health Services Act 1997</i>
<b>VICTORIA<sup>1</sup></b>	s.17(3), s.18 and s.19 of the <i>Health (Commonwealth State Funding Arrangements) Act 2012</i>	s.17(2) of the <i>Health (Commonwealth State Funding Arrangements) Act 2012</i>
<b>QUEENSLAND</b>	s.53S(3), s.53T and s.53U of the <i>Hospital and Health Boards Act 2011</i>	s.53S(2) of the <i>Hospital and Health Boards Act 2011</i>
<b>SOUTH AUSTRALIA</b>	s.22(3), s.23 and s.24 of the <i>National Health Funding Pool Administration (South Australia) Act 2012</i>	s.22(2) of the <i>National Health Funding Pool Administration (South Australia) Act 2012</i>
<b>WESTERN AUSTRALIA</b>	s.19(3), s.20 and s.21 of the <i>National Health Funding Pool Act 2012</i>	s.9(2) of the <i>National Health Funding Pool Act 2012</i>
<b>TASMANIA</b>	s.18(3), s.19 and s.20 of the <i>National Health Funding Administration Act 2012</i>	s.18(2) of the <i>National Health Funding Administration Act 2012</i>
<b>AUSTRALIAN CAPITAL TERRITORY</b>	s.18(2) of the <i>National Health Funding Pool and Administration (National Uniform Legislation) Act 2012</i>	s.5(2) of the <i>Health (National Health Funding Pool and Administration) Act 2013</i>
<b>NORTHERN TERRITORY</b>	s.18(3), s.19 and s.20 of the <i>National Health Funding Pool and Administration (National Uniform Legislation) Act 2012</i>	s.18(2) of the <i>National Health Funding Pool and Administration (National Uniform Legislation) Act 2012</i>

<sup>1</sup> Note that although this Act requires the Administrator to prepare a report, as at 30 June 2014 Victoria had not appointed an Administrator.

# OVERVIEW

A blurred photograph of a surgical team in an operating room. The scene is dimly lit, with a large overhead surgical light visible in the upper left. Several surgeons in scrubs and masks are focused on a patient lying on an operating table. In the background, there are shelves stocked with medical supplies. A large, vibrant orange graphic overlay covers the bottom half of the image, featuring a stylized, layered shape that resembles a surgical drape or a piece of fabric. The overall mood is professional and clinical.

## THE ADMINISTRATOR OF THE NATIONAL HEALTH FUNDING POOL

The Administrator is a single independent statutory office holder, appointed to the position under legislation of the Commonwealth and each state and territory.

The Administrator is independent of Commonwealth and state and territory governments and is not subject to the control or direction of any Commonwealth Minister.

The Administrator's functions are set out in the Agreement and the *National Health Reform Act 2011*.

The Administrator is required to:

- + Calculate and advise the Commonwealth Treasurer of the Commonwealth contribution to hospital funding in each state and territory (*National Health Reform Act 2011* s.238).
- + Oversee the payment of Commonwealth hospital funding into State Pool Accounts (*National Health Reform Act 2011* s.238).
- + Make payments from each State Pool Account in accordance with the directions of the State concerned (common provisions of the National Health Funding Pool legislation in each state and territory).<sup>2</sup>
- + Monitor state payments into each State Pool Account (common provisions of National Health Funding Pool legislation in each state and territory).<sup>3</sup>
- + Reconcile estimated and actual service delivery volumes and calculate any necessary payment adjustments so that Commonwealth payments can be adjusted to reflect the actual level of services provided (*National Health Reform Act 2011* s.238).
- + Undertake data matching to determine if hospital services otherwise in scope for activity based funding are ineligible for Commonwealth funding because the service has been paid for by the Commonwealth under the Medical Benefits Schedule (MBS) or the Pharmaceutical Benefits Scheme (PBS) (Clause A6 of the *National Health Reform Agreement*).
- + Report publicly on the national health reform funding and payments (*National Health Reform Act 2011* s.240).

<sup>2</sup> A list of the state and territory legislation containing the common provisions can be found at page XII.

<sup>3</sup> As above.

# THE NATIONAL HEALTH FUNDING POOL

Under the Agreement, the Commonwealth, state, and territory governments are jointly responsible for funding public hospital services, using either activity based or block funding.

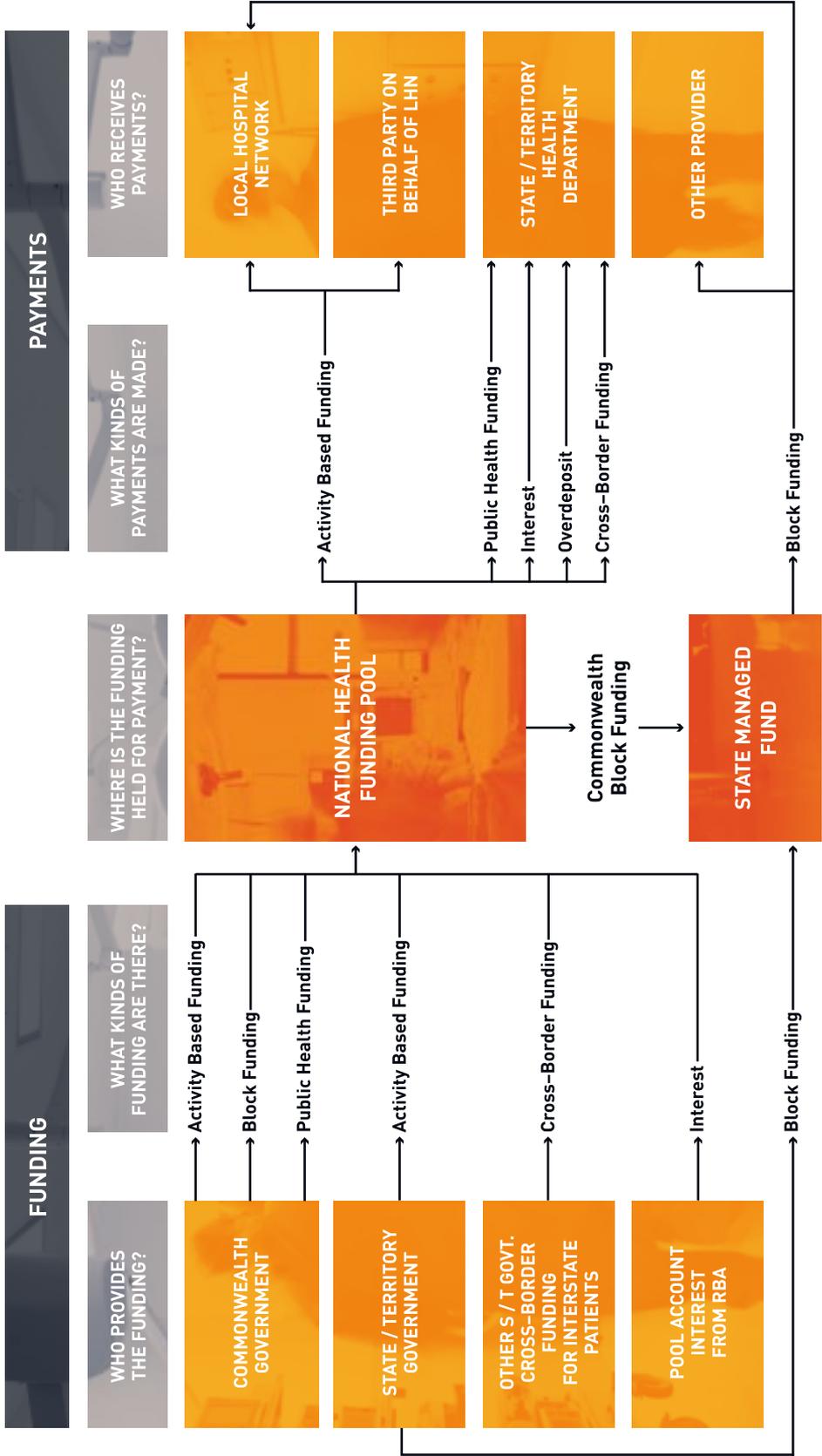
Commonwealth national health reform funding for public hospitals is paid monthly into the Pool which consists of eight state/territory bank accounts with the Reserve Bank of Australia.

These are known as state pool accounts and are established under state and territory national health reform legislation for the purposes of:

- + receiving all Commonwealth national health reform funding
- + receiving activity based state/territory public hospital funding
- + distributing funds and making payments according to the Agreement.

The national health reform funding and payment flows are outlined in Figure 1.

Figure 1 National Health Reform Funding and Payment Flows



As depicted in Figure 1, funding providers and payment recipients are described as:

### **FUNDING PROVIDERS**

The funding providers are the Commonwealth Government and state/territory governments for their own hospital activity and for cross-border funding for interstate patients. National health reform funding occurs when contributors have paid into a state pool account or state managed fund.

### **PAYMENT RECIPIENTS**

The payment recipients are the local hospital networks, third parties on behalf of the local hospital networks, state/territory Health Departments and other providers. Recipients receive payments from the state pool account or state managed fund.

## **NATIONAL HEALTH REFORM FUNDING TYPES**

The types of funding and payments available under national health reform arrangements are described below.

### **ACTIVITY BASED FUNDING**

Activity based funding is a system for funding public hospital services based on the number of services provided to patients and the price to be paid for delivering those services.

Activity based funding uses national classifications, cost weights and state/territory and Commonwealth prices to determine the amount of funding for each activity or service.

The Commonwealth's activity based funding contribution to local hospital networks is based on an efficient price per service known as the National Efficient Price, for as many services estimated to be provided (and later, when data are available, for services actually provided).

The following service categories were funded through activity based funding for 2013–14:

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

The scope of activity based funded services was wider in 2013–14 than for 2012–13, with the addition of sub-acute and admitted mental health services.

## **BLOCK FUNDING**

Block funding is provided to states and territories where the technical requirements of activity based funding are not able to be satisfied.

Many small hospitals are entirely block funded. Small hospitals in rural areas often have low-volume or fluctuating activity that would result in unpredictable revenue if funded on the basis of activity.

The Independent Hospital Pricing Authority (IHPA), in consultation with jurisdictions, develops block funding criteria and identifies whether hospital services and functions are eligible for block funding only or mixed activity based funding and block funding.

The following categories of services were block funded for 2013–14:

- + Small rural hospitals
- + Teaching, training and research
- + Non-admitted mental healthservices
- + Other non-admitted services.

## **PUBLIC HEALTH FUNDING**

Public Health Funding is paid by the Commonwealth into the Pool, and from there to state/territory Health Departments for the purposes of population health activities.

States and territories have full discretion over the application of public health funding to the outcomes set out in the Agreement. This amount represents the sum of amounts identified under the Agreement to support national public health, youth health services and essential vaccines (service delivery).

## **CROSS-BORDER ACTIVITY BASED 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 that service. This is known as a cross-border activity based payment. The Commonwealth share of the cost of these services is made directly to the 'provider' state or territory.

Cross-border agreements, including the scope of 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 in the account, and is paid periodically by the Reserve Bank of Australia to the state or territory account holder. If the interest is paid into the pool account, it can be used as a component of state and territory funding.

**OVER DEPOSIT**

If more money is deposited into the state pool account than required, this money can either be earmarked as an 'over deposit' and paid to the state or territory health department or can be used as part of the next payment to local hospital networks.

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2013-14**



# OPERATIONS: 2013-14 HIGHLIGHTS

## CALCULATING THE COMMONWEALTH CONTRIBUTION

### 2013–14 COMMONWEALTH FUNDING

The processes for calculating the 2013–14 Commonwealth contribution were a consolidation of those used in 2012–13. The \$13.9 billion in Commonwealth funding for activity based, block and public health funding was calculated using a transparent, robust and independently reviewed methodology.

This year saw the first determination of public hospital funding by the Commonwealth Treasurer based on the advice of the Administrator—the 2012–13 determination subsequent to the Final Budget Outcome (FBO).

Figure 2 outlines the timing of payments processed by the Administrator (supported by the NHFB) during 2013–14.

Figure 2: Commonwealth payments processed by the Administrator in 2013–14

	MONTHLY PAYMENT BASED ON ESTIMATED ACTIVITY	2012–13 RECONCILIATION ADJUSTMENTS	MYEFO/FBO ADJUSTMENT
JUL 13			
AUG 13			
SEP 13		6 MONTH	
OCT 13		6 MONTH	
NOV 13		6 MONTH	
DEC 13			
JAN 14			
FEB 14			MYEFO
MAR 14		12 MONTH	FBO
APR 14		12 MONTH	FBO
MAY 14		12 MONTH	FBO
JUN 14			

The Mid-Year Economic and Fiscal Outlook (MYEFO) is a mid-year budget report that provides information on the Commonwealth Government's fiscal position. The 2013-14 MYEFO statement was released in December 2013.

The FBO is a report produced no later than three months after the end of the financial year and describes Commonwealth Government fiscal outcomes for the preceding financial year.

The MYEFO and FBO reports both incorporate revised parameter changes, some of which (e.g. revised population estimates) impact the calculation of the National Healthcare Specific Purpose Payment (SPP) to states and territories. In 2013-14 the Commonwealth provided national health reform funding to states and territories equivalent to the amount that would otherwise have been paid under the SPP. Consequently, the 2013-14 funding incorporated these adjustments following the release of these reports.

The MYEFO and FBO statements are available from [www.budget.gov.au](http://www.budget.gov.au).

## **RECONCILIATION OF 2012-13 ACTUAL ACTIVITY**

Both Commonwealth and state/territory contributions are made prospectively, based on the estimated activity that is set out in Service Agreements that are negotiated between the states and territories and their local hospital networks. Each state and territory is required to provide confirmed aggregate weighted and estimated service volumes for each LHN in the preceding financial year. These estimates serve as the basis for calculating the Commonwealth's funding contribution to each state and territory for activity based funding.

At the conclusion of the six month (July to December) and twelve month (July to June) periods, states and territories submit information on the actual volume of patient level services delivered for all hospital services funded on an activity basis. A reconciliation between estimated and actual service volumes is then performed to ensure that all local hospital networks receive the correct Commonwealth contribution based on their actual activity.

The first six-month and annual reconciliation of service estimates and actual activity for 2012-13 data were successfully completed in October 2013 and March 2014, respectively.

## FUNDING CALCULATION METHODOLOGY IN 2014–15

The calculation process in the transition period, covering 2012–13 and 2013–14, provided a strong foundation for all future calculation processes, including internal and external assurance, ongoing collaboration with stakeholders and development of a robust methodology.

This work over the transition period provides the components for the funding calculations that will be undertaken from 2014–15 onwards.

## MONTHLY REPORTING

Section 240 of the *National Health Reform Act 2011* requires the Administrator to provide monthly reports to the Commonwealth and each state and territory and to make these publicly available.

In 2013–14 the NHFB produced a total of 1,824 monthly reports on behalf of the Administrator. Each month a National report, a State report for each state and territory and a report for each local hospital network are produced.

These monthly reports are available from: [www.publichospitalfunding.gov.au/reports](http://www.publichospitalfunding.gov.au/reports).

Table 2 shows the release dates for the Administrator’s monthly reports in 2013–14.

**Table 2: Monthly Report Publication Dates for 2013–14**

MONTH	DATE RELEASED
May 2013	10 July 2013
June 2013	28 August 2013
July 2013	30 October 2013
August 2013	13 November 2013
September 2013	5 December 2013
October 2013	30 January 2014
November 2013	20 February 2014
December 2013	
January 2014	28 March 2014
February 2014	
March 2014	7 May 2014
April 2014	5 June 2014

# STRATEGIC AND OPERATIONAL DOCUMENTS RELEASED

2013–14 Data Plan File Specifications 22 July 2013
2012–13 Reconciliation Framework 30 July 2013
Administrator of the National Health Funding Pool: Annual Report 30 October 2013
Data Compliance Policy 29 November 2013
Data Privacy, Secrecy and Security Policy 3 December 2013
Business Rules for determining hospital services eligible for Commonwealth Funding—Volume 2: Proof of Concept 18 December 2013
September quarter Compliance Report 19 December 2013
December quarter Compliance Report 25 February 2014
Data Plan 2014–15 to 2016–17 14 March 2014
Growth and Funding Guarantees document and supporting materials 2 May 2014
March quarter Compliance Report 28 May 2014

The following strategic documents were published during 2013–14:

- + **2012–13 Reconciliation Framework** specifies the reconciliation processes for those public hospital functions funded on an activity basis. Funding is initially based on estimated activity and is subsequently reconciled to actual service delivery activity.

- + **Data Compliance Policy** outlines the Administrator’s policy on jurisdictional data compliance with the Three Year Data Plan.
- + **Data Privacy, Secrecy and Security Policy** describes the data privacy, secrecy and security policies and protocols the Administrator has in place with regard to the collection, storage, disclosure and destruction of data.
- + **Business Rules volume 2** outlines the business and data matching rules in relation to clause A6 of the Agreement, where Commonwealth funding eligibility is assessed against other Commonwealth programs.
- + **Administrator’s Three Year Data Plan 2014–15 to 2016–17 (and associated file specifications)** describes the Administrator’s determination of the minimum level of data required from jurisdictions in order to calculate the Commonwealth’s contribution to funding public hospital services, conduct reconciliation activities and ensure national comparability. This plan has been aligned in content and structure with the data plans of the IHPA and the National Health Performance Authority (NHPA).

- + **Growth and Funding Guarantees** sets out the Administrator’s approach and process for calculating the growth and funding guarantee clauses of the Agreement.

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2013-14**

# NATIONAL



# Combined Financial Statement



**NATIONAL HEALTH FUNDING POOL —  
COMBINED STATE POOL ACCOUNTS  
SPECIAL PURPOSE COMBINED FINANCIAL  
STATEMENT FOR THE YEAR ENDED 30 JUNE 2014**

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



Administrator  
National Health  
Funding Pool

### Combined State Pool Accounts

I report that, as indicated in note 1 (a) to the financial statement, I have determined that the attached special purpose financial statement comprising a receipts and payments account with attached notes provides a 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 2014 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.

*Bob Sendt*

**RJ Sendt**  
Administrator  
National Health Funding Pool

19 September 2014

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Combined State Pool Accounts  
Statement of receipts and payments  
for the year ended 30 June 2014

	NSW \$'000	VIC \$'000	QLD \$'000	WA \$'000	SA \$'000
<b>CASH AT BANK AS AT 1 JULY 2013</b>	-	-	-	-	<b>9,391</b>
<b>RECEIPTS</b>					
<b>From Commonwealth</b>					
Activity based funding	3,555,059	2,952,361	2,384,822	1,226,895	841,671
Block funding	684,639	450,781	365,254	256,209	143,066
Public health funding	103,150	80,034	64,892	35,297	23,166
<b>From State / Territory</b>					
Activity based funding	5,160,022	3,870,426	4,768,902	2,170,052	1,848,159
Cross border contribution	78,725	-	-	-	-
<b>From other States or Territories</b>					
Cross border receipts	14,303	-	-	-	-
<b>From Reserve Bank of Australia</b>					
Interest receipts	2,095	1,300	710	1	3,619
<b>TOTAL RECEIPTS</b>	<b>9,597,993</b>	<b>7,354,902</b>	<b>7,584,580</b>	<b>3,688,454</b>	<b>2,859,681</b>
<b>PAYMENTS</b>					
<b>To Local Hospital Networks</b>					
Activity based funding	8,715,081	6,822,143	7,153,724	3,396,947	2,702,840
<b>To State Managed Fund</b>					
Block funding	684,639	450,781	365,254	256,209	143,066
Cross border transfer	-	-	-	-	-
<b>To State / Territory Health Department</b>					
Public health funding	103,150	80,034	64,892	35,297	23,166
Interest payments	2,095	1,300	710	1	-
Cross border transfer	14,303	-	-	-	-
Over deposit withdrawal	-	644	-	-	-
<b>To other States or Territories</b>					
Cross border payments	78,725	-	-	-	-
<b>To Reserve Bank Australia</b>					
Penalty interest	-	-	-	-	-
<b>TOTAL PAYMENTS</b>	<b>9,597,993</b>	<b>7,354,902</b>	<b>7,584,580</b>	<b>3,688,454</b>	<b>2,869,072</b>
<b>CASH AT BANK AT 30 JUNE 2014</b>	-	-	-	-	-

**Combined State Pool Accounts  
Statement of receipts and payments  
for the year ended 30 June 2014**

NATIONAL

	TAS \$'000	ACT \$'000	NT \$'000	TOTAL \$'000
<b>CASH AT BANK AS AT 1 JULY 2013</b>	–	–	15	9,406
<b>RECEIPTS</b>				
<b>From Commonwealth</b>				
Activity based funding	238,897	247,801	116,628	11,564,134
Block funding	46,460	22,064	14,616	1,983,089
Public health funding	7,090	5,316	3,346	322,291
<b>From State / Territory</b>				
Activity based funding	350,095	492,293	271,830	18,931,779
Cross border contribution	–	14,303	–	93,028
<b>From other States or Territories</b>				
Cross border receipts	–	78,725	–	93,028
<b>From Reserve Bank of Australia</b>				
Interest receipts	2	–	16	7,743
<b>TOTAL RECEIPTS</b>	<b>642,544</b>	<b>860,502</b>	<b>406,436</b>	<b>32,995,092</b>
<b>PAYMENTS</b>				
<b>To Local Hospital Networks</b>				
Activity based funding	588,992	818,819	388,458	30,587,004
<b>To State Managed Fund</b>				
Block funding	46,460	22,064	14,616	1,983,089
Cross border transfer	–	–	–	–
<b>To State / Territory Health Department</b>				
Public health funding	7,090	5,316	3,346	322,291
Interest payments	2	–	–	4,108
Cross border transfer	–	–	–	14,303
Over deposit withdrawal	–	–	–	644
<b>To other States or Territories</b>				
Cross border payments	–	14,303	–	93,028
<b>To Reserve Bank Australia</b>				
Penalty interest	–	–	14	14
<b>TOTAL PAYMENTS</b>	<b>642,544</b>	<b>860,502</b>	<b>406,434</b>	<b>33,004,481</b>
<b>CASH AT BANK AT 30 JUNE 2014</b>	<b>–</b>	<b>–</b>	<b>17</b>	<b>17</b>

Combined State Pool Accounts  
Statement of receipts and payments  
for the year ended 30 June 2013

	NSW*	VIC*	QLD*	WA*	SA*
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>CASH AT BANK AS AT 1 JULY 2012</b>	-	-	-	-	-
<b>RECEIPTS</b>					
<b>From Commonwealth</b>					
Activity based funding	2,771,509	1,690,549	1,906,154	1,024,177	592,667
Block funding	1,300,576	653,237	441,700	341,316	139,087
Public health funding	99,901	56,386	56,553	32,653	17,494
<b>From State / Territory</b>					
Activity based funding	4,609,383	2,108,527	3,708,716	2,654,929	1,201,000
Cross border contribution	53,063	-	-	-	-
<b>From other States or Territories</b>					
Cross border receipts	24,127	63,286	-	-	-
<b>From Reserve Bank of Australia</b>					
Interest receipts	1,863	1,853	646	-	2,322
<b>TOTAL RECEIPTS</b>	<b>8,860,422</b>	<b>4,573,838</b>	<b>6,113,769</b>	<b>4,053,075</b>	<b>1,952,570</b>
<b>PAYMENTS</b>					
<b>To Local Hospital Networks</b>					
Activity based funding	7,380,892	3,724,978	5,615,173	3,679,106	1,786,176
<b>To State Managed Fund</b>					
Block funding	1,300,576	653,237	441,397	341,316	139,087
Cross border transfer	24,127	-	-	-	-
<b>To State / Territory Health Department</b>					
Public health funding	99,901	56,386	56,553	32,653	17,494
Interest payments	1,863	1,853	646	-	422
Cross border transfer	-	39,159	-	-	-
Withdrawal of over-deposit	-	74,098	-	-	-
<b>To other States or Territories</b>					
Cross border payments	53,063	24,127	-	-	-
<b>To Reserve Bank Australia</b>					
Penalty interest	-	-	-	-	-
<b>TOTAL PAYMENTS</b>	<b>8,860,422</b>	<b>4,573,838</b>	<b>6,113,769</b>	<b>4,053,075</b>	<b>1,943,179</b>
<b>CASH AT BANK AT 30 JUNE 2013</b>	-	-	-	-	<b>9,391</b>

\* Refer to note (j) for commencement date.

**Combined State Pool Accounts  
Statement of receipts and payments  
for the year ended 30 June 2013**

**NATIONAL**

	TAS* \$'000	ACT* \$'000	NT* \$'000	TOTAL \$'000
<b>CASH AT BANK AS AT 1 JULY 2012</b>	-	-	-	-
<b>RECEIPTS</b>				
<b>From Commonwealth</b>				
Activity based funding	233,205	71,570	71,116	<b>8,360,947</b>
Block funding	51,887	8,560	33,521	<b>2,969,884</b>
Public health funding	6,829	1,565	2,638	<b>274,019</b>
<b>From State / Territory</b>				
Activity based funding	236,838	135,187	210,684	<b>14,865,264</b>
Cross border contribution	10,223	-	-	<b>63,286</b>
<b>From other States or Territories</b>				
Cross border receipts	-	-	-	<b>87,413</b>
<b>From Reserve Bank of Australia</b>				
Interest receipts	20	-	15	<b>6,719</b>
<b>TOTAL RECEIPTS</b>	<b>539,002</b>	<b>216,882</b>	<b>317,974</b>	<b>26,627,532</b>
<b>PAYMENTS</b>				
<b>To Local Hospital Networks</b>				
Activity based funding	470,043	206,757	281,800	<b>23,144,925</b>
<b>To State Managed Fund</b>				
Block funding	51,887	8,560	33,521	<b>2,969,581</b>
Cross border transfer	-	-	-	<b>24,127</b>
<b>To State / Territory Health Department</b>				
Public health funding	6,829	1,565	2,638	<b>274,019</b>
Interest payments	20	-	-	<b>4,804</b>
Cross border transfer	-	-	-	<b>39,159</b>
Withdrawal of over-deposit	-	-	-	<b>74,098</b>
<b>To other States or Territories</b>				
Cross border payments	10,223	-	-	<b>87,413</b>
<b>To Reserve Bank Australia</b>				
Penalty interest	-	-	-	-
<b>TOTAL PAYMENTS</b>	<b>539,002</b>	<b>216,882</b>	<b>317,959</b>	<b>26,618,126</b>
<b>CASH AT BANK AT 30 JUNE 2013</b>	-	-	15	<b>9,406</b>

\* Refer to note (j) for commencement date.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (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.

The principal accounting policies adopted in the preparation of the financial statement are set out below. The financial statement is for the Combined State Pool Accounts, which were established at the Reserve Bank of Australia (RBA) in 2012–13 and is a special purpose financial statement.

In its 2014–15 Budget, the Commonwealth announced that it will consult with States and Territories with the intention of creating a new health productivity and performance commission. Subject to this consultation, the new commission would be formed by merging the functions of the Australian Commission on Safety and Quality in Health Care, the Australian Institute of Health and Welfare, the Independent Hospital Pricing Authority, the National Hospital Performance Authority, the National Health Funding Body and the Administrator of the National Health Funding Pool. Information available at the time of issue of this special purpose financial statement indicates that there will be no effect on state pool accounts for the following 12 months.

### (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 financial statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The financial statement was authorised for issue by the Administrator on 19 September 2014.

### (C) NATIONAL HEALTH FUNDING POOL

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

#### (D) ACTIVITY BASED FUNDING (ABF)

ABF is a system for funding public hospital services provided to individual patients using national classifications, cost weights and national efficient prices developed by the Independent Hospital Pricing Authority (IHPA). ABF is paid by both states and territories and the Commonwealth into the Funding Pool.

In 2012–13, ABF consisted of three service categories:

- i. acute admitted services;
- ii. emergency department services; and
- iii. non-admitted services.

In 2013–14, ABF consisted of five service categories:

- i. acute admitted services;
- ii. emergency department services;
- iii. non-admitted services;
- iv. mental health services (not already captured by(i)); and
- v. sub-acute services.

State or territory ABF contributions into the Funding Pool are calculated by the state or territory as the system manager of the public hospital system. The service agreement between the state or territory (as the system manager) and each Local Hospital Network (LHN) specifies the service delivery and funding parameters.

Commonwealth ABF contributions into the Funding Pool are calculated by the Administrator by applying the relevant National Efficient Price (NEP) determination issued by the IHPA, multiplied by the Commonwealth contribution percentage rate for the Jurisdiction, multiplied by the National Weighted Activity Units (NWAU) estimate provided by the Jurisdiction. In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements for a year. Final funding entitlements for the year are calculated after actual data on hospital services become available. This calculation will generally result in reconciliation adjustments being made to the Commonwealth ABF contribution to each LHN.

In accordance with the National Health Reform Agreement (the Agreement), in 2013–14 there were two rounds of reconciliation adjustments relating to actual activity in 2012–13:

- i. a six-monthly adjustment; and
- ii. an annual adjustment.

The six-monthly adjustment was based on the reconciliation between the actual volume of services provided by each LHN in the period 1 July 2012 to 31 December 2012 against the estimated volume of services.

The annual adjustment was based on the reconciliation between the actual volume of services provided by each LHN in 2012–13 against the estimated volume of services. The annual adjustment took into account the six month adjustment and the quantum of cross-border services for the year.

### **(E) 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 2012–13, block funding consisted of five service categories. In 2013–14, block funding consisted of four service categories.

In 2012–13 the Commonwealth calculated block funding on proportions agreed between the Commonwealth Health Minister and each state or territory Health Minister, and supported the following:

- i. small rural hospitals;
- ii. teaching, training and research;
- iii. sub-acute services;
- iv. mental health services; and
- v. other.

In 2013–14 the Commonwealth block funding supported the following:

- i. small rural hospitals;
- ii. teaching, training and research;
- iii. non-admitted mental health; and
- iv. other non-admitted services.

The amount of Commonwealth 2013–14 block funding for each of these block funded service categories was calculated by the Administrator by applying the respective state/territory's 2013–14 Commonwealth contribution percentage of NEP to the total expenditure (Commonwealth and state or territory) of each block funded service category as advised in the IHPA's 2013–14 National Efficient Cost (NEC) determination.

## (F) PUBLIC HEALTH FUNDING

The Commonwealth contributes amounts into the Funding Pool for Public Health Funding. This is calculated by the Commonwealth Treasury and includes amounts for national public health, youth health services and essential vaccines.

## (G) CROSS BORDER

When a resident of one state receives hospital treatment in another state, the 'resident state' compensates the treating or 'provider state' for the cost of care through a cross border payment.

This interstate compensation consists of two parts — the Commonwealth share of the cost of treating the patient (paid through the Funding Pool), and the resident state's share (paid either through the Funding Pool or directly to the provider state).

## (H) 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.

## (I) TAXATION

State Pool Accounts are not subject to income tax. The majority of government funding, from both the Commonwealth and 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.

## (J) DATE OF COMMENCEMENT

The dates of commencement for transacting within the National Health Funding Pool were as follows:

- |                                   |  |
|-----------------------------------|--|
| + New South Wales — 1 July 2012   | + Victoria — 28 September 2012                   |
| + Tasmania — 1 July 2012          | + Northern Territory — 1 October 2012            |
| + Western Australia — 1 July 2012 | + South Australia — 1 October 2012               |
| + Queensland — 1 August 2012      | + Australian Capital Territory —<br>1 March 2013 |

# National Health Reform Funding and Payments



Section 241(2) of the *National Health Reform Act 2011* outlines certain disclosures to be included in this Annual Report.

The information reported is specific to the transactions of the 'relevant state or territory'. For the purposes of this legislative reporting, the 'relevant state or territory' is the state or territory that holds the bank accounts opened under the laws of that state or territory for National Health Reform Agreement purposes.

The values are rounded to the nearest thousand dollars unless otherwise specified. As such, figures may not add to the totals shown due to rounding.

The information disclosed in the following tables is provided by states/territories and forms part of the Administrator's monthly reporting requirements, located at [www.publichospitalfunding.gov.au/reports](http://www.publichospitalfunding.gov.au/reports). For further information on the types of national health reform funding, refer to the 'Overview' chapter of this Annual Report.

The information contained in this chapter is on a national basis; detailed information for each state/territory appears in the chapters following.

The amounts listed for 2012–13 reflect both amounts transacted under national health reform legislation and 'notional' amounts. Notional amounts were funds paid into and out of departmental bank accounts by some states or territories that would have been transacted through the National Health Funding Pool and/or state managed fund had the national health reform funding arrangements been in place from 1 July 2012. The 2012–13 edition of this Annual Report separately disclosed notional amounts and those transacted under national health reform legislation in 2012–13.

**Section 241(2)(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**

State or Territory	Amount paid by State/Territory (\$'000)					
	2013–14			2012–13		
	State Pool Account — ABF*	State Managed Fund — Block	Total	State Pool Account — ABF*	State Managed Fund — Block	Total
New South Wales	5,238,747	1,210,670	6,449,417	4,662,446	2,168,572	6,831,017
Victoria	3,870,426	610,744	4,481,171	3,073,520	1,185,848	4,259,368
Queensland	4,768,902	625,752	5,394,654	4,046,879	1,110,595	5,157,474
Western Australia	2,170,052	598,783	2,768,835	2,654,929	754,837	3,409,766
South Australia	1,848,159	234,911	2,083,070	1,519,989	235,918	1,755,907
Tasmania	350,095	285,588	635,683	247,061	242,086	489,147
Australian Capital Territory	506,596	45,842	552,438	350,054	43,289	393,342
Northern Territory	271,830	389,563	661,393	260,914	256,727	517,640
<b>NATIONAL TOTAL</b>	<b>19,024,807</b>	<b>4,001,854</b>	<b>23,026,661</b>	<b>16,815,791</b>	<b>5,997,871</b>	<b>22,813,661</b>

*\*In accordance with the provisions of the Act, this table does not include interest deposited in the Pool account and cross-border receipts from other states/territories, as these were made from contributors other than the relevant state or territory. Details of these flows are located in the Pool Account Special Purpose Financial Statement of each state/territory.*

For each state/territory's basis of payments, refer to individual state/territory 'National health reform funding and payments' chapters.

**Section 24(12)(b) — the amounts paid into each State Pool Account by the Commonwealth and the basis on which the payments were made**

State or Territory	Amount paid by Commonwealth into State Pool Account (\$'000)									
	2013-14					2012-13				
	Activity based funding	Block funding	Public Health funding	Total	Activity based funding	Block funding	Public Health funding	Total		
New South Wales	3,555,059	684,639	103,150	<b>4,342,849</b>	2,771,509	1,300,577	99,901	<b>4,171,986</b>		
Victoria	2,952,361	450,781	80,034	<b>3,483,176</b>	2,279,067	880,647	75,689	<b>3,235,403</b>		
Queensland	2,384,822	365,254	64,892	<b>2,814,967</b>	2,086,953	483,606	61,829	<b>2,632,388</b>		
Western Australia	1,226,895	256,209	35,297	<b>1,518,400</b>	1,024,177	341,316	32,653	<b>1,398,146</b>		
South Australia	841,671	143,066	23,166	<b>1,007,904</b>	798,102	187,305	23,469	<b>1,008,876</b>		
Tasmania	238,897	46,460	7,090	<b>292,447</b>	233,205	51,887	6,829	<b>291,921</b>		
Australian Capital Territory	247,801	22,064	5,316	<b>275,181</b>	226,866	16,705	4,706	<b>248,277</b>		
Northern Territory	116,628	14,616	3,346	<b>134,590</b>	95,330	44,922	3,527	<b>143,780</b>		
<b>NATIONAL TOTAL</b>	<b>11,564,134</b>	<b>1,983,089</b>	<b>322,291</b>	<b>13,869,514</b>	<b>9,515,210</b>	<b>3,306,964</b>	<b>308,603</b>	<b>13,130,777</b>		

The basis of Commonwealth national health reform funding for 2013–14 (as specified in the National Health Reform Agreement (clause A33)) is as follows:

*For 2013–14, the Commonwealth is providing funding to each state and territory equivalent to the amount that would otherwise have been payable through the former National Healthcare Specific Purpose Payment (SPP). This amount is divided into the following funding streams:*

- a. *the amount for public health activities in 2012–13 indexed by the former National Healthcare SPP growth factor.*
- b. *discrete amounts, calculated by the Administrator based on the IHPA's determination at clause A27, as endorsed by the Council of Australian Government for:*
  - i. *block funded public hospital services provided at each local hospital network;*
  - ii. *teaching and training functions performed at each local hospital network or other organisations (such as universities and training providers); and*
  - iii. *research functions performed at each local hospital network.*
- c. *the residual amount is divided between the following ABF service categories based on advice from the IHPA:*
  - i. *acute admitted public patients,*
  - ii. *eligible private patients,*
  - iii. *emergency department services,*
  - iv. *mental health services (not already captured by clause A33(c)(i)),*
  - v. *eligible non-admitted patient services, and*
  - vi. *sub-acute admitted public patients.*

*Subject to further adjustments for cross-border arrangements, the residual amounts in c) above represent the funds available for Commonwealth activity based funding for each state or territory.*

**Section 24(1)(2)(c) — the amounts paid from each State Pool Account to local hospital networks, a State Managed Fund or other organisations or funds and the basis on which the payments were made**

State or Territory	Amount paid from State Pool Account (including CW and S/T) (\$'000)									
	2013–14					2012–13				
	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	8,715,081	684,639	198,273	9,597,994	7,380,892	1,324,703	154,827	8,860,422		
Victoria	6,822,143	450,781	81,978	7,354,902	5,278,489	880,647	214,926	6,374,062		
Queensland	7,153,724	365,254	65,602	7,584,580	6,134,135	483,302	62,474	6,679,912		
Western Australia	3,396,947	256,209	35,298	3,688,453	3,679,106	341,316	32,653	4,053,075		
South Australia	2,702,840	143,066	23,166	2,869,072	2,310,600	187,305	23,891	2,521,796		
Tasmania	588,992	46,460	7,092	642,544	470,043	51,887	17,072	539,002		
Australian Capital Territory	818,819	22,064	19,619	860,502	576,920	16,705	4,706	598,331		
Northern Territory	388,458	14,616	3,360	406,434	356,243	44,922	3,527	404,693		
<b>NATIONAL TOTAL</b>	<b>30,587,004</b>	<b>1,983,089</b>	<b>434,388</b>	<b>33,004,481</b>	<b>26,186,429</b>	<b>3,330,788</b>	<b>514,077</b>	<b>30,031,294</b>		

For detailed information regarding each state/territory, including basis of payments refer to individual state/territory 'National health reform funding and payments' chapters.

**Section 241(2)(d) — the amounts paid from each State Managed Fund to local hospital networks or other organisations or funds and the basis on which the payments were made**

State or Territory	Amount paid from State Managed Fund (including CW and S/T) (\$'000)						
	2013–14			2012–13			
	Local Hospital Networks	Other organisations or funds	Total	Local Hospital Networks	Other organisations or funds	Total	
New South Wales	1,768,979	126,331	1,895,310	3,368,233	76,788	3,445,021	
Victoria	1,030,827	26,614	1,057,441	2,026,697	39,798	2,066,495	
Queensland	991,006	-	991,006	1,593,800	-	1,593,800	
Western Australia	852,852	-	852,852	1,096,153	-	1,096,153	
South Australia	377,977	-	377,977	423,222	-	423,222	
Tasmania	332,048	-	332,048	280,088	13,885	293,972	
Australian Capital Territory	67,906	-	67,906	59,993	-	59,993	
Northern Territory	404,179	-	404,179	301,649	-	301,649	
<b>NATIONAL TOTAL</b>	<b>5,825,774</b>	<b>152,945</b>	<b>5,978,719</b>	<b>9,149,836</b>	<b>130,471</b>	<b>9,280,307</b>	

For detailed information regarding each state/territory, including basis of payments refer to individual state/territory 'National health reform funding and payments' chapters.

**Section 241(2)(e) — the number of public hospital services funded for each local hospital network in accordance with the system of activity based funding**

State or Territory	Number of ABF public hospital services funded (NWAU)		
	2013–14 Estimate	2012–13 Actual	2012–13 Estimate
New South Wales	2,143,305	1,850,794	1,731,562
Victoria	1,689,796	1,470,988	1,314,041
Queensland	1,297,949	1,135,913	1,263,410
Western Australia	682,068	612,744	618,967
South Australia	538,164	500,886	486,690
Tasmania	114,078	114,082	112,698
Australian Capital Territory	125,570	115,991	115,604
Northern Territory	116,016	102,816	93,194
<b>NATIONAL TOTAL</b>	<b>6,706,945</b>	<b>5,904,214</b>	<b>5,736,167</b>

The National Weighted Activity Unit (NWAU) is the unit of measurement for the activity based funding system. It is a measure of health service activity expressed as a common unit, against which the national efficient price is paid. It provides a way of comparing and valuing each activity based funded public hospital service, by weighting it for its clinical complexity.

States/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. Funding adjustments as a result of the reconciliation to actual public hospital services (NWAU) for 2012–13 form part of the 2013–14 Commonwealth payments.

The amounts listed are aggregates for each state/territory, for detailed state/territory information refer to individual state/territory 'National health reform funding and payments' chapters.

### **Section 241(2)(f) — the number of other public hospital services and functions funded from each State Pool Account or State Managed Fund**

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 National Health Reform Agreement allows for information to be based on the unit measurement classification and funding arrangements used in individual state and territories.

However, in 2012–13 and 2013–14 no state or territory reported 'other public hospital services and functions funded' from the National Health Funding Pool or state managed fund.

# 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 2014**

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



## INDEPENDENT AUDITOR'S REPORT

### National Health Funding Pool

#### To the Administrator of the National Health Funding Pool

As required by the Health Services Act 1997 (NSW) and section 243 of the National Health Reform Act 2011 (Cth), I have audited the accompanying special purpose financial statement of the New South Wales State Pool Account of the National Health Funding Pool (the Financial Statement) for the year ended 30 June 2014. The Financial Statement comprises:

- a Statement of Receipts and Payments for the year ended 30 June 2014
- Notes, containing a summary of significant accounting policies and other explanatory information
- a declaration by the Administrator of the National Health Funding Pool, the Administrator

#### Opinion

In my opinion, the Financial Statement for the year ended 30 June 2014 presents fairly, in all material respects, the financial transactions of the New South Wales State Pool Account and such components of the pool as are disclosed, 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.

#### Basis of Accounting

Without limiting my opinion, I draw attention to Note 1 to the Financial Statement, which describes the purpose of the Financial Statement and the basis of accounting. The Financial Statement has 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 Statement may not be suitable for another purpose.

#### The Responsibility of the Administrator of the National Health Funding Pool New South Wales State Pool Account

The Administrator is responsible for the preparation and fair presentation of the Financial Statement 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) and 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 the presentation of the Financial Statement that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

My responsibility is to express an opinion on the Financial Statement based on my audit. My audit was conducted in accordance with Australian Auditing Standards. Auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

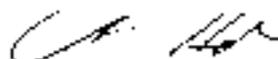
My audit included performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statement. Procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Financial Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the Financial Statement 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Administrator, as well as the overall presentation of the Financial Statement.

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

### Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and relevant ethical requirements. The Public Accountant Act 1991 further prohibits independence by:

- allowing that only Parliament and not the executive government can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies (not provided to the owners of a non-profit service). This ensured the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing a source of income.



S. Kent  
Auditor-General

16 September 2016



**Administrator  
National Health  
Funding Pool**

### **New South Wales State Pool Account**

I report that, as indicated in note 1 (a) to the financial statement, I have determined that the attached special purpose financial statement comprising a receipts and payments account with attached notes provides a 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 2014 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.

*Bob Sendt*

**RJ Sendt**  
Administrator  
National Health Funding Pool

12 September 2014

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New South Wales State Pool Account  
Statement of receipts and payments  
for the year ended 30 June 2014

	Notes	2014 \$ '000	2013 \$ '000
<b>OPENING CASH BALANCE</b>		–	–
<b>RECEIPTS INTO THE STATE POOL ACCOUNT</b>			
<b>From Commonwealth</b>			
Activity based funding	2, 6	3,555,059	2,771,509
Block funding		684,639	1,300,576
Public health funding		103,150	99,901
<b>From New South Wales</b>			
Activity based funding	2, 6	5,160,022	4,609,383
Cross border contribution		78,725	53,063
<b>From other States or Territories</b>			
Cross border receipts	3	14,303	24,127
<b>From Reserve Bank of Australia</b>			
Interest receipts		2,095	1,863
<b>TOTAL RECEIPTS</b>		<b>9,597,993</b>	<b>8,860,422</b>
<b>PAYMENTS OUT OF THE STATE POOL ACCOUNT</b>			
<b>To Local Hospital Networks</b>			
Activity based funding	4, 6	8,715,081	7,380,892
<b>To New South Wales State Managed Fund</b>			
Block funding		684,639	1,300,576
Cross border transfer		–	24,127
<b>To New South Wales Ministry of Health</b>			
Public health funding		103,150	99,901
Interest payments		2,095	1,863
Cross border transfer		14,303	–
<b>To other States or Territories</b>			
Cross border payments	5	78,725	53,063
<b>TOTAL PAYMENTS</b>		<b>9,597,993</b>	<b>8,860,422</b>
<b>NET RECEIPTS/(PAYMENTS) FOR THE YEAR</b>		<b>–</b>	<b>–</b>
<b>CLOSING CASH BALANCE</b>		<b>–</b>	<b>–</b>

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

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (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.

The principal accounting policies adopted in the preparation of the financial statement are set out below. The financial statement is for the New South Wales State Pool Account, which was established at the Reserve Bank of Australia (RBA) in 2012–13 and is a special purpose financial statement.

In its 2014–15 Budget, the Commonwealth announced that it will consult with States and Territories with the intention of creating a new health productivity and performance commission. Subject to this consultation, the new commission would be formed by merging the functions of the Australian Commission on Safety and Quality in Health Care, the Australian Institute of Health and Welfare, the Independent Hospital Pricing Authority, the National Hospital Performance Authority, the National Health Funding Body and the Administrator of the National Health Funding Pool. Information available at the time of issue of this special purpose financial statement indicates that there will be no effect on state pool accounts for the following 12 months.

### (B) BASIS OF PREPARATION

The New South Wales State Pool Account was established in accordance with the New South Wales *Health Services Act 1997* and the special purpose financial statement has been prepared in accordance with 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 financial statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The financial statement was authorised for issue by the Administrator on 12 September 2014.

### **(C) COMPARATIVE FIGURES**

Prior year comparative information has been disclosed. The results for 2012–13 are for a full year of operations and the results for 2013–14 are for the year ended 30 June 2014.

### **(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 (ABF)**

ABF is a system for funding public hospital services provided to individual patients using national classifications, cost weights and national efficient prices developed by the Independent Hospital Pricing Authority (IHPA). ABF is paid by both states and territories and the Commonwealth into the Funding Pool.

In 2012–13, ABF consisted of three service categories:

- i. acute admitted services;
- ii. emergency department services; and
- iii. non–admitted services.

In 2013–14, ABF consisted of five service categories:

- i. acute admitted services;
- ii. emergency department services;
- iii. non–admitted services;
- iv. mental health services (not already captured by(i)); and
- v. sub–acute services.

State or territory ABF contributions into the Funding Pool are calculated by the state or territory as the system manager of the public hospital system. The service agreement between the state or territory (as the system manager) and each Local Hospital Network (LHN) specifies the service delivery and funding parameters.

Commonwealth ABF contributions into the Funding Pool are calculated by the Administrator by applying the relevant National Efficient Price (NEP) determination issued by the IHPA, multiplied by the Commonwealth contribution percentage rate for New South Wales, multiplied by the National Weighted Activity Units (NWAU) estimate provided by New South Wales. In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements for a year. Final funding entitlements for the year are calculated after actual data on hospital services become available. This calculation will generally result in reconciliation adjustments being made to the Commonwealth ABF contribution to each LHN.

In accordance with the National Health Reform Agreement (the Agreement), in 2013–14 there were two rounds of reconciliation adjustments relating to actual activity in 2012–13:

- i. a six-monthly adjustment, and
- ii. an annual adjustment.

The six-monthly adjustment was based on the reconciliation between the actual volume of services provided by each LHN in the period 1 July 2012 to 31 December 2012 against the estimated volume of services.

The annual adjustment was based on the reconciliation between the actual volume of services provided by each LHN in 2012–13 against the estimated volume of services. The annual adjustment took into account the six month adjustment and the quantum of cross-border services for the year.

## **(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 2012–13, block funding consisted of five service categories. In 2013–14, block funding consisted of four service categories.

**New South Wales State Pool Account  
Notes to the special purpose financial statement  
for the year ended 30 June 2014**

In 2012–13 the Commonwealth calculated block funding on proportions agreed between the Commonwealth Health Minister and each state or territory Health Minister, and supported the following:

- i. small rural hospitals;
- ii. teaching, training and research;
- iii. sub-acute services;
- iv. mental health services; and
- v. other.

In 2013–14 the Commonwealth block funding supported the following:

- i. small rural hospitals;
- ii. teaching, training and research;
- iii. non-admitted mental health; and
- iv. other non-admitted services.

The amount of Commonwealth 2013–14 block funding for each of these block funded service categories was calculated by the Administrator by applying the New South Wales 2013–14 Commonwealth contribution percentage of NEP to the total expenditure (Commonwealth and state or territory) of each block funded service category as advised in the IHPA's 2013–14 National Efficient Cost (NEC) determination.

### **(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 amounts for national public health, youth health services and essential vaccines.

### **(H) CROSS BORDER**

When a resident of one state receives hospital treatment in another state, the 'resident state' compensates the treating or 'provider state' for the cost of care through a cross border payment.

This interstate compensation consists of two parts — the Commonwealth share of the cost of treating the patient (paid through the Funding Pool), and the resident state's share (paid either through the Funding Pool or directly to the provider state).

**(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 both the Commonwealth and 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.

**2 ACTIVITY BASED FUNDING RECEIPTS**

Total receipts paid into the New South Wales State Pool Account in respect of activity based funding were as follows:

	2014 \$ '000	2013 \$ '000
Commonwealth activity based funding	3,555,059	2,771,509
New South Wales activity based funding	5,160,022	4,609,383
<b>TOTAL</b>	<b>8,715,081</b>	<b>7,380,892</b>

### 3 CROSS BORDER RECEIPTS

Total cross border receipts into the New South Wales State Pool Account from other states and territories were as follows:

States and Territories	2014 \$ '000	2013 \$ '000
<b>Cross border receipts</b>		
Victoria	-	24,127
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Australian Capital Territory	14,303	-
Tasmania	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>14,303</b>	<b>24,127</b>

Where no cross border receipts are reported through the New South Wales State Pool Account, other bilateral arrangements between the states and territories may exist.

## 4 ACTIVITY BASED FUNDING PAYMENTS

Total payments made out of the New South Wales State Pool Account in respect of each local hospital network were as follows:

<b>Local Hospital Networks</b>	<b>2014 \$ '000</b>	<b>2013 \$ '000</b>
Central Coast Local Health District	432,451	331,502
Far West Local Health District	51,465	38,858
Hunter New England Local Health District	920,314	817,230
Illawarra Shoalhaven Local Health District	480,978	388,328
Mid North Coast Local Health District	281,098	264,371
Murrumbidgee Local Health District	193,571	164,644
Nepean Blue Mountains Local Health District	452,413	324,915
Northern NSW Local Health District	383,507	326,809
Northern Sydney Local Health District	751,323	591,552
South Eastern Sydney Local Health District	939,375	775,809
South Western Sydney Local Health District	1,019,125	872,279
Southern NSW Local Health District	179,194	122,035
St Vincents Health Network	235,783	236,669
Sydney Local Health District	862,792	734,551
Sydney Children's Hospital Network	387,284	368,596
Western NSW Local Health District	324,889	235,380
Western Sydney Local Health District	819,519	787,364
<b>TOTAL</b>	<b>8,715,081</b>	<b>7,380,892</b>

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.

## 5 CROSS BORDER PAYMENTS

Total cross border payments out of the New South Wales State Pool Account to other states and territories were as follows:

States and Territories	2014 \$ '000	2013 \$ '000
<b>Cross border payments</b>		
Victoria	-	53,063
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Australian Capital Territory	78,725	-
Tasmania	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>78,725</b>	<b>53,063</b>

Where no cross border payments are reported through the New South Wales State Pool Account, there may be other bilateral arrangements between the states and territories.

## 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 were as follows:

	2014 \$ '000	2013 \$ '000
Total activity based funding receipts from New South Wales	5,160,022	4,609,383
Total activity based funding receipts from the Commonwealth	3,555,059	2,771,509
Less activity based funding payments to local hospital networks	(8,715,081)	(7,380,892)
<b>PAYMENTS IN EXCESS OF RECEIPTS</b>	<b>-</b>	<b>-</b>

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 be paid to local hospital networks.

**End of Audited Special Purpose Financial Statement.**

# National Health Reform Funding and Payments



Section 241(2) of the *National Health Reform Act 2011* (the Act) outlines certain disclosures to be included in this Annual Report.

The information reported is specific to the transactions of the 'relevant state or territory'. For the purposes of this legislative reporting, the 'relevant state or territory' is the state or territory that holds the bank accounts opened under the laws of that state or territory for National Health Reform Agreement purposes.

The values are rounded to the nearest thousand dollars unless otherwise specified. As such, figures may not add to the totals shown due to rounding.

The information disclosed in the following tables is provided by New South Wales and forms part of the Administrator's monthly reporting requirements, located at [www.publichospitalfunding.gov.au/reports](http://www.publichospitalfunding.gov.au/reports). For further information on the types of national health reform funding, refer to the 'Overview' chapter of this Annual Report.

### **Section 241(2)(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**

Component	Amount paid by New South Wales (\$'000)	
	2013–14	2012–13
State Pool Account — Activity based funding*	5,238,747	4,662,446
State Managed Fund — Block funding	1,210,670	2,168,572
<b>NSW TOTAL</b>	<b>6,449,417</b>	<b>6,831,017</b>

*\*In accordance with the provisions of the Act, this table does not include Interest deposited in the Pool account and cross-border receipts from other states/territories, as these were made from contributors other than the relevant state or territory. Details of these flows are located in the Pool Account Special Purpose Financial Statement of each state/territory.*

The basis used to determine New South Wales national health reform funding and payments for 2013–14 (at June 2014) was advised by the New South Wales Ministry of Health to be as follows:

#### ***BASIS USED TO DETERMINE NHR PAYMENTS TO LOCAL HOSPITAL NETWORKS (LHNS) — NEW SOUTH WALES***

*The process for determining 2013–14 NHR payments to LHNS encompassed three distinct elements of preparation for the individual LHN Service Agreements, including development of annual activity estimates, discussion/negotiation of activity levels with individual LHNS, and total state-wide activity across each activity type.*

*Consistent with last year's methodology and pursuant with the National Health Reform Agreement (NHRA), the Ministry of Health has adopted the National Weighted Activity Unit (NWAU) as the currency for Activity Based Funding with the applicable version being NWAU13, which is different from the previous year (NWAU12). In addition, the scope of services under the NHRA from 1 July 2013 has now been expanded to include Mental Health services (Admitted only) and Sub and non acute services (Admitted and Non-Admitted), as such a greater number of facilities are now in scope for ABF.*

*The Independent Hospital Pricing Authority (IHPA) has also introduced a National Efficient Cost funding model that applies to small regional and remote hospitals. NSW has adopted the mechanics of this funding model expressed in a matrix to determine the funding allocation to LHNs for these small hospitals.*

*Ensuring access to health services for local populations is a key objective of NSW health policy. The Health Services Act 1997 stipulates that in determining LHN budgets, the Minister have regard to the size and health needs of the local population and provision of services to residents outside the local area. Accordingly, targets are adjusted considering factors appropriate to each LHN and service type, rather than simple extrapolation from historical activity data. The factors considered are reviewed on an annual basis.*

*In 2013–14 a series of elements were applied to each in scope service stream to ensure that activity targets are tailored to the requirements and patterns of each LHN. Activity targets are developed by the Ministry and LHNs based on analysis of activity levels over four years to 2011–12 plus forecast 2012–13 activity. This analysis was further informed in 2013–14 by the following factors:*

- + Weighted population change: providing an indication of expected 'natural' growth*
- + Rate of unplanned re-admissions within 28 days, to offset growth*
- + Potentially preventable hospitalisation (PPH), to offset growth*
- + Relative Utilisation Rate (RUR) and Health Need Index (HNI)*
- + Inter-district and cross-border flows (where relevant)*
- + Current year activity relative to targets*
- + Known service changes and developments, including planned capacity increases.*

*Price weight adjustments which are being applied in 2013–14 include:*

- + Specialist paediatric hospitals*
- + Aboriginal patients*
- + Patients from outer regional, remote or very remote locations*
- + Private patients (service and accommodation adjustments).*

*Provisional activity estimates are generally created at a facility level to provide the basis for discussion and negotiation with individual health services to determine agreed LHN level activity targets, with the activity volumes measured using the weights for each Service Category. Additionally, where applicable, activity estimation is split by financial class to allow differential funding mechanisms to be applied to the respective service groups to reflect the variation in funding source. These financial classes include Public, Private and Compensable (DVA, MVA, Workers Compensation, Other Compensable).*

*Provisional estimates and historical activity measures provide the basis for discussions with individual Health Services and subsequent negotiations for approval or adjustment.*

*The negotiation process allows for relevant local LHN service issues and activity impact to be communicated with the NSW Ministry of Health (Ministry) to assess the potential impact on future year activity volumes and the relevance of related service strategies to address these. It is important that negotiation processes recognise that funding and purchasing are undertaken in the environment of a capped State / Commonwealth funding pool for 2013–14 and recognition that NSW contributes the larger portion of these funds as well as being responsible for management of the system as a whole. When negotiations have concluded, the Ministry incorporates the final activity targets in each LHN's annual Service Agreement. Where an LHN achieves delivery of selected services through Affiliated Health Organisations or contracted services with a private provider these arrangements are to be specified in agreements between the LHN and the respective provider. Both the funding (and subsidy) and associated activity pertaining to such providers are included in the budget and the activity estimates appearing in the LHN's annual Service Agreement.*

*Cash payments processed within the National Health Funding Pool (NHFP) Payments System and included within the Administrator's monthly reports are based on the accrued budget for both ABF and in-scope block funding derived from the LHN Service Agreements after deducting an allowance to recognise own sourced revenue earned, and retained by the LHNs and liabilities for superannuation and long service leave which are accepted by the Crown.*

*The resultant cash value is processed through the state pool account (ABF) or the state managed fund (in-scope block). Although a consistent methodology has been applied, variations in cash prices between LHNs reflect the differing mix of the above components (own sourced revenue and Crown accepted liabilities) of each local hospital network's accrued cost.*

*In addition to receiving weekly cash payments from the state pool account and the state managed fund, LHNs also receive direct State Government funding for 2013–14 for all "out of scope" services not subject to the National Health Reform Agreement arrangements as required under their 2013–14 Service Agreements.*

#### **MONTHLY REPORTS — BASIS ON WHICH PAYMENTS WERE MADE**

*For NSW, all dollar values included in the tables issued by the Administrator are cash payments from either the NSW state pool account to LHNs or cash payments from the state managed fund to LHNs, and one exception that requires a quarterly cash payment to the Victorian Department of Health for NSW contribution for the Albury–Wodonga inter-jurisdictional agreement.*

*The weekly cash payment to an LHN reflects the estimated cost of patient related services anticipated to be delivered during the monthly cash payment period. The estimated monthly activity and the weekly cash payments are determined based on the annual LHN Service Agreements.*

*Cash payments from the NSW state pool account and from the state managed fund to LHNs are processed each Tuesday. Reporting by the Administrator is based on cash payments made during a given month and is therefore dependent on the number of Tuesdays in a particular month. During 2013–14, July 2013, October 2013, December 2013 and April 2014 each have five Tuesdays, with all other months having four Tuesdays. If accrual accounting principles were being applied within the NHFA Payments System, the value of the reported cash payments would recognise only the number of calendar days in a particular month, not the 35 days (five weeks paid) or 28 days (four weeks paid), as reported by the Administrator.*

*Cash payments to LHNs from both the NSW state pool account and state managed fund are generally calculated based on equal weekly instalments to health services unless otherwise negotiated.*

*Other payments will occur in 2013–14 that are outside the regular weekly (Tuesday) payment cycle. Such payments include the full year insurance premium, quarterly payments to the Australian Red Cross Blood Service, quarterly payments to Victoria Health for the Albury–Wodonga inter-jurisdictional agreement and payments to other States/Territories for NSW residents treated in their public hospitals. Payments to LHNs may also vary where their cash entitlement alters during the financial year.*

*Monthly comparison of cash payments from the NSW state pool and state managed fund can vary month to month predominately due to these planned payments.*

*Adjustments are made for cash flow needs and costs administered by the Ministry of Health on behalf of LHDs. Due to the timing and processing of these adjustments, Nepean Blue Mountains Local Health District shows a negative amount for the block payment in June 2014.*

*The cash payments from the NSW state pool account or state managed fund do not reflect the full budgeted funding available to health services in NSW. Other sources of funds available to LHNs include separate payments from the Crown (for example, defined superannuation scheme and long service leave cash recovery) as well as own sourced revenues earned and retained by each LHN.*

*In June 2014, the residual amount of May Commonwealth funding (\$7,149,404.58) in the NSW state pool account relating to Western Sydney Local Health District was disbursed.*

*Due to cashflow timing needs, the State was required to make an additional deposit into the NHFP to meet operational requirements in the first week of June prior to the Commonwealth making its monthly payment to the NHFP in the second week of June. The value of this cashflow timing payment by the State was \$24,795,608.65. It was disbursed to the following LHNs: Hunter New England Local Health District (\$10,097,958.44), Murrumbidgee Local Health District (\$5,679,367.54), Western NSW Local Health District (\$4,590,326.50), Western Sydney Local Health District (\$732,639.81) and St Vincents Health Network (\$3,695,316.36). This money was re-cashflowed once the Commonwealth had made its deposit. This cashflow adjustment was one off and related solely to ensuring the timing of payments into the NHFP matched disbursements.*

*In 2013–14, LHNs were fully paid their State and Commonwealth entitlement.*

*For more information on budget allocations, see the 2013–14 LHN Service Agreements which are available on each NSW LHN website from 1 September 2013.*

*Between March and June 2014, the Commonwealth provided New South Wales with additional public hospital funding of \$44,543,791.21 under the funding measure: National Partnership on public hospital system — additional funding. This funding was provided to offset the downward adjustments to 2013–14 NHR funding applied at the 2013–14 Mid-Year Economic and Fiscal Outlook (MYEFO) and the 2014–15 Budget, due to the application of updated NHR funding indexation parameters. A requirement of the provision of this funding was that it is passed on in full through the National Health Funding Pool and / or State Managed Fund to LHNs for activity based and block funding, and state and territory health departments for public health funding.*

**Section 241(2)(b) — the amounts paid into each State Pool Account by the Commonwealth and the basis on which the payments were made**

Component	Amount paid by Commonwealth into NSW State Pool Account (\$'000)	
	2013–14	2012–13
Activity based funding	3,555,059	2,771,509
Block funding	684,639	1,300,577
Public Health funding	103,150	99,901
<b>NSW TOTAL</b>	<b>4,342,849</b>	<b>4,171,986</b>

For the Commonwealth basis of payments, refer to part b) of the 'National health reform funding and payments — National' chapter.

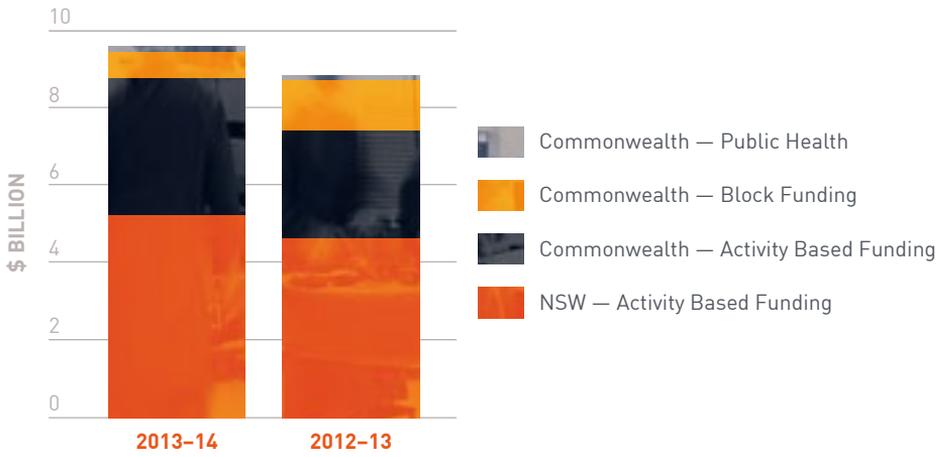
**Section 241(2)(c) — the amounts paid from each State Pool Account to local hospital networks, a State Managed Fund or other organisations or funds and the basis on which the payments were made**

Recipient	Amount paid from NSW State Pool Account (\$'000)	
	2013–14	2012–13
Central Coast Local Health District	432,451	331,502
Far West Local Health District	51,465	38,858
Hunter New England Local Health District	920,314	817,230
Illawarra Shoalhaven Local Health District	480,978	388,328
Mid North Coast Local Health District	281,098	264,371
Murrumbidgee Local Health District	193,571	164,644
Nepean Blue Mountains Local Health District	452,413	324,915
Northern NSW Local Health District	383,507	326,809
Northern Sydney Local Health District	751,323	591,552
South Eastern Sydney Local Health District	939,375	775,809
South Western Sydney Local Health District	1,019,126	872,278
Southern NSW Local Health District	179,194	122,035
St Vincent's Health Network	235,783	236,669
Sydney Children's Hospitals Network	387,284	368,596
Sydney Local Health District	862,792	734,551
Western NSW Local Health District	324,889	235,380
Western Sydney Local Health District	819,519	787,364
<b>TOTAL LOCAL HOSPITAL NETWORKS</b>	<b>8,715,081</b>	<b>7,380,892</b>
<b>STATE MANAGED FUND</b>	<b>684,639</b>	<b>1,324,703</b>
<b>OTHER ORGANISATIONS OR FUNDS*</b>	<b>198,273</b>	<b>154,827</b>
<b>NSW TOTAL</b>	<b>9,597,994</b>	<b>8,860,422</b>

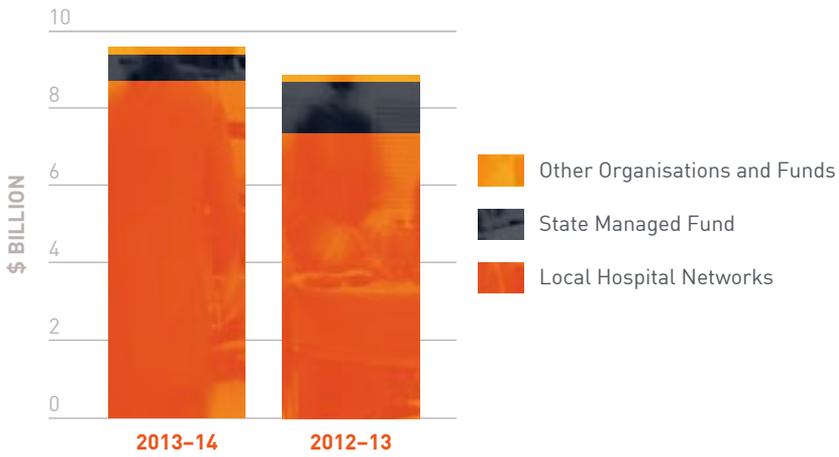
\*Includes a New South Wales cross-border contribution to other states or territories.

For the New South Wales basis of payments, refer to part a) of this chapter.

### PAYMENTS INTO THE POOL — NSW



### PAYMENTS OUT OF THE POOL — NSW



**Section 241(2)(d) — the amounts paid from each State Managed Fund to local hospital networks or other organisations or funds and the basis on which the payments were made**

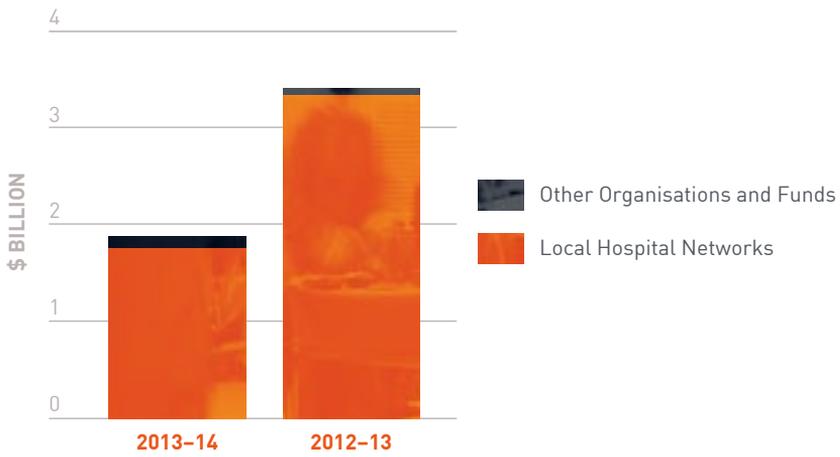
Recipient	Amount paid from NSW State Managed Fund (\$'000)	
	2013–14	2012–13
Central Coast Local Health District	48,635	151,577
Far West Local Health District	19,310	30,040
Hunter New England Local Health District	330,633	517,257
Illawarra Shoalhaven Local Health District	64,482	177,067
Justice Health and Forensic Mental Health Network	130,251	48,277
Mid North Coast Local Health District	79,528	108,348
Murrumbidgee Local Health District	138,105	172,222
Nepean Blue Mountains Local Health District	51,533	131,313
Northern NSW Local Health District	77,644	157,192
Northern Sydney Local Health District	187,575	340,403
South Eastern Sydney Local Health District	60,628	247,045
South Western Sydney Local Health District	57,585	231,386
Southern NSW Local Health District	58,631	116,732
St Vincent's Health Network	22,935	58,494
Sydney Children's Hospitals Network	34,525	56,436
Sydney Local Health District	106,153	299,169
Western NSW Local Health District	161,054	327,457
Western Sydney Local Health District	139,771	197,818
<b>TOTAL LOCAL HOSPITAL NETWORKS</b>	<b>1,768,979</b>	<b>3,368,233</b>
<b>OTHER ORGANISATIONS OR FUNDS</b>	<b>126,331</b>	<b>76,788</b>
<b>NSW TOTAL</b>	<b>1,895,310</b>	<b>3,445,021</b>

For the New South Wales basis of payments, refer to part a) of this chapter.

### PAYMENTS INTO THE STATE MANAGED FUND — NSW



### PAYMENTS OUT OF THE STATE MANAGED FUND — NSW



**Section 241(2)(e) — the number of public hospital services funded for each local hospital network in accordance with the system of activity based funding**

Local Hospital District	Number of ABF public hospital services funded (NWAU)		
	2013–14 Estimate	2012–13 Actual	2012–13 Estimate
Central Coast Local Health District	103,176	80,723	84,725
Far West Local Health District	9,334	8,779	10,232
Hunter New England Local Health District	223,398	192,949	208,303
Illawarra Shoalhaven Local Health District	114,123	102,482	84,073
Mid North Coast Local Health District	72,218	60,554	60,088
Murrumbidgee Local Health District	46,219	36,889	35,131
Nepean Blue Mountains Local Health District	102,809	88,714	69,316
Northern NSW Local Health District	88,918	82,366	74,947
Northern Sydney Local Health District	176,996	140,469	141,176
South Eastern Sydney Local Health District	243,356	199,184	180,524
South Western Sydney Local Health District	246,888	235,984	217,983
Southern NSW Local Health District	39,915	27,020	27,031
St Vincent's Health Network	68,707	53,238	52,334
Sydney Children's Hospitals Network	93,199	83,149	82,362
Sydney Local Health District	204,740	189,599	180,897
Western NSW Local Health District	78,252	60,718	57,898
Western Sydney Local Health District	231,057	207,976	164,543
<b>NSW TOTAL</b>	<b>2,143,305</b>	<b>1,850,794</b>	<b>1,731,562</b>

The National Weighted Activity Unit (NWAU) is the unit of measurement for the activity based funding system. It is a measure of health service activity expressed as a common unit, against which the national efficient price is paid. It provides a way of comparing and valuing each activity based funded public hospital service, by weighting it for its clinical complexity.

New South Wales provides 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. Funding adjustments as a result of the reconciliation to actual public hospital services (NWAU) for 2012–13 form part of the 2013–14 Commonwealth payments.

### **Section 241(2)(f) — the number of other public hospital services and functions funded from each State Pool Account or State Managed Fund**

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 National Health Reform Agreement allows for information to be based on the unit measurement classification and funding arrangements used in individual state and territories.

However, in 2012–13 and 2013–14 New South Wales did not report any 'other public hospital services and functions funded' from their Pool Account or state managed fund.

# VICTORIA



# Financial Statement



**NATIONAL HEALTH FUNDING POOL —  
VICTORIAN STATE POOL ACCOUNT  
SPECIAL PURPOSE FINANCIAL STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2014**

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

VAGO

Victorian Auditor-General's Office

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## INDEPENDENT AUDITOR'S REPORT

### To the Administrator, National Health Funding Pool – Victorian State Pool Account

#### *The Financial Statement*

The accompanying financial statement for the period ended 30 June 2014, being a special purpose financial statement, of the Victorian State Pool Account of the National Health Funding Pool which comprises a statement of receipts and payments, notes comprising a summary of significant accounting policies and other explanatory information, and the Administrator's declaration has been audited.

#### *The Responsibility of the Administrator of the National Health Funding Pool for the Financial Statement*

The Administrator of the National Health Funding Pool (the Administrator) is responsible for the preparation of the financial statement that gives a true and fair view in accordance with the financial reporting provisions of the *National Health Reform Act 2011*, and has determined that the basis of preparation described in note 1(b) to the financial statement is appropriate. The Administrator is also responsible 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.

#### *Auditor's Responsibility*

As required by section 243 of the *National Health Reform Act 2011*, my responsibility is to express an opinion on the financial statement based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the Administrator's preparation of the financial statement 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Administrator, as well as evaluating the overall presentation of the financial statement.

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

*Auditing in the Public Interest*

**Independent Auditor's Report (continued)***Independence*

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

*Opinion*

In my opinion, the financial statement gives a true and fair view of the receipts and payments of the Victorian State Pool Account of the National Health Funding Pool for the year ended 30 June 2014 in accordance with the basis of preparation described in note 1(b), and the financial reporting provisions of the *National Health Reform Act 2011*.

*Basis of Accounting for Financial Statement*

Without modifying my opinion, I draw attention to Note 1(b) to the financial statement, which describes the purpose of the financial statement and 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 *National Health Reform Act 2011*. As a result, the financial statement may not be suitable for another purpose.

*Matters Relating to the Electronic Publication of the Audited Financial Statement*

This auditor's report relates to the financial statement of the Victorian State Pool Account for the period ended 30 June 2014 included in the National Health Funding Pool Administrator's annual report. The auditor's report may be posted on the National Health Funding Pool Administrator's website or the Victorian Department of Health's website. The Administrator of the National Health Funding Pool and the Secretary of the Victorian Department of Health are responsible for the integrity of their respective websites. I have not been engaged to report on the integrity of these websites. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial statement are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statement to confirm the information contained in the website version of the financial statement.

MELBOURNE  
1 August 2014

  
For John Doyle  
Auditor-General

*Auditing in the Public Interest*



**Administrator**  
National Health  
Funding Pool

### **Victorian State Pool Account**

I report that, as indicated in note 1 (a) to the financial statement, I have determined that the attached special purpose financial statement comprising a receipts and payments account with attached notes provides a fair presentation in accordance with the Commonwealth *National Health Reform Act 2011* and the National Health Reform Agreement 2011.

In my opinion, the attached financial statement for the year ended 30 June 2014 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.

**RJ Sendt**  
Administrator  
National Health Funding Pool

29 July 2014

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Victorian State Pool Account  
Statement of receipts and payments  
for the year ended 30 June 2014

	Notes	2014 \$ '000	2013 \$ '000
<b>OPENING CASH BALANCE</b>		–	–
<b>RECEIPTS INTO THE STATE POOL ACCOUNT</b>			
<b>From Commonwealth</b>			
Activity based funding	2, 6	2,952,361	1,690,549
Block funding		450,781	653,237
Public health funding		80,034	56,386
<b>From Victoria</b>			
Activity based funding	2, 6	3,870,426	2,108,527
Cross border contribution		–	–
<b>From other States or Territories</b>			
Cross border receipts	3, 7	–	63,286
<b>From Reserve Bank of Australia</b>			
Interest receipts		1,300	1,853
<b>TOTAL RECEIPTS</b>		<b>7,354,902</b>	<b>4,573,838</b>
<b>PAYMENTS OUT OF THE STATE POOL ACCOUNT</b>			
<b>To Local Hospital Networks</b>			
Activity based funding	4	6,822,143	3,724,978
<b>To Victorian State Managed Fund</b>			
Block funding		450,781	653,237
Cross border transfer		–	–
<b>To Victorian Health</b>			
Public health funding		80,034	56,386
Interest payments		1,300	1,853
Cross border transfer	7	–	39,159
Withdrawal of over-deposit	6	644	74,098
<b>To other States or Territories</b>			
Cross border payments	5, 7	–	24,127
<b>TOTAL PAYMENTS</b>		<b>7,354,902</b>	<b>4,573,838</b>
<b>NET RECEIPTS/(PAYMENTS) FOR THE YEAR</b>		<b>–</b>	<b>–</b>
<b>CLOSING CASH BALANCE</b>		<b>–</b>	<b>–</b>

The above statement of receipts and payments should be read in conjunction with the accompanying notes. Additional notes on the right hand page.

*The results for 2013–14 year represent the operations for the financial year ended 30 June 2014.*

*The results for 2012–13 represent the operations for the period from 28 September 2012 to 30 June 2013.*

*The Victorian State Pool Account commenced operations on 28 September 2012.*

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (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.

The principal accounting policies adopted in the preparation of the financial statement are set out below. The financial statement is for the Victorian State Pool Account, which was established at the Reserve Bank of Australia (RBA) in 2012–13 and is a special purpose financial statement.

In its 2014–15 Budget, the Commonwealth announced that it will consult with States and Territories with the intention of creating a new health productivity and performance commission. Subject to this consultation, the new commission would be formed by merging the functions of the Australian Commission on Safety and Quality in Health Care, the Australian Institute of Health and Welfare, the Independent Hospital Pricing Authority, the National Hospital Performance Authority, the National Health Funding Body and the Administrator of the National Health Funding Pool. Information available at the time of issue of this special purpose financial statement indicates that there will be no effect on state pool accounts for the following 12 months.

### (B) BASIS OF PREPARATION

The Victorian State Pool Account was established in accordance with the Victorian *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 financial statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The financial statement was authorised for issue by the Administrator on 29 July 2014.

### **(C) COMPARATIVE FIGURES**

Prior year comparative information has been disclosed. The results for 2012–13 are for the period from 28 September 2012 to 30 June 2013 and the results for 2013–14 are for the year ended 30 June 2014.

### **(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 (ABF)**

ABF is a system for funding public hospital services provided to individual patients using national classifications, cost weights and national efficient prices developed by the Independent Hospital Pricing Authority (IHPA). ABF is paid by both states and territories and the Commonwealth into the Funding Pool.

In 2012–13, ABF consisted of three service categories:

- i. acute admitted services;
- ii. emergency department services; and
- iii. non-admitted services.

In 2013–14, ABF consisted of five service categories:

- i. acute admitted services;
- ii. emergency department services;
- iii. non-admitted services;
- iv. mental health services (not already captured by(i)); and
- v. sub-acute services

State or territory ABF contributions into the Funding Pool are calculated by the state or territory as the system manager of the public hospital system. The service agreement between the state or territory (as the system manager) and each Local Hospital Network (LHN) specifies the service delivery and funding parameters.

Commonwealth ABF contributions into the Funding Pool are calculated by the Administrator by applying the relevant National Efficient Price (NEP) determination issued by the IHPA, multiplied by the Commonwealth contribution percentage rate for Victoria, multiplied by the National Weighted Activity Units (NWAU) estimate provided by Victoria. In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements for a year. Final funding entitlements for the year are calculated after actual data on hospital services become available. This calculation will generally result in reconciliation adjustments being made to the Commonwealth ABF contribution to each LHN.

In accordance with the National Health Reform Agreement (the Agreement), in 2013–14 there were two rounds of reconciliation adjustments relating to actual activity in 2012–13:

- i. a six-monthly adjustment, and
- ii. an annual adjustment.

The six-monthly adjustment was based on the reconciliation between the actual volume of services provided by each LHN in the period 1 July 2012 to 31 December 2012 against the estimated volume of services.

The annual adjustment was based on the reconciliation between the actual volume of services provided by each LHN in 2012–13 against the estimated volume of services. The annual adjustment took into account the six month adjustment and the quantum of cross-border services for the year.

## **(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.

**Victorian State Pool Account  
Notes to the special purpose financial statement  
for the year ended 30 June 2014**

In 2012–13, block funding consisted of five service categories. In 2013–14, block funding consisted of four service categories.

In 2012–13 the Commonwealth calculated block funding on proportions agreed between the Commonwealth Health Minister and each state or territory Health Minister, and supported the following:

- i. small rural hospitals;
- ii. teaching, training and research;
- iii. sub-acute services;
- iv. mental health services; and
- v. other.

In 2013–14 the Commonwealth block funding supported the following:

- i. small rural hospitals;
- ii. teaching, training and research;
- iii. non-admitted mental health; and
- iv. other non-admitted services.

The amount of Commonwealth 2013–14 block funding for each of these block funded service categories was calculated by the Administrator by applying the Victorian 2013–14 Commonwealth contribution percentage of NEP to the total expenditure (Commonwealth and state or territory) of each block funded service category as advised in the IHPAs 2013–14 National Efficient Cost (NEC) determination.

**(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 amounts for national public health, youth health services and essential vaccines.

## (H) CROSS BORDER

When a resident of one state receives hospital treatment in another state, the 'resident state' compensates the treating or 'provider state' for the cost of care through a cross border payment.

This interstate compensation consists of two parts — the Commonwealth share of the cost of treating the patient (paid through the Funding Pool), and the resident state's share (paid either through the Funding Pool or directly to the provider state).

## (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 both the Commonwealth and 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.

## 2 ACTIVITY BASED FUNDING RECEIPTS

Total receipts into the Victorian State Pool Account in respect of activity based funding were as follows:

	2014 \$ '000	2013 \$ '000
Commonwealth activity based funding	2,952,361	1,690,549
Victorian activity based funding	3,870,426	2,108,527
<b>TOTAL</b>	<b>6,822,787</b>	<b>3,799,076</b>

### 3 CROSS BORDER RECEIPTS

Total cross border receipts into the Victorian State Pool Account from other states and territories were as follows:

States and Territories	2014 \$ '000	2013 \$ '000
<b>Cross border receipts</b>		
New South Wales	-	53,063
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Australian Capital Territory	-	-
Tasmania	-	10,223
Northern Territory	-	-
<b>TOTAL</b>	<b>-</b>	<b>63,286</b>

Where no cross border receipts are reported through the Victorian State Pool Account, other bilateral arrangements between the states and territories may exist.

### 4 ACTIVITY BASED FUNDING PAYMENTS

Total payments made out of the Victorian State Pool Account in respect of each local hospital network were as follows:

Local Hospital Networks	2014 \$ '000	2013 \$ '000
Albury Wodonga Health	78,215	41,623
Alfred Health	528,087	288,517
Austin Health	462,564	248,735
Bairnsdale Regional Health Service	40,754	24,105
Ballarat Health Services	171,621	94,308
Barwon Health	316,928	168,729
Bass Coast Regional Health	23,547	11,972

*Continued.*

**Victorian State Pool Account**  
**Notes to the special purpose financial statement**  
**for the year ended 30 June 2014**

VICTORIA

<b>Local Hospital Networks</b>	<b>2014</b> <b>\$ '000</b>	<b>2013</b> <b>\$ '000</b>
Benalla Health	14,879	9,003
Bendigo Health Care Group	162,977	84,778
Calvary Health Care Bethlehem	23,137	–
Castlemaine Health	16,436	7,164
Central Gippsland Health Service	44,859	25,960
Colac Area Health	19,214	11,973
Contracted Services LHN Victoria	43,509	–
Djerriwarrh Health Services	33,912	22,227
East Grampians Health Service	13,754	8,840
Eastern Health	526,579	267,408
Echuca Regional Health	29,553	17,680
Gippsland Southern Health Service	15,186	9,333
Goulburn Valley Health	110,572	58,750
Kyabram and District Health Service	11,020	7,221
Latrobe Regional Hospital	121,798	61,726
Maryborough District Health Service	13,642	9,299
Melbourne Health	478,495	214,632
Mercy Public Hospitals Incorporated	222,789	122,519
Monash Health	883,119	487,865
Northeast Health Wangaratta	69,122	40,096
Northern Health	279,826	151,279
Peninsula Health	306,518	159,960
Peter MacCallum Cancer Institute	75,689	51,913
Portland District Health	18,833	11,223
Ramsay Healthcare Australia (Mildura Base Hospital) *	78,231	43,728
The Royal Victorian Eye and Ear Hospital	65,953	47,167
South West Healthcare	83,230	47,622
St Vincent's Hospital (Melbourne)	353,055	199,289
Stawell Regional Health	11,078	6,859

*Continued.*

Victorian State Pool Account  
Notes to the special purpose financial statement  
for the year ended 30 June 2014

Local Hospital Networks	2014 \$ '000	2013 \$ '000
Swan Hill District Hospital	25,667	16,440
The Royal Children's Hospital	313,871	205,868
The Royal Women's Hospital	165,315	102,723
West Gippsland Healthcare Group	48,972	25,642
Western District Health Service	28,765	18,145
Western Health	451,394	269,481
Wimmera Health Care Group	39,478	23,176
<b>TOTAL</b>	<b>6,822,143</b>	<b>3,724,978</b>

\* Previously known as MTAA Superannuation Fund — Mildura Base Hospital.

Payments are made from the Victorian State Pool Account in accordance with the directions of the Victorian Health Minister.

## 5 CROSS BORDER PAYMENTS

Total cross border payments out of the Victorian State Pool Account to other states and territories were as follows:

States and Territories	2014 \$ '000	2013 \$ '000
<b>Cross border payments</b>		
New South Wales	–	24,127
Queensland	–	–
Western Australia	–	–
South Australia	–	–
Australian Capital Territory	–	–
Tasmania	–	–
Northern Territory	–	–
<b>TOTAL</b>	<b>–</b>	<b>24,127</b>

Where no cross border payments are reported through the Victorian State Pool Account, there may be other bilateral arrangements between the states and territories.

## 6 WITHDRAWAL OF OVER-DEPOSIT

Total Victorian and Commonwealth activity based funding contribution and total local hospital network activity based funding payments were as follows:

	2014 \$ '000	2013 \$ '000
Total activity based funding receipts from the Commonwealth	2,952,361	1,690,549
Total activity based funding receipts from Victoria	3,870,426	2,108,527
Less activity based funding payments to local hospital networks	(6,822,143)	(3,724,978)
<b>WITHDRAWAL OF OVER-DEPOSIT</b>	<b>644</b>	<b>74,098</b>

For 2014 the difference relates to withdrawals to the Victorian Department of Health of \$644k (June 2014) which resulted in the net zero [\$0] cash balance at year end as reported on the face statement.

For 2013 the difference relates to withdrawals to the Victorian Department of Health of \$24.759m (May 2013) and \$49.339m (June 2013) which resulted in the net zero [\$0] cash balance at year end as reported on the face statement.

## 7 WITHDRAWAL OF NET CROSS BORDER RECEIPTS

	2014 \$ '000	2013 \$ '000
Cross border receipt as per note 3	-	63,286
Cross border payment as per note 5	-	(24,127)
<b>WITHDRAWAL OF NET CROSS BORDER RECEIPTS</b>	<b>-</b>	<b>39,159</b>

**End of Audited Special Purpose Financial Statement.**

# National Health Reform Funding and Payments



Section 241(2) of the *National Health Reform Act 2011* (the Act) outlines certain disclosures to be included in this Annual Report.

The information reported is specific to the transactions of the 'relevant state or territory'. For the purposes of this legislative reporting, the 'relevant state or territory' is the state or territory that holds the bank accounts opened under the laws of that state or territory for National Health Reform Agreement purposes.

The values are rounded to the nearest thousand dollars unless otherwise specified. As such, figures may not add to the totals shown due to rounding.

The information disclosed in the following tables is provided by Victoria and forms part of the Administrator's monthly reporting requirements, located at [www.publichospitalfunding.gov.au/reports](http://www.publichospitalfunding.gov.au/reports). For further information on the types of national health reform funding, refer to the 'Overview' chapter of this Annual Report.

The amounts listed for 2012–13 reflect both amounts transacted under national health reform legislation and 'notional' amounts. Notional amounts were funds paid into and out of departmental bank accounts by some states or territories that would have been transacted through the National Health Funding Pool and/or state managed fund had the national health reform funding arrangements been in place from 1 July 2012. The 2012–13 edition of this Annual Report separately disclosed notional amounts and those transacted under national health reform legislation in 2012–13.

### **Section 241(2)(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**

Component	Amount paid by Victoria (\$'000)	
	2013–14	2012–13
State Pool Account — Activity based funding*	3,870,426	3,073,520
State Managed Fund — Block funding	610,744	1,185,848
<b>VIC TOTAL</b>	<b>4,481,171</b>	<b>4,259,368</b>

*\*In accordance with the provisions of the Act, this table does not include Interest deposited in the Pool account and cross-border receipts from other states/territories, as these were made from contributors other than the relevant state or territory. Details of these flows are located in the Pool Account Special Purpose Financial Statement of each state/territory.*

The basis used to determine Victorian national health reform funding and payments for 2013–14 (at June 2014) was advised by the Victorian Department of Health to be as follows:

*Payments in Victoria are based upon “Statement of priorities” agreements between Victorian public health services (LHNs) and the Minister for Health (or Secretary). These annual agreements detail the service profile, strategic priorities and deliverables the local hospital network will achieve in the year ahead; list the key financial, access and service performance priorities and agreed targets; and list funding estimates and associated service activity. Once agreed, Statements of priorities are published at [www.health.vic.gov.au/hospitals/sops.htm](http://www.health.vic.gov.au/hospitals/sops.htm).*

*Funding details are aggregated into ABF funded services (including NWAU equivalent service volume), Block funded services and Other funding for the purpose of determining payments to and from the state pool account and the state managed fund.*

*Payments are made twice monthly on the basis of one-twelfth of the agreed funding budget, adjusted for cash flow requirements of individual Victorian public health services.*

*While the basis of NHR payments are reported on a cash basis by the Administrator, LHNs generally report revenue and expenditure on an accrual basis.*

*Victorian LHNs receive ABF, block and other payments for different services and purposes. Adjustments are made by the Victorian Department of Health for cash flow needs and costs administered by the Department on behalf of LHNs. Due to the timing and processing of these adjustments, The Royal Women’s Hospital show a negative amount for the block payment in June 2014.*

*Calvary Health Care Bethlehem Limited was registered as an LHN in the Victorian Funding Pool in July 2013. For this reporting period, only the state funding contribution was paid through the Funding Pool. Victoria is yet to advise the Administrator of estimated NWAU services to attract a Commonwealth contribution for the services provided by this LHN.*

*Between March and June 2014, the Commonwealth provided Victoria with additional public hospital funding of \$43,177,819.95 under the funding measure: National Partnership on public hospital system — additional funding. This funding was provided to offset the downward adjustments to 2013–14 NHR funding applied at the 2013–14 Mid-Year Economic and Fiscal Outlook (MYEFO) and the 2014–15 Budget, due to the application of updated NHR funding indexation parameters. A requirement of the provision of this funding was that it is passed on in full through the National Health Funding Pool and / or State Managed Fund to LHNs for activity based and block funding, and state and territory health departments for public health funding.*

**Section 241(2)(b) — the amounts paid into each State Pool Account by the Commonwealth and the basis on which the payments were made**

Component	Amount paid by Commonwealth into VIC State Pool Account (\$'000)	
	2013–14	2012–13
Activity based funding	2,952,361	2,279,067
Block funding	450,781	880,647
Public Health funding	80,034	75,689
<b>VIC TOTAL</b>	<b>3,483,176</b>	<b>3,235,403</b>

For the Commonwealth basis of payments, refer to part b) of the 'National health reform funding and payments — National' chapter.

**Section 241(2)(c) — the amounts paid from each State Pool Account to local hospital networks, a State Managed Fund or other organisations or funds and the basis on which the payments were made**

Recipient	Amount paid from VIC State Pool Account (\$'000)	
	2013–14	2012–13
Albury Wodonga Health	78,215	56,595
Alfred Health	528,087	434,110
Austin Health	462,564	359,901
Bairnsdale Regional Health Service	40,754	32,069
Ballarat Health Services	171,621	126,041
Barwon Health	316,928	245,720
Bass Coast Regional Health	23,547	19,108
Benalla Health	14,879	12,676
Bendigo Health Care Group	162,977	113,188
Calvary Health Care Bethlehem Limited	23,137	–
Castlemaine Health	16,436	9,565
Central Gippsland Health Service	44,859	37,894
Colac Area Health	19,214	16,512
Contracted services LHN — Victoria	43,509	–

*Continued.*

Recipient	Amount paid from VIC State Pool Account (\$'000)	
	2013-14	2012-13
Djerriwarrh Health Services	33,912	29,451
East Grampians Health Service	13,754	11,830
Eastern Health	526,579	392,741
Echuca Regional Health	29,553	25,552
Gippsland Southern Health Service	15,186	13,251
Goulburn Valley Health	110,572	83,927
Kyabram District Health Services	11,020	10,153
Latrobe Regional Hospital	121,798	86,888
Maryborough District Health Service	13,642	12,159
Melbourne Health	478,495	347,033
Mercy Public Hospitals Inc.	222,789	177,530
Monash Health (previously Southern Health)	883,119	681,077
Northeast Health Wangaratta	69,122	54,506
Northern Health	279,826	204,552
Peninsula Health	306,518	227,520
Peter MacCallum Cancer Institute	75,689	70,327
Portland District Health	18,833	16,350
Ramsay Healthcare Australia (Mildura Base Hospital)*	78,231	61,410
Royal Victorian Eye and Ear Hospital	65,953	62,594
South West Healthcare	83,230	64,744
St Vincent's Hospital (Melbourne) Limited	353,055	267,512
Stawell Regional Health	11,078	9,216
Swan Hill District Hospital	25,667	22,077
The Royal Children's Hospital	313,871	277,455
The Royal Women's Hospital	165,315	139,982
West Gippsland Healthcare Group	48,972	39,032
Western District Health Service	28,765	24,542

*Continued.*

Recipient	Amount paid from VIC State Pool Account (\$'000)	
	2013-14	2012-13
Western Health	451,394	368,146
Wimmera Health Care Group	39,478	33,552
<b>TOTAL LOCAL HOSPITAL NETWORKS**</b>	<b>6,822,143</b>	<b>5,278,489</b>
<b>STATE MANAGED FUND</b>	<b>450,781</b>	<b>880,647</b>
<b>OTHER ORGANISATIONS OR FUNDS***</b>	<b>81,978</b>	<b>214,926</b>
<b>VIC TOTAL</b>	<b>7,354,902</b>	<b>6,374,062</b>

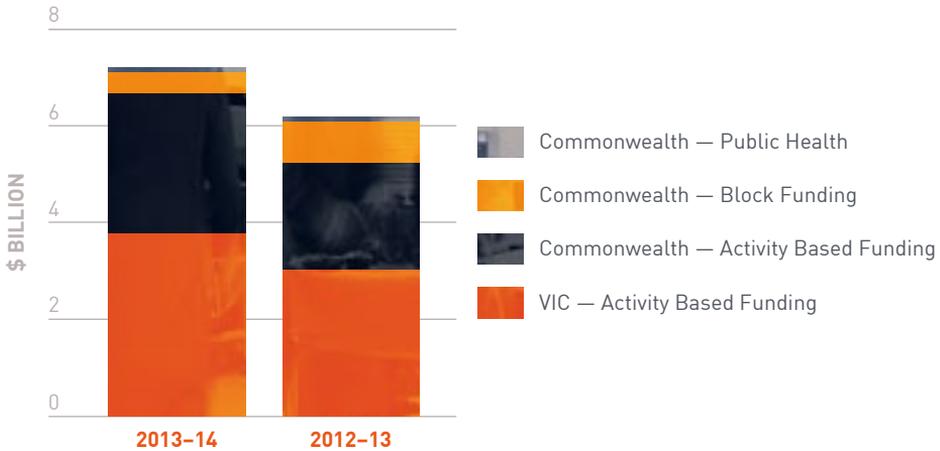
\* Previously MTA Superannuation Fund.

\*\*In the 2012-13 Annual Report the 2012-13 notional local hospital network figure was shown as an aggregate amount.

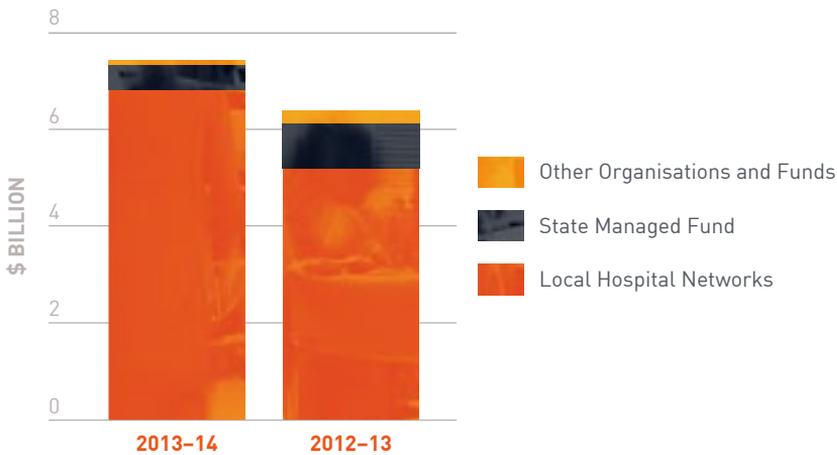
\*\*\*Includes a Victorian cross-border contribution to other states or territories in 2012-13.

For the Victorian basis of payments, refer to part a) of this chapter.

**PAYMENTS INTO THE POOL — VIC**



## PAYMENTS OUT OF THE POOL — VIC



### Section 241(2)(d) — the amounts paid from each State Managed Fund to local hospital networks or other organisations or funds and the basis on which the payments were made

Recipient	Amount paid from VIC State Managed Fund (\$'000)	
	2013-14	2012-13
Albury Wodonga Health	17,156	24,584
Alexandra District Hospital	4,986	4,877
Alfred Health	51,675	124,291
Alpine Health	9,996	9,453
Austin Health	43,859	118,985
Bairnsdale Regional Health Service	1,267	6,447
Ballarat Health Services	26,367	59,767
Barwon Health	38,689	82,736
Bass Coast Regional Health	992	3,985
Beaufort and Skipton Health Service	3,747	3,384
Beechworth Health Service	3,350	4,954
Benalla Health	315	1,545
Bendigo Health Care Group	37,470	74,938
Boort District Health	1,991	1,827
Calvary Health Care Bethlehem Limited	1,044	24,255
Casterton Memorial Hospital	3,152	3,044
Castlemaine Health	335	6,382

Continued.

Recipient	Amount paid from VIC State Managed Fund (\$'000)	
	2013-14	2012-13
Central Gippsland Health Service	1,421	6,131
Cobram District Health	5,099	5,073
Cohuna District Hospital	4,419	4,102
Colac Area Health	601	2,106
Dental Health Services Victoria	15	-
Djerriwarrh Health Services	616	2,700
Dunmunkle Health Services	959	918
East Grampians Health Service	380	1,566
East Wimmera Health Service	8,946	8,566
Eastern Health	75,929	174,552
Echuca Regional Health	1,787	3,650
Edenhope and District Memorial Hospital	3,162	3,095
Gippsland Southern Health Service	359	1,445
Goulburn Valley Health	20,084	39,161
Heathcote Health	1,787	1,930
Hepburn Health Service	7,270	6,958
Hesse Rural Health Service	1,665	1,687
Heywood Rural Health	2,104	1,982
Inglewood and Districts Health Service	1,622	1,618
Kerang and District Health	5,536	5,085
Kilmore and District Hospital	9,439	8,515
Kooweerup Regional Health Services	4,560	4,118
Kyabram District Health Services	154	234
Kyneton District Health Service	7,750	7,117
Latrobe Regional Hospital	32,405	57,085
Lorne Community Hospital	2,080	1,929
Maldon Hospital	965	975
Mallee Track Health and Community Service	3,446	3,318
Mansfield District Hospital	5,667	5,104
Maryborough District Health Service	586	1,200
Melbourne Health	116,159	222,812

Continued.

Recipient	Amount paid from VIC State Managed Fund (\$'000)	
	2013-14	2012-13
Mercy Public Hospitals Inc.	24,961	41,638
Monash Health (previously Southern Health)	104,102	221,428
Moyne Health Services	3,194	3,057
Nathalia District Hospital	1,669	1,476
Northeast Health Wangaratta	2,641	15,280
Northern Health	11,006	63,739
Numurkah District Health Service	7,009	6,899
Omeo District Health	1,532	1,452
Orbost Regional Health	5,463	5,142
Otway Health and Community Services	2,336	2,189
Peninsula Health	34,370	92,284
Peter Maccallum Cancer Institute	8,610	9,890
Portland District Health	800	2,183
Ramsay Healthcare Australia (Mildura Base Hospital)*	10,039	19,685
Robinvale District Health Services	4,882	4,675
Rochester and Elmore District Health Service	4,386	4,338
Royal Victorian Eye and Ear Hospital	2,597	2,396
Rural Northwest Health	7,379	7,073
Seymour District Memorial Hospital	10,347	10,249
South Gippsland Hospital	4,871	4,177
South West Healthcare	14,486	28,596
St Vincent's Hospital (Melbourne) Limited	55,595	120,498
Stawell Regional Health	431	1,734
Swan Hill District Hospital	970	2,668
Tallangatta Health Service	2,961	2,720
Terang and Mortlake Health Service	4,698	4,515
The Royal Children's Hospital	26,569	48,611
The Royal Women's Hospital**	-976	451
Timboon and District Healthcare Service	3,372	3,174
Upper Murray Health and Community Services	3,311	3,203

Continued.

Recipient	Amount paid from VIC State Managed Fund (\$'000)	
	2013-14	2012-13
Victorian Institute Of Forensic Mental Health	42,619	40,056
West Gippsland Healthcare Group	2,158	6,182
West Wimmera Health Service	11,254	10,781
Western District Health Service	4,019	6,890
Western Health	19,159	70,251
Wimmera Health Care Group	1,143	4,695
Yarram and District Health Service	4,464	4,344
Yarrawonga District Health Service	6,975	5,921
Yea and District Memorial Hospital	2,062	1,969
<b>TOTAL LOCAL HOSPITAL NETWORKS***</b>	<b>1,030,827</b>	<b>2,026,697</b>
<b>OTHER ORGANISATIONS OR FUNDS</b>	<b>26,614</b>	<b>39,798</b>
<b>VIC TOTAL</b>	<b>1,057,441</b>	<b>2,066,495</b>

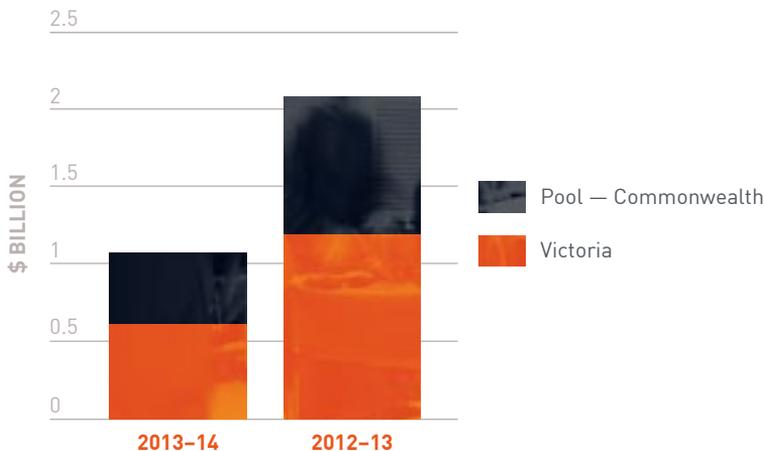
\* Previously MTAA Superannuation Fund.

\*\*Victorian local hospital networks receive activity-based funding, block funding and other payments for different services and purposes. Adjustments are made for cash flow needs and costs administered by the Victorian Department of Health on behalf of local hospital networks. Due to the timing and processing of these adjustments, The Royal Women’s Hospital received a negative amount from the State Managed Fund in 2013-14.

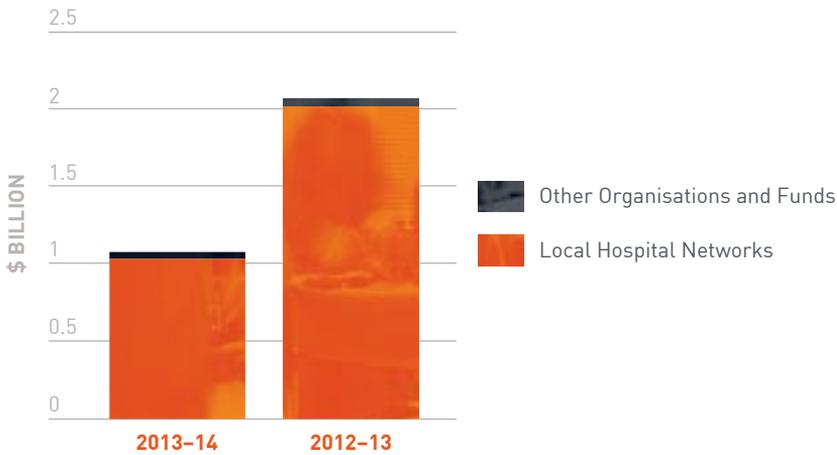
\*\*\*In the 2012-13 Annual Report the 2012-13 notional local hospital network figure was shown as an aggregate amount.

For the Victorian basis of payments, refer to part a) of this chapter.

### PAYMENTS INTO THE STATE MANAGED FUND — VIC



PAYMENTS OUT OF THE STATE MANAGED FUND — VIC



Section 241(2)(e) — the number of public hospital services funded for each local hospital network in accordance with the system of activity based funding

Local Hospital District	Number of ABF public hospital services funded (NWAU)		
	2013-14 Estimate	2012-13 Actual	2012-13 Estimate
Albury Wodonga Health	17,550	14,307	15,082
Alfred Health	125,346	116,143	103,275
Austin Health	108,253	91,296	85,746
Bairnsdale Regional Health Service	11,231	9,648	9,332
Ballarat Health Services	43,416	37,931	33,491
Barwon Health	84,042	74,745	63,553
Bass Coast Regional Health	6,214	4,861	5,463
Benalla Health	3,029	2,885	3,055
Bendigo Health Care Group	45,129	37,023	31,450
Castlemaine Health	3,626	1,948	2,460
Central Gippsland Health Service	10,919	9,935	9,483
Colac Area Health	3,938	3,366	3,784
Contracted Services LHN — Victoria	9,055	-	-
Djerriwarrh Health Services	7,066	6,569	5,980
East Grampians Health Service	3,081	2,734	2,703
Eastern Health	135,291	118,497	99,431

Continued.

Local Hospital District	Number of ABF public hospital services funded (NWAU)		
	2013-14 Estimate	2012-13 Actual	2012-13 Estimate
Echuca Regional Health	6,501	6,349	6,335
Gippsland Southern Health Service	3,266	2,987	2,779
Goulburn Valley Health	27,871	24,038	22,405
Kyabram District Health Services	2,589	2,582	2,454
Latrobe Regional Hospital	31,713	27,681	23,225
Maryborough District Health Service	2,993	2,652	2,699
Melbourne Health	112,984	98,286	86,006
Mercy Public Hospitals Inc.	53,345	46,332	42,111
Monash Health (previously Southern Health)	228,985	203,344	176,546
Northeast Health Wangaratta	17,607	14,788	13,770
Northern Health	78,805	62,540	52,681
Peninsula Health	80,533	64,566	60,530
Peter MacCallum Cancer Institute	20,386	19,958	20,051
Portland District Health	4,065	3,210	3,868
Ramsay Healthcare Australia (Mildura Base Hospital)*	18,341	16,981	15,385
Royal Victorian Eye and Ear Hospital	18,494	19,144	16,233
South West Healthcare	20,114	16,708	17,357
St Vincent's Hospital (Melbourne) Limited	77,755	65,564	59,790
Stawell Regional Health	2,638	2,209	2,437
Swan Hill District Hospital	6,430	5,825	5,844
The Royal Children's Hospital	64,225	61,749	53,099
The Royal Women's Hospital	42,388	34,997	33,611
West Gippsland Healthcare Group	12,548	10,762	10,121
Western District Health Service	7,285	6,466	5,635
Western Health	121,311	110,317	95,602
Wimmera Health Care Group	9,438	9,064	9,179
<b>VIC TOTAL</b>	<b>1,689,796</b>	<b>1,470,988</b>	<b>1,314,041</b>

\* Previously MTAA Superannuation Fund.

The National Weighted Activity Unit (NWAU) is the unit of measurement for the activity based funding system. It is a measure of health service activity expressed as a common unit, against which the national efficient price is paid. It provides a way of comparing and valuing each activity based funded public hospital service, by weighting it for its clinical complexity.

Victoria provides 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. Funding adjustments as a result of the reconciliation to actual public hospital services (NWAU) for 2012–13 form part of the 2013–14 Commonwealth payments.

**Section 241(2)(f) the number of other public hospital services and functions funded from each State Pool Account or State Managed Fund**

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 National Health Reform Agreement allows for information to be based on the unit measurement classification and funding arrangements used in individual state and territories.

However, in 2012–13 and 2013–14 Victoria did not report any 'other public hospital services and functions funded' from their Pool Account or state managed fund.

# QUEENSLAND



# Financial Statement



**NATIONAL HEALTH FUNDING POOL —  
QUEENSLAND STATE POOL ACCOUNT  
SPECIAL PURPOSE FINANCIAL STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2014**

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

## INDEPENDENT AUDITOR'S REPORT

To the Administrator, National Health Funding Pool

### Report on the Financial Report

I have audited the accompanying financial report, being a special purpose financial report, of the Queensland State Pool Account, prepared in order to report on the receipt and disbursement of funding provided during 2013-14 to the Queensland Department of Health in accordance with Section 53T of the *Queensland Hospital and Health Boards Act 2011*.

The financial report comprises the statement of receipts and payments for the year ended 30 June 2014 and notes comprising the basis of preparation and other explanatory information and the certificate provided by the Administrator of the National Health Funding Pool.

The financial report has been prepared using a cash basis of accounting as described in the Basis of Preparation note in the statements.

### *Administrator of the National Health Funding Pool's Responsibility for the Financial Report*

The Administrator of the National Health Funding Pool is responsible for the preparation and fair presentation of the financial report in accordance with the basis of preparation described in Note 1(b) and ensuring that the financial report is both appropriate and is in the required format, so as to meet the information needs of the National Health Funding Body. The Administrator's responsibility also includes such internal control as the Administrator determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by the National Health Funding Pool, as well as evaluating the overall presentation of the financial report.

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

### *Independence*

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

### *Opinion*

In accordance with the Section 53U of the *Queensland Hospital and Health Boards Act 2011*, I have audited the financial report, and -

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion the attached special purpose financial report for the year ended 30 June 2014 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*.

### *Emphasis of Matter – Basis of Accounting*

Without modifying my opinion, attention is drawn to Note 1 (b) to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Administrator's financial reporting responsibilities under the *Queensland Hospital and Health Boards Act 2011*. As a result, the financial report may not be suitable for another purpose.



A M GREAVES FCA PCPA  
Auditor-General of Queensland



Queensland Audit Office  
Brisbane



**Administrator  
National Health  
Funding Pool**

### **Queensland State Pool Account**

I report that, as indicated in note 1 (a) to the financial statement, I have determined that the attached special purpose financial statement comprising a receipts and payments account with attached notes provides a 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 2014 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.

*Bob Sendt*

**RJ Sendt**  
Administrator  
National Health Funding Pool

8 September 2014

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Queensland State Pool Account  
Statement of receipts and payments  
for the year ended 30 June 2014

	Notes	2014 \$ '000	2013 \$ '000
<b>OPENING CASH BALANCE</b>		–	–
<b>RECEIPTS INTO THE STATE POOL ACCOUNT</b>			
<b>From Commonwealth</b>			
Activity based funding	2, 6	2,384,822	1,906,154
Block funding		365,254	441,700
Public health funding		64,892	56,553
<b>From Queensland</b>			
Activity based funding	2, 6	4,768,902	3,708,716
Cross border contribution		–	–
<b>From other States or Territories</b>			
Cross border receipts	3	–	–
<b>From Reserve Bank of Australia</b>			
Interest receipts		710	646
<b>TOTAL RECEIPTS</b>		<b>7,584,580</b>	<b>6,113,769</b>
<b>PAYMENTS OUT OF THE STATE POOL ACCOUNT</b>			
<b>To Local Hospital Networks</b>			
Activity based funding	4, 6	7,153,724	5,615,173
<b>To Queensland State Managed Fund</b>			
Block funding		365,254	441,397
Cross border transfer		–	–
<b>To Queensland Health</b>			
Public health funding		64,892	56,553
Interest payments		710	646
Cross border transfer		–	–
<b>To other States or Territories</b>			
Cross border payments	5	–	–
<b>TOTAL PAYMENTS</b>		<b>7,584,580</b>	<b>6,113,769</b>
<b>NET RECEIPTS/(PAYMENTS) FOR THE YEAR</b>		<b>–</b>	<b>–</b>
<b>CLOSING CASH BALANCE</b>		<b>–</b>	<b>–</b>

The results for 2012–13 represent the operations for the period from 1 August 2012 to 30 June 2013.

The Queensland State Pool Account commenced operations on 1 August 2012.

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

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (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.

The principal accounting policies adopted in the preparation of the financial statement are set out below. The financial statement is for the Queensland State Pool Account, which was established at the Reserve Bank of Australia (RBA) in 2012–13 and is a special purpose financial statement.

In its 2014–15 Budget, the Commonwealth announced that it will consult with States and Territories with the intention of creating a new health productivity and performance commission. Subject to this consultation, the new commission would be formed by merging the functions of the Australian Commission on Safety and Quality in Health Care, the Australian Institute of Health and Welfare, the Independent Hospital Pricing Authority, the National Hospital Performance Authority, the National Health Funding Body and the Administrator of the National Health Funding Pool. Information available at the time of issue of this special purpose financial statement indicates that there will be no effect on state pool accounts for the following 12 months.

### (B) BASIS OF PREPARATION

The Queensland State Pool Account was established in accordance with the Queensland *Hospital and Health Boards Act 2011* and the special purpose financial statement has been prepared in accordance with Section 53 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 financial statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The financial statement was authorised for issue by the Administrator on 8 September 2014.

### **(C) COMPARATIVE FIGURES**

Prior year comparative information has been disclosed. The results for 2012–13 are for the period from 1 August 2012 to 30 June 2013 and the results for 2013–14 are for the year ended 30 June 2014.

### **(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 (ABF)**

ABF is a system for funding public hospital services provided to individual patients using national classifications, cost weights and national efficient prices developed by the Independent Hospital Pricing Authority (IHPA). ABF is paid by both states and territories and the Commonwealth into the Funding Pool.

In 2012–13, ABF consisted of three service categories:

- i. acute admitted services;
- ii. emergency department services; and
- iii. non-admitted services.

In 2013–14, ABF consisted of five service categories:

- i. acute admitted services;
- ii. emergency department services;
- iii. non-admitted services;
- iv. mental health services (not already captured by(i)); and
- v. sub-acute services.

State or territory ABF contributions into the Funding Pool are calculated by the state or territory as the system manager of the public hospital system. The service agreement between the state or territory (as the system manager) and each Local Hospital Network (LHN) specifies the service delivery and funding parameters.

Commonwealth ABF contributions into the Funding Pool are calculated by the Administrator by applying the relevant National Efficient Price (NEP) determination issued by the IHPA, multiplied by the Commonwealth contribution percentage rate for Queensland, multiplied by the National Weighted Activity Units (NWAU) estimate provided by Queensland. In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements for a year. Final funding entitlements for the year are calculated after actual data on hospital services become available. This calculation will generally result in reconciliation adjustments being made to the Commonwealth ABF contribution to each LHN.

In accordance with the National Health Reform Agreement (the Agreement), in 2013–14 there were two rounds of reconciliation adjustments relating to actual activity in 2012–13:

- i. a six-monthly adjustment, and
- ii. an annual adjustment.

The six-monthly adjustment was based on the reconciliation between the actual volume of services provided by each LHN in the period 1 July 2012 to 31 December 2012 against the estimated volume of services.

The annual adjustment was based on the reconciliation between the actual volume of services provided by each LHN in 2012–13 against the estimated volume of services. The annual adjustment took into account the six month adjustment and the quantum of cross-border services for the year.

## **(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 2012–13, block funding consisted of five service categories. In 2013–14, block funding consisted of four service categories.

In 2012–13 the Commonwealth calculated block funding on proportions agreed between the Commonwealth Health Minister and each state or territory Health Minister, and supported the following:

- i. small rural hospitals;
- ii. teaching, training and research;
- iii. sub-acute services;
- iv. mental health services; and
- v. other.

In 2013–14 the Commonwealth block funding supported the following:

- i. small rural hospitals;
- ii. teaching, training and research;
- iii. non-admitted mental health; and
- iv. other non-admitted services.

The amount of Commonwealth 2013–14 block funding for each of these block funded service categories was calculated by the Administrator by applying the Queensland 2013–14 Commonwealth contribution percentage of NEP to the total expenditure (Commonwealth and state or territory) of each block funded service category as advised in the IHPA's 2013–14 National Efficient Cost (NEC) determination.

### **(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 amounts for national public health, youth health services and essential vaccines.

### **(H) CROSS BORDER**

When a resident of one state receives hospital treatment in another state, the 'resident state' compensates the treating or 'provider state' for the cost of care through a cross border payment.

This interstate compensation consists of two parts — the Commonwealth share of the cost of treating the patient (paid through the Funding Pool), and the resident state's share (paid either through the Funding Pool or directly to the provider state).

**(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 both the Commonwealth and 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.

**2 ACTIVITY BASED FUNDING RECEIPTS**

Total receipts into the Queensland State Pool Account in respect of activity based funding were as follows:

	<b>2014 \$ '000</b>	<b>2013 \$ '000</b>
Commonwealth activity based funding	2,384,822	1,906,154
Queensland activity based funding	4,768,902	3,708,716
<b>TOTAL</b>	<b>7,153,724</b>	<b>5,614,870</b>

### 3 CROSS BORDER RECEIPTS

Total cross border receipts into the Queensland State Pool Account from other states and territories were as follows:

States and Territories	2014 \$ '000	2013 \$ '000
<b>Cross border receipts</b>		
New South Wales	-	-
Victoria	-	-
Western Australia	-	-
South Australia	-	-
Australian Capital Territory	-	-
Tasmania	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>

Where no cross border receipts are reported through the Queensland State Pool Account, other bilateral arrangements between the states and territories may exist.

### 4 ACTIVITY BASED FUNDING PAYMENTS

Total payments made out of the Queensland State Pool Account in respect of each local hospital network were as follows:

Local Hospital Networks	2014 \$ '000	2013 \$ '000
Cairns and Hinterland Hospital and Health Service	443,333	338,377
Central Queensland Hospital and Health Service	245,877	180,999
Children's Health Queensland Hospital and Health Service	206,306	182,372
Darling Downs Hospital and Health Service	265,541	174,281
Gold Coast Hospital and Health Service	719,962	506,956
Mackay Hospital and Health Service	196,229	142,749
Mater Misericordiae Health Service Brisbane	530,022	413,926

*Continued.*

**Queensland State Pool Account**  
**Notes to the special purpose financial statement**  
**for the year ended 30 June 2014**

<b>Local Hospital Networks</b>	<b>2014</b> <b>\$ '000</b>	<b>2013</b> <b>\$ '000</b>
Metro North Hospital and Health Service	1,642,921	1,349,332
Metro South Hospital and Health Service	1,308,101	1,069,319
North West Hospital and Health Service	64,099	52,775
Sunshine Coast Hospital and Health Service	470,547	364,339
Townsville Hospital and Health Service	496,297	389,525
West Moreton Hospital and Health Service	242,020	185,437
Wide Bay Hospital and Health Service	322,469	264,786
<b>TOTAL</b>	<b>7,153,724</b>	<b>5,615,173</b>

The Administrator makes payments from the Queensland State Pool Account in accordance with the directions of the Queensland Minister for Health.

## 5 CROSS BORDER PAYMENTS

Total cross border payments out of the Queensland State Pool Account to other states and territories were as follows:

<b>States and Territories</b>	<b>2014</b> <b>\$ '000</b>	<b>2013</b> <b>\$ '000</b>
<b>Cross border payments</b>		
New South Wales	-	-
Victoria	-	-
Western Australia	-	-
South Australia	-	-
Australian Capital Territory	-	-
Tasmania	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>

Where no cross border payments are reported through the Queensland State Pool Account, there may be other bilateral arrangements between the states and territories.

## 6 ACTIVITY BASED FUNDING RECEIPTS AND PAYMENTS

Total Queensland and Commonwealth activity based funding contributions and total local hospital network activity based funding payments were as follows:

	2014 \$ '000	2013 \$ '000
Total activity based funding receipts from Queensland	4,768,902	3,708,716
Total activity based funding receipts from the Commonwealth	2,384,822	1,906,154
Less activity based funding payments to local hospital networks	(7,153,724)	(5,615,173)
<b>PAYMENTS IN EXCESS OF RECEIPTS</b>	<b>-</b>	<b>(303)</b>

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.

Queensland Health allocated Commonwealth block funding amounts in May 2013 to activity based funding for local hospital networks (refer to Statement of Receipts and Payments).

**End of Audited Special Purpose Financial Statement.**



# National Health Reform Funding and Payments



Section 241(2) of the *National Health Reform Act 2011* (the Act) outlines certain disclosures to be included in this Annual Report.

The information reported is specific to the transactions of the 'relevant state or territory'. For the purposes of this legislative reporting, the 'relevant state or territory' is the state or territory that holds the bank accounts opened under the laws of that state or territory for National Health Reform Agreement purposes.

The values are rounded to the nearest thousand dollars unless otherwise specified. As such, figures may not add to the totals shown due to rounding.

The information disclosed in the following tables is provided by Queensland and forms part of the Administrator's monthly reporting requirements, located at [www.publichospitalfunding.gov.au/reports](http://www.publichospitalfunding.gov.au/reports). For further information on the types of national health reform funding, refer to the 'Overview' chapter of this Annual Report.

The amounts listed for 2012–13 reflect both amounts transacted under national health reform legislation and 'notional' amounts. Notional amounts were funds paid into and out of departmental bank accounts by some states or territories that would have been transacted through the National Health Funding Pool and/or state managed fund had the national health reform funding arrangements been in place from 1 July 2012. The 2012–13 edition of this Annual Report separately disclosed notional amounts and those transacted under national health reform legislation in 2012–13.

### **Section 241(2)(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**

Component	Amount paid by Queensland (\$'000)	
	2013–14	2012–13
State Pool Account — Activity based funding*	4,768,902	4,046,879
State Managed Fund — Block funding	625,752	1,110,595
<b>QLD TOTAL</b>	<b>5,394,654</b>	<b>5,157,474</b>

*\*In accordance with the provisions of the Act, this table does not include Interest deposited in the Pool account and cross-border receipts from other states/territories, as these were made from contributors other than the relevant state or territory. Details of these flows are located in the Pool Account Special Purpose Financial Statement of each state/territory.*

The basis used to determine Queensland national health reform funding and payments for 2013–14 was advised by the Queensland Department of Health to be as follows:

*Service agreements between the Department of Health and each Hospital and Health Service (HHS) in 2013–14 were based on the department's funding and purchasing models. In broad terms, the funding model determines the price at which the department purchases services from HHSs, and the purchasing model determines the volume of services that are purchased.*

*In terms of the funding model:*

- + 34 of the largest public hospitals were funded through the Queensland Activity Based Funding (ABF) model, which sets prices at a disaggregated level for each type of public hospital service. The Queensland ABF model is based largely on the national ABF model, but includes a number of modifications to reflect Queensland priorities.*
- + 89 public hospitals, predominantly small regional and rural hospitals, were funded based on historical funding levels. In 2013–14 Queensland did not adopt the National Efficient Cost Determination.*
- + Most non-hospital services (e.g. preventive health, primary and community health) were funded based on historical funding levels. However, some services, such as oral health and breast screening, are funded based on a price per unit of output.*

*The purchasing model determines the volume of services that the Department agrees to purchase from each HHS through the service agreement. The model is informed by Estimated Future Activity for each HHS and other key priorities for investment.*

*Between February and June 2014, the Commonwealth provided Queensland with additional public hospital funding of \$41,461,823.22 under the funding measure: National Partnership on public hospital system — additional funding. This funding was provided to offset the downward adjustments to 2013–14 NHR funding applied at the 2013–14 Mid-Year Economic and Fiscal Outlook (MYEFO) and the 2014–15 Budget, due to the application of updated NHR funding indexation parameters. A requirement of the provision of this funding was that it is passed on in full through the National Health Funding Pool and / or State Managed Fund to LHNs for activity based and block funding, and state and territory health departments for public health funding.*

**Section 241(2)(b) — the amounts paid into each State Pool Account by the Commonwealth and the basis on which the payments were made**

Component	Amount paid by Commonwealth into QLD State Pool Account (\$'000)	
	2013–14	2012–13
Activity based funding	2,384,822	2,086,953
Block funding	365,254	483,606
Public Health funding	64,892	61,829
<b>QLD TOTAL</b>	<b>2,814,967</b>	<b>2,632,388</b>

For the Commonwealth basis of payments, refer to part b) of the 'National health reform funding and payments — National' chapter.

**Section 241(2)(c) — the amounts paid from each State Pool Account to local hospital networks, a State Managed Fund or other organisations or funds and the basis on which the payments were made**

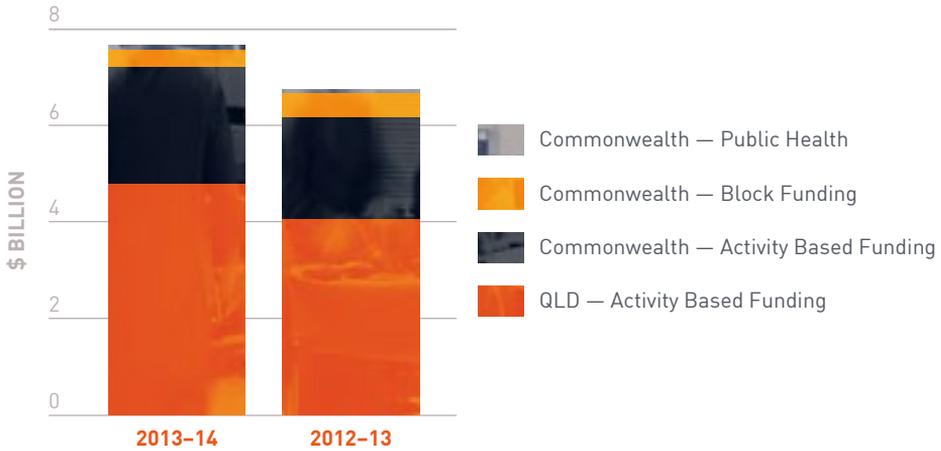
Recipient	Amount paid from QLD State Pool Account (\$'000)	
	2013–14	2012–13
Cairns and Hinterland Hospital and Health Service	443,333	369,729
Central Queensland Hospital and Health Service	245,877	200,236
Children's Health Queensland Hospital and Health Service	206,306	197,735
Darling Downs Hospital and Health Service	265,541	191,450
Gold Coast Hospital and Health Service	719,962	554,545
Mackay Hospital and Health Service	196,229	157,281
Mater Misericordiae Health Service Brisbane	530,022	443,383
Metro North Hospital and Health Service	1,642,921	1,474,754
Metro South Hospital and Health Service	1,308,101	1,172,961
North West Hospital and Health Service	64,099	57,855
Sunshine Coast Hospital and Health Service	470,547	396,847
Townsville Hospital and Health Service	496,297	426,216

*Continued.*

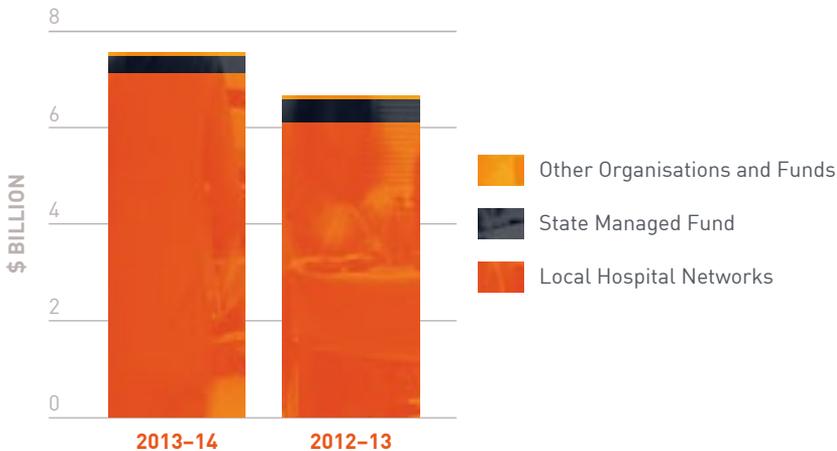
Recipient	Amount paid from QLD State Pool Account (\$'000)	
	2013-14	2012-13
West Moreton Hospital and Health Service	242,020	202,218
Wide Bay Hospital and Health Service	322,469	288,924
<b>TOTAL LOCAL HOSPITAL NETWORKS</b>	<b>7,153,724</b>	<b>6,134,135</b>
<b>STATE MANAGED FUND</b>	<b>365,254</b>	<b>483,302</b>
<b>OTHER ORGANISATIONS OR FUNDS</b>	<b>65,602</b>	<b>62,474</b>
<b>QLD TOTAL</b>	<b>7,584,580</b>	<b>6,679,912</b>

For the Queensland basis of payments, refer to part a) of this chapter.

### PAYMENTS INTO THE POOL — QLD



### PAYMENTS OUT OF THE POOL — QLD

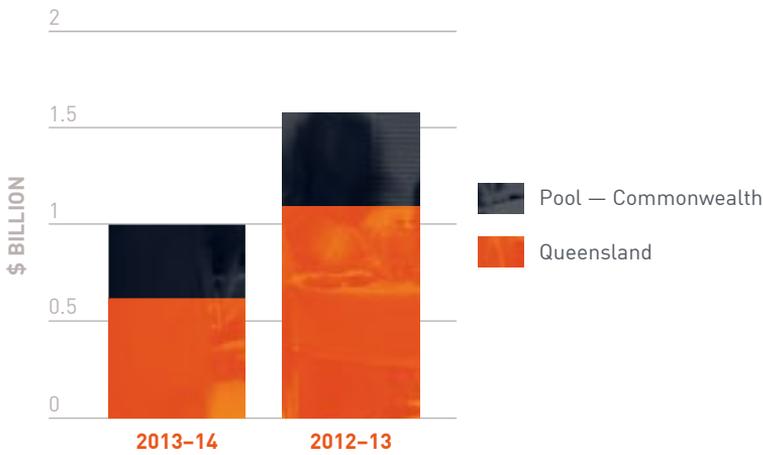


**Section 241(2)(d) — the amounts paid from each State Managed Fund to local hospital networks or other organisations or funds and the basis on which the payments were made**

Recipient	Amount paid from QLD State Managed Fund (\$'000)	
	2013–14	2012–13
Cairns and Hinterland Hospital and Health Service	65,304	88,664
Cape York Hospital and Health Service	20,705	40,283
Central Queensland Hospital and Health Service	70,917	106,017
Central West Hospital and Health Service	24,864	31,323
Children's Health Queensland Hospital and Health Service	21,806	31,184
Darling Downs Hospital and Health Service	160,091	207,469
Gold Coast Hospital and Health Service	33,480	91,945
Mackay Hospital and Health Service	37,979	76,211
Mater Misericordiae Health Service Brisbane	14,063	20,483
Metro North Hospital and Health Service	65,802	196,420
Metro South Hospital and Health Service	100,846	189,343
North West Hospital and Health Service	18,778	30,140
South West Hospital and Health Service	52,721	58,645
Sunshine Coast Hospital and Health Service	29,504	58,312
Torres Strait — Northern Peninsula Hospital and Health Service	46,238	62,235
Townsville Hospital and Health Service	82,068	128,144
West Moreton Hospital and Health Service	111,207	110,976
Wide Bay Hospital and Health Service	34,634	66,005
<b>TOTAL LOCAL HOSPITAL NETWORKS</b>	<b>991,006</b>	<b>1,593,800</b>
<b>OTHER ORGANISATIONS OR FUNDS</b>	<b>–</b>	<b>–</b>
<b>QLD TOTAL</b>	<b>991,006</b>	<b>1,593,800</b>

For the Queensland basis of payments, refer to part a) of this chapter.

PAYMENTS INTO THE STATE MANAGED FUND — QLD



PAYMENTS OUT OF THE STATE MANAGED FUND — QLD



Section 241(2)(e) — the number of public hospital services funded for each local hospital network in accordance with the system of activity based funding

Local Hospital District	Number of ABF public hospital services funded (NWAU)		
	2013-14 Estimate	2012-13 Actual	2012-13 Estimate
Cairns and Hinterland Hospital and Health Service	87,731	76,385	76,899
Central Queensland Hospital and Health Service	45,206	37,895	41,719
Children's Health Queensland Hospital and Health Service	28,047	28,821	41,126
Darling Downs Hospital and Health Service	52,117	40,441	39,819

Continued.

Local Hospital District	Number of ABF public hospital services funded (NWAU)		
	2013–14 Estimate	2012–13 Actual	2012–13 Estimate
Gold Coast Hospital and Health Service	139,547	112,354	115,499
Mackay Hospital and Health Service	35,256	28,964	32,712
Mater Misericordiae Health Service Brisbane	83,540	80,765	77,454
Metro North Hospital and Health Service	281,084	253,419	306,729
Metro South Hospital and Health Service	243,223	214,841	245,068
North West Hospital and Health Service	12,545	10,621	12,033
Sunshine Coast Hospital and Health Service	90,328	73,397	82,539
Townsville Hospital and Health Service	88,339	82,795	89,457
West Moreton Hospital and Health Service	49,088	41,993	42,142
Wide Bay Hospital and Health Service	61,899	53,224	60,214
<b>QLD TOTAL</b>	<b>1,297,949</b>	<b>1,135,913</b>	<b>1,263,410</b>

The National Weighted Activity Unit (NWAU) is the unit of measurement for the activity based funding system. It is a measure of health service activity expressed as a common unit, against which the national efficient price is paid. It provides a way of comparing and valuing each activity based funded public hospital service, by weighting it for its clinical complexity.

Queensland provides 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. Funding adjustments as a result of the reconciliation to actual public hospital services (NWAU) for 2012–13 form part of the 2013–14 Commonwealth payments.

### **Section 241(2)(f) — the number of other public hospital services and functions funded from each State Pool Account or State Managed Fund**

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 National Health Reform Agreement allows for information to be based on the unit measurement classification and funding arrangements used in individual state and territories.

However, in 2012–13 and 2013–14 Queensland did not report any ‘other public hospital services and functions funded’ from their Pool Account or state managed fund.

NATIONAL  
HEALTH  
FUNDING  
POOL

**ANNUAL  
REPORT  
2013-14**

# WESTERN AUSTRALIA



# Financial Statement



**NATIONAL HEALTH FUNDING POOL —  
WESTERN AUSTRALIAN STATE POOL ACCOUNT  
SPECIAL PURPOSE FINANCIAL STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2014**

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*.



## Auditor General

### INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

### WESTERN AUSTRALIAN STATE POOL ACCOUNT

#### Report on the Special Purpose Financial Statement

As required by section 21 of the National Health Funding Pool Act 2012 (WA) and section 243 of the National Health 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 2014.

The financial statement comprises a Statement of Receipts and Payments for the year ended 30 June 2014, notes comprising a summary of significant accounting policies and other explanatory information, and the Administrator's declaration.

#### *The Responsibility of the Administrator of the National Health Funding Pool for the Financial Statement*

The Administrator of the National Health Funding Pool (the Administrator) is responsible for the preparation of the financial statement that gives a true and fair view in accordance with the National Health Funding Pool Act 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. The Administrator is also responsible 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.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial statement based on my audit. The audit was conducted in accordance with Australian Auditing Standards, the National Health Funding Pool Act 2012 (WA), and the National Health Reform Act 2011. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statement that gives a true and fair view 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 internal controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Administrator, as well as the overall presentation of the financial statement.

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

**Opinion**

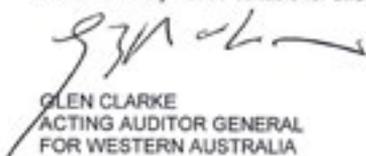
In my opinion, the financial statement gives a true and fair view of the receipts and payments of the Western Australian State Pool Account of the National Health Funding Pool for the year ended 30 June 2014 in accordance with the National Health Funding Pool Act 2012 (WA) and National Health Reform Act 2011.

**Independence**

In conducting this audit, I have complied with the independence requirements of the Auditor General Act 2006 and Australian Auditing Standards, and other relevant ethical requirements.

**Basis of Accounting**

Without modifying my opinion, I draw attention to Note 1 to the financial statement, which describes the purpose of the financial statement and 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 National Health Funding Pool Act 2012 (WA), and the National Health Reform Act 2011. As a result, the financial statement may not be suitable for another purpose.



GLEN CLARKE  
ACTING AUDITOR GENERAL  
FOR WESTERN AUSTRALIA  
Perth, Western Australia  
15 September 2014



**Administrator  
National Health  
Funding Pool**

### **Western Australian State Pool Account**

I report that, as indicated in note 1 (a) to the financial statement, I have determined that the attached special purpose financial statement comprising a receipts and payments account with attached notes provides a fair presentation in accordance with the Western Australian *National Health Funding Pool 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 2014 is based on properly maintained financial records and gives a true and fair view of the matters required by the Western Australian *National Health Funding Pool Act 2012*, the Commonwealth *National Health Reform Act 2011* and the National Health Reform Agreement 2011.

*Bob Sendt*

**RJ Sendt**  
Administrator  
National Health Funding Pool

10 September 2014

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Western Australian State Pool Account  
Statement of receipts and payments  
for the year ended 30 June 2014

	Notes	2014 \$ '000	2013 \$ '000
<b>OPENING CASH BALANCE</b>		–	–
<b>RECEIPTS INTO THE STATE POOL ACCOUNT</b>			
<b>From Commonwealth</b>			
Activity based funding	2, 6	1,226,895	1,024,177
Block funding		256,209	341,316
Public health funding		35,297	32,653
<b>From Western Australia</b>			
Activity based funding	2, 6	2,170,052	2,654,929
Cross border contribution		–	–
<b>From other States or Territories</b>			
Cross border receipts	3	–	–
<b>From Reserve Bank of Australia</b>			
Interest receipts		1	–
<b>TOTAL RECEIPTS</b>		<b>3,688,454</b>	<b>4,053,075</b>
<b>PAYMENTS OUT OF THE STATE POOL ACCOUNT</b>			
<b>To Local Hospital Networks</b>			
Activity based funding	4, 6	3,396,947	3,679,106
<b>To Western Australia State Managed Fund</b>			
Block funding		256,209	341,316
Cross border transfer		–	–
<b>To Western Australia Health</b>			
Public health funding		35,297	32,653
Interest payments		1	–
Cross border transfer		–	–
<b>To other States or Territories</b>			
Cross border payments	5	–	–
<b>TOTAL PAYMENTS</b>		<b>3,688,454</b>	<b>4,053,075</b>
<b>NET RECEIPTS/(PAYMENTS) FOR THE YEAR</b>		<b>–</b>	<b>–</b>
<b>CLOSING CASH BALANCE</b>		<b>–</b>	<b>–</b>

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

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (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.

The principal accounting policies adopted in the preparation of the financial statement are set out below. The financial statement is for the Western Australian State Pool Account, which was established at the Reserve Bank of Australia (RBA) in 2012–13 and is a special purpose financial statement.

In its 2014–15 Budget, the Commonwealth announced that it will consult with States and Territories with the intention of creating a new health productivity and performance commission. Subject to this consultation, the new commission would be formed by merging the functions of the Australian Commission on Safety and Quality in Health Care, the Australian Institute of Health and Welfare, the Independent Hospital Pricing Authority, the National Hospital Performance Authority, the National Health Funding Body and the Administrator of the National Health Funding Pool. Information available at the time of issue of this special purpose financial statement indicates that there will be no effect on state pool accounts for the following 12 months.

### (B) BASIS OF PREPARATION

The Western Australian State Pool Account was established in accordance with the Western Australian *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 financial statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The financial statement was authorised for issue by the Administrator on 10 September 2014.

### **(C) COMPARATIVE FIGURES**

Prior year comparative information has been disclosed and comparatives have not been restated.

### **(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 (ABF)**

ABF is a system for funding public hospital services provided to individual patients using national classifications, cost weights and national efficient prices developed by the Independent Hospital Pricing Authority (IHPA). ABF is paid by both states and territories and the Commonwealth into the Funding Pool.

In 2012–13, ABF consisted of three service categories:

- i. acute admitted services;
- ii. emergency department services; and
- iii. non–admitted services.

In 2013–14, ABF consisted of five service categories:

- i. acute admitted services;
- ii. emergency department services;
- iii. non–admitted services;
- iv. mental health services (not already captured by(i)); and
- v. sub–acute services.

State or territory ABF contributions into the Funding Pool are calculated by the state or territory as the system manager of the public hospital system. The service agreement between the state or territory (as the system manager) and each Local Hospital Network (LHN) specifies the service delivery and funding parameters.

Commonwealth ABF contributions into the Funding Pool are calculated by the Administrator by applying the relevant National Efficient Price (NEP) determination issued by the IHPA, multiplied by the Commonwealth contribution percentage rate for Western Australia, multiplied by the National Weighted Activity Units (NWAU) estimate provided by Western Australia. In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements for a year. Final funding entitlements for the year are calculated after actual data on hospital services become available. This calculation will generally result in reconciliation adjustments being made to the Commonwealth ABF contribution to each LHN.

In accordance with the National Health Reform Agreement (the Agreement), in 2013–14 there were two rounds of reconciliation adjustments relating to actual activity in 2012–13:

- i. a six-monthly adjustment, and
- ii. an annual adjustment.

The six-monthly adjustment was based on the reconciliation between the actual volume of services provided by each LHN in the period 1 July 2012 to 31 December 2012 against the estimated volume of services.

The annual adjustment was based on the reconciliation between the actual volume of services provided by each LHN in 2012–13 against the estimated volume of services. The annual adjustment took into account the six month adjustment and the quantum of cross-border services for the year.

## **(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 2012–13, block funding consisted of five service categories. In 2013–14, block funding consisted of four service categories.

**Western Australian State Pool Account  
Notes to the special purpose financial statement  
for the year ended 30 June 2014**

In 2012–13 the Commonwealth calculated block funding on proportions agreed between the Commonwealth Health Minister and each state or territory Health Minister, and supported the following:

- i. small rural hospitals;
- ii. teaching, training and research;
- iii. sub-acute services;
- iv. mental health services; and
- v. other.

In 2013–14 the Commonwealth block funding supported the following:

- i. small rural hospitals;
- ii. teaching, training and research;
- iii. non-admitted mental health; and
- iv. other non-admitted services.

The amount of Commonwealth 2013–14 block funding for each of these block funded service categories was calculated by the Administrator by applying the Western Australian 2013–14 Commonwealth contribution percentage of NEP to the total expenditure (Commonwealth and state or territory) of each block funded service category as advised in the IHPAs 2013–14 National Efficient Cost (NEC) determination.

### **(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 amounts for national public health, youth health services and essential vaccines.

### **(H) CROSS BORDER**

When a resident of one state receives hospital treatment in another state, the 'resident state' compensates the treating or 'provider state' for the cost of care through a cross border payment.

This interstate compensation consists of two parts — the Commonwealth share of the cost of treating the patient (paid through the Funding Pool), and the resident state's share (paid either through the Funding Pool or directly to the provider state).

**(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 both the Commonwealth and 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.

**2 ACTIVITY BASED FUNDING RECEIPTS**

Total receipts into the Western Australian State Pool Account in respect of activity based funding were as follows:

	2014 \$ '000	2013 \$ '000
Commonwealth activity based funding	1,226,895	1,024,177
Western Australian activity based funding	2,170,052	2,654,929
<b>TOTAL</b>	<b>3,396,947</b>	<b>3,679,106</b>

### 3 CROSS BORDER RECEIPTS

Total cross border receipts into the Western Australian State Pool Account from other states and territories were as follows:

States and Territories	2014 \$ '000	2013 \$ '000
<b>Cross border receipts</b>		
New South Wales	-	-
Victoria	-	-
Queensland	-	-
South Australia	-	-
Australian Capital Territory	-	-
Tasmania	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>

Where no cross border receipts are reported through the Western Australian State Pool Account, other bilateral arrangements between the states and territories may exist.

### 4 ACTIVITY BASED FUNDING PAYMENTS

Total payments made out of the Western Australian State Pool Account in respect of each local hospital network were as follows:

Local Hospital Networks	2014 \$ '000	2013 \$ '000
Child and Adolescent Health Service	256,594	259,907
North Metropolitan Health Service	1,208,574	1,247,260
South Metropolitan Health Service	1,472,728	1,514,285
WA Country Health Service	459,051	657,654
<b>TOTAL</b>	<b>3,396,947</b>	<b>3,679,106</b>

The Administrator makes payments from the Western Australian State Pool Account in accordance with the directions of the Western Australian Minister for Health.

## 5 CROSS BORDER PAYMENTS

Total cross border payments out of the Western Australian State Pool Account to other states and territories were as follows:

States and Territories	2014 \$ '000	2013 \$ '000
<b>Cross border payments</b>		
New South Wales	-	-
Victoria	-	-
Queensland	-	-
South Australia	-	-
Australian Capital Territory	-	-
Tasmania	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>

Where no cross border payments are reported through the Western Australian State Pool Account, there may be other bilateral arrangements between the states and territories.

## 6 ACTIVITY BASED FUNDING RECEIPTS AND PAYMENTS

Total Western Australian and Commonwealth activity based funding contributions and total local hospital network activity based funding payments were as follows:

	2014 \$ '000	2013 \$ '000
Total activity based funding receipts from Western Australia	2,170,052	2,654,929
Total activity based funding receipts from the Commonwealth	1,226,895	1,024,177
Less activity based funding payments to local hospital networks	(3,396,947)	(3,679,106)
<b>PAYMENTS IN EXCESS OF RECEIPTS</b>	<b>-</b>	<b>-</b>

The Administrator makes payments from the Western Australian State Pool Account in accordance with the directions of the Western Australian Minister for Health. The Western Australian Minister for Health directed all activity based funding contributions paid to local hospital networks.

# National Health Reform Funding and Payments



Section 241(2) of the *National Health Reform Act 2011* (the Act) outlines certain disclosures to be included in this Annual Report.

The information reported is specific to the transactions of the 'relevant state or territory'. For the purposes of this legislative reporting, the 'relevant state or territory' is the state or territory that holds the bank accounts opened under the laws of that state or territory for National Health Reform Agreement purposes.

The values are rounded to the nearest thousand dollars unless otherwise specified. As such, figures may not add to the totals shown due to rounding.

The information disclosed in the following tables is provided by Western Australia and forms part of the Administrator's monthly reporting requirements, located at [www.publichospitalfunding.gov.au/reports](http://www.publichospitalfunding.gov.au/reports). For further information on the types of national health reform funding, refer to the 'Overview' chapter of this Annual Report.

#### **Section 241(2)(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**

Component	Amount paid by Western Australia (\$'000)	
	2013–14	2012–13
State Pool Account — Activity based funding*	2,170,052	2,654,929
State Managed Fund — Block funding	598,783	754,837
<b>WA TOTAL</b>	<b>2,768,835</b>	<b>3,409,766</b>

*\*In accordance with the provisions of the Act, this table does not include Interest deposited in the Pool account and cross-border receipts from other states/territories, as these were made from contributors other than the relevant state or territory. Details of these flows are located in the Pool Account Special Purpose Financial Statement of each state/territory.*

The basis used to determine Western Australia national health reform funding and payments for 2013–14 (at June 2014) was advised by the Western Australian Department of Health to be as follows:

*The 2013–14 annual funding allocations have been developed using the Western Australian Activity Based Funding program methodology. Activity profiles have been developed consistent with the WA Health clinical services framework. The funding allocations include activity based services, block funded services and specified programs.*

The national ABF classifications and associated price weights including all of the adjustments (Specialised Paediatric, Rural/remote, Indigenous, ICU and private patient) have been used to define activity based funding profiles.

The State Transitioning Price, calculated using a methodology more closely aligned to the National ABF framework, provide a more transparent basis for comparing the cost of delivering hospital services in Western Australia against the national cost benchmark (Projected Average Cost (PAC)). The gap between the total price of all hospital activity funded at the State Transition Price and the total cost of all hospital activity funded at the PAC, is called the Community Service Subsidy (CSS) payment.

Block funding is based on budget to budget build from the previous year using State Government funding parameters consistent with the State budget.

Between March and June 2014, the Commonwealth provided Western Australia with additional public hospital funding of \$17,814,236.81 under the funding measure: National Partnership on public hospital system — additional funding. This funding was provided to offset the downward adjustments to 2013–14 NHR funding applied at the 2013–14 Mid-Year Economic and Fiscal Outlook (MYEFO) and the 2014–15 Budget, due to the application of updated NHR funding indexation parameters. A requirement of the provision of this funding was that it is passed on in full through the National Health Funding Pool and / or State Managed Fund to LHNs for activity based and block funding, and state and territory health departments for public health funding.

### Section 241(2)(b) — the amounts paid into each State Pool Account by the Commonwealth and the basis on which the payments were made

Component	Amount paid by Commonwealth into WA State Pool Account (\$'000)	
	2013–14	2012–13
Activity based funding	1,226,895	1,024,177
Block funding	256,209	341,316
Public Health funding	35,297	32,653
<b>WA TOTAL</b>	<b>1,518,400</b>	<b>1,398,146</b>

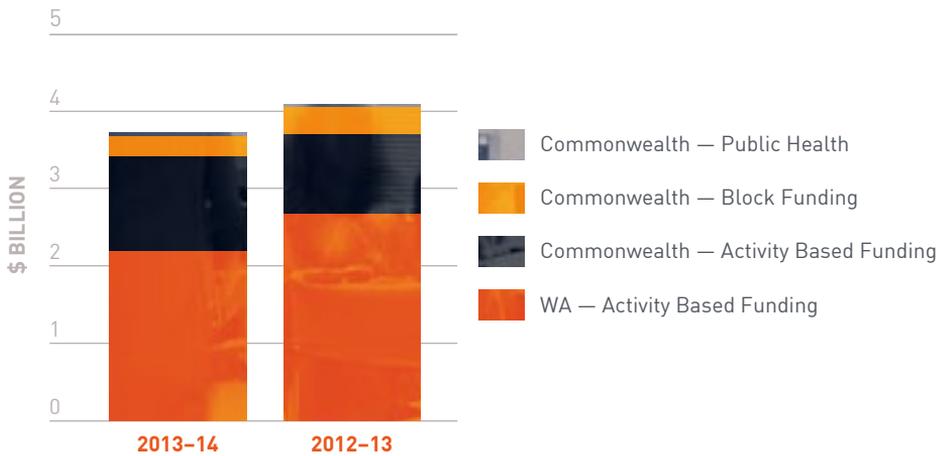
For the Commonwealth basis of payments, refer to part b) of the 'National health reform funding and payments — National' chapter.

**Section 241(2)(c) — the amounts paid from each State Pool Account to local hospital networks, a State Managed Fund or other organisations or funds and the basis on which the payments were made**

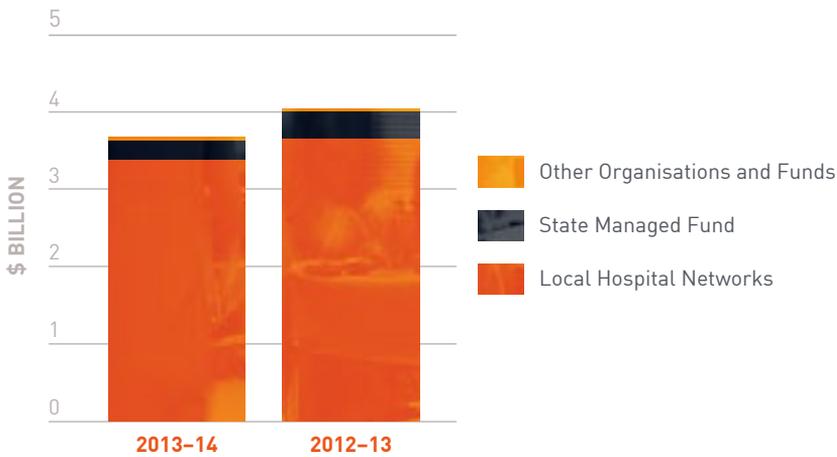
Recipient	Amount paid from WA State Pool Account (\$'000)	
	2013-14	2012-13
Child and Adolescent Health Service	256,594	259,906
North Metropolitan Health Service	1,208,574	1,247,260
South Metropolitan Health Service	1,472,728	1,514,285
WA Country Health Service	459,051	657,654
<b>TOTAL LOCAL HOSPITAL NETWORKS</b>	<b>3,396,947</b>	<b>3,679,106</b>
<b>STATE MANAGED FUND</b>	<b>256,209</b>	<b>341,316</b>
<b>OTHER ORGANISATIONS OR FUNDS</b>	<b>35,298</b>	<b>32,653</b>
<b>WA TOTAL</b>	<b>3,688,453</b>	<b>4,053,075</b>

For the Western Australia basis of payments, refer to part a) of this chapter.

**PAYMENTS INTO THE POOL — WA**



## PAYMENTS OUT OF THE POOL — WA

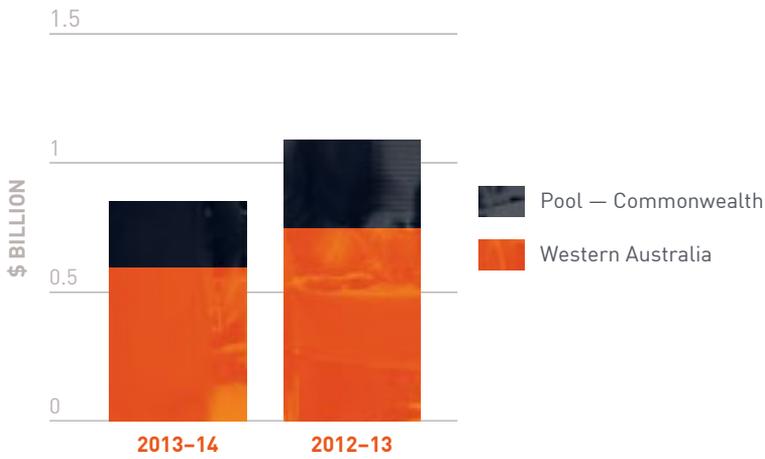


### Section 241(2)(d) — the amounts paid from each State Managed Fund to local hospital networks or other organisations or funds and the basis on which the payments were made

Recipient	Amount paid from WA State Managed Fund (\$'000)	
	2013-14	2012-13
Child and Adolescent Health Service	86,184	124,530
North Metropolitan Health Service	218,206	269,556
South Metropolitan Health Service	209,421	219,086
WA Country Health Service	339,040	482,981
<b>TOTAL LOCAL HOSPITAL NETWORKS</b>	<b>852,852</b>	<b>1,096,153</b>
<b>OTHER ORGANISATIONS OR FUNDS</b>	<b>-</b>	<b>-</b>
<b>WA TOTAL</b>	<b>852,852</b>	<b>1,096,153</b>

For the Western Australia basis of payments, refer to part a) of this chapter.

### PAYMENTS INTO THE STATE MANAGED FUND — WA



### PAYMENTS OUT OF THE STATE MANAGED FUND — WA



## Section 241(2)(e) — the number of public hospital services funded for each local hospital network in accordance with the system of activity based funding

Local Hospital District	Number of ABF public hospital services funded (NWAU)		
	2013–14 Estimate	2012–13 Actual	2012–13 Estimate
Child and Adolescent Health Service*	50,740	47,096	48,262
North Metropolitan Health Service*	244,892	208,088	216,653
South Metropolitan Health Service*	298,631	272,386	272,581
WA Country Health Service	87,805	85,174	81,471
<b>WA TOTAL</b>	<b>682,068</b>	<b>612,744</b>	<b>618,967</b>

\*The 2012–13 NWAU estimates shown for these local hospital networks differ from those published in the 2012–13 Annual Report.

The National Weighted Activity Unit (NWAU) is the unit of measurement for the activity based funding system. It is a measure of health service activity expressed as a common unit, against which the national efficient price is paid. It provides a way of comparing and valuing each activity based funded public hospital service, by weighting it for its clinical complexity.

Western Australia provides 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. Funding adjustments as a result of the reconciliation to actual public hospital services (NWAU) for 2012–13 form part of the 2013–14 Commonwealth payments.

## Section 241(2)(f) — the number of other public hospital services and functions funded from each State Pool Account or State Managed Fund

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 National Health Reform Agreement allows for information to be based on the unit measurement classification and funding arrangements used in individual state and territories.

However, in 2012–13 and 2013–14 Western Australia did not report any 'other public hospital services and functions funded' from their Pool Account or state managed fund.

# SOUTH AUSTRALIA



# Financial Statement



**NATIONAL HEALTH FUNDING POOL —  
SOUTH AUSTRALIAN STATE POOL ACCOUNT  
SPECIAL PURPOSE FINANCIAL STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2014**

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 Australian National Health Funding Pool Administration (South Australia) Act 2012*.

## INDEPENDENT AUDITOR'S REPORT



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Auditor-General's Department

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### To the Administrator of the National Health Funding Pool

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 accompanying special purpose financial statement (the financial statement) of the South Australian State Pool Account of the National Health Funding Pool for the year ended 30 June 2014. The financial statement comprises:

- a Statement of Receipts and Payments for the period 1 July 2013 to 30 June 2014
- notes to and forming part of the financial statement
- the Administrator's declaration

### The Responsibility of the Administrator of the National Health Funding Pool for the Financial Statement

The Administrator of the National Health Funding Pool (the Administrator) is responsible for the preparation of the financial statement 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 statement that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on the financial statement based on the audit. The audit was conducted in accordance with Australian Auditing Standards and the *National Health Funding Pool Administration (South Australia) Act 2012*, *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statement that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Administrator, as well as the overall presentation of the financial statement.

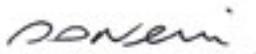
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Opinion**

In my opinion, the attached special purpose financial statement for the period ended 30 June 2014 is based on properly maintained financial records and gives a true and fair view of the matters required by the *National Health Funding Pool Administration (South Australia) Act 2012*, the *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

#### **Basis of Accounting**

Without modifying my opinion, I draw attention to note 1 to the financial statement, which describes the purpose of the financial statement and 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 *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 statement may not be suitable for another purpose.



S O'Neill  
AUDITOR-GENERAL  
15 September 2014



Administrator  
National Health  
Funding Pool

### South Australian State Pool Account

I report that, as indicated in note 1 (a) to the financial statement, I have determined that the attached special purpose financial statement comprising a receipts and payments account with attached notes provides a 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 2014 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.

*Bob Sendt*

**RJ Sendt**  
Administrator  
National Health Funding Pool

9 September 2014

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South Australian State Pool Account  
Statement of receipts and payments  
for the year ended 30 June 2014

	Notes	2014 \$ '000	2013 \$ '000
<b>OPENING CASH BALANCE</b>		<b>9,391</b>	<b>-</b>
<b>RECEIPTS INTO THE STATE POOL ACCOUNT</b>			
<b>From Commonwealth</b>			
Activity based funding	2, 6	841,671	592,667
Block funding		143,066	139,087
Public health funding		23,166	17,494
<b>From South Australia</b>			
Activity based funding	2, 6	1,848,159	1,201,000
Cross border contribution		-	-
<b>From other States or Territories</b>			
Cross border receipts	3	-	-
<b>From Reserve Bank of Australia</b>			
Interest receipts		3,619	2,322
<b>TOTAL RECEIPTS</b>		<b>2,859,681</b>	<b>1,952,570</b>
<b>PAYMENTS OUT OF THE STATE POOL ACCOUNT</b>			
<b>To Local Hospital Networks</b>			
Activity based funding	4, 6	2,702,840	1,786,176
<b>To South Australian State Managed Fund</b>			
Block funding		143,066	139,087
Cross border transfer		-	-
<b>To South Australia Health</b>			
Public health funding		23,166	17,494
Interest payments		-	422
Cross border transfer		-	-
<b>To other States or Territories</b>			
Cross border payments	5	-	-
<b>TOTAL PAYMENTS</b>		<b>2,869,072</b>	<b>1,943,179</b>
<b>NET RECEIPTS/(PAYMENTS) FOR THE YEAR</b>		<b>-9,391</b>	<b>9,391</b>
<b>CLOSING CASH BALANCE</b>		<b>-</b>	<b>9,391</b>

The results for 2012–13 represent the operations for the period from 1 October 2012 to 30 June 2013.

The South Australian State Pool Account commenced operations on 1 October 2012.

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

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (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.

The principal accounting policies adopted in the preparation of the financial statement are set out below. The financial statement is for the South Australian State Pool Account, which was established at the Reserve Bank of Australia (RBA) in 2012–13 and is a special purpose financial statement.

In its 2014–15 Budget, the Commonwealth announced that it will consult with States and Territories with the intention of creating a new health productivity and performance commission. Subject to this consultation, the new commission would be formed by merging the functions of the Australian Commission on Safety and Quality in Health Care, the Australian Institute of Health and Welfare, the Independent Hospital Pricing Authority, the National Hospital Performance Authority, the National Health Funding Body and the Administrator of the National Health Funding Pool. Information available at the time of issue of this special purpose financial statement indicates that there will be no effect on state pool accounts for the following 12 months.

### (B) BASIS OF PREPARATION

The South Australian State Pool Account was established in accordance with the South Australian *National Health Funding Pool Administration (South Australia) Act 2012* and the special purpose financial statement has been prepared in accordance with 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 financial statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The financial statement was authorised for issue by the Administrator on 9 September 2014.

### **(C) COMPARATIVE FIGURES**

Prior year comparative information has been disclosed. The results for 2012–13 are for the period from 1 October 2012 to 30 June 2013 and the results for 2013–14 are for the year ended 30 June 2014.

### **(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 (ABF)**

ABF is a system for funding public hospital services provided to individual patients using national classifications, cost weights and national efficient prices developed by the Independent Hospital Pricing Authority (IHPA). ABF is paid by both states and territories and the Commonwealth into the Funding Pool.

In 2012–13, ABF consisted of three service categories:

- i. acute admitted services;
- ii. emergency department services; and
- iii. non–admitted services.

In 2013–14, ABF consisted of five service categories:

- i. acute admitted services;
- ii. emergency department services;
- iii. non–admitted services;
- iv. mental health services (not already captured by(i)); and
- v. sub–acute services.

State or territory ABF contributions into the Funding Pool are calculated by the state or territory as the system manager of the public hospital system. The service agreement between the state or territory (as the system manager) and each Local Hospital Network (LHN) specifies the service delivery and funding parameters.

Commonwealth ABF contributions into the Funding Pool are calculated by the Administrator by applying the relevant National Efficient Price (NEP) determination issued by the IHPA, multiplied by the Commonwealth contribution percentage rate for South Australia, multiplied by the National Weighted Activity Units (NWAU) estimate provided by South Australia. In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements for a year. Final funding entitlements for the year are calculated after actual data on hospital services become available. This calculation will generally result in reconciliation adjustments being made to the Commonwealth ABF contribution to each LHN.

In accordance with the National Health Reform Agreement (the Agreement), in 2013–14 there were two rounds of reconciliation adjustments relating to actual activity in 2012–13:

- i. a six-monthly adjustment, and
- ii. an annual adjustment.

The six-monthly adjustment was based on the reconciliation between the actual volume of services provided by each LHN in the period 1 July 2012 to 31 December 2012 against the estimated volume of services.

The annual adjustment was based on the reconciliation between the actual volume of services provided by each LHN in 2012–13 against the estimated volume of services. The annual adjustment took into account the six month adjustment and the quantum of cross-border services for the year.

## **(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.

South Australian State Pool Account  
Notes to the special purpose financial statement  
for the year ended 30 June 2014

In 2012–13, block funding consisted of five service categories. In 2013–14, block funding consisted of four service categories.

In 2012–13 the Commonwealth calculated block funding on proportions agreed between the Commonwealth Health Minister and each state or territory Health Minister, and supported the following:

- i. small rural hospitals;
- ii. teaching, training and research;
- iii. sub–acute services;
- iv. mental health services; and
- v. other.

In 2013–14 the Commonwealth block funding supported the following:

- i. small rural hospitals;
- ii. teaching, training and research;
- iii. non–admitted mental health; and
- iv. other non–admitted services.

The amount of Commonwealth 2013–14 block funding for each of these block funded service categories was calculated by the Administrator by applying the South Australian 2013–14 Commonwealth contribution percentage of NEP to the total expenditure (Commonwealth and state or territory) of each block funded service category as advised in the IHPA's 2013–14 National Efficient Cost (NEC) determination.

### **(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 amounts for national public health, youth health services and essential vaccines.

### **(H) CROSS BORDER**

When a resident of one state receives hospital treatment in another state, the 'resident state' compensates the treating or 'provider state' for the cost of care through a cross border payment.

This interstate compensation consists of two parts — the Commonwealth share of the cost of treating the patient (paid through the Funding Pool), and the resident state's share (paid either through the Funding Pool or directly to the provider state).

**(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 both the Commonwealth and 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.

**2 ACTIVITY BASED FUNDING RECEIPTS**

Total receipts into the South Australian State Pool Account in respect of activity based funding were as follows:

	2014 \$ '000	2013 \$ '000
Commonwealth activity based funding	841,671	592,667
South Australian activity based funding	1,848,159	1,201,000
<b>TOTAL</b>	<b>2,689,830</b>	<b>1,793,667</b>

### 3 CROSS BORDER RECEIPTS

Total cross border receipts into the South Australian State Pool Account from other states and territories were as follows:

States and Territories	2014 \$ '000	2013 \$ '000
<b>Cross border receipts</b>		
New South Wales	-	-
Victoria	-	-
Queensland	-	-
Western Australia	-	-
Australian Capital Territory	-	-
Tasmania	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>

Where no cross border receipts are reported through the South Australian State Pool Account, other bilateral arrangements between the states and territories may exist.

### 4 ACTIVITY BASED FUNDING PAYMENTS

Total payments made out of the South Australian State Pool Account in respect of each local hospital network were as follows:

Local Hospital Networks	2014 \$ '000	2013 \$ '000
Central Adelaide Local Health Network	983,287	630,862
Country Health SA Local Health Network	288,238	281,339
Northern Adelaide Local Health Network	466,732	218,624
Southern Adelaide Local Health Network	688,841	460,056
Women's and Children's Health Network	275,742	195,295
<b>TOTAL</b>	<b>2,702,840</b>	<b>1,786,176</b>

The Administrator makes payments from the South Australian State Pool Account in accordance with the directions of the South Australian Health Minister.

## 5 CROSS BORDER PAYMENTS

Total cross border payments out of the South Australian State Pool Account to other states and territories were as follows:

States and Territories	2014 \$ '000	2013 \$ '000
<b>Cross border payments</b>		
New South Wales	-	-
Victoria	-	-
Queensland	-	-
Western Australia	-	-
Australian Capital Territory	-	-
Tasmania	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>

Where no cross border payments are reported through the South Australian State Pool Account, there may be other bilateral arrangements between the states and territories.

## 6 ACTIVITY BASED FUNDING RECEIPTS AND PAYMENTS

Total South Australian and Commonwealth activity based funding contributions and total local hospital network activity based funding payments were as follows:

	2014 \$ '000	2013 \$ '000
Total activity based funding receipts from South Australia	1,848,159	1,201,000
Total activity based funding receipts from the Commonwealth	841,671	592,667
Less activity based funding payments to local hospital networks	(2,702,840)	(1,786,176)
<b>PAYMENTS IN EXCESS OF RECEIPTS</b>	<b>-13,010</b>	<b>7,490</b>

The Administrator makes payments from the South Australian State Pool Account in accordance with the directions of the South Australian Minister for Health. The South Australian Minister for Health directed all activity based funding contributions to local hospital networks.

# National Health Reform Funding and Payments



Section 241(2) of the *National Health Reform Act 2011* (the Act) outlines certain disclosures to be included in this Annual Report.

The information reported is specific to the transactions of the 'relevant state or territory'. For the purposes of this legislative reporting, the 'relevant state or territory' is the state or territory that holds the bank accounts opened under the laws of that state or territory for National Health Reform Agreement purposes.

The values are rounded to the nearest thousand dollars unless otherwise specified. As such, figures may not add to the totals shown due to rounding.

The information disclosed in the following tables is provided by South Australia and forms part of the Administrator's monthly reporting requirements, located at [www.publichospitalfunding.gov.au/reports](http://www.publichospitalfunding.gov.au/reports). For further information on the types of national health reform funding, refer to the 'Overview' chapter of this Annual Report.

The amounts listed for 2012–13 reflect both amounts transacted under national health reform legislation and 'notional' amounts. Notional amounts were funds paid into and out of departmental bank accounts by some states or territories that would have been transacted through the National Health Funding Pool and/or state managed fund had the national health reform funding arrangements been in place from 1 July 2012. The 2012–13 edition of this Annual Report separately disclosed notional amounts and those transacted under national health reform legislation in 2012–13.

### **Section 241(2)(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**

Component	Amount paid by South Australia (\$'000)	
	2013–14	2012–13
State Pool Account — Activity based funding*	1,848,159	1,519,989
State Managed Fund — Block funding	234,911	235,918
<b>SA TOTAL</b>	<b>2,083,070</b>	<b>1,755,907</b>

*\*In accordance with the provisions of the Act, this table does not include Interest deposited in the Pool account and cross-border receipts from other states/territories, as these were made from contributors other than the relevant state or territory. Details of these flows are located in the Pool Account Special Purpose Financial Statement of each state/territory.*

The basis used to determine South Australian national health reform funding and payments for 2013–14 (at June 2014) was advised by the South Australian Department of Health to be as follows:

*In determining the annual funding allocation for all LHNs, the budget has been built up predominantly on an activity basis applying an internally developed allocation methodology that is designed to equitably distribute funding to each local hospital network relative to all LHNs in South Australia. This occurs within the confines of a limited funding pool that includes adjustments to recognise cost improvements and the attainment of service efficiencies that are also equitably allocated on an activity basis. Supplementation is provided as block funding where an activity-based approach is not appropriate. This captures the provision of services including teaching, training and research, some mental health services and the delivery of out of hospital strategies incorporating primary health.*

*Monthly allocations to LHNs will vary for a variety of reasons, but they are predominantly cash flow financed based on need which includes the activity demand on hospital services.*

*Between March and June 2014, the Commonwealth provided South Australia with additional public hospital funding of \$17,146,588.96 under the funding measure: National Partnership on public hospital system — additional funding. This funding was provided to offset the downward adjustments to 2013–14 NHR funding applied at the 2013–14 Mid-Year Economic and Fiscal Outlook (MYEFO) and the 2014–15 Budget, due to the application of updated NHR funding indexation parameters. A requirement of the provision of this funding was that it is passed on in full through the National Health Funding Pool and / or State Managed Fund to LHNs for activity based and block funding, and state and territory health departments for public health funding.*

### **Section 241(2)(b) — the amounts paid into each State Pool Account by the Commonwealth and the basis on which the payments were made**

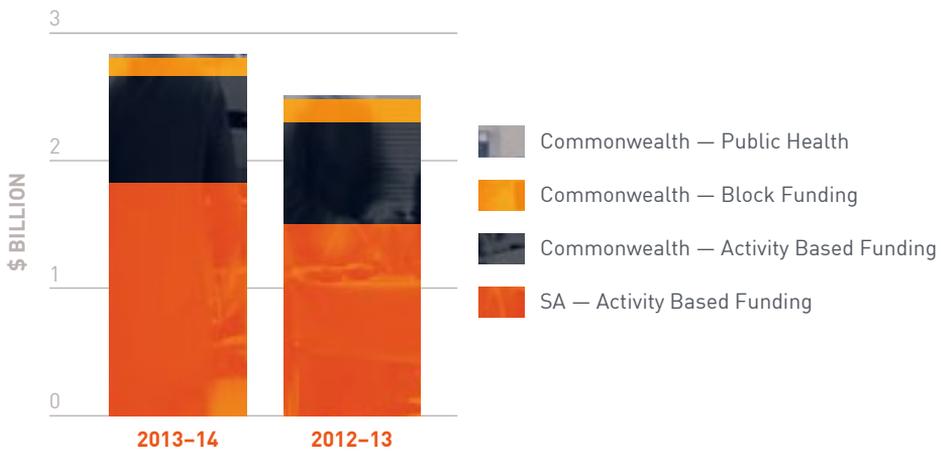
Component	Amount paid by Commonwealth into SA State Pool Account (\$'000)	
	2013–14	2012–13
Activity based funding	841,671	798,102
Block funding	143,066	187,305
Public Health funding	23,166	23,469
<b>SA TOTAL</b>	<b>1,007,904</b>	<b>1,008,876</b>

**Section 241(2)(c) — the amounts paid from each State Pool Account to local hospital networks, a State Managed Fund or other organisations or funds and the basis on which the payments were made**

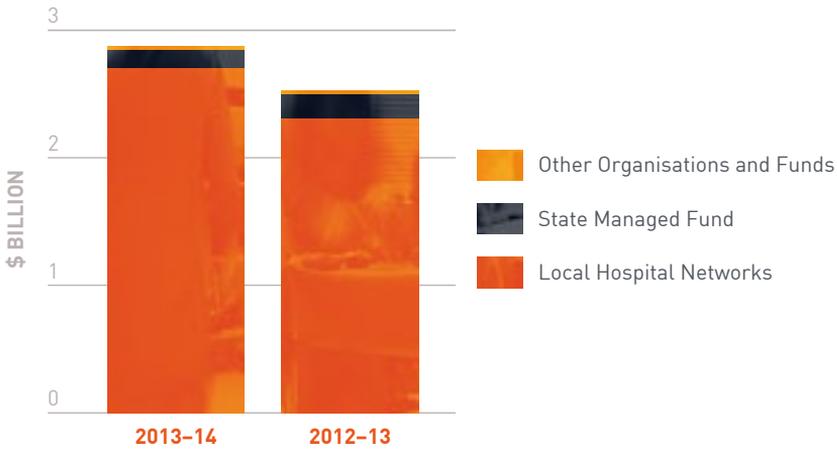
Recipient	Amount paid from SA State Pool Account (\$'000)	
	2013-14	2012-13
Central Adelaide Local Health Network	983,288	817,495
Country Health SA Local Health Network	288,238	354,615
Northern Adelaide Local Health Network	466,732	289,358
Southern Adelaide Local Health Network	688,841	600,012
Women's and Children's Health Network	275,742	249,121
<b>TOTAL LOCAL HOSPITAL NETWORKS</b>	<b>2,702,840</b>	<b>2,310,600</b>
<b>STATE MANAGED FUND</b>	<b>143,066</b>	<b>187,305</b>
<b>OTHER ORGANISATIONS OR FUNDS</b>	<b>23,166</b>	<b>23,891</b>
<b>SA TOTAL</b>	<b>2,869,072</b>	<b>2,521,796</b>

For the South Australian basis of payments, refer to part a) of this chapter.

**PAYMENTS INTO THE POOL — SA**



PAYMENTS OUT OF THE POOL — SA

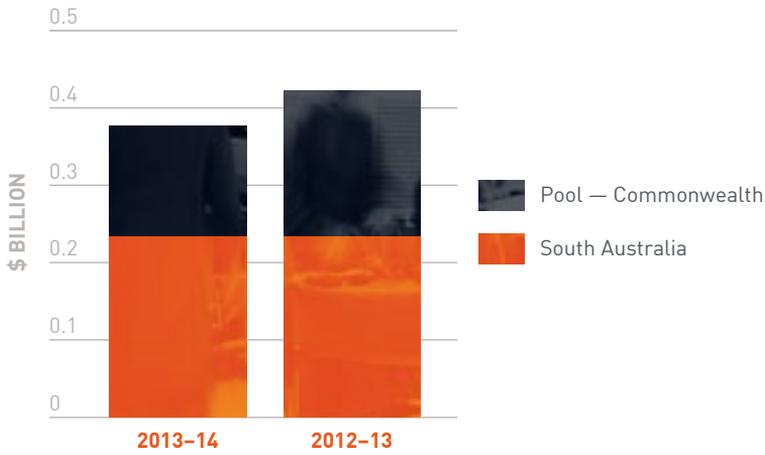


**Section 241(2)(d) — the amounts paid from each State Managed Fund to local hospital networks or other organisations or funds and the basis on which the payments were made**

Recipient	Amount paid from SA State Managed Fund (\$'000)	
	2013-14	2012-13
Central Adelaide Local Health Network	69,351	171,765
Country Health SA Local Health Network	205,698	117,459
Northern Adelaide Local Health Network	40,396	42,604
Southern Adelaide Local Health Network	48,895	69,418
Women's and Children's Health Network	13,637	21,976
<b>TOTAL LOCAL HOSPITAL NETWORKS</b>	<b>377,977</b>	<b>423,222</b>
<b>OTHER ORGANISATIONS OR FUNDS</b>	<b>-</b>	<b>-</b>
<b>SA TOTAL</b>	<b>377,977</b>	<b>423,222</b>

For the South Australian basis of payments, refer to part a) of this chapter.

### PAYMENTS INTO THE STATE MANAGED FUND — SA



### PAYMENTS OUT OF THE STATE MANAGED FUND — SA



### Section 241(2)(e) — the number of public hospital services funded for each local hospital network in accordance with the system of activity based funding

Local Hospital District	Number of ABF public hospital services funded (NWAU)		
	2013–14 Estimate	2012–13 Actual	2012–13 Estimate
Central Adelaide Local Health Network	195,793	166,625	162,612
Country Health SA Local Health Network	57,384	77,241	70,935
Northern Adelaide Local Health Network	92,925	79,996	81,497
Southern Adelaide Local Health Network	137,147	125,305	120,327
Women's and Children's Health Network	54,916	51,718	51,320
<b>SA TOTAL</b>	<b>538,164</b>	<b>500,886</b>	<b>486,690</b>

The National Weighted Activity Unit (NWAU) is the unit of measurement for the activity based funding system. It is a measure of health service activity expressed as a common unit, against which the national efficient price is paid. It provides a way of comparing and valuing each activity based funded public hospital service, by weighting it for its clinical complexity.

South Australia provides 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. Funding adjustments as a result of the reconciliation to actual public hospital services (NWAU) for 2012–13 form part of the 2013–14 Commonwealth payments.

### Section 241(2)(f) — the number of other public hospital services and functions funded from each State Pool Account or State Managed Fund

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 National Health Reform Agreement allows for information to be based on the unit measurement classification and funding arrangements used in individual state and territories.

However, in 2012–13 and 2013–14 South Australia did not report any 'other public hospital services and functions funded' from their Pool Account or state managed fund.

# TASMANIA



# Financial Statement



**NATIONAL HEALTH FUNDING POOL —  
TASMANIAN STATE POOL ACCOUNT  
SPECIAL PURPOSE FINANCIAL STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2014**

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*.



## Independent Auditor's Report

To Members of the Parliament of Tasmania

National Health Funding Pool – Tasmanian State Pool Account

Special Purpose Financial Statement for the Year Ended 30 June 2014

### Report on the Special Purpose Financial Statement

As required by section 20 of the *National Health Funding Administration Act 2012* (Tasmania) and section 243 of the *National Health Reform Act 2011* (Commonwealth), I have audited the accompanying special purpose financial statement of the Tasmanian State Pool Account of the National Health Funding Pool (the financial statement) for the year ended 30 June 2014. The financial statement comprises a statement of receipts and payments for the year ended 30 June 2014, cash balances at the beginning and end of that year, notes comprising a summary of significant accounting policies, other explanatory information and a declaration by the Administrator of the National Health Funding Pool (the Administrator).

### Auditor's Opinion

In my opinion the financial statement for the year ended 30 June 2014 presents fairly, in all material respects, the financial transactions of the Tasmanian State Pool Account and such components of financial position at that date, as are disclosed, in accordance with the *National Health Funding Administration Act 2012* (Tasmania), the *National Health Reform Act 2011* (Commonwealth) and the National Health Reform Agreement 2011.

### Basis of Accounting

Without modifying my opinion, I draw attention to Note 1 to the financial statement, which describes the purpose of the financial statement and the basis of accounting. The financial statement has been prepared solely for the purpose of fulfilling the Administrator's financial reporting obligations under the financial reporting provisions of section 19 of the *National Health Funding Administration Act 2012* (Tasmania), section 242 of the *National Health Reform Act 2011* (Commonwealth), the National Health Reform Agreement 2011 and section 17 of the *Audit Act 2008* (Tasmania). As a result, the financial statement may not be suitable for another purpose.

### *The Responsibility of the Administrator 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 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 section 19 of the *National Health Funding Administration Act 2012* (Tasmania), section 242 of the *National Health Reform Act 2011* (Commonwealth), the National Health Reform Agreement 2011 and section 17 of the *Audit Act 2008* (Tasmania). The Administrator's responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement that is free from material misstatement,

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whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial statement based on my audit. My audit was conducted in accordance with Australian Auditing Standards. Auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

My audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. Procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, I considered internal control relevant to the Administrator's preparation of the financial statement 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 applied by the Administrator. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Administrator, as well as the overall presentation of the financial statement.

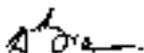
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Independence**

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and relevant ethical pronouncements. The *Audit Act 2008* (Tasmania) further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General; and
- mandating the Auditor-General as auditor of state entities but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Tasmanian Audit Office are not compromised in their role by the possibility of losing clients or income.

#### **Tasmanian Audit Office**



H M Blake  
**Auditor-General**

Hobart, 16 September 2014

...2 of 2

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Administrator  
National Health  
Funding Pool

### Tasmanian State Pool Account

I report that, as indicated in note 1 (a) to the financial statement, I have determined that the attached special purpose financial statement comprising a receipts and payments account with attached notes provides a 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 2014 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.

*Bob Sendt*

**RJ Sendt**  
Administrator  
National Health Funding Pool

9 September 2014

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Tasmanian State Pool Account  
Statement of receipts and payments  
for the year ended 30 June 2014

	Notes	2014 \$ '000	2013 \$ '000
<b>OPENING CASH BALANCE</b>		-	-
<b>RECEIPTS INTO THE STATE POOL ACCOUNT</b>			
<b>From Commonwealth</b>			
Activity based funding	2, 6	238,897	233,205
Block funding		46,460	51,887
Public health funding		7,090	6,829
<b>From Tasmania</b>			
Activity based funding	2, 6	350,095	236,838
Cross border contribution		-	10,223
<b>From other States or Territories</b>			
Cross border receipts	3	-	-
<b>From Reserve Bank of Australia</b>			
Interest receipts		2	20
<b>TOTAL RECEIPTS</b>		<b>642,544</b>	<b>539,002</b>
<b>PAYMENTS OUT OF THE STATE POOL ACCOUNT</b>			
<b>To Local Hospital Networks</b>			
Activity based funding	4, 6	588,992	470,043
<b>To Tasmanian State Managed Fund</b>			
Block funding		46,460	51,887
Cross border transfer		-	-
<b>To Tasmanian Department of Health and Human Services</b>			
Public health funding		7,090	6,829
Interest payments		2	20
Cross border transfer		-	-
<b>To other States or Territories</b>			
Cross border payments	5	-	10,223
<b>TOTAL PAYMENTS</b>		<b>642,544</b>	<b>539,002</b>
<b>NET RECEIPTS/(PAYMENTS) FOR THE YEAR</b>		<b>-</b>	<b>-</b>
<b>CLOSING CASH BALANCE</b>		<b>-</b>	<b>-</b>

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

## **1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **(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.

The principal accounting policies adopted in the preparation of the financial statement are set out below. The financial statement is for the Tasmanian State Pool Account, which was established at the Reserve Bank of Australia (RBA) in 2012–13 and is a special purpose financial statement.

In its 2014–15 Budget, the Commonwealth announced that it will consult with States and Territories with the intention of creating a new health productivity and performance commission. Subject to this consultation, the new commission would be formed by merging the functions of the Australian Commission on Safety and Quality in Health Care, the Australian Institute of Health and Welfare, the Independent Hospital Pricing Authority, the National Hospital Performance Authority, the National Health Funding Body and the Administrator of the National Health Funding Pool. Information available at the time of issue of this special purpose financial statement indicates that there will be no effect on state pool accounts for the following 12 months.

### **(B) BASIS OF PREPARATION**

The Tasmanian State Pool Account was established in accordance with the Tasmanian *National Health Funding Administration Act 2012* and the special purpose financial statement has been prepared in accordance with 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 financial statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The financial statement was authorised for issue by the Administrator on 9 September 2014.

### **(C) COMPARATIVE FIGURES**

Prior year comparative information has been disclosed. The results for 2012–13 are for a full year of operations and the results for 2013–14 are for the year ended 30 June 2014.

### **(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 (ABF)**

ABF is a system for funding public hospital services provided to individual patients using national classifications, cost weights and national efficient prices developed by the Independent Hospital Pricing Authority (IHPA). ABF is paid by both states and territories and the Commonwealth into the Funding Pool.

In 2012–13, ABF consisted of three service categories:

- i. acute admitted services;
- ii. emergency department services; and
- iii. non–admitted services.

In 2013–14, ABF consisted of five service categories:

- i. acute admitted services;
- ii. emergency department services;
- iii. non–admitted services;
- iv. mental health services (not already captured by(i)); and
- v. sub–acute services.

State or territory ABF contributions into the Funding Pool are calculated by the state or territory as the system manager of the public hospital system. The service agreement between the state or territory (as the system manager) and each Local Hospital Network (LHN) specifies the service delivery and funding parameters.

Commonwealth ABF contributions into the Funding Pool are calculated by the Administrator by applying the relevant National Efficient Price (NEP) determination issued by the IHPA, multiplied by the Commonwealth contribution percentage rate for Tasmania, multiplied by the National Weighted Activity Units (NWAU) estimate provided by Tasmania. In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements for a year. Final funding entitlements for the year are calculated after actual data on hospital services become available. This calculation will generally result in reconciliation adjustments being made to the Commonwealth ABF contribution to each LHN.

In accordance with the National Health Reform Agreement (the Agreement), in 2013–14 there were two rounds of reconciliation adjustments relating to actual activity in 2012–13:

- i. a six-monthly adjustment, and
- ii. an annual adjustment.

The six-monthly adjustment was based on the reconciliation between the actual volume of services provided by each LHN in the period 1 July 2012 to 31 December 2012 against the estimated volume of services.

The annual adjustment was based on the reconciliation between the actual volume of services provided by each LHN in 2012–13 against the estimated volume of services. The annual adjustment took into account the six month adjustment and the quantum of cross-border services for the year.

## **(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 2012–13, block funding consisted of five service categories. In 2013–14, block funding consisted of four service categories.

**Tasmanian State Pool Account  
Notes to the special purpose financial statement  
for the year ended 30 June 2014**

In 2012–13 the Commonwealth calculated block funding on proportions agreed between the Commonwealth Health Minister and each state or territory Health Minister, and supported the following:

- i. small rural hospitals;
- ii. teaching, training and research;
- iii. sub-acute services;
- iv. mental health services; and
- v. other.

In 2013–14 the Commonwealth block funding supported the following:

- i. small rural hospitals;
- ii. teaching, training and research;
- iii. non-admitted mental health; and
- iv. other non-admitted services.

The amount of Commonwealth 2013–14 block funding for each of these block funded service categories was calculated by the Administrator by applying the Tasmanian 2013–14 Commonwealth contribution percentage of NEP to the total expenditure (Commonwealth and state or territory) of each block funded service category as advised in the IHPA's 2013–14 National Efficient Cost (NEC) determination.

**(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 amounts for national public health, youth health services and essential vaccines.

**(H) CROSS BORDER**

When a resident of one state receives hospital treatment in another state, the 'resident state' compensates the treating or 'provider state' for the cost of care through a cross border payment.

This interstate compensation consists of two parts — the Commonwealth share of the cost of treating the patient (paid through the Funding Pool), and the resident state's share (paid either through the Funding Pool or directly to the provider state).

## **(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 both the Commonwealth and 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.

## **2 ACTIVITY BASED FUNDING RECEIPTS**

Total receipts into the Tasmanian State Pool Account in respect of activity based funding were as follows:

	<b>2014 \$ '000</b>	<b>2013 \$ '000</b>
Commonwealth activity based funding	238,897	233,205
Tasmanian activity based funding	350,095	236,838
<b>TOTAL</b>	<b>588,992</b>	<b>470,043</b>

### 3 CROSS BORDER RECEIPTS

Total cross border receipts into the Tasmanian State Pool Account from other states and territories were as follows:

States and Territories	2014 \$ '000	2013 \$ '000
<b>Cross border receipts</b>		
New South Wales	-	-
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Australian Capital Territory	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>

Where no cross border receipts were reported through the Tasmanian State Pool Account, other bilateral arrangements between the states and territories may exist.

### 4 ACTIVITY BASED FUNDING PAYMENTS

Total payments made out of the Tasmanian State Pool Account in respect of each local hospital network were as follows:

Local Hospital Networks	2014 \$ '000	2013 \$ '000
Tasmanian Health Organisation — North West	78,102	55,396
Tasmanian Health Organisation — South	327,115	246,857
Tasmanian Health Organisation — North	183,775	167,790
<b>TOTAL</b>	<b>588,992</b>	<b>470,043</b>

The Administrator makes payments from the Tasmanian State Pool Account in accordance with the directions of the Tasmanian Minister for Health.

## 5 CROSS BORDER PAYMENTS

Total cross border payments out of the Tasmanian State Pool Account to other states and territories were as follows:

States and Territories	2014 \$ '000	2013 \$ '000
<b>Cross border payments</b>		
New South Wales	-	-
Victoria	-	10,223
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Australian Capital Territory	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>-</b>	<b>10,223</b>

Where no cross border payments are reported through the Tasmanian State Pool Account, there may be other bilateral arrangements between the states and territories.

## 6 ACTIVITY BASED FUNDING RECEIPTS AND PAYMENTS

Total Tasmanian and Commonwealth activity based funding contributions and total local hospital network activity based funding payments were as follows:

	2014 \$ '000	2013 \$ '000
Total activity based funding receipts from Tasmania	350,095	236,838
Total activity based funding receipts from the Commonwealth	238,897	233,205
Less activity based funding payments to local hospital networks	(588,992)	(470,043)
<b>PAYMENTS IN EXCESS OF RECEIPTS</b>	<b>-</b>	<b>-</b>

The Administrator makes payments from the Tasmanian State Pool Account in accordance with the directions of the Tasmanian Minister for Health. The Tasmanian Minister for Health directed all activity based funding contributions paid to local hospital networks.

**End of Audited Special Purpose Financial Statement.**

# National Health Reform Funding and Payments



Section 241(2) of the *National Health Reform Act 2011* (the Act) outlines certain disclosures to be included in this Annual Report.

The information reported is specific to the transactions of the 'relevant state or territory'. For the purposes of this legislative reporting, the 'relevant state or territory' is the state or territory that holds the bank accounts opened under the laws of that state or territory for National Health Reform Agreement purposes.

The values are rounded to the nearest thousand dollars unless otherwise specified. As such, figures may not add to the totals shown due to rounding.

The information disclosed in the following tables is provided by Tasmania and forms part of the Administrator's monthly reporting requirements, located at [www.publichospitalfunding.gov.au/reports](http://www.publichospitalfunding.gov.au/reports). For further information on the types of national health reform funding, refer to the 'Overview' chapter of this Annual Report.

### **Section 241(2)(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**

Component	Amount paid by Tasmania (\$'000)	
	2013–14	2012–13
State Pool Account — Activity based funding*	350,095	247,061
State Managed Fund — Block funding	285,588	242,086
<b>TAS TOTAL</b>	<b>635,683</b>	<b>489,147</b>

*\*In accordance with the provisions of the Act, this table does not include Interest deposited in the Pool account and cross-border receipts from other states/territories, as these were made from contributors other than the relevant state or territory. Details of these flows are located in the Pool Account Special Purpose Financial Statement of each state/territory.*

The basis used to determine Tasmanian national health reform funding and payments for 2013–14 (at June 2014) was advised by the Tasmanian Department of Health and Human Services to be as follows:

*Tasmania has developed a funding model (Tasmanian ABF Model) which will take a prospective orientation (i.e. it will produce the forward allocation based on the volumes of services to be funded that are determined in accordance with State planning processes). While in 2013–14 THO budget allocations continued to be developed on a historical basis, the ABF Model was used to develop an activity profile and block funded services allocation for each THO for 2013–14, capped by the historical budget allocation.*

*The funding arrangements and associated pricing focussed on the four ABF work streams of:*

- + acute admitted,*
- + other admitted (include sub-acute admitted and mental health), and*
- + emergency department*

*Tasmanian pricing applied in 2013–14 with THOs has not used the NEP. In this regard, Tasmania has used the national average cost per work stream based on Round 15 National Health Cost Data Collection (NHCDC) data for 2010–11 indexed to 2013–14. For ICU and non-admitted, the State Average cost has been used. The National Average Cost was considered the most appropriate (where available) as it provides a National benchmark without the complication of NWAUs and the NEP.*

*Therefore the 2013–14 Tasmanian ABF Model pricing is based on the following:*

- + Overnight Acute Admitted Patients and Same day Admitted Patients — price per weighted separation (National Average Cost indexed),*
- + Length of Stay Outliers — a per diem rate will be paid (based on the National Average Cost indexed),*
- + ICU Cases — the proposed pricing model will be based on (State Average Cost indexed)*
  - + price per ICU hour, and*
  - + price per hour of mechanical ventilation.*
- + Non Admitted Patients — price per service event (State Average Cost indexed).*
- + Emergency Department Patients — price per UDG (Urgency Disposition Group) (National Average Cost indexed).*

*The Tasmanian ABF Model also allocates block grants to THOs covering services provided and activities undertaken that are not within the ABF work streams. This includes teaching, training and research, non ABF hospitals and other operational grants costs which are deemed out of scope for Commonwealth funding.*

*Between February and June 2014, the Commonwealth provided Tasmania with additional public hospital funding of \$5,167,765.41 under the funding measure: National Partnership on public hospital system — additional funding.*

*This funding was provided to offset the downward adjustments to 2013–14 NHR funding applied at the 2013–14 Mid-Year Economic and Fiscal Outlook (MYEFO) and the 2014–15 Budget, due to the application of updated NHR funding indexation parameters. A requirement of the provision of this funding was that it is passed on in full through the National Health Funding Pool and / or State Managed Fund to LHNs for activity based and block funding, and state and territory health departments for public health funding.*

### **Section 241(2)(b) — the amounts paid into each State Pool Account by the Commonwealth and the basis on which the payments were made**

Component	Amount paid by Commonwealth into TAS State Pool Account (\$'000)	
	2013–14	2012–13
Activity based funding	238,897	233,205
Block funding	46,460	51,887
Public Health funding	7,090	6,829
<b>TAS TOTAL</b>	<b>292,447</b>	<b>291,921</b>

For the Commonwealth basis of payments, refer to part b) of the 'National health reform funding and payments — National' chapter.

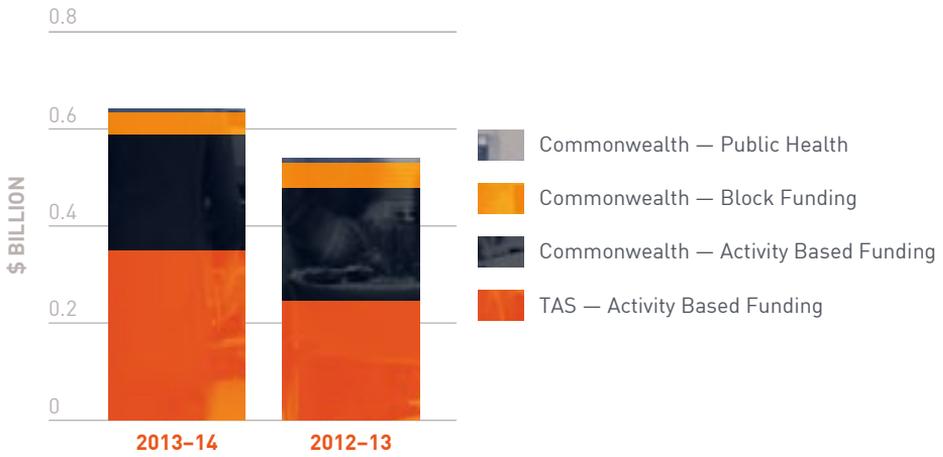
### **Section 241(2)(c) — the amounts paid from each State Pool Account to local hospital networks, a State Managed Fund or other organisations or funds and the basis on which the payments were made**

Recipient	Amount paid from TAS State Pool Account (\$'000)	
	2013–14	2012–13
Tasmanian Health Organisation — North	183,775	167,790
Tasmanian Health Organisation — North West	78,102	55,396
Tasmanian Health Organisation — South	327,115	246,857
<b>TOTAL LOCAL HOSPITAL NETWORKS</b>	<b>588,992</b>	<b>470,043</b>
<b>STATE MANAGED FUND</b>	<b>46,460</b>	<b>51,887</b>
<b>OTHER ORGANISATIONS OR FUNDS*</b>	<b>7,092</b>	<b>17,072</b>
<b>TAS TOTAL</b>	<b>642,544</b>	<b>539,002</b>

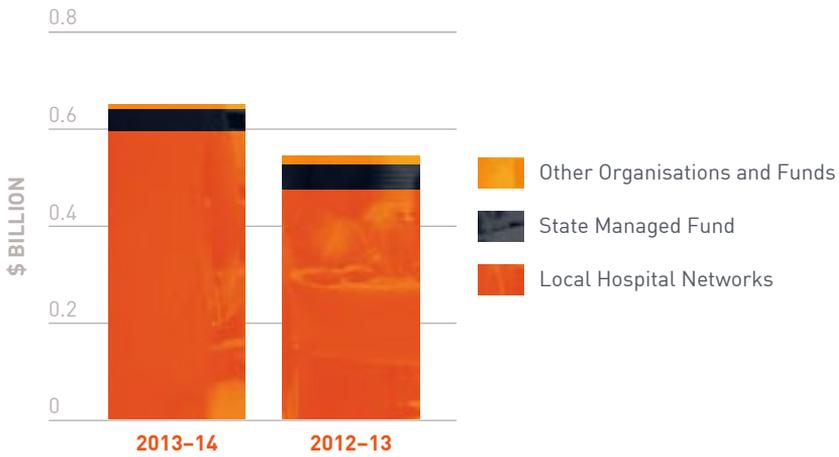
\*Includes a Tasmanian cross-border contribution to other states or territories in 2012–13.

For the Tasmanian basis of payments, refer to part a) of this chapter.

### PAYMENTS INTO THE POOL — TAS



### PAYMENTS OUT OF THE POOL — TAS

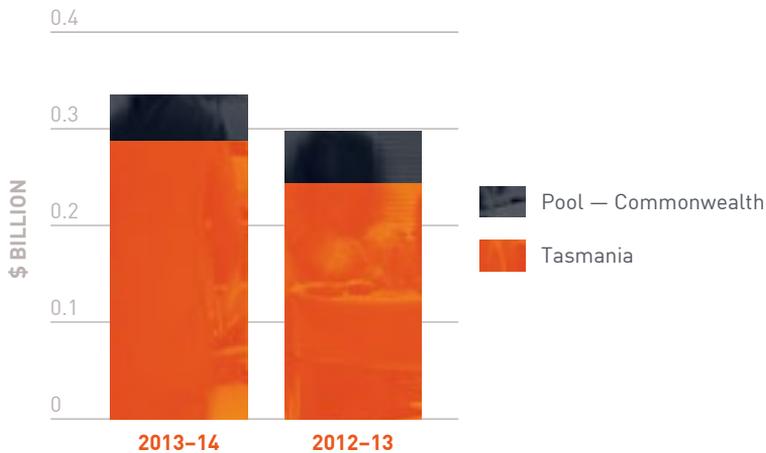


**Section 241(2)(d) — the amounts paid from each State Managed Fund to local hospital networks or other organisations or funds and the basis on which the payments were made**

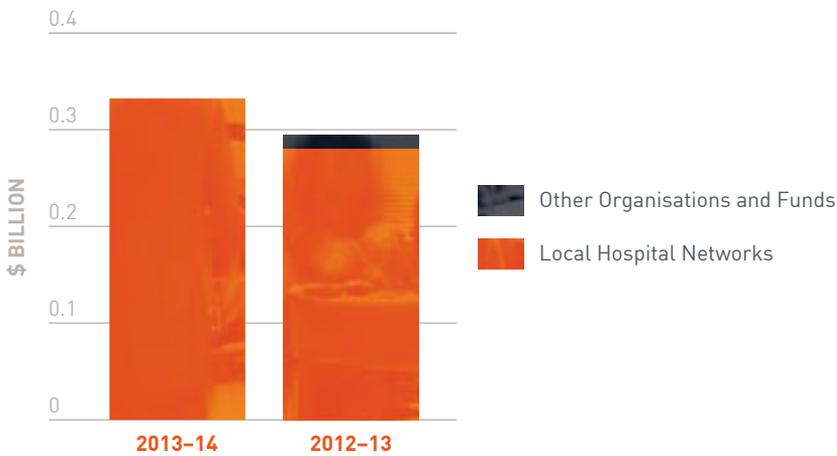
Recipient	Amount paid from TAS State Managed Fund (\$'000)	
	2013-14	2012-13
Tasmanian Health Organisation — North	97,567	83,748
Tasmanian Health Organisation — North West	55,588	55,999
Tasmanian Health Organisation — South	178,893	140,341
<b>TOTAL LOCAL HOSPITAL NETWORKS</b>	<b>332,048</b>	<b>280,088</b>
<b>OTHER ORGANISATIONS OR FUNDS</b>	<b>-</b>	<b>13,885</b>
<b>TAS TOTAL</b>	<b>332,048</b>	<b>293,972</b>

For the Tasmanian basis of payments, refer to part a) of this chapter.

**PAYMENTS INTO THE STATE MANAGED FUND — TAS**



PAYMENTS OUT OF THE STATE MANAGED FUND — TAS



Section 241(2)(e) — the number of public hospital services funded for each local hospital network in accordance with the system of activity based funding

Local Hospital District	Number of ABF public hospital services funded (NWAU)		
	2013-14 Estimate	2012-13 Actual	2012-13 Estimate
Tasmanian Health Organisation — North*	47,904	36,711	37,218
Tasmanian Health Organisation — North West*	16,091	15,212	15,702
Tasmanian Health Organisation — South*	50,083	62,159	59,778
<b>TAS TOTAL*</b>	<b>114,078</b>	<b>114,082</b>	<b>112,698</b>

\*The 2012-13 NWAU estimate shown for each local hospital network differs from that published in the 2012-13 Annual Report.

The National Weighted Activity Unit (NWAU) is the unit of measurement for the activity based funding system. It is a measure of health service activity expressed as a common unit, against which the national efficient price is paid. It provides a way of comparing and valuing each activity based funded public hospital service, by weighting it for its clinical complexity.

Tasmania provides 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. Funding adjustments as a result of the reconciliation to actual public hospital services (NWAU) for 2012–13 form part of the 2013–14 Commonwealth payments.

### **Section 241(2)(f) — the number of other public hospital services and functions funded from each State Pool Account or State Managed Fund**

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 National Health Reform Agreement allows for information to be based on the unit measurement classification and funding arrangements used in individual state and territories.

However, in 2012–13 and 2013–14 Tasmania did not report any ‘other public hospital services and functions funded’ from their Pool Account or state managed fund.

NATIONAL  
HEALTH  
FUNDING  
POOL

**ANNUAL  
REPORT  
2013-14**

# 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 2014**

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*.



AUDITOR-GENERAL AN OFFICER  
OF THE ACT LEGISLATIVE ASSEMBLY 

## INDEPENDENT AUDIT REPORT

### Australian Capital Territory State Pool Account

#### To the Administrator of the National Health Funding Pool

#### Report on the special purpose financial statement

The special purpose financial statement (financial statement) for the Australian Capital Territory State Pool Account for the year ended 30 June 2014 has been audited. The financial statement comprises a statement of receipts and payments, accompanying notes and Administrator's declaration.

#### Responsibility for the financial statement

The Administrator of the National Health Funding Pool (the Administrator) is responsible for the preparation and presentation of the financial statement that gives a true and fair view in accordance with the *Health (National Health Funding Pool and Administration) Act 2013*, *National Health Reform Act 2011* and *National Health Reform Agreement 2011*. This includes responsibility for maintaining adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and the accounting policies used in the preparation of the financial statement.

#### The auditor's responsibility

My responsibility is to express an independent audit opinion on the financial statement provided by the Administrator. The audit was conducted in accordance with the *Health (National Health Funding Pool and Administration) Act 2013*, *National Health Reform Act 2011* and *National Health Reform Agreement 2011*. The audit was also conducted in accordance with Australian Auditing Standards to provide reasonable assurance that the financial statement is free of material misstatement.

I formed the audit opinion following the use of audit procedures to obtain evidence about the amounts and disclosures in the financial statement. As these procedures are influenced by the use of professional judgement, selective testing of evidence supporting the amounts and other disclosures in the financial statement, inherent limitations of internal control and the availability of persuasive rather than conclusive evidence, an audit cannot guarantee that all material misstatements have been detected.

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T 02 6207 0633 F 02 6207 0826 E [actauditgeneral@act.gov.au](mailto:actauditgeneral@act.gov.au) W [www.audit.act.gov.au](http://www.audit.act.gov.au)

Although the effectiveness of internal controls is considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance on internal controls.

### Independence

Applicable independence requirements of the Australian professional ethical pronouncements were followed in conducting the audit.

### Audit opinion

In my opinion, the financial statement prepared by the Administrator for the year ended 30 June 2014:

- (i) gives a true and fair view of the receipts and payments of the Australia Capital Territory State Pool Account of the National Health Funding Pool; and
- (ii) is in accordance with the *Health (National Health Funding Pool and Administration) Act 2013*, *National Health Reform Act 2011* and *National Health Reform Agreement 2011*.

### Basis of preparation

Without modifying the audit opinion, I draw attention to Note 1(b): 'Basis of preparation' of the financial statement, which describes the purpose of the financial statement and 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 responsibilities under the *Health (National Health Funding Pool and Administration) Act 2013*, *National Health Reform Act 2011* and *National Health Reform Agreement 2011*. As a result, the financial statement may not be suitable for another purpose.

Dr Maxine Cooper  
Auditor-General  
13 August 2014



Administrator  
National Health  
Funding Pool

### Australian Capital Territory State Pool Account

I report that, as indicated in note 1 (a) to the special purpose financial statement, I have determined that the attached special purpose financial statement comprising a receipts and payments account with attached notes provides a 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 2014 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 Administrator) Act 2013*, the Commonwealth *National Health Reform Act 2011* and the National Health Reform Agreement 2011.

*Bob Sendt*

**RJ Sendt**  
Administrator  
National Health Funding Pool

12 August 2014

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Australian Capital Territory State Pool Account  
Statement of receipts and payments  
for the year ended 30 June 2014

	Notes	2014 \$ '000	2013 \$ '000
<b>OPENING CASH BALANCE</b>			
		–	–
<b>RECEIPTS INTO THE STATE POOL ACCOUNT</b>			
<b>From Commonwealth</b>			
Activity based funding	2, 6	247,801	71,570
Block funding		22,064	8,560
Public health funding		5,316	1,565
<b>From Australian Capital Territory</b>			
Activity based funding	2, 6	492,293	135,187
Cross border contribution		14,303	–
<b>From other States or Territories</b>			
Cross border receipts	3	78,725	–
<b>From Reserve Bank of Australia</b>			
Interest receipts		–	–
<b>TOTAL RECEIPTS</b>		<b>860,502</b>	<b>216,882</b>
<b>PAYMENTS OUT OF THE STATE POOL ACCOUNT</b>			
<b>To Local Hospital Networks</b>			
Activity based funding	4, 6	818,819	206,757
<b>To Australian Capital Territory State Managed Fund</b>			
Block funding		22,064	8,560
Cross border transfer		–	–
<b>To Australian Capital Territory Health Directorate</b>			
Public health funding		5,316	1,565
Interest payments		–	–
Cross border transfer		–	–
<b>To other States or Territories</b>			
Cross border payments	5	14,303	–
<b>TOTAL PAYMENTS</b>		<b>860,502</b>	<b>216,882</b>
<b>NET RECEIPTS/(PAYMENTS) FOR THE YEAR</b>		<b>–</b>	<b>–</b>
<b>CLOSING CASH BALANCE</b>			
		–	–

The results for 2012–13 represent the operations for the period from 1 March 2013 to 30 June 2013.

The Australian Capital Territory State Pool Account commenced operations on 1 March 2013.

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

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (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.

The significant accounting policies adopted in the preparation of the financial statement are set out below. The financial statement is for the Australian Capital Territory State Pool Account, which was established at the Reserve Bank of Australia (RBA) in 2012–13 and is a special purpose financial statement.

In its 2014–15 Budget, the Commonwealth announced that it will consult with States and Territories with the intention of creating a new health productivity and performance commission. Subject to this consultation, the new commission would be formed by merging the functions of the Australian Commission on Safety and Quality in Health Care, Australian Institute of Health and Welfare, Independent Hospital Pricing Authority, National Hospital Performance Authority, National Health Funding Body and Administrator of the National Health Funding Pool. Information available at the time of issue of this special purpose financial statement indicates that there will be no effect on state pool accounts for the following 12 months.

### (B) BASIS OF PREPARATION

The Australian Capital Territory State Pool Account was established in accordance with 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 financial statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The financial statement was authorised for issue by the Administrator on 12 August 2014.

### **(C) COMPARATIVE FIGURES**

Prior year comparative information has been disclosed. The results for 2012–13 are for the period from 1 March 2013 to 30 June 2013 and results for 2013–14 are for the year ended 30 June 2014.

### **(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 (ABF)**

ABF is a system for funding public hospital services provided to individual patients using national classifications, cost weights and national efficient prices developed by the Independent Hospital Pricing Authority (IHPA). ABF is paid by both states and territories and the Commonwealth into the Funding Pool.

In 2012–13, ABF consisted of three service categories:

- i. acute admitted services;
- ii. emergency department services; and
- iii. non-admitted services.

In 2013–14, ABF consisted of five service categories:

- i. acute admitted services;
- ii. emergency department services;
- iii. non-admitted services;
- iv. mental health services (not already captured by(i)); and
- v. sub-acute services.

State or territory ABF contributions into the Funding Pool are calculated by the state or territory as the system manager of the public hospital system. The service agreement between the state or territory (as the system manager) and each Local Hospital Network (LHN) specifies the service delivery and funding parameters.

Commonwealth ABF contributions into the Funding Pool are calculated by the Administrator by applying the relevant National Efficient Price (NEP) determination issued by the IHPA, multiplied by the Commonwealth contribution percentage rate for the Australian Capital Territory, multiplied by the National Weighted Activity Units (NWAU) estimate provided by the Australian Capital Territory. In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements for a year. Final funding entitlements for the year are calculated after actual data on hospital services become available. This calculation will generally result in reconciliation adjustments being made to the Commonwealth ABF contribution to each LHN.

In accordance with the National Health Reform Agreement (the Agreement), in 2013–14 there were two rounds of reconciliation adjustments relating to actual activity in 2012–13:

- i. a six-monthly adjustment; and
- ii. an annual adjustment.

The six-monthly adjustment was based on the reconciliation between the actual volume of services provided by each LHN in the period from 1 July 2012 to 31 December 2012 against the estimated volume of services.

The annual adjustment was based on the reconciliation between the actual volume of services provided by each LHN in 2012–13 against the estimated volume of services. The annual adjustment took into account the six month adjustment and the quantum of cross-border services for the year.

## **(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 2012–13, block funding consisted of five service categories. In 2013–14, block funding consisted of four service categories.

**Australian Capital Territory State Pool Account  
Notes to the special purpose financial statement  
for the year ended 30 June 2014**

In 2012–13 the Commonwealth calculated block funding on proportions agreed between the Commonwealth Health Minister and each state or territory Health Minister, and supported the following:

- i. small rural hospitals;
- ii. teaching, training and research;
- iii. sub-acute services;
- iv. mental health services; and
- v. other.

In 2013–14 the Commonwealth block funding supported the following:

- i. small rural hospitals;
- ii. teaching, training and research;
- iii. non-admitted mental health; and
- iv. other non-admitted services.

The amount of Commonwealth 2013–14 block funding for each of these block funded service categories was calculated by the Administrator by applying the Australian Capital Territory 2013–14 Commonwealth contribution percentage of NEP to the total expenditure (Commonwealth and state or territory) of each block funded service category as advised in the IHPA's 2013–14 National Efficient Cost (NEC) determination.

### **(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 amounts for national public health, youth health services and essential vaccines.

### **(H) CROSS BORDER**

When a resident of one state receives hospital treatment in another state, the 'resident state' compensates the treating or 'provider state' for the cost of care through a cross border payment.

This interstate compensation consists of two parts — the Commonwealth share of the cost of treating the patient (paid through the Funding Pool), and the resident state's share (paid either through the Funding Pool or directly to the provider state).

## **(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 both the Commonwealth and 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.

## **2 ACTIVITY BASED FUNDING RECEIPTS**

Total receipts into the Australian Capital Territory State Pool Account in respect of activity based funding were as follows:

	2014 \$ '000	2013 \$ '000
Commonwealth activity based funding	247,801	71,570
Australian Capital Territory activity based funding	492,293	135,187
<b>TOTAL</b>	<b>740,094</b>	<b>206,757</b>

## **3 CROSS BORDER RECEIPTS**

Total cross border receipts into the Australian Capital Territory State Pool Account from other states and territories were as follows:

<b>States and Territories</b>	2014 \$ '000	2013 \$ '000
<b>Cross border receipts</b>		
New South Wales	78,725	–
Victoria	–	–
Queensland	–	–
Western Australia	–	–

*Continued.*

Australian Capital Territory State Pool Account  
Notes to the special purpose financial statement  
for the year ended 30 June 2014

States and Territories	2014 \$ '000	2013 \$ '000
South Australia	-	-
Tasmania	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>78,725</b>	<b>-</b>

Where no cross border receipts are reported through the Australian Capital Territory State Pool Account, other bilateral arrangements between the states and territories may exist.

#### 4 ACTIVITY BASED FUNDING PAYMENTS

Total payments made out of the Australian Capital Territory State Pool Account in respect of each local hospital network were as follows:

Local Hospital Networks	2014 \$ '000	2013 \$ '000
ACT Local Hospital Network Directorate	818,819	206,757
<b>TOTAL</b>	<b>818,819</b>	<b>206,757</b>

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.

#### 5 CROSS BORDER PAYMENTS

Total cross border payments out of the Australian Capital Territory State Pool Account to other states and territories were as follows:

States and Territories	2014 \$ '000	2013 \$ '000
<b>Cross border payments</b>		
New South Wales	14,303	-
Victoria	-	-
Queensland	-	-
Western Australia	-	-

*Continued.*

**Australian Capital Territory State Pool Account  
Notes to the special purpose financial statement  
for the year ended 30 June 2014**

<b>States and Territories</b>	<b>2014 \$ '000</b>	<b>2013 \$ '000</b>
South Australia	-	-
Tasmania	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>14,303</b>	<b>-</b>

Where no cross border payments are reported through the Australian Capital Territory State Pool Account, there may be other bilateral arrangements between the states and territories.

## **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 were as follows:

	<b>2014 \$ '000</b>	<b>2013 \$ '000</b>
Total activity based funding receipts from the Australian Capital Territory	492,293	135,187
Total activity based funding receipts from the Commonwealth	247,801	71,570
Cross border receipts	78,725	-
Less: Activity based funding payments to the ACT Local Hospital Network Directorate	(818,819)	(206,757)
<b>PAYMENTS IN EXCESS OF RECEIPTS</b>	<b>-</b>	<b>-</b>

Total activity based payments for 2013–14 to the ACT Local Hospital Network Directorate include cross border receipts of \$78,725 from New South Wales.

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 the ACT Local Hospital Network Directorate.

**End of Audited Special Purpose Financial Statement.**

# National Health Reform Funding and Payments



Section 241(2) of the *National Health Reform Act 2011* (the Act) outlines certain disclosures to be included in this Annual Report.

The information reported is specific to the transactions of the 'relevant state or territory'. For the purposes of this legislative reporting, the 'relevant state or territory' is the state or territory that holds the bank accounts opened under the laws of that state or territory for National Health Reform Agreement purposes.

The values are rounded to the nearest thousand dollars unless otherwise specified. As such, figures may not add to the totals shown due to rounding.

The information disclosed in the following tables is provided by the Australian Capital Territory and forms part of the Administrator's monthly reporting requirements, located at [www.publichospitalfunding.gov.au/reports](http://www.publichospitalfunding.gov.au/reports). For further information on the types of national health reform funding, refer to the 'Overview' chapter of this Annual Report.

The amounts listed for 2012–13 reflect both amounts transacted under national health reform legislation and 'notional' amounts. Notional amounts were funds paid into and out of departmental bank accounts by some states or territories that would have been transacted through the National Health Funding Pool and/or state managed fund had the national health reform funding arrangements been in place from 1 July 2012. The 2012–13 edition of this Annual Report separately disclosed notional amounts and those transacted under national health reform legislation in 2012–13.

### Section 241(2)(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

Component	Amount paid by Australian Capital Territory (\$'000)	
	2013–14	2012–13
State Pool Account — Activity based funding*	506,596	350,054
State Managed Fund — Block funding	45,842	43,289
<b>ACT TOTAL</b>	<b>552,438</b>	<b>393,342</b>

*\*In accordance with the provisions of the Act, this table does not include Interest deposited in the Pool account and cross-border receipts from other states/territories, as these were made from contributors other than the relevant state or territory. Details of these flows are located in the Pool Account Special Purpose Financial Statement of each state/territory.*

The basis used to determine Australian Capital Territory national health reform funding and payments for 2013–14 (at June 2014) was advised by the Australian Capital Territory Health Directorate to be as follows:

*The annual funding allocation for the ACT in 2013–14 is based on budget neutral modelling. This modelling is based on the historical cost of providing services plus cost indexation. The activity to be funded through activity-based funding is projected on historical activity levels with an allowance for growth for public hospital services in the ACT and derived through the application of the Independent Hospital Pricing Authority determinations.*

*The payments made by the ACT Government and the Commonwealth Government in June 2014 through the ACT Local Hospital Network Directorate were net of third party revenues, and were paid on the basis of estimated ACT local hospital network activity for the month of June 2014.*

*Between February and June 2014, the Commonwealth provided Australian Capital Territory with additional public hospital funding of \$4,372,547.61 under the funding measure: National Partnership on public hospital system — additional funding. This funding was provided to offset the downward adjustments to 2013–14 NHR funding applied at the 2013–14 Mid-Year Economic and Fiscal Outlook (MYEFO) and the 2014–15 Budget, due to the application of updated NHR funding indexation parameters. A requirement of the provision of this funding was that it is passed on in full through the National Health Funding Pool and / or State Managed Fund to LHNs for activity based and block funding, and state and territory health departments for public health funding.*

### **Section 241(2)(b) — the amounts paid into each State Pool Account by the Commonwealth and the basis on which the payments were made**

Component	Amount paid by Commonwealth into ACT State Pool Account (\$'000)	
	2013–14	2012–13
Activity based funding	247,801	226,866
Block funding	22,064	16,705
Public Health funding	5,316	4,706
<b>ACT TOTAL</b>	<b>275,181</b>	<b>248,277</b>

For the Commonwealth basis of payments, refer to part b) of the 'National health reform funding and payments — National' chapter.

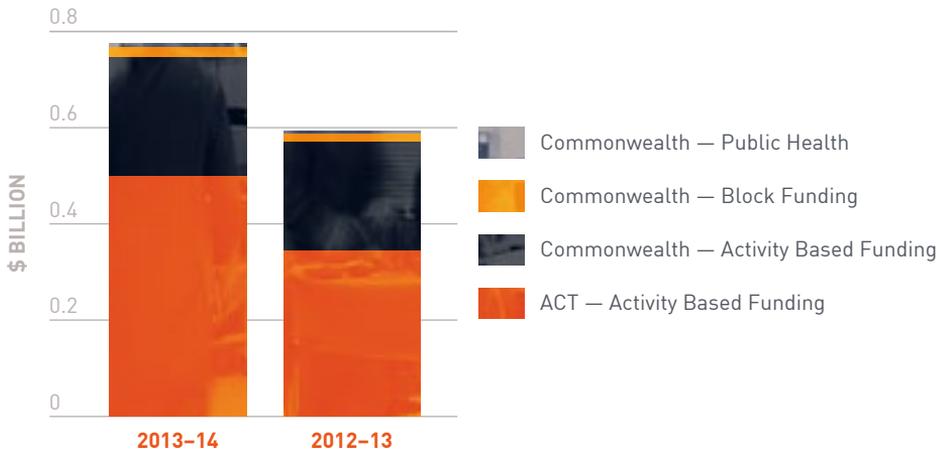
**Section 241(2)(c) — the amounts paid from each State Pool Account to local hospital networks, a State Managed Fund or other organisations or funds and the basis on which the payments were made**

Recipient	Amount paid from ACT State Pool Account (\$'000)	
	2013-14	2012-13
ACT Local Hospital Network Directorate	818,819	576,920
<b>TOTAL LOCAL HOSPITAL NETWORK</b>	<b>818,819</b>	<b>576,920</b>
<b>STATE MANAGED FUND</b>	<b>22,064</b>	<b>16,705</b>
<b>OTHER ORGANISATIONS OR FUNDS*</b>	<b>19,619</b>	<b>4,706</b>
<b>ACT TOTAL</b>	<b>860,502</b>	<b>598,331</b>

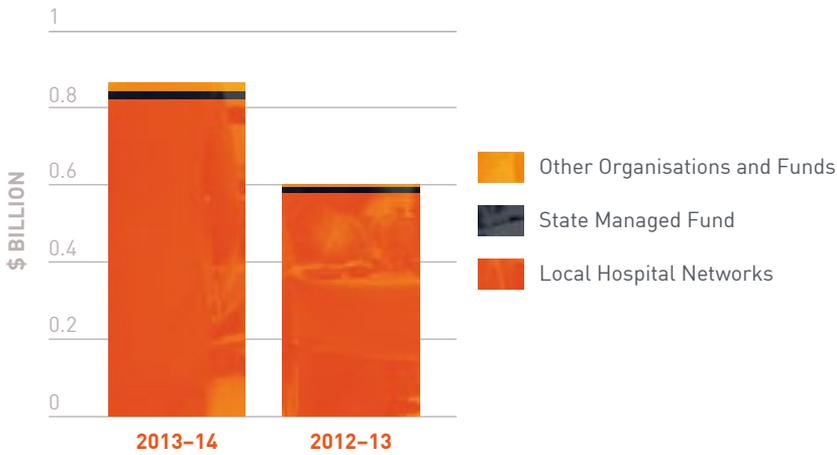
\*Includes an Australian Capital Territory cross-border contribution to another state or territory in 2013-14.

For the Australian Capital Territory basis of payments, refer to part a) of this chapter.

**PAYMENTS INTO THE POOL — ACT**



PAYMENTS OUT OF THE POOL — ACT

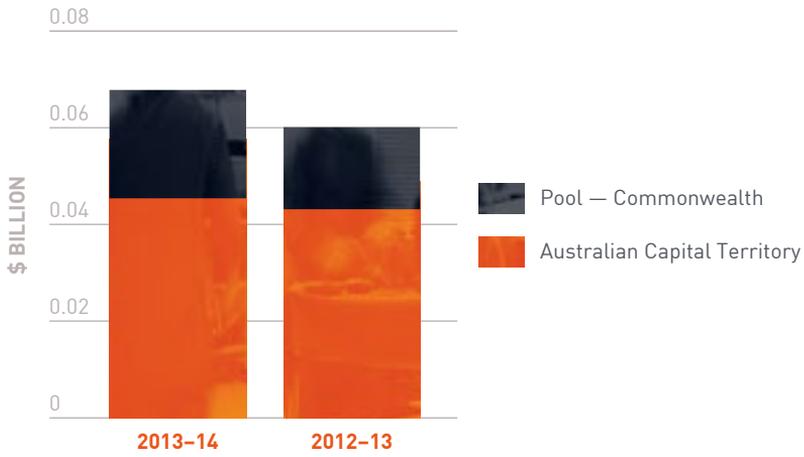


**Section 241(2)(d) — the amounts paid from each State Managed Fund to local hospital networks or other organisations or funds and the basis on which the payments were made**

Recipient	Amount paid from ACT State Managed Fund (\$'000)	
	2013-14	2012-13
ACT Local Hospital Network Directorate	67,906	59,993
<b>TOTAL LOCAL HOSPITAL NETWORK</b>	<b>67,906</b>	<b>59,993</b>
<b>OTHER ORGANISATIONS OR FUNDS</b>	<b>-</b>	<b>-</b>
<b>ACT TOTAL</b>	<b>67,906</b>	<b>59,993</b>

For the Australian Capital Territory basis of payments, refer to part a) of this chapter.

### PAYMENTS INTO THE STATE MANAGED FUND — ACT



### PAYMENTS OUT OF THE STATE MANAGED FUND — ACT



**Section 241(2)(e) — the number of public hospital services funded for each local hospital network in accordance with the system of activity based funding**

Local Hospital District	Number of ABF public hospital services funded (NWAU)		
	2013–14 Estimate	2012–13 Actual	2012–13 Estimate
ACT Local Hospital Network Directorate	125,570	115,991	115,604
<b>ACT TOTAL</b>	<b>125,570</b>	<b>115,991</b>	<b>115,604</b>

The National Weighted Activity Unit (NWAU) is the unit of measurement for the activity based funding system. It is a measure of health service activity expressed as a common unit, against which the national efficient price is paid. It provides a way of comparing and valuing each activity based funded public hospital service, by weighting it for its clinical complexity.

The Australian Capital Territory provides 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. Funding adjustments as a result of the reconciliation to actual public hospital services (NWAU) for 2012–13 form part of the 2013–14 Commonwealth payments.

**Section 241(2)(f) — the number of other public hospital services and functions funded from each State Pool Account or State Managed Fund**

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 National Health Reform Agreement allows for information to be based on the unit measurement classification and funding arrangements used in individual state and territories.

However, in 2012–13 and 2013–14 the Australian Capital Territory did not report any ‘other public hospital services and functions funded’ from their Pool Account or state managed fund.

# NORTHERN TERRITORY



# Financial Statement



**NATIONAL HEALTH FUNDING POOL —  
NORTHERN TERRITORY STATE POOL ACCOUNT  
SPECIAL PURPOSE FINANCIAL STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2014**

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 Northern Territory *National Health Funding Pool and Administration (National Uniform Legislation) Act 2012*.

NATIONAL  
HEALTH  
FUNDING  
POOL

**ANNUAL  
REPORT  
2013-14**



## Auditor-General

### Independent Auditor's Report to the Minister for Health

#### Northern Territory State Pool Account of the National Health Funding Pool

As required by section 20 of the *National Health Funding Pool and Administration (National Uniform Legislation) Act 2012* and section 243 of the *National Health Reform Act 2011*, I have audited the accompanying special purpose financial statement (the financial statement) of the Northern Territory State Pool Account of the National Health Funding Pool for the year ended 30 June 2014. The financial statement comprises:

- a Statement of Receipts and Payments for the year ended 30 June 2014;
- notes, comprising a summary of significant accounting policies and other explanatory information; and
- the Administrator's declaration.

#### The Responsibility of the Administrator of the National Health Funding Pool for the Financial Statement

The Administrator of the National Health Funding Pool (the Administrator) is responsible for the preparation of the financial statement that gives a true and fair view in accordance with the *National Health Funding Pool and Administration (National Uniform Legislation) Act 2012* and the *National Health Reform Act 2011*, 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.

#### Auditor's Responsibility

My responsibility is to express an opinion on the financial statement based on the audit. The audit was conducted in accordance with Australian Auditing Standards and the *National Health Funding Pool and Administration (National Uniform Legislation) Act 2012*, *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statement that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Administrator, as well as the overall presentation of the financial statement.

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

#### Opinion

In my opinion, the financial statement gives a true and fair view of the receipts and payments of the Northern Territory State Pool Account of the National Health Funding Pool for the year ended 30 June 2014 in accordance with the *National Health Funding Pool and Administration (National Uniform Legislation) Act 2012*, *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

#### Basis of Accounting

Without modifying my opinion, I draw attention to Note 1 to the financial statement, which describes the purpose of the financial statement and 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 *National Health Funding Pool and Administration (National Uniform Legislation) Act 2012*, *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.

Susan J Cooper  
Acting Auditor-General for the Northern Territory  
Darwin, Northern Territory  
12 September 2014



Administrator  
National Health  
Funding Pool

### Northern Territory State Pool Account

I report that, as indicated in note 1 (a) to the financial statement, I have determined that the attached special purpose financial statement comprising a receipts and payments account with attached notes provides a 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 2014 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.

*Bob Sendt*

**RJ Sendt**  
Administrator  
National Health Funding Pool

10 September 2014

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Northern Territory State Pool Account  
Statement of receipts and payments  
for the year ended 30 June 2014

	Notes	2014 \$ '000	2013 \$ '000
<b>OPENING CASH BALANCE</b>		15	–
<b>RECEIPTS INTO THE STATE POOL ACCOUNT</b>			
<b>From Commonwealth</b>			
Activity based funding	2, 6	116,628	71,116
Block funding		14,616	33,521
Public health funding		3,346	2,638
<b>From Northern Territory</b>			
Activity based funding	2, 6	271,830	210,684
Cross border contribution		–	–
<b>From other States or Territories</b>			
Cross border receipts	3	–	–
<b>From Reserve Bank of Australia</b>			
Interest receipts		16	15
<b>TOTAL RECEIPTS</b>		<b>406,436</b>	<b>317,974</b>
<b>PAYMENTS OUT OF THE STATE POOL ACCOUNT</b>			
<b>To Local Hospital Networks</b>			
Activity based funding	4, 6	388,458	281,800
<b>To Northern Territory State Managed Fund</b>			
Block funding		14,616	33,521
Cross border transfer		–	–
<b>To Northern Territory Health Department</b>			
Public health funding		3,346	2,638
Interest payments		–	–
Cross border transfer		–	–
<b>To other States or Territories</b>			
Cross border payments	5	–	–
<b>To Reserve Bank of Australia</b>			
Penalty Interest		14	–
<b>TOTAL PAYMENTS</b>		<b>406,434</b>	<b>317,959</b>
<b>NET RECEIPTS/(PAYMENTS) FOR THE YEAR</b>		<b>2</b>	<b>15</b>
<b>CLOSING CASH BALANCE</b>		<b>17</b>	<b>15</b>

The above statement of receipts and payments should be read in conjunction with the accompanying notes. Additional notes on the right hand page.

**Northern Territory State Pool Account  
Notes to the special purpose financial statement  
for the year ended 30 June 2014**

*The results for 2012–13 represent the operations for the period from 1 October 2012 to 30 June 2013.  
The Northern Territory State Pool Account commenced operations on 1 October 2012.*

## **1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **(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.

The principal accounting policies adopted in the preparation of the financial statement are set out below. The financial statement is for the Northern Territory State Pool Account, which was established at the Reserve Bank of Australia (RBA) in 2012–13 and is a special purpose financial statement.

In its 2014–15 Budget, the Commonwealth announced that it will consult with States and Territories with the intention of creating a new health productivity and performance commission. Subject to this consultation, the new commission would be formed by merging the functions of the Australian Commission on Safety and Quality in Health Care, the Australian Institute of Health and Welfare, the Independent Hospital Pricing Authority, the National Hospital Performance Authority, the National Health Funding Body and the Administrator of the National Health Funding Pool. Information available at the time of issue of this special purpose financial statement indicates that there will be no effect on state pool accounts for the following 12 months.

### **(B) BASIS OF PREPARATION**

The Northern Territory State Pool Account was established in accordance with the Northern Territory *Health Funding Pool and Administration (National Uniform Legislation) Act 2012* and the special purpose financial statement has been prepared in accordance with 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.

**Northern Territory State Pool Account  
Notes to the special purpose financial statement  
for the year ended 30 June 2014**

The financial statement is presented in Australian dollars and values are rounded to the nearest thousand dollars.

The financial statement was authorised for issue by the Administrator on 10 September 2014.

**(C) COMPARATIVE FIGURES**

Prior year comparative information has been disclosed. The results for 2012–13 are for the period from 1 October 2012 to 30 June 2013 and the results for 2013–14 are for the year ended 30 June 2014.

**(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 (ABF)**

ABF is a system for funding public hospital services provided to individual patients using national classifications, cost weights and national efficient prices developed by the Independent Hospital Pricing Authority (IHPA). ABF is paid by both states and territories and the Commonwealth into the Funding Pool.

In 2012–13, ABF consisted of three service categories:

- i. acute admitted services;
- ii. emergency department services; and
- iii. non-admitted services.

In 2013–14, ABF consisted of five service categories:

- i. acute admitted services;
- ii. emergency department services;
- iii. non-admitted services;
- iv. mental health services (not already captured by(i)); and
- v. sub-acute services.

State or territory ABF contributions into the Funding Pool are calculated by the state or territory as the system manager of the public hospital system. The service agreement between the state or territory (as the system manager) and each Local Hospital Network (LHN) specifies the service delivery and funding parameters.

Commonwealth ABF contributions into the Funding Pool are calculated by the Administrator by applying the relevant National Efficient Price (NEP) determination issued by the IHPA, multiplied by the Commonwealth contribution percentage rate for Northern Territory, multiplied by the National Weighted Activity Units (NWAU) estimate provided by Northern Territory. In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements for a year. Final funding entitlements for the year are calculated after actual data on hospital services become available. This calculation will generally result in reconciliation adjustments being made to the Commonwealth ABF contribution to each LHN.

In accordance with the National Health Reform Agreement (the Agreement), in 2013–14 there were two rounds of reconciliation adjustments relating to actual activity in 2012–13:

- i. a six-monthly adjustment, and
- ii. an annual adjustment.

The six-monthly adjustment was based on the reconciliation between the actual volume of services provided by each LHN in the period 1 July 2012 to 31 December 2012 against the estimated volume of services.

The annual adjustment was based on the reconciliation between the actual volume of services provided by each LHN in 2012–13 against the estimated volume of services. The annual adjustment took into account the six month adjustment and the quantum of cross-border services for the year.

## **(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.

**Northern Territory State Pool Account  
Notes to the special purpose financial statement  
for the year ended 30 June 2014**

In 2012–13, block funding consisted of five service categories. In 2013–14, block funding consisted of four service categories.

In 2012–13 the Commonwealth calculated block funding on proportions agreed between the Commonwealth Health Minister and each state or territory Health Minister, and supported the following:

- i. small rural hospitals;
- ii. teaching, training and research;
- iii. sub–acute services;
- iv. mental health services; and
- v. other.

In 2013–14 the Commonwealth block funding supported the following:

- i. small rural hospitals;
- ii. teaching, training and research;
- iii. non–admitted mental health; and
- iv. other non–admitted services.

The amount of Commonwealth 2013–14 block funding for each of these block funded service categories was calculated by the Administrator by applying the Northern Territory 2013–14 Commonwealth contribution percentage of NEP to the total expenditure (Commonwealth and state or territory) of each block funded service category as advised in the IHPA’s 2013–14 National Efficient Cost (NEC) determination.

**(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 amounts for national public health, youth health services and essential vaccines.

**(H) CROSS BORDER**

When a resident of one state receives hospital treatment in another state, the ‘resident state’ compensates the treating or ‘provider state’ for the cost of care through a cross border payment.

This interstate compensation consists of two parts — the Commonwealth share of the cost of treating the patient (paid through the Funding Pool), and the resident state’s share (paid either through the Funding Pool or directly to the provider state).

**(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 both the Commonwealth and 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.

**2 ACTIVITY BASED FUNDING RECEIPTS**

Total receipts into the Northern Territory State Pool Account in respect of activity based funding were as follows:

	2014 \$ '000	2013 \$ '000
Commonwealth activity based funding	116,628	71,116
Northern Territory activity based funding	271,830	210,684
<b>TOTAL</b>	<b>388,458</b>	<b>281,800</b>

### 3 CROSS BORDER RECEIPTS

Total cross border receipts into the Northern Territory State Pool Account from other states and territories were as follows:

States and Territories	2014 \$ '000	2013 \$ '000
<b>Cross border receipts</b>		
New South Wales	-	-
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Australian Capital Territory	-	-
Tasmania	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>

Where no cross border receipts are reported through the Northern Territory State Pool Account, other bilateral arrangements between the states and territories may exist.

### 4 ACTIVITY BASED FUNDING PAYMENTS

Total payments made out of the Northern Territory State Pool Account in respect of each local hospital network were as follows:

Local Hospital Networks	2014 \$ '000	2013 \$ '000
Central Australian Hospital Network	136,701	104,111
Top End Hospital Network	251,757	177,689
<b>TOTAL</b>	<b>388,458</b>	<b>281,800</b>

The Administrator makes payments from the Northern Territory State Pool Account in accordance with the directions of the Northern Territory Minister for Health.

## 5 CROSS BORDER PAYMENTS

Total cross border payments out of the Northern Territory State Pool Account to other states and territories were as follows:

States and Territories	2014 \$ '000	2013 \$ '000
<b>Cross border payments</b>		
New South Wales	-	-
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Australian Capital Territory	-	-
Tasmania	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>

Where no cross border payments are reported through the Northern Territory State Pool Account, there may be other bilateral arrangements between the states and territories.

## 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 were as follows:

	2014 \$ '000	2013 \$ '000
Total activity based funding receipts from Northern Territory	271,830	210,684
Total activity based funding receipts from the Commonwealth	116,628	71,116
Less activity based funding payments to local hospital networks	(388,458)	(281,800)
<b>PAYMENTS IN EXCESS OF RECEIPTS</b>	<b>-</b>	<b>-</b>

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.

# National Health Reform Funding and Payments



Section 241(2) of the *National Health Reform Act 2011* (the Act) outlines certain disclosures to be included in this Annual Report.

The information reported is specific to the transactions of the ‘relevant state or territory’. For the purposes of this legislative reporting, the ‘relevant state or territory’ is the state or territory that holds the bank accounts opened under the laws of that state or territory for National Health Reform Agreement purposes.

The values are rounded to the nearest thousand dollars unless otherwise specified. As such, figures may not add to the totals shown due to rounding.

The information disclosed in the following tables is provided by Northern Territory and forms part of the Administrator’s monthly reporting requirements, located at [www.publichospitalfunding.gov.au/reports](http://www.publichospitalfunding.gov.au/reports). For further information on the types of national health reform funding, refer to the ‘Overview’ chapter of this Annual Report.

The amounts listed for 2012–13 reflect both amounts transacted under national health reform legislation and ‘notional’ amounts. Notional amounts were funds paid into and out of departmental bank accounts by some states or territories that would have been transacted through the National Health Funding Pool and/or state managed fund had the national health reform funding arrangements been in place from 1 July 2012. The 2012–13 edition of this Annual Report separately disclosed notional amounts and those transacted under national health reform legislation in 2012–13.

**Section 241(2)(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**

Component	Amount paid by Northern Territory (\$'000)	
	2013–14	2012–13
State Pool Account — Activity based funding*	271,830	260,914
State Managed Fund — Block funding	389,563	256,727
<b>NT TOTAL</b>	<b>661,393</b>	<b>517,640</b>

*\*In accordance with the provisions of the Act, this table does not include Interest deposited in the Pool account and cross-border receipts from other states/territories, as these were made from contributors other than the relevant state or territory. Details of these flows are located in the Pool Account Special Purpose Financial Statement of each state/territory.*

The basis used to determine Northern Territory national health reform funding and payments for 2013–14 (at June 2014) was advised by the Northern Territory Department of Health to be as follows:

*The annual funding allocation for the Top End and Central Australian Health and Hospital Services of Northern Territory has been 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 and Consumer Price Index parameters. Projected activity increases are not budgeted for and both local hospital networks are required to meet demand increases from within existing resources as a cost containment strategy.*

*Variations to monthly payments to the Northern Territory LHNs are made based on cash requirements. Cash requirements are impacted by the Northern Territory Salary payment cycle and other monthly variations, such as contractual obligation payment cycles which the LHNs are engaged in. The LHNs in the Northern Territory have been in a transitional phase and payments during this period have varied based on costs held centrally being transitionally transferred over.*

*In May 2014, the Commonwealth provided Northern Territory with additional public hospital funding of \$183,371.57 under the 2013–14 Mid-Year Economic and Fiscal Outlook (MYEFO) funding measure: Public Hospital System — additional funding. This funding was provided to offset the downward adjustment to 2013–14 NHR funding applied at the MYEFO due to the application of updated NHR funding indexation parameters. A requirement of the provision of this funding was that the funding be provided to LHNs through the National Health Funding Pool and/or State Managed Fund.*

### **Section 241(2)(b) — the amounts paid into each State Pool Account by the Commonwealth and the basis on which the payments were made**

Component	Amount paid by Commonwealth into NT State Pool Account (\$'000)	
	2013–14	2012–13
Activity based funding	116,628	95,330
Block funding	14,616	44,922
Public Health funding	3,346	3,527
<b>NT TOTAL</b>	<b>134,590</b>	<b>143,780</b>

For the Commonwealth basis of payments, refer to part b) of the 'National health reform funding and payments — National' chapter.

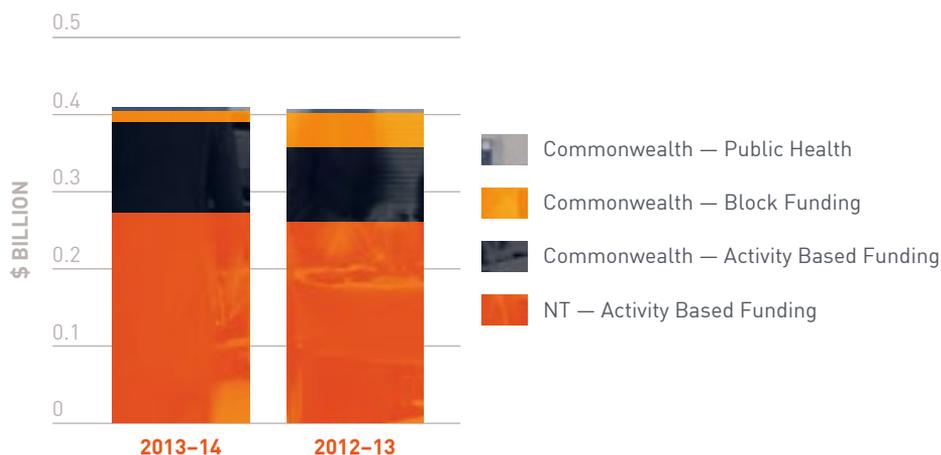
**Section 241(2)(c) — the amounts paid from each State Pool Account to local hospital networks, a State Managed Fund or other organisations or funds and the basis on which the payments were made**

Recipient	Amount paid from NT State Pool Account (\$'000)	
	2013-14	2012-13
Central Australian Hospital Network	136,701	132,745
Top End Hospital Network	251,757	223,499
<b>TOTAL LOCAL HOSPITAL NETWORKS</b>	<b>388,458</b>	<b>356,243</b>
<b>STATE MANAGED FUND</b>	<b>14,616</b>	<b>44,922</b>
<b>OTHER ORGANISATIONS OR FUNDS*</b>	<b>3,360</b>	<b>3,527</b>
<b>NT TOTAL</b>	<b>406,434</b>	<b>404,693</b>

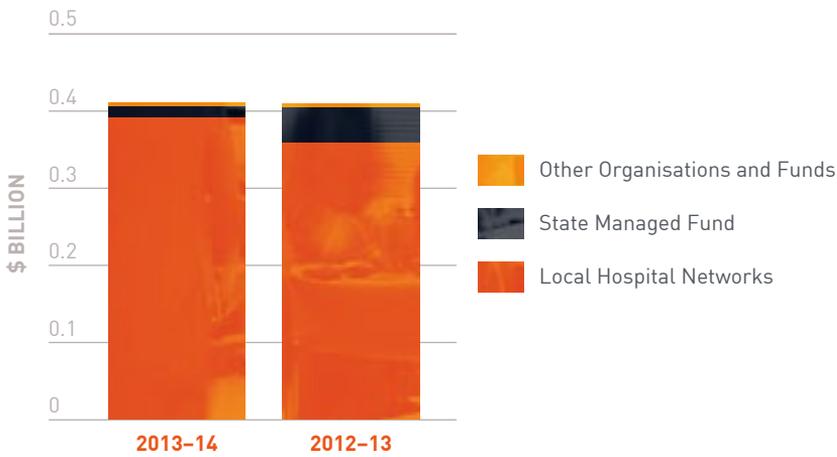
*\*Of the 2013-14 total amount of \$3,360,000 against 'Other organisations or funds', \$14,000 was penalty interest to the Reserve Bank of Australia.*

For the Northern Territory basis of payments, refer to part a) of this chapter.

**PAYMENTS INTO THE POOL — NT**



## PAYMENTS OUT OF THE POOL — NT

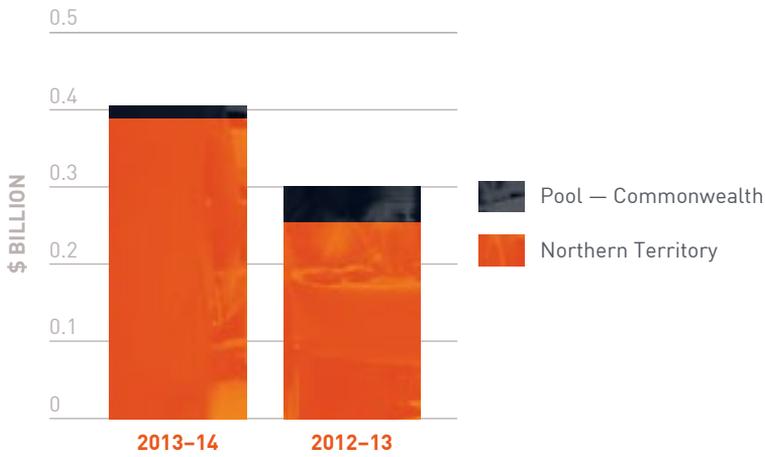


### Section 241(2)(d) — the amounts paid from each State Managed Fund to local hospital networks or other organisations or funds and the basis on which the payments were made

Recipient	Amount paid from NT State Managed Fund (\$'000)	
	2013-14	2012-13
Central Australian Hospital Network	96,006	57,795
Top End Hospital Network	308,173	243,854
<b>TOTAL LOCAL HOSPITAL NETWORKS</b>	<b>404,179</b>	<b>301,649</b>
<b>OTHER ORGANISATIONS OR FUNDS</b>	<b>-</b>	<b>-</b>
<b>NT TOTAL</b>	<b>404,179</b>	<b>301,649</b>

For the Northern Territory basis of payments, refer to part a) of this chapter.

### PAYMENTS INTO THE STATE MANAGED FUND — NT



### PAYMENTS OUT OF THE STATE MANAGED FUND — NT



**Section 241(2)(e) — the number of public hospital services funded for each local hospital network in accordance with the system of activity based funding**

Local Hospital District	Number of ABF public hospital services funded (NWAU)		
	2013–14 Estimate	2012–13 Actual	2012–13 Estimate
Central Australian Hospital Network	41,920	34,647	35,838
Top End Hospital Network	74,096	68,170	57,357
<b>NT TOTAL</b>	<b>116,016</b>	<b>102,816</b>	<b>93,194</b>

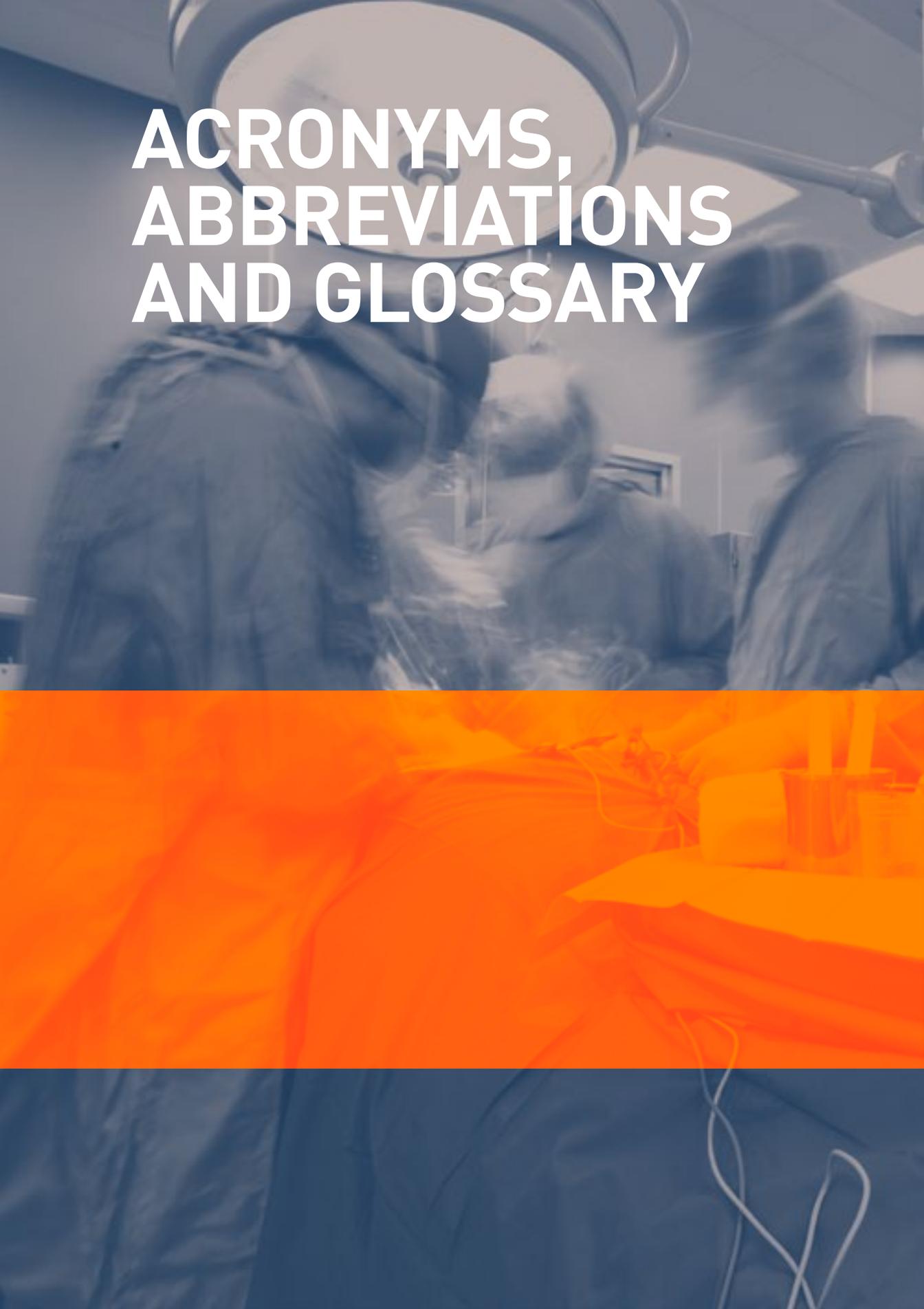
The National Weighted Activity Unit (NWAU) is the unit of measurement for the activity based funding system. It is a measure of health service activity expressed as a common unit, against which the national efficient price is paid. It provides a way of comparing and valuing each activity based funded public hospital service, by weighting it for its clinical complexity.

Northern Territory provides 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. Funding adjustments as a result of the reconciliation to actual public hospital services (NWAU) for 2012–13 form part of the 2013–14 Commonwealth payments.

**Section 241(2)(f) — the number of other public hospital services and functions funded from each State Pool Account or State Managed Fund**

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 National Health Reform Agreement allows for information to be based on the unit measurement classification and funding arrangements used in individual state and territories.

However, in 2012–13 and 2013–14 Northern Territory did not report any ‘other public hospital services and functions funded’ from their Pool Account or state managed fund.

The image shows a blurred scene of a surgical team in an operating room. The team members are wearing scrubs and surgical masks. A large, bright orange horizontal band is overlaid across the middle of the image. The text 'ACRONYMS, ABBREVIATIONS AND GLOSSARY' is written in white, bold, uppercase letters across the top portion of the image.

# ACRONYMS, ABBREVIATIONS AND GLOSSARY

**Table 3: Acronyms, abbreviations and glossary**

TERM	MEANING
<b>(the) Act</b>	The <i>National Health Reform Act 2011</i> .
<b>activity based funding</b>	A system for funding public hospital services based on the actual number of services provided to patients and the efficient cost of delivering those services. Activity based funding uses national classifications, cost weights and nationally efficient prices to determine the amount of funding for each activity or service.
<b>(the) Administrator</b>	<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 National Health Funding Body, is to administer the payment of public hospital funding according to the National Health Reform Agreement, and to oversee payments into and out of the State pool account for each state and territory, collectively known as the National Health Funding Pool (the Pool).</p>
<b>(the) Agreement</b>	See National Health Reform Agreement.
<b>block funding</b>	<p>A system of funding public hospital functions and services as a fixed amount based on population and previous funding.</p> <p>Under National Health Reform, 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>
<b>Independent Hospital Pricing Authority (IHPA)</b>	An independent statutory body established under Commonwealth legislation to calculate and deliver an annual National Efficient Price (NEP) used in the calculation of national activity based funding for Australian public hospitals.
<b>Local hospital networks (LHNs)</b>	<p>An organisation that provides public hospital services in accordance with the National Health Reform Agreement. A local hospital can contain one or more hospitals and is usually defined as a business group, geographical area or community. Every Australian public hospital is part of a local hospital network. Local hospital networks receive activity based and block funding under the Agreement.</p> <p>Some states and territories use their own terminology to describe local hospital networks, such as 'local health districts'.</p>
<b>Medicare Benefits Schedule (MBS)</b>	A listing of the Medicare services subsidised by the Australian Government.
<b>National Health Funding Body (NHFB)</b>	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.

*Continued.*

TERM	MEANING
<b>National Health Funding Pool (the Pool)</b>	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 Agreement.
<b>National Health Performance Authority (NHPA)</b>	An independent statutory authority established under Commonwealth legislation to report on the performance of hospitals and primary health care organisations across Australia.
<b>National health reform</b>	National health reform included reforms to the way in which public hospitals are funded nationally in Australia, as set out in the National Health Reform Agreement entered into by all states, territories and the Commonwealth in August 2011.
<b>National Health Reform Agreement (the Agreement)</b>	The National Health Reform Agreement outlines the funding, governance, and performance arrangements for the delivery of public hospital services in Australia. The Agreement was entered into by all states, territories and the Commonwealth in August 2011.
<b>Pharmaceutical Benefits Scheme (PBS)</b>	Details of the medicines subsidised by the Australian Government.
<b>(the) Pool</b>	See 'National Health Funding Pool'.
<b>state managed fund</b>	A separate bank account or fund established by a state or territory for the purposes of health funding under the Agreement which must be undertaken in the state or territory through a state managed fund.
<b>state pool account</b>	A Reserve Bank 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 pool accounts of all states and territories are collectively known as the National Health Funding Pool or the Pool.

NATIONAL  
HEALTH  
FUNDING  
POOL

**ANNUAL  
REPORT  
2013-14**

# DISCLOSURE INDEX



Sections 241(2) and (3) of the *National Health Reform Act 2011* set out the list of required information that must be included in this Annual Report.

**Table 4: Disclosure Index of required information**

SECTION	DESCRIPTION	LOCATION — NATIONAL LEVEL	LOCATION — STATE/TERRITORY LEVEL
<b>241 (2) THE ANNUAL REPORT MUST INCLUDE THE FOLLOWING INFORMATION FOR THE RELEVANT FINANCIAL YEAR</b>			
(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	Page 30	
(b)	the amounts paid into each State Pool Account by the Commonwealth and the basis on which the payments were made	Pages 31–32	<b>NSW</b> p.54–66
(c)	the amounts paid from each State Pool Account to local hospital networks, a State Managed Fund or other organisations or funds and the basis on which the payments were made	Page 33	<b>VIC</b> p.84–96 <b>QLD</b> p.114–121 <b>WA</b> p.138–144 <b>SA</b> p.160–166
(d)	the amounts paid from each State Managed Fund to local hospital networks or other organisations or funds and the basis on which the payments were made	Page 34	<b>TAS</b> p.182–189 <b>ACT</b> p.206–212 <b>NT</b> p.228–234
(e)	the number of public hospital services funded for each local hospital network in accordance with the system of activity based funding	Page 35	
(f)	the number of other public hospital services and functions funded from each State Pool Account or State Managed Fund	Page 36	

*Continued.*

SECTION	DESCRIPTION	LOCATION — NATIONAL LEVEL	LOCATION — STATE/TERRITORY LEVEL
<b>241 (3) THE ANNUAL REPORT IS TO BE ACCOMPANIED BY</b>			
(a)	an audited financial statement for each State Pool Account	N/A	<b>NSW</b> p.38–53 <b>VIC</b> p.68–83 <b>QLD</b> p.98–112 <b>WA</b> p.124–137 <b>SA</b> p.146–159 <b>TAS</b> p.168–181 <b>ACT</b> p.192–205 <b>NT</b> p.214–227
(b)	a financial statement that combines the audited financial statements for each State Pool Account	Pages 16–27	N/A

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