



Administrator
National Health
Funding Pool

ANNUAL | **14**
REPORT | **15**

FURTHER INFORMATION

If you require further information or have any queries in relation to this Annual Report, please contact:

The Administrator, National Health Funding Pool

GPO Box 1252

Canberra ACT 2601

Phone 1300 930 522

Media 02 6289 7425

Email nhfa.administrator@nhfa.gov.au

An accessible copy of this Annual Report is available online at:
publichospitalfunding.gov.au/publications/annual-reports

LETTER OF TRANSMITTAL



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 2015

The Hon. Sussan Ley MP
Minister for Health
Commonwealth of Australia

The Hon. Jillian Skinner MP
Minister for Health
New South Wales

The Hon. Jill Hennessy
Minister for Health
Victoria

The Hon. Cameron Dick MP
Minister for Health
Queensland

The Hon. Kim Hames MLA
Minister for Health
Western Australia

The Hon. Jack Snelling MP
Minister for Health
South Australia

The Hon. Michael Ferguson MP
Minister for Health
Tasmania

The Hon. Simon Corbell MLA
Minister for Health
Australian Capital Territory

The Hon. John Elferink MLA
Minister for Health
Northern Territory

Dear Ministers,

Administrator of the National Health Funding Pool Annual Report 2014-15

I am pleased to submit to you, for tabling in your respective Parliaments, my Annual Report for the year ended 30 June 2015.

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.

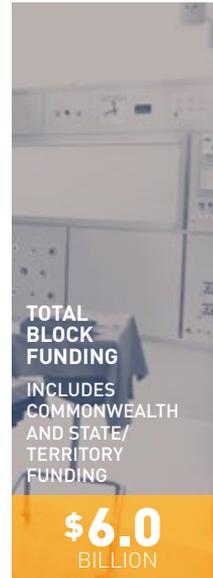
Yours sincerely,

Kim Snowball
Acting Administrator
National Health Funding Pool

2014-15



2013-14



PAYMENTS TO LOCAL HOSPITAL NETWORKS



Totals may not equal the sum of components due to rounding.

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MESSAGE FROM THE ADMINISTRATOR

As the Acting Administrator of the National Health Funding Pool (Administrator) I am pleased to present the Annual Report for the year ended 30 June 2015. This annual report covers the third year of operation of the National Health Funding Pool (the Funding Pool) and the role of Administrator.

For 2014–15 a total of \$38.2 billion was paid to local hospital networks for services, an increase of \$1.8 billion from the 2013–14 payment of \$36.4 billion. This annual report covers the first growth year after a two-year transition period, in which the Commonwealth provided funding to the states and territories, equivalent to the amount that would otherwise have been paid under the former National Healthcare Specific Purpose Payment. This new method of funding hospitals now involves a nationally consistent measure of hospital activity with the Commonwealth consistently funding 45% of hospital growth in all states and territories. This ensures transparency on what hospital activity is delivered for the funding provided.

With the move to growth funding in 2014–15, the data requirements in the Administrator's Three Year Data Plan 2014–15 to 2016–17 have supported the supply of patient and aggregate level data to ensure the accurate calculation of the Commonwealth's funding contribution. The supply of data from the states and territories has enabled the production of monthly public reporting on funding and payment flows.

Data matching activities continued to be a focus for the Administrator and the NHFB in 2014–15. Considerable effort was undertaken with states, territories and the Commonwealth to strengthen the process. This cooperative undertaking of data custodians has enabled acute and primary care data to be examined, to improve financial administrative compliance.

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 of funding and payments for each state and territory State Pool Account and state managed fund.

The Administrator's role requires collaboration with states, territories, the Commonwealth, and other national health agencies. The work of the Administrator and the National Health Funding Body (NHFB) in 2014–15 has strengthened the effectiveness of this collaboration.

Mr Bob Sendt, the inaugural Administrator, retired on 1 August 2015. This Annual Report is a clear demonstration of his commitment in delivering independence and transparency in the calculation, payment and reporting of public hospital funding in Australia.

The Administrator, supported by the NHFB, is responsible for overseeing Commonwealth and state funding and payments, contributing to the sustainability of funding for public hospitals. From 2012–13 Mr Sendt worked collaboratively with the states and territories and the Commonwealth in the collection of data to support the objectives of comparability. He ensured that the data were shared between the relevant participants in the national health care arrangements to promote transparency.

I would like to acknowledge the work of the NHFB who assisted the Administrator to satisfy all financial reporting, payment and publishing milestones in 2014–15. This small team of dedicated professionals are to be commended.



I look forward to continuing the valuable work of the Administrator, particularly exploring the opportunities to provide states, territories and the Commonwealth with information and advice that assists in services planning and policy development.

Kim Snowball
Acting Administrator
National Health Funding Pool

HEALTH PRODUCTIVITY AND PERFORMANCE COMMISSION

In the 2014–15 Budget, the Commonwealth Government announced an intention to consult with states and territories with a view to establishing a new Health Productivity and Performance Commission. The government has subsequently made a decision to not proceed with the establishment of a Health Productivity and Performance Commission. The Administrator and the NHFB will continue to administer and reconcile payments to public hospitals under the National Health Reform Agreement for the 2015–16 and 2016–17 financial years.

ANNUAL REPORTING: LEGISLATIVE REQUIREMENTS

The Administrator 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 2014–15.

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
COMMONWEALTH	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>
NEW SOUTH WALES	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>
VICTORIA¹	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>
QUEENSLAND	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>
SOUTH AUSTRALIA	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>
WESTERN AUSTRALIA	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>
TASMANIA	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>
AUSTRALIAN CAPITAL TERRITORY	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>
NORTHERN TERRITORY	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>

¹ Note that although this Act requires the Administrator to prepare a report, as at 30 June 2015 Victoria had not appointed an Administrator.





OVERVIEW

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 National Health Reform Agreement (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).²
- + Monitor state payments into each State Pool Account (common provisions of National Health Funding Pool legislation in each state and territory).³
- + 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 Agreement).
- + Report publicly on the national health reform funding and payments (*National Health Reform Act 2011* s.240).

² A list of the state and territory legislation containing the common provisions can be found at page XI.

³ 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.

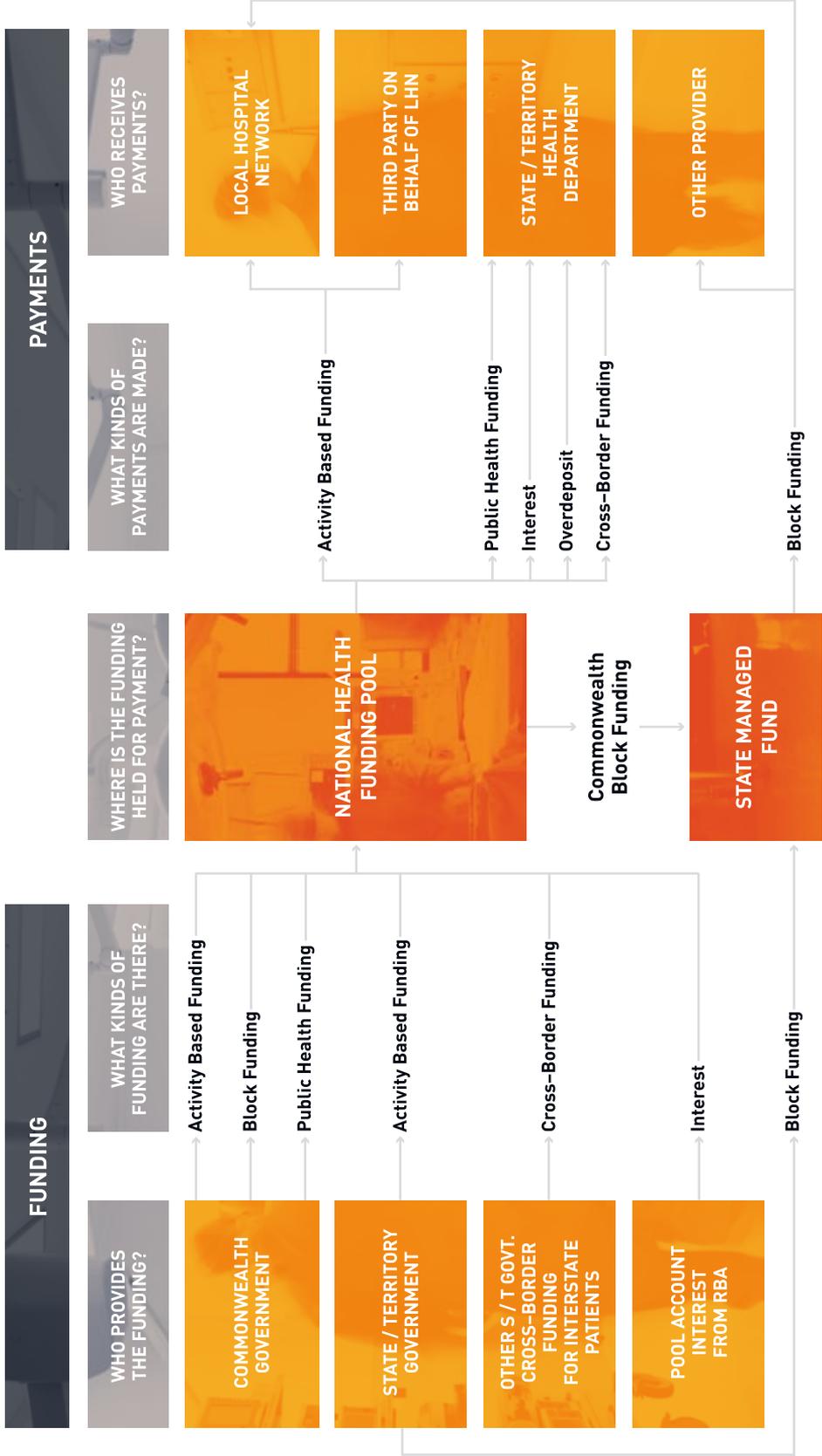
Commonwealth national health reform funding for public hospitals is paid monthly into the Funding Pool, which consists of eight state/territory bank accounts with the Reserve Bank of Australia.

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 a 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 2014–15:

- + acute admitted services
- + admitted mental health services
- + sub-acute and non-acute services
- + emergency department services
- + non-admitted 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. It 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 2014–15:

- + small rural hospitals
- + teaching, training and research
- + non-admitted mental health services
- + other non-admitted services.

PUBLIC HEALTH FUNDING

Public Health Funding is paid by the Commonwealth into the Funding 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 it can be used as part of the next payment to local hospital networks.





**OPERATIONS:
2014-15
HIGHLIGHTS**

CALCULATING THE COMMONWEALTH CONTRIBUTION

2014-15 COMMONWEALTH FUNDING

Commonwealth funding for activity based, block, and public health funding was calculated using a transparent, robust and independently reviewed methodology.

Figure 2 outlines the timing of payments processed by the Administrator during 2014-15.

FIGURE 2: COMMONWEALTH PAYMENTS PROCESSED BY THE ADMINISTRATOR IN 2014-15



*MYEFO adjustment includes 2013-14 FBO.

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 2014–15 MYEFO statement was released in December 2014.

The Final Budget Outcome (FBO) is a report produced no later than three months after the end of the financial year. It 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 2014–15 funding incorporated the impact of these adjustments following the release of these reports.

The MYEFO and FBO statements are available from budget.gov.au.

RECONCILIATION OF 2013–14 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 local hospital network, 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 services delivered for all hospital services funded on an activity basis. A reconciliation between estimated and actual service volumes is then performed. This ensures that all local hospital networks receive the correct Commonwealth contribution based on their actual activity.

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.

The monthly reports contain detail for the month and year-to-date on funding and payments into and out of the State Pool Accounts and State Managed Funds by the Commonwealth and states and territories, as well as amounts paid to local hospital networks, including the number of public hospital services funded.

The NHFB produces around 150 reports per month 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. The aggregate of these reports for the financial year forms the basis for the state and territory funding and payments tables provided as part of this annual report.

The monthly reports are available from: publichospitalfunding.gov.au/reports.

Table 2 shows the Administrator's monthly reports for 2013–14 and 2014–15.

TABLE 2: MONTHLY REPORTS

2014–15	2013–14
July 2014 (released on 18.9.2014)	July 2013 (released on 30.10.2013)
August 2014 (released on 10.10.2014)	August 2013 (released on 13.11.2013)
September 2014 (released on 29.10.2014)	September 2013 (released on 5.12.2013)
October 2014 (released on 5.12.2014)	October 2013 (released on 30.1.2014)
November 2014 (released on 21.1.2015)	November 2013 (released on 20.2.2014)
December 2014 (released on 13.2.2015)	December 2013 (released on 20.2.2014)
January 2015 (released on 20.3.2015)	January 2014 (released on 28.3.2014)
February 2015 (released on 15.4.2015)	February 2014 (released on 28.3.2014)
March 2015 (released on 8.7.2015)	March 2014 (released on 7.5.2014)
April 2015 (released on 4.9.2015)	April 2014 (released on 5.6.2014)
May 2015 (released on 4.9.2015)	May 2014 (released on 2.7.2014)
June 2015 (released on 16.10.2015)	June 2014 (released on 7.8.2014)

STRATEGIC AND OPERATIONAL DOCUMENTS RELEASED

The following strategic documents were published during 2014-15:

STRATEGIC, OPERATIONAL AND COMPLIANCE DOCUMENTS RELEASED IN 2014-15

Date	Publication
1 July 2014	States and Territories Procedures Manual v3.0
28 July 2014	2013-14 Reconciliation Framework
29 August 2014	June 2014 Quarter Compliance Report
26 November 2014	September 2014 Quarter Compliance Report
4 March 2015	December 2014 Quarter Compliance Report
3 June 2015	March 2015 Quarter Compliance Report
25 June 2015	Data Compliance Policy (updated)
29 June 2015	Administrator's Three Year Data Plan 2015-16 to 2017-18
29 June 2015	Administrator's Data Plan 2015-16 — File Specifications
29 June 2015	States and Territories Procedures Manual v4.0

STRATEGIC

Administrator's Three Year Data Plan

2015–16 to 2017–18 (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).

OPERATIONAL

2013–14 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.

States and Territories

Procedures Manual covers the procedures for authorised state and territory staff to process National Health Funding Pool deposits and payments through the National Health Funding Administrator Payments System.

COMPLIANCE

Quarterly Compliance Reports

clause B102 of the Agreement requires the Administrator to publish details of Commonwealth, state and territory compliance, with the data requirements specified in the Administrator's Three Year Data Plan. A standard format has been developed for use in each quarter's compliance report.

BREAKDOWN OF AMOUNTS PAID BY THE COMMONWEALTH INTO EACH STATE POOL ACCOUNT IN 2014–15

The Administrator calculates the Commonwealth's contribution to public hospital funding including Public Health funding, Block funding and Activity Based Funding (ABF). The ABF component is initially calculated using an estimate of the activity that is expected to be delivered. Each six months, the Administrator undertakes a reconciliation process whereby the actual services delivered in the period are reconciled to the estimate and an adjustment is made where there is a difference. That is, in the transition period (2012–13 and 2013–14) where the total funding was fixed, adjustment was made equivalent to the cross-border activity. In the growth period where more services have been delivered than estimated, additional funding is provided in respect of those services and where fewer services are delivered than estimated, funding is recovered.

In 2014–15, the amounts paid by the Commonwealth into each State Pool Account included funding related to services to be provided in 2014–15 as well as adjustments to funding related to services provided in 2013–14. Table 3 provides a breakdown of the components of the Commonwealth's contribution to public hospital funding, including the split between 2013–14 and 2014–15 services.

TABLE 3: BREAKDOWN OF AMOUNTS PAID BY THE COMMONWEALTH INTO EACH STATE POOL ACCOUNT IN 2014-15 (\$'000)

	NSW \$'000	VIC \$'000	QLD \$'000	WA \$'000	SA \$'000
<i>Payments in respect of 2014-15 services</i>					
Public Health Funding					
Public Health Funding	108,152	84,136	67,952	37,199	24,159
Block Funding					
Small Rural Hospitals	360,734	81,254	244,586	133,039	81,808
Teaching, Training and Research	134,178	108,822	29,386	84,088	33,103
Non-admitted Mental Health	160,235	264,426	116,799	65,678	33,049
Other non-admitted services	81,963	3,803	3,164	5,254	21,596
Total Block Funding	737,109	458,304	393,936	288,059	169,555
Activity Based Funding					
Acute Admitted	2,281,681	2,167,091	1,689,995	857,055	565,167
Admitted Mental Health	249,413	132,094	119,644	98,793	54,932
Sub-acute	217,626	219,148	140,607	72,970	33,818
Emergency Department	429,940	326,185	343,167	167,664	95,580
Non-Admitted	853,814	464,198	305,951	233,903	181,496
Total Activity Based Funding	4,032,474	3,308,715	2,599,364	1,430,385	930,993
2014-15 Total Funding					
Total Funding	4,877,735	3,851,154	3,061,252	1,755,643	1,124,707
<i>Payments in respect of 2013-14 services</i>					
Adjustments in respect of 2013-14					
Adjustments due to reconciliation of actual services delivered	(16,706)	12,089	(1,733)	(5,286)	856
<i>Amount paid by the Commonwealth into each State Pool Account in 2014-15*</i>					
Amount paid by the Commonwealth into each State Pool Account in 2014-15					
Amount paid in 2014-15	4,861,029	3,863,243	3,059,520	1,750,357	1,125,562

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

	TAS \$'000	ACT \$'000	NT \$'000	TOTAL \$'000
<i>Payments in respect of 2014–15 services</i>				
Public Health Funding				
Public Health Funding	7,360	5,545	3,526	338,028
Block Funding				
Small Rural Hospitals	30,472	1,131	10,165	943,189
Teaching, Training and Research	12,989	5,606	3,755	411,926
Non-admitted Mental Health	12,141	17,010	2,588	671,925
Other non-admitted services	1,553	–	216	117,548
Total Block Funding	57,154	23,747	16,724	2,144,588
Activity Based Funding				
Acute Admitted	186,579	181,785	103,964	8,033,316
Admitted Mental Health	11,685	12,241	2,901	681,704
Sub-acute	11,554	15,956	3,449	715,128
Emergency Department	27,169	29,447	14,903	1,434,056
Non-Admitted	32,202	35,896	12,524	2,119,984
Total Activity Based Funding	269,189	275,325	137,742	12,984,187
2014–15 Total Funding				
Total Funding	333,703	304,618	157,992	15,466,804
<i>Payments in respect of 2013–14 services</i>				
Adjustments in respect of 2013–14				
Adjustments due to reconciliation of actual services delivered	(293)	6,340	1,418	(3,314)
<i>Amount paid by the Commonwealth into each State Pool Account in 2014–15*</i>				
Amount paid by the Commonwealth into each State Pool Account in 2014–15				
Amount paid in 2014–15	333,410	310,958	159,411	15,463,490

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

CERTIFICATION LETTER TO THE ADMINISTRATOR



**National Health
Funding Body**

National Health Funding Body
GPO Box 1252 Canberra ACT 2601
ABN: 15337761242

Telephone: 1300 930 522
Email: nhfb.enquiries@nhfb.gov.au

1 October 2015

Mr Kim Snowball
Acting Administrator of the National Health Funding Pool
PO Box 1252
CANBERRA ACT 2601

Dear Mr Snowball,

National Health Funding Pool Annual Report 2014-15

This letter outlines the assurance arrangements in place for the preparation of the 2014-15 Financial Statements for the State Pool Accounts, and the Funding and Payment disclosures as per the Commonwealth *National Health Reform Act 2011* (the Act), and expresses opinion on their inclusion in the National Health Funding Pool Annual Report 2014-15.

Financial Statements

The National Health Funding Body (NHFB) has prepared a financial statement for the year ended 30 June 2015 for each of the State Pool Accounts as required by section 241(3) of the Act. The financial statements have been prepared as special purpose financial statements on a cash accounting basis. This is consistent with the financial statements prepared in 2012-13 and 2013-14.

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

System and process controls that ensure the integrity of the NHFA Payments System were in place throughout the financial year. A Reasonable Assurance Review of the NHFA Payments System for the financial year was conducted by an independent third party and no material issues were identified in the control framework. No incidents of fraud have been identified in relation to the operation of the State Pool Accounts through the NHFA Payments System or the RBA processes.

Funding and Payments

The NHFB has also prepared funding and payment information for the 2014-15 financial year as required by section 241(2) of the Act. This information includes detail on funding and payments into and out of the State Pool Accounts and State Managed Funds by the Commonwealth and states and territories, as well as amounts paid to local hospital networks, including the number of public hospital services funded.

The NHFB works with each state and territory to prepare and publish reports containing these data on a monthly basis. This process includes strong governance arrangements to ensure the accuracy of the data. These reports form the basis of the information used to prepare the funding and payments section of the Annual Report.

Proudly assisting the Administrator of the National Health Funding Pool

NHFB Opinion

It is the NHFB's opinion that the special purpose financial statements and the funding and payments information, prepared for the year ended 30 June 2015, give a true and fair view of the matters required by the Act and the National Health Reform Agreement.

Yours sincerely,



Lynton Norris
Chief Executive Officer
National Health Funding Body



Beth Gubbins
Chief Finance Officer
National Health Funding Body





NATIONAL



**COMBINED
FINANCIAL
STATEMENT**



**NATIONAL HEALTH FUNDING POOL
COMBINED STATE POOL ACCOUNTS
SPECIAL PURPOSE COMBINED FINANCIAL
STATEMENT FOR THE YEAR ENDED 30 JUNE 2015**

Issued by the Acting 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 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 special purpose financial statement for the year ended 30 June 2015 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.

Kim Snowball
Acting Administrator
National Health Funding Pool

15 September 2015

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**Combined State Pool Accounts
Statement of receipts and payments
for the year ended 30 June 2015**

	NSW \$'000	VIC \$'000	QLD \$'000	WA \$'000	SA \$'000
CASH AT BANK AS AT 1 JULY 2014	-	-	-	-	-
RECEIPTS					
From Commonwealth					
Activity based funding	4,015,457	3,320,915	2,598,049	1,425,475	931,860
Block funding	737,380	458,210	393,582	287,729	169,545
Public health funding	108,192	84,119	67,889	37,154	24,157
From State / Territory					
Activity based funding	5,112,174	4,004,405	5,151,116	1,885,664	1,988,500
Cross-border contribution	231,471	6,000	32,000	-	2,500
From other States or Territories					
Cross-border receipts	56,563	76,000	58,000	-	10,000
From Reserve Bank of Australia					
Interest receipts	1,959	1,133	522	15	3,944
TOTAL RECEIPTS	10,263,196	7,950,782	8,301,158	3,636,037	3,130,506
PAYMENTS					
To Local Hospital Networks					
Activity based funding	9,122,100	7,298,363	7,749,165	3,311,139	2,878,582
To State Managed Fund					
Block funding	737,380	458,210	393,582	287,729	169,545
Cross-border transfer	-	-	-	-	-
To State / Territory Health Department					
Public health funding	108,192	84,119	67,889	37,154	24,157
Interest payments	1,959	1,133	522	15	-
Cross-border transfer	56,563	76,000	58,000	-	-
Over deposit withdrawal	5,531	26,957	-	-	-
To other States or Territories					
Cross-border payments	231,471	6,000	32,000	-	2,500
To Reserve Bank Australia					
Penalty interest	-	-	-	-	-
TOTAL PAYMENTS	10,263,196	7,950,782	8,301,158	3,636,037	3,074,784
CASH AT BANK AT 30 JUNE 2015	-	-	-	-	55,722

**Combined State Pool Accounts
Statement of receipts and payments
for the year ended 30 June 2015**

NATIONAL

	TAS \$'000	ACT \$'000	NT \$'000	TOTAL \$'000
CASH AT BANK AS AT 1 JULY 2014	-	-	17	17
RECEIPTS				
From Commonwealth				
Activity based funding	268,856	281,679	139,126	12,981,417
Block funding	57,188	23,736	16,752	2,144,122
Public health funding	7,365	5,543	3,533	337,952
From State / Territory				
Activity based funding	311,125	515,172	284,905	19,253,061
Cross-border contribution	-	16,063	-	288,034
From other States or Territories				
Cross-border receipts	-	87,471	-	288,034
From Reserve Bank of Australia				
Interest receipts	-	-	18	7,591
TOTAL RECEIPTS	644,534	929,664	444,334	35,300,211
PAYMENTS				
To Local Hospital Networks				
Activity based funding	579,981	884,322	424,031	32,247,683
To State Managed Fund				
Block funding	57,188	23,736	16,752	2,144,122
Cross-border transfer	-	-	-	-
To State / Territory Health Department				
Public health funding	7,365	5,543	3,533	337,952
Interest payments	-	-	-	3,629
Cross-border transfer	-	-	-	190,563
Over deposit withdrawal	-	-	-	32,488
To other States or Territories				
Cross-border payments	-	16,063	-	288,034
To Reserve Bank Australia				
Penalty interest	-	-	-	-
TOTAL PAYMENTS	644,534	929,664	444,316	35,244,471
CASH AT BANK AT 30 JUNE 2015	-	-	35	55,757

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
CASH AT BANK AS AT 1 JULY 2013	-	-	-	-	9,391
RECEIPTS					
From Commonwealth					
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
From State / Territory					
Activity based funding	5,160,022	3,870,426	4,768,902	2,170,052	1,848,159
Cross-border contribution	78,725	-	-	-	-
From other States or Territories					
Cross-border receipts	14,303	-	-	-	-
From Reserve Bank of Australia					
Interest receipts	2,095	1,300	710	1	3,619
TOTAL RECEIPTS	9,597,993	7,354,902	7,584,580	3,688,454	2,859,681
PAYMENTS					
To Local Hospital Networks					
Activity based funding	8,715,081	6,822,143	7,153,724	3,396,947	2,702,840
To State Managed Fund					
Block funding	684,639	450,781	365,254	256,209	143,066
Cross-border transfer	-	-	-	-	-
To State / Territory Health Department					
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	-	-	-
To other States or Territories					
Cross-border payments	78,725	-	-	-	-
To Reserve Bank Australia					
Penalty interest	-	-	-	-	-
TOTAL PAYMENTS	9,597,993	7,354,902	7,584,580	3,688,454	2,869,072
CASH AT BANK AT 30 JUNE 2014	-	-	-	-	-

**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
CASH AT BANK AS AT 1 JULY 2013	–	–	15	9,406
RECEIPTS				
From Commonwealth				
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
From State / Territory				
Activity based funding	350,095	492,293	271,830	18,931,779
Cross-border contribution	–	14,303	–	93,028
From other States or Territories				
Cross-border receipts	–	78,725	–	93,028
From Reserve Bank of Australia				
Interest receipts	2	–	16	7,743
TOTAL RECEIPTS	642,544	860,502	406,436	32,995,092
PAYMENTS				
To Local Hospital Networks				
Activity based funding	588,992	818,819	388,458	30,587,004
To State Managed Fund				
Block funding	46,460	22,064	14,616	1,983,089
Cross-border transfer	–	–	–	–
To State / Territory Health Department				
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
To other States or Territories				
Cross-border payments	–	14,303	–	93,028
To Reserve Bank Australia				
Penalty interest	–	–	14	14
TOTAL PAYMENTS	642,544	860,502	406,434	33,004,481
CASH AT BANK AT 30 JUNE 2014	–	–	17	17

**Combined State Pool Accounts
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015**

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, 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 Combined State Pool Accounts, which were established at the Reserve Bank of Australia (RBA) in 2012–13, and is a special purpose financial statement.

From 2017–18, the Commonwealth Government has announced it will introduce revised public hospital funding arrangements, to recognise state and territory responsibility for managing an efficient public hospital sector. Information available at the time of issue of this special purpose financial statement indicates that there will be no effect on the respective State Pool Accounts for 2015–16.

(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 the 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 Acting Administrator of the National Health Funding Pool on 15 September 2015.

(C) NATIONAL HEALTH FUNDING POOL

The National Health Funding Pool (Funding Pool) consists of eight state and territory bank accounts (State Pool Accounts), held with the RBA.

(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 states and territories and the Commonwealth into the Funding Pool.

In 2013–14 and 2014–15 the Commonwealth ABF supported the following:

- i. acute admitted services;
- ii. admitted mental health services;
- iii. sub-acute and non-acute services;
- iv. emergency department services; and
- v. non-admitted services.

State or territory ABF contributions into the Funding Pool are calculated by the state or territory as the system manager of the respective 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.

In 2013–14, Commonwealth ABF contributions into the Funding Pool were 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 2014–15, Commonwealth ABF contributions for each service category were calculated by summing the States and Territories 2013–14 amount and efficient growth. Efficient growth is determined by measuring the change in price and volume. The price change is 45% of the change in the NEP relative to 2013–14. The volume change is 45% of the net change in the volume of weighted services relative to 2013–14.

In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements.

Combined State Pool Accounts Notes to and forming part of the special purpose financial statement for the year ended 30 June 2015

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 2014–15 there were two rounds of reconciliation adjustments relating to actual activity in 2013–14:

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

The six-month adjustment was based on the reconciliation between the actual volume of services provided by each LHN in the period 1 July 2013 to 31 December 2013 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 2013–14 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 2013–14 and 2014–15 the Commonwealth block funding supported the following:

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

In 2013–14, Commonwealth Block funding contributions into the Funding Pool were calculated by the Administrator by applying the states and territories 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.

Combined State Pool Accounts
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

In 2014–15, Commonwealth Block contributions for each state and territory for each service category were calculated by summing the states and territories 2013–14 amount and 45% of the change in the NEC between 2013–14 and 2014–15.

(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 'provider state' is compensated for the cost of that treatment.

The Commonwealth share of the cost of treating the patient is paid through the Funding Pool as part of the normal Activity Based Funding — the Commonwealth contribution to each state or territory covers all eligible patients treated, regardless of where they reside. The 'resident state' pays its share either through the Funding Pool (see Note 3 and Note 5) 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.



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.

The information disclosed in the following tables is provided by states/territories and forms part of the Administrator's monthly reporting requirements, located at 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.

SECTION 24(1)(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)					
	2014-15			2013-14		
	State Pool Account — ABF*	State Managed Fund — Block	Total	State Pool Account — ABF*	State Managed Fund — Block	Total
New South Wales	5,343,645	933,330	6,276,974	5,238,747	1,210,670	6,449,417
Victoria	4,010,420	574,730	4,585,151	3,870,426	610,744	4,481,171
Queensland	5,183,116	931,095	6,114,211	4,768,902	625,752	5,394,654
Western Australia	1,885,664	428,591	2,314,255	2,170,052	598,783	2,768,835
South Australia	1,991,000	163,468	2,154,468	1,848,159	234,911	2,083,070
Tasmania	311,125	324,261	635,386	350,095	285,588	635,683
Australian Capital Territory	531,235	36,044	567,279	506,596	45,842	552,438
Northern Territory	284,905	449,663	734,568	271,830	389,563	661,393
NATIONAL TOTAL	19,541,109	3,841,183	23,382,292	19,024,807	4,001,854	23,026,661

*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 and 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 and territory's basis of payments, refer to individual state and territory 'funding and payments' chapters.

SECTION 24(1)(2)(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)							
	2014–15				2013–14			
	Activity based funding	Block funding	Public Health funding	Total	Activity based funding	Block funding	Public Health funding	Total
New South Wales	4,015,457	737,380	108,192	4,861,029	3,555,059	684,639	103,150	4,342,849
Victoria	3,320,915	458,210	84,119	3,863,243	2,952,361	450,781	80,034	3,483,176
Queensland	2,598,049	393,582	67,889	3,059,520	2,384,822	365,254	64,892	2,814,967
Western Australia	1,425,475	287,729	37,154	1,750,357	1,226,895	256,209	35,297	1,518,400
South Australia	931,860	169,545	24,157	1,125,562	841,671	143,066	23,166	1,007,904
Tasmania	268,856	57,188	7,365	333,410	238,897	46,460	7,090	292,447
Australian Capital Territory	281,679	23,736	5,543	310,958	247,801	22,064	5,316	275,181
Northern Territory	139,126	16,752	3,533	159,411	116,628	14,616	3,346	134,590
NATIONAL TOTAL	12,981,417	2,144,122	337,951	15,463,490	11,564,134	1,983,089	322,291	13,869,514

The basis of Commonwealth national health reform funding for 2014–15 (as specified in the National Health Reform Agreement (clause A33)) is as follows:

+ Public Health (clause A34)

Payments for Public Health activities for 2014–15 will be equal to the previous year's payment indexed by the former National Healthcare SPP growth factor.

+ Block funding (clause A50)

Payments for 2014–15, 2015–16 and 2016–17 will consist of the previous year's payment plus 45 per cent of the growth in the efficient cost of providing the services, adjusted for the addition or removal of block services as provided in clauses A27–A30 (calculated in accordance with clause A4).

+ Activity based funding (clause A34)

In 2014–15, 2015–16 and 2016–17, the Commonwealth's funding for each ABF service category will be calculated individually for each State by summing:

- a. previous year amount:* the Commonwealth's percentage funding rate for the relevant State in the previous year multiplied by the volume of weighted services provided in the previous year multiplied by the National Efficient Price in the previous year;
- b. price adjustment:* the volume of weighted services provided in the previous year multiplied by the change in the National Efficient Price relative to the previous year multiplied by 45 per cent; and
- c. volume adjustment:* the net change in volume of weighted services to be provided in the relevant State (relative to the volume of weighted services provided in the previous year) multiplied by the National Efficient Price multiplied by 45 per cent.

SECTION 24(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)									
	2014–15					2013–14				
	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	9,122,100	737,380	403,716	10,263,195	8,715,081	684,639	198,273	9,597,994		
Victoria	7,298,363	458,210	194,224	7,950,797	6,822,144	450,781	81,978	7,354,902		
Queensland	7,749,164	393,582	158,411	8,301,157	7,153,724	365,254	65,602	7,584,580		
Western Australia	3,311,138	287,729	37,169	3,636,036	3,396,947	256,209	35,298	3,688,453		
South Australia	2,878,582	169,545	26,657	3,074,784	2,702,840	143,066	23,166	2,869,072		
Tasmania	579,981	57,188	7,365	644,534	588,992	46,460	7,092	642,544		
Australian Capital Territory	884,323	23,736	21,605	929,664	818,818	22,064	19,619	860,501		
Northern Territory	424,031	16,752	3,533	444,316	388,458	14,616	3,360	406,434		
NATIONAL TOTAL	32,247,682	2,144,122	852,680	35,244,483	30,587,004	1,983,089	434,388	33,004,481		

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

SECTION 24(1)(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)					
	2014-15			2013-14		
	Local Hospital Networks	Other organisations or funds	Total	Local Hospital Networks	Other organisations or funds	Total
New South Wales	1,575,223	95,486	1,670,709	1,768,979	126,331	1,895,310
Victoria	1,001,232	23,499	1,024,731	1,030,827	26,614	1,057,441
Queensland	1,323,047	-	1,323,047	991,006	-	991,006
Western Australia	714,684	1,636	716,320	852,852	-	852,852
South Australia	333,013	-	333,013	377,977	-	377,977
Tasmania	381,450	-	381,450	332,048	-	332,048
Australian Capital Territory	59,780	-	59,780	67,906	-	67,906
Northern Territory	466,415	-	466,415	404,179	-	404,179
NATIONAL TOTAL	5,854,843	120,622	5,975,465	5,825,774	152,945	5,978,719

For detailed information regarding each state and territory, including basis of payments refer to individual state and territory '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)		
	2014–15 Estimate	2013–14 Actual	2013–14 Estimate
New South Wales	2,342,511	2,204,579	2,143,305
Victoria	1,840,373	1,753,983	1,689,796
Queensland	1,377,733	1,287,476	1,297,949
Western Australia	749,831	745,092	682,068
South Australia	558,731	541,271	538,164
Tasmania	128,841	121,451	114,078
Australian Capital Territory	133,800	127,358	125,570
Northern Territory	114,661	111,818	116,016
NATIONAL TOTAL	7,246,482	6,893,028	6,706,945

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 and territories provide NWAU estimates at the start of each financial year for Commonwealth payment purposes. These estimates may be revised during the course of the year, and form the basis of Commonwealth funding until actual service volumes become available. Funding adjustments as a result of the reconciliation to actual public hospital services (NWAU) for 2013–14 form part of the 2014–15 Commonwealth payments.

The amounts listed are aggregates for each state and territory, for detailed state and territory information refer to individual state and territory '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 2013–14 and 2014–15 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 2015**

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 New South Wales State Pool Account

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 2015. The Financial Statement comprises:

- a Statement of Receipts and Payments for the year ended 30 June 2015
- notes, comprising 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 2015, presents fairly, in all material respects, the financial transactions of the New South Wales State Pool Account and such components of financial position 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 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 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)*, the *National Health Reform Act 2011 (Cth)* and the *National Health Reform Agreement 2011*. The Administrator's responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the Financial 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.

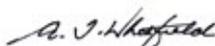
My audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statement. Procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Financial Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control 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 pronouncements. The *Public Finance and Act 1983 (NSW)* further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.



A T Whitfield PSM
Acting Auditor-General

16 September 2015



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 2015 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.

Kim Snowball
Acting Administrator
National Health Funding Pool

15 September 2015

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**New South Wales State Pool Account
Statement of receipts and payments
for the year ended 30 June 2015**

	Notes	2015 \$ '000	2014 \$ '000
OPENING CASH BALANCE		-	-
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth			
Activity based funding	2, 6	4,015,457	3,555,059
Block funding		737,380	684,639
Public health funding		108,192	103,150
From New South Wales			
Activity based funding	2, 6	5,112,174	5,160,022
Cross-border contribution		231,471	78,725
From other States or Territories			
Cross-border receipts	3	56,563	14,303
From Reserve Bank of Australia			
Interest receipts		1,959	2,095
TOTAL RECEIPTS		10,263,196	9,597,993
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity based funding	4, 6	9,122,100	8,715,081
To New South Wales State Managed Fund			
Block funding		737,380	684,639
Cross-border transfer		-	-
To New South Wales Ministry of Health			
Public health funding		108,192	103,150
Interest payments		1,959	2,095
Cross-border transfer		56,563	14,303
Withdrawal of over-deposit		5,531	-
To other States or Territories			
Cross-border payments	5	231,471	78,725
TOTAL PAYMENTS		10,263,196	9,597,993
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		-	-
CLOSING CASH BALANCE		-	-

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, 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 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.

From 2017–18, the Commonwealth Government has announced it will introduce revised public hospital funding arrangements, to recognise state and territory responsibility for managing an efficient public hospital sector. Information available at the time of issue of this special purpose financial statement indicates that there will be no effect on respective State Pool Accounts for 2015–16.

(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 the 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 Acting Administrator of the National Health Funding Pool on 15 September 2015.

**New South Wales State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015**

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2013–14 and 2014–15 are for full year operations.

(D) NATIONAL HEALTH FUNDING POOL

The National Health Funding Pool (Funding Pool) consists of eight state and territory bank accounts (State Pool Accounts), held with the RBA.

(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 states and territories and the Commonwealth into the Funding Pool.

In 2013–14 and 2014–15 the Commonwealth ABF supported the following:

- i. acute admitted services;
- ii. admitted mental health services;
- iii. sub-acute and non-acute services;
- iv. emergency department services; and
- v. non-admitted 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.

In 2013–14, Commonwealth ABF contributions into the Funding Pool were 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 New South Wales.

New South Wales State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

In 2014–15, Commonwealth ABF contributions for each service category were calculated by summing the New South Wales 2013–14 amount and efficient growth. Efficient growth is determined by measuring the change in price and volume. The price change is 45% of the change in the NEP relative to 2013–14. The volume change is 45% of the net change in the volume of weighted services relative to 2013–14.

In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements. Final funding entitlements for the year are calculated after actual data on hospital services 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 2014–15 there were two rounds of reconciliation adjustments relating to actual activity in 2013–14:

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

The six-month adjustment was based on the reconciliation between the actual volume of services provided by each LHN in the period 1 July 2013 to 31 December 2013 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 2013–14 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.

New South Wales State Pool Account Notes to and forming part of the special purpose financial statement for the year ended 30 June 2015

In 2013–14 and 2014–15 the Commonwealth block funding supported the following:

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

In 2013–14, Commonwealth block funding contributions into the Funding Pool were 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.

In 2014–15, Commonwealth Block contributions for each service category were calculated by summing the New South Wales 2013–14 amount and 45% of the change in the NEC between 2013–14 and 2014–15.

(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 'provider state' is compensated for the cost of that treatment.

The Commonwealth share of the cost of treating the patient is paid through the Funding Pool as part of the normal Activity Based Funding — the Commonwealth contribution to each state or territory covers all eligible patients treated, regardless of where they reside. The 'resident state' pays its share either through the Funding Pool (see Note 3 and Note 5) or directly to the provider state.

New South Wales State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

(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 and territory 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 New South Wales State Pool Account in respect of activity based funding were:

	2015 \$ '000	2014 \$ '000
Commonwealth activity based funding	4,015,457	3,555,059
New South Wales activity based funding	5,112,174	5,160,022
TOTAL	9,127,631	8,715,081

New South Wales State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

3 CROSS-BORDER RECEIPTS

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

States and Territories	2015 \$ '000	2014 \$ '000
Cross-border receipts		
Victoria	6,000	-
Queensland	32,000	-
Western Australia	-	-
South Australia	2,500	-
Tasmania	-	-
Australian Capital Territory	16,063	14,303
Northern Territory	-	-
TOTAL	56,563	14,303

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

New South Wales State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

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:

Local Hospital Networks	2015 \$ '000	2014 \$ '000
Central Coast Local Health District	448,269	432,451
Far West Local Health District	57,522	51,465
Hunter New England Local Health District	1,035,011	920,314
Illawarra Shoalhaven Local Health District	470,927	480,978
Mid North Coast Local Health District	328,354	281,098
Murrumbidgee Local Health District	194,863	193,571
Nepean Blue Mountains Local Health District	452,818	452,413
Northern NSW Local Health District	393,914	383,507
Northern Sydney Local Health District	734,310	751,323
South Eastern Sydney Local Health District	948,945	939,375
South Western Sydney Local Health District	991,536	1,019,125
Southern NSW Local Health District	204,943	179,194
St Vincents Health Network Local Health District	251,491	235,783
Sydney Local Health District	865,471	862,792
Sydney Children's Hospital Local Health District	385,959	387,284
Western NSW Local Health District	383,553	324,889
Western Sydney Local Health District	974,214	819,519
TOTAL	9,122,100	8,715,081

The Administrator makes payments from the New South Wales Pool Account in accordance with the directions of the New South Wales Minister for Health.

New South Wales State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

5 CROSS-BORDER PAYMENTS

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

States and Territories	2015 \$ '000	2014 \$ '000
Cross-border payments		
Victoria	76,000	-
Queensland	58,000	-
Western Australia	-	-
South Australia	10,000	-
Tasmania	-	-
Australian Capital Territory	87,471	78,725
Northern Territory	-	-
TOTAL	231,471	78,725

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.

New South Wales State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

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:

	2015 \$ '000	2014 \$ '000
Total activity based funding receipts from New South Wales	5,112,174	5,160,022
Total activity based funding receipts from the Commonwealth	4,015,457	3,555,059
Cross-border receipts	56,563	14,303
Less: Activity based funding payments to Local Hospital Networks	(9,122,100)	(8,715,081)
RECEIPTS IN EXCESS OF PAYMENTS	62,094	14,303

For 2015 the receipts in excess of payments balance represented withdrawals by the New South Wales Ministry of Health consisting of \$5,530,636 in overdeposits and \$56,562,607 in cross-border receipts, resulting in the net zero (\$0) cash balance in the State Pool Account at year end.

For 2014 the receipts in excess of payments balance represented withdrawals by the New South Wales Ministry of Health of \$14,302,952 in cross-border receipts, resulting in the net zero (\$0) cash balance in the State Pool Account at year end.

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

End of Audited Special Purpose Financial Statement.



FUNDING AND PAYMENTS

Section 241(2) of the National Health Reform Act 2011 (the Act) outlines certain disclosures to be reported 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 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)	
	2014-15	2013-14
State Pool Account — Activity based funding*	5,343,645	5,238,747
State Managed Fund — Block funding	933,330	1,210,670
NSW TOTAL	6,276,974	6,449,417

**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 and 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 2014-15 (at June 2015) was advised by the New South Wales Ministry of Health to be as follows:

The process for determining 2014-15 NHR payments to local hospital networks encompassed three distinct elements of preparation for the individual local hospital networks Service Agreements, including development of annual activity estimates, discussion/negotiation of activity levels with individual local hospital networks, 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 NWAU14, which is different from the previous year (NWAU13).

The IHPA has issued the second National Efficient Cost (NEC14) funding model that applies to small regional and remote hospitals. New South Wales has adopted the mechanics of this funding model expressed in the NEC14 matrix to determine the aggregate funding allocation to local hospital networks for these small hospitals.

Ensuring access to health services for local populations is a key objective of New South Wales health policy. The Health Services Act 1997 stipulates that in determining local hospital networks 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 local hospital network and service type, rather than simple extrapolation from historical activity data. The factors considered are reviewed on an annual basis.

In 2014–15 a series of elements will be applied to each in-scope service stream to ensure that activity targets are tailored to the requirements and patterns of each local health district/specialty health network. Activity targets are developed by the Ministry and local health districts /specialty health networks based on analysis of activity level drivers. This analysis was informed for 2014–15 by the following factors:

- + Weighted population change: providing an indication of expected 'natural' growth*
- + Recent trends in activity growth for each local health district /specialty health network*
- + Rate of unplanned re-admissions within 28 days*
- + Potentially preventable hospitalisations (PPH)*
- + Relative Utilisation Rate (RUR) and Health Need Index (HNI)*
- + Inter-district and cross-border flows (where relevant)*
- + Current year activity relative to targets (for adjustment of baseline volumes, where relevant)*
- + Known service changes and developments, including planned capacity increases.*

Price weight adjustments which are being applied in 2014–15 include:

- + Specialist paediatric hospitals*
- + Specialist psychiatric age adjustment*
- + Aboriginal patients*
- + Patients from outer regional, remote or very remote locations*
- + Private patients (service and accommodation adjustments)*
- + Radiotherapy*
- + Intensive Care Unit applicable to a selected list of hospitals.*

Provisional activity estimates are created at a local health district level to provide the basis for discussion and negotiation with individual health services to determine agreed local health district level activity targets, with the activity volumes measured using the NWAU 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.

Provisional estimates and historical activity measures provide the basis for discussions with individual local health districts and subsequent negotiations for approval or adjustment.

The negotiation process allows for relevant local hospital network service issues and activity impacts to be communicated with the New South Wales 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 2014–15 and recognition that New South Wales 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 local hospital network annual Service Agreement. Where a local hospital network 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 local hospital network 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 local hospital network'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 local hospital network's Service Agreements after deducting an allowance to recognise own sourced revenue earned, and retained by the local hospital networks 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 local hospital networks 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, local hospital networks also receive direct State Government funding for 2014–15 for all "out of scope" services not subject to the National Health Reform Agreement arrangements as required under their 2014–15 Service Agreements.

MONTHLY REPORTS — BASIS ON WHICH PAYMENTS WERE MADE

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

The weekly cash payment to a local hospital network 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 local hospital network's Service Agreements.

Cash payments from the New South Wales state pool account and from the state managed fund to local hospital networks 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 2014–15, July 2014, September 2014, December 2014 and March 2015 each have five Tuesdays. June 2015 also has five Tuesdays however the week 52 payment (final payment) occurred on 23 June. All other months have 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 local hospital networks from both the New South Wales 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 2014–15 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 New South Wales residents treated in their public hospitals. Payments to local hospital networks may also vary where their cash entitlement alters during the financial year.

Monthly comparison of cash payments from the New South Wales State Pool Account and State Managed Fund can vary month to month predominately due to these planned payments.

The cash payments from the New South Wales State Pool Account or State Managed Fund do not reflect the full budgeted funding available to health services in New South Wales. Other sources of funds available to local hospital networks 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 local hospital network.

For more information on budget allocations, see the 2014–15 local hospital networks Service Agreements which are available on each New South Wales local hospital network website as the Chief Executive and Board of the local hospital networks provide sign-off.

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)	
	2014–15	2013–14
Activity based funding	4,015,457	3,555,059
Block funding	737,380	684,639
Public Health funding	108,192	103,150
NSW TOTAL	4,861,029	4,342,849

For the Commonwealth basis of payments, refer to part b) of the 'Funding and Payments — National' chapter.

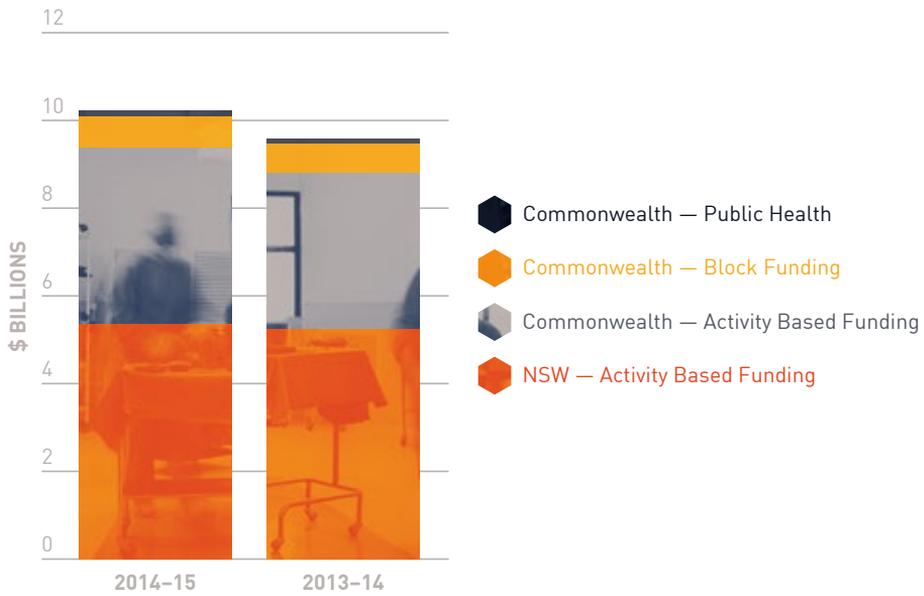
SECTION 241(2)(C) THE AMOUNTS PAID FROM EACH STATE POOL ACCOUNT TO LOCAL HOSPITAL NETWORKS, A STATE MANAGED FUND OR OTHER ORGANISATIONS OR FUNDS AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

Recipient	Amount paid from NSW State Pool Account (\$'000)	
	2014-15	2013-14
Central Coast Local Health District	448,269	432,451
Far West Local Health District	57,522	51,465
Hunter New England Local Health District	1,035,010	920,314
Illawarra Shoalhaven Local Health District	470,927	480,978
Mid North Coast Local Health District	328,354	281,098
Murrumbidgee Local Health District	194,863	193,571
Nepean Blue Mountains Local Health District	452,818	452,413
Northern NSW Local Health District	393,914	383,507
Northern Sydney Local Health District	734,310	751,323
South Eastern Sydney Local Health District	948,945	939,375
South Western Sydney Local Health District	991,536	1,019,126
Southern NSW Local Health District	204,943	179,194
St Vincent's Health Network	251,491	235,783
Sydney Children's Hospitals Network	385,959	387,284
Sydney Local Health District	865,471	862,792
Western NSW Local Health District	383,553	324,889
Western Sydney Local Health District	974,214	819,519
Total local hospital districts	9,122,100	8,715,081
State Managed Fund	737,380	684,639
Other organisations or funds*	403,716	198,273
NSW TOTAL	10,263,195	9,597,994

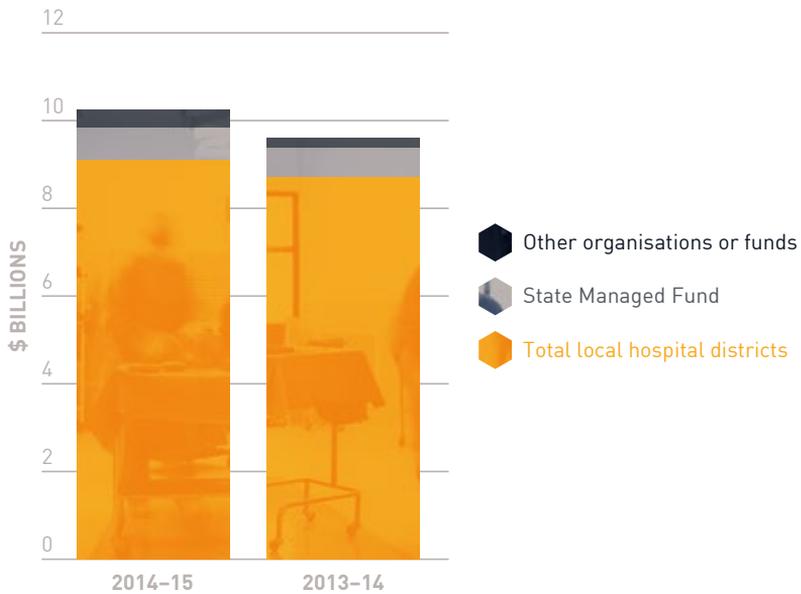
*Includes a New South Wales cross-border contribution to other states or territories.

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)	
	2014-15	2013-14
Central Coast Local Health District	51,078	48,635
Far West Local Health District	15,415	19,310
Hunter New England Local Health District	299,560	330,633
Illawarra Shoalhaven Local Health District	91,150	64,482
Justice Health and Forensic Mental Health Network	52,917	130,251
Mid North Coast Local Health District	48,302	79,528
Murrumbidgee Local Health District	157,324	138,105
Nepean Blue Mountains Local Health District	48,762	51,533
Northern NSW Local Health District	86,147	77,644
Northern Sydney Local Health District	156,964	187,575
South Eastern Sydney Local Health District	37,631	60,628
South Western Sydney Local Health District	63,664	57,585
Southern NSW Local Health District	52,971	58,631
St Vincent's Health Network	23,873	22,935
Sydney Children's Hospitals Network	27,730	34,525
Sydney Local Health District	110,169	106,153
Western NSW Local Health District	193,247	161,054
Western Sydney Local Health District	58,317	139,771
Total local hospital districts	1,575,223	1,768,979
Other organisations or funds	95,486	126,331
NSW TOTAL	1,670,709	1,895,310

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)		
	2014–15 Estimate	2013–14 Actual	2013–14 Estimate
Central Coast Local Health District	110,485	106,876	103,176
Far West Local Health District	10,319	10,046	9,334
Hunter New England Local Health District	266,893	253,841	223,398
Illawarra Shoalhaven Local Health District	122,616	105,603	114,123
Mid North Coast Local Health District	79,499	68,156	72,218
Murrumbidgee Local Health District	52,383	44,046	46,219
Nepean Blue Mountains Local Health District	110,022	108,144	102,809
Northern NSW Local Health District	97,902	92,153	88,918
Northern Sydney Local Health District	196,616	185,297	176,996
South Eastern Sydney Local Health District	254,985	241,249	243,356
South Western Sydney Local Health District	277,034	267,345	246,888
Southern NSW Local Health District	47,314	38,999	39,915
St Vincent's Health Network	72,247	66,876	68,707
Sydney Children's Hospitals Network	99,405	92,478	93,199
Sydney Local Health District	214,770	212,021	204,740
Western NSW Local Health District	85,941	73,114	78,252
Western Sydney Local Health District	244,080	238,336	231,057
NSW TOTAL	2,342,511	2,204,579	2,143,305

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 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 2013–14 form part of the 2014–15 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 2013–14 and 2014–15 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
VICTORIA STATE POOL ACCOUNT
SPECIAL PURPOSE FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2015**

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

Level 24, 35 Collins Street
Melbourne VIC 3000
Telephone 61 3 8601 7000
Facsimile 61 3 8601 7010
Email comments@audit.vic.gov.au
Website www.audit.vic.gov.au

INDEPENDENT AUDITOR'S REPORT

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

The Financial Statement

The accompanying financial statement for the year ended 30 June 2015 of the Victoria State Pool Account of the National Health Funding Pool which comprises the 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 Administrators' Responsibility for the Financial Statement

The Administrator of the National Health Funding Pool is responsible for the preparation and fair presentation of the financial statement in accordance with the financial reporting provisions of the *National Health Reform Act 2011*, and for such internal control as the Administrator determines is necessary to enable the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

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 and fair presentation 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 statements presents fairly, in all material respects, the cash receipts and payments of the Victoria State Pool Account for the financial year ended 30 June 2015 in accordance with the financial reporting provisions of the *National Health Reform Act 2011*.

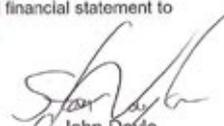
Basis of Accounting for Financial Statement

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 Victoria State Pool Account for the period ended 30 June 2015 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 and Human Service's website. The Administrator of the National Health Funding Pool and the Secretary of the Victorian Department of Health and Human Service 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
31 July 2015



John Doyle
Auditor-General



Administrator
National Health
Funding Pool

Victoria 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 2015 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

22 July 2015

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Victoria State Pool Account
Statement of receipts and payments
for the year ended 30 June 2015

	Notes	2015 \$ '000	2014 \$ '000
OPENING CASH BALANCE		-	-
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth			
Activity based funding	2, 6	3,320,915	2,952,361
Block funding		458,210	450,781
Public health funding		84,119	80,034
From Victoria			
Activity based funding	2, 6	4,004,405	3,870,426
Cross-border contribution		6,000	-
From other States or Territories			
Cross-border receipts	3	76,000	-
From Reserve Bank of Australia			
Interest receipts		1,133	1,300
TOTAL RECEIPTS		7,950,782	7,354,902
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity based funding	4, 6	7,298,363	6,822,143
To Victoria State Managed Fund			
Block funding		458,210	450,781
Cross-border transfer		-	-
To Victoria Health			
Public health funding		84,119	80,034
Interest payments		1,133	1,300
Cross-border transfer		76,000	-
Withdrawal of over-deposit	6	26,957	644
To other States or Territories			
Cross-border payments	5	6,000	-
TOTAL PAYMENTS		7,950,782	7,354,902
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		-	-
CLOSING CASH BALANCE		-	-

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, 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 Victoria State Pool Account, which was established at the Reserve Bank of Australia (RBA) in 2012–13, and is a special purpose financial statement.

From 2017–18, the Commonwealth Government has announced it will introduce revised public hospital funding arrangements, to recognise state and territory responsibility for managing an efficient public hospital sector. Information available at the time of issue of this special purpose financial statement indicates that there will be no effect on the respective State Pool Accounts for 2015–16.

(B) BASIS OF PREPARATION

The Victoria 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 the 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 of the National Health Funding Pool on 22 July 2015.

Victoria State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2013–14 and 2014–15 are for full year operations.

(D) NATIONAL HEALTH FUNDING POOL

The National Health Funding Pool (Funding Pool) consists of eight state and territory bank accounts (State Pool Accounts), held with the RBA.

(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 states and territories and the Commonwealth into the Funding Pool.

In 2013–14 and 2014–15 the Commonwealth ABF supported the following:

- i. acute admitted services;
- ii. admitted mental health services;
- iii. sub-acute and non-acute services;
- iv. emergency department services; and
- v. non-admitted services.

State or territory ABF contributions into the Funding Pool are calculated by the state or territory as the system manager of the respective 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.

In 2013–14, Commonwealth ABF contributions into the Funding Pool were 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 Victoria.

Victoria State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

In 2014–15, Commonwealth ABF contributions for each service category were calculated by summing the Victoria 2013–14 amount and efficient growth. Efficient growth is determined by measuring the change in price and volume. The price change is 45% of the change in the NEP relative to 2013–14. The volume change is 45% of the net change in the volume of weighted services relative to 2013–14.

In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements. Final funding entitlements for the year are calculated after actual data on hospital services 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 2014–15 there were two rounds of reconciliation adjustments relating to actual activity in 2013–14:

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

The six-month adjustment was based on the reconciliation between the actual volume of services provided by each LHN in the period 1 July 2013 to 31 December 2013 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 2013–14 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.

Victoria State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

In 2013–14 and 2014–15 the Commonwealth block funding supported the following:

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

In 2013–14, Commonwealth Block funding contributions into the Funding Pool were calculated by the Administrator by applying the Victoria 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.

In 2014–15, Commonwealth Block contributions for each service category were calculated by summing the Victoria 2013–14 amount and 45% of the change in the NEC between 2013–14 and 2014–15.

(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 'provider state' is compensated for the cost of that treatment.

The Commonwealth share of the cost of treating the patient is paid through the Funding Pool as part of the normal Activity Based Funding — the Commonwealth contribution to each state or territory covers all eligible patients treated, regardless of where they reside. The 'resident state' pays its share either through the Funding Pool (see Note 3 and Note 5) or directly to the provider state.

Victoria State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

(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 and territory 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 Victoria State Pool Account in respect of activity based funding were as follows:

	2015 \$ '000	2014 \$ '000
Commonwealth activity based funding	3,320,915	2,952,361
Victoria activity based funding	4,004,405	3,870,426
TOTAL	7,325,320	6,822,787

Victoria State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

3 CROSS-BORDER RECEIPTS

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

States and Territories	2015 \$ '000	2014 \$ '000
Cross-border receipts		
New South Wales	76,000	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Australian Capital Territory	-	-
Northern Territory	-	-
TOTAL	76,000	-

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

4 ACTIVITY BASED FUNDING PAYMENTS

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

Local Hospital Networks	2015 \$ '000	2014 \$ '000
Albury Wodonga Health	82,189	78,215
Alfred Health	580,791	528,087
Austin Health	482,201	462,564
Bairnsdale Regional Health Service	43,886	40,754
Ballarat Health Services	183,073	171,621
Barwon Health	339,811	316,928
Bass Coast Regional Health	26,292	23,547
Benalla Health	15,676	14,879

Continued

Victoria State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

VICTORIA

Local Hospital Networks	2015 \$ '000	2014 \$ '000
Bendigo Health Care Group	175,362	162,977
Calvary Health Care Bethlehem	24,021	23,137
Castlemaine Health	17,097	16,436
Central Gippsland Health Service	47,816	44,859
Colac Area Health	20,089	19,214
Contracted Services LHN Victoria	41,493	43,509
Djerriwarrh Health Services	35,228	33,912
East Grampians Health Service	14,287	13,754
Eastern Health	559,463	526,579
Echuca Regional Health	34,120	29,553
Gippsland Southern Health Service	15,937	15,186
Goulburn Valley Health	117,436	110,572
Kyabram and District Health Service	11,479	11,020
Latrobe Regional Hospital	128,661	121,798
Maryborough District Health Service	14,258	13,642
Melbourne Health	499,742	478,495
Mercy Public Hospitals Incorporated	243,631	222,789
Monash Health	962,905	883,119
Northeast Health Wangaratta	72,558	69,122
Northern Health	302,537	279,826
Peninsula Health	327,961	306,518
Peter MacCallum Cancer Centre	82,260	75,689
Portland District Health	19,983	18,833
Ramsay Healthcare Australia (Mildura Base Hospital)*	81,426	78,231
South West Healthcare	90,272	83,230
St Vincent's Hospital (Melbourne)	367,068	353,055
Stawell Regional Health	11,890	11,078
Swan Hill District Hospital	27,733	25,667
The Royal Children's Hospital	339,923	313,871

Continued

Victoria State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

Local Hospital Networks	2015 \$ '000	2014 \$ '000
The Royal Victorian Eye and Ear Hospital	69,002	65,953
The Royal Women's Hospital	174,592	165,315
West Gippsland Healthcare Group	52,154	48,972
Western District Health Service	31,568	28,765
Western Health	487,739	451,394
Wimmera Health Care Group	42,753	39,478
TOTAL	7,298,363	6,822,143

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

5 CROSS-BORDER PAYMENTS

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

States and Territories	2015 \$ '000	2014 \$ '000
Cross-border payments		
New South Wales	6,000	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Australian Capital Territory	-	-
Northern Territory	-	-
TOTAL	6,000	-

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

Victoria State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

6 ACTIVITY BASED FUNDING RECEIPTS AND PAYMENTS

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

	2015 \$ '000	2014 \$ '000
Total activity based funding receipts from the Commonwealth	3,320,915	2,952,361
Total activity based funding receipts from Victoria	4,004,405	3,870,426
Cross-border receipts	76,000	-
Less: Activity based funding payments to local hospital networks	(7,298,363)	(6,822,143)
RECEIPTS IN EXCESS OF PAYMENTS	102,957	644

For 2015 the receipts in excess of payments balance represented withdrawals by the Victorian Department of Health and Human Services of \$26,957,297 in over deposits and \$76,000,000 relating to cross-border receipts received from New South Wales, resulting in the net zero (\$0) cash balance in the State Pool Account at year end.

For 2014 the receipts in excess of payments balance represented withdrawals by the Victorian Department of Health and Human Services of \$643,960 in over deposits which resulted in the net zero (\$0) cash balance in the State Pool Account at year end.

End of Audited Special Purpose Financial Statement.



FUNDING AND PAYMENTS

Section 241(2) of the *National Health Reform Act 2011* (the Act) outlines certain disclosures to be reported 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 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 Victoria (\$'000)	
	2014-15	2013-14
State Pool Account — Activity based funding*	4,010,420	3,870,426
State Managed Fund — Block funding	574,730	610,744
VIC TOTAL	4,585,151	4,481,171

**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 and 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 2014-15 (at June 2015) 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 (local hospital networks 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 health.vic.gov.au/hospitals/sops.htm.

Funding details are aggregated into activity-based 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.

Victoria makes 13 payments per annum to funded agencies. Adjustments to the payments are made for cash flow needs and costs administered by the Victorian Department of Health on behalf of local hospital networks.

Victorian local hospital networks receive activity-based funding, block funding and other payments. 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 shows a negative amount for the block payment in July 2014.

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)	
	2014-15	2012-13
Activity based funding	3,320,915	2,952,361
Block funding	458,210	450,781
Public Health funding	84,119	80,034
VIC TOTAL	3,863,243	3,483,176

For the Commonwealth basis of payments, refer to part b) of the '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)	
	2014-15	2013-14
Albury Wodonga Health	82,189	78,215
Alfred Health	580,790	528,087
Austin Health	482,201	462,564
Bairnsdale Regional Health Service	43,886	40,754
Ballarat Health Services	183,073	171,621
Barwon Health	339,811	316,928
Bass Coast Regional Health	26,292	23,547
Benalla Health	15,676	14,879
Bendigo Health Care Group	175,362	162,977
Calvary Health Care Bethlehem Limited	24,021	23,137
Castlemaine Health	17,097	16,436
Central Gippsland Health Service	47,816	44,859
Colac Area Health	20,089	19,214
Contracted services LHN — Victoria	41,493	43,509
Djerriwarrh Health Services	35,228	33,912
East Grampians Health Service	14,287	13,754
Eastern Health	559,463	526,579
Echuca Regional Health	34,120	29,553
Gippsland Southern Health Service	15,937	15,186
Goulburn Valley Health	117,436	110,572
Kyabram District Health Services	11,479	11,020
Latrobe Regional Hospital	128,661	121,798
Maryborough District Health Service	14,258	13,642
Melbourne Health	499,742	478,494
Mercy Public Hospitals Inc.	243,631	222,789
Monash Health (previously Southern Health)	962,904	883,119
Northeast Health Wangaratta	72,558	69,122

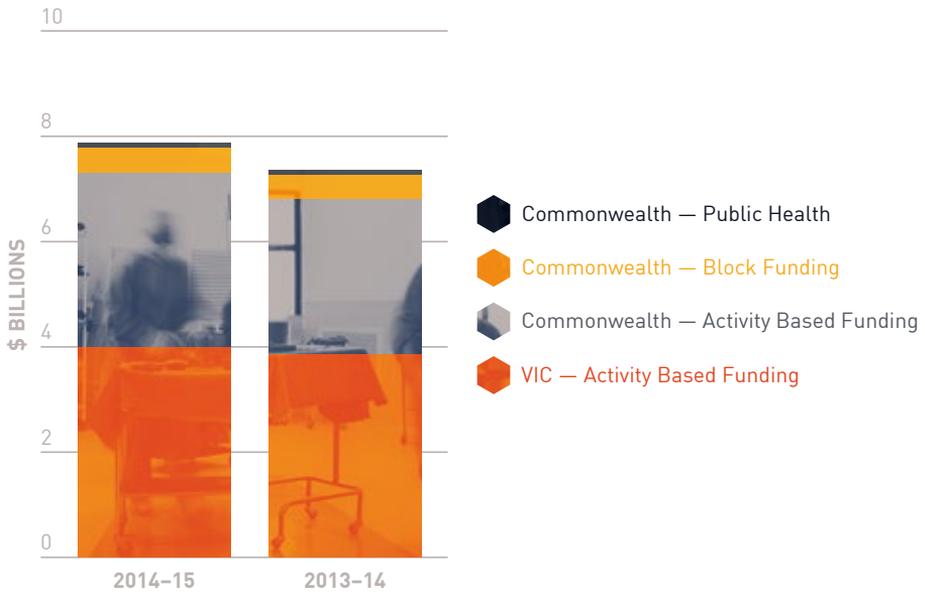
Continued

Recipient	Amount paid from VIC State Pool Account (\$'000)	
	2014-15	2013-14
Northern Health	302,537	279,826
Peninsula Health	327,961	306,518
Peter Maccallum Cancer Institute	82,260	75,689
Portland District Health	19,983	18,833
Ramsay Healthcare Australia (Mildura Base Hospital) (previously MTAA Superannuation Fund)	81,426	78,231
Royal Victorian Eye and Ear Hospital	69,002	65,953
South West Healthcare	90,272	83,230
St Vincent's Hospital (Melbourne) Limited	367,068	353,055
Stawell Regional Health	11,890	11,078
Swan Hill District Hospital	27,733	25,667
The Royal Children's Hospital	339,923	313,871
The Royal Women's Hospital	174,592	165,315
West Gippsland Healthcare Group	52,154	48,972
Western District Health Service	31,568	28,765
Western Health	487,739	451,394
Wimmera Health Care Group	42,753	39,478
Total local hospital networks	7,298,363	6,822,144
State Managed Fund	458,210	450,781
Other organisations or funds*	194,224	81,978
VIC TOTAL	7,950,797	7,354,902

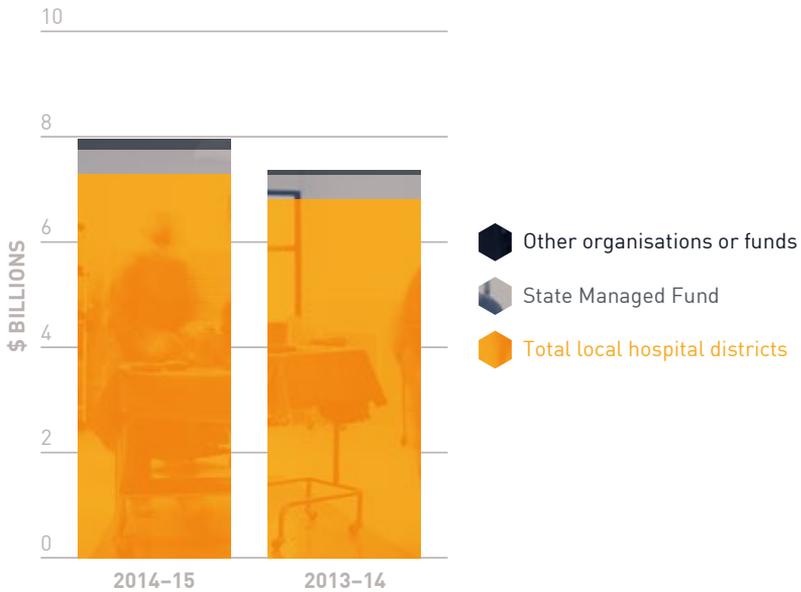
*Includes a Victorian cross-border contribution to other states or territories in 2013-14.

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)	
	2014-15	2013-14
Albury Wodonga Health	19,278	17,156
Alexandra District Hospital	4,974	4,986
Alfred Health	47,816	51,675
Alpine Health	10,060	9,996
Austin Health	42,410	43,859
Bairnsdale Regional Health Service	1,651	1,267
Ballarat Health Services	27,174	26,367
Barwon Health	38,082	38,689
Bass Coast Regional Health	1,171	992
Beaufort and Skipton Health Service	3,786	3,747
Beechworth Health Service	3,422	3,350
Benalla Health	286	315
Bendigo Health Care Group	36,979	37,470
Boort District Health	2,017	1,991
Calvary Health Care Bethlehem Limited	840	1,044
Casterton Memorial Hospital	3,202	3,152
Castlemaine Health	261	335
Central Gippsland Health Service	1,496	1,421
Cobram District Health	5,649	5,099
Cohuna District Hospital	4,412	4,419
Colac Area Health	335	601
Dental Health Services Victoria	-	15
Djerriwarrh Health Services	642	616
Dunmunkle Health Services	1,016	959
East Grampians Health Service	593	380
East Wimmera Health Service	9,967	8,946
Eastern Health	75,170	75,929
Echuca Regional Health	1,738	1,787

Continued

Recipient	Amount paid from VIC State Managed Fund (\$'000)	
	2014-15	2013-14
Edenhope and District Memorial Hospital	3,109	3,162
Gippsland Southern Health Service	243	359
Goulburn Valley Health	20,136	20,084
Heathcote Health	1,877	1,787
Hepburn Health Service	7,418	7,270
Hesse Rural Health Service	1,693	1,665
Heywood Rural Health	2,125	2,104
Inglewood and Districts Health Service	1,666	1,622
Kerang and District Health	5,526	5,536
Kilmore and District Hospital	10,391	9,439
Kooweerup Regional Health Services	4,621	4,560
Kyabram District Health Services	237	154
Kyneton District Health Service	7,824	7,750
Latrobe Regional Hospital	31,721	32,405
Lorne Community Hospital	2,114	2,080
Maldon Hospital	966	965
Mallee Track Health and Community Service	3,498	3,446
Mansfield District Hospital	5,731	5,667
Maryborough District Health Service	463	586
Melbourne Health	112,748	116,159
Mercy Public Hospitals Inc.	23,043	24,961
Monash Health (previously Southern Health)	100,345	104,102
Moyne Health Services	3,286	3,194
Nathalia District Hospital	1,685	1,669
Northeast Health Wangaratta	2,915	2,641
Northern Health	10,347	11,006
Numurkah District Health Service	7,220	7,009
Omeo District Health	1,525	1,532
Orbost Regional Health	5,363	5,463
Otway Health and Community Services	2,370	2,336
Peninsula Health	33,106	34,370

Continued

Recipient	Amount paid from VIC State Managed Fund (\$'000)	
	2014-15	2013-14
Peter Maccallum Cancer Institute	4,062	8,610
Portland District Health	376	800
Ramsay Healthcare Australia (Mildura Base Hospital) (previously MTAA Superannuation Fund)	10,650	10,039
Robinvale District Health Services	4,909	4,882
Rochester and Elmore District Health Service	4,390	4,386
Royal Victorian Eye and Ear Hospital	1,646	2,597
Rural Northwest Health	7,454	7,379
Seymour District Memorial Hospital	10,730	10,347
South Gippsland Hospital	4,810	4,871
South West Healthcare	14,567	14,486
St Vincent's Hospital (Melbourne) Limited	47,558	55,595
Stawell Regional Health	390	431
Swan Hill District Hospital	768	970
Tallangatta Health Service	3,006	2,961
Terang and Mortlake Health Service	4,777	4,698
The Royal Children's Hospital	23,484	26,569
The Royal Women's Hospital*	(2,134)	(976)
Timboon and District Healthcare Service	3,423	3,372
Upper Murray Health and Community Services	3,353	3,311
Victorian Institute Of Forensic Mental Health	42,677	42,619
West Gippsland Healthcare Group	2,089	2,158
West Wimmera Health Service	11,299	11,254
Western District Health Service	3,894	4,019
Western Health	18,079	19,159
Wimmera Health Care Group	1,585	1,143

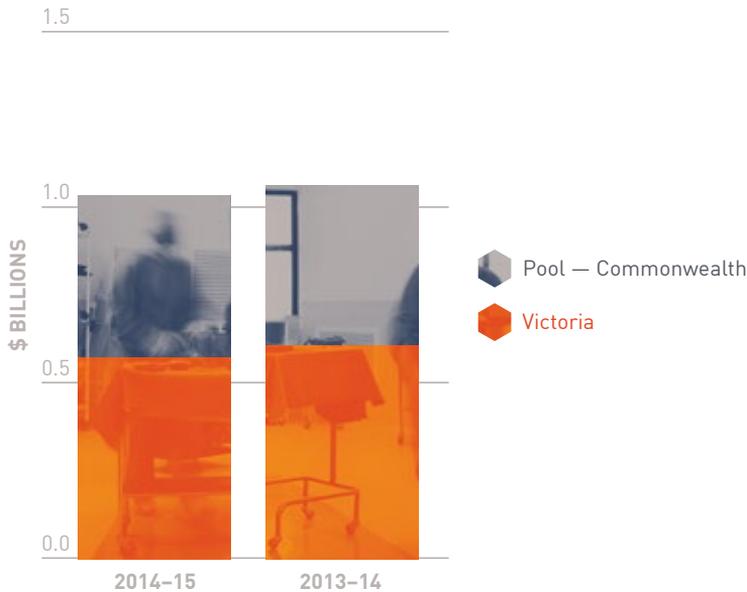
Continued

Recipient	Amount paid from VIC State Managed Fund (\$'000)	
	2014-15	2013-14
Yarram and District Health Service	4,521	4,464
Yarrawonga District Health Service	7,080	6,975
Yea and District Memorial Hospital	2,048	2,062
Total local hospital networks*	1,001,232	1,030,827
Other organisations or funds	23,499	26,614
VIC TOTAL	1,024,731	1,057,441

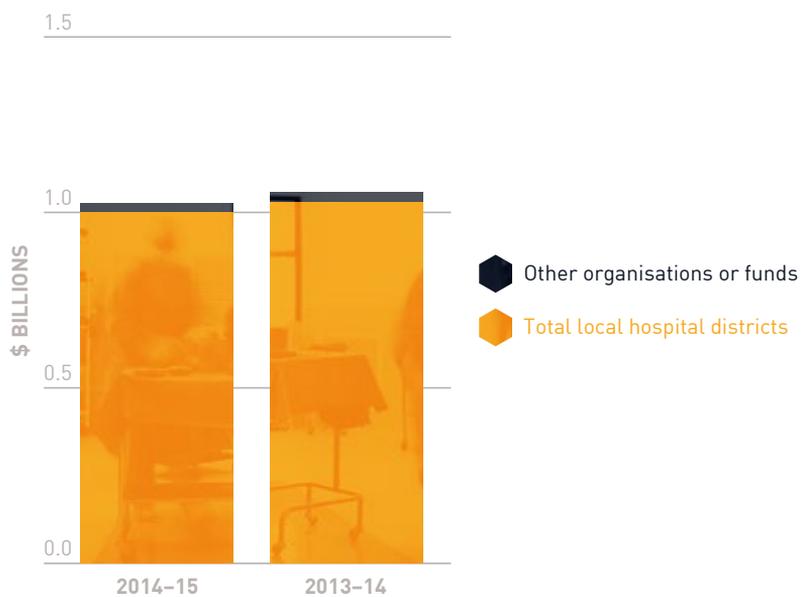
*Victorian local hospital networks receive activity-based funding, block funding and other payments for different services and purposes. Adjustments are made for cash flow needs and costs administered by the Victorian Department of Health on behalf of local hospital networks. Due to the timing and processing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

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 Network	Number of ABF public hospital services funded (NWAU)		
	2014-15 Estimate	2013-14 Actual	2013-14 Estimate
Albury Wodonga Health	17,377	16,649	17,550
Alfred Health	133,364	126,459	125,346
Austin Health	116,645	112,875	108,253
Bairnsdale Regional Health Service	11,812	11,263	11,231
Ballarat Health Services	48,984	45,990	43,416
Barwon Health	92,786	87,972	84,042
Bass Coast Regional Health	6,705	6,382	6,214
Benalla Health	3,404	3,367	3,029
Bendigo Health Care Group	50,528	47,390	45,129
Calvary Health Care Bethlehem Limited	3,428	-	-
Castlemaine Health	4,082	3,681	3,626
Central Gippsland Health Service	11,177	10,632	10,919
Colac Area Health	4,404	4,232	3,938
Contracted Services LHN — Victoria	17,453	17,008	9,055
Dental Health Services Victoria	-	-	-
Djerriwarrh Health Services	7,441	7,085	7,066
East Grampians Health Service	3,316	3,243	3,081
Eastern Health	147,035	136,471	135,291
Echuca Regional Health	7,292	6,878	6,501
Gippsland Southern Health Service	3,053	2,979	3,266
Goulburn Valley Health	29,994	28,467	27,871
Kyabram District Health Services	2,509	2,319	2,589
Latrobe Regional Hospital	32,592	30,897	31,713
Maryborough District Health Service	3,023	2,847	2,993
Melbourne Health	117,173	112,893	112,984
Mercy Public Hospitals Inc.	57,268	53,443	53,345
Monash Health (previously Southern Health)	251,254	242,759	228,985

Continued

Local Hospital Network	Number of ABF public hospital services funded (NWAU)		
	2014–15 Estimate	2013–14 Actual	2013–14 Estimate
Northeast Health Wangaratta	18,846	17,674	17,607
Northern Health	86,917	81,046	78,805
Peninsula Health	85,411	79,717	80,533
Peter Maccallum Cancer Institute	20,460	19,854	20,386
Portland District Health	4,133	3,778	4,065
Ramsay Healthcare Australia (Mildura Base Hospital) (previously MTAA Superannuation Fund)	19,526	18,855	18,341
Royal Victorian Eye and Ear Hospital	19,508	18,660	18,494
South West Healthcare	22,072	20,920	20,114
St Vincent's Hospital (Melbourne) Limited	84,507	82,581	77,755
Stawell Regional Health	2,769	2,685	2,638
Swan Hill District Hospital	6,818	6,547	6,430
The Royal Children's Hospital	77,991	82,078	64,225
The Royal Women's Hospital	43,421	39,521	42,388
West Gippsland Healthcare Group	14,214	13,368	12,548
Western District Health Service	6,255	5,760	7,285
Western Health	133,404	127,095	121,311
Wimmera Health Care Group	10,022	9,662	9,438
VIC TOTAL	1,840,373	1,753,983	1,689,796

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 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 2013–14 form part of the 2014–15 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 2013–14 and 2014–15 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 2015**

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 2014-15 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 2015 and notes comprising the basis of preparation and other explanatory information and the certificate provided by the Acting 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

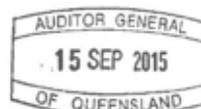
(b) in my opinion the attached special purpose financial report for the year ended 30 June 2015 is based on properly maintained financial records and gives a true and fair view of the matters required by the *Queensland Hospital and Health Boards Act 2011*, the *Commonwealth National Health Reform Act 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 FCPA
Auditor-General of Queensland



Queensland Audit Office
Brisbane



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 2015 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.



Kim Snowball
Acting Administrator
National Health Funding Pool

11 September 2015

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Queensland State Pool Account
Statement of receipts and payments
for the year ended 30 June 2015

	Notes	2015 \$ '000	2014 \$ '000
OPENING CASH BALANCE		-	-
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth			
Activity based funding	2, 6	2,598,049	2,384,822
Block funding		393,582	365,254
Public health funding		67,889	64,892
From Queensland			
Activity based funding	2, 6	5,151,116	4,768,902
Cross-border contribution		32,000	-
From other States or Territories			
Cross-border receipts	3	58,000	-
From Reserve Bank of Australia			
Interest receipts		522	710
TOTAL RECEIPTS		8,301,158	7,584,580
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity based funding	4, 6	7,749,165	7,153,724
To Queensland State Managed Fund			
Block funding		393,582	365,254
Cross-border transfer		-	-
To Queensland Health			
Public health funding		67,889	64,892
Interest payments		522	710
Cross-border transfer		58,000	-
To other States or Territories			
Cross-border payments	5	32,000	-
TOTAL PAYMENTS		8,301,158	7,584,580
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		-	-
CLOSING CASH BALANCE		-	-

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, 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 Queensland State Pool Account, which was established at the Reserve Bank of Australia (RBA) in 2012–13, and is a special purpose financial statement.

From 2017–18, the Commonwealth Government has announced it will introduce revised public hospital funding arrangements, to recognise state and territory responsibility for managing an efficient public hospital sector. Information available at the time of issue of this special purpose financial statement indicates that there will be no effect on respective State Pool Accounts for 2015–16.

(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 the 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 Acting Administrator of the National Health Funding Pool on 11 September 2015.

Queensland State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2013–14 and 2014–15 are for full year operations.

(D) NATIONAL HEALTH FUNDING POOL

The National Health Funding Pool (Funding Pool) consists of eight state and territory bank accounts (State Pool Accounts), held with the RBA.

(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 states and territories and the Commonwealth into the Funding Pool.

In 2013–14 and 2014–15 the Commonwealth ABF supported the following:

- i. acute admitted services;
- ii. admitted mental health services;
- iii. sub-acute and non-acute services;
- iv. emergency department services; and
- v. non-admitted 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.

In 2013–14, Commonwealth ABF contributions into the Funding Pool were 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 Queensland.

Queensland State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

In 2014–15, Commonwealth ABF contributions for each service category were calculated by summing the Queensland 2013–14 amount and efficient growth. Efficient growth is determined by measuring the change in price and volume. The price change is 45% of the change in the NEP relative to 2013–14. The volume change is 45% of the net change in the volume of weighted services relative to 2013–14.

In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements. Final funding entitlements for the year are calculated after actual data on hospital services 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 2014–15 there were two rounds of reconciliation adjustments relating to actual activity in 2013–14:

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

The six-month adjustment was based on the reconciliation between the actual volume of services provided by each LHN in the period 1 July 2013 to 31 December 2013 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 2013–14 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.

Queensland State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

In 2013–14 and 2014–15 the Commonwealth block funding supported the following:

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

In 2013–14, Commonwealth Block funding contributions into the Funding Pool were 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.

In 2014–15, Commonwealth Block contributions for each service category were calculated by summing the Queensland 2013–14 amount and 45% of the change in the NEC between 2013–14 and 2014–15.

(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 'provider state' is compensated for the cost of that treatment.

The Commonwealth share of the cost of treating the patient is paid through the Funding Pool as part of the normal Activity Based Funding — the Commonwealth contribution to each state or territory covers all eligible patients treated, regardless of where they reside. The 'resident state' pays its share either through the Funding Pool (see Note 3 and Note 5) or directly to the provider state.

Queensland State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

(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 and territory 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:

	2015 \$ '000	2014 \$ '000
Commonwealth activity based funding	2,598,049	2,384,822
Queensland activity based funding	5,151,116	4,768,902
TOTAL	7,749,165	7,153,724

Queensland State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

3 CROSS-BORDER RECEIPTS

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

States and Territories	2015 \$ '000	2014 \$ '000
Cross-border receipts		
New South Wales	58,000	-
Victoria	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Australian Capital Territory	-	-
Northern Territory	-	-
TOTAL	58,000	-

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

Queensland State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

4 ACTIVITY BASED FUNDING PAYMENTS

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

Local Hospital Networks	2015 \$ '000	2014 \$ '000
Cairns and Hinterland Hospital and Health Service	484,139	443,333
Central Queensland Hospital and Health Service	259,207	245,877
Children's Health Queensland Hospital and Health Service	301,281	206,306
Darling Downs Hospital and Health Service	298,744	265,541
Gold Coast Hospital and Health Service	833,422	719,962
Mackay Hospital and Health Service	217,288	196,229
Mater Misericordiae Health Service Brisbane	438,274	530,022
Metro North Hospital and Health Service	1,651,770	1,642,921
Metro South Hospital and Health Service	1,484,528	1,308,101
North West Hospital and Health Service	69,467	64,099
Sunshine Coast Hospital and Health Service	544,084	470,547
Townsville Hospital and Health Service	528,064	496,297
West Moreton Hospital and Health Service	272,014	242,020
Wide Bay Hospital and Health Service	366,883	322,469
TOTAL	7,749,165	7,153,724

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

Queensland State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

5 CROSS-BORDER PAYMENTS

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

States and Territories	2015 \$ '000	2014 \$ '000
Cross-border payments		
New South Wales	32,000	-
Victoria	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Australian Capital Territory	-	-
Northern Territory	-	-
TOTAL	32,000	-

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

Queensland State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

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:

	2015 \$ '000	2014 \$ '000
Total activity based funding receipts from the Queensland	5,151,116	4,768,902
Total activity based funding receipts from the Commonwealth	2,598,049	2,384,822
Cross-border receipts	58,000	-
Less: Activity based funding payments to local hospital networks	(7,749,165)	(7,153,724)
RECEIPTS IN EXCESS OF PAYMENTS	58,000	-

For 2015 the receipts in excess of payments balance represented withdrawals by the Queensland Department of Health of \$58,000,000 in cross-border receipts received from New South Wales, resulting in the net zero (\$0) cash balance in the State Pool Account at year end.

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.

End of Audited Special Purpose Financial Statement.



FUNDING AND PAYMENTS

Section 241(2) of the *National Health Reform Act 2011* (the Act) outlines certain disclosures to be reported 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 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 Queensland (\$'000)	
	2014-15	2013-14
State Pool Account — Activity based funding*	5,183,116	4,768,902
State Managed Fund — Block funding	931,095	625,752
QLD TOTAL	6,114,211	5,394,654

**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 and 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 2014-15 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) are 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 are 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, are funded through block funding arrangements which take account of hospital size and location. These are based on the National Efficient Cost Determination with some minor modifications.*
- + *Most non-hospital services (e.g. preventive health, primary and community health) are 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.*
- + *Interest received in the pool account from the Reserve Bank of Australia is returned to the Queensland Government's Consolidated Fund and is not used for NHR 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)	
	2014–15	2013–14
Activity based funding	2,598,049	2,384,822
Block funding	393,582	365,254
Public Health funding	67,889	64,892
QLD TOTAL	3,059,520	2,814,967

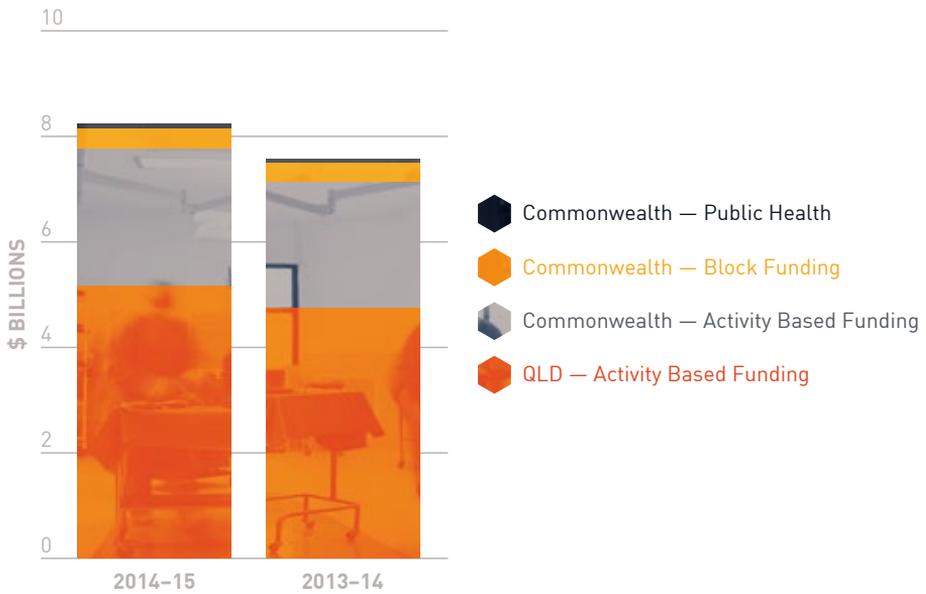
For the Commonwealth basis of payments, refer to part b) of the 'Funding and Payments — National' chapter.

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

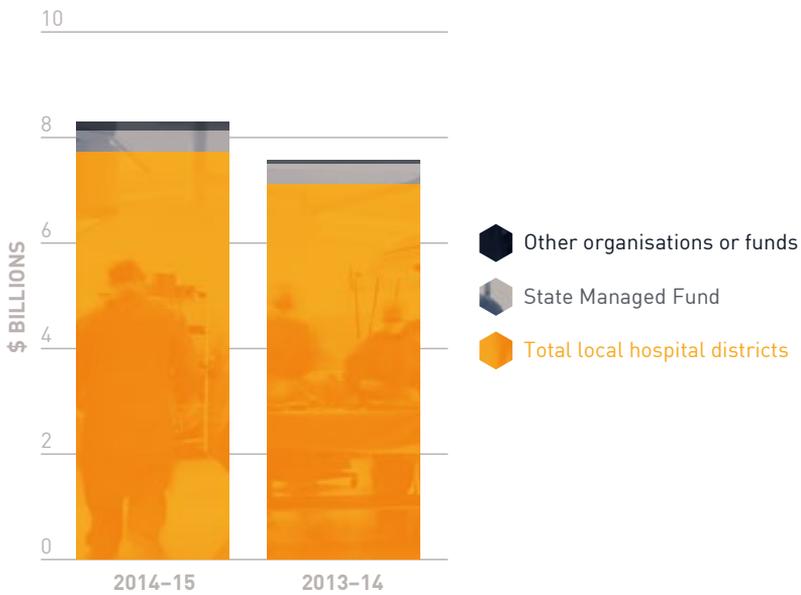
Recipient	Amount paid from QLD State Pool Account (\$'000)	
	2014-15	2013-14
Cairns and Hinterland Hospital and Health Service	484,139	443,333
Central Queensland Hospital and Health Service	259,207	245,877
Children's Health Queensland Hospital and Health Service	301,281	206,306
Darling Downs Hospital and Health Service	298,744	265,541
Gold Coast Hospital and Health Service	833,422	719,962
Mackay Hospital and Health Service	217,288	196,229
Mater Misericordiae Health Service Brisbane	438,274	530,022
Metro North Hospital and Health Service	1,651,769	1,642,921
Metro South Hospital and Health Service	1,484,528	1,308,101
North West Hospital and Health Service	69,467	64,099
Sunshine Coast Hospital and Health Service	544,084	470,547
Townsville Hospital and Health Service	528,064	496,297
West Moreton Hospital and Health Service	272,014	242,020
Wide Bay Hospital and Health Service	366,883	322,469
Total local hospital networks	7,749,164	7,153,724
State Managed Fund	393,582	365,254
Other organisations or funds	158,411	65,602
QLD TOTAL	8,301,157	7,584,580

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

PAYMENTS INTO THE POOL — QLD



PAYMENTS OUT OF THE POOL — QLD



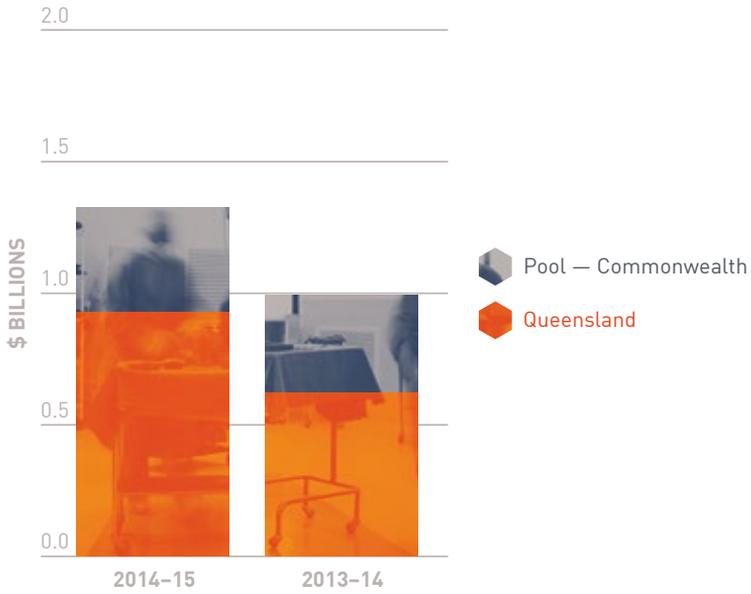
SECTION 241(2)(D) THE AMOUNTS PAID FROM EACH STATE MANAGED FUND TO LOCAL HOSPITAL NETWORKS OR OTHER ORGANISATIONS OR FUNDS AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

Recipient	Amount paid from QLD State Managed Fund (\$'000)	
	2014-15	2013-14
Cairns and Hinterland Hospital and Health Service	89,400	65,304
Cape York Hospital and Health Service*	-	20,705
Central Queensland Hospital and Health Service	86,952	70,917
Central West Hospital and Health Service	29,603	24,864
Children's Health Queensland Hospital and Health Service	15,452	21,806
Darling Downs Hospital and Health Service	179,712	160,091
Gold Coast Hospital and Health Service	59,450	33,480
Mackay Hospital and Health Service	46,678	37,979
Mater Misericordiae Health Service Brisbane	16,304	14,063
Metro North Hospital and Health Service	136,434	65,802
Metro South Hospital and Health Service	175,750	100,846
North West Hospital and Health Service	28,306	18,778
South West Hospital and Health Service	65,978	52,721
Sunshine Coast Hospital and Health Service	46,450	29,504
Torres and Cape Hospital and Health Service*	55,358	46,238
Townsville Hospital and Health Service	118,625	82,068
West Moreton Hospital and Health Service	118,539	111,207
Wide Bay Hospital and Health Service	54,053	34,634
Total local hospital networks	1,323,047	991,006
Other organisations or funds	-	-
QLD TOTAL	1,323,047	991,006

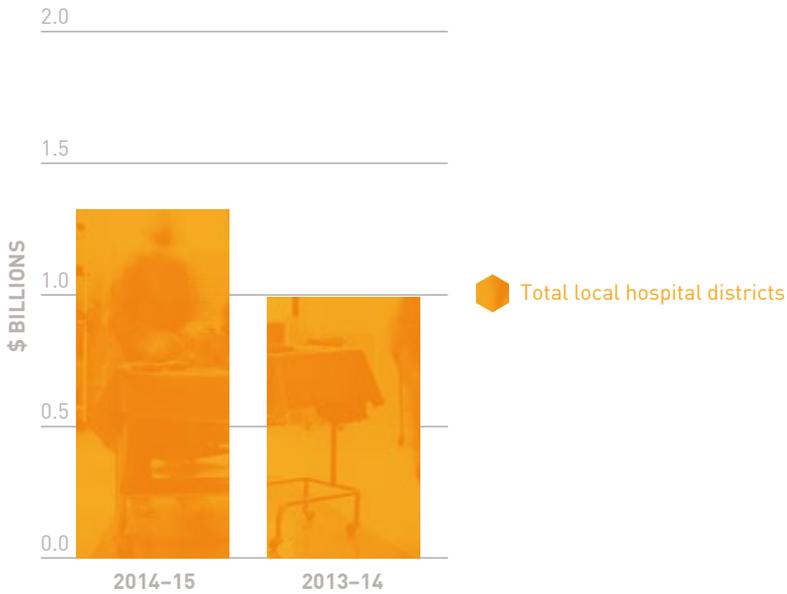
For the Queensland basis of payments, refer to part a) of this chapter.

**The Torres and Cape Hospital and Health Service LHN was formed on 1 July 2014 through the amalgamation of the former Torres Strait — Northern Peninsula Hospital and Cape York Hospital and Health Service.*

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 Network	Number of ABF public hospital services funded (NWAU)		
	2014-15 Estimate	2013-14 Actual	2013-14 Estimate
Cairns and Hinterland Hospital and Health Service	90,449	86,806	87,731
Central Queensland Hospital and Health Service	46,888	43,190	45,206
Children's Health Queensland Hospital and Health Service	45,990	29,138	28,047
Darling Downs Hospital and Health Service	58,926	49,880	52,117
Gold Coast Hospital and Health Service	150,643	137,652	139,547
Mackay Hospital and Health Service	37,463	33,692	35,256
Mater Misericordiae Health Service Brisbane	70,924	80,086	83,540
Metro North Hospital and Health Service	294,732	281,550	281,084
Metro South Hospital and Health Service	260,153	244,518	243,223
North West Hospital and Health Service	11,104	10,294	12,545
Sunshine Coast Hospital and Health Service	101,591	92,928	90,328
Townsville Hospital and Health Service	94,320	89,212	88,339
West Moreton Hospital and Health Service	52,093	48,828	49,088
Wide Bay Hospital and Health Service	62,459	59,700	61,899
QLD TOTAL	1,377,733	1,287,476	1,297,949

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 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 2013-14 form part of the 2014-15 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 2013-14 and 2014-15 Queensland did not report any 'other public hospital services and functions funded' from their Pool Account or State Managed Fund.





**WESTERN
AUSTRALIA**



FINANCIAL STATEMENT



**NATIONAL HEALTH FUNDING POOL
WESTERN AUSTRALIA STATE POOL ACCOUNT
SPECIAL PURPOSE FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2015**

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 2015.

The financial statement comprises a Statement of Receipts and Payments for the year ended 30 June 2015, 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

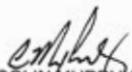
In my opinion, the financial statement gives a true and fair view of the receipts and payments of the Western Australian State Pool Account of the National Health Funding Pool for the year ended 30 June 2015 in accordance with the National Health Funding Pool Act 2012 (WA) and National Health Reform 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.



COLIN MURPHY
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
17 September 2015



Administrator
National Health
Funding Pool

Western Australia 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 2015 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.

Kim Snowball
Acting Administrator
National Health Funding Pool

15 September 2015

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2 Activity based funding receipts	146
3 Cross-border receipts	147
4 Activity based funding payments	147
5 Cross-border payments	148
6 Activity based funding receipts and payments	148

Western Australia State Pool Account
Statement of receipts and payments
for the year ended 30 June 2015

	Notes	2015 \$ '000	2014 \$ '000
OPENING CASH BALANCE		-	-
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth			
Activity based funding	2, 6	1,425,475	1,226,895
Block funding		287,729	256,209
Public health funding		37,154	35,297
From Western Australia			
Activity based funding	2, 6	1,885,664	2,170,052
Cross-border contribution		-	-
From other States or Territories			
Cross-border receipts	3	-	-
From Reserve Bank of Australia			
Interest receipts		15	1
TOTAL RECEIPTS		3,636,037	3,688,454
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity based funding	4, 6	3,311,139	3,396,947
To Western Australia State Managed Fund			
Block funding		287,729	256,209
Cross-border transfer		-	-
To Western Australia Health			
Public health funding		37,154	35,297
Interest payments		15	1
Cross-border transfer		-	-
To other States or Territories			
Cross-border payments	5	-	-
TOTAL PAYMENTS		3,636,037	3,688,454
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		-	-
CLOSING CASH BALANCE		-	-

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, 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 Western Australia State Pool Account, which was established at the Reserve Bank of Australia (RBA) in 2012–13, and is a special purpose financial statement.

From 2017–18, the Commonwealth Government has announced it will introduce revised public hospital funding arrangements, to recognise state and territory responsibility for managing an efficient public hospital sector. Information available at the time of issue of this special purpose financial statement indicates that there will be no effect on respective State Pool Accounts for 2015–16.

(B) BASIS OF PREPARATION

The Western Australia State Pool Account was established in accordance with the Western Australia *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 the 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 Acting Administrator of the National Health Funding Pool on 15 September 2015.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2013–14 and 2014–15 are for full year operations.

Western Australia State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

(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 states and territories and the Commonwealth into the Funding Pool.

In 2013–14 and 2014–15 the Commonwealth ABF supported the following:

- i. acute admitted services;
- ii. admitted mental health services;
- iii. sub-acute and non-acute services;
- iv. emergency department services; and
- v. non-admitted 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.

In 2013–14, Commonwealth ABF contributions into the Funding Pool were 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 Western Australia.

Western Australia State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

In 2014–15, Commonwealth ABF contributions for each service category were calculated by summing the Western Australia 2013–14 amount and efficient growth. Efficient growth is determined by measuring the change in price and volume. The price change is 45% of the change in the NEP relative to 2013–14. The volume change is 45% of the net change in the volume of weighted services relative to 2013–14.

In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements. Final funding entitlements for the year are calculated after actual data on hospital services 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 2014–15 there were two rounds of reconciliation adjustments relating to actual activity in 2013–14:

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

The six-month adjustment was based on the reconciliation between the actual volume of services provided by each LHN in the period 1 July 2013 to 31 December 2013 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 2013–14 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.

Western Australia State Pool Account Notes to and forming part of the special purpose financial statement for the year ended 30 June 2015

In 2013-14 and 2014-15 the Commonwealth Block funding supported the following:

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

In 2013-14, Commonwealth Block funding contributions into the Funding Pool were calculated by the Administrator by applying the Western Australia 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.

In 2014-15, Commonwealth Block contributions for each service category were calculated by summing the Western Australia 2013-14 amount and 45% of the change in the NEC between 2013-14 and 2014-15.

2 ACTIVITY BASED FUNDING RECEIPTS

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

	2015 \$ '000	2014 \$ '000
Commonwealth activity based funding	1,425,475	1,226,895
Western Australia activity based funding	1,885,664	2,170,052
TOTAL	3,311,139	3,396,947

Western Australia State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

3 CROSS-BORDER RECEIPTS

Total cross-border receipts into the Western Australia State Pool Account from other states and territories were:

States and Territories	2015 \$ '000	2014 \$ '000
Cross-border receipts		
New South Wales	-	-
Victoria	-	-
Queensland	-	-
South Australia	-	-
Tasmania	-	-
Australian Capital Territory	-	-
Northern Territory	-	-
TOTAL	-	-

Where no cross-border receipts were reported through the Western Australia 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 Australia State Pool Account in respect of each local hospital network were:

Local Hospital Networks	2015 \$ '000	2014 \$ '000
Child and Adolescent Health Service	231,131	256,594
FSH — Western Australia	167,630	-
North Metropolitan Health Service	1,175,355	1,208,574
Notional — Royal Street	67,928	-
South Metropolitan Health Service	1,249,389	1,472,728
WA Country Health Service	419,706	459,051
TOTAL	3,311,139	3,396,947

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

Western Australia State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

5 CROSS-BORDER PAYMENTS

Total cross-border payments out of the Western Australia State Pool Account to other states and territories were:

States and Territories	2015 \$ '000	2014 \$ '000
Cross-border payments		
New South Wales	-	-
Victoria	-	-
Queensland	-	-
South Australia	-	-
Tasmania	-	-
Australian Capital Territory	-	-
Northern Territory	-	-
TOTAL	-	-

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

6 ACTIVITY BASED FUNDING RECEIPTS AND PAYMENTS

Total Western Australia and Commonwealth activity based funding contributions and total local hospital network activity based funding payments were:

	2015 \$ '000	2014 \$ '000
Total activity based funding receipts from Western Australia	1,885,664	2,170,052
Total activity based funding receipts from the Commonwealth	1,425,475	1,226,895
Less: Activity based funding payments to local hospital networks	(3,311,139)	(3,396,947)
RECEIPTS IN EXCESS OF PAYMENTS	-	-

**Western Australia State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015**

The Administrator makes payments from the Western Australia 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.

End of Audited Special Purpose Financial Statement.



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 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)	
	2014-15	2013-14
State Pool Account — Activity based funding*	1,885,664	2,170,052
State Managed Fund — Block funding	428,591	598,783
WA TOTAL	2,314,255	2,768,835

**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 and 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 2014-15 (at June 2015) was advised by the Western Australian Department of Health to be as follows:

The 2014-15 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, intensive care unit 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.

The payments disclosed in the Fiona Stanley Hospital (FSH) and South Metropolitan Health Service reflect funding allocations between these local hospital networks reported to the Administrator by WA Health.

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)	
	2014-15	2013-14
Activity based funding	1,425,475	1,226,895
Block funding	287,729	256,209
Public Health funding	37,154	35,297
WA TOTAL	1,750,357	1,518,400

For the Commonwealth basis of payments, refer to part b) of the 'Funding and Payments — National' chapter.

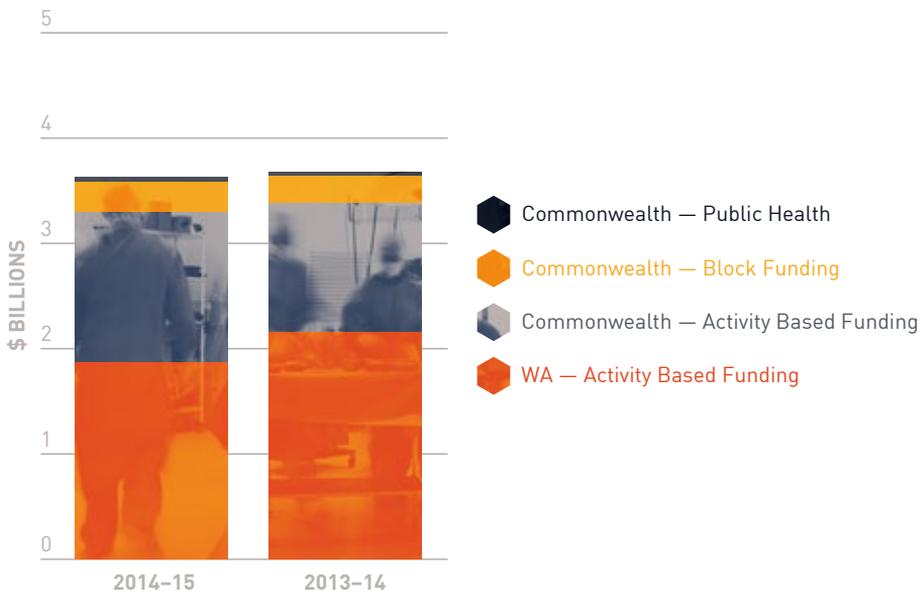
SECTION 241(2)(C) THE AMOUNTS PAID FROM EACH STATE POOL ACCOUNT TO LOCAL HOSPITAL NETWORKS, A STATE MANAGED FUND OR OTHER ORGANISATIONS OR FUNDS AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

Recipient	Amount paid from WA State Pool Account (\$'000)	
	2014-15	2013-14
Child and Adolescent Health Service	231,131	256,594
FSH — Western Australia*	185,980	–
North Metropolitan Health Service	1,175,355	1,208,574
Notional LHN — Royal Street — WA	67,928	–
South Metropolitan Health Service*	1,231,038	1,472,728
WA Country Health Service	419,706	459,051
Total local hospital networks	3,311,138	3,396,947
State Managed Fund	287,729	256,209
Other organisations or funds	37,169	35,298
WA TOTAL	3,636,036	3,688,453

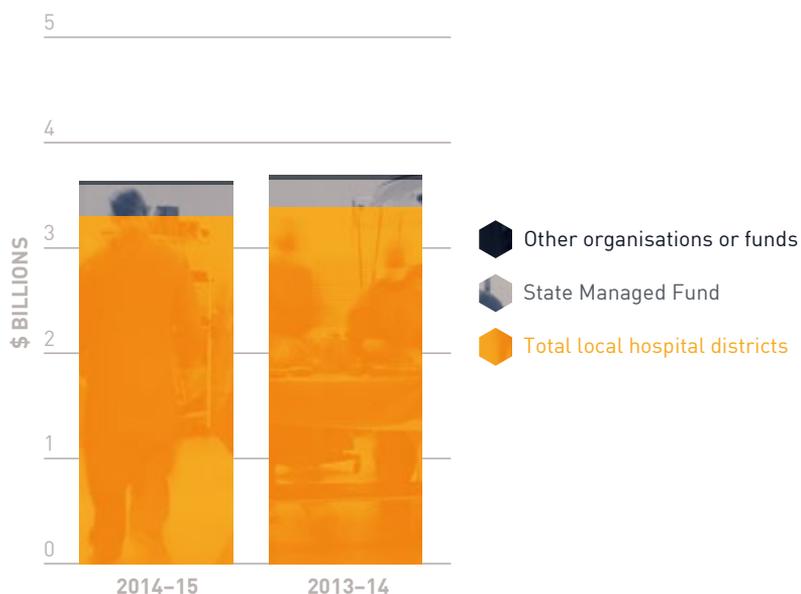
For the Western Australia basis of payments, refer to part a) of this chapter.

**Funding of \$18,349,759 that was deposited into the Pool against South Metropolitan Health Service was provided to FSH — Western Australia.*

PAYMENTS INTO THE POOL — WA



PAYMENTS OUT OF THE POOL — WA

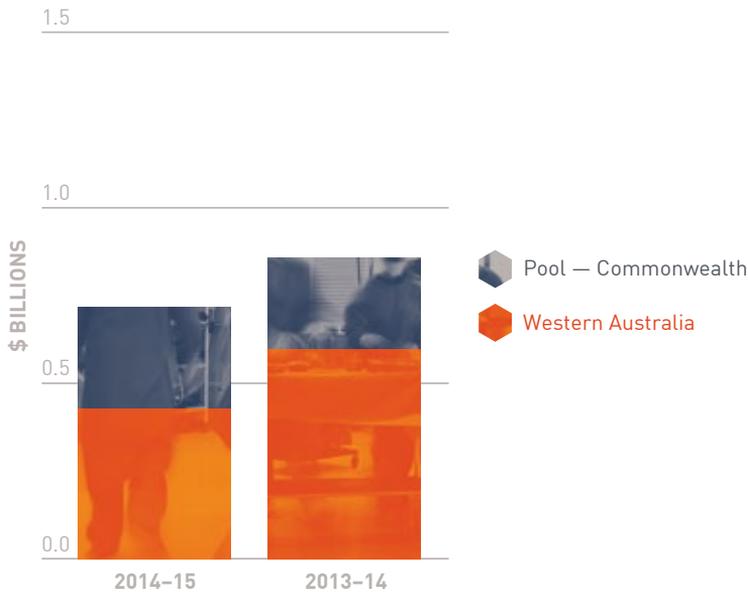


SECTION 241(2)(D) THE AMOUNTS PAID FROM EACH STATE MANAGED FUND TO LOCAL HOSPITAL NETWORKS OR OTHER ORGANISATIONS OR FUNDS AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

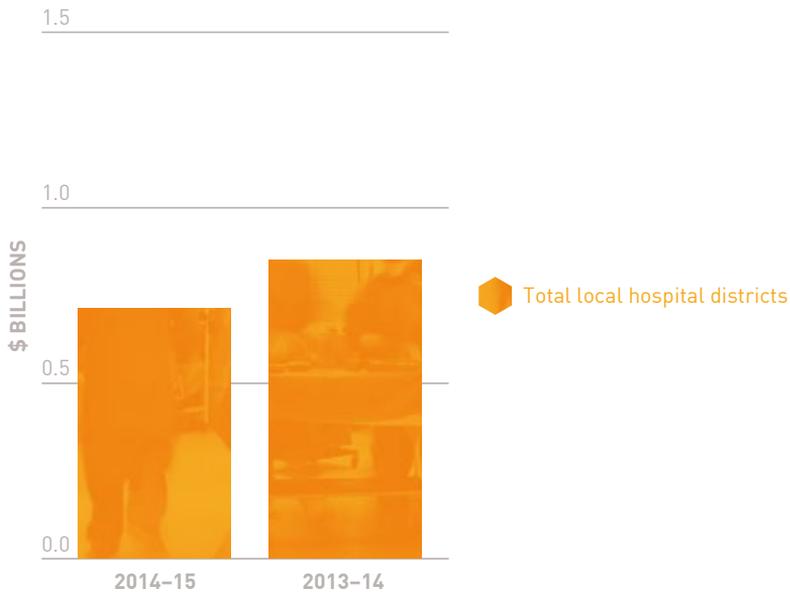
Recipient	Amount paid from WA State Managed Fund (\$'000)	
	2014-15	2013-14
Child and Adolescent Health Service	30,552	86,184
FSH — Western Australia	7,119	-
North Metropolitan Health Service	157,454	218,206
Notional LHN — Royal Street — WA	-	-
South Metropolitan Health Service	139,081	209,421
WA Country Health Service	380,477	339,040
Total local hospital networks	714,684	852,852
Other organisations or funds	1,636	-
WA TOTAL	716,320	852,852

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 Network	Number of ABF public hospital services funded (NWAU)		
	2014–15 Estimate	2013–14 Actual	2013–14 Estimate
Child and Adolescent Health Service	51,432	48,403	50,740
FSH — Western Australia	54,346	–	–
North Metropolitan Health Service	262,442	257,408	244,892
Notional LHN — Royal Street — WA	16,268	–	–
South Metropolitan Health Service	267,622	348,569	298,631
WA Country Health Service	97,721	90,712	87,805
WA TOTAL	749,831	745,092	682,068

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 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 2013–14 form part of the 2014–15 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 2013–14 and 2014–15 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 AUSTRALIA STATE POOL ACCOUNT
SPECIAL PURPOSE FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2015**

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



Government of South Australia
Auditor-General's Department

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Acting 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 2015. The financial statement comprises:

- a Statement of Receipts and Payments for the period 1 July 2014 to 30 June 2015
- notes to and forming part of the financial statement
- the Acting Administrator's declaration.

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

The Acting Administrator of the National Health Funding Pool (the Acting 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 Acting 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 Acting Administrator, as well as the overall presentation of the financial statement.

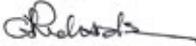
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the attached special purpose financial statement for the period ended 30 June 2015 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 Acting 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.



Andrew Richardson
Auditor-General
17 September 2015



Administrator
National Health
Funding Pool

South Australia 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 2015 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.

Kim Snowball
Acting Administrator
National Health Funding Pool

15 September 2015

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5 Cross-border payments	172
6 Activity based funding receipts and payments	172

South Australia State Pool Account
Statement of receipts and payments
for the year ended 30 June 2015

	Notes	2015 \$ '000	2014 \$ '000
OPENING CASH BALANCE		-	9,391
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth			
Activity based funding	2, 6	931,860	841,671
Block funding		169,545	143,066
Public health funding		24,157	23,166
From South Australia			
Activity based funding	2, 6	1,988,500	1,848,159
Cross-border contribution		2,500	-
From other States or Territories			
Cross-border receipts	3	10,000	-
From Reserve Bank of Australia			
Interest receipts		3,944	3,619
TOTAL RECEIPTS		3,130,506	2,859,681
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity based funding	4, 6	2,878,582	2,702,840
To South Australia State Managed Fund			
Block funding		169,545	143,066
Cross-border transfer		-	-
To South Australia Health			
Public health funding		24,157	23,166
Interest payments		-	-
Cross-border transfer		-	-
To other States or Territories			
Cross-border payments	5	2,500	-
TOTAL PAYMENTS		3,074,784	2,869,072
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		55,722	(9,391)
CLOSING CASH BALANCE		55,722	-

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, 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 South Australia State Pool Account, which was established at the Reserve Bank of Australia (RBA) in 2012–13, and is a special purpose financial statement.

From 2017–18, the Commonwealth Government has announced it will introduce revised public hospital funding arrangements, to recognise state and territory responsibility for managing an efficient public hospital sector. Information available at the time of issue of this special purpose financial statement indicates that there will be no effect on respective State Pool Accounts for 2015–16.

(B) BASIS OF PREPARATION

The South Australia State Pool Account was established in accordance with the South Australia *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 the 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 Acting Administrator of the National Health Funding Pool on 15 September 2015.

South Australia State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2013–14 and 2014–15 are for full year operations.

(D) NATIONAL HEALTH FUNDING POOL

The National Health Funding Pool (Funding Pool) consists of eight state and territory bank accounts (State Pool Accounts), held with the RBA.

(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 states and territories and the Commonwealth into the Funding Pool.

In 2013–14 and 2014–15 the Commonwealth ABF supported the following:

- i. acute admitted services;
- ii. admitted mental health services;
- iii. sub-acute and non-acute services;
- iv. emergency department services; and
- v. non-admitted 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.

In 2013–14, Commonwealth ABF contributions into the Funding Pool were 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 South Australia.

South Australia State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

In 2014–15, Commonwealth ABF contributions for each service category were calculated by summing the South Australia 2013–14 amount and efficient growth. Efficient growth is determined by measuring the change in price and volume. The price change is 45% of the change in the NEP relative to 2013–14. The volume change is 45% of the net change in the volume of weighted services relative to 2013–14.

In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements. Final funding entitlements for the year are calculated after actual data on hospital services 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 2014–15 there were two rounds of reconciliation adjustments relating to actual activity in 2013–14:

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

The six-month adjustment was based on the reconciliation between the actual volume of services provided by each LHN in the period 1 July 2013 to 31 December 2013 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 2013–14 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 Australia State Pool Account Notes to and forming part of the special purpose financial statement for the year ended 30 June 2015

In 2013-14 and 2014-15 the Commonwealth block funding supported the following:

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

In 2013-14, Commonwealth Block funding contributions into the Funding Pool were calculated by the Administrator by applying the South Australia 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.

In 2014-15, Commonwealth Block contributions for each service category were calculated by summing the South Australia 2013-14 amount and 45% of the change in the NEC between 2013-14 and 2014-15.

2 ACTIVITY BASED FUNDING RECEIPTS

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

	2015 \$ '000	2014 \$ '000
Commonwealth activity based funding	931,860	841,671
South Australia activity based funding	1,988,500	1,848,159
TOTAL	2,920,360	2,689,830

South Australia State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

3 CROSS-BORDER RECEIPTS

Total cross-border receipts into the South Australia State Pool Account from other states and territories were:

States and Territories	2015 \$ '000	2014 \$ '000
Cross-border receipts		
New South Wales	10,000	-
Victoria	-	-
Queensland	-	-
Western Australia	-	-
Tasmania	-	-
Australian Capital Territory	-	-
Northern Territory	-	-
TOTAL	10,000	-

Where no cross-border receipts were reported through the South Australia 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 Australia State Pool Account in respect of each local hospital network were:

Local Hospital Networks	2015 \$ '000	2014 \$ '000
Central Adelaide Local Health Network	1,010,251	983,287
Central Office Services	59,887	-
Country Health SA Local Health Network	313,035	288,238
Northern Adelaide Local Health Network	481,481	466,732
Southern Adelaide Local Health Network	728,829	688,841
Women's and Children's Health Network	285,099	275,742
TOTAL	2,878,582	2,702,840

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

South Australia State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

5 CROSS-BORDER PAYMENTS

Total cross-border payments out of the South Australia State Pool Account to other states and territories were:

States and Territories	2015 \$ '000	2014 \$ '000
Cross-border payments		
New South Wales	2,500	-
Victoria	-	-
Queensland	-	-
Western Australia	-	-
Tasmania	-	-
Australian Capital Territory	-	-
Northern Territory	-	-
TOTAL	2,500	-

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

6 ACTIVITY BASED FUNDING RECEIPTS AND PAYMENTS

Total South Australia and Commonwealth activity based funding contributions and total local hospital network activity based funding payments were:

	2015 \$ '000	2014 \$ '000
Total activity based funding receipts from South Australia	1,988,500	1,848,159
Total activity based funding receipts from the Commonwealth	931,860	841,671
Cross-border receipts	10,000	-
Less: Activity based funding payments to local hospital networks	(2,878,582)	(2,702,840)
RECEIPTS IN EXCESS OF PAYMENTS	51,778	(13,010)

South Australia State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

For 2015 the receipts in excess of payments balance represented activity based funding overdeposits of \$41,778,289 and cross-border receipts from New South Wales of \$10,000,000. These funds were not drawn down at year end and are reflected in the State Pool Account closing cash balance, together with interest receipts of \$3,944,016 that were also not drawn down.

For 2014 the activity based funding payments in excess of receipts of \$13,009,875 represented the State Pool Account opening cash balance of \$9,391,082 and interest receipts of \$3,618,793.

The Administrator makes payments from the South Australia 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 paid to local hospital networks.

End of Audited Special Purpose Financial Statement.



FUNDING AND PAYMENTS

Section 241(2) of the *National Health Reform Act 2011* (the Act) outlines certain disclosures to be reported 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 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 South Australia (\$'000)	
	2014-15	2013-14
State Pool Account — Activity based funding*	1,991,000	1,848,159
State Managed Fund — Block funding	163,468	234,911
SA TOTAL	2,154,468	2,083,070

**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 and 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 2014-15 (at June 2015) was advised by the South Australian Department of Health to be as follows:

In determining the annual funding allocation for all local hospital network, the budget has been built up predominantly on an activity basis that shares principles with the IHPA framework. It is designed to equitably distribute funding to each local hospital network relative to all local hospital networks 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 local hospital networks 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.

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)	
	2014-15	2013-14
Activity based funding	931,860	841,671
Block funding	169,545	143,066
Public Health funding	24,157	23,166
SA TOTAL	1,125,562	1,007,904

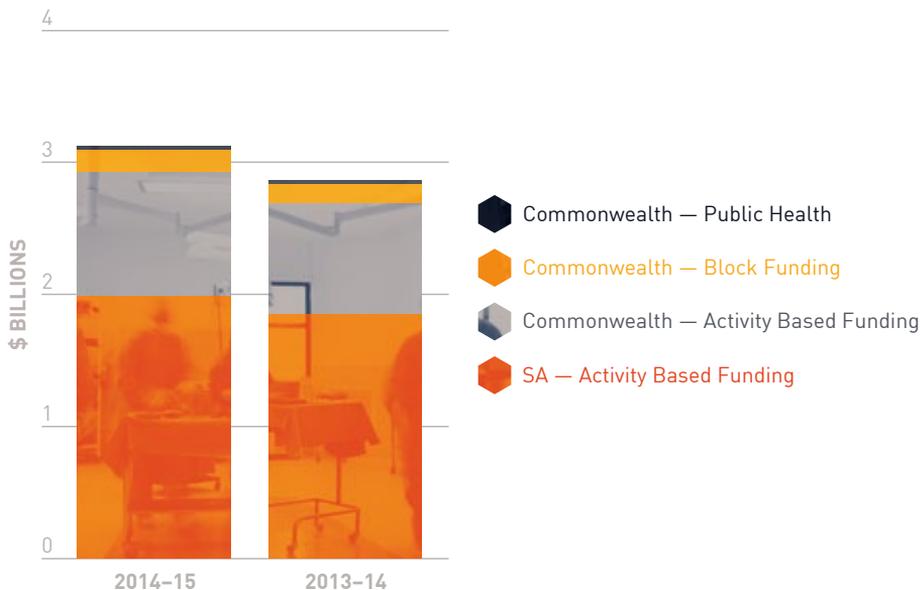
For the Commonwealth basis of payments, refer to part b) of the 'Funding and Payments — National' chapter.

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

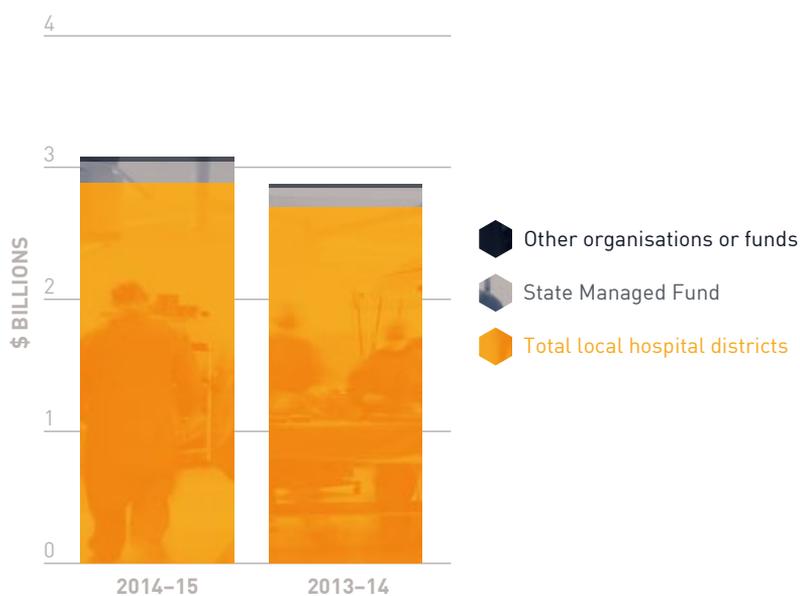
Recipient	Amount paid from SA State Pool Account (\$'000)	
	2014-15	2013-14
Central Office Services	59,887	-
Central Adelaide Local Health Network	1,010,251	983,288
Country Health SA Local Health Network	313,035	288,238
Northern Adelaide Local Health Network	481,481	466,732
Southern Adelaide Local Health Network	728,829	688,841
Women's and Children's Health Network	285,099	275,742
Total local hospital networks	2,878,582	2,702,840
State Managed Fund	169,545	143,066
Other organisations or funds	26,657	23,166
SA TOTAL	3,074,784	2,869,072

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

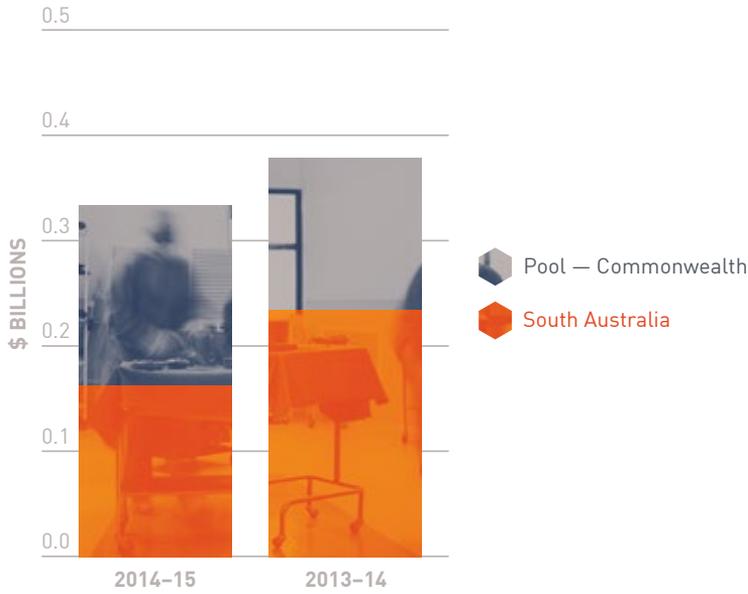


SECTION 241(2)(D) THE AMOUNTS PAID FROM EACH STATE MANAGED FUND TO LOCAL HOSPITAL NETWORKS OR OTHER ORGANISATIONS OR FUNDS AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

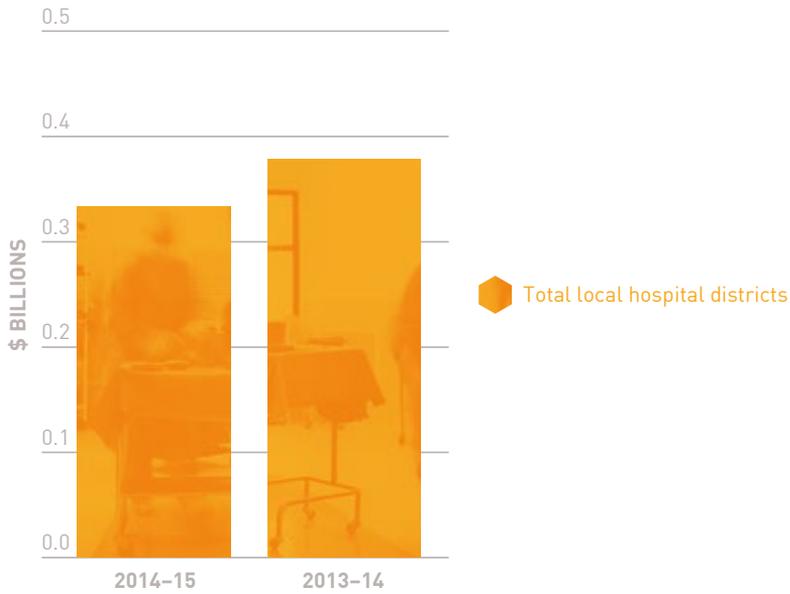
Recipient	Amount paid from SA State Managed Fund (\$'000)	
	2014-15	2013-14
Central Office Services	-	-
Central Adelaide Local Health Network	65,919	69,351
Country Health SA Local Health Network	166,775	205,698
Northern Adelaide Local Health Network	36,316	40,396
Southern Adelaide Local Health Network	46,671	48,895
Women's and Children's Health Network	17,333	13,637
Total local hospital networks	333,013	377,977
Other organisations or funds	-	-
SA TOTAL	333,013	377,977

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 Network	Number of ABF public hospital services funded (NWAU)		
	2014-15 Estimate	2013-14 Actual	2013-14 Estimate
Central Office Services	11,624	-	-
Central Adelaide Local Health Network	190,305	196,999	195,793
Country Health SA Local Health Network	64,553	57,080	57,384
Northern Adelaide Local Health Network	91,747	91,213	92,925
Southern Adelaide Local Health Network	146,756	142,522	137,147
Women's and Children's Health Network	53,746	53,457	54,916
SA TOTAL	558,731	541,271	538,164

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 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 2013-14 form part of the 2014-15 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 2013–14 and 2014–15 South Australia did not report any 'other public hospital services and functions funded' from their Pool Account or State Managed Fund.





TASMANIA



FINANCIAL STATEMENT

The background of the document is a blurred photograph of a hospital room. On the left, there is a medical bed with various tubes and equipment. In the center and right, there is a metal trolley with a shelf. The room has a white wall with horizontal blinds or a slatted door. The overall lighting is soft and clinical.

**NATIONAL HEALTH FUNDING POOL
TASMANIA STATE POOL ACCOUNT
SPECIAL PURPOSE FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2015**

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 2015

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 2015. The financial statement comprises a statement of receipts and payments for the year ended 30 June 2015, 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 2015 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

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
Professionalism | Respect | Camaraderie | Continuous Improvement | Customer Focus

Strive | Lead | Excel | To Make a Difference

includes establishing and maintaining internal controls relevant to the preparation and fair 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 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.

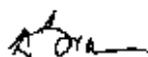
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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, 11 September 2015

...2 of 2

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
Professionalism | Respect | Camaraderie | Continuous Improvement | Customer Focus

Strive | Lead | Excel | To Make a Difference



Administrator
National Health
Funding Pool

Tasmania 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 2015 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.

Kim Snowball
Acting Administrator
National Health Funding Pool

9 September 2015

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Tasmania State Pool Account
Statement of receipts and payments
for the year ended 30 June 2015

	Notes	2015 \$ '000	2014 \$ '000
OPENING CASH BALANCE		-	-
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth			
Activity based funding	2, 6	268,856	238,897
Block funding		57,188	46,460
Public health funding		7,365	7,090
From Tasmania			
Activity based funding	2, 6	311,125	350,095
Cross-border contribution		-	-
From other States or Territories			
Cross-border receipts	3	-	-
From Reserve Bank of Australia			
Interest receipts		-	2
TOTAL RECEIPTS		644,534	642,544
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity based funding	4, 6	579,981	588,992
To Tasmania State Managed Fund			
Block funding		57,188	46,460
Cross-border transfer		-	-
To Tasmania Department of Health and Human Services			
Public health funding		7,365	7,090
Interest payments		-	2
Cross-border transfer		-	-
To other States or Territories			
Cross-border payments	5	-	-
TOTAL PAYMENTS		644,534	642,544
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		-	-
CLOSING CASH BALANCE		-	-

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, 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 Tasmania State Pool Account, which was established at the Reserve Bank of Australia (RBA) in 2012–13, and is a special purpose financial statement.

From 2017–18, the Commonwealth Government has announced it will introduce revised public hospital funding arrangements, to recognise state and territory responsibility for managing an efficient public hospital sector. Information available at the time of issue of this special purpose financial statement indicates that there will be no effect on respective State Pool Accounts for 2015–16.

(B) BASIS OF PREPARATION

The Tasmania State Pool Account was established in accordance with the Tasmania *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 the 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 Acting Administrator of the National Health Funding Pool on 9 September 2015.

Tasmania State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2013–14 and 2014–15 are for full year operations.

(D) NATIONAL HEALTH FUNDING POOL

The National Health Funding Pool (Funding Pool) consists of eight state and territory bank accounts (State Pool Accounts), held with the RBA.

(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 states and territories and the Commonwealth into the Funding Pool.

In 2013–14 and 2014–15 the Commonwealth ABF supported the following:

- i. acute admitted services;
- ii. admitted mental health services;
- iii. sub-acute and non-acute services;
- iv. emergency department services; and
- v. non-admitted 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.

In 2013–14, Commonwealth ABF contributions into the Funding Pool were 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 Tasmania.

Tasmania State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

In 2014–15, Commonwealth ABF contributions for each service category were calculated by summing the Tasmania 2013–14 amount and efficient growth. Efficient growth is determined by measuring the change in price and volume. The price change is 45% of the change in the NEP relative to 2013–14. The volume change is 45% of the net change in the volume of weighted services relative to 2013–14.

In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements. Final funding entitlements for the year are calculated after actual data on hospital services 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 2014–15 there were two rounds of reconciliation adjustments relating to actual activity in 2013–14:

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

The six-month adjustment was based on the reconciliation between the actual volume of services provided by each LHN in the period 1 July 2013 to 31 December 2013 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 2013–14 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.

Tasmania State Pool Account Notes to and forming part of the special purpose financial statement for the year ended 30 June 2015

In 2013-14 and 2014-15 the Commonwealth block funding supported the following:

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

In 2013-14, Commonwealth Block funding contributions into the Funding Pool were calculated by the Administrator by applying the Tasmania 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.

In 2014-15, Commonwealth Block contributions for each service category were calculated by summing the Tasmanian 2013-14 amount and 45% of the change in the NEC between 2013-14 and 2014-15.

2 ACTIVITY BASED FUNDING RECEIPTS

Total receipts into the Tasmania State Pool Account in respect of activity based funding were:

	2015 \$ '000	2014 \$ '000
Commonwealth activity based funding	268,856	238,897
Tasmania activity based funding	311,125	350,095
TOTAL	579,981	588,992

Tasmania State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

3 CROSS-BORDER RECEIPTS

Total cross-border receipts into the Tasmania State Pool Account from other states and territories were:

States and Territories	2015 \$ '000	2014 \$ '000
Cross-border receipts		
New South Wales	-	-
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Australian Capital Territory	-	-
Northern Territory	-	-
TOTAL	-	-

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

4 ACTIVITY BASED FUNDING PAYMENTS

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

Local Hospital Networks	2015 \$ '000	2014 \$ '000
Tasmanian Health Organisation — North West	68,274	78,102
Tasmanian Health Organisation — South	326,697	327,115
Tasmanian Health Organisation — North	185,010	183,775
TOTAL	579,981	588,992

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

Tasmania State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

5 CROSS-BORDER PAYMENTS

Total cross-border payments out of the Tasmania State Pool Account to other states and territories were:

States and Territories	2015 \$ '000	2014 \$ '000
Cross-border payments		
New South Wales	-	-
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Australian Capital Territory	-	-
Northern Territory	-	-
TOTAL	-	-

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

Tasmania State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

6 ACTIVITY BASED FUNDING RECEIPTS AND PAYMENTS

Total Tasmania and Commonwealth activity based funding contributions and total local hospital network activity based funding payments were:

	2015 \$ '000	2014 \$ '000
Total activity based funding receipts from Tasmania	311,125	350,095
Total activity based funding receipts from the Commonwealth	268,856	238,897
Less: Activity based funding payments to local hospital networks	(579,981)	(588,992)
PAYMENTS IN EXCESS OF RECEIPTS	-	-

The Administrator makes payments from the Tasmania 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.



FUNDING AND PAYMENTS

Section 241(2) of the National Health Reform Act 2011 (the Act) outlines certain disclosures to be reported 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 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)	
	2014-15	2013-14
State Pool Account — Activity based funding*	311,125	350,095
State Managed Fund — Block funding	324,261	285,588
TAS TOTAL	635,386	635,683

**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 and 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 2014-15 (at June 2015) was advised by the Tasmanian Department of Health and Human Services to be as follows:

Tasmania has developed a funding model (2014-15 Tasmanian Funding 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). The ABF Model was used to develop an activity profile and block funded services allocation for each Tasmanian Health Organisation (THO) for 2014-15.

The funding arrangements and associated pricing focussed on the four activity-based funded work streams of:

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

Tasmanian pricing applied in 2014–15 with THOs has not used the National Efficient Price (NEP). In this regard, Tasmania has used the national average cost per work stream based on Round 16 National Health Cost Data Collection (NHCDC) data for 2011–12 indexed to 2014–15. 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 2014–15 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 intensive care unit hour, and*
 - + price per hour of mechanical ventilation.*
- + Non Admitted Patients — price per service event (State Average Cost indexed),*
- + Emergency Department Patients — price per Urgency Disposition Group (UDG) (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.

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)	
	2014-15	2013-14
Activity based funding	268,856	238,897
Block funding	57,188	46,460
Public Health funding	7,365	7,090
TAS TOTAL	333,410	292,447

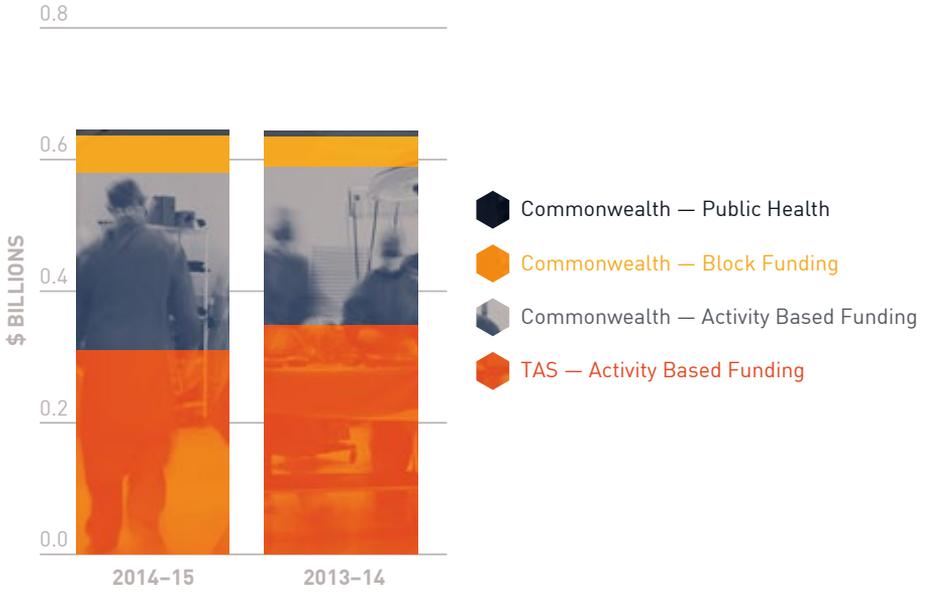
For the Commonwealth basis of payments, refer to part b) of the 'Funding and Payments — National' chapter.

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

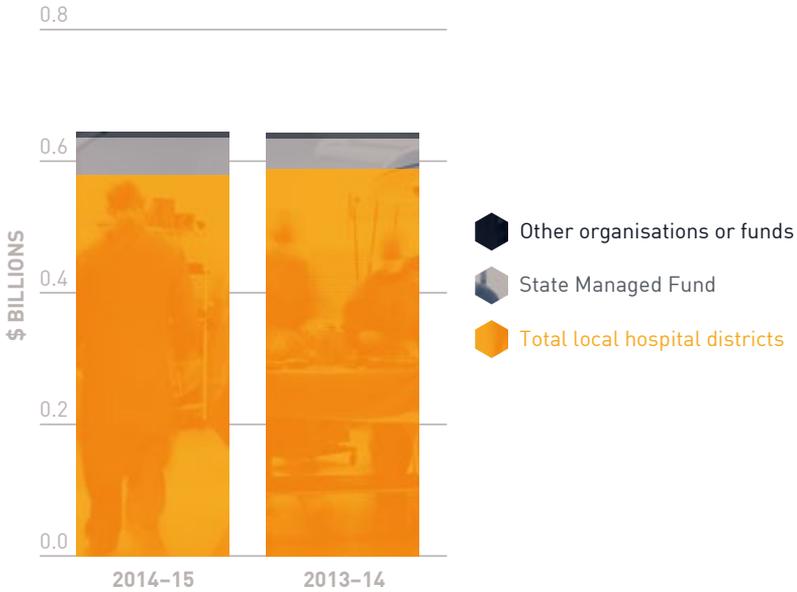
Recipient	Amount paid from TAS State Pool Account (\$'000)	
	2014-15	2013-14
Tasmanian Health Organisation — North	185,010	183,775
Tasmanian Health Organisation — North West	68,274	78,102
Tasmanian Health Organisation — South	326,698	327,115
Total local hospital networks	579,981	588,992
State Managed Fund	57,188	46,460
Other organisations or funds	7,365	7,092
TAS TOTAL	644,534	642,544

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

PAYMENTS INTO THE POOL — TAS



PAYMENTS OUT OF THE POOL — TAS

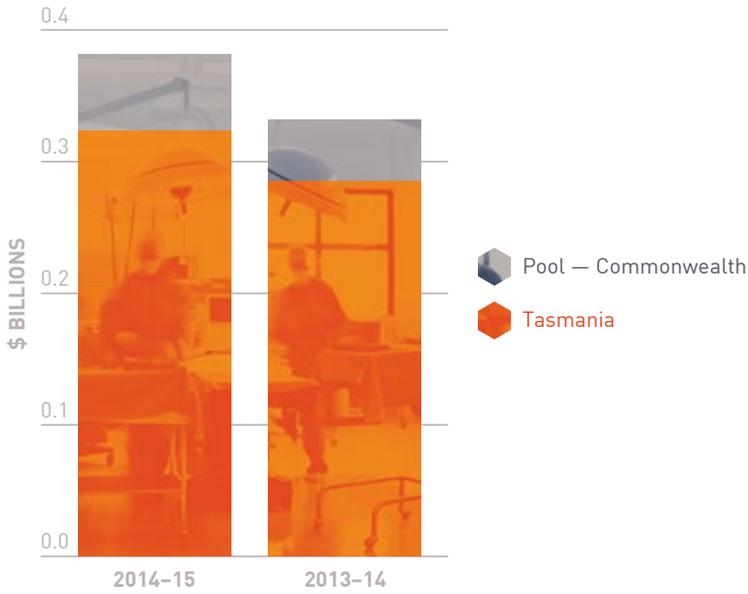


SECTION 241(2)(D) THE AMOUNTS PAID FROM EACH STATE MANAGED FUND TO LOCAL HOSPITAL NETWORKS OR OTHER ORGANISATIONS OR FUNDS AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

Recipient	Amount paid from TAS State Managed Fund (\$'000)	
	2014-15	2013-14
Tasmanian Health Organisation — North	103,284	97,567
Tasmanian Health Organisation — North West	72,889	55,588
Tasmanian Health Organisation — South	205,276	178,893
Total local hospital networks	381,450	332,048
Other organisations or funds	-	-
TAS TOTAL	381,450	332,048

For the South Australian 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 Network	Number of ABF public hospital services funded (NWAU)		
	2014–15 Estimate	2013–14 Actual	2013–14 Estimate
Tasmanian Health Organisation — North	43,016	41,430	47,904
Tasmanian Health Organisation — North West	18,268	16,619	16,091
Tasmanian Health Organisation — South	67,557	63,402	50,083
TAS TOTAL	128,841	121,451	114,078

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 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 2013–14 form part of the 2014–15 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 2013–14 and 2014–15 Tasmania did not report any ‘other public hospital services and functions funded’ from their Pool Account or State Managed Fund.





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 2015**

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 2015 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.

Level 4, 11 Moore Street Canberra City ACT 2601 PO Box 275 Civic Square ACT 2608
T 02 6207 0833 F 02 6207 0826 E actauditorgeneral@act.gov.au W 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

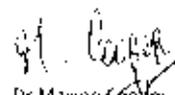
In my opinion, the financial statement prepared by the Administrator for the year ended 30 June 2015:

- (i) gives a true and fair view of the receipts and payments of the Australian 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
16 August 2015



Administrator
National Health
Funding Pool

Australian Capital 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 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 2015 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.

Kim Snowball
Acting Administrator
National Health Funding Pool

10 August 2015

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Australian Capital Territory State Pool Account
Statement of receipts and payments
for the year ended 30 June 2015

	Notes	2015 \$ '000	2014 \$ '000
OPENING CASH BALANCE		-	-
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth			
Activity based funding	2, 6	281,679	247,801
Block funding		23,736	22,064
Public health funding		5,543	5,316
From Australian Capital Territory			
Activity based funding	2, 6	515,172	492,293
Cross-border contribution		16,063	14,303
From other States or Territories			
Cross-border receipts	3	87,471	78,725
From Reserve Bank of Australia			
Interest receipts		-	-
TOTAL RECEIPTS		929,664	860,502
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity based funding	4, 6	884,322	818,819
To Australian Capital Territory State Managed Fund			
Block funding		23,736	22,064
Cross-border transfer		-	-
To Australian Capital Territory Health Directorate			
Public health funding		5,543	5,316
Interest payments		-	-
Cross-border transfer		-	-
To other States or Territories			
Cross-border payments	5	16,063	14,303
To Reserve Bank of Australia			
Penalty Interest		-	-
TOTAL PAYMENTS		929,664	860,502
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		-	-
CLOSING CASH BALANCE		-	-

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, 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.

From 2017–18, the Commonwealth Government has announced it will introduce revised public hospital funding arrangements, to recognise state and territory responsibility for managing an efficient public hospital sector. Information available at the time of issue of this special purpose financial statement indicates that there will be no effect on respective State Pool Accounts for 2015–16.

(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 the 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 Acting Administrator of the National Health Funding Pool on 10 August 2015.

Australian Capital Territory State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2013–14 and 2014–15 are for full year operations.

(D) NATIONAL HEALTH FUNDING POOL

The National Health Funding Pool (Funding Pool) consists of eight state and territory bank accounts (State Pool Accounts), held with the RBA.

(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 states and territories and the Commonwealth into the Funding Pool.

In 2013–14 and 2014–15 the Commonwealth ABF supported the following:

- i. acute admitted services;
- ii. admitted mental health services;
- iii. sub-acute and non-acute services;
- iv. emergency department services; and
- v. non-admitted 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.

In 2013–14, Commonwealth ABF contributions into the Funding Pool were 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 Australian Capital Territory.

**Australian Capital Territory State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015**

In 2014–15, Commonwealth ABF contributions for each service category were calculated by summing the Australian Capital Territory 2013–14 amount and efficient growth. Efficient growth is determined by measuring the change in price and volume. The price change is 45% of the change in the NEP relative to 2013–14. The volume change is 45% of the net change in the volume of weighted services relative to 2013–14.

In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements. Final funding entitlements for the year are calculated after actual data on hospital services 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 2014–15 there were two rounds of reconciliation adjustments relating to actual activity in 2013–14:

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

The six-month adjustment was based on the reconciliation between the actual volume of services provided by each LHN in the period 1 July 2013 to 31 December 2013 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 2013–14 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.

Australian Capital Territory State Pool Account Notes to and forming part of the special purpose financial statement for the year ended 30 June 2015

In 2013–14 and 2014–15 the Commonwealth block funding supported the following:

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

In 2013–14, Commonwealth block funding contributions into the Funding Pool were 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.

In 2014–15, Commonwealth Block contributions for each service category were calculated by summing the Australian Capital Territory 2013–14 amount and 45% of the change in the NEC between 2013–14 and 2014–15.

(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 'provider state' is compensated for the cost of that treatment.

The Commonwealth share of the cost of treating the patient is paid through the Funding Pool as part of the normal Activity Based Funding — the Commonwealth contribution to each state or territory covers all eligible patients treated, regardless of where they reside. The 'resident state' pays its share either through the Funding Pool (see Note 3 and Note 5) 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.

Australian Capital Territory State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

(J) TAXATION

State and territory 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:

	2015 \$ '000	2014 \$ '000
Commonwealth activity based funding	281,679	247,801
Australian Capital Territory activity based funding	515,172	492,293
TOTAL	796,851	740,094

3 CROSS-BORDER RECEIPTS

Total cross-border receipts into the Australian Capital Territory State Pool Account from other states and territories were:

States and Territories	2015 \$ '000	2014 \$ '000
Cross-border receipts		
New South Wales	87,471	78,725
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Northern Territory	-	-
TOTAL	87,471	78,725

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

Australian Capital Territory State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

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:

Local Hospital Networks	2015 \$ '000	2014 \$ '000
ACT Local Hospital Network Directorate	884,322	818,819
TOTAL	884,322	818,819

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	2015 \$ '000	2014 \$ '000
Cross-border payments		
New South Wales	16,063	14,303
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Northern Territory	-	-
TOTAL	16,063	14,303

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.

Australian Capital Territory State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

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:

	2015 \$ '000	2014 \$ '000
Total activity based funding receipts from the Australian Capital Territory	515,172	492,293
Total activity based funding receipts from the Commonwealth	281,679	247,801
Cross-border receipts	87,471	78,725
Less: Activity based funding payments to the ACT Local Hospital Network Directorate	(884,322)	(818,819)
PAYMENTS IN EXCESS OF RECEIPTS	-	-

For 2015 total activity based payments to the ACT Local Hospital Network Directorate include cross-border receipts of \$87,471,345 from New South Wales.

For 2014 total activity based payments to the ACT Local Hospital Network Directorate include cross-border receipts of \$78,724,615 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.



FUNDING AND PAYMENTS

Section 241(2) of the *National Health Reform Act 2011* (the Act) outlines certain disclosures to be reported 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 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 Australian Capital Territory (\$'000)	
	2014-15	2013-14
State Pool Account — Activity based funding*	531,235	506,596
State Managed Fund — Block funding	36,044	45,842
ACT TOTAL	567,279	552,438

**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 and 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 2014-15 (at June 2015) was advised by the Australian Capital Territory Health Directorate to be as follows:

The annual funding allocation for the ACT in 2015-16 is based on budget-neutral modelling. This modelling is predicated on the historical cost of providing hospital services plus wages and non-wages indexation. The activity for activity-based funded services is derived using historical activity levels plus an allowance for reasonable growth in public hospital services for the current year. The weighted activity is measured and funded based on the full Independent Hospital Pricing Authority pricing model and framework parameters.

The monthly payments made by ACT Health to the ACT local hospital network using ACT Government and Commonwealth Government funding are net of third party revenues and are paid on the basis of estimated ACT local hospital network activity for the month.

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)	
	2014-15	2013-14
Activity based funding	281,679	247,801
Block funding	23,736	22,064
Public Health funding	5,543	5,316
ACT TOTAL	310,958	275,181

For the Commonwealth basis of payments, refer to part b) of the 'Funding and Payments — National' chapter.

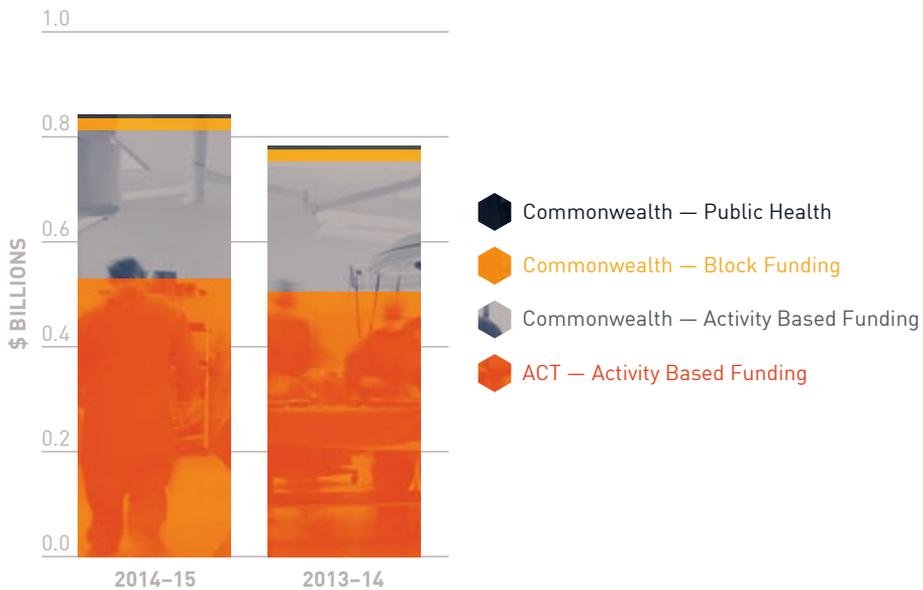
SECTION 241(2)(C) THE AMOUNTS PAID FROM EACH STATE POOL ACCOUNT TO LOCAL HOSPITAL NETWORKS, A STATE MANAGED FUND OR OTHER ORGANISATIONS OR FUNDS AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

Recipient	Amount paid from ACT State Pool Account (\$'000)	
	2014-15	2013-14
ACT Local Hospital Network Directorate	884,323	818,818
State Managed Fund	23,736	22,064
Other organisations or funds*	21,605	19,619
ACT TOTAL	929,664	860,501

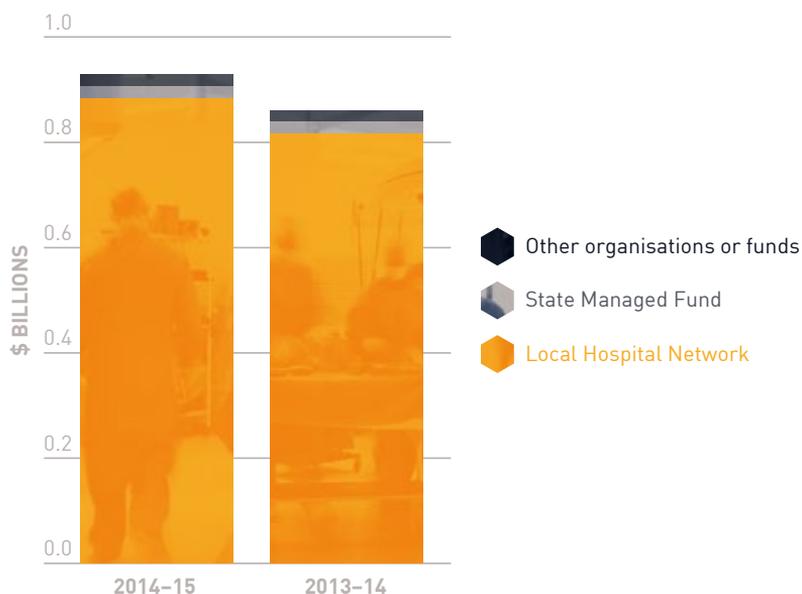
*Includes an Australian Capital Territory cross-border contribution to another state or territory in 2013-14.

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

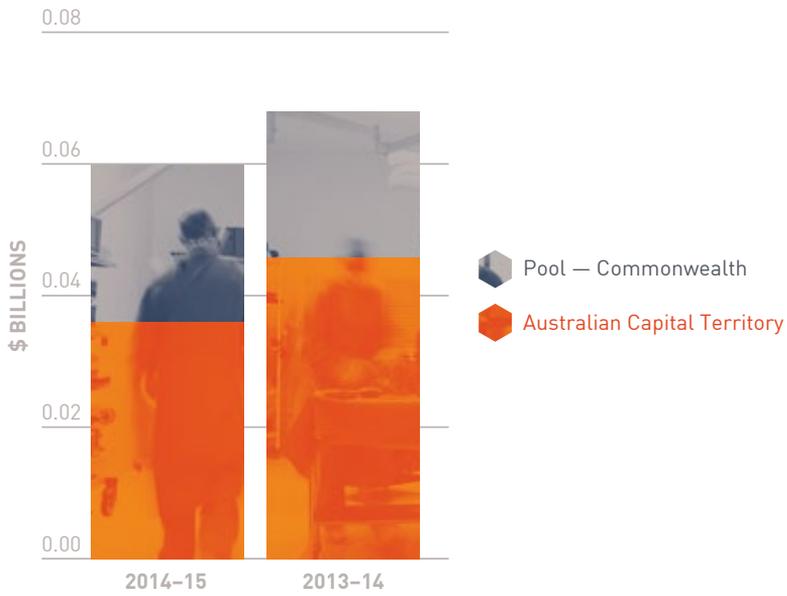


SECTION 241(2)(D) THE AMOUNTS PAID FROM EACH STATE MANAGED FUND TO LOCAL HOSPITAL NETWORKS OR OTHER ORGANISATIONS OR FUNDS AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

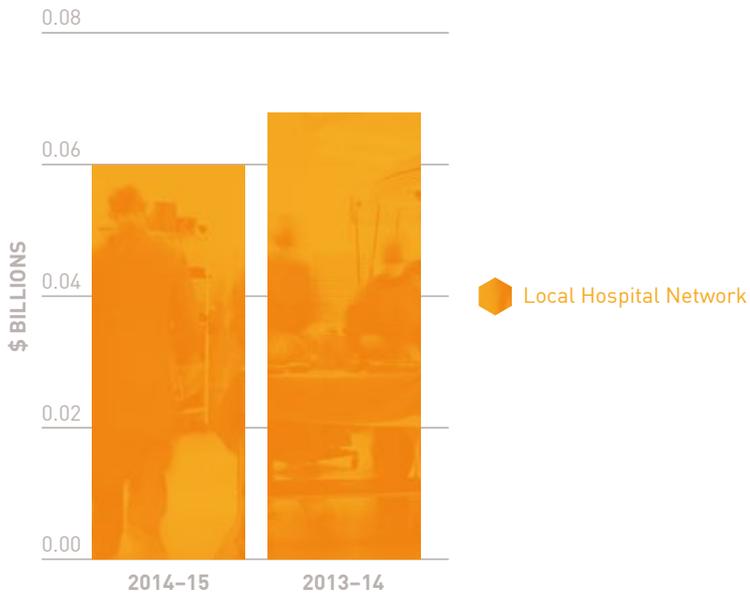
Recipient	Amount paid from ACT State Managed Fund (\$'000)	
	2014-15	2013-14
ACT Local Hospital Network Directorate	59,780	67,906
Other organisations or funds	-	-
ACT TOTAL	59,780	67,906

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 Network	Number of ABF public hospital services funded (NWAU)		
	2014-15 Estimate	2013-14 Actual	2013-14 Estimate
ACT Local Hospital Network Directorate	133,800	127,358	125,570
ACT TOTAL	133,800	127,358	125,570

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.

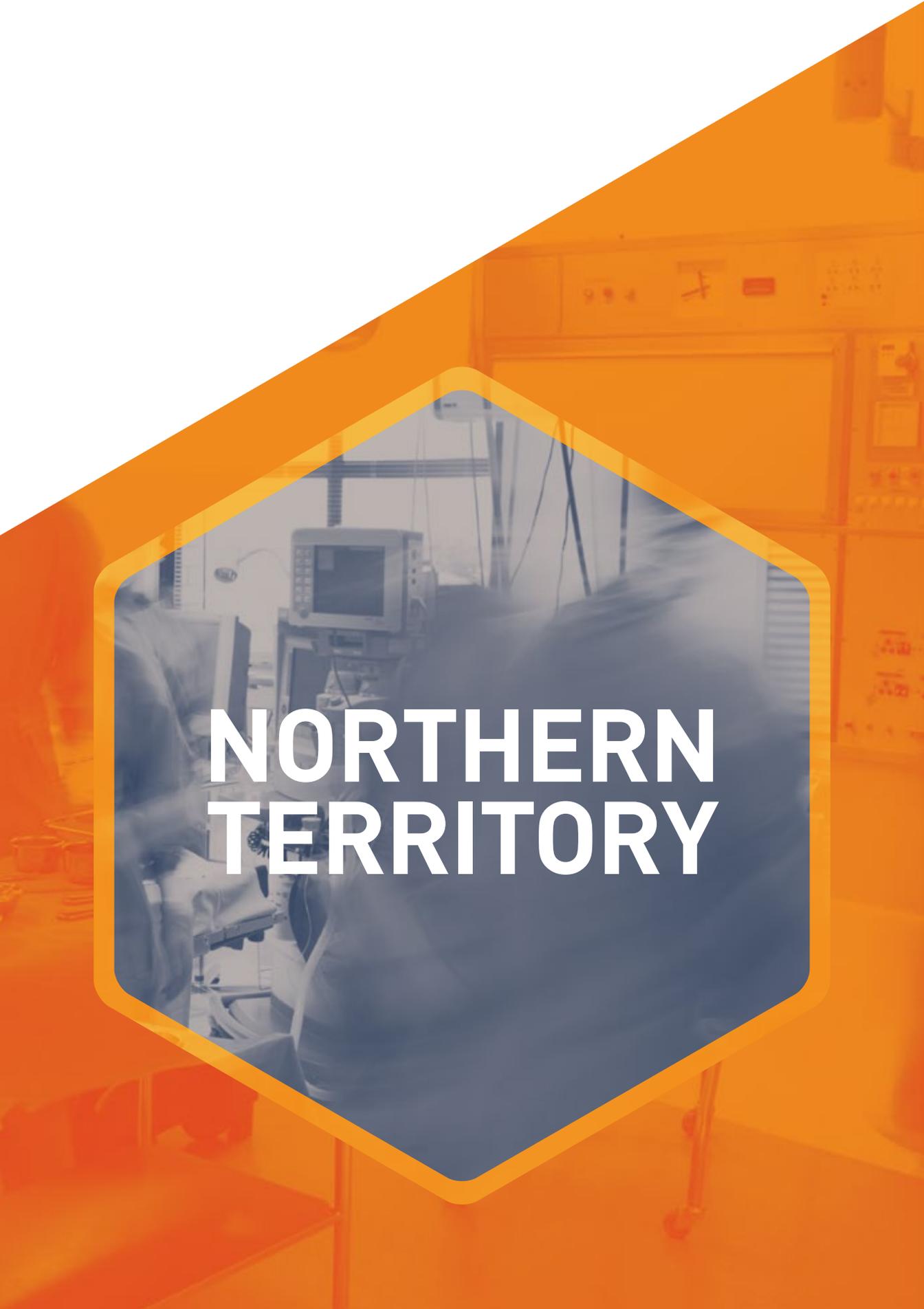
The Australian Capital Territory provide NWAU estimates at the start of each financial year for Commonwealth payment purposes. These estimates may be revised during the course of the year, and form the basis of Commonwealth funding until actual service volumes become available. Funding adjustments as a result of the reconciliation to actual public hospital services (NWAU) for 2013-14 form part of the 2014-15 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 2013-14 and 2014-15 the Australian Capital Territory did not report any 'other public hospital services and functions funded' from their Pool Account or State Managed Fund.

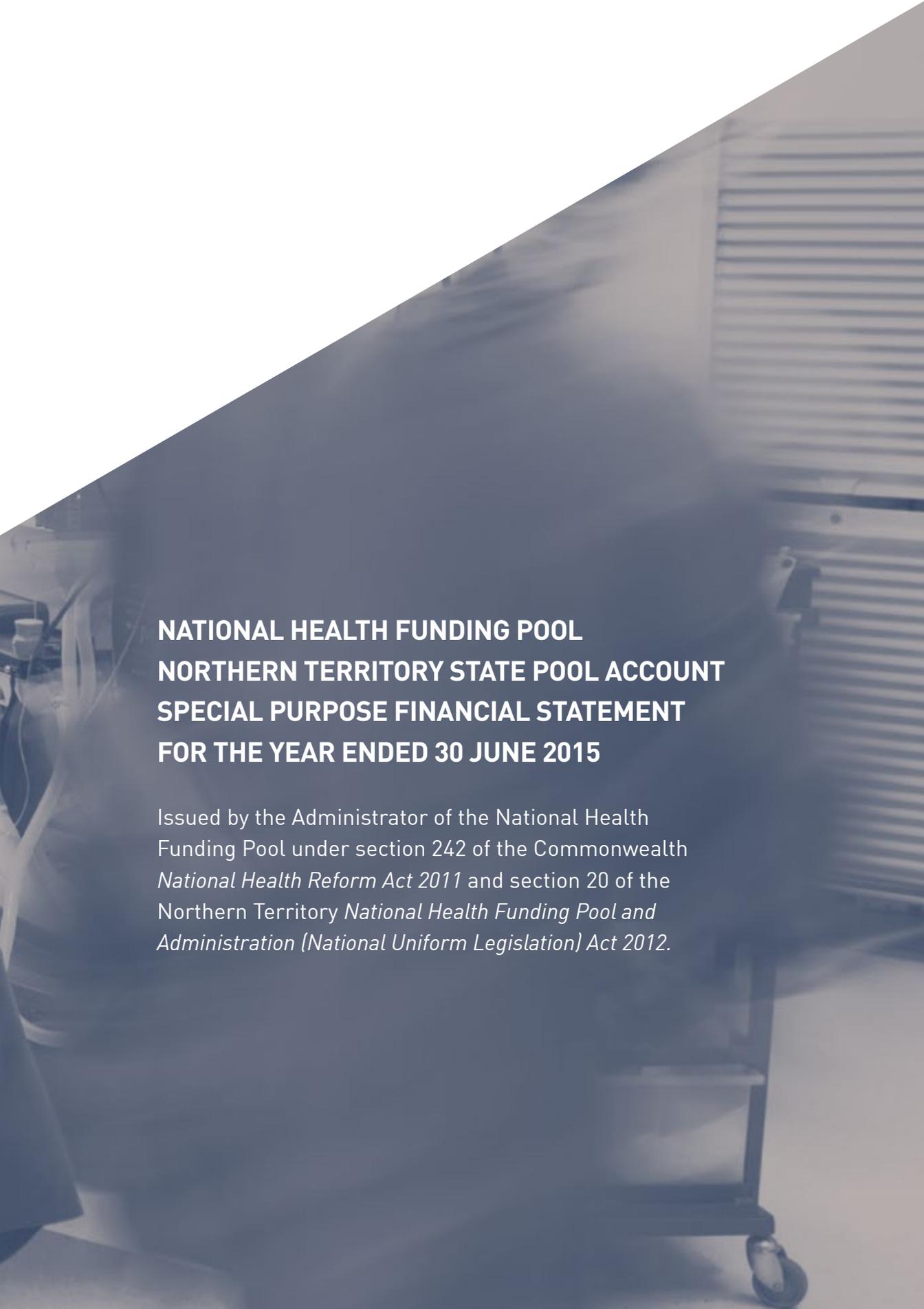




NORTHERN TERRITORY



FINANCIAL STATEMENT



**NATIONAL HEALTH FUNDING POOL
NORTHERN TERRITORY STATE POOL ACCOUNT
SPECIAL PURPOSE FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2015**

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*.



Auditor-General

Independent Auditors Report to the Minister for Health

Northern Territory State Pool Account of 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 period ended 30 June 2015. The financial statement comprises:

- a Statement of Receipts and Payments for the period 1 July 2014 to 30 June 2015,
- 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 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 and Administration (National Uniform Legislation) Act 2012*, *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*. These 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 period ended 30 June 2015 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 3 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.

Julie Crisp
Auditor-General for the Northern Territory
Darwin, Northern Territory
7 September 2015



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 2015 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.

Kim Snowball
Acting Administrator
National Health Funding Pool

3 September 2015

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Northern Territory State Pool Account
Statement of receipts and payments
for the year ended 30 June 2015

	Notes	2015 \$ '000	2014 \$ '000
OPENING CASH BALANCE		17	15
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth			
Activity based funding	2, 6	139,126	116,628
Block funding		16,752	14,616
Public health funding		3,533	3,346
From Northern Territory			
Activity based funding	2, 6	284,905	271,830
Cross-border contribution		-	-
From other States or Territories			
Cross-border receipts	3	-	-
From Reserve Bank of Australia			
Interest receipts		18	16
TOTAL RECEIPTS		444,334	406,436
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity based funding	4, 6	424,031	388,458
To Northern Territory State Managed Fund			
Block funding		16,752	14,616
Cross-border transfer		-	-
To Northern Territory Health Department			
Public health funding		3,533	3,346
Interest payments		-	-
Cross-border transfer		-	-
To other States or Territories			
Cross-border payments	5	-	-
To Reserve Bank of Australia			
Penalty Interest		-	14
TOTAL PAYMENTS		444,316	406,434
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		18	2
CLOSING CASH BALANCE		35	17

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, 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 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.

From 2017–18, the Commonwealth Government has announced it will introduce revised public hospital funding arrangements, to recognise state and territory responsibility for managing an efficient public hospital sector. Information available at the time of issue of this special purpose financial statement indicates that there will be no effect on respective State Pool Accounts for 2015–16.

(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 the 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 Acting Administrator of the National Health Funding Pool on 3 September 2015.

Northern Territory State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2013–14 and 2014–15 are for full year operations.

(D) NATIONAL HEALTH FUNDING POOL

The National Health Funding Pool (Funding Pool) consists of eight state and territory bank accounts (State Pool Accounts), held with the RBA.

(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 states and territories and the Commonwealth into the Funding Pool.

In 2013–14 and 2014–15 the Commonwealth ABF supported the following:

- i. acute admitted services;
- ii. admitted mental health services;
- iii. sub-acute and non-acute services;
- iv. emergency department services; and
- v. non-admitted 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.

In 2013–14, Commonwealth ABF contributions into the Funding Pool were 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 Northern Territory.

Northern Territory State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

In 2014–15, Commonwealth ABF contributions for each service category were calculated by summing the Northern Territory 2013–14 amount and efficient growth. Efficient growth is determined by measuring the change in price and volume. The price change is 45% of the change in the NEP relative to 2013–14. The volume change is 45% of the net change in the volume of weighted services relative to 2013–14.

In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements. Final funding entitlements for the year are calculated after actual data on hospital services 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 2014–15 there were two rounds of reconciliation adjustments relating to actual activity in 2013–14:

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

The six-month adjustment was based on the reconciliation between the actual volume of services provided by each LHN in the period 1 July 2013 to 31 December 2013 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 2013–14 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 and forming part of the special purpose financial statement for the year ended 30 June 2015

In 2013–14 and 2014–15 the Commonwealth block funding supported the following:

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

In 2013–14, Commonwealth Block funding contributions into the Funding Pool were 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.

In 2014–15, Commonwealth Block contributions for each service category were calculated by summing the Northern Territory 2013–14 amount and 45% of the change in the NEC between 2013–14 and 2014–15.

(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 'provider state' is compensated for the cost of that treatment.

The Commonwealth share of the cost of treating the patient is paid through the Funding Pool as part of the normal Activity Based Funding — the Commonwealth contribution to each state or territory covers all eligible patients treated, regardless of where they reside. The 'resident state' pays its share either through the Funding Pool (see Note 3 and Note 5) 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.

Northern Territory State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

(J) TAXATION

State and territory 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:

	2015 \$ '000	2014 \$ '000
Commonwealth activity based funding	139,126	116,628
Northern Territory activity based funding	284,905	271,830
TOTAL	424,031	388,458

3 CROSS-BORDER RECEIPTS

Total cross-border receipts into the Northern Territory State Pool Account from other states and territories were:

States and Territories	2015 \$ '000	2014 \$ '000
Cross-border receipts		
New South Wales	-	-
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Australian Capital Territory	-	-
TOTAL	-	-

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

Northern Territory State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

4 ACTIVITY BASED FUNDING PAYMENTS

Total payments made out of the Northern Territory State Pool Account in respect of each local hospital network were:

Local Hospital Networks	2015 \$ '000	2014 \$ '000
Central Australia Health Service	148,445	136,701
Top End Health Service	275,586	251,757
TOTAL	424,031	388,458

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:

States and Territories	2015 \$ '000	2014 \$ '000
Cross-border payments		
New South Wales	-	-
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Australian Capital Territory	-	-
TOTAL	-	-

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.

Northern Territory State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2015

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:

	2015 \$ '000	2014 \$ '000
Total activity based funding receipts from the Northern Territory	284,905	271,830
Total activity based funding receipts from the Commonwealth	139,126	116,628
Less: Activity based funding payments to local hospital networks	(424,031)	(388,458)
PAYMENTS IN EXCESS OF RECEIPTS	-	-

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.

End of Audited Special Purpose Financial Statement.



FUNDING AND PAYMENTS

Section 241(2) of the National Health Reform Act 2011 (the Act) outlines certain disclosures to be reported 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 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 Northern Territory (\$'000)	
	2014-15	2013-14
State Pool Account — Activity based funding*	284,905	271,830
State Managed Fund — Block funding	449,663	389,563
NT TOTAL	734,568	661,393

**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 and 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 2014-15 (at June 2015) 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 local hospital networks are engaged in.

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)	
	2014-15	2013-14
Activity based funding	139,126	116,628
Block funding	16,752	14,616
Public Health funding	3,533	3,346
NT TOTAL	159,411	134,590

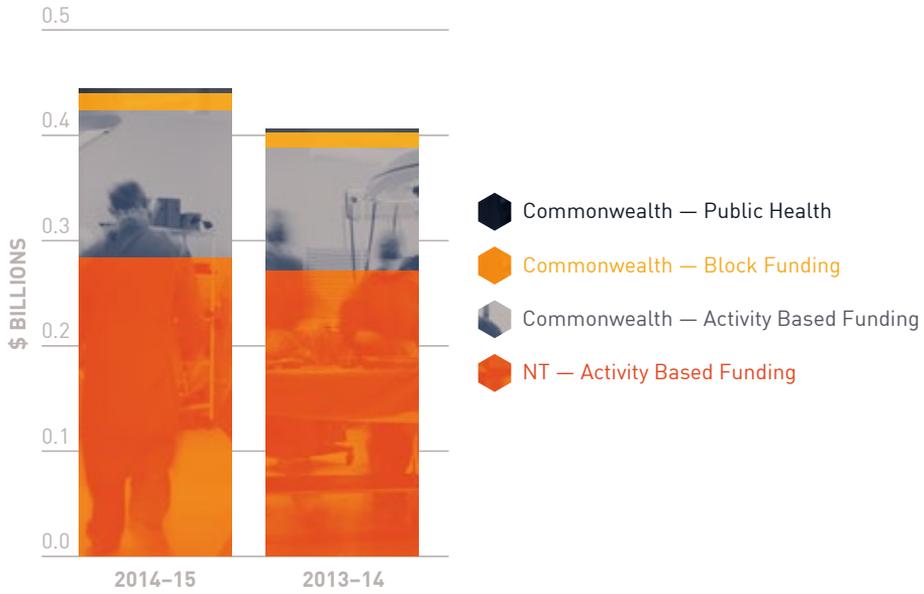
For the Commonwealth basis of payments, refer to part b) of the 'Funding and Payments — National' chapter.

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

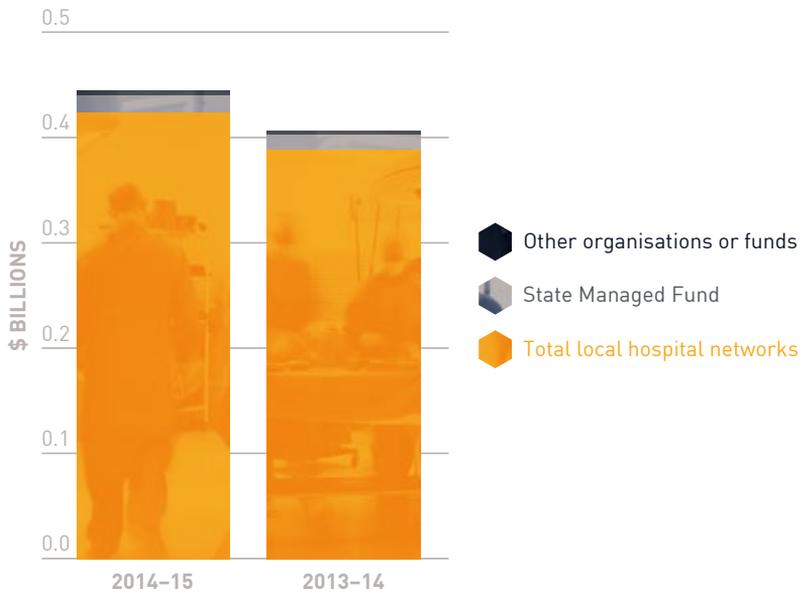
Recipient	Amount paid from NT State Pool Account (\$'000)	
	2014-15	2013-14
Central Australian Hospital Network	148,445	136,701
Top End Hospital Network	275,586	251,757
Total local hospital networks	424,031	388,458
State Managed Fund	16,752	14,616
Other organisations or funds	3,533	3,360
NT TOTAL	444,316	406,434

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

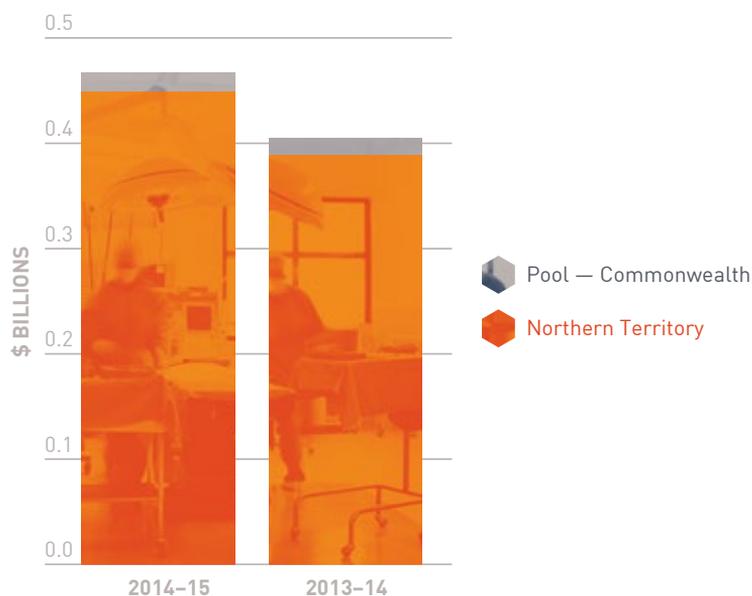


SECTION 241(2)(D) THE AMOUNTS PAID FROM EACH STATE MANAGED FUND TO LOCAL HOSPITAL NETWORKS OR OTHER ORGANISATIONS OR FUNDS AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

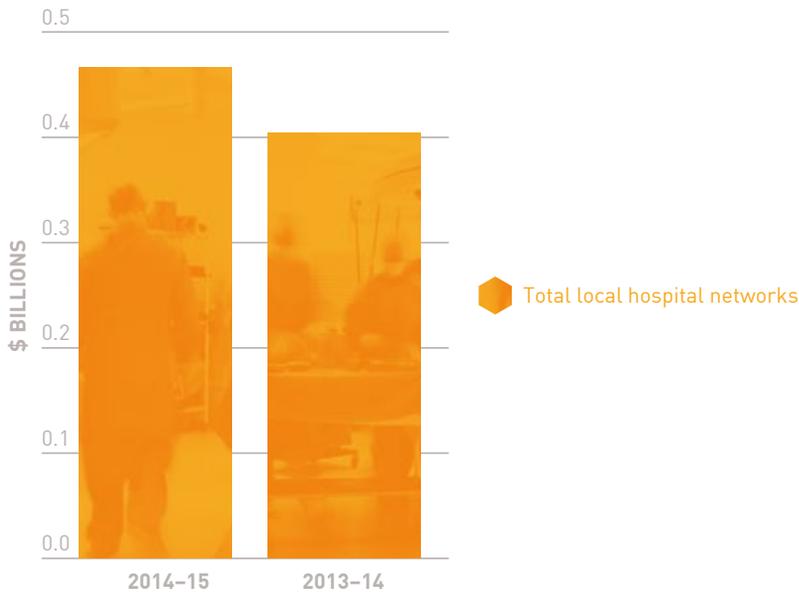
Recipient	Amount paid from NT State Managed Fund (\$'000)	
	2014-15	2013-14
Central Australian Hospital Network	112,928	96,006
Top End Hospital Network	353,487	308,173
Total local hospital networks	466,415	404,179
Other organisations or funds	-	-
NT TOTAL	466,415	404,179

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 Network	Number of ABF public hospital services funded (NWAU)		
	2014-15 Estimate	2013-14 Estimate	2013-14 Actual
Central Australian Hospital Network	37,663	37,516	41,920
Top End Hospital Network	76,998	74,302	74,096
NT TOTAL	114,661	111,818	116,016

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.

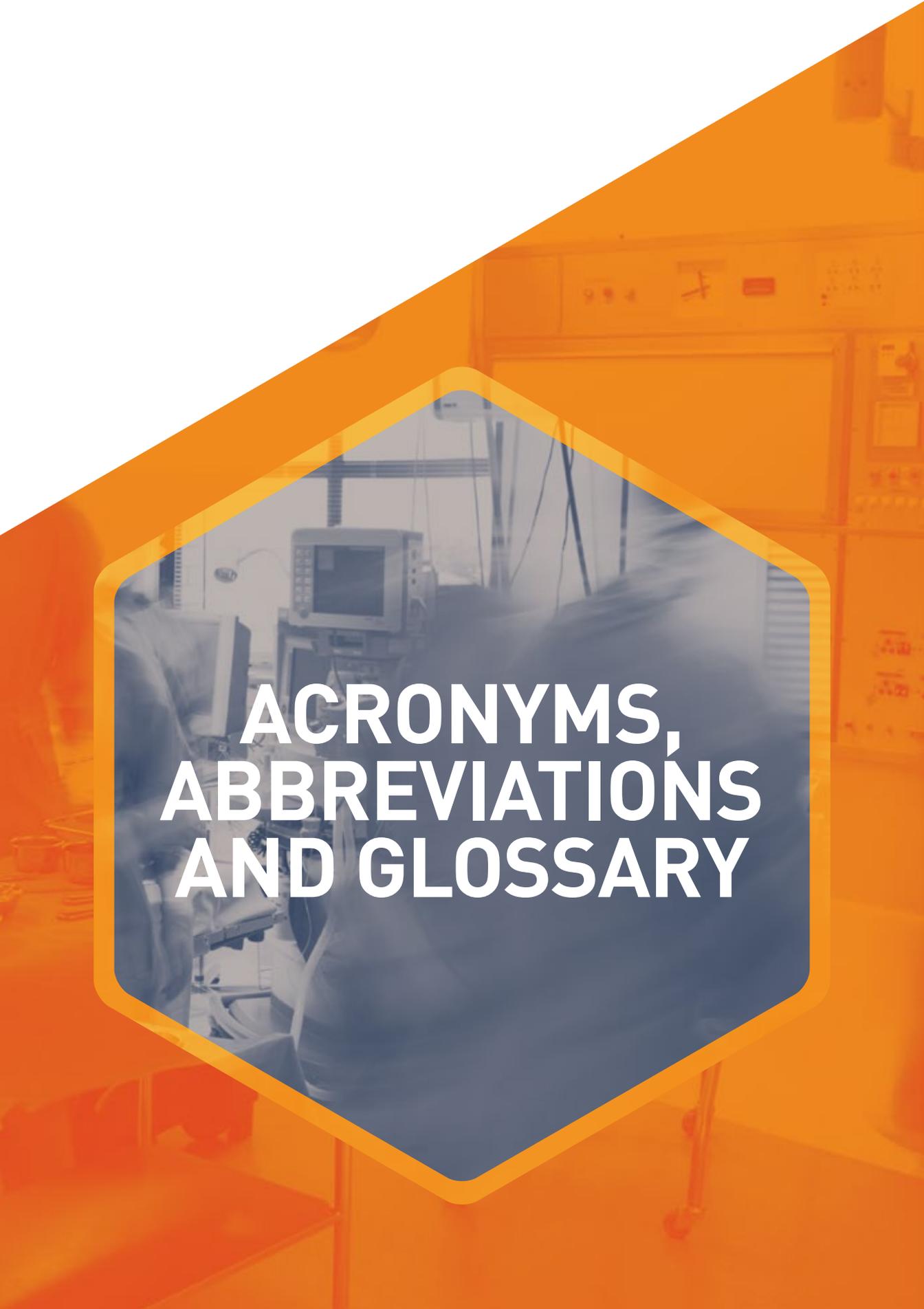
Northern Territory provide NWAU estimates at the start of each financial year for Commonwealth payment purposes. These estimates may be revised during the course of the year, and form the basis of Commonwealth funding until actual service volumes become available. Funding adjustments as a result of the reconciliation to actual public hospital services (NWAU) for 2013–14 form part of the 2014–15 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 2013–14 and 2014–15 Northern Territory did not report any ‘other public hospital services and functions funded’ from their Pool Account or State Managed Fund.





**ACRONYMS,
ABBREVIATIONS
AND GLOSSARY**

TABLE 4: ACRONYMS, ABBREVIATIONS AND GLOSSARY

TERM	MEANING
(the) Act	The <i>National Health Reform Act 2011</i> .
activity based funding	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.
(the) Administrator	<p>The Administrator of the National Health Funding Pool (the Administrator) is an independent statutory office holder, distinct from Commonwealth and state and territory government departments, established under legislation of the Commonwealth and state and territory governments.</p> <p>The role of the Administrator, with support from the 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 Funding Pool).</p>
(the) Agreement	See National Health Reform Agreement.
block funding	<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>
(the) Funding Pool	See 'National Health Funding Pool'.
Independent Hospital Pricing Authority (IHPA)	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.
Local hospital networks (LHNs)	<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>

Continued.

TERM	MEANING
Medicare Benefits Schedule (MBS)	A listing of the Medicare services subsidised by the Australian Government.
National Health Funding Body (NHFB)	An independent statutory body established under Commonwealth legislation to assist the Administrator in carrying out his or her functions under Commonwealth, state and territory legislation.
National Health Funding Pool (the Funding Pool)	A collective name for the state pool accounts of all states and territories, also known as the 'the Funding Pool'. The Funding 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.
National Health Performance Authority (NHPA)	An independent statutory authority established under Commonwealth legislation to report on the performance of hospitals and primary health care organisations across Australia.
National health reform	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.
National Health Reform Agreement (the Agreement)	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.
Pharmaceutical Benefits Scheme (PBS)	Details of the medicines subsidised by the Australian Government.
state managed fund	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.
state pool account	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 Funding Pool.





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
241 (2) THE ANNUAL REPORT MUST INCLUDE THE FOLLOWING INFORMATION FOR THE RELEVANT FINANCIAL YEAR			
(a)	the amounts paid into each State Pool Account and State Managed Fund by the relevant State and the basis on which the payments were made	Page 36	
(b)	the amounts paid into each State Pool Account by the Commonwealth and the basis on which the payments were made	Page 37	NSW p.63-73
(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 39	VIC p.93-105 QLD p.125-132 WA p.151-157 SA p.175-181
(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 40	TAS p.199-205 ACT p.223-228 NT p.247-252
(e)	the number of public hospital services funded for each local hospital network in accordance with the system of activity based funding	Page 41	
(f)	the number of other public hospital services and functions funded from each State Pool Account or State Managed Fund	Page 42	

Continued.

SECTION	DESCRIPTION	LOCATION — NATIONAL LEVEL	LOCATION — STATE/TERRITORY LEVEL
241 (3) THE ANNUAL REPORT IS TO BE ACCOMPANIED BY			
(a)	an audited financial statement for each State Pool Account	N/A	NSW p.48 VIC p.78 QLD p.110 WA p.138 SA p.162 TAS p.186 ACT p.210 NT p.235
(b)	a financial statement that combines the audited financial statements for each State Pool Account	Pages 26–29	N/A





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