



**Administrator**  
National Health  
Funding Pool

IMPROVING THE  
TRANSPARENCY OF  
AUSTRALIA'S PUBLIC  
HOSPITAL SYSTEM

NATIONALLY

**\$41**  
**BILLION**

IN PAYMENTS  
TO AUSTRALIAN  
PUBLIC  
HOSPITALS

# ANNUAL REPORT

2015  
2016

The Administrator of the National Health Funding Pool is required to prepare an Annual Report of operations and present it to Commonwealth and state and territory Health Ministers for tabling in their respective Parliaments.

This Annual Report includes:

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, including number of weighted hospital services delivered.

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



This Annual Report should be read in conjunction with the **National Health Funding Body 2015–16 Annual Report**.

The \$41 billion on the cover page in payments to Australian public hospitals represents the amounts paid to local hospital networks from the State Pool Accounts and State Managed Funds, for weighted public hospital services. Further detail can be found on page iii.

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## 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

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

## ACHIEVEMENTS 2015–16

**\$41.4 BILLION**  
OF COMMONWEALTH,  
STATE AND TERRITORY  
FUNDING TO  
LOCAL HOSPITAL  
NETWORKS AND  
OTHER PROVIDERS,  
MADE UP OF:

**\$35.8 BILLION**  
IN ACTIVITY  
BASED FUNDING

**\$2.0 BILLION**  
IN BLOCK FUNDING  
FROM THE STATE  
POOL ACCOUNTS

**\$3.6 BILLION**  
IN BLOCK FUNDING  
FROM THE STATE  
MANAGED FUNDS

Advice provided to the Commonwealth Treasurer on **\$17.2 billion** of Commonwealth funding made up of **\$16.9 billion** for public health, block and activity based funding and a reconciliation of **\$328 million** for services provided in 2014–15 to local hospital networks.

**7,712,325 weighted public hospital services funded** measured in National Weighted Activity Units (NWAU).

**5,279 funding and payment transactions** processed through the Administrator's National Health Payments System.

**1,780 Monthly Reports** published on national health reform funding and payment flows (including national, state and territory and local hospital network reports) on the Administrator of the National Health Funding Pool website [publichospitalfunding.gov.au](http://publichospitalfunding.gov.au).

The Administrator was ably assisted by the National Health Funding Body in the performance of his functions.

# 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

19 October 2016

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

The Hon. Jill Hennessy MP  
Minister for Health  
Victoria

The Hon. John Day MLA  
Minister for Health  
Western Australia

The Hon. Michael Ferguson MP  
Minister for Health  
Tasmania

The Hon. Natasha Fyles MLA  
Minister for Health  
Northern Territory

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

The Hon. Cameron Dick MP  
Minister for Health  
Queensland

The Hon. Jack Snelling MP  
Minister for Health  
South Australia

The Hon. Andrew Barr MLA  
Chief Minister  
Australian Capital Territory

Dear Ministers,

## **Administrator of the National Health Funding Pool Annual Report 2015-16**

I am pleased to submit to you, for tabling in your respective Parliaments, my Annual Report for the year ended 30 June 2016.

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,

Peter Achterstraat AM  
Administrator  
National Health Funding Pool

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# NATIONAL HEALTH REFORM REPORTING

## SCOPE OF REPORTING

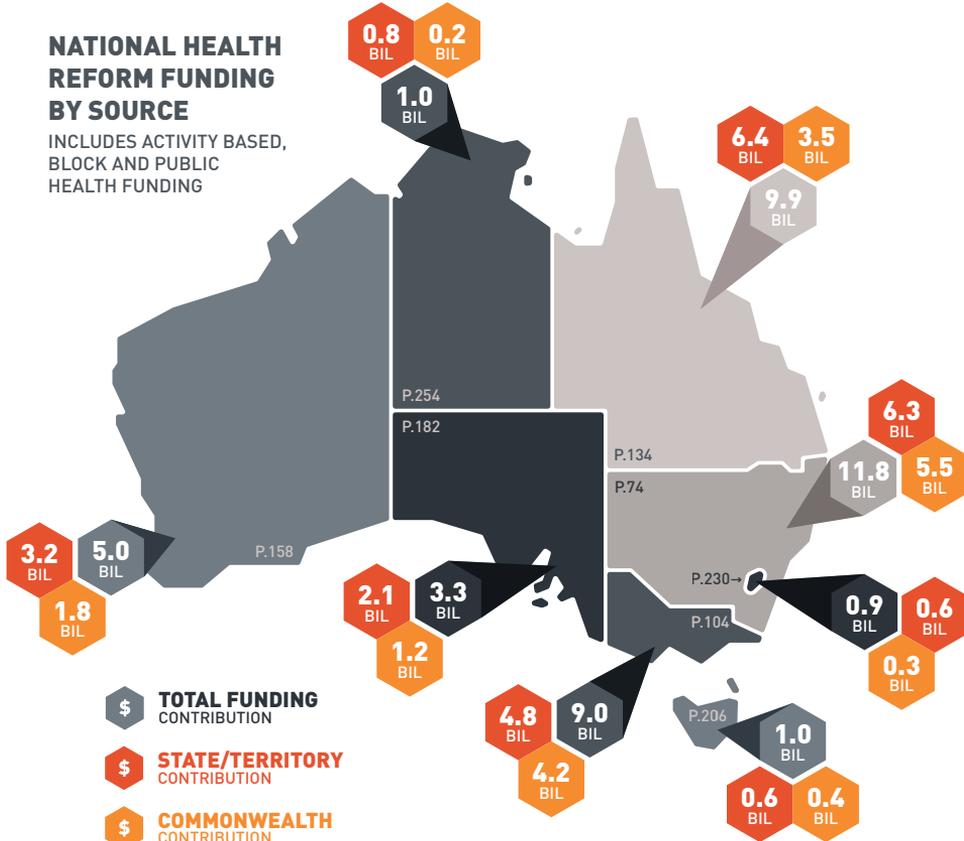


The scope of reporting in the Administrator and NHFB annual reports is funding and payments processed through the National Health Funding Pool and State Managed Funds. This comprises activity based, block and public health funding, which represents the majority of public hospital activity. It may differ from reports published by the Australian Institute of Health and Welfare, states, territories and local hospital networks, due to the inclusion or exclusion of other funding such as specific purpose payments, own source revenue or personal contributions.

## NATIONAL HEALTH REFORM FUNDING RECEIPTS 2015–2016

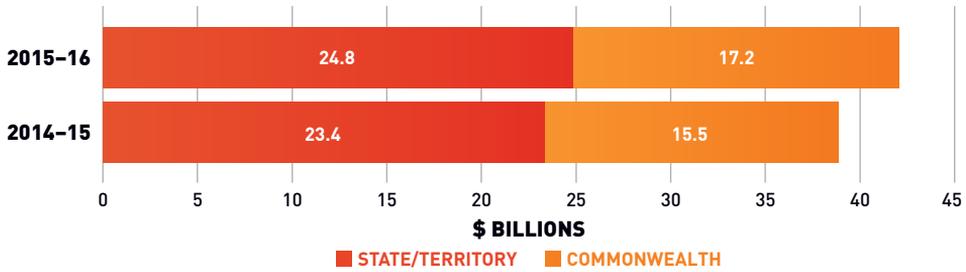
### NATIONAL HEALTH REFORM FUNDING BY SOURCE

INCLUDES ACTIVITY BASED, BLOCK AND PUBLIC HEALTH FUNDING

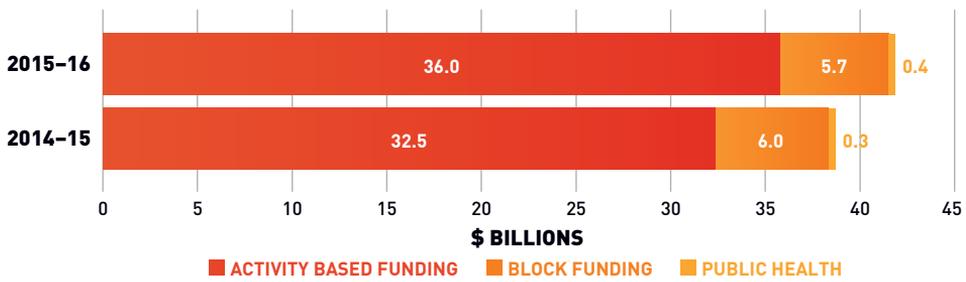


Totals may not equal the sum of components due to rounding

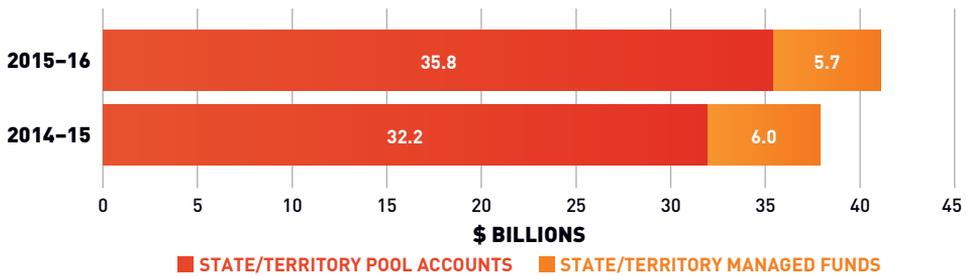
### FUNDING RECEIPTS BY SOURCE



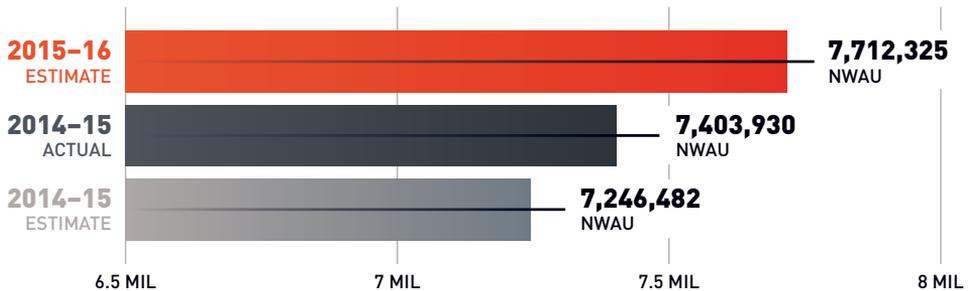
### FUNDING RECEIPTS BY TYPE



### PAYMENTS TO AUSTRALIAN PUBLIC HOSPITALS BY SOURCE



### NUMBER OF WEIGHTED PUBLIC HOSPITAL SERVICES FUNDED



Further details on the basis of these amounts can be found in the relevant state or territory section of this Annual Report, or at [publichospitalfunding.gov.au](http://publichospitalfunding.gov.au). The Administrator is assisted by the NHFB. For further details of the NHFB's operations, please see the NHFB 2015-16 Annual Report or [nhfb.gov.au](http://nhfb.gov.au).

Totals may not equal the sum of components due to rounding

## MESSAGE FROM THE ADMINISTRATOR

I am pleased to present my Annual Report for the year ended 30 June 2016, the fourth year of operation of the National Health Funding Pool and the Administrator role. It is a privilege to take up the important role of Administrator, and during my appointment I intend to discharge my duties independently as a statutory office holder of the Commonwealth, and each state and territory.

Personal health and wellbeing is a significant part of every life, as is an efficient and effective hospital system for the community in general. Acknowledging these fundamentals, as Administrator, I will endeavour to promote transparency of the funding and payment flows for the benefit of all Australians.

The Administrator, supported by the National Health Funding Body (NHFB), is responsible for overseeing Commonwealth and state and territory funding and payments, informing the sustainability of public hospital funding.

For 2015–16 a total of \$41.4 billion<sup>2</sup> was paid to local hospital networks for services, an increase of \$3.1 billion from the \$38.2 billion<sup>3</sup> paid in 2014–15.

<sup>2</sup> *Achievements 2015–16, page iii.*

<sup>3</sup> *Administrator National Health Funding Pool 2014–15 Annual Report, [publichospitalfunding.gov.au/publication/annual-reports](http://publichospitalfunding.gov.au/publication/annual-reports)*

Following the implementation of nationally consistent activity based funding in 2012–13, the Administrator has worked collaboratively with all stakeholders to inform the efficient growth of public hospital services.

This Annual Report details the funding and payments provided to local hospital networks by the Commonwealth and states and territories which represent the vast majority of hospital services delivered. For 2015–16 a total of 7,712,325 weighted public hospital services were funded nationally. Included is a combined financial statement of all jurisdictions, a financial statement for each state and territory Pool account audited by the respective Auditor–General, together with broader national health reform statutory reports.

It has been a dynamic year for the operations of the Administrator and the NHFB, culminating in the Council of Australian Governments (COAG) agreement on 1 April 2016 to the Heads of Agreement between the Commonwealth and the States and Territories on Public Hospital Funding (Heads of Agreement). This retains activity based funding, the role of the Administrator and the NHFB, and the reform objectives of the *National Health Reform Agreement* from 2017–18 to 2019–20.

The opportunities that arise from the continuation of activity based funding, the efficient price, and the transparency of the respective funding contributions by governments to public hospital services are valuable in deepening our understanding of health system resource utilisation.

The 2015–16 Annual Report captures the work of my predecessors, Mr Bob Sendt, who retired on 1 August 2015, and Mr Kim Snowball, the Acting Administrator from 1 August 2015 to 22 February 2016. The quality of the work detailed in this report is a testament to their commitment to achieving the intent of the National Health Reform Agreement.

My role requires strong relationships with states, territories, the Commonwealth and other national health agencies. I would like to thank those that have contributed to the effectiveness of these relationships, and look forward to strengthening our partnerships during my tenure as Administrator.

Finally, I would like to acknowledge the work of the NHFB in their role of assisting me and the previous Administrators to discharge the responsibilities of the role. The dedication of the small team at the NHFB is to be commended.



**Peter Achterstraat AM**

Administrator,  
National Health Funding Pool

# ANNUAL REPORTING: LEGISLATIVE REQUIREMENTS

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

**TABLE 1: JURISDICTIONAL NATIONAL HEALTH REFORM LEGISLATION**

JURISDICTION AND RELEVANT ACT	REQUIREMENT FOR THE FINANCIAL YEAR	COMMONWEALTH Act 2011	NEW SOUTH WALES Health Services Act 1997	VICTORIA Health (Commonwealth State Funding Arrangements) Act 2012	QUEENSLAND Hospital and Health Boards Act 2011	WESTERN AUSTRALIA National Health Funding Pool Act 2012	SOUTH AUSTRALIA National Health Funding Pool Administration (South Austral) Act 2012	TASMANIA National Health Funding Administration Act 2012	AUSTRALIAN CAPITAL TERRITORY Health (National Health Funding Pool and Administration) Act 2013	NORTHERN TERRITORY National Health Funding Pool and Administration (National Uniform Legislation) Act 2012
<b>Administrator's Annual Report</b>	The Administrator must, within 4 months after the end of each financial year, provide to the responsible Ministers an annual report on the exercise or performance of their functions.	s.24(1)	schedule 6A clause 16(1)	s.17(1)	s.53S(1)	s.19(1)	s.22(1)	s.18(1)	s.25(1)	s.18(1)
<b>Financial Statements</b>	The Administrator must prepare a financial statement for each State Pool Account and a combined financial statement.	s.24(3) and s.242	schedule 6A clauses 16(3) and 17	s.17(3) and s.18	s.53S(3) and s.53T	s.19(3) and s.20	s.22(3) and s.23	s.18(3) and s.19	s.25(3) and s.26	s.18(3) and s.19

*Continued*

JURISDICTION AND RELEVANT ACT	REQUIREMENT FOR THE FINANCIAL YEAR	NEW SOUTH WALES	VICTORIA	QUEENSLAND	WESTERN AUSTRALIA	SOUTH AUSTRALIA	TASMANIA	AUSTRALIAN CAPITAL TERRITORY	NORTHERN TERRITORY
<b>Audit of Financial Statements</b>	A financial statement for the State Pool Account is to be audited by the relevant Auditor-General.	Health Services Act 1997 schedule 6A clause 18	Health (Commonwealth Arrangements) Act 2012 s.19	Hospital and Health Boards Act 2011 s.53U	National Health Funding Pool Act 2012 s.21	National Health Funding Pool Administration (South Australia) Act 2012 s.24	National Health Funding Administration Act 2012 s.20	Health (National Health Funding Pool and Administration) Act 2013 s.27	National Health Funding Pool and Administration (National Uniform Legislation) Act 2012 s.20
<b>National Health Reform Funding and Payments Reporting</b>	The Administrator's annual report must include the: State Pool Account and State Managed Fund and the number of weighted hospital services funded.	Health Services Act 1997 schedule 6A clause 16(2)	Health (Commonwealth Arrangements) Act 2012 s.17(2)	Hospital and Health Boards Act 2011 s.53S(2)	National Health Funding Pool Act 2012 s.19(2)	National Health Funding Pool Administration (South Australia) Act 2012 s.22(2)	National Health Funding Administration Act 2012 s.18(2)	Health (National Health Funding Pool and Administration) Act 2013 s.25(2)	National Health Funding Pool and Administration (National Uniform Legislation) Act 2012 s.18(2)
<b>Tabling of the Annual Report</b>	A responsible Minister must cause a copy of the report to be tabled in the Parliament of the relevant jurisdiction.	Health Services Act 1997 schedule 6A clause 16(4)	Health (Commonwealth Arrangements) Act 2012 s.17(4)	Hospital and Health Boards Act 2011 s.53S(4)	National Health Funding Pool Act 2012 s.19(4)	National Health Funding Pool Administration (South Australia) Act 2012 s.22(4)	National Health Funding Administration Act 2012 s.18(4)	Health (National Health Funding Pool and Administration) Act 2013 s.25(4)	National Health Funding Pool and Administration (National Uniform Legislation) Act 2012 s.18(4)

## OVERVIEW OF...

- + THE ROLE OF THE ADMINISTRATOR OF THE FUNDING POOL
- + THE AUSTRALIAN PUBLIC HOSPITAL SYSTEM FUNDING AND PAYMENT FRAMEWORK
- + THE NATIONAL HEALTH REFORM FUNDING TYPES, INCLUDING SERVICE STREAMS

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# **OVERVIEW**

## THE ADMINISTRATOR OF THE NATIONAL HEALTH FUNDING POOL

The Administrator is a 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 Act), supported by common provisions in the relevant state and territory legislation.

The Administrator is required to:

- + Calculate and advise the Commonwealth Treasurer of the Commonwealth contribution to hospital funding in each state and territory (s.238 of the Act).
- + Oversee the payment of Commonwealth hospital funding into State Pool Accounts (s.238 of the Act).

- + Make payments from each State Pool Account, in accordance with the directions of the state concerned (common provisions of the National Health Funding Pool legislation in each state and territory).<sup>4</sup>
- + Monitor state payments into each State Pool Account (common provisions of National Health Funding Pool legislation in each state and territory).<sup>5</sup>
- + Reconcile estimated and actual hospital services and adjust Commonwealth payments to hospitals (s.238 of the Act).
- + Undertake funding integrity analysis to identify and report on public hospital services that received both Commonwealth national health reform funding and funding through other Commonwealth programs (Clause A6 of the Agreement).
- + Report publicly on the national health reform funding and payments (s.240 of the Act).

<sup>4</sup> A list of the state and territory legislation containing the common provisions can be found on page 6.

<sup>5</sup> See footnote 4.

## CURRENT ADMINISTRATOR

### MR PETER ACHTERSTRAAT AM

Administrator from 23 February 2016 to present. Peter Achterstraat AM was the Auditor-General of NSW from 2006 to 2013. Prior to this, he was the Chief Commissioner State Revenue for New South Wales from July 1999. Mr Achterstraat is currently the President of the NSW Division of the Australian Institute of Company Directors.

## PREVIOUS ADMINISTRATORS

### MR KIM SNOWBALL

Acting Administrator from 1 August 2015 to 22 February 2016. Mr Snowball was the Director General of Western Australian Department of Health from 2010 to 2013.

### MR BOB SENDT

Acting Administrator from 27 June 2012 and the Administrator from 1 January 2013 to 31 July 2015. Mr Sendt was the Auditor-General of NSW from 1999 to 2006.

# THE NATIONAL HEALTH FUNDING POOL

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

The National Health Funding Pool consists of eight state and territory bank accounts with the Reserve Bank of Australia, known as State Pool Accounts. Commonwealth national health reform funding for public hospitals is paid monthly into these accounts, with the state component being paid weekly or monthly.

The State Pool Accounts 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 and territory public hospital funding
- + distributing funds and making payments according to the Agreement.

Funds are also held in the jurisdictionally-controlled State Managed Funds, which are separate bank accounts or funds established by a state or territory for the purposes of receiving or distributing Commonwealth and state and territory block funding.

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

## THE NATIONAL HEALTH FUNDING BODY

The National Health Funding Body (NHFB) is a non-corporate entity under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). The organisation supports the Administrator in the performance of his functions and provides transparent and efficient administration of Commonwealth, state and territory funding of the Australian public hospital system.

The NHFB is independent of both Commonwealth and state and territory governments when assisting the Administrator in the exercise or performance of his functions.

The National Health Funding Administrator Payments System (Payments System) is operated by the NHFB, and is accessed by all states and territories to enable payments into and out of the National Health Funding Pool to Local Hospital Networks and other organisations. For 2015–16 5,279 transactions were processed through the Payments System.

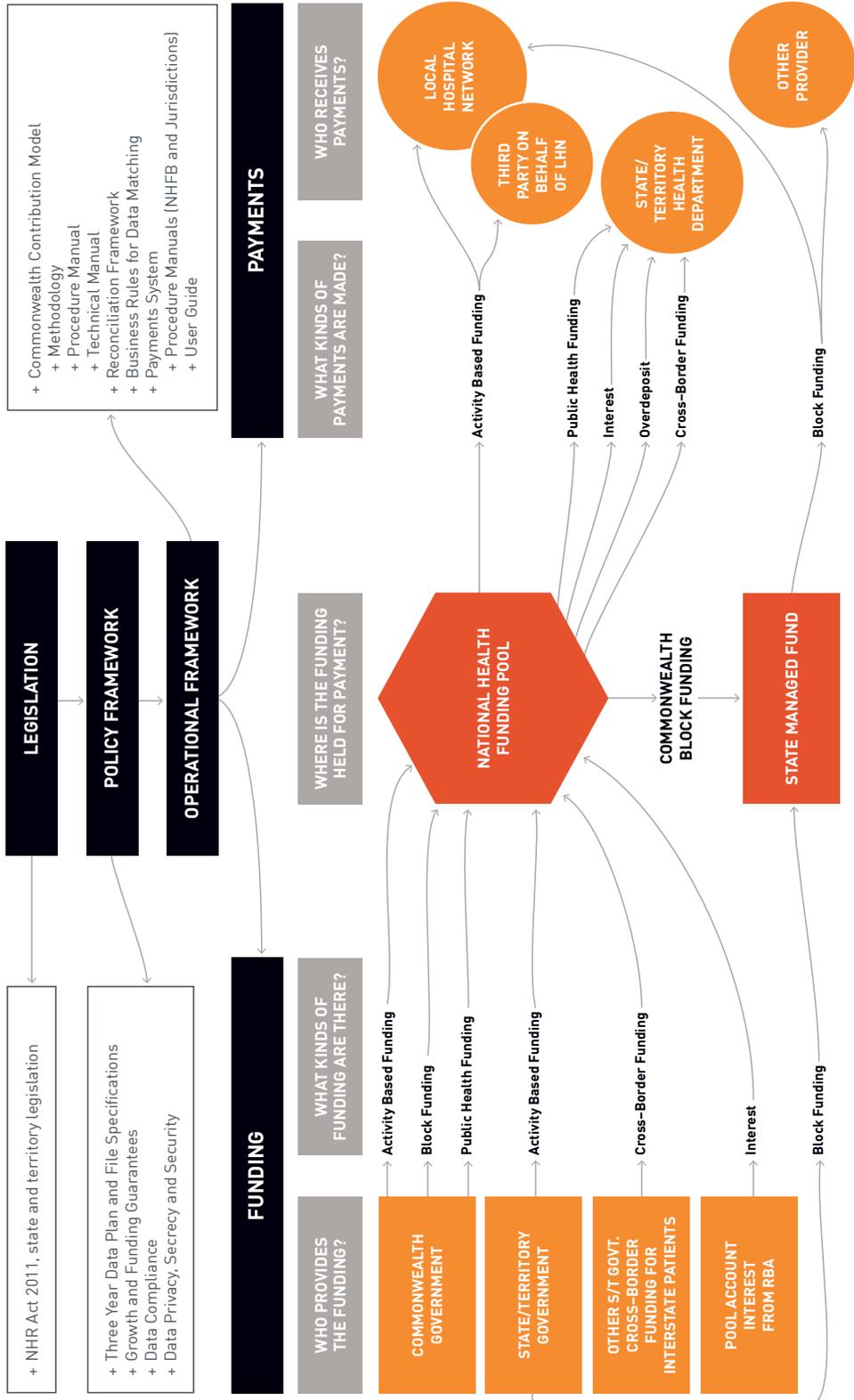
## THE FUTURE OF NATIONAL HEALTH REFORM AND FUNDING ARRANGEMENTS

On 1 April 2016, the COAG agreed to the *Heads of Agreement between the Commonwealth and the States and Territories on Public Hospital Funding*. This Heads of Agreement sets out a series of high-level goals for all Australian governments to achieve for a high-performing and sustainable health system.

Schedule 1 of the Heads of Agreement alters the decision of the 2014–15 Commonwealth Budget papers, which flagged the intention to create a Health Productivity and Performance Commission by merging several existing bodies including the Administrator and the NHFB and the 2015–16 Mid-Year Economic and Fiscal Outlook (MYEFO), which advised that it was the government's intention to close the Administrator and the NHFB in March 2018.

Through the ongoing role and function of the Administrator and the NHFB, the Commonwealth, state and territory governments will continue to work towards a transparent and sustainable health system.

**FIGURE 1: AUSTRALIAN PUBLIC HOSPITAL SYSTEM FUNDING AND PAYMENT FRAMEWORK**



## LEGISLATION

The Administrator and the NHFB are governed by the Act, the Agreement, and state and territory legislation.

The Agreement was entered into by all states, territories and the Commonwealth in August 2011. It sets out the shared intention of the Commonwealth, and state and territory governments, to work in partnership to improve health outcomes for all Australians and ensure the sustainability of the Australian health system.

For further details of the relevant jurisdictional legislation and reporting requirements, see Table 1.

## POLICY FRAMEWORK

### THREE YEAR DATA PLAN AND FILE SPECIFICATIONS

Describes the Administrator's determination of the minimum level of data required from the Commonwealth and states and territories, in order to calculate the Commonwealth's contribution to funding public hospital services, conduct reconciliation activities and ensure national comparability.

The 2016–17 to 2018–19 Three Year Data Plan was accepted by the COAG Health Council on 23 May 2016.

## GROWTH AND FUNDING GUARANTEES

Sets out the approach and processes for implementing and calculating the growth and funding guarantee clauses of the Agreement from 2014–15.

## DATA COMPLIANCE

Outlines the policy for publishing details of Commonwealth, state and territory compliance with the data requirements of the Administrator's Three Year Data Plan, under clause B102 of the Agreement.

## DATA PRIVACY, SECRECY AND SECURITY

Details the policy for dealing with the collection, use, storage, disclosure and destruction of data received by the Administrator.

## OPERATIONAL FRAMEWORK

### COMMONWEALTH CONTRIBUTION MODEL

Documentation supporting the calculation of the Commonwealth national health reform funding contribution.

### RECONCILIATION FRAMEWORK

Specifies the reconciliation processes for public hospital services funded on an activity basis. Funding is initially based on estimated activity, and is subsequently reconciled to actual service activity delivered.

## BUSINESS RULES FOR DATA MATCHING, VOLUMES 1 AND 2

Outlines the business and data matching rules in relation to clause A6 of the Agreement, where Commonwealth funding eligibility is assessed against other Commonwealth programs.

## PAYMENTS SYSTEM

The National Health Reform Public Hospital Funding Procedures Manual and States and Territories Procedures Manual cover the procedures for authorised NHFB and state and territory staff to process National Health Funding Pool deposits and payments through the Payments System.

## FUNDING

National health reform funding occurs when contributors have paid into the State Pool Account or State Managed Fund.

The funding providers are the Commonwealth Government, and state and territory governments.

## PAYMENTS

National health reform payments occur when recipients receive payments from the State Pool Account or State Managed Fund.

The payment recipients are the local hospital networks, third parties on behalf of the local hospital networks, state and territory health departments and other providers.

## 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 and 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 the National Efficient Price, a price per weighted service determined by the Independent Hospital Pricing Authority (IHPA), and the number of weighted public hospital services.

The following service categories were funded through activity based funding in 2015–16:

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

#### ACUTE ADMITTED SERVICES

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

#### ADMITTED MENTAL HEALTH

Services involving diagnostic, treatment, and preventive care that assist how persons with mental illness feel both physically and emotionally.

#### SUB-ACUTE AND NON-ACUTE SERVICES

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

#### EMERGENCY DEPARTMENT SERVICES

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

#### NON-ADMITTED SERVICES

Services provided to patients who do not undergo a formal admission process and do not occupy a hospital bed, such as specialist clinics.

#### BLOCK FUNDING

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

The following categories of services were block funded for 2015–16:

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

#### SMALL RURAL HOSPITALS

Public hospitals, or public hospital services, are eligible for block grant funding if the requirements for activity based funding cannot be satisfied, or when there is an absence of economies of scale that the provision of services is not financially viable under activity based funding.

## TEACHING, TRAINING AND RESEARCH

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

## NON-ADMITTED MENTAL HEALTH

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

## OTHER NON-ADMITTED SERVICES

Any non-admitted service not covered under other block funded categories, such as chronic disease management programs or falls prevention services.

## PUBLIC HEALTH FUNDING

Public health funding is paid by the Commonwealth into the National Health Funding Pool, and from there to state and territory health departments for the purposes of population health activities. These activities include national public health, youth health services and essential vaccines (service delivery).

States and territories have full discretion over the application of public health funding to the outcomes set out in the Agreement.

## CROSS-BORDER FUNDING

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

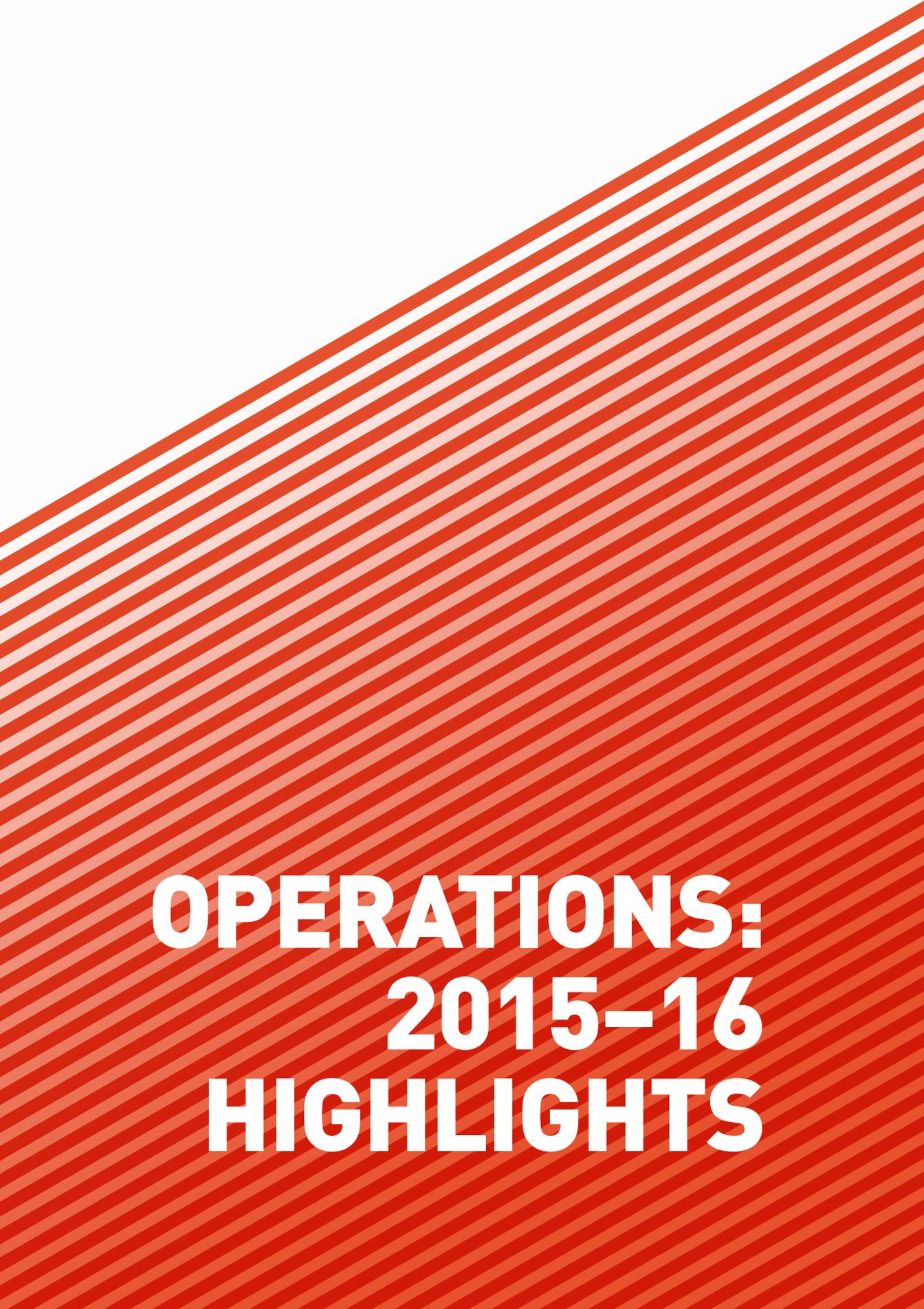
When a State Pool Account has an overnight credit balance, interest accrues in the account, and is paid periodically by the Reserve Bank of Australia to the state or territory account holder. If the interest is paid into the State Pool Account, it can be used as a component of state and territory funding.

## OVER DEPOSIT

If more money is deposited into the State Pool Account than required, this money can either be assigned 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.

## HIGHLIGHTS OF...

- + CALCULATING THE COMMONWEALTH CONTRIBUTION
- + REPORTING ON FUNDING AND PAYMENTS PREPARED UNDER THE *NATIONAL HEALTH REFORM ACT 2011*

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**OPERATIONS:  
2015-16  
HIGHLIGHTS**

## CALCULATING THE COMMONWEALTH CONTRIBUTION

### 2015–16 COMMONWEALTH FUNDING

Commonwealth funding for activity based, block, and public health was calculated using a transparent, robust and independently reviewed methodology, utilising the Commonwealth Contribution Model (CCM).

Figure 2 outlines the timing of advice provided and payments processed by the Administrator during 2015–16.

**FIGURE 2: COMMONWEALTH FUNDING ADVICE AND PAYMENTS BY THE ADMINISTRATOR IN 2015–16**

	MONTHLY ADVICE AND PAYMENTS	2014–15 RECONCILIATION ADJUSTMENTS	COMMONWEALTH TREASURER ADVICE
JUL 2015	◆		
AUG 2015	◆	6 MONTH	
SEP 2015	◆	6 MONTH	
OCT 2015		6 MONTH	
NOV 2015			
DEC 2015	◆		2015–16 MYEFO
JAN 2016			
FEB 2016			2014–15 TREASURER'S DETERMINATION
MAR 2016	◆	12 MONTH	
APR 2016	◆	12 MONTH	2016–17 BUDGET
MAY 2016	◆	12 MONTH	
JUN 2016	◆		2016–17 PAYMENT

*Yellow diamonds represent the provision of updated payment advice to the Commonwealth Treasurer.*

## PAYMENT ADVICE

The Administrator provides payment advice to the Commonwealth Treasurer for specific purposes, including:

- + The Commonwealth Budget, based on initial estimates of hospital activity from states and territories
- + Commonwealth contributions for the future financial year, based on confirmed estimates of hospital activity from states and territories. This is updated throughout the year based on revised estimates from states and territories
- + Mid-Year Economic and Fiscal Outlook (MYEFO)
- + The annual Treasurer's Determination of public hospital funding, based on reconciliation of actual hospital activity for the prior year.

## RECONCILIATION OF 2014–15 ACTUAL ACTIVITY

Both Commonwealth and state and 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 estimated hospital activity by service category 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 provide actual hospital activity data for their public hospitals.

A reconciliation between estimated and actual service volumes is then performed. Further detail can be found in Note 2 to the Combined Financial Statement on page 41.

## REPORTING ON FUNDING AND PAYMENTS PREPARED UNDER THE ACT

Section 240 of the Act requires the Administrator to provide monthly reports to the Commonwealth and each state and territory, and to make these publicly available. The release of the monthly reports assists the Administrator in bringing transparency to public hospital funding.

The monthly reports contain detail for the month and year-to-date funding and payments into and out of the State Pool Accounts and State Managed Funds paid to local hospital networks, including the number of weighted public hospital services funded. These are described by Commonwealth and states and territories contributions and by service category.

The NHFB produces around 149 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](http://publichospitalfunding.gov.au/reports).

Table 2 shows the Administrator's monthly reports for 2014–15 and 2015–16. The timeliness of the public release of the monthly reports varied throughout the year. The release of the monthly reports is subject to the supply of all accurate information by all states and territories.

**TABLE 2: MONTHLY REPORTS**

2015–16	2014–15
<b>July 2015</b> (released on 18.12.2015)	<b>July 2014</b> (released on 18.9.2014)
<b>August 2015</b> (released on 18.12.2015)	<b>August 2014</b> (released on 10.10.2014)
<b>September 2015</b> (released on 18.12.2015)	<b>September 2014</b> (released on 29.10.2014)
<b>October 2015</b> (released on 20.1.2015)	<b>October 2014</b> (released on 5.12.2014)
<b>November 2015</b> (released on 20.1.2015)	<b>November 2014</b> (released on 21.1.2015)
<b>December 2015</b> (released on 3.2.2016)	<b>December 2014</b> (released on 13.2.2015)
<b>January 2016</b> (released on 9.2.2016)	<b>January 2015</b> (released on 20.3.2015)
<b>February 2016</b> (released on 1.4.2016)	<b>February 2015</b> (released on 15.4.2015)
<b>March 2016</b> (released on 10.5.2016)	<b>March 2015</b> (released on 8.7.2015)
<b>April 2016</b> (released on 10.6.2016)	<b>April 2015</b> (released on 4.9.2015)
<b>May 2016</b> (released on 10.8.2016)	<b>May 2015</b> (released on 4.9.2015)
<b>June 2016</b> (released on 16.9.2016)	<b>June 2015</b> (released on 16.10.2015)

## STRATEGIC AND OPERATIONAL DOCUMENTS RELEASED

The following documents were published during 2015–16:

### STRATEGIC, OPERATIONAL AND COMPLIANCE DOCUMENTS RELEASED IN 2015–16

Date	Publication
10 July 2015	2014–15 Reconciliation Framework
4 September 2015	June 2015 Quarter Compliance Report
20 January 2016	September 2015 Quarter Compliance Report
20 March 2016	December 2015 Quarter Compliance Report
1 June 2016	March 2016 Quarter Compliance Report
27 June 2016	Administrator's Three Year Data Plan 2016–17 to 2018–19

TOTAL FUNDING

**\$42.0**  
**BILLION**

**MADE UP OF...**

**+ \$17.2 BILLION**  
IN COMMONWEALTH  
FUNDING AND

**+ \$21.2 BILLION**  
IN STATE FUNDING  
RECEIPTED INTO  
STATE POOL  
ACCOUNTS PLUS

**+ \$3.6 BILLION**  
IN STATE FUNDING  
RECEIPTED INTO  
STATE MANAGED  
FUNDS

**7,712,325**  
**WEIGHTED PUBLIC  
HOSPITAL SERVICES**  
MEASURED IN NWAU

**NATIONAL**

# CERTIFICATION LETTER TO THE ADMINISTRATOR



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

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

3 October 2016

Mr Peter Achterstraat AM  
Administrator of the National Health Funding Pool  
PO Box 1252  
CANBERRA ACT 2601

Dear Mr Achterstraat,

## **National Health Funding Pool Annual Report 2015-16**

This letter outlines the assurance arrangements in place for the preparation of the 2015-16 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 2015-16.

### *Financial Statements*

The National Health Funding Body (NHFB) has prepared a financial statement for the year ended 30 June 2016 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 2013-14 and 2014-15.

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 2015-16 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 2016, give a true and fair view of the matters required by the Act and the National Health Reform Agreement.

Yours sincerely,



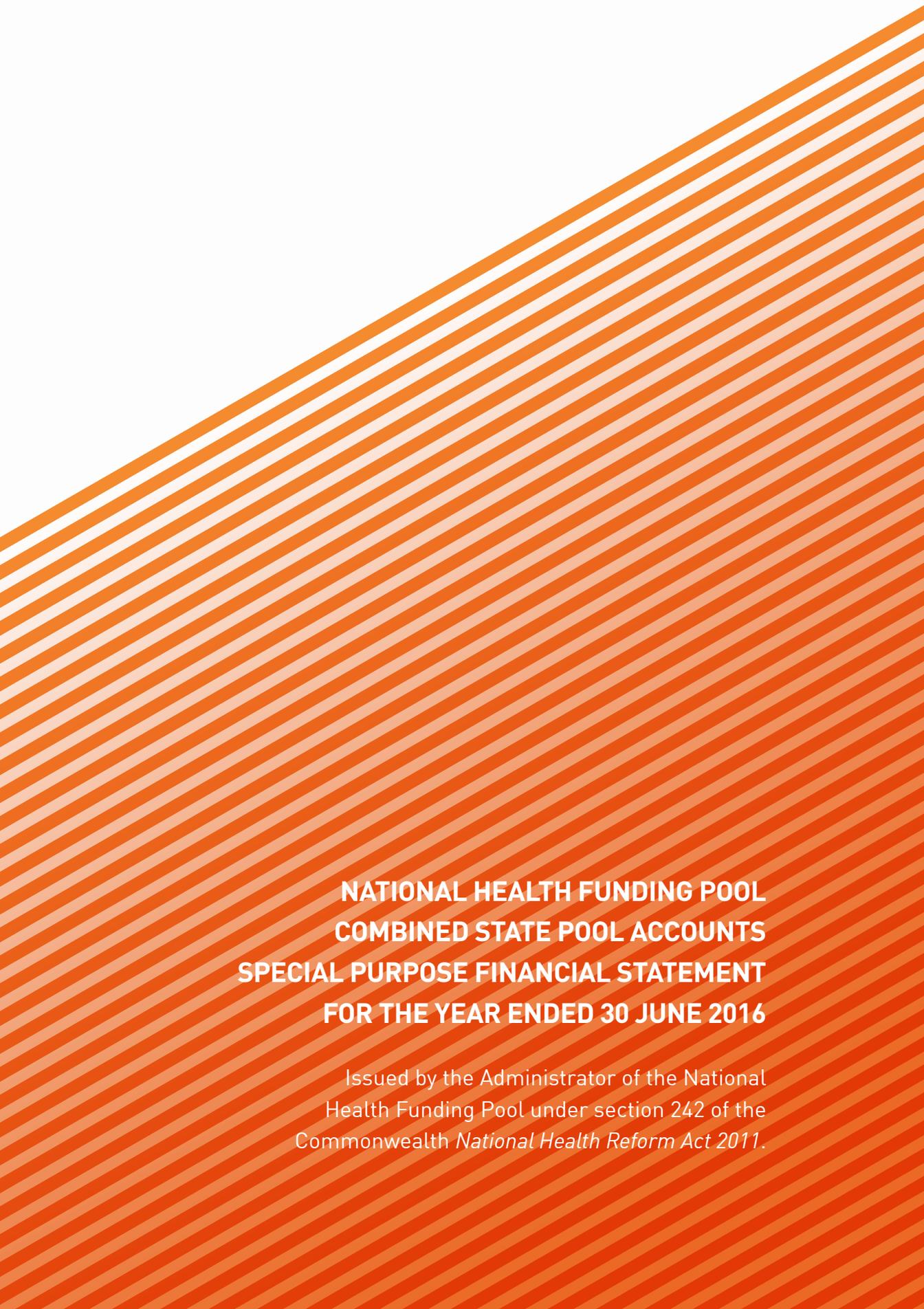
Lynton Norris  
Chief Executive Officer  
National Health Funding Body



Karin van Leeuwen  
Chief Finance Officer  
National Health Funding Body

# COMBINED FINANCIAL STATEMENT





**NATIONAL HEALTH FUNDING POOL  
COMBINED STATE POOL ACCOUNTS  
SPECIAL PURPOSE FINANCIAL STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2016**

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



**Administrator**  
National Health  
Funding Pool

### **Combined State Pool Account**

I report that, as indicated in note 1(b) to the financial statement, I have determined that the attached special purpose financial statement comprising 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 2016 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.

Peter Achterstraat AM  
Administrator  
National Health Funding Pool

30 September 2016

**Combined State Pool Accounts  
Special purpose financial statement  
for the year ended 30 June 2016**

## **CONTENTS**

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**Combined State Pool Accounts**  
**Unaudited Statement of receipts and payments**  
**for the year ended 30 June 2016**

	NSW \$'000	VIC \$'000	QLD \$'000	WA \$'000	SA \$'000
<b>RECEIPTS INTO THE STATE POOL ACCOUNT</b>					
<b>From Commonwealth (Note 2A)</b>					
Activity Based Funding	4,771,445	3,603,513	3,073,510	1,539,165	1,032,975
Block funding	624,999	488,430	386,386	265,078	165,916
Public health funding	113,224	88,465	71,161	38,528	25,227
<b>From State/Territory</b>					
Activity Based Funding	5,618,243	4,183,055	5,430,498	2,656,449	1,915,600
Cross-border contribution	185,800	-	35,600	-	1,400
<b>From other States or Territories</b>					
Cross-border receipts	52,600	45,000	51,200	-	5,600
<b>From Reserve Bank of Australia</b>					
Interest receipts	3,413	937	547	9	3,615
<b>TOTAL RECEIPTS</b>	<b>11,369,724</b>	<b>8,409,400</b>	<b>9,048,902</b>	<b>4,499,229</b>	<b>3,150,333</b>
<b>PAYMENTS OUT OF THE STATE POOL ACCOUNT</b>					
<b>To Local Hospital Networks</b>					
Activity Based Funding	10,389,688	7,767,913	8,504,008	4,195,614	2,893,344
<b>To State Managed Fund</b>					
Block funding	624,999	488,430	386,386	265,078	165,916
Cross-border transfer	-	-	-	-	-
<b>To State/Territory Health Department</b>					
Public health funding	113,224	88,465	71,161	38,528	25,227
Interest payments	3,413	937	547	9	-
Cross-border transfer	52,600	45,000	51,200	-	-
Withdrawal of over-deposit	-	18,655	-	-	-
<b>To other States or Territories</b>					
Cross-border payments	185,800	-	35,600	-	1,400
<b>TOTAL PAYMENTS</b>	<b>11,369,724</b>	<b>8,409,400</b>	<b>9,048,902</b>	<b>4,499,229</b>	<b>3,085,887</b>
<b>NET RECEIPTS/(PAYMENTS) FOR THE YEAR</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>64,446</b>
<b>OPENING CASH BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>55,722</b>
<b>CLOSING CASH BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>120,168</b>

*The unaudited Combined State Pool Account is an aggregation of the audited financial statements for each state and territory State Pool Account for the year ended 30 June 2016. State Pool Accounts are audited by the respective Auditor-General for each state and territory.*

**Combined State Pool Accounts**  
**Unaudited Statement of receipts and payments**  
**for the year ended 30 June 2016**

	TAS \$'000	ACT \$'000	NT \$'000	TOTAL \$'000
<b>RECEIPTS INTO THE STATE POOL ACCOUNT</b>				
<b>From Commonwealth (Note 2A)</b>				
Activity Based Funding	311,424	293,676	181,515	14,807,223
Block funding	55,913	25,225	13,672	2,025,619
Public health funding	7,627	5,803	3,602	353,637
<b>From State/Territory</b>				
Activity Based Funding	295,672	542,979	294,319	20,936,815
Cross-border contribution	-	15,600	-	238,400
<b>From other States or Territories</b>				
Cross-border receipts	-	84,000	-	238,400
<b>From Reserve Bank of Australia</b>				
Interest receipts	-	-	16	8,537
<b>TOTAL RECEIPTS</b>	<b>670,636</b>	<b>967,283</b>	<b>493,124</b>	<b>38,608,631</b>
<b>PAYMENTS OUT OF THE STATE POOL ACCOUNT</b>				
<b>To Local Hospital Networks</b>				
Activity Based Funding	607,096	913,655	475,834	35,747,152
<b>To State Managed Fund</b>				
Block funding	55,913	25,225	13,672	2,025,619
Cross-border transfer	-	-	-	-
<b>To State/Territory Health Department</b>				
Public health funding	7,627	5,803	3,602	353,637
Interest payments	-	-	-	4,906
Cross-border transfer	-	7,000	-	155,800
Withdrawal of over-deposit	-	-	-	18,655
<b>To other States or Territories</b>				
Cross-border payments	-	15,600	-	238,400
<b>TOTAL PAYMENTS</b>	<b>670,636</b>	<b>967,283</b>	<b>493,108</b>	<b>38,544,169</b>
<b>NET RECEIPTS/(PAYMENTS) FOR THE YEAR</b>	<b>-</b>	<b>-</b>	<b>16</b>	<b>64,462</b>
<b>OPENING CASH BALANCE</b>	<b>-</b>	<b>-</b>	<b>35</b>	<b>55,757</b>
<b>CLOSING CASH BALANCE</b>	<b>-</b>	<b>-</b>	<b>51</b>	<b>120,219</b>

The unaudited Combined State Pool Account is an aggregation of the audited financial statements for each state and territory State Pool Account for the year ended 30 June 2016. State Pool Accounts are audited by the respective Auditor-General for each state and territory.

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

	NSW \$'000	VIC \$'000	QLD \$'000	WA \$'000	SA \$'000
<b>RECEIPTS INTO THE STATE POOL ACCOUNT</b>					
<b>From Commonwealth (Note 2B)</b>					
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
<b>From State/Territory</b>					
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
<b>From other States or Territories</b>					
Cross-border receipts	56,563	76,000	58,000	-	10,000
<b>From Reserve Bank of Australia</b>					
Interest receipts	1,959	1,133	522	15	3,944
<b>TOTAL RECEIPTS</b>	<b>10,263,196</b>	<b>7,950,782</b>	<b>8,301,158</b>	<b>3,636,037</b>	<b>3,130,506</b>
<b>PAYMENTS OUT OF THE STATE POOL ACCOUNT</b>					
<b>To Local Hospital Networks</b>					
Activity Based Funding	9,122,100	7,298,363	7,749,165	3,311,139	2,878,582
<b>To State Managed Fund</b>					
Block funding	737,380	458,210	393,582	287,729	169,545
Cross-border transfer	-	-	-	-	-
<b>To State/Territory Health Department</b>					
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	-	-	-
<b>To other States or Territories</b>					
Cross-border payments	231,471	6,000	32,000	-	2,500
<b>TOTAL PAYMENTS</b>	<b>10,263,196</b>	<b>7,950,782</b>	<b>8,301,158</b>	<b>3,636,037</b>	<b>3,074,784</b>
<b>NET RECEIPTS/(PAYMENTS) FOR THE YEAR</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>55,722</b>
<b>OPENING CASH BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CLOSING CASH BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>55,722</b>

*The unaudited Combined State Pool Account is an aggregation of the audited financial statements for each state and territory State Pool Account for the year ended 30 June 2015. State Pool Accounts are audited by the respective Auditor-General for each state and territory.*

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

	TAS \$'000	ACT \$'000	NT \$'000	TOTAL \$'000
<b>RECEIPTS INTO THE STATE POOL ACCOUNT</b>				
<b>From Commonwealth (Note 2B)</b>				
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
<b>From State/Territory</b>				
Activity Based Funding	311,125	515,172	284,905	19,253,061
Cross-border contribution	-	16,063	-	288,034
<b>From other States or Territories</b>				
Cross-border receipts	-	87,471	-	288,034
<b>From Reserve Bank of Australia</b>				
Interest receipts	-	-	18	7,591
<b>TOTAL RECEIPTS</b>	<b>644,534</b>	<b>929,664</b>	<b>444,334</b>	<b>35,300,211</b>
<b>PAYMENTS OUT OF THE STATE POOL ACCOUNT</b>				
<b>To Local Hospital Networks</b>				
Activity Based Funding	579,981	884,322	424,031	32,247,683
<b>To State Managed Fund</b>				
Block funding	57,188	23,736	16,752	2,144,122
Cross-border transfer	-	-	-	-
<b>To State/Territory Health Department</b>				
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
<b>To other States or Territories</b>				
Cross-border payments	-	16,063	-	288,034
<b>TOTAL PAYMENTS</b>	<b>644,534</b>	<b>929,664</b>	<b>444,316</b>	<b>35,244,471</b>
<b>NET RECEIPTS/(PAYMENTS) FOR THE YEAR</b>	<b>-</b>	<b>-</b>	<b>18</b>	<b>55,740</b>
<b>OPENING CASH BALANCE</b>	<b>-</b>	<b>-</b>	<b>17</b>	<b>17</b>
<b>CLOSING CASH BALANCE</b>	<b>-</b>	<b>-</b>	<b>35</b>	<b>55,757</b>

The unaudited Combined State Pool Account is an aggregation of the audited financial statements for each state and territory State Pool Account for the year ended 30 June 2015. State Pool Accounts are audited by the respective Auditor-General for each state and territory.

**Combined State Pool Accounts**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

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

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.

### **(A) REPORTING ENTITY**

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.

Mr Bob Sendt, the inaugural Administrator, retired on 1 August 2015.

The Acting Administrator, Mr Kim Snowball, was appointed on 1 August 2015 and resigned on 22 February 2016. The current Administrator, Mr Peter Achterstraat AM, was appointed on 23 February 2016.

Following the signing of the *Heads of Agreement between the Commonwealth and States and Territories on Public Hospital Funding* on 1 April 2016, the Australian Government has reinstated the Administrator and the National Health Funding Body (NHFB). The Administrator and the NHFB had been scheduled to cease from 31 March 2018, as announced in the *2015–16 Mid-Year Economic and Fiscal Outlook*.

### **(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 Administrator of the National Health Funding Pool on 30 September 2016.

**Combined State Pool Accounts**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

**(C) COMPARATIVE FIGURES**

Prior year comparative information has been disclosed. The results for 2014–15 are for the year ended 30 June 2015 and the results for 2015–16 are for the year ended 30 June 2016.

**(D) NATIONAL HEALTH FUNDING POOL**

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

**(E) ACTIVITY BASED FUNDING**

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

In 2014–15 and 2015–16 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.

Commonwealth ABF contributions for each service category were calculated by summing the states' and territories' prior year amounts 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 National Efficient Price (NEP) relative to the prior year. The volume change is 45% of the net change in the volume of weighted services relative to the prior year.

**Combined State Pool Accounts**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

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 2014–15:

- 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 2014 to 31 December 2014 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 2014–15 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.

## Combined State Pool Accounts

### Notes to and forming part of the special purpose financial statement for the year ended 30 June 2016

In 2014–15 and 2015–16 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 2015–16, Commonwealth Block contributions for each state and territory for each service category were calculated by summing the states and territories 2014–15 amount and 45% change in the NEC between 2014–15 and 2015–16.

#### **(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.

**Combined State Pool Accounts**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

**(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.

**(K) STATE MANAGED FUND**

The block funding provided directly by a state and territory into each State Managed Fund is not audited by the relevant Auditor-General (as it does not flow through the National Health Funding Pool). This block funding is the reconciling item between the total funding and payments disclosed for each state and territory within the Annual Report and the audited financial statements for each state and territory State Pool Account for the year ended 30 June 2016.

**Combined State Pool Accounts**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

## **NOTE 2: AMOUNTS PAID BY THE COMMONWEALTH INTO EACH STATE POOL ACCOUNT**

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

Note 2A (2015–16) and Note 2B (2014–15) summarise the calculated Commonwealth contribution by national health reform type and service category. These include amounts paid by the Commonwealth into each State Pool Account for funding related to services provided in the current year as well as adjustments due to reconciliation of actual services delivered in the prior year.

The Commonwealth Contribution Model is reviewed by the Australian National Audit Office on behalf of the Australian Government Department of Treasury.

## NOTE 2A: AMOUNTS PAID BY THE COMMONWEALTH INTO EACH STATE POOL ACCOUNT IN 2015–16 (\$'000)

	NSW \$'000	VIC \$'000	QLD \$'000	WA \$'000	SA \$'000
<b>Payments in respect of 2015–16 services</b>					
<b>Activity Based Funding</b>					
Acute admitted	2,633,386	2,275,377	1,910,540	952,354	604,410
Admitted mental health	261,358	151,696	122,048	58,380	57,016
Sub-acute	237,087	276,767	100,394	99,357	48,089
Emergency department	518,067	365,253	388,443	200,105	102,210
Non-admitted	986,896	505,524	420,702	244,549	198,989
<b>Total activity based funding</b>	<b>4,636,794</b>	<b>3,574,617</b>	<b>2,942,127</b>	<b>1,554,746</b>	<b>1,010,714</b>
<b>Block funding</b>					
Small rural hospitals	306,244	85,191	230,263	107,973	79,621
Teaching, training and research	149,212	111,299	35,093	90,705	30,233
Non-admitted mental health	169,543	291,912	121,029	66,401	37,196
Other non-admitted services	–	29	–	–	18,866
<b>Total block funding</b>	<b>624,999</b>	<b>488,430</b>	<b>386,386</b>	<b>265,078</b>	<b>165,916</b>
<b>Public health funding</b>					
Public health funding	113,384	88,575	71,303	38,881	25,241
<b>Total funding</b>	<b>5,375,177</b>	<b>4,151,622</b>	<b>3,399,816</b>	<b>1,858,705</b>	<b>1,201,871</b>
<b>Payments in respect of 2014–15 services</b>					
<b>Adjustments due to reconciliation of actual services delivered</b>	<b>134,493</b>	<b>28,785</b>	<b>131,241</b>	<b>(15,934)</b>	<b>22,247</b>
<b>Total amount paid by the Commonwealth into each State Pool Account in 2015–16*</b>					
<b>Amount paid in 2015–16**</b>	<b>5,509,669</b>	<b>4,180,408</b>	<b>3,531,058</b>	<b>1,842,771</b>	<b>1,224,118</b>

\* 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.

\*\* Total amount paid by the Commonwealth is the sum of activity based funding, block funding and public health funding.

	TAS \$'000	ACT \$'000	NT \$'000	TOTAL \$'000
<b>Payments in respect of 2015–16 services</b>				
<b>Activity Based Funding</b>				
Acute admitted	204,009	189,822	118,620	<b>8,888,518</b>
Admitted mental health	8,875	12,088	2,611	<b>674,071</b>
Sub-acute	13,949	16,981	7,509	<b>800,134</b>
Emergency department	28,937	31,367	22,217	<b>1,656,599</b>
Non-admitted	42,699	40,366	19,579	<b>2,459,305</b>
<b>Total activity based funding</b>	<b>298,470</b>	<b>290,624</b>	<b>170,536</b>	<b>14,478,627</b>
<b>Block funding</b>				
Small rural hospitals	30,070	1,015	6,463	<b>846,840</b>
Teaching, training and research	13,808	6,565	4,215	<b>441,130</b>
Non-admitted mental health	12,036	17,645	2,993	<b>718,756</b>
Other non-admitted services	–	–	–	<b>18,894</b>
<b>Total block funding</b>	<b>55,913</b>	<b>25,225</b>	<b>13,672</b>	<b>2,025,621</b>
<b>Public health funding</b>				
Public health funding	7,632	5,815	3,641	<b>354,472</b>
<b>Total funding</b>	<b>362,015</b>	<b>321,665</b>	<b>187,850</b>	<b>16,858,720</b>
<b>Payments in respect of 2014–15 services</b>				
<b>Adjustments due to reconciliation of actual services delivered</b>	<b>12,949</b>	<b>3,040</b>	<b>10,939</b>	<b>327,760</b>
<b>Total amount paid by the Commonwealth into each State Pool Account in 2015–16*</b>				
<b>Amount paid in 2015–16**</b>	<b>374,964</b>	<b>324,704</b>	<b>198,789</b>	<b>17,186,480</b>

\* 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.

\*\* Total amount paid by the Commonwealth is the sum of activity based funding, block funding and public health funding.

## NOTE 2B: AMOUNTS PAID BY THE COMMONWEALTH INTO EACH STATE POOL ACCOUNT IN 2014–15 (\$'000)

	NSW \$'000	VIC \$'000	QLD \$'000	WA \$'000	SA \$'000
<b>Payments in respect of 2014–15 services</b>					
<b>Activity Based Funding</b>					
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
<b>Total activity based funding</b>	<b>4,032,474</b>	<b>3,308,715</b>	<b>2,599,364</b>	<b>1,430,385</b>	<b>930,993</b>
<b>Block funding</b>					
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
<b>Total block funding</b>	<b>737,109</b>	<b>458,304</b>	<b>393,936</b>	<b>288,059</b>	<b>169,555</b>
<b>Public health funding</b>					
Public health funding	108,152	84,136	67,952	37,199	24,159
<b>Total funding</b>	<b>4,877,735</b>	<b>3,851,154</b>	<b>3,061,252</b>	<b>1,755,643</b>	<b>1,124,707</b>
<b>Payments in respect of 2013–14 services</b>					
<b>Adjustments due to reconciliation of actual services delivered</b>	<b>(16,706)</b>	<b>12,089</b>	<b>(1,733)</b>	<b>(5,286)</b>	<b>856</b>
<b>Total amount paid by the Commonwealth into each State Pool Account in 2014–15*</b>					
<b>Amount paid in 2014–15**</b>	<b>4,861,029</b>	<b>3,863,243</b>	<b>3,059,520</b>	<b>1,750,357</b>	<b>1,125,562</b>

\* 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.

\*\* Total amount paid by the Commonwealth is the sum of activity based funding, block funding and public health funding.

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

\* 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.

\*\* Total amount paid by the Commonwealth is the sum of activity based funding, block funding and public health funding.

# **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'. For the purposes of this legislative reporting, the 'relevant State' is the state or territory that holds the bank accounts opened under the laws of that state or territory for *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 and territories and forms part of the Administrator's monthly reporting requirements, located at [publichospitalfunding.gov.au/reports](http://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 or territory appears in the chapters following.

## SECTION 24(12)(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)					
	2015–16			2014–15		
	State Pool Account — ABF*	State Managed Fund — Block	Total	State Pool Account — ABF*	State Managed Fund — Block	Total
New South Wales	5,804,043	531,212	6,335,255	5,343,645	933,330	6,276,974
Victoria	4,183,055	625,400	4,808,455	4,010,420	574,730	4,585,151
Queensland	5,466,097	882,494	6,348,591	5,183,116	931,095	6,114,211
Western Australia	2,656,449	525,660	3,182,110	1,885,664	428,591	2,314,255
South Australia	1,917,000	218,139	2,135,139	1,991,000	163,468	2,154,468
Tasmania	295,672	361,806	657,478	311,125	324,261	635,386
Australian Capital Territory	558,579	43,211	601,790	531,235	36,044	567,279
Northern Territory	294,319	485,017	779,336	284,905	449,663	734,568
<b>NATIONAL TOTAL</b>	<b>21,175,215</b>	<b>3,672,939</b>	<b>24,848,154</b>	<b>19,541,109</b>	<b>3,841,183</b>	<b>23,382,292</b>

\*In accordance with the provisions of the Act, this table does not include interest deposited in the Pool account and cross-border receipts from other states 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(12)(B) — THE AMOUNTS PAID INTO EACH STATE POOL ACCOUNT BY THE COMMONWEALTH AND THE BASIS ON WHICH THE PAYMENTS WERE MADE**

State or Territory	Amount paid by Commonwealth into State Pool Account (\$'000)											
	2015–16					2014–15						
	Activity Based Funding	Block funding	Public Health funding	Total	Activity Based Funding	Block funding	Public Health funding	Total	Activity Based Funding	Block funding	Public Health funding	Total
New South Wales	4,771,445	624,999	113,224	<b>5,509,669</b>	4,015,457	737,380	108,192	<b>4,861,029</b>				
Victoria	3,603,513	488,430	88,465	<b>4,180,408</b>	3,320,915	458,210	84,119	<b>3,863,243</b>				
Queensland	3,073,510	386,386	71,161	<b>3,531,058</b>	2,598,049	393,582	67,889	<b>3,059,520</b>				
Western Australia	1,539,165	265,078	38,528	<b>1,842,771</b>	1,425,475	287,729	37,154	<b>1,750,357</b>				
South Australia	1,032,975	165,916	25,228	<b>1,224,118</b>	931,860	169,545	24,157	<b>1,125,562</b>				
Tasmania	311,424	55,913	7,627	<b>374,964</b>	268,856	57,188	7,365	<b>333,410</b>				
Australian Capital Territory	293,676	25,225	5,803	<b>324,704</b>	281,679	23,736	5,543	<b>310,958</b>				
Northern Territory	181,515	13,672	3,602	<b>198,789</b>	139,126	16,752	3,533	<b>159,411</b>				
<b>NATIONAL TOTAL</b>	<b>14,807,223</b>	<b>2,025,621</b>	<b>353,636</b>	<b>17,186,480</b>	<b>12,981,417</b>	<b>2,144,122</b>	<b>337,951</b>	<b>15,463,490</b>				

The basis of Commonwealth national health reform funding for 2015–16 (as specified in the *National Health Reform Agreement* (clause A33)) is as follows:

#### **PUBLIC HEALTH (CLAUSE A43)**

Payments for Public Health activities for 2015–16 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(12)(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)										
	2015–16					2014–15					
	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	10,389,688	624,999	355,037	11,369,724	9,122,100	737,380	403,716	10,263,195			
Victoria	7,767,913	488,430	153,057	8,409,400	7,298,363	458,210	194,224	7,950,797			
Queensland	8,504,008	386,386	158,508	9,048,902	7,749,164	393,582	158,411	8,301,157			
Western Australia	4,195,614	265,078	38,536	4,499,229	3,311,138	287,729	37,169	3,636,036			
South Australia	2,893,344	165,916	26,628	3,085,887	2,878,582	169,545	26,657	3,074,784			
Tasmania	607,096	55,913	7,627	670,636	579,981	57,188	7,365	644,534			
Australian Capital Territory	913,655	25,225	28,403	967,283	884,323	23,736	21,605	929,664			
Northern Territory	475,834	13,672	3,602	493,108	424,031	16,752	3,533	444,316			
<b>NATIONAL TOTAL</b>	<b>35,747,153</b>	<b>2,025,621</b>	<b>771,396</b>	<b>38,544,170</b>	<b>32,247,682</b>	<b>2,144,122</b>	<b>852,680</b>	<b>35,244,483</b>			

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

## SECTION 24(12)(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)					
	2015–16			2014–15		
	Local Hospital Networks	Other organisations or funds	Total	Local Hospital Networks	Other organisations or funds	Total
New South Wales	1,156,211	–	1,156,211	1,575,223	95,486	1,670,709
Victoria	1,075,799	28,960	1,104,759	1,001,232	23,499	1,024,731
Queensland	1,268,081	–	1,268,081	1,323,047	–	1,323,047
Western Australia	789,698	1,041	790,739	714,684	1,636	716,320
South Australia	384,055	–	384,055	333,013	–	333,013
Tasmania	417,719	–	417,719	381,450	–	381,450
Australian Capital Territory	68,436	–	68,436	59,780	–	59,780
Northern Territory	498,689	–	498,689	466,415	–	466,415
<b>NATIONAL TOTAL</b>	<b>5,658,688</b>	<b>30,001</b>	<b>5,688,690</b>	<b>5,854,843</b>	<b>120,622</b>	<b>5,975,465</b>

For detailed information regarding each state and territory, including basis of payments and GST inclusions 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)		
	2015–16 Estimate	2014–15 Actual	2014–15 Estimate
New South Wales	2,557,211	2,402,192	2,342,511
Victoria	1,907,728	1,877,696	1,840,373
Queensland	1,489,257	1,429,362	1,377,733
Western Australia	777,032	739,641	749,831
South Australia	578,206	565,698	558,731
Tasmania	135,000	132,519	128,841
Australian Capital Territory	140,066	137,230	133,800
Northern Territory	127,825	119,593	114,661
<b>NATIONAL TOTAL</b>	<b>7,712,325</b>	<b>7,403,930</b>	<b>7,246,482</b>

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

States 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 2014–15 form part of the 2015–16 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 2014–15 and 2015–16 no state or territory reported ‘other public hospital services and functions funded’ from the National Health Funding Pool or State Managed Fund.



TOTAL FUNDING

**\$11.8**  
**BILLION**

**MADE UP OF...**

- + \$5.5 BILLION**  
IN COMMONWEALTH  
FUNDING AND
- + \$5.8 BILLION**  
IN STATE FUNDING  
RECEIPTED INTO THE  
NSW STATE POOL  
ACCOUNT PLUS
- + \$0.5 BILLION**  
IN STATE FUNDING  
RECEIPTED INTO  
THE NSW STATE  
MANAGED FUND

**2,557,211**

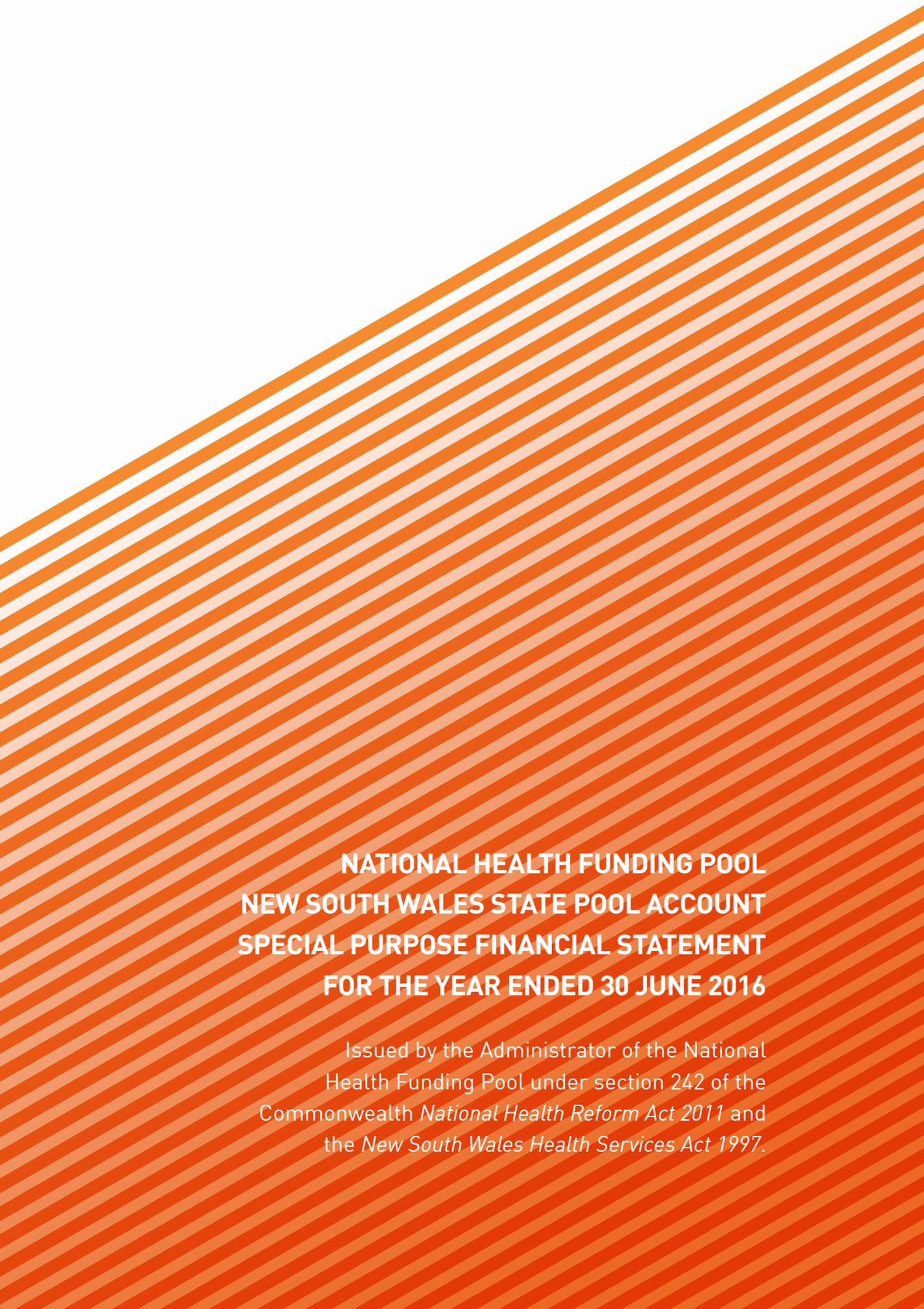
**WEIGHTED PUBLIC  
HOSPITAL SERVICES**

MEASURED IN NWAU

**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 2016**

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 2016. The Financial Statement comprises:

- a Statement of Receipts and Payments for the year ended 30 June 2016
- 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 2016, 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 of NSW

2 September 2016



**Administrator  
National Health  
Funding Pool**

**New South Wales State Pool Account**

I report that, as indicated in note 1(b) to the financial statement, I have determined that the attached special purpose financial statement comprising 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 2016 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*.

**Peter Achterstraat AM**  
Administrator  
National Health Funding Pool

13 July 2016

**New South Wales State Pool Account  
Special purpose financial statement  
for the year ended 30 June 2016**

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**New South Wales State Pool Account**  
**Statement of receipts and payments**  
**for the year ended 30 June 2016**

	Notes	2016 \$ '000	2015 \$ '000
<b>RECEIPTS INTO THE STATE POOL ACCOUNT</b>			
<b>From Commonwealth</b>			
Activity Based Funding	2, 6	4,771,445	4,015,457
Block funding		624,999	737,380
Public health funding		113,224	108,192
<b>From New South Wales</b>			
Activity Based Funding	2, 6	5,618,243	5,112,174
Cross-border contribution	5	185,800	231,471
<b>From other States or Territories</b>			
Cross-border receipts	3	52,600	56,563
<b>From Reserve Bank of Australia</b>			
Interest receipts		3,413	1,959
<b>TOTAL RECEIPTS</b>		<b>11,369,724</b>	<b>10,263,196</b>
<b>PAYMENTS OUT OF THE STATE POOL ACCOUNT</b>			
<b>To Local Hospital Networks</b>			
Activity Based Funding	4, 6	10,389,688	9,122,100
<b>To New South Wales State Managed Fund</b>			
Block funding		624,999	737,380
Cross-border transfer		-	-
<b>To New South Wales Ministry of Health</b>			
Public health funding		113,224	108,192
Interest payments		3,413	1,959
Cross-border transfer		52,600	56,563
Withdrawal of over-deposit		-	5,531
<b>To other States or Territories</b>			
Cross-border payments	5	185,800	231,471
<b>TOTAL PAYMENTS</b>		<b>11,369,724</b>	<b>10,263,196</b>
<b>NET RECEIPTS/(PAYMENTS) FOR THE YEAR</b>		<b>-</b>	<b>-</b>
<b>OPENING CASH BALANCE</b>		<b>-</b>	<b>-</b>
<b>CLOSING CASH BALANCE</b>		<b>-</b>	<b>-</b>

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

**New South Wales State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (A) REPORTING ENTITY

The Administrator of the National Health Funding Pool (Administrator) is an independent statutory office holder, distinct from the Commonwealth, state and territory governments, established under legislation of the Commonwealth and state and territory governments.

Mr Bob Sendt, the inaugural Administrator, retired on 1 August 2015.

The Acting Administrator, Mr Kim Snowball, was appointed on 1 August 2015 and resigned on 22 February 2016. The current Administrator, Mr Peter Achterstraat AM, was appointed on 23 February 2016.

Following the signing of the *Heads of Agreement between the Commonwealth and States and Territories on Public Hospital Funding* on 1 April 2016, the Australian Government has reinstated the Administrator and the National Health Funding Body (NHFB).

The Administrator and the NHFB had been scheduled to cease from 31 March 2018, as announced in the *2015–16 Mid-Year Economic and Fiscal Outlook*.

### (B) BASIS OF PREPARATION

The New South Wales State Pool Account was established in accordance with the *New South Wales Health Services Act 1997* and the special purpose financial statement has been prepared in accordance with that Act and Section 242 of the Commonwealth *National Health Reform Act 2011*.

The special purpose financial statement has been prepared on a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

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

The financial statement was authorised for release by the Administrator on 13 July 2016.

**New South Wales State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

**(C) COMPARATIVE FIGURES**

Prior year comparative information has been disclosed. The results for 2014–15 are for the year ended 30 June 2015 and the results for 2015–16 are for the year ended 30 June 2016.

**(D) NATIONAL HEALTH FUNDING POOL**

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

**(E) ACTIVITY BASED FUNDING**

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

In 2014–15 and 2015–16 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.

Commonwealth ABF contributions for each service category were calculated by summing the New South Wales prior year amount and efficient growth. Efficient growth is determined by measuring the change in price and volume. The price adjustment is 45% of the change in the National Efficient Price (NEP) relative to the prior year. The volume adjustment is 45% of the net change in the volume of weighted services relative to the prior year.

## New South Wales State Pool Account Notes to and forming part of the special purpose financial statement for the year ended 30 June 2016

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

In accordance with the *National Health Reform Agreement* (the Agreement), in 2015–16, there were two rounds of reconciliation adjustments relating to actual activity in 2014–15:

- 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 2014 to 31 December 2014 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 2014–15 against the estimated volume of services. The annual adjustment took into account the six month adjustment.

### **(F) BLOCK FUNDING**

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

In 2014–15 and 2015–16 the Commonwealth Block funding supported the following:

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

Commonwealth Block contributions for each service category were calculated by summing the New South Wales prior year amount and 45% of the change in the National Efficient Cost (NEC) between the current year and the prior year.

**New South Wales State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

**(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.

**(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.

**New South Wales State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

## 2 ACTIVITY BASED FUNDING RECEIPTS

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

	2016 \$ '000	2015 \$ '000
Commonwealth Activity Based Funding	4,771,445	4,015,457
New South Wales Activity Based Funding	5,618,243	5,112,174
<b>TOTAL</b>	<b>10,389,688</b>	<b>9,127,631</b>

## 3 CROSS-BORDER RECEIPTS

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

States and Territories	2016 \$ '000	2015 \$ '000
<b>Cross-border receipts</b>		
Victoria	-	6,000
Queensland	35,600	32,000
Western Australia	-	-
South Australia	1,400	2,500
Tasmania	-	-
Australian Capital Territory	15,600	16,063
Northern Territory	-	-
<b>TOTAL</b>	<b>52,600</b>	<b>56,563</b>

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 2016**

## 4 ACTIVITY BASED FUNDING PAYMENTS

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

Local Hospital Networks	2016 \$ '000	2015 \$ '000
Albury Wodonga Health <sup>^</sup>	94,972	-
Central Coast Local Health District	489,615	448,269
Contracted Services — NSW Ministry of Health	9,273	-
Far West Local Health District	59,992	57,522
Hunter New England Local Health District	1,199,662	1,035,011
Illawarra Shoalhaven Local Health District	507,285	470,927
Mid North Coast Local Health District	339,808	328,354
Murrumbidgee Local Health District	231,228	194,863
Nepean Blue Mountains Local Health District	503,521	452,818
Northern NSW Local Health District	456,652	393,914
Northern Sydney Local Health District	864,109	734,310
South Eastern Sydney Local Health District	1,043,462	948,945
South Western Sydney Local Health District	1,140,454	991,536
Southern NSW Local Health District	229,958	204,943
St Vincent's Health Network	255,364	251,491
Sydney Local Health District	965,846	865,471
Sydney Children's Hospitals Network	411,632	385,959
Western NSW Local Health District	461,143	383,553
Western Sydney Local Health District	1,125,712	974,214
<b>TOTAL</b>	<b>10,389,688</b>	<b>9,122,100</b>

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

<sup>^</sup> The Wodonga Campus is a Victorian Campus and Activity Based Funding for this Campus is therefore recognised in the Victorian State Pool Account Special Purpose Financial Statement. The amount recognised in this Financial Statement is for the Albury Campus only. This Local Hospital Network was split into two separate campuses during 2015-16.

**New South Wales State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

## 5 CROSS-BORDER PAYMENTS

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

States and Territories	2016 \$ '000	2015 \$ '000
<b>Cross-border payments</b>		
Victoria	45,000	76,000
Queensland	51,200	58,000
Western Australia	-	-
South Australia	5,600	10,000
Tasmania	-	-
Australian Capital Territory	84,000	87,471
Northern Territory	-	-
<b>TOTAL</b>	<b>185,800</b>	<b>231,471</b>

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

**New South Wales State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

## 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:

	2016 \$ '000	2015 \$ '000
Total Activity Based Funding receipts from the Commonwealth	4,771,445	4,015,457
Total Activity Based Funding receipts from New South Wales	5,618,243	5,112,174
Cross-border receipts	52,600	56,563
Less: Activity Based Funding payments to Local Hospital Networks	(10,389,688)	(9,122,100)
<b>RECEIPTS IN EXCESS OF PAYMENTS</b>	<b>52,600</b>	<b>62,094</b>

For 2016 the receipts in excess of payments balance is represented by withdrawals by the New South Wales Ministry of Health of \$52,600,000 in cross-border receipts, resulting in the net zero (\$0) cash balance in the State Pool Account.

For 2015 the receipts in excess of payments balance is represented by 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.

**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'. For the purposes of this legislative reporting, the 'relevant State' is the state or territory that holds the bank accounts opened under the laws of that state or territory for *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](http://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)	
	2015–16	2014–15
State Pool Account — Activity Based Funding*	5,804,043	5,343,645
State Managed Fund — Block funding	531,212	933,330
<b>NSW TOTAL</b>	<b>6,335,255</b>	<b>6,276,974</b>

*\*In accordance with the provisions of the Act, this table does not include Interest deposited in the Pool account and cross-border receipts from other states 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 2015–16 (at June 2016) was advised by the New South Wales Ministry of Health to be as follows:

*The process for determining 2015–16 NHR payments to LHNs encompassed three distinct elements of preparation for the individual LHN Service Agreements, including development of annual activity estimates, discussion/negotiation of activity levels with individual LHNs, and total state-wide activity across each activity type.*

Consistent with last year's methodology and pursuant with the National Health Reform Agreement (NHRA), the Ministry of Health has adopted the National Weighted Activity Unit (NWAU) as the currency for Activity Based Funding with the applicable version being NWAU15, which is different from the previous year (NWAU14).

The Independent Hospital Pricing Authority (IHPA) has issued the second National Efficient Cost (NEC15) funding model that applies to small regional and remote hospitals. NSW has adopted the mechanics of this funding model expressed in the NEC15 matrix to determine the aggregate funding allocation to LHNs for these small hospitals.

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

In 2015–16 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 LHD/SHN. Activity targets are developed by the Ministry and LHDs/SHNs based on analysis of activity level drivers. This analysis was informed for 2015–16 by the following factors:

- + Weighted population change: providing an indication of expected 'natural' growth
- + Recent trends in activity growth for each LHD/SHN
- + Rate of unplanned re-admissions within 28 days
- + Potentially preventable hospitalisations (PPH)
- + Relative Utilisation Rate adjusted for relevant demographic factors
- + Service quality and appropriateness performance in selected key area
- + 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 2015–16 include:

- + Paediatric Adjustment;
- + Specialist Psychiatric Age Adjustment;
- + Patient Remoteness Area Adjustment;
- + Indigenous Adjustment;
- + Radiotherapy Adjustment;
- + Dialysis Adjustment;
- + Intensive Care Unit (ICU) Adjustment for eligible facilities;
- + Private Patient Service Adjustment;
- + Private Patient Accommodation Adjustment; and
- + Multidisciplinary Clinic Adjustment.

Provisional activity estimates are created at a LHD level to provide the basis for discussion and negotiation with individual health services to determine agreed LHD 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 LHDs and subsequent negotiations for approval or adjustment.

The negotiation process allows for relevant local LHN service issues and activity impacts to be communicated with the NSW Ministry of Health (Ministry) to assess the potential impact on future year activity volumes and the relevance of related service strategies to address these. It is important that negotiation processes recognise that funding and purchasing are undertaken in the environment of a capped State/Commonwealth funding pool for 2015–16 and recognition that NSW contributes the larger portion of these funds as well as being responsible for management of the system as a whole. When negotiations have concluded, the Ministry incorporates the final activity targets in each LHN's annual Service Agreement. Where an LHN achieves delivery of selected services through Affiliated Health Organisations or contracted services with a private provider these arrangements are to be specified in agreements between the LHN and the respective provider. Both the funding (and subsidy) and associated activity pertaining to such providers are included in the budget and the activity estimates appearing in the LHN's annual Service Agreement.

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

*Based on the fact that not all cash related funding for in-scope services flows through the state pool account (ABF) or the state managed fund (in-scope block) and that those funds are retained by the LHD to contribute to the cost of service delivery, the Administrator's reported level of Commonwealth vs state cash paid through the pool does not truly reflect the full cash component funded by the State. Further, although a consistent methodology has been applied, variations in cash prices between LHNs reflect the differing mix of the above components (own sourced revenue and Crown accepted liabilities) of each local hospital network's accrued cost.*

*In addition to receiving weekly cash payments from the state pool account and the state managed fund, LHNs also receive direct State Government funding for 2015–16 for all "out of scope" services not subject to the National Health Reform Agreement arrangements as required under their 2015–16 Service Agreements.*

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

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

*The tables provided do not include the level of additional state funding derived from own source revenues and retained by LHNs and acceptance of crown liabilities (e.g. LSL and Superannuation) that are also available to LHN's monthly to meet the cost of services. The weekly cash payment to an LHN reflects the estimated cost of patient related services anticipated to be delivered during the monthly cash payment period. The estimated monthly activity and the weekly cash payments are determined based on the annual LHN Service Agreements.*

*Cash payments from the NSW state pool account and from the state managed fund to LHNs are processed each Tuesday. Reporting by the Administrator is based on cash payments made during a given month and is therefore dependent on the number of Tuesdays in a particular month.*

*During 2015–16, September 2015, December 2015, March 2016 and May 2016 each have five 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.*

*In 2015–16 cash payments to LHNs from the NSW state pool account are generally calculated based on equal weekly instalments to health services unless otherwise negotiated. State Managed Fund cash payments occur as cash is required and dependent on the LHD bank balance in accordance with NSW Treasury Circular TC15–01 Cash Management — expanding the Scope of the Treasury Banking System.*

*Other payments will occur in 2015–16 that are outside the regular weekly (Tuesday) payment cycle including quarterly payments to Victoria Health for the Albury–Wodonga inter-jurisdictional agreement and payments to other States/Territories for NSW residents treated in their public hospitals. Payments to LHNs may also vary where their cash entitlement alters during the financial year. In March the Commonwealth Contribution to the NHFP was amended to reflect the funding arrangement for treatment of Albury hospital activity for prior years and 2015–16 in the absence of an agreed proposal between NSW and Victoria.*

*NSW has already paid to Victoria its full year contribution for Albury–Wodonga Health from the State Managed Fund. As a result NSW recovered the Commonwealth contributions to the State Managed Fund. Reporting payments to Albury–Wodonga Health through the NHFP and SMF are appropriately recorded as at 30 June 2016. The overall funding to Albury–Wodonga Health did not change, only the source of funding to reflect the receipt of the Commonwealth contributions to the NHFP.*

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

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

*For more information on budget allocations, see the 2015–16 Local Hospital Network Service Agreements which are available on each NSW LHN website as the Chief Executive and Board of the LHN's 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)	
	2015-16	2014-15
Activity Based Funding	4,771,445	4,015,457
Block funding	624,999	737,380
Public Health funding	113,224	108,192
<b>NSW TOTAL</b>	<b>5,509,669</b>	<b>4,861,029</b>

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)	
	2015-16	2014-15
Albury NSW Local Health Services^	94,972	-
Central Coast Local Health District	489,615	448,269
Contracted Services	9,273	-
Far West Local Health District	59,992	57,522
Hunter New England Local Health District	1,199,662	1,035,010
Illawarra Shoalhaven Local Health District	507,285	470,927
Mid North Coast Local Health District	339,808	328,354
Murrumbidgee Local Health District	231,228	194,863
Nepean Blue Mountains Local Health District	503,521	452,818
Northern NSW Local Health District	456,652	393,914
Northern Sydney Local Health District	864,109	734,310
South Eastern Sydney Local Health District	1,043,462	948,945
South Western Sydney Local Health District	1,140,454	991,536
Southern NSW Local Health District	229,958	204,943
St Vincent's Health Network	255,364	251,491

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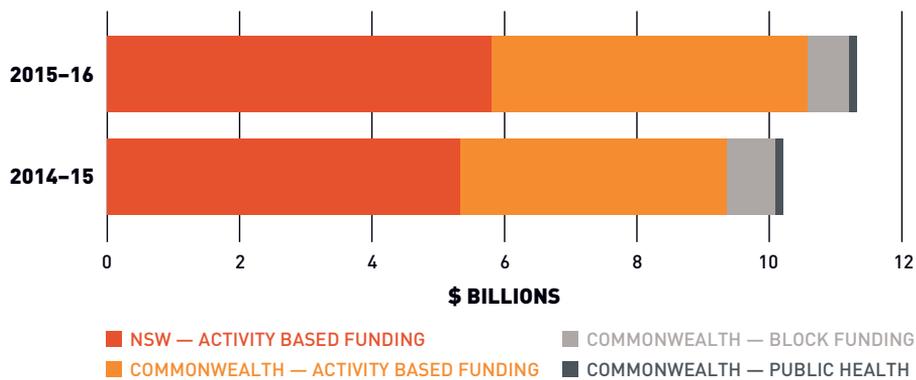
Recipient	Amount paid from NSW State Pool Account (\$'000)	
	2015-16	2014-15
Sydney Children's Hospitals Network	411,632	385,959
Sydney Local Health District	965,846	865,471
Western NSW Local Health District	461,143	383,553
Western Sydney Local Health District	1,125,712	974,214
<b>Total local hospital districts</b>	<b>10,389,688</b>	<b>9,122,100</b>
<b>State Managed Fund</b>	<b>624,999</b>	<b>737,380</b>
<b>Other organisations or funds*</b>	<b>355,037</b>	<b>403,716</b>
<b>NSW TOTAL</b>	<b>11,369,724</b>	<b>10,263,195</b>

<sup>^</sup>The Albury NSW Local Health Services LHN was recognised in the Administrator's Commonwealth funding calculation in 2015-16. The amount paid in 2015-16 includes amounts relating to 2013-14, 2014-15 and 2015-16 weighted hospital services activity.

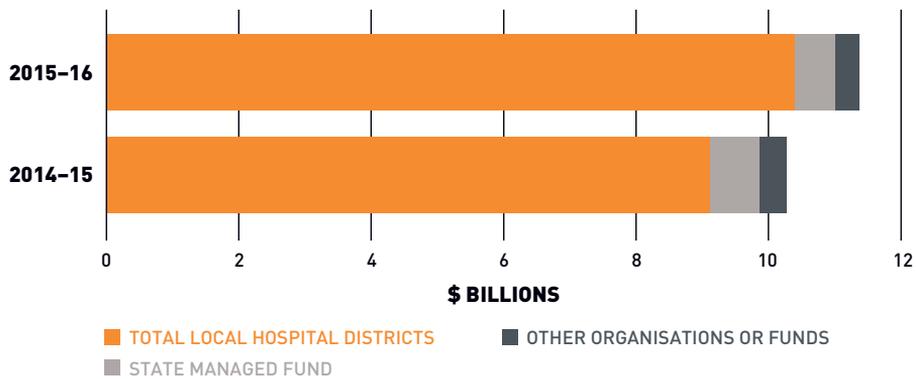
\*Includes a New South Wales cross-border contribution to other states or territories.

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

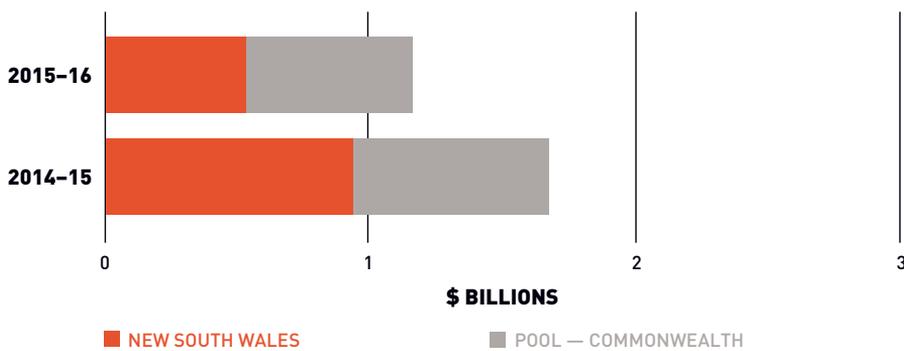
Recipient	Amount paid from NSW State Managed Fund (\$'000)	
	2015-16	2014-15
Albury NSW Local Health Services	4,742	–
Central Coast Local Health District	29,430	51,078
Contracted Services	–	–
Far West Local Health District	13,812	15,415
Hunter New England Local Health District	193,977	299,560
Illawarra Shoalhaven Local Health District	83,217	91,150
Justice Health and Forensic Mental Health Network	48,492	52,917
Mid North Coast Local Health District	38,572	48,302
Murrumbidgee Local Health District	141,177	157,324
Nepean Blue Mountains Local Health District	38,088	48,762
Northern NSW Local Health District	41,329	86,147
Northern Sydney Local Health District	103,058	156,964
South Eastern Sydney Local Health District	34,263	37,631
South Western Sydney Local Health District	45,643	63,664
Southern NSW Local Health District	37,989	52,971
St Vincent's Health Network	26,164	23,873
Sydney Children's Hospitals Network	28,142	27,730
Sydney Local Health District	102,388	110,169

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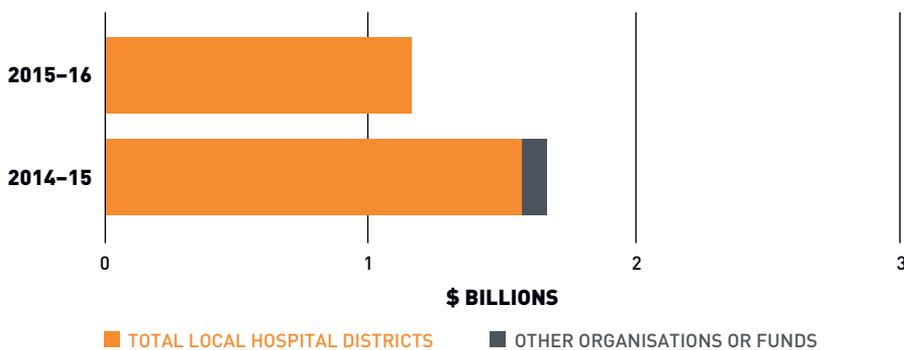
Recipient	Amount paid from NSW State Managed Fund (\$'000)	
	2015-16	2014-15
Western NSW Local Health District	130,679	193,247
Western Sydney Local Health District	15,048	58,317
<b>Total local hospital districts</b>	<b>1,156,211</b>	<b>1,575,223</b>
<b>Other organisations or funds</b>	<b>-</b>	<b>95,486</b>
<b>NSW TOTAL</b>	<b>1,156,211</b>	<b>1,670,709</b>

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

### PAYMENTS INTO THE STATE MANAGED FUND — NSW



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



**SECTION 241(2)(E) THE NUMBER OF PUBLIC HOSPITAL SERVICES FUNDED FOR EACH LOCAL HOSPITAL NETWORK IN ACCORDANCE WITH THE SYSTEM OF ACTIVITY BASED FUNDING**

Local Hospital District	Number of ABF public hospital services funded (NWAU)		
	2015-16 Estimate	2014-15 Actual	2014-15 Estimate
Albury NSW Local Health District	19,748	20,278	-
Central Coast Local Health District	118,604	113,422	110,485
Contracted Services	4,515	-	-
Far West Local Health District	10,614	10,685	10,319
Hunter New England Local Health District	291,089	286,613	266,893
Illawarra Shoalhaven Local Health District	133,715	128,747	122,616
Mid North Coast Local Health District	90,941	84,212	79,499
Murrumbidgee Local Health District	60,476	51,460	52,383
Nepean Blue Mountains Local Health District	122,804	114,526	110,022
Northern NSW Local Health District	113,104	104,915	97,902
Northern Sydney Local Health District	197,634	205,745	196,616
South Eastern Sydney Local Health District	273,796	240,828	254,985
South Western Sydney Local Health District	279,124	272,898	277,034
Southern NSW Local Health District	54,154	45,450	47,314
St Vincent's Health Network	77,390	69,762	72,247
Sydney Children's Hospitals Network	100,679	95,867	99,405
Sydney Local Health District	239,897	224,484	214,770
Western NSW Local Health District	99,010	79,304	85,941
Western Sydney Local Health District	269,916	252,995	244,080
<b>NSW TOTAL</b>	<b>2,557,211</b>	<b>2,402,192</b>	<b>2,342,511</b>

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

New South Wales 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 2014–15 form part of the 2015–16 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 2014–15 and 2015–16 New South Wales did not report any 'other public hospital services and functions funded' from the National Health Funding Pool or State Managed Fund.

TOTAL FUNDING

**\$9.0**  
**BILLION**

**MADE UP OF...**

**+ \$4.2 BILLION**  
IN COMMONWEALTH  
FUNDING AND

**+ \$4.2 BILLION**  
IN STATE FUNDING  
RECEIPTED INTO  
THE VICTORIA  
STATE POOL  
ACCOUNT PLUS

**+ \$0.6 BILLION**  
IN STATE FUNDING  
RECEIPTED INTO  
THE VICTORIA STATE  
MANAGED FUND

**1,907,728**  
**WEIGHTED PUBLIC  
HOSPITAL SERVICES**  
MEASURED IN NWAU

**VICTORIA**

# **FINANCIAL STATEMENT**





**NATIONAL HEALTH FUNDING POOL  
VICTORIA STATE POOL ACCOUNT  
SPECIAL PURPOSE FINANCIAL STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2016**

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

**VAGO**

Victorian Auditor-General's Office

Level 24, 35 Collins Street  
Melbourne VIC 3000  
Telephone 61 3 8601 7000  
Facsimile 61 3 8601 7010  
Website [www.audit.vic.gov.au](http://www.audit.vic.gov.au)**INDEPENDENT AUDITOR'S REPORT****To the Administrator, National Health Funding Pool–Victoria State Pool Account***The Financial Statement*

I have audited the accompanying financial statement for the year ended 30 June 2016 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.

*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 requirements 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, I and my staff and delegates have complied with the applicable independence requirements of the Australian Auditing Standards and relevant ethical pronouncements.

### Opinion

In my opinion, the financial statement presents fairly, in all material respects, the cash receipts and payments of the Victoria State Pool Account for the financial year ended 30 June 2016 in accordance with the financial reporting requirements 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 year ended 30 June 2016 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 those 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  
4 August 2016



Dr. Pieter Frost  
Acting Auditor-General



**Administrator  
National Health  
Funding Pool**

**Victoria State Pool Account**

I report that, as indicated in note 1(b) to the financial statement, I have determined that the attached special purpose financial statement comprising a receipts and payments account with attached notes provides a fair presentation in accordance with the Victorian Health (Commonwealth State Funding Arrangements) Act 2012, the Commonwealth National Health Reform Act 2011 and the National Health Reform Agreement 2011.

In my opinion, the attached financial statement for the year ended 30 June 2016 is based on properly maintained financial records and gives a true and fair view of the matters required by the Victorian Health (Commonwealth State Funding Arrangements) Act 2012, the Commonwealth National Health Reform Act 2011 and the National Health Reform Agreement 2011.

**Peter Achterstraat AM**  
Administrator  
National Health Funding Pool

13 July 2016

**Victoria State Pool Account  
Special purpose financial statement  
for the year ended 30 June 2016**

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**Victoria State Pool Account**  
**Statement of receipts and payments**  
**for the year ended 30 June 2016**

	Notes	2016 \$ '000	2015 \$ '000
<b>RECEIPTS INTO THE STATE POOL ACCOUNT</b>			
<b>From Commonwealth</b>			
Activity Based Funding	2, 6	3,603,513	3,320,915
Block funding		488,430	458,210
Public health funding		88,465	84,119
<b>From Victoria</b>			
Activity Based Funding	2, 6	4,183,055	4,004,405
Cross-border contribution		-	6,000
<b>From other States or Territories</b>			
Cross-border receipts	3	45,000	76,000
<b>From Reserve Bank of Australia</b>			
Interest receipts		937	1,133
<b>TOTAL RECEIPTS</b>		<b>8,409,400</b>	<b>7,950,782</b>
<b>PAYMENTS OUT OF THE STATE POOL ACCOUNT</b>			
<b>To Local Hospital Networks</b>			
Activity Based Funding	4, 6	7,767,913	7,298,363
<b>To Victoria State Managed Fund</b>			
Block funding		488,430	458,210
Cross-border transfer			-
<b>To Victoria Health</b>			
Public health funding		88,465	84,119
Interest payments		937	1,133
Cross-border transfer		45,000	76,000
Withdrawal of over-deposit	6	18,655	26,957
<b>To other States or Territories</b>			
Cross-border payments	5	-	6,000
<b>TOTAL PAYMENTS</b>		<b>8,409,400</b>	<b>7,950,782</b>
<b>NET RECEIPTS/(PAYMENTS) FOR THE YEAR</b>		<b>-</b>	<b>-</b>
<b>OPENING CASH BALANCE</b>		<b>-</b>	<b>-</b>
<b>CLOSING CASH BALANCE</b>		<b>-</b>	<b>-</b>

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

**Victoria State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (A) REPORTING ENTITY

The Administrator of the National Health Funding Pool (Administrator) is an independent statutory office holder, distinct from the Commonwealth, state and territory governments, established under legislation of the Commonwealth and state and territory governments.

Mr Bob Sendt, the inaugural Administrator, retired on 1 August 2015.

The Acting Administrator, Mr Kim Snowball, was appointed on 1 August 2015 and resigned on 22 February 2016. The current Administrator, Mr Peter Achterstraat AM, was appointed on 23 February 2016.

Following the signing of the *Heads of Agreement between the Commonwealth and States and Territories on Public Hospital Funding* on 1 April 2016, the Australian Government has reinstated the Administrator and the National Health Funding Body (NHFB).

The Administrator and the NHFB had been scheduled to cease from 31 March 2018, as announced in the *2015–16 Mid-Year Economic and Fiscal Outlook*.

### (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 a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

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

The financial statement was authorised for issue by the Administrator on 13 July 2016.

**Victoria State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

**(C) COMPARATIVE FIGURES**

Prior year comparative information has been disclosed. The results for 2014–15 are for the year ended 30 June 2015 and the results for 2015–16 are for the year ended 30 June 2016.

**(D) NATIONAL HEALTH FUNDING POOL**

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

**(E) ACTIVITY BASED FUNDING**

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

In 2014–15 and 2015–16 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.

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

## Victoria State Pool Account

### Notes to and forming part of the special purpose financial statement for the year ended 30 June 2016

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

In accordance with the *National Health Reform Agreement* (the Agreement), in 2015–16, there were two rounds of reconciliation adjustments relating to actual activity in 2014–15:

- 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 2014 to 31 December 2014 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 2014–15 against the estimated volume of services. The annual adjustment took into account the six month adjustment.

#### **(F) BLOCK FUNDING**

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

In 2014–15 and 2015–16 the Commonwealth Block funding supported the following:

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

Commonwealth Block contributions for each service category were calculated by summing the Victoria prior year amount and 45% of the change in the National Efficient Cost (NEC) between the current year and the prior year.

**Victoria State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

**(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.

**(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.

**Victoria State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

## 2 ACTIVITY BASED FUNDING RECEIPTS

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

	2016 \$ '000	2015 \$ '000
Commonwealth Activity Based Funding	3,603,513	3,320,915
Victoria Activity Based Funding	4,183,055	4,004,405
<b>TOTAL</b>	<b>7,786,568</b>	<b>7,325,320</b>

## 3 CROSS-BORDER RECEIPTS

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

States and Territories	2016 \$ '000	2015 \$ '000
<b>Cross-border receipts</b>		
New South Wales	45,000	76,000
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Australian Capital Territory	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>45,000</b>	<b>76,000</b>

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

**Victoria State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

## 4 ACTIVITY BASED FUNDING PAYMENTS

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

<b>Local Hospital Networks</b>	<b>2016 \$ '000</b>	<b>2015 \$ '000</b>
Albury Wodonga Health <sup>^</sup>	93,403	82,189
Alfred Health	613,488	580,791
Austin Health	505,261	482,201
Bairnsdale Regional Health Service	46,707	43,886
Ballarat Health Services	194,479	183,073
Barwon Health	361,973	339,811
Bass Coast Regional Health	28,083	26,292
Benalla Health	16,267	15,676
Bendigo Health Care Group	184,736	175,362
Calvary Health Care Bethlehem	24,143	24,021
Castlemaine Health	19,602	17,097
Central Gippsland Health Service	48,430	47,816
Colac Area Health	20,772	20,089
Contracted Services LHN Victoria	42,672	41,493
Djerriwarrh Health Services	38,224	35,228
East Grampians Health Service	14,876	14,287
Eastern Health	596,380	559,463
Echuca Regional Health	39,165	34,120
Gippsland Southern Health Service	16,363	15,937
Goulburn Valley Health	126,329	117,436
Kyabram and District Health Service	11,945	11,479
Latrobe Regional Hospital	136,176	128,661
Maryborough District Health Service	14,789	14,258
Melbourne Health	529,967	499,742
Mercy Public Hospitals Incorporated	266,580	243,631
Monash Health	1,031,993	962,905

*Continued*

**Victoria State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

Local Hospital Networks	2016 \$ '000	2015 \$ '000
Northeast Health Wangaratta	76,603	72,558
Northern Health	331,565	302,537
Peninsula Health	343,404	327,961
Peter MacCallum Cancer Centre	93,580	82,260
Portland District Health	21,745	19,983
Ramsay Healthcare Australia (Mildura Base Hospital)*	88,878	81,426
South West Healthcare	95,868	90,272
St Vincent's Hospital (Melbourne)	385,938	367,068
Stawell Regional Health	12,446	11,890
Swan Hill District Hospital	28,495	27,733
The Royal Children's Hospital	361,678	339,923
The Royal Victorian Eye and Ear Hospital	73,474	69,002
The Royal Women's Hospital	182,780	174,592
West Gippsland Healthcare Group	54,661	52,154
Western District Health Service	32,009	31,568
Western Health	516,651	487,739
Wimmera Health Care Group	45,335	42,753
<b>TOTAL</b>	<b>7,767,913</b>	<b>7,298,363</b>

<sup>^</sup> Amount for Albury Campus of Albury Wodonga Health Local Hospital Network is recognised in the New South Wales State Pool Account Special Purpose Financial Statement.

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

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

The Victorian Minister for Health directed all Activity Based Funding contributions paid to Local Hospital Networks.

**Victoria State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

## 5 CROSS-BORDER PAYMENTS

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

States and Territories	2016 \$ '000	2015 \$ '000
<b>Cross-border payments</b>		
New South Wales	-	6,000
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Australian Capital Territory	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>-</b>	<b>6,000</b>

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

## 6 ACTIVITY BASED FUNDING RECEIPTS AND PAYMENTS

Total Victoria and Commonwealth Activity Based Funding contributions and total local hospital network Activity Based Funding payments:

	2016 \$ '000	2015 \$ '000
Total Activity Based Funding receipts from the Commonwealth	3,603,513	3,320,915
Total Activity Based Funding receipts from Victoria	4,183,055	4,004,405
Cross-border receipts	45,000	76,000
Less: Activity Based Funding payments to Local Hospital Networks	(7,767,913)	(7,298,363)
<b>RECEIPTS IN EXCESS OF PAYMENTS</b>	<b>63,655</b>	<b>102,957</b>

**Victoria State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

For 2016 the receipts in excess of payments balance represented withdrawals by the Victoria Department of Health and Human Services of \$18,655,297 in over-deposits and \$45,000,000 relating to cross-border receipts received from New South Wales, resulting in the net (\$0) cash balance in the State Pool Account at year end.

For 2015 the receipts in excess of payments balance represented withdrawals by the Victorian Department of Health and Human Services of \$26,957,257 in over-deposits and \$76,000,000 relating to cross-border receipts received from New South Wales, resulting in the net (\$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'. For the purposes of this legislative reporting, the 'relevant State' is the state or territory that holds the bank accounts opened under the laws of that state or territory for *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](http://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)	
	2015-16	2014-15
State Pool Account — Activity Based Funding*	4,183,055	4,010,420
State Managed Fund — Block funding	625,400	574,730
<b>VIC TOTAL</b>	<b>4,808,455</b>	<b>4,585,151</b>

*\*In accordance with the provisions of the Act, this table does not include Interest deposited in the Pool account and cross-border receipts from other states 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 2015-16 (at June 2016) was advised by the Victorian Department of Health and Human Services as follows:

*Payments in Victoria are based upon "Statements of Priorities" agreements between Victorian public health services (LHNs) and the Minister for Health. These annual agreements detail the service profile, and strategic priorities the local hospital network will achieve in the year ahead; list the performance priorities and agreed targets; and list funding estimates and associated service activity. Once agreed, Statements of Priorities are published at [www2.health.vic.gov.au/about/statements-of-priorities](http://www2.health.vic.gov.au/about/statements-of-priorities).*

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

Victoria makes 13 payments per annum to public health services. Adjustments to the payments are made for cash flow needs and costs administered by the Victorian Department of Health and Human Services on behalf of LHNs.

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

### 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)	
	2015-16	2014-15
Activity Based Funding	3,603,513	3,320,915
Block funding	488,430	458,210
Public Health funding	88,465	84,119
<b>VIC TOTAL</b>	<b>4,180,408</b>	<b>3,863,243</b>

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)	
	2015-16	2014-15
Albury Wodonga Health	93,403	82,189
Alfred Health	613,488	580,790
Austin Health	505,261	482,201
Bairnsdale Regional Health Service	46,707	43,886
Ballarat Health Services	194,479	183,073

Continued

Recipient	Amount paid from VIC State Pool Account (\$'000)	
	2015-16	2014-15
Barwon Health	361,973	339,811
Bass Coast Regional Health	28,082	26,292
Benalla Health	16,267	15,676
Bendigo Health Care Group	184,736	175,362
Calvary Health Care Bethlehem Limited <sup>^</sup>	24,143	24,021
Castlemaine Health	19,602	17,097
Central Gippsland Health Service	48,430	47,816
Colac Area Health	20,772	20,089
Contracted Services LHN — Victoria <sup>^</sup>	42,672	41,493
Djerriwarrh Health Services	38,224	35,228
East Grampians Health Service	14,876	14,287
Eastern Health	596,380	559,463
Echuca Regional Health	39,165	34,120
Gippsland Southern Health Service	16,363	15,937
Goulburn Valley Health	126,329	117,436
Kyabram District Health Services	11,945	11,479
Latrobe Regional Hospital	136,176	128,661
Maryborough District Health Service	14,789	14,258
Melbourne Health	529,967	499,742
Mercy Public Hospitals Inc. <sup>^</sup>	266,580	243,631
Monash Health (previously Southern Health)	1,031,993	962,904
Northeast Health Wangaratta	76,603	72,558
Northern Health	331,565	302,537
Peninsula Health	343,404	327,961
Peter MacCallum Cancer Institute	93,580	82,260
Portland District Health	21,745	19,983
Ramsay Healthcare Australia <sup>^</sup> (Mildura Base Hospital)*	88,878	81,426
Royal Victorian Eye and Ear Hospital	73,474	69,002
South West Healthcare	95,868	90,272

Continued

Recipient	Amount paid from VIC State Pool Account (\$'000)	
	2015-16	2014-15
St Vincent's Hospital (Melbourne) Limited <sup>^</sup>	385,938	367,068
Stawell Regional Health	12,446	11,890
Swan Hill District Hospital	28,494	27,733
The Royal Children's Hospital	361,678	339,923
The Royal Women's Hospital	182,780	174,592
West Gippsland Healthcare Group	54,660	52,154
Western District Health Service	32,009	31,568
Western Health	516,651	487,739
Wimmera Health Care Group	45,335	42,753
<b>Total Local Hospital Networks</b>	<b>7,767,913</b>	<b>7,298,363</b>
<b>State Managed Fund</b>	<b>488,430</b>	<b>458,210</b>
<b>Other organisations or funds**</b>	<b>153,057</b>	<b>194,224</b>
<b>VIC TOTAL</b>	<b>8,409,400</b>	<b>7,950,797</b>

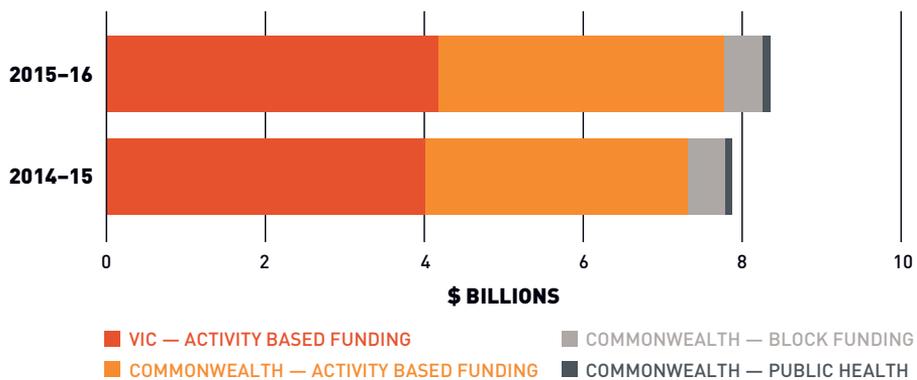
<sup>^</sup>Private provider contracted for public hospital services. Reported payments from the State Pool Account are GST inclusive.

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

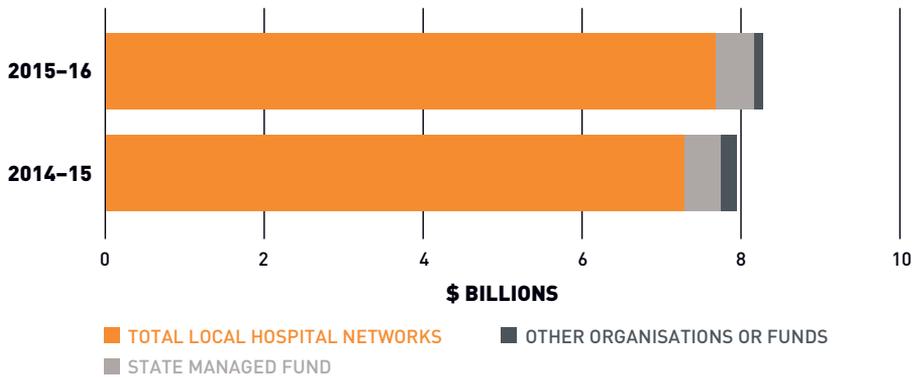
\*\*Includes a Victorian cross-border contribution to other states or territories in 2014-15.

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)	
	2015-16	2014-15
Albury Wodonga Health	21,018	19,278
Alexandra District Hospital	5,444	4,974
Alfred Health	51,884	47,816
Alpine Health	10,404	10,060
Austin Health	46,024	42,410
Bairnsdale Regional Health Service	2,061	1,651
Ballarat Health Services	28,251	27,174
Barwon Health	40,555	38,082
Bass Coast Regional Health	1,122	1,171
Beaufort and Skipton Health Service	3,814	3,786
Beechworth Health Service	3,506	3,422
Benalla Health	320	286
Bendigo Health Care Group	39,117	36,979
Boort District Health	2,067	2,017
Calvary Health Care Bethlehem Limited <sup>^</sup>	879	840
Casterton Memorial Hospital	3,329	3,202
Castlemaine Health	282	261

Continued

Recipient	Amount paid from VIC State Managed Fund (\$'000)	
	2015-16	2014-15
Central Gippsland Health Service	2,093	1,496
Cobram District Health	5,724	5,649
Cohuna District Hospital	4,545	4,412
Colac Area Health	285	335
Contracted Services LHN — Victoria <sup>^</sup>	–	–
Djerriwarrh Health Services	540	642
Dunmunkle Health Services	1,062	1,016
East Grampians Health Service	1,185	593
East Wimmera Health Service	9,255	9,967
Eastern Health	79,822	75,170
Echuca Regional Health	2,442	1,738
Edenhope and District Memorial Hospital	3,124	3,109
Gippsland Southern Health Service	302	243
Goulburn Valley Health	21,121	20,136
Heathcote Health	2,031	1,877
Hepburn Health Service	7,504	7,418
Hesse Rural Health Service	1,704	1,693
Heywood Rural Health	2,165	2,125
Inglewood and Districts Health Service	1,681	1,666
Kerang and District Health	5,673	5,526
Kilmore and District Hospital	10,236	10,391
Kooweerup Regional Health Services	4,709	4,621
Kyabram District Health Services	115	237
Kyneton District Health Service	8,040	7,824
Latrobe Regional Hospital	33,131	31,721
Lorne Community Hospital	2,219	2,114
Maldon Hospital	980	966
Mallee Track Health and Community Service	3,631	3,498
Mansfield District Hospital	6,184	5,731
Maryborough District Health Service	437	463

Continued

Recipient	Amount paid from VIC State Managed Fund (\$'000)	
	2015-16	2014-15
Melbourne Health	123,038	112,748
Mercy Public Hospitals Inc.^	25,459	23,043
Monash Health	108,479	100,345
Moyne Health Services	3,261	3,286
Nathalia District Hospital	1,754	1,685
Northeast Health Wangaratta	3,666	2,915
Northern Health	10,461	10,347
Numurkah District Health Service	7,190	7,220
Omeo District Health	1,903	1,525
Orbost Regional Health	5,058	5,363
Otway Health and Community Services	5,643	2,370
Peninsula Health	32,671	33,106
Peter MacCallum Cancer Institute	2,843	4,062
Portland District Health	1,267	376
Ramsay Healthcare Australia (Mildura Base Hospital)^	10,691	10,650
Robinvale District Health Services	5,218	4,909
Rochester and Elmore District Health Service	4,562	4,390
Royal Victorian Eye and Ear Hospital	1,664	1,646
Rural Northwest Health	7,584	7,454
Seymour District Memorial Hospital	11,161	10,730
South Gippsland Hospital	4,839	4,810
South West Healthcare	15,986	14,567
St Vincent's Hospital (Melbourne) Limited^	52,804	47,558
Stawell Regional Health	378	390
Swan Hill District Hospital	802	768
Tallangatta Health Service	3,021	3,006
Terang and Mortlake Health Service	5,088	4,777
The Royal Children's Hospital	31,362	23,484
The Royal Women's Hospital	2,937	-2,134
Timboon and District Healthcare Service	3,513	3,423

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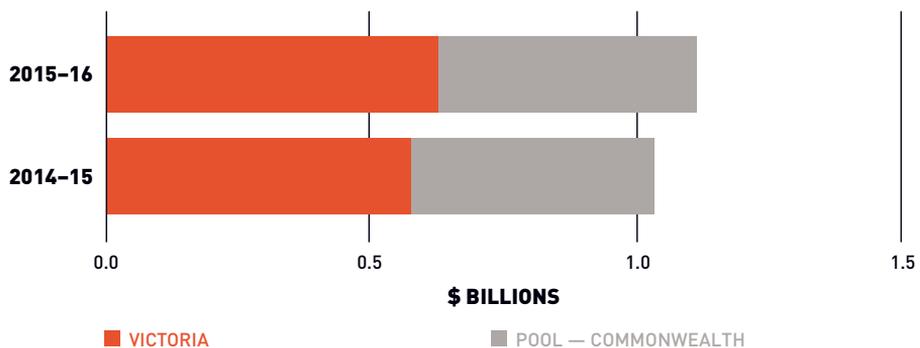
Recipient	Amount paid from VIC State Managed Fund (\$'000)	
	2015-16	2014-15
Upper Murray Health and Community Services	3,618	3,353
Victorian Institute of Forensic Mental Health	44,617	42,677
West Gippsland Healthcare Group	2,155	2,089
West Wimmera Health Service	11,684	11,299
Western District Health Service	4,176	3,894
Western Health	17,143	18,079
Wimmera Health Care Group	1,832	1,585
Yarram and District Health Service	4,614	4,521
Yarrawonga District Health Service	7,515	7,080
Yea and District Memorial Hospital	2,122	2,048
<b>Total Local Hospital Networks</b>	<b>1,075,799</b>	<b>1,001,232</b>
<b>Other organisations or funds*</b>	<b>28,960</b>	<b>23,499</b>
<b>VIC TOTAL</b>	<b>1,104,759</b>	<b>1,024,731</b>

<sup>^</sup>Private provider contracted for public hospital services. Reported payments from the State Pool Account are GST inclusive.

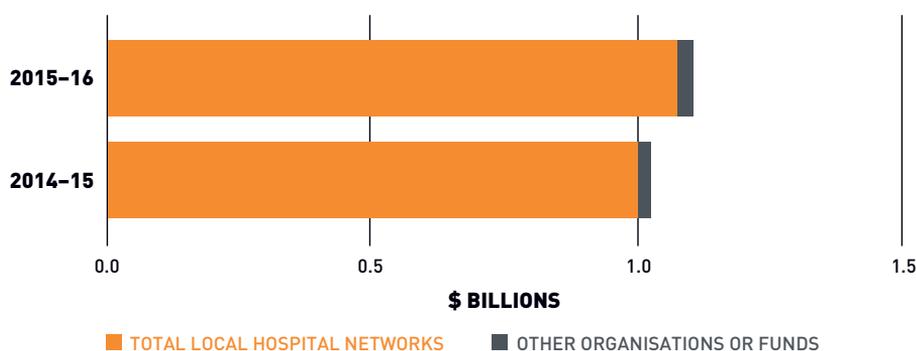
\*Victorian Local Hospital Networks receive Activity Based Funding, block funding and other payments for different services and purposes. Adjustments are made for cash flow needs and costs administered by the Victorian Department of Health on behalf of Local Hospital Networks. Due to the timing and processing of these adjustments, The Royal Women's Hospital received a negative amount from the State Managed Fund in 2014-15.

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)		
	2015-16 Estimate	2014-15 Actual	2014-15 Estimate
Albury Wodonga Health	17,980	17,651	17,377
Alfred Health	147,372	142,749	133,364
Austin Health	118,449	116,219	116,645
Bairnsdale Regional Health Service	12,732	12,339	11,812
Ballarat Health Services	48,612	49,473	48,984
Barwon Health	91,960	92,842	92,786
Bass Coast Regional Health	7,005	7,162	6,705
Benalla Health	4,498	3,706	3,404
Bendigo Health Care Group	50,721	49,231	50,528
Calvary Health Care Bethlehem Limited	5,050	5,066	3,428
Castlemaine Health	4,788	4,532	4,082
Central Gippsland Health Service	11,262	11,090	11,177
Colac Area Health	5,065	5,185	4,404
Contracted Services LHN — Victoria	10,657	10,363	17,453
Djerriwarrh Health Services	7,558	7,643	7,441
East Grampians Health Service	3,555	3,245	3,316
Eastern Health	156,160	153,106	147,035
Echuca Regional Health	9,080	8,102	7,292

Continued

Local Hospital Network	Number of ABF public hospital services funded (NWAU)		
	2015-16 Estimate	2014-15 Actual	2014-15 Estimate
Gippsland Southern Health Service	3,325	3,381	3,053
Goulburn Valley Health	30,107	30,376	29,994
Kyabram District Health Services	2,824	2,561	2,509
Latrobe Regional Hospital	35,013	33,244	32,592
Maryborough District Health Service	3,084	3,050	3,023
Melbourne Health	116,673	116,865	117,173
Mercy Public Hospitals Inc.	59,535	57,723	57,268
Monash Health	271,632	262,696	251,254
Northeast Health Wangaratta	19,540	19,286	18,846
Northern Health	91,663	90,256	86,917
Peninsula Health	90,001	89,554	85,411
Peter Maccallum Cancer Institute	20,309	20,793	20,460
Portland District Health	4,184	4,280	4,133
Ramsay Healthcare Australia (Mildura Base Hospital)	20,626	19,265	19,526
Royal Victorian Eye and Ear Hospital	19,568	19,228	19,508
South West Healthcare	21,223	20,933	22,072
St Vincent's Hospital (Melbourne) Limited	85,204	86,692	84,507
Stawell Regional Health	3,301	3,011	2,769
Swan Hill District Hospital	7,893	7,422	6,818
The Royal Children's Hospital	79,327	77,183	77,991
The Royal Women's Hospital	44,359	42,822	43,421
West Gippsland Healthcare Group	13,597	13,460	14,214
Western District Health Service	7,552	7,555	6,255
Western Health	132,775	135,197	133,404
Wimmera Health Care Group	11,909	11,159	10,022
<b>VIC TOTAL</b>	<b>1,907,728</b>	<b>1,877,696</b>	<b>1,840,373</b>

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

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 2014–15 form part of the 2015–16 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 2014–15 and 2015–16 Victoria did not report any 'other public hospital services and functions funded' from the National Health Funding Pool or State Managed Fund.

TOTAL FUNDING

**\$9.9**  
**BILLION**

**MADE UP OF...**

**+ \$3.5 BILLION**  
IN COMMONWEALTH  
FUNDING AND

**+ \$5.5 BILLION**  
IN STATE FUNDING  
RECEIPTED INTO  
THE QUEENSLAND  
STATE POOL  
ACCOUNT PLUS

**+ \$0.9 BILLION**  
IN STATE FUNDING  
RECEIPTED INTO THE  
QUEENSLAND STATE  
MANAGED FUND

**1,489,257**

**WEIGHTED PUBLIC  
HOSPITAL SERVICES**

MEASURED IN NWAU

**QUEENSLAND**

# **FINANCIAL STATEMENT**





**NATIONAL HEALTH FUNDING POOL  
QUEENSLAND STATE POOL ACCOUNT  
SPECIAL PURPOSE FINANCIAL STATEMENT  
FOR THE PERIOD ENDED 30 JUNE 2016**

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 of the 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 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 period ended 30 June 2016 and notes comprising the basis of preparation and other explanatory information and the certificate provided by the Administrator of the National Health Funding Pool.

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

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

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by the National Health Funding Pool, as well as evaluating the overall presentation of the financial report.

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

### Independence

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

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

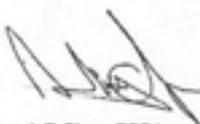
### Opinion

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

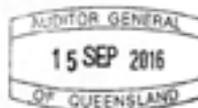
- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion the attached special purpose financial report for the year ended 30 June 2016 is based on properly maintained financial records and gives a true and fair view of the matters required by the Queensland 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 D Glose FCPA  
Auditor-General of Queensland (acting)



Queensland Audit Office  
Brisbane



**Administrator  
National Health  
Funding Pool**

**Queensland State Pool Account**

I report that, as indicated in note 1(b) to the financial statement, I have determined that the attached special purpose financial statement comprising 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 2016 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*.

**Peter Achterstraat AM**  
Administrator  
National Health Funding Pool

14 September 2016

**Queensland State Pool Account  
Special purpose financial statement  
for the year ended 30 June 2016**

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**Queensland State Pool Account**  
**Statement of receipts and payments**  
**for the year ended 30 June 2016**

	Notes	2016 \$ '000	2015 \$ '000
<b>RECEIPTS INTO THE STATE POOL ACCOUNT</b>			
<b>From Commonwealth</b>			
Activity Based Funding	2, 6	3,073,510	2,598,049
Block funding		386,386	393,582
Public health funding		71,161	67,889
<b>From Queensland</b>			
Activity Based Funding	2, 6	5,430,498	5,151,116
Cross-border contribution	5	35,600	32,000
<b>From other States or Territories</b>			
Cross-border receipts	3	51,200	58,000
<b>From Reserve Bank of Australia</b>			
Interest receipts		547	522
<b>TOTAL RECEIPTS</b>		<b>9,048,902</b>	<b>8,301,158</b>
<b>PAYMENTS OUT OF THE STATE POOL ACCOUNT</b>			
<b>To Local Hospital Networks</b>			
Activity Based Funding	4, 6	8,504,008	7,749,165
<b>To Queensland State Managed Fund</b>			
Block funding		386,386	393,582
Cross-border transfer		-	-
<b>To Queensland Health</b>			
Public health funding		71,161	67,889
Interest payments		547	522
Cross-border transfer		51,200	58,000
<b>To other States or Territories</b>			
Cross-border payments	5	35,600	32,000
<b>TOTAL PAYMENTS</b>		<b>9,048,902</b>	<b>8,301,158</b>
<b>NET RECEIPTS/(PAYMENTS) FOR THE YEAR</b>		<b>-</b>	<b>-</b>
<b>OPENING CASH BALANCE</b>		<b>-</b>	<b>-</b>
<b>CLOSING CASH BALANCE</b>		<b>-</b>	<b>-</b>

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

**Queensland State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (A) REPORTING ENTITY

The Administrator of the National Health Funding Pool (Administrator) is an independent statutory office holder, distinct from the Commonwealth, state and territory governments, established under legislation of the Commonwealth and state and territory governments.

Mr Bob Sendt, the inaugural Administrator, retired on 1 August 2015.

The Acting Administrator, Mr Kim Snowball, was appointed on 1 August 2015 and resigned on 22 February 2016. The current Administrator, Mr Peter Achterstraat AM, was appointed on 23 February 2016.

Following the signing of the *Heads of Agreement between the Commonwealth and States and Territories on Public Hospital Funding* on 1 April 2016, the Australian Government has reinstated the Administrator and the National Health Funding Body (NHFB).

The Administrator and the NHFB had been scheduled to cease from 31 March 2018, as announced in the *2015–16 Mid-Year Economic and Fiscal Outlook*.

### (B) BASIS OF PREPARATION

The Queensland State Pool Account was established in accordance with the Queensland *Hospital and Health Boards Act 2011* and the special purpose financial statement has been prepared in accordance with Section 53 of that Act and section 242 of the Commonwealth *National Health Reform Act 2011*.

The special purpose financial statement has been prepared on a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

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

The financial statement was authorised for release by the Administrator on 14 September 2016.

**Queensland State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

**(C) COMPARATIVE FIGURES**

Prior year comparative information has been disclosed. The results for 2014–15 are for the year ended 30 June 2015 and the results for 2015–16 are for the year ended 30 June 2016.

**(D) NATIONAL HEALTH FUNDING POOL**

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

**(E) ACTIVITY BASED FUNDING**

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

In 2014–15 and 2015–16 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.

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

**Queensland State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

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

In accordance with the *National Health Reform Agreement* (the Agreement), in 2015–16, there were two rounds of reconciliation adjustments relating to actual activity in 2014–15:

- 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 2014 to 31 December 2014 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 2014–15 against the estimated volume of services. The annual adjustment took into account the six month adjustment.

### **(F) BLOCK FUNDING**

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

In 2014–15 and 2015–16 the Commonwealth Block funding supported the following:

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

Commonwealth Block contributions for each service category were calculated by summing the Queensland prior year amount and 45% of the change in the National Efficient Cost (NEC) between the current year and the prior year.

**Queensland State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

**(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.

**(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.

**Queensland State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

## 2 ACTIVITY BASED FUNDING RECEIPTS

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

	2016 \$ '000	2015 \$ '000
Commonwealth Activity Based Funding	3,073,510	2,598,049
Queensland Activity Based Funding	5,430,498	5,151,116
<b>TOTAL</b>	<b>8,504,008</b>	<b>7,749,165</b>

## 3 CROSS-BORDER RECEIPTS

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

States and Territories	2016 \$ '000	2015 \$ '000
<b>Cross-border receipts</b>		
New South Wales	51,200	58,000
Victoria	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Australian Capital Territory	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>51,200</b>	<b>58,000</b>

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 2016**

## 4 ACTIVITY BASED FUNDING PAYMENTS

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

Local Hospital Networks	2016 \$ '000	2015 \$ '000
Cairns and Hinterland Hospital and Health Service	522,565	484,139
Central Queensland Hospital and Health Service	290,086	259,207
Children's Health Queensland Hospital and Health Service	420,597	301,281
Darling Downs Hospital and Health Service	354,627	298,744
Gold Coast Hospital and Health Service	951,842	833,422
Mackay Hospital and Health Service	244,179	217,288
Mater Misericordiae Health Service Brisbane	398,989	438,274
Metro North Hospital and Health Service	1,810,325	1,651,770
Metro South Hospital and Health Service	1,585,327	1,484,528
North West Hospital and Health Service	64,848	69,467
Sunshine Coast Hospital and Health Service	580,483	544,084
Townsville Hospital and Health Service	574,969	528,064
West Moreton Hospital and Health Service	300,967	272,014
Wide Bay Hospital and Health Service	404,204	366,883
<b>TOTAL</b>	<b>8,504,008</b>	<b>7,749,165</b>

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

The Queensland Minister for Health directed all Activity Based Funding contributions paid to Local Hospital Networks.

**Queensland State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

## 5 CROSS-BORDER PAYMENTS

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

States and Territories	2016 \$ '000	2015 \$ '000
<b>Cross-border payments</b>		
New South Wales	35,600	32,000
Victoria	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Australian Capital Territory	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>35,600</b>	<b>32,000</b>

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

**Queensland State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

## 6 ACTIVITY BASED FUNDING RECEIPTS AND PAYMENTS

Total Queensland and Commonwealth Activity Based Funding contributions and total local hospital network Activity Based Funding payments:

	2016 \$ '000	2015 \$ '000
Total Activity Based Funding receipts from the Commonwealth	3,073,510	2,598,049
Total Activity Based Funding receipts from the Queensland	5,430,498	5,151,116
Cross-border receipts	51,200	58,000
Less: Activity Based Funding payments to local hospital networks	(8,504,008)	(7,749,165)
<b>RECEIPTS IN EXCESS OF PAYMENTS</b>	<b>51,200</b>	<b>58,000</b>

For 2016 the receipts and payments in excess balance represented withdrawals by the Queensland Department of Health of \$51,200,000 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.

For 2015 the receipts and payments in excess 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.

**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'. For the purposes of this legislative reporting, the 'relevant State' is the state or territory that holds the bank accounts opened under the laws of that state or territory for *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](http://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)	
	2015-16	2014-15
State Pool Account — Activity Based Funding*	5,466,097	5,183,116
State Managed Fund — Block funding	882,494	931,095
<b>QLD TOTAL</b>	<b>6,348,591</b>	<b>6,114,211</b>

*\*In accordance with the provisions of the Act, this table does not include Interest deposited in the Pool account and cross-border receipts from other states 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 2015-16 (at June 2016) 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:

- + 35 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.
- + Where an HHS achieves activity above the NWAU target set through the Service Agreement the NHR growth NWAU value at the State price is paid to HHSs.
- + The remaining public hospitals, predominantly small regional and rural hospitals, and specialist mental health facilities 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 for the actual expenditure for the service.
- + 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.

#### **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)	
	2015-16	2014-15
Activity Based Funding	3,073,510	2,598,049
Block funding	386,386	393,582
Public Health funding	71,161	67,889
<b>QLD TOTAL</b>	<b>3,531,058</b>	<b>3,059,520</b>

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**

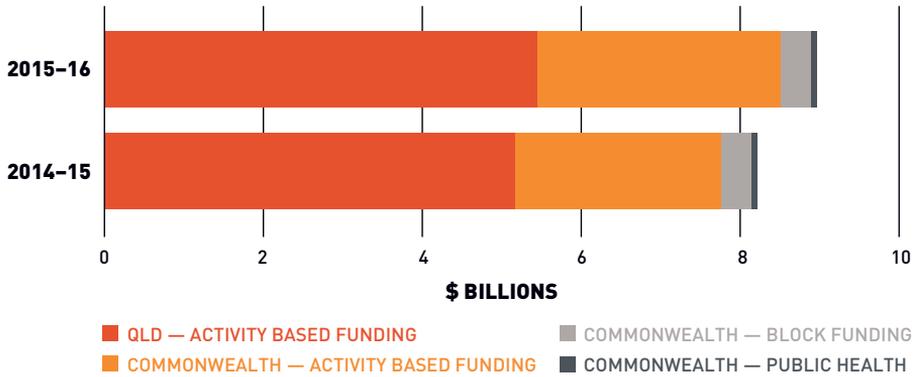
Recipient	Amount paid from QLD State Pool Account (\$'000)	
	2015-16	2014-15
Cairns and Hinterland Hospital and Health Service	522,565	484,139
Central Queensland Hospital and Health Service	290,086	259,207
Children's Health Queensland Hospital and Health Service	420,597	301,281
Darling Downs Hospital and Health Service	354,627	298,744
Gold Coast Hospital and Health Service	951,842	833,422
Mackay Hospital and Health Service	244,179	217,288
Mater Misericordiae Health Service Brisbane <sup>^</sup>	398,988	438,274
Metro North Hospital and Health Service	1,810,325	1,651,769
Metro South Hospital and Health Service	1,585,327	1,484,528
North West Hospital and Health Service	64,848	69,467
Sunshine Coast Hospital and Health Service	580,483	544,084
Townsville Hospital and Health Service	574,969	528,064
West Moreton Hospital and Health Service	300,967	272,014
Wide Bay Hospital and Health Service	404,204	366,883
<b>Total Local Hospital Networks</b>	<b>8,504,008</b>	<b>7,749,164</b>
<b>State Managed Fund</b>	<b>386,386</b>	<b>393,582</b>
<b>Other organisations or funds*</b>	<b>158,508</b>	<b>158,411</b>
<b>QLD TOTAL</b>	<b>9,048,902</b>	<b>8,301,157</b>

<sup>^</sup>Private provider contracted for public hospital services. Reported payments from the State Pool Account are GST inclusive.

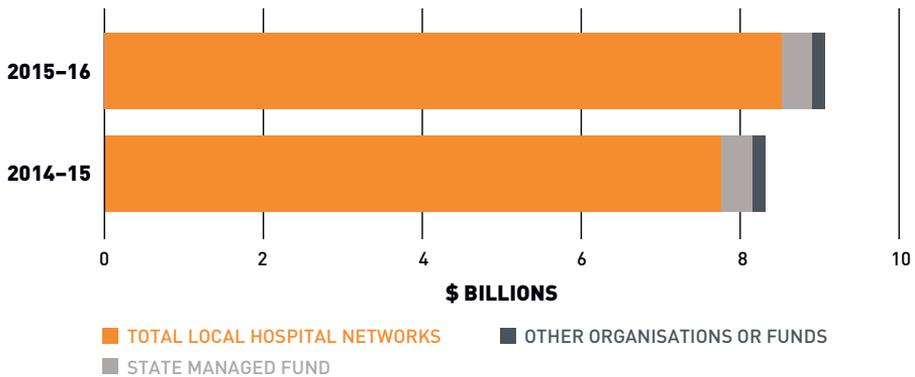
\*Includes a Queensland cross-border contribution to other states or territories.

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)	
	2015-16	2014-15
Cairns and Hinterland Hospital and Health Service	79,914	89,400
Central Queensland Hospital and Health Service	69,081	86,952
Central West Hospital and Health Service	29,249	29,603
Children's Health Queensland Hospital and Health Service	19,294	15,452
Darling Downs Hospital and Health Service	160,950	179,712
Gold Coast Hospital and Health Service	66,229	59,450

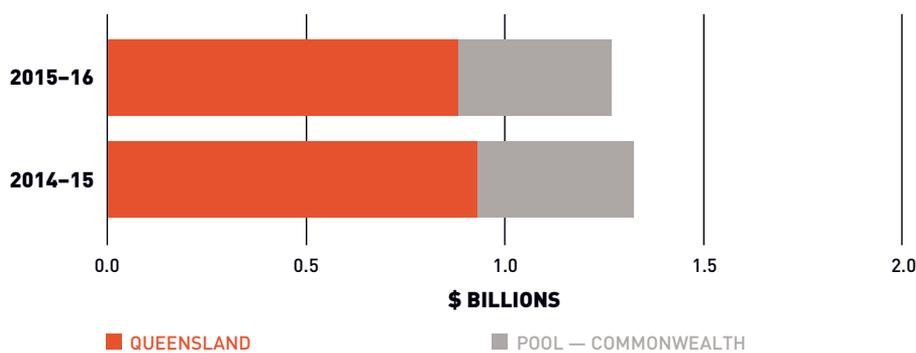
Continued

Recipient	Amount paid from QLD State Managed Fund (\$'000)	
	2015-16	2014-15
Mackay Hospital and Health Service	49,565	46,678
Mater Misericordiae Health Service Brisbane <sup>^</sup>	7,987	16,304
Metro North Hospital and Health Service	141,610	136,434
Metro South Hospital and Health Service	162,152	175,750
North West Hospital and Health Service	29,492	28,306
South West Hospital and Health Service	65,012	65,978
Sunshine Coast Hospital and Health Service	46,060	46,450
Torres and Cape Hospital and Health Service	61,474	55,358
Townsville Hospital and Health Service	116,482	118,625
West Moreton Hospital and Health Service	113,047	118,539
Wide Bay Hospital and Health Service	50,482	54,053
<b>Total Local Hospital Networks</b>	<b>1,268,081</b>	<b>1,323,047</b>
<b>Other organisations or funds</b>	<b>-</b>	<b>-</b>
<b>QLD TOTAL</b>	<b>1,268,081</b>	<b>1,323,047</b>

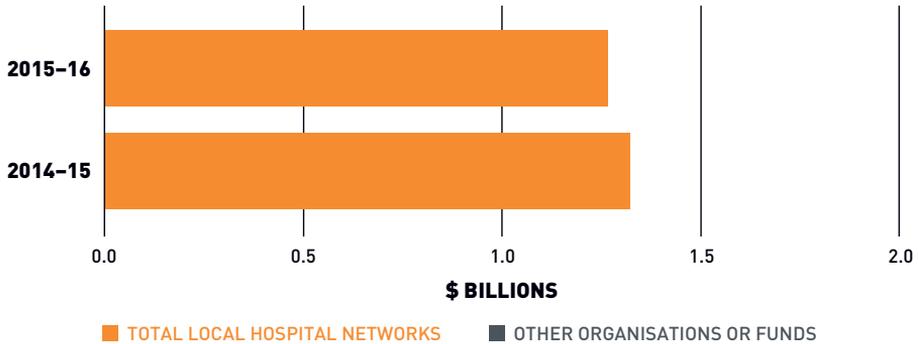
<sup>^</sup>Private provider contracted for public hospital services. Reported payments from the State Pool Account are GST inclusive.

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

## PAYMENTS INTO THE STATE MANAGED FUND — QLD



## PAYMENTS OUT OF THE STATE MANAGED FUND — QLD



## SECTION 241(2)(E) THE NUMBER OF PUBLIC HOSPITAL SERVICES FUNDED FOR EACH LOCAL HOSPITAL NETWORK IN ACCORDANCE WITH THE SYSTEM OF ACTIVITY BASED FUNDING

Local Hospital Network	Number of ABF public hospital services funded (NWAU)		
	2015-16 Estimate	2014-15 Actual	2014-15 Estimate
Cairns and Hinterland Hospital and Health Service	100,125	94,522	90,449
Central Queensland Hospital and Health Service	51,684	46,381	46,888
Children's Health Queensland Hospital and Health Service	66,180	46,579	45,990
Darling Downs Hospital and Health Service	69,616	60,135	58,926
Gold Coast Hospital and Health Service	173,358	163,150	150,643
Mackay Hospital and Health Service	42,487	40,252	37,463
Mater Misericordiae Health Service Brisbane	62,142	69,487	70,924
Metro North Hospital and Health Service	317,671	306,573	294,732
Metro South Hospital and Health Service	266,677	268,241	260,153
North West Hospital and Health Service	10,647	10,425	11,104
Sunshine Coast Hospital and Health Service	108,691	106,479	101,591
Townsville Hospital and Health Service	98,104	96,361	94,320
West Moreton Hospital and Health Service	56,436	55,535	52,093
Wide Bay Hospital and Health Service	65,439	65,242	62,459
<b>QLD TOTAL</b>	<b>1,489,257</b>	<b>1,429,362</b>	<b>1,377,733</b>

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

Queensland 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 2014–15 form part of the 2015–16 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 2014–15 and 2015–16 Queensland did not report any 'other public hospital services and functions funded' from the National Health Funding Pool or State Managed Fund.

TOTAL FUNDING

**\$5.0**  
**BILLION**

**MADE UP OF...**

- + \$1.8 BILLION**  
IN COMMONWEALTH  
FUNDING AND
- + \$2.7 BILLION**  
IN STATE FUNDING  
RECEIPTED INTO  
THE WESTERN  
AUSTRALIA  
STATE POOL  
ACCOUNT PLUS
- + \$0.5 BILLION**  
IN STATE FUNDING  
RECEIPTED INTO  
THE WESTERN  
AUSTRALIA STATE  
MANAGED FUND

**777,032**

**WEIGHTED PUBLIC  
HOSPITAL SERVICES**

MEASURED IN NWAU

**WESTERN  
AUSTRALIA**

# **FINANCIAL STATEMENT**





**NATIONAL HEALTH FUNDING POOL  
WESTERN AUSTRALIA STATE POOL ACCOUNT  
SPECIAL PURPOSE FINANCIAL STATEMENT  
FOR THE PERIOD ENDED 30 JUNE 2016**

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 2016.

The financial statement comprises a Statement of Receipts and Payments for the year ended 30 June 2016, notes comprising a summary of significant accounting policies and other explanatory information, and the Administrator's declaration.

##### 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 2016 in accordance with the National Health Funding Pool Act 2012 (WA) and National Health Reform Act 2011.

##### *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.

**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  
26 September 2016



**Administrator  
National Health  
Funding Pool**

**Western Australia State Pool Account**

I report that, as indicated in note 1(b) to the financial statement, I have determined that the attached special purpose financial statement comprising 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 2016 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.

**Peter Achterstraat AM**  
Administrator  
National Health Funding Pool

13 July 2016

**Western Australia State Pool Account  
Special purpose financial statement  
for the year ended 30 June 2016**

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**Western Australia State Pool Account**  
**Statement of receipts and payments**  
**for the year ended 30 June 2016**

	Notes	2016 \$ '000	2015 \$ '000
<b>RECEIPTS INTO THE STATE POOL ACCOUNT</b>			
<b>From Commonwealth</b>			
Activity Based Funding	2, 6	1,539,165	1,425,475
Block funding		265,078	287,729
Public health funding		38,528	37,154
<b>From Western Australia</b>			
Activity Based Funding	2, 6	2,656,449	1,885,664
Cross-border contribution		-	-
<b>From other States or Territories</b>			
Cross-border receipts	3	-	-
<b>From Reserve Bank of Australia</b>			
Interest receipts		9	15
<b>TOTAL RECEIPTS</b>		<b>4,499,229</b>	<b>3,636,037</b>
<b>PAYMENTS OUT OF THE STATE POOL ACCOUNT</b>			
<b>To Local Hospital Networks</b>			
Activity Based Funding	4, 6	4,195,614	3,311,139
<b>To Western Australia State Managed Fund</b>			
Block funding		265,078	287,729
Cross-border transfer		-	-
<b>To Western Australia Health</b>			
Public health funding		38,528	37,154
Interest payments		9	15
Cross-border transfer		-	-
<b>To other States or Territories</b>			
Cross-border payments	5	-	-
<b>TOTAL PAYMENTS</b>		<b>4,499,229</b>	<b>3,636,037</b>
<b>NET RECEIPTS/(PAYMENTS) FOR THE YEAR</b>		<b>-</b>	<b>-</b>
<b>OPENING CASH BALANCE</b>		<b>-</b>	<b>-</b>
<b>CLOSING CASH BALANCE</b>		<b>-</b>	<b>-</b>

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

**Western Australia State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (A) REPORTING ENTITY

The Administrator of the National Health Funding Pool (Administrator) is an independent statutory office holder, distinct from the Commonwealth, state and territory governments, established under legislation of the Commonwealth and state and territory governments.

Mr Bob Sendt, the inaugural Administrator, retired on 1 August 2015.

The Acting Administrator, Mr Kim Snowball, was appointed on 1 August 2015 and resigned on 22 February 2016. The current Administrator, Mr Peter Achterstraat AM, was appointed on 23 February 2016.

Following the signing of the *Heads of Agreement between the Commonwealth and States and Territories on Public Hospital Funding* on 1 April 2016, the Australian Government has reinstated the Administrator and the National Health Funding Body (NHFB).

The Administrator and the NHFB had been scheduled to cease from 31 March 2018, as announced in the *2015–16 Mid-Year Economic and Fiscal Outlook*.

### (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 a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

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

The financial statement was authorised for release by the Administrator on 13 July 2016.

**Western Australia State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

**(C) COMPARATIVE FIGURES**

Prior year comparative information has been disclosed. The results for 2014–15 are for the year ended 30 June 2015 and the results for 2015–16 are for the year ended 30 June 2016.

**(D) NATIONAL HEALTH FUNDING POOL**

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

**(E) ACTIVITY BASED FUNDING**

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

In 2014–15 and 2015–16 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.

Commonwealth ABF contributions for each service category were calculated by summing the Western Australia prior year amount and efficient growth. Efficient growth is determined by measuring the change in price and volume. The price adjustment is 45% of the change in the National Efficient Price (NEP) relative to the prior year. The volume adjustment is 45% of the net change in the volume of weighted services relative to the prior year.

## Western Australia State Pool Account Notes to and forming part of the special purpose financial statement for the year ended 30 June 2016

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

In accordance with the *National Health Reform Agreement* (the Agreement), in 2015–16, there were two rounds of reconciliation adjustments relating to actual activity in 2014–15:

- 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 2014 to 31 December 2014 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 2014–15 against the estimated volume of services. The annual adjustment took into account the six month adjustment.

### **(F) BLOCK FUNDING**

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

In 2014–15 and 2015–16 the Commonwealth Block funding supported the following:

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

Commonwealth Block contributions for each service category were calculated by summing the Western Australia prior year amount and 45% of the change in the National Efficient Cost (NEC) between the current year and the prior year.

**Western Australia State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

**(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.

**(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.

**Western Australia State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

## 2 ACTIVITY BASED FUNDING RECEIPTS

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

	2016 \$ '000	2015 \$ '000
Commonwealth Activity Based Funding	1,539,165	1,425,475
Western Australia Activity Based Funding	2,656,449	1,885,664
<b>TOTAL</b>	<b>4,195,614</b>	<b>3,311,139</b>

## 3 CROSS-BORDER RECEIPTS

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

States and Territories	2016 \$ '000	2015 \$ '000
<b>Cross-border receipts</b>		
New South Wales	-	-
Victoria	-	-
Queensland	-	-
South Australia	-	-
Tasmania	-	-
Australian Capital Territory	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>

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

**Western Australia State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

## 4 ACTIVITY BASED FUNDING PAYMENTS

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

Local Hospital Networks	2016 \$ '000	2015 \$ '000
Child and Adolescent Health Service	346,502	231,131
Fiona Stanley Hospital — Western Australia*	–	167,630
North Metropolitan Health Service	1,372,313	1,175,355
Notional — Royal Street	91,101	67,928
South Metropolitan Health Service	1,693,981	1,249,389
WA Country Health Service	691,717	419,706
<b>TOTAL</b>	<b>4,195,614</b>	<b>3,311,139</b>

\* Fiona Stanley Hospital was merged into the South Metropolitan Health Service Local Hospital Network in 2015–16.

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.

**Western Australia State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

## 5 CROSS-BORDER PAYMENTS

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

States and Territories	2016 \$ '000	2015 \$ '000
<b>Cross-border payments</b>		
New South Wales	-	-
Victoria	-	-
Queensland	-	-
South Australia	-	-
Tasmania	-	-
Australian Capital Territory	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>

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:

	2016 \$ '000	2015 \$ '000
Total Activity Based Funding receipts from the Commonwealth	1,539,165	1,425,475
Total Activity Based Funding receipts from Western Australia	2,656,449	1,885,664
Less: Activity Based Funding payments to local hospital networks	(4,195,614)	(3,311,139)
<b>RECEIPTS IN EXCESS OF PAYMENTS</b>	<b>-</b>	<b>-</b>

**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'. For the purposes of this legislative reporting, the 'relevant State' is the state or territory that holds the bank accounts opened under the laws of that state or territory for *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](http://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)	
	2015–16	2014–15
State Pool Account — Activity Based Funding*	2,656,449	1,885,664
State Managed Fund — Block funding	525,660	428,591
<b>WA TOTAL</b>	<b>3,182,110</b>	<b>2,314,255</b>

*\*In accordance with the provisions of the Act, this table does not include Interest deposited in the Pool account and cross-border receipts from other states 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 2015–16 (at June 2016) was advised by the Western Australian Department of Health to be as follows:

*The 2015–16 annual activity profiles funding allocations have been developed using the Western Australian Activity Based Funding program methodology. This methodology uses the National Activity Based Funding classifications and associated price weights, including all of the adjustments such as Specialised Paediatric, Rural/remote, Indigenous, ICU and private patient, in conjunction with the necessary local model modifications reflecting WA Health's unique funding mechanisms and principles.*

Activity profiles have been developed consistent with the WA Health clinical services framework and an iterative consultation process with Local Health Networks. The funding allocations include activity based services, block funded services and specified programs.

The State Price, calculated using a methodology more closely aligned to the National ABF framework, provides a more transparent basis for comparing the cost of delivering hospital services in Western Australia against the national cost benchmark (Projected Average Cost). For 2015–16 the gap between the total cost of all WA hospital activity funded at the State Price and the total cost of all WA hospital activity funded at the Projected Average Cost, is called the Community Service Subsidy payment.

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

#### **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)	
	2015–16	2014–15
Activity Based Funding	1,539,165	1,425,475
Block funding	265,078	287,729
Public Health funding	38,528	37,154
<b>WA TOTAL</b>	<b>1,842,771</b>	<b>1,750,357</b>

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

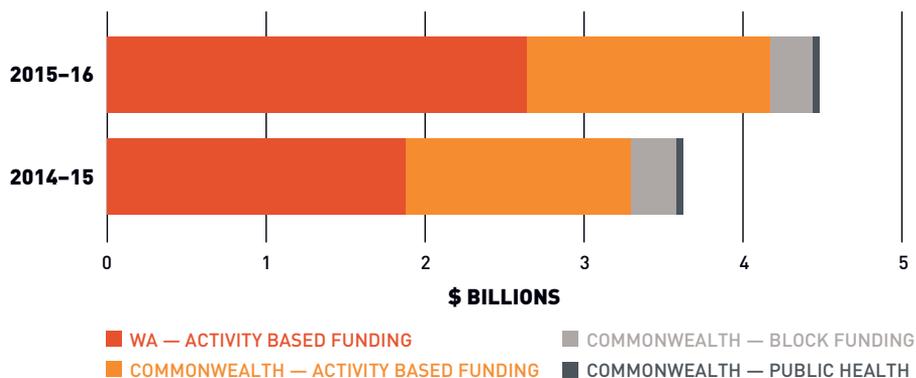
Recipient	Amount paid from WA State Pool Account (\$'000)	
	2015-16	2014-15
Child and Adolescent Health Service	346,503	231,131
FSH — Western Australia*^	–	185,980
North Metropolitan Health Service	1,372,313	1,175,355
Notional LHN — Royal Street — WA	91,101	67,928
South Metropolitan Health Service^	1,693,981	1,231,038
WA Country Health Service	691,717	419,706
<b>Total Local Hospital Networks</b>	<b>4,195,614</b>	<b>3,311,138</b>
<b>State Managed Fund</b>	<b>265,078</b>	<b>287,729</b>
<b>Other organisations or funds</b>	<b>38,536</b>	<b>37,169</b>
<b>WA TOTAL</b>	<b>4,499,229</b>	<b>3,636,036</b>

\* FSH — Western Australia LHN was amalgamated into South Metropolitan Health Service LHN on 1 July 2015.

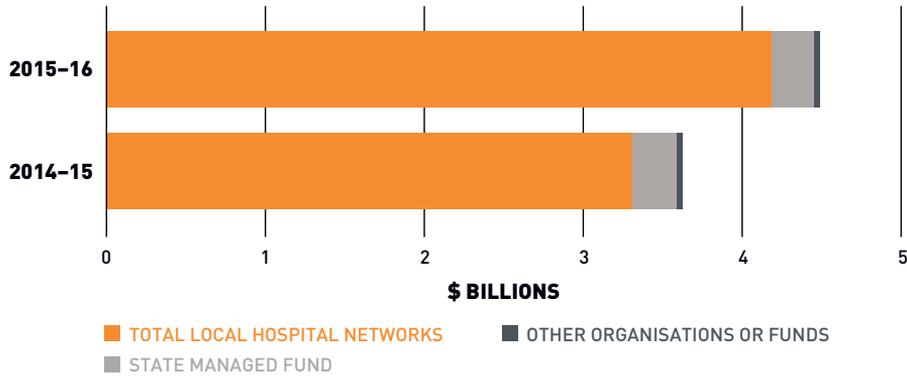
^ In 2014-15, funding of \$18,349,759 that was deposited into the Pool against South Metropolitan Health Services was provided to FSH — Western Australia.

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

### PAYMENTS INTO THE POOL — WA



## PAYMENTS OUT OF THE POOL — WA

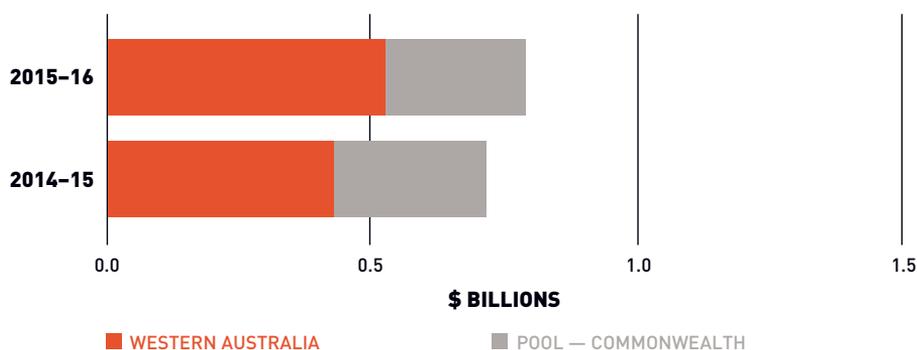


## SECTION 241(2)(D) THE AMOUNTS PAID FROM EACH STATE MANAGED FUND TO LOCAL HOSPITAL NETWORKS OR OTHER ORGANISATIONS OR FUNDS AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

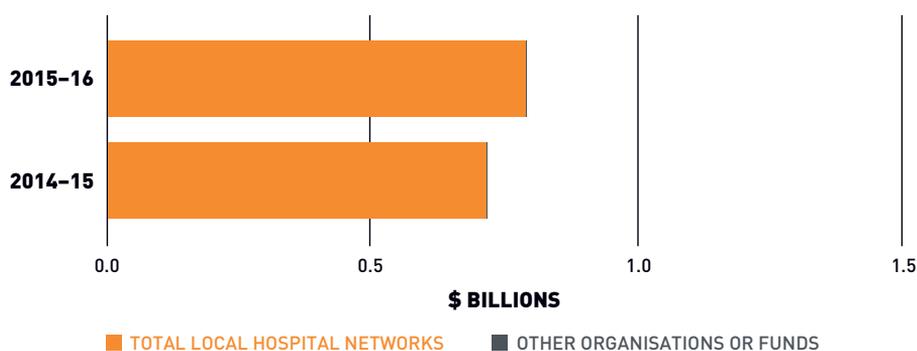
Recipient	Amount paid from WA State Managed Fund (\$'000)	
	2015-16	2014-15
Child and Adolescent Health Service	43,539	30,552
FSH — Western Australia	–	7,119
North Metropolitan Health Service	187,957	157,454
Notional LHN — Royal Street — WA	–	–
South Metropolitan Health Service	182,638	139,081
WA Country Health Service	375,564	380,477
<b>Total local hospital networks</b>	<b>789,698</b>	<b>714,684</b>
<b>Other organisations or funds</b>	<b>1,041</b>	<b>1,636</b>
<b>WA TOTAL</b>	<b>790,739</b>	<b>716,320</b>

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

## PAYMENTS INTO THE STATE MANAGED FUND — WA



## PAYMENTS OUT OF THE STATE MANAGED FUND — WA



## SECTION 241(2)(E) THE NUMBER OF PUBLIC HOSPITAL SERVICES FUNDED FOR EACH LOCAL HOSPITAL NETWORK IN ACCORDANCE WITH THE SYSTEM OF ACTIVITY BASED FUNDING

Local Hospital Network	Number of ABF public hospital services funded (NWAU)		
	2015-16 Estimate	2014-15 Actual	2014-15 Estimate
Child and Adolescent Health Service	48,597	50,182	51,432
FSH — Western Australia*	-	-	54,346
North Metropolitan Health Service	265,490	257,364	262,442
Notional LHN — Royal Street — WA	17,572	19,890	16,268
South Metropolitan Health Service	324,096	314,800	267,622
WA Country Health Service	121,277	97,406	97,721
<b>WA TOTAL</b>	<b>777,032</b>	<b>739,641</b>	<b>749,831</b>

\* Following the amalgamation of FSH — Western Australia LHN into South Metropolitan Health Service LHN on 1 July 2015, reconciliation of actual activity at FSH — Western Australia was applied to South Metropolitan Health Service.

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 2014–15 form part of the 2015–16 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 2014–15 and 2015–16 Western Australia did not report any 'other public hospital services and functions funded' from the National Health Funding Pool or State Managed Fund.



TOTAL FUNDING

**\$3.3**  
**BILLION**

**MADE UP OF...**

- + \$1.2 BILLION**  
IN COMMONWEALTH  
FUNDING AND
- + \$1.9 BILLION**  
IN STATE FUNDING  
RECEIPTED INTO THE  
SOUTH AUSTRALIA  
STATE POOL  
ACCOUNT PLUS
- + \$0.2 BILLION**  
IN STATE FUNDING  
RECEIPTED INTO  
THE SOUTH  
AUSTRALIA STATE  
MANAGED FUND

**578,206**

**WEIGHTED PUBLIC  
HOSPITAL SERVICES**

MEASURED IN NWAU

**SOUTH  
AUSTRALIA**

# **FINANCIAL STATEMENT**





**NATIONAL HEALTH FUNDING POOL  
SOUTH AUSTRALIA STATE POOL ACCOUNT  
SPECIAL PURPOSE FINANCIAL STATEMENT  
FOR THE PERIOD ENDED 30 JUNE 2016**

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

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Adelaide SA 5000  
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Tel +618 8226 9640  
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### To the Administrator of the National Health Funding Pool

As required by section 24 of the *National Health Funding Pool Administration (South Australia) Act 2012* and section 243 of the *National Health Reform Act 2011*, I have audited the accompanying special purpose financial statement (the financial statement) of the South Australian State Pool Account of the National Health Funding Pool for the year ended 30 June 2016. The financial statement comprises:

- a Statement of Receipts and Payments for the period ended 30 June 2016
- notes to and forming part of the financial statement
- the Administrator's declaration

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

The Administrator of the National Health Funding Pool (the Administrator) is responsible for the preparation of the financial statement that gives a true and fair view in accordance with the *National Health Funding Pool Administration (South Australia) Act 2012*, the *National Health Reform Act 2011* and the National Health Reform Agreement 2011, and for such internal control as the Administrator determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

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

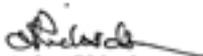
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the attached special purpose financial statement for the period ended 30 June 2016 is based on properly maintained financial records and gives a true and fair view of the matters required by the *National Health Funding Pool Administration (South Australia) Act 2012*, the *National Health Reform Act 2011* and the National Health Reform Agreement 2011.

### **Basis of Accounting**

Without modifying my opinion, I draw attention to note 1 to the financial statement, which describes the purpose of the financial statement and basis of accounting. The financial statement has been prepared using the cash basis of accounting and for the purpose of fulfilling the Administrator's financial reporting obligations under the *National Health Funding Pool Administration (South Australia) Act 2012*, the *National Health Reform Act 2011* and the National Health Reform Agreement 2011. As a result, the financial statement may not be suitable for another purpose.



Andrew Richardson  
Auditor-General  
16 September 2016



**Administrator  
National Health  
Funding Pool**

### **South Australia State Pool Account**

I report that, as indicated in note 1(b) to the financial statement, I have determined that the attached special purpose financial statement comprising 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 2016 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.

**Peter Achterstraat AM**  
Administrator  
National Health Funding Pool

15 September 2016

**South Australia State Pool Account  
Special purpose financial statement  
for the year ended 30 June 2016**

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**South Australia State Pool Account**  
**Statement of receipts and payments**  
**for the year ended 30 June 2016**

	Notes	2016 \$ '000	2015 \$ '000
<b>RECEIPTS INTO THE STATE POOL ACCOUNT</b>			
<b>From Commonwealth</b>			
Activity Based Funding	2, 6	1,032,975	931,860
Block funding		165,916	169,545
Public health funding		25,227	24,157
<b>From South Australia</b>			
Activity Based Funding	2, 6	1,915,600	1,988,500
Cross-border contribution	5	1,400	2,500
<b>From other States or Territories</b>			
Cross-border receipts	3	5,600	10,000
<b>From Reserve Bank of Australia</b>			
Interest receipts		3,615	3,944
<b>TOTAL RECEIPTS</b>		<b>3,150,333</b>	<b>3,130,506</b>
<b>PAYMENTS OUT OF THE STATE POOL ACCOUNT</b>			
<b>To Local Hospital Networks</b>			
Activity Based Funding	4, 6	2,893,344	2,878,582
<b>To South Australia State Managed Fund</b>			
Block funding		165,916	169,545
Cross-border transfer		-	-
<b>To South Australia Health</b>			
Public health funding		25,227	24,157
Interest payments		-	-
Cross-border transfer		-	-
<b>To other States or Territories</b>			
Cross-border payments	5	1,400	2,500
<b>TOTAL PAYMENTS</b>		<b>3,085,887</b>	<b>3,074,784</b>
<b>NET RECEIPTS/(PAYMENTS) FOR THE YEAR</b>		<b>64,446</b>	<b>55,722</b>
<b>OPENING CASH BALANCE</b>		<b>55,722</b>	<b>-</b>
<b>CLOSING CASH BALANCE</b>		<b>120,168</b>	<b>55,722</b>

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

**South Australia State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (A) REPORTING ENTITY

The Administrator of the National Health Funding Pool (Administrator) is an independent statutory office holder, distinct from the Commonwealth, state and territory governments, established under legislation of the Commonwealth and state and territory governments.

Mr Bob Sendt, the inaugural Administrator, retired on 1 August 2015.

The Acting Administrator, Mr Kim Snowball, was appointed on 1 August 2015 and resigned on 22 February 2016. The current Administrator, Mr Peter Achterstraat AM, was appointed on 23 February 2016.

Following the signing of the *Heads of Agreement between the Commonwealth and States and Territories on Public Hospital Funding* on 1 April 2016, the Australian Government has reinstated the Administrator and the National Health Funding Body (NHFB).

The Administrator and the NHFB had been scheduled to cease from 31 March 2018, as announced in the *2015–16 Mid-Year Economic and Fiscal Outlook*.

### (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 a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

**South Australia State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

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

The financial statement was authorised for release by the Administrator on 15 September 2016.

**(C) COMPARATIVE FIGURES**

Prior year comparative information has been disclosed. The results for 2014–15 are for the year ended 30 June 2015 and the results for 2015–16 are for the year ended 30 June 2016.

**(D) NATIONAL HEALTH FUNDING POOL**

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

**(E) ACTIVITY BASED FUNDING**

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

In 2014–15 and 2015–16 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.

## South Australia State Pool Account Notes to and forming part of the special purpose financial statement for the year ended 30 June 2016

Commonwealth ABF contributions for each service category were calculated by summing the South Australia prior year amount and efficient growth. Efficient growth is determined by measuring the change in price and volume. The price adjustment is 45% of the change in the National Efficient Price (NEP) relative to the prior year. The volume adjustment is 45% of the net change in the volume of weighted services relative to the prior year.

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

In accordance with the *National Health Reform Agreement* (the Agreement), in 2015–16, there were two rounds of reconciliation adjustments relating to actual activity in 2014–15:

- 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 2014 to 31 December 2014 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 2014–15 against the estimated volume of services. The annual adjustment took into account the six month adjustment.

### **(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 2016**

In 2014–15 and 2015–16 the Commonwealth Block funding supported the following:

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

Commonwealth Block contributions for each service category were calculated by summing the South Australia prior year amount and 45% of the change in the National Efficient Cost (NEC) between the current year and the prior year.

### **(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.

### **(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).

**South Australia State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

However, in some cases hospital funding to non-government entities does attract GST, for example, denominational hospitals, privately and commercially owned health facilities, or other non-government third party providers of health services or related supplies.

## 2 ACTIVITY BASED FUNDING RECEIPTS

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

	2016 \$ '000	2015 \$ '000
Commonwealth Activity Based Funding	1,032,975	931,860
South Australia Activity Based Funding	1,915,600	1,988,500
<b>TOTAL</b>	<b>2,948,575</b>	<b>2,920,360</b>

## 3 CROSS-BORDER RECEIPTS

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

States and Territories	2016 \$ '000	2015 \$ '000
<b>Cross-border receipts</b>		
New South Wales	5,600	10,000
Victoria	-	-
Queensland	-	-
Western Australia	-	-
Tasmania	-	-
Australian Capital Territory	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>5,600</b>	<b>10,000</b>

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

**South Australia State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

## 4 ACTIVITY BASED FUNDING PAYMENTS

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

Local Hospital Networks	2016 \$ '000	2015 \$ '000
Central Adelaide Local Health Network	1,016,619	1,010,251
Central Office Services	56,939	59,887
Country Health SA Local Health Network	307,518	313,035
Northern Adelaide Local Health Network	483,617	481,481
Southern Adelaide Local Health Network	742,470	728,829
Women's and Children's Health Network	286,181	285,099
<b>TOTAL</b>	<b>2,893,344</b>	<b>2,878,582</b>

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.

## 5 CROSS-BORDER PAYMENTS

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

States and Territories	2016 \$ '000	2015 \$ '000
<b>Cross-border payments</b>		
New South Wales	1,400	2,500
Victoria	-	-
Queensland	-	-
Western Australia	-	-
Tasmania	-	-
Australian Capital Territory	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>1,400</b>	<b>2,500</b>

**South Australia State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

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:

	2016 \$ '000	2015 \$ '000
Total Activity Based Funding receipts from the Commonwealth	1,032,975	931,860
Total Activity Based Funding receipts from South Australia	1,915,600	1,988,500
Cross-border receipts	5,600	10,000
Less: Activity Based Funding payments to local hospital networks	(2,893,344)	(2,878,582)
<b>RECEIPTS IN EXCESS OF PAYMENTS</b>	<b>60,831</b>	<b>51,778</b>

For 2016 the receipts in excess of payments balance represented Activity Based Funding overdeposits of \$55,230,521 and cross-border receipts from New South Wales of \$5,600,000. 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 \$3,615,561 that were also not drawn.

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.

**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'. For the purposes of this legislative reporting, the 'relevant State' is the state or territory that holds the bank accounts opened under the laws of that state or territory for *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](http://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)	
	2015-16	2014-15
State Pool Account — Activity Based Funding*	1,917,000	1,991,000
State Managed Fund — Block funding	218,139	163,468
<b>SA TOTAL</b>	<b>2,135,139</b>	<b>2,154,468</b>

*\*In accordance with the provisions of the Act, this table does not include Interest deposited in the Pool account and cross-border receipts from other states 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 2015-16 (at June 2016) was advised by the South Australian Department of Health to be as follows:

*In determining the annual funding allocation for all LHNs, the budget has been built up predominantly on an activity basis that shares principles with the IHPA framework. It is designed to equitably distribute funding to each LHN relative to all LHNs in South Australia. This occurs within the confines of a limited funding pool that includes adjustments to recognise cost improvements and the attainment of service efficiencies that are also equitably allocated on an activity basis.*

Supplementation is provided as block funding where an activity-based approach is not appropriate. This captures the provision of services including teaching, training and research, some mental health services and the delivery of out of hospital strategies incorporating primary health.

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

### **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)	
	2015-16	2014-15
Activity Based Funding	1,032,975	931,860
Block funding	165,916	169,545
Public Health funding	25,228	24,157
<b>SA TOTAL</b>	<b>1,224,118</b>	<b>1,125,562</b>

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

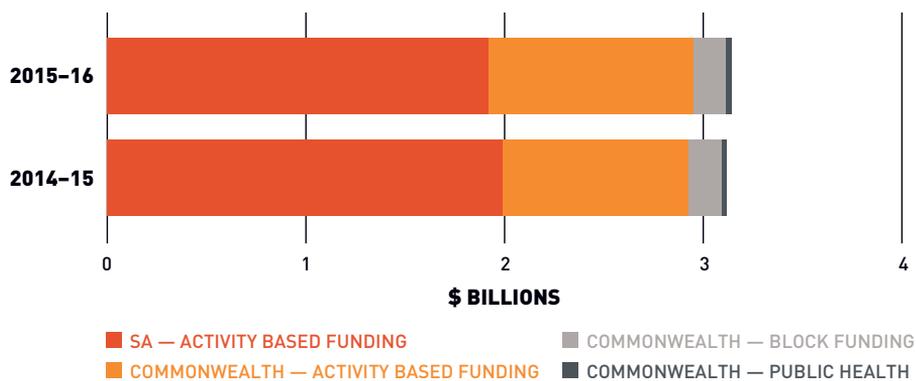
## SECTION 241(2)(C) THE AMOUNTS PAID FROM EACH STATE POOL ACCOUNT TO LOCAL HOSPITAL NETWORKS, A STATE MANAGED FUND OR OTHER ORGANISATIONS OR FUNDS AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

Recipient	Amount paid from SA State Pool Account (\$'000)	
	2015-16	2014-15
Central Office Services	56,939	59,887
Central Adelaide Local Health Network	1,016,619	1,010,251
Country Health SA Local Health Network	307,518	313,035
Northern Adelaide Local Health Network	483,617	481,481
Southern Adelaide Local Health Network	742,470	728,829
Women's and Children's Health Network	286,181	285,099
<b>Total Local Hospital Networks</b>	<b>2,893,344</b>	<b>2,878,582</b>
<b>State Managed Fund</b>	<b>165,916</b>	<b>169,545</b>
<b>Other organisations or funds*</b>	<b>26,628</b>	<b>26,657</b>
<b>SA TOTAL</b>	<b>3,085,887</b>	<b>3,074,784</b>

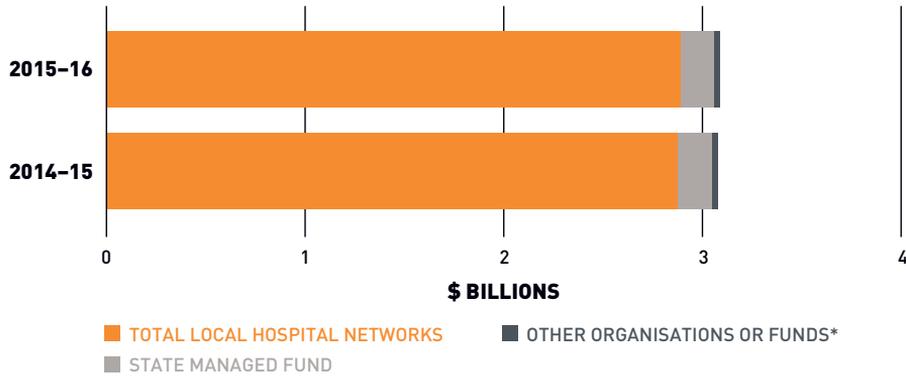
\*Includes a South Australian cross-border contribution to other states or territories.

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

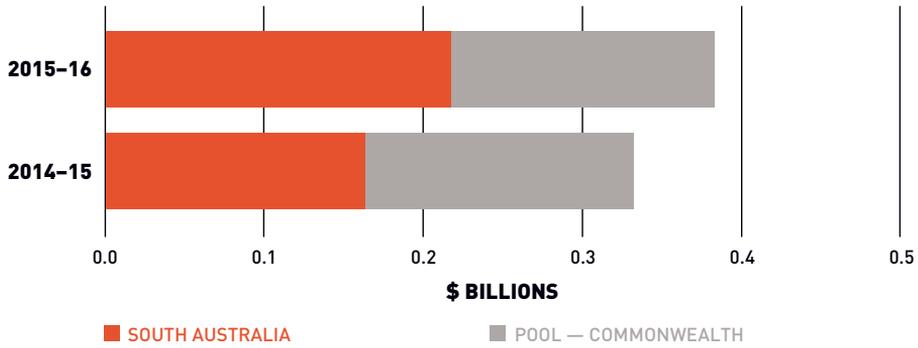


## SECTION 241(2)(D) THE AMOUNTS PAID FROM EACH STATE MANAGED FUND TO LOCAL HOSPITAL NETWORKS OR OTHER ORGANISATIONS OR FUNDS AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

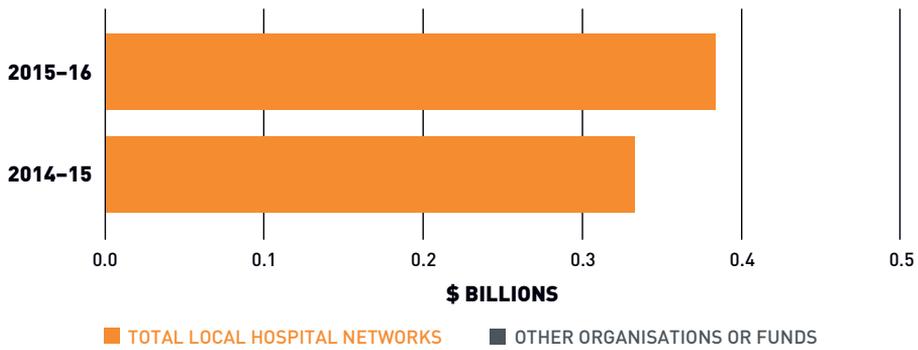
Recipient	Amount paid from SA State Managed Fund (\$'000)	
	2015-16	2014-15
Central Adelaide Local Health Network	76,441	65,919
Central Office Services	-	-
Country Health SA Local Health Network	199,282	166,775
Northern Adelaide Local Health Network	39,584	36,316
Southern Adelaide Local Health Network	53,530	46,671
Women's and Children's Health Network	15,219	17,333
<b>Total Local Hospital Networks</b>	<b>384,055</b>	<b>333,013</b>
<b>Other organisations or funds</b>	<b>-</b>	<b>-</b>
<b>SA TOTAL</b>	<b>384,055</b>	<b>333,013</b>

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

### PAYMENTS INTO THE STATE MANAGED FUND — SA



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



**SECTION 241(2)(E) THE NUMBER OF PUBLIC HOSPITAL SERVICES FUNDED FOR EACH LOCAL HOSPITAL NETWORK IN ACCORDANCE WITH THE SYSTEM OF ACTIVITY BASED FUNDING**

Local Hospital Network	Number of ABF public hospital services funded (NWAU)		
	2015-16 Estimate	2014-15 Actual	2014-15 Estimate
Central Office Services	11,379	10,267	11,624
Central Adelaide Local Health Network	203,161	201,972	190,305
Country Health SA Local Health Network	61,455	61,142	64,553
Northern Adelaide Local Health Network	96,646	94,506	91,747
Southern Adelaide Local Health Network	148,375	143,882	146,756
Women's and Children's Health Network	57,191	53,927	53,746
<b>SA TOTAL</b>	<b>578,206</b>	<b>565,698</b>	<b>558,731</b>

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

South Australia 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 2014-15 form part of the 2015-16 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 2014–15 and 2015–16 South Australia did not report any 'other public hospital services and functions funded' from the National Health Funding Pool or State Managed Fund.

TOTAL FUNDING

**\$1,032**  
**MILLION**

**MADE UP OF...**

**+ \$375 MILLION**  
IN COMMONWEALTH  
FUNDING AND

**+ \$295 MILLION**  
IN STATE FUNDING  
RECEIPTED INTO  
THE TASMANIA  
STATE POOL  
ACCOUNT PLUS

**+ \$362 MILLION**  
IN STATE FUNDING  
RECEIPTED INTO THE  
TASMANIA STATE  
MANAGED FUND

**135,000**

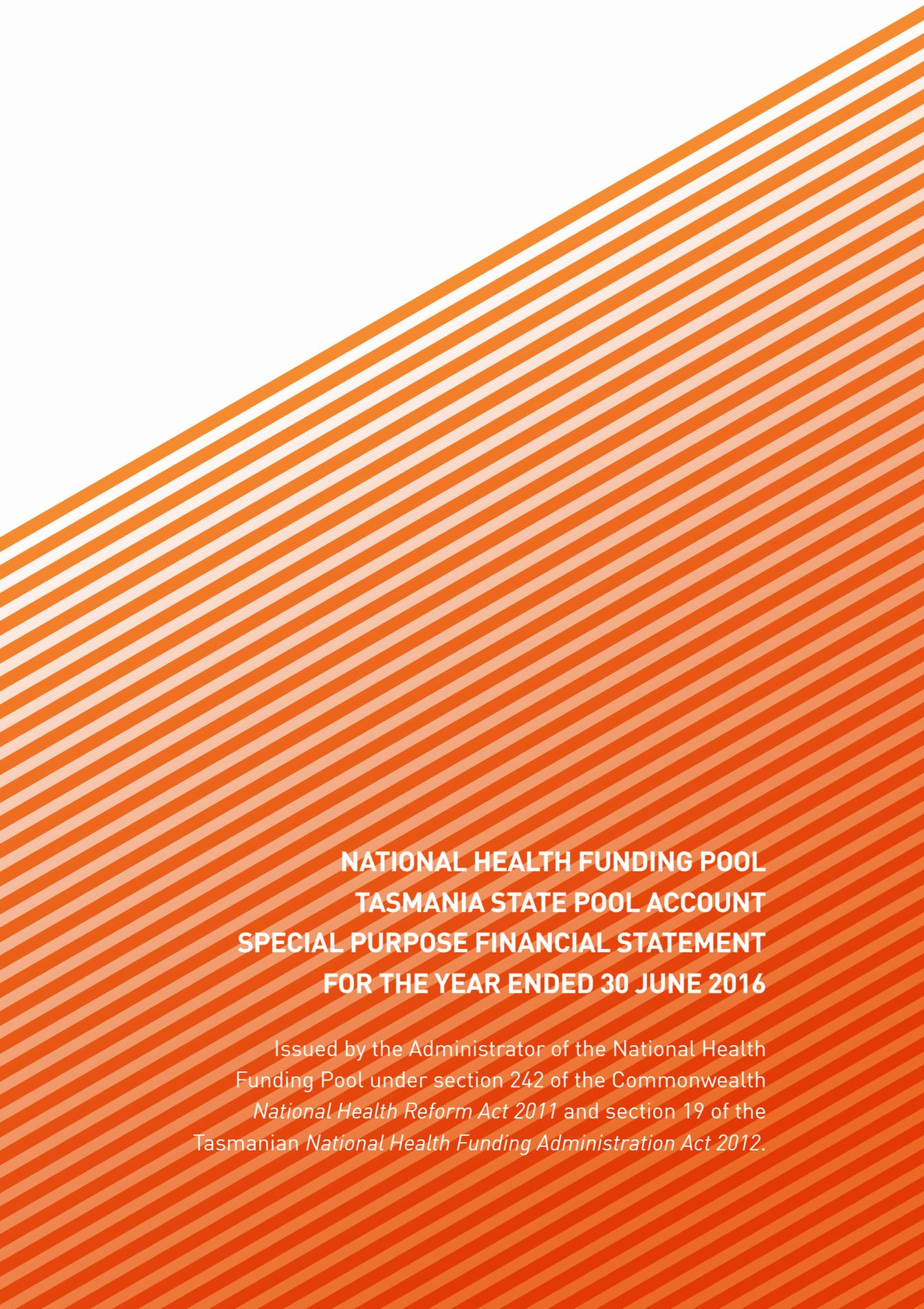
**WEIGHTED PUBLIC  
HOSPITAL SERVICES**

MEASURED IN NWAU

**TASMANIA**

# **FINANCIAL STATEMENT**





**NATIONAL HEALTH FUNDING POOL  
TASMANIA STATE POOL ACCOUNT  
SPECIAL PURPOSE FINANCIAL STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2016**

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 Tasmanian Parliament**

**National Health Funding Pool – Tasmanian State Pool Account**

**Special Purpose Financial Report for the Year Ended 30 June 2016**

**Report on the Special Purpose Financial Report**

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 report of Tasmanian State Pool Account of the National Health Funding Pool (the financial statement). The financial statement comprises a statement of receipts and payments for the year ended 30 June 2016, 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 presents fairly, in all material respects, its financial transactions of the Tasmanian State Pool Account, and its financial position for the year then ended and is in accordance with the *National Health Funding Administration Act 2012* (Tasmania), the *National Health Reform Act 2011* (Commonwealth) and the *National Health Reform Agreement 2011*.

#### **Basis of Accounting**

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

#### **The Responsibility of the Administrator for the Financial Statement**

The Administrator is responsible for the preparation and fair presentation of the financial statement and has determined that the basis of presentation described in Note 1, which is a special purpose framework using the cash basis of accounting, is appropriate to meet the financial reporting provisions of section 19 of the *National Health Funding Administration Act 2012* (Tasmania), section 242 of the *National Health Reform Act 2011* (Commonwealth), the *National Health Reform Agreement 2011* and section 17 of the *Audit Act 2008* (Tasmania). The Administrator's responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due

...1 of 2

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Professionalism | Respect | Camaraderie | Continuous Improvement | Customer Focus

*Strive | Lead | Excel | To Make a Difference*

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 report based upon my audit. My audit was conducted in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of 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 my judgement, including the assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, I considered internal control relevant to the Administrator's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Administrator's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Administrator, as well as evaluating the overall presentation of the financial report.

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

#### Independence

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

The Audit Act 2008 (Tasmania) promotes the independence of the Auditor-General. The Auditor-General is the auditor of all Tasmanian public sector entities and can only be removed 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.

#### Tasmanian Audit Office



Rod Whitehead  
Auditor-General

Hobart  
22 August 2016

...2 of 2

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**Administrator  
National Health  
Funding Pool**

**Tasmania State Pool Account**

I report that, as indicated in note 1(b) to the financial statement, I have determined that the attached special purpose financial statement comprising 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 2016 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*.

**Peter Achterstraat AM**  
Administrator  
National Health Funding Pool

13 July 2016

**Tasmania State Pool Account  
Special purpose financial statement  
for the year ended 30 June 2016**

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**Tasmania State Pool Account**  
**Statement of receipts and payments**  
**for the year ended 30 June 2016**

	Notes	2016 \$ '000	2015 \$ '000
<b>RECEIPTS INTO THE STATE POOL ACCOUNT</b>			
<b>From Commonwealth</b>			
Activity Based Funding	2, 6	311,424	268,856
Block funding		55,913	57,188
Public health funding		7,627	7,365
<b>From Tasmania</b>			
Activity Based Funding	2, 6	295,672	311,125
Cross-border contribution	5	-	-
<b>From other States or Territories</b>			
Cross-border receipts	3	-	-
<b>From Reserve Bank of Australia</b>			
Interest receipts		-	-
<b>TOTAL RECEIPTS</b>		<b>670,636</b>	<b>644,534</b>
<b>PAYMENTS OUT OF THE STATE POOL ACCOUNT</b>			
<b>To Local Hospital Networks</b>			
Activity Based Funding	4, 6	607,096	579,981
<b>To Tasmania State Managed Fund</b>			
Block funding		55,913	57,188
Cross-border transfer		-	-
<b>To Tasmania Department of Health and Human Services</b>			
Public health funding		7,627	7,365
Interest payments		-	-
Cross-border transfer		-	-
<b>To other States or Territories</b>			
Cross-border payments	5	-	-
<b>TOTAL PAYMENTS</b>		<b>670,636</b>	<b>644,534</b>
<b>NET RECEIPTS/(PAYMENTS) FOR THE YEAR</b>		<b>-</b>	<b>-</b>
<b>OPENING CASH BALANCE</b>		<b>-</b>	<b>-</b>
<b>CLOSING CASH BALANCE</b>		<b>-</b>	<b>-</b>

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

**Tasmania State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (A) REPORTING ENTITY

The Administrator of the National Health Funding Pool (Administrator) is an independent statutory office holder, distinct from the Commonwealth, state and territory governments, established under legislation of the Commonwealth and state and territory governments.

Mr Bob Sendt, the inaugural Administrator, retired on 1 August 2015.

The Acting Administrator, Mr Kim Snowball, was appointed on 1 August 2015 and resigned on 22 February 2016. The current Administrator, Mr Peter Achterstraat AM, was appointed on 23 February 2016.

Following the signing of the *Heads of Agreement between the Commonwealth and States and Territories on Public Hospital Funding* on 1 April 2016, the Australian Government has reinstated the Administrator and the National Health Funding Body (NHFB).

The Administrator and the NHFB had been scheduled to cease from 31 March 2018, as announced in the *2015–16 Mid-Year Economic and Fiscal Outlook*.

### (B) BASIS OF PREPARATION

The Tasmanian 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 a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

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

The financial statement was authorised for release by the Administrator on 13 July 2016.

**Tasmania State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

**(C) COMPARATIVE FIGURES**

Prior year comparative information has been disclosed. The results for 2014–15 are for the year ended 30 June 2015 and the results for 2015–16 are for the year ended 30 June 2016.

**(D) NATIONAL HEALTH FUNDING POOL**

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

**(E) ACTIVITY BASED FUNDING**

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

In 2014–15 and 2015–16 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.

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

## Tasmania State Pool Account Notes to and forming part of the special purpose financial statement for the year ended 30 June 2016

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

In accordance with the *National Health Reform Agreement* (the Agreement), in 2015–16, there were two rounds of reconciliation adjustments relating to actual activity in 2014–15:

- 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 2014 to 31 December 2014 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 2014–15 against the estimated volume of services. The annual adjustment took into account the six month adjustment.

### **(F) BLOCK FUNDING**

Block funding is provided by the Commonwealth into the Funding Pool for states and territories to support teaching and research undertaken in public hospitals, and for some public hospital services where it is more appropriate to be

Block funded, particularly for smaller rural and regional hospitals.

In 2014–15 and 2015–16 the Commonwealth Block funding supported the following:

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

**Tasmania State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

Commonwealth Block contributions for each service category were calculated by summing the Tasmania prior year amount and 45% of the change in the National Efficient Cost (NEC) between the current year and the prior year.

### **(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.

### **(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.

**Tasmania State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

## 2 ACTIVITY BASED FUNDING RECEIPTS

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

	2016 \$ '000	2015 \$ '000
Commonwealth Activity Based Funding	311,424	268,856
Tasmania Activity Based Funding	295,672	311,125
<b>TOTAL</b>	<b>607,096</b>	<b>579,981</b>

## 3 CROSS-BORDER RECEIPTS

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

States and Territories	2016 \$ '000	2015 \$ '000
<b>Cross-border receipts</b>		
New South Wales	-	-
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Australian Capital Territory	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>

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

**Tasmania State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

#### 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	2016 \$ '000	2015 \$ '000
Tasmanian Health Organisation — North West	–	68,274
Tasmanian Health Organisation — South	–	326,697
Tasmanian Health Organisation — North	–	185,010
Tasmanian Health Organisation*	607,096	–
<b>TOTAL</b>	<b>607,096</b>	<b>579,981</b>

\* The North West, South and North Local Hospital Networks were merged into a single Tasmanian Health Organisation Local Hospital network in 2015–16.

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.

**Tasmania State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

## 5 CROSS-BORDER PAYMENTS

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

States and Territories	2016 \$ '000	2015 \$ '000
<b>Cross-border payments</b>		
New South Wales	-	-
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Australian Capital Territory	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>

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

## 6 ACTIVITY BASED FUNDING RECEIPTS AND PAYMENTS

Total Tasmania and Commonwealth Activity Based Funding contributions and total local hospital network Activity Based Funding payments:

	2016 \$ '000	2015 \$ '000
Total Activity Based Funding receipts from the Commonwealth	311,424	268,856
Total Activity Based Funding receipts from Tasmania	295,672	311,125
Less: Activity Based Funding payments to local hospital networks	(607,096)	(579,981)
<b>PAYMENTS IN EXCESS OF RECEIPTS</b>	<b>-</b>	<b>-</b>

**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'. For the purposes of this legislative reporting, the 'relevant State' is the state or territory that holds the bank accounts opened under the laws of that state or territory for *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](http://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)	
	2015-16	2014-15
State Pool Account — Activity Based Funding*	295,672	311,125
State Managed Fund — Block funding	361,806	324,261
<b>TAS TOTAL</b>	<b>657,478</b>	<b>635,386</b>

*\*In accordance with the provisions of the Act, this table does not include Interest deposited in the Pool account and cross-border receipts from other states 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 2015-16 (at June 2016) was advised by the Tasmanian Department of Health and Human Services to be as follows:

*Tasmania has developed a funding model (2015-16 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 the Tasmanian Health Service (THS) for 2015-16.*

*The funding arrangements and associated pricing focused 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 the 2015–16 ABF Model varies from the NEP. In this regard, Tasmania has used the national average cost per work stream based on Round 17 National Health Cost Data Collection (NHCDC) data for 2012–13 indexed to 2015–16. The National Average Cost was considered the most appropriate (where available) as it provides a National benchmark and includes more of the costs of delivering care such as the pharmaceutical benefits scheme and highly specialised drugs.*

*Therefore the 2015–16 Tasmanian ABF Model pricing is based on the following:*

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

*The Tasmanian ABF Model also allocates block grants to the THS 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)	
	2015-16	2014-15
Activity Based Funding	311,424	268,856
Block funding	55,913	57,188
Public Health funding	7,627	7,365
<b>TAS TOTAL</b>	<b>374,964</b>	<b>333,410</b>

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

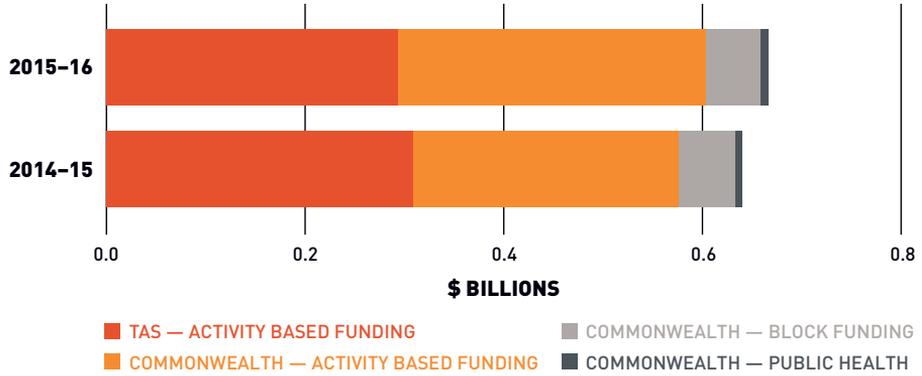
## SECTION 241(2)(C) THE AMOUNTS PAID FROM EACH STATE POOL ACCOUNT TO LOCAL HOSPITAL NETWORKS, A STATE MANAGED FUND OR OTHER ORGANISATIONS OR FUNDS AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

Recipient	Amount paid from TAS State Pool Account (\$'000)	
	2015-16	2014-15
Tasmanian Health Organisation — North	–	185,010
Tasmanian Health Organisation — North West	–	68,274
Tasmanian Health Organisation — South	–	326,698
Tasmanian Health Service*	607,096	–
<b>Total Local Hospital Networks</b>	<b>607,096</b>	<b>579,981</b>
<b>State Managed Fund</b>	<b>55,913</b>	<b>57,188</b>
<b>Other organisations or funds</b>	<b>7,627</b>	<b>7,365</b>
<b>TAS TOTAL</b>	<b>670,636</b>	<b>644,534</b>

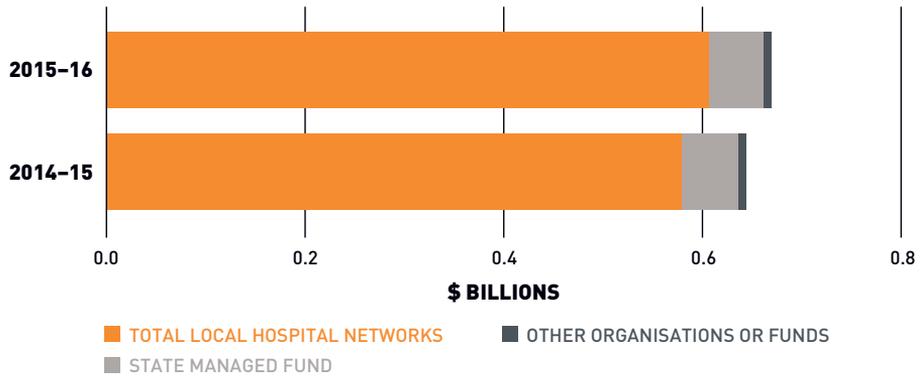
\*The Tasmanian Health Service LHN was formed on 1 July 2015 through the amalgamation of the three former regional Tasmanian Health Organisations.

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

**PAYMENTS INTO THE POOL — TAS**



**PAYMENTS OUT OF THE POOL — TAS**

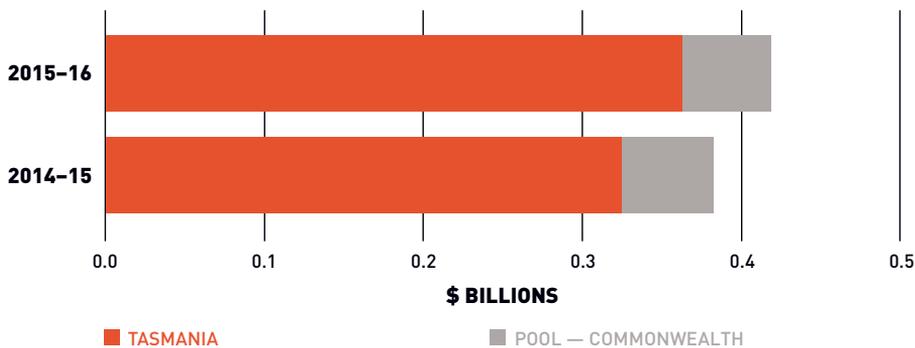


## SECTION 241(2)(D) THE AMOUNTS PAID FROM EACH STATE MANAGED FUND TO LOCAL HOSPITAL NETWORKS OR OTHER ORGANISATIONS OR FUNDS AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

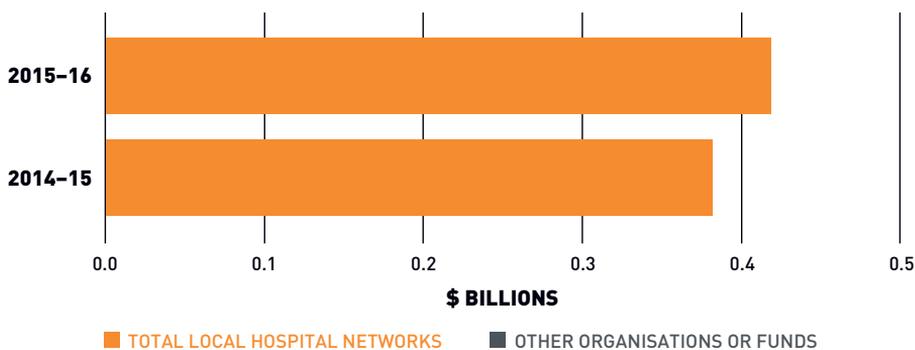
Recipient	Amount paid from TAS State Managed Fund (\$'000)	
	2015-16	2014-15
Tasmanian Health Organisation — North	-	103,284
Tasmanian Health Organisation — North West	-	72,889
Tasmanian Health Organisation — South	-	205,276
Tasmanian Health Service	417,719	-
<b>Total Local Hospital Networks</b>	<b>417,719</b>	<b>381,450</b>
<b>Other organisations or funds</b>	<b>-</b>	<b>-</b>
<b>TAS TOTAL</b>	<b>417,719</b>	<b>381,450</b>

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

### PAYMENTS INTO THE STATE MANAGED FUND — TAS



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



## SECTION 241(2)(E) THE NUMBER OF PUBLIC HOSPITAL SERVICES FUNDED FOR EACH LOCAL HOSPITAL NETWORK IN ACCORDANCE WITH THE SYSTEM OF ACTIVITY BASED FUNDING

Local Hospital Network	Number of ABF public hospital services funded (NWAU)		
	2015-16 Estimate	2014-15 Actual	2014-15 Estimate
Tasmanian Health Organisation — North	–	46,305	43,016
Tasmanian Health Organisation — North West	–	18,647	18,268
Tasmanian Health Organisation — South	–	67,567	67,557
Tasmanian Health Service	135,000	–	–
<b>TAS TOTAL</b>	<b>135,000</b>	<b>132,519</b>	<b>128,841</b>

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

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 2014-15 form part of the 2015-16 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 2014–15 and 2015–16 Tasmania did not report any 'other public hospital services and functions funded' from the National Health Funding Pool or State Managed Fund.

TOTAL FUNDING

**\$926**  
**MILLION**

**MADE UP OF...**

**+ \$325 MILLION**  
IN COMMONWEALTH  
FUNDING AND

**+ \$558 MILLION**  
IN STATE FUNDING  
RECEIPTED INTO  
THE AUSTRALIAN  
CAPITAL TERRITORY  
STATE POOL  
ACCOUNT PLUS

**+ \$43 MILLION**  
IN STATE FUNDING  
RECEIPTED INTO  
THE AUSTRALIAN  
CAPITAL TERRITORY  
STATE MANAGED  
FUND

**140,066**

**WEIGHTED PUBLIC  
HOSPITAL SERVICES**

MEASURED IN NWAU

**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 2016**

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*.

## 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 2016 has been audited. The financial statement comprises a statement of receipts and payments and accompanying notes.

#### 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.

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 2016:

- (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 the basis of accounting used to prepare the financial statement.

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  
12 August 2016



**Administrator  
National Health  
Funding Pool**

**Australian Capital Territory State Pool Account**

I report that, as indicated in note 1(b) to the financial statement, I have determined that the attached special purpose financial statement comprising 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 2016 is based on properly maintained financial records and gives a true and fair view of the matters required by the Australian Capital Territory Health (*National Health Funding Pool and Administration*) Act 2013, the Commonwealth *National Health Reform Act 2011* and the National Health Reform Agreement 2011.

**Peter Achterstraat AM**  
Administrator  
National Health Funding Pool

13 July 2016

**Australian Capital Territory State Pool Account  
Special purpose financial statement  
for the year ended 30 June 2016**

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**Australian Capital Territory State Pool Account**  
**Statement of receipts and payments**  
**for the year ended 30 June 2016**

	Notes	2016 \$ '000	2015 \$ '000
<b>RECEIPTS INTO THE STATE POOL ACCOUNT</b>			
<b>From Commonwealth</b>			
Activity Based Funding	2, 6	293,676	281,679
Block funding		25,225	23,736
Public health funding		5,803	5,543
<b>From Australian Capital Territory</b>			
Activity Based Funding	2, 6	542,979	515,172
Cross-border contribution	5	15,600	16,063
<b>From other States or Territories</b>			
Cross-border receipts	3	84,000	87,471
<b>From Reserve Bank of Australia</b>			
Interest receipts		-	-
<b>TOTAL RECEIPTS</b>		<b>967,283</b>	<b>929,664</b>
<b>PAYMENTS OUT OF THE STATE POOL ACCOUNT</b>			
<b>To Local Hospital Networks</b>			
Activity Based Funding	4, 6	913,655	884,322
<b>To Australian Capital Territory State Managed Fund</b>			
Block funding		25,225	23,736
Cross-border transfer		-	-
<b>To Australian Capital Territory Health Directorate</b>			
Public health funding		5,803	5,543
Interest payments		-	-
Cross-border transfer		7,000	-
<b>To other States or Territories</b>			
Cross-border payments	5	15,600	16,063
<b>TOTAL PAYMENTS</b>		<b>967,283</b>	<b>929,664</b>
<b>NET RECEIPTS/(PAYMENTS) FOR THE YEAR</b>		<b>-</b>	<b>-</b>
<b>OPENING CASH BALANCE</b>		<b>-</b>	<b>-</b>
<b>CLOSING CASH BALANCE</b>		<b>-</b>	<b>-</b>

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

**Australian Capital Territory State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (A) REPORTING ENTITY

The Administrator of the National Health Funding Pool (Administrator) is an independent statutory office holder, distinct from the Commonwealth, state and territory governments, established under legislation of the Commonwealth and state and territory governments.

Mr Bob Sendt, the inaugural Administrator, retired on 1 August 2015.

The Acting Administrator, Mr Kim Snowball, was appointed on 1 August 2015 and resigned on 22 February 2016. The current Administrator, Mr Peter Achterstraat AM, was appointed on 23 February 2016.

Following the signing of the *Heads of Agreement between the Commonwealth and States and Territories on Public Hospital Funding* on 1 April 2016, the Australian Government has reinstated the Administrator and the National Health Funding Body (NHFB).

The Administrator and the NHFB had been scheduled to cease from 31 March 2018, as announced in the *2015–16 Mid-Year Economic and Fiscal Outlook*.

### (B) BASIS OF PREPARATION

The Australian Capital Territory 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 that Section 26 of that Act and Section 242 of the Commonwealth *National Health Reform Act 2011*.

The special purpose financial statement has been prepared on a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

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

The financial statement was authorised for issue by the Administrator on 13 July 2016.

**Australian Capital Territory State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

**(C) COMPARATIVE FIGURES**

Prior year comparative information has been disclosed. The results for 2014–15 are for the year ended 30 June 2015 and the results for 2015–16 are for the year ended 30 June 2016.

**(D) NATIONAL HEALTH FUNDING POOL**

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

**(E) ACTIVITY BASED FUNDING**

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

In 2014–15 and 2015–16 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.

Commonwealth ABF contributions for each service category were calculated by summing the Australian Capital Territory prior year amount and efficient growth. Efficient growth is determined by measuring the change in price and volume. The price adjustment is 45% of the change in the National Efficient Price (NEP) relative to the prior year. The volume adjustment is 45% of the net change in the volume of weighted services relative to the prior year.

## Australian Capital Territory State Pool Account Notes to and forming part of the special purpose financial statement for the year ended 30 June 2016

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

In accordance with the *National Health Reform Agreement* (the Agreement), in 2015–16, there were two rounds of reconciliation adjustments relating to actual activity in 2014–15:

- 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 2014 to 31 December 2014 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 2014–15 against the estimated volume of services. The annual adjustment took into account the six month adjustment.

### **(F) BLOCK FUNDING**

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

In 2014–15 and 2015–16 the Commonwealth Block funding supported the following:

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

Commonwealth Block contributions for each service category were calculated by summing the Australian Capital Territory prior year amount and 45% of the change in the National Efficient Cost (NEC) between the current year and the prior year.

**Australian Capital Territory State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

**(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.

**(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.

**Australian Capital Territory State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

## 2 ACTIVITY BASED FUNDING RECEIPTS

Total receipts paid into the Australian Capital Territory State Pool Account in respect of Activity Based Funding:

	2016 \$ '000	2015 \$ '000
Commonwealth Activity Based Funding	293,676	281,679
Australian Capital Territory Activity Based Funding	542,979	515,172
<b>TOTAL</b>	<b>836,655</b>	<b>796,851</b>

## 3 CROSS-BORDER RECEIPTS

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

States and Territories	2016 \$ '000	2015 \$ '000
<b>Cross-border receipts</b>		
New South Wales	84,000	87,471
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>84,000</b>	<b>87,471</b>

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 2016**

#### 4 ACTIVITY BASED FUNDING PAYMENTS

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

Local Hospital Networks	2016 \$ '000	2015 \$ '000
ACT Local Hospital Network Directorate	913,655	884,322
<b>TOTAL</b>	<b>913,655</b>	<b>884,322</b>

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

The Australian Capital Territory Minister for Health directed all activity based funding contributions paid to Local Hospital Networks.

#### 5 CROSS-BORDER PAYMENTS

Total cross-border payments out of the Australian Capital Territory State Pool Account to other states and territories:

States and Territories	2016 \$ '000	2015 \$ '000
<b>Cross-border payments</b>		
New South Wales	15,600	16,063
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Northern Territory	-	-
<b>TOTAL</b>	<b>15,600</b>	<b>16,063</b>

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

**Australian Capital Territory State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

## 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:

	2016 \$ '000	2015 \$ '000
Total Activity Based Funding receipts from the Commonwealth	293,676	281,679
Total Activity Based Funding receipts from the Australian Capital Territory	542,979	515,172
Cross-border receipts	84,000	87,471
Less: Activity Based Funding payments to the local hospital networks	(913,655)	(884,322)
<b>PAYMENTS IN EXCESS OF RECEIPTS</b>	<b>7,000</b>	<b>-</b>

For 2016 the receipts in excess of payment balance of \$7,000,000 represented a cross-border contribution from New South Wales. This amount was paid to ACT Health 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'. For the purposes of this legislative reporting, the 'relevant State' is the state or territory that holds the bank accounts opened under the laws of that state or territory for *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](http://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)	
	2015-16	2014-15
State Pool Account — Activity Based Funding*	558,579	531,235
State Managed Fund — Block funding	43,211	36,044
<b>ACT TOTAL</b>	<b>601,790</b>	<b>567,279</b>

*\*In accordance with the provisions of the Act, this table does not include Interest deposited in the Pool account and cross-border receipts from other states 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 2015–16 (at June 2016) was advised by the Australian Capital Territory Health Directorate to be as follows:

*The annual funding allocation for the ACT in 2016–17 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)	
	2015–16	2014–15
Activity Based Funding	293,676	281,679
Block funding	25,225	23,736
Public Health funding	5,803	5,543
<b>ACT TOTAL</b>	<b>324,704</b>	<b>310,958</b>

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

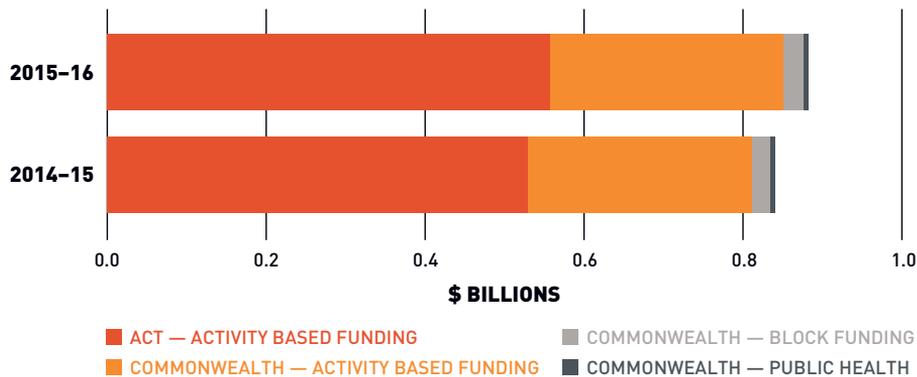
## SECTION 241(2)(C) THE AMOUNTS PAID FROM EACH STATE POOL ACCOUNT TO LOCAL HOSPITAL NETWORKS, A STATE MANAGED FUND OR OTHER ORGANISATIONS OR FUNDS AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

Recipient	Amount paid from ACT State Pool Account (\$'000)	
	2014-15	2015-16
ACT Local Hospital Network Directorate	913,655	884,323
<b>State Managed Fund</b>	<b>25,225</b>	<b>23,736</b>
<b>Other organisations or funds*</b>	<b>28,403</b>	<b>21,605</b>
<b>ACT TOTAL</b>	<b>967,283</b>	<b>929,664</b>

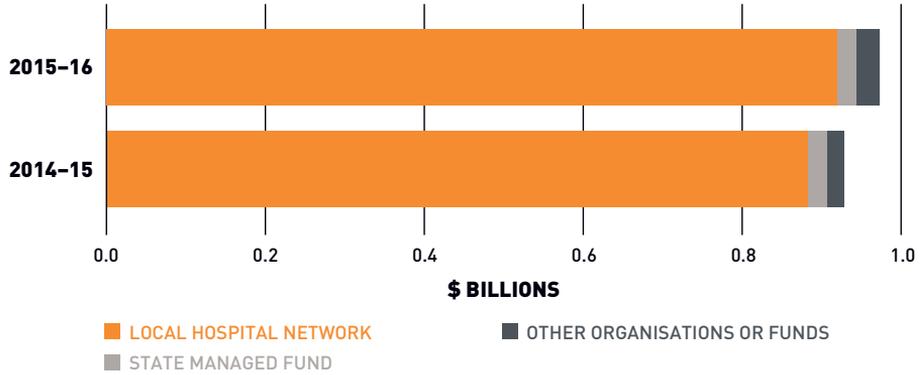
\*Includes an Australian Capital Territory cross-border contribution to another state or territory.

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**

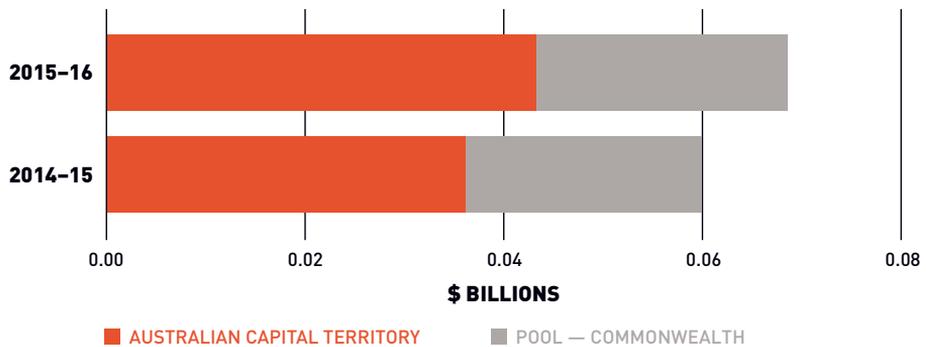


**SECTION 241(2)(D) THE AMOUNTS PAID FROM EACH STATE MANAGED FUND TO LOCAL HOSPITAL NETWORKS OR OTHER ORGANISATIONS OR FUNDS AND THE BASIS ON WHICH THE PAYMENTS WERE MADE**

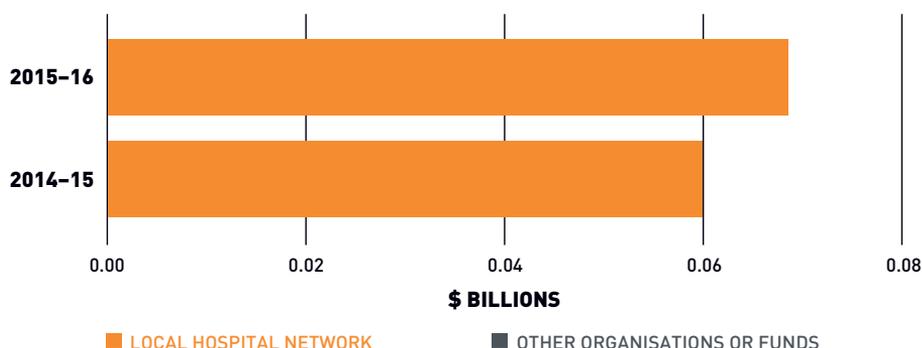
Recipient	Amount paid from ACT State Managed Fund (\$'000)	
	2015-16	2014-15
ACT Local Hospital Network Directorate	68,436	59,780
Other organisations or funds	-	-
<b>ACT TOTAL</b>	<b>68,436</b>	<b>59,780</b>

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

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



## PAYMENTS OUT OF THE STATE MANAGED FUND — ACT



## SECTION 241(2)(E) THE NUMBER OF PUBLIC HOSPITAL SERVICES FUNDED FOR EACH LOCAL HOSPITAL NETWORK IN ACCORDANCE WITH THE SYSTEM OF ACTIVITY BASED FUNDING

Local Hospital Network	Number of ABF public hospital services funded (NWAU)		
	2015-16 Estimate	2014-15 Actual	2014-15 Estimate
ACT Local Hospital Network Directorate	140,066	137,230	133,800
<b>ACT TOTAL</b>	<b>140,066</b>	<b>137,230</b>	<b>133,800</b>

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

The Australian Capital Territory 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 2014-15 form part of the 2015-16 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 2014–15 and 2015–16 the Australian Capital Territory did not report any 'other public hospital services and functions funded' from the National Health Funding Pool or State Managed Fund.



TOTAL FUNDING

**\$978**  
**MILLION**

**MADE UP OF...**

**+ \$199 MILLION**  
IN COMMONWEALTH  
FUNDING AND

**+ \$294 MILLION**  
IN STATE FUNDING  
RECEIPTED INTO  
THE NORTHERN  
TERRITORY  
STATE POOL  
ACCOUNT PLUS

**+ \$485 MILLION**  
IN STATE FUNDING  
RECEIPTED INTO  
THE NORTHERN  
TERRITORY STATE  
MANAGED FUND

**127,825**

**WEIGHTED PUBLIC  
HOSPITAL SERVICES**

MEASURED IN NWAU

**NORTHERN  
TERRITORY**

# **FINANCIAL STATEMENT**





**NATIONAL HEALTH FUNDING POOL  
NORTHERN TERRITORY STATE POOL ACCOUNT  
SPECIAL PURPOSE FINANCIAL STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2016**

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 2016. The financial statement comprises:

- a Statement of Receipts and Payments for the period 1 July 2015 to 30 June 2016;
- 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*. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

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

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

#### Opinion

In my opinion, the financial statement gives a true and fair view of the receipts and payments of the Northern Territory State Pool Account of the National Health Funding Pool for the period ended 30 June 2016 in accordance with the *National Health Funding Pool and Administration (National Uniform Legislation) Act 2012*, *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*.

#### Basis of Accounting

Without modifying my opinion, I draw attention to Note 1 to the financial statement, which describes the purpose of the financial statement and basis of accounting. The financial statement has been prepared using the cash basis of accounting and for the purpose of fulfilling the Administrator's financial reporting obligations under the *National Health Funding Pool and Administration (National Uniform Legislation) Act 2012*, *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*. As a result, the financial statement may not be suitable for another purpose.

Julie Crisp

Auditor-General for the Northern Territory

Darwin, Northern Territory

9 September 2016



**Administrator  
National Health  
Funding Pool**

### **Northern Territory State Pool Account**

I report that, as indicated in note 1(b) to the financial statement, I have determined that the attached special purpose financial statement comprising 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 2016 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.

**Peter Achterstraat AM**  
Administrator  
National Health Funding Pool

9 September 2016

**Northern Territory State Pool Account  
Special purpose financial statement  
for the year ended 30 June 2016**

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**Northern Territory State Pool Account**  
**Statement of receipts and payments**  
**for the year ended 30 June 2016**

	Notes	2016 \$ '000	2015 \$ '000
<b>RECEIPTS INTO THE STATE POOL ACCOUNT</b>			
<b>From Commonwealth</b>			
Activity Based Funding	2, 6	181,515	139,126
Block funding		13,672	16,752
Public health funding		3,602	3,533
<b>From Northern Territory</b>			
Activity Based Funding	2, 6	294,319	284,905
Cross-border contribution	5	-	-
<b>From other States or Territories</b>			
Cross-border receipts	3	-	-
<b>From Reserve Bank of Australia</b>			
Interest receipts		16	18
<b>TOTAL RECEIPTS</b>		<b>493,124</b>	<b>444,334</b>
<b>PAYMENTS OUT OF THE STATE POOL ACCOUNT</b>			
<b>To Local Hospital Networks</b>			
Activity Based Funding	4, 6	475,834	424,031
<b>To Northern Territory State Managed Fund</b>			
Block funding		13,672	16,752
Cross-border transfer		-	-
<b>To Northern Territory Health Department</b>			
Public health funding		3,602	3,533
Interest payments		-	-
Cross-border transfer		-	-
<b>To other States or Territories</b>			
Cross-border payments	5	-	-
<b>To Reserve Bank of Australia</b>			
Penalty Interest			-
<b>TOTAL PAYMENTS</b>		<b>493,108</b>	<b>444,316</b>
<b>NET RECEIPTS/(PAYMENTS) FOR THE YEAR</b>		<b>16</b>	<b>18</b>
<b>OPENING CASH BALANCE</b>		<b>35</b>	<b>17</b>
<b>CLOSING CASH BALANCE</b>		<b>51</b>	<b>35</b>

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

**Northern Territory State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (A) REPORTING ENTITY

The Administrator of the National Health Funding Pool (Administrator) is an independent statutory office holder, distinct from the Commonwealth, state and territory governments, established under legislation of the Commonwealth and state and territory governments.

Mr Bob Sendt, the inaugural Administrator, retired on 1 August 2015.

The Acting Administrator, Mr Kim Snowball, was appointed on 1 August 2015 and resigned on 22 February 2016. The current Administrator, Mr Peter Achterstraat AM, was appointed on 23 February 2016.

Following the signing of the *Heads of Agreement between the Commonwealth and States and Territories on Public Hospital Funding* on 1 April 2016, the Australian Government has reinstated the Administrator and the National Health Funding Body (NHFB).

The Administrator and the NHFB had been scheduled to cease from 31 March 2018, as announced in the *2015–16 Mid-Year Economic and Fiscal Outlook*.

### (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 20 of that Act and Section 242 of the Commonwealth *National Health Reform Act 2011*.

The special purpose financial statement has been prepared on a cash accounting basis. On this basis, receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

**Northern Territory State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

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

The financial statement was authorised for release by the Administrator on 9 September 2016.

**(C) COMPARATIVE FIGURES**

Prior year comparative information has been disclosed. The results for 2014–15 are for the year ended 30 June 2015 and the results for 2015–16 are for the year ended 30 June 2016.

**(D) NATIONAL HEALTH FUNDING POOL**

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

**(E) ACTIVITY BASED FUNDING**

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

In 2014–15 and 2015–16 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.

## Northern Territory State Pool Account Notes to and forming part of the special purpose financial statement for the year ended 30 June 2016

Commonwealth ABF contributions for each service category were calculated by summing the Northern Territory prior year amount and efficient growth. Efficient growth is determined by measuring the change in price and volume. The price adjustment is 45% of the change in the National Efficient Price (NEP) relative to the prior year. The volume adjustment is 45% of the net change in the volume of weighted services relative to the prior year.

In respect of a particular funding year, these contributions are first determined by the Administrator as preliminary funding entitlements. Final funding entitlements for the year are calculated after actual data on hospital services 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 2015–16, there were two rounds of reconciliation adjustments relating to actual activity in 2014–15:

- 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 2014 to 31 December 2014 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 2014–15 against the estimated volume of services. The annual adjustment took into account the six month adjustment.

### **(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 2016**

In 2014–15 and 2015–16 the Commonwealth Block funding supported the following:

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

Commonwealth Block contributions for each service category were calculated by summing the Northern Territory prior year amount and 45% of the change in the National Efficient Cost (NEC) between the current year and the prior year.

### **(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 2016**

## **(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 paid into the Northern Territory State Pool Account in respect of Activity Based Funding:

	2016 \$ '000	2015 \$ '000
Commonwealth Activity Based Funding	181,515	139,126
Northern Territory Activity Based Funding	294,319	284,905
<b>TOTAL</b>	<b>475,834</b>	<b>424,031</b>

**Northern Territory State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

### 3 CROSS-BORDER RECEIPTS

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

States and Territories	2016 \$ '000	2015 \$ '000
<b>Cross-border receipts</b>		
New South Wales	-	-
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Australian Capital Territory	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>

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

### 4 ACTIVITY BASED FUNDING PAYMENTS

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

Local Hospital Networks	2016 \$ '000	2015 \$ '000
Central Australia Health Service	182,790	148,445
Top End Health Service	293,044	275,586
<b>TOTAL</b>	<b>475,834</b>	<b>424,031</b>

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

The Northern Territory Minister for Health directed all Activity Based Funding contributions paid to Local Hospital Networks.

**Northern Territory State Pool Account**  
**Notes to and forming part of the special purpose financial statement**  
**for the year ended 30 June 2016**

## 5 CROSS-BORDER PAYMENTS

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

States and Territories	2016 \$ '000	2015 \$ '000
<b>Cross-border payments</b>		
New South Wales	-	-
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Australian Capital Territory	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>

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

## 6 ACTIVITY BASED FUNDING RECEIPTS AND PAYMENTS

Total Northern Territory and Commonwealth Activity Based Funding contributions and total local hospital network Activity Based Funding payments:

	2016 \$ '000	2015 \$ '000
Total Activity Based Funding receipts from the Commonwealth	181,515	139,126
Total Activity Based Funding receipts from the Northern Territory	294,319	284,905
Less: Activity Based Funding payments to Local Hospital Networks	(475,834)	(424,031)
<b>PAYMENTS IN EXCESS OF RECEIPTS</b>	<b>-</b>	<b>-</b>

**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'. For the purposes of this legislative reporting, the 'relevant State' is the state or territory that holds the bank accounts opened under the laws of that state or territory for *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](http://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)	
	2015–16	2014–15
State Pool Account — Activity Based Funding*	294,319	284,905
State Managed Fund — Block funding	485,017	449,663
<b>NT TOTAL</b>	<b>779,336</b>	<b>734,568</b>

*\*In accordance with the provisions of the Act, this table does not include Interest deposited in the Pool account and cross-border receipts from other states 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 2015–16 (at June 2016) 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 Services of Northern Territory is determined on a historical basis for both the activity based funding (ABF) and block service streams, supplemented by a level of funding growth based on Northern Territory Government Wage and Consumer Price Index parameters and growth parameters. Projected activity increases are based on historical activity growth and an assessment of what funding is available from within growth parameters provided.*

The additional activity growth is further supplemented by a 45% contribution from the Commonwealth.

Variations to monthly payments to the Northern Territory LHNs are made based on cash requirements. Cash requirements are impacted by the Northern Territory Salary payment cycle and other monthly variations, such as contractual obligation payment cycles which the LHNs are engaged in.

### 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)	
	2015-16	2014-15
Activity Based Funding	181,515	139,126
Block funding	13,672	16,752
Public Health funding	3,602	3,533
<b>NT TOTAL</b>	<b>198,789</b>	<b>159,411</b>

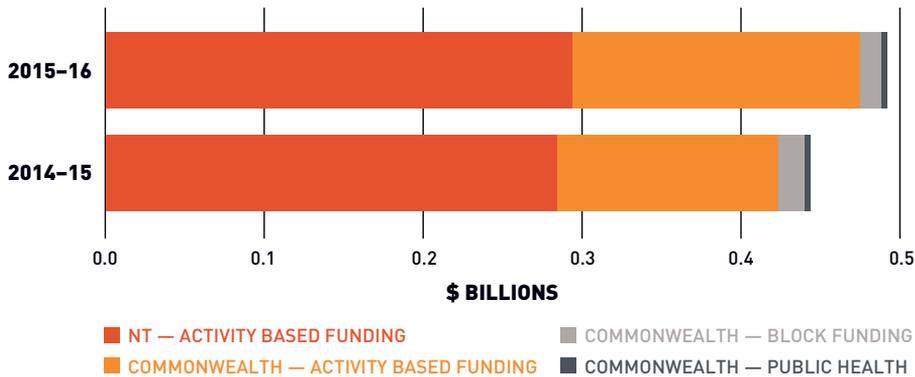
For the Commonwealth basis of payments, refer to part b) of the 'Funding and payments — National' chapter.

### 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

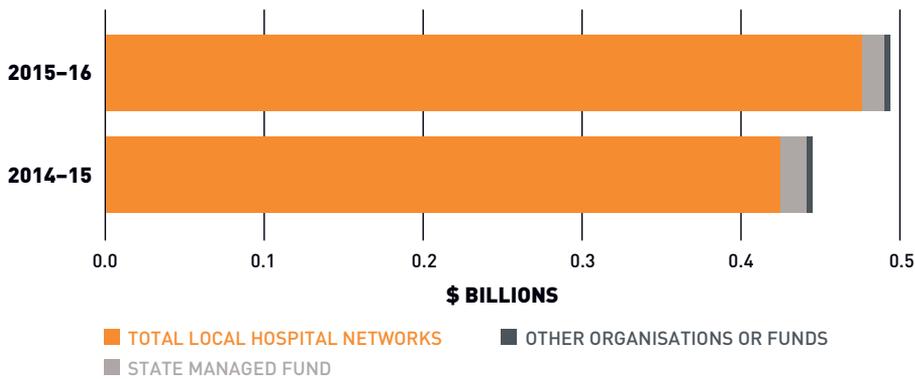
Recipient	Amount paid from NT State Pool Account (\$'000)	
	2015-16	2014-15
Central Australian Hospital Network	182,791	148,445
Top End Hospital Network	293,044	275,586
<b>Total Local Hospital Networks</b>	<b>475,834</b>	<b>424,031</b>
<b>State Managed Fund</b>	<b>13,672</b>	<b>16,752</b>
<b>Other organisations or funds</b>	<b>3,602</b>	<b>3,533</b>
<b>NT TOTAL</b>	<b>493,108</b>	<b>444,316</b>

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

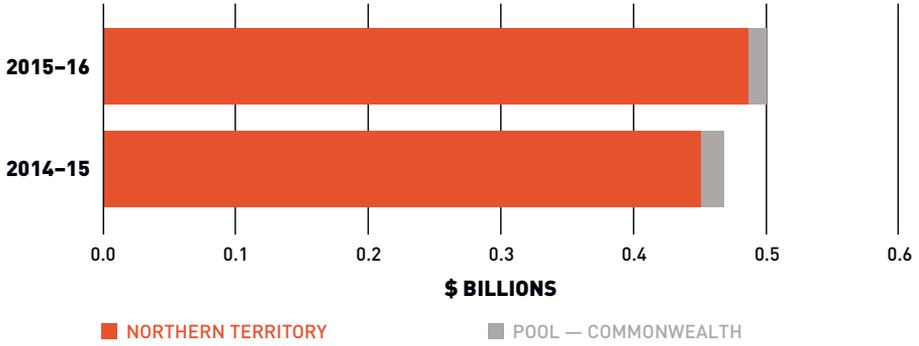


## SECTION 241(2)(D) THE AMOUNTS PAID FROM EACH STATE MANAGED FUND TO LOCAL HOSPITAL NETWORKS OR OTHER ORGANISATIONS OR FUNDS AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

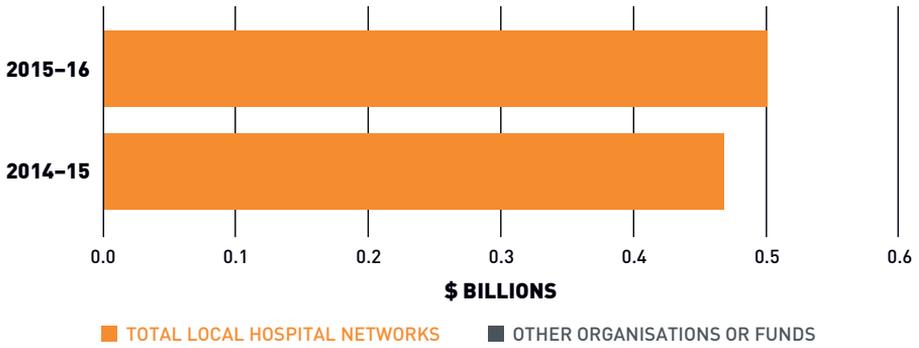
Recipient	Amount paid from NT State Managed Fund (\$'000)	
	2015-16	2014-15
Central Australian Hospital Network	121,759	112,928
Top End Hospital Network	376,930	353,487
<b>Total Local Hospital Networks</b>	<b>498,689</b>	<b>466,415</b>
<b>Other organisations or funds</b>	<b>-</b>	<b>-</b>
<b>NT TOTAL</b>	<b>498,689</b>	<b>466,415</b>

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

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



**PAYMENTS OUT OF THE STATE MANAGED FUND — NT**



## SECTION 241(2)(E) THE NUMBER OF PUBLIC HOSPITAL SERVICES FUNDED FOR EACH LOCAL HOSPITAL NETWORK IN ACCORDANCE WITH THE SYSTEM OF ACTIVITY BASED FUNDING

Local Hospital Network	Number of ABF public hospital services funded (NWAU)		
	2015–16 Estimate	2014–15 Actual	2014–15 Estimate
Central Australian Hospital Network	47,081	40,612	37,663
Top End Hospital Network	80,744	78,981	76,998
<b>NT TOTAL</b>	<b>127,825</b>	<b>119,593</b>	<b>114,661</b>

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

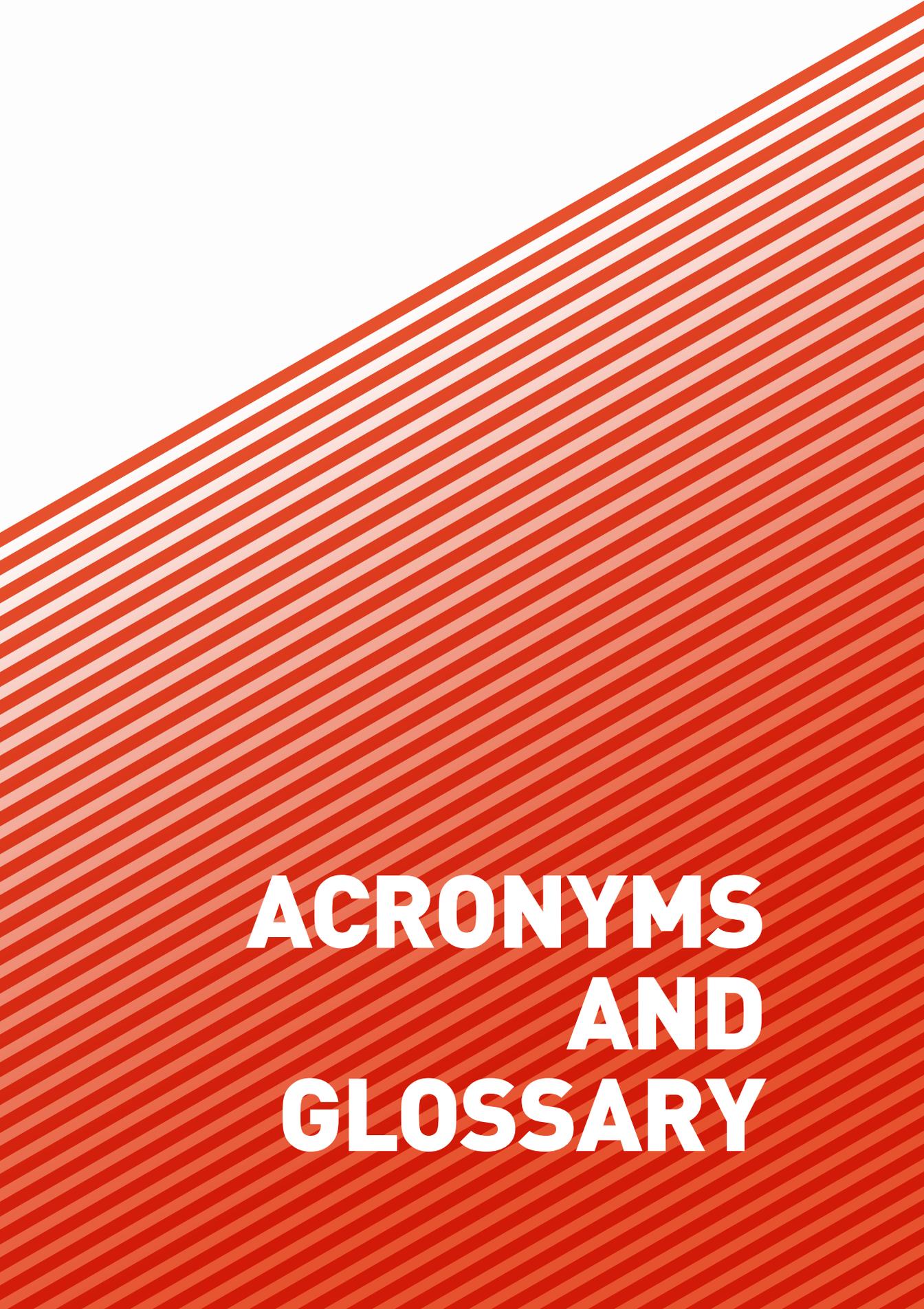
The Northern Territory provide NWAU estimates at the start of each financial year for Commonwealth payment purposes. These estimates may be revised during the course of the year, and form the basis of Commonwealth funding until actual service volumes become available. Funding adjustments as a result of the reconciliation to actual public hospital services (NWAU) for 2014–15 form part of the 2015–16 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 2014–15 and 2015–16 the Northern Territory did not report any 'other public hospital services and functions funded' from the National Health Funding Pool or State Managed Fund.



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# **ACRONYMS AND GLOSSARY**

TERM	MEANING
<b>(the) Act</b>	The <i>National Health Reform Act 2011</i> .
<b>activity based funding</b>	A system for funding public hospital services based on the actual number of services provided to patients and the efficient cost of delivering those services. Activity based funding uses national classifications, cost weights and nationally efficient prices to determine the amount of funding for each activity or service.
<b>(the) Administrator</b>	<p>The Administrator of the National Health Funding Pool (the Administrator) is an independent statutory office holder, distinct from Commonwealth and state and territory government departments, established under legislation of the Commonwealth and state and territory governments.</p> <p>The role of the Administrator, with support from the National Health Funding Body, is to administer the payment of public hospital funding according to the <i>National Health Reform Agreement</i>, 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>
<b>(the) Agreement</b>	See National Health Reform Agreement.
<b>AHMAC</b>	Australian Health Ministers' Advisory Council.
<b>block funding</b>	<p>A system of funding public hospital functions and services as a fixed amount based on population and previous funding.</p> <p>Under National Health Reform, block funding will be provided to states and territories to support teaching and research undertaken in public hospitals and for some public hospital services where it is more appropriate, particularly smaller rural and regional hospitals.</p>
<b>CEO</b>	Chief Executive Officer.
<b>CFO</b>	Chief Finance Officer.
<b>Council of Australian Governments (COAG)</b>	The peak intergovernmental forum in Australia. The members of COAG are the Prime Minister, state and territory Premiers and Chief Ministers and the President of the Australian Local Government Association.
<b>CHC</b>	COAG Health Council. Previously known as Standing Council on Health (SCoH).
<b>DoHA</b>	The (former) Department of Health and Ageing.
<b>FMA Act</b>	The <i>Financial Management and Accountability Act 1997</i> . This Act provided a framework for the proper management of public money and public property.
<b>(the) Funding Pool</b>	See 'National Health Funding Pool'.
<b>Independent Hospital Pricing Authority (IHPA)</b>	An independent statutory body established under Commonwealth legislation to calculate and deliver an annual National Efficient Price (NEP) used in the calculation of national activity based funding for Australian public hospitals.
<b>JAC</b>	Administrator's Jurisdictional Advisory Committee.

Continued

TERM	MEANING
<b>Local hospital networks (LHNs)</b>	Recipients of the payments from the National Health Funding Pool, Commonwealth block funding and state managed funds.
<b>Medicare Benefits Schedule (MBS)</b>	A listing of the Medicare services subsidised by the Australian Government.
<b>National Health Funding Body (NHFB)</b>	An independent statutory body established under Commonwealth legislation to assist the Administrator in carrying out his or her functions under Commonwealth, state and territory legislation.
<b>National Health Funding Pool (the Funding Pool)</b>	A collective name for the state pool accounts of all states and territories, also known as the 'the Funding Pool'. The Pool was established under Commonwealth and state and territory legislation for the purpose of receiving all Commonwealth and activity based state and territory public hospital funding, and for making payments under the Agreement.
<b>National Health Performance Authority (NHPA)</b>	An independent statutory authority established under Commonwealth legislation to report on the performance of hospitals and primary health care organisations across Australia.
<b>National health reform</b>	National health reform includes reforms to the way in which public hospitals are funded nationally in Australia, as set out in the <i>National Health Reform Agreement</i> entered into by all states, territories and the Commonwealth in August 2011.
<b>National Health Reform Agreement (the Agreement)</b>	The <i>National Health Reform Agreement</i> outlines the funding, governance, and performance arrangements for the delivery of public hospital services in Australia. The Agreement was entered into by all states, territories and the Commonwealth in August 2011.
<b>Payments System (the)</b>	the Administrator's Payments System processes the national health reform Commonwealth, state/territory deposits and payments into and out of the Pool, as required under the Act.
<b>Pharmaceutical Benefits Scheme (PBS)</b>	Details of the medicines subsidised by the Australian Government.
<b>PGPA Act</b>	<i>Public Governance, Performance and Accountability Act 2013</i> . This act replaced the <i>Financial Management and Accountability Act 1997</i> and the <i>Commonwealth Authorities and Companies Act 1997</i> from 1 July 2014.
<b>RAG</b>	Reconciliation Advisory Group.
<b>SCoH</b>	Standing Council on Health. Known as the COAG Health Council from December 2013.
<b>state managed fund</b>	A separate bank account or fund established by a state or territory for the purposes of health funding under the Agreement which must be undertaken in the state or territory through a state managed fund.
<b>state pool account</b>	A Reserve Bank account established by a state or territory for the purpose of receiving all Commonwealth and activity based state and territory public hospital funding, and for making payments under the Agreement. The state pool accounts of all states and territories are collectively known as the National Health Funding Pool or the Pool.



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# **DISCLOSURE INDEX**

SECTION	DESCRIPTION	LOCATION — NATIONAL LEVEL	LOCATION — STATE AND TERRITORY LEVEL
<b>241(2) THE ANNUAL REPORT MUST INCLUDE THE FOLLOWING INFORMATION FOR THE RELEVANT FINANCIAL YEAR</b>			
(a)	The amounts paid into each State Pool Account and State Managed Fund by the relevant State and the basis on which the payments were made	Page 48	NSW 75–85 VIC 105–115 QLD 135–141 WA 159–164 SA 183–189 TAS 207–213 ACT 231–236 NT 255–259
(b)	The amounts paid into each State Pool Account by the Commonwealth and the basis on which the payments were made	Page 49	
(c)	The amount 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 51	
(d)	The amounts paid from each State Managed Fund to local hospital networks or other organisations or funds and the basis on which these payments were made	Page 52	
(e)	The number of public hospital services funded for each local hospital network in accordance with the system of activity based funding	Page 53	
(f)	The number of other public hospital services and functions funded from each State Pool Account or State Managed Fund	Page 54	

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SECTION	DESCRIPTION	LOCATION — NATIONAL LEVEL	LOCATION — STATE AND TERRITORY LEVEL
<b>241(3) THE ANNUAL REPORT IS TO BE ACCOMPANIED BY</b>			
(a)	An audited financial statement for each State Pool Account	N/A	NSW 64 VIC 94 QLD 124 WA 150 SA 174 TAS 198 ACT 222 NT 246
(b)	A financial statement that combines the audited financial statements for each State Pool Account	Pages 32–35	N/A



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