



Administrator
National Health
Funding Pool

Annual Report 2016–17

Impacting the lives of everyday
Australians by supporting a
sustainable public hospital system.



Payments to Australian
public hospitals
\$43.4 billion

ROLE OF THE ADMINISTRATOR

The role of the Administrator, with support from the National Health Funding Body, is to administer the National Health Funding Pool, to oversee payments into and out of the state pool account for each state and territory, and to report on various funding and service delivery matters.

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.

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

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This Annual Report should be read in conjunction with the **National Health Funding Body 2016–17 Annual Report**.

Note on cover: The \$43.4 billion in payments to Australian public hospitals represents the amount 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 pages IV–V (infographic) and in Appendix 1 (page 268).

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

2016-17

funding

\$44.1 BILLION
OF COMMONWEALTH,
STATE AND TERRITORY
FUNDING FOR PUBLIC
HOSPITAL SERVICES,
MADE UP OF:

\$18.6 BILLION
IN COMMONWEALTH
FUNDING

\$21.5 BILLION
IN STATE AND
TERRITORY FUNDING
INTO THE STATE
POOL ACCOUNTS

\$4.0 BILLION
IN STATE AND
TERRITORY FUNDING
INTO THE STATE
MANAGED FUNDS

payments

\$43.4 BILLION
OF COMMONWEALTH,
STATE AND TERRITORY
PAYMENTS TO LOCAL
HOSPITAL NETWORKS,
MADE UP OF:

\$37.2 BILLION
IN ACTIVITY BASED
FUNDING

\$2.2 BILLION
IN BLOCK FUNDING
FROM THE STATE
POOL ACCOUNTS

\$4.0 BILLION
IN BLOCK FUNDING
FROM THE STATE
MANAGED FUNDS

Differences between funding into, and payments out of, the National Health Funding Pool and State Managed Funds can occur due to payments to 'Other organisations or funds' (for example, State Health Departments for Public Health or cross-border), or opening and closing cash balances in the State Pool Accounts.

NATIONAL HEALTH REFORM REPORTING

The scope of reporting in the Administrator and National Health Funding Body (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 in Australia.

NATIONAL HEALTH REFORM FUNDING RECEIPTS 2016–2017



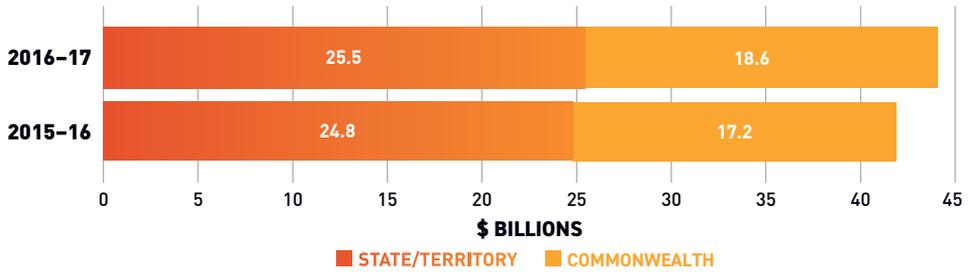
💰 TOTAL FUNDING CONTRIBUTION
💰 STATE/TERRITORY CONTRIBUTION
💰 COMMONWEALTH CONTRIBUTION
↑/↓ INCREASE/DECREASE FROM 2015–2016

Represents all activity based, block, public health and cross-border funding into the National Health Funding Pool and State Managed Funds.

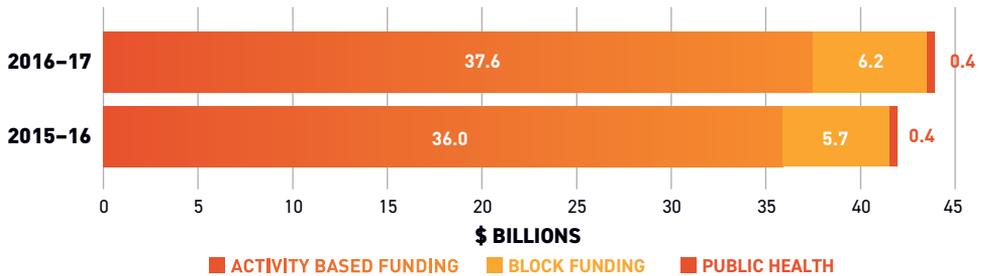
Further details on the basis of these amounts can be found in the relevant state or territory section of the Administrator of the National Health Funding Pool 2016–17 Annual Report, or at publichospitalfunding.gov.au.

The Administrator is assisted by the NHFB. For further details of the NHFB's operations, please see the NHFB 2016–17 Annual Report or nhfb.gov.au.

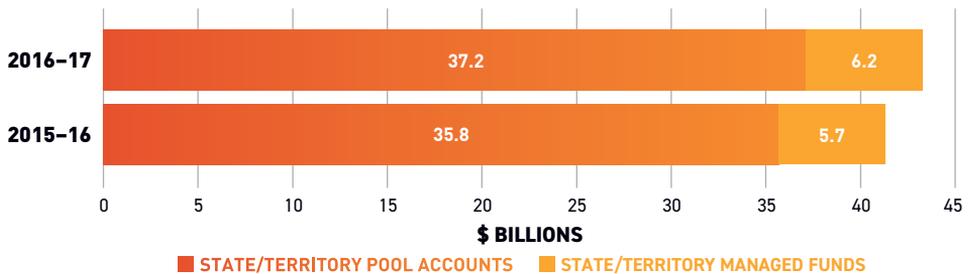
FUNDING RECEIPTS BY SOURCE



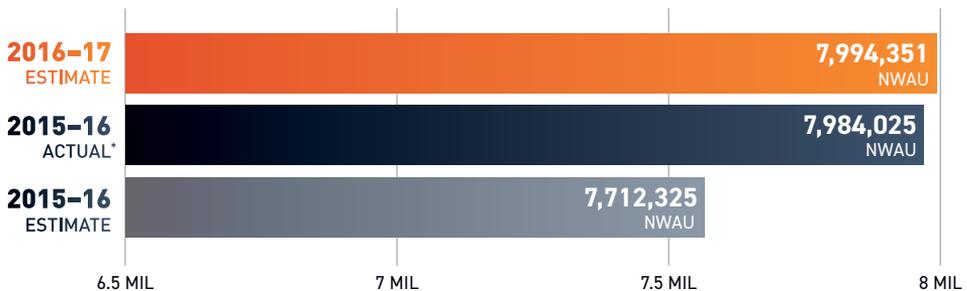
FUNDING RECEIPTS BY TYPE



PAYMENTS TO AUSTRALIAN PUBLIC HOSPITALS BY SOURCE



NUMBER OF WEIGHTED PUBLIC HOSPITAL SERVICES FUNDED



*2015-16 NWAU actual is calculated by the Administrator using 2015-16 actual hospital activity data provided by states and territories. **Note:** A Commonwealth Treasurer's Federal Financial Relations (National Health Reform Payments) Determination 2015-16 was not made in the 2016-17 financial year. Upon a Determination being made, any resulting annual reconciliation adjustment payments will be incorporated into Commonwealth national health reform payments.

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

10 October 2017

The Hon. Greg Hunt MP
Minister for Health
Commonwealth of Australia

The Hon. Jill Hennessy MP
Minister for Health
Victoria

The Hon. Roger Cook MLA
Deputy Premier and 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. Brad Hazzard MP
Minister for Health
New South Wales

The Hon. Cameron Dick MP
Minister for Health
Queensland

The Hon. Peter Malinauskas MLC
Minister for Health
South Australia

The Hon. Meegan Fitzharris MLA
Minister for Health
Australian Capital Territory

Dear Ministers,

Administrator of the National Health Funding Pool Annual Report 2016-17

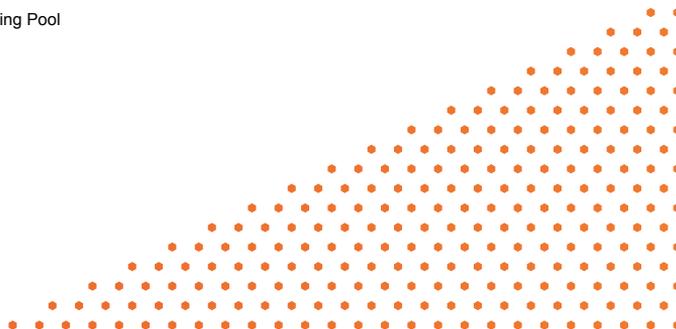
I am pleased to submit to you, for tabling in your respective Parliaments, my Annual Report for the year ended 30 June 2017.

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



Contents

III	2016-17 FUNDING AND PAYMENTS
IV	NATIONAL HEALTH REFORM REPORTING
VI	LETTER OF TRANSMITTAL
2	MESSAGE FROM THE ADMINISTRATOR
4	ANNUAL REPORTING: LEGISLATIVE REQUIREMENTS

7 Overview

8	THE ADMINISTRATOR OF THE NATIONAL HEALTH FUNDING POOL
9	THE NATIONAL HEALTH FUNDING POOL
9	THE NATIONAL HEALTH FUNDING BODY
10	THE FUTURE OF NATIONAL HEALTH REFORM AND FUNDING ARRANGEMENTS
13	TYPES OF FUNDING

19 2016-17 Operations

20	CALCULATING THE COMMONWEALTH CONTRIBUTION
23	REPORTING ON FUNDING AND PAYMENTS PREPARED UNDER THE ACT

25 National

59 NSW

91 VIC

121 QLD

147 WA

169 SA

197 TAS

223 ACT

245 NT

267 Endnotes

268	APPENDIX 1
271	APPENDIX 2
272	GLOSSARY
275	DISCLOSURE INDEX
276	INDEX



MESSAGE FROM THE ADMINISTRATOR

I am pleased to present my Annual Report for the year ended 30 June 2017, the fifth year of operation of the National Health Funding Pool and the Administrator role. A sustainable public hospital system is important for the health and wellbeing of all Australians, and efficient and effective administration of the funding system is vital. To support this aim, I have discharged my duties independently as a statutory office holder of the Commonwealth, and each state and territory.

An important part of my role has been assisting in the development of the Addendum to the *National Health Reform Agreement* (the Addendum), providing expert advice on national health reform arrangements to the parties, and bringing leadership to the implementation of the new reforms. I would like to thank all of those stakeholders I have worked with over the past year who enabled this.

The Addendum builds upon the April 2016 *Heads of Agreement between the Commonwealth and the States and Territories on Public Hospital Funding*.

In addition to retaining activity based funding, the Addendum introduces a number of reforms with the aim of improving system sustainability and the quality of care provided to patients.

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

I would like to acknowledge the work of the NHFB in their role of assisting me to fulfil my responsibilities. The dedication of the small team at the NHFB is to be commended.

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 2016–17 a total of \$43.4 billion was paid to local hospital networks for services, an increase of \$2.0 billion from 2015–16. These payments were made based on a national total of 7,994,351 weighted public hospital services.

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.

My role requires strong relationships with states, territories, the Commonwealth and other national health agencies.

The development of effective partnerships with all parties has been of great importance to me, and has contributed to the success of national health reform in the past year.

In the coming year, I look forward to further supporting jurisdictions in building a sustainable and transparent public hospital system.

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 National Health Reform 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 Australia) Act 2012	TASMANIA National Health Funding Administration Act 2012	AUSTRALIAN CAPITAL TERRITORY Health (National Health Funding Pool and Administration) Act 2013	NORTHERN TERRITORY National Health Funding Pool and Administration (National Uniform Legislation) Act 2012
Administrator's Annual Report	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 his/her functions.	s.241(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)
Financial Statements	The Administrator must prepare a financial statement for each State Pool Account and a combined financial statement.	s.241(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	COMMONWEALTH <i>National Health Reform Act 2011</i>	NEW SOUTH WALES <i>Health Services Act 1997</i>	VICTORIA <i>Health (Commonwealth State Funding Arrangements) Act 2012</i>	QUEENSLAND <i>Hospital and Health Boards Act 2011</i>	WESTERN AUSTRALIA <i>National Health Funding Pool Act 2012</i>	SOUTH AUSTRALIA <i>National Health Funding Pool Administration (South Australia) Act 2012</i>	TASMANIA <i>National Health Funding Administration Act 2012</i>	AUSTRALIAN CAPITAL TERRITORY <i>Health (National Health Funding Pool and Administration) Act 2013</i>	NORTHERN TERRITORY <i>National Health Funding Pool and Administration (National Uniform Legislation) Act 2012</i>
Audit of Financial Statements	A financial statement for the State Pool Account is to be audited by the relevant Auditor-General.	s.243	schedule 6A clause 18	s.19	s.53U	s.21	s.24	s.20	s.27	s.20
National Health Reform Funding and Payments Reporting	The Administrator's annual report must include: the amounts paid into the State Pool Account and State Managed Fund, and the number of weighted hospital services funded.	s.241(2)	schedule 6A clause 16(2)	s.17(2)	s.53S(2)	s.19(2)	s.22(2)	s.18(2)	s.25(2)	s.18(2)
Tabling of the Annual Report	A responsible Minister must cause a copy of the report to be tabled in the Parliament of the relevant jurisdiction.	s.241(4)	schedule 6A clause 16(4)	s.17(4)	s.53S(4)	s.19(4)	s.22(4)	s.18(4)	s.25(4)	s.18(4)



The role of the Administrator is to calculate the Commonwealth contribution for public hospital services and oversee and report on funding and payments through the National Health Funding Pool.

Overview

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

THE ADMINISTRATOR OF THE NATIONAL HEALTH FUNDING POOL

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

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). The role and functions of the Administrator are also listed in common provisions in the state and territory national health reform Acts.¹

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 (state and territory legislation).
- + Monitor state payments into each State Pool Account (state and territory legislation).
- + 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).

CURRENT ADMINISTRATOR

MR PETER ACHTERSTRAAT AM

Administrator from 23 February 2016.

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.

THE NATIONAL HEALTH FUNDING POOL

Under the Agreement, 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 NHFB is a non-corporate entity under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). The NHFB 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. The Payments System 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. In 2016–17, 5,239 transactions were processed through the Payments System.

THE FUTURE OF NATIONAL HEALTH REFORM AND FUNDING ARRANGEMENTS

On 1 April 2016, COAG agreed to the *Heads of Agreement between the Commonwealth and the States and Territories on Public Hospital Funding* (Heads of Agreement). The Heads of Agreement set out a series of high-level goals for the health system.

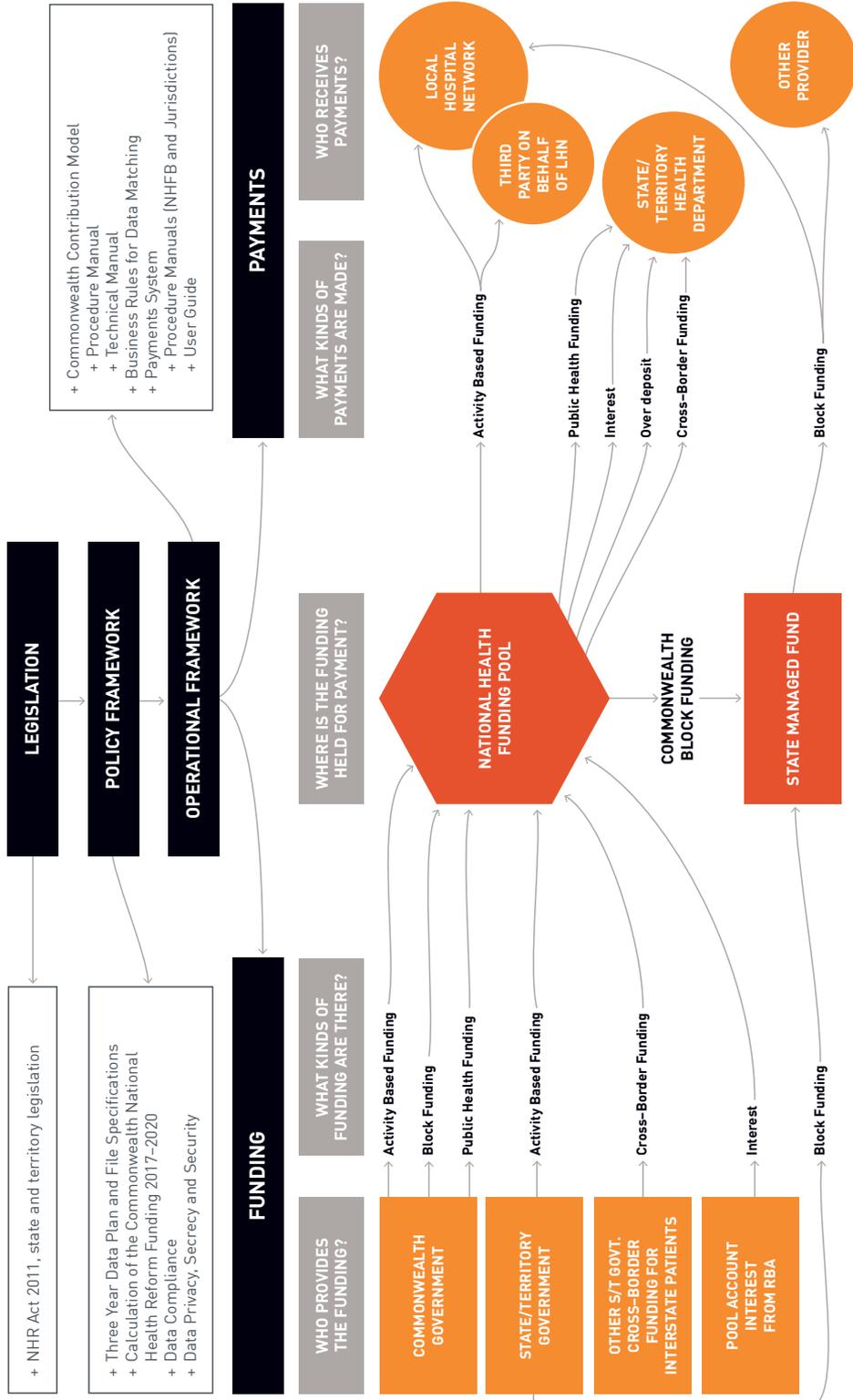
The implementation of the additional reforms of the Heads of Agreement was negotiated in the Addendum, signed by all parties in June 2016.

The Addendum includes:

- + National Funding Cap, which limits growth in Commonwealth national health reform funding at 6.5 per cent per annum.
- + Safety and Quality Adjustment, a reduction in funding for poor safety and quality outcomes.
- + Data Conditional Payment, a temporary funding reduction for delayed submission of data.
- + Primary health care reforms.

The Administrator, supported by the NHFB, successfully implemented the arrangements in the Addendum applicable from 1 July 2017.

FIGURE 1: AUSTRALIAN PUBLIC HOSPITAL SYSTEM FUNDING AND PAYMENT FRAMEWORK



LEGISLATION

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

The Agreement was entered into by all jurisdictions in August 2011. It sets out the shared intention of the Commonwealth, 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 on jurisdictional legislation and reporting requirements, see pages 4–5.

POLICY FRAMEWORK

THREE YEAR DATA PLAN AND FILE SPECIFICATIONS

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

The 2017–18 to 2019–20 Three Year Data Plan was accepted by the COAG Health Council on 9 June 2017.

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 to 2016–17.

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 and the NHFB.

OPERATIONAL FRAMEWORK

COMMONWEALTH CONTRIBUTION MODEL

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

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.

NATIONAL HEALTH REFORM FUNDING

National health reform funding occurs when the Commonwealth or states and territories pay national health reform funding into a State Pool Account or State Managed Fund.

PAYMENTS

National health reform payments occur when funding is paid out of the State Pool Account by the Administrator, or is paid out of the State Managed Fund by the states.

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.

TYPES OF FUNDING

ACTIVITY BASED FUNDING

Activity Based Funding is a system for funding public hospital services based on the number of weighted services provided to patients, and the price to be paid for delivering those services. It uses national classifications, cost weights and state, territory and Commonwealth prices to determine the amount of funding for each activity or service.

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

The NEP is independently determined by the Independent Hospital Pricing Authority (IHPA).

The NEP is the average cost per National Weighted Activity Unit (NWAU). The NWAU is a measure of health service activity expressed as a common unit. It provides a way of comparing and valuing each public hospital service (whether it is an admission, emergency department presentation or outpatient episode), by weighting it for clinical complexity.

States and territories are required to outline basis of payments to each local hospital network, including an explanation of the factors taken into account.

These are provided in the respective 'Funding and Payments' chapter for each state and territory.

The following service categories were activity based funded:

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.

The average NWAU per acute admitted service was 0.879.²

ADMITTED MENTAL HEALTH

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

The average NWAU per admitted mental health service was 2.363.²

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.

The average NWAU per sub-acute and non-acute service was 2.577.²

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.

The average NWAU per emergency department service was 0.131.²

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.

The average NWAU per non-admitted service was 0.063.²

BLOCK FUNDING

Block funding is provided to support teaching and research undertaken in public hospitals, and for some public hospital services where block funding is more appropriate, particularly for smaller rural and regional hospitals.

The following service categories were block funded:

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. They may also be eligible when economies of scale are not present, meaning 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 activity 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 earmarked as an 'over deposit' and paid to the state or territory health department, or it can be used as part of the next payment to local hospital networks.



4 REFERRALS
OR REQUESTS

5,239
transactions

1,788
monthly reports

2016-17 Operations

 CALCULATING THE
COMMONWEALTH CONTRIBUTION

 REPORTING ON FUNDING AND
PAYMENTS PREPARED UNDER THE
NATIONAL HEALTH REFORM ACT 2011

CALCULATING THE COMMONWEALTH CONTRIBUTION

2016–17 COMMONWEALTH FUNDING

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

The outcomes of the CCM calculations form the basis of payment advice to the Commonwealth Treasurer. This advice is provided to all Health Ministers.

The advice provided to the Commonwealth Treasurer and Ministers is summarised in Table 2.

TABLE 2: CALCULATION OF COMMONWEALTH CONTRIBUTION

	2016–17	2015–16
JUL	●	●
AUG	●	●
SEP		●
OCT		
NOV		
DEC	2016–17 MYEFO	● 2015–16 MYEFO
JAN		
FEB		2014–15 Treasurer's Determination
MAR	●	●
APR	● 2017–18 Commonwealth Budget	● 2016–17 Commonwealth Budget
MAY	●	●
JUN	● 2017–18 Payment Advice	● 2016–17 Payment Advice

Six-month reconciliation adjustment period

Annual reconciliation adjustment period

● Payment advice provided

Note: A Commonwealth Treasurer's Federal Financial Relations (National Health Reform Payments) Determination 2015–16 was not made in the 2016–17 financial year. Upon a Determination being made, any resulting annual reconciliation adjustment payments will be incorporated into Commonwealth national health reform payments.

PAYMENT ADVICE

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

- + The Commonwealth Budget, based on initial estimates of activity from states and territories.
- + Commonwealth contributions for the future financial year, based on confirmed estimates of 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 Federal Financial Relations (National Health Reform Payments) Determination, based on reconciliation of actual activity for the prior year.

There were six updates to the Commonwealth contribution for 2016–17; and six payment advices provide to the Commonwealth Treasurer and state and territory Health Ministers.

RECONCILIATION OF 2015–16 ACTUAL ACTIVITY

Both Commonwealth and state and territory contributions are made prospectively, based on the estimated activity set out in Service Agreements negotiated between the states and territories and their local hospital networks.

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 annual (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.

In 2015–16, reconciliation of actual 2014–15 hospital activity data to estimated activity was completed for both the six-month (July 2014 to Dec 2014 period) and annual reconciliation, and incorporated into Commonwealth payments into the National Health Funding Pool.

In 2016–17, reconciliation of actual 2015–16 hospital activity data to estimated activity was completed for the six-month (July 2015 to Dec 2015) reconciliation and incorporated into Commonwealth payments into the National Health Funding Pool.

In early 2017, the Administrator undertook a review of actual 2014–15 and 2015–16 activity data and its impact on Commonwealth national health reform funding outcomes. Following the review, the Administrator advised the Commonwealth Treasurer of the 2015–16 annual reconciliation outcome, to inform a 2015–16 Determination.

If a Determination had been made during 2016–17, additional funding may have been incorporated into the Commonwealth payments to states and territories for services they delivered in 2015–16 and 2016–17.

A breakdown of Commonwealth national health reform funding from 2012–13 to 2016–17 is provided in Note 3 to the Combined Financial Statement (page 46).

REFERRALS TO THE ADMINISTRATOR

ANALYSIS OF GROWTH IN COMMONWEALTH FUNDING

In December 2016, the Commonwealth Treasurer requested the Administrator's advice on the underlying drivers of growth in the Commonwealth national health reform funding from 2014–15 to 2015–16.

The Administrator, assisted by the NHFB and external experts, undertook analysis of hospital activity data provided by states and territories to outline the key funding growth drivers. Consultation with state and territory Health Department officials provided context and insight to the findings.

The report was provided to the Commonwealth Treasurer and all Health Ministers in June 2017.

EXPERT ADVICE ON THE IMPLEMENTATION OF THE ADDENDUM

The Heads of Agreement agreed to a number of policy principles regarding a Funding Cap, pricing for safety and quality, incentives for timely data submission and primary care reforms. The detail of these principles was negotiated in the Addendum.

Throughout 2016–17, the Administrator received a number of referrals from jurisdictions for expert advice on national health reform funding arrangements. The referrals focused on the feasibility and function of the Funding Cap, the implementation of the Addendum, and modelling of safety and quality reforms.

In August 2016, following a request from the Department of the Prime Minister and Cabinet (PM&C), the NHFB undertook a technical review and assessment of four Funding Cap options on a state and national basis. Each option was modelled using historical data to determine the expected behavior, applying a range of criteria.

From December 2016 to February 2017, the Administrator reviewed the draft Addendum on behalf of PM&C, and developed 'blueprints' for implementation. These were used to evaluate the clarity of the Addendum, as well as provide transparency to stakeholders on the Administrator's decisions in implementing the Addendum.

A number of jurisdictions requested modelling of the impact of two options for the Safety and Quality Adjustment. The Administrator provided advice on the introduction of the Safety and Quality Adjustment and its impacts on public hospital funding.

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. This brings transparency to public hospital funding.

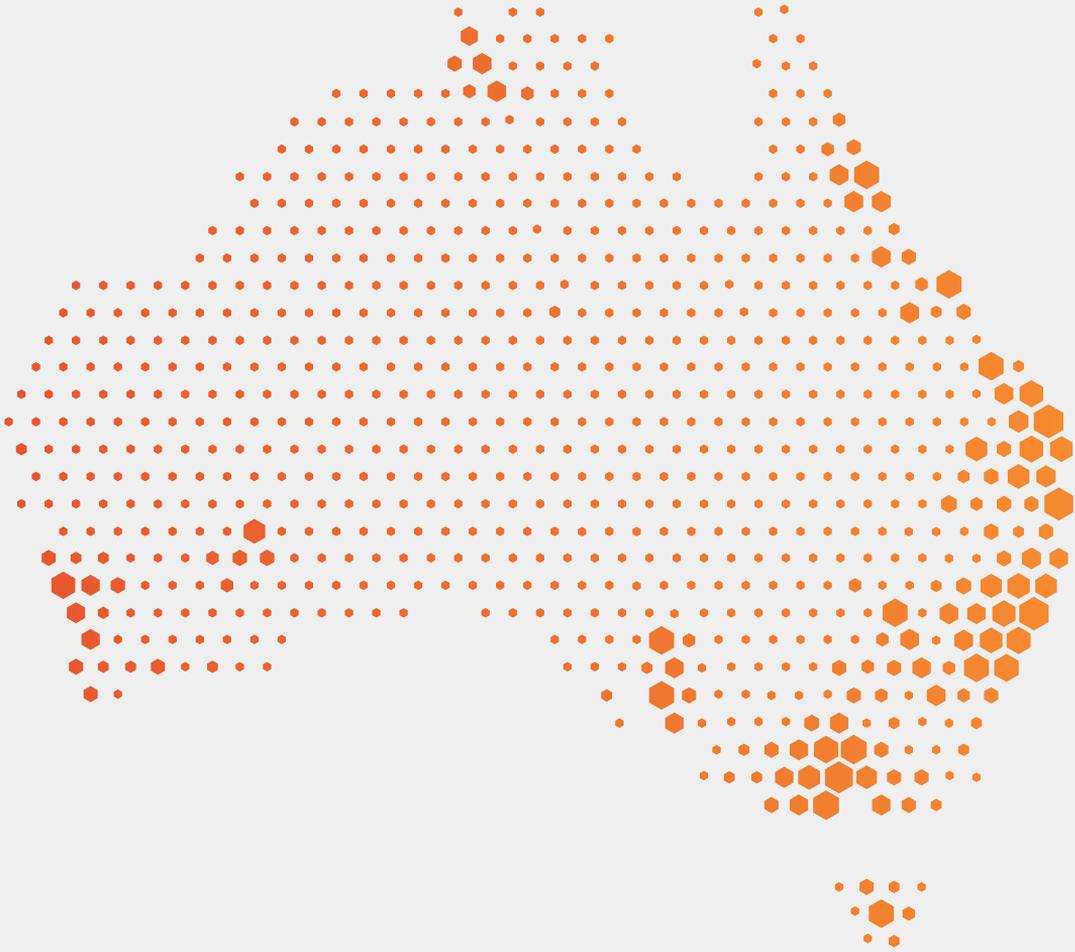
The monthly reports contain details of month and year-to-date funding and payments into and out of the State Pool Accounts and State Managed Funds paid to local hospital networks, including the number of weighted public hospital services funded. These are broken down by Commonwealth and state and territory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

The NHFB produces around 149 reports each month on behalf of the Administrator, comprising:

- + a national report
- + a report for each state and territory
- + a report for each local hospital network.

These reports form the basis of the state and territory funding and payments tables provided in this annual report.

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



140 LOCAL
HOSPITAL
NETWORKS

7,994,351
Weighted public hospital services
measured in NWAU

National

\$44.1 billion total funding

MADE UP OF...



Commonwealth
funding



State funding
received into state
pool accounts



State funding
received into state
managed funds

\$43.4 billion total payments

to local hospital networks

MADE UP OF...



Activity Based
Funding



Block funding
from the state
pool accounts



Block funding
from the state
managed funds

CERTIFICATION LETTER TO THE ADMINISTRATOR



National Health
Funding Body

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

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

27 September 2017

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 2016-17

This letter outlines the assurance arrangements in place for the preparation of the 2016-17 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 2016-17.

Financial Statements

The National Health Funding Body (NHFB) has prepared a financial statement for the year ended 30 June 2017 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, 2014-15 and 2015-16.

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 2016-17 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 2017, give a true and fair view of the matters required by the Act and the National Health Reform Agreement.

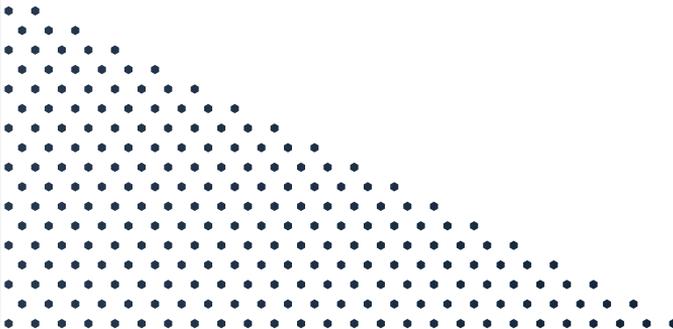
Yours sincerely,



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 2017**

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 2017 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

29 September 2017

CONTENTS

2016–17 Statement of receipts and payments – Combined State Pool Account	32
2015–16 Statement of receipts and payments – Combined State Pool Account	34
Notes to and forming part of the special purpose financial statement	36

Combined State Pool Accounts
Statement of receipts and payments
for the year ended 30 June 2017

	NSW \$ '000	VIC \$ '000	QLD \$ '000	WA \$ '000	SA \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT					
From Commonwealth					
Activity Based Funding	4,940,858	4,101,259	3,362,084	1,777,646	1,064,840
Block funding	671,775	528,295	415,519	272,106	175,105
Public health funding	117,507	92,590	73,356	39,306	25,786
From State/Territory					
Activity Based Funding	5,780,771	4,417,387	5,541,027	2,220,019	2,000,500
Cross border contribution	203,826	9,200	36,000	-	5,664
From other States or Territories					
Cross border receipts	70,064	44,000	56,400	-	9,826
From Reserve Bank of Australia					
Interest receipts	1,845	1,054	405	-	3,577
TOTAL RECEIPTS	11,786,646	9,193,785	9,484,791	4,309,077	3,285,298
PAYMENTS OUT OF THE STATE POOL ACCOUNT					
To Local Hospital Networks					
Activity Based Funding	10,690,423	8,443,240	8,903,111	3,997,665	2,999,168
To State Managed Fund					
Block funding	671,775	528,295	415,519	272,106	175,105
Cross border transfer	-	-	-	-	-
To State/Territory Health Department					
Public health funding	117,507	92,590	73,356	39,306	25,786
Interest payments	1,845	1,054	405	-	-
Cross border transfer	70,064	44,000	56,400	-	-
Withdrawal of over deposit	-	75,406	-	-	-
To other States or Territories					
Cross border payments	203,826	9,200	36,000	-	5,664
TOTAL PAYMENTS	11,755,440	9,193,785	9,484,791	4,309,077	3,205,723
NET RECEIPTS/(PAYMENTS) FOR THE YEAR	31,206	-	-	-	79,575
OPENING CASH BALANCE	-	-	-	-	120,168
CLOSING CASH BALANCE	31,206	-	-	-	199,743

Combined State Pool Accounts
Statement of receipts and payments
for the year ended 30 June 2017

	TAS \$ '000	ACT \$ '000	NT \$ '000	TOTAL \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT				
From Commonwealth				
Activity Based Funding	320,502	311,867	225,996	16,105,052
Block funding	59,309	26,607	16,232	2,164,948
Public health funding	7,867	6,022	3,664	366,098
From State/Territory				
Activity Based Funding	385,428	574,159	294,319	21,213,610
Cross border contribution	-	19,200	-	273,890
From other States or Territories				
Cross border receipts	-	93,600	-	273,890
From Reserve Bank of Australia				
Interest receipts	-	-	12	6,893
TOTAL RECEIPTS	773,106	1,031,455	540,223	40,404,381
PAYMENTS OUT OF THE STATE POOL ACCOUNT				
To Local Hospital Networks				
Activity Based Funding	705,930	979,626	520,315	37,239,478
To State Managed Fund				
Block funding	59,309	26,607	16,232	2,164,948
Cross border transfer	-	-	-	-
To State/Territory Health Department				
Public health funding	7,867	6,022	3,664	366,098
Interest payments	-	-	-	3,304
Cross border transfer	-	-	-	170,464
Withdrawal of over deposit	-	-	-	75,406
To other States or Territories				
Cross border payments	-	19,200	-	273,890
TOTAL PAYMENTS	773,106	1,031,455	540,211	40,293,588
NET RECEIPTS/(PAYMENTS) FOR THE YEAR	-	-	12	110,793
OPENING CASH BALANCE	-	-	51	120,219
CLOSING CASH BALANCE	-	-	63	231,012

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 2017. State Pool Accounts are audited by the respective Auditor-General for each state and territory.

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

	NSW \$ '000	VIC \$ '000	QLD \$ '000	WA \$ '000	SA \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT					
From Commonwealth					
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
From State/Territory					
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
From other States or Territories					
Cross border receipts	52,600	45,000	51,200	-	5,600
From Reserve Bank of Australia					
Interest receipts	3,413	937	547	9	3,615
TOTAL RECEIPTS	11,369,724	8,409,400	9,048,902	4,499,229	3,150,333
PAYMENTS OUT OF THE STATE POOL ACCOUNT					
To Local Hospital Networks					
Activity Based Funding	10,389,688	7,767,913	8,504,008	4,195,614	2,893,344
To State Managed Fund					
Block funding	624,999	488,430	386,386	265,078	165,916
Cross border transfer	-	-	-	-	-
To State/Territory Health Department					
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	-	-	-
To other States or Territories					
Cross border payments	185,800	-	35,600	-	1,400
TOTAL PAYMENTS	11,369,724	8,409,400	9,048,902	4,499,229	3,085,887
NET RECEIPTS/(PAYMENTS) FOR THE YEAR	-	-	-	-	64,446
OPENING CASH BALANCE	-	-	-	-	55,722
CLOSING CASH BALANCE	-	-	-	-	120,168

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

	TAS \$ '000	ACT \$ '000	NT \$ '000	TOTAL \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT				
From Commonwealth				
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
From State/Territory	295,672	542,979	294,319	20,936,815
Activity Based Funding	-	15,600	-	238,400
Cross border contribution				
From other States or Territories				
Cross border receipts	-	84,000	-	238,400
From Reserve Bank of Australia				
Interest receipts	-	-	16	8,537
TOTAL RECEIPTS	670,636	967,283	493,124	38,608,631
PAYMENTS OUT OF THE STATE POOL ACCOUNT				
To Local Hospital Networks				
Activity Based Funding	607,096	913,655	475,834	35,747,152
To State Managed Fund				
Block funding	55,913	25,225	13,672	2,025,619
Cross border transfer	-	-	-	-
To State/Territory Health Department				
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
To other States or Territories				
Cross border payments	-	15,600	-	238,400
TOTAL PAYMENTS	670,636	967,283	493,108	38,544,169
NET RECEIPTS/(PAYMENTS) FOR THE YEAR	-	-	16	64,462
OPENING CASH BALANCE	-	-	35	55,757
CLOSING CASH BALANCE	-	-	51	120,219

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.

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 and state and territory governments. Mr Peter Achterstraat AM, was appointed in February 2016.

(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 was established at the Reserve Bank of Australia (RBA) in 2012–13.

(B) BASIS OF PREPARATION

The special purpose financial statement has been prepared in accordance with Section 242 of the Commonwealth *National Health Reform Act 2011*.

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

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

The financial statement was authorised for release by the Administrator on 29 September 2017.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2015–16 are for the year ended 30 June 2016 and the results for 2016–17 are for the year ended 30 June 2017.

(D) NATIONAL HEALTH FUNDING POOL

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

(E) ACTIVITY BASED FUNDING

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

In 2015–16 and 2016–17 the Commonwealth ABF supported the following:

- i. i. acute admitted services;
- ii. ii. admitted mental health services;
- iii. iii. sub-acute and non-acute services;
- iv. iv. emergency department services; and
- v. 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 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 per cent of the change in the National Efficient Price relative to the prior year. The volume adjustment is 45 per cent of the net change in the volume of weighted services relative to the prior year.

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

(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 2015–16 and 2016–17 the Commonwealth block funding supported the following:

- i. i. small rural hospitals;
- ii. ii. teaching, training and research;
- iii. iii. non-admitted mental health; and
- iv. 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 per cent of the change in the National Efficient Cost 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.

(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 2017.

Combined State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2017

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 (2016–17) and Note 2B (2015–16) 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: Totals may not equal the sum of components due to rounding. Financial statement and Combined financial statement figures (pages 32–55) are rounded then added as per accepted accounting practice. Other figures in the report such as funding and payments are added then rounded.

NOTE 2A: AMOUNTS PAID BY THE COMMONWEALTH INTO EACH STATE POOL ACCOUNT IN 2016-17 (\$'000)

	NSW \$'000	VIC \$'000	QLD \$'000	WA \$'000	SA \$'000
ACTIVITY BASED FUNDING					
Acute admitted	2,775,894	2,515,432	2,092,020	1,011,042	640,594
Admitted mental health	216,609	170,280	151,007	93,711	74,954
Sub-acute	290,760	302,918	80,474	83,984	54,905
Emergency department	547,254	404,366	390,546	211,293	112,542
Non-admitted	1,074,842	610,864	508,937	309,173	184,271
Prior year adjustment (2015-16 six-month reconciliation)	35,498	97,399	139,099	68,442	(2,426)
Total Activity Based Funding	4,940,858	4,101,259	3,362,084	1,777,645	1,067,266
BLOCK FUNDING					
Small rural hospitals	321,005	85,686	240,600	110,868	84,448
Teaching, training and research	170,687	118,810	41,574	94,968	32,282
Non-admitted mental health	180,084	323,770	130,191	66,270	39,543
Other non-admitted services	-	29	3,155	-	18,832
Total block funding	671,775	528,295	415,519	272,106	175,105
PUBLIC HEALTH FUNDING					
Public health funding	117,901	92,839	73,826	39,832	25,945
Prior year adjustment (2015-16)	(394)	(249)	(470)	(526)	(159)
Total public health funding	117,507	92,590	73,356	39,306	25,786
TOTAL AMOUNT PAID BY THE COMMONWEALTH INTO EACH STATE POOL ACCOUNT IN 2016-17*					
Amount paid in 2016-17	5,730,140	4,722,144	3,850,959	2,089,058	1,265,731

*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.

Combined State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2017

	TAS \$'000	ACT \$'000	NT \$'000	TOTAL \$'000
ACTIVITY BASED FUNDING				
Acute admitted	216,352	196,405	145,493	9,593,232
Admitted mental health	13,082	13,357	2,769	735,768
Sub-acute	13,953	20,312	10,719	858,024
Emergency department	32,749	33,518	23,600	1,755,870
Non-admitted	44,366	44,535	38,906	2,815,896
Prior year adjustment (2015-16 six-month reconciliation)	-	3,740	4,509	346,262
Total Activity Based Funding	320,502	311,867	225,996	16,105,052
BLOCK FUNDING				
Small rural hospitals	32,141	1,093	8,115	883,955
Teaching, training and research	14,702	7,121	4,699	484,842
Non-admitted mental health	12,466	18,392	3,419	774,136
Other non-admitted services	-	-	-	22,016
Total block funding	59,309	26,607	16,232	2,164,950
PUBLIC HEALTH FUNDING				
Public health funding	7,877	6,048	3,711	367,978
Prior year adjustment (2015-16)	(10)	(26)	(47)	(1,880)
Total public health funding	7,867	6,022	3,664	366,098
TOTAL AMOUNT PAID BY THE COMMONWEALTH INTO EACH STATE POOL ACCOUNT IN 2016-17*				
Amount paid in 2016-17	387,678	344,496	245,893	18,636,100

*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 2015-16 (\$'000)

	NSW \$'000	VIC \$'000	QLD \$'000	WA \$'000	SA \$'000
PAYMENTS IN RESPECT OF 2015-16 SERVICES					
ACTIVITY BASED FUNDING					
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
Prior year adjustment (2014-15 annual reconciliation, 2013-14 opening balance adjustment)	134,652	28,896	131,383	(15,580)	22,261
Total Activity Based Funding	4,771,445	3,603,513	3,073,510	1,539,165	1,032,975
BLOCK FUNDING					
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
Total block funding	624,999	488,430	386,386	265,078	165,916
PUBLIC HEALTH FUNDING					
Public health funding	113,384	88,575	71,303	38,881	25,241
Prior year adjustment (2015-16)	(159)	(111)	(142)	(354)	(14)
Total public health funding	113,224	88,465	71,161	38,528	25,227
TOTAL AMOUNT PAID BY THE COMMONWEALTH INTO EACH STATE POOL ACCOUNT IN 2016-17*					
Amount paid in 2016-17	5,509,669	4,180,408	3,531,058	1,842,771	1,224,118

*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.

Combined State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2017

	TAS \$'000	ACT \$'000	NT \$'000	TOTAL \$'000
PAYMENTS IN RESPECT OF 2015-16 SERVICES				
ACTIVITY BASED FUNDING				
Acute admitted	204,009	189,822	118,620	8,888,518
Admitted mental health	8,875	12,088	2,611	674,071
Sub-acute	13,949	16,981	7,509	800,134
Emergency department	28,937	31,367	22,217	1,656,599
Non-admitted	42,699	40,366	19,579	2,459,305
Prior year adjustment (2014-15 annual reconciliation, 2013-14 opening balance adjustment)	12,954	3,052	10,979	328,596
Total Activity Based Funding	311,424	293,676	181,515	14,807,223
BLOCK FUNDING				
Small rural hospitals	30,070	1,015	6,463	846,840
Teaching, training and research	13,808	6,565	4,215	441,130
Non-admitted mental health	12,036	17,645	2,993	718,756
Other non-admitted services	-	-	-	18,894
Total block funding	55,913	25,225	13,672	2,025,621
PUBLIC HEALTH FUNDING				
Public health funding	7,632	5,815	3,641	354,472
Prior year adjustment (2015-16)	(5)	(12)	(40)	(836)
Total public health funding	7,627	5,803	3,602	353,636
TOTAL AMOUNT PAID BY THE COMMONWEALTH INTO EACH STATE POOL ACCOUNT IN 2016-17*				
Amount paid in 2016-17	374,964	324,704	198,789	17,186,480

*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 3: COMMONWEALTH NATIONAL HEALTH REFORM PAYMENT BASIS, CASH AND ENTITLEMENT

Cash basis: Financial year in which the Commonwealth national health reform payment was made into the National Health Funding Pool								
		2012-13 (Actual) \$'000	2013-14 (Actual) \$'000	2014-15 (Actual) \$'000	2015-16 (Actual) \$'000	2016-17 (Actual) \$'000	Total \$'000	
Entitlement basis: Financial Year in which activity occurred	2012-13	Total	13,130,777	24,991			13,155,768	
		ABF	9,515,210	18,059			9,533,269	
		Block	3,306,964	6,351			3,313,316	
		PH	308,603	581			309,183	
		Total	13,844,523	(3,314)			13,841,208	
	2013-14	ABF		11,546,075	(2,770)			11,543,304
		Block		1,976,738	(466)			1,976,271
		PH		321,710	(77)			321,633
			Total		15,466,804	327,760		15,794,564
	2014-15	ABF			12,984,187	328,596		13,312,783
		Block			2,144,588	0		2,144,588
		PH			338,028	(836)		337,192
			Total			16,858,720	344,382	17,203,102
	2015-16	ABF				14,478,627	346,262	14,824,889
		Block				2,025,621	0	2,025,621
		PH				354,472	(1,879)	352,593
			Total				18,291,718	18,291,718
	2016-17	ABF					15,758,790	15,758,790
		Block					2,164,950	2,164,950
		PH					367,978	367,978
		Total	13,130,777	13,869,514	15,463,490	17,186,480	18,636,100	
Total	ABF	9,515,210	11,564,134	12,981,417	14,807,223	16,105,052		
	Block	3,306,964	1,983,089	2,144,122	2,025,621	2,164,950		
	PH	308,603	322,291	337,951	353,636	366,098		

Combined State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2017

The Administrator calculates the Commonwealth national health reform funding to local hospital networks on an entitlement basis for services provided. Cash payments in a financial year incorporate funding adjustments from the reconciliation of the prior year actual services provided.

Note 3 summarises the differences between entitlement based on actual services provided and cash paid in each financial year.

The total of each column is the cash paid in the relevant financial year, and is equal to the total for that financial year in the Combined Financial Statement.

The total of each row is the entitlement for services provided in the relevant financial year, and aligns with the respective Commonwealth Treasurer's Federal *Financial Relations (National Health Reform Payments) Determination*.

2012–13: Federal Financial Relations (National Health Reform Payments)
Determination 2012–13, available from legislation.gov.au/Details/F2014L00317

Difference of \$149,671,930.13 is due to payment of the 2011–12 Final Budget Outcome reduction in 2012–13, impacting cash paid.

2013–14: Federal Financial Relations (National Health Reform Payments)
Determination 2013–14, available from legislation.gov.au/Details/F2015L00879

2014–15: Federal Financial Relations (National Health Reform Payments)
Determination 2014–15, available from legislation.gov.au/Details/F2016L00486

Difference of \$3,314,292.12 is due to the inclusion of the 2013–14 reconciliation amount in the Administrator's advice to the Commonwealth Treasurer in finalising 2014–15 funding.

National funding and payments

NATIONAL HEALTH REFORM DISCLOSURES FOR THE YEAR ENDED 30 JUNE 2017

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

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. 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 241(2)(A) – THE AMOUNTS PAID INTO EACH STATE POOL ACCOUNT AND STATE MANAGED FUND BY THE RELEVANT STATE AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

State or Territory	Amount paid by State/Territory (\$'000)					
	2016–17			2015–16		
	State Pool Account — ABF*	State Managed Fund — Block	Total	State Pool Account — ABF*	State Managed Fund — Block	Total
New South Wales	5,984,597	881,562	6,866,159	5,804,043	531,212	6,335,255
Victoria	4,426,587	676,895	5,103,482	4,183,055	625,400	4,808,455
Queensland	5,577,027	906,542	6,483,569	5,466,097	882,494	6,348,591
Western Australia	2,220,019	431,755	2,651,775	2,656,449	525,660	3,182,110
South Australia	2,006,164	205,832	2,211,996	1,917,000	218,139	2,135,139
Tasmania	385,428	312,024	697,451	295,672	361,806	657,478
Australian Capital Territory	593,359	36,605	629,964	558,579	43,211	601,790
Northern Territory	294,319	559,025	853,344	294,319	485,017	779,336
NATIONAL TOTAL	21,487,500	4,010,240	25,497,740	21,175,215	3,672,939	24,848,154

*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 'National health reform funding and payments' chapters.

SECTION 241(2)(B) – THE AMOUNTS PAID INTO EACH STATE POOL ACCOUNT BY THE COMMONWEALTH AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

State or Territory	Amount paid by Commonwealth into State Pool Account (\$'000)							
	2016-17				2015-16			
	Activity Based Funding	Block funding	Public Health funding	Total	Activity Based Funding	Block funding	Public Health funding	Total
New South Wales	4,940,858	671,775	117,507	5,730,140	4,771,445	624,999	113,224	5,509,669
Victoria	4,101,259	528,295	92,590	4,722,144	3,603,513	488,430	88,465	4,180,408
Queensland	3,362,084	415,519	73,356	3,850,959	3,073,510	386,386	71,161	3,531,058
Western Australia	1,777,645	272,106	39,306	2,089,058	1,539,165	265,078	38,528	1,842,771
South Australia	1,064,840	175,105	25,786	1,265,731	1,032,975	165,916	25,228	1,224,118
Tasmania	320,502	59,309	7,867	387,678	311,424	55,913	7,627	374,964
Australian Capital Territory	311,867	26,607	6,022	344,496	293,676	25,225	5,803	324,704
Northern Territory	225,996	16,232	3,664	245,893	181,515	13,672	3,602	198,789
NATIONAL TOTAL	16,105,052	2,164,950	366,098	18,636,100	14,807,223	2,025,621	353,636	17,186,480

The basis of Commonwealth national health reform funding for 2016–17 is as follows:

PUBLIC HEALTH (CLAUSE A43 AND A44)

Payments for Public Health activities for 2016–17 will be equal to the previous year's payment indexed by the former National Healthcare SPP growth factor.

BLOCK FUNDING (CLAUSE A50)

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

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

SECTION 24(2)(C) – THE AMOUNTS PAID FROM EACH STATE POOL ACCOUNT TO LOCAL HOSPITAL NETWORKS, A STATE MANAGED FUND OR OTHER ORGANISATIONS OR FUNDS AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

State or Territory	Amount paid from State Pool Account (including CW and S/T) (\$'000)							
	2016-17				2015-16			
	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	10,690,423	671,775	393,243	11,755,440	10,389,688	624,999	355,037	11,369,724
Victoria	8,443,240	528,295	222,251	9,193,785	7,767,913	488,430	153,057	8,409,400
Queensland	8,903,110	415,519	166,162	9,484,791	8,504,008	386,386	158,508	9,048,902
Western Australia	3,997,665	272,106	39,306	4,309,077	4,195,614	265,078	38,536	4,499,229
South Australia	2,999,168	175,105	31,450	3,205,723	2,893,344	165,916	26,628	3,085,887
Tasmania	705,930	59,309	7,867	773,105	607,096	55,913	7,627	670,636
Australian Capital Territory	979,626	26,607	25,222	1,031,455	913,655	25,225	28,403	967,283
Northern Territory	520,315	16,232	3,664	540,212	475,834	13,672	3,602	493,108
NATIONAL TOTAL	37,239,476	2,164,950	889,164	40,293,589	35,747,153	2,025,621	771,396	38,544,170

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

SECTION 24(2)(D) – THE AMOUNTS PAID FROM EACH STATE MANAGED FUND TO LOCAL HOSPITAL NETWORKS OR OTHER ORGANISATIONS OR FUNDS AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

State or Territory	Amount paid from State Managed Fund (including CW and S/T) (\$'000)					
	2016–17			2015–16		
	Local Hospital Networks	Other organisations or funds	Total	Local Hospital Networks	Other organisations or funds	Total
New South Wales	1,553,337	–	1,553,337	1,156,211	–	1,156,211
Victoria	1,163,570	31,920	1,195,491	1,075,799	28,960	1,104,759
Queensland	1,320,958	–	1,320,958	1,268,081	–	1,268,081
Western Australia	700,222	3,640	703,862	789,698	1,041	790,739
South Australia	380,938	–	380,938	384,055	–	384,055
Tasmania	371,333	–	371,333	417,719	–	417,719
Australian Capital Territory	63,212	–	63,212	68,436	–	68,436
Northern Territory	575,257	–	575,257	498,689	–	498,689
NATIONAL TOTAL	6,128,827	35,560	6,164,386	5,658,688	30,001	5,688,690

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

SECTION 241(2)(E) – THE NUMBER OF PUBLIC HOSPITAL SERVICES FUNDED FOR EACH STATE OR TERRITORY IN ACCORDANCE WITH THE SYSTEM OF ACTIVITY BASED FUNDING

State or Territory	Number of ABF public hospital services funded (NWAU)		
	2016–17 Estimate	2015–16 Actual	2015–16 Estimate
New South Wales	2,584,814	2,558,817	2,557,211
Victoria	2,000,244	1,987,216	1,907,728
Queensland	1,574,306	1,599,975	1,489,257
Western Australia	819,809	820,066	777,032
South Australia	582,476	596,163	578,206
Tasmania	141,357	138,511	135,000
Australian Capital Territory	143,666	148,426	140,066
Northern Territory	147,679	134,852	127,825
NATIONAL TOTAL	7,994,351	7,984,025	7,712,325

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 2016–17 Commonwealth payments do not incorporate funding adjustments as a result of the 2015–16 annual reconciliation.

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

SECTION 241(2)(F) – THE NUMBER OF OTHER PUBLIC HOSPITAL SERVICES AND FUNCTIONS FUNDED FROM EACH STATE POOL ACCOUNT OR STATE MANAGED FUND

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

In the absence of such a national system, the National Health Reform Agreement allows for information to be based on the unit measurement classification and funding arrangements used in individual state and territories.

However, in 2015–16 and 2016–17 no state or territory reported ‘other public hospital services and functions funded’ from the National Health Funding Pool or State Managed Fund.



20 LOCAL
HOSPITAL
NETWORKS

2,584,814

Weighted public hospital services
measured in NWAU

NSW

\$12.6 billion total funding

MADE UP OF...



Commonwealth
funding



State funding
received into
the NSW state
pool account



State funding
received into
the NSW state
managed fund

\$12.2 billion total payments to local hospital networks

MADE UP OF...



Activity Based
Funding



Block funding
from the state
pool accounts



Block funding
from the state
managed funds



NSW financial statement

**NATIONAL HEALTH FUNDING POOL
NEW SOUTH WALES STATE POOL
ACCOUNT SPECIAL PURPOSE
FINANCIAL STATEMENT FOR THE
YEAR ENDED 30 JUNE 2017**

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

Opinion

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 2017. The Financial Statement comprises:

- a Statement of Receipts and Payments for the year ended 30 June 2017
- notes, comprising a summary of significant accounting policies and other explanatory information
- a statement by the Administrator of the National Health Funding Pool (the Administrator).

In my opinion, the Financial Statement for the year ended 30 June 2017, 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*.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter – Basis of Accounting

Without modifying my opinion, I draw attention to Note 1 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.

Responsibility of the Administrator of the National Health Funding Pool

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.

Auditor's Responsibility for the Audit of the Financial Statement

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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



Chris Clayton
Director, Financial Audit Services

11 September 2017
SYDNEY



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 2017 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

11 September 2017

CONTENTS

Independent Auditor's Report	62
Statement by the Administrator of the National Health Funding Pool	64
Statement of receipts and payments	66
Notes to and forming part of the special purpose financial statement	
1 Summary of significant accounting policies	67
2 Activity Based Funding receipts	70
3 Cross-border receipts	71
4 Activity Based Funding payments	72
5 Cross-border payments	73
6 Activity Based Funding receipts and payments	74

New South Wales State Pool Account
Statement of receipts and payments
for the year ended 30 June 2017

	Notes	2017 \$ '000	2016 \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth			
Activity Based Funding	2, 6	4,940,858	4,771,445
Block funding		671,775	624,999
Public health funding		117,507	113,224
From New South Wales			
Activity Based Funding	2, 6	5,780,771	5,618,243
Cross-border contribution	5	203,826	185,800
From other States or Territories			
Cross-border receipts	3	70,064	52,600
From Reserve Bank of Australia			
Interest receipts		1,845	3,413
TOTAL RECEIPTS		11,786,646	11,369,724
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding	4, 6	10,690,423	10,389,688
To New South Wales State Managed Fund			
Block funding		671,775	624,999
Cross-border transfer		-	-
To New South Wales Ministry of Health			
Public Health Funding		117,507	113,224
Interest payments		1,845	3,413
Cross-border transfer		70,064	52,600
Withdrawal of over deposit		-	-
To other States or Territories			
Cross-border payments	5	203,826	185,800
TOTAL PAYMENTS		11,755,440	11,369,724
NET RECEIPTS FOR THE YEAR		31,206	-
OPENING CASH BALANCE		-	-
CLOSING CASH BALANCE		31,206	-

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

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 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 Peter Achterstraat AM, was appointed in February 2016.

(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 24 July 2017.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2015–16 are for the year ended 30 June 2016 and the results for 2016–17 are for the year ended 30 June 2017.

(D) NATIONAL HEALTH FUNDING POOL

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

(E) ACTIVITY BASED FUNDING

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

In 2015–16 and 2016–17 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 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 per cent of the change in the National Efficient Price relative to the prior year. The volume adjustment is 45 per cent of the net change in the volume of weighted services relative to the prior year.

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

(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 2015–16 and 2016–17 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 per cent of the change in the National Efficient Cost 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.

New South Wales State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2017

(I) INTEREST

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

(J) TAXATION

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

2 ACTIVITY BASED FUNDING RECEIPTS

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

	2017 \$ '000	2016 \$ '000
Commonwealth Activity Based Funding	4,940,858	4,771,445
New South Wales Activity Based Funding	5,780,771	5,618,243
TOTAL	10,721,629	10,389,688

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	2017 \$ '000	2016 \$ '000
CROSS-BORDER RECEIPTS		
Victoria	9,200	-
Queensland	36,000	35,600
Western Australia	-	-
South Australia	5,664	1,400
Tasmania	-	-
Australian Capital Territory	19,200	15,600
Northern Territory	-	-
TOTAL	70,064	52,600

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.

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	2017 \$ '000	2016 \$ '000
Albury Wodonga Health [^]	41,238	94,972
Central Coast Local Health District	532,094	489,615
Contracted Services – NSW Ministry of Health	4,933	9,273
Far West Local Health District	55,133	59,992
Hunter New England Local Health District	1,241,733	1,199,662
Illawarra Shoalhaven Local Health District	586,500	507,285
Mid North Coast Local Health District	390,170	339,808
Murrumbidgee Local Health District	244,006	231,228
Nepean Blue Mountains Local Health District	543,655	503,521
Northern NSW Local Health District	493,448	456,652
Northern Sydney Local Health District	866,428	864,109
South Eastern Sydney Local Health District	1,039,673	1,043,462
South Western Sydney Local Health District	1,200,397	1,140,454
Southern NSW Local Health District	242,036	229,958
St Vincent's Health Network	254,247	255,364
Sydney Local Health District	971,336	965,846
Sydney Children's Hospitals Network	430,806	411,632
Western NSW Local Health District	433,767	461,143
Western Sydney Local Health District	1,118,823	1,125,712
TOTAL	10,690,423	10,389,688

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

[^] 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.

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	2017 \$ '000	2016 \$ '000
CROSS-BORDER PAYMENTS		
Victoria	44,000	45,000
Queensland	56,400	51,200
Western Australia	-	-
South Australia	9,826	5,600
Tasmania	-	-
Australian Capital Territory	93,600	84,000
Northern Territory	-	-
TOTAL	203,826	185,800

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

6 ACTIVITY BASED FUNDING RECEIPTS AND PAYMENTS

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

	2017 \$ '000	2016 \$ '000
Total Activity Based Funding receipts from the Commonwealth	4,940,858	4,771,445
Total Activity Based Funding receipts from New South Wales	5,780,771	5,618,243
Cross-border receipts	70,064	52,600
Less: Activity Based Funding payments to Local Hospital Networks	(10,690,423)	(10,389,688)
RECEIPTS IN EXCESS OF PAYMENTS	101,270	52,600

For 2017 the receipts in excess of payments balance is represented by over deposits of the New South Wales Activity Based Funding Contribution of \$31,206,314.04 and withdrawals by the New South Wales Ministry of Health of \$70,064,000 in cross-border receipts, resulting in the cash balance of \$31,206,314.04 in the State Pool Account

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.

End of Audited Special Purpose Financial Statement.

NSW

funding and payments

NATIONAL HEALTH REFORM DISCLOSURES FOR THE YEAR ENDED 30 JUNE 2017

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

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. 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)	
	2016-17	2015-16
State Pool Account – Activity Based Funding*	5,984,597	5,804,043
State Managed Fund – Block funding	881,562	531,212
NSW TOTAL	6,866,159	6,335,255

**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 2016–17 (at June 2017) was advised by the New South Wales Ministry of Health to be as follows:

BASIS USED TO DETERMINE NHR PAYMENTS TO LOCAL HEALTH NETWORKS (LHNS) – NEW SOUTH WALES

The process for determining 2016/17 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 NWAU16, which is different from the previous year.

The Independent Hospital Pricing Authority (IHPA) has issued the National Efficient Cost (NEC16) funding model that applies to small regional and remote hospitals. NSW has adopted the mechanics of this funding model expressed in the NEC16 matrix to determine the aggregate funding allocation to LHNs for these small hospitals within the NSW funding model parameters.

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 2016–17, 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 2016–17 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 2016/17 include:

- a. Paediatric Adjustment;*
- b. Specialist Psychiatric Age Adjustment;*
- c. Patient Remoteness Area Adjustment;*
- d. Indigenous Adjustment;*
- e. Radiotherapy Adjustment;*
- f. Dialysis Adjustment;*
- g. Intensive Care Unit (ICU) Adjustment for eligible facilities;*
- h. Private Patient Service Adjustment;*
- i. Private Patient Accommodation Adjustment;*
- j. Multidisciplinary Clinic Adjustment; and*
- k. Emergency Care Age 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 is flowed 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 will also 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 2016–17 for all "out of scope" services not subject to the National Health Reform Agreement arrangements as required under their 2016–17 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 and or cash payments from the state managed fund to LHNs. This includes cash payment to the Victorian Department of Health for 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 (eg LSL and Superannuation) that are also available to LHNs 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 2016–17, August 2016, November 2016, January 2017 and May 2017 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 2016–17 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.

In respect to Albury Wodonga, the Victorian Department of Health has direct budget responsible for provision of services at Albury/Wodonga Health and the current and proposed IGA for Albury Wodonga, requires NSW to Pay the Victorian Department of Health.

The payment that NSW makes to Victoria Health includes ABF, Block and a share of Public/Population Health funds received under NHR plus the NSW funded component.

On this basis NSW makes a single total payment to Victorian Department of Health each month however for transparency of Commonwealth monies under the NHRA, NSW established an ABF virtual entity for the Albury component of the Commonwealth.

Other payments will occur in 2016–17 that are outside the regular weekly (Tuesday) payment cycle for payments to other States/Territories for NSW residents treated in their public hospitals. Payments to LHNs may also vary where their cash entitlement alters during the financial year.

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

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

In the months of August 2016 to October 2016 NSW continued to pay its estimated cashflowed amount into the NHFP despite the increase in the Commonwealth contribution for those months. This resulted in an accumulated amount of \$69M for the State contribution that was remaining in the account as at 31 October 2016. In the first week of November 2016, \$30M of the accumulated State deposit was subsequently paid out to LHNs. The remaining \$39M was initially required to be paid out by June 2017. Based on latest advice from the NHFB, \$31.2M is required to remain in the account at 30 June 2017 until final reconciliation is resolved and advised. This will be a source of funds in 2017–18 to cover the liability to the NHFB for final reconciled 2015–16 activity.

The April and May interest amounts of \$136,863 and \$201,872 were paid out in June 2017.

In respect to LHN payments, due to timing of required final payments to third parties on behalf of LHNs and receipt of Commonwealth funding, there were four LHNs that had residual Commonwealth monies in the NHFP. As discussed with the CFO at the NHFB, there is no over deposit mechanism in the payment system to repay Commonwealth funds to Agencies that have used State contributions that require reimbursement.

As a result, the only way to recover these funds was to make a 3rd party payment on behalf of LHNs to the NSW Ministry of Health which artificially inflates the budgeted ABF payment amounts reported in the monthly Administrators report however as confirmed by the NHFB does not have any impact on actual activity reconciliations.

Overall the LHN payments made by the Ministry are in accordance with the approved budget as the payment of Commonwealth monies from the Pool have been credited back to the LHN through the Ministry of Health operating account. Therefore resulting in the LHN only receiving for the 2016–17 year their approved cash allocation. The table below details the four LHNs concerned:

<i>LHN</i>	<i>Amount \$</i>
<i>Far West</i>	<i>1,625,589.96</i>
<i>Murrumbidgee</i>	<i>7,369,817.17</i>
<i>Sydney</i>	<i>788,439.10</i>
<i>Western Sydney</i>	<i>10,413,671.71</i>

For more information on budget allocations, see the 2016–17 LHN Service Agreements which are available on each NSW LHN website as the Chief Executive and Board of the LHNs 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)	
	2016–17	2015–16
Activity Based Funding	4,940,858	4,771,445
Block funding	671,775	624,999
Public Health funding	117,507	113,224
NSW TOTAL	5,730,140	5,509,669

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

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

Recipient	Amount paid from NSW State Pool Account (\$'000)	
	2016–17	2015–16
Albury NSW Local Health Services	41,238	94,972
Central Coast Local Health District	532,094	489,615
Contracted Services	4,933	9,273
Far West Local Health District	55,133	59,992
Hunter New England Local Health District	1,241,732	1,199,662
Illawarra Shoalhaven Local Health District	586,500	507,285
Mid North Coast Local Health District	390,170	339,808
Murrumbidgee Local Health District	244,006	231,228
Nepean Blue Mountains Local Health District	543,655	503,521
Northern NSW Local Health District	493,448	456,652
Northern Sydney Local Health District	866,428	864,109
South Eastern Sydney Local Health District	1,039,673	1,043,462
South Western Sydney Local Health District	1,200,397	1,140,454
Southern NSW Local Health District	242,036	229,958
St Vincent's Health Network	254,247	255,364

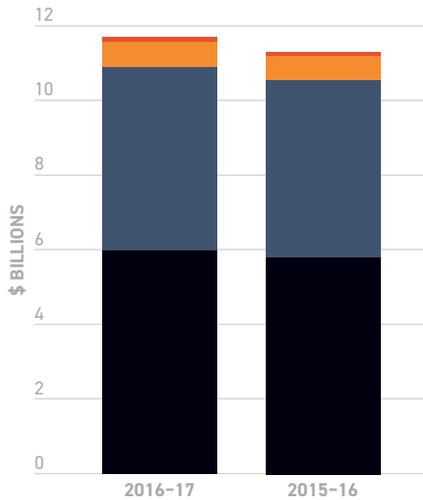
Continued.

Recipient	Amount paid from NSW State Pool Account (\$'000)	
	2016-17	2015-16
Sydney Children's Hospitals Network	430,806	411,632
Sydney Local Health District	971,336	965,846
Western NSW Local Health District	433,767	461,143
Western Sydney Local Health District	1,118,823	1,125,712
Total local hospital districts	10,690,423	10,389,688
State Managed Fund	671,775	624,999
Other organisations or funds*	393,243	355,037
NSW TOTAL	11,755,440	11,369,724

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

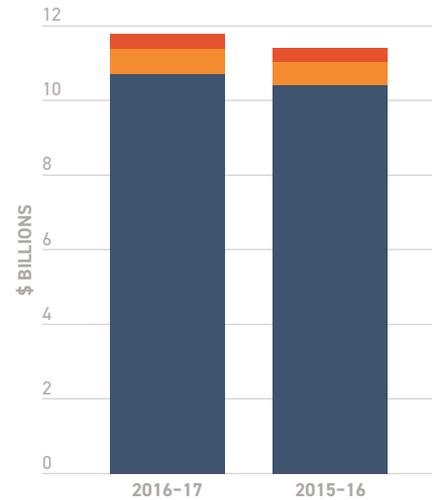
For the New South Wales basis of payments, refer to part a) of this chapter.

PAYMENTS INTO THE POOL – NSW



- COMMONWEALTH – PUBLIC HEALTH
- COMMONWEALTH – BLOCK FUNDING
- COMMONWEALTH – ACTIVITY BASED FUNDING
- NSW – ACTIVITY BASED FUNDING

PAYMENTS OUT OF THE POOL – NSW



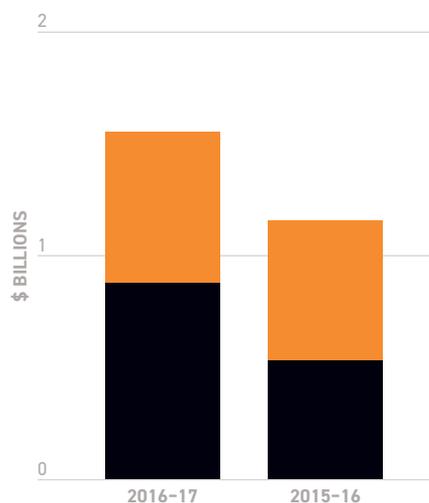
- OTHER ORGANISATIONS OR FUNDS
- STATE MANAGED FUND
- TOTAL LOCAL HOSPITAL DISTRICTS

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)	
	2016-17	2015-16
Albury NSW Local Health Services	11,872	4,742
Central Coast Local Health District	39,693	29,430
Contracted Services	-	-
Far West Local Health District	22,419	13,812
Hunter New England Local Health District	286,891	193,977
Illawarra Shoalhaven Local Health District	71,527	83,217
Justice Health and Forensic Mental Health Network	60,378	48,492
Mid North Coast Local Health District	46,078	38,572
Murrumbidgee Local Health District	148,306	141,177
Nepean Blue Mountains Local Health District	40,459	38,088
Northern NSW Local Health District	45,734	41,329
Northern Sydney Local Health District	124,528	103,058
South Eastern Sydney Local Health District	78,701	34,263
South Western Sydney Local Health District	77,742	45,643
Southern NSW Local Health District	57,491	37,989
St Vincent's Health Network	18,945	26,164
Sydney Children's Hospitals Network	31,963	28,142
Sydney Local Health District	128,575	102,388
Western NSW Local Health District	168,730	130,679
Western Sydney Local Health District	93,306	15,048
Total local hospital districts	1,553,337	1,156,211
Other organisations or funds	-	-
NSW TOTAL	1,553,337	1,156,211

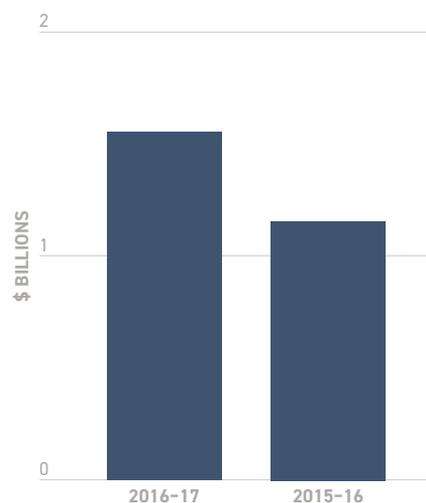
For the New South Wales basis of payments, refer to part a) of this chapter.

PAYMENTS INTO THE STATE MANAGED FUND – NSW



■ POOL – COMMONWEALTH
■ NEW SOUTH WALES

PAYMENTS OUT OF THE STATE MANAGED FUND – NSW



■ OTHER ORGANISATIONS OR FUNDS
■ TOTAL LOCAL HOSPITAL DISTRICTS

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)		
	2016-17 Estimate	2015-16 Actual	2015-16 Estimate
Albury NSW Local Health District	19,911	21,752	19,748
Central Coast Local Health District	117,328	118,276	118,604
Contracted Services	4,050	4,237	4,515
Far West Local Health District	10,369	10,903	10,614
Hunter New England Local Health District	304,430	321,138	291,089
Illawarra Shoalhaven Local Health District	137,121	138,123	133,715
Mid North Coast Local Health District	95,554	92,886	90,941
Murrumbidgee Local Health District	56,402	60,318	60,476

Continued.

Local Hospital District	Number of ABF public hospital services funded (NWAU)		
	2016-17 Estimate	2015-16 Actual	2015-16 Estimate
Nepean Blue Mountains Local Health District	124,874	122,749	122,804
Northern NSW Local Health District	118,332	114,855	113,104
Northern Sydney Local Health District	203,150	215,662	197,634
South Eastern Sydney Local Health District	264,277	258,489	273,796
South Western Sydney Local Health District	282,342	273,791	279,124
Southern NSW Local Health District	54,547	49,610	54,154
St Vincent's Health Network	73,702	68,716	77,390
Sydney Children's Hospitals Network	99,008	101,373	100,679
Sydney Local Health District	243,462	236,646	239,897
Western NSW Local Health District	99,580	100,858	99,010
Western Sydney Local Health District	276,374	248,435	269,916
NSW TOTAL	2,584,814	2,558,817	2,557,211

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 2016-17 Commonwealth payments do not incorporate funding adjustments as a result of the 2015-16 annual reconciliation.

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 2015–16 and 2016–17 New South Wales did not report any 'other public hospital services and functions funded' from their Pool account or State Managed Fund.



87 LOCAL
HOSPITAL
NETWORKS

2,000,244

Weighted public hospital services
measured in NWAU

VIC

\$9.8 billion total funding

MADE UP OF...



Commonwealth
funding



State funding
received into
the VIC state
pool account



State funding
received into
the VIC state
managed fund

\$9.6 billion total payments to local hospital networks

MADE UP OF...



Activity Based
Funding



Block funding
from the state
pool accounts



Block funding
from the state
managed funds



VIC

financial statement

**NATIONAL HEALTH FUNDING POOL
VICTORIA STATE POOL ACCOUNT
SPECIAL PURPOSE FINANCIAL
STATEMENT FOR THE YEAR ENDED
30 JUNE 2017**

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*.



Independent Auditor's Report

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

Opinion	<p>I have audited the accompanying special purpose financial statement of the Victoria State Pool Account for the year ended 30 June 2017. The financial statement comprises the:</p> <ul style="list-style-type: none"> • statement of receipts and payments for the year ended 30 June 2017 • notes to and forming part of the special purpose financial statement, including a summary of significant accounting policies • the statement by the Administrator of the National Health Funding Pool. <p>In my opinion the financial statement presents fairly, in all material respects, the receipts and payments of the Victoria State Pool Account for the year ended 30 June 2017 in accordance with the financial reporting requirements of section 242 of the <i>National Health Reform Act 2011 (Cwlth)</i> and section 18 of the <i>Health (Commonwealth State Funding Arrangements) Act 2012 (Vic)</i></p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the Administrator of the National Health Funding Pool in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial statement in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Emphasis of Matter - Basis of Accounting	<p>I draw attention to Note 1(B) to the financial statement, which describes the purpose of the financial statement and its basis of accounting. The financial statement has been prepared using the cash basis of accounting and for the purpose of fulfilling the Administrator's financial reporting obligations under the <i>National Health Reform Act 2011 (Cwlth)</i> and the <i>Health (Commonwealth State Funding Arrangements) Act 2012 (Vic)</i>. As a result, the financial statement may not be suitable for another purpose. My opinion is not modified in respect of this matter.</p>
Administrator's responsibility for the financial statement	<p>The Administrator of the National Health Funding Pool is responsible for the preparation and fair presentation of the financial statement in accordance with the financial reporting requirements of the <i>National Health Reform Act 2011 (Cwlth)</i> and the <i>Health (Commonwealth State Funding Arrangements) Act 2012 (Vic)</i>, and for such internal control as the Administrator determines is necessary to enable the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.</p> <p>The Administrator is responsible for overseeing the Victoria State Pool Account's financial reporting process.</p>

**Auditor's
responsibilities
for the audit of
the financial
statement**

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

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

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

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

MELBOURNE
21 August 2017



Ron Mak
as delegate for the Auditor-General of Victoria



**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 statement 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 2017 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

16 August 2017

CONTENTS

Independent Auditor's Report	94
Statement by the Administrator of the National Health Funding Pool	96
Statement of receipts and payments	98
Notes to and forming part of the special purpose financial statement	
1 Summary of significant accounting policies	99
2 Activity Based Funding receipts	102
3 Cross-border receipts	103
4 Activity Based Funding payments	104
5 Cross-border payments	106
6 Activity Based Funding receipts and payments	107

Victoria State Pool Account
Statement of receipts and payments
for the year ended 30 June 2017

	Notes	2017 \$ '000	2016 \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth			
Activity Based Funding	2, 6	4,101,259	3,603,513
Block funding		528,295	488,430
Public health funding		92,590	88,465
From Victoria			
Activity Based Funding	2, 6	4,417,387	4,183,055
Cross-border contribution		9,200	–
From other States or Territories			
Cross-border receipts	3	44,000	45,000
From Reserve Bank of Australia			
Interest receipts		1,054	937
TOTAL RECEIPTS		9,193,785	8,409,400
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding	4, 6	8,443,240	7,767,913
To Victoria State Managed Fund			
Block funding		528,295	488,430
To Victoria Health			
Public health funding		92,590	88,465
Interest payments		1,054	937
Cross-border transfer		44,000	45,000
Withdrawal of over deposit	6	75,406	18,655
To other States or Territories			
Cross-border payments	5	9,200	–
TOTAL PAYMENTS		9,193,785	8,409,400
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		–	–
OPENING CASH BALANCE		–	–
CLOSING CASH BALANCE		–	–

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 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 Peter Achterstraat AM, was appointed in February 2016.

(B) BASIS OF PREPARATION

The Victoria State Pool Account was established in accordance with section 18 of the Victorian *Health (Commonwealth State Funding Arrangements) Act 2012* 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 24 July 2017.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2015–16 are for the year ended 30 June 2016 and the results for 2016–17 are for the period 1 July 2016 to 30 June 2017.

(D) NATIONAL HEALTH FUNDING POOL

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

(E) ACTIVITY BASED FUNDING

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

In 2015–16 and 2016–17 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 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 per cent of the change in the National Efficient Price relative to the prior year. The volume adjustment is 45 per cent of the net change in the volume of weighted services relative to the prior year.

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

(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 2015–16 and 2016–17 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 Victoria prior year amount and 45 per cent of the change in the National Efficient Cost 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.

Victoria State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2017

(I) INTEREST

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

(J) TAXATION

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

2 ACTIVITY BASED FUNDING RECEIPTS

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

	2017 \$ '000	2016 \$ '000
Commonwealth Activity Based Funding	4,101,259	3,603,513
Victoria Activity Based Funding	4,417,387	4,183,055
TOTAL	8,518,646	7,786,568

3 CROSS-BORDER RECEIPTS

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

States and Territories	2017 \$ '000	2016 \$ '000
CROSS-BORDER RECEIPTS		
New South Wales	44,000	45,000
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Australian Capital Territory	-	-
Northern Territory	-	-
TOTAL	44,000	45,000

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

4 ACTIVITY BASED FUNDING PAYMENTS

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

Local Hospital Networks	2017 \$ '000	2016 \$ '000
Albury Wodonga Health	99,618	93,403
Alfred Health	665,956	613,488
Austin Health	540,352	505,261
Bairnsdale Regional Health Service	50,938	46,707
Ballarat Health Services	216,425	194,479
Barwon Health	396,562	361,973
Bass Coast Regional Health	36,407	28,083
Benalla Health	17,453	16,267
Bendigo Health Care Group	214,715	184,736
Calvary Health Care Bethlehem	20,467	24,143
Castlemaine Health	22,433	19,602
Central Gippsland Health Service	49,678	48,430
Colac Area Health	20,650	20,772
Contracted Services LHN Victoria	50,480	42,672
Djerriwarrh Health Services	41,539	38,224
East Grampians Health Service	16,334	14,876
Eastern Health	641,791	596,380
Echuca Regional Health	40,270	39,165
Gippsland Southern Health Service	16,662	16,363
Goulburn Valley Health	136,007	126,329
Kyabram and District Health Service	12,742	11,945
Latrobe Regional Hospital	147,149	136,176
Maryborough District Health Service	16,038	14,789
Melbourne Health	578,242	529,967

Continued.

Victoria State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2017

Local Hospital Networks	2017 \$ '000	2016 \$ '000
Mercy Public Hospitals Incorporated	289,536	266,580
Monash Health	1,111,987	1,031,993
Northeast Health Wangaratta	86,693	76,603
Northern Health	369,660	331,565
Peninsula Health	386,104	343,404
Peter MacCallum Cancer Centre	115,970	93,580
Portland District Health	24,368	21,745
Ramsay Healthcare Australia (Mildura Base Hospital)	96,695	88,878
South West Healthcare	102,176	95,868
St Vincent's Hospital (Melbourne)	410,042	385,938
Stawell Regional Health	13,289	12,446
Swan Hill District Hospital	31,587	28,495
The Royal Children's Hospital	372,201	361,678
The Royal Victorian Eye and Ear Hospital	81,683	73,474
The Royal Women's Hospital	192,358	182,780
West Gippsland Healthcare Group	62,628	54,661
Western District Health Service	34,035	32,009
Western Health	563,566	516,651
Wimmera Health Care Group	49,756	45,335
TOTAL	8,443,240	7,767,913

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.

5 CROSS-BORDER PAYMENTS

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

States and Territories	2017 \$ '000	2016 \$ '000
CROSS-BORDER PAYMENTS		
New South Wales	9,200	-
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Northern Territory	-	-
TOTAL	9,200	-

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:

	2017 \$ '000	2016 \$ '000
Total Activity Based Funding receipts from the Commonwealth	4,101,259	3,603,513
Total Activity Based Funding receipts from Victoria	4,417,387	4,183,055
Cross-border receipts	44,000	45,000
Less: Activity Based Funding payments to Local Hospital Networks	(8,443,240)	(7,767,913)
RECEIPTS IN EXCESS OF PAYMENTS	119,406	63,655

For 2017 the receipts in excess of payments balance represented withdrawals by the Victoria Department of Health and Human Services of \$75,406,355 in over deposits and \$44,000,000 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 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.

End of Audited Special Purpose Financial Statement.

VIC

funding and payments

NATIONAL HEALTH REFORM DISCLOSURES FOR THE YEAR ENDED 30 JUNE 2017

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

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. 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)	
	2016-17	2015-16
State Pool Account – Activity Based Funding*	4,426,587	4,183,055
State Managed Fund – Block funding	676,895	625,400
VIC TOTAL	5,103,482	4,808,455

**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 2016–17 (at June 2017) was advised by the Victorian Department of Health to be 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 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)	
	2016–17	2015–16
Activity Based Funding	4,101,259	3,603,513
Block funding	528,295	488,430
Public Health funding	92,590	88,465
VIC TOTAL	4,722,144	4,180,408

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

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

Recipient	Amount paid from VIC State Pool Account (\$'000)	
	2016-17	2015-16
Albury Wodonga Health	99,618	93,403
Alfred Health	665,956	613,488
Austin Health	540,352	505,261
Bairnsdale Regional Health Service	50,938	46,707
Ballarat Health Services	216,425	194,479
Barwon Health	396,562	361,973
Bass Coast Regional Health	36,407	28,082
Benalla Health	17,453	16,267
Bendigo Health Care Group	214,715	184,736
Calvary Health Care Bethlehem Limited^	20,467	24,143
Castlemaine Health	22,433	19,602
Central Gippsland Health Service	49,678	48,430
Colac Area Health	20,650	20,772
Contracted services LHN – Victoria^	50,480	42,672
Djerriwarrh Health Services	41,539	38,224
East Grampians Health Service	16,334	14,876
Eastern Health	641,791	596,380
Echuca Regional Health	40,270	39,165
Gippsland Southern Health Service	16,662	16,363
Goulburn Valley Health	136,007	126,329
Kyabram District Health Services	12,742	11,945
Latrobe Regional Hospital	147,149	136,176
Maryborough District Health Service	16,038	14,789
Melbourne Health	578,242	529,967
Mercy Public Hospitals Inc.^	289,536	266,580
Monash Health	1,111,987	1,031,993
Northeast Health Wangaratta	86,693	76,603
Northern Health	369,660	331,565

Continued.

Recipient	Amount paid from VIC State Pool Account (\$'000)	
	2016–17	2015–16
Peninsula Health	386,104	343,404
Peter Maccallum Cancer Institute	115,970	93,580
Portland District Health	24,368	21,745
Ramsay Healthcare Australia [^] (Mildura Base Hospital)*	96,695	88,878
Royal Victorian Eye and Ear Hospital	81,683	73,474
South West Healthcare	102,176	95,868
St Vincent's Hospital (Melbourne) Limited [^]	410,042	385,938
Stawell Regional Health	13,289	12,446
Swan Hill District Hospital	31,587	28,494
The Royal Children's Hospital	372,201	361,678
The Royal Women's Hospital	192,358	182,780
West Gippsland Healthcare Group	62,628	54,660
Western District Health Service	34,035	32,009
Western Health	563,566	516,651
Wimmera Health Care Group	49,756	45,335
Total local hospital networks	8,443,240	7,767,913
State Managed Fund	528,295	488,430
Other organisations or funds**	222,251	153,057
VIC TOTAL	9,193,785	8,409,400

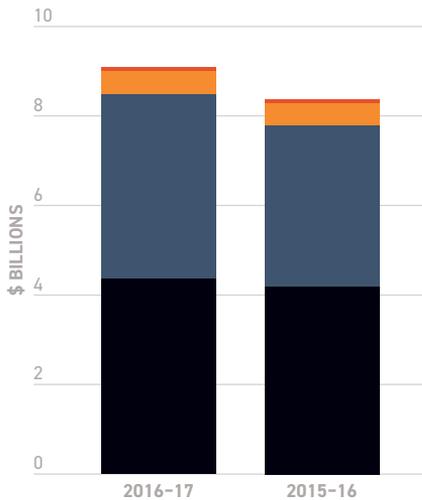
[^]Private provider contracted for public hospital services. Reported payments from the State Pool Account are GST inclusive.

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

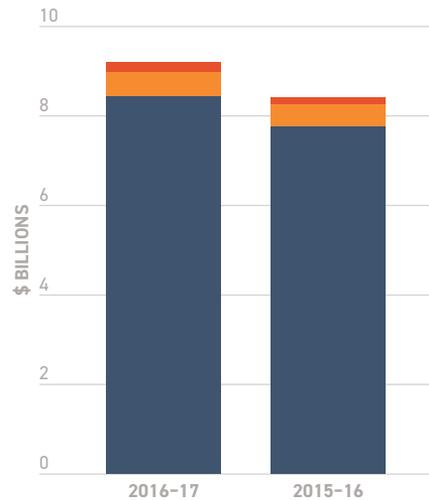
**Includes a Victorian cross-border contribution to other states or territories in 2016–17.

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)	
	2016-17	2015-16
Albury Wodonga Health	22,658	21,018
Alexandra District Hospital	5,657	5,444
Alfred Health	56,234	51,884
Alpine Health	10,530	10,404
Austin Health	46,632	46,024
Bairnsdale Regional Health Service	2,181	2,061
Ballarat Health Services	31,654	28,251
Barwon Health	44,921	40,555
Bass Coast Regional Health	1,126	1,122
Beaufort and Skipton Health Service	4,128	3,814

Continued.

Recipient	Amount paid from VIC State Managed Fund (\$'000)	
	2016-17	2015-16
Beechworth Health Service	3,735	3,506
Benalla Health	238	320
Bendigo Health Care Group	41,984	39,117
Boort District Health	2,161	2,067
Calvary Health Care Bethlehem Limited^	485	879
Casterton Memorial Hospital	3,476	3,329
Castlemaine Health	358	282
Central Gippsland Health Service	2,394	2,093
Cobram District Health	6,014	5,724
Cohuna District Hospital	5,140	4,545
Colac Area Health	313	285
Djerriwarrh Health Services	691	540
Dunmunkle Health Services	–	1,062
East Grampians Health Service	1,134	1,185
East Wimmera Health Service	11,769	9,255
Eastern Health	91,352	79,822
Echuca Regional Health	2,166	2,442
Edenhope And District Memorial Hospital	3,151	3,124
Gippsland Southern Health Service	362	302
Goulburn Valley Health	24,774	21,121
Heathcote Health	2,342	2,031
Hepburn Health Service	9,382	7,504
Hesse Rural Health Service	1,845	1,704
Heywood Rural Health	2,487	2,165
Inglewood And Districts Health Service	1,777	1,681
Kerang and District Health	5,898	5,673
Kilmore And District Hospital	11,511	10,236
Kooweerup Regional Health Services	4,858	4,709
Kyabram District Health Services	97	115

Continued.

Recipient	Amount paid from VIC State Managed Fund (\$'000)	
	2016-17	2015-16
Kyneton District Health Service	8,961	8,040
Latrobe Regional Hospital	35,411	33,131
Lorne Community Hospital	2,290	2,219
Maldon Hospital	1,154	980
Mallee Track Health And Community Service	3,743	3,631
Mansfield District Hospital	6,676	6,184
Maryborough District Health Service	479	437
Melbourne Health	132,955	123,038
Mercy Public Hospitals Inc.^	28,842	25,459
Monash Health	119,846	108,479
Moyne Health Services	3,682	3,261
Nathalia District Hospital*	1,738	1,727
Northeast Health Wangaratta*	3,062	2,942
Northern Health*	11,130	10,775
Numurkah District Health Service*	8,172	7,645
Omeo District Health*	1,553	1,565
Orbost Regional Health*	5,474	5,315
Otway Health And Community Services*	2,891	2,403
Peninsula Health*	39,777	35,113
Peter Maccallum Cancer Institute*	3,819	3,838
Portland District Health*	201	256
Ramsay Healthcare Australia^ (Mildura Base Hospital)*	12,796	11,568
Robinvale District Health Services	5,739	5,218
Rochester and Elmore District Health Service	5,062	4,562
Royal Victorian Eye and Ear Hospital	1,749	1,664
Rural Northwest Health	8,406	7,584
Seymour District Memorial Hospital	11,940	11,161
South Gippsland Hospital	5,226	4,839

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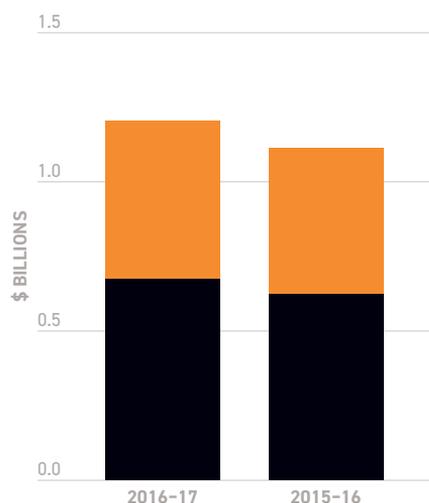
Recipient	Amount paid from VIC State Managed Fund (\$'000)	
	2016-17	2015-16
South West Healthcare	17,566	15,986
St Vincent's Hospital (Melbourne) Limited [^]	54,870	52,804
Stawell Regional Health	389	378
Swan Hill District Hospital	854	802
Tallangatta Health Service	2,872	3,021
Terang and Mortlake Health Service	5,063	5,088
The Royal Children's Hospital	24,635	31,362
The Royal Women's Hospital	4,863	2,937
Timboon and District Healthcare Service	3,708	3,513
Upper Murray Health and Community Services	3,621	3,618
Victorian Institute of Forensic Mental Health	47,297	44,617
West Gippsland Healthcare Group	2,318	2,155
West Wimmera Health Service	13,305	11,684
Western District Health Service	4,073	4,176
Western Health	20,825	17,143
Wimmera Health Care Group	2,012	1,832
Yarram and District Health Service	4,924	4,614
Yarrawonga District Health Service	7,848	7,515
Yea And District Memorial Hospital	2,138	2,122
Total local hospital networks	1,163,570	1,075,799
Other organisations or funds	31,920	28,960
VIC TOTAL	1,195,491	1,104,759

[^]Private provider contracted for public hospital services. Reported payments from the State Managed Fund are GST exclusive.

*2015-16 figures for LHNs marked with an asterisk have been amended since the 2015-16 Annual Report.

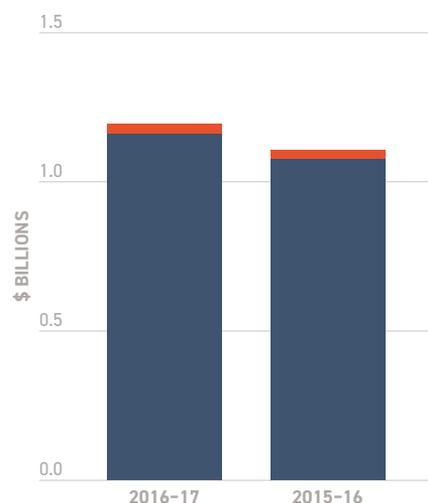
For the Victorian basis of payments, refer to part a) of this chapter.

PAYMENTS INTO THE STATE MANAGED FUND – VIC



■ POOL – COMMONWEALTH
■ VICTORIA

PAYMENTS OUT OF THE STATE MANAGED FUND – VIC



■ OTHER ORGANISATIONS OR FUNDS
■ TOTAL LOCAL HOSPITAL NETWORKS

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)		
	2016-17 Estimate	2015-16 Actual	2015-16 Estimate
Albury Wodonga Health	18,598	18,209	17,980
Alfred Health	152,917	151,717	147,372
Austin Health	152,486	154,077	118,449
Bairnsdale Regional Health Service	13,122	12,756	12,732
Ballarat Health Services	50,180	50,293	48,612
Barwon Health	94,899	93,525	91,960
Bass Coast Regional Health	7,289	7,286	7,005
Benalla Health	4,592	4,145	4,498
Bendigo Health Care Group	52,504	51,508	50,721

Continued.

Local Hospital Network	Number of ABF public hospital services funded (NWAU)		
	2016-17 Estimate	2015-16 Actual	2015-16 Estimate
Calvary Health Care Bethlehem Limited	5,179	4,908	5,050
Castlemaine Health	4,945	4,785	4,788
Central Gippsland Health Service	11,614	11,271	11,262
Colac Area Health	5,132	5,001	5,065
Contracted services LHN – Victoria	10,132	11,256	10,657
Djerriwarrh Health Services	7,606	7,601	7,558
East Grampians Health Service	3,639	3,350	3,555
Eastern Health	161,722	158,780	156,160
Echuca Regional Health	9,402	9,239	9,080
Gippsland Southern Health Service	3,398	3,330	3,325
Goulburn Valley Health	31,139	31,041	30,107
Kyabram District Health Services	2,885	2,795	2,824
Latrobe Regional Hospital	36,295	34,915	35,013
Maryborough District Health Service	3,166	3,083	3,084
Melbourne Health	120,605	119,668	116,673
Mercy Public Hospitals Inc.	61,330	60,605	59,535
Monash Health	280,762	278,314	271,632
Northeast Health Wangaratta	20,124	19,811	19,540
Northern Health	95,189	95,239	91,663
Peninsula Health	93,631	93,872	90,001
Peter Maccallum Cancer Institute	20,921	20,983	20,309
Portland District Health	4,279	4,676	4,184
Ramsay Healthcare Australia (Mildura Base Hospital)	21,294	20,865	20,626
Royal Victorian Eye and Ear Hospital	19,549	18,703	19,568
South West Healthcare	22,009	21,803	21,223
St Vincent's Hospital (Melbourne) Limited	88,271	86,009	85,204
Stawell Regional Health	3,342	3,179	3,301
Swan Hill District Hospital	8,066	8,195	7,893

Continued.

Local Hospital Network	Number of ABF public hospital services funded (NWAU)		
	2016-17 Estimate	2015-16 Actual	2015-16 Estimate
The Royal Children's Hospital	81,273	81,081	79,327
The Royal Women's Hospital	44,949	44,851	44,359
West Gippsland Healthcare Group	14,040	14,089	13,597
Western District Health Service	7,737	7,519	7,552
Western Health	137,764	141,185	132,775
Wimmera Health Care Group	12,268	11,697	11,909
VIC TOTAL	2,000,244	1,987,216	1,907,728

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 2016-17 Commonwealth payments do not incorporate funding adjustments as a result of the 2015-16 annual reconciliation.

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 2015-16 and 2016-17 Victoria did not report any 'other public hospital services and functions funded' from their Pool account or State Managed Fund.



17 LOCAL
HOSPITAL
NETWORKS

1,574,306

Weighted public hospital services
measured in NWAU

QLD

\$10.3 billion total funding

MADE UP OF...



Commonwealth
funding



State funding
received into
the QLD state
pool account



State funding
received into
the QLD state
managed fund

\$10.2 billion total payments to local hospital networks

MADE UP OF...



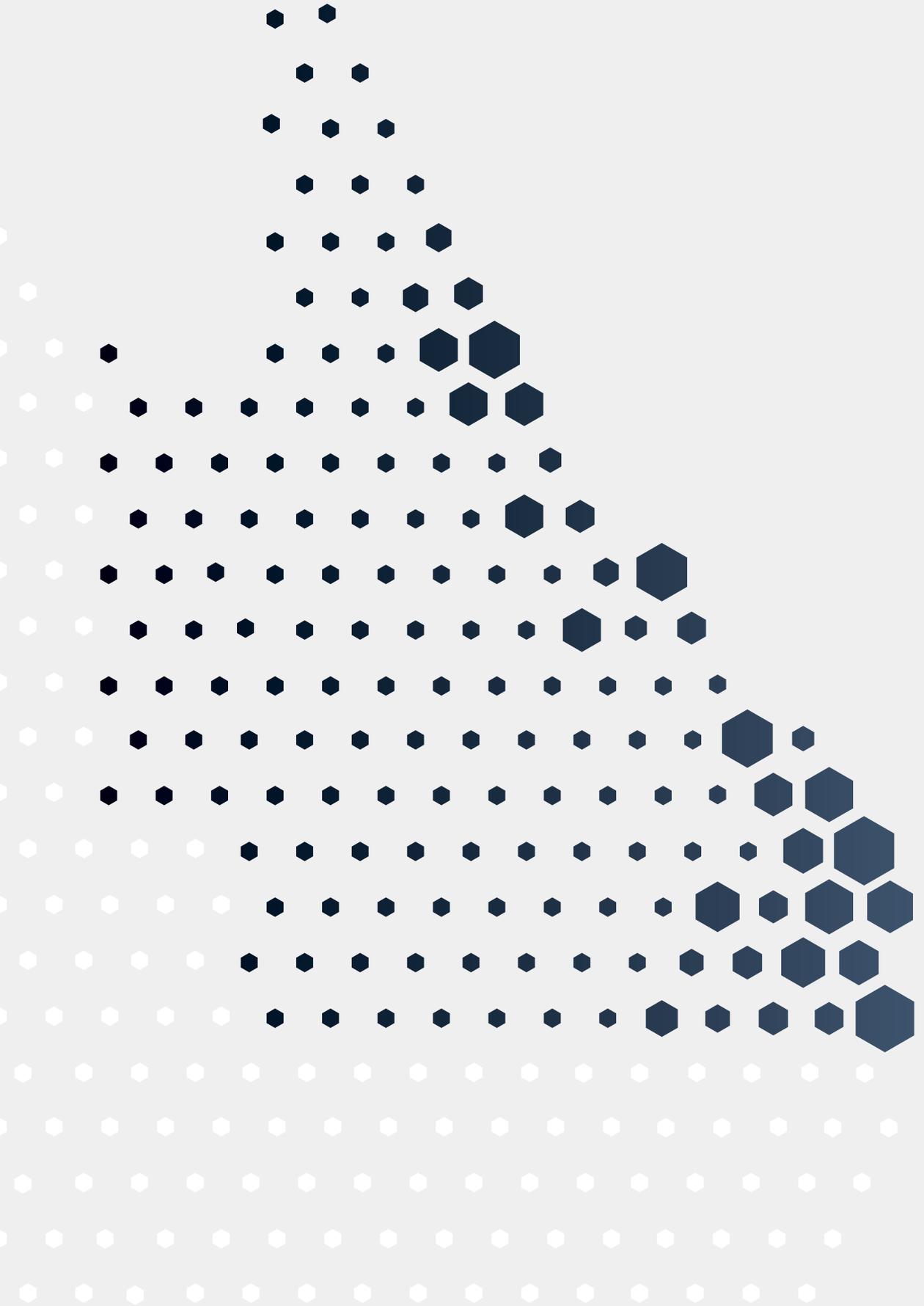
Activity Based
Funding



Block funding
from the state
pool accounts



Block funding
from the state
managed funds



QLD financial statement

NATIONAL HEALTH FUNDING POOL QUEENSLAND STATE POOL ACCOUNT SPECIAL PURPOSE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

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 audit of the financial statement

Opinion

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

In my opinion, the financial statement:

- a) gives a true and fair view of the entity's cash receipts and disbursements for the year ended 30 June 2017
- b) complies with the *Hospital and Health Boards Act 2011* and the financial reporting framework described in Note 1(B).

The financial statement comprises the statement of receipts and payments for the year ended 30 June 2017, notes to the financial statement including summaries of significant accounting policies and other explanatory information, and the certificate provided by the Administrator of the National Health Funding Pool (the Administrator).

Basis for opinion

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

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

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

Emphasis of matter – basis of accounting

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

Responsibilities of the entity for the financial statement

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

Auditor's responsibilities for the audit of the financial statement

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

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

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

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



Brendan Worrall
Auditor-General



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 2017 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

11 September 2017

CONTENTS

Independent Auditor's Report	124
Statement by the Administrator of the National Health Funding Pool	126
Statement of receipts and payments	128
Notes to and forming part of the special purpose financial statement	
1 Summary of significant accounting policies	129
2 Activity based Funding receipts	132
3 Cross-border receipts	133
4 Activity Based Funding payments	134
5 Cross-border payments	135
6 Activity Based Funding receipts and payments	136

Queensland State Pool Account
Statement of receipts and payments
for the year ended 30 June 2017

	Notes	2017 \$ '000	2016 \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth			
Activity Based Funding	2, 6	3,362,084	3,073,510
Block funding		415,519	386,386
Public health funding		73,356	71,161
From Queensland			
Activity Based Funding	2, 6	5,541,027	5,430,498
Cross-border contribution	5	36,000	35,600
From other States or Territories			
Cross-border receipts	3	56,400	51,200
From Reserve Bank of Australia			
Interest receipts		405	547
TOTAL RECEIPTS		9,484,791	9,048,902
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding	4, 6	8,903,110	8,504,008
To Queensland State Managed Fund			
Block funding		415,519	386,386
Cross-border transfer		-	-
To Queensland Health			
Public health funding		73,356	71,161
Interest payments		405	547
Cross-border transfer		56,400	51,200
To other States or Territories			
Cross-border payments	5	36,000	35,600
TOTAL PAYMENTS		9,484,791	9,048,902
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		-	-
OPENING CASH BALANCE		-	-
CLOSING CASH BALANCE		-	-

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 Peter Achterstraat AM, was appointed in February 2016.

(B) BASIS OF PREPARATION

The Queensland State Pool Account was established in accordance with section 53B of the Queensland Hospital and *Health Boards Act 2011* 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 24 July 2017.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2015–16 are for the year ended 30 June 2016 and the results for 2016–17 are for the year ended 30 June 2017.

(D) NATIONAL HEALTH FUNDING POOL

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

(E) ACTIVITY BASED FUNDING

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

In 2015–16 and 2016–17 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 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 per cent of the change in the National Efficient Price relative to the prior year. The volume adjustment is 45 per cent of the net change in the volume of weighted services relative to the prior year.

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

(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 2015–16 and 2016–17 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 per cent of the change in the National Efficient Cost 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.

2 ACTIVITY BASED FUNDING RECEIPTS

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

	2017 \$ '000	2016 \$ '000
Commonwealth Activity Based Funding	3,362,084	3,073,510
Queensland Activity Based Funding	5,541,027	5,430,498
TOTAL	8,903,110	8,504,008

3 CROSS-BORDER RECEIPTS

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

States and Territories	2017 \$ '000	2016 \$ '000
CROSS-BORDER RECEIPTS		
Australian Capital Territory	-	-
New South Wales	56,400	51,200
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Northern Territory	-	-
TOTAL	56,400	51,200

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

4 ACTIVITY BASED FUNDING PAYMENTS

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

Local Hospital Networks	2017 \$ '000	2016 \$ '000
Cairns and Hinterland Hospital and Health Service	560,079	522,565
Central Queensland Hospital and Health Service	314,657	290,086
Children's Health Queensland Hospital and Health Service	443,588	420,597
Darling Downs Hospital and Health Service	342,472	354,627
Gold Coast Hospital and Health Service	947,799	951,842
Mackay Hospital and Health Service	235,116	244,179
Mater Misericordiae Health Service Brisbane	424,837	398,989
Metro North Hospital and Health Service	1,908,682	1,810,325
Metro South Hospital and Health Service	1,668,298	1,585,327
North West Hospital and Health Service	78,063	64,848
Sunshine Coast Hospital and Health Service	691,827	580,483
Townsville Hospital and Health Service	572,991	574,969
West Moreton Hospital and Health Service	305,818	300,967
Wide Bay Hospital and Health Service	408,884	404,204
TOTAL	8,903,110	8,504,008

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.

5 CROSS-BORDER PAYMENTS

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

States and Territories	2017 \$ '000	2016 \$ '000
CROSS-BORDER PAYMENTS		
New South Wales	36,000	35,600
Victoria	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Australian Capital Territory	-	-
Northern Territory	-	-
TOTAL	36,000	35,600

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

6 ACTIVITY BASED FUNDING RECEIPTS AND PAYMENTS

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

	2017 \$ '000	2016 \$ '000
Total Activity Based Funding receipts from the Commonwealth	3,362,084	3,073,510
Total Activity Based Funding receipts from Queensland	5,541,027	5,430,498
Cross-border receipts	56,400	51,200
Less: Activity Based Funding payments to Local Hospital Networks	(8,903,110)	(8,504,008)
RECEIPTS IN EXCESS OF PAYMENTS	56,400	51,200

For 2017 the receipts and payments in excess balance represented withdrawals by the Queensland Department of Health of \$56,400,000 in cross-border receipts received from New South Wales, resulting in the net zero (\$0) cash balance in the State Pool Account.

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.

End of Audited Special Purpose Financial Statement.

QLD

funding and payments

NATIONAL HEALTH REFORM DISCLOSURES FOR THE YEAR ENDED 30 JUNE 2017

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

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. 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)	
	2016-17	2015-16
State Pool Account — Activity Based Funding*	5,577,027	5,466,097
State Managed Fund — Block funding	906,542	882,494
QLD TOTAL	6,483,569	6,348,591

**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 2016-17 (at June 2017) 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:

- + 36 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.
- + 83 public hospitals, predominantly small regional and rural hospitals, and 4 specialist mental health facilities are funded through block funding arrangements which take account of hospital size and location. These are based on 2014–15 reported expenditure (net of depreciation) indexed to 2016–17 levels.

Most non-hospital services (e.g. preventive health, primary and community health) are funded based on historical funding levels. However, some services, such as oral health and breast screening, are funded based on a price per unit of output.

The purchasing model determines the volume and value of services that the Department agrees to purchase from each HHS through the service agreement. The model reflects key priority areas for investment which is informed through a range of planning models, growth projections and performance objectives for each HHS.

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)	
	2016–17	2015–16
Activity Based Funding	3,362,084	3,073,510
Block funding	415,519	386,386
Public Health funding	73,356	71,161
QLD TOTAL	3,850,959	3,531,058

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

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

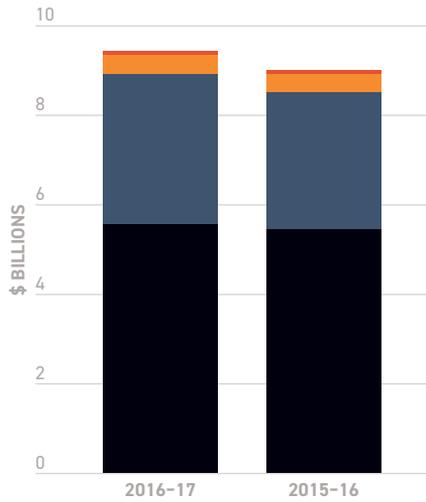
Recipient	Amount paid from QLD State Pool Account (\$'000)	
	2016-17	2015-16
Cairns and Hinterland Hospital and Health Service	560,079	522,565
Central Queensland Hospital and Health Service	314,657	290,086
Children's Health Queensland Hospital and Health Service	443,588	420,597
Darling Downs Hospital and Health Service	342,472	354,627
Gold Coast Hospital and Health Service	947,799	951,842
Mackay Hospital and Health Service	235,116	244,179
Mater Misericordiae Health Service Brisbane^	424,837	398,988
Metro North Hospital and Health Service	1,908,682	1,810,325
Metro South Hospital and Health Service	1,668,298	1,585,327
North West Hospital and Health Service	78,063	64,848
Sunshine Coast Hospital and Health Service	691,827	580,483
Townsville Hospital and Health Service	572,991	574,969
West Moreton Hospital and Health Service	305,818	300,967
Wide Bay Hospital and Health Service	408,884	404,204
Total local hospital networks	8,903,110	8,504,008
State Managed Fund	415,519	386,386
Other organisations or funds*	166,162	158,508
QLD TOTAL	9,484,791	9,048,902

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

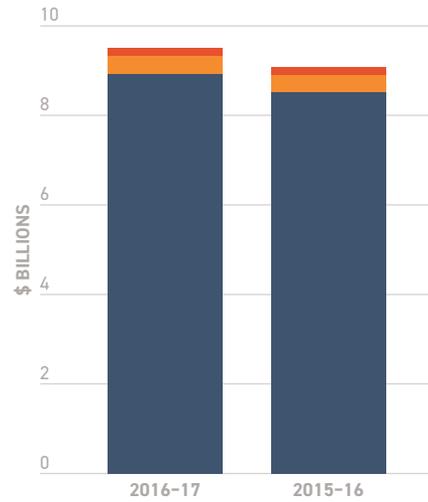
**Includes a Queensland cross-border contribution to other states or territories.*

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

PAYMENTS INTO THE POOL – QLD



PAYMENTS OUT OF THE POOL – QLD



- COMMONWEALTH – PUBLIC HEALTH
- COMMONWEALTH – BLOCK FUNDING
- COMMONWEALTH – ACTIVITY BASED FUNDING
- QLD – ACTIVITY BASED FUNDING
- OTHER ORGANISATIONS OR FUNDS
- STATE MANAGED FUND
- TOTAL LOCAL HOSPITAL NETWORKS

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)	
	2016-17	2015-16
Cairns and Hinterland Hospital and Health Service	84,801	79,914
Central Queensland Hospital and Health Service	75,753	69,081
Central West Hospital and Health Service	26,108	29,249
Children's Health Queensland Hospital and Health Service	17,843	19,294
Darling Downs Hospital and Health Service	154,726	160,950
Gold Coast Hospital and Health Service	73,230	66,229
Mackay Hospital and Health Service	51,669	49,565
Mater Misericordiae Health Service Brisbane^	11,040	7,987

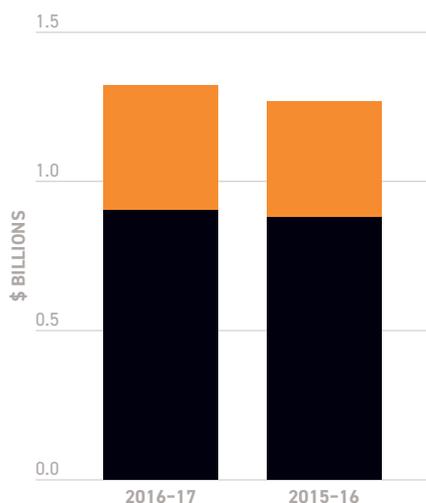
Continued.

Recipient	Amount paid from QLD State Managed Fund (\$'000)	
	2016-17	2015-16
Metro North Hospital and Health Service	137,371	141,610
Metro South Hospital and Health Service	175,705	162,152
North West Hospital and Health Service	36,369	29,492
South West Hospital and Health Service	63,755	65,012
Sunshine Coast Hospital and Health Service	51,582	46,060
Torres and Cape Hospital and Health Service	67,520	61,474
Townsville Hospital and Health Service	119,771	116,482
West Moreton Hospital and Health Service	121,401	113,047
Wide Bay Hospital and Health Service	52,312	50,482
Total local hospital networks	1,320,958	1,268,081
Other organisations or funds	-	-
QLD TOTAL	1,320,958	1,268,081

[^]Private provider contracted for public hospital services. Reported payments from the State Managed Fund are GST exclusive.

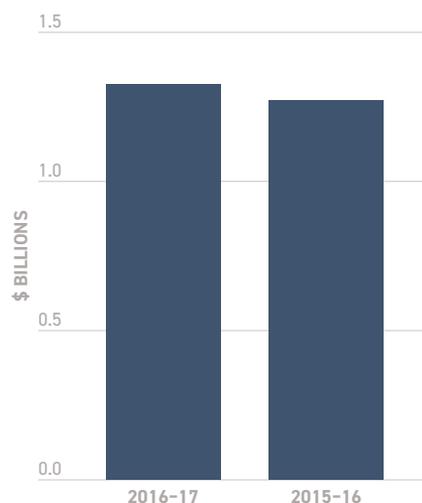
For the Queensland basis of payments, refer to part a) of this chapter.

PAYMENTS INTO THE STATE MANAGED FUND – QLD



■ POOL – COMMONWEALTH
 ■ QUEENSLAND

PAYMENTS OUT OF THE STATE MANAGED FUND – QLD



■ OTHER ORGANISATIONS OR FUNDS
 ■ TOTAL LOCAL HOSPITAL NETWORKS

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)		
	2016-17 Estimate	2015-16 Actual	2015-16 Estimate
Cairns and Hinterland Hospital and Health Service	94,808	105,080	100,125
Central Queensland Hospital and Health Service	53,775	58,490	51,684
Children’s Health Queensland Hospital and Health Service	67,083	74,136	66,180
Darling Downs Hospital and Health Service	64,028	71,871	69,616
Gold Coast Hospital and Health Service	176,331	182,098	173,358
Mackay Hospital and Health Service	40,323	44,643	42,487
Mater Misericordiae Health Service Brisbane	70,000	66,626	62,142
Metro North Hospital and Health Service	357,780	342,621	317,671
Metro South Hospital and Health Service	282,388	287,590	266,677
North West Hospital and Health Service	11,435	10,943	10,647
Sunshine Coast Hospital and Health Service	120,061	115,237	108,691
Townsville Hospital and Health Service	105,495	105,585	98,104
West Moreton Hospital and Health Service	59,077	60,270	56,436
Wide Bay Hospital and Health Service	71,721	74,784	65,439
QLD TOTAL	1,574,306	1,599,975	1,489,257

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 2016–17 Commonwealth payments do not incorporate funding adjustments as a result of the 2015–16 annual reconciliation.

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 2015–16 and 2016–17 Queensland did not report any ‘other public hospital services and functions funded’ from their Pool account or State Managed Fund.



6 LOCAL
HOSPITAL
NETWORKS

819,809

Weighted public hospital services
measured in NWAU

WA

\$4.7 billion total funding

MADE UP OF...



Commonwealth
funding



State funding
received into
the WA state
pool account



State funding
received into
the WA state
managed fund

\$4.7 billion total payments to local hospital networks

MADE UP OF...



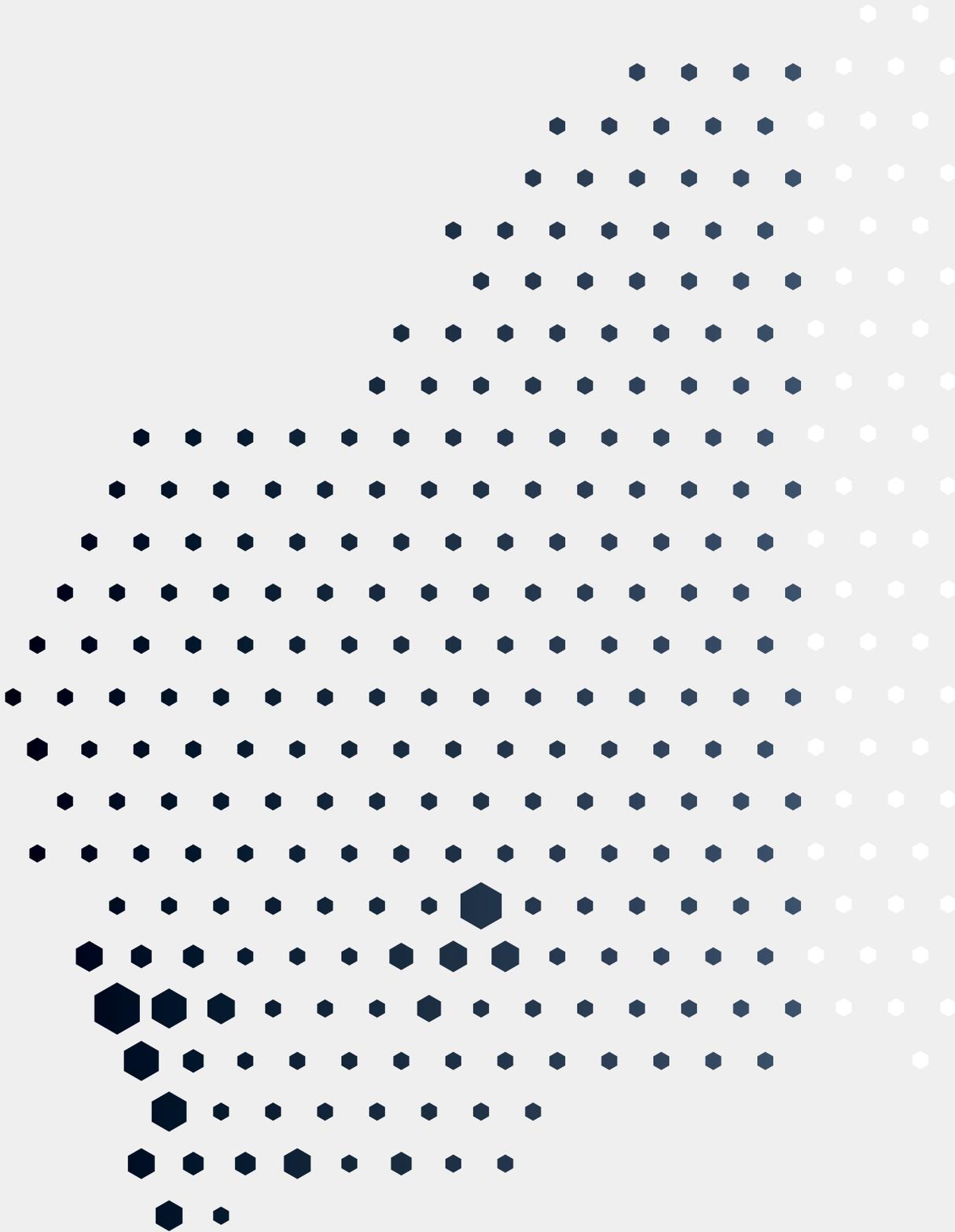
Activity Based
Funding



Block funding
from the state
pool accounts



Block funding
from the state
managed funds



WA

financial statement

NATIONAL HEALTH FUNDING POOL WESTERN AUSTRALIA STATE POOL ACCOUNT SPECIAL PURPOSE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

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

Opinion

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 2017. The financial statement comprises a Statement of Receipts and Payments for the year ended 30 June 2017, notes comprising a summary of significant accounting policies and other explanatory information, and the Administrator's declaration.

In my opinion, the financial statement gives a true and fair view of the receipts and payments of the Western Australian State Pool Account of the National Health Funding Pool for the year ended 30 June 2017 in accordance with the National Health Funding Pool Act 2012 (WA) and National Health Reform Act 2011.

Basis for Opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the National Health Funding Body in accordance with the Auditor General Act 2006 and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to my audit of the financial statement. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 1 to the financial statement, which describes the 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 of the National Health Funding Pool (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.

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

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

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

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

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



COLIN MURPHY
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
19 September 2017



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 2017 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

14 September 2017

CONTENTS

Independent Auditor's Report	150
Statement by the Administrator of the National Health Funding Pool	152
Statement of receipts and payments	154
Notes to and forming part of the special purpose financial statement	
1 Summary of significant accounting policies	155
2 Activity Based Funding receipts	158
3 Cross-border receipts	159
4 Activity Based Funding payments	160
5 Cross border payments	160
6 Activity Based Funding receipts and payments	161

Western Australia State Pool Account
Statement of receipts and payments
for the year ended 30 June 2017

	Notes	2017 \$ '000	2016 \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth			
Activity Based Funding	2, 6	1,777,645	1,539,165
Block funding		272,106	265,078
Public health funding		39,306	38,528
From Western Australia			
Activity Based Funding	2, 6	2,220,019	2,656,449
Cross-border contribution	5	–	–
From other States or Territories			
Cross-border receipts	3	–	–
From Reserve Bank of Australia			
Interest receipts		–	9
TOTAL RECEIPTS		4,309,077	4,499,229
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding	4, 6	3,997,665	4,195,614
To Western Australia State Managed Fund			
Block funding		272,106	265,078
Cross-border transfer		–	–
To Western Australia Health			
Public health funding		39,306	38,528
Interest payments		–	9
Cross-border transfer		–	–
To other States or Territories			
Cross-border payments	5	–	–
TOTAL PAYMENTS		4,309,077	4,499,229
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		–	–
OPENING CASH BALANCE		–	–
CLOSING CASH BALANCE		–	–

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 Peter Achterstraat AM, was appointed in February 2016.

(B) BASIS OF PREPARATION

The Western Australia State Pool Account was established in accordance with section 20 of the Western Australian *National Health Funding Pool Act 2012* 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 24 July 2017.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2015–16 are for the year ended 30 June 2016 and the results for 2016–17 are for the year ended 30 June 2017.

(D) NATIONAL HEALTH FUNDING POOL

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

(E) ACTIVITY BASED FUNDING

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

In 2015–16 and 2016–17 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 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 per cent of the change in the National Efficient Price relative to the prior year. The volume adjustment is 45 per cent of the net change in the volume of weighted services relative to the prior year.

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

(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 2015–16 and 2016–17 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 per cent of the change in the National Efficient Cost 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.

Western Australia State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2017

(I) INTEREST

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

(J) TAXATION

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

2 ACTIVITY BASED FUNDING RECEIPTS

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

States and Territories	2017 \$ '000	2016 \$ '000
Commonwealth Activity Based Funding	1,777,645	1,539,165
Western Australia Activity Based Funding	2,220,019	2,656,449
TOTAL	3,997,665	4,195,614

3 CROSS-BORDER RECEIPTS

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

States and Territories	2017 \$ '000	2016 \$ '000
CROSS-BORDER RECEIPTS		
New South Wales	-	-
Victoria	-	-
Queensland	-	-
South Australia	-	-
Tasmania	-	-
Australian Capital Territory	-	-
Northern Territory	-	-
TOTAL	-	-

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

4 ACTIVITY BASED FUNDING PAYMENTS

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

Local Hospital Networks	2017 \$ '000	2016 \$ '000
Child and Adolescent Health Service	283,723	346,502
East Metropolitan Health Service*	805,338	–
North Metropolitan Health Service	1,148,016	1,372,313
Notional – Royal Street	101,328	91,101
South Metropolitan Health Service	1,034,214	1,693,981
WA Country Health Service	625,046	691,717
TOTAL	3,997,665	4,195,614

* East Metropolitan Health Service was formed in 2016–17.

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.

5 CROSS BORDER PAYMENTS

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

States and Territories	2017 \$ '000	2016 \$ '000
CROSS BORDER PAYMENTS		
New South Wales	–	–
Victoria	–	–
Queensland	–	–

Continued.

Western Australia State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2017

States and Territories	2017 \$ '000	2016 \$ '000
South Australia	-	-
Tasmania	-	-
Australian Capital Territory	-	-
Northern Territory	-	-
TOTAL	-	-

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

6 ACTIVITY BASED FUNDING RECEIPTS AND PAYMENTS

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

	2017 \$ '000	2016 \$ '000
Total Activity Based Funding receipts from the Commonwealth	1,777,645	1,539,165
Total Activity Based Funding receipts from Western Australia	2,220,019	2,656,449
Less: Activity Based Funding payments to Local Hospital Networks	(3,997,665)	(4,195,614)
RECEIPTS IN EXCESS OF PAYMENTS	-	-

End of Audited Special Purpose Financial Statement.

WA

funding and payments

NATIONAL HEALTH REFORM DISCLOSURES FOR THE YEAR ENDED 30 JUNE 2017

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

Section 241(2) of the *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. 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)	
	2016-17	2015-16
State Pool Account – Activity Based Funding*	2,220,019	2,656,449
State Managed Fund – Block funding	431,755	525,660
WA TOTAL	2,651,775	3,182,110

**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 2016–17 (at June 2017) was advised by the Western Australian Department of Health to be as follows:

The 2016–17 annual funding allocations have been developed using the Western Australian Activity Based Funding (ABF) program methodology. Activity profiles have been developed consistent with the WA Clinical Services Framework. The funding allocations include activity based services, block funded services and specified programs.

The national ABF classifications, associated price weights and price-weight adjustments have been used, in combination with state specific adjustments, to define Activity Based Funding profiles. Western Australia’s funding allocations also include state specific price-weight adjustments to suit its unique funding model.

The State Price, calculated using a methodology more closely aligned to the National ABF framework, provide a more transparent basis for comparing the cost of delivering hospital services in Western Australia against the national cost benchmark. 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)	
	2016–17	2015–16
Activity Based Funding	1,777,645	1,539,165
Block funding	272,106	265,078
Public Health funding	39,306	38,528
WA TOTAL	2,089,058	1,842,771

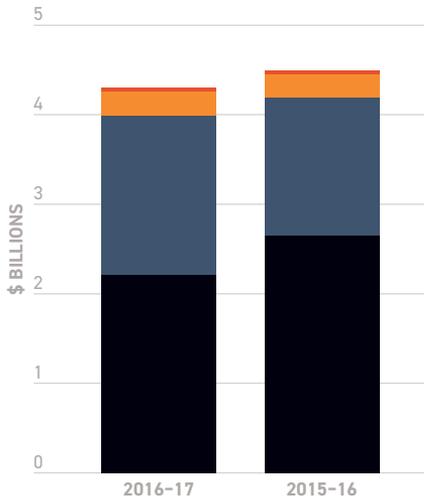
For the Commonwealth basis of payments, refer to part b) of the 'National health reform funding and payments – National' chapter.

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

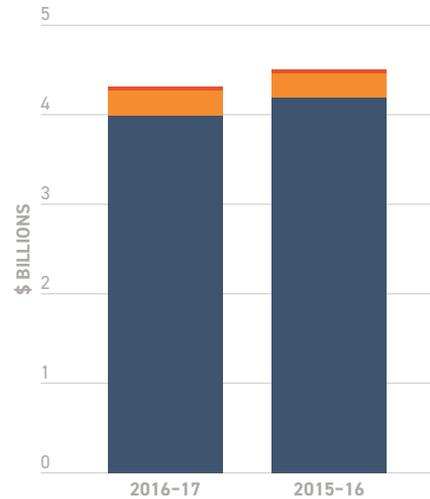
Recipient	Amount paid from WA State Pool Account (\$'000)	
	2016-17	2015-16
Child and Adolescent Health Service	283,723	346,503
North Metropolitan Health Service	1,148,016	1,372,313
East Metropolitan Health Service	805,338	-
Notional LHN – Royal Street – WA	101,328	91,101
South Metropolitan Health Service	1,034,214	1,693,981
WA Country Health Service	625,046	691,717
Total local hospital networks	3,997,665	4,195,614
State Managed Fund	272,106	265,078
Other organisations or funds	39,306	38,536
WA TOTAL	4,309,077	4,499,229

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



- COMMONWEALTH – PUBLIC HEALTH
- COMMONWEALTH – BLOCK FUNDING
- COMMONWEALTH – ACTIVITY BASED FUNDING
- WA – ACTIVITY BASED FUNDING

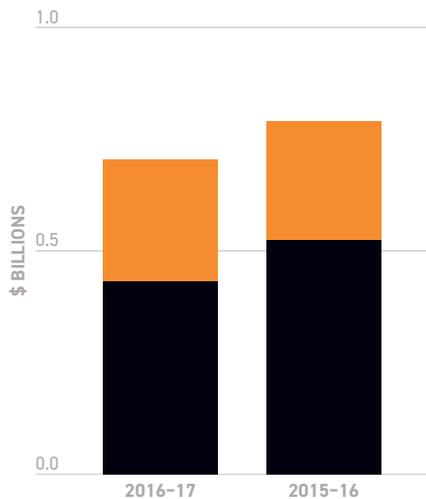
- OTHER ORGANISATIONS OR FUNDS
- STATE MANAGED FUND
- TOTAL LOCAL HOSPITAL NETWORKS

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)	
	2016-17	2015-16
Child and Adolescent Health Service	30,403	43,539
North Metropolitan Health Service	151,419	187,957
East Metropolitan Health Service	105,214	-
South Metropolitan Health Service	99,274	182,638
WA Country Health Service	313,912	375,564
Total local hospital networks	700,222	789,698
Other organisations or funds	3,640	1,041
WA TOTAL	703,862	790,739

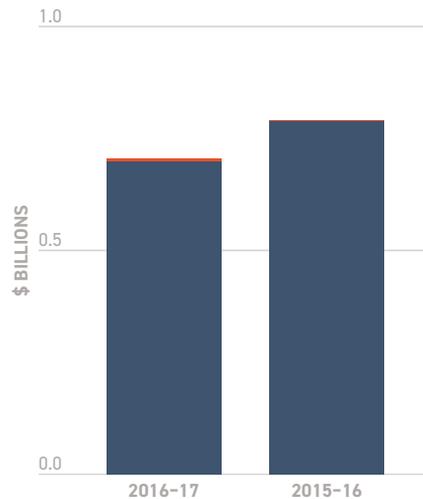
For the Western Australia basis of payments, refer to part a) of this chapter.

PAYMENTS INTO THE STATE MANAGED FUND – WA



■ POOL – COMMONWEALTH
■ WESTERN AUSTRALIA

PAYMENTS OUT OF THE STATE MANAGED FUND – WA



■ OTHER ORGANISATIONS OR FUNDS
■ TOTAL LOCAL HOSPITAL NETWORKS

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)		
	2016-17 Estimate	2015-16 Actual	2016-17 Estimate
Child and Adolescent Health Service	48,532	51,545	48,597
North Metropolitan Health Service	242,117	276,992	265,490
East Metropolitan Health Service	177,345	-	-
Notional LHN – Royal Street – WA	19,439	24,150	17,572
South Metropolitan Health Service	212,510	344,954	324,096
WA Country Health Service	119,866	122,427	121,277
WA TOTAL	819,809	820,066	777,032

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 2016-17 Commonwealth payments do not incorporate funding adjustments as a result of the 2015-16 annual reconciliation.

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 2015-16 and 2016-17 Western Australia did not report any 'other public hospital services and functions funded' from their Pool account or State Managed Fund.



6 LOCAL
HOSPITAL
NETWORKS

582,476

Weighted public hospital services
measured in NWAU

SA

\$3.5 billion total funding

MADE UP OF...



Commonwealth
funding



State funding
received into
the SA state
pool account



State funding
received into
the SA state
managed fund

\$3.4 billion total payments to local hospital networks

MADE UP OF...



Activity Based
Funding



Block funding
from the state
pool accounts



Block funding
from the state
managed funds



SA financial statement

NATIONAL HEALTH FUNDING POOL SOUTH AUSTRALIA STATE POOL ACCOUNT SPECIAL PURPOSE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

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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**To the Administrator
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 financial statement of the National Health Funding Pool South Australia State Pool Account for the year ended 30 June 2017.

The financial statement comprises:

- a Statement of Receipts and Payments for the year ended 30 June 2017
- notes to and forming part of the special purpose financial statement
- a statement by the Administrator of the National Health Funding Pool.

Opinion

In my opinion, the financial statement gives a true and fair view of the financial transactions of the National Health Funding Pool South Australia State Pool Account in accordance with the financial reporting requirements of the *National Health Funding Pool Administration (South Australia) Act 2011*, the *National Health Reform Act 2011* and the National Health Reform Agreement 2011.

Basis for opinion

I conducted the audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statement' section of my report. I am independent of the Administrator of the National Health Funding Pool. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

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

Emphasis of matter – basis of accounting

I draw attention to Note 1(B) to the financial statement, which describes the purpose of the financial statement and its basis of accounting. The financial statement is 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 2011*, 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. My opinion is not modified in respect of this matter.

Responsibilities of the Administrator for the financial statement

The Administrator of the National Funding Pool is responsible for the preparation of the financial statement that gives a true and fair view in accordance with financial reporting requirements of the *National Health Funding Pool Administration (South Australia) Act 2011*, 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 responsibilities for the audit of the financial statement

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

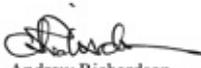
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the South Australia State Pool Account's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Administrator
- evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial statement described above and does not provide assurance over the integrity of electronic publication on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the statement.

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



Andrew Richardson
Auditor-General
19 September 2017



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 2017 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

12 September 2017

CONTENTS

Independent Auditor's Report	172
Statement by the Administrator of the National Health Funding Pool	175
Statement of receipts and payments	178
Notes to and forming part of the special purpose financial statement	
1 Summary of significant accounting policies	179
2 Activity Based Funding receipts	182
3 Cross-border receipts	183
4 Activity Based Funding payments	184
5 Cross-border payments	185
6 Activity Based Funding receipts and payments	186

South Australia State Pool Account
Statement of receipts and payments
for the year ended 30 June 2017

	Notes	2017 \$ '000	2016 \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth			
Activity Based Funding	2, 6	1,064,840	1,032,975
Block funding		175,105	165,916
Public health funding		25,786	25,227
From South Australia			
Activity Based Funding	2, 6	2,000,500	1,915,600
Cross-border contribution	5	5,664	1,400
From other States or Territories			
Cross-border receipts	3	9,826	5,600
From Reserve Bank of Australia			
Interest receipts		3,577	3,615
TOTAL RECEIPTS		3,285,298	3,150,333
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding	4, 6	2,999,168	2,893,344
To South Australia State Managed Fund			
Block funding		175,105	165,916
Cross-border transfer		-	-
To South Australia Department of Health and Ageing			
Public Health Funding		25,786	25,227
Interest payments		-	-
Cross-border transfer		-	-
To other States or Territories			
Cross-border payments	5	5,664	1,400
TOTAL PAYMENTS		3,205,723	3,085,887
NET RECEIPTS FOR THE YEAR		79,575	64,446
OPENING CASH BALANCE		120,168	55,722
CLOSING CASH BALANCE		199,743	120,168

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 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 Peter Achterstraat AM, was appointed in February 2016.

(B) BASIS OF PREPARATION

The South Australia State Pool Account was established in accordance with section 23 of the South Australian *National Health Funding Pool Administration (South Australia) Act 2012* 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 24 July 2017.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2015–16 are for the year ended 30 June 2016 and the results for 2016–17 are for the year ended 30 June 2017.

(D) NATIONAL HEALTH FUNDING POOL

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

(E) ACTIVITY BASED FUNDING

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

In 2015–16 and 2016–17 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 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 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 per cent of the change in the National Efficient Price relative to the prior year. The volume adjustment is 45 per cent of the net change in the volume of weighted services relative to the prior year.

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

(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 2015–16 and 2016–17 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 per cent of the change in the National Efficient Cost 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.

2 ACTIVITY BASED FUNDING RECEIPTS

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

	2017 \$ '000	2016 \$ '000
Commonwealth Activity Based Funding	1,064,840	1,032,975
South Australia Activity Based Funding	2,000,500	1,915,600
TOTAL	3,065,340	2,948,575

3 CROSS-BORDER RECEIPTS

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

States and Territories	2017 \$ '000	2016 \$ '000
CROSS-BORDER RECEIPTS		
Australian Capital Territory	-	-
New South Wales	9,826	5,600
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Northern Territory	-	-
TOTAL	9,826	5,600

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

4 ACTIVITY BASED FUNDING PAYMENTS

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

Local Hospital Networks	2017 \$ '000	2016 \$ '000
Central Adelaide Local Health Network	1,046,325	1,016,619
Central Office Services	55,393	56,939
Country Health SA Local Health Network	350,578	307,518
Northern Adelaide Local Health Network	482,334	483,617
Southern Adelaide Local Health Network	789,214	742,470
Women's and Children's Health Network	275,324	286,181
TOTAL	2,999,168	2,893,344

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	2017 \$ '000	2016 \$ '000
CROSS-BORDER PAYMENTS		
New South Wales	5,664	1,400
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Northern Territory	-	-
TOTAL	5,664	1,400

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

Tota South Australia and Commonwealth Activity Based Funding contributions and total Local Hospital Network Activity Based Funding payments:

	2017 \$ '000	2016 \$ '000
Total Activity Based Funding receipts from the Commonwealth	1,064,840	1,032,975
Total Activity Based Funding receipts from South Australia	2,000,500	1,915,600
Cross-border receipts	9,826	5,600
Less: Activity Based Funding payments to Local Hospital Networks	(2,999,168)	(2,893,344)
RECEIPTS IN EXCESS OF PAYMENTS	75,998	60,831

For 2017 the receipts in excess of payments balance represented Activity Based Funding over deposits of \$66,172,484 and cross-border receipts from New South Wales of \$9,826,000. 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 3,576,541 that were also not drawn.

For 2016 the receipts in excess of payments balance represented Activity Based Funding over deposits 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.

End of Audited Special Purpose Financial Statement.

SA funding and payments

NATIONAL HEALTH REFORM DISCLOSURES FOR THE YEAR ENDED 30 JUNE 2017

Issued by the Administrator of the National Health Funding Pool under section 241(2) of the *Commonwealth National Health Reform Act 2011* and section 22(2) of the *South Australian National Health Funding Pool Administration (South Australia) Act 2012*.

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. 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)	
	2016-17	2015-16
State Pool Account – Activity Based Funding*	2,006,164	1,917,000
State Managed Fund – Block funding	205,832	218,139
SA TOTAL	2,211,996	2,135,139

**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 2016–17 (at June 2017) 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)	
	2016–17	2015–16
Activity Based Funding	1,064,840	1,032,975
Block funding	175,105	165,916
Public Health funding	25,786	25,228
SA TOTAL	1,265,731	1,224,118

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

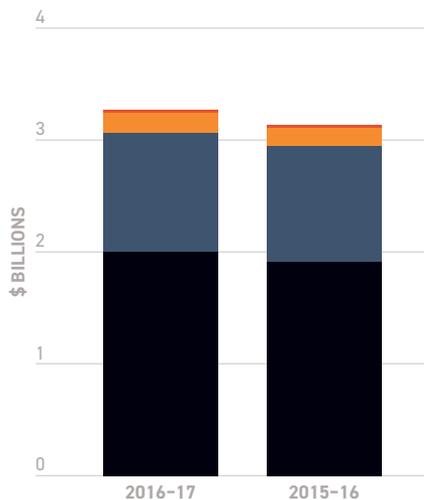
SECTION 241(2)(C) THE AMOUNTS PAID FROM EACH STATE POOL ACCOUNT TO LOCAL HOSPITAL NETWORKS, A STATE MANAGED FUND OR OTHER ORGANISATIONS OR FUNDS AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

Recipient	Amount paid from SA State Pool Account (\$'000)	
	2016-17	2015-16
Central Office Services	55,393	56,939
Central Adelaide Local Health Network	1,046,325	1,016,619
Country Health SA Local Health Network	350,578	307,518
Northern Adelaide Local Health Network	482,333	483,617
Southern Adelaide Local Health Network	789,214	742,470
Women's and Children's Health Network	275,324	286,181
Total local hospital networks	2,999,168	2,893,344
State Managed Fund	175,105	165,916
Other organisations or funds*	31,450	26,628
SA TOTAL	3,205,723	3,085,887

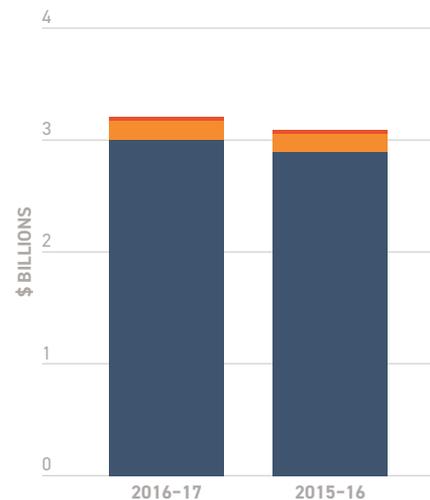
*Includes a South Australian cross-border contribution to other states or territories.

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



- COMMONWEALTH – PUBLIC HEALTH
- COMMONWEALTH – BLOCK FUNDING
- COMMONWEALTH – ACTIVITY BASED FUNDING
- WA – ACTIVITY BASED FUNDING

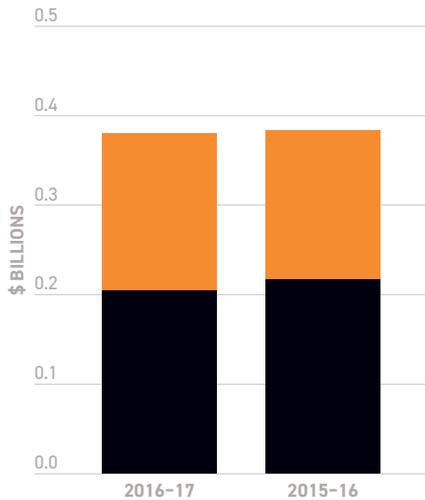
- OTHER ORGANISATIONS OR FUNDS
- STATE MANAGED FUND
- TOTAL LOCAL HOSPITAL NETWORKS

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)	
	2016-17	2015-16
Central Adelaide Local Health Network	81,760	76,441
Country Health SA Local Health Network	206,222	199,282
Northern Adelaide Local Health Network	40,057	39,584
Southern Adelaide Local Health Network	42,586	53,530
Women's and Children's Health Network	10,313	15,219
Total local hospital networks	380,938	384,055
Other organisations or funds	-	-
SA TOTAL	380,938	384,055

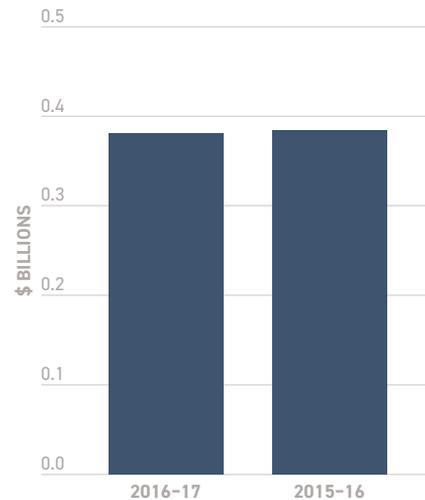
For the South Australian basis of payments, refer to part a) of this chapter.

PAYMENTS INTO THE STATE MANAGED FUND – SA



■ POOL – COMMONWEALTH
■ SOUTH AUSTRALIA

PAYMENTS OUT OF THE STATE MANAGED FUND – SA



■ OTHER ORGANISATIONS OR FUNDS
■ TOTAL LOCAL HOSPITAL NETWORKS

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)		
	2016-17 Estimate	2015-16 Actual	2015-16 Estimate
Central Office Services	10,758	12,690	11,379
Central Adelaide Local Health Network	203,209	207,375	203,161
Country Health SA Local Health Network	67,852	69,095	61,455
Northern Adelaide Local Health Network	93,675	96,969	96,646
Southern Adelaide Local Health Network	153,510	152,637	148,375
Women's and Children's Health Network	53,471	57,397	57,191
SA TOTAL	582,476	596,163	578,206

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 2016-17 Commonwealth payments do not incorporate funding adjustments as a result of the 2015-16 annual reconciliation.

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 2015–16 and 2016–17 South Australia did not report any 'other public hospital services and functions funded' from their Pool account or State Managed Fund.



1 LOCAL
HOSPITAL
NETWORK

141,357

Weighted public hospital services
measured in NWAU

TAS

\$1,085 million total funding

MADE UP OF...



Commonwealth
funding



State funding
received into
the TAS state
pool account



State funding
received into
the TAS state
managed fund

\$1,077 million total payments to local hospital networks

MADE UP OF...



Activity Based
Funding



Block funding
from the state
pool accounts



Block funding
from the state
managed funds



TAS

financial statement

**NATIONAL HEALTH FUNDING POOL
TASMANIA STATE POOL ACCOUNT
SPECIAL PURPOSE FINANCIAL
STATEMENT FOR THE YEAR
ENDED 30 JUNE 2017**

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 – Tasmania State Pool Account

Report on the Statement of Receipts and Payments

Opinion

I have audited the accompanying financial statement of Tasmania State Pool Account of the National Health Funding Pool (the Statement), which comprises a statement of receipts and payments as at 30 June 2017, cash balances at the beginning and end of that year, notes to the statement including a summary of significant accounting policies and other explanatory information and a statement by the Administrator of the National Health Funding Pool (the Administrator). The Statement has been prepared as required by section 19 of the *National Health Funding Administration Act 2012* (Tasmania) and section 242 of the *National Health Reform Act 2011* (Commonwealth).

In my opinion the Statement is prepared, in all material respects, in accordance with section 19 of the *National Health Funding Administration Act 2012* (Tasmania) and section 242 of the *National Health Reform Act 2011* (Commonwealth).

Basis for Opinion

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Statement* section of my report. I am independent of the National Health Funding Pool in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

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

Emphasis of Matter - Basis of Accounting and Restriction on Distribution

I draw attention to Note 1(B) to the Statement, which describes the basis of accounting. The Statement has been prepared to assist National Health Funding Pool to meet the financial reporting requirements of the section 19 of the *National Health Funding Administration Act 2012*

...1 of 3

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

Strive | Lead | Excel | To Make a Difference

(Tasmania) and section 242 of the *National Health Reform Act 2011* (Commonwealth). As a result, the Statement may not be suitable for another purpose. My report is intended solely for Members of the Tasmanian Parliament and the National Health Funding Pool and should not be distributed to or used by parties other than Members of the Tasmanian Parliament and the National Funding Pool. My opinion is not modified in respect of this matter.

Responsibilities of the Administrator for the Statement

The Administrator is responsible for the preparation and fair presentation of the Statement and has determined that the basis of presentation, which is a special purpose framework, is appropriate to meet the requirements of section 19 of the *National Health Funding Administration Act 2012* (Tasmania) and section 242 of the *National Health Reform Act 2011* (Commonwealth). The Administrator's responsibility also includes such internal control as he determines is necessary to enable the preparation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Statement

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

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

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

...2 of 3

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



Rod Whitehead
Auditor-General

Tasmanian Audit Office

1 September 2017
Hobart

...3 of 3

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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 2017 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

1 September 2017

CONTENTS

Independent Auditor's Report	200
Statement by the Administrator of the National Health Funding Pool	203
Statement of receipts and payments	206
Notes to and forming part of the special purpose financial statement	
1 Summary of significant accounting policies	207
2 Activity Based Funding receipts	210
3 Cross-border receipts	211
4 Activity Based Funding payments	211
5 Cross-border payments	212
6 Activity Based Funding receipts and payments	213

Tasmania State Pool Account
Statement of receipts and payments
for the year ended 30 June 2017

	Notes	2017 \$ '000	2016 \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth			
Activity Based Funding	2, 6	320,502	311,424
Block funding		59,309	55,913
Public health funding		7,867	7,627
From Tasmania			
Activity Based Funding	2, 6	385,428	295,672
Cross-border contribution	5	-	-
From other States or Territories			
Cross-border receipts	3	-	-
From Reserve Bank of Australia			
Interest receipts		-	-
TOTAL RECEIPTS		773,105	670,636
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding	4, 6	705,930	607,096
To Tasmania State Managed Fund			
Block funding		59,309	55,913
Cross-border transfer		-	-
To Tasmania Health			
Public health funding		7,867	7,627
Interest payments		-	-
Cross-border transfer		-	-
To other States or Territories			
Cross-border payments	5	-	-
TOTAL PAYMENTS		773,105	670,636
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		-	-
OPENING CASH BALANCE		-	-
CLOSING CASH BALANCE		-	-

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

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 Peter Achterstraat AM, was appointed in February 2016.

(B) BASIS OF PREPARATION

The Tasmania State Pool Account was established in accordance with the section 19 of the Tasmanian *National Health Funding Administration Act 2012* 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 24 July 2017.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2015–16 are for the year ended 30 June 2016 and the results for 2016–17 are for the the year ended 30 June 2017.

(D) NATIONAL HEALTH FUNDING POOL

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

(E) ACTIVITY BASED FUNDING

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

In 2015–16 and 2016–17 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 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 per cent of the change in the National Efficient Price relative to the prior year. The volume adjustment is 45 per cent of the net change in the volume of weighted services relative to the prior year.

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

(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 2015–16 and 2016–17 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 Tasmania prior year amount and 45 per cent of the change in the National Efficient Cost 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.

2 ACTIVITY BASED FUNDING RECEIPTS

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

	2017 \$ '000	2016 \$ '000
Commonwealth Activity Based Funding	320,502	311,424
Tasmania Activity Based Funding	385,428	295,672
TOTAL	705,930	607,096

3 CROSS-BORDER RECEIPTS

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

States and Territories	2017 \$ '000	2016 \$ '000
CROSS-BORDER RECEIPTS		
New South Wales	-	-
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Australian Capital Territory	-	-
Northern Territory	-	-
TOTAL	-	-

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

4 ACTIVITY BASED FUNDING PAYMENTS

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

Local Hospital Networks	2017 \$ '000	2016 \$ '000
Tasmanian Health Organisation	705,930	607,096
TOTAL	705,930	607,096

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.

5 CROSS-BORDER PAYMENTS

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

States and Territories	2017 \$ '000	2016 \$ '000
CROSS-BORDER PAYMENTS		
New South Wales	-	-
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Australian Capital Territory	-	-
Northern Territory	-	-
TOTAL	-	-

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

6 ACTIVITY BASED FUNDING RECEIPTS AND PAYMENTS

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

	2017 \$ '000	2016 \$ '000
Total Activity Based Funding receipts from the Commonwealth	320,502	311,424
Total Activity Based Funding receipts from Tasmania	385,428	295,672
Less: Activity Based Funding payments to Local Hospital Networks	(705,930)	(607,096)
RECEIPTS IN EXCESS OF PAYMENTS	-	-

End of Audited Special Purpose Financial Statement.

TAS

funding and payments

NATIONAL HEALTH REFORM DISCLOSURES FOR THE YEAR ENDED 30 JUNE 2017

Issued by the Administrator of the National Health Funding Pool under section 241(2) of the *Commonwealth National Health Reform Act 2011* and section 18(2) of the *Tasmanian National Health Funding Administration Act 2012*.

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. 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)	
	2016-17	2015-16
State Pool Account – Activity Based Funding*	385,428	295,672
State Managed Fund – Block funding	312,024	361,806
TAS TOTAL	697,451	657,478

**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 2016-17 (at June 2017) was advised by the Tasmanian Department of Health and Human Services to be as follows:

Tasmania has developed a funding model (2016-17 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 2016-17.

The funding arrangements and associated pricing focused on the four ABF 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 2016–17 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 2016–17. The National Average Cost was considered the most appropriate (where available) as it provides a National benchmark without the complication of NWAUs and the NEP.

Therefore the 2016–17 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.
- + Sub-Acute and Non-acute,
 - Rehabilitation and Palliative Care – will be based on block grants
 - Geriatric evaluation and management and Maintenance Care – a per diem rate will be paid
- + Other admitted care,
 - Organ donor and Hospital Boarder – a per diem rate will be paid
- + 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)	
	2016-17	2015-16
Activity Based Funding	320,502	311,424
Block funding	59,309	55,913
Public Health funding	7,867	7,627
TAS TOTAL	387,678	374,964

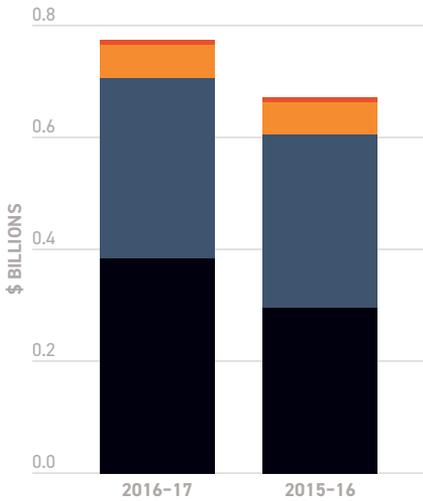
For the Commonwealth basis of payments, refer to part b) of the 'National health reform funding and payments – National' chapter.

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

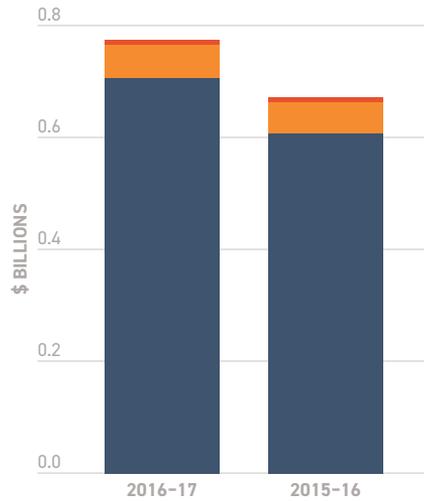
Recipient	Amount paid from TAS State Pool Account (\$'000)	
	2016-17	2015-16
Tasmanian Health Service	705,930	607,096
Total local hospital networks	705,930	607,096
State Managed Fund	59,309	55,913
Other organisations or funds	7,867	7,627
TAS TOTAL	773,105	670,636

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

PAYMENTS INTO THE POOL – TAS



PAYMENTS OUT OF THE POOL – TAS



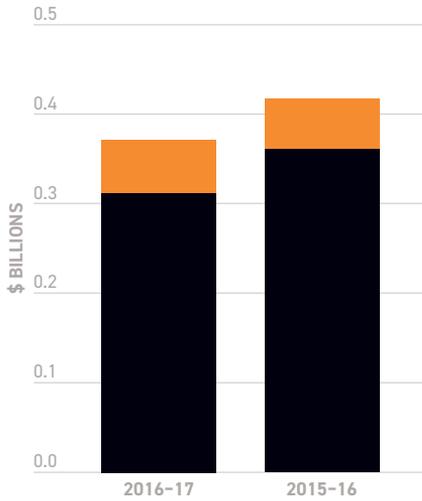
- COMMONWEALTH – PUBLIC HEALTH
- COMMONWEALTH – BLOCK FUNDING
- COMMONWEALTH – ACTIVITY BASED FUNDING
- TAS – ACTIVITY BASED FUNDING
- OTHER ORGANISATIONS OR FUNDS
- STATE MANAGED FUND
- TOTAL LOCAL HOSPITAL NETWORKS

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)	
	2016-17	2015-16
Tasmanian Health Service	371,333	417,719
Total local hospital networks	371,333	417,719
Other organisations or funds	-	-
TAS TOTAL	371,333	417,719

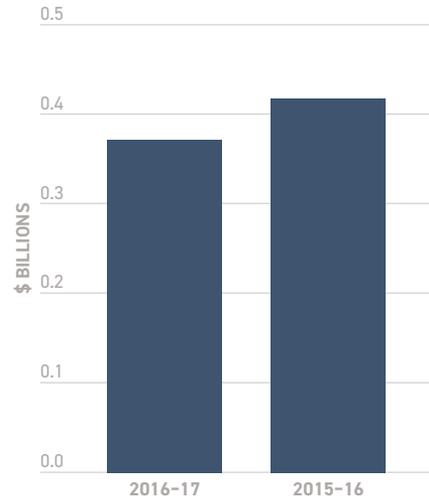
For the Tasmanian basis of payments, refer to part a) of this chapter.

PAYMENTS INTO THE STATE MANAGED FUND – TAS



■ POOL – COMMONWEALTH
■ TASMANIA

PAYMENTS OUT OF THE STATE MANAGED FUND – TAS



■ OTHER ORGANISATIONS OR FUNDS
■ TOTAL LOCAL HOSPITAL NETWORKS

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)		
	2016-17 Estimate	2015-16 Actual	2015-16 Estimate
Tasmanian Health Service	141,357	138,511	135,000
TAS TOTAL	141,357	138,511	135,000

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 2016–17 Commonwealth payments do not incorporate funding adjustments as a result of the 2015–16 annual reconciliation.

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 2015–16 and 2016–17 Tasmania did not report any 'other public hospital services and functions funded' from their Pool account or State Managed Fund.



1 LOCAL
HOSPITAL
NETWORK

143,666

Weighted public hospital services
measured in NWAU

ACT

\$974 million total funding

MADE UP OF...



Commonwealth
funding



State funding
received into
the ACT state
pool account



State funding
received into
the ACT state
managed fund

\$1,043 million total payments to local hospital networks

MADE UP OF...



Activity Based
Funding



Block funding
from the state
pool accounts



Block funding
from the state
managed funds



ACT financial statement

NATIONAL HEALTH FUNDING POOL AUSTRALIAN CAPITAL TERRITORY STATE POOL ACCOUNT SPECIAL PURPOSE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

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

Audit opinion

I am providing an **unqualified audit opinion** on the special purpose financial statement (financial statement) of the Australian Capital Territory State Pool Account for the year ended 30 June 2017. The financial statement is comprised of the statement of receipts and payments and accompanying notes.

In my opinion, the financial statement:

- (i) is in accordance with the *Health (National Health Funding Pool and Administration) Act 2013*, *National Health Reform Act 2011* and *National Health Reform Agreement 2011*; and
- (ii) present fairly the receipts and payments of the Australian Capital Territory State Pool Account of the National Health Funding Pool.

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.

Basis for the audit opinion

The audit was conducted in accordance with the Australian Auditing Standards. I have complied with the requirements of the Accounting Professional and Ethical Standards 110 *Code of Ethics for Professional Accountants*.

I believe that sufficient evidence was obtained during the audit to provide a basis for the audit opinion.

Responsibility for preparing and fairly presenting the financial statement

The Administrator of the National Health Funding Pool is responsible for:

- preparing and fairly presenting the financial statement in accordance with the *Health (National Health Funding Pool and Administration) Act 2013*, *National Health Reform Act 2011* and *National Health Reform Agreement 2011*; and
- determining the internal controls necessary for the preparation and fair presentation of financial statement so that it is free from material misstatements, whether due to error or fraud.

Responsibility for the audit of the financial statement

Under the *Health (National Health Funding Pool and Administration) Act 2013*, the Auditor-General is responsible for issuing an audit report that includes an independent audit opinion on the financial statement of the Australian Capital Territory State Pool Account.

As required by Australian Auditing Standards, the auditors:

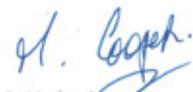
- applied professional judgement and maintained scepticism;
- identified and assessed the risks of material misstatements due to error or fraud and implemented procedures to address these risks so that sufficient evidence was obtained to form an audit opinion. The risk of not detecting material misstatements due to fraud is higher than the risk due to error, as fraud may involve collusion, forgery, intentional omissions or misrepresentations or the override of internal controls;
- obtained an understanding of internal controls to design audit procedures for forming an audit opinion;
- evaluated accounting policies and estimates used to prepare the financial statement and disclosures made in the financial statement;
- evaluated the overall presentation and content of the financial statement, including whether they present the underlying transactions and events in a manner that achieves fair presentation; and
- reported the scope and timing of the audit and any significant deficiencies in internal controls identified during the audit to the Administrator.

Limitations on the scope of the audit

An audit provides a high level of assurance about whether the financial statement are free from material misstatements, whether due to fraud or error. However, an audit cannot provide a guarantee that no material misstatements exist due to the use of selective testing, limitations of internal control, persuasive rather than conclusive nature of audit evidence and use of professional judgement in gathering and evaluating evidence.

An audit does not provide assurance on the:

- prudence of decisions made by the Australian Capital Territory State Pool Account;
- adequacy of controls implemented by the Australian Capital Territory State Pool Account; or
- integrity of the audited financial statement presented electronically or information hyperlinked to or from the financial statement. Assurance can only be provided for the printed copy of the audited financial statement.



Dr Maxine Cooper
Auditor-General

21 August 2017



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 2017 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

17 August 2017

CONTENTS

Independent Auditor's Report	226
Statement by the Administrator of the National Health Funding Pool	228
Statement of receipts and payments	230
Notes to and forming part of the special purpose financial statement	
1 Summary of significant accounting policies	231
2 Activity Based Funding receipts	234
3 Cross-border receipts	235
4 Activity Based Funding payments	235
5 Cross-border payments	236
6 Activity Based Funding receipts and payments	237

Australian Capital Territory State Pool Account
Statement of receipts and payments
for the year ended 30 June 2017

	Notes	2017 \$ '000	2016 \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth			
Activity Based Funding	2, 6	311,867	293,676
Block funding		26,607	25,225
Public health funding		6,022	5,803
From Australian Capital Territory			
Activity Based Funding	2, 6	574,159	542,979
Cross-border contribution	5	19,200	15,600
From other States or Territories			
Cross-border receipts	3	93,600	84,000
From Reserve Bank of Australia			
Interest receipts		-	-
TOTAL RECEIPTS		1,031,455	967,283
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding	4, 6	979,626	913,655
To Australian Capital Territory State Managed Fund			
Block funding		26,607	25,225
Cross-border transfer		-	-
To Australian Capital Territory Health Directorate			
Public health funding		6,022	5,803
Interest payments		-	-
Cross-border transfer		-	7,000
To other States or Territories			
Cross-border payments	5	19,200	15,600
TOTAL PAYMENTS		1,031,455	967,283
NET RECEIPTS/(PAYMENTS) FOR THE YEAR		-	-
OPENING CASH BALANCE		-	-
CLOSING CASH BALANCE		-	-

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

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 Peter Achterstraat AM, was appointed in February 2016.

(B) BASIS OF PREPARATION

The Australian Capital Territory State Pool Account was established in accordance with section 26 of the Australian Capital Territory *Health (National Health Funding Pool and Administration) Act 2013* and the special purpose financial statement has been prepared in accordance with 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 24 July 2017.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2015–16 are for the year ended 30 June 2016 and the results for 2016–17 are for the year ended 30 June 2017.

(D) NATIONAL HEALTH FUNDING POOL

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

(E) ACTIVITY BASED FUNDING

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

In 2015–16 and 2016–17 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 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 per cent of the change in the National Efficient Price relative to the prior year. The volume adjustment is 45 per cent of the net change in the volume of weighted services relative to the prior year.

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

(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 2015–16 and 2016–17 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 per cent of the change in the National Efficient Cost 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.

Australian Capital Territory State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2017

(I) INTEREST

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

(J) TAXATION

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

2 ACTIVITY BASED FUNDING RECEIPTS

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

	2017 \$ '000	2016 \$ '000
Commonwealth Activity Based Funding	311,867	293,676
Australian Capital Territory Activity Based Funding	574,159	542,979
TOTAL	886,026	836,655

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	2017 \$ '000	2016 \$ '000
CROSS-BORDER RECEIPTS		
New South Wales	93,600	84,000
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Northern Territory	-	-
TOTAL	93,600	84,000

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.

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	2017 \$ '000	2016 \$ '000
Australian Capital Territory Local Hospital Network Directorate	979,626	913,655
TOTAL	979,626	913,655

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 payments made out of the Australian Capital Territory State Pool Account in respect of each Local Hospital Network:

States and Territories	2017 \$ '000	2016 \$ '000
CROSS-BORDER PAYMENTS		
New South Wales	19,200	15,600
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Northern Territory	-	-
TOTAL	19,200	15,600

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

6 ACTIVITY BASED FUNDING RECEIPTS AND PAYMENTS

Total Australian Capital Territory and Commonwealth Activity Based Funding contributions and total Local Hospital Network Activity Based Funding payments:

	2017 \$ '000	2016 \$ '000
Total Activity Based Funding receipts from the Commonwealth	311,867	293,676
Total Activity Based Funding receipts from Australian Capital Territory	574,159	542,979
Cross-border receipts	93,600	84,000
Less: Activity Based Funding payments to Local Hospital Networks	(979,626)	(913,655)
RECEIPTS IN EXCESS OF PAYMENTS	-	7,000

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.

ACT

funding and payments

NATIONAL HEALTH REFORM DISCLOSURES FOR THE YEAR ENDED 30 JUNE 2017

Issued by the Administrator of the National Health Funding Pool under section 241(2) of the *Commonwealth National Health Reform Act 2011* and section 25(2) of the *Australian Capital Territory Health (National Health Funding Pool and Administration) Act 2013*.

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. 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)	
	2016-17	2015-16
State Pool Account – Activity Based Funding*	593,359	558,579
State Managed Fund – Block funding	36,605	43,211
ACT TOTAL	629,964	601,790

**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 2016–17 (at June 2017) 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 2016–17 payments made by ACT Government to the ACT Local Hospital Network was net of third party revenues and was paid on a monthly basis in line with estimated ACT Local Hospital Network monthly activity.

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)	
	2016–17	2015–16
Activity Based Funding	311,867	293,676
Block funding	26,607	25,225
Public Health funding	6,022	5,803
ACT TOTAL	344,496	324,704

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

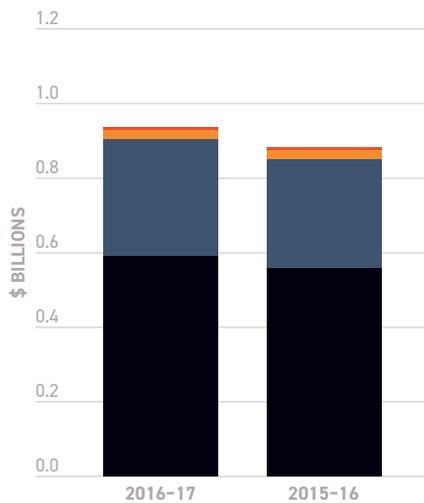
SECTION 241(2)(C) THE AMOUNTS PAID FROM EACH STATE POOL ACCOUNT TO LOCAL HOSPITAL NETWORKS, A STATE MANAGED FUND OR OTHER ORGANISATIONS OR FUNDS AND THE BASIS ON WHICH THE PAYMENTS WERE MADE

Recipient	Amount paid from ACT State Pool Account (\$'000)	
	2016-17	2015-16
ACT Local Hospital Network Directorate	979,626	913,655
State Managed Fund	26,607	25,225
Other organisations or funds*	25,222	28,403
ACT TOTAL	1,031,455	967,283

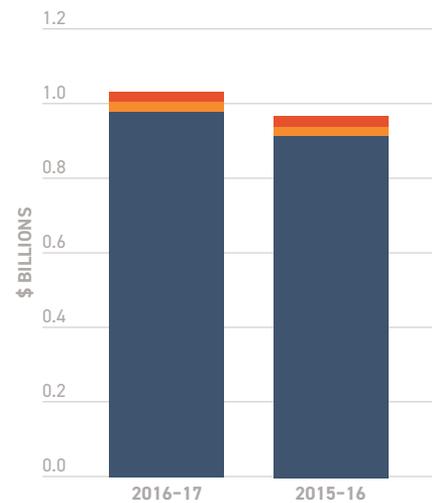
*Includes an Australian Capital Territory cross-border contribution to another state or territory.

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



- COMMONWEALTH – PUBLIC HEALTH
- COMMONWEALTH – BLOCK FUNDING
- COMMONWEALTH – ACTIVITY BASED FUNDING
- ACT – ACTIVITY BASED FUNDING

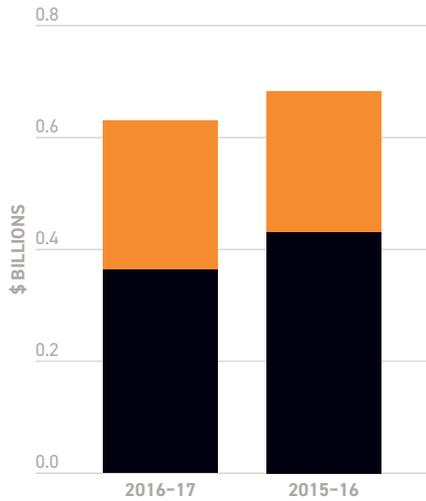
- OTHER ORGANISATIONS OR FUNDS
- STATE MANAGED FUND
- LOCAL HOSPITAL NETWORK

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)	
	2016-17	2015-16
ACT Local Hospital Network Directorate	63,212	68,436
Other organisations or funds	-	-
ACT TOTAL	63,212	68,436

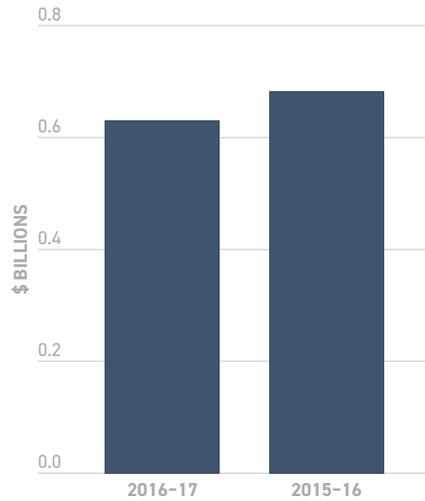
For the Australian Capital Territory basis of payments, refer to part a) of this chapter.

PAYMENTS INTO THE STATE MANAGED FUND – ACT



■ POOL – COMMONWEALTH
■ AUSTRALIAN CAPITAL TERRITORY

PAYMENTS OUT OF THE STATE MANAGED FUND – ACT



■ OTHER ORGANISATIONS OR FUNDS
■ LOCAL HOSPITAL NETWORK

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)		
	2016-17 Estimate	2015-16 Actual	2015-16 Estimate
ACT Local Hospital Network Directorate	143,666	148,426	140,066
ACT TOTAL	143,666	148,426	140,066

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 2016-17 Commonwealth payments do not incorporate funding adjustments as a result of the 2015-16 annual reconciliation.

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 2015-16 and 2016-17 the Australian Capital Territory did not report any 'other public hospital services and functions funded' from their Pool account or State Managed Fund.



2 LOCAL
HOSPITAL
NETWORKS

147,679

Weighted public hospital services
measured in NWAU

NT

\$1,099 million total funding

MADE UP OF...



Commonwealth
funding



State funding
received into
the NT state
pool account



State funding
received into
the NT state
managed fund

\$1,096 million total payments to local hospital networks

MADE UP OF...



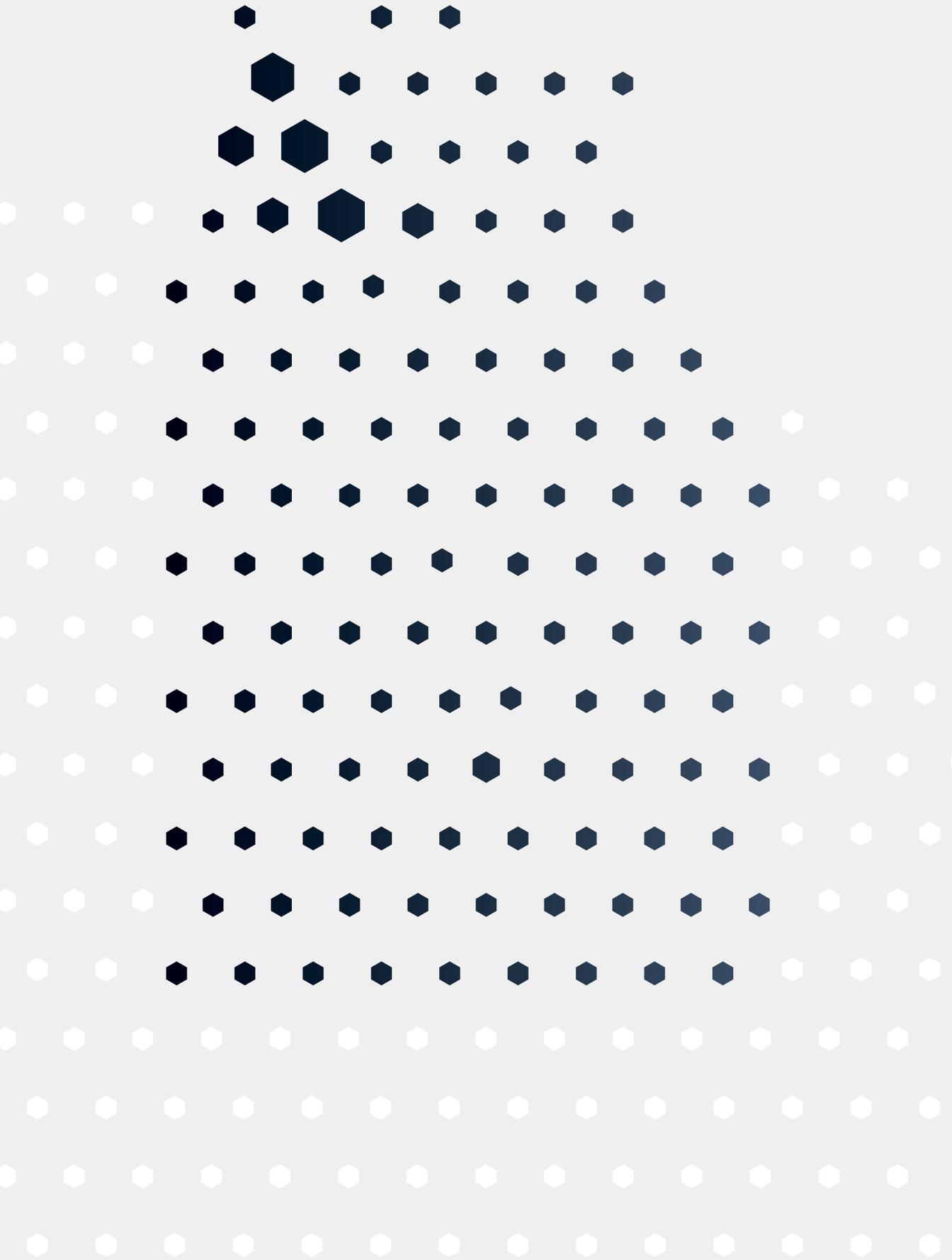
Activity Based
Funding



Block funding
from the state
pool accounts



Block funding
from the state
managed funds



NT financial statement

NATIONAL HEALTH FUNDING POOL NORTHERN TERRITORY STATE POOL ACCOUNT SPECIAL PURPOSE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

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 Auditor's Report
to the Minister for Health
Northern Territory State Pool Account of National Health Funding Body
Page 1 of 2

Opinion

I have audited the accompanying special purpose financial statement of the Northern Territory State Pool Account of the National Health Funding Pool, which comprises the Statement of Receipts and Payments for the period ended 30 June 2017, and notes to the financial statement, including a summary of significant accounting policies, and the Statement by the Administrator of the National Health Funding Pool.

In my opinion the accompanying special purpose financial statement presents fairly, in all material respects, the receipts and payments of the Northern Territory State Pool Account of the National Health Funding Pool for the period ended 30 June 2017 in accordance with the *National Health Funding Pool Administration (National Uniform Legislation) Act*, *National Health Reform Act 2011* and the National Health Reform Agreement 2011.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of my report. I am independent of the Northern Territory State Pool Account of the National Health Funding Pool in accordance with ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial statement in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

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

Emphasis of matter – Basis of accounting

Without modifying my opinion, I draw attention to Note 1 to the financial statement, which describes the basis of accounting. The financial statement has been prepared to assist the Northern Territory State Pool Account of the National Health Funding Pool to fulfil the Administrator's financial reporting obligations under the *National Health Funding Pool Administration (National Uniform Legislation) Act*, *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.

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

The Administrator is responsible for the preparation and fair presentation of the financial statement, and has determined that the basis of preparation described in Note 1, which is a special purpose framework using the cash basis of accounting, is appropriate to meet the requirements of the *National Health Funding Pool Administration (National Uniform Legislation) Act*, *National Health Reform Act 2011* and the National Health Reform Agreement 2011. The Administrator is responsible for establishing and maintaining such internal control as the Administrator determines is necessary to enable the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, the Administrator is responsible for assessing the ability of the Northern Territory State Pool Account of the National Health Funding Pool to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Administrator either intends to liquidate the Northern Territory State Pool Account of the National Health Funding Pool or to cease operations, or has no realistic alternative but to do so.



Auditor-General

Page 2 of 2

The Administrator is responsible for overseeing the financial reporting process for the Northern Territory State Pool Account of the National Health Funding Pool.

Auditor's Responsibilities for the audit of the Financial Statement

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

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

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls as they apply to the Northern Territory State Pool Account.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Administrator.
- Conclude on the appropriateness of the Administrator's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Northern Territory State Pool Account to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report however, future events or conditions may cause the Northern Territory State Pool Account to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

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

Julie Crisp
Auditor-General for the Northern Territory
Darwin, Northern Territory

12 September 2017



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 2017 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

11 September 2017

CONTENTS

Independent Auditor's Report	248
Statement by the Administrator of the National Health Funding Pool	250
Statement of receipts and payments	252
Notes to and forming part of the special purpose financial statement	
1 Summary of significant accounting policies	253
2 Activity Based Funding receipts	256
3 Cross-border receipts	257
4 Activity Based Funding payments	257
5 Cross-border payments	258
6 Activity Based Funding receipts and payments	259

Northern Territory State Pool Account
Statement of receipts and payments
for the year ended 30 June 2017

	Notes	2017 \$ '000	2016 \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth			
Activity Based Funding	2, 6	225,996	181,515
Block funding		16,232	13,672
Public health funding		3,664	3,602
From Northern Territory			
Activity Based Funding	2, 6	294,319	294,319
Cross-border contribution	5	–	–
From other States or Territories			
Cross-border receipts	3	–	–
From Reserve Bank of Australia			
Interest receipts		12	16
TOTAL RECEIPTS		540,223	493,124
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity Based Funding	4, 6	520,315	475,834
To Northern Territory State Managed Fund			
Block funding		16,232	13,672
Cross-border transfer		–	–
To Northern Territory Department of Health			
Public Health Funding		3,664	3,602
Interest payments		–	–
Cross-border transfer		–	–
To other States or Territories			
Cross-border payments	5	–	–
TOTAL PAYMENTS		540,211	493,108
NET RECEIPTS FOR THE YEAR		12	16
OPENING CASH BALANCE		51	35
CLOSING CASH BALANCE		63	51

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

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 Peter Achterstraat AM, was appointed in February 2016.

(B) BASIS OF PREPARATION

The Northern Territory State Pool Account was established in accordance with section 20 of the Northern Territory *National Health Funding Pool and Administration (National Uniform Legislation) Act 2012* 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 24 July 2017.

(C) COMPARATIVE FIGURES

Prior year comparative information has been disclosed. The results for 2015–16 are for the year ended 30 June 2016 and the results for 2016–17 are for the year ended 30 June 2017.

(D) NATIONAL HEALTH FUNDING POOL

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

(E) ACTIVITY BASED FUNDING

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

In 2015–16 and 2016–17 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 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 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 per cent of the change in the National Efficient Price relative to the prior year. The volume adjustment is 45 per cent of the net change in the volume of weighted services relative to the prior year.

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

(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 2015–16 and 2016–17 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 per cent of the change in the National Efficient Cost 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.

Northern Territory State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2017

(I) INTEREST

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

(J) TAXATION

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

2 ACTIVITY BASED FUNDING RECEIPTS

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

	2017 \$ '000	2016 \$ '000
Commonwealth Activity Based Funding	225,996	181,515
Northern Territory Activity Based Funding	294,319	294,319
TOTAL	520,315	475,834

3 CROSS-BORDER RECEIPTS

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

States and Territories	2017 \$ '000	2016 \$ '000
CROSS-BORDER RECEIPTS		
New South Wales	-	-
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Australian Capital Territory	-	-
Total	-	-

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

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	2017 \$ '000	2016 \$ '000
Central Australia Health Service	191,116	182,790
Top End Health Service	329,200	293,044
TOTAL	520,315	475,834

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.

5 CROSS-BORDER PAYMENTS

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

States and Territories	2017 \$ '000	2016 \$ '000
CROSS-BORDER PAYMENTS		
New South Wales	-	-
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Australian Capital Territory	-	-
TOTAL	-	-

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

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:

	2017 \$ '000	2016 \$ '000
Total Activity Based Funding receipts from the Commonwealth	225,996	181,515
Total Activity Based Funding receipts from Northern Territory	294,319	294,319
Less: Activity Based Funding payments to Local Hospital Networks	(520,315)	(475,834)
RECEIPTS IN EXCESS OF PAYMENTS	-	-

End of Audited Special Purpose Financial Statement.

NT

funding and payments

NATIONAL HEALTH REFORM DISCLOSURES FOR THE YEAR ENDED 30 JUNE 2017

Issued by the Administrator of the National Health Funding Pool under section 241(2) of the *Commonwealth National Health Reform Act 2011* and section 18(2) of the *Northern Territory National Health Funding Pool and Administration (National Uniform Legislation) Act 2012*.

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. 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)	
	2016-17	2015-16
State Pool Account – Activity Based Funding*	294,319	294,319
State Managed Fund – Block funding	559,025	485,017
NT TOTAL	853,344	779,336

**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 2016–17 (at June 2017) was advised by the Northern Territory Department of Health to be as follows:

The annual funding allocation for the Top End and Central Australia 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 growth based on Northern Territory Government Wage and Consumer Price Index parameters. Projected activity increases are not budgeted for and both local hospital networks are required to meet demand increases from within existing budgets supplemented by National Health Reform Agreement efficient growth payments.

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)	
	2016–17	2015–16
Activity Based Funding	225,996	181,515
Block funding	16,232	13,672
Public Health funding	3,664	3,602
NT TOTAL	245,893	198,789

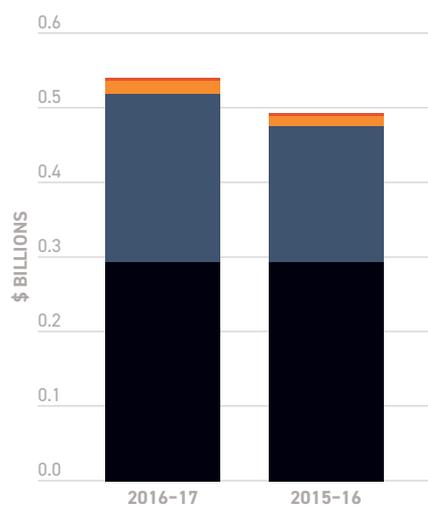
For the Commonwealth basis of payments, refer to part b) of the 'National health reform funding and payments – National' chapter.

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

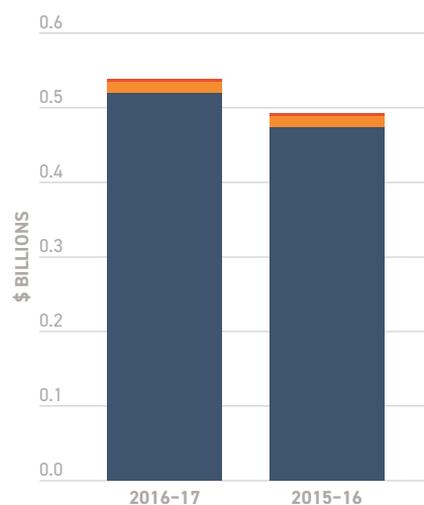
Recipient	Amount paid from NT State Pool Account (\$'000)	
	2016-17	2015-16
Central Australian Hospital Network	191,116	182,791
Top End Hospital Network	329,200	293,044
Total local hospital networks	520,315	475,834
State Managed Fund	16,232	13,672
Other organisations or funds	3,664	3,602
NT TOTAL	540,212	493,108

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



- COMMONWEALTH – PUBLIC HEALTH
- COMMONWEALTH – BLOCK FUNDING
- COMMONWEALTH – ACTIVITY BASED FUNDING
- NT – ACTIVITY BASED FUNDING

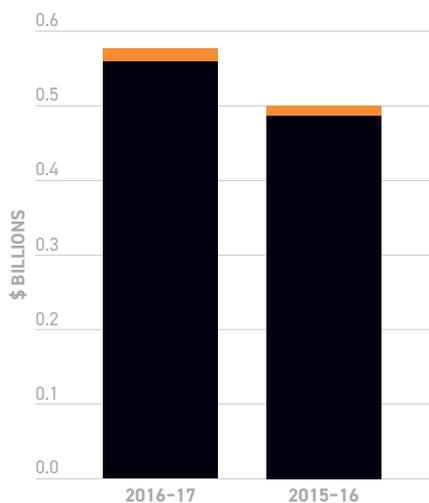
- OTHER ORGANISATIONS OR FUNDS
- STATE MANAGED FUND
- TOTAL LOCAL HOSPITAL NETWORKS

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)	
	2016-17	2015-16
Central Australian Hospital Network	141,560	121,759
Top End Hospital Network	433,697	376,930
Total local hospital networks	575,257	498,689
Other organisations or funds	-	-
NT TOTAL	575,257	498,689

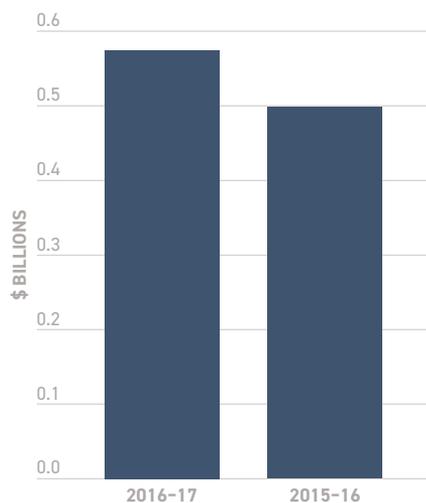
For the Northern Territory basis of payments, refer to part a) of this chapter.

PAYMENTS INTO THE STATE MANAGED FUND – NT



■ POOL – COMMONWEALTH
■ NORTHERN TERRITORY

PAYMENTS OUT OF THE STATE MANAGED FUND – NT



■ OTHER ORGANISATIONS OR FUNDS
■ TOTAL LOCAL HOSPITAL NETWORKS

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)		
	2016-17 Estimate	2015-16 Actual	2015-16 Estimate
Central Australian Hospital Network	49,640	47,379	47,081
Top End Hospital Network	98,039	87,473	80,744
NT TOTAL	147,679	134,852	127,825

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 2016-17 Commonwealth payments do not incorporate funding adjustments as a result of the 2015-16 annual reconciliation.

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 2015-16 and 2016-17 the Northern Territory did not report any 'other public hospital services and functions funded' from their Pool account or State Managed Fund.



Endnotes

Appendix 1

GUIDE TO FIGURES IN ANNUAL REPORT

NATIONAL, STATE AND TERRITORY CHAPTER COVER PAGES

Source: Administrator National Health Funding Pool 2016–17 Annual Report, Funding and Payments

	National \$ billion	NSW \$ billion	VIC \$ billion	QLD \$ billion	WA \$ billion	SA \$ billion	TAS \$ million	ACT \$ million	NT \$ million
TOTAL FUNDING									
Commonwealth funding ¹	18.6	5.7	4.7	3.9	2.1	1.3	387.7	344.5	245.9
State funding	25.5	6.9	5.1	6.5	2.7	2.2	697.5	630.0	853.3
State funding received into state pool account ¹	21.5	6.0	4.4	5.6	2.2	2.0	385.4	593.4	294.3
State funding received into state managed fund	4.0	0.9	0.7	0.9	0.4	0.2	312.0	36.6	559.0
Total funding²	44.1	12.6	9.8	10.3	4.7	3.5	1,085.2	974.5	1,099.2

Continued.

¹ Data can also be sourced from the Combined State Pool Account Financial Statement or respective State or Territory State Pool Account Financial Statement for the year ended 30 June 2017.

² Totals may not equal the sum of components due to rounding.

	National \$ billion	NSW \$ billion	VIC \$ billion	QLD \$ billion	WA \$ billion	SA \$ billion	TAS \$ million	ACT \$ million	NT \$ million
PAYMENTS TO LOCAL HOSPITAL NETWORKS									
Activity Based Funding ¹	37.2	10.7	8.4	8.9	4.0	3.0	705.9	979.6	520.3
Block funding from the State Pool Accounts ¹	2.2	0.7	0.5	0.4	0.3	0.2	59.3	26.6	16.2
Block funding from the State Managed Funds	4.0	0.9	0.7	0.9	0.4	0.2	312.0	36.6	559.0
Total payments to local hospital networks²	43.4	12.2	9.6	10.2	4.7	3.4	1,077.3	1,042.8	1,095.6
NWAU									
National Weighted Activity Unit (NWAU)	7,994,351	2,584,814	2,000,244	1,574,306	819,809	582,476	141,357	143,666	147,679

¹ Data can also be sourced from the Combined State Pool Account Financial Statement or respective State or Territory State Pool Account Financial Statement for the year ended 30 June 2017.

² Totals may not equal the sum of components due to rounding.

FRONT COVER AND PAGE III HIGHLIGHTS

Source: Administrator National Health Funding Pool 2016–17 Annual Report, Funding and Payments

	Funding	National \$ billion
Commonwealth funding ¹	Section 241(2)B (page 51): Total amount paid by Commonwealth into State Pool Account in 2016–17	18.6
State funding receipted into state pool account ¹	Section 241(2)A (page 50): State Pool Account – ABF 2016–17	21.5
State funding receipted into state managed fund	Section 241(2)A (page 50): State Managed Fund – Block 2016–17	4.0
TOTAL FUNDING²	COMMONWEALTH FUNDING + STATE FUNDING	44.1
	Payments	National \$ billion
Activity Based Funding ¹	Section 241(2)C (page 53): Amount paid from State Pool Account to Local Hospital Networks in 2016–17	37.2
Block Funding	Section 241(2)D (page 54): Total amount paid from State Managed Fund in 2016–17	6.2
Block Funding from State Managed Funds	Section 241(2)A (page 50): Amount paid by State/Territory to State Managed Fund – Block in 2016–17	4.0
PAYMENTS TO AUSTRALIAN PUBLIC HOSPITALS	ACTIVITY BASED FUNDING + BLOCK FUNDING	43.4

¹ Data can also be sourced from the Combined State Pool Account Financial Statement or respective State or Territory State Pool Account Financial Statement for the year ended 30 June 2017.

² Totals may not equal the sum of components due to rounding.

Appendix 2

The Administrator’s Monthly Reports form the basis of the Funding and Payments reported in the Annual Report, under section 241(2) of the *National Health Reform Act*. The matrix below is designed as a quick reference guide for translation between the June (year-to-date) reports (vertical) and the Annual Reports (horizontal).

FUNDING AND PAYMENTS CHAPTERS

		FUNDING AND PAYMENTS CHAPTERS					
		Section 241(2)(A) – Paid into each SPA or SMF by States	Section 241(2)(B) – Paid into each SPA by the Commonwealth	Section 241(2)(C) – Paid from each SPA to LHNs, a SMF or Other GST inclusive	Section 241(2)(D) – Paid from each SMF to LHNs or Other GST exclusive	Section 241(2)(E) – NWAU Funded	
STATE MONTHLY REPORTS	Table 1b – State pool account transactions YTD	For ABF State payments into SPA, minus payments made back to State (e.g. for interest)					
	Table 2b – State managed fund transactions YTD	For Block funding					
	Table 4b – NHR contributions by local hospital network YTD			For ABF	For Block funding		
	Table 5 – Estimated monthly, YTD and annual NWAU by local hospital network						

ENDNOTES

Glossary

TERM	MEANING
(the) Act	The <i>National Health Reform Act 2011</i> .
Activity Based Funding	Refers to a system for funding public hospital services provided to individual patients using national classifications, cost weights and nationally efficient prices developed by the Independent Hospital Pricing Authority. Funding is based on the actual number of services provided to patients and the efficient cost of delivering those services.
(the) Addendum	<p>The Addendum to the National Health Reform Agreement entered into by all states, territories and the Commonwealth in 2017, included as Schedule I to the Agreement.</p> <p>The Addendum sets out additional reforms to the way in which public hospitals are funded nationally.</p>
(the) Administrator	<p>The Administrator of the National Health Funding Pool (the Administrator) is an independent statutory office holder, distinct from Commonwealth and state and territory government departments, established under legislation of the Commonwealth and state and territory governments.</p> <p>The role of the Administrator, with support from the National Health Funding Body, is to administer the payment of public hospital funding according to the <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>
(the) Agreement	See <i>National Health Reform Agreement</i> .
AHMAC	Australian Health Ministers' Advisory Council.
block funding	<p>A system of funding public hospital functions and services as a fixed amount based on population and previous funding.</p> <p>Under National Health Reform, block funding will be provided to states and territories to support teaching and research undertaken in public hospitals and for some public hospital services where it is more appropriate, particularly smaller rural and regional hospitals</p>
CEO	Chief Executive Officer.
CFO	Chief Finance Officer.
CFO/RAG	Chief Finance Officer/Reconciliation Advisory Group.

Continued.

TERM	MEANING
Council of Australian Governments (COAG)	The peak intergovernmental forum in Australia. The members of COAG are the Prime Minister, state and territory Premiers and Chief Ministers and the President of the Australian Local Government Association.
COAG Health Council	Previously known as Standing Council on Health (SCoH).
FMA Act	The <i>Financial Management and Accountability Act 1997</i> . This Act provided a framework for the proper management of public money and public property.
(the) Funding Pool	See 'National Health Funding Pool'.
Independent Hospital Pricing Authority (IHPA)	An independent statutory body established under Commonwealth legislation to calculate and deliver an annual National Efficient Price (NEP) used in the calculation of national Activity Based Funding for Australian public hospitals.
JAC	Administrator's Jurisdictional Advisory Committee.
Local hospital networks (LHNs)	Recipients of the payments from the National Health Funding Pool, Commonwealth block funding and state managed funds.
Medicare Benefits Schedule (MBS)	A listing of the Medicare services subsidised by the Australian Government.
Mid-year Economic and Financial Outcome (MYEFO)	The Mid-Year Economic and Fiscal Outlook (MYEFO) updates the economic and fiscal outlook from the previous budget. As well as updating the economic and fiscal outlook, the MYEFO updates the budgetary position. In particular, the MYEFO takes account of all decisions made since the release of the budget which affect expenses and revenue and hence revises the budget aggregates.
National Funding Cap	The limit in growth in Commonwealth funding for Public Hospital Services for all States of 6.5 per cent per annum and where the context so requires includes the operation of the Funding Cap as provided in this Agreement.
National Health Funding Body (NHFB)	An independent statutory body established under Commonwealth legislation to assist the Administrator in carrying out his or her functions under Commonwealth, state and territory legislation.
National Health Funding Pool (the Funding Pool)	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.

Continued.

TERM	MEANING
National health reform	National health reform includes reforms to the way in which public hospitals are funded nationally in Australia, as set out in the National Health Reform Agreement entered into by all states, territories and the Commonwealth in August 2011.
National Health Reform Agreement (the Agreement)	The National Health Reform Agreement outlines the funding, governance, and performance arrangements for the delivery of public hospital services in Australia, the Agreement was entered into by all states, territories and the Commonwealth in August 2011.
National Weighted Activity Unit (NWAU)	The NWAU is a measure of health service activity expressed as a common unit, against which the national efficient price (NEP) is paid. It provides a way of comparing and valuing each public hospital service (whether it is an admission, emergency department presentation or outpatient episode), by weighting it for clinical complexity.
Payments System (the)	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.
Pharmaceutical Benefits Scheme (PBS)	Details of the medicines subsidised by the Australian Government.
PGPA Act	<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.
Public Health funding	Public Health funding covers amounts previously relating to national public health, youth health services and essential vaccines (service delivery) in 2008–09 (\$244.0 million).
Soft Cap	The limit in growth in Commonwealth funding for Public Hospital Services in a State of 6.5 per cent per annum.
state managed fund	A separate bank account or fund established by a state or territory for the purposes of health funding under the Agreement which must be undertaken in the state or territory through a state managed fund.
state pool account	A Reserve Bank account established by a state or territory for the purpose of receiving all Commonwealth and activity based state and territory public hospital funding, and for making payments under the Agreement. The state pool accounts of all states and territories are collectively known as the National Health Funding Pool or the Pool.

Disclosure Index

Section	Description	Location – National Level	Location – S/T Level
241(2) The Annual Report must include the following information for the relevant financial year			
(a)	The amounts paid into each State Pool Account and State Managed Fund by the relevant State and the basis on which the payments were made	50	NSW 76–89 VIC 108–119 QLD 138–145 WA 162–167 SA 188–194 TAS 214–220 ACT 238–243 NT 260–265
(b)	The amounts paid into each State Pool Account by the Commonwealth and the basis on which the payments were made	51	
(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	53	
(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	54	
(e)	The number of public hospital services funded for each local hospital network in accordance with the system of activity based funding	55	
(f)	The number of other public hospital services and functions funded from each State Pool Account or State Managed Fund	56	
241(3) The Annual Report is to be accompanied by			
(a)	An audited financial statement for each State Pool Account	N/A	NSW 66 VIC 98 QLD 128 WA 154 SA 178 TAS 206 ACT 230 NT 252
(b)	A financial statement that combines the audited financial statements for each State Pool Account	32–33	N/A

Index

A

accounting policies, 36–39

ACT, 231–234

NSW, 67–70

NT, 253–256

QLD, 129–132

SA, 179–182

TAS, 207–210

VIC, 99–102

WA, 155–158

achievements, iii

Achterstraat, Peter, 2–3, 8, 36

acronyms, 272–274

the Act, defined, 272

activity based funding (ABF), 13–14, 37, 38, 52. *see also* National Weighted

Activity Unit (NWAU)

from the Commonwealth,
42–43, 44–45, 51

defined, 272

number of public hospital
services funded, 55

from the states and territories, 50

activity based funding payments

ACT, 235, 237

NSW, 72, 74

NT, 257, 259

QLD, 134, 136

SA, 184, 186

TAS, 211, 213

VIC, 104, 107

WA, 160, 161

activity based funding receipts

ACT, 234, 237

NSW, 70, 74

NT, 256, 259

QLD, 132, 136

SA, 182, 186

TAS, 210, 213

VIC, 102, 107

WA, 158, 161

activity estimates, 37, 38

actual activity reconciliation, 21, 37, 47

acute admitted services, 14

the Addendum to the *National Health
Reform Agreement*, 2, 10, 272

expert advice on implementation,
22–23

the Administrator, 8

annual report requirements, 4

defined, 272

financial statement, 30

message, 2–3

referrals to, 22

role, 6, 8

- Administrator's letters
 - ACT, 228
 - NSW, 64
 - NT, 250
 - QLD, 126
 - SA, 175
 - TAS, 203
 - VIC, 96
 - WA, 152
- admitted mental health, 14
- advice provided, 22–23
- the Agreement, 12
 - defined, 272
- AHMAC, defined, 272
- Albury–Wodonga inter-jurisdictional agreement, 81
- Auditors–General, 2, 5, 39
- auditors' reports
 - ACT, 226–227
 - NSW, 62–63
 - NT, 249
 - QLD, 124–125
 - SA, 172–174
 - TAS, 200–202
 - VIC, 94–95
 - WA, 150–151
- audits of financial statements, requirements, 5
- Australian Capital Territory (ACT)
 - accounting policies, 231–234
 - activity based funding payments, 235, 237
 - activity based funding receipts, 234, 237
 - Administrator's letter, 228
 - auditor's report, 226–227
 - Commonwealth funding, 240
 - cross-border payments, 236
 - cross-border receipts, 235
 - financial statement, 225–237
 - funding and payments, 238–243
 - funding model, 240
 - funding totals, 51, 223
 - local hospital networks, 235
 - National Health Reform disclosures, 238–243
 - National Weighted Activity Unit (NWAU), 243
 - other public hospital services and functions funded, 243
 - payments by state, 239
 - public hospital services funded, 243
 - state managed fund payments, 242
 - state pool account payments, 241
 - state pool account statement, 230
 - statistics, 222–223
- Australian Government contributions. *see* Commonwealth contributions
- Australian National Audit Office (ANAO), 41

B

basis of payments, 14

block funding, 15, 38, 50, 51, 52

2016–17, 42–43

2015–16, 44–45

defined, 272

state managed, 39

Business Rules for Data Matching, Volumes 1 and 2, 13

C

cash payments (national), 47

cash payments (NSW), 80–82

CEO, defined, 272

certification letter, 26–27

CFO, defined, 272

CFO/RAG, defined, 272

COAG Health Council (CHC), 12

defined, 273

combined financial statements, 32–47

basis of preparation, 36

comparative figures, 36

notes on, 40–47

reporting entity, 36

Combined State Pool Accounts, 30, 36

Commonwealth Budget, 20, 21

Commonwealth Contribution Model (CCM), 12, 20, 41

Commonwealth contributions, 20, 41

into National Health Funding Pool, 46–47

into State Pool Accounts, 42–43, 44–45

Commonwealth funding

ACT, 240

analysis of growth, 22

NSW, 80, 82, 84, 88

NT, 262

QLD, 140, 144

SA, 190

TAS, 217

VIC, 110

WA, 164

Commonwealth Treasurer, 8, 20, 21, 22, 47

compliance index, 275

contact details, *inside front cover*

Council of Australian Governments (COAG), 10

defined, 273

cross-border funding, 16, 38

cross-border receipts and payments

ACT, 235, 236

NSW, 71, 73

NT, 257, 258

QLD, 133, 135

SA, 183, 185

TAS, 211, 212

VIC, 103, 106

WA, 159, 160–161

D

- data compliance, 12
- Data Conditional Payment, 10
- data privacy, secrecy and security, 12
- Department of the Prime Minister and Cabinet, 22
- disclosure index, 275

E

- efficient growth determinations, 37, 52
- emergency department services, 14
- estimated activity, 12, 21, 55

F

- figures, guide to, 268–270
- Financial Relations (National Health Reform Payments) Determination*, 21–22, 47
- financial statements
 - ACT, 225–237
 - combined, 29–47
 - legislative requirements, 4
 - NHFB certification letter, 26–27
 - NSW, 61–74
 - NT, 247–259
 - QLD, 123–136
 - SA, 171–186
 - TAS, 199–213
 - VIC, 93–107
 - WA, 149–161
- financial summary, iii, 2
- FMA Act, defined, 273

funding

- activity based, 13–14
- block funding, 15
- cross-border funding, 15
- interest, 16
- over deposit, 16
- public health funding, 15
- public hospitals, 9, 13, 23, 41
- reporting, 23, 36
- by source, v
- statistics, 18, 270
- funding adjustments, 47, 55
- funding and payment network, 11
- funding and payment reports
 - ACT, 238–243
 - NSW, 76–89
 - NT, 260–265
 - QLD, 138–145
 - SA, 188–194
 - TAS, 214–220
 - VIC, 108–119
 - WA, 162–167
- Funding Cap, 22
- funding integrity analysis, 8
- funding models
 - ACT, 240
 - NSW, 78–80
 - NT, 262
 - QLD, 139–140
 - SA, 190
 - TAS, 215–216
 - VIC, 110
 - WA, 164

the Funding Pool
 defined, 273

funding receipts, iv, v

funding reductions, conditional, 10

funding totals, 24–25

- ACT, 51, 223
- NSW, 51, 59
- NT, 51, 245
- QLD, 51, 121
- SA, 51, 169
- TAS, 51, 197
- VIC, 51, 91
- WA, 51, 147

G

Goods and Services Tax (GST), 39

governance, 9

growth and funding guarantees, 12

guide to figures, 268–270

H

Heads of Agreement, 22

Heads of Agreement between the Commonwealth and the States and Territories on Public Hospital Funding (Heads of Agreement), 2, 10, 22

Health Ministers, 20, 21, 22

highlights, 270

hospital activity data, analysis, 22

I

Independent Hospital Pricing Authority (IHPA), 13, 37

- defined, 273

interest, 16, 39.

see also accounting policies

J

JAC, defined, 273

L

legislation, 12

legislative requirements, 4–5

letter of transmittal, vi

list of requirements, 275

local health districts (LHD) and speciality health networks (SHN)

- NSW, 78–79

local health districts (LHDs) (NSW), 78–81

local hospital network funding, 24–25, 37

local hospital networks (LHNs), 2, 24

- ACT, 235
- defined, 273
- NSW, 72, 81–83
- NT, 257
- payments to, iii, 47
- QLD, 134
- SA, 184
- TAS, 211
- VIC, 104–105
- WA, 160

M

Medicare Benefits Schedule (MBS),
defined, 273

mental health services, 14, 15

Mid-Year Economic and Financial Outcome
(MYEFO), 21

defined, 273

modelling of reforms, 22–23

monthly reports, 23, 49

funding and payments chapters, 271

N

National Efficient Price, 13, 37, 38, 52, 55.
see also accounting policies

National Funding Cap, 10

defined, 273

National Funding Reform disclosures

TAS, 214–220

national health funding, 24–25

National Health Funding Administrator
(NHFA) Payments System
(Payments System), 9

National Health Funding Body (NHFB),
2, 9, 11, 12, 13, 22–23

defined, 273

monthly reports, 18, 23

National Health Funding Pool (NHFP), 9

actual activity reconciliation, 21

public health funding, 15

National Health Funding Pool
(the Funding Pool)

defined, 273

national health reform, defined, 274

National Health Reform Act 2011, 8, 36, 49

National Health Reform Agreement
(the Agreement), 2, 8, 49, 56

defined, 274

National Health Reform disclosures

ACT, 238–243

national, 48–56

NSW, 76–89

NT, 260–265

QLD, 138–145

SA, 188–194

VIC, 108–119

WA, 162–167

National Health Reform funding,
iv, 13, 46–47

basis of, 52

National Health Reform Funding and
Payments Reporting requirements, 5

National Health Reform payments, 13

cash and entitlements basis, 46–47

National Health Reform Public Hospital
Funding Procedures Manual, 13

National Weighted Activity Unit (NWAU),
13, 55

ACT, 243

defined, 274

NSW, 58, 87–88

NT, 265

QLD, 144–145

SA, 193

TAS, 219–220

for various services, 14

VIC, 90, 110, 117–119

WA, 167

New South Wales (NSW)

- accounting policies, 67–70
- activity based funding payments, 72, 74
- activity based funding receipts, 70, 74
- activity estimates, 79
- Administrator's letter, 64
- Albury–Wodonga inter-jurisdictional agreement, 81
- auditor's report, 62–63
- cash payments, 80
- Commonwealth funding, 80, 82, 84, 88
- cross-border payments, 73
- cross-border receipts, 71
- financial statements, 61–74
- funding and payments, 76–89
- funding models, 78–80
- funding totals, 51, 59
- local health districts (LHD) and speciality health networks (SHN), 78–79
- local hospital networks, 72, 81–83
- National Health Reform disclosures, 76–89
- National Weighted Activity Unit (NWAU), 58, 87–88
- other public hospital services and functions funded, 89
- price weight adjustments, 79
- public hospital services funded, 87–88
- state managed fund payments, 86–87
- state pool account payments, 84
- state pool account statement, 66
- statistics, 58–59

non-acute services, 14

- non-admitted mental health, 15, 38
- non-admitted services, 14, 15, 38

Northern Territory (NT)

- accounting policies, 253–256
- activity based funding payments, 257, 259
- activity based funding receipts, 256, 259
- Administrator's letter, 250
- auditor's report, 249
- Commonwealth funding, 262
- cross-border payments, 258
- cross-border receipts, 257
- financial statement, 247–259
- funding and payments, 260–265
- funding model, 262
- funding totals, 51, 245
- local hospital networks, 257
- National Health Reform disclosures, 260–265
- National Weighted Activity Unit (NWAU), 265
- other public hospital services and functions funded, 265
- payments by state, 261
- public hospital services funded, 265
- state managed fund payments, 264
- state pool account payments, 263
- state pool account statement, 252
- statistics, 244–245

O

operational framework, 12–13

other public hospital services and functions, 56

ACT, 243

NSW, 89

NT, 265

QLD, 145

SA, 194

TAS, 220

VIC, 119

WA, 167

over deposit, 16

overview, 8–16

P

payment advice to Commonwealth Treasurer, 21

payment totals, 24–25

payments, 13

to hospitals, by source, v

from State Pool Accounts, 53

payments by relevant state

ACT, 239

NT, 261

QLD, 139

SA, 189

TAS, 215

VIC, 109

WA, 163

the Payments System, 12, 13

defined, 274

performance, iii

PGPA Act, defined, 174

Pharmaceutical Benefits Scheme (PBS), defined, 274

policy framework, 12

preliminary funding entitlements, 37

previous year amounts, 52

price adjustments, 37, 52

price weight adjustments

NSW, 79

primary health care reforms, 10

procedures manuals, 13

Public Governance, Performance and Accountability Act 2013 (PGPA Act), 9

defined, 274

public health funding, 15, 38, 42–43, 44–45, 50, 51, 52

defined, 274

public hospital funding, iii

public hospital services, v

ACT, 243

national, 55, 56

NSW, 87–88

NT, 265

QLD, 144

SA, 193

TAS, 219

VIC, 117–119

WA, 167

Q

- Queensland (QLD)
 - accounting policies, 129–132
 - activity based funding payments, 134, 136
 - activity based funding receipts, 132, 136
 - Administrator's letter, 126
 - auditor's report, 124–125
 - Commonwealth funding, 140, 144
 - cross-border payments, 135
 - cross-border receipts, 133
 - financial statement, 123–136
 - funding and payments, 138–145
 - funding model, 139–140
 - funding totals, 51, 121
 - local hospital networks, 134
 - National Health Reform disclosures, 138–145
 - National Weighted Activity Unit (NWAU), 144–145
 - other public hospital services and functions funded, 145
 - payments by state, 139
 - public hospital services funded, 144
 - state managed fund payments, 142–143
 - state pool account payments, 141–142
 - state pool account statement, 128
 - statistics, 120–121

R

- receipts and payments summary
 - NSW, 66
- reconciliation adjustments, 41, 47, 55
 - WA, 156
- Reconciliation Framework, 12
- reconciliation of 2015–16
 - actual activity, 21
- referrals to the Administrator, 22
- reporting entity, 36
- reporting requirements, 4–5, 8, 49
 - analysis of growth in funding, 22
 - funding and payments, 23
 - payment advice to Cwlth Treasurer, 21
- reports. *see* funding and payment reports
- role of the Administrator, 8
- rural hospitals, 15, 38

S

- Safety and Quality Adjustment, 10
- safety and quality reforms, 22–23
- Service Agreements, 21
- significant accounting policies. *see* accounting policies
- small rural hospitals, 15, 38
- Soft Cap
 - defined, 274

South Australia (SA)

- accounting policies, 179–182
- activity based funding payments, 184, 186
- activity based funding receipts, 182, 186
- Administrator's letter, 175
- auditor's report, 172–174
- Commonwealth funding, 190
- cross-border payments, 185
- cross-border receipts, 183
- financial statement, 171–186
- funding and payments, 188–194
- funding model, 190
- funding totals, 51, 169
- local hospital networks, 184
- National Health Reform disclosures, 188–194
- National Weighted Activity Unit (NWAU), 193
- other public hospital services and functions funded, 194
- payments by state, 189
- public hospital services funded, 193
- state managed fund payments, 192
- state pool account payments, 191
- state pool account statement, 178
- statistics, 168–169
- stakeholders, 22–23
- state and territory contributions
 - into State Pool Accounts, 50

state managed fund payments

- ACT, 242
- NSW, 86–87
- NT, 264
- QLD, 142–143
- SA, 192
- TAS, 218–219
- VIC, 113–117
- WA, 166

state managed funds, 9, 13, 39, 53

- defined, 274
- funding of other public hospital services, 56
- payments from, 54
- payments into, 53

state pool account payments

- ACT, 241
- NSW, 84
- NT, 263
- QLD, 141–142
- SA, 191
- TAS, 217–218
- VIC, 104–107, 111–113
- WA, 165

state pool account statements

- ACT, 230
- NSW, 66
- NT, 252
- QLD, 128
- SA, 178
- TAS, 206
- VIC, 98
- WA, 154

- state pool accounts, 8, 9
 - combined financial statements (2016), 34–35
 - combined financial statements (2017), 32–33
 - defined, 274
 - funding of other public hospital services, 56
 - interest, 16, 39
 - over deposit, 16
 - payments from the Commonwealth, 42–43, 44–45, 51
 - payments from the states and territories, 50
 - taxation, 39
 - statistics
 - ACT, 222–223
 - NSW, 58–59
 - NT, 244–245
 - QLD, 120–121
 - SA, 168–169
 - TAS, 196–197
 - VIC, 90–91
 - WA, 146–147
 - sub-acute services, 14
- T**
- tabling of annual report requirements, 5
 - Tasmania (TAS)
 - accounting policies, 207–210
 - activity based funding payments, 211, 213
 - activity based funding receipts, 210, 213
 - Administrator's letter, 203
 - auditor's report, 200–202
 - Commonwealth funding, 217
 - cross-border payments, 212
 - cross-border receipts, 211
 - financial statement, 199–213
 - funding and payments, 214–220
 - funding model, 215–216
 - funding totals, 51, 197
 - local hospital networks, 211
 - National Funding Reform disclosures, 214–220
 - National Weighted Activity Unit (NWAU), 219–220
 - other public hospital services and functions funded, 220
 - payments by state, 215
 - public hospital services funded, 219
 - state managed fund payments, 218–219
 - state pool account payments, 217–218
 - state pool account statement, 206
 - statistics, 196–197
 - taxation, 39. *see also* accounting policies
 - teaching, training and research, 15, 38
 - Three Year Data Plan*, 11, 12
- V**
- vaccination programs, 15, 38
 - Victoria (VIC)
 - accounting policies, 99–102
 - activity based funding payments, 104, 107

activity based funding receipts, 102, 107

Administrator's letter, 96

Albury–Wodonga inter-jurisdictional agreement, 81

auditor's report, 94–95

Commonwealth funding, 110

cross-border payments, 106

cross-border receipts, 103

financial statement, 93–107

funding and payments, 108–119

funding model, 110

funding totals, 51, 91

local hospital networks, 104–105

National Health Reform disclosures, 108–119

National Weighted Activity Unit (NWAU), 90, 110, 117–119

other public hospital services and functions funded, 119

payments by state, 109

public hospital services funded, 117–119

state pool account payments, 104–107, 111–113

state pool account statement, 98

statistics, 90–91

volume adjustments, 52

W

website, iv, 49

weighted public hospital services, v, 24, 52

Western Australia (WA)

accounting policies, 155–158

activity based funding payments, 160, 161

activity based funding receipts, 158, 161

Administrator's letter, 152

auditor's report, 150–151

Commonwealth funding, 164

cross-border payments, 160–161

cross-border receipts, 159

financial statement, 149–161

funding and payments, 162–167

funding model, 164

funding totals, 51, 147

local hospital networks, 160

National Health Reform disclosures, 162–167

National Weighted Activity Unit (NWAU), 167

other public hospital services and functions funded, 167

payments by state, 163

public hospital services funded, 167

reconciliation adjustments, 156

state managed fund payments, 166

state pool account payments, 165

state pool account statement, 154

statistics, 146–147

Y

youth health services, 15, 38

The Administrator 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.

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