



Administrator
National Health
Funding Pool

Annual Report 2017–18



\$46 billion
Payments
to Australian
public hospitals

The Administrator of the National Health Funding Pool

The Administrator of the National Health Funding Pool (the Administrator), with support from the National Health Funding Body (NHFB), is to administer the National Health Funding Pool (the Pool), to oversee payments into and out of the State (and Territory) 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.

This annual report provides an overview of the role and the work of the Administrator during 2017–18 and provides both the combined and individual State and Territory Pool Accounts for 2017–18.

This annual report should be read in conjunction with the NHFB 2017–18 Annual Report.



Note on cover: The \$46 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 page iv.

2017–18

\$46.5 B

of Commonwealth,
State and Territory funding
for public hospital services

Advice provided to the
Commonwealth Treasurer on

\$19.9 B

of Commonwealth funding

8,372,758

National Weighted Activity Units

(NWAU) funded through the
National Health Funding Pool

4,053

transactions processed through the
National Health Funding Administrator
Payments System

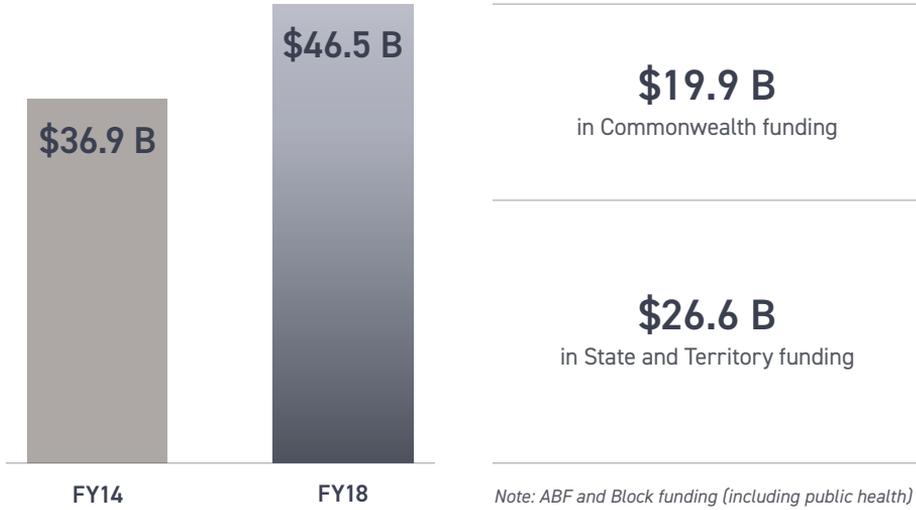
1,872

monthly reports published on
national health reform funding and
payment flows (including national,
State and Territory and local hospital
network reports), on the Administrator
of the National Health Funding Pool
website publichospitalfunding.gov.au

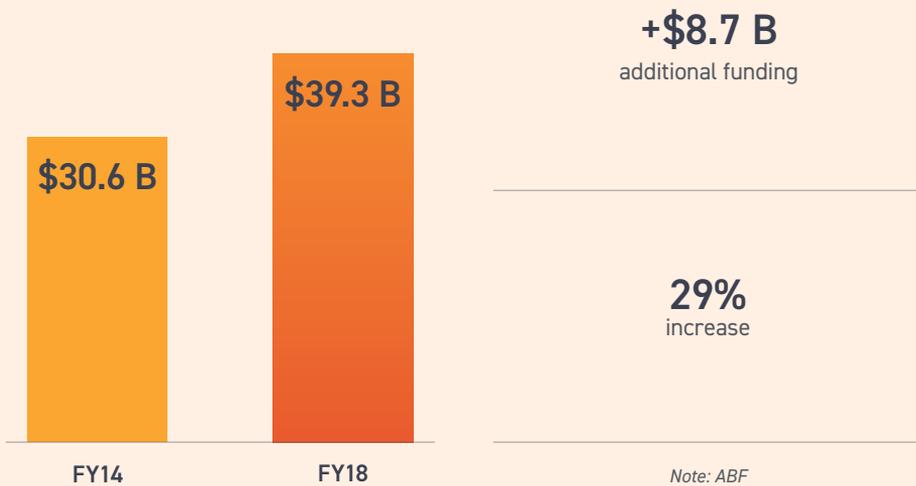
The Administrator was assisted by the
NHFB in the performance of his functions

National

Growth in Public Hospital Funding since 2013-14



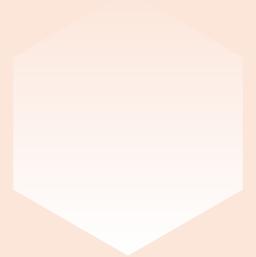
Growth in Activity Based Funding since 2013-14





Administrator of the National Health Funding Pool

Annual Report
2017-18



Message from the Administrator

I am pleased to present my annual report for the year ended 30 June 2018. This is the sixth report on the operation of the Pool and my first as Administrator.

Responsibilities

I am supported by the NHFB to oversee the responsible, efficient and effective administration of Commonwealth and State and Territory funding and payments under the National Health Reform (NHR) Agreement.

The great bulk of these payments are to fund Local Hospital Networks (LHNs) which provide hospital based acute and sub-acute services but also non-admitted services outside the hospital environment through community health centres and other facilities. In addition, the payments include the Commonwealth's contribution to State and Territory public health funding.

A vital part of the role of LHNs is to work closely with their regional Primary Health Network (PHN) which have responsibility for coordinating and supporting the provision of primary care, promoting improved public health and undertaking preventive health activities.

A coordinated approach across each region involving LHNs and PHNs facilitates effective health planning for the region, delivers integrated care for patients and can avoid unnecessary hospitalisations.

Delays in funding reconciliations

There were significant delays in finalising the reconciliation of funding and payments for 2015-16 which had some flow on effects for 2016-17 and 2017-18. A number of anomalies were identified by the Independent Hospital Pricing Authority (IHPA) relating to various categories of non-admitted services provided in 2015-16 and other anomalies relating to 2016-17.

For the adjustments to be reflected in the funding base and to enable end of year reconciliations, it was necessary for all parties – NHFB, IHPA and myself included – to resolve the issue. I am pleased to say that at the end of the 2017–18 financial year, these adjustments and reconciliations have occurred.

Safety and quality development

An important development addressed in principle in the 2017 Addendum and the subject of subsequent work was the adjustment of hospital funding for safety and quality factors. All Australian governments fully support initiatives that improve the quality and safety of hospital services and it's pleasing to see all States and Territories undertaking actions to make improvements in this area.

It was agreed to introduce funding adjustments in the case of certain identified areas of deficiency in quality and safety. Work was undertaken by the IHPA and the Australian Committee on Safety and Quality in Health Care Commission (ACSQHC) to develop adjustments to funding to take into account safety and quality matters.

These actions involved zero funding for Sentinel events (an unanticipated event in a health care setting that results in the death or serious injury to a patient) and a risk adjustment to funding for certain Hospital Acquired Complications (HACs) and avoidable hospital readmissions.

The first two adjustments, zero funding for Sentinel events and a risk adjustment in funding for HACs, are to take effect in 2018–19, with further work proceeding on the third adjustment for avoidable readmissions to hospitals.

This is an important development and further work will be undertaken to explore adjustments for quality and safety with the IHPA and the ACSQHC. It should be noted that these adjustments, to be effective, must be accompanied by effective, monitoring and follow up action on safety and quality incidents at the hospital level.

Funding integrity

In accordance with the NHR Agreement, work has commenced with all Australian governments to identify if there are instances of double payments being made by the Commonwealth for the same service.

This involves a large data matching exercise, with data on individual patient level hospital services being matched against Medicare Benefits Schedule (MBS) payment data.

This exercise will help identify double payments, their order of magnitude, reasons for their occurrence and how to avoid these payments in the future.

Improving transparency

In the coming year we will work towards improving the level of transparency in the operation of the Pool.

This annual report provides details on the funding and payments made through the Pool, including payments to LHNs at the national and jurisdictional level. A financial statement, audited by the respective Auditor-General for each State and Territory Pool account is also included.

In 2017-18, \$46.0 billion in payments were made from a total of \$46.5 billion in funding contributions for public hospital services.

The year ahead

During the coming year I will actively engage with all jurisdictional representatives and allied organisations such as the IHPA, the Australian Institute of Health and Welfare (AIHW) and the ACSQHC. A particular priority will be to provide advice on ways to improve funding arrangements as part of the development of the new NHR Agreement.

Another area to be explored is whether the funding system encourages the provision of integrated care across the health system or if there are disincentives in this regard and if so, how to address these.

I would like to acknowledge the contribution made by my predecessors as Administrators, Bob Sendt, Kim Snowball and Peter Achterstratt AM, and the foundation Chief Executive Officer (CEO) of the NHFB, Lynton Norris in establishing the mature system that is now in place.

In addition, I thank the new CEO, Shannon White and the NHFB staff for their dedicated efforts and help in transitioning me into my new role.

Michael Lambert

Administrator National Health Funding Pool

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

8 October 2018

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, Minister for Medical Research
New South Wales

The Hon. Dr Steven Miles
Minister for Health and Minister for
Ambulance Services
Queensland

The Hon. Stephen Wade MLC
Minister for Health and Wellbeing
South Australia

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

Dear Ministers,

Administrator of the National Health Funding Pool Annual Report 2017-18

I am pleased to submit to you, for tabling in your respective Parliaments, my Annual Report for the year ended 30 June 2018.

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,

Michael Lambert
Administrator
National Health Funding Pool

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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	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
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.	schedule 6A clause 16(2)	s.17(2)	s.53S(2) and s.53T	s.19(2)	s.22(2)	s.18(2)	s.25(2)	s.18(2)
Financial Statements	The Administrator must prepare a financial statement for each State Pool Account and a combined financial statement.	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 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
Administrator's Annual Report	The Administrator must, within four months after the end of each financial year, provide to the responsible Ministers an annual report on the exercise or performance of his/her functions.	s.241(1)	schedule 6A clause 16(1)	s.17(1)	s.53S(1)	s.19(1)	s.22(1)	s.18(1)	s.25(1)	s.18(1)
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)



Overview

The Role of the Administrator of the National Health Funding Pool

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

The position was established by the *National Health Reform Amendment (Administrator and National Funding Body) Act 2012* which amended the *National Health Reform Act 2011* (the NHR Act), and by the relevant legislation of each State and Territory.

The Administrator is supported by the NHFB which is also independent of all governments. Both are responsible for the oversight, administration and provision of advice on the funding arrangements that pool funding for LHNs from the Commonwealth, and State and Territory governments, (hereafter referred to as the Pool) and associated funding arrangements according to the NHR Agreement and relevant legislation.

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

- + accurately calculate and advise the Commonwealth on its funding contributions to the Pool in a timely manner.
- + undertake best practice financial administration of the Pool, ensuring:
 - the integrity of the payments system
 - Commonwealth and State and Territory payments are correct and timely
 - payments to LHNs from the Pool follow government directions
 - reconciliation between estimated and actual volumes of services and payments every 6 months.
- + provide effective reporting on the monthly and annual funding arrangements to ensure transparency in the operation of the Pool.
- + maintain productive and effective relationships with stakeholders and strategic partners, including all Australian Governments, the IHPA, the AIHW and the ACSQHC.

The National Health Funding Pool

Commonwealth, State and Territory governments are jointly responsible for funding public hospital services through the Pool, using either activity-based funding (ABF) or block funding (Block). This commenced in August 2011 following reforms under the NHR Agreement to improve the transparency and sustainability of public hospital funding.

It is worth noting that public hospitals, operating under LHNs, are involved in broader non-hospital health services, including community health, preventive health, integrated care and regional health planning, the latter in conjunction with the relevant PHNs.

The single Pool, comprising a Reserve Bank of Australia (RBA) account for each State and Territory, was established on 1 July 2012 through enabling legislation to receive all (ABF and block) Commonwealth and (ABF only) State and Territory public hospital funding.

Commonwealth payments into the Pool are made as equal monthly instalments of an estimated annual payment. States and Territories can determine how much and when they deposit funds into the Pool and State Managed Funds.

The State Pool Accounts are established under State and Territory NHR legislation for the purposes of:

- + receiving all Commonwealth national health reform funding
- + receiving ABF 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. These are separate bank accounts or funds established by a State or Territory to receive or distribute Commonwealth and State and Territory block funding.

Funding and Payments

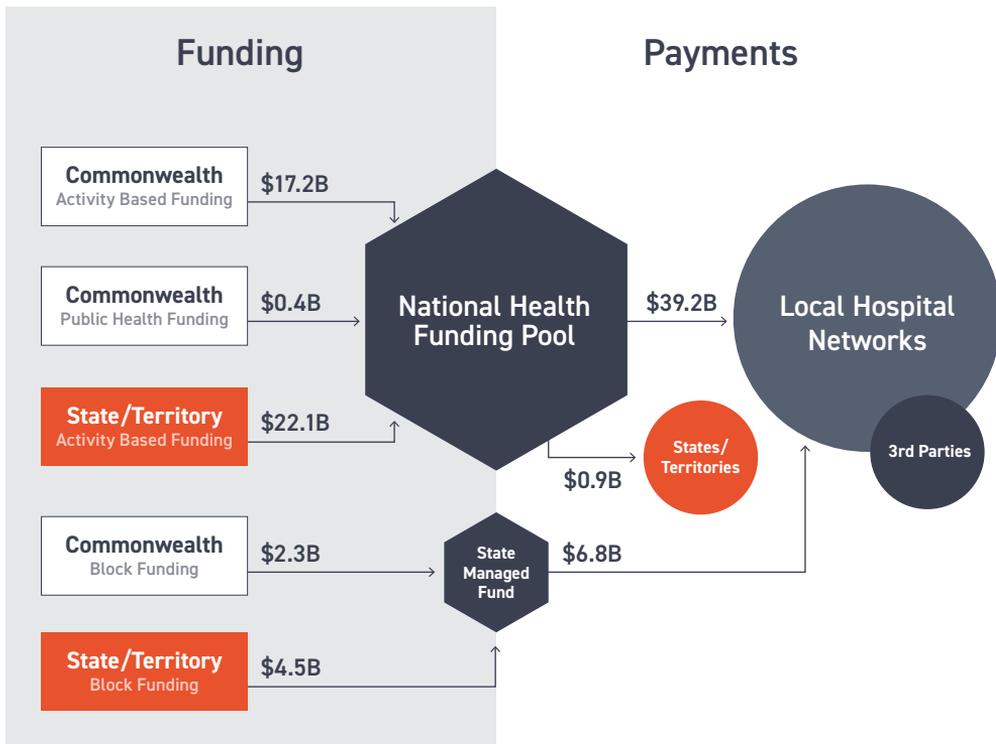
NHR *funding* occurs when the Commonwealth or States and Territories pay NHR funding into a State Pool Account or State Managed Fund.

NHR *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 and Territories.

The payment recipients are LHNs, third parties on behalf of LHNs, State and Territory health departments, and other providers.

Figure one highlights the source, types and amount of funding that flows through as payments to LHNs.

Figure 1: 2017–18 Public Hospital Funding Payment Flows



Types of Funding

There are two broad types of funding: **ABF** and **Block**. Each type has specific criteria set for what services are appropriate, with the preference to use **ABF** funding where possible.

Activity–Based Funding

ABF is a funding method for public hospital services based on the number of weighted services provided to patients, and the price to be paid for delivering those services.

The method uses national classifications for service types, price weights, the national efficient price that is independently determined by the IHPA, and the level of activity as represented by the National Weighted Activity Unit (NWAU).

An NWAU represents a measure of health service activity expressed as a common unit of resources. This provides a way of comparing and valuing each public hospital service (whether it is an admission, emergency department presentation or outpatient episode), by weighting it for clinical complexity.

States and Territories are required to outline their basis of payments to each LHN, including an explanation of the factors taken into account. These are provided for each State and Territory in the respective 'Funding and Payments' chapter.

The following service categories were ABF funded in 2017–18:

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

Acute admitted services

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

Admitted mental health

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

Sub-acute and non-acute services

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

Emergency department services

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

Non-admitted services

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

Block Funding

Block funding supports teaching, training and research in public hospitals, and Public Health programs. It is also used for certain public hospital services where block funding is more appropriate, particularly for smaller rural and regional hospitals.

Small regional and rural hospitals

Public hospitals, or public hospital services, are eligible for block grant funding if the requirements for ABF cannot be satisfied.

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

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

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

Other funding types

Public Health funding

Public health funding is paid into the Pool by the Commonwealth as a contribution to funding population health activities within each State and Territory directed at improving the overall health of the population and seeking to prevent the development of poor health. These activities include national public health, youth health services and essential vaccines (service delivery).

States and Territories have full discretion over the application of public health funding to the outcomes set out in the 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's 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 RBA to the State or Territory account holder. Interest paid into the State Pool Account can be used for State and Territory funding.

Over deposit

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

The National Health Funding Body

The NHFB supports the Administrator and provides transparent and efficient administration of Commonwealth, State and Territory funding of the Australian public hospital system.

The NHFB is a non-corporate entity under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). It is also independent of both Commonwealth and State and Territory governments when assisting the Administrator.

The NHFB also operates the National Health Funding Administrator Payments System (the Payments System). The Payments System is accessed by all States and Territories to enable payments into and out of the Pool to LHNs and other organisations. In 2017–18, 4,053 transactions were processed through the Payments System.

The National Health Funding Pool Governance Framework

Legislation and Agreements

The Administrator and the NHFB are governed by the NHR Act, State and Territory legislation, the NHR Agreement and the Addendum to the NHR Agreement (the Addendum).

All jurisdictions entered into the NHR Agreement in August 2011. It sets out the Commonwealth, State and Territory governments' shared intention to improve health outcomes and ensure the sustainability of the health system for all Australians.

For further details on jurisdictional legislation and reporting requirements, see page two.

Funding Policy Framework

Three-Year Data Plan and file specifications

The Administrator's Three-Year Data Plan describes the Administrator's determination of the minimum level of data required from the Commonwealth, States and Territories, to calculate the Commonwealth's contribution to funding public hospital services, conduct reconciliation activities, and ensure national comparability.

Calculation of Commonwealth National Health Reform Funding 2017-20

This document sets out the approach and processes for calculating Commonwealth national health reform funding (including reconciliation). The policy also incorporates the implementation of the annual 6.5 per cent cap on Commonwealth growth funding and safety and quality adjustments which came into effect in 2017-18.

Data compliance

The data compliance requirement is 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

The Data Governance Policy sets out 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

The Commonwealth Contribution Model (CCM) incorporates the methodology for the calculation of the Commonwealth NHR funding.

Reconciliation framework

The 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 services delivered.

Business Rules for Data Matching, Volumes 1 and 2

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

Payments System Procedures Manual

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.

The Future of National Health Reform and Funding Arrangements

On 1 April 2018, COAG drafted the *Heads of Agreement between the Commonwealth and the States and Territories on public hospital funding and health reform* (the HoA). The HoA sets out the public hospital funding arrangements for the period 2020–21 to 2024–25.

These arrangements continue those agreed to by jurisdictions under the NHR Agreement and the Addendum, including the:

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

The HoA also reaffirms the role of the Administrator and NHFB in the transparent and efficient administration of public hospital funding.

The Commonwealth, States and Territories will, within the framework of the HoA, negotiate a new NHR Agreement for the period 2020–21 to 2024–25.

As at time of writing, seven of the nine jurisdictions have signed the HoA.

Calculating the Commonwealth Contribution

2017–18 Commonwealth Funding

Commonwealth funding for ABF, block, and public health was calculated using the CCM, a transparent, robust and independently reviewed methodology.

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

The sequence of events leading to the provision of advice to the Commonwealth Treasurer, and Commonwealth and State and Territory Health Ministers is summarised in **Table two**.

Table 2: Events Leading to Payment Advice

	2017-18	2016-17
JUL	●	●
AUG		●
SEP		
OCT		
NOV		
DEC	● 2017-18 MYEFO	2016-17 MYEFO
JAN		
FEB	●	
MAR	●	●
APR		● 2016-17 Commonwealth Budget
MAY		●
JUN		● 2017-18 Payment Advice

Six-month reconciliation adjustment period

Annual reconciliation adjustment period

● Payment advice provided

Payment Advice

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

- + As input to the Commonwealth Budget, based on initial estimates of activity from States and Territories.
- + Establishing Commonwealth contributions for the future financial year, based on confirmed estimates of activity from States and Territories. This is updated throughout the year based on revised estimates.
- + As input to the Mid-Year Economic and Fiscal Outlook (MYEFO).

Four updates were made to the Commonwealth contribution for 2017–18. Four payment advices were also provided to the Commonwealth Treasurer and State and Territory Health Ministers.

The previous Administrator sought information about the final reconciliation for the 2015–16 Commonwealth NHR contribution. This information was not available before his term expired.

Without time for consultation and no Administrator in place during the last quarter of 2017–18, advice on the final reconciliation for 2015–16 could not be provided to the Commonwealth Treasurer during the last quarter of the reporting period.

This also impacted the 2016–17 annual and 2017–18 mid-year reconciliations. Completion of these activities has subsequently occurred under the new Administrator in 2018–19.

Reporting on Funding and Payments

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

The monthly reports provide details of monthly and year-to-date funding and payments into and out of the State Pool Accounts and State Managed Funds paid to LHNs. They also include the number of weighted public hospital services funded. All of these reports are broken down by Commonwealth and State and Territory contributions, and service category.

The NHFB produces approximately 156 reports each month on behalf of the Administrator, comprising:

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

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.

8,372,758
weighted public
hospital services
measured in NWAU

\$46.5 B
total funding

MADE UP OF

▼
\$19.9 B
Commonwealth funding

\$26.6 B
State funding

The background consists of several overlapping geometric shapes in shades of orange and red. A large, dark red triangle points downwards from the top center. Below it, a lighter orange shape overlaps the bottom-left corner of the red triangle. To the right, another lighter orange shape overlaps the bottom-right corner of the red triangle. The overall composition is minimalist and modern.

National

Certification Letter to the Administrator



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

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

27 September 2018

Mr Michael Lambert
Administrator of the National Health Funding Pool
PO Box 1252
CANBERRA ACT 2601

Dear Mr Lambert

National Health Funding Pool Annual Report 2017-18

This letter outlines the assurance arrangements in place for the preparation of the 2017-18 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 an opinion on their inclusion in the National Health Funding Pool Annual Report 2017-18.

Financial Statements

The National Health Funding Body (NHFB) has prepared a financial statement for the year ended 30 June 2018 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 previous financial years.

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 Reserve Bank of Australia processes.

Funding and Payments

The NHFB has also prepared funding and payment information for the 2017-18 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

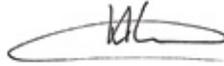
NHFB Opinion

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 2018, give a true and fair view of the matters required by the Act and the National Health Reform Agreement.

Yours sincerely,



Shannon White
Chief Executive Officer
National Health Funding Body



Karin van Leeuwen
Chief Finance Officer
National Health Funding Body

Proudly assisting the Administrator of the National Health Funding Pool

National

Funding and Payments

National Health Reform Disclosures for the Year Ended 30 June 2018

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 NHR Act outlines certain disclosures to be included in this Annual Report.

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

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

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

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

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

The basis of Commonwealth NHR funding for 2017–18 is as follows:

Public Health (Clause A43 and A44)

Payments for Public Health activities for 2017–18 will be equal to the previous year's payment indexed by the former National Healthcare SPP growth factor.

Block Funding (Clause A50)

Payments for 2016–17 and 2017–18 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 2016–17 and 2017–18, 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 NEP in the previous year;*
- b. price adjustment: the volume of weighted services provided in the previous year multiplied by the change in the NEP 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 NEP multiplied by 45 per cent.*

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 – Section 241(2)(A)

State or Territory	Amount paid by State/Territory(\$'000)					
	2017-18			2016-17		
	State Pool Account — ABF	State Managed Fund — Block	Total	State Pool Account — ABF	State Managed Fund — Block	Total
New South Wales	6,472,130	899,005	7,371,135	5,984,597	881,562	6,866,159
Victoria	4,990,212	734,521	5,724,732	4,426,587	676,895	5,103,482
Queensland	5,829,653	1,031,608	6,861,261	5,577,027	906,542	6,483,569
Western Australia	1,920,468	441,397	2,361,864	2,220,019	431,755	2,651,775
South Australia	1,633,000	248,415	1,881,415	2,006,164	205,832	2,211,996
Tasmania	367,226	422,422	789,648	385,428	312,024	697,451
Australian Capital Territory	583,900	45,847	629,747	593,359	36,605	629,964
Northern Territory	294,319	645,909	940,228	294,319	559,025	853,344
NATIONAL TOTAL	22,090,908	4,469,124	26,560,030	21,487,500	4,010,240	25,497,740

*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 'NHR funding and payments' chapters.

The amounts paid into each State Pool Account by the Commonwealth and the basis on which the Payments were made —
Section 241(2)(B)

State or Territory	Amount paid by Commonwealth into State Pool Account (\$'000)									
	2017-18					2016-17				
	Activity- Based Funding	Block funding	Public Health funding	Total	Activity- Based Funding	Block funding	Public Health funding	Total		
New South Wales	5,156,605	742,001	123,892	6,022,498	4,940,858	671,775	117,507	5,730,140		
Victoria	4,343,654	578,304	99,719	5,021,676	4,101,259	528,295	92,590	4,722,144		
Queensland	3,765,086	446,514	77,549	4,289,149	3,362,084	415,519	73,356	3,850,959		
Western Australia	1,854,767	278,733	40,629	2,174,129	1,777,645	272,106	39,306	2,089,058		
South Australia	1,146,493	175,261	27,068	1,348,823	1,064,840	175,105	25,786	1,265,731		
Tasmania	353,084	62,819	8,172	424,075	320,502	59,309	7,867	387,678		
Australian Capital Territory	353,445	25,677	6,459	385,581	311,867	26,607	6,022	344,496		
Northern Territory	247,303	20,123	3,848	271,274	225,996	16,232	3,664	245,893		
NATIONAL TOTAL	17,220,437	2,329,432	387,336	19,937,205	16,105,051	2,164,948	366,098	18,636,099		

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 – Section 241(2)(C)

State or Territory	Amount paid from State Pool Account (including CW and S/T) (\$'000)									
	2017-18					2016-17				
	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	11,443,135	742,001	400,113	12,585,249	10,690,423	671,775	393,243	11,755,440		
Victoria	9,177,214	578,304	215,343	9,970,860	8,443,240	528,295	222,251	9,193,785		
Queensland	9,557,539	446,514	173,980	10,178,033	8,903,110	415,519	166,162	9,484,791		
Western Australia	3,775,235	278,733	40,629	4,094,597	3,997,665	272,106	39,306	4,309,077		
South Australia	2,938,609	175,261	27,068	3,140,938	2,999,168	175,105	31,450	3,205,723		
Tasmania	720,309	62,819	8,182	791,310	705,930	59,309	7,867	773,105		
Australian Capital Territory	1,013,545	25,677	25,659	1,064,881	979,626	26,607	25,222	1,031,455		
Northern Territory	541,622	20,123	3,848	565,593	520,315	16,232	3,664	540,212		
NATIONAL TOTAL	39,167,208	2,329,432	894,822	42,391,461	37,239,476	2,164,950	889,164	40,293,589		

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.

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 — Section 241(2)(D)

State or Territory	Amount paid from State Managed Fund (including CW and S/T) (\$'000)					
	2017-18			2016-17		
	Local Hospital Networks	Other organisations or funds	Total	Local Hospital Networks	Other organisations or funds	Total
New South Wales	1,641,006	-	1,641,006	1,553,337	-	1,553,337
Victoria	1,312,824	40,705	1,353,529	1,163,570	31,920	1,195,491
Queensland	1,478,122	-	1,478,122	1,320,958	-	1,320,958
Western Australia	712,974	7,155	720,129	700,222	3,640	703,862
South Australia	423,676	-	423,676	380,938	-	380,938
Tasmania	485,241	-	485,241	371,333	-	371,333
Australian Capital Territory	71,524	-	71,524	63,212	-	63,212
Northern Territory	666,032	-	666,032	575,257	-	575,257
NATIONAL TOTAL	6,791,399	47,860	6,839,259	6,128,827	35,560	6,164,386

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.

The number of Public Hospital Services funded for each State or Territory in accordance with the system of Activity-Based Funding – Section 241(2)(E)

State or Territory	Number of ABF public hospital services funded (NWAU)	
	2017-18	2016-17
New South Wales	2,626,084	2,584,814
Victoria	2,128,699	2,000,244
Queensland	1,741,408	1,574,306
Western Australia	841,706	819,809
South Australia	582,364	582,476
Tasmania	146,000	141,357
Australian Capital Territory	153,649	143,666
Northern Territory	152,848	147,679
NATIONAL TOTAL	8,372,758	7,994,351

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

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

The previous Administrator sought information about the final reconciliation for the 2015-16 Commonwealth NHR contribution. This information was not available before his term expired.

Without time for consultation and no Administrator in place during the last quarter of 2017-18, advice on the final reconciliation for 2015-16 could not be provided to the Commonwealth Treasurer during the last quarter of 2017-18.

This meant that the 2016-17 annual and 2017-18 mid-year reconciliations were not finalised in 2017-18. Completion of these activities has subsequently occurred under the new Administrator in 2018-19.

The amounts listed are aggregates for each State and Territory. For detailed information refer to individual State and Territory 'NHR funding and payments' chapters.

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

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

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

**National Health Funding Pool
Combined State Pool Accounts
Special Purpose Financial Statement
For The Year Ended 30 June 2018**

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

Combined

Financial
Statement



**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 2018 is based on properly maintained financial records and gives a true and fair view of the matters required by the Commonwealth *National Health Reform Act 2011* and the National Health Reform Agreement 2011.

Michael Lambert
Administrator
National Health Funding Pool

27 September 2018

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Combined State Pool Accounts
Statement of receipts and payments
for the year ended 30 June 2018

	NSW \$ '000	VIC \$ '000	QLD \$ '000	WA \$ '000	SA \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT					
From Commonwealth					
Activity-Based Funding	5,156,605	4,343,654	3,765,086	1,854,767	1,146,493
Block funding	742,001	578,304	446,514	278,733	175,261
Public health funding	123,892	99,719	77,549	40,629	27,068
From State/Territory					
Activity-Based Funding	6,263,930	4,980,612	5,792,453	1,920,468	1,633,000
Cross border contribution	208,200	9,600	37,200	-	-
From other States or Territories					
Cross border receipts	66,000	54,000	58,800	-	-
From Reserve Bank of Australia					
Interest receipts	2,021	1,030	431	7	2,432
TOTAL RECEIPTS	12,562,649	10,066,918	10,178,033	4,094,604	2,984,255
PAYMENTS OUT OF THE STATE POOL ACCOUNT					
To Local Hospital Networks					
Activity-Based Funding	11,443,135	9,177,214	9,557,539	3,775,235	2,938,609
To State Managed Fund					
Block funding	742,001	578,304	446,514	278,733	175,261
Cross border transfer	-	-	-	-	-
To State/Territory Health Department					
Public health funding	123,892	99,719	77,549	40,629	27,068
Interest payments	2,021	1,030	431	-	-
Cross border transfer	66,000	54,000	58,800	-	-
Withdrawal of over deposit	-	50,994	-	-	-
To other States or Territories					
Cross border payments	208,200	9,600	37,200	-	-
TOTAL PAYMENTS	12,585,249	9,970,860	10,178,033	4,094,597	3,140,938
NET RECEIPTS/(PAYMENTS) FOR THE YEAR	(22,600)	96,057	-	7	(156,683)
OPENING CASH BALANCE	31,206	-	-	-	199,743
CLOSING CASH BALANCE	8,606	96,057	-	7	43,060

The unaudited Combined State Pool Account is an aggregation of the audited financial statements for each State (and Territory) Pool Account for the year ended 30 June 2018. 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 2018

	TAS \$ '000	ACT \$ '000	NT \$ '000	TOTAL \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT				
From Commonwealth				
Activity-Based Funding	353,084	353,445	247,303	17,220,437
Block funding	62,819	25,677	20,123	2,329,432
Public health funding	8,172	6,459	3,848	387,336
From State/Territory				
Activity-Based Funding	367,226	564,700	294,319	21,816,707
Cross border contribution	-	19,200	-	274,200
From other States or Territories				
Cross border receipts	-	95,400	-	274,200
From Reserve Bank of Australia				
Interest receipts	10	-	12	5,944
TOTAL RECEIPTS	791,310	1,064,881	565,605	42,308,256
PAYMENTS OUT OF THE STATE POOL ACCOUNT				
To Local Hospital Networks				
Activity-Based Funding	720,309	1,013,545	541,622	39,167,208
To State Managed Fund				
Block funding	62,819	25,677	20,123	2,329,432
Cross border transfer	-	-	-	-
To State/Territory Health Department				
Public health funding	8,172	6,459	3,848	387,336
Interest payments	10	-	-	3,493
Cross border transfer	-	-	-	178,800
Withdrawal of over deposit	-	-	-	50,994
To other States or Territories				
Cross border payments	-	19,200	-	274,200
TOTAL PAYMENTS	791,310	1,064,881	565,593	42,391,463
NET RECEIPTS/(PAYMENTS) FOR THE YEAR	-	-	12	(83,207)
OPENING CASH BALANCE	-	-	63	231,012
CLOSING CASH BALANCE	-	-	75	147,805

The unaudited Combined State Pool Account is an aggregation of the audited financial statements for each State (and Territory) Pool Account for the year ended 30 June 2018. 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 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

The unaudited Combined State Pool Account is an aggregation of the audited financial statements for each State (and Territory) 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 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) Pool Account for the year ended 30 June 2017. State Pool Accounts are audited by the respective Auditor-General for each State and Territory.

1 Summary of Significant Accounting Policies

The 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 and his contract concluded on 31 March 2018. The office of the Administrator was vacant from this date until 17 July 2018 when Mr Michael Lambert was appointed as the new Administrator.

(A) Reporting Entity

The significant accounting policies adopted in the preparation of the financial statement are set out below. The special purpose financial statement is for the Combined State Pool Account, which was established at the RBA in 2012-13.

(B) Basis Of Preparation

The special purpose financial statement has been prepared in accordance with Section 242 of the Commonwealth NHR Act.

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 27 September 2018.

(C) Comparative Figures

Prior year comparative information has been disclosed. The results for 2016-17 are for the year ending 30 June 2017 and the results for 2017-18 are for the year ending 30 June 2018.

(D) National Health Funding Pool

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

(E) 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 IHPA. ABF is paid by States and Territories and the Commonwealth into the Pool.

In 2016–17 and 2017–18 the Commonwealth, States and Territories ABF supported the following:

- i. acute admitted services
- ii. admitted mental health services
- iii. sub-acute and non-acute services
- iv. emergency department services
- 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 LHN specifies the service delivery and funding parameters.

Commonwealth ABF contributions for each service category were calculated by summing prior year amounts 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 NEP 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.

In 2017, the COAG signed an Addendum to the NHR Agreement. The Addendum amends specified elements of the operation of the NHR Agreement for a period of three years. From 1 July 2017 to 30 June 2020, the Commonwealth will fund 45 per cent of the efficient growth of public hospital services, subject to a 6.5 per cent cap in the growth of overall Commonwealth funding.

In accordance with the functions of the Administrator under paragraph 238(1)(a) of the NHR Act, the Administrator calculated and advised the amounts required to be paid by the Commonwealth into each State (and Territory) Pool Account of the Pool under the NHR Agreement.

In accordance with subsection 226(1) of the NHR Act the Commonwealth Minister for Health issued a direction to the IHPA in relation to a number of changes to the classification, counting and scope of non-admitted activity in 2014-15 and 2015-16.

In response to the Commonwealth Minister for Health's direction, the IHPA published a statement that included matters relevant to the amounts required to be paid to States and Territories in accordance with the NHR Act Agreement.

Having regard to the Administrator's advice and the IHPA statement on matters relevant to the amounts required to be paid to the States and Territories under the National Health Reform Agreement, in April 2018 the Commonwealth Treasurer issued a Determination of 2015-16 NHR payments.

(F) Block Funding

Block funding is provided by the Commonwealth into the 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 2016–17 and 2017–18 the Commonwealth block funding supported the following:

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

Commonwealth block contributions for each service category were calculated by summing prior year amounts and 45 per cent of the change in the National Efficient Cost between the current year and the prior year.

(G) Public Health Funding

The Commonwealth contributes amounts into the 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 or Territory receives hospital treatment in another State or Territory, the 'provider State or Territory' is compensated for the cost of that treatment.

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

(I) Interest

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

Note 2: Amounts Paid by the Commonwealth into Each State (and Territory) Pool Account

The Administrator calculates the Commonwealth's contribution to public hospital funding including ABF, 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 (2017–18) and Note 2B (2016–17) summarise the calculated Commonwealth contribution by national health reform type and service category. These include amounts paid by the Commonwealth into each State (and Territory) 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 CCM 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 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 2017-18 (\$'000)¹

	NSW \$'000	VIC \$'000	QLD \$'000	WA \$'000	SA \$'000
PAYMENTS IN RESPECT OF 2017-18 SERVICES					
ACTIVITY-BASED FUNDING					
Acute admitted	2,936,790	2,766,859	2,216,525	1,085,310	668,114
Admitted mental health	223,910	166,334	165,441	103,184	81,299
Sub-acute	303,992	288,172	101,089	71,100	53,379
Emergency department	574,433	401,927	411,566	219,758	117,777
Non-admitted	1,140,079	624,304	534,948	322,721	183,335
Payments in respect of 2016-17 Services	38,672	100,622	166,952	27,560	2,611
Payments in respect of 2015-16 and 2014-15 Services	(61,271)	(4,565)	168,565	25,135	39,978
TOTAL ACTIVITY-BASED FUNDING	5,156,605	4,343,654	3,765,086	1,854,767	1,146,493
BLOCK FUNDING					
Small rural hospitals	340,624	87,391	238,258	107,569	83,040
Teaching, training and research	197,748	125,892	52,906	98,869	33,662
Non-admitted mental health	203,629	364,980	152,116	72,294	40,125
Other non-admitted services	0	40.5	3234	0	18,435
TOTAL BLOCK FUNDING	742,001	578,304	446,514	278,733	175,261
PUBLIC HEALTH FUNDING					
Public health funding	123,892	99,719	77,549	40,629	27,068
TOTAL PUBLIC HEALTH FUNDING	123,892	99,719	77,549	40,629	27,068
TOTAL AMOUNT PAID BY THE COMMONWEALTH INTO EACH STATE POOL ACCOUNT IN 2017-18²					
AMOUNT PAID IN 2017-18	6,022,498	5,021,676	4,289,149	2,174,129	1,348,823

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

² Total amount paid by the Commonwealth is the sum of ABF, block funding and public health funding.

Note 2A: Amounts Paid by the Commonwealth into each State Pool Account in 2017–18 (\$'000)¹

	TAS \$'000	ACT \$'000	NT \$'000	TOTAL \$'000
<i>PAYMENTS IN RESPECT OF 2017-18 SERVICES</i>				
ACTIVITY-BASED FUNDING				
Acute admitted	229,129	213,275	152,040	10,268,042
Admitted mental health	13,429	15,114	3,112	771,823
Sub-acute	14,493	17,745	11,767	861,737
Emergency department	35,133	37,798	24,542	1,822,934
Non-admitted	48,118	46,865	41,691	2,942,060
Payments in respect of 2016-17 Services	8,493	7,341	2,146	354,398
Payments in respect of 2015-16 and 2014-15 Services	4,288	15,307	12,005	199,442
TOTAL ACTIVITY-BASED FUNDING	353,084	353,445	247,303	17,220,437
BLOCK FUNDING				
Small rural hospitals	34,360	1,075	11,051	903,368
Teaching, training and research	15,340	5,996	5,207	535,619
Non-admitted mental health	13,120	18,605	3,866	868,735
Other non-admitted services	0	0	0	21,709
TOTAL BLOCK FUNDING	62,819	25,677	20,123	2,329,432
PUBLIC HEALTH FUNDING				
Public health funding	8,172	6,459	3,848	387,336
TOTAL PUBLIC HEALTH FUNDING	8,172	6,459	3,848	387,336
<i>TOTAL AMOUNT PAID BY THE COMMONWEALTH INTO EACH STATE POOL ACCOUNT IN 2017-18²</i>				
AMOUNT PAID IN 2017-18	424,075	385,581	271,274	19,937,205

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

² Total amount paid by the Commonwealth is the sum of ABF, block funding and public health funding.

Note 2B: Amounts Paid by the Commonwealth into each State Pool Account in 2016–17 (\$'000)¹

	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	1,064,840
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 2016–17²					
AMOUNT PAID IN 2016–17	5,730,140	4,722,144	3,850,959	2,089,058	1,265,731

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

² Total amount paid by the Commonwealth is the sum of ABF, block funding and public health funding.

Note 2B: Amounts Paid by the Commonwealth into each State Pool Account in 2016–17 (\$'000)¹

	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)	(1,881)
TOTAL PUBLIC HEALTH FUNDING	7,867	6,022	3,664	366,098
TOTAL AMOUNT PAID BY THE COMMONWEALTH INTO EACH STATE POOL ACCOUNT IN 2016–17²				
AMOUNT PAID IN 2016–17	387,678	344,496	245,893	18,636,100

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

² Total amount paid by the Commonwealth is the sum of ABF, block funding and public health funding.

Note 3: Commonwealth National Health Reform Funding Entitlements

The Administrator calculates the Commonwealth NHR funding to LHNs on an entitlement basis for services provided. Cash payments in a financial year incorporate funding adjustments from the reconciliation of prior year actual services provided.

Note 3 summarises the differences between entitlements based on actual services provided and the 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, which aligns with the respective Commonwealth Treasurer's *Federal Financial Relations (National Health Reform Payments) Determination*.

Combined State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2018

Cash basis: Financial year in which the payment is made into the National Health Funding Pool	Entitlement basis: Financial Year in which the activity occurred						
	\$'000	2013-14	2014-15	2015-16 ²	2016-17	2017-18	Total
2013-14 ¹ (Actual)	13,844,523	-	-	-	-	-	13,869,514
2014-15 (Actual)	(3,314)	15,466,804	-	-	-	-	15,463,490
2015-16 (Actual)	-	327,760	16,858,720	-	-	-	17,186,480
2016-17 (Actual)	-	-	344,382	18,291,718	-	-	18,636,100
2017-18 (Actual)	-	31,554	167,888	354,398	19,383,365	-	19,937,205
TOTAL	13,841,208	15,826,119	17,370,989	18,646,115	19,383,365	-	

¹ The 2013-14 Actual of \$13.870 billion includes \$0.025 billion relating to services provided in 2012-13.

² The final funding entitlement for 2015-16 is in alignment with the 2015-16 Treasurer's Determination.

2,626,083

weighted public
hospital services
measured in NWAU

\$13.4 B

total funding

MADE UP OF



\$6.0 B

Commonwealth funding

\$7.4 B

State funding

The image features a minimalist, abstract design. It consists of several overlapping geometric shapes in various shades of orange and red. A large, dark red triangle is positioned at the top, pointing downwards. Below it, a lighter orange shape overlaps the bottom edge of the red triangle. The bottom of the image is dominated by a large, light orange shape that overlaps the bottom edge of the lighter orange shape above it. The overall composition is clean and modern, with a focus on color and form.

NSW



NSW

Funding and Payments

National Health Reform Disclosures for the Year Ended 30 June 2018

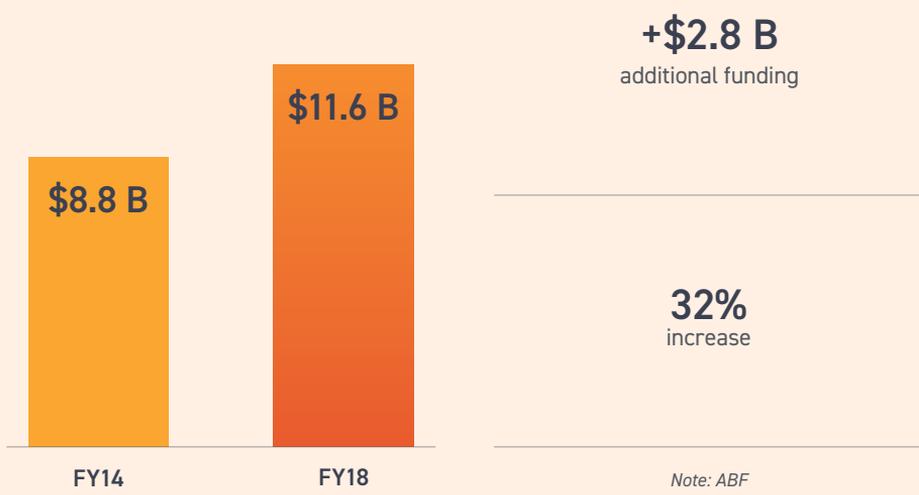
Issued by the Administrator of the National Health Funding Pool
under section 241(2) of the Commonwealth *National Health Reform
Act 2011* and the *New South Wales Health Services Act 1997*.

New South Wales

Growth in Public Hospital Funding since 2013-14



Growth in Activity Based Funding since 2013-14



Section 241(2) of the NHR 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 NHR 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.

NHR funding and payments shown in the following tables exclude GST where applicable.

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

The amounts paid into each State Pool Account by the Commonwealth and the basis on which the Payments were made – Section 241(2)(B)

Component	Amount paid by Commonwealth into NSW State Pool Account (\$'000)	
	2017-18	2016-17
Activity-Based Funding	5,156,605	4,940,858
Block funding	742,001	671,775
Public Health funding	123,892	117,507
NSW TOTAL	6,022,498	5,730,140

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 – Section 241(2)(A)

Component	Amount paid by New South Wales (\$'000)	
	2017-18	2016-17
State Pool Account – Activity-Based Funding	6,472,130	5,984,597
State Managed Fund – Block funding	899,005	881,562
NSW TOTAL	7,371,135	6,866,159

Note: In accordance with the provisions of the NHR 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 or Territory.

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

Local Hospital Network	Number of ABF public hospital services funded (NWAU)	
	2017-18	2016-17
Albury NSW Local Health District	20,031	19,911
Central Coast Local Health District	122,703	117,328
Contracted Services	3,790	4,050
Far West Local Health District	9,876	10,369
Hunter New England Local Health District	302,344	304,430
Illawarra Shoalhaven Local Health District	141,493	137,121
Mid North Coast Local Health District	95,037	95,554
Murrumbidgee Local Health District	62,237	56,402
Nepean Blue Mountains Local Health District	131,313	124,874
Northern NSW Local Health District	126,505	118,332
Northern Sydney Local Health District	216,357	203,150
South Eastern Sydney Local Health District	261,773	264,277
South Western Sydney Local Health District	293,223	282,342
Southern NSW Local Health District	56,435	54,547
St Vincent's Health Network	69,197	73,702
Sydney Children's Hospitals Network	107,378	99,008
Sydney Local Health District	252,297	243,462
Western NSW Local Health District	98,996	99,580
Western Sydney Local Health District	255,098	276,374
NSW TOTAL	2,626,083	2,584,814

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

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

Funding adjustments as a result of the reconciliation to actual public hospital services (NWAU) for 2015–16 would normally form part of the 2016–17 Commonwealth payments.

The previous Administrator sought information about the final reconciliation for the 2015–16 Commonwealth NHR contribution. This information was not available before his term expired. Without time for consultation and no Administrator in place during the last quarter of 2017–18, advice on the final reconciliation for 2015–16 could not be provided to the Commonwealth Treasurer during the last quarter of 2017–18.

This meant that the 2016–17 annual and 2017–18 mid-year reconciliations were not finalised in 2017–18. Completion of these activities has subsequently occurred under the new Administrator in 2018–19.

The 2017–18 Commonwealth payments also do not incorporate funding adjustments as a result of the 2016–17 annual reconciliation.

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

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

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

However, in 2016–17 and 2017–18 New South Wales did not report any 'other public hospital services and functions funded' from their Pool account or State Managed Fund.

The amounts paid from each State Pool Account to Local Hospital Networks, a State Managed Fund or Other Organisations or Funds and the basis on which the Payments were made – Section 241(2)(C)

Recipient	Amount paid from NSW State Pool Account (\$'000)	
	2017-18	2016-17
Albury NSW Local Health Services	44,739	41,238
Central Coast Local Health District	571,171	532,094
Contracted Services	7,024	4,933
Far West Local Health District	59,975	55,133
Hunter New England Local Health District	1,284,579	1,241,732
Illawarra Shoalhaven Local Health District	634,429	586,500
Mid North Coast Local Health District	428,879	390,170
Murrumbidgee Local Health District	278,770	244,006
Nepean Blue Mountains Local Health District	591,995	543,655
Northern NSW Local Health District	560,181	493,448
Northern Sydney Local Health District	990,931	866,428
South Eastern Sydney Local Health District	1,086,305	1,039,673
South Western Sydney Local Health District	1,289,398	1,200,397
Southern NSW Local Health District	273,666	242,036
St Vincent's Health Network	270,961	254,247
Sydney Children's Hospitals Network	461,204	430,806
Sydney Local Health District	1,063,428	971,336
Western NSW Local Health District	445,046	433,767
Western Sydney Local Health District	1,100,454	1,118,823
State Managed Fund	742,001	671,775
Other organisations or funds	400,113	393,243
NSW TOTAL	12,585,248	11,755,440

*Includes a New South Wales cross-border contribution to other States or Territories.

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

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 – Section 241(2)(D)

Recipient	Amount paid from NSW State Managed Fund (\$'000)	
	2017-18	2016-17
Albury NSW Local Health Services	12,188	11,872
Central Coast Local Health District	39,266	39,693
Far West Local Health District	20,005	22,419
Hunter New England Local Health District	312,497	286,891
Illawarra Shoalhaven Local Health District	73,324	71,527
Justice Health and Forensic Mental Health Network	61,822	60,378
Mid North Coast Local Health District	44,977	46,078
Murrumbidgee Local Health District	159,749	148,306
Nepean Blue Mountains Local Health District	43,929	40,459
Northern NSW Local Health District	49,769	45,734
Northern Sydney Local Health District	139,598	124,528
South Eastern Sydney Local Health District	76,557	78,701
South Western Sydney Local Health District	82,585	77,742
Southern NSW Local Health District	54,602	57,491
St Vincent's Health Network	23,943	18,945
Sydney Children's Hospitals Network	33,748	31,963
Sydney Local Health District	139,584	128,575
Western NSW Local Health District	176,687	168,730
Western Sydney Local Health District	96,176	93,306
Other organisations or funds	-	-
NSW TOTAL	1,641,006	1,553,337

The basis for NHR payments to LHNs in NSW was advised by the NSW Ministry of Health (the Ministry) to be as follows:

Basis used to determine NHR payments to LHNs – NSW

The process for determining 2017–18 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 NHR Agreement NHRA, the Ministry has adopted the NWAU as the currency for ABF with the applicable version being NWAU17, which is different from the previous year.

The IHPA has issued the National Efficient Cost (NEC17) funding model that applies to small regional and remote hospitals. However, NSW has introduced a better methodology to better account the significant challenges faced by small hospitals in rural settings and better integrate care between small regional and remote hospitals and ABF hospitals. The mechanics of the NSW funding model is used 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 2017–18, 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 2017–18 by the following factors:*
 - Weighted population change: providing an indication of expected 'natural' growth*
 - Recent trends in activity growth for each LHN / SHN*
 - Relative Utilisation Rate adjusted for relevant demographic factors*
 - 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 2017–18 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
- k. Emergency Care Age Adjustment.

Provisional activity estimates are created at a LHN level to provide the basis for discussion and negotiation with individual health services to determine agreed LHN level activity targets, with the activity volumes measured using the 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 2017–18 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 Payments System (the 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 LHN to contribute to the cost of service delivery, the Administrator's reported level of Commonwealth versus 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-source revenue and Crown accepted liabilities) of each LHN'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

2017-18 for all 'out of scope' services not subject to the NHR Agreement as required under their 2017-18 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 payments 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 LHN's and acceptance of crown liabilities (e.g. Long Service Leave and Superannuation) that are also available to LHN's monthly to meet the cost of services.

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

Cash payments from the NSW State Pool Account and from the State Managed Fund to LHNs are processed each Tuesday. Reporting by the Administrator is based on cash payments made during a given month and is therefore dependent on the number of Tuesdays in a particular month.

During 2017–18, August 2017, October 2017, January 2018 and May 2018 each have five Tuesdays. If accrual accounting principles were being applied within the 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 2017–18 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 LHN 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 Inter–Governmental Agreement 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 NHR Agreement, NSW established an ABF virtual entity for the Albury component of the Commonwealth.

Other payments will occur in 2017–18 that are outside the regular weekly (Tuesday) payment cycle for payments to other States and 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 July 2017 there was a carry-over amount of cash of \$32.1 million from 2016-17 to be used as a source of funds in 2017-18 to cover the liability to the NHFB for final reconciled 2015-16 activity. In June 2018, \$22.6 million was used to cover the net decrease in Commonwealth contributions for prior year adjustments. The balance of \$8.6 million in cash will be carried over to 2018-19 as a source of funds to cover further liabilities for prior year adjustments.

In respect to LHN payments, due to timing of required final payments to third parties on behalf of LHN's and receipt of Commonwealth funding, there were nine LHN's that had residual Commonwealth monies in the Pool. Consistent with prior-year (discussed with the CFO at the NHFB at that time), 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 is to make a third party payment on behalf of LHN's to the Ministry which artificially inflates the budgeted ABF payment amounts reported in the monthly Administrator's 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 operating account. Therefore, this resulted in each LHN only receiving their approved cash allocation for 2017-18. The table below details the nine LHNs concerned:

LHN	Amount \$
Illawarra Shoalhaven	2,383,665.84
Northern Sydney	13,917,198.57
Hunter New England	3,311,918.82
Northern NSW	1,007,058.42
Murrumbidgee	15,631,487.82
Western NSW	2,419,397.85
Far West	3,632,499.60
Children's Hospital Network	1,888,536.79
Albury Wodonga Health	6,673,511.45

For more information on budget allocations, see the 2017-18 LHN Service Agreements which are available on each NSW LHN website as the Chief Executive and Board of the LHNs provide sign off.

**National Health Funding Pool
New South Wales State Pool Account
Special Purpose Financial Statement
For the year Ended 30 June 2018**

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*.



NSW

Financial
Statement



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 2018. The Financial Statement comprises:

- a Statement of receipts and payments for the year ended 30 June 2018
- 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 2018, 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 fulfilled my other ethical responsibilities in accordance with APES 110.

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

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

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

Emphasis of Matter – Basis of Accounting

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

Responsibilities 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 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
- 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 its 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.



Dominika Ryan
Director, Financial Audit Services

12 September 2018
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 2018 is based on properly maintained financial records and gives a true and fair view of the matters required by the New South Wales *Health Services Act 1997*, the Commonwealth *National Health Reform Act 2011* and the National Health Reform Agreement 2011.

Michael Lambert
Administrator
National Health Funding Pool

11 September 2018

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New South Wales State Pool Account
Statement of receipts and payments
for the year ended 30 June 2018

	Notes	2018 \$ '000	2017 \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth			
Activity-Based Funding	2, 6	5,156,605	4,940,858
Block funding		742,001	671,775
Public health funding		123,892	117,507
From New South Wales			
Activity-Based Funding	2, 6	6,263,930	5,780,771
Cross-border contribution	5	208,200	203,826
From other States or Territories			
Cross-border receipts	3	66,000	70,064
From Reserve Bank of Australia			
Interest receipts		2,021	1,845
TOTAL RECEIPTS		12,562,649	11,786,646
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity-Based Funding	4, 6	11,443,135	10,690,423
To New South Wales State Managed Fund			
Block funding		742,001	671,775
Cross-border transfer		-	-
To New South Wales Health			
Public health funding		123,892	117,507
Interest payments		2,021	1,845
Cross-border transfer		66,000	70,064
To other States or Territories			
Cross-border payments	5	208,200	203,826
TOTAL PAYMENTS		12,585,249	11,755,440
NET PAYMENTS FOR THE YEAR		(22,600)	31,206
OPENING CASH BALANCE		31,206	-
CLOSING CASH BALANCE		8,606	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 and his contract concluded on 31 March 2018. The office of the Administrator was vacant from this date until 17 July 2018 upon which Mr Michael Lambert was appointed as the new Administrator.

(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 27 July 2018.

(C) Comparative Figures

Prior year comparative information has been disclosed. The results for 2016–17 are for the year ending 30 June 2017 and the results for 2017–18 are for the year ending 30 June 2018.

(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 2016–17 and 2017–18 the Commonwealth, States and Territories 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.

New South Wales State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2018

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

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

In accordance with the functions of the Administrator under paragraph 238(1)(a) of the *National Health Reform Act 2011*, the Administrator calculated and advised the amounts required to be paid by the Commonwealth into each State Pool Account of the National Health Funding Pool under the National Health Reform Agreement.

In accordance with subsection 226(1) of the *National Health Reform Act 2011* the Commonwealth Minister for Health issued a direction to the IHPA in relation to a number of changes to the classification, counting and scope of non-admitted activity in 2014–15 and 2015–16.

In response to the Commonwealth Minister for Health's direction, the IHPA published a statement that included matters relevant to the amounts required to be paid to States and Territories in accordance with the National Health Reform Agreement.

Having regard to the Administrator's advice and the IHPA statement on matters relevant to the amounts required to be paid to the States and Territories under the National Health Reform Agreement, in April 2018 the Commonwealth Treasurer issued a Determination of 2015–16 National Health Reform payments. The effect of this on the New South Wales funding entitlements is shown in Note 6.

(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 2016–17 and 2017–18 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 or Territory, the 'provider State or Territory' 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 or Territory' pays its share either through the Funding Pool (see Note 3 and Note 5) or directly to the provider State or Territory.

(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:

	2018 \$ '000	2017 \$ '000
Commonwealth Activity-Based Funding	5,156,605	4,940,858
New South Wales Activity-Based Funding	6,263,930	5,780,771
TOTAL	11,420,535	10,721,629

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	2018 \$ '000	2017 \$ '000
CROSS-BORDER RECEIPTS		
Australian Capital Territory	19,200	19,200
Victoria	9,600	9,200
Queensland	37,200	36,000
Western Australia	-	-
South Australia	-	5,664
Tasmania	-	-
Northern Territory	-	-
TOTAL	66,000	70,064

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	2018 \$ '000	2017 \$ '000
Albury Wodonga Health [^]	44,739	41,238
Central Coast	571,171	532,094
Contracted Services – NSW Ministry of Health	8,599	4,933
Far West	59,975	55,133
Hunter New England	1,256,444	1,241,733
Illawarra Shoalhaven	634,429	586,500
Mid North Coast	428,879	390,170
Murrumbidgee	278,770	244,006
Nepean Blue Mountains	591,995	543,655
Northern NSW	560,181	493,448
Northern Sydney	990,931	866,428
South Eastern Sydney	1,086,305	1,039,673
South Western Sydney	1,289,398	1,200,397
Southern NSW	273,666	242,036
St Vincent's Health Network	272,977	254,247
Sydney	1,063,428	971,336
Sydney Children's Hospitals Network	461,204	430,806
Western NSW	445,046	433,767
Western Sydney	1,124,998	1,118,823
TOTAL	11,443,135	10,690,423

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

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

5 Cross-border Payments

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

States and Territories	2018 \$ '000	2017 \$ '000
CROSS-BORDER PAYMENTS		
Australian Capital Territory	95,400	93,600
Victoria	54,000	44,000
Queensland	58,800	56,400
Western Australia	-	-
South Australia	-	9,826
Tasmania	-	-
Northern Territory	-	-
TOTAL	208,200	203,826

Where no cross-border payments were 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:

	2018 \$ '000	2017 \$ '000
Total Activity-Based Funding receipts from the Commonwealth	5,156,605	4,940,858
Total Activity-Based Funding receipts from New South Wales	6,263,930	5,780,771
Cross-border receipts	66,000	70,064
Less: Activity-Based Funding payments to Local Hospital Networks	(11,443,135)	(10,690,423)
RECEIPTS IN EXCESS OF PAYMENTS	43,400	101,270

Total Activity-Based Funding receipts from the Commonwealth includes a deduction of \$22,598,759 in relation to the Commonwealth Treasurer's Determination for 2015-16 and six months reconciliation for 2016-17.

For 2018 the receipts in excess of payments balance is represented by underdeposits of the New South Wales Activity-Based Funding Contribution of \$22,600,000 and transfers of \$66,000,000 in cross-border receipts to the New South Wales State Health Account.

For 2017 the receipts in excess of payments balance is represented by overdeposits of the New South Wales Activity-Based Funding Contribution of \$31,206,314 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 in the State Pool Account.

End of Audited Special Purpose Financial Statement.

2,128,699
weighted public
hospital services
measured in NWAU

\$10.7 B
total funding

MADE UP OF

▼
\$5.0 B
Commonwealth funding

\$5.7 B
State funding

VIC



VIC

Funding and Payments

National Health Reform Disclosures for the Year Ended 30 June 2018

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*.

Victoria

Growth in Public Hospital Funding since 2013–14



Growth in Activity Based Funding since 2013–14



Section 241(2) of the NHR 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 NHR 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.

NHR funding and payments shown in the following tables exclude GST where applicable.

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

The amounts paid into each State Pool Account by the Commonwealth and the basis on which the Payments were made – Section 241(2) (B)

Component	Amount paid by Commonwealth into VIC State Pool Account (\$'000)	
	2017-18	2016-17
Activity-Based Funding	4,343,654	4,101,259
Block funding	578,304	528,295
Public Health funding	99,719	92,590
VIC TOTAL	5,021,677	4,722,144

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 – Section 241(2) (A)

Component	Amount paid by Victoria (\$'000)	
	2017-18	2016-17
State Pool Account – Activity-Based Funding	4,990,212	4,426,587
State Managed Fund – Block funding	734,521	676,895
VIC TOTAL	5,724,733	5,103,482

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

Local Hospital Network	Number of ABF public hospital services funded (NWAU)	
	2017-18	2016-17
Albury Wodonga Health	19,436	18,598
Alfred Health	160,641	152,917
Austin Health	160,780	152,486
Bairnsdale Regional Health Service	14,425	13,122
Ballarat Health Services	54,842	50,180
Barwon Health	107,689	94,899
Bass Coast Regional Health	8,860	7,289
Benalla Health	3,411	4,592
Bendigo Health Care Group	59,002	52,504
Calvary Health Care Bethlehem Limited	3,444	5,179
Castlemaine Health	4,952	4,945
Central Gippsland Health Service	11,727	11,614
Colac Area Health	4,312	5,132
Contracted Services LHN – Victoria	5,550	10,132
Djerriwarrh Health Services	7,230	7,606
East Grampians Health Service	3,324	3,639
Eastern Health	167,648	161,722
Echuca Regional Health	10,454	9,402
Gippsland Southern Health Service	3,395	3,398
Goulburn Valley Health	33,353	31,139
Kyabram District Health Services	2,766	2,885
Latrobe Regional Hospital	40,702	36,295
Maryborough District Health Service	3,314	3,166
Melbourne Health	129,096	120,605
Mercy Public Hospitals Inc.	64,195	61,330
Monash Health	290,522	280,762
Northeast Health Wangaratta	21,000	20,124
Northern Health	109,382	95,189

Continued.

Local Hospital Network	Number of ABF public hospital services funded (NWAU)	
	2017-18	2016-17
Peninsula Health	100,804	93,631
Peter Maccallum Cancer Institute	36,447	20,921
Portland District Health	4,334	4,279
Ramsay Healthcare Australia (Mildura Base Hospital)	21,237	21,294
Royal Victorian Eye and Ear Hospital	22,078	19,549
South West Healthcare	24,982	22,009
St Vincent's Hospital (Melbourne) Limited	93,734	88,271
Stawell Regional Health	8,101	3,342
Swan Hill District Hospital	16,123	8,066
The Royal Children's Hospital	73,632	81,273
The Royal Women's Hospital	34,901	44,949
West Gippsland Healthcare Group	16,025	14,040
Western District Health Service	12,155	7,737
Western Health	146,391	137,764
Wimmera Health Care Group	12,303	12,268
VIC TOTAL	2,128,699	2,000,244

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

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

Funding adjustments as a result of the reconciliation to actual public hospital services (NWAU) for 2015-16 would normally form part of the 2016-17 Commonwealth payments.

The previous Administrator sought information about the final reconciliation for the 2015–16 Commonwealth NHR contribution. This information was not available before his term expired. Without time for consultation and no Administrator in place during the last quarter of 2017–18, advice on the final reconciliation for 2015–16 could not be provided to the Commonwealth Treasurer during the last quarter of 2017–18.

This meant that the 2016–17 annual and 2017–18 mid-year reconciliations were not finalised in 2017–18. Completion of these activities has subsequently occurred under the new Administrator in 2018–19.

The 2017–18 Commonwealth payments also do not incorporate funding adjustments as a result of the 2016–17 annual reconciliation.

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

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

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

However, in 2016–17 and 2017–18 Victoria did not report any 'other public hospital services and functions funded' from their Pool account or State Managed Fund.

The amounts paid from each State Pool Account to Local Hospital Networks, a State Managed Fund or Other Organisations or Funds and the basis on which the Payments were made – Section 241(2) (C)

Recipient	Amount paid from VIC State Pool Account (\$'000)	
	2017-18	2016-17
Albury Wodonga Health	103,047	99,618
Alexandra District Hospital	-	-
Alfred Health	711,912	665,956
Alpine Health	0	-
Austin Health	578,356	540,352
Bairnsdale Regional Health Service	56,933	50,938
Ballarat Health Services	231,849	216,425
Barwon Health	434,341	396,562
Bass Coast Regional Health	43,074	36,407
Beaufort and Skipton Health Service	-	-
Beechworth Health Service	-	-
Benalla Health	18,104	17,453
Bendigo Health Care Group	242,602	214,715
Boort District Health	-	-
Calvary Health Care Bethlehem Limited	17,243	20,467
Casterton Memorial Hospital	-	-
Castlemaine Health	22,529	22,433
Central Gippsland Health Service	53,926	49,678
Cobram District Health	-	-
Cohuna District Hospital	-	-
Colac Area Health	23,661	20,650
Contracted Services LHN – Victoria	53,731	50,480
Djerriwarrh Health Services	43,220	41,539
Dunmunkle Health Services	-	-
East Grampians Health Service	16,427	16,334
East Wimmera Health Service	-	-
Eastern Health	689,970	641,791
Echuca Regional Health	47,397	40,270

Continued.

Recipient	Amount paid from VIC State Pool Account (\$'000)	
	2017-18	2016-17
Edenhope And District Memorial Hospital	-	-
Gippsland Southern Health Service	17,979	16,662
Goulburn Valley Health	151,453	136,007
Heathcote Health	-	-
Hepburn Health Service	-	-
Hesse Rural Health Service	-	-
Heywood Rural Health	-	-
Inglewood And Districts Health Service	-	-
Kerang and District Health	-	-
Kilmore And District Hospital	-	-
Kooweerup Regional Health Services	-	-
Kyabram District Health Services	13,452	12,742
Kyneton District Health Service	-	-
Latrobe Regional Hospital	171,876	147,149
Lorne Community Hospital	-	-
Maldon Hospital	-	-
Mallee Track Health And Community Service	-	-
Mansfield District Hospital	-	-
Maryborough District Health Service	17,707	16,038
Melbourne Health	632,176	578,242
Mercy Public Hospitals Inc.	290,398	289,536
Monash Health	1,215,417	1,111,987
Moyne Health Services	-	-
Nathalia District Hospital	-	-
Northeast Health Wangaratta	92,899	86,693
Northern Health	430,277	369,660
Numurkah District Health Service	-	-
Omeo District Health	-	-
Orbost Regional Health	-	-
Otway Health And Community Services	-	-
Peninsula Health	408,020	386,104

Continued.

Recipient	Amount paid from VIC State Pool Account (\$'000)	
	2017-18	2016-17
Peter Maccallum Cancer Institute	126,536	115,970
Portland District Health	27,744	24,368
Ramsay Healthcare Australia (Mildura Base Hospital)	88,506	96,695
Robinvale District Health Services	-	-
Rochester And Elmore District Health Service	-	-
Royal Victorian Eye and Ear Hospital	83,019	81,683
Rural Northwest Health	-	-
Seymour District Memorial Hospital	-	-
South Gippsland Hospital	-	-
South West Healthcare	111,399	102,176
St Vincent's Hospital (Melbourne) Limited	411,727	410,042
Stawell Regional Health	13,859	13,289
Swan Hill District Hospital	32,871	31,587
Tallangatta Health Service	-	-
Terang And Mortlake Health Service	-	-
The Royal Children's Hospital	410,158	372,201
The Royal Women's Hospital	195,535	192,358
Timboon And District Healthcare Service	-	-
Upper Murray Health and Community Services	-	-
Victorian Institute of Forensic Mental Health	-	-
West Gippsland Healthcare Group	68,577	62,628
West Wimmera Health Care Group	-	-
Western District Health Service	37,067	34,035
Western Health	600,816	563,566
Wimmera Health Care Group	53,263	49,756
Yarram And District Health Service	-	-
Yarrawonga District Health Service	-	-
Yea And District Memorial Hospital	-	-
State Managed Fund	578,304	528,295
Other organisations or funds	215,343	222,251
VIC TOTAL	9,884,700	9,193,785

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 – Section 241(2) (D)

Recipient	Amount paid from VIC State Managed Fund (\$'000)	
	2017-18	2016-17
Albury Wodonga Health	24,779	22,658
Alexandra District Hospital	6,109	5,657
Alfred Health	59,491	56,234
Alpine Health	11,061	10,530
Austin Health	50,101	46,632
Bairnsdale Regional Health Service	2,595	2,181
Ballarat Health Services	35,072	31,654
Barwon Health	47,404	44,921
Bass Coast Regional Health	1,426	1,126
Beaufort and Sipton Health Service	4,280	4,128
Beechworth Health Service	4,067	3,735
Benalla Health	306	238
Bendigo Health Care Group	44,837	41,984
Boort District Health	2,402	2,161
Calvary Health Care Bethlehem Limited	746	485
Casterton Memorial Hospital	3,714	3,476
Castlemaine Health	434	358
Central Gippsland Health Service	2,499	2,394
Cobram District Health	6,705	6,014
Cohuna District Hospital	6,079	5,140
Colac Area Health	341	313
Djerriwarrh Health Services	670	691
Dunmunkle Health Services	-	-
East Grampians Health Service	1,292	1,134
East Wimmera Health Service	12,384	11,769
Eastern Health	99,671	91,352
Echuca Regional Health	2,600	2,166

Continued.

Recipient	Amount paid from VIC State Managed Fund (\$'000)	
	2017-18	2016-17
Edenhope and District Memorial Hospital	3,538	3,151
Gippsland Southern Health Service	717	362
Goulburn Valley Health	27,160	24,774
Heathcote Health	2,469	2,342
Hepburn Health Service	9,476	9,382
Hesse Rural Health Service	2,200	1,845
Heywood Rural Health	2,743	2,487
Inglewood and Districts Health Service	2,285	1,777
Kerang and District Health	6,161	5,898
Kilmore and District Hospital	12,802	11,511
Kooweerup Regional Health Services	5,060	4,858
Kyabram District Health Services	99	97
Kyneton District Health Service	10,730	8,961
Latrobe Regional Hospital	38,179	35,411
Lorne Community Hospital	2,466	2,290
Maldon Hospital	1,541	1,154
Mallee Track Health and Community Service	3,982	3,743
Mansfield District Hospital	7,093	6,676
Maryborough District Health Service	592	479
Melbourne Health	147,544	132,955
Mercy Public Hospitals Inc.	32,443	28,842
Monash Health	130,988	119,846
Moyne Health Services	3,795	3,682
Nathalia District Hospital	1,874	1,738
Northeast Health Wangaratta	3,133	3,062
Northern Health	11,142	11,130
Numurkah District Health Service	9,342	8,172
Omeo District Health	1,666	1,553
Orbost Regional Health	5,781	5,474
Otway Health and Community Services	2,904	2,891

Continued.

Recipient	Amount paid from VIC State Managed Fund (\$'000)	
	2017-18	2016-17
Peninsula Health	41,410	39,777
Peter Maccallum Cancer Institute	4,176	3,819
Portland District Health	420	201
Ramsay Healthcare Australia (Mildura Base Hospital)	14,752	12,796
Robinvale District Health Services	5,632	5,739
Rochester and Elmore District Health Service	5,555	5,062
Royal Victorian Eye and Ear Hospital	1,755	1,749
Rural Northwest Health	8,891	8,406
Seymour District Memorial Hospital	12,067	11,940
South Gippsland Hospital	5,434	5,226
South West Healthcare	20,762	17,566
St Vincent's Hospital (Melbourne) Limited	55,924	54,870
Stawell Regional Health	457	389
Swan Hill District Hospital	884	854
Tallangatta Health Service	3,022	2,872
Terang and Mortlake Health Service	5,295	5,063
The Royal Children's Hospital	26,196	24,635
The Royal Women's Hospital	4,839	4,863
Timboon and District Healthcare Service	3,682	3,708
Upper Murray Health and Community Services	3,943	3,621
Victorian Institute of Forensic Mental Health	55,106	47,297
West Gippsland Healthcare Group	2,555	2,318
West Wimmera Health Service	14,097	13,305
Western District Health Service	3,812	4,073
Western Health	21,920	20,825
Wimmera Health Care Group	1,911	2,012
Yarram and District Health Service	5,110	4,924
Yarrawonga District Health Service	8,678	7,848

Continued.

Recipient	Amount paid from VIC State Managed Fund (\$'000)	
	2017-18	2016-17
Yea and District Memorial Hospital	2,407	2,138
Dental Health Services Victoria	72	-
Other organisations or funds	40,705	31,920
VIC TOTAL	1,302,438	1,195,491

Victorian LHNs receive activity-based funding, block funding and other payments for different services and purposes. Adjustments are made for cash flow needs and costs administered by the Victorian Department of Health on behalf of LHNs.

The basis used to determine Victorian national health reform funding and payments for 2017–18 (at June 2018) was advised by the Victorian Department of Health and Human Services as follows:

Payments in Victoria are based upon “Statements of Priorities” agreements between Victorian public health services (LHNs) and the Minister for Health. These annual agreements detail the service profile and strategic priorities the local hospital network will achieve in the year ahead; list the performance priorities and agreed targets; and list funding estimates and associated service activity. Once agreed, Statements of Priorities are published at 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.

**National Health Funding Pool
Victoria State Pool Account Special
Purpose Financial Statement for the
Year Ended 30 June 2018**

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*.

The image features a central graphic of a red envelope with a white flap, set against a background of overlapping light orange and white geometric shapes. The text 'VIC' is printed in white on the red envelope flap, and 'Financial Statement' is printed in white on the red envelope body.

VIC

Financial
Statement

Independent Auditor's Report

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

Opinion	<p>I have audited the special purpose financial statement of the Victoria State Pool Account which comprises the:</p> <ul style="list-style-type: none"> • statement of receipts and payments for the year ended 30 June 2018 • notes to the special purpose financial statement, including significant accounting policies • statement by the Administrator of the National Health Funding Pool. <p>In my opinion the financial statement presents fairly, in all material respects, the receipts and payments of the Victoria State Pool Account for the year ended 30 June 2018 in accordance with the financial reporting requirements of section 242 of the <i>National Health Reform Act 2011 (Cwlth)</i> and section 18 of the <i>Health (Commonwealth State Funding Arrangements) Act 2012 (Vic)</i>.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Statement</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 Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Emphasis of Matter - Basis of Accounting	<p>I draw attention to Note 1(B) to the financial statement, which describes the purpose of the financial statement and its basis of accounting. The financial statement has been prepared using the cash basis of accounting and for the purpose of fulfilling the Administrator's financial reporting obligations under the <i>National Health Reform Act 2011 (Cwlth)</i> and the <i>Health (Commonwealth State Funding Arrangements) Act 2012 (Vic)</i>. As a result, the financial statement may not be suitable for another purpose. My opinion is not modified in respect of this matter.</p>
Administrator's responsibilities for the financial statement	<p>The Administrator of the National Health Funding Pool is responsible for the preparation and fair presentation of the financial statement in accordance with the financial reporting requirements of the <i>National Health Reform Act 2011 (Cwlth)</i> and the <i>Health (Commonwealth State Funding Arrangements) Act 2012 (Vic)</i>, and for such internal control as the Administrator determines is necessary to enable the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.</p> <p>The Administrator is responsible for overseeing the Victoria State Pool Account's financial reporting process.</p>

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 entity'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.



MELBOURNE
10 September 2018

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 2018 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.

Michael Lambert
Administrator
National Health Funding Pool

3 September 2018

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Victoria State Pool Account
Statement of receipts and payments
for the year ended 30 June 2018

	Notes	2018 \$ '000	2017 \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth			
Activity-Based Funding	2, 6	4,343,653	4,101,259
Block funding		578,304	528,295
Public health funding		99,719	92,590
From Victoria			
Activity-Based Funding	2, 6	4,980,612	4,417,387
Cross-border contribution	5	9,600	9,200
From other States or Territories			
Cross-border receipts	3	54,000	44,000
From Reserve Bank of Australia			
Interest receipts		1,030	1,054
TOTAL RECEIPTS		10,066,918	9,193,785
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity-Based Funding	4, 6	9,177,214	8,443,240
To Victoria State Managed Fund			
Block funding		578,305	528,295
Cross-border transfer		-	-
To Department of Health and Human Services			
Public health funding		99,719	92,590
Interest payments		1,030	1,054
Cross-border transfer		54,000	44,000
Withdrawal of over-deposit		50,994	75,406
To other States or Territories			
Cross-border payments	5	9,600	9,200
TOTAL PAYMENTS		9,970,861	9,193,785
NET RECEIPTS FOR THE YEAR		96,057	-
OPENING CASH BALANCE		-	-
CLOSING CASH BALANCE		96,057	-

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 Victoria State Pool Account, which was established at the Reserve Bank of Australia (RBA) in 2012–13.

(A) Reporting Entity

The Administrator of the National Health Funding Pool (Administrator) is an independent statutory office holder, distinct from the Commonwealth, State and Territory governments, established under legislation of the Commonwealth and State and Territory governments. Mr Peter Achterstraat AM was appointed in February 2016 and his contract concluded on 31 March 2018. The office of the Administrator was vacant from this date until 17 July 2018 upon which Mr Michael Lambert was appointed as the new Administrator.

(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 27 July 2018.

(C) Comparative Figures

Prior year comparative information has been disclosed. The results for 2016–17 are for the year ending 30 June 2017 and the results for 2017–18 are for the year ending 30 June 2018.

(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 2016–17 and 2017–18 the Commonwealth, States and Territories 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.

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

In accordance with the functions of the Administrator under paragraph 238(1)(a) of the *National Health Reform Act 2011*, the Administrator calculated and advised the amounts required to be paid by the Commonwealth into each State Pool Account of the National Health Funding Pool under the National Health Reform Agreement.

In accordance with subsection 226(1) of the *National Health Reform Act 2011* the Commonwealth Minister for Health issued a direction to the IHPA in relation to a number of changes to the classification, counting and scope of non-admitted activity in 2014–15 and 2015–16.

In response to the Commonwealth Minister for Health's direction, the IHPA published a statement that included matters relevant to the amounts required to be paid to States and Territories in accordance with the National Health Reform Agreement.

Having regard to the Administrator's advice and the IHPA statement on matters relevant to the amounts required to be paid to the States and Territories under the National Health Reform Agreement, in April 2018 the Commonwealth Treasurer issued a Determination of 2015–16 National Health Reform payments. The effect of this on the Victoria funding entitlements is shown in Note 6.

(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 2016–17 and 2017–18 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 or Territory receives hospital treatment in another State or Territory, the 'provider State or Territory' 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 or Territory' pays its share either through the Funding Pool (see Note 3 and Note 5) or directly to the provider State or Territory.

(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:

	2018 \$ '000	2017 \$ '000
Commonwealth Activity-Based Funding	4,343,653	4,101,259
Victoria Activity-Based Funding	4,980,612	4,417,387
TOTAL	9,324,265	8,518,646

3 Cross-border Receipts

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

States and Territories	2018 \$ '000	2017 \$ '000
CROSS-BORDER RECEIPTS		
Australian Capital Territory	-	-
New South Wales	54,000	44,000
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Northern Territory	-	-
TOTAL	54,000	44,000

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	2018 \$ '000	2017 \$ '000
Albury Wodonga Health	103,047	99,618
Alfred Health	711,912	665,956
Austin Health	578,356	540,352
Bairnsdale Regional Health Service	56,933	50,938
Ballarat Health Services	231,849	216,425
Barwon Health	434,341	396,562
Bass Coast Regional Health	43,074	36,407
Benalla Health	18,104	17,453
Bendigo Health Care Group	242,602	214,715
Calvary Health Care Bethlehem	18,968	20,467
Castlemaine Health	22,529	22,433
Central Gippsland Health Service	53,926	49,678
Colac Area Health	23,661	20,650
Contracted Services LHN Victoria	59,104	50,480
Djerriwarrh Health Services	43,220	41,539
East Grampians Health Service	16,427	16,334
Eastern Health	689,970	641,791
Echuca Regional Health	47,397	40,270
Gippsland Southern Health Service	17,979	16,662
Goulburn Valley Health	151,453	136,007
Kyabram and District Health Service	13,452	12,742
Latrobe Regional Hospital	171,876	147,149

Continued.

Victoria State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2018

Local Hospital Networks	2018 \$ '000	2017 \$ '000
Maryborough District Health Service	17,707	16,038
Melbourne Health	632,176	578,242
Mercy Public Hospitals Incorporated	319,437	289,536
Monash Health	1,215,417	1,111,987
Northeast Health Wangaratta	92,899	86,693
Northern Health	430,277	369,660
Peninsula Health	408,020	386,104
Peter MacCallum Cancer Centre	126,536	115,970
Portland District Health	27,744	24,368
Ramsay Healthcare Australia	97,357	96,695
South West Healthcare	111,399	102,176
St Vincent's Hospital Melbourne Limited	452,900	410,042
Stawell Regional Health	13,859	13,289
Swan Hill District Hospital	32,871	31,587
The Royal Children's Hospital	410,158	372,201
The Royal Victorian Eye & Ear Hospital	83,019	81,683
The Royal Women's Hospital	195,535	192,358
West Gippsland Healthcare Group	68,577	62,628
Western District Health Service	37,067	34,035
Western Health	600,816	563,566
Wimmera Health Care Group	53,263	49,756
TOTAL	9,177,214	8,443,240

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

5 Cross-border Payments

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

States and Territories	2018 \$ '000	2017 \$ '000
CROSS-BORDER PAYMENTS		
Australian Capital Territory	-	-
New South Wales	9,600	9,200
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Northern Territory	-	-
TOTAL	9,600	9,200

Where no cross-border payments were 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:

	2018 \$ '000	2017 \$ '000
Total Activity-Based Funding receipts from the Commonwealth	4,343,653	4,101,259
Total Activity-Based Funding receipts from Victoria	4,980,612	4,417,387
Cross-border receipts	54,000	44,000
Less: Activity-Based Funding payments to Local Hospital Networks	(9,177,214)	(8,443,240)
RECEIPTS IN EXCESS OF PAYMENTS	201,051	119,406

Total Activity-Based Funding receipts from the Commonwealth includes \$96,057,377 in relation to the Commonwealth Treasurer's Determination for 2015-16 and six months reconciliation for 2016-17, which was not spent.

For 2018 the receipts in excess of payments balance included withdrawals by the Victoria Department of Health and Human Services of \$50,994,197 in over-deposits and \$54,000,000 relating to cross-border receipts received from New South Wales.

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.

End of Audited Special Purpose Financial Statement.

1,741,408

weighted public
hospital services
measured in NWAU

\$11.2 B
total funding

MADE UP OF



\$4.3 B

Commonwealth funding

\$6.9 B

State funding

QLD



QLD

Funding and Payments

National Health Reform Disclosures for the Year Ended 30 June 2018

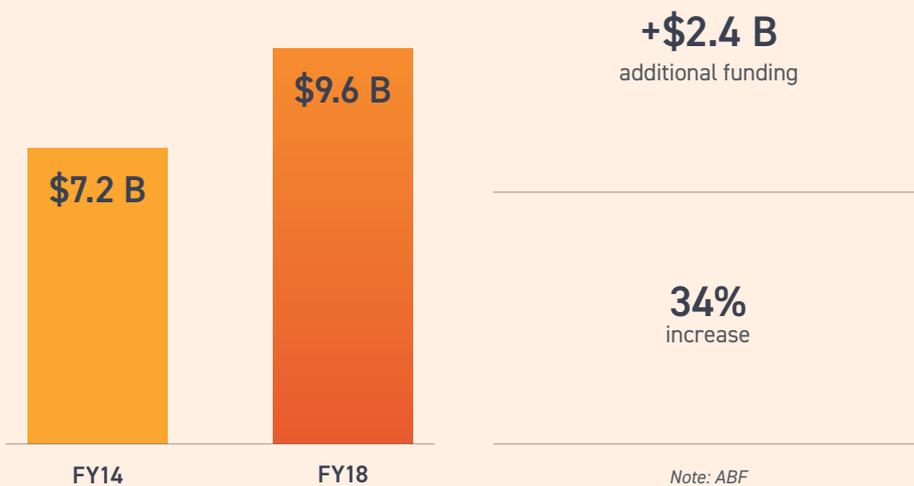
Issued by the Administrator of the National Health Funding Pool under section 241(2) of the *Commonwealth National Health Reform Act 2011* and section 53S(2) of the *Queensland Hospital and Health Boards Act 2011*.

Queensland

Growth in Public Hospital Funding since 2013-14



Growth in Activity Based Funding since 2013-14



Section 241(2) of the NHR 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 NHR 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.

NHR funding and payments shown in the following tables exclude GST where applicable.

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

The amounts paid into each State Pool Account by the Commonwealth and the basis on which the Payments were made – Section 241(2) (B)

Component	Amount paid by Commonwealth into QLD State Pool Account (\$'000)	
	2017-18	2016-17
Activity-Based Funding	3,765,086	3,362,084
Block funding	446,514	415,519
Public Health funding	77,549	73,356
QLD TOTAL	4,289,149	3,850,959

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 – Section 241(2) (A)

Component	Amount paid by Queensland (\$'000)	
	2017-18	2016-17
State Pool Account – Activity-Based Funding	5,829,653	5,577,027
State Managed Fund – Block funding	1,031,608	906,542
QLD TOTAL	6,861,261	6,483,569

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

Local Hospital Network	Number of ABF public hospital services funded (NWAU)	
	2017-18	2016-17
Cairns and Hinterland Hospital and Health Service	113,625	94,808
Central Queensland Hospital and Health Service	57,822	53,775
Children's Health Queensland Hospital and Health Service	73,644	67,083
Darling Downs Hospital and Health Service	78,672	64,028
Gold Coast Hospital and Health Service	191,029	176,331
Mackay Hospital and Health Service	49,013	40,323
Mater Misericordiae Health Service Brisbane	78,190	70,000
Metro North Hospital and Health Service	379,632	357,780
Metro South Hospital and Health Service	306,519	282,388
North West Hospital and Health Service	11,818	11,435
Sunshine Coast Hospital and Health Service	137,643	120,061
Townsville Hospital and Health Service	116,408	105,495
West Moreton Hospital and Health Service	64,470	59,077
Wide Bay Hospital and Health Service	79,123	71,721
Queensland Health Virtual LHN	3,800	-
QLD TOTAL	1,741,408	1,574,306

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

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

Funding adjustments as a result of the reconciliation to actual public hospital services (NWAU) for 2015-16 would normally form part of the 2016-17 Commonwealth payments.

The previous Administrator sought information about the final reconciliation for the 2015–16 Commonwealth NHR contribution. This information was not available before his term expired. Without time for consultation and no Administrator in place during the last quarter of 2017–18, advice on the final reconciliation for 2015–16 could not be provided to the Commonwealth Treasurer during the last quarter of 2017–18.

This meant that the 2016–17 annual and 2017–18 mid-year reconciliations were not finalised in 2017–18. Completion of these activities has subsequently occurred under the new Administrator in 2018–19.

The 2017–18 Commonwealth payments also do not incorporate funding adjustments as a result of the 2016–17 annual reconciliation.

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

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

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

However, in 2016–17 and 2017–18 Queensland did not report any 'other public hospital services and functions funded' from their Pool account or State Managed Fund.

The amounts paid from each State Pool Account to Local Hospital Networks, a State Managed Fund or Other Organisations or Funds and the basis on which the Payments were made – Section 241(2) (C)

Recipient	Amount paid from QLD State Pool Account (\$'000)	
	2017-18	2016-17
Cairns and Hinterland Hospital and Health Service	598,791	560,079
Central Queensland Hospital and Health Service	329,055	314,657
Children's Health Queensland Hospital and Health Service	449,323	443,588
Darling Downs Hospital and Health Service	376,717	342,472
Gold Coast Hospital and Health Service	1,042,649	947,799
Mackay Hospital and Health Service	249,072	235,116
Mater Misericordiae Health Service Brisbane	421,527	424,837
Metro North Hospital and Health Service	1,989,343	1,908,682
Metro South Hospital and Health Service	1,712,571	1,668,298
North West Hospital and Health Service	84,599	78,063
Sunshine Coast Hospital and Health Service	854,549	691,827
Townsville Hospital and Health Service	616,777	572,991
West Moreton Hospital and Health Service	349,401	305,818
Wide Bay Hospital and Health Service	429,811	408,884
Queensland Health Virtual LHN	11,202	-
State Managed Fund	446,514	415,519
Other organisations or funds	173,980	166,162
QLD TOTAL	10,135,880	9,484,791

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 – Section 241(2) (D)

Recipient	Amount paid from QLD State Managed Fund (\$'000)	
	2017-18	2016-17
Cairns and Hinterland Hospital and Health Service	107,173	84,801
Central Queensland Hospital and Health Service	88,818	75,753
Central West Hospital and Health Service	29,778	26,108
Children's Health Queensland Hospital and Health Service	27,231	17,843
Darling Downs Hospital and Health Service	158,538	154,726
Gold Coast Hospital and Health Service	85,686	73,230
Mackay Hospital and Health Service	59,892	51,669
Mater Misericordiae Health Service Brisbane	11,237	11,040
Metro North Hospital and Health Service	171,381	137,371
Metro South Hospital and Health Service	188,049	175,705
North West Hospital and Health Service	39,963	36,369
South West Hospital and Health Service	68,458	63,755
Sunshine Coast Hospital and Health Service	61,967	51,582
Torres and Cape Hospital and Health Service	75,676	67,520
Townsville Hospital and Health Service	122,104	119,771
West Moreton Hospital and Health Service	124,331	121,401
Wide Bay Hospital and Health Service	56,717	52,312
Other organisations or funds	-	-
QLD TOTAL	1,476,998	1,320,958

The basis used to determine NHR payments to LHNs in Queensland for 2017-18 (at June 2018) 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 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 2016-17 reported expenditure (net of depreciation) indexed to 2017-18 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.

The cash payments from the Queensland State Pool Account or State Managed Fund do not reflect the full budgeted funding available to the HHSs. Other sources of funds available include system manager funding, own source revenues earned and retained by each HHS, and other reimbursements.

**National Health Funding Pool
Queensland State Pool Account Special
Purpose Financial Statement for the
Year Ended 30 June 2018**

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*.



QLD

Financial
Statement



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 Queensland State Pool Account.

The financial statement comprises the statement of receipts and payments for the year ended 30 June 2018, 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).

In my opinion, the financial statement:

- a) gives a true and fair view of the entity's cash receipts and payments for the year ended 30 June 2018
- b) complies with *Hospital and Health Boards Act 2011* and the financial reporting framework described in Note 1(B).

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 *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 of users taken on the basis of this financial statement.

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

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

14 September 2018



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 2018 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.

Michael Lambert
Administrator
National Health Funding Pool

11 September 2018

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Queensland State Pool Account
Statement of receipts and payments
for the year ended 30 June 2018

	Notes	2018 \$ '000	2017 \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth			
Activity-Based Funding	2, 6	3,765,086	3,362,084
Block funding		446,514	415,519
Public health funding		77,549	73,356
From Queensland			
Activity-Based Funding	2, 6	5,792,453	5,541,027
Cross-border contribution	5	37,200	36,000
From other States or Territories			
Cross-border receipts	3	58,800	56,400
From Reserve Bank of Australia			
Interest receipts		431	405
TOTAL RECEIPTS		10,178,033	9,484,791
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity-Based Funding	4, 6	9,557,539	8,903,110
To Queensland State Managed Fund			
Block funding		446,514	415,519
Cross-border transfer		-	-
To Queensland Health			
Public health funding		77,549	73,356
Interest payments		431	405
Cross-border transfer		58,800	56,400
To other States or Territories			
Cross-border payments	5	37,200	36,000
TOTAL PAYMENTS		10,178,033	9,484,791
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 Queensland 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 and his contract concluded on 31 March 2018. The office of the Administrator was vacant from this date until 17 July 2018 upon which Mr Michael Lambert was appointed as the new Administrator.

(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 27 July 2018.

(C) Comparative Figures

Prior year comparative information has been disclosed. The results for 2016–17 are for the year ending 30 June 2017 and the results for 2017–18 are for the year ending 30 June 2018.

(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 2016–17 and 2017–18 the Commonwealth, States and Territories 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.

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

In accordance with the functions of the Administrator under paragraph 238(1)(a) of the *National Health Reform Act 2011*, the Administrator calculated and advised the amounts required to be paid by the Commonwealth into each State Pool Account of the National Health Funding Pool under the National Health Reform Agreement.

In accordance with subsection 226(1) of the *National Health Reform Act 2011* the Commonwealth Minister for Health issued a direction to the IHPA in relation to a number of changes to the classification, counting and scope of non-admitted activity in 2014-15 and 2015-16.

In response to the Commonwealth Minister for Health's direction, the IHPA published a statement that included matters relevant to the amounts required to be paid to States and Territories in accordance with the National Health Reform Agreement.

Having regard to the Administrator's advice and the IHPA statement on matters relevant to the amounts required to be paid to the States and Territories under the National Health Reform Agreement, in April 2018 the Commonwealth Treasurer issued a Determination of 2015-16 National Health Reform payments. The effect of this on the Queensland funding entitlements is shown in Note 6.

(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 2016–17 and 2017–18 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 or Territory receives hospital treatment in another State or Territory, the 'provider State or Territory' 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 or Territory' pays its share either through the Funding Pool (see Note 3 and Note 5) or directly to the provider State or Territory.

(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:

	2018 \$ '000	2017 \$ '000
Commonwealth Activity-Based Funding	3,765,086	3,362,084
Queensland Activity-Based Funding	5,792,453	5,541,027
TOTAL	9,557,539	8,903,110

3 Cross-Border Receipts

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

States and Territories	2018 \$ '000	2017 \$ '000
CROSS-BORDER RECEIPTS		
Australian Capital Territory	-	-
New South Wales	58,800	56,400
Victoria	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Northern Territory	-	-
TOTAL	58,800	56,400

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	2018 \$ '000	2017 \$ '000
Cairns and Hinterland Hospital and Health Services	598,791	560,079
Central Queensland Hospital and Health Services	329,055	314,657
Children's Health Queensland Hospital and Health Services	449,323	443,588
Darling Downs Hospital and Health Services	376,717	342,472
Gold Coast Hospital and Health Services	1,042,649	947,799
Mackay Hospital and Health Services	249,072	235,116
Mater Misericordiae Health Services Brisbane	463,679	424,837
Metro North Hospital and Health Services	1,989,343	1,908,682
Metro South Hospital and Health Services	1,712,571	1,668,298
North West Hospital and Health Services	84,599	78,063
QLD Virtual LHN	11,202	-
Sunshine Coast Hospital and Health Services	854,549	691,827
Townsville Hospital and Health Services	616,777	572,991
West Moreton Hospital and Health Services	349,401	305,818
Wide Bay Hospital and Health Services	429,811	408,884
TOTAL	9,557,539	8,903,110

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 made out of the Queensland State Pool Account to other States and Territories:

States and Territories	2018 \$ '000	2017 \$ '000
CROSS-BORDER PAYMENTS		
Australian Capital Territory	-	-
New South Wales	37,200	36,000
Victoria	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Northern Territory	-	-
TOTAL	37,200	36,000

Where no cross-border payments were 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:

	2018 \$ '000	2017 \$ '000
Total Activity-Based Funding receipts from the Commonwealth	3,765,086	3,362,084
Total Activity-Based Funding receipts from Queensland	5,792,453	5,541,027
Cross-border receipts	58,800	56,400
Less: Activity-Based Funding payments to Local Hospital Networks	(9,557,539)	(8,903,110)
RECEIPTS IN EXCESS OF PAYMENTS	58,800	56,400

Total Activity-Based Funding receipts from the Commonwealth includes \$335,516,861 in relation to the Commonwealth Treasurer's Determination for 2015-16 and six months reconciliation for 2016-17.

For 2018 the receipts and payments in excess balance represented withdrawals by the Queensland Department of Health of \$58,800,000 in cross-border receipts received from New South Wales, resulting in the net zero (\$0) cash balance in the State Pool Account.

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.

End of Audited Special Purpose Financial Statement.

841,706

weighted public
hospital services
measured in NWAU

\$4.5 B
total funding

MADE UP OF



\$2.2 B
Commonwealth funding

\$2.4 B
State funding

WA



WA

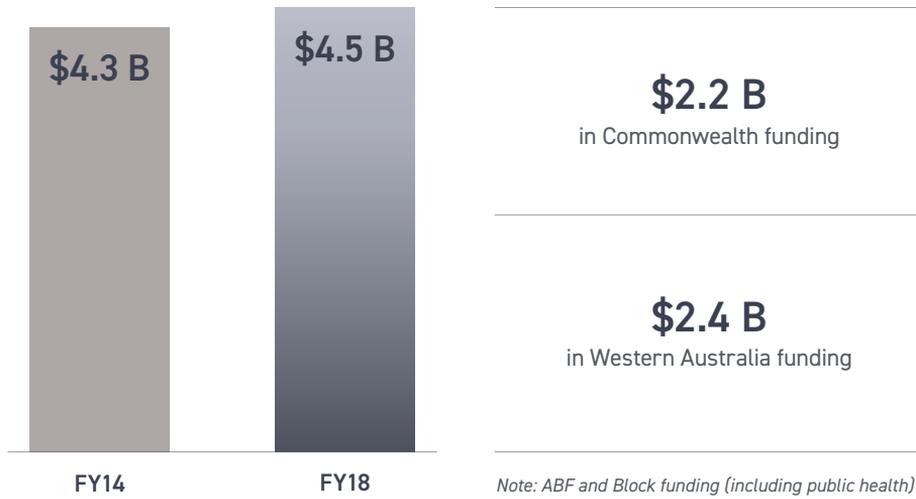
Funding and Payments

National Health Reform Disclosures for the Year Ended 30 June 2018

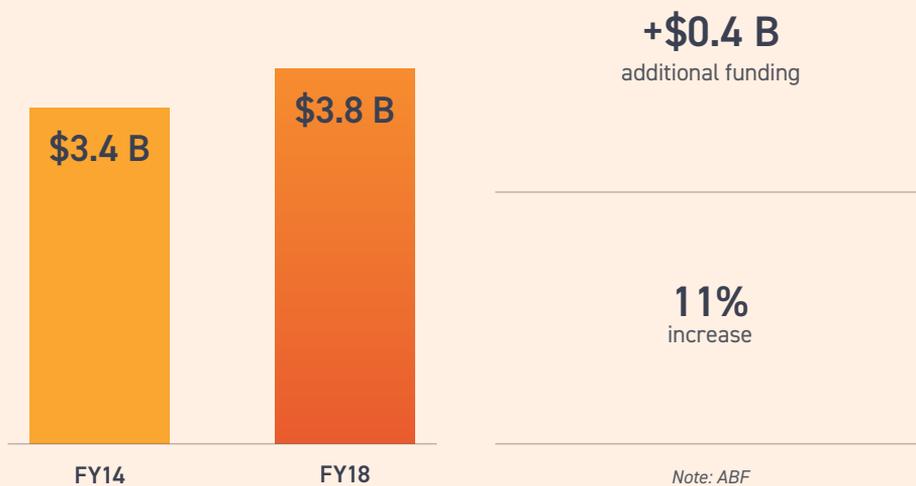
Issued by the Administrator of the National Health Funding Pool under section 241(2) of the *Commonwealth National Health Reform Act 2011* and section 19(2) of the *Western Australian National Health Funding Pool Act 2012*.

Western Australia

Growth in Public Hospital Funding since 2013-14



Growth in Activity Based Funding since 2013-14



Section 241(2) of the NHR 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 NHR 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.

NHR funding and payments shown in the following tables exclude GST where applicable.

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

The amounts paid into each State Pool Account by the Commonwealth and the basis on which the Payments were made – Section 241(2)(B)

Component	Amount paid by Commonwealth into WA State Pool Account (\$'000)	
	2017-18	2016-17
Activity-Based Funding	1,854,767	1,777,645
Block funding	278,733	272,106
Public Health funding	40,629	39,306
WA TOTAL	2,174,129	2,089,058

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 – Section 241(2)(A)

Component	Amount paid by Western Australia (\$'000)	
	2017-18	2016-17
State Pool Account – Activity-Based Funding	1,920,468	2,220,019
State Managed Fund – Block funding	441,397	431,755
WA TOTAL	2,361,865	2,651,775

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

Local Hospital Network	Number of ABF public hospital services funded (NWAU)	
	2017-18	2016-17
Child and Adolescent Health Service	51,319	48,532
FSH – Western Australia	–	–
North Metropolitan Health Service	245,803	242,117
East Metropolitan Health Service	183,556	177,345
Notional LHN – Royal Street – WA	20,082	19,439
South Metropolitan Health Service	216,830	212,510
WA Country Health Service	124,116	119,866
WA TOTAL	841,706	819,809

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

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

Funding adjustments as a result of the reconciliation to actual public hospital services (NWAU) for 2015-16 would normally form part of the 2016-17 Commonwealth payments.

The previous Administrator sought information about the final reconciliation for the 2015-16 Commonwealth NHR contribution. This information was not available before his term expired. Without time for consultation and no Administrator in place during the last quarter of 2017-18, advice on the final reconciliation for 2015-16 could not be provided to the Commonwealth Treasurer during the last quarter of 2017-18.

This meant that the 2016-17 annual and 2017-18 mid-year reconciliations were not finalised in 2017-18. Completion of these activities has subsequently occurred under the new Administrator in 2018-19.

The 2017-18 Commonwealth payments also do not incorporate funding adjustments as a result of the 2016-17 annual reconciliation.

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

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

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

However, in 2016–17 and 2017–18 Western Australia did not report any 'other public hospital services and functions funded' from their Pool account or State Managed Fund.

The amounts paid from each State Pool Account to Local Hospital Networks, a State Managed Fund or Other Organisations or Funds and the basis on which the Payments were made – Section 241(2)(C)

Recipient	Amount paid from WA State Pool Account (\$'000)	
	2017-18	2016-17
Child and Adolescent Health Service	232,575	283,723
FSH – Western Australia	–	–
North Metropolitan Health Service	1,104,283	1,148,016
East Metropolitan Health Service	824,703	805,338
Notional LHN – Royal Street – WA	108,769	101,328
South Metropolitan Health Service	957,844	1,034,214
WA Country Health Service	547,062	625,046
State Managed Fund	278,733	272,106
Other organisations or funds	40,629	39,306
WA TOTAL	4,094,597	4,309,077

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 – Section 241(2)(D)

Recipient	Amount paid from WA State Managed Fund (\$'000)	
	2017-18	2016-17
Child and Adolescent Health Service	21,538	30,403
FSH – Western Australia	–	–
North Metropolitan Health Service	158,731	151,419
East Metropolitan Health Service	118,241	105,214
South Metropolitan Health Service	104,989	99,274
WA Country Health Service	309,477	313,912
Other organisations or funds	7,155	3,640
WA TOTAL	720,129	703,862

The basis used to determine National Health Reform (NHR) payments to LHNs in Western Australia (WA) for 2017–18 is as follows:

The 2017–18 annual funding allocations have been developed using the WA Activity-Based Funding program methodology.

Activity profiles have been developed consistent with the WA Health clinical services framework and the WA Government's purchasing intentions. The funding allocations include activity-based services, block funded services and specific programs.

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

The State 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 WA 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.

**National Health Funding Pool
Western Australia State Pool Account
Special Purpose Financial Statement
for the Year Ended 30 June 2018**

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*.



WA

Financial
Statement



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 2018. The financial statement comprises a Statement of Receipts and Payments for the year ended 30 June 2018, 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 2018 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 Responsibility 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.



CAROLINE SPENCER
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
19 September 2018



**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 2018 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.

Michael Lambert
Administrator
National Health Funding Pool

18 September 2018

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Western Australia State Pool Account
Statement of receipts and payments
for the year ended 30 June 2018

	Notes	2018 \$ '000	2017 \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth			
Activity-Based Funding	2, 6	1,854,767	1,777,645
Block funding		278,733	272,106
Public health funding		40,629	39,306
From Western Australia			
Activity-Based Funding	2, 6	1,920,468	2,220,019
Cross-border contribution	5	-	-
From other States or Territories			
Cross-border receipts	3	-	-
From Reserve Bank of Australia			
Interest receipts		7	-
TOTAL RECEIPTS		4,094,604	4,309,077
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity-Based Funding	4, 6	3,775,235	3,997,665
To Western Australia State Managed Fund			
Block funding		278,733	272,106
Cross-border transfer		-	-
To Department of Health			
Public health funding		40,629	39,306
Interest payments		-	-
Cross-border transfer		-	-
To other States or Territories			
Cross-border payments	5	-	-
TOTAL PAYMENTS		4,094,597	4,309,077
NET RECEIPTS FOR THE YEAR		7	-
OPENING CASH BALANCE		-	-
CLOSING CASH BALANCE		7	-

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 Western 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 and his contract concluded on 31 March 2018. The office of the Administrator was vacant from this date until 17 July 2018 upon which Mr Michael Lambert was appointed as the new Administrator.

(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 27 July 2018.

(C) Comparative Figures

Prior year comparative information has been disclosed. The results for 2016–17 are for the year ending 30 June 2017 and the results for 2017–18 are for the year ending 30 June 2018.

(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 2016–17 and 2017–18 the Commonwealth, States and Territories 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.

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

In accordance with the functions of the Administrator under paragraph 238(1)(a) of the *National Health Reform Act 2011*, the Administrator calculated and advised the amounts required to be paid by the Commonwealth into each State Pool Account of the National Health Funding Pool under the National Health Reform Agreement.

In accordance with subsection 226(1) of the *National Health Reform Act 2011* the Commonwealth Minister for Health issued a direction to the IHPA in relation to a number of changes to the classification, counting and scope of non-admitted activity in 2014–15 and 2015–16.

In response to the Commonwealth Minister for Health's direction, the IHPA published a statement that included matters relevant to the amounts required to be paid to States and Territories in accordance with the National Health Reform Agreement.

Having regard to the Administrator's advice and the IHPA statement on matters relevant to the amounts required to be paid to the States and Territories under the National Health Reform Agreement, in April 2018 the Commonwealth Treasurer issued a Determination of 2015–16 National Health Reform payments. The effect of this on the Western Australia funding entitlements is shown in Note 6.

(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 2016–17 and 2017–18 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 or Territory receives hospital treatment in another State or Territory, the 'provider State or Territory' 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 or Territory' pays its share either through the Funding Pool (see Note 3 and Note 5) or directly to the provider State or Territory.

(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:

	2018 \$ '000	2017 \$ '000
Commonwealth Activity-Based Funding	1,854,767	1,777,645
Western Australia Activity-Based Funding	1,920,468	2,220,019
TOTAL	3,775,235	3,997,665

3 Cross-border Receipts

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

States and Territories	2018 \$ '000	2017 \$ '000
CROSS-BORDER RECEIPTS		
Australian Capital Territory	-	-
New South Wales	-	-
Victoria	-	-
Queensland	-	-
South Australia	-	-
Tasmania	-	-
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	2018 \$ '000	2017 \$ '000
Child and Adolescent Health Service	232,575	283,723
East Metropolitan Health Service	829,507	805,338
North Metropolitan Health Service	1,110,809	1,148,016
Notional LHN – Royal Street	91,025	101,328
South Metropolitan Health Service	960,000	1,034,214
WA Country Health Service	551,319	625,046
TOTAL	3,775,235	3,997,665

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

5 Cross-border Payments

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

States and Territories	2018 \$ '000	2017 \$ '000
CROSS-BORDER PAYMENTS		
Australian Capital Territory	-	-
New South Wales	-	-
Victoria	-	-
Queensland	-	-
South Australia	-	-
Tasmania	-	-
Northern Territory	-	-
TOTAL	-	-

Where no cross-border payments were 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:

	2018 \$ '000	2017 \$ '000
Total Activity-Based Funding receipts from the Commonwealth	1,854,767	1,777,645
Total Activity-Based Funding receipts from Western Australia	1,920,468	2,220,019
Cross-border receipts	-	-
Less: Activity-Based Funding payments to Local Hospital Networks	(3,775,235)	(3,997,665)
RECEIPTS IN EXCESS OF PAYMENTS	-	-

Total Activity-Based Funding receipts from the Commonwealth includes \$52,694,923 in relation to the Commonwealth Treasurer's Determination for 2015-16 and six months reconciliation for 2016-17.

End of Audited Special Purpose Financial Statement.

582,364

weighted public
hospital services
measured in NWAU

\$3.2 B
total funding

MADE UP OF



\$1.3 B
Commonwealth funding

\$1.9 B
State funding



SA



SA

Funding and Payments

National Health Reform Disclosures for the Year Ended 30 June 2018

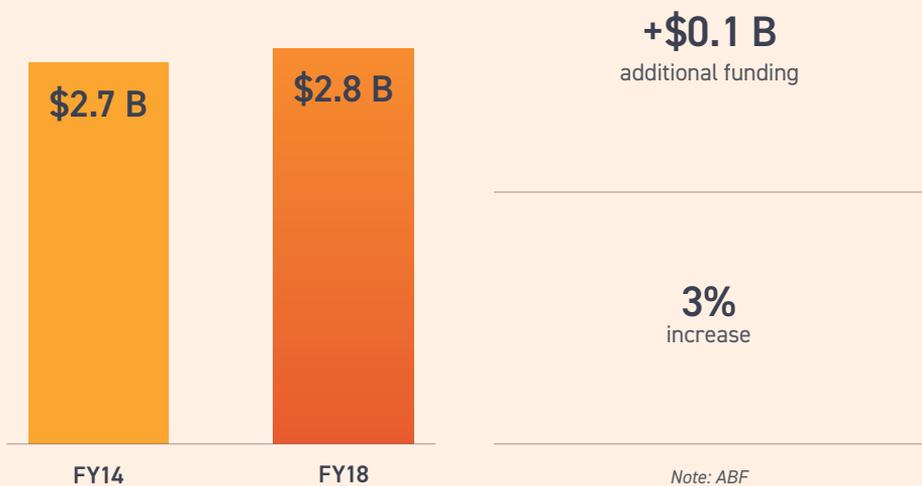
Issued by the Administrator of the National Health Funding Pool under section 241(2) of the *Commonwealth National Health Reform Act 2011* and section 22(2) of the *South Australian National Health Funding Pool Administration (South Australia) Act 2012*.

South Australia

Growth in Public Hospital Funding since 2013–14



Growth in Activity Based Funding since 2013–14



Section 241(2) of the NHR 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 NHR 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.

NHR funding and payments shown in the following tables exclude GST where applicable.

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

The amounts paid into each State Pool Account by the Commonwealth and the basis on which the Payments were made – Section 241(2)(B)

Component	Amount paid by Commonwealth into SA State Pool Account (\$'000)	
	2017-18	2016-17
Activity-Based Funding	1,146,493	1,064,840
Block funding	175,261	175,105
Public Health funding	27,068	25,786
SA TOTAL	1,348,822	1,265,731

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 – Section 241(2)(A)

Component	Amount paid by South Australia (\$'000)	
	2017-18	2016-17
State Pool Account – Activity-Based Funding	1,633,000	2,006,164
State Managed Fund – Block funding	248,415	205,832
SA TOTAL	1,881,415	2,211,996

The number of Public Hospital Services Funded for each Local Hospital Network in accordance with the system of Activity-Based Funding – Section 241(2)(E)

Local Hospital Network	Number of ABF public hospital services funded (NWAU)	
	2017-18	2016-17
Central Office Services	9,979	10,758
Central Adelaide Local Health Network	203,373	203,209
Country Health SA Local Health Network	68,218	67,852
Northern Adelaide Local Health Network	93,822	93,675
Southern Adelaide Local Health Network	153,487	153,510
Women's and Children's Health Network	53,485	53,471
SA TOTAL	582,364	582,476

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

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

Funding adjustments as a result of the reconciliation to actual public hospital services (NWAU) for 2015-16 would normally form part of the 2016-17 Commonwealth payments.

The previous Administrator sought information about the final reconciliation for the 2015-16 Commonwealth NHR contribution. This information was not available before his term expired. Without time for consultation and no Administrator in place during the last quarter of 2017-18, advice on the final reconciliation for 2015-16 could not be provided to the Commonwealth Treasurer during the last quarter of 2017-18.

This meant that the 2016-17 annual and 2017-18 mid-year reconciliations were not finalised in 2017-18. Completion of these activities has subsequently occurred under the new Administrator in 2018-19.

The 2017-18 Commonwealth payments also do not incorporate funding adjustments as a result of the 2016-17 annual reconciliation.

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

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

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

However, in 2016–17 and 2017–18 South Australia did not report any 'other public hospital services and functions funded' from their Pool account or State Managed Fund.

The amounts paid from each State Pool Account to Local Hospital Networks, a State Managed Fund or Other Organisations or Funds and the basis on which the Payments were made – Section 241(2)(C)

Recipient	Amount paid from SA State Pool Account (\$'000)	
	2017-18	2016-17
Central Office Services	50,354	55,393
Central Adelaide Local Health Network	1,027,635	1,046,325
Country Health SA Local Health Network	349,511	350,578
Northern Adelaide Local Health Network	473,426	482,333
Southern Adelaide Local Health Network	767,026	789,214
Women's and Children's Health Network	270,657	275,324
State Managed Fund	175,261	175,105
Other organisations or funds	27,068	31,450
SA TOTAL	3,140,938	3,205,723

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 – Section 241(2)(D)

Recipient	Amount paid from SA State Managed Fund (\$'000)	
	2017-18	2016-17
Central Adelaide Local Health Network	74,223	81,760
Country Health SA Local Health Network	246,349	206,222
Northern Adelaide Local Health Network	40,134	40,057
Southern Adelaide Local Health Network	54,504	42,586
Women's and Children's Health Network	8,466	10,313
Other organisations or funds	-	-
SA TOTAL	423,676	380,938

The basis used to determine NHR payments to LHNs in South Australia for 2017–18 (at June 2018) was advised by the SA 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.

**National Health Funding Pool
South Australia State Pool Account
Special Purpose Financial Statement
for the Year Ended 30 June 2018**

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*.



SA

Financial
Statement

INDEPENDENT AUDITOR'S REPORT

Government of South Australia
Auditor-General's Department

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Adelaide SA 5000
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Victoria Square
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audgensa@audit.sa.gov.au
www.audit.sa.gov.au

**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 2018. The financial statement comprises:

- a Statement of Receipts and Payments for the year ended 30 June 2018
- 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial 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
24 September 2018



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 2018 is based on properly maintained financial records and gives a true and fair view of the matters required by the South Australian *National Health Funding Pool Administration (South Australia) Act 2012*, the Commonwealth *National Health Reform Act 2011* and the National Health Reform Agreement 2011.

Michael Lambert
Administrator
National Health Funding Pool

11 September 2018

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South Australia State Pool Account
Statement of receipts and payments
for the year ended 30 June 2018

	Notes	2018 \$ '000	2017 \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth			
Activity-Based Funding	2, 6	1,146,493	1,064,840
Block funding		175,261	175,105
Public health funding		27,068	25,786
From South Australia			
Activity-Based Funding	2, 6	1,633,000	2,000,500
Cross-border contribution	5	-	5,664
From other States or Territories			
Cross-border receipts	3	-	9,826
From Reserve Bank of Australia			
Interest receipts		2,432	3,577
TOTAL RECEIPTS		2,984,255	3,285,298
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity-Based Funding	4, 6	2,938,609	2,999,168
To South Australia State Managed Fund			
Block funding		175,261	175,105
Cross-border transfer		-	-
To Department for Health and Wellbeing			
Public health funding		27,068	25,786
Interest payments		-	-
Cross-border transfer		-	-
To other States or Territories			
Cross-border payments	5	-	5,664
TOTAL PAYMENTS		3,140,938	3,205,723
NET RECEIPTS FOR THE YEAR		(156,683)	79,575
OPENING CASH BALANCE		199,743	120,168
CLOSING CASH BALANCE		43,060	199,743

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 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 and his contract concluded on 31 March 2018. The office of the Administrator was vacant from this date until 17 July 2018 upon which Mr Michael Lambert was appointed as the new Administrator.

(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 27 July 2018.

(C) Comparative Figures

Prior year comparative information has been disclosed. The results for 2016–17 are for the year ended 30 June 2017 and the results for 2017–18 are for the year ending 30 June 2018.

(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 2016–17 and 2017–18 the Commonwealth, States and Territories 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.

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

In accordance with the functions of the Administrator under paragraph 238(1)(a) of the *National Health Reform Act 2011*, the Administrator calculated and advised the amounts required to be paid by the Commonwealth into each State Pool Account of the National Health Funding Pool under the National Health Reform Agreement.

In accordance with subsection 226(1) of the *National Health Reform Act 2011* the Commonwealth Minister for Health issued a direction to the IHPA in relation to a number of changes to the classification, counting and scope of non-admitted activity in 2014–15 and 2015–16.

In response to the Commonwealth Minister for Health's direction, the IHPA published a statement that included matters relevant to the amounts required to be paid to States and Territories in accordance with the National Health Reform Agreement.

Having regard to the Administrator's advice and the IHPA statement on matters relevant to the amounts required to be paid to the States and Territories under the National Health Reform Agreement, in April 2018 the Commonwealth Treasurer issued a Determination of 2015–16 National Health Reform payments. The effect of this on the South Australia funding entitlements is shown in Note 6.

(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 2016–17 and 2017–18 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 or Territory receives hospital treatment in another State or Territory, the 'provider State or Territory' 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 or Territory' pays its share either through the Funding Pool (see Note 3 and Note 5) or directly to the provider State or Territory.

(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:

	2018 \$ '000	2017 \$ '000
Commonwealth Activity-Based Funding	1,146,493	1,064,840
South Australia Activity-Based Funding	1,633,000	2,000,500
TOTAL	2,779,493	3,065,340

3 Cross-border Receipts

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

States and Territories	2018 \$ '000	2017 \$ '000
CROSS-BORDER RECEIPTS		
Australian Capital Territory	-	-
New South Wales	-	9,826
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Northern Territory	-	-
TOTAL	-	9,826

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	2018 \$ '000	2017 \$ '000
Central Adelaide Local Health Network	1,027,635	1,046,325
Central Office Services	50,354	55,393
Country Health SA Local Health Network	349,511	350,578
Northern Adelaide Local Health Network	473,426	482,334
Southern Adelaide Local Health Network	767,026	789,214
Women's and Children's Health Network	270,657	275,324
TOTAL	2,938,609	2,999,168

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

5 Cross-border Payments

Total cross-border payments made out of the South Australia State Pool Account in respect of other States and Territories:

States and Territories	2018 \$ '000	2017 \$ '000
CROSS-BORDER PAYMENTS		
Australian Capital Territory	-	-
New South Wales	-	5,664
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Northern Territory	-	-
TOTAL	-	5,664

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

6 Activity-Based Funding Receipts and Payments

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

	2018 \$ '000	2017 \$ '000
Total Activity-Based Funding receipts from the Commonwealth	1,146,493	1,064,840
Total Activity-Based Funding receipts from South Australia	1,633,000	2,000,500
Cross-border receipts	-	9,826
Less: Activity-Based Funding payments to Local Hospital Networks	(2,938,609)	(2,999,168)
RECEIPTS IN EXCESS OF PAYMENTS/ PAYMENTS IN EXCESS OF RECEIPTS	(159,115)	75,998

Total Activity-Based Funding receipts from the Commonwealth includes \$42,588,727 in relation to the Commonwealth Treasurer's Determination for 2015-16 and six months reconciliation for 2016-17.

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.

End of Audited Special Purpose Financial Statement.

146,000

weighted public
hospital services
measured in NWAU

\$1.2 B
total funding

MADE UP OF



\$0.4 B
Commonwealth funding

\$0.8 B
State funding



TAS



TAS

Funding and Payments

National Health Reform Disclosures for the Year Ended 30 June 2018

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*.

Tasmania

Growth in Public Hospital Funding since 2013-14



Growth in Activity Based Funding since 2013-14



Section 241(2) of the NHR 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 NHR 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.

NHR funding and payments shown in the following tables exclude GST where applicable.

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

The amounts paid into each State Pool Account by the Commonwealth and the basis on which the Payments were made – Section 241(2)(B)

Component	Amount paid by Commonwealth into TAS State Pool Account (\$'000)	
	2017-18	2016-17
Activity-Based Funding	353,084	320,502
Block funding	62,819	59,309
Public Health funding	8,172	7,867
TAS TOTAL	424,075	387,678

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 – Section 241(2)(A)

Component	Amount paid by Tasmania (\$'000)	
	2017-18	2016-17
State Pool Account – Activity-Based Funding	367,226	385,428
State Managed Fund – Block funding	422,422	312,024
TAS TOTAL	789,648	697,451

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

Local Hospital Network	Number of ABF public hospital services funded (NWAU)	
	2017-18	2016-17
Tasmanian Health Services	146,000	141,357
TAS TOTAL	146,000	141,357

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

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

Funding adjustments as a result of the reconciliation to actual public hospital services (NWAU) for 2015-16 would normally form part of the 2016-17 Commonwealth payments.

The previous Administrator sought information about the final reconciliation for the 2015-16 Commonwealth NHR contribution. This information was not available before his term expired. Without time for consultation and no Administrator in place during the last quarter of 2017-18, advice on the final reconciliation for 2015-16 could not be provided to the Commonwealth Treasurer during the last quarter of 2017-18.

This meant that the 2016-17 annual and 2017-18 mid-year reconciliations were not finalised in 2017-18. Completion of these activities has subsequently occurred under the new Administrator in 2018-19.

The 2017-18 Commonwealth payments also do not incorporate funding adjustments as a result of the 2016-17 annual reconciliation.

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

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

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

However, in 2016-17 and 2017-18 Tasmania did not report any 'other public hospital services and functions funded' from their Pool account or State Managed Fund.

The amounts paid from each State Pool Account to Local Hospital Networks, a State Managed Fund or Other Organisations or Funds and the basis on which the Payments were made – Section 241(2)(C)

Recipient	Amount paid from TAS State Pool Account (\$'000)	
	2017-18	2016-17
Tasmanian Health Service	720,309	705,930
State Managed Fund	62,819	59,309
Other organisations or funds	8,182	7,867
TAS TOTAL	791,310	773,105

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 – Section 241(2)(D)

Recipient	Amount paid from TAS State Managed Fund (\$'000)	
	2017-18	2016-17
Tasmanian Health Service	485,241	371,333
Other organisations or funds	-	-
TAS TOTAL	485,241	371,333

The basis used to determine NHR payments to LHNs in Tasmania for 2017–18 was advised by the Tasmanian Department of Health and Human Services to be as follows:

The 2017–18 Tasmanian Funding and Purchasing Model as outlined in the annual service agreement between the Minister for Health and the Tasmanian Health Service (THS), moved from funding activity using a Tasmanian Inlier Weighted Unit and a Tasmanian Price, as was the case in 2016–17, to using the Independent Hospital Pricing Authority (IHPA) national Activity-Based Funding (ABF) model, with some modifications to reflect the local Tasmanian environment. The national ABF model was used to develop an activity profile for the different ABF work streams and for block funded services for the Tasmanian Health Service (THS).

All ABF activity was priced at the National Efficient Price (NEP) of \$4,910, using the National Weighted Activity Unit (NWAU) version for 2017–18 (NWAU17).

There are three public hospitals funded through the Tasmanian ABF model:

- 1. The Royal Hobart Hospital (RHH);*
- 2. The Launceston General Hospital (LGH); and*
- 3. The North West Regional Hospital (NWRH).*

Where applicable, the National Efficient Cost (NEC17) was used, with some modifications in relation to small regional and remote hospitals, stand-alone hospitals providing specialist Mental Health services (admitted and non-admitted), and teaching, training and research.

To recognise different internal operating structures, local cost profiles, and activities undertaken that are not within the scope of the National Health Reform Agreement, the Tasmanian Funding and Purchasing Model provides a series of block grants. In 2017–18 these operating or supplementation grants included block payments for Mersey Community Hospital, posthumous organ procurement, hospital boarders, the state component of interstate charging and blood products.

**National Health Funding Pool
Tasmania State Pool Account
Special Purpose Financial Statement
for the Year Ended 30 June 2018**

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*.



TAS

Financial
Statement



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 special purpose 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 2018, 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 presents fairly, in all material respects, the receipts and payments of the Tasmania State Pool Account of the National Health Funding Pool for the year ended 30 June 2018 in accordance with the *National Health Funding Administration Act 2012* (Tasmania) and section 242 of the *National Health Reform Act 2011* (Commonwealth) and the National Health Reform Agreement 2011.

Basis for Opinion

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Statement* section of my report. I am independent of the Tasmania State Pool Account 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.

...1 of 3

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
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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 the Tasmania State Pool Account of the National Health Funding Pool to meet the financial reporting requirements of the section 19 of the *National Health Funding Administration Act 2012* (Tasmania) and section 242 of the *National Health Reform Act 2011* (Commonwealth) and National Reform Agreement 2011. 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 of the National Health Funding Pool 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) and the National Health Reform Agreement 2011. 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.

In preparing the Statement, the Administrator is responsible for assessing the ability of the Tasmania State Pool 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 Tasmania State Pool of the National Health Funding Pool or to cease operations, or has no realistic alternative but to do so.

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.

...2 of 3

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- 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.
- 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 Tasmania State Pool of the National Health Funding Pool to continue as a going concern. If I conclude a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the 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 Tasmania State Pool of the National Health Funding Pool to cease to continue as a going concern.
- 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.

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

19 September 2018
Hobart

...3 of 3

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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 2018 is based on properly maintained financial records and gives a true and fair view of the matters required by the Tasmanian *National Health Funding Administration Act 2012*, the Commonwealth *National Health Reform Act 2011*, and the National Health Reform Agreement 2011.



Michael Lambert
Administrator
National Health Funding Pool

18 September 2018

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Tasmania State Pool Account
Statement of receipts and payments
for the year ended 30 June 2018

	Notes	2018 \$ '000	2017 \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth			
Activity-Based Funding	2, 6	353,084	320,502
Block funding		62,819	59,309
Public health funding		8,172	7,867
From Tasmania			
Activity-Based Funding	2, 6	367,226	385,428
Cross-border contribution	5	-	-
From other States or Territories			
Cross-border receipts	3	-	-
From Reserve Bank of Australia			
Interest receipts		10	-
TOTAL RECEIPTS		791,310	773,106
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity-Based Funding	4, 6	720,309	705,930
To Tasmania State Managed Fund			
Block funding		62,820	59,309
Cross-border transfer		-	-
To Department of Health and Human Services			
Public health funding		8,172	7,867
Interest payments		10	-
Cross-border transfer		-	-
To other States or Territories			
Cross-border payments	5	-	-
TOTAL PAYMENTS		791,310	773,106
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 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 and his contract concluded on 31 March 2018. The office of the Administrator was vacant from this date until 17 July 2018 upon which Mr Michael Lambert was appointed as the new Administrator.

(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 27 July 2018.

(C) Comparative Figures

Prior year comparative information has been disclosed. The results for 2016–17 are for the year ending 30 June 2017 and the results for 2017–18 are for the year ending 30 June 2018.

(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 2016–17 and 2017–18 the Commonwealth, States and Territories 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.

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

In accordance with the functions of the Administrator under paragraph 238(1)(a) of the *National Health Reform Act 2011*, the Administrator calculated and advised the amounts required to be paid by the Commonwealth into each State Pool Account of the National Health Funding Pool under the National Health Reform Agreement.

In accordance with subsection 226(1) of the *National Health Reform Act 2011* the Commonwealth Minister for Health issued a direction to the IHPA in relation to a number of changes to the classification, counting and scope of non-admitted activity in 2014-15 and 2015-16.

In response to the Commonwealth Minister for Health's direction, the IHPA published a statement that included matters relevant to the amounts required to be paid to States and Territories in accordance with the National Health Reform Agreement.

Having regard to the Administrator's advice and the IHPA statement on matters relevant to the amounts required to be paid to the States and Territories under the National Health Reform Agreement, in April 2018 the Commonwealth Treasurer issued a Determination of 2015-16 National Health Reform payments. The effect of this on the Tasmania funding entitlements is shown in Note 6.

(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 2016–17 and 2017–18 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 or Territory receives hospital treatment in another State or Territory, the 'provider State or Territory' 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 or Territory' pays its share either through the Funding Pool (see Note 3 and Note 5) or directly to the provider State or Territory.

(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:

	2018 \$ '000	2017 \$ '000
Commonwealth Activity-Based Funding	353,084	320,502
Tasmania Activity-Based Funding	367,226	385,428
TOTAL	720,309	705,930

3 Cross-border Receipts

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

States and Territories	2018 \$ '000	2017 \$ '000
CROSS-BORDER RECEIPTS		
Australian Capital Territory	-	-
New South Wales	-	-
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
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	2018 \$ '000	2017 \$ '000
Tasmanian Health Service	720,309	705,930
TOTAL	720,309	705,930

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

5 Cross-border Payments

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

States and Territories	2018 \$ '000	2017 \$ '000
CROSS-BORDER PAYMENTS		
Australian Capital Territory	-	-
New South Wales	-	-
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Northern Territory	-	-
TOTAL	-	-

Where no cross-border payments were 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:

	2018 \$ '000	2017 \$ '000
Total Activity-Based Funding receipts from the Commonwealth	353,084	320,502
Total Activity-Based Funding receipts from Tasmania	367,226	385,428
Cross-border receipts	-	-
Less: Activity-Based Funding payments to Local Hospital Networks	(720,309)	(705,930)
RECEIPTS IN EXCESS OF PAYMENTS	-	-

Total Activity-Based Funding receipts from the Commonwealth includes \$12,781,391 in relation to the Commonwealth Treasurer's Determination for 2015-16 and six months reconciliation for 2016-17.

End of Audited Special Purpose Financial Statement.

153,649
weighted public
hospital services
measured in NWAU

\$1.0 B
total funding

MADE UP OF

\$0.4 B
Commonwealth funding

\$0.6 B
Territory funding

ACT

ACT

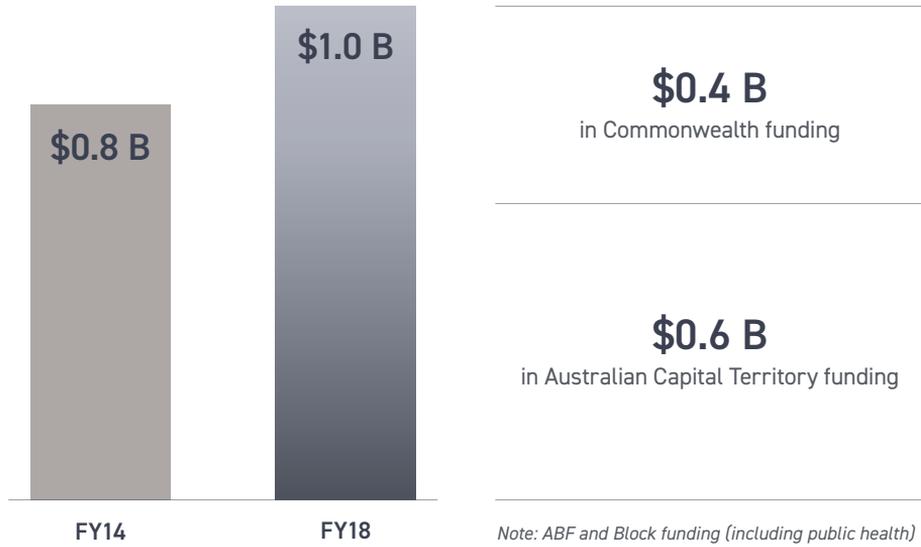
Funding and Payments

National Health Reform Disclosures for the Year Ended 30 June 2018

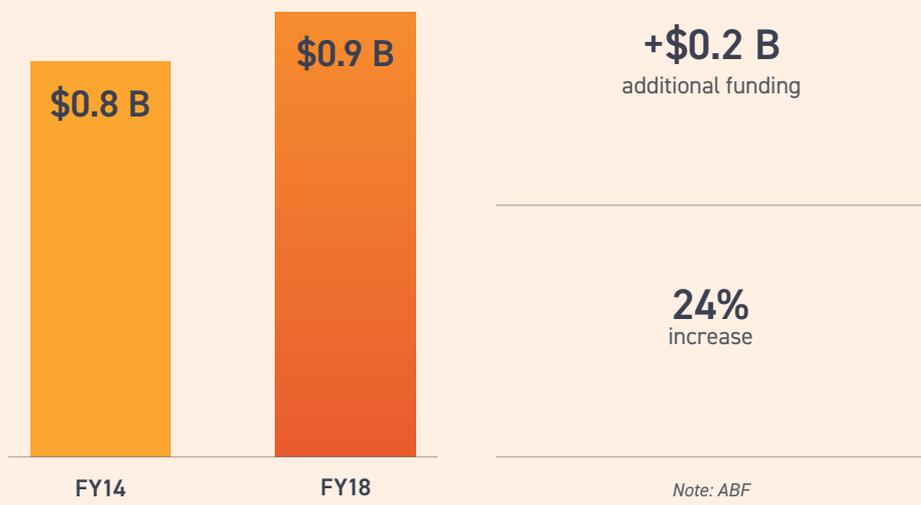
Issued by the Administrator of the National Health Funding Pool under section 241(2) of the *Commonwealth National Health Reform Act 2011* and section 25(2) of the *Australian Capital Territory Health (National Health Funding Pool and Administration) Act 2013*.

Australian Capital Territory

Growth in Public Hospital Funding since 2013-14



Growth in Activity Based Funding since 2013-14



Section 241(2) of the NHR 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 NHR 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.

NHR funding and payments shown in the following tables exclude GST where applicable.

The information disclosed in the following tables is provided by Australian Capital Territory (ACT) and forms part of the Administrator's monthly reporting requirements, located at publichospitalfunding.gov.au/reports. For further information on the types of NHR funding, refer to the 'Overview' chapter of this Annual Report.

The amounts paid into each State Pool Account by the Commonwealth and the basis on which the Payments were made – Section 241(2)(B)

Component	Amount paid by Commonwealth into ACT State Pool Account (\$'000)	
	2017-18	2016-17
Activity-Based Funding	353,445	311,867
Block funding	25,677	26,607
Public Health funding	6,459	6,022
ACT TOTAL	385,581	344,496

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 – Section 241(2)(A)

Component	Amount paid by Australian Capital Territory (\$'000)	
	2017-18	2016-17
State Pool Account – Activity-Based Funding	583,900	593,359
State Managed Fund – Block funding	45,847	36,605
ACT TOTAL	629,747	629,964

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

Local Hospital Network	Number of ABF public hospital services funded (NWAU)	
	2017-18	2016-17
ACT Local Hospital Network Directorate	153,649	143,666
ACT TOTAL	153,649	143,666

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

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

Funding adjustments as a result of the reconciliation to actual public hospital services (NWAU) for 2015-16 would normally form part of the 2016-17 Commonwealth payments.

The previous Administrator sought information about the final reconciliation for the 2015-16 Commonwealth NHR contribution. This information was not available before his term expired. Without time for consultation and no Administrator in place during the last quarter of 2017-18, advice on the final reconciliation for 2015-16 could not be provided to the Commonwealth Treasurer during the last quarter of 2017-18.

This meant that the 2016-17 annual and 2017-18 mid-year reconciliations were not finalised in 2017-18. Completion of these activities has subsequently occurred under the new Administrator in 2018-19.

The 2017-18 Commonwealth payments also do not incorporate funding adjustments as a result of the 2016-17 annual reconciliation.

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

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

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

However, in 2016-17 and 2017-18 the Australian Capital Territory did not report any 'other public hospital services and functions funded' from their Pool account or State Managed Fund.

The amounts paid from each State Pool Account to Local Hospital Networks, a State Managed Fund or Other Organisations or Funds and the basis on which the Payments were made – Section 241(2)(C)

Recipient	Amount paid from ACT State Pool Account (\$'000)	
	2017-18	2016-17
ACT Local Hospital Network Directorate	1,013,545	979,626
State Managed Fund	25,677	26,607
Other organisations or funds	25,659	25,222
ACT TOTAL	1,064,881	1,031,455

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 – Section 241(2)(D)

Recipient	Amount paid from ACT State Managed Fund (\$'000)	
	2017-18	2016-17
ACT Local Hospital Network Directorate	71,524	63,212
Other organisations or funds	-	-
ACT TOTAL	71,524	63,212

The basis used to determine NHR payments to the Australian Capital Territory Local Hospital Network (LHN) for 2017–18 was advised by the ACT Health Directorate to be as follows:

The annual funding allocation for the ACT in 2017–18 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 2017–18 payments made by ACT Government to the ACT Local Hospital Network was net of third party revenues and was paid on a fortnightly basis in line with estimated ACT Local Hospital Network fortnightly activity.

**National Health Funding Pool
Australian Capital Territory State Pool
Account Special Purpose Financial
Statement for the Year Ending 30 June 2018**

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*.



ACT

Financial
Statement

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 2018. 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*, the *National Health Reform Act 2011* and the *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 your attention to Note 1(B): 'Basis of preparation' of the financial statement, which describes the purpose of the financial statement and the basis of accounting used to prepare the financial statement.

The Administrator has determined that a special purpose framework using the cash basis of accounting is appropriate to meet the financial reporting requirements under the *Health (National Health Funding Pool and Administration) Act 2013*, 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.

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*, the *National Health Reform Act 2011* and the *National Health Reform Agreement 2011*; and

- determining the internal controls necessary for the preparation and fair presentation of the financial statement so that it is free from material misstatements, whether due to error or fraud.

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 is 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.



Ajay Sharma
Acting Auditor-General
22 August 2018



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 2018 is based on properly maintained financial records and gives a true and fair view of the matters required by the Australian Capital Territory *Health (National Health Funding Pool and Administration) Act 2013*, the Commonwealth *National Health Reform Act 2011* and the National Health Reform Agreement 2011.

Michael Lambert
Administrator
National Health Funding Pool

17 August 2018

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5 Cross-Border Payments	249
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Australian Capital Territory State Pool Account
Statement of receipts and payments
for the year ended 30 June 2018

	Notes	2018 \$ '000	2017 \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth			
Activity-Based Funding	2, 6	353,445	311,867
Block funding		25,677	26,607
Public health funding		6,459	6,022
From Australian Capital Territory			
Activity-Based Funding	2, 6	564,700	574,159
Cross-border contribution	5	19,200	19,200
From other States or Territories			
Cross-border receipts	3	95,400	93,600
From Reserve Bank of Australia			
Interest receipts		-	-
TOTAL RECEIPTS		1,064,881	1,031,455
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity-Based Funding	4, 6	1,013,545	979,626
To Australian Capital Territory State Managed Fund			
Block funding		25,677	26,607
Cross-border transfer		-	-
To Australian Capital Territory Health			
Public health funding		6,459	6,022
Interest payments		-	-
Cross-border transfer		-	-
To other States or Territories			
Cross-border payments	5	19,200	19,200
TOTAL PAYMENTS		1,064,881	1,031,455
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 and his contract concluded on 31 March 2018. The office of the Administrator was vacant from this date until 17 July 2018 upon which Mr Michael Lambert was appointed as the new Administrator.

(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 27 July 2018.

(C) Comparative Figures

Prior year comparative information has been disclosed. The results for 2016–17 are for the year ending 30 June 2017 and the results for 2017–18 are for the year ending 30 June 2018.

(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 2016–17 and 2017–18 the Commonwealth, States and Territories 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.

Australian Capital Territory State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2018

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

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

In accordance with the functions of the Administrator under paragraph 238(1)(a) of the *National Health Reform Act 2011*, the Administrator calculated and advised the amounts required to be paid by the Commonwealth into each State Pool Account of the National Health Funding Pool under the National Health Reform Agreement.

In accordance with subsection 226(1) of the *National Health Reform Act 2011* the Commonwealth Minister for Health issued a direction to the IHPA in relation to a number of changes to the classification, counting and scope of non-admitted activity in 2014-15 and 2015-16.

In response to the Commonwealth Minister for Health's direction, the IHPA published a statement that included matters relevant to the amounts required to be paid to States and Territories in accordance with the National Health Reform Agreement.

Having regard to the Administrator's advice and the IHPA statement on matters relevant to the amounts required to be paid to the States and Territories under the National Health Reform Agreement, in April 2018 the Commonwealth Treasurer issued a Determination of 2015-16 National Health Reform payments. The effect of this on the Australian Capital Territory funding entitlements is shown in Note 6.

(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 2016–17 and 2017–18 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 or Territory receives hospital treatment in another State or Territory, the 'provider States or Territories' 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 or Territory' pays its share either through the Funding Pool (see Note 3 and Note 5) or directly to the provider State or Territory.

(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:

	2018 \$ '000	2017 \$ '000
Commonwealth Activity-Based Funding	353,445	311,867
Australian Capital Territory Activity-Based Funding	564,700	574,159
TOTAL	918,145	886,026

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	2018 \$ '000	2017 \$ '000
CROSS-BORDER RECEIPTS		
New South Wales	95,400	93,600
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Northern Territory	-	-
TOTAL	95,400	93,600

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	2018 \$ '000	2017 \$ '000
ACT Local Hospital Network	1,013,545	979,626
TOTAL	1,013,545	979,626

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

5 Cross-border Payments

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

States and Territories	2018 \$ '000	2017 \$ '000
CROSS-BORDER PAYMENTS		
New South Wales	19,200	19,200
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
Northern Territory	-	-
TOTAL	19,200	19,200

Where no cross-border payments were 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:

	2018 \$ '000	2017 \$ '000
Total Activity-Based Funding receipts from the Commonwealth	353,445	311,867
Total Activity-Based Funding receipts from Australian Capital Territory	564,700	574,159
Cross-border receipts	95,400	93,600
Less: Activity-Based Funding payments to Local Hospital Networks	(1,013,545)	(979,626)
RECEIPTS IN EXCESS OF PAYMENTS	-	-

Total Activity-Based Funding receipts from the Commonwealth includes \$22,648,083 in relation to the Commonwealth Treasurer's Determination for 2015-16 and six months reconciliation for 2016-17.

End of Audited Special Purpose Financial Statement.

152,848
weighted public
hospital services
measured in NWAU

\$1.2 B
total funding

MADE UP OF

\$0.3 B
Commonwealth funding

\$0.9 B
Territory funding

NT



NT

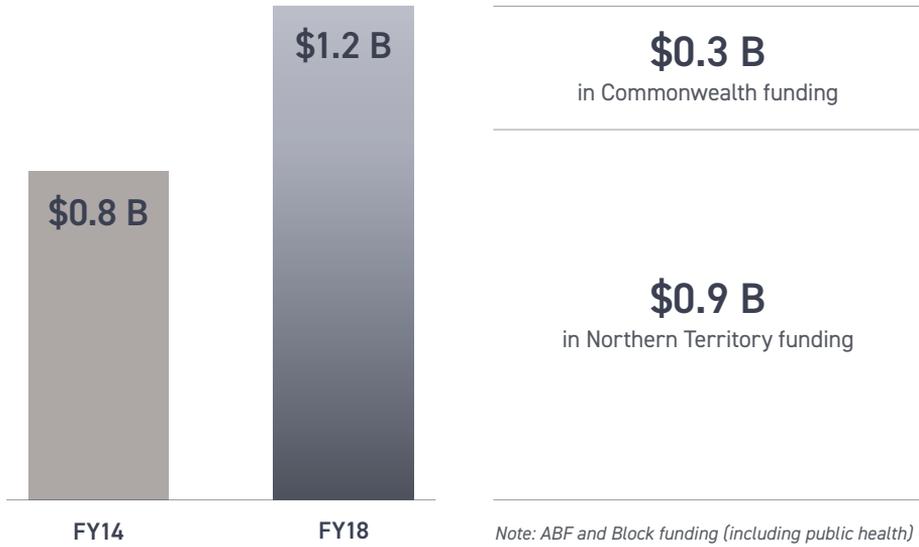
Funding and Payments

National Health Reform Disclosures for the Year Ended 30 June 2018

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*.

Northern Territory

Growth in Public Hospital Funding since 2013-14



Growth in Activity Based Funding since 2013-14



Section 241(2) of the NHR 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 NHR 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.

NHR funding and payments shown in the following tables exclude GST where applicable.

The information disclosed in the following tables is provided by Northern Territory (NT) and forms part of the Administrator's monthly reporting requirements, located at publichospitalfunding.gov.au/reports. For further information on the types of NHR funding, refer to the 'Overview' chapter of this Annual Report.

The amounts paid into each State Pool Account by the Commonwealth and the basis on which the Payments were made – Section 241(2)(B)

Component	Amount paid by Commonwealth into NT State Pool Account (\$'000)	
	2017-18	2016-17
Activity-Based Funding	247,303	225,996
Block funding	20,123	16,232
Public Health funding	3,848	3,664
NT TOTAL	271,274	245,893

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 – Section 241(2)(A)

Component	Amount paid by Northern Territory (\$'000)	
	2017-18	2016-17
State Pool Account – Activity-Based Funding	294,319	294,319
State Managed Fund – Block funding	645,909	559,025
NT TOTAL	940,228	853,344

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

Local Hospital Network	Number of ABF public hospital services funded (NWAU)	
	2017-18	2016-17
Central Australian Hospital Network	51,377	49,640
Top End Hospital Network	101,471	98,039
NT TOTAL	152,848	147,679

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

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

Funding adjustments as a result of the reconciliation to actual public hospital services (NWAU) for 2015-16 would normally form part of the 2016-17 Commonwealth payments.

The previous Administrator sought information about the final reconciliation for the 2015-16 Commonwealth NHR contribution. This information was not available before his term expired. Without time for consultation and no Administrator in place during the last quarter of 2017-18, advice on the final reconciliation for 2015-16 could not be provided to the Commonwealth Treasurer during the last quarter of 2017-18.

This meant that the 2016-17 annual and 2017-18 mid-year reconciliations were not finalised in 2017-18. Completion of these activities has subsequently occurred under the new Administrator in 2018-19.

The 2017-18 Commonwealth payments also do not incorporate funding adjustments as a result of the 2016-17 annual reconciliation.

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

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

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

However, in 2016-17 and 2017-18 the Northern Territory did not report any 'other public hospital services and functions funded' from their Pool account or State Managed Fund.

The amounts paid from each State Pool Account to Local Hospital Networks, a State Managed Fund or Other Organisations or Funds and the basis on which the Payments were made – Section 241(2)(C)

Recipient	Amount paid from NT State Pool Account (\$'000)	
	2017-18	2016-17
Central Australian Hospital Network	191,993	191,116
Top End Hospital Network	349,629	329,200
State Managed Fund	20,123	16,232
Other organisations or funds	3,848	3,664
NT TOTAL	565,593	540,212

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 – Section 241(2)(D)

Recipient	Amount paid from NT State Managed Fund (\$'000)	
	2017-18	2016-17
Central Australian Hospital Network	160,191	141,560
Top End Hospital Network	505,841	433,697
Other organisations or funds	-	-
NT TOTAL	666,032	575,257

The basis used to determine NHR payments to LHNs in the Northern Territory for 2017-18 was advised by the NT 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.

**National Health Funding Pool
Northern Territory State Pool Account
Special Purpose Financial Statement for
the Year Ended 30 June 2018**

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*.



NT

Financial
Statement



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 2018, 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 2018 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

13 September 2018



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 2018 is based on properly maintained financial records and gives a true and fair view of the matters required by the Northern Territory *National Health Funding Pool and Administration (National Uniform Legislation) Act 2012*, the Commonwealth *National Health Reform Act 2011* and the National Health Reform Agreement 2011.

Michael Lambert
Administrator
National Health Funding Pool

11 September 2018

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Northern Territory State Pool Account
Statement of receipts and payments
for the year ended 30 June 2018

	Notes	2018 \$ '000	2017 \$ '000
RECEIPTS INTO THE STATE POOL ACCOUNT			
From Commonwealth			
Activity-Based Funding	2, 6	247,303	225,996
Block funding		20,123	16,232
Public health funding		3,848	3,664
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	12
TOTAL RECEIPTS		565,605	540,223
PAYMENTS OUT OF THE STATE POOL ACCOUNT			
To Local Hospital Networks			
Activity-Based Funding	4, 6	541,622	520,315
To Northern Territory State Managed Fund			
Block funding		20,123	16,232
Cross-border transfer		-	-
To Department of Health NT			
Public health funding		3,848	3,664
Interest payments		-	-
Cross-border transfer		-	-
To other States or Territories			
Cross-border payments	5	-	-
TOTAL PAYMENTS		565,593	540,211
NET RECEIPTS FOR THE YEAR		12	12
OPENING CASH BALANCE		63	51
CLOSING CASH BALANCE		75	63

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 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 and his contract concluded on 31 March 2018. The office of the Administrator was vacant from this date until 17 July 2018 upon which Mr Michael Lambert was appointed as the new Administrator.

(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 27 July 2018.

(C) Comparative Figures

Prior year comparative information has been disclosed. The results for 2016–17 are for the year ending 30 June 2017 and the results for 2017–18 are for the year ending 30 June 2018.

(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 2016–17 and 2017–18 the Commonwealth, States and Territories 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.

Northern Territory State Pool Account
Notes to and forming part of the special purpose financial statement
for the year ended 30 June 2018

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

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

In accordance with the functions of the Administrator under paragraph 238(1)(a) of the *National Health Reform Act 2011*, the Administrator calculated and advised the amounts required to be paid by the Commonwealth into each State Pool Account of the National Health Funding Pool under the National Health Reform Agreement.

In accordance with subsection 226(1) of the *National Health Reform Act 2011* the Commonwealth Minister for Health issued a direction to the IHPA in relation to a number of changes to the classification, counting and scope of non-admitted activity in 2014-15 and 2015-16.

In response to the Commonwealth Minister for Health's direction, the IHPA published a statement that included matters relevant to the amounts required to be paid to States and Territories in accordance with the National Health Reform Agreement.

Having regard to the Administrator's advice and the IHPA statement on matters relevant to the amounts required to be paid to the States and Territories under the National Health Reform Agreement, in April 2018 the Commonwealth Treasurer issued a Determination of 2015-16 National Health Reform payments. The effect of this on the Northern Territory funding entitlements is shown in Note 6.

(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 2016–17 and 2017–18 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 or Territory receives hospital treatment in another State or Territory, the 'provider State or Territory' 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 or Territory' pays its share either through the Funding Pool (see Note 3 and Note 5) or directly to the provider State or Territory.

(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:

	2018 \$ '000	2017 \$ '000
Commonwealth Activity-Based Funding	247,303	225,996
Northern Territory Activity-Based Funding	294,319	294,319
TOTAL	541,622	520,315

3 Cross-border Receipts

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

States and Territories	2018 \$ '000	2017 \$ '000
CROSS-BORDER RECEIPTS		
Australian Capital Territory	-	-
New South Wales	-	-
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
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	2018 \$ '000	2017 \$ '000
Central Australia Health Service	191,993	191,116
Top End Health Service	349,629	329,200
TOTAL	541,622	520,315

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 made out of the Northern Territory State Pool Account to other States and Territories:

States and Territories	2018 \$ '000	2017 \$ '000
CROSS-BORDER PAYMENTS		
Australian Capital Territory	-	-
New South Wales	-	-
Victoria	-	-
Queensland	-	-
Western Australia	-	-
South Australia	-	-
Tasmania	-	-
TOTAL	-	-

Where no cross-border payments were 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:

	2018 \$ '000	2017 \$ '000
Total Activity-Based Funding receipts from the Commonwealth	247,303	225,996
Total Activity-Based Funding receipts from Northern Territory	294,319	294,319
Cross-border receipts	-	-
Less: Activity-Based Funding payments to Local Hospital Networks	(541,622)	(520,315)
RECEIPTS IN EXCESS OF PAYMENTS	-	-

Total Activity-Based Funding receipts from the Commonwealth includes \$14,151,055 in relation to the Commonwealth Treasurer's Determination for 2015-16 and six months reconciliation for 2016-17.

End of Audited Special Purpose Financial Statement.



Endnotes

Appendix 1

The Administrator's monthly reports form the basis of the Funding and Payments reported in the Annual Report, under section 241(2) of the NHR 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).

State Reports	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 <i>GST exclusive</i>	Section 241(2)(D) — Paid from each SMF to LHNs or Other <i>GST exclusive</i>	Section 241(2)(E) — NWAU Funded
Table 1b — State (and Territory) Pool Account transactions YTD	For ABF State and Territory payments into SPA, minus payments made back to State and Territory (e.g. for interest)				
Table 2b — State (and Territory) Managed Fund transactions YTD	For Block funding				
Table 4b — NHR contributions by LHN YTD			For Activity-Based Funding	For Block funding	
Table 5 — Estimated monthly, YTD and annual NWAU by LHN					

Glossary

TERM	MEANING
Activity-Based Funding	Refers to a method for funding public hospital services provided to individual patients using national classifications, cost weights and nationally efficient prices developed by the IHPA. Funding is based on the actual number of services provided to patients and the efficient cost of delivering those services.
(the) Addendum	<p>The Addendum to the NHR 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 NHFB, is to administer the payment of public hospital funding according to the NHR Agreement, and to oversee payments into and out of the State (and Territory) Pool Account for each State and Territory, collectively known as the National Health Funding Pool (the Funding Pool).</p>
AHMAC	Australian Health Ministers' Advisory Council.
block funding	<p>A method of funding public hospital functions and services as a fixed amount based on population and previous funding.</p> <p>Under the NHR Agreement, block funding will be provided to States and Territories to support teaching and research undertaken in public hospitals and for some public hospital services where it is more appropriate, particularly smaller rural and regional hospitals.</p>
CEO	Chief Executive Officer.
CFO	Chief Finance Officer.
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'.

Continued.

TERM	MEANING
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 (and Territory) 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 and Territories of 6.5 per cent per annum and where the context so requires includes the operation of the Funding Cap as provided in the NHR Agreement.
National Health Funding Body (NHFB)	An independent statutory body established under Commonwealth legislation to assist the Administrator in carrying out his or her functions under Commonwealth, State and Territory legislation.
National Health Funding Pool (the 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 NHR Agreement.
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 NHR Agreement entered into by all States, Territories and the Commonwealth in August 2011.
National Health Reform Agreement (NHR Agreement)	The NHR 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 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.
(the) NHR Act	<i>The National Health Reform Act 2011.</i>
(the) NHR Agreement	See National Health Reform Agreement.

Continued.

TERM	MEANING
Payments System (the)	The Administrator's Payments System processes the NHR 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 or Territory 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 NHR 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 (and Territory) Pool Accounts of all States and Territories are collectively known as the National Health Funding Pool or the Pool.

Disclosure Index

Section	Description	Location – National Level	Location – State and Territory Level
241(2) The Annual Report must include the following information for the relevant financial year			
(a)	The amounts paid into each State Pool Account and State Managed Fund by the relevant State and the basis on which the payments were made	26	NSW – 57 VIC – 89 QLD – 125 WA – 153 SA – 179 TAS – 206 ACT – 234 NT – 258
(b)	The amounts paid into each State Pool Account by the Commonwealth and the basis on which the payments were made	27	
(c)	The amount paid from each State Pool Account to LHNs, a State Managed Fund or other organisations or funds and the basis on which the payments were made	28	
(d)	The amounts paid from each State Managed Fund to LHNs or other organisations or funds and the basis on which these payments were made	29	
(e)	The number of public hospital services funded for each LHN in accordance with the system of ABF	30	
(f)	The number of other public hospital services and functions funded from each State Pool Account or State Managed Fund	31	
214(3) The Annual Report is to be accompanied by			
(a)	An audited financial statement for each State Pool Account	N/A	NSW – 74 VIC – 108 QLD – 138 WA – 164 SA – 192 TAS – 218 ACT – 242 NT – 266
(b)	A financial statement that combines the audited financial statements for each State Pool Account	36-39	N/A

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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. NHR 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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