



National Health  
Funding Body

# Corporate Plan

2016-2020

## Contact Information

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

National Health Funding Body  
GPO Box 1252, Canberra City ACT 2601

Phone: 1300 930 522  
Email: [nhfb.enquiries@nhfb.gov.au](mailto:nhfb.enquiries@nhfb.gov.au)  
ABN: 15 337 761 242

© Commonwealth of Australia 2016

This work is copyright. You may download, display, print and reproduce the whole or part of this work in unaltered form for your own personal use or, if you are part of an organisation, for internal use within your organisation, but only if you or your organisation do not use the reproduction for any commercial purpose and retain this copyright notice and all disclaimer notices as part of that reproduction. Apart from rights to use as permitted by the *Copyright Act 1968* or allowed by this copyright notice, all other rights are reserved and you are not allowed to reproduce the whole or any part of this work in any way (electronic or otherwise) without first being given the specific written permission from the Chief Executive Officer of the National Health Funding Body to do so.

## Performance Highlights for 2015-16

**5,279 transactions** processed through the Administrator's National Health Payments System

Advice provided to the **Commonwealth Treasurer on \$16.9 Billion** of Commonwealth funding for block and activity based funding to Local Hospital Networks

**\$41.3 Billion** of Commonwealth, state and territory funding to Local Hospital Networks and other providers

**\$80.4 Billion** in funding and payment transactions processed via the National Health Funding Pool and state managed funds

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

Reconciliation of **\$328 million of block and activity based funding** undertaken for services provided in 2014-15

# Contents

<b>1</b>	<b>CEO'S FOREWORD</b> .....	<b>5</b>
<b>2</b>	<b>STATEMENT OF PREPARATION</b> .....	<b>6</b>
<b>3</b>	<b>AUSTRALIAN PUBLIC HOSPITAL SYSTEM FUNDING &amp; PAYMENTS FRAMEWORK</b> .....	<b>7</b>
<b>4</b>	<b>INTRODUCTION</b> .....	<b>8</b>
4.1	Our Purpose.....	8
4.2	Our Overarching Principles.....	9
4.3	Operating Environment.....	9
4.4	Our Focus Goals.....	11
<b>5</b>	<b>OUTCOMES AND PERFORMANCE INFORMATION PORTFOLIO BUDGET STATEMENT</b> .....	<b>13</b>
<b>6</b>	<b>PERFORMANCE IN 2016-17 AGAINST STRATEGIC OBJECTIVES</b> .....	<b>14</b>
6.1	Achieves Best Practice and Accountability.....	14
6.2	Provide Increased Transparency and Effective Reporting .....	14
6.3	Enable Accurate Commonwealth Contribution Calculations .....	15
6.4	Develop Productive and Effective Partnerships and Information .....	16
6.5	Operate as a Fully Functional and Compliant Agency .....	17
<b>7</b>	<b>FOUR YEAR OUTLOOK</b> .....	<b>18</b>
<b>8</b>	<b>RISK OVERSIGHT AND MANAGEMENT</b> .....	<b>20</b>
8.1	Strategic Risks Profile Summary .....	21
<b>9</b>	<b>TECHNOLOGY</b> .....	<b>22</b>
9.1	Commonwealth Contribution Model (CCM).....	22
9.2	National Health Funding Administrator Payments System.....	22
9.3	Department of Health Enterprise Data Warehouse .....	23
<b>10</b>	<b>FINANCIAL</b> .....	<b>24</b>
<b>11</b>	<b>WORKFORCE</b> .....	<b>25</b>
11.1	Workforce Capability Framework.....	25
11.2	Employment Relations .....	25
11.3	Leadership Development.....	25
11.4	Staffing Numbers and Mix .....	26

# 1 CEO's Foreword

I am proud to present the Corporate Plan 2016-17 for the National Health Funding Body (NHFB), which covers the period 2016-17 to 2019-20.

The NHFB supports the Administrator of the National Health Funding Pool, Mr Peter Achterstraat AM, in providing transparent and efficient administration of Commonwealth, state, and territory funding for the Australian public hospital system.

This Corporate Plan aligns with the objectives outlined in the NHFB's Strategic Plan, and identifies the environmental challenges and risks that may affect performance against these objectives throughout 2016-17.

A major focus for 2016-17 will be the implementation of the Council of Australian Governments (COAG) *Heads of Agreement between the Commonwealth and the States and Territories on Public Hospital Funding* (Heads of Agreement).

The Heads of Agreement continues the role of the Administrator and NHFB into the future and I welcome this affirmation of the important work that has been achieved to date. I look forward to collaborating with the Commonwealth, states, and territories over 2016-17 and beyond in implementing these important COAG reform objectives.

To meet legislated responsibilities and to accommodate the new funding arrangements, in 2016-17 we will:

- Capitalise on our expertise by taking leadership in the design and implementation of the revised National Health Reform (NHR) funding model, through active engagement with our stakeholders
- Develop a financial policy framework to assist the Commonwealth, states, and territories with the implementation of the revised NHR funding model, including identification of key issues related to public hospital funding
- Manage approximately \$80 billion of NHR funding and payments, including the calculation of the 2016-17 Commonwealth contribution, six-month and annual reconciliation of actual services, and conduct necessary assurance reviews
- Enhance the National Health Funding Administrator Payments System and supporting control frameworks to ensure the ongoing integrity of payments to Local Hospital Networks

The next four years will be a dynamic period for hospital and health policy settings, and will require the NHFB to quickly respond to environmental changes. The necessary capability and capacity of the NHFB will need to be broadened during this period in order to meet the required obligations. With this, I am confident that we will be able to work with our stakeholders to meet the challenges ahead.



Mr Lynton Norris

Chief Executive Officer

31 August 2016

## 2 Statement of Preparation

I, Lynton Norris as the Accountable Authority of the National Health Funding Body (NHFB), present this four year Corporate Plan, which covers the period 2016 to 2020, as required under paragraph 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). The Corporate Plan is prepared in accordance with section E16 of the Public Governance, Performance and Accountability Rule 2014.



Mr Lynton Norris

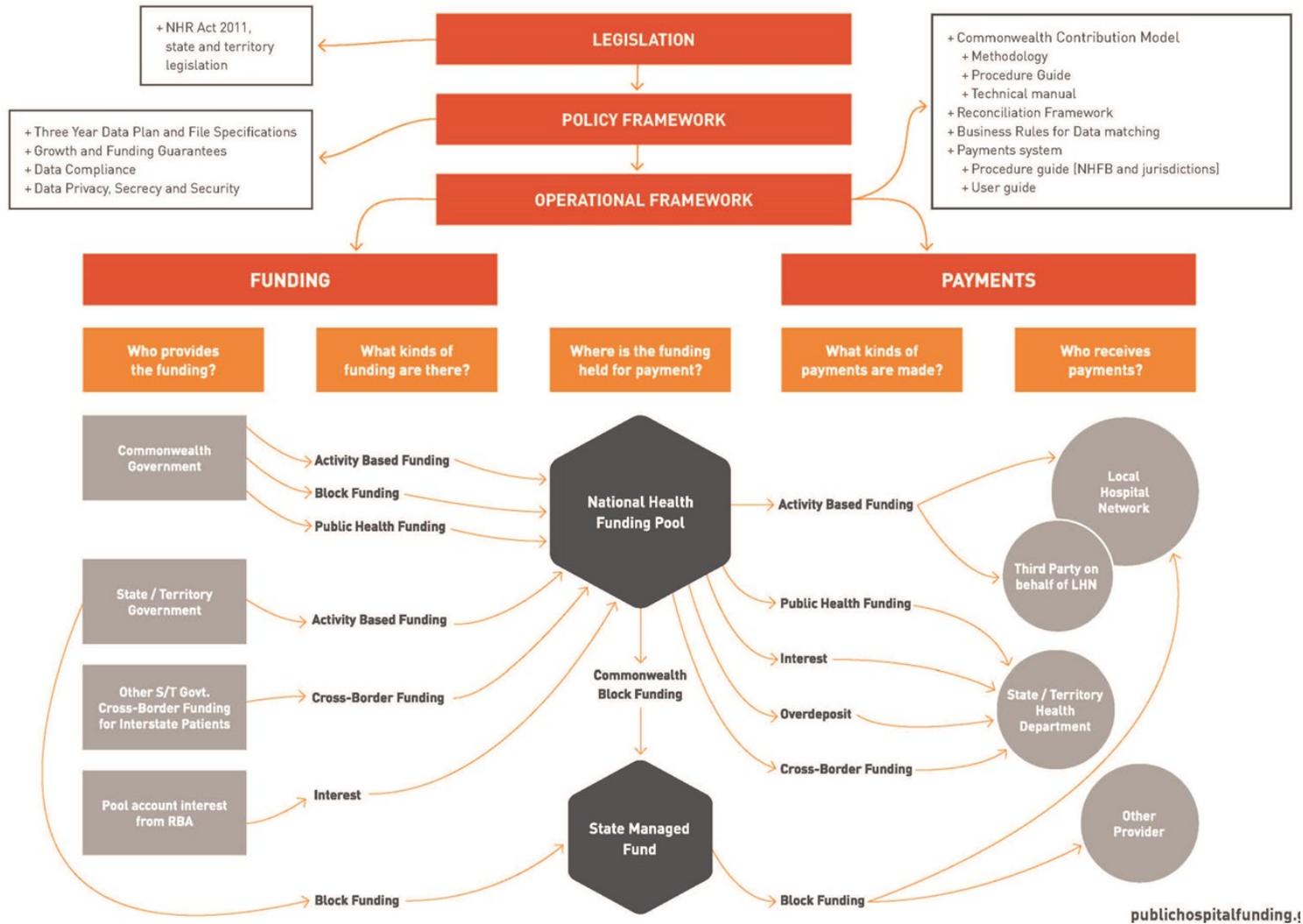
Chief Executive Officer

31 August 2016

### Period of Coverage

This Corporate Plan is for the reporting period 1 July 2016 to 30 June 2017 and covers the period 1 July 2016 to 30 June 2020.

### 3 Australian Public Hospital System Funding & Payments Framework



## 4 Introduction

This Corporate Plan is the principal strategic planning document of the NHFB and sets out the purposes and significant activities it will pursue and the results it intends to achieve over the reporting period. The preparation and publication of the Corporate Plan addresses a core element of the Enhanced Commonwealth Performance Framework for Commonwealth entities. The Corporate Plan sets out what the NHFB will do to achieve its purpose, how this will be assessed and measured, and the key performance indicators that will be applied to monitor progress against stated strategic objectives.

### 4.1 Our Purpose

The function of the NHFB is set out in Section 252 of the *National Health Reform Act 2011* (the Act), which is to assist the Administrator of the National Health Funding Pool (Administrator) in the performance of his functions, including those under the equivalent National Health Reform (NHR) laws of states or territories.

The role and function of the Administrator is set out in the Act, and explained in the National Health Reform Agreement (Agreement).

The functions of the Administrator are to:

- Calculate and advise the Commonwealth Treasurer of the Commonwealth contribution to hospital funding in each state and territory (s.238 of the Act)
- Oversee the payments of Commonwealth hospital funding into State Pool Accounts (s.238 of the Act)
- Monitor state payments into each State Pool Account (common provision of NHR legislation in each state and territory)
- Make payments from each State Pool Account, in accordance with the directions of that state/territory (common provisions of the NHR legislation in each state and territory)
- Reconcile estimated and actual service delivery volumes and calculate any necessary payment adjustments, so that Commonwealth NHR funding can be adjusted to reflect the actual level of services provided (s.238 of the Act)
- Undertake funding integrity analysis through deterministic data matching (via Medicare PIN) of hospital activity and Medical Benefits Schedule (MBS) and Pharmaceutical Benefits Scheme (PBS) or other Commonwealth programs to determine if a hospital service, otherwise in scope for activity based funding, are ineligible for Commonwealth NHR funding due to the service being funded by MBS or PBS (Clause A6 of the Agreement)
- Report publicly on NHR funding and payments (s.240 of the Act)

### Legislative Mandate

The Administrator is appointed as a statutory officer by each state and territory under their equivalent NHR legislation. The role and functions of the Administrator are also listed in the state and territory NHR Acts.

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

The NHFB is part of the Commonwealth Health portfolio and is a non-corporate Commonwealth entity under the *PGPA Act*.

## 4.2 Our Overarching Principles

### Vision

*Improved health outcomes for all Australians, sustainability of a nationally unified and locally controlled Australian health system, and increased transparency in public hospital funding.*

### Mission

*To support the obligations and responsibilities of the Administrator of the National Health Funding Pool by providing transparent and efficient administration of Commonwealth, state and territory funding of the Australian Public Hospital System.*

### Values

The NHFB is committed to observing the following core values which represent our approach and practice when interacting and collaborating with colleagues, stakeholders, and the wider community.

- **Accountability** - to comply with NHR legislative requirements and the Agreement according to the parameters set
- **Collaboration** - to maintain effective working relationships with all stakeholders to instill continued confidence
- **Integrity** - to conduct business and make decisions in a manner which demonstrates the principles of honesty, consistency, accuracy and ethics
- **Leadership** - to provide leadership, effective policy advice and follow best practice principles in management of major national health funding reform
- **Privacy** - to ensure the privacy of information is paramount in complying with secrecy and disclosure requirements of NHR arrangements
- **Transparency** - to be transparent in the reporting and the transacting of funding activities within the National Health Funding Pool (Funding Pool)

## 4.3 Operating Environment

The NHFB is a product of the Agreement and the Act. As the manner in which the Australian health system is governed by the Commonwealth, states and territories continues to evolve, the environment within which we operate is subject to change.

In assisting the Administrator in undertaking his functions, the NHFB relies on data and services provided by external parties. These include the Commonwealth Departments of Treasury, Health, and Human Services; the Independent Hospital Pricing Authority (IHPA); and state and territory health departments. A significant change to any of these organisations has the potential to impact our performance. We work actively with these organisations to ensure business continuity and delivery of the functions of the Administrator and the NHFB.

The NHFB has also been subject of a number of government decisions that have impacted on our operating environment:

- The 2014-15 Commonwealth Budget papers flagged the intention to create a new Health Productivity and Performance Commission (Commission) by merging several existing bodies including the NHFB and the Administrator
- In August 2015 the Commonwealth Minister for Health advised that it was the government's intention not to establish the Commission but instead to 'close the

*National Health Funding Body and the Administrator of the National Health Funding Pool once the final reconciliation of the Commonwealth contribution to public hospitals under activity based funding is finalised in March 2018'*

- A Council of Australian Governments (COAG) Communique in April 2016 advised that *'Leaders agreed to a Heads of Agreement for public hospital funding for public hospital from 1 July 2017 to 30 June 2020 ahead of consideration of longer-term arrangements'*
- The Heads of Agreement was signed by COAG on 1 April 2016. Schedule 1 advised *'the Administrator of the National Health Funding Pool (the Administrator) and the NHFB will continue to provide for the transparent and efficient administration of public hospital funding'*

The impact of these government decisions creates an environment of operational uncertainty and challenges for the NHFB in assisting the Administrator in meeting his statutory obligations.

## Challenges

A number of factors beyond our control, relating to the additional functions and expanded work program for the Administrator and the NHFB arising from the Heads of Agreement, affect our capacity to deliver the stated outcomes over the period of this Corporate Plan. These include the following:

- The implementation of Schedule 1 of the Heads of Agreement arrangements for 2017-18 to 2019-20
- Any changes or necessary amendment to the funding and payment policy environment, and the associated Administrator and NHFB process and procedures as a direct consequence of the Heads of Agreement
- Associated resourcing pressure related to the new funding arrangements requiring additional data modelling, funding policy, legal and legislative advice for the Administrator
- Meeting stakeholder expectations on Commonwealth funding integrity analysis and financial policy information and advice to jurisdictions

The challenges faced by the NHFB in meeting its desired objectives over the period of the Corporate Plan are to:

- Successfully transition the 2016-17 Commonwealth Contribution Model<sup>1</sup> (CCM) into an enhanced and secure SAS environment platform
- Successfully develop and implement the 2017-18 CCM (including amendments to the funding and payment policy environment to meet the requirements of the Heads of Agreement)
- Satisfy control framework requirements and assurance audits so that the Administrator and NHFB correctly calculate growth funding and administer the \$40 billion in Commonwealth, state, and territory funding and payments to Local Hospital Networks (LHNs)
- Maintain funding and payments integrity through undertaking data analysis
- Meet all statutory obligations of the Administrator and NHFB due to budgetary and staffing constraints

---

<sup>1</sup> The Commonwealth Contribution Model calculates the Commonwealth's funding contribution to activity based, block, and public health funding, and determines payments to Local Hospital Networks for public hospital services. See section 9 for further information

- Maintain positive and collaborative stakeholder engagement

## 4.4 Our Focus Goals

During 2016-17 our key focus will be to:

### Funding and Payments

- Calculate the Commonwealth NHR funding entitlements to states and territories and their LHNs (\$18 billion annually, calculated monthly)
- Prepare the Administrator's advice to the Commonwealth Treasurer on state and territory NHR funding entitlements
- Oversee payments into the National Health Funding Pool (Funding Pool) and make ongoing NHR payments directly to LHNs (approx. \$40 billion in receipts and \$40 billion in payments annually, paid daily)
- Complete the six-month (July to December) and annual (July to June) reconciliation of actual hospital services and incorporate into payments to LHNs
- Develop and implement the 2017-18 CCM as per the requirements of the Heads of Agreement

### Integrity and Assurance

- Undertake funding integrity analysis of hospital activity, MBS and PBS services
- Enhance the IT infrastructure of the National Health Funding Administrator Payments System (Payments System) to maintain and support the software for the duration of the Heads of Agreement

### Data and Policy

- Update the Administrator and NHFB funding and payment policy documents, and the associated processes and procedures to implement and support the strategic intent of the Heads of Agreement
- Increase the capability of financial policy data modelling and analysis, focusing on hospital funding and sustainability
- Ensure the NHFB operates as a fully functional and compliant agency, focusing on:
  - The development and implementation of a Workforce Capability Framework
  - The successful negotiation and implementation of an Enterprise Agreement
  - The safety and wellbeing of staff
  - Meeting our obligations for compliance reporting
  - Achieving unqualified financial statements
  - Meeting requirements under the Digital Continuity 2020 Policy

### Reporting

- Prepare and publish:
  - NHR Public Hospital Funding monthly reports of NHR Funding (1800 annually, 150 monthly)
  - Quarterly Data Compliance Reports

- Administrator's Annual Report, including financial statements for each state and territory's State Pool Account, audited by the relevant Auditor-General
- NHFB Annual Report
- Administrator's Three Year Data Plan and File Specifications

The NHFB has adopted a Strategic Risk Model that considers the environmental risks associated with achieving our goals and outcomes. These risks are detailed in the Risk Oversight and Management section of this Corporate Plan.

## 5 Outcomes and Performance Information Portfolio Budget Statement

The NHFB's *Outcomes and Performance Information* as reported in the Health Portfolio Budget Statement 2016-17 is:

*'Provide transparent and efficient administration of Commonwealth, State and Territory funding of the Australian public hospital system, and support the obligations and responsibilities of the Administrator of the National Health Funding Pool.'*

The NHFB's Program Objectives as reported in the Portfolio Budget Statement are:

- Assisting the Administrator to develop the Three Year Data Plan and associated funding calculation approach
- Assisting the Administrator to calculate the Commonwealth NHR funding into the National Health Funding Pool
- Assisting the Administrator to ensure the National Health Funding Pool operations are in accordance with directions from the responsible State and Territory Minister, and in line with the Agreement
- Assisting the Administrator to transparently report on the operations of the National Health Funding Pool and State Managed Funds as outlined in the Agreement

To assist the Administrator in undertaking his functions and to meet his obligations and responsibilities, the NHFB has adopted five high level strategic objectives as reported in NHFB's Strategic Plan:

- Achieve best practice and accountability
- Provide increased transparency and effective reporting
- Enable accurate Commonwealth contribution calculations
- Develop productive and effective partnerships
- Operate as a fully functional and compliant agency

The NHFB has structured its work program around achieving these objectives and measuring its performance against these objectives.

## 6 Performance in 2016-17 against Strategic Objectives

### 6.1 Achieves Best Practice and Accountability

To achieve best practice and accountability through assisting the Administrator in implementing and overseeing a nationally consistent public hospital funding arrangements through the National Health Funding Pool.

#### Performance Measures

- Develop and implement efficient and robust processes to oversee NHR funding and payments through the Funding Pool
- Develop and publish documents that will provide expert NHR policy advice to the Administrator and stakeholders
- The Payments System is in operation and fully functional by developing and implementing NHFB and state and territory policy and procedure manuals, to make payments in accordance with approved directions from authorised persons

#### To meet these performance measures the NHFB will:

- Develop and publically release the Administrator's:
  - *Three Year Data Plan 2016-17 to 2018-19 and File Specification for Data Submission*
  - *Growth and Funding Guarantees* document
  - *Data Privacy, Secrecy and Security* document
  - *Reconciliation Framework* document
- Ensure:
  - The Payments System is in operation and fully functional
  - Payments and deposits through the Payments System are in line with developed Payment and Deposit Schedules
  - The Payments System operates in accordance with the *National Health Reform Public Hospital Funding State and Territory Procedures Manual* and the *NHFA Payments System Registration for State and Territory Users* documentation

### 6.2 Provide Increased Transparency and Effective Reporting

To provide increased transparency and effective reporting on LHN funding for services delivered to the community.

#### Performance Measures

- Prepare and publish:
  - National, state and territory and LHN NHR Public Hospital Funding reports on the <http://www.publichospitalfunding.gov.au> website
  - Administrator's Annual Report (including a Report of Operations and Financial Statements)

- Table the Administrator's Annual Report in the Commonwealth Parliament by 31 October 2016 and provide to each State and Territory Health Minister for tabling in their respective Parliaments

**To meet these performance measures the NHFB will:**

- Publish on the [www.publichospitalfunding.gov.au](http://www.publichospitalfunding.gov.au) website:
  - National, state and territory and LHN Monthly Reports detailing the month and year-to-date funding into and payments out of the Funding Pool, and volume of services
  - Compliance Reports detailing Commonwealth, state and territory compliance with the data requirements specified in the Administrator's Three Year Data Plan
  - The Administrator's Annual Report
- Ensure the Administrator's Annual Report is tabled in the Commonwealth Parliament and is presented to every state and territory Health Minister for tabling in their respective Parliaments

### 6.3 Enable Accurate Commonwealth Contribution Calculations

To enable accurate Commonwealth contribution calculations by using nationally consistent pricing and costing standards.

#### Performance Measures

- Accurately calculate the Commonwealth contribution for activity based, block and public health funding to LHNs, based on National Efficient Price and National Efficient Cost funding criteria developed by the IHPA
- Provide accurate and timely advice to the Commonwealth Treasurer on the Commonwealth funding to be paid to each LHN for delivery of public hospital services
- Receive unqualified audit opinion for each state and territory Funding Pool account from the respective Auditor-General
- Conduct reconciliation of actual ABF activity to estimated activity and incorporate the adjustments into Commonwealth payments to LHNs
- Conduct funding integrity analysis to identify and report on public hospital services that received both Commonwealth NHR funding and funding through other Commonwealth programs

**To meet these performance measures the NHFB will:**

#### Funding and Payments

- Build, test and implement nationally consistent CCM to calculate the Commonwealth funding contribution to LHNs for delivering public hospital services
- Develop and implement CCM Integrity Framework to support the CCM operations and to ensure accuracy of the calculations
- Update the CCM and the CCM Integrity Framework to include and implement the requirements of the Heads of Agreement
- Complete the reconciliation of actual ABF activity to estimates and incorporate the funding adjustments into the Commonwealth contribution payments

- Provide reconciled hospital activity data to states and territories to inform national cross-border arrangements and funding flows
- Develop Funding Pool financial statements for audit by the respective state and territory Auditor-General

#### Integrity and Assurance

- Update the CCM Integrity Framework to include and implement the requirements of the Heads of Agreement
- Provide timely and accurate advice to the Commonwealth Treasurer on the funding to be paid to LHNs for delivery of public hospital services
- Undertake funding integrity analysis (data matching) of hospital activity and MBS/PBS/other Commonwealth programs data to identify, report on and remove any instances of 'double funding' which may have occurred
- Supply the data elements related to the instances of 'double funding' to states and territories for review
- Improve hospital data integrity by leading a national community of practice to share information and examples of good practice

#### Data and Policy

- Update the *Business Rules Volume 2 - Extended Proof of Concept* document to detail the process for undertaking funding integrity analysis to identify instances of 'double funding' (hospital services that receive funding through NHR and other Commonwealth programs)
- Assist jurisdictions to inform and develop effective and efficient hospital funding arrangement/mechanisms by undertaking analysis and scenario modelling

## 6.4 Develop Productive and Effective Partnerships and Information

To develop productive and effective partnership with relevant stakeholders to enable the objectives of the Agreement to be achieved.

### Performance Measures

- A Stakeholder Engagement Plan, informed by NHFB policy principles and developed in conjunction with stakeholders, is in place
- Networks and partnerships are maintained through working groups, advisory committees and other mechanisms

#### **To meet these performance measures the NHFB will:**

- Undertake stakeholder engagement to inform the NHFB work plan
- Develop and implement a Stakeholder Engagement Plan
- Convene Administrator's Jurisdictional Advisory Committee, NHFB Chief Finance Officers and Reconciliation Advisory Group meetings and workshops to communicate strategies and develop networks

Report to and/or engage with:

- Council of Australian Governments (COAG)
- COAG Health Council

- Australian Health Ministers' Advisory Council
- National Health Information and Performance Principal Committee
- National Health Information Standards and Statistics Committee
- IHPA Jurisdictional Advisory Committee and Technical Advisory Committee
- Data Governance Council

Present at:

- IHPA ABF Conference
- ACHSM/ACHS Joint 2016 Asia-Pacific Annual Congress
- Data Analytics for Effective Management Decision Making Conference

## 6.5 Operate as a Fully Functional and Compliant Agency

To operate as a fully functional and compliant agency, meeting statutory and legislative obligations.

### Performance Measures

- An Enterprise Agreement is in place
- Employ a Human Resources Workforce Capability Framework to enable the development of workforce capability and capacity to ensure compliance with Commonwealth legislation and regulations
- Document the NHFB approach to meeting the requirements under the Digital Continuity 2020 Policy
- Meet the NHFB compliance reporting obligations
- Unqualified NHFB financial statements

**To meet these performance measures the NHFB will:**

- Negotiate and implement an Enterprise Agreement with staff
- Develop and implement a Workforce Capability Framework
- Map the NHFB work program to meet the legislative requirements of the Digital Continuity 2020 Policy
- Meet requirements for compliance reporting
- Apply requirements of the PGPA Act and all relevant government and professional accounting pronouncements

## 7 Four Year Outlook

The NHFB will demonstrate its performance through the following measures:

Strategic Goal	Performance Measure	2016-17	2017-18	2018-19	2019-20
1	Develop and implement efficient and robust processes to oversee NHR funding and payments through the Funding Pool	✓	✓	✓	✓
1	Develop and publish documents that will provide expert NHR policy advice to the Administrator and stakeholders	✓	✓	✓	✓
1	The Payments System is in operation and fully functional by developing and implementing NHFB and state and territory policies and procedure manuals to make payments in accordance with approved directions by authorised persons	✓	✓	✓	✓
2	Prepare and publish the National, state and territory and LHN NHR Public Hospital Funding reports on the <a href="http://www.publichospitalfunding.gov.au">www.publichospitalfunding.gov.au</a> website	✓	✓	✓	✓
2	Prepare and publish the Administrator's Annual Report (including a Report of Operations and Financial Statements) on the <a href="http://www.publichospitalfunding.gov.au">www.publichospitalfunding.gov.au</a> website	✓	✓	✓	✓
2	Table the Administrator's Annual Report in the Commonwealth Parliament by 31 October 2016 and provide to each State and Territory Health Minister for tabling in their respective Parliaments	✓	✓	✓	✓
3	Accurately calculate the Commonwealth contribution for activity based, block and public health funding to LHNs, based on National Efficient Price and National Efficient Cost funding criteria developed by the IHPA	✓	✓	✓	✓
3	Provide accurate and timely advice to the Commonwealth Treasurer on the Commonwealth funding to be paid to each LHN for delivery of public hospital services	✓	✓	✓	✓
3	Receive unqualified audit opinion for each state and territory Funding Pool account from the respective Auditor-General	✓	✓	✓	✓
3	Conduct reconciliation of actual ABF activity to estimated activity and incorporate the adjustments into Commonwealth payments to LHNs	✓	✓	✓	✓
3	Conduct funding integrity analysis to identify and report on public hospital services that received both Commonwealth NHR funding and funding through other Commonwealth programs	✓	✓	✓	✓

4	A Stakeholder Engagement Plan, informed by NHFB policy principles and developed in conjunction with stakeholders, is in place	✓			
4	Networks and partnerships are maintained through working groups, advisory committees and other mechanisms	✓	✓	✓	✓
5	An Enterprise Agreement is in place	✓			
5	Employ a Human Resources Workforce Capability Framework to enable the development of workforce capability and capacity to ensure compliance with Commonwealth legislation and regulations	✓			
5	Document the NHFB approach to meeting the requirements under the Digital Continuity 2020 Policy	✓			
5	Meet the NHFB compliance reporting obligations	✓	✓	✓	✓
5	Unqualified NHFB financial statements	✓	✓	✓	✓

## 8 Risk Oversight and Management

The NHFB has a culture of strong risk oversight and management which forms an integral component of the NHFB's governance arrangements. The NHFB uses a Line of Defence Risk Model in the identification and management of its risk environment.

The NHFB's Risk Management Policy, Framework and Plans are in line with the international standard on risk management (AS/NZS ISO 31000:2009) and the Australian National Audit Office Risk Management Framework. This suite of documents also addresses Section 16 (a) of the PGPA which requires the Accountable Authority of a Commonwealth entity to establish and maintain an appropriate system of risk oversight and management for the entity. In identifying and assessing the NHFB's risks, consideration was given to systemic, strategic and operational risks and the controls in place to manage those risks.

Tools are also in place to manage the controls, and to develop further treatments which, when implemented, will further enhance the control environment. Reporting tools are also available to give the Audit Committee and Executive an accurate perspective of the risk environment at any point in time. The NHFB's risk appetite is **Medium**.

The classes of risk adopted by the NHFB are:

- **Strategic** - aligned to the NHFB Strategic Plan and its deliverables
- **People** - everyone within the NHFB, including NHFB staff, service providers and contractors
- **Information** - data utilised by the NHFB to achieve business outcomes
- **Property** - the facilities utilised by NHFB to support the functional delivery of organisational needs and requirements. It also includes the property of the service providers where it is used to support NHFB activities
- **Reputation** - the criticality of the NHFB maintaining a highly professional, respected reputation as a non-corporate Commonwealth entity and as a health funding provider and in discharging its regulatory obligations

The controls applied within the NHFB are aligned to four lines of defence:

- **1st Line** - People, Processes and Technology
- **2nd Line** - Management and Oversight
- **3rd Line** - Internal Audit / Assurance
- **4th Line** - External Audit / Assurance

The strength of these controls are assessed as follows:

- One to two lines (not 1st and 2nd lines) of defence - **Ineffective**
- 1st and 2nd lines of defence or three lines of defence - **Effective**
- Four lines of defence - **Strong**
- Four lines of defence, plus more than one control for each line of defence - **Maximal**

The NHFB's Risk Assessment Matrix Risk Appetite is expressed as an overall risk rating:

- Extreme
- High
- Medium
- Low

As a key component of its risk oversight and management the NHFB on an annual basis develops a Data Integrity Framework which enables the Administrator to have assurance over the integrity of the advice to the Commonwealth Treasurer of the amounts to be paid for the Commonwealth's contribution to the Funding Pool.

The NHFB has identified eleven strategic risks which are linked to its five strategic objectives.

## 8.1 Strategic Risks Profile Summary

Risk Description	Inherent Risk Rating	Controls-Moderated Residual risk	Strength of Controls	Strategic Objective
Variations to organisational capability might have an effect on the ability of the NHFB to achieve its objectives under the <i>National Health Reform Act</i> , in particular specialist skills such as SAS	High	Medium	Effective	One
Integrity of the Payments System might affect validity and timeliness of payments	High	Medium	Effective	One
Integrity of the NHFA Funding Pool data might not meet required standards	High	Medium	Effective	One
External accountable documents (NHFA Funding Pool Annual Report and Monthly reports) might include inaccuracies and/or might not be delivered on a timely manner	Medium	Low	Effective	Two
Data matching might not yield accurate and valid outputs	High	Medium	Strong	Two
The Commonwealth Contribution Model might not yield accurate and valid calculations	High	Low	Strong	Three
Annual reconciliation and/or growth calculations might not yield accurate and valid results	High	Medium	Effective	Three
NHFB might not be able to effectively manage its relationships with key stakeholders	High	Medium	Effective	Four
NHFB might not be able to meet legislative obligations as an agency	High	Medium	Effective	Five
The operational model for NHFB might change	High	Medium	Effective	Five
Fraudulent activity might cause harm to NHFB or key stakeholders.	Medium	Medium	Effective	Five

## 9 Technology

The Department of Health provides full ICT services to the NHFB which includes:

- Access to the standard Health ICT environment
- Desktop Computing Services including mobile computing
- Telecommunication Services
- ICT Systems and Services

The NHFB operates on a national basis, assisting the Administrator to undertake his functions on behalf of the Commonwealth as well as each state and territory equally. The functions of the Administrator involve the use of data and information from multiple sources. The data used include banking details and instructions, financial data, patient level and aggregate hospital services data as well as technical information such as calculators and population data.

As some of the data used by the NHFB may be 'sensitive' or 'personal', specific treatments and/or security arrangements are required. The vastness of some of the datasets used by the NHFB requires the systems operated to process the data to be capable of managing significant records and/or calculations and analyses.

The NHFB has developed a *Data Privacy, Secrecy and Security Policy* that identifies the types of data, their treatment and protocols to ensure the integrity of the use of those data.

To enable effective and secure use of our data, the NHFB uses technology in many ways. The most significant technological resources used by the NHFB are:

- The Commonwealth Contribution Model
- National Health Funding Administrator Payments System
- Department of Health Enterprise Data Warehouse

### 9.1 Commonwealth Contribution Model (CCM)

One of the primary objectives of the NHFB is to enable accurate Commonwealth NHR contribution calculations. The NHFB has developed a CCM that incorporates inputs from multiple sources across multiple financial years and produces calculations of funding contributions at a state, LHN and service category level.

The CCM has the capacity to deal with multiple changes to inputs and outputs whilst maintaining integrity and transparency.

As the complex nature of the calculations continues and is, in some respects, compounding over time, the NHFB is working with independent experts to develop a more flexible SAS solution for the model. The new SAS model will have improved ability to conduct scenario modelling for states and territories, an enhanced user interface, greater automation and more efficient processing times.

During 2016-17 the NHFB will continue to work to further develop, test and implement an enhanced SAS version of the CCM.

### 9.2 National Health Funding Administrator Payments System

The Payments System is operated by the Commonwealth Department of Human Services and is a secure system accessed by authorised users to process Funding Pool deposits and

payments. The control environment in which the Payments System operates is strictly controlled with access only via Public Key Infrastructure tokens and passwords. The control framework is reviewed at least annually by an independent third party.

The Payments System facilitates payments of NHR funding to and from the Commonwealth, states and territories and to LHNs. Each year approximately \$80 billion is transacted through the Payments System.

The NHFB continues to work closely with the Department of Human Services and all state and territory health departments to ensure the Payments System remains a secure, transparent and efficient mechanism for facilitating payments.

During 2016-17 the NHFB will actively pursue with the Department of Human Services:

- a new Service Level Agreement for the provision of the Payments System
- Enhancements to the Payments System to support the expanded role under the Heads of Agreement

### **9.3 Department of Health Enterprise Data Warehouse**

In 2010 the Department of Health Enterprise Data Warehouse (EDW) was established to provide the information and communication technology capability to enable the NHFB (together with other key agencies) to perform its role under the NHR.

The EDW is a high quality, secure, reliable, easy-to-use, shared data storage, analysis and reporting system that supports some of the NHFB's key information management requirements. It includes the following features:

- A secure online system for jurisdictions to submit data
- Secure access control management for the sharing of data between agencies
- A facility that allows jurisdictions to securely access approved data products
- A physically secure location with disaster recovery capabilities
- Compliance with relevant Australian Government security policies

The NHFB actively works with the EDW Board to identify opportunities to maximise the efficiency and effectiveness of the EDW in assisting the NHFB to deliver on its objectives.

To-date, the NHFB has piloted a number of projects within the EDW to test the suitability of the environment. The NHFB works in collaboration with the Department of Health and other states and territories to undertake these pilot projects.

The NHFB plans to expand the use of the EDW in an effort to streamline processes, improve processing times and to move closer to the Agreement's concept of 'single provision, multiple uses'.

## 10 Financial

The NHFB's income is derived from annual appropriation, with the majority of operating expenses being employees and suppliers. Minimal assets are owned by the NHFB.

The NHFB's income and expenses in support of the activities contained within the Corporate Plan is detailed below (as at the 2016-17 Commonwealth Budget).

	<b>2016-17 Budget \$'000</b>	<b>2017-18 Forward Estimate \$'000</b>	<b>2018-19 Forward Estimate \$'000</b>	<b>2019-20 Forward Estimate \$'000</b>
<b>Revenue</b>				
Appropriation	4,307	4,330	4,353	4,388
<b>Total Revenue</b>	<b>4,307</b>	<b>4,330</b>	<b>4,353</b>	<b>4,388</b>
<b>Expenses</b>				
Employees	2,322	2,079	2,183	2,183
Suppliers	2,036	2,304	2,225	2,262
<b>Total Expenses</b>	<b>4,358</b>	<b>4,383</b>	<b>4,408</b>	<b>4,445</b>

## 11 Workforce

The NHFB is classified as a micro agency (an agency with less than 20 employees) that is dynamic and agile and has a specialised workforce that is culturally diverse and gender balanced with 50% being female and 50% being male.

There are a number of primary drivers of workforce change that are impacting our current and future capacity to meet stated objectives and commitments. These include:

- The need to be appropriately resourced to meet the additional functions and expanded work program for the Administrator and the NHFB arising from the Heads of Agreement
- Australian labour force statistics suggest the current levels of high demand for accountants are forecast to continue until at least 2020. Just over 40 per cent of our workforce are accountants and workforce trends suggest that recruiting and retaining suitably qualified accountants will remain a challenge
- Data modelling and analysis specialists are critical to our success and our ability to contribute to and inform health funding policy. Sourcing and retaining staff with these specialist skills is a challenge, given there is significant demand for these skills across the workforce. Labour force trends suggest that demand is significantly outstripping the number of new entrants to the workforce
- The highly competitive nature of the specialist skills required means that we are constantly required to engage workforce initiatives to drive retention and fast-track the development of high potential employees into these roles

There are a number of initiatives targeted to support and bolster our workforce. These initiatives will address the capacity and workforce capability requirements of the NHFB.

### 11.1 Workforce Capability Framework

The NHFB has developed a sound understanding of its culture and workforce needs. This understanding will be further enhanced with the development of a Workforce Capability Framework that will address workforce capability and capacity and ensure compliance with Commonwealth legislation and regulations. The new Workforce Capability Framework will be developed and implemented during 2016-17.

### 11.2 Employment Relations

Since commencement in 2012, the NHFB has operated under an Authority Determination. This provides a limited employment relations framework that is no longer fit-for-purpose. A new Enterprise Agreement, supported by appropriate Human Resources policies and procedures, is being negotiated and will be finalised and implemented during 2016-17. The implementation of an Enterprise Agreement will enable the NHFB to be more competitive in the attraction and recruitment of new employees and retention of current and valued employees.

### 11.3 Leadership Development

The forecast of requirements in our Strategic Plan identifies the need for capable and effective leadership to support our operations. A leadership development initiative is underway to support the leaders and high potential leaders of the future to grow and develop.

## 11.4 Staffing Numbers and Mix

### Administrator of the National Health Funding Pool

The Administrator, Mr Peter Achterstraat, is appointed as a Holder of Public Office (HOPO) in the Commonwealth of Australia (Commonwealth), and each state and territory. Mr Achterstraat's term commenced on 23 February 2016 and concludes on 31 March 2018.

### Chief Executive of the National Health Funding Body

Mr Lynton Norris, the Chief Executive of the NHFB, is appointed as a HOPO in the Commonwealth. Mr Norris' term commenced on 23 July 2012 and concludes on 1 February 2018.

### Employees

NHFB employees are employed under the *Australian Public Service Act 1999* with terms and condition governed by a 24.1 Determination.

#### Headcount by Gender and Employment Status

Organisation Unit	Female				Male				Total
	Contractor	Non Ongoing	Ongoing	Female Total	Contractor	Non Ongoing	Ongoing	Male Total	
Administrator						1		1	1
Office of the CEO			1	1		1		1	2
Data Modelling, Analysis & Policy		1	2	3			3	3	6
Finance & Reporting			2	2		1	2	3	5
Integrity, Assurance & Resourcing			3	3			1	1	4
<b>Total</b>	<b>0</b>	<b>1</b>	<b>8</b>	<b>9</b>	<b>0</b>	<b>3</b>	<b>6</b>	<b>9</b>	<b>18</b>

### Headcount by Classification

Classification	Headcount
Administrator	1
CEO	1
EL2	3
EL1	7
APS6	3
APS5	2
APS4	1
<b>Total</b>	<b>18</b>

### Staff Qualification

Type	Number
Professional industry Qualification	9
Post Graduate Qualification	10
Under Graduate Qualification	13
<b>Total</b>	<b>29</b>

