



National Health  
Funding Body

# Corporate Plan

2017-2021

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## Performance Highlights for 2016-17

**4,273 transactions** processed through the Administrator's National Health Payments System

Advice provided to the **Commonwealth Treasurer on \$18.6 Billion** of Commonwealth funding for Block and Activity Based Funding to Local Hospital Networks

**\$44.1 Billion** in Commonwealth, state and territory funding into the National Health Funding Pool and State Managed Funds

**\$43.4 Billion** of payments made to Local Hospital Networks and other providers

**1,800 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 [www.publichospitalfunding.gov.au](http://www.publichospitalfunding.gov.au)

## **Mission Statement**

*“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”*

# Contents

<b>1</b>	<b>CEO'S FOREWORD</b> .....	<b>6</b>
<b>2</b>	<b>STATEMENT OF PREPARATION</b> .....	<b>7</b>
<b>3</b>	<b>INTRODUCTION</b> .....	<b>8</b>
3.1	Our Purpose.....	8
3.2	Our Overarching Principles.....	10
3.3	Summary of Key Performance Targets for 2017-18.....	10
<b>4</b>	<b>ENVIRONMENT</b> .....	<b>12</b>
4.1	Operating Environment.....	12
4.2	Policy Environment .....	13
<b>5</b>	<b>FINANCES</b> .....	<b>16</b>
<b>6</b>	<b>PORTFOLIO BUDGET STATEMENT - OUTCOMES AND PLANNED PERFORMANCE</b> .....	<b>18</b>
<b>7</b>	<b>PERFORMANCE CRITERIA FOR 2017-18</b> .....	<b>19</b>
7.1	Strategic Objective One: Achieves Best Practice and Accountability .....	19
7.2	Strategic Objective Two: Provide Increased Transparency and Effective Reporting .....	21
7.3	Strategic Objective Three: Produce Accurate Commonwealth Contribution Calculations .....	23
7.4	Strategic Objective Four: Operate as a Fully Functional and Compliant Agency and Develop Productive and Effective Partnerships.....	25
<b>8</b>	<b>RISK OVERSIGHT AND MANAGEMENT</b> .....	<b>27</b>
8.1	Governance .....	27
<b>9</b>	<b>TECHNOLOGY</b> .....	<b>29</b>
9.1	Commonwealth Contribution Model (CCM).....	29
9.2	National Health Funding Administrator Payments System (Payments System) .....	30
9.3	Department of Health Enterprise Data Warehouse (EDW) .....	30
<b>10</b>	<b>CAPABILITY</b> .....	<b>31</b>
10.1	Employment Relations .....	31
10.2	Employment Contracts .....	32

# 1 CEO's Foreword

I am proud to present the *National Health Funding Body Corporate Plan 2017-2021*. This Corporate Plan aligns with the objectives outlined in the *Commonwealth Portfolio Budget Statements 2017-18*, and identifies the environmental challenges and risks that may affect performance against these objectives throughout 2017-18.

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

A major focus of the NHFB is the implementation of the *Addendum to the National Health Reform Agreement: Revised Public Hospital Arrangements* (the Addendum).

The Addendum continues the role of the Administrator and NHFB 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 in 2017-18 and beyond to implement these important reform objectives.

To meet legislated responsibilities and to accommodate the new funding arrangements introduced in the Addendum, in 2017-18 we will:

- capitalise on our expertise by taking leadership in the design and implementation of the revised National Health Reform (NHR) funding model, and development of post 2020 arrangements, through active engagement with our stakeholders
- develop a financial policy and prudential frameworks to assist the Commonwealth, states, and territories with interpretation of NHR arrangements, including identification of key issues related to public hospital funding
- manage approximately \$44.1 billion of NHR funding and \$43.4 billion of payments, including the calculation of the 2017-18 Commonwealth contribution, six-month and annual reconciliation of actual services, and conduct necessary assurance reviews
- enhance the National Health Funding Administrator Payments System (the 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 capability and capacity of the NHFB will need to expand during this period in order to meet the required obligations. With this, I am confident we will be able to work with our stakeholders to meet the challenges ahead.



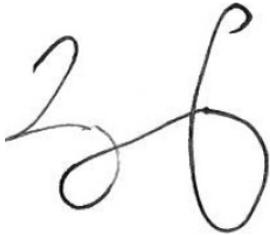
Mr Lynton Norris

Chief Executive Officer

31 August 2017

## 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 2017 to 2021, 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.

A handwritten signature in black ink, appearing to be 'L. Norris', written in a cursive style.

Mr Lynton Norris  
Chief Executive Officer  
31 August 2017

### Period of Coverage

This Corporate Plan is for the reporting period 1 July 2017 to 30 June 2018 and covers the period 1 July 2017 to 30 June 2021.

## 3 Introduction

This Corporate Plan is the principal strategic planning document of the NHFB. It sets out the NHFB's purposes, significant activities it will pursue, the results it intends to achieve over the reporting period, and how these results will be assessed and measured. The preparation and publication of the Corporate Plan addresses a core element of the Enhanced Commonwealth Performance Framework for Commonwealth entities.

### 3.1 Our Purpose

The purpose of the NHFB is to assist the Administrator of the National Health Funding Pool (Administrator) in the performance of his functions under the *National Health Reform Act 2011* (the Act), including equivalent 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 (the 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 or 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, the Medical Benefits Schedule (MBS), the 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

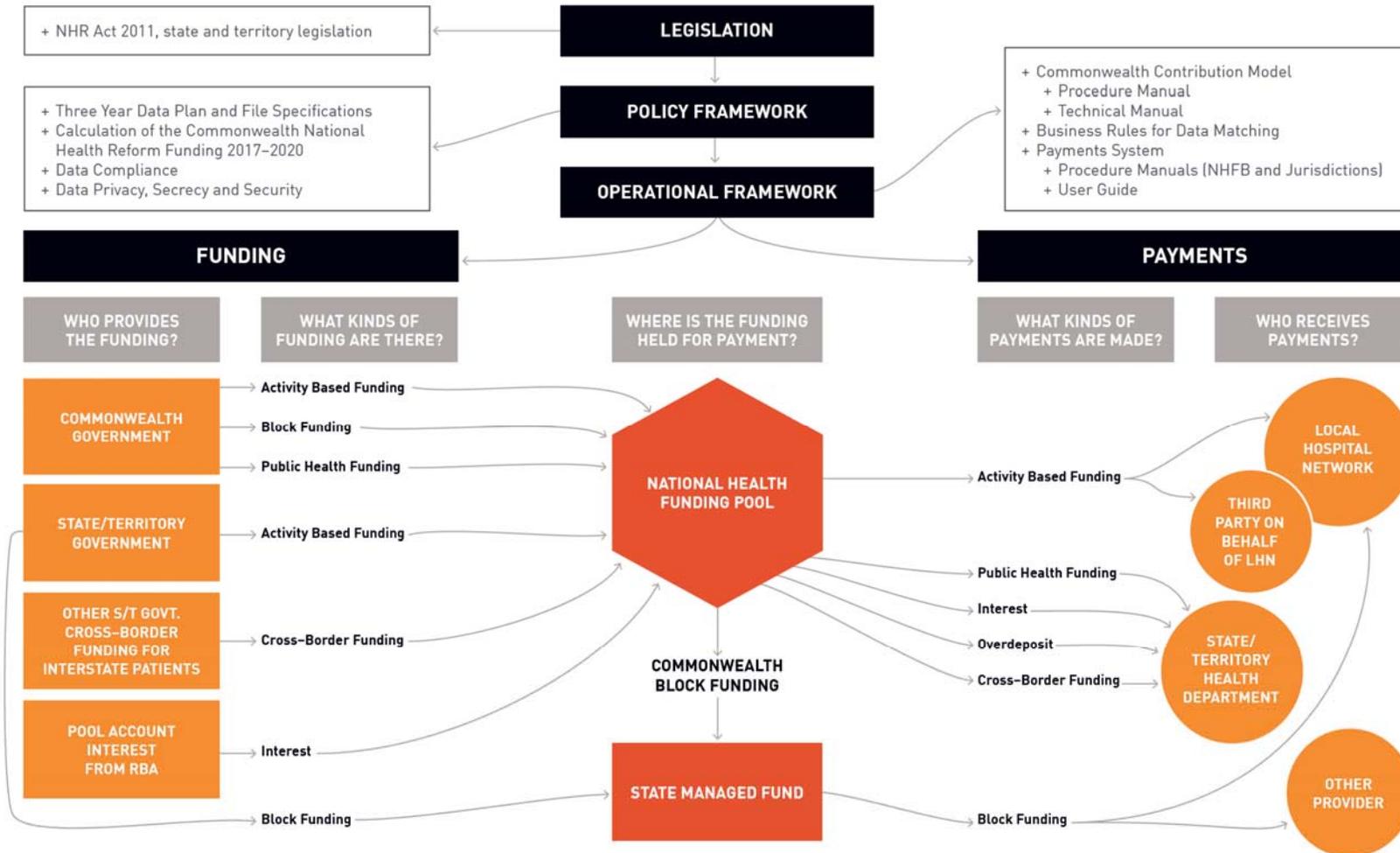
The Administrator is appointed as a statutory officer by each state and territory under their equivalent NHR legislation. The role and functions of the Administrator are also listed in the state and territory NHR Acts.

The Act mandates that the NHFB is independent of both Commonwealth and state and 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*.

Under the Agreement, the Commonwealth, state and territory governments are jointly responsible for funding public hospital services using either Activity Based or Block funding. The flow in NHR funding and payments is detailed in the Australian Public Hospital System Funding & Payments Framework below.

**Australian Public Hospital System Funding & Payments Framework.**



## 3.2 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 instil 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 Funding Pool

## 3.3 Summary of Key Performance Targets for 2017-18

During 2017-18 our key targets will be to:

### Funding and Payments

- Calculate the Commonwealth NHR funding entitlements to states and territories and their LHNs (\$19 billion annually, calculated and paid monthly)
- Develop and implement the 2017-18 Commonwealth Contribution Model<sup>1</sup> as per the requirements of the Addendum
- Enhance the Payments System to improve functionality, incorporating an integrated General Ledger capability, automated workflows and reporting, and improved interfaces with users and the Reserve Bank of Australia
- Prepare the Administrator's advice to the Commonwealth Treasurer on state and territory NHR funding entitlements

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<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

- Oversee payments into the Funding Pool and make ongoing NHR payments directly to LHNs (approx. \$40.4 billion in receipts and \$40.3 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

## Integrity and Assurance

- Undertake funding integrity analysis of hospital activity, MBS and PBS services
- Enhance the IT infrastructure of the Payments System to maintain and support the software for the duration of the 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 Addendum
- 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 implementation of a Workforce Capability Framework
  - 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.

## 4 Environment

### 4.1 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. 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 to a number of government decisions that have impacted our operating environment:

- The Addendum was signed by all state, territory and Commonwealth Health Ministers in June 2017 and is effective from 1 July 2017, expanding the role of the Administrator and the NHFB
- The 2017-18 Commonwealth Budget confirmed funding for the NHFB and the Administrator until June 2021. It also included a measure providing an additional \$4.1 million over three years from 2017-18 to the NHFB to assist in meeting our legislative functions, including activities resulting from the Addendum

The impact of these government decisions creates an environment of change and challenges for the NHFB in assisting the Administrator to meet 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 Addendum, may affect our capacity to deliver the stated outcomes over the period of this Corporate Plan. These include the following:

- The implementation of the Addendum for 2017-18 to 2019-20, including the:
  - continuation of existing Activity Based Funding arrangements, with the Commonwealth contributing 45 per cent of the efficient growth
  - introduction of a cap in overall Commonwealth NHR funding growth of 6.5 per cent per annum (the Funding Cap)
  - introduction of a Data Conditional Payment which will result in partial Commonwealth NHR funding being withheld from states where hospital activity data is not submitted to the NHFB by the due date for annual reconciliation purposes
  - introduction of pricing and funding for safety and quality reforms to assist the States to improve efficiency and decrease avoidable demand for public hospital services (Safety and Quality Adjustments)
- 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 Addendum
- Meeting stakeholder expectations on Commonwealth funding integrity analysis and financial policy information and advice to jurisdictions

The targets for the NHFB to meet its objectives over the period of the Corporate Plan are to:

- Successfully implement the 2017-18 CCM (including amendments to the funding and payment policy environment to meet the requirements of the Addendum)
- Successfully transition the 2017-18 CCM into an enhanced and secure SAS environment platform
- Satisfy control framework requirements and assurance audits so the Administrator and NHFB correctly calculate growth funding and administer the \$40 billion in Commonwealth, state, and territory funding and payments to LHNs
- Maintain funding and payments integrity through undertaking data analysis
- Maintain positive and collaborative stakeholder engagement

## Data Integrity and Privacy

The primary responsibility for data integrity rests with the Commonwealth and states and territories under clause B95 of the Agreement. As such, the jurisdictions have agreed to establish appropriate independent oversight mechanisms to achieve data integrity. To support jurisdictions in assuring the integrity of activity data submitted, the Administrator has convened a National Community of Practice for Data Integrity.

The privacy and secrecy of information is of paramount importance. Any personal information will be treated in accordance with the Australian Privacy Principles in the *Privacy Act 1988*, incorporating the *Privacy Amendment (Enhancing Privacy Protection) Act 2012* and the secrecy and patient confidentiality provisions in the NHR Act as well as other statutory protections. The Act provides protections and imposes obligations on the Administrator and NHFB for the handling of personal information and makes provisions to ensure patient confidentiality.

## 4.2 Policy Environment

The NHFB's policy environment is guided by the Agreement and Addendum, as well as other whole-of-government policies. Strategic and operational decisions are informed and supported by a range of NHFB-led committees and other national committees.

### NHFB and Administrator Policies

The Administrator's Policy Framework documents collectively detail the Administrator's calculation methodology, data requirements and compliance assessment process:

- *Calculation of the Commonwealth National Health Reform Funding* - explains the method used by the Administrator to calculate Commonwealth NHR funding paid to States from 1 July 2017
- *Administrator's Three Year Data Plan* - the Administrator's determination of the minimum level of data required from the Commonwealth, states and territories
- *Reconciliation Framework* - specifies the reconciliation processes for public hospital services funded on an activity basis. Funding is initially based on estimated activity, and is subsequently reconciled to actual service activity delivered
- *Data Privacy, Secrecy and Security Policy* - details the collection, use, storage, disclosure and destruction of data received by the Administrator
- *Data Compliance Policy* - the Administrator's policy for publishing details of Commonwealth, state and territory data compliance, as outlined in the *Administrator's Three Year Data Plan*

The Policy Framework is underpinned by the Administrator's Operational Framework, which includes the following documents:

- *Business Rules for determining 2012-13 hospital services eligible for Commonwealth funding* - business and data matching rules to assess Commonwealth funding eligibility against other Commonwealth programs
- NHFP Payments System procedure manuals and user guide - procedures for authorised state and territory staff to process NHFP deposits and payments through the Payments System
- CCM technical and procedure manuals - the CCM formulas and procedures

## Whole of Government Policies

Being a non-corporate agency under the *PGPA Act*, the NHFB must comply with a number of Government policies flowing from, but not limited to, the:

- *PGPA Act*
- *Protective Security Policy Framework*
- *Risk Management Policy*
- *Fraud Control Framework*
- *Digital Continuity 2020 Policy*
- *Public Service Act 1999*
- *Work Health and Safety Act*
- *Privacy Act 1988*

The NHFB has developed a suite of frameworks, policies and procedures to meet the requirements of Government policies.

## Committees

To facilitate the work of the Administrator and the NHFB, the NHFB has various external governance arrangements in place. These include:

- Managing the Administrator's Jurisdictional Advisory Committee (JAC) (further information below)
- Appointing an Audit Committee responsible for providing independent advice and assurance on the appropriateness of the NHFB's accountability and control framework. This includes independently verifying and safeguarding the integrity of financial and performance reporting (further information available on page 27)
- Assisting the Administrator in reporting to Council of Australian Governments (COAG) Health Council on the operations of the Funding Pool
- Supporting representation on the Australian Health Ministers' Advisory Committee (AHMAC) where appropriate
- Membership on the National Health Information Performance Principal Committee (NHIPPC), and the National Health Information Standards and Statistics Committee (NHISSC)
- Contributing to a number of external national health committees – e.g. the Independent Hospital Pricing Authority JAC and Technical Advisory Committee and Non-admitted Care Advisory Working Group

### **Jurisdictional Advisory Committee**

The Administrator's JAC is a strategic advisory committee of senior state, territory and Commonwealth representatives and provides jurisdictional confidence in the independence and accountability of the Administrator and NHFB.

The JAC also enables collaboration on operational arrangements between the Administrator (and the NHFB) and the Commonwealth, state and territory Health Departments.

Moving forward, the JAC will be supported by the former Chief Finance Officer/Reconciliation Advisory Group (CFO-RAG). The CFO-RAG will change its operating context so it considers time-limited technical issues, and reports back to the JAC.

## 5 Finances

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 2017-18 Commonwealth Budget).

	2017-18 Forward Estimate \$'000	2018-19 Forward Estimate \$'000	2019-20 Forward Estimate \$'000	2020-21 Forward Estimate \$'000
<b>Revenue</b>				
Appropriation	5,844	5,373	5,570	4,248
<b>Total Revenue</b>	5,844	5,373	5,570	4,248
<b>Expenses</b>				
Employees	2,349	2,451	2,455	2,187
Suppliers	3,495	2,922	3,115	2,061
<b>Total Expenses</b>	5,844	5,373	5,570	4,248

### 2017-18 Commonwealth Budget

The 2017-18 Commonwealth Budget increased the NHFB appropriation by \$4.1 million over three years (2017-18 to 2019-20) to support its existing role and the new functions arising from the Addendum. (Health Portfolio Budget Statement 2017-18, page 367)

#### NHFB 2107-18 Budget Measures

	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000
<b>NHFB funding requirements</b>	1,597	1,154	1,343

The additional funds will be added to the NHFB's annual appropriation and will enable the NHFB to progress the following:

- Implementation of a robust CCM. Structural changes are required to the current CCM to provide greater stability and a more robust platform. Additional modules are required to implement the funding cap, data conditional payment and pricing for safety and quality elements of the Addendum
- Improvements in data analytics with a focus on transparency, integrity and assurance of Commonwealth payments. Effective data analytics will assist the Commonwealth, states and territories to better understand the drivers of growth in public hospital services and NHR funding
- New business rules, policy documents, frameworks and procedures are required to ensure the effective implementation of the Addendum

- Enhancement of the Payments System to improve functionality, incorporating an integrated General Ledger capability, automated workflows and reporting, and improved interfaces with users and the Reserve Bank of Australia. A review of the feasibility of a direct interface with the CCM will also be undertaken

Work supplemented by the additional funding received in the 2017-18 Commonwealth Budget increase are indicated with an asterisk (\*) in the Performance Criteria in section 7.

## 6 Portfolio Budget Statement - Outcomes and Planned Performance

The NHFB's outcome measure, as reported in *Outcomes and Planned Performance* in the Health Portfolio Budget Statement 2017-18, is to:

*'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 performance criteria as reported in the Portfolio Budget Statement are:

- Accountability through assisting the Administrator in implementing and overseeing a nationally consistent public hospital funding arrangement through the Funding Pool (pages 370, 371-372)
- Increasing transparency and effective reporting of the funding to Local Hospital Networks for services delivered (pages 370, 372-373)
- Producing accurate Commonwealth funding contribution calculations by using nationally consistent pricing and costing standards (pages 370, 373)
- Operating as a fully functional and compliant agency, meeting statutory and legislative obligations, and developing productive and effective partnerships with stakeholders (pages 370, 374)

To assist the Administrator in undertaking his functions and to meet his obligations and responsibilities, the NHFB has adopted four high level strategic objectives:

- Achieve best practice and accountability
- Provide increased transparency and effective reporting
- Enable accurate Commonwealth contribution calculations
- Develop productive and effective partnerships and 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.

## 7 Performance Criteria for 2017-18

### 7.1 Strategic Objective One: 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 Funding Pool.

#### Performance Criteria

##### Performance criteria specified in the PBS:

Performance Criteria	Reporting Period	Target	Evidence
Develop and publish documents that will provide expert NHR Agreement policy advice to the Administrator and stakeholders (*)	Annually	Timely production of key policy documents to a satisfactory standard to enable acceptance by the Administrator and all jurisdictions	Policy documents accepted by the Administrator and all jurisdictions and published on Administrator's website, including: <ul style="list-style-type: none"> <li>• <i>Three Year Data Plan 2018-19 to 2020-21 and File Specification for Data Submission</i></li> <li>• <i>Data Privacy, Secrecy and Security Policy</i></li> <li>• <i>Reconciliation 2016-17 Framework</i></li> <li>• <i>Data Compliance Policy</i></li> <li>• <i>Calculation of National Health Reform Funding</i></li> </ul>
		Develop and release policies to provide expert advice on the implementation of the Addendum	
Develop and implement efficient and robust processes to oversee NHR Agreement funding and payments through the Funding Pool (*)	Annually	The independent third-party review of the Payments System Internal Control Framework does not identify any material weaknesses and is satisfactory to all Auditors-General	The independent third-party review report does not identify any material weaknesses
			Under the Australian Council of Auditors-General (ACAG) Agreement, State Auditors-General are satisfied with the results of the independent third-party review
		Data integrity and assurance processes are enhanced through engagement with jurisdictions, in line with the Addendum	Administrator and NHFB work with stakeholders to undertake a review of data integrity frameworks in each jurisdiction

			Administrator and NHFB facilitate a national community of practice to share advice and information on data integrity and examples of good practice
			Data integrity national community of practice is a standing JAC agenda item
National Health Funding Pool operations and payments are in accordance with directions from the responsible State or Territory Minister	Annually	Internal and external audits of Payment System find the system to be robust	100% of National Health Funding Pool operations and payments are in accordance with directions from the responsible State or Territory Minister
			All payments made in accordance with the authorised Payments System Procedures Manuals

**Performance criteria for NHFB internal targets:**

<b>Performance Criteria</b>	<b>Reporting Period</b>	<b>Target</b>	<b>Evidence</b>
Implement the requirements of the Addendum (*)	2017-18 to 2019-20	Requirements of the Addendum are incorporated through enhanced data integrity and assurance processes, developing or amending policy and procedures and providing advice on best practice, in collaboration with jurisdictions	All requirements of the Addendum relevant to the Administrator and the NHFB implemented by June 2020

## 7.2 Strategic Objective Two: Provide Increased Transparency and Effective Reporting

To provide increased transparency and effective reporting of the funding to Local Hospital Networks for services delivered.

### Performance Criteria

Performance criteria specified in the PBS:

Performance Criteria	Reporting Period	Target	Evidence
The Annual Report on the operations of the Administrator of the National Health Funding Pool is submitted to each Health Minister for tabling as per the <i>National Health Reform Act 2011</i>	Annually	Release a single annual report and accompanying financial statements on the operation of the National Health Funding Pool and table in the Commonwealth Parliament, and each State and Territory Parliament. The annual report will include a combined financial statement for the National Health Funding Pool and financial statements for each State and Territory State Pool Account audited by the respective Auditor-General	The Administrator's Annual Report is submitted to each Health Minister by 31 October 2017 for tabling in their respective Parliaments and published on the Administrator's website
			Stakeholders report that the Annual Report provides sufficient transparency over the funding and payments in annual survey
Financial statements were prepared for each State Pool Account and received an unmodified audit report by the relevant Auditor-General	Annually	100% of Financial Statements for each State Pool account receiving an unmodified audit report by the relevant Auditor-General	Financial Statements prepared and submitted to the relevant Auditor-General for audit
			Financial Statements for each State Pool account receiving an unmodified audit report by the relevant Auditor-General
Monthly reports of the funding and payments through the Funding Pool and State Managed Funds are produced and published to support the transparency of public hospital funding	Annually	100% of Monthly reports of the funding and payments through the Funding Pool and State Managed Funds prepared, distributed and published	Monthly reports prepared and an embargoed copy provided to the Commonwealth and State and Territory Health Departments by the last day of the following month
			Monthly reports prepared and published on the Administrator's website two business days after embargoed release

**Performance criteria for NHFB internal targets:**

<b>Performance Criteria</b>	<b>Reporting Period</b>	<b>Target</b>	<b>Evidence</b>
Quarterly Data Compliance Reports detailing Commonwealth, state and territory compliance with the data requirements	Annually	100% of Data Compliance reports prepared, distributed and publically released in the timeframes specified in the Administrator's <i>Data Compliance Policy</i>	Data compliance warnings sent to Commonwealth and state and territory Health Departments by the end of the following month at the end of the quarter
			An embargoed compliance report is provided the month after the warning and then publically released on the Administrator's website two business days later
Modernise the Payments System to create an integrated financial system that incorporates a General Ledger capability, an automated reporting function, and the ability for a direct upload to the Reserve Bank (*)	2017-19	Upgraded Payment System ready for implementation by 1 July 2018 and processing payments by 1 January 2019	Jurisdictions are consulted and collaborate in the Payments System enhancements
			Enhanced Payments System has integrated General Ledger capability, automated workflows and reporting, and improved interfaces with users and the Reserve Bank of Australia
			Testing of the enhanced Payments System is completed by 30 June 2018
			Enhanced Payment System ready to process payments by 1 January 2019

## 7.3 Strategic Objective Three: Produce Accurate Commonwealth Contribution Calculations

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

### Performance Criteria

Performance criteria specified in the PBS:

Performance Criteria	Reporting Period	Target	Evidence
The Commonwealth funding contribution is accurately calculated and is accepted by the Administrator and informs the basis of advice to the Commonwealth Treasurer (*)	Annually	Current and future year Commonwealth Contribution Models (CCM) are developed and accepted by the Administrator to calculate the Commonwealth NHR funding for each State and Territory	Accurate and timely advice on the Commonwealth funding to be paid to each LHN for delivery of public hospital services provided to and accepted by the Administrator and the Commonwealth Treasurer
			A nationally consistent CCM, with the requirements of the Addendum incorporated, is built, tested and implemented to calculate the Commonwealth funding contribution for activity based, block and public health funding to LHNs and other parties
			CCM quality assured by an external expert
			CCM Integrity Framework developed and implemented to support the CCM operations and to ensure accuracy of the calculations
			Funding Pool financial statements provided to the respective state and territory Auditor-General and an unmodified audit report received

**Performance criteria for NHFB internal targets:**

<b>Performance Criteria</b>	<b>Reporting Period</b>	<b>Target</b>	<b>Evidence</b>
Conduct funding integrity analysis to identify and report on public hospital services that received both Commonwealth NHR funding and funding through other Commonwealth programs (*)	Annually	Funding integrity analysis (data matching) of hospital activity and MBS/PBS/other Commonwealth programs data is completed for prior years, to identify instances where the same hospital services has been funded more than once	Data matching report prepared by the NHFB and endorsed by the Administrator
			Data elements related to the instances of <i>prima facie</i> 'data matches' supplied to jurisdictions for review
			Data matching business rules and analytics reviewed and made available to all jurisdictions
Conduct reconciliation of actual activity to estimated activity and incorporate the adjustments into Commonwealth payments to LHNs (*)	Annually	Reconciliation outcomes prepared by the NHFB and endorsed by the Administrator	Reconciliation of actual activity to estimates and incorporate the funding adjustments into Commonwealth payments to LHNs is completed
			Reconciled hospital activity data provided to states and territories to inform national arrangements and funding flows
			Letter detailing reconciliation outcomes prepared for and accepted by the Commonwealth Treasurer
Transition the 2017-18 CCM into an enhanced and secure SAS environment platform (*)	2017-18	The CCM successfully operating on a SAS platform with no material findings on internal and external reviews	CCM built on a SAS platform and accuracy tested and verified by internal and external reviews

## 7.4 Strategic Objective Four: Operate as a Fully Functional and Compliant Agency and Develop Productive and Effective Partnerships

To be operating as a fully functional and compliant agency, meeting statutory and legislative obligations, and developing productive and effective partnerships with stakeholders.

### Performance Criteria

Performance criteria specified in the PBS:

Performance Criteria	Reporting Period	Target	Evidence
Robust policies and procedures are in place, including ensuring all NHFB values are reflected, and compliant with relevant statutory and legislative requirements	2017-18 to 2018-20	Policies and procedures are in place to support the integrity of the NHFB and the health and wellbeing of staff	Human Resources Workforce Capability Framework implemented to enable the continuous improvement of workforce capability and capacity
			Internal review conducted on the effectiveness of the Health and Wellbeing policy
			Annual results from the APS Census maintained or improved
		All compliance reporting requirements for the NHFB as a non-corporate entity are met	Compliance with reporting requirements for the NHFB as a non-corporate entity are met
			Requirements of the <i>PGPA Act</i> and all relevant government and professional accounting pronouncements met, resulting in an unmodified audit report on NHFB financial statements
			The NHFB approach to meeting the requirements under the <i>Digital Continuity 2020</i> policy documented and implemented
			Internal review conducted of implementation of Digital 2020 requirements and preparedness

		The NHFB Annual Report is provided to all Health Ministers and the financial statements receive an unmodified audit report	The NHFB's Annual Report is submitted to each Health Minister by 31 October 2017 and published on the NHFB website
			The NHFB's Financial statements receive an unmodified audit report
Maintain and continually strengthen productive partnerships and collaboration with all stakeholders to ensure support the obligations and responsibilities of the Administrator	Annually	Effective partnerships are maintained through national and bi-lateral collaboration with the Commonwealth, states and territories, and other national bodies and stakeholder groups	Report to and/or engage with: <ul style="list-style-type: none"> <li>• Council of Australian Governments (COAG)</li> <li>• COAG Health Council</li> <li>• Australian Health Ministers' Advisory Council</li> <li>• IHPA Jurisdictional Advisory Committee and Technical Advisory Committee</li> </ul>
			At least four Administrator's Jurisdictional Advisory Committee meetings held annually, with other committees and special purpose working groups convened when required
			Jurisdictions to inform and develop effective and efficient hospital funding arrangement/mechanisms by undertaking analysis and scenario modelling

**Performance criteria for NHFB internal targets:**

Performance Criteria	Reporting Period	Target	Evidence
Develop and implement a Stakeholder Engagement Plan	2017-18	A Stakeholder Engagement Plan, informed by NHFB policy principles and developed in conjunction with stakeholders, is in place	A Stakeholder Engagement Plan endorsed by the CEO and publically released on the NHFB website

## 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*, *Risk Management Framework* and plans are in line with the international standard on risk management (AS/NZS ISO 31000:2009) and the Commonwealth risk management policy. This suite of documents also addresses Section 16(a) of the *PGPA Act* 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 is given to systemic, strategic and operational (including fraud and security) risks and the controls in place to manage these risks.

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

As a key component of its risk oversight and management, the NHFB annually develops a data integrity framework. This enables the Administrator to be assured of the integrity of advice provided to the Commonwealth Treasurer detailing the amounts to be paid for the Commonwealth's contribution to the Funding Pool.

### 8.1 Governance

#### NHFB Audit Committee

The NHFB Audit Committee consists of four independent Members. The Committee reviews and provides independent oversight of:

- **Financial reporting** – including reviewing the annual audited financial statements and related management representations, and recommending the signing of those statements by the CFO and CEO
- **Performance reporting** – including the performance framework that enables the development and reporting of key performance indicators and the NHFB's annual performance statement
- **System of risk oversight and management** – including the NHFB's risk management framework and fraud control arrangements
- **System of internal control** – including the NHFB's overall control environment, as reflected in its governance, risk management and compliance arrangements and resourcing and scope of internal audits

In addition, the Committee will assist in facilitating internal and external audit reports, providing advice to the CEO about significant issues identified, and monitoring the implementation of agreed actions

The Audit Committee assists in facilitating the NHFBs compliance with the obligations under the Agreement and the Act, including equivalent NHR laws of states or territories; with particular reference to the financial and performance audits.

The current NHFB Audit Committee members are appointed until 31 March 2018. Prior to recruitment or reappointment of current members, analysis will be undertaken to ensure the Committee can best service the needs of the Administrator and provide independent advice and oversight to NHFB operations.

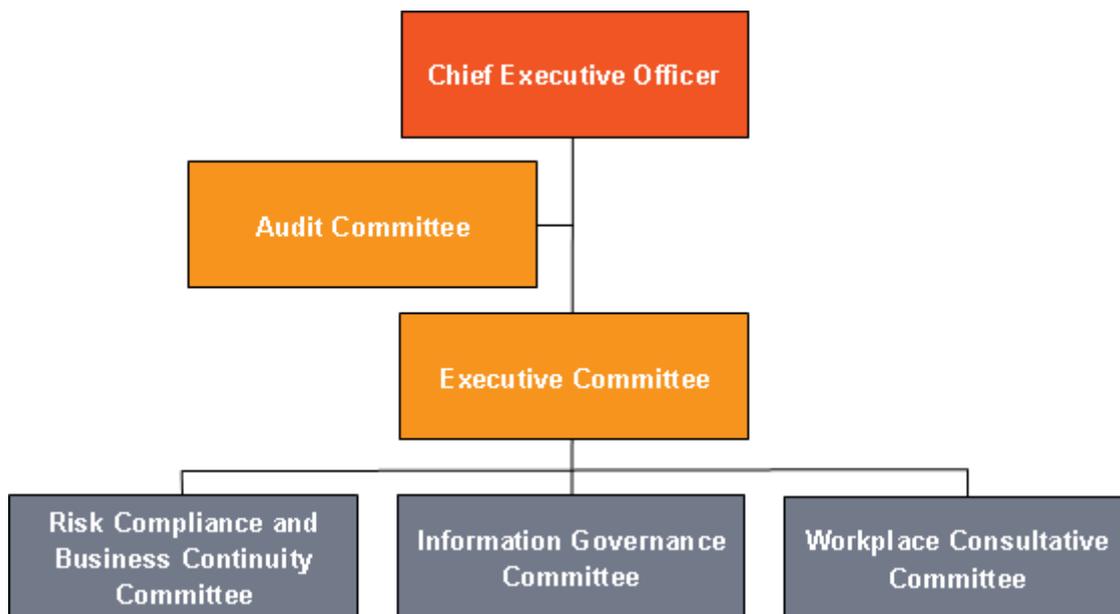
## Internal Committees

### Internal Committees

To ensure best practice and compliance with Government policy and legislation, the NHFB also convenes a number of internal committees, including:

- **Executive Committee** - The Executive Committee is the primary decision making body in the NHFB. It provides advice and makes recommendations to the Chief Executive Officer on policies, direction, initiatives and key immediate and emerging issues. The Committee acts as a forum for discussion, prioritisation and forward planning, considers policy direction and approves the broad strategy of the NHFB operations.
- **Risk Compliance and Business Continuity Committee** - The Risk Compliance and Business Continuity Committee provides assurance to the CEO and the Audit Committee on the adequacy and effectiveness of the NHFB's Risk Management, Compliance and Internal Control, Fraud Control, Internal Audit and Assurance Reviews, and Business Continuity.
- **Information Governance Committee** -The Information Governance Committee is responsible for all information matters ranging from compliance, strategy and infrastructure to metadata standards and privacy. This Committee provides the NHFB with a mechanism to develop a consistent, systemic and whole-of-agency approach to managing information.
- **Workplace Consultative Committee** - The Workplace Consultative Committee provides a forum to facilitate communication and consultation with employees, consistent with the *NHFB Enterprise Agreement 2016-2019* and the *Public Service Act 1999*. It also facilitates consultation with staff about their work health or safety, enabling the NHFB as an employer and staff in the workplace to meet their obligations under the *Work Health and Safety Act 2011*.

### NHFB Committee Structure



## 9 Technology

The Commonwealth 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 includes 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 large and complex 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 funding 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 in the calculation.

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 CCM. The new SAS CCM will have improved ability to conduct scenario modelling for jurisdictions, an enhanced user interface, greater automation and more efficient processing times.

During 2017-18 the NHFB will continue to work to further develop, test and implement the SAS version of the CCM.

## 9.2 National Health Funding Administrator Payments System (Payments System)

The Payments System is operated by the Commonwealth Department of Human Services and is a secure system accessed by authorised users to manage 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 \$40 billion of NHR funding and \$40 billion in payments are transacted through the Payments System (excluding State Managed funds).

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

During 2017-18 the NHFB will actively pursue with the DHS:

- A new Service Level Agreement for the provision of the Payments System
- Enhancements to the Payments System, including:
  - automated workflows
  - improved interfaces with users
  - integrated general Ledger capability
  - defined and automated reporting functionality

## 9.3 Department of Health Enterprise Data Warehouse (EDW)

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

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

During 2017-18, the NHFB, in conjunction with the Commonwealth Department of Health and other national bodies, will be reviewing its use of the EDW, including the assessment and consideration of EDW options available through government and commercial providers.

## 10 Capability

In 2016-17 the NHFB was classified as a micro agency (an agency with less than 20 employees), however, the 2017-18 Commonwealth Budget has provided the NHFB with additional resourcing to recruit an additional two positions, taking our staffing number to 21 which is classified as an extra-small agency.

The NHFB is an agile, dynamic, innovative and unique portfolio agency, with a specialised workforce that is culturally diverse and gender balanced. Our organisation is 58 per cent female, 42 per cent male with 42 per cent of employees born overseas.

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 Addendum. The implementation of the Addendum will entail an active recruitment program to enable the organisation to continue to fulfil its role and functions
- Australian labour force statistics suggest the current levels of high demand for Accountants are forecast to continue until at least 2021. Just under 40 per cent of our workforce are accountants and workforce trends suggest recruiting and retaining suitably qualified accountants will remain a challenge
- Data Modelling and Data Analysts specialists are critical to our success and our ability to contribute to and inform health funding policy. Sourcing and retaining staff with these skills is a challenge, given there is significant demand for these skills across the workforce. Demand is significantly outstripping the number of new entrants to the workforce and labour force trends indicate this will continue to 2021 and beyond
- The highly competitive nature of the specialist skills required means 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.

### Workforce Capability Framework

The NHFB has developed a sound understanding of its culture and workforce needs. This understanding has been further enhanced with the development of a Workforce Capability Framework which will be implemented during 2017-18.

### Leadership Development

The forecast of requirements, resulting from the Addendum and projected in our Strategic Plan, identifies the need for capable and effective leadership to support our operations. High performing leaders and potential leaders will continue to be supported enabling them to grow and develop.

### 10.1 Employment Relations

The *NHFB Enterprise Agreement 2016-2019*, supported by appropriate Human Resources policies and procedures, was negotiated and voted for by employees in October 2016. The Enterprise Agreement has enabled greater flexibility and competitiveness in the attraction and recruitment of new employees, whilst retaining current and valued employees.

## 10.2 Employment Contracts

### **Administrator of the National Health Funding Pool**

The Administrator, Mr Peter Achterstraat AM, is appointed as a Holder of Public Office (HOPO) in the Commonwealth of Australia (Commonwealth), and in each State and Territory. Mr Achterstraat's term commenced on 23 February 2016 and is due to expire on 31 March 2018. The Administrator is appointed by the COAG Health Council, with the Commonwealth Department of Health being responsible for coordinating and managing the recruitment and administrative process.

### **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 is due to expire on 1 February 2018. The CEO is appointed by the Minister for Health, with the Department of Health being responsible for coordinating and managing the recruitment and administrative process.

### **Employees**

NHFB employees are employed under the *Australian Public Service Act 1999* with terms and conditions governed by the *National Health Funding Body Enterprise Agreement 2016-2019*.



