



National Health  
Funding Body

# CORPORATE PLAN 2019-20



# Introduction

## Our Vision

To improve transparency of public hospital funding in Australia

## Our Purpose

To support the obligations and responsibilities of the Administrator through best practice administration of public hospital funding

## Our Objectives



Accurate and timely calculation of Commonwealth funding contributions



Best practice financial administration of the National Health Funding Pool (the Pool)



Effective reporting of public hospital funding



Productive relationships with stakeholders and partners



Operate as a high performing organisation



# National Health Funding Body Corporate Plan **2019–20**

# Message from the Chief Executive Officer

I am pleased to present the National Health Funding Body (NHFB) Corporate Plan for 2019–20, my second since commencing as Chief Executive Officer (CEO) on 3 April 2018.

This plan sets our direction for the next four years to 2022–23 and will drive our success in improving the transparency of public hospital funding in Australia.



## Building on last year's success

I am proud to be leading an independent agency that delivers best practice financial administration of \$50 billion in public hospital funding across Australia. We continue to work closely with Michael Lambert (the Administrator), all Commonwealth, State and Territory stakeholders, and portfolio agency partners to improve public hospital funding arrangements.

Together with the Administrator we finalised the outstanding annual reconciliations for 2016–17 and 2017–18. This provided States and Territories with an additional \$1 billion in payments in 2018–19 through the National Health Funding Pool, resulting in a total of \$50 billion in public hospital funding.

The 2017–18 Budget provided the NHFB with additional funding of \$4.2 million over three years to complete key projects. At the end of 2018–19, we delivered an improved Commonwealth Contribution Model (CCM), an enhanced website ([publichospitalfunding.gov.au](http://publichospitalfunding.gov.au)) as well as progressing development work on a new payments system and further funding integrity analysis through the data matching proof of concept.

“deliver best practice  
financial administration of  
\$50 billion in public hospital  
funding across Australia”

## Embracing digital transformation

In 2019-20 we will continue to operate as a high performing organisation, that is professional, innovative and technology enabled. We are committed to making it easier for our stakeholders to access our core technology platforms to better support their business operations.

We will be focused on delivering a new payments system to create a more integrated financial system with improved efficiency and effectiveness of processes between our systems, the Reserve Bank of Australia and, States and Territories. In addition, we will continue to improve the transparency of public hospital funding by enhancing our reporting capabilities and website functionality. We are working closely with all our stakeholders and industry partners to ensure a seamless implementation and transition.

We will continue to review our business operations for productivity improvements and cost efficiencies through embracing new technology as part of our digital transformation agenda. This will support us to streamline business transactions and create more space for strategic priorities.

## Preparing for the future

One of the key challenges of this planning period is the implementation of a new five year National Health Reform (NHR) Agreement which will shape the future of health reform and public hospital funding.

The Commonwealth, State and Territory Governments are committed to implementing a new NHR Agreement by 1 July 2020 for the period 2020-21 to 2024-25.

For 2019-20 and beyond our focus is also on strengthening our leadership, culture, and organisational capabilities to deliver our core calculate, pay and report functions. We will continue to invest in our people through learning and development. We will increasingly leverage our service level agreements to ensure our limited resources are focused on our highest priorities.

Collaboration is vital for our success, both internally and externally. I look forward to working with Michael Lambert, our stakeholders and partners, and my professional team in achieving further success in 2019-20.

## Statement of preparation

This Corporate Plan has been prepared consistent with the requirements under paragraph 35(1)(b) of the Public Governance, Performance and Accountability Act 2013 (the PGPA Act). We will review and adjust this plan each year to include new information, emerging issues and progress on implementing key strategies and initiatives.

**Mr Shannon White**  
Chief Executive Officer

*August 2019*



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# Purpose

## Who we are

The Administrator and the NHFB were established through the Council of Australian Governments' (COAG) *National Health Reform Agreement* (NHR Agreement) of August 2011.

The Administrator is independent of the Commonwealth, State and Territory governments. The functions of the Administrator are set out in the *National Health Reform Act 2011* (NHR Act) and common provisions in relevant State and Territory legislation.

The NHFB is a Commonwealth non-corporate entity under the PGPA Act and was established to support the obligations and responsibilities of the Administrator.

## What we do

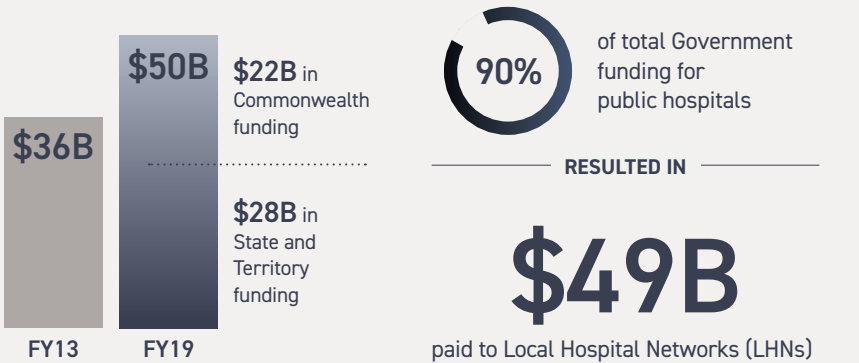
To achieve our objectives, our primary functions are to assist the Administrator in:

- + Calculating and advising the Commonwealth Treasurer of the Commonwealth's contribution to public hospital funding in each State and Territory
- + Reconciling estimated and actual public hospital services, and adjusting Commonwealth payments
- + Undertaking funding integrity analysis to identify public hospital services that potentially received funding through other Commonwealth programs
- + Monitoring payments of Commonwealth, State and Territory public hospital funding into the National Health Funding Pool (the Pool)
- + Making payments from the Pool to each Local Hospital Network (LHN)
- + Reporting publicly on NHR Agreement funding, payments and services
- + Developing and providing Three-Year Data Plans to the Commonwealth, States and Territories.



# Financial Year 2018–19 Highlights

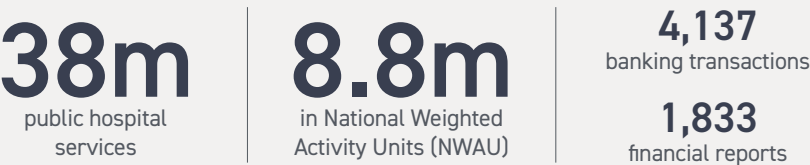
## Public Hospital Funding



## Activity Based Funding



## Delivered



## Supporting



# Environment

Our role in Australia's health system was the result of significant public hospital funding reforms agreed by the Commonwealth and all States and Territories in August 2011.

## National Healthcare Specific Purpose Payment Pre-2012

Prior to the NHR Agreement, States and Territories were paid a contribution for public hospital services from the Commonwealth via 'block grants' under the National Healthcare Specific Purpose Payment (SPP) arrangements. These grants (referred to as 'block funding') were calculated based on historical costs, negotiation and government decisions.

There was little transparency of the actual services delivered for the funding provided under block grants. This growth in funding was simply linked to an indexation factor under the Intergovernmental Agreement (IGA) on Federal Financial Relations.

## National Health Reform Agreement 2012–13 to 2016–17

In August 2011, COAG agreed to major changes in how public hospitals were to be funded by Commonwealth, State and Territory governments.

The most significant change moved the Commonwealth from block funding public hospitals to a combination of activity-based funding (ABF) and block funding, with a strong preference for ABF where appropriate. These changes, detailed in the NHR Agreement, included establishing the Administrator and the NHFB to improve transparency of public hospital funding arrangements.

## Addendum to the National Health Reform Agreement 2017–18 to 2019–20

In July 2017, amendments were introduced to the NHR Agreement in the form of a time-limited Addendum. The Addendum reaffirmed universal health care for all Australians as a shared priority and committed parties to public hospital funding arrangements from 1 July 2017 to 30 June 2020.

The Addendum preserves important parts of the existing public hospital funding system, including ABF, National Efficient Price (NEP), and the role of the Independent Hospital Pricing Authority (IHPA) and the Administrator, while also focusing on reducing avoidable readmissions, and improving patient safety and service quality.

## Future Agreement 2020–21 to 2024–25

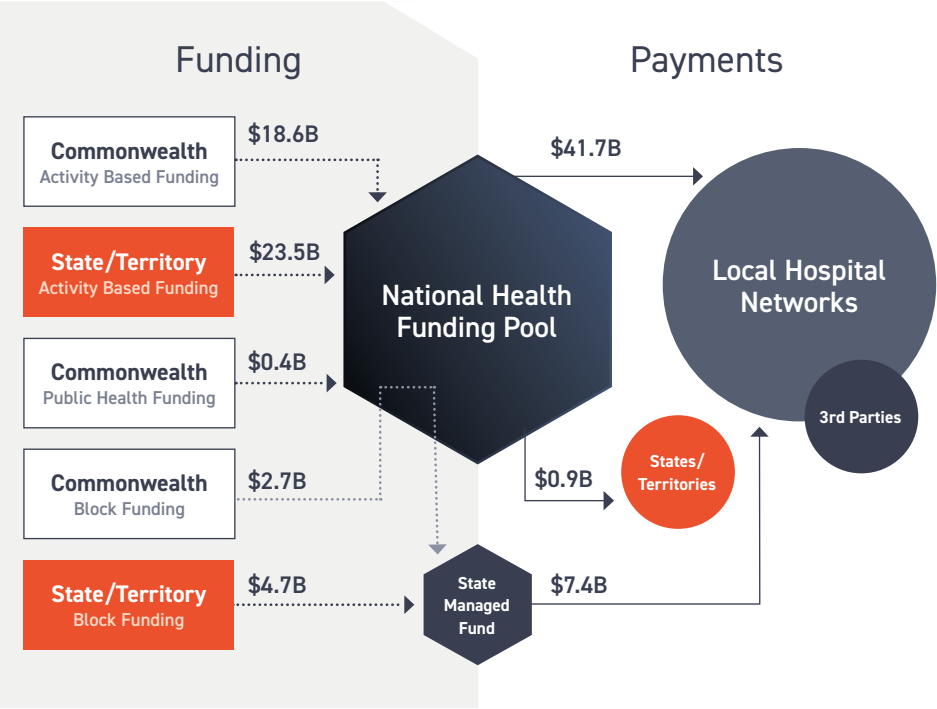
In February 2018, COAG drafted a new five-year Heads of Agreement (HoA) on public hospital funding and health reform, for commencement on 1 July 2020. The HoA maintains a commitment to ABF and extends reforms under the Addendum to improve Australians' health outcomes and decrease avoidable demand for public hospital services.

The intention of the parties to continue the administrative arrangements under the existing NHR Agreement until 2025 provides certainty for the Administrator's role and future operations of the NHFB.

# Public Hospital Funding

Under the NHR Agreement reforms to improve the transparency of public hospital funding, the Commonwealth, State and Territory governments are jointly responsible for funding public hospital services through the Pool. This is done through ABF or block funding.

Figure: 2018–19 Public Hospital Funding Payment Flows



Established on 1 July 2012 through enabling legislation in each jurisdiction, the single Pool is comprised of a Reserve Bank of Australia (RBA) account for each State and Territory. The Pool receives all Commonwealth (ABF and block) and State and Territory (ABF only) public hospital funding<sup>1</sup>. Each State and Territory has established a separate State Managed Fund (SMF) to manage block funding.

The increasing move away from block funding to ABF means that the Commonwealth's contribution is now inextricably linked to price (based on an IHPA determined NEP) and volume (public hospital services delivered by each jurisdiction).

In addition to the transparent calculation of Commonwealth contributions, the creation of the single Pool allows for a line-of-sight mechanism to trace each

jurisdiction's contribution towards the cost of public hospital services delivered each year by LHNs. Figure: 2018-19 Public Hospital Funding Payment Flows highlights the source, types and amount of funding that flows through as payments to LHNs under the Addendum.

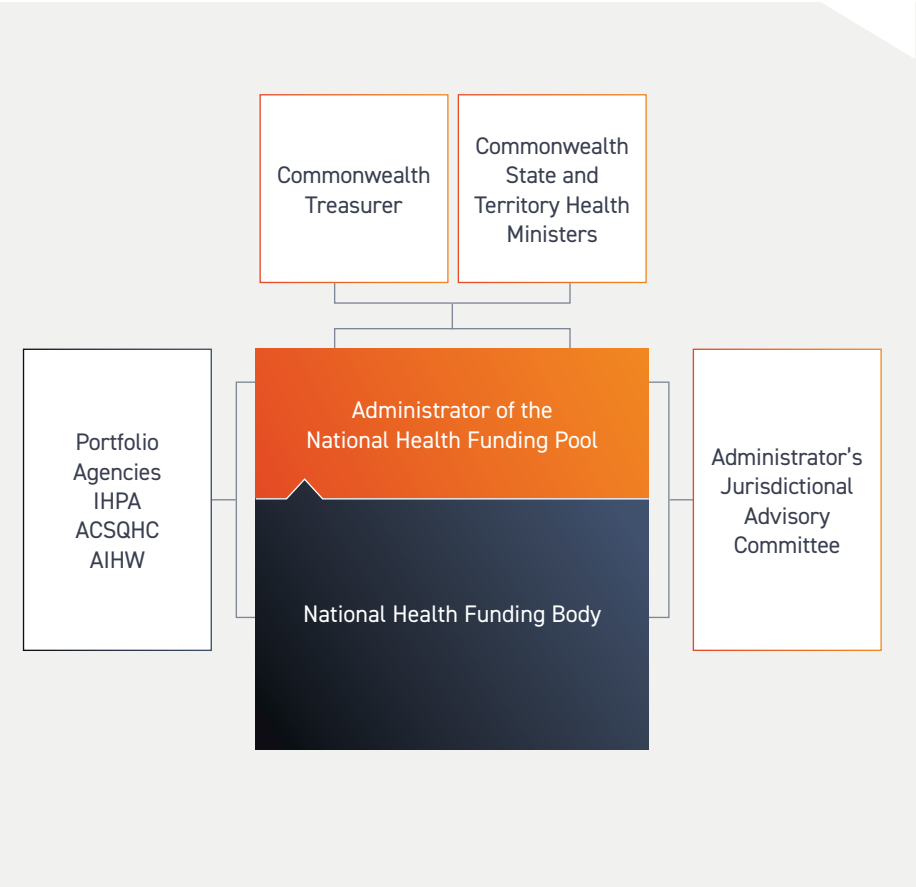
The NHR Agreement also allows for additional streams of funding to be paid through the Pool in the future, if agreed by COAG. Negotiations for the future agreement provide an opportunity to improve transparency by channeling all public hospital funding through the Pool.

<sup>1</sup> Further information on public hospital funding is available at [publichospitalfunding.gov.au](http://publichospitalfunding.gov.au)

# Stakeholders and Partners

Engaging regularly and proactively with our stakeholders and partners assists in achieving accurate and transparent funding for public hospital services.

Figure: Administrator and NHFB’s Key External Relationships



We work closely with our portfolio agency partners to support the Administrator to provide trusted and impartial advice to the Treasurer of the Commonwealth and all Health Ministers.

These agencies include the Independent Hospital Pricing Authority (IHPA), the Australian Commission on Safety and Quality in Health Care (ACSQHC) and the Australian Institute of Health and Welfare (AIHW).

The IHPA determines the National Efficient Price (NEP), the price applied to ABF services and the National Efficient Cost (NEC), the price applied to block funded services. The NEP and NEC serve as a major determinant of the level of Commonwealth Government funding for public hospital services. As such we routinely engage with the IHPA, including as a member of IHPA's Jurisdictional Advisory Committee and Technical Advisory Committee.

The ACSQHC leads and coordinates national improvements in the safety and quality of health care through encouraging local monitoring and action, and supporting the inclusion of safety and quality into national funding and pricing models. This includes work on:

- + Sentinel events
- + Hospital-acquired complications
- + Avoidable hospital readmissions.

The AIHW develops, collects, compiles, analyses, manages and disseminates Australian health and welfare data. We collaborate with the AIHW on public hospital funding related matters via a number of committees including the Strategic Committee for National Health Information, the National Health Data and Information Standards Committee, the National Hospitals Information Advisory Committee, and the Health Expenditure Advisory Committee.

Early and impartial engagement with all relevant stakeholders, especially States, Territories and the Commonwealth, allows time to discuss and resolve issues in a collaborative manner. The Administrator's Jurisdictional Advisory Committee (JAC) is a key channel for this engagement. This committee is comprised of senior representatives of States and Territories and relevant Commonwealth agencies. The JAC's objectives are to:

- + consider and provide advice to the Administrator on strategic issues related to the Administrator's functions under the NHR Agreement and NHR Act and;
- + enable collaboration between the Administrator, NHFB, Commonwealth, State and Territory Health Departments and IHPA on the relevant operational arrangements and priorities under the NHR Agreement and NHR Act

We will continue to proactively engage with our stakeholders and partners, as productive discussions not only provide valuable guidance to assist all parties understand the basis of funding calculations and outcomes, but also build trust in our functions.

## Challenges and Opportunities

It is commonly cited that the fiscal sustainability of the health and aged care system is under pressure. Expenditure has been growing faster than growth in inflation, population and ageing, but also faster than Australia's economic output (Gross Domestic Product (GDP)) and tax revenues.



### Health System

Although growth in Australia's total health expenditure as a share of GDP has been below trend in recent times, there is no structural reason to assume that growth in demand will subside.

The ageing of the 'baby-boomer' generation and the increasing prevalence of people living with chronic and complex health problems will likely see the disease burden, and hence demand for care, increase in coming years.

Increased incomes will continue to raise consumer expectations of the system to attend to health care needs and furthermore, technological innovations are likely to further raise, rather than lower costs.

- 1 AIHW, Admitted patient care 2017-18: Australian hospital statistics, Table 8.2: Separations for potentially preventable hospitalisations, public and private hospitals, 2017-18.
- 2 Productivity Commission, Report on Government Services 2019, Chapter 12 Public Hospitals.
- 3 AIHW, Admitted patient care 2017-18: Australian hospital statistics, Table 8.10: Separations with one or more hospital-acquired complications, by complication category, all hospitals, 2017-18.



## Future Agreement

Our readiness to respond to new developments in the forthcoming NHR Agreement and adapt to new challenges will be called upon once a new Agreement is settled on and our agile professional workforce will be ready to adapt to any new developments.

Ensuring that we effectively support the obligations and responsibilities of the Administrator in this environment represents both a challenge and a key opportunity.

## Preparedness

To fulfil our duties and role in the health system into the future, we must provide best practice financial administration that is accurate, timely and independent. Delivering on our commitments to strengthen the Commonwealth Contribution Model (CCM), enhance our funding integrity capabilities and modernise our payments system, provides our stakeholders with confidence in the funding system.

Our role in the health system enables us to improve the transparency of public hospital funding in Australia. Ongoing efforts to increase access to high-quality data via stable and reliable infrastructure, as well as enhanced availability through our improved website and other communication channels are key initiatives for us in 2019-20.

Achieving our vision also requires us to continually improve how we use our finite resources and develop our core capabilities. We will continue to concentrate on improving efficiency, governance, risk management, financial performance and making the best use of our people to cultivate productive relationships. By developing our people, improving our processes and embracing new technology we will remain a highly effective agency delivering benefits for all Australians.

# Finance

We are funded by an annual appropriation from the Commonwealth, as represented in the Portfolio Budget Statements (PBS) 2019-20.

The majority of our operating expenses are for employees and suppliers. Table one provides a breakdown of our budget for the 2019–20 forward estimates

In February 2018, COAG drafted a new five-year Heads of Agreement (HoA) on public hospital funding and health reform, to commence 1 July 2020. The new HoA maintains a commitment to ABF and extends reforms under the Addendum to improve Australians' health outcomes and decrease avoidable demand for public hospital services.

The intention of the parties to continue the administrative arrangements under the existing NHR Agreement through to 2025 provides certainty on the role of the Administrator and future operations of the NHFB.

We are also providing independent advice into the negotiations for a future agreement. As part of these negotiations, we will consult with our stakeholders and partners about requirements to support the role of the Administrator in any agreement post 1 July 2020.

To live within our means we will ensure that we are operating as efficiently and effectively as possible. We will explore opportunities to better collaborate with our public and private sector partners, and leverage our short-term initiatives to further integrate and strengthen our operations. Careful planning and execution will ensure that these activities will have a positive impact on supporting the essential functions of the Administrator.

Table 1: NHFB 2019–20 budget and forward estimates

	2019–20 Budget \$'000	2020–21 Estimate \$'000	2021–22 Estimate \$'000	2022–23 Estimate \$'000
<b>REVENUE</b>				
Appropriation	(5,570)	(5,592)	(5,688)	(5,732)
Other*	(92)	(92)	(92)	(92)
<b>TOTAL REVENUE</b>	<b>(5,662)</b>	<b>(5,684)</b>	<b>(5,780)</b>	<b>(5,824)</b>
<b>EXPENSES</b>				
Employees	2,857	2,914	2,972	3,031
Suppliers	2,805	2,770	2,808	2,793
Depreciation and amortisation	220	290	290	290
<b>TOTAL EXPENSES</b>	<b>5,882</b>	<b>5,974</b>	<b>6,070</b>	<b>6,114</b>

\* Other revenue covers audit fee expenses not requiring appropriation (resources received free of charge).

## Key Projects



### Commonwealth Contribution Model (CCM)

#### Building on improvements to the CCM

- + Structural changes have been made to the CCM to provide a more robust platform for the calculation of public hospital funding entitlements. We will continue to explore options for developing a user interface for improved access by jurisdictions.

### Data Matching

#### Funding integrity

- + Improvements are being implemented to our data capabilities to focus on greater transparency, integrity and assurance of payments for public hospital services. Establishing data matching integrity and assurance processes will provide greater confidence to the Commonwealth, States and Territories of the management of NHR funding.



### Payment System

- + Enhancements will be made to the National Payments System to create a more integrated financial system with improved efficiency and effectiveness of processes between our systems, the RBA and States and Territories.
- + Our business rules, policy documents, frameworks and procedures will be updated to ensure effective implementation of necessary changes to take account of the future Agreement.



## Website

### Enhanced reporting capabilities

- + We will continue to improve the transparency of public hospital funding, payments and activity by enhancing our reporting capabilities and increasing public access by rolling out additional reporting functionality.



## Leadership and Culture

### Productive relationships

- + We will continue to explore ways in which our valuable data resources can be leveraged to improve the performance of the health sector, and work to increase the profile and awareness of the role of the Administrator and the NHFB.

### United Leadership

- + To continue to operate as a professional, agile, innovative and unique portfolio agency we need to demonstrate behaviours that create a high performance culture. Our combined commitment to the United Leadership program will help strengthen our culture and environment, where everyone is valued and performs their role to the best of their ability.

# Performance

The performance framework outlines our objectives which are necessary to fulfil our purpose, describe how our performance will be measured, and identify key initiatives that will improve our organisational capability. An assessment of this performance framework is conducted yearly in our annual report's performance statement.

We have five key objectives in the performance framework that must be met to fulfil our purpose. We will ensure that the right organisational capabilities are in place to undertake the activities required to achieve our outcomes and demonstrate that we have met our objectives. Our capabilities will be enhanced through key initiatives that will further empower our people, processes and technology to best support the obligations and responsibilities of the Administrator.

The following tables outline the performance criteria that will be used for the 2019-20 reporting period to determine whether we have achieved our purpose. We recognise the importance of measuring our performance, and will continue to improve the way we gather quantitative and qualitative evidence to measure how well we deliver against our objectives.



## Objective One: Accurate and timely calculation of Commonwealth funding contribution

Performance Criteria	Evidence	2019-20	2020-23
<i>The Treasurer of the Commonwealth is advised by the Administrator in a timely manner (PBS 2019 20 p342)</i>			
The advice regarding the amounts required to be paid into each State (and Territory) Pool Account is provided to the Treasurer in a timely manner	Administrator sign-off of payment advice including any adjustments	100%	100%
<i>Commonwealth funding calculations are accurate (PBS 2019 20 p342)</i>			
Current and future year CCMs are accepted by the Administrator	CCM sign-off by Administrator	100%	100%
<i>Funding entitlements reconcile to actual services delivered.</i>			
Adjustments made to Commonwealth payments to LHNs due to reconciliation are accepted by the Administrator	Administrator sign-off of payment advice including any adjustments	Half-yearly and annual	Half-yearly and annual
<i>Public hospital services are funded through the appropriate Commonwealth program</i>			
Integrity analysis of hospital activity and other Commonwealth program activity identifies instances where the same hospital service has been funded more than once	Integrity measures in place	Initiative progressed	No duplicate payments

### Key Initiatives

#### Short term 2019-20

- + Initial 2019-20 funding growth calculation
- + Finalise 2018-19 Annual Reconciliation
- + Finalise 2019-20 Six month Reconciliation
- + Continue to implement the Addendum requirements in the CCM
- + Process 2017-18 and 2018-19 data matching and provide outcomes to stakeholders
- + Provide COAG Health Council with a progress update on data matching activities

#### Medium term 2020-23

- + Work with our stakeholders to improve the timeliness of reconciliation processes
- + Review CCM for stakeholder use
- + Implement data matching



## Objective Two: Best practice financial administration of National Health Funding Pool

Performance Criteria	Evidence	2019–20	2020–23
<i>Payments to each Local Hospital Network (LHN) accord with directions from responsible State and Territory Ministers and align with Service Agreements (PBS 2019 20 p342)</i>			
All payments from the Pool are made in accordance with directions	Advice from relevant ministers	100% in accordance with advice	100% in accordance with advice
<i>Maintain the integrity of the Administrator's Payments System in accordance with policies and procedures</i>			
Administrator's Payments System policies and procedures are maintained	Policies and procedures are complete, available and approved annually by the Administrator	100% approved	100% approved

### Key Initiatives

#### *Short term 2019-20*

- + Implement new Payments System
- + Promote greater understanding of the NHR Agreement to ensure funding flows are in accordance with requirements

#### *Medium term 2020-23*

- + Provide greater transparency, integrity and assurance of payments for public hospital services through increasing the volume of funding through the Pool and decreasing those outside of the Pool





## Objective Three: Effective reporting of public hospital funding

Performance Criteria	Evidence	2019-20	2020-23
<i>Ministers receive required information in a timely manner</i>			
The Annual Report on the operations of the National Health Funding Pool is submitted to each Health Minister for tabling as per the NHR Act	Administrator's Annual Report	Tabled in all jurisdictions within timeframe	Tabled in all jurisdictions within timeframe
<i>Monthly and annual reporting of funding, payments and services (PBS 2019-20 p342)</i>			
Monthly and annual reporting is uploaded to the website	Website update	All LHN, State and National reports updated within six weeks of period close	All LHN, State and National reports updated within six weeks of period close
<i>Quarterly and annual reporting of Commonwealth, State and Territory compliance with the Administrator's Data Plan</i>			
Increase public access to information on Commonwealth, State and Territory compliance with the Administrator's Data Plan	Administrator's Quarterly Compliance Report	Publish Quarterly Compliance reports within six weeks of period close	Publish Quarterly Compliance reports within six weeks of period close

### Key Initiatives

#### *Short term 2019-20*

- + Finalise the Administrator's 2018-19 Annual Report
- + Review the Administrator's Three Year Data Plan in collaboration with our stakeholders
- + Review and implement the Administrator's Data Compliance Policy in collaboration with our stakeholders
- + Rollout phase two of our website redevelopment project to include additional reporting functionality

#### *Medium term 2020-23*

- + Identify ways in which our valuable data resources can be leveraged to improve health sector outcomes, and work to increase the profile and awareness of the role of the Administrator and the NHFB



## Objective Four: Productive relationships with stakeholders and partners

Performance Criteria	Evidence	2019–20	2020–23
<i>Provide trusted and impartial advice</i>			
Provide advice into the drafting of the future NHR Agreement	Future Health Care Agreement 2020–21 to 2024–25	Advice provided	N/A
<i>Work plans and information requirements are developed in collaboration and consultation with stakeholders</i>			
Three-year data plans are completed on time, endorsed by the Administrator and agreed with stakeholders	Three-year data plans endorsed by the Administrator in a timely manner and released without a direction from COAG Health Council	100% complete	100% complete

### Key Initiatives

#### *Short term 2019–20*

- + Review our Strategic Communication and Stakeholder Engagement Framework and implement improvements
- + Explore options for sharing modelling, analytic and reporting tools with our stakeholders
- + Actively participate in bilateral and multilateral forums with jurisdictions
- + Actively engage and collaborate with Portfolio Agencies (IHPA, AIHW, ACSQHC)
- + Promote greater understanding of the NHR Agreement

#### *Medium term 2020–23*

- + Identify ways in which we can engage, collaborate and provide trusted advice to improve health sector outcomes, and work to increase the profile and awareness of the role of the Administrator and the NHFB



## Objective Five: Operate as a high performing organisation

Performance Criteria	Evidence	2019-20	2020-23
<i>A positive workplace culture where people adopt best practice approaches to achieve results</i>			
Our behaviours are embedded in an inclusive culture	APS Census 2019 results and implementation action plan	Results are 'above average' and a positive trend on prior-year	Positive trend on prior-year
All compliance reporting requirements for the NHFB as a non-corporate entity are met within timelines	Approval by the CEO	100%	100%
<i>Policies and procedures comply with relevant statutory and legislative requirements</i>			
Corporate policies are current and endorsed by the CEO	Approval by the CEO	100%	100%

### Key Initiatives

#### Short term 2019-20

- + Implement our 2019-2023 Workforce Plan
- + Implement our 2019-20 Learning and Development Strategy
- + Apply enhancements to our risk management and assurance practices

#### Medium term 2020-23

- + Continue rollout of best-practice initiatives to support a capable workforce, including career enhancing learning and development
- + Plan for a sustainable future by operating as productively and cost effectively as we can
- + Be a leader in best-practice for small agencies; professional, capable, flexible, technology enabled and citizen-focused

# Risk

Risk management is an essential component of sound business management and good corporate governance. Understanding risks and managing them appropriately enhances our ability to make better decisions, deliver on objectives and improve our performance.

As a PGPA Act agency our Risk Management Policy and Framework aligns with the Commonwealth Risk Management Policy and is based on the International Standard on Risk Management (ISO 31000:2018 - Risk Management guidelines).

These fundamental documents support our commitment in managing our business operations in a professional and efficient manner to ensure we maintain an appropriate system for risk oversight and management of internal controls.

## Culture and risk tolerance

We promote an organisational culture that supports innovation and creativity by providing an environment where risk-aware decision-making is encouraged. Effective engagement with risk is necessary to support the obligations and responsibilities of the Administrator.

Early engagement and open conversations about risk tolerance are encouraged and are the most important element when identifying and assessing any new risks that could impact on successfully achieving our objectives.

With a clear understanding of the environment we operate in, our risk tolerance statement articulates the amount of risk that we are willing to accept to achieve our objectives. Our clearly defined tolerance for risk allows our organisation to set objectives, comply with legal and policy obligations, allocate and use resources, and improve transparent and accountable decision making.

# Identification and management

Positive risk management requires every member of our organisation to recognise the business risks in their area and actively manage those risks as well as identify opportunities as part of their day-to-day activities.

Our robust management of risk is embedded in our core business activities and practices through the use of consistent language, methodologies and documentation across all levels of the organisation.

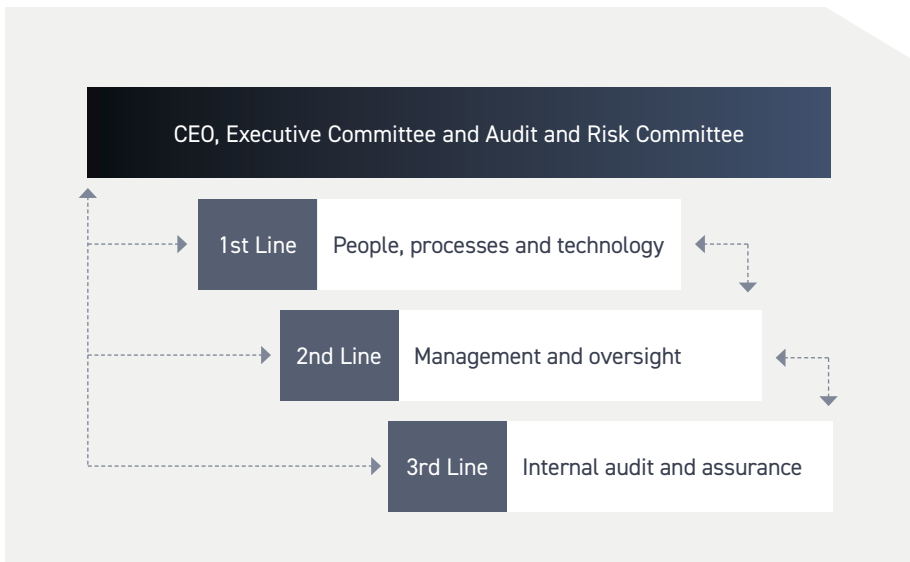
Figure: National Health Funding Body approach to risk management



## Oversight and assurance

Our formal governance structures and reporting arrangements adopt a 'three lines of defence' model to provide assurance over the effectiveness of our risk controls. This model ensures that we have robust, independent and objective oversight embedded at all levels to provide appropriate assurance.

**Figure: Assurance three lines of defence**



## Audit and Risk Committee

The Audit and Risk Committee's role is to provide independent advice and assurance to the CEO NHFB on the agency's performance and financial reporting, risk oversight and management, and system of internal control (including the operation, management and financial reporting of the National Health Funding Pool).

# Governance

We are committed to managing our business operations to meet our strategic objectives, statutory obligations and ethical standards. This commitment is an integral part of our management practices and is the foundation of our Corporate Governance Framework.

## Executive Committee

The Executive Committee is our peak decision making body which provides advice and recommendations to the CEO NHFB on agency policies, direction, initiatives and key immediate and emerging issues.

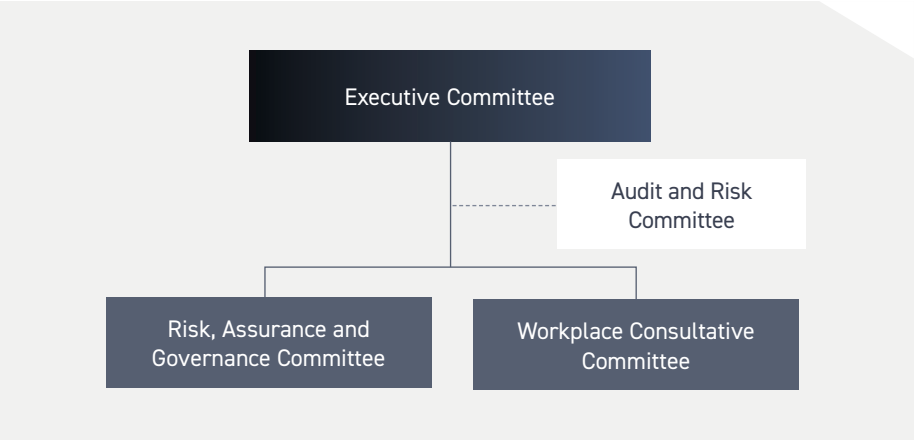
## Risk, Assurance and Governance Committee

The Risk, Assurance and Governance Committee provides assurance to the CEO NHFB, Executive Committee and the independent Audit and Risk Committee on the adequacy, effectiveness and performance of our governance arrangements. This includes risk management, compliance and control, audit and assurance, information governance, security and business continuity.

## Workplace Consultative Committee

The Workplace Consultative Committee is our consultative body for communication, consultation and employee participation in the management of the agency and Work Health and Safety matters.

Figure: Internal Governance Structure



# Capability

## Our People

The NHFB is a professional, agile, innovative and unique portfolio agency. We have a small and specialised workforce that is capable, culturally diverse and gender balanced.

Our workforce is supported by a flexible legislative framework under the *Public Service Act 1999* with terms and conditions governed by the *National Health Funding Body Enterprise Agreement 2016–2019*.

We recognise that skilled, engaged and versatile people are critical to the achievement of our objectives.



**Photo** National Health Funding Body

**Seated left** Shannon White, Chief Executive Officer National Health Funding Body

**Seated right** Michael Lambert, Administrator, National Health Funding Pool



**We aim to cultivate and value our workforce by:**

- + supporting and developing the capabilities of our staff to meet our work requirements
- + attracting and retaining skilled, adaptable and responsive people
- + promoting a culture where people work within and across teams to maximise expertise and produce results that benefit the agency as a whole
- + refining our organisational approaches to reflect the requirements of a professional, capable, flexible, technology-enabled, citizen-focused agency.

Over time, we have developed a sound understanding of our culture and workforce needs, including the requirement for data analysts as well as experts in finance and compliance.

## Our Values

We are committed to observing the Australian Public Service Values and Code of Conduct, both of which represent our approach to interacting and collaborating with colleagues, stakeholders, and the community.

## Our Behaviours

### Behave our way to new thinking — ‘it starts with me’

We are committed to sharing a common set of behaviours and working together as a united team to achieve our objectives:

#### One NHFB

We contribute as a united team and are empowered to do our best work.

#### Enhance Trust

We treat others as equals and collaborate openly across boundaries.

#### Open Communication

We listen actively to the views of others and share information.

#### Own It

Everyone has ownership of their performance by knowing, accepting and performing their role to the best of their ability.

## Our Technology

The NHFB will continue to embrace digital transformation initiatives to support the achievement of our vision and strategic objectives.

The most significant technological platforms we use are the Health Enterprise Data Warehouse (EDW), SAS CCM, Payments System and website. We have Memorandums of Understanding, service agreements and contracts in place with providers to ensure the ongoing maintenance and support of these platforms. Each of these platforms is supported by robust and transparent governance relating to the privacy and protection of data.

### Health Enterprise Data Warehouse

In 2010 the Health EDW was established to provide ICT capability to enable us (together with other key agencies) to perform our role under the NHR Agreement.

The functions of the NHFB in supporting the Administrator involve the use of data and information from multiple sources. As some of the data may be sensitive or personal, specific treatments and/or security arrangements are required. The large and complex datasets require our systems to be capable of managing significant records, calculations and analysis.

The EDW is a high-quality, secure, reliable, easy-to-use, shared data storage, analysis and reporting system that supports some of our key information management requirements.

### Commonwealth Contribution Model

The CCM enables accurate calculation of Commonwealth NHR Agreement funding contributions at State and Territory, LHN and service category levels, incorporating inputs from multiple sources.

### National Health Funding Administrator Payments System

The Payments System is a secure deposits and payments system currently operated by the Commonwealth Department of Human Services. During 2019-20 we will deliver an enhanced Payments System which will deliver simpler processes and better reporting capabilities.

### Website

Our new Public Hospital Funding website was launched 28 June 2019 as phase one of our enhanced website project. Phase one has improved the overall user experience and connectivity between the functions of the NHFB and the Administrator.

In support of our vision to improve transparency of public hospital funding in Australia, phase two of this project (in 2019-20) will deliver improved reporting and data accessibility to a wide and diverse range of users.

# Endnotes

## Attachment A: Strategic Direction 2019–2023

### Strategic Direction 2019–2023



Administrator  
National Health  
Funding Pool



National Health  
Funding Body

#### Our vision

To improve transparency of  
public hospital funding in Australia

#### Our purpose

To support the obligations and  
responsibilities of the Administrator  
through best practice administration  
of public hospital funding

#### About us

The Administrator of the National Health Funding Pool (the Administrator) and the National Health Funding Body (NHFB) were established through the Council of Australian Governments National Health Reform Agreement (NHR Agreement) of August 2011.

The primary functions of the NHFB are to assist the Administrator in:

- Calculating and advising the Commonwealth Treasurer of the Commonwealth's contribution to public hospital funding in each State and Territory
- Reconciling estimated and actual public hospital services, and adjusting Commonwealth payments
- Undertaking funding integrity analysis to identify public hospital services that potentially received funding through other Commonwealth programs
- Monitoring payments of Commonwealth, State and Territory public hospital funding into the National Health Funding Pool (the Pool)
- Making payments from the Pool to each Local Hospital Network (LHN)
- Reporting publicly on NHR Agreement funding, payments and services
- Developing and providing three-year data plans to the Commonwealth, States and Territories

The Administrator is independent of Commonwealth, State and Territory governments. The functions of the Administrator are set out in the *National Health Reform Act 2011* (NHR Act) and common provisions in relevant State and Territory legislation.

The NHFB is a Commonwealth non-corporate entity under the *Public Governance, Performance and Accountability Act 2013*.

#### Our objectives



##### Accurate and timely calculation of Commonwealth funding contributions

- The Treasurer of the Commonwealth is advised by the Administrator in a timely manner
- Commonwealth funding calculations are accurate
- Funding entitlements reconcile to actual services delivered
- Public hospital services are funded through the appropriate Commonwealth program



##### Best practice financial administration of the National Health Funding Pool (the Pool)

- Payments to each Local Hospital Network (LHN) accord with directions from responsible State and Territory Ministers and align with Service Agreements
- Maintain the integrity of the Administrator's Payments System in accordance with policies and procedures



##### Effective reporting of public hospital funding

- Ministers receive required information in a timely manner
- Monthly and annual reporting of funding, payments and services
- Quarterly and annual reporting of Commonwealth, State and Territory compliance with the Administrator's Data Plan



##### Productive relationships with stakeholders and partners

- Provide trusted and impartial advice
- Work plans and information requirements are developed in collaboration and consultation with stakeholders



##### Operate as a high performing organisation

- A positive workplace culture where people adopt best practice approaches to achieve results
- Policies and procedures comply with relevant statutory and legislative requirements

#### Our values

**I** – Impartial    **C** – Committed    **A** – Accountable    **R** – Respectful    **E** – Ethical

#### Our behaviours

##### Behave our way to new thinking – 'it starts with me'

**One NHFB:** We contribute as a united team and are empowered to do our best work

**Enhance Trust:** We treat others as equals and collaborate openly across boundaries

**Open Communication:** We listen actively to the views of others and share information

**Own It:** Everyone has ownership of their performance by knowing, accepting and performing their role to the best of their ability.

# Attachment B: Risk Tolerance Statement 2019-20

## Risk Tolerance 2019-20



Administrator  
National Health  
Funding Pool



National Health  
Funding Body

### Message from the CEO

Effective engagement with risk is necessary to support the obligations and responsibilities of the Administrator of the National Health Funding Pool (the Administrator) to provide best practice administration of public hospital funding in Australia.

As the Accountable Officer under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), it is my responsibility to establish and maintain appropriate systems of risk oversight and management, including setting our risk tolerance.

Our growing risk maturity helps us embed risk management within our business and supports innovation. This statement allows our organisation to set objectives, comply with legal and policy obligations, allocate and utilise resources, and improve transparent and accountable decision making.

By engaging people early, we manage our risks and opportunities effectively. As valued members of the NHFB team I encourage you all to engage with and adopt mindful practices so that together, we can achieve better risk-based decision making in the workplace.

Mr Shannon White, CEO

### Engagement is key

Our organisational culture supports innovation and creativity by providing an environment where risk-aware decision-making is encouraged. Early and open conversations about risk tolerance are the most important element when assessing our risks and opportunities.

With our objectives clearly defined, we can confidently determine how much risk tolerance we are prepared to accept and make informed decisions that achieve the right balance between meeting our objectives and exploring opportunities.

### Our Risk Tolerance

We have assessed our level of risk tolerance that we are willing to accept or retain against each of our five objectives. These tolerance levels highlighted below are based on the supporting business function and, the potential cost and/or the benefit of engaging with risk to improve our decision-making ability.

Calculations	Low Tolerance
 <ul style="list-style-type: none"> <li>+ Timely advice</li> <li>+ Accurate calculation</li> <li>+ Reconcile activity</li> <li>+ Funding Integrity</li> </ul>	<p><b>An error in the calculation of payments results in inaccurate advice to the Commonwealth Treasurer</b></p> <p>We have a <b>LOW</b> tolerance for incorrect calculations resulting from internal failures due to poor governance, processes and delivery</p> <p><b>Delay or errors in reconciliation of payments made to jurisdictions</b></p> <p>We have a <b>LOW</b> tolerance for inaccurate reconciliation processes between estimated and actual service volumes that impact funding to Local Hospital Networks (LHNs)</p>
Payments	Low Tolerance
 <ul style="list-style-type: none"> <li>+ Payments to LHNs</li> <li>+ Payments System</li> <li>+ Funding Pool Financial Statements</li> </ul>	<p><b>Delay or errors in payments to jurisdiction(s) due to system or process failure</b></p> <p>Given the scale of the funds paid through the Funding Pool, we have a <b>LOW</b> tolerance for internal failures resulting from poor governance, processes and delivery, or illegal activity</p> <p><b>A modified audit opinion is given on the Administrator's Financial Statements</b></p> <p>We have a <b>LOW</b> tolerance for risks that impact transparency due to failures to meet our compliance reporting requirements</p>
Reporting	Low Tolerance
 <ul style="list-style-type: none"> <li>+ Information provided</li> <li>+ Funding reports</li> <li>+ Compliance reports</li> </ul>	<p><b>Reporting of public hospital funding and/or activity is delayed or inaccurate</b></p> <p>We have a <b>LOW</b> tolerance for failure to meet our reporting requirements resulting from poor governance and engagement with stakeholders</p> <p><b>Inappropriate data release results in loss of confidence in the Administrator and the NHFB</b></p> <p>We have a <b>LOW</b> tolerance for internal failures that impact the management and security of data in accordance with relevant legislative requirements</p>
Stakeholders	Medium Tolerance
 <ul style="list-style-type: none"> <li>+ Impartial advice</li> <li>+ Engagement</li> </ul>	<p><b>Strategic and operational goals are unmet due to unproductive relationships</b></p> <p>We have a <b>MEDIUM</b> tolerance for risk when developing stakeholder relationships that advance strategic and operational goals whilst maintaining the integrity of the Administrator and the NHFB</p>
Organisation	Medium Tolerance
 <ul style="list-style-type: none"> <li>+ Positive culture</li> <li>+ Innovation</li> <li>+ Good governance</li> <li>+ Funding Body Financial Statements</li> </ul>	<p><b>Poor workplace culture impacts planned outcomes due to a lack of engagement or loss of high-performing staff</b></p> <p>We have a <b>MEDIUM</b> tolerance for risks which jeopardise our ability to attract, retain and develop talent to achieve our outcomes</p> <p><b>Outcomes are not achieved due to the inability to adapt and innovate</b></p> <p>We have a <b>MEDIUM</b> tolerance to explore best practice approaches that allow for innovation in policies, procedures and technology</p> <p><b>Inadequate WHS policies and procedures result in impacts on the health, safety and wellbeing of staff</b></p> <p>We have a <b>LOW</b> tolerance for activities and environments that adversely impact the health, safety and wellbeing of staff</p> <p><b>Fraudulent activity impacts the agency's integrity</b></p> <p>We have a <b>LOW</b> tolerance for internal failures that are the result of poor governance or illegal activity</p>

# Glossary

<b>ABF</b>	Activity-Based Funding
<b>ACSQHC</b>	Australian Commission on Safety and Quality in Health Care
<b>AIHW</b>	Australian Institute of Health and Welfare
<b>CCM</b>	Commonwealth Contribution Model
<b>CEO</b>	Chief Executive Officer
<b>COAG</b>	Council of Australian Governments
<b>DHS</b>	Commonwealth Department of Human Services
<b>EA</b>	NHFB Enterprise Agreement 2016–2019
<b>EDW</b>	Enterprise Data Warehouse
<b>Health</b>	Commonwealth Department of Health
<b>HoA</b>	Heads of Agreement
<b>ICT</b>	Information and Communication Technology
<b>IGA</b>	Intergovernmental Agreement on Federal Financial Relations
<b>IHPA</b>	Independent Hospital Pricing Authority
<b>JAC</b>	Jurisdictional Advisory Committee
<b>LHN</b>	Local Hospital Network
<b>NEC</b>	National Efficient Cost
<b>NEP</b>	National Efficient Price
<b>NHA</b>	National Healthcare Agreement
<b>NHFB</b>	National Health Funding Body
<b>NHR Act</b>	National Health Reform Act 2011
<b>NHR Agreement</b>	National Health Reform Agreement 2011
<b>NWAU</b>	National Weighted Activity Unit
<b>PGPA Act</b>	Public Governance, Performance and Accountability Act 2013
<b>RBA</b>	Reserve Bank of Australia
<b>SPP</b>	National Healthcare Specific Purpose Payment
<b>The Administrator</b>	Administrator of the National Health Funding Pool
<b>The Pool</b>	National Health Funding Pool

## National Health Funding Body Corporate Plan 2019–20

August 2019

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### Enquiries

If you require further information or have any queries in relation to this Corporate Plan please send via e-mail to [nhfb.enquiries@nhfb.gov.au](mailto:nhfb.enquiries@nhfb.gov.au)



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