



National Health
Funding Body

Improving the
transparency of
public hospital
funding in Australia

CORPORATE PLAN 2020-21



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 FIVE 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

OUR BEHAVIOURS

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 APS VALUES

Impartial

Committed

Accountable

Respectful

Ethical

OUR ROLE IN AUSTRALIA'S HEALTH SYSTEM

WHO WE SUPPORT

PRIME MINISTER,
PREMIERS AND
CHIEF MINISTERS

COMMONWEALTH,
STATE AND TERRITORY
HEALTH MINISTERS

COMMONWEALTH
TREASURER

ADMINISTRATOR OF THE NATIONAL HEALTH FUNDING POOL



Michael Lambert, Administrator

The Administrator is an independent statutory office holder. All Commonwealth, State and Territory Governments have to agree on their appointment to the position.

THE NATIONAL HEALTH FUNDING BODY



Shannon White, CEO

Led by a CEO, the 21 staff in the NHFB support the Administrator to oversee the administration of Commonwealth, State and Territory public hospital funding and payments under the National Health Reform Agreement.

WHO WE WORK WITH

PORTFOLIO
AGENCIES

COMMONWEALTH,
STATE AND TERRITORY
STAKEHOLDERS

INDUSTRY
PARTNERS

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

I am pleased to present the National Health Funding Body Corporate Plan for 2020–21, my third since commencing as Chief Executive Officer on 3 April 2018.

Australia faces unprecedented challenges in relation to the coronavirus (COVID-19). I am proud of my team's professionalism and resilience in the way they have responded to this national crisis including supporting all Governments through the National Partnership on COVID-19 Response. This pandemic presents an increasingly complex and uncertain environment in the short to medium term.

The Prime Minister, Premiers and Chief Ministers recently agreed to a new five year National Health Reform Agreement (NHRA) which will shape the future of health reform and public hospital funding in Australia.

Our agency performs a unique role in Australia's health system, delivering best practice financial administration of more than \$55 billion in public hospital funding excluding the additional \$3 billion in COVID-19 funding. We perform the calculations, payments and reporting on public hospital funding across 145 Local Hospital Networks (LHNs) comprising 692 public hospitals and delivering in excess of 39 million hospital services.

This corporate plan builds on our outstanding record of achievement over the last two years and sets our direction for the next four years 2020-2024. It outlines the key initiatives to get us there and the performance measures to keep us on track.

Building on our success

Together with the Administrator, we have finalised all annual reconciliations for the period 2015-16 to 2018-19. This has provided States and Territories with an additional \$2 billion in Commonwealth payments through the National Health Funding Pool.

In 2017-18 the NHFB received additional funding of \$4.1 million over three years to complete key projects.

As at 30 June 2020, as part of our modernisation and digital transformation agenda we delivered an improved Commonwealth Contribution Model (CCM) to support calculating the Commonwealth's funding contribution, a new Payments System to support payments into and out of the National Health Funding Pool, as well as an enhanced reporting capability and website (publichospitalfunding.gov.au). We also made significant progress on enhancing our funding integrity capabilities.

Launched on 1 October 2019, our new Payments System has delivered a more integrated financial system with improved efficiency and effectiveness of processes between Commonwealth Treasury, the Reserve Bank of Australia, the NHFB and, States and Territories.

“
... delivering best practice
financial administration of
more than \$55 billion
in public hospital funding.

Preparing for the future

As highlighted previously, one of the key challenges of this planning period is the implementation of the *2020-2025 Addendum to the National Health Reform Agreement*. The new Addendum outlines clear direction in several key areas including, but not limited to, public hospital funding integrity and duplicate payments, funding neutrality for private patients in public hospitals, the progression of safety and quality measures including low value care, and measures to reduce demand for potentially preventable hospitalisations.

Communication and engagement is vital to our success. Our ability to collaborate openly and constructively with our Commonwealth, State and Territory stakeholders as well as our portfolio agency and industry partners will go a long way towards achieving our vision.

We remain committed to operating as a high performing organisation that is professional, capable, flexible and technology enabled.

In 2020-21, we will continue to:

- Capitalise on our digital transformation investment;
- Build on our strong stakeholder and industry partnerships;
- Strengthen our leadership, culture and organisational capabilities;
- Invest in our people through learning and development; and
- Review our business operations for productivity improvements and cost efficiencies;

This will ensure we direct our limited resources to our highest priorities.

I look forward to working closely with Michael Lambert, our stakeholders and partners, and my professional team in improving transparency of public hospital funding in Australia.



Statement of preparation

I, as the accountable authority of the National Health Funding Body, present this Corporate Plan 2020-21 which covers the period 2020-2024 as required under paragraph 35(1)(b) of the *Public Governance Performance and Accountability Act 2013 (the PGPA Act)* and in accordance with section 16E of the *Public Governance and Accountability Rule 2014 (PGPA Rule)*.

We will review and adjust this plan each year to include new information, emerging issues and progress on implementing key initiatives.

Shannon White

Chief Executive Officer
National Health Funding Body

PURPOSE

The agency

The NHFB and the Administrator of the National Health Funding Pool were established through the *National Health Reform Agreement* (NHR Agreement) of August 2011 (see page 9).

The NHFB operates as a Commonwealth non-corporate entity under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and is funded as a micro agency under the Commonwealth Department of Health Portfolio.

The NHFB is an independent agency with 21 staff that support the Administrator to oversee the administration of Commonwealth, State and Territory public hospital funding and payments under the NHR Agreement.

The Administrator is an independent statutory office holder. All Commonwealth, State and Territory Governments have to agree to their appointment to the position.

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.

What we do

The NHFBs 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 funding, payments and services
- Developing and providing three-year data plans to the Commonwealth, States and Territories

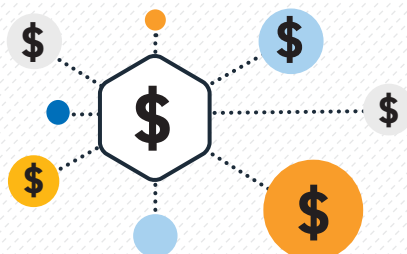
FINANCIAL YEAR 2019-20 HIGHLIGHTS FOR THE **21 STAFF** OF THE NHFB



WE ADMINISTERED...

\$55 BILLION

in public hospital funding



WITH **\$53 BILLION** PAID TO...

145

Local Hospital
Networks (LHNs)

COMPRISING OF

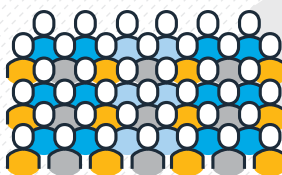
692

public hospitals



THAT DELIVERED...

**39 MILLION
PUBLIC HOSPITAL
SERVICES**

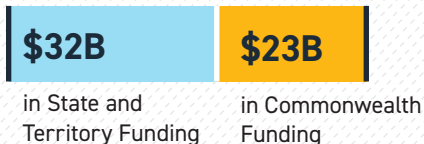


WE SAW AN **\$18 BILLION INCREASE**
in public hospital funding

\$37 BILLION IN FY 2013-14



\$55 BILLION IN FY 2019-20



WE LAUNCHED A NEW

PAYMENTS SYSTEM

streamlining the processing
of 3,505 banking transactions



WE ALSO PAID

\$3 BILLION

in Commonwealth funding to
States and Territories for

COVID-19



WE COMPLETED PHASE 2 OF
publichospitalfunding.gov.au



**New 5 year trend tables
added to interactive
funding reports**

WE IMPLEMENTED

An updated Commonwealth Contribution Model (CCM)

THAT CALCULATED
9 MILLION

National
Weighted
Activity
Units
(NWAU)



JURISDICTIONS SIGNED THE

Addendum to the National Health Reform Agreement 2020-21 to 2024-25

x. 

over **\$131 BILLION** in Commonwealth
FUNDING TO PUBLIC HOSPITALS
over the **NEXT FIVE YEARS**

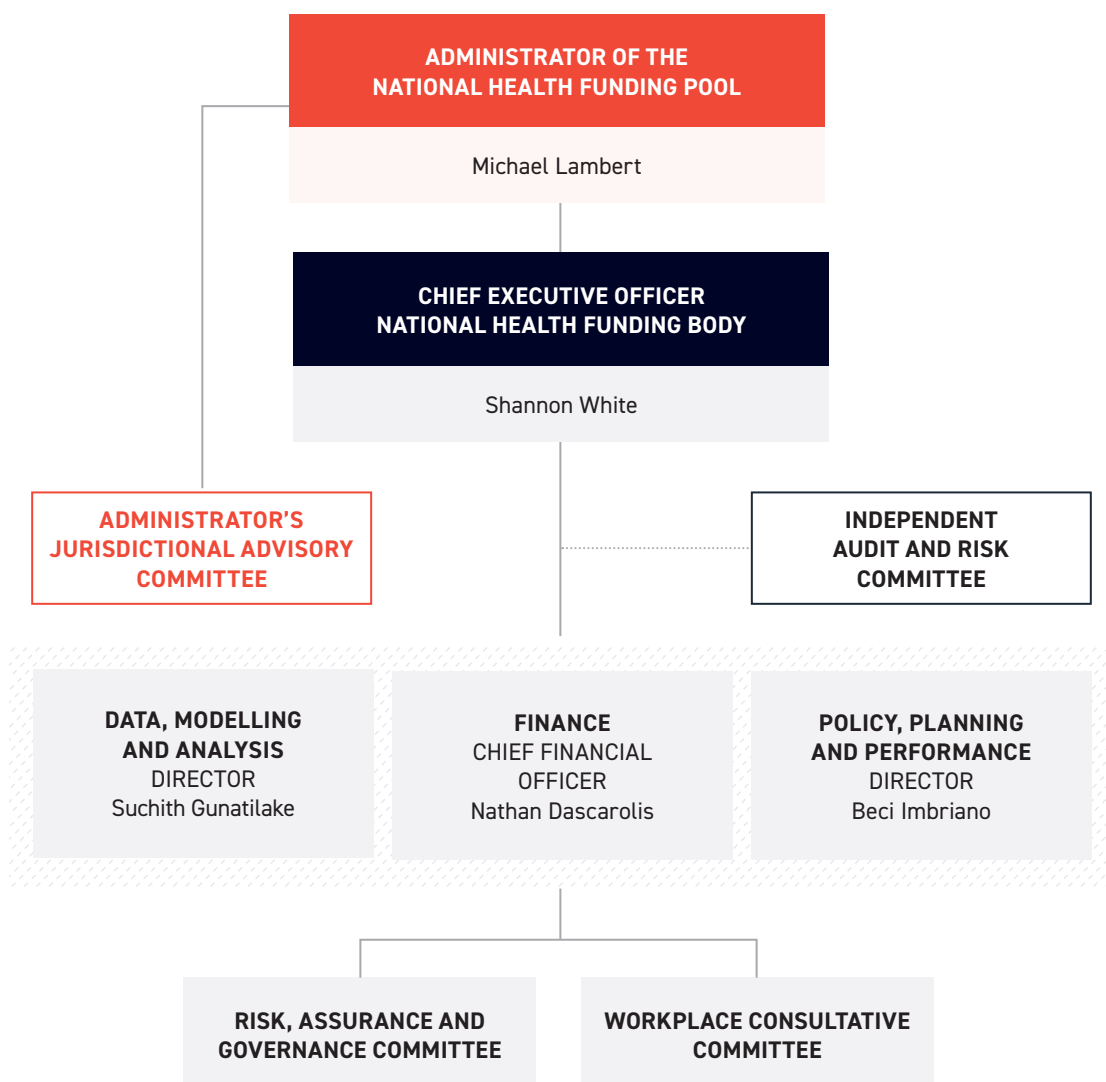


Organisational structure

NHFB's structure ensures resources are aligned to core functions, providing for clear lines of reporting.

"Figure 2 Organisational structure as at 30 August 2020", shows the relationship between the NHFB's organisational and governance elements.

FIGURE 2 Organisational structure as at 30 August 2020



Leadership team



MICHAEL LAMBERT

Administrator of the
National Health Funding Pool

Michael was appointed Administrator of the National Health Funding Pool in July 2018.

Michael's career has covered four broad areas: public sector policy and finance; investment banking; non-executive director roles; and working in areas related to the health sector. Michael spent 17 years in a range of senior state government positions culminating in the role of NSW Treasury Secretary. Michael has also held Non-Executive Directorships within the health sector, including the NSW Northern Suburbs Area Health Board and the NSW Cancer Council. Michael is currently a non-executive director with the Sax Institute, a not for profit organisation that seeks to align health research to health policy and programs in order to improve health outcomes.

Michael holds an Honours and Masters degree in Economics, a Masters in Philosophy and is a Graduate of the Australian Institute of Company Directors (GAICD).



SHANNON WHITE

CEO
National Health Funding Body

Shannon was appointed CEO of the NHFB in April 2018.

Shannon has a broad range of experience across national security, economic and social policy environments. Shannon has 27 years' experience in the APS across Health, Immigration and Border Protection and Defence with his previous roles having a strong focus on financial management and strategic advice on budget related policy and operational matters.

In his previous senior executive role in Health System Financing at the Department of Health, Shannon worked extensively on national health reform issues and represented the Australian Government at a number of national and international committees. These included health system fiscal sustainability as well as the negotiations on public hospital funding under the *Addendum to the NHR Agreement 2017-18 to 2019-20* (see page 10).



SUCHITH GUNATILLAKE

Director, Data, Modelling and Analysis

Suchith joined the NHFB in August 2016 and commenced in his current role as the acting Director, Data, Modelling, and Analysis in February 2020. The Data, Modelling and Analysis Team develop and operate models that determine the Commonwealth funding contribution to LHNs for delivering public hospital services (over \$23.6 billion for 2020-21). The Team also reconciles estimated and actual service volumes through a range of data submissions (over 39 million records each year) related to public hospital funding.

The Data, Modelling and Analysis team is also responsible for linking hospital activity data with Medical Benefits Schedule (MBS) claims data to identify if the Commonwealth has potentially paid for the same hospital service twice (over 595 million MBS records per annum).

Suchith has more than 8 years experience in risk management, analytics and data modelling in the banking and finance industry prior to joining NHFB. He has a Bachelor of Commerce and Science (Hons) from the University of New South Wales.



NATHAN DASCAROLIS

Chief Financial Officer

Nathan joined the NHFB in April 2020 as Chief Financial Officer and is responsible for the Finance Team. The Finance Team provide financial support to the CEO and the Administrator, including managing the National Health Funding Pool Payments System, processing Commonwealth, State and Territory deposits and payments into and out of the Pool and facilitating authorisation by the Administrator for payments to LHNs and other providers.

The Finance Team are also responsible for the production of NHFB and individual Pool Financial Statements for auditing by the Australian National Audit Office and each State and Territory's Auditor-General respectively.

Prior to joining the NHFB, Nathan was an independent consultant, working with Commonwealth, State and Territory public sector agencies with a focus on financial management and governance. Nathan commenced his career working with professional services firms, working across both assurance and advisory functions. Nathan is a Chartered Accountant and has a Bachelor of Commerce from the Australian National University.



BECI IMBRIANO

Director, Policy Planning and Performance

Beci joined the NHFB in November 2018 as Director, Policy, Planning and Performance. The Policy, Planning and Performance Team are responsible for developing the NHFB's Strategic Direction, Corporate Plan, Portfolio Budget Statements and Annual Reports.

The Team works with colleagues, jurisdictions and portfolio agencies to maintain the full suite of Administrator's policies:

- Administrator's Three Year Data Plan;
- Data Governance Policy;
- Data Compliance Policy;
- Calculation and Reconciliation Framework; and
- Data Matching Business Rules.

The Team also works with stakeholders to improve reporting of public hospital funding through the development of a strategic outlook of public hospital funding, trend reporting and analysis, including the publication of monthly funding and activity data on publichospitalfunding.gov.au.

The team also provide essential business support services to the NHFB, CEO and Administrator across risk management, assurance, governance, human resources, communications, security,

“ We exhibit **united leadership** behaviours, we promote a positive culture and we are committed to improving the transparency of public hospital funding in Australia.

management of Memorandums of Understanding (MoU) and Secretariat for the Administrator's Jurisdictional Advisory Committee and Independent Audit and Risk Committee.

Prior to joining the NHFB, Beci spent 10 years in the APS across the Health and Immigration and Border Protection Portfolios in a number of stakeholder focused policy and operational roles, including reporting on system sustainability through modelling outcomes of policy settings and budget scenarios.

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, forming the NHR Agreement.

The NHR Agreement outlines the shared responsibility of the Commonwealth, State and Territory governments to work in partnership to improve health outcomes for all Australians and ensure the sustainability of the health system.

On 29 May 2020, the Commonwealth, States and Territories entered into a new agreement through the *Addendum to the National Health Reform Agreement 2020–21 to 2024–25* (see page 10). The new Addendum maintains a commitment to ensuring equitable access to public hospitals for all Australians, and provides certainty for the role of the Administrator and the NHFB into the future.

The new Addendum also includes a commitment by all Australian governments to a shared long-term vision for health reform, with reforms aimed to make it easier to provide flexible, high-quality care that meets the needs and preferences of Australians, and reduces pressure on hospitals.

Overview of health care agreements

NATIONAL HEALTHCARE SPECIFIC PURPOSE PAYMENT PRE-2012

Prior to the NHR Agreement, State and Territories were paid a contribution for public hospital services from the Commonwealth via 'block grants' under the National Healthcare Specific Purpose Payment arrangements. These grants were calculated based on historical costs, negotiation and government decisions, with little transparency of the actual services delivered for the funding provided.

NATIONAL HEALTH REFORM AGREEMENT 2012–13 TO 2016–17

In August 2011, the Council of Australian Governments (COAG) agreed to major changes in how public hospitals were to be funded by Commonwealth, State and Territory governments, including the move from block grants to an 'activity-based' funding system. 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 through a time-limited Addendum. This reaffirmed universal health care for all Australians as a shared priority and committed parties to public hospital funding from 1 July 2017 to 30 June 2020. It also focused on reducing unnecessary hospitalisations and improving patient safety and service quality.

ADDENDUM TO THE NATIONAL HEALTH REFORM AGREEMENT 2020-21 TO 2024-25

In May 2020, through the signing of the new Addendum, Commonwealth, State and Territory governments agreed to four strategic priorities to further guide health system reform:

- Improving efficiency and ensuring financial sustainability;
- Delivering safe, high-quality care in the right place at the right time;
- Prioritising prevention and helping people manage their health across their lifetime; and
- Driving best practice and performance using data and research.

The Addendum will see over \$131 billion in Commonwealth funding to public hospitals over the five years of the agreement.

In conjunction with the new agreement, the Federal Government provided a funding guarantee (2019-20 and 2020-21) to all States and Territories to ensure no jurisdiction is left worse off as a result of the COVID-19 pandemic.

In addition, the Federal Government provided funding (\$3 billion in 2019-20) to all States and Territories under the National Partnership on COVID-19 Response.

Public hospital funding and payments

FUNDING

Each funding type has a specific criteria set for what services are appropriate, with the preference to use ABF wherever possible.

ACTIVITY BASED FUNDING

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

The method uses national classifications for service types, price weights, the National Efficient Price (NEP) that is independently determined by the Independent Hospital Pricing Authority (IHPA), and the level of activity as represented by the National Weighted Activity Unit (NWAU) (i.e. the NEP is the price per NWAU).

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

States and Territories are required to outline their basis of payments to each LHN, including an explanation of the factors taken into account. The following service categories were ABF funded in 2019-20:

- Emergency department services.
- Acute admitted services.
- Admitted mental health services.
- Sub-acute and non-acute services.
- Non-admitted services.

BLOCK FUNDING

Block Funding supports teaching, training and research in public hospitals, and public health programs. It is also used for certain public hospital services where Block Funding is more appropriate, particularly for smaller rural and regional hospitals. Other categories of Block Funding in 2019-20 included:

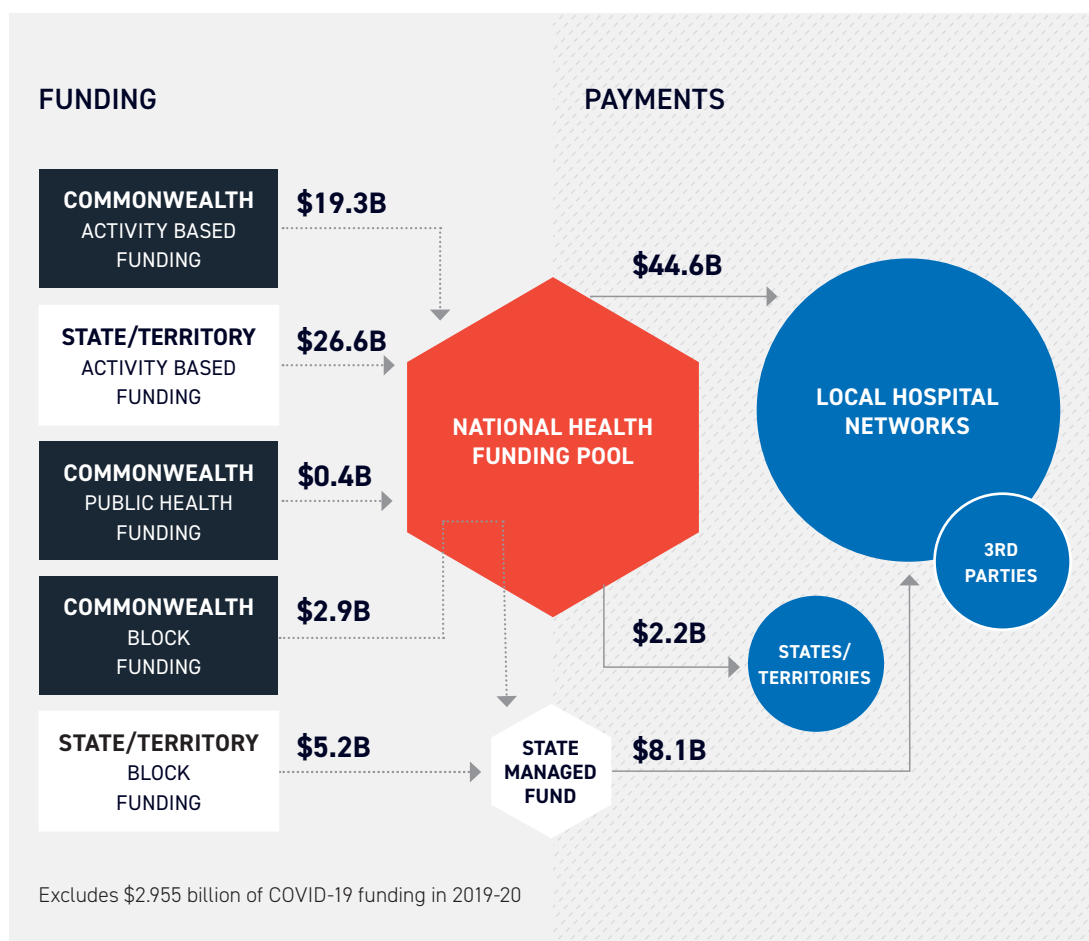
- Non-admitted mental health.
- Non-admitted home ventilation.
- Other non-admitted services (e.g. chronic disease management).
- CAR-T therapy (Kymriah).

PAYMENTS

The Pool was established to receive all Commonwealth (ABF and Block) and State and Territory (ABF only) public hospital funding. The Pool comprises of a Reserve Bank of Australia (RBA) account for each State and Territory, with each State and Territory also having established a State Managed Fund to manage Block funding. The Pool and SMF provide a line-of-sight mechanism to trace each jurisdiction's contribution to LHNs and third parties. The balance is paid to State and Territories (including public health, cross border, interest and over deposits).

Figure 3 highlights the source, types and amount of funding and payments that flowed through the Pool and SMFs in 2019-20. The NHR Agreement also allows for additional streams of funding to be paid through the Pool if agreed by Government, as was done in response to COVID-19.

FIGURE 3 2019-20 Public Hospital Funding Payment Flows



Calculating the Commonwealth's contribution

The Administrator, with the assistance of the NHFB, calculates and advises the Commonwealth Treasurer of the Commonwealth's contribution to public hospital funding in each State and Territory.

There are two broad types of funding: Activity-Based Funding (ABF) and Block Funding (see Figure 4). Under the NHR Agreement, the scope of public hospital services that are funded on an ABF or Block Funding basis and are eligible for a Commonwealth funding contribution currently includes:

- All emergency department services provided by a recognised emergency department.
- All admitted and non-admitted services.
- Other outpatient, mental health, sub-acute services and other services that could reasonably be considered a public hospital service.

Commonwealth funding for ABF, Block and public health is calculated using the Commonwealth Contribution Model (CCM) which is accurate, correct and independently reviewed each year.

Public hospitals also receive funding from other sources, including the Commonwealth, States and Territories, and third parties for the provision of other specific functions and services outside the scope of the NHR Agreement (e.g. pharmaceuticals, primary care, home and community care, dental services, residential aged care and disability services).

FIGURE 4 Types of public hospital funding

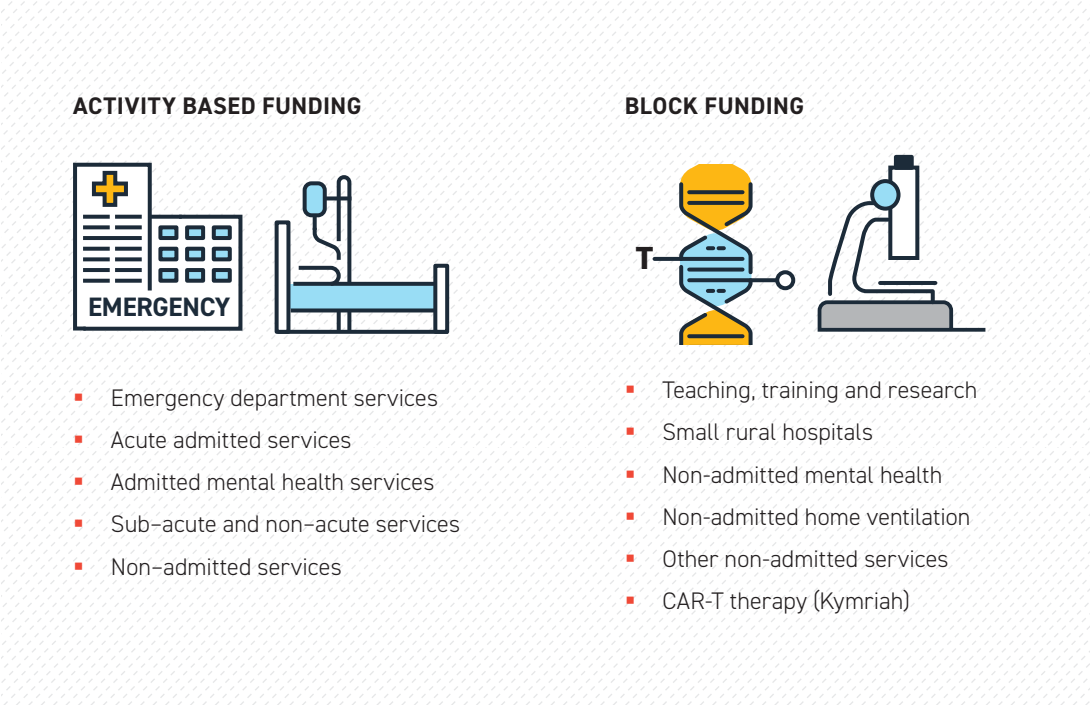
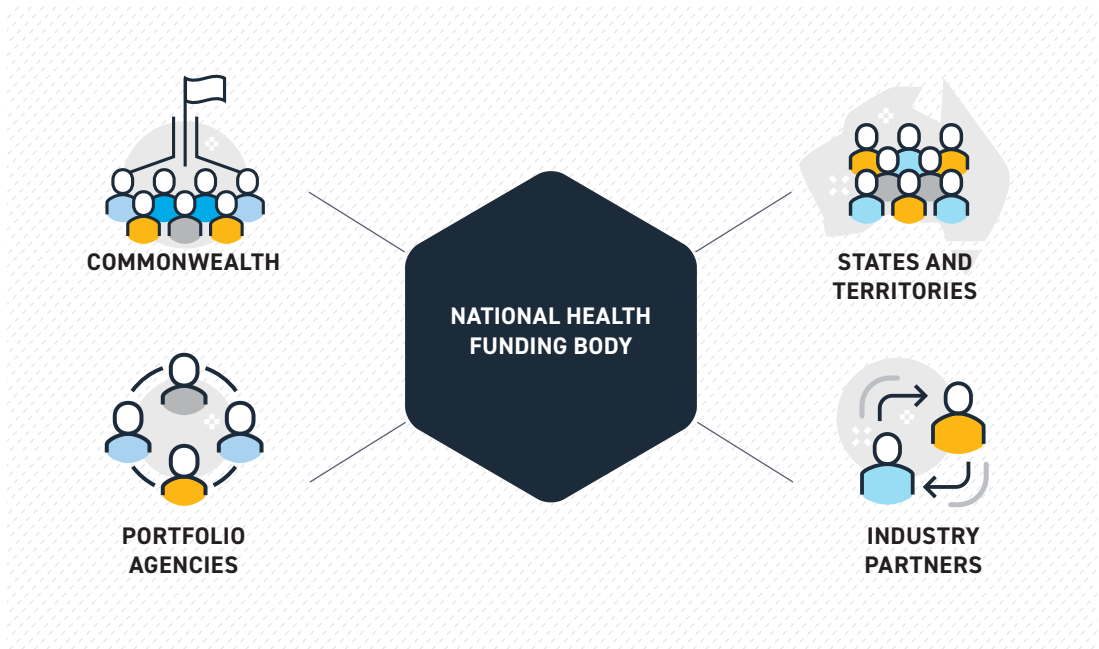


FIGURE 5 NHFB Stakeholders and Partners

Stakeholders and Partners

Productive relationships and regular communication with our stakeholders and partners supports us to improve the transparency of funding for public hospital services.

STATES AND TERRITORIES

Early and impartial engagement with all 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 and is comprised of senior representatives of all States and Territories and relevant Commonwealth departments and portfolio agencies.

The objectives of the Administrator's JAC 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.

Key discussion topics for the Administrator's JAC in 2020-21 will include:

- Implementation of the *Addendum to the NHR Agreement 2020-21 to 2024-25*;
- Administrator's policy documents;
- 2019-20 Annual Reconciliation of public hospital funding and services;
- National Partnership on COVID-19 Response Reconciliation;
- Data Matching project; and
- Payments System administration.

COMMONWEALTH

We will continue to be supported by, and work with our Commonwealth stakeholders through a range of formal and informal arrangements, including:

- the provision of shared services (e.g. payroll and IT desktop) from the Department of Health;
- Enterprise Data Warehouse (EDW) technical support from the Department of Health;
- the provision of public hospital activity data from Services Australia;
- website hosting with GovCMS from Department of Finance; and
- monthly roundtable with the Department of the Prime Minister and Cabinet, The Treasury, the Department of Finance and the Department of Health on NHR Agreement funding and activities.

PORTFOLIO AGENCIES

We work closely with our fellow portfolio agency partners to support the Administrator to provide trusted and impartial advice to all stakeholders and deliver best practice administration of public hospital funding. 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).

INDEPENDENT HOSPITAL PRICING AUTHORITY

The main functions of the IHPA are to determine each year the National Efficient Price (NEP) for Activity Based funding (ABF) and National Efficient Cost (NEC) for Block funding for health care services provided by public hospitals. The NEP is a major determinant of the level of Australian Government funding for public hospital services and provides a benchmark for the efficient cost of providing 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.

AUSTRALIAN COMMISSION ON SAFETY AND QUALITY IN HEALTH CARE

The ACSQHC leads and coordinates key improvements in safety and quality in health care. The Commission works in four key priority areas:

- Patient safety;
- Partnering with patients, consumers and communities;
- Quality, cost and value; and
- Supporting health professionals to provide care that is informed, supported and organised to deliver safe and high-quality care.

AUSTRALIAN INSTITUTE OF HEALTH AND WELFARE

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

INDUSTRY PARTNERS

In 2020-21, we will work with a number of industry partners to support our small agency deliver on our objectives. We will leverage their expertise, be supported by their advice and rely on their independence and in the process, ensure we promote knowledge sharing to continue to build our internal capability.

Industry partners that currently assist the NHFB deliver on our four key functions:

- **CALCULATE** Taylor Fry, PwC and EY
- **PAY** TechOne, Synergy, Projects Delivered, CTA Partners and Sentinel Software
- **REPORT** Oxide Interactive
- **ORGANISATION** Kirribilli Partners and contentgroup

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

HEALTH SYSTEM

Australia's health system and the national economy both face significant challenges in response to COVID-19. The pandemic will impact the public hospital system with increased COVID-19 support, as well as additional services following elective surgery pauses.

The changing demographic of patients and increased access to information through personal devices and digital platforms will continue to raise consumer expectations of the health system to attend to their needs. Furthermore, technological innovations are likely to further raise, rather than lower costs.

To fulfil our duties and preserve our 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 CCM, enhance our funding integrity capabilities and improve access to information provides our stakeholders with confidence in the funding system and in our capabilities to deliver on our mandate.

PREPAREDNESS

Our successful modernisation and digital transformation agenda have positioned us well to fulfil our role in Australia's health system. 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 for us to be able to deliver on our vision.

Achieving our vision also requires us to improve how we use our finite resources and develop our core capabilities. We will focus on improving governance, risk management, productivity and financial performance. By developing our people and cultivating productive relationships we will remain a highly effective agency delivering benefits for all Australians.

CHALLENGES FACING THE PUBLIC HOSPITAL SYSTEM



**HEALTH
PANDEMIC**



**AGEING
POPULATION**



**HIGH COST OF
TECHNOLOGY**

HEALTH REFORM

The Commonwealth, States and Territories agreed the following four strategic priorities will guide further reform of the health system between 2020 and 2025:

- Improving efficiency and ensuring financial sustainability;
- Delivering safe, high-quality care in the right place at the right time, including long-term reforms in:
 - » Nationally cohesive health technology assessment;
 - » Paying for value and outcomes; and
 - » Joint planning and funding at a local level.
- Prioritising prevention and helping people manage their health across their lifetime, including long-term reforms in:
 - » Empowering people through health literacy; and
 - » Prevention and wellbeing; and
- Driving best practice and performance using data and research, including long-term reforms in:
 - » Enhanced health data.

NATIONAL PARTNERSHIP ON COVID-19 RESPONSE

The NPCR was agreed to and signed by COAG on Friday, 13 March 2020. The NPCR was subsequently amended and agreed to in April 2020 to include a provision for private hospital financial viability payment.

The objective of the NPCR is to provide financial assistance to States and Territories for the additional costs incurred in responding to COVID-19. Under the NPCR, there are a range of responsibilities and functions to be performed by the Administrator supported by the NHFB and other portfolio agencies (e.g. the IHPA).

In March 2020, the NHFB established a new funding account in the Payments System to facilitate payments to all States and Territories. For the period to 30 June 2020 a total of \$2.955 billion in Commonwealth COVID-19 funding was paid to States and Territories:

- Hospital Service Payments for COVID-19 related hospital activities, with the Commonwealth funding 50%;
- State Public Health Payments for public health activities associated with addressing the pandemic, with the Commonwealth funding 50%; and
- Private Hospital Capacity and Viability Payment which was paid to enable private hospitals to retain capacity, with the Commonwealth funding 100%.

Further detail on COVID-19 funding in 2019-20 is available from the National Health Funding Pool Annual Report.

FINANCE

We are funded by an annual appropriation from the Commonwealth, as represented in the Portfolio Budget Statements (PBS) 2020-21.

In October 2020, the Australian Government released the 2020-21 Budget. Table 1 includes a summary of the 2020-21 Budget and forward estimates.

The majority of our expenditure relates to employees and suppliers. This demonstrates a continued focus on investing in our people and key digital platforms to best support the obligations and responsibilities of the Administrator and be ready to adapt to new developments.

Outlook

The *Addendum to the National Health Reform Agreement 2020-21 to 2024-25* was signed in May 2020 and provides funding certainty for the NHFB in future years.

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, through the successful completion of short-term initiatives (see "Performance Section" starting page 21).

We have implemented financial management practices to support effective allocation of resources and ensure the organisation can respond to emerging priorities.

Supporting the National Partnership on COVID-19 Response

In accordance with existing legislation and national agreements, the NHFB has core responsibilities for the calculation, payment and reporting of public hospital funding. On this basis, the Administrator and the NHFB are well placed to administer the funding arrangements for the National Partnership on COVID-19 Response.

The NHFB has engaged additional employees, and will continue to work with our existing industry partners to assist in administering funding arrangements.

TABLE 1 NHFB 2020-21 Budget and Forward Estimates

| | 2020-21 Budget \$'000 | 2021-22 Estimate \$'000 | 2022-23 Estimate \$'000 | 2023-24 Estimate \$'000 |
|-------------------------------|--------------------------|----------------------------|----------------------------|----------------------------|
| Revenue | | | | |
| Appropriation | 6,704 | 5,625 | 5,635 | 5,657 |
| Other ¹ | 92 | 92 | 92 | 92 |
| TOTAL REVENUE | 6,796 | 5,717 | 5,727 | 5,749 |
| Expenses | | | | |
| Employees | 3,296 | 3,363 | 3,429 | 3,498 |
| Suppliers | 2,703 | 1,990 | 1,921 | 1,861 |
| Depreciation and amortisation | 761 | 761 | 761 | 761 |
| Interest on RoU ² | 18 | 15 | 11 | 7 |
| TOTAL EXPENSES | 6,778 | 6,129 | 6,122 | 6,127 |

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

2 Interest on lease liability relates to Right of Use (RoU) asset (AASB 16: Leases).

PERFORMANCE

This section outlines our objectives that must be met to fulfil our purpose and describes how our performance will be measured.

Our five objectives are:

- 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; and
- Operate as a high performing organisation.

We will enhance our organisational capabilities 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 2020-21 reporting period to determine whether we have achieved our purpose. We recognise the importance of measuring and reporting on our performance, and will continue to improve the way we gather quantitative and qualitative evidence to measure how well we deliver against our objectives.

Monitoring our performance

We monitor our performance monthly through a combined organisational performance, finance and risk discussion. The results are incorporated into our annual summary of performance and included in our annual report.

"Figure 6 Key to the tables" on page 21, outlines how the performance of each objective is measured.

FIGURE 6 Key to the tables

| OBJECTIVE TITLE | | | |
|-----------------------------|--------------------|---------|---------|
| Performance Criteria | Evidence | 2020-21 | 2021-24 |
| Outcome | | | |
| Activity to produce outcome | Source of evidence | Target | Target |



OBJECTIVE ONE

Accurate and timely calculation of Commonwealth funding contributions

| Performance Criteria | Evidence | 2020-21 | 2021-24 |
|---|--|------------------------|------------------------|
| <i>The Treasurer of the Commonwealth is advised by the Administrator in a timely manner</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</i> | | | |
| Current and future year CCMs are accepted by the Administrator | CCM sign-off by the 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 2020-21

- Initial 2020-21 funding calculation
- Implement enhancements to the CCM to incorporate the new Addendum
- 2019-20 Annual Reconciliation (including National Partnership on COVID-19 Response)
- 2020-21 Six-month Reconciliation
- Provide a final report to Government on data matching activities, including recommendations for implementation
- Work with the Administrator, ACSQHCC and IHPA on incorporating additional safety and quality measures into public hospital funding, including for potentially preventable hospitalisations and avoidable readmissions
- Work with the IHPA to implement pricing parity for public and private patients in public hospitals.

Medium term 2021-24

- Work with our stakeholders to further refine reconciliation processes
- Work with our stakeholders to further improve funding integrity measures



OBJECTIVE TWO
Best practice financial administration
of the National Health Funding Pool

| Performance Criteria | Evidence | 2020-21 | 2021-24 |
|--|--|--------------------------------|--------------------------------|
| Payments to each Local Hospital Network (LHN) accord with directions from responsible State and Territory Ministers and align with Service Agreements | | | |
| 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 |
| Maintain the integrity of the Administrator's Payments System in accordance with policies and procedures | | | |
| 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 2020-21**
- Work with the Commonwealth, States and Territories on further enhancements to the Payments System
 - Promote greater understanding of the 2020-2021 to 2024-25 Addendum to the NHR Agreement to ensure funding flows align to requirements (including LHN Service Agreements)
 - Finalise implementation of additional funding streams through the Pool (e.g. COVID-19)
-
- Medium term 2021-24**
- Provide greater consistency, transparency, and assurance of payments for public hospital services through increasing the volume of funding transacted through the Pool
-



OBJECTIVE THREE

Effective reporting of public hospital funding

| Performance Criteria | Evidence | 2020-21 | 2021-24 |
|---|---|---|---|
| Ministers receive required information in a timely manner | | | |
| 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 |
| Monthly and annual reporting of funding, payments and services | | | |
| Monthly and annual reporting is uploaded to the website | Website update | All LHN, State and National reports updated within four weeks of period close | All LHN, State and National reports updated within four weeks of period close |
| Quarterly and annual reporting of Commonwealth, State and Territory compliance with the Administrator's Data Plan | | | |
| 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 2020-21 | | | |
| <ul style="list-style-type: none"> Publish the Administrator's 2019-20 Annual Report Work with the Commonwealth, States and Territories on further enhancements to the website Review the Administrator's Three Year Data Plan 2021-22 to 2023-24 in consultation with portfolio agency partners and stakeholders Review the Administrator's 2021-22 Data Compliance Policy in consultation with portfolio agency partners and stakeholders | | | |
| Medium term 2021-24 | | | |
| <ul style="list-style-type: none"> Improve public reporting of funding, payments and services in consultation with portfolio agency partners and stakeholders Identify ways in which our valuable data resources can be leveraged to improve transparency of funding, payments and activities | | | |

PURPOSE

ENVIRONMENT

FINANCE

PERFORMANCE

RISK

GOVERNANCE

CAPABILITY

ENDNOTES



OBJECTIVE FOUR

Productive relationships with stakeholders and partners

| Performance Criteria | Evidence | 2020-21 | 2021-24 |
|---|--|---|------------------------------|
| <i>Provide trusted and impartial advice</i> | | | |
| Strategic Communication and Stakeholder Engagement is fit for purpose and caters to stakeholder needs | Strategic Communication and Stakeholder Engagement Framework is reviewed, updated and approved by the CEO annually | 100% complete | 100% complete |
| | Annual stakeholder benchmarking survey results | Positive trend on prior-year | Positive trend on prior-year |
| Provide advice on the implementation of funding arrangements | Administrator's funding calculation policies are updated | 100% complete | N/A |
| | Administrator's Guidance document on COVID-19 financial arrangements | Advice provided to jurisdictions by 30 September 2020 | N/A |
| <i>Work plans and information requirements are developed in collaboration and consultation with stakeholders</i> | | | |
| The Administrator's rolling Three Year Data Plan is updated, agreed with stakeholders and published on the website | Three Year Data Plans endorsed by the Administrator in a timely manner | 100% complete | 100% complete |

Key Initiatives

Short term 2020-21

- Review our Strategic Communications and Stakeholder Engagement Framework and implement improvements (including feedback from stakeholders)
- Actively participate in bilateral and multilateral forums with all jurisdictions
- Actively engage and collaborate with Portfolio Agencies (IHPA, ACSQHC, AIHW)
- Explore options for sharing modelling, analytic and reporting tools with stakeholders and partners
- Promote greater understanding of the 2020-2025 Addendum to the NHR Agreement (including advice on implementation)

Medium term 2021-24

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



OBJECTIVE FIVE

Operate as a high performing organisation

| Performance Criteria | Evidence | 2020-21 | 2021-24 |
|---|---|-------------------------------|-------------------------------|
| <i>A positive workplace culture where people adopt best practice approaches to achieve results</i> | | | |
| Our behaviours are embedded in an inclusive culture | Internal pulse survey and APS Census 2020 | Positive trend on prior-year | Positive trend on prior-year |
| Our forward work plans are developed in consultation with staff | <ul style="list-style-type: none"> Strategic Direction Risk Tolerance Corporate Plan Section Plans and Performance Agreements | 100% | 100% |
| All compliance reporting requirements for the NHFB as a non-corporate entity are met within timelines | Approval by the CEO | 100% | 100% |
| <i>An agile and responsive workforce ready to adapt to new developments</i> | | | |
| Innovation is promoted and change is well managed | Internal pulse survey and APS Census 2020 | Positive trend on prior-year. | Positive trend on prior-year. |
| Corporate policies are fit for purpose for a small Agency | Policies are approved by the CEO | 100% | 100% |

Key Initiatives

Short term 2020-21

- Implement our Workforce Capability Plan 2020-2024
- Implement our Learning and Development Strategy 2020-2024
- Monitor our performance against our Corporate Plan 2020-21
- Publish the NHFB's 2019-20 Annual Report
- Apply enhancements to our risk management practices
- Apply enhancements to our audit and assurance approach
- Apply enhancements to our business continuity planning

Medium term 2021-24

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

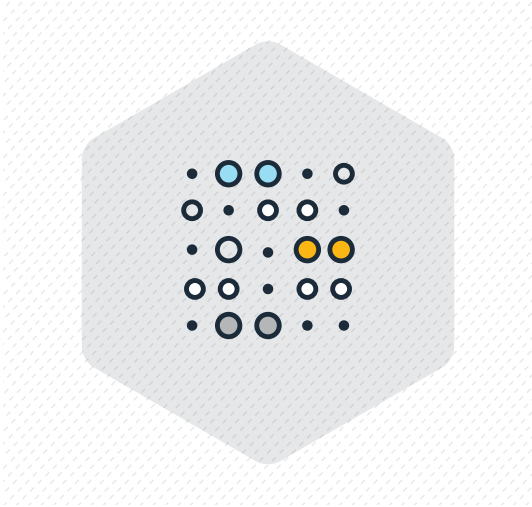
Key initiatives



COMMONWEALTH CONTRIBUTION MODEL (CCM)

ENHANCEMENTS TO THE CCM

- In addition to the development of a stand-alone model to support the calculation of the Commonwealth's contribution under the National Partnership on COVID-19 Response, enhancements are being made to the CCM to support the implementation of the new Addendum. The enhancements include incorporating the single Commonwealth contribution rate, new highly specialised therapies and payment parity for public and private patients in public hospitals.



DATA MATCHING

FUNDING INTEGRITY

- We are preparing to implement additional measures from 2020-21 to our data capabilities to focus on greater transparency, integrity and assurance of payments for public hospital services. This activity will provide greater confidence to the Commonwealth, States and Territories of the management of NHR Agreement and COVID-19 funding.



PAYMENTS SYSTEM

ENHANCEMENTS TO THE PAYMENTS SYSTEM

- We will improve the efficiency and effectiveness of processes between our systems, and those of our partners.
- Our business rules and procedures will be updated as required to ensure effective implementation of the Administrator's responsibilities under the new Addendum.
- We will consult with jurisdictions ahead of refining our dedicated Learning and Development Package for Payments System users.

WEBSITE

ENHANCED REPORTING CAPABILITIES

- We will continue to improve the transparency of hospital funding and activity by enhancing our reporting capabilities and simplifying public access.



ORGANISATION

CULTIVATING PRODUCTIVE WORKING RELATIONSHIPS

- We will work to increase the profile and awareness of the role of the NHFB and Administrator, and continue to explore ways in which we can engage and collaborate with our stakeholders and partners.

PEOPLE

- We will focus on enhancing our United Leadership behaviours, developing our people and ensuring our culture is sustainable. We will implement new policies and approaches that focus on 'how we do things' just as much as 'what we deliver'. This will help strengthen our high performing environment, where everyone is valued and performs their role to the best of their ability.

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)

Supporting our policy and framework are our Risk Management Instructions and Risk Tolerance Statement. These fundamental documents are reviewed annually to ensure we maintain an appropriate system for risk oversight and the management of internal controls.

Culture and risk tolerance

We have embedded a robust organisational culture that continues to support risk-aware decision-making and encourages innovation and creativity.

As a united team, we collaborate when defining our risk tolerance in order to set objectives, allocate resources, comply with legal obligations, and improve transparent decision making.

The NHFB manages risk across our five strategic objectives and works with the Administrator to assess and monitor broader risks to the successful operation of the Pool.

Our Risk Tolerance Statement articulates the amount of risk that we are willing to accept to successfully achieve our objectives.

FIGURE 7 NHFB Risk Tolerance Statement

Risk Tolerance 2020–21



Message from the CEO

Mr Shannon White

Effective engagement with risk is necessary to support the obligations and responsibilities of the Administrator of the National Health Funding Pool 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.

Understanding our role in managing risk in our work will ensure we are successful. Our continuing growth in risk maturity has helped us further embrace sound risk practices across our business processes, support innovation within the organisation and enhance our understanding of risk tolerance as part of our workplace culture.

This statement allows our organisation to focus on key objectives, comply with legal and policy obligations, effectively manage resources and improve transparent and accountable decision making.

As valued members of the NHFB team I encourage you to keep engaging with and adopting mindful practices that have helped us achieve better risk-based decision making in the workplace.

Innovative engagement

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 are fully aware of the level of risk tolerance we are prepared to accept to ensure we achieve all objectives, while assessing how we can capitalise on opportunities that might arise.

Our Risk Tolerance

We have assessed our level of risk tolerance that we are willing to accept or retain against our objectives. Our risk tolerance levels highlighted below are based on the supporting business function, 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"> + Timely advice + Accurate calculation + Reconcile activity + Funding integrity | <ol style="list-style-type: none"> Error(s) or delay in the calculation of payments We have a LOW tolerance for incorrect calculations due to poor governance, processes and delivery Error(s) or delay in the reconciliation of payments We have a LOW tolerance for inaccurate reconciliation processes between estimated and actual service volumes that impact on public hospital funding |
| Payments | Low Tolerance |
| <ul style="list-style-type: none"> + Timely payments to LHNs + Payments System + Funding Pool Financial Statements | <ol style="list-style-type: none"> Error(s) or delay in payments We have a LOW tolerance for poor governance, processes and illegal activity A modified audit opinion is given on the Administrator's Financial Statements We have a LOW tolerance for risks that impact transparency due to failures to meet our reporting requirements |
| Reporting | Low Tolerance |
| <ul style="list-style-type: none"> + Accurate information + Funding reports + Compliance reports + Data security | <ol style="list-style-type: none"> Error(s) or delay in the reporting of public hospital funding, payments and services Whilst dependent on stakeholders to complete accurate and timely end of month processing, we have a LOW tolerance for failure to meet our reporting requirements Inappropriate or unauthorised data release We have a LOW tolerance for risks that impact the management and security of data |
| Stakeholders | Medium Tolerance |
| <ul style="list-style-type: none"> + Impartial advice + Engagement | <ol style="list-style-type: none"> Unproductive stakeholder relationships We have a MEDIUM tolerance for risk when developing and sustaining approaches to stakeholder relationships whilst maintaining the integrity of the Administrator and the NHFB |
| Organisation | Medium Tolerance |
| <ul style="list-style-type: none"> + Positive culture + Innovation + Good governance + Funding Body Financial Statements | <ol style="list-style-type: none"> Poor workplace culture We have a MEDIUM tolerance for risks which jeopardise our ability to attract, retain and develop talent to achieve outcomes Inability to adapt and innovate We have a MEDIUM tolerance to adapt or explore best practice approaches that promote innovation Impacts on the health, safety and wellbeing of staff We have a LOW tolerance for a working environment that adversely impacts the health, safety and wellbeing of staff Fraudulent activity We have a LOW tolerance for poor governance or defective processes that lead to illegal activity |

Managing risk and identifying opportunities

Being a small agency, it is critically important that managing risk becomes everyone’s responsibility. We encourage early engagement and open conversations about risk - seeing this as an essential factor in identifying and assessing emerging/ new risks impacting on business activities that could hinder us from achieving our objectives.

By using consistent language, methodologies and documentation across the organisation, managing risk has become a natural part of core business activities. Having regular risk discussions at all levels ensures every member of our organisation raises potential risks in their business area, as well as identifying any potential opportunities, as part of their day-to-day activities.

FIGURE 8 2020-21 Risk Management Approach



Oversight and assurance

Our formal governance structures and reporting arrangements adopt a 'three lines of defence' model to provide assurance over the effectiveness of current risk controls and the implementation of new treatments.

This model ensures that we have robust, independent and objective oversight embedded at all levels to provide appropriate assurance.

FIGURE 9 Three lines of defence model



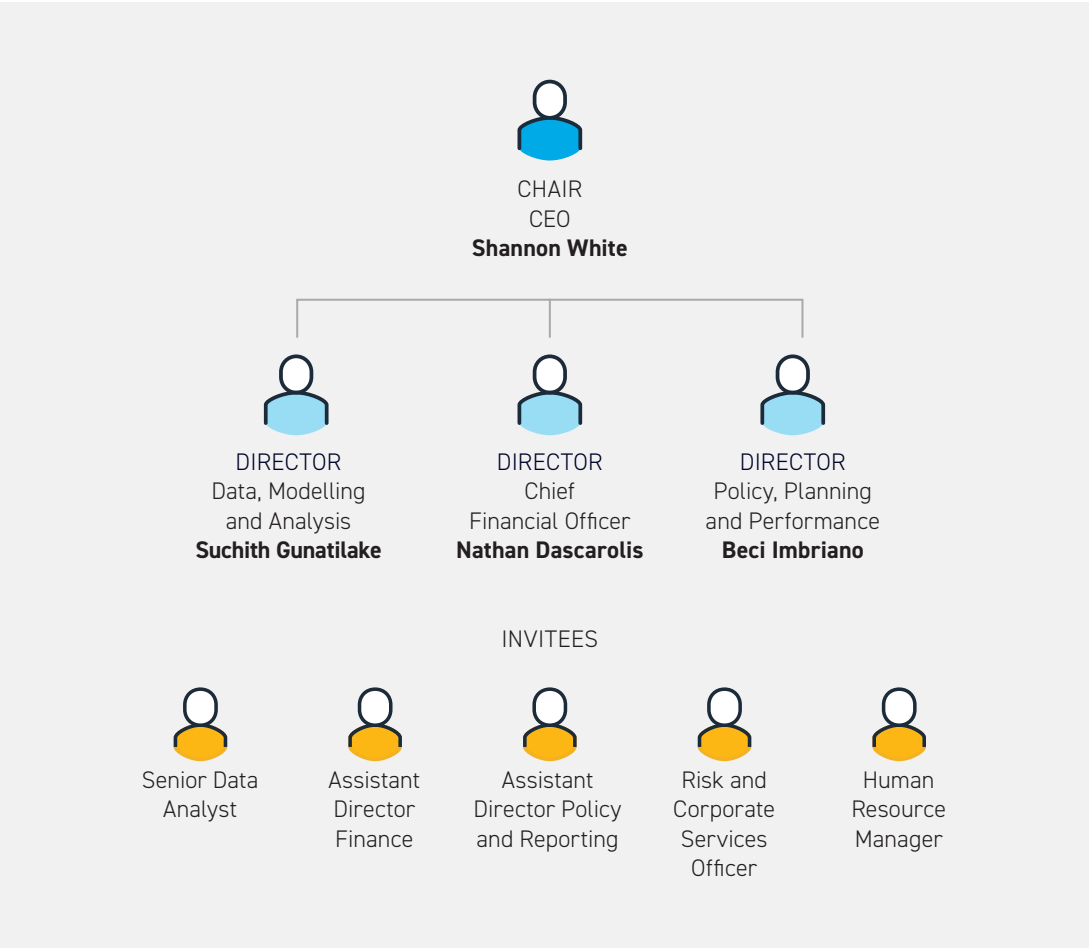
GOVERNANCE

Our governance and management practices play an integral role in ensuring the Administrator and NHFB deliver on our NHR Agreement responsibilities, strategic objectives and statutory obligations.

Executive Committee

The Executive Committee (see “Leadership team” on page 6-8, for profiles) is our internal decision making body which provides advice and recommendations to the CEO on strategic direction, key initiatives, agency policies, as well as immediate and emerging issues.

FIGURE 10 NHFB Executive Committee



Risk, Assurance and Governance Committee

The Risk, Assurance and Governance Committee (RAGC) provides assurance to the CEO, Executive Committee and the independent Audit and Risk Committee on the adequacy, effectiveness and performance of our governance arrangements including:

- Risk management (including fraud control);
- Compliance and control;
- Audit and assurance;
- Information governance;
- Security; and
- Business Continuity.

The RAGC is comprised of the following members:

- Chair (currently the Director Policy, Planning and Performance);
- CFO;
- Director Data Modelling and Analysis
- Risk Manager; and
- Enterprise Information Architect.

Workplace Consultative Committee

The Workplace Consultative Committee (WCC) is our consultative body for communication, consultation and employee participation in the management of NHFB's Work Health and Safety matters including all HR policies and procedures;

The WCC is comprised of the following members:

- Chair (currently the Director Policy, Planning and Performance);
- CFO
- Director of Data Modelling and Analysis;
- Human Resource Manager;
- Health and Safety Representative; and
- Employee Representative.

Independent Audit and Risk Committee

The Independent Audit and Risk Committee (ARC) is an integral component of our corporate governance and a valuable source of independent advice for the CEO. In providing advice, the ARC reviews and comments on the appropriateness of the NHFB's:

- Performance reporting;
- Financial reporting;
- System of risk oversight and management; and
- System of internal control.

The ARC also provides advice to the CEO and Administrator on the operation, management and financial reporting of the Pool.

CAPABILITY

Our people

The NHFB is agile, innovative, responsive and unique. 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 engaged, skilled and versatile people are critical to the achievement of our objectives. We aim to cultivate and value our workforce by:

- 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;
- supporting and developing the capabilities of our staff to meet our work requirements; and
- refining our organisational approaches to reflect the requirements of a dynamic, small-sized organisation capable of responding quickly and flexibly to meet emerging requirements.

DIVERSITY

The NHFB's Workforce Diversity Plan acknowledges and appreciates the differences in every employee and encourages diversity in our backgrounds, skills, talents and views to enrich our working environment and the quality of work. The NHFB is committed to reflecting the diversity of the Australian community in its own workforce.

Diversity within an organisation has many benefits including increased innovation, improved understanding of - and service to - clients, and attraction of talent from the widest possible pool of potential staff. Diversity refers to the characteristics that make everyone different; a diverse workforce is one that reflects the breadth of differences between people.

The NHFB aims to attract and retain the right people for the right jobs, no matter what their gender, race, age, religious beliefs or personal commitments. This will be achieved by embedding diversity and inclusion in all aspects including workplace culture, recruitment, career development, policies and procedures, and stakeholder engagement.

CAPABILITY

The NHFB is committed to managing its workforce in the most efficient, effective, economical and ethical way. The NHFB Workforce Capability Plan 2020-2024 aligns with the organisation's Strategic Direction, Corporate and Section Plans, the NHFB Learning and Development Strategy and Individual Performance Agreements. The Plan sets out the strategies to build and strengthen our workforce capability to enable the NHFB to:

- understand our workforce profile;
- identify our strengths, weaknesses, areas of risk and opportunities for development;
- understand and continue planning for future workforce requirements; and
- align HR strategies to maximise capacity and address critical gaps.

The Plan takes into account internal and external factors, and identifies workforce gaps, priorities and strategies for delivering the best outcomes now and into the future. The following objectives are highlighted over the term of the Workforce Capability Plan:

- Managing the workforce composition - through continual review of NHFB staffing and section structures to optimise service delivery, monitoring of turnover trends and indicators of external competition, and attracting and retaining the right people.
- Building people capability – increasing Learning and Development opportunities, effective Performance Development, ensuring role clarity for staff and investing in career development and succession.

- Continued focus on culture and leadership – effective change management processes, active measurement and management of employee engagement, and celebrating success.

The progress of the Workforce Capability Plan will be actively monitored by and reported to the NHFB Executive Committee, through the Workplace Consultative Committee (WWC). Governance at this level will ensure collaboration and consultation to ensure the continuous improvement of this program.

LEARNING AND DEVELOPMENT

The NHFB is committed to supporting and developing staff capability by providing a learning environment that is diverse, and helps achieve agency outcomes through building a fully effective and capable workforce. The NHFB Learning and Development Strategy 2020-2024 aligns with the organisation's Strategic Direction and Corporate and Section Plans, in developing and implementing effective training and development programs. The NHFB will invest and support its staff in their development, valuing expertise and experience and respecting diverse learning styles.

Our behaviours

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

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.



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.

IMPARTIAL

We are apolitical and provide the Administrator with advice that is frank, honest, timely and based on the best available evidence.

COMMITTED

We are professional, objective, innovative and efficient, and work collaboratively to achieve the best results for our stakeholders and partners.

ACCOUNTABLE

We are open and accountable to the Australian community under the NHR Agreement and the national health reform legislative requirements of the Commonwealth, States and Territories.

RESPECTFUL

We respect all people, including their rights and heritage.

ETHICAL

We demonstrate leadership, trust, and act with integrity in all that we do.

Our processes

We will continue to review and improve our business processes, ensuring they are fit for purpose for our small agency and leverage the expertise of others where possible, for example through our Shared Services Agreement with the Department of Health (IT, payroll, travel etc).

We are committed to monitoring the implementation of recommendations for improvement stemming from our program of internal audit and assurance.

Our Technology

The functions of the Administrator and NHFB involve the use of data and information from multiple sources. As some of the data may be sensitive or personal in nature, 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 most significant technological resources we use include:

- Our Commonwealth Contribution Model;
- Department of Health's Enterprise Data Warehouse (EDW);
- Our National Health Funding Pool Payments System;
- Our (GovCMS hosted) website; and
- data.gov.au.

Each of these systems is governed by robust and transparent business processes, with arrangements relating to the privacy and protection of data clearly outlined in our overarching Data Governance Policy.

CALCULATE

COMMONWEALTH CONTRIBUTION MODEL

The CCM enables the NHFB to accurately calculate the Commonwealth's NHR Agreement contribution at a State and Territory, LHN and hospital service category level. The CCM incorporates inputs from multiple sources, including State and Territory activity estimates and IHPA's NEP, and is independently reviewed and assured annually.

HEALTH ENTERPRISE DATA WAREHOUSE

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

PAY

NATIONAL HEALTH FUNDING POOL PAYMENTS SYSTEM

The Payments System utilises the TechnologyOne Cloud based Software as a Service and is hosted on the Amazon Web Services secure Australian Government Cloud. The Payments System is protected using domain whitelisting, two-factor authentication, and a comprehensive range of data security and backup infrastructure including data encryption in transit.

REPORT

The Administrator and the NHFB has a combined online presence (publichospitalfunding.gov.au) and is hosted on the whole-of-government GovCMS platform. Our innovative reporting tool draws data from data.gov.au to populate streamlined reports with a purpose built comparison tool that supports users to undertake additional analysis.

ENDNOTES

Glossary

| | | |
|--------------------------|--|-------------|
| ABF | Activity-Based Funding | PURPOSE |
| ACSQHC | Australian Commission on Safety and Quality in Health Care | ENVIRONMENT |
| AIHW | Australian Institute of Health and Welfare | |
| CCM | Commonwealth Contribution Model | |
| CEO | Chief Executive Officer | FINANCE |
| COAG | Council of Australian Governments | |
| DHS | Commonwealth Department of Human Services | |
| EA | NHFB Enterprise Agreement 2016–2019 | PERFORMANCE |
| EDW | Enterprise Data Warehouse | |
| HoA | Heads of Agreement | |
| ICT | Information and Communication Technology | RISK |
| IGA | Intergovernmental Agreement on Federal Financial Relations | |
| IHPA | Independent Hospital Pricing Authority | |
| JAC | Jurisdictional Advisory Committee | GOVERNANCE |
| LHN | Local Hospital Network | |
| NEC | National Efficient Cost | |
| NEP | National Efficient Price | CAPABILITY |
| NHA | National Healthcare Agreement | |
| NHFB | National Health Funding Body | |
| NHR Act | National Health Reform Act 2011 | ENDNOTES |
| NHR Agreement | National Health Reform Agreement 2011 | |
| NPCR | National Partnership on COVID-19 Response | |
| NWAU | National Weighted Activity Unit | |
| PGPA Act | Public Governance, Performance and Accountability Act 2013 | |
| RBA | Reserve Bank of Australia | |
| SPP | National Healthcare Specific Purpose Payment | |
| The Administrator | Administrator of the National Health Funding Pool | |
| The Pool | National Health Funding Pool | |

Appendix A

Strategic Direction 2020–2024



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 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
- + An agile and responsive workforce ready to adapt to new developments

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.

National Health Funding Body Corporate Plan 2020–21

August 2020

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