



National Health  
Funding Body

**Corporate Plan**  
2018-19



# National Health Funding Body Corporate Plan 2018–19

## CONTACT INFORMATION

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

### **National Health Funding Body**

GPO Box 1252, Canberra City ACT 2601

Phone: 1300 930 522

Email: [nhfb.enquiries@nhfb.gov.au](mailto:nhfb.enquiries@nhfb.gov.au)

ABN: 15 337 761 242

## © Commonwealth of Australia 2018

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



# Contents

1. Introduction	2
2. Purpose	4
3. Environment	6
4. Finance	12
5. Performance	14
6. Risk	20
7. Capability	22
8. Glossary	28

# 1. 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 and effective partnerships with stakeholders



Operate as a compliant agency

## Message from the Chief Executive Officer

I am pleased to present the National Health Funding Body (NHFB) Corporate Plan for 2018–19, my first since commencing as Chief Executive Officer (CEO) on 3 April 2018.

This plan sets our direction for the next four years to 2021–22 and covers the strategy we will use to fulfil our purpose and drive our success in improving the transparency of public hospital funding in Australia.

### Improving transparency of public hospital funding

Achieving our vision depends on our ability to collaborate openly and constructively with our stakeholders and partners, support the Administrator of the National Health Funding Pool (the Administrator) and keep ahead of challenges in our environment. Our commitment to best practice financial administration and continuous improvement will give our stakeholders confidence and preserve our unique role in the health system.

Improving transparency also requires us to enhance our core capabilities, better utilise our resources and adopt innovative approaches.

In undertaking our role we must identify and effectively manage risk. We also need to ensure our impartiality and maintain the integrity of the Administrator's role.

### Acknowledgements

I would like to take this opportunity to thank the previous Administrator, Mr Peter Achterstraat AM, for his oversight of government funding for public hospitals. I would also like to acknowledge the work of my predecessors, Mr Lynton Norris and Ms Svetlana Angelkoska, for laying the foundations for transparent public hospital funding arrangements.

We also warmly welcome the new Administrator, Mr Michael Lambert. With the support and professionalism of our team, I look forward to working with Michael to continue to build a close and collaborative relationship with our stakeholders and partners.

### 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 2018

## 2. 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.

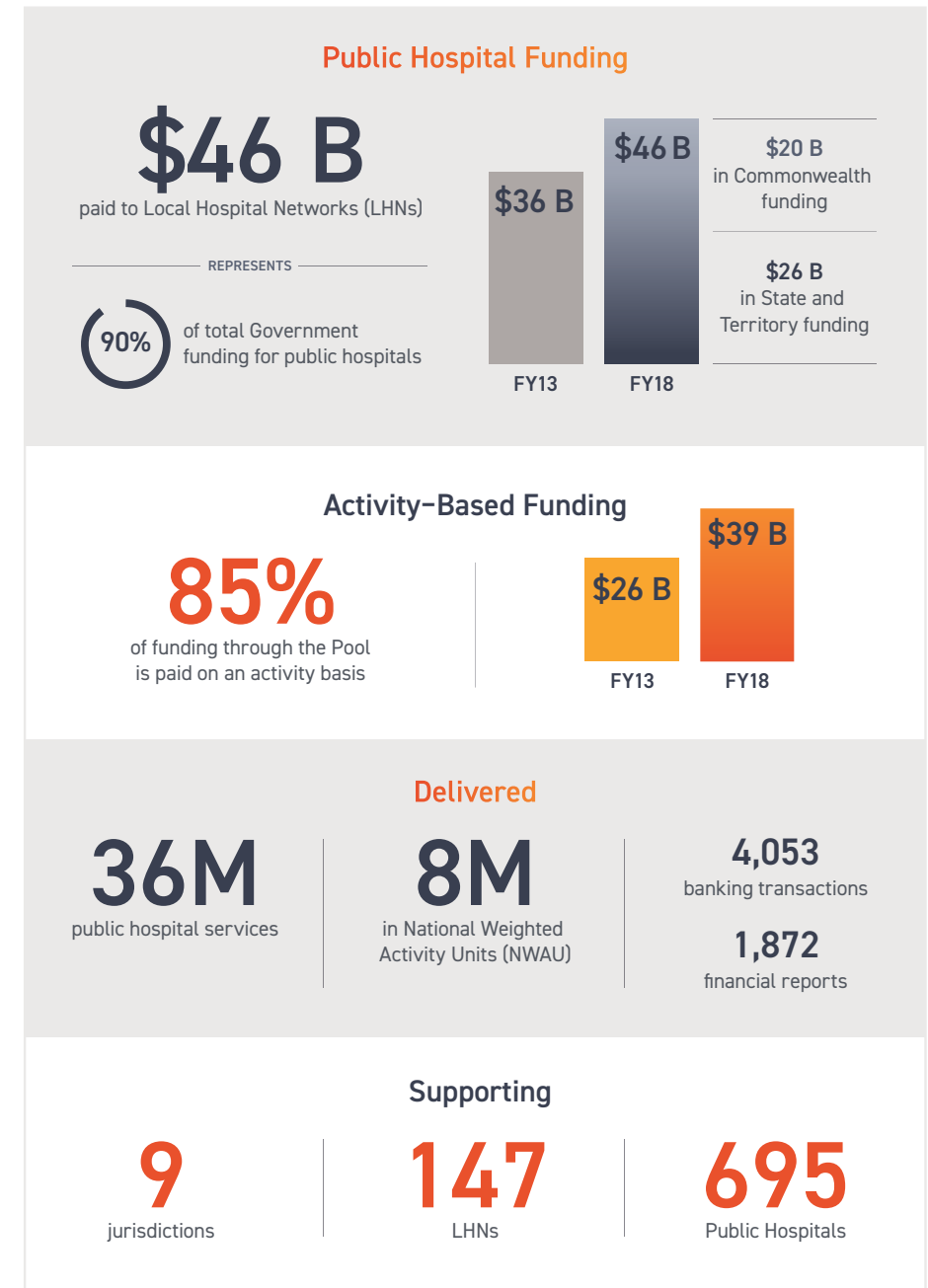
The NHFB is a Commonwealth non-corporate entity under the PGPA Act and was established to support the obligations and responsibilities of the Administrator.

### What we do

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

- + calculating the Commonwealth's contribution to public hospital funding in each State and Territory and advising the Commonwealth Treasurer
- + reconciling estimated and actual 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 Pool, including each State (and Territory) Pool Account
- + making payments from each State (and Territory) Pool Account to each Local Hospital Network (LHN)
- + reporting publicly on NHR Agreement funding, payments and services
- + developing and providing rolling three-year data plans to the Commonwealth, States and Territories.

## Financial Year 2017-18 Highlights



# 3. Environment

Our role in the health system was the result of significant public hospital funding reforms agreed by the Commonwealth and all States and Territories in August 2011. The following sections highlight the dynamic nature of recent health care agreements to provide context to the role we have in improving the transparency of public hospital funding in Australia.

## 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* (SPP) arrangements.

These grants (commonly referred to as 'block funding') were calculated based on historical costs, negotiation and government decisions.

Although indexed by a growth rate provided for under the Intergovernmental Agreement on Federal Financial Relations (IGA)<sup>1</sup>, there was little transparency of the actual services delivered for the funding provided.



Figure 1: Overview of Health Care Agreements

<sup>1</sup> A combination of a health-specific cost index, the growth in population estimates weighted for hospital utilisation, and a Productivity Commission derived index of technology growth.

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

In August 2011, COAG agreed to major changes in the way public hospitals were to be funded by Commonwealth, State and Territory governments. The most significant was moving the Commonwealth from block funding of public hospitals to an 'Activity-Based' Funding (ABF) system. These changes, detailed in the NHR Agreement<sup>2</sup>, included establishing the Administrator and the NHFB to improve transparency of public hospital funding arrangements.

Provisions under the NHR Agreement were enacted by the NHR Act with the aim of delivering a nationally unified and locally controlled health system through:

- + confirming the lead role of States and Territories in public health and as system managers for public hospital services
- + improving patient access to services and public hospital efficiency through the use of ABF based on a National Efficient Price (NEP) determined by the Independent Hospital Pricing Authority (IHPA)

<sup>2</sup> The NHR Agreement builds on, and complements, the policy and reform directions outlined in the National Healthcare Agreement (NHA) and is subject to the IGA.

- + ensuring the sustainability of funding for public hospitals by the Australian government providing a share of the efficient growth in public hospital services
- + improving local accountability and responsiveness to the needs of communities through the establishment of LHNs
- + national performance standards and better outcomes for hospital patients.

## 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 from 1 July 2017 to 30 June 2020.

The Addendum preserves important parts of the existing hospital system, including ABF, the NEP, and the role of the IHPA and Administrator, while also focusing on reducing unnecessary hospitalisations, and improving patient safety and service quality.

All jurisdictions agreed to take action to improve the quality of care in hospitals and reduce the number of avoidable admissions by:

- + reducing demand for hospital services through better coordinated care for people with complex and chronic disease
- + improving hospital pricing mechanisms to reflect the safety and quality of hospital services by risk-adjusting funding for unnecessary or unsafe care
- + reducing the number of avoidable hospital readmissions.

The Commonwealth also committed to providing an additional \$2.9 billion over three years commencing in 2017-18 for public hospital services, with growth in Commonwealth funding capped at 6.5 per cent per annum.

## 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, to commence 1 July 2020. The HoA maintains a commitment to ABF and extends reforms under the Addendum to focus on improved safety and quality, health innovation and coordinated care to reduce avoidable hospital admissions.

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.

Currently, Western Australia, New South Wales, the Australian Capital Territory, Tasmania, South Australia and the Northern Territory have all signed the HoA, with negotiations ongoing with Victoria and Queensland.

## National Health Funding Pool

The Pool was established as part of the NHR Agreement reforms to improve the transparency of public hospital funding.

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 (ABF and block) Commonwealth and (ABF only) State and Territory public hospital funding<sup>3</sup>. Each State and Territory has also established a separate State Managed Fund to manage block funding.

<sup>3</sup> Admitted acute, emergency department, and non-admitted patient services (initially using the Tier Two outpatient clinics list) were funded under ABF arrangements from 1 July 2012. Other non-admitted, mental health and sub-acute services commenced ABF arrangements from 1 July 2013. Small and regional hospital services, grants for teaching, training and research (TTR) and public health remain eligible for block funding under the Addendum.

The increasing move away from block funding to ABF<sup>4</sup> means that the Commonwealth's contribution is now inextricably linked to the volume and price (based on an IHPA determined NEP) of public hospital services delivered by each jurisdiction.

In addition to the transparent calculation of Commonwealth contributions, the creation of the single Pool<sup>5</sup> 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 two 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 optimise transparency and efficiency by channelling all public hospital funding types through the Pool.

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

<sup>4</sup> Calculated by the NHFB on behalf of the Administrator under the NHR Agreement.

<sup>5</sup> Based on estimated hospital service activity levels provided by States and Territories, as well as relevant prices provided by the IHPA.

The Commonwealth's contributions to LHNs are adjusted in arrears at the end of each 6 and 12 months for each financial year once actual volumes have been validated.

To ensure that payments from the Pool are correct, no payment will be made until the respective State or Territory has validated and instructed the Administrator to make payment on its behalf.

The Pool accounts are audited each year, have transparent accounting and reporting, and meet all other COAG and legislative requirements.

## Stakeholders and Partners

Engaging with our stakeholders and partners is important to ensure predictable and transparent funding for public hospital services.

The Administrator's quarterly Jurisdictional Advisory Committee (JAC) is a key channel for engagement. We also participate in national committees chaired by other expert health bodies, including the Australian Commission on Safety and Quality in Health Care (ACSQHC). We are a member of IHPA's JAC and Technical Advisory Committee, and increasingly participate in Australian Institute for Health and Welfare (AIHW) Committees.



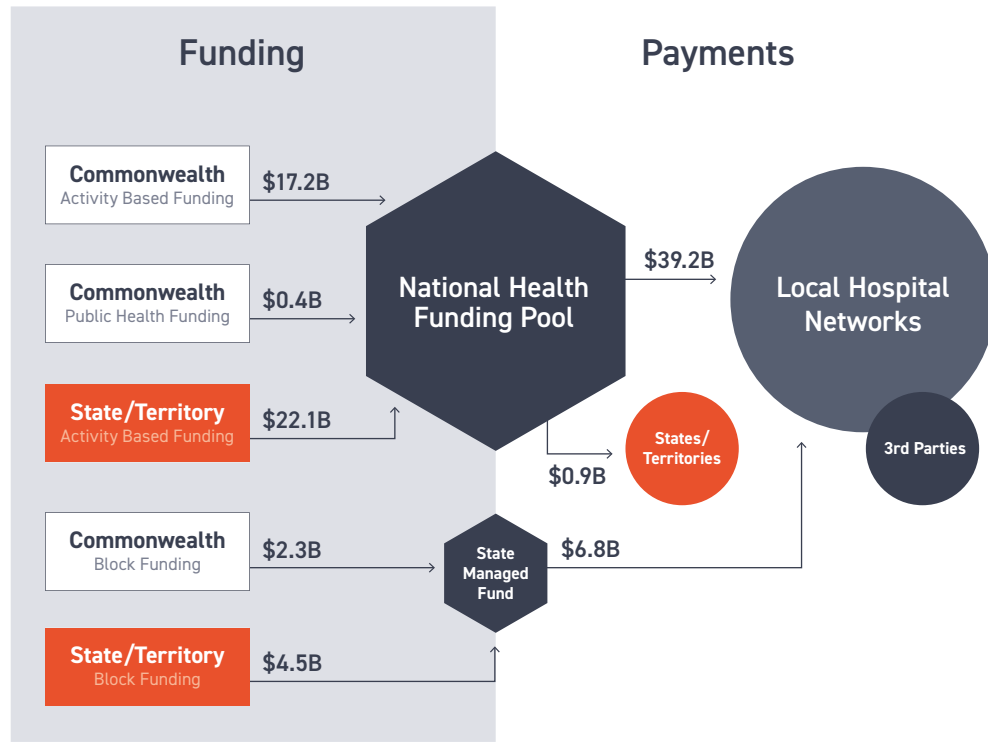


Figure 2: 2017-18 Public Hospital Funding Payment Flows

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. 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. 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.

The ongoing implementation of the Addendum and negotiations for the future agreement in a fiscally constrained environment highlight the dynamic nature of health care agreements. Ensuring that we effectively support the obligations and responsibilities of the Administrator in this environment represents both a challenge and a key opportunity.

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

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 will be key initiatives for us to deliver on our vision.

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 and improving our processes we will remain a highly effective agency delivering benefits for all Australians.



## 4. Finance

We are funded by an annual appropriation from the Commonwealth, with the majority of our operating expenses being for employees and suppliers. Table one provides a breakdown of our budget for the 2018–19 forward estimates, as represented in the Health Portfolio 2018–19 Entity Budget Statements.

The Addendum to the NHR Agreement expires on 30 June 2020 which means that we are currently only funded to support the functions of the Administrator until 2020–21. We are undertaking detailed planning activities to provide confidence to our stakeholders and partners that we have appropriate resourcing arrangements in place during 2020–21 to allow for the completion of necessary activities in relation to the NHR Agreement.

In parallel to these planning activities, we are also providing advice into the negotiations following the HoA for a future agreement. As part of these negotiations, we will consult with our stakeholders and partners about future resourcing requirements to support the potential roles of the Administrator in any agreement post 2019–20.

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 under the Addendum.

Table 1: NHFB 2018–19 budget and forward estimates

	2018–19 Budget \$'000	2019–20 Estimate \$'000	2020–21* Estimate \$'000	2021–22 Estimate \$'000
<b>REVENUE</b>				
Appropriation	5,378	5,575	4,260	–
Other**	92	92	92	–
<b>TOTAL REVENUE</b>	<b>5,470</b>	<b>5,667</b>	<b>4,352</b>	
<b>EXPENSES</b>				
Employees	2,451	2,455	2,191	–
Suppliers	3,019	3,212	2,161	–
<b>TOTAL EXPENSES</b>	<b>5,470</b>	<b>5,667</b>	<b>4,352</b>	–

\* Additional funding over 3 years was provided at the 2017–18 Budget to strengthen the legislative functions of the Administrator and successfully implement the Addendum to the NHR Agreement—this ceases in 2019–20.

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

# 5. Performance

The performance framework outlines our objectives 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.

### Objective Title

Performance Criteria	Evidence	2018-19	2019-22
<i>Outcome</i>			
Activity to produce outcome	Source of evidence	Target	Target

The following tables outline the performance criteria that will be used for the 2018-19 to 2021-22 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.

A 'key' to the tables is provided below to outline how the performance of each objective is measured. These criteria align with our 2018-19 Portfolio Budget Statements as shown by the section and page references in the tables (see reference to the *Health Portfolio – 2018-19 Portfolio Budget Statements – Budget Related Paper No. 1.9* in the tables).

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

Performance Criteria	Evidence	2018-19	2019-22
<i>Commonwealth funding calculations are accurate. (PBS 2018-19 A.p375)</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 adjustment.	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 (such as MBS and PBS) activity identifies instances where the same hospital service has been funded more than once.	Integrity measures in place.	No duplicate payments	No duplicate payments
<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.	Within 3 months of receipt of advice.	Within 3 months of receipt of advice.

### Key Initiative – Improvements to the CCM

Structural changes are being implemented to the current CCM to provide a more robust platform for the calculation of funding entitlements. Additional modules for the funding cap, data conditional payment and pricing for safety and quality are being implemented as a result of the Addendum.

### Key Initiative – Funding integrity

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

## Objective Two: Best practice financial administration of the Pool

Performance Criteria	Evidence	2018–19	2019–22
<i>Maintain the integrity of the Administrator's Payments System in accordance with policies and procedures. (PBS 2018–19 B.p376)</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
<i>Payments to each LHN accord with directions from responsible State and Territory Ministers. (PBS 2018–19 B.p376)</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>Unmodified audited financial statements. (PBS 2018–19 C.p377)</i>			
An unmodified audit opinion is provided by the relevant jurisdiction's audit office.	Unmodified audit opinion for each state and territory annual financial statements.	All unmodified	All unmodified

### Key Initiative — Policies and procedures

Our business rules, policy documents, frameworks and procedures will be updated to ensure effective implementation of necessary changes to take account of the Addendum.

### Key Initiative — Payment system modernisation

Enhancements will be made to the National Payment System to create a more integrated financial system with improved efficiency and effectiveness of processes between our systems, the RBA and jurisdictions.

## Objective Three: Effective reporting of public hospital funding

Performance Criteria	Evidence	2018–19	2019–22
<i>Monthly and annual reporting of the payments made into and from each State Pool Account and State Managed Fund. (PBS 2018–19 C.p377)</i>			
Monthly and annual reporting of funding and payment is uploaded to the Administrator's website.	Website update.	All LHN, State and National reports updated within 6 weeks of period close.	All LHN, State and National reports updated within 6 weeks of period close.
<i>Monthly and annual reporting of public hospital services. (PBS 2018–19 C.p377)</i>			
Monthly and annual reporting of activity is uploaded to the Administrator's website.	Website update.	All LHN, State and National reports updated within 6 weeks of period close.	All LHN, State and National reports updated within 6 weeks of period close.
<i>All relevant Ministers receive required information in a timely manner.</i>			
Annual Report for the Pool is tabled in the Commonwealth, and State and Territory parliaments within stipulated timeframes.	Administrator's Annual Report.	Tabled in all jurisdictions within timeframe.	Tabled in all jurisdictions within timeframe.

### Key Initiative — Enhanced reporting capabilities

We will continue to improve the transparency of hospital funding and activity by enhancing our reporting capabilities and increasing public access via a more informative website design.

## Objective Four: Productive and effective partnerships with stakeholders

Performance Criteria	Evidence	2018–19	2019–22
<i>Work plans and information requirements developed in collaboration and consultation with stakeholders. (PBS 2018–19 B.p375 &amp; D.p378)</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
<i>Provide trusted and impartial advice to enable effective health reform. (PBS 2018–19 D.p378)</i>			
Advice accepted and incorporated into the drafting of the future Agreement by 1 November 2019	Future Health Care Agreement.	Advice incorporated	N/A

### Key Initiative – Cultivating productive working relationships

We will also 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.

## Objective Five: Operate as a compliant agency

Performance Criteria	Evidence	2018–19	2019–22
<i>A positive workplace culture where people adopt best practice approaches and good governance principles to achieve results.</i>			
Our united leadership behaviours are demonstrated through annual employee survey results.	APSC Employee Census.	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. (PBS 2018–19 B.p375 &amp; D.p378)</i>			
Corporate policies are current and endorsed by the CEO.	Annual approval by the CEO.	100%	100%
<i>Unmodified NHFB audited financial statements. (PBS 2018–19 D.p378)</i>			
The Australian National Audit Office provides an unmodified audit opinion.	NHFB annual financial statements.	Unmodified.	Unmodified.

### Key Initiative – United Leadership

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

# 6. 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.

Our Enterprise Risk Management Framework and Guidelines, reviewed annually, are based on the International Standard on Risk Management (ISO 31000), and align with the Commonwealth Risk Management Policy. The standard defines risk as 'the effect of uncertainty on objectives', and risk management as the 'coordinated activities to direct and control an organisation with regard to risk'.

Through these documents and supporting processes, we formally establish and communicate our approach to ongoing risk management and guide our actions and ability to accept and control risks.

## Culture and risk tolerance

Our organisational culture 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.



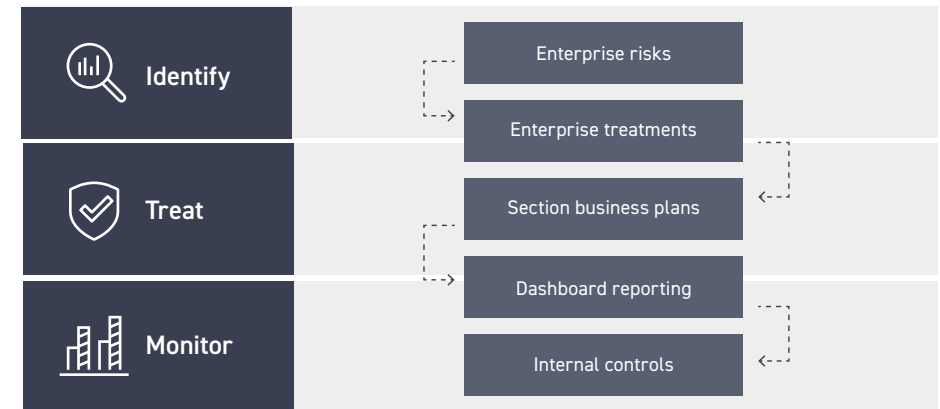
Early and open conversations about risk tolerance are the most important element of the risk assessment process. Communicating what is acceptable engagement with risk is the first step in embedding the risk tolerance in our workplace culture.

Our risk tolerance statement describes our attitude toward risk-taking by articulating the amount of risk that we are willing to accept to achieve our objectives. Articulating our tolerance for risk allows our organisation to set objectives, comply with legal and policy obligations, allocate and utilise resources, and improve transparent and accountable decision making.

## Identification and management

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

Our robust management of risk is built into our business-as-usual practices using consistent language, approaches and documentation across all levels of the organisation to monitor risk.



## 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 embedded independent and objective oversight at all levels to provide added assurance.





# 7. Capability

## Our People

The NHFB is an agile, dynamic, innovative and unique portfolio agency. We have a small and specialised workforce that is educated, 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 (the EA).

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

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 dynamic, small-sized organisation capable of responding quickly and flexibly to meet emerging requirements.



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. While current staffing levels allow us to perform our duties, like most organisations we are vulnerable when there is a loss of corporate knowledge due to turnover or unforeseen absences.

## 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 and, 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 Behaviours

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. Behave our way to new thinking – 'It starts with me'.

## Our Technology

Our work is supported by Information and Communication Technology (ICT) services provided by the Commonwealth Department of Health (Health).

These services include access to the standard Health ICT environment, desktop and mobile computing, and telecommunication services.

The functions of 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 most significant technological resources we use include: the CCM, the Health Enterprise Data Warehouse (EDW), and the National Health Funding Administrator Payments System. Each of these systems is supported by robust and transparent governance relating to the privacy and protection of data.

### Commonwealth Contribution Model

The CCM enables accurate Commonwealth NHR Agreement contribution calculations at a State and Territory, LHN and service category levels, incorporating inputs from multiple sources.

### 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 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.

### National Health Funding Administrator Payments System

The Payments System is a secure deposits and payments system operated by the Commonwealth Department of Human Services (DHS). Access to the Payments System is strictly controlled via a two-factor authentication system.

We continue to work closely with key stakeholders and partners to ensure the Payments System remains a secure, transparent and efficient mechanism for facilitating payments.



# Attachment A: Strategic Direction 2018–2022

## Strategic Direction 2018–2022




### 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 Administrator is independent of both Commonwealth and 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 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), including each State (and Territory) Pool Account
- Making payments from each State (and Territory) Pool Account to each Local Hospital Network (LHN)
- Reporting publicly on NHR Agreement funding, payments and services
- Developing and providing rolling three-year data plans to the Commonwealth, states and territories

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**

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



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

- Maintain the integrity of the Administrator's Payments System in accordance with policies and procedures
- Payments to each Local Hospital Network (LHN) accord with directions from responsible state and territory Ministers
- Unmodified audited financial statements



**Effective reporting of public hospital funding**

- Monthly and annual reporting of payments made into and from each State Pool Account and State Managed Fund
- Monthly and annual reporting of public hospital services
- All relevant Ministers receive required information in a timely manner



**Productive and effective partnerships with stakeholders**

- Work plans and information requirements are developed in collaboration and consultation with stakeholders
- Provide trusted and impartial advice to enable effective health reform



**Operate as a compliant agency**

- A positive workplace culture where people adopt best practice approaches and good governance principles to achieve results
- Policies and procedures comply with relevant statutory and legislative requirements
- Unmodified NHFB audited financial statements

#### Our values

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

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

# Attachment B: Risk Tolerance Statement

## Risk Tolerance Statement



#### 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.

Communicating what is acceptable engagement with risk is the first step in embedding risk tolerance in our workplace culture. 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.

A culture where we all understand our role in managing risk in our work will ensure we are successful. 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

A risk aware culture supports innovation and creativity by providing an environment where risk-based decision-making is encouraged. Early and open conversations about risk tolerance are the most important element of the risk assessment process.

When assessing how much risk can be tolerated, employees should consider:

- Which NHFB objective will be impacted?
- If there are alternative options that could result in a better outcome?
- What evidence is needed to support your decision?
- How the risks of all options can be managed effectively?
- Have key stakeholders been consulted?

#### Our Risk Tolerance

Our attitude toward risk taking is outlined in our risk tolerance statement which illustrates the amount of risk that we are willing to accept or retain to achieve our objectives.

We have assessed our level of risk tolerance against each of the five themes required to meet our objectives. These 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.

Theme	Risk Tolerance Level	Description
<b>Calculations</b>	<b>Lowest Tolerance</b>	<ul style="list-style-type: none"> <li>Accurate Calculation</li> <li>Reconcile activity</li> <li>Funding integrity</li> <li>Timely advice</li> </ul> <p><b>An error in the calculation of payments results in inaccurate advice to the Commonwealth Treasurer</b></p> <p>We have the <b>LOWEST</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 the <b>LOWEST</b> tolerance for inaccurate reconciliation processes between estimated and actual service volumes that impact funding to Local Hospital Networks (LHNs)</p>
<b>Payments</b>	<b>Lowest Tolerance</b>	<ul style="list-style-type: none"> <li>Payment System</li> <li>Payments to LHNs</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 the <b>LOWEST</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>VERY LOW</b> tolerance for risks that impact transparency due to failures to meet our compliance reporting requirements</p>
<b>Reporting</b>	<b>Medium Tolerance</b>	<ul style="list-style-type: none"> <li>Funding Reports</li> <li>Activity Reports</li> <li>Information provided</li> </ul> <p><b>Reporting of public hospital funding and/or activity is delayed or inaccurate</b></p> <p>Our dependency on stakeholders to provide accurate and timely data means that we have a <b>MEDIUM</b> tolerance for failure to meet our reporting requirements</p> <p><b>Inappropriate data release results in loss of confidence in the Administrator and the NHFB</b></p> <p>We have the <b>LOWEST</b> tolerance for internal failures that impact the management and security of data in accordance with relevant legislative requirements</p>
<b>Stakeholders</b>	<b>Medium Tolerance</b>	<ul style="list-style-type: none"> <li>Engagement &amp; collaboration</li> <li>Provision of advice</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>
<b>Organisation</b>	<b>Low Tolerance</b>	<ul style="list-style-type: none"> <li>Positive &amp; productive culture</li> <li>Good Governance</li> <li>Policies &amp; procedures</li> <li>NHFB Financial Statements</li> </ul> <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 and procedures</p> <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>LOW</b> tolerance for risks which jeopardise our ability to attract, retain and develop talent to achieve outcomes</p> <p><b>Inadequate WH&amp;S policies and procedures result in impacts on the health, safety and wellbeing of staff</b></p> <p>We have the <b>LOWEST</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 the <b>LOWEST</b> tolerance for internal failures that are the result of poor governance or illegal activity</p>

## 8. Glossary

<b>ABF</b>	Activity-Based Funding
<b>ACSQHC</b>	Australian Commission on Safety and Quality in Health Care
<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>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
<b>NWAU</b>	National Weighted Activity Units
<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



