



**Administrator**  
National Health  
Funding Pool

# Closing the ABF Loop: The National Health Funding Pool

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# Hospital Funding: History



- 1788 Temporary hospital opened in The Rocks, Sydney
- 1816 The Rum Hospital opened – financed by rum concession fees
- 1901 Constitution leaves health as state responsibility
- 1906 Commonwealth Government commences per capita grants to states
- 1945 Commonwealth legislation allows funding to states for public hospitals (at 6/- per bed day)
- 1975 Medibank implemented - free public hospital treatment
- 1988 Medicare compensation payments to states
- 2011 National Health Reform Agreement signed

# The 2011 National Health Reform Agreement



- Signed by all Australian governments in August 2011 following COAG process
- Introduced new financial arrangements for the Commonwealth and states and territories in partnership
- Confirmed state and territories as public hospital system managers
- Established a number of new Commonwealth and inter-governmental agencies - IHPA, NHFB, Administrator, NHPA and ACSQHC
- Confirmed activity-based funding as the norm for allocating resources to public hospitals

# The Agreement's Objectives



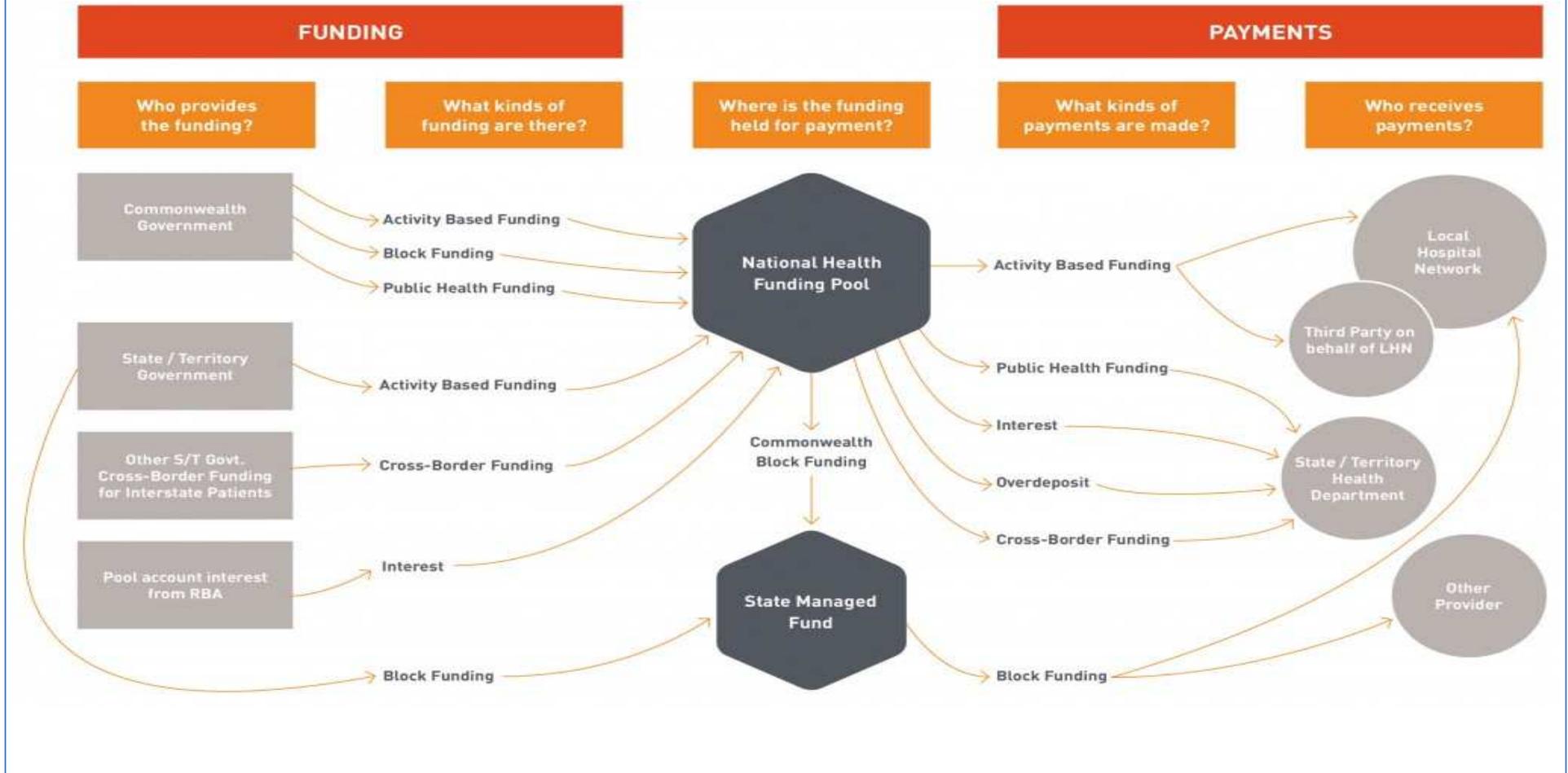
- Improving patient access to services and public hospital efficiency through the use of ABF based on a national efficient price
- Ensuring the sustainability of funding for public hospitals by increasing the Commonwealth's share of public hospital funding
- Improving the transparency of public hospital funding through a National Health Funding Pool
- Improving local accountability and responsiveness to the needs of communities through the establishment of local hospital networks (LHNs) and Medicare locals
- New national performance standards and better outcomes for hospital patients

# The National Health Funding Pool - Overview



- Consists of a Reserve Bank 'State Pool Account' for each state and territory
- All Commonwealth NHR funding (ABF and other) paid into these accounts on monthly basis
  - Administrator advises Commonwealth Treasurer of amounts to be paid into Pool – roundly \$14 billion in 2013-14
- All State ABF funding paid into Pool Accounts – roundly \$20 billion in 2013-14
  - Each state's non-ABF funding paid into its 'State Managed Fund' – roundly \$4 billion in 2013-14
- Funds paid out of Pool accounts by Administrator
  - Direct to LHNs - roundly \$32 billion in 2013-14
  - Other - roundly \$2 billion in 2013-14

# NHR Payment and Funding Flows



# Pool Funding Processes



- States provide estimated activity for next year (NWAU basis) – by LHN and service category
- Administrator applies IHPA National Efficient Price (NEP) to activity estimates
- Growth component of Commonwealth funding calculated by using IHPA back-casting multipliers to ensure base and next year activity is 'like-with-like'
- Administrator determines Commonwealth NHR payments for next year and advises Commonwealth Treasurer
  - ABF by LHN and service category
  - Plus non-ABF ('block' and public health)
- Commonwealth pays funds monthly into Pool (1/12 of annual amount)

## INPUTS

### IHPA

- NEC Determination
- NEP Determination
- Back-casting multipliers

### Treasury

- SPP
- Public Health
- 2014-15 SPP growth factors
- 2014-15 State specific allocation

### States and Territories

- 2014-15 NWAU estimates

### Administrator

- 2013-14 Commonwealth block funding
- 2013-14 NWAU estimates (as provided by states & territories)
- 2013-14 total ABF amount adjusted for cross border
- 2013-14 cross border amounts

## CALCULATOR



## OUTPUTS

### Administrator

- Back-casted 2013-14 NWAU
- Back-casted 2013-14 NEC
- 2013-14 ABF amounts by service category
- 2014-15 SPP updated on provider basis (from 2013-14 Commonwealth contribution model)

### National and State

- 2014-15 Public health funding
- 2014-15 Block funding
- 2014-15 Activity based funding
- 2014-15 NHR funding increase in efficient growth

## Pool Funding Processes (cont)



- Administrator makes payments out of Pool on daily, weekly or other basis as advised by states
- States can vary estimates of ABF activity levels during course of year – recalculation of entitlement by Administrator and funding adjusted
- After year-end (also six-monthly), Administrator reconciles actual ABF services provided with estimates
  - States submit patient records (de-identified) for each LHN
  - NWAUs derived from these are compared to estimates
  - Any resulting over or under-funding effected through adjustments to next 3 months' Pool funding
  - Administrator also compares patient records with MBS and PBS claims to ensure no 'double-dipping' of Commonwealth funding ('proof-of-concept' only at this stage)

# Pool Funding Reporting



- Monthly reports on all transactions through the Pool –
  - National, state/territory and LHN reports
- Quarterly reports on states' compliance with data provision obligations
- Annual report –
  - Tabled in each Parliament
  - Includes audited financial report on each state/territory State Pool Account
  - Combined financial report on National Health Funding Pool
- Published at: [www.publichospitalfunding.gov.au](http://www.publichospitalfunding.gov.au)

# Where to from here?



- 2014-15 Commonwealth Budget changes –
  - Commonwealth will not fund the three guarantees under the NHRA
  - Commonwealth will fund 45 per cent of efficient growth annually until 2016-17
  - New Health Productivity and Performance Commission to be established