

Notes to the State Outcomes Budget Schedule

Illawarra Shoalhaven Local Health District



Health



Notes and Glossary

Overview

The NSW State Price for 2020-21 has been set at \$4,727. This price has been informed by the 2018-19 District and Network Return (DNR) clinical costing study results provided by all Districts and Networks. The State Price reflects the cost of providing activity based services by NSW Local Health Districts and Specialty Networks. These results have been subject to the annual internal clinical costing audit, and results are expressed in NWAU20.

The 2019-20 State Price was based on 2017-18 DNR results which were expressed in NWAU19, as such a direct comparison between the 2019-20 price and 2020-21 price is not possible.

The costing process has been subject to both Quality assurance strategies which seek to prevent, detect, and correct the quality of data provided by Districts and Networks as well as improvement strategies which aim to improve the quality of data being provided through continuous enhancement. Both strategies target the reporting of activity and cost allocation methodologies.

Further technical information will be available in the NSW Activity Based Management (ABM) and Activity Based Funding (ABF) Compendium 2020-21.

The NSW Government is committed to reform financial management across the NSW public sector with the aim of improving financial governance. The fiscal pressures resulting from COVID-19 increase the importance of a strong framework for scrutinising and prioritising the use of every dollar spent by the State.

Outcome Budgeting is a multi-year reform program that continues to put the needs of people at the centre of investment decision-making across the sector. It improves oversight of total expenditure, as well as providing greater evidence to support and prioritise resource allocation.

Sustained over time, Outcome Budgeting improves the way that Government plans and manages resources to deliver outcomes for the people of New South Wales. The 2020-21 Budget has been published using the outcomes methodology. The following notes relate to the specific elements of the State Outcomes Budget schedule.

The 2020-21 Budget reflects the continuing shift in focus from incremental input measures to the delivery of outcomes and performance, where performance metrics are given as much importance as the financial results.

The Outcomes Budget schedule sets out the key budget elements linking outcomes to funding. In line with the devolved health system governance, Districts have the flexibility to determine the application and reconfiguration of resources between services that will best meet local needs and priorities.

State Outcomes Budget Schedule: Part 1

SECTION A – OUTCOMES BUDGETING

The schedule represents the NSW Treasury’s transition to Outcome Budgeting (TPP 18-09) and aligns to the NSW Health Outcome and Business Plan 2019-20 to 2022-23. The NSW Treasury Outcome Budgeting initiative intends to transform the way budget decisions are made, and resources are managed in the NSW public sector. The initiative aims to shift the focus of the NSW Government to deliver better outcomes for the people of NSW.

As this transition will take place across several years, it is likely some figures listed in this schedule are unable to accurately be carried through from LHD/SHN budgets to each facility at this stage of the transition. Some facility figures will therefore be consolidated at the District or Network level with investment allocation managed locally.

Figures included in this schedule do not include 2020-21 stimulus funding in response to the COVID-19 pandemic.

The vision at NSW Health is that of a sustainable health system that delivers outcomes that matter to patients and the community, is personalised, invests in wellness and is digitally enabled.

The link between services and budget outcomes can be followed as per the structure below. The five key outcomes are detailed in the table below.

Table 1: NSW Health Outcomes

State Outcomes	Description
Outcome: 1 Keeping people healthy through prevention and health promotion	Preventive and population health are critical to keeping people healthier. This outcome covers a range of functions NSW Health is responsible for including to protect and promote public health, control infectious diseases, reduce preventive diseases and death, help people manage their own health, and promote equitable health outcomes in the community.
Outcome: 2 People can access care out of hospitals to manage their health and wellbeing	Healthcare extends beyond the hospital and needs to connect across settings to reduce the burden of chronic disease, assist people with conditions to live well and avoid complications, support people to recover from illness and injury, and prevent avoidable hospitalisations. NSW Health services funded to achieve this outcome include non-admitted and community-based services, sub-acute services, hospital in the home, and dental services.
Outcome: 3 People receive timely emergency care	NSW Health often provides the first point of contact for those needing access to emergency healthcare and is responsible for managing and administering ambulance and emergency services.
Outcome: 4 People receive high-quality, safe care in our hospitals	This outcome reflects the State’s responsibility to manage and administer public hospitals. When people are admitted to a hospital in NSW they can expect world-class medical and surgical care within clinically recommended timeframes.
Outcome: 5 Continuous improvement to deliver the best health outcomes and experiences	A skilled workforce with access to world leading education and training, and a system that harnesses research and digital innovation are essential to continuously improve outcomes and experiences of care across the system. These enablers are delivered by a range of statutory bodies and system managers.

The matrix provided below outlines the broad approach taken in determining the 2020-21 budget based on the outcomes framework, while providing a transparent link to the previous Activity Based Funding Schedule.

The rows represent the new outcomes based programs with each of its respective service delivery line items while the columns reflect the traditional Activity Based Funding line items.

This information provides the traceability between the Activity Based structure and the new Outcomes based approach.

Table 2: - NSW ABF Service Stream to Outcomes based transitional matrix

New South Wales District and Specialty Network Funding Matrix	Activity Based Funding (ABF)	Small Rural Hospitals	Mental Health Non Admitted	Mental Health - Block Funded Hospitals	Other Non Admitted Patient Services	Teaching, Training and Research	State Only Block Funded Services	Gross-Up Private Patient Adjustments
Outcome 1: Keeping people healthy through prevention and health promotion								
Dental Services	✓	✓					✓	
Health Prevention Services		✓		✓			✓	
Health Protection Services		✓					✓	
Specific Health Screening Services							✓	
Outcome 2: People can access care in out of hospital settings to manage their health and wellbeing								
Aged Care Community Services		✓					✓	
Community Based Services		✓		✓			✓	
Drug & Alcohol Services	✓	✓					✓	
Mental Health Community Based Services		✓	✓	✓			✓	
Non-Admitted Patients	✓	✓		✓	✓		✓	
Outcome 3: People receive timely emergency care								
Ambulance Emergency Services								
Emergency Departments	✓	✓						
Outcome 4: People receive high-quality, safe care in our hospitals								
Acute Services	✓	✓		✓			✓	✓
Aged Care Services		✓					✓	
Mental Health Services	✓	✓		✓				✓
Sub-Acute Services	✓	✓						✓
Outcome 5: Our people and systems are continuously improving to deliver the best health outcomes and experiences								
Cluster Grant Funding								
Health Care Complaints Commission								
Medical research support program								
Mental Health Commission								
Research and Commercial Capacity Bldg Initiatives								
Teaching, Training & Research		✓		✓		✓	✓	
Teaching, Training & Research Mental Health		✓		✓		✓	✓	

The Schedule sets out the key budget elements linking outcomes to funding. In line with the devolved health system governance, Districts have the flexibility to determine the application and reconfiguration of resources between services that will best meet local needs and priorities.

Activity Based Funding

Activity targets for Acute, Emergency, Mental Health Admitted, Sub-Acute and Non Admitted Services as well as Dental and Drug & Alcohol Services have been used to set the ABF budget.

Furthermore, the 2020-21 budget also includes activity targets for services provided within NSW small hospitals.

Non-admitted Mental Health is again block funded in the 2020-21 Budget while the NSW PSC classification continues to be used for shadow funding of mental health non-admitted services on an activity basis.

Activity targets using the interim PSC classes have been set for each District and Network. Non-admitted mental health services are monitored against these activity targets.

The table below sets out the components of the activity allocation and subsequent Activity Based Funding calculation for both ABF facilities and small hospitals.

Table 3: - State Outcome Budget Schedule 2020-21 - Allocation of Activity

Illawarra Shoalhaven LHD	ABF Hospitals		Small Hospitals	
	Target Activity	Funding	Target Activity	Funding
State Price: \$4,727 per NWAU20	NWAU20	\$000	NWAU20	\$000
Outcome 1: Keeping people healthy through prevention and health promotion	2,861	\$13,523	39	\$184
<i>Dental Services</i>	2,861	\$13,523	39	\$184
Outcome 2: People can access care in out of hospital settings to manage their health and wellbeing	32,816	\$127,609	370	\$1,747
<i>Drug & Alcohol Services</i>	2,385	\$11,272	5	\$24
<i>Mental Health Community Based Services</i>	5,820	Block Funded		
<i>Non-Admitted Patients</i>	24,611	\$116,336	365	\$1,723
Outcome 3: People receive timely emergency care	19,804	\$93,613	1,697	\$8,021
<i>Emergency Departments</i>	19,804	\$93,613	1,697	\$8,021
Outcome 4: People receive high-quality, safe care in our hospitals	104,650	\$494,680	2,760	\$13,047
<i>Acute Services</i>	82,439	\$389,691	1,488	\$7,036
<i>Mental Health Services</i>	9,193	\$43,454		
<i>Sub-Acute Services</i>	13,018	\$61,535	1,272	\$6,011
Total excluding Mental Health Community Based Services	154,310	\$729,424	4,866	\$22,999
Sub-Total for ABF & Small Hospitals	160,130		4,866	
Total as per Service Agreement		164,996		

The NSW State Price for 2020-21 has been informed by the Cost per NWAU data of the 2018-19 DNR Clinical Costing Study and has been set at a point lower than the State Average Cost per NWAU to facilitate the application of a single price. The State NWAU price for 2020-21 has been applied to both baseline and growth funding.

For Districts or Networks with a Projected Average Cost (PAC) that exceeds the State Price the difference between their specific PAC and the State Price will again be addressed by a Transition Grant.

Transition Grants

Transition Grants will again be utilised in the 2020-21 budget and are allocated where the District or Network's Projected Average Cost exceeds the State Price. However, due to the application of a single price, a one off increase in Transition Grants required will result.

Transition grants are allocated as a temporary measure to allow a District or Network to safely provide continuity of service while they review and reduce their costs to converge towards the State Price. While Transition Grants have continued, they are not intended to be ongoing, as this is a disincentive for Districts and Networks to perform efficiently within their cost allocation.

A Transition Grant is additional funding allocated to a District or Network which has reported an average cost above the State Price. A transition grant is calculated as the difference between the State Price and the District/Network projected average cost (PAC). However, transition grants may be required to fund up to 50% of a District/Networks growth activity.

Where the PAC exceeds the State Price, a 'transition per NWAU' is calculated against the base activity only. This represents the additional cost per NWAU that the District/Network has incurred over the State Price to deliver each unit of activity.

The 'transition per NWAU' is then multiplied by the respective District/Network baseline to calculate the total transition amount. This represents the total additional cost of providing the existing services in the previous year above the state average.

The calculation for Small Hospitals Transition Grant is the difference between the overall funding, based on the NSW Small Hospitals funding model, for a District's small hospitals and the aggregate projected cost for the District's small hospitals as informed by the 2018-19 costing results.

The rules for funding up to 50% of growth activity from Transition grants have been waived for this year only, to enable Districts and Networks to adjust to the impact of the single State Price.

Mental Health Services

The 2020-21 Mental Health Services budget has had funding allocated across various Outcome Budgeting groups, both on an ABF basis or through specific block funding. The principles for funding the ABF component are consistent with those described above for all other ABF services.

It is important to note that Mental Health funding is also included in;

- *Mental Health Non-Admitted* - For the 2020-21 budget Mental Health Non-Admitted services will be block funded while the new Australian Mental Health Care Classification continues being implemented.
- *Standalone Psychiatric Hospitals* - A small number of standalone psychiatric hospitals have continued to be block funded based on the 2018-19 costing results.
- *Small & Rural Hospitals* – Within the Small and Rural Hospitals Block allocation a quantum of funding for both Mental Health services as well as Teaching, Training and Research for Mental Health has been provisioned.

Non-Activity Based Funding

Block Funded Hospitals (Small Hospitals)

The NSW Small Hospitals Funding model was introduced in 2017-18 to support a better interface in patient care between the larger ABF hospitals and the small, predominately rural, hospitals which operate with lesser patient volume.

This model and concept has been particularly applicable to the Rural and Regional Districts. The model adopts a fixed and variable cost methodology and has been used again for the 2020-21 budget allocation.

In the 2020-21 model, the variable component for delivering activity in NSW Small Hospitals has been pegged to the 2020-21 State Price of \$4,727. The fixed component of the funding model has been set at \$1.1 million per facility.

Where additional activity in a small hospital setting has been negotiated this growth in activity has been applied to the overall funding of these facilities.

Block Funded Services

This allocation in the 2020-21 budget has been informed by the 2018-19 DNR, clinical costing study.

- The NSW state-wide Teaching and Training cost allocation methodology has been applied to reduce the volatility and enhance the stability of the Teaching and Training cost allocation across the system. This allocation approach continues to be applied in the 2020-21 Budget.
- Other Non-Admitted Patient Services component addresses the funding of home ventilation clinics. These services are block funded in the 2020-21 Budget based on the 2018-19 costing.

Gross-Up (Private Patient Service Adjustments)

NSW uses the national price weights to determine NWAU value. The national price weights include a discount (negative value) for expense contributions for private patients. The calculated value of private patient revenue for accommodation and prosthesis, which represent the negative adjustment in the NWAU calculation therefore needs to be added back to the District expense budget to provide the total ABF expense for the NWAU activity. The Gross-Up component reflects this adjustment.

State Only Block Funded Services

These represent state based services that are not subject to Commonwealth funding contribution under the National Health Reform Agreement (i.e. "out of scope" for Commonwealth funding).

These services include;

- Public and Population Health, Aboriginal Health and other Community Health based programs as well as non-health related services;
- Privately referred Non-Admitted services which do not have activity targets and therefore are not included in the ABF allocation. A block allocation for these services has been included in the State Only Block section and has been set using the cost reported in the most recent full year DNR clinical costing study;

- Also included are amounts which have been excluded for pricing such as Public Private Partnerships (PPP) interest, Isolated Patients Travel and Accommodation Assistance Scheme (IPTAAS), S100 drugs and Blood products.

The 2020-21 budget also reflects changes arising from the implementation of the Australian Accounting Standard (AASB 16) relating to leases. This does not impact the total expense budget but reallocates between lines, particularly, depreciation.

Districts are also responsible for determining the allocation of activity and budgets to their individual hospitals and other services, noting the state-wide priorities identified in Part A of this Service Agreement.

SECTION B – SPECIFIC INITIATIVES

This section of the Schedule identifies the provision for specific and new initiatives for funding in the current year.

Where the initiative is ongoing in future years it will be reflected in other sections of the Schedule for those subsequent years.

For reporting purposes, these initiatives will need to be allocated against one or more State Outcomes for Health detailed in Section A

SECTION C – RESTRICTED FINANCIAL ASSETS

This section of the Schedule identifies expenses relating to 'restricted' funds.

The delineation between 'restricted' and 'unrestricted' funds refers to the NSW Treasury classification of cash held in specified accounts. For NSW Health, all funds held in Restricted Financial Assets and Custodial Trust Fund accounts are considered 'restricted'. Monies held in a General Fund account are considered 'unrestricted'.

SECTION D – GENERAL FUND DEPRECIATION

This section of the Schedule identifies expenses relating to depreciation amounts.

Depreciation is defined as the systematic allocation of the depreciable amount of an asset over its useful life, where the depreciable amount is defined as the cost of an asset or other amount substituted for cost, less its residual value.

State Outcome Budget Schedule: Part 2

The 2020-21 Revenue Budget for each District results from trend growth and volume increases as well as a performance factor and other adjustments. There are also specific amendments for High Cost Drugs, revenue attributable to compensable patients and for certain other items.

Own source revenue includes all revenue from sources other than Government Grants.

State Outcome Budget Schedule: Part 3

This schedule represents the estimated 2020-21 shared services and consolidated payments summary. The schedule has been grouped into specific categories and allows for the safe and efficient transfer of funds between NSW Health entities providing services to Districts or Networks.

HealthShare and **eHealth** charges relate to services either provided directly to the District or Network or on behalf of the District/Network by these entities and will be supported by formal customer service agreements.

Interhospital Transports relate to services provided on behalf of District or Network by either NSW Ambulance or the Neonatal Emergency Transport Service. Formal service agreements will be required to be established to support these charges.

Payroll represents District estimated payroll requirements to pay your employees their fortnightly payroll. The initial estimates are subject to periodic review and discussion between District/Network, the Ministry and HealthShare as the payroll service provider. Existing processes and practices for weekly reconciliations will continue in 2020-21.

Note: Payroll does not include District PAYG tax liability nor does it include District/Network contractors and VMO monthly payment requirements.

Other Miscellaneous includes a range of other matters dealt with under this schedule. These include items such as the provision of pathology services, or third party contract and or administrative arrangements, that require a single whole of health payment either annually in advance (i.e. TMF insurances) or monthly in arrears (i.e. Whole of Health electricity contracts and ACRBS blood supply).

The fund management of these accounts is managed by the Ministry supported by third party invoices. As is the case now, costs will be journaled to Districts and Networks on a monthly basis to support these consolidated vendor payments.

State Outcome Budget Schedule: Part 4

This section represents the initial activity advice being provided by the Ministry of Health as a system manager to the National Health Funding Body (NHFB) to enable the calculation and payment of the Commonwealth contribution.

Only the activity reported in this Part 4 of the Schedule is subject to Commonwealth contribution under the NHRA.