

ANNUAL REPORT 2012-13



About this report

This report is prepared in accordance with the Requirements for Annual Reports, as issued by the Department of the Prime Minister and Cabinet and approved by the Joint Committee of Public Accountants Audit under sub sections 63(2) and 70(2) of the *Public Service Act 1999*.

The report is a formal accountability document that details the activities of the Independent Hospital Pricing Authority (IHPA) from 1 July 2012–30 June 2013.

This report provides Members of Parliament and Senators with an accurate description of IHPA's activities during its second year of operation. The report also provides a valuable resource of information for IHPA's stakeholders including the general public.

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Preface

The Independent Hospital Pricing Authority (IHPA) annual report 2012–13 starts with a letter from IHPA's Chief Executive Officer (CEO), Dr Tony Sherbon, to the Minister for Health, asking the Minister to present the annual report to Parliament.

Introduction – the annual report introduction provides an explanation of the role of IHPA including commentary about the legislation that underpins IHPA's existence. It also sets out IHPA's vision, mission and values as specified in IHPA's strategic plan.

CHAPTER 1: Overview – this section provides an overview of IHPA's role and a welcome from the Chair and CEO. It also reports on the highlights and achievements for 2012–13 as well as looking forward to what IHPA plans to achieve next year.

CHAPTER 2: Clinical Advisory Committee annual report – as required by s. 178 of the *National Health Reform Act 2011*, this section provides the annual report on behalf of the Clinical Advisory Committee.

CHAPTER 3: Performance reporting – a full report is provided detailing IHPA's specific program areas and policy development as they relate to our *Portfolio Budget Statements 2012–13*.

CHAPTER 4: Management and accountability – this chapter reports on our corporate governance, people management and corporate planning activities as well as compliance with external legislative requirements.

CHAPTER 5: Financial management – a discussion and analysis of our financial performance, the independent auditor's reports, a signed statement by the Chief Executive Officer and Chief Financial Officer and a complete set of financial statements for IHPA from 1 July 2012–30 June 2013.

The **appendices** include information about freedom of information, marketing and advertising, legal services expenditure, a resource statement and resources for outcomes, as well as a list of abbreviations, a glossary, a legislative compliance index and an alphabetical index.

Letter of transmittal



IHPA

Minister for Health
Parliament House
Canberra ACT 2600

Dear Minister,

In accordance with the requirements of the *National Health Reform Act 2011* and the *Financial Management and Accountability Act 1997*, I am pleased to submit to you, for presentation to Parliament, the annual report and financial statements of the Independent Hospital Pricing Authority (IHPA) for the financial year ended 30 June 2013.

The report reflects the *Requirements for Annual Reports* approved by the Joint Committee of Public Accounts and Audit under s. 63 and 70 of the *Public Service Act 1999* and includes IHPA's audited financial statements as required by s. 57 of the *Financial Management and Accountability Act 1997*.

Yours sincerely

Dr Tony Sherbon
Chief Executive Officer
Independent Hospital Pricing Authority
23 October 2013

Independent Hospital Pricing Authority

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INTRODUCTION



Background

The Independent Hospital Pricing Authority (IHPA) is an independent Commonwealth agency. It was established under Australian Government legislation on 15 December 2011, as part of the implementation of the National Health Reform Agreement (NHRA) reached by the Council of Australian Governments (COAG) in August 2011.

COAG unanimously agreed to the establishment of Activity Based Funding (ABF) as the primary funding methodology for public hospitals throughout Australia and to the establishment of IHPA, as a national organisation created under Australian Government statute, to deliver a number of the key decisions that would underpin the establishment of ABF across Australia.

The implementation of ABF will improve the transparency of public hospital funding and strengthen incentives for efficiency in the delivery of public hospital services.

IHPA is charged with determining the National Efficient Price (NEP) and the National Efficient Cost (NEC) for public hospital services. This ensures that public hospitals receive funding based on unit costs and encourages developments in best practice care across the healthcare system. From 1 July 2012, the Australian Government has been using the NEP and NEC to determine Australian Government funding to Local Hospital Networks (LHNs).

In accordance with s. 210 of the *National Health Reform Act 2011* this annual report provides a review of the work performed by IHPA during the last financial year. This includes information and advice given by the Pricing Authority as required in s. 131 (1)(g) of the Act.

About IHPA

The Independent Hospital Pricing Authority (IHPA) became operational on 15 December 2011 at the date of commencement of the *National Health Reform Act 2011* (the Act). IHPA works collaboratively with the jurisdictions, advisory committees and key stakeholders to develop the foundations to implement a nationally consistent approach to Activity Based Funding (ABF) of public hospitals throughout Australia.

IHPA is governed by the Pricing Authority, which is primarily responsible for the proper and efficient performance of IHPA's functions. Members of the Pricing Authority are appointed by the Australian Government Minister for Health, following nominations by the Council of Australian Governments (COAG). They bring various skills, including experience in both healthcare needs and the provision of health care for people living in regional and rural areas. The Chair of the Pricing Authority reports directly to the Minister. However, as outlined in the *National Health Reform Act 2011*, the Minister is unable to direct the Determinations made by IHPA.

IHPA's key role is to determine the National Efficient Price (NEP) for public hospital services. The NEP is based on activity and cost data drawn from all states and territories across Australia.

IHPA also determines a National Efficient Cost (NEC) covering block funded services for which the technical requirements for ABF do not currently exist, such as block funded small rural and specialist hospitals, teaching, training and research, as well as non-admitted mental health services.

IHPA is required to consider the actual cost of delivering public hospital services in as wide a range of hospitals as practicable. It is also required to take into account any legitimate and unavoidable variations in costs due to hospital characteristics (for example, size, type and location) and patient complexity (for example, Indigenous status and demographic profile).

IHPA must also balance a range of national policy objectives, guided by a set of principles contained in the National Health Reform Agreement (NHRA) 2011. This includes that IHPA have regard to ensuring reasonable access to public hospital services, clinical safety and quality, efficiency and effectiveness, and financial sustainability of the public hospital system.

IHPA works in partnership with the National Health Performance Authority and the Australian Commission on Safety and Quality in Health Care to ensure that pricing, quality and performance measures are complementary and facilitate a strong national framework for the delivery of public hospital services.

The Pricing Authority is supported by a Chief Executive Officer, who is responsible for the day-to-day running of the Agency.

In this report, the 'Pricing Authority' refers to the governing members and 'IHPA' refers to the Agency.

What is Activity Based Funding?

Activity Based Funding (ABF) is a way of funding hospitals whereby they get paid for the number and mix of patients they treat. If a hospital treats more patients, it receives more funding. Because some patients are more complicated to treat than others, ABF also takes this in to account.

ABF funding should support timely access to quality health services, improve the value of the public investment in hospital care and ensure a sustainable and efficient network of public hospital services.

ABF payments should be fair and equitable, including being based on the same price for the same service across public, private or not-for-profit providers of public hospital services. The building blocks required for an ABF system are:



Classification

Patients are classified into groups that are clinically relevant, and cost homogenous (for example, all the patients who have had cataract lens procedures could be considered as one group).



Counting

Each patient episode needs to be counted. This includes inpatient admissions, emergency department presentations and outpatient appointments as well as a range of mental health and rehabilitation services.



Costing

A representative number of patient episodes are costed. This information is used for developing the classification system and for the pricing model.



Pricing

The pricing model determines how much is paid for an average patient. The pricing model needs to recognise adequately those factors which increase the cost of care which may not be picked up in the classification system, for example the additional cost of providing health services in remote areas, or to children.

What is the National Efficient Price (NEP)?

The NEP underpins the introduction of Activity Based Funding (ABF) for public hospital services nationally and is used to determine the Australian Government’s funding contribution to Local Hospital Networks.

On 28 February 2013, IHPA announced its NEP Determination for the financial year 2013–14. The NEP is \$4,993 per national weighted activity unit (NWAU).

The NWAU is the unit of measure of the ABF system and allows hospital activity across a range of settings to be compared—for example, inpatients, outpatients and emergency patients.

Examples of costs of procedures:

- A tonsillectomy has a weight of 0.6701 NWAU which equates to \$3,346
- A coronary bypass has a weight of 5.6830 NWAU which equates to \$28,375
- A hip replacement has a weight of 4.1742 NWAU which equates to \$20,841.

What is the National Efficient Cost (NEC)?

In 2012–13, IHPA released an NEC Determination for the first time. The NEC is for services that are not suitable for ABF, such as small rural hospitals.

The NEC determines the Australian Government’s contribution to block funded hospitals. This is the first time that Australian Government funding for rural hospitals will be based on a consistent national approach.

The NEC for 2013–14 is \$4.738 million, the average cost of block funded hospitals across Australia. Small rural hospital funding levels are weighted relative to this cost based on their volume of activity and location (for example, very remote location).

Table 1:
Key decisions 2012–13

	2012–13	2013–14	% change
NEP Determination	\$4,808	\$4,993	+3.85
NEC Determination	n/a	\$4.738 million	n/a

IHPA's vision, mission and values

Our vision

For all Australians to have access to a sustainable, locally-controlled health system that funds public hospital services using Activity Based Funding, where practicable, based on a National Efficient Price (NEP).

Our mission

Promote improved efficiency in, and access to, public hospital services through setting the NEP and levels of block funding for hospital services.

Our values

Act with independence, transparency, integrity, fairness, respect, accuracy and accountability. We value collaboration and demonstrate our values in our interaction within IHPA, with our stakeholders and the community.

IHPA values the work, talent and contribution of its people and is creating organisation-wide development strategies to maintain and grow discipline, expertise and intellectual capital. We facilitate an atmosphere of open communication and welcome ideas and innovation. Our people demonstrate a strong team ethic and collaborative culture and take pride in their work.

Chapter 1:

OVERVIEW



Chair's welcome



It is my pleasure to present the Independent Hospital Pricing Authority's annual report for 2012–13.

This year IHPA has achieved some key milestones and formalised a range of fundamental decisions as it continues to implement the key foundations for Activity Based Funding (ABF) for Australian public hospitals.

IHPA's key role is to determine the National Efficient Price (NEP) and the National Efficient Cost (NEC) which directly determines the Australian Government's funding to public hospitals throughout Australia. This will in turn improve the efficiency of hospital service delivery and increase the transparency of funding flows throughout the public hospital systems in the states and territories.

In 2012–13, we completed the second round of pricing for Australian public hospital services. This pricing process was delivered at an earlier point within the financial year than in the previous year, thus greatly assisting states, territories and hospitals with their budgeting timeframes.

We have continued to work in partnership with a wide range of stakeholders and strengthened our advisory network. This has helped us to improve upon and add to hospital classification systems and continuously improve costing and data quality.

I was delighted to welcome more than 500 delegates to IHPA's inaugural Activity Based Funding Conference in Sydney in May. This event provided us with a solid platform to educate health professionals about ABF and our role in determining the NEP. It also provided a useful gauge for how states, territories and Local Hospital Networks are managing what is a new funding model for many. Feedback gathered at the conference will assist us in driving our education program for the coming year.

Our achievements this year would not be possible without the collaboration of our many stakeholders. I'd like to thank the states and territories and the Australian Government whose partnership is vital to the delivery of better healthcare for local communities.

I thank my fellow Pricing Authority members for their ongoing commitment to their role in providing expert advice to guide IHPA in its decision making.

Last but certainly not least I'd like to thank Dr Tony Sherbon, Chief Executive Officer at IHPA and all of his staff for their persistent and ongoing hard work in delivering the NEP and NEC and other key achievements.

IHPA has consolidated its achievements in 2012–13 and I look forward to a successful year ahead as we continue to work towards improving health outcomes for Australians.

A handwritten signature in black ink that reads "Shane S. Solomon". The signature is written in a cursive, slightly stylized font.

Shane Solomon
Pricing Authority Chair
1 October 2013

Chief Executive Officer's year in review



I am pleased to report on the Independent Hospital Pricing Authority's achievements in 2012–13.

This has been a year of consolidation for IHPA. We have affirmed the decisions taken in our first year of operation in close consultation with our key stakeholders and built on these previous decisions with a range of enhancements to our policy framework.

A program of comprehensive consultation has enabled us to fine-tune the *Pricing Framework for Australian Public Hospitals*. This key document outlines the principles, policies and methodology that guide IHPA in its annual determination of the National Efficient Price (NEP), ensuring that the price is robust and transparent.

The NEP Determination for 2013–14 was released in February 2013. A notable achievement was the inclusion of subacute and admitted mental health services and increasing the range of public hospital services that will be funded on an activity basis.

A key milestone for IHPA this year was the delivery of the first National Efficient Cost (NEC) Determination. The NEC covers services for which the technical requirements for Activity Based Funding (ABF) do not currently exist, such as block funded small rural and specialist hospitals, teaching, training and research, as well as non-admitted mental health services.

This year we have spent time consolidating relationships with key stakeholders through our statutory committees and working groups. This has included the development of new working groups to advise on mental health, small rural hospitals and teaching, training and research as well as participation in a joint working party to examine options for pricing for safety and quality.

This annual report demonstrates that IHPA has prepared a fraud risk assessment and fraud control plan and has in place appropriate fraud prevention, detection, investigation, reporting and data collection procedures and processes that meet the specific needs of the agency and comply with the *Commonwealth Fraud Control Guidelines*.

I would like to thank the Pricing Authority for their continued expertise and vision and the Clinical Advisory Committee who provide a vital mechanism to ensure that decisions are made with a clinical perspective in mind. The ongoing contribution of a large number of highly skilled experts within all jurisdictions and national peak representative bodies is very much appreciated by IHPA.

Finally, I would like to thank the staff at IHPA for the expertise and professionalism they bring to our work. These achievements are a testament to the excellent work provided across every division of IHPA from the core business teams through to the corporate support staff.

I look forward to continuing this momentum as we deliver further progress in the full implementation of ABF in 2014.

A handwritten signature in black ink, appearing to read 'A. K. Sherbon'.

Dr Tony Sherbon

Chief Executive Officer
Independent Hospital Pricing Authority
1 October 2013

Highlights and achievements

In 2012–13 the Independent Hospital Pricing Authority has had some significant achievements

- Published the *Pricing Framework for Australian Public Hospital Services 2013–14*.
- Determined the second National Efficient Price for Australian public hospital services.
- Determined the first National Efficient Cost for block funded public hospital services.
- Determined the National Efficient Price of a standard list of items associated with clinical trials.
- Published the *Work Program 2011–12 and 2012–13*.
- Published the *IHPA Three Year Data Plan*.
- Finalised the National Hospital Cost Data Collection (NHCDC) for Round 15 and activity data sets for the 2013–14 National Efficient Price.
- Developed classification systems for mental health services, admitted subacute services and non-acute services.
- Released the consultation paper for the *Pricing Framework for Australian Public Hospital Services 2014–15*.
- Published data set specifications for NHCDC (Round 16).
- Hosted the inaugural Activity Based Funding Conference 2013 for more than 500 delegates.

Looking ahead

In the next financial year IHPA will consolidate and build on the achievements made in 2012–13. This will include refining the National Cost Model and National Pricing Models, including the incorporation of updated classifications into the National Efficient Price (NEP), as well as refinement of the cost model used to determine the efficient cost of block funded services, particularly for small rural hospitals.

Milestones for the next financial year include:

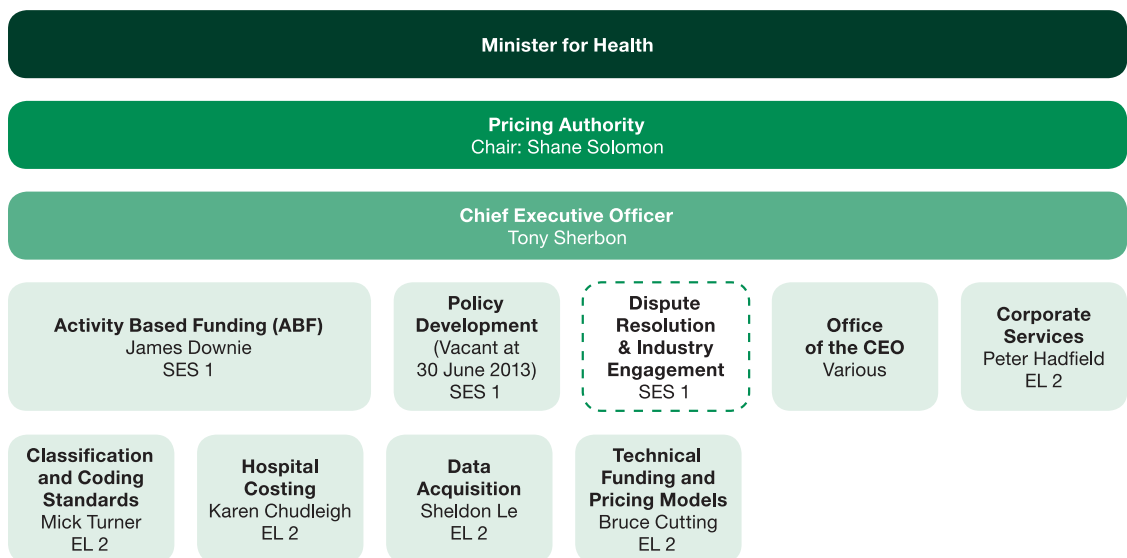
- Publish the updated *Pricing Framework for Australian Public Hospital Services for 2014–15*.
- Determine the NEP and NEC for 2014–15.
- Publish the annual update to the *Three Year Data Plan*.
- Undertake the collection of cost data for NHCDC Round 17 in public and private hospitals.
- Deliver a data submission portal to support the concept of single provision, multiple use.
- Publish updated versions of the *Tier 2 Definitions Manual* and *Tier 2 Compendium*.
- Undertake a comprehensive mental health costing study to assist in developing the new mental health classification system.
- Publish the *National Hospital Cost Data Collection Strategic Review* and commence implementation of a number of high priority recommendations resulting from the review.
- Develop and publish the first activity data set specification for teaching, training and research (TTR), and publish nationally agreed definitions for TTR.
- Undertake a project to review the emergency care classification systems internationally to ascertain if a more suitable classification is appropriate for Australia.
- Delivery of the Activity Based Funding Conference 2014 as part of a wider education and research strategy.

Organisational structure

The Chief Executive Officer (CEO) of the Independent Hospital Pricing Authority (IHPA) reports to the Pricing Authority, which reports to the Minister for Health.

Figure 1: IHPA's organisational structure at 30 June 2013

Occupied (Vacant)



The organisational units and branches within the organisation operate as follows:

Activity Based Funding branch

IHPA's ABF branch has four teams each led by a Director who is responsible for establishing and maintaining the infrastructure and systems required to enable the delivery of a national ABF system. The ABF branch also runs a number of advisory working groups that enable IHPA to consult with jurisdictions and other stakeholders on technical issues relating to classification, costing and data specifications.

Four teams function within the ABF branch:

1. Data Acquisition



The Data Acquisition team works with states and territories to develop appropriate data specifications, and to acquire, validate and maintain data in the IHPA information technology environment. The team provides analytical support to the various teams in the ABF branch.

2. Hospital Costing



The Hospital Costing team works with stakeholders to coordinate the collection, validation, analysis and reporting of the National Hospital Cost Data Collection (NHCDC), in conjunction with states and territories and private hospitals. The NHCDC is a valuable tool for use across the Australian health system as it plays a large role in collating the vast majority of health system costs at a 'product' level. It has recently been defined as a remarkable evidence base and unique in the world. The NHCDC is a primary input into the NEP used to fund public hospitals. The team also develops and implements the national costing standards.

To ensure the NHCDC can continue to be a well-informed evidence based data collection, the Hospital Costing team also conduct specific costing studies.

3. Classification and Coding Standards



The Classification and Coding Standards team works with stakeholders to develop and maintain the clinical classifications, coding standards and business rules associated with the implementation of a nationally consistent ABF framework for public hospital services. The work of the team covers six work streams—admitted acute, non-admitted, mental health, subacute, emergency and teaching, training and research. In addition, the team is responsible for management of licensing Australian Refined Diagnostic Related Groups (AR-DRGs) and International Statistical Classification of Diseases and Related Health Problems, Tenth Revision, Australian Modification (ICD-10-AM) to local and international markets.

4. Technical Funding and Pricing Models



The Technical Funding and Pricing Models team develops models that underpin IHPA's determination of the NEP and the NEC. It does this by developing costing models that best explain the expenditure of Local Hospital Networks (LHNs) nationally, and applying the policies contained within IHPA's *Pricing Framework for Australian Public Hospital Services*.

Office of the CEO

Supports the CEO and IHPA in all ministerial, government and parliamentary matters as well as internal and external communications. This includes secretariat services, parliamentary correspondence and communication such as media, stakeholder engagement and website management.

Corporate Services

Provides business support services in the areas of finance, human resource management, procurement, information and communication technology and governance.

Policy Development

Develops policy across IHPA including matters relating to ABF, the NEP Determination and the NEC Determination.

Dispute Resolution

IHPA did not receive any dispute resolution referrals from health ministers this financial year; therefore plans to develop the role were temporarily suspended.

The Pricing Authority

The Pricing Authority has an overall governance role and is responsible for the proper and efficient performance of IHPA's functions.

The Pricing Authority consists of a Chair, a Deputy Chair and seven other members, appointed for a period not greater than five years. The Pricing Authority Chair is selected and appointed by the Australian Government Minister for Health; the Deputy Chair is appointed with the agreement of the Premiers of states and Chief Ministers of territories; and the other Pricing Authority members are appointed with the agreement of the Prime Minister and states and territories.

Members of the Pricing Authority bring significant expertise and skills to the role, including substantial experience and knowledge of the health care needs and the provision of health care for people living in regional and rural areas. The Pricing Authority is supported by a Chief Executive Officer, who is responsible for the day-to-day running of the organisation.

The current Pricing Authority members were appointed in February 2012.

The Pricing Authority met on 10 occasions between 1 July 2012 and 30 June 2013:

- 27 July 2012
- 31 August 2012
- 29 October 2012
- 13 November 2012
- 29 November 2012
- 24 January 2013
- 22 February 2013
- 22 March 2013
- 31 May 2013
- 28 June 2013

Table 2: Pricing Authority meetings and attendances 2012–13

Member	Meetings eligible	Meetings attended
Shane Solomon (Chair)	10	10
Jim Birch (Deputy Chair)	10	9
Glenn Appleyard	10	9
Alan Morris	10	8
Alan Bansemer	10	7
Bruce Chater	10	7
Jane Hall	10	7
Michael Walsh	10	7
Jon Stanhope*	2	2

* Jon Stanhope's resignation from the Pricing Authority took effect from 30 September 2012.

Members of the Pricing Authority 2012–13



- 1. **Mr Shane Solomon** (Chair)
- 2. **Mr Jim Birch, AM**
(Deputy Chair)
- 3. **Mr Glenn Appleyard**

- 4. **Dr Michael Walsh**
- 5. **Mr Alan Bansemer**
- 6. **Associate Professor
Bruce Chater, OAM**

- 7. **Mr Alan Morris**
- 8. **Professor Jane Hall**
- 9. **Mr Jon Stanhope**
(resigned 30 September 2012)

Mr Shane Solomon (Chair)

Shane Solomon has over 30 years of international and national healthcare management expertise. In April 2013, Shane was appointed as Head of Health for Telstra's new Health Business Unit.

Prior to joining Telstra, Shane was KPMG's Partner in Charge, Healthcare. In this role, he worked with State and Australian Governments, along with private sector health organisations.

Shane was the Chief Executive of the Hong Kong Hospital Authority, managing Hong Kong's 57,000 public hospital staff. During his five-year tenure, he implemented significant funding and service quality reforms, including a casemix pay for performance model and the ongoing development of a comprehensive integrated e-health system.

In Victoria, Shane was Under-Secretary of Health at the Department of Human Services (as it then was) where he was responsible for managing the funding system (including casemix) for Victoria, and performance and governance of Melbourne metropolitan health services. He was responsible for developing the Hospital Admission Risk Program and governance reforms to Victoria's public hospital system.

Shane was the first Group Chief Executive Officer of the integrated Sisters of Mercy Victorian hospital and aged care services group, merging public hospitals, private hospitals, aged care services, and palliative care services into a single new organisation and expanding the Sisters of Mercy mission from five entities to 12.

Mr Jim Birch, AM (Deputy Chair)

Jim Birch lives in Adelaide, South Australia and is a Board member of HealthDirect Australia, Cancer SA Board and Mary MacKillop Care SA.

Jim is Lead Partner, Health and Human Services, Asia Pacific and Government and Public Sector Lead Partner, Oceania at Ernst and Young and was previously Chief Executive of the Human Services and Health Department in South Australia.

Mr Glenn Appleyard

Glenn Appleyard was a member of the Australian Accounting Standards Board from 1 January 2003 to 31 December 2011.

Glenn has held several senior positions within the public service including: Deputy Secretary in the Tasmanian and Victorian Departments of Treasury and Finance, Regional Director for the Australian Bureau of Statistics in Tasmania, and General Manager of the Food, Agriculture and Fisheries Division of the Tasmanian Department of Primary Industries, Water and Environment.

Glenn has an active interest in public finance issues, particularly Australian Government–state financial relations, and is a member of the Commonwealth Grants Commission. He is also currently the Chair of the Tasmanian Economic Regulator.

Mr Alan Bansemer

Alan Bansemer has over 35 years' experience in the health sector, including six years as the West Australian Health Commissioner and eight years as the Deputy Secretary to the Australian Government Department of Human Services and Health (as it then was). He currently runs his own private consultancy group, Banskott Health Consulting Pty Ltd, providing strategic advice to health departments throughout Australia.

Alan has chaired a number of committees including the Medicare Schedule Review Board and General Practice Consultative Committee. In addition, he has served as a member of numerous health advisory committees including the Australian Health Ministers' Advisory Council, Health Insurance Commission (now Medicare Australia) and the Australian Institute of Health and Welfare.

Associate Professor Bruce Chater, OAM

Associate Professor Bruce Chater is Head of the Academic Discipline of Rural and Remote Medicine and Deputy Chair of the Rural Clinical School Management Committee at the University of Queensland—tasks he performs from his rural base of Theodore, Queensland where he continues as a practicing rural doctor.

Bruce has been very involved both professionally and politically with the Rural Doctors' movement. He was the founding convener of the Rural Doctors' Association of Queensland and Australia and served as President of the Australian College of Rural and Remote Medicine.

Professor Jane Hall

Jane Hall is the founding Director of the Centre for Health Economics Research and Evaluation and Professor of Health Economics in the Faculty of Business at the University of Technology, Sydney. Jane is a Fellow of the Academy of Social Sciences in Australia.

She has held many advisory and Board positions, and is currently a member of the Board of the Bureau of Health Information. She is actively involved in policy analysis and critique, and is a regular commentator on health funding and organisational issues in Australia.

Mr Alan Morris

Alan Morris is the former Chair of the Commonwealth Grants Commission and also undertakes consulting and advisory work for AusAID and the World Bank.

His prior appointments have included: Executive Director for Australia, Korea, New Zealand and Egypt at the European Bank for Reconstruction and Development, London; Secretary, Department of Premier and Cabinet, Tasmania; Secretary (Chief Executive Officer) and Secretary to Cabinet, Department of the Chief Minister, Northern Territory of Australia; Assistant to Executive Director, International Monetary Fund, Washington DC; Chief Financial Officer, International Finance Section, Australian Treasury; and First Assistant Secretary, Department of Finance, Papua New Guinea.

Mr Jon Stanhope

In addition to leading the ACT Government as Chief Minister, Jon Stanhope also held the following portfolios: Minister for Health, Treasurer, Attorney-General and Minister for Corrections, Minister for Transport, Minister for Territory and Municipal Services, Minister for Land and Property Services, Minister for Business and Economic Development, Minister for Aboriginal and Torres Strait Islander Affairs, and Minister for the Arts.

Mr Jon Stanhope resigned from the Pricing Authority in 2012 to take up an appointment as the Commonwealth of Administrator of the Territories of Christmas and Cocos Islands. Mr Stanhope's resignation took effect from 30 September 2012.

Dr Michael Walsh

Michael Walsh has been Chief Executive of Cabrini Health, a private not for profit Catholic health service in Melbourne, Australia for four years. He was recruited from Doha, Qatar where he was Chief Executive of the National Health Authority. Prior to this he worked as Chief Executive, South East London Strategic Health Authority.

Michael has held a range of senior positions in Victoria and Western Australia, including seven years as Chief Executive of The Alfred. He is Vice President of the Royal Australasian College of Medical Administration, a Fellow of Australasian College of Health Service Management and a Board member of the Catholic Health Australia Stewardship Board. Michael has over 25 years' experience in health service policy and management, public and private sector and has management qualifications from Harvard University in the USA.

IHPA committees and working groups

Overview

IHPA has developed a committee framework to assist in providing expert advice and to ensure the transparency and integrity of the organisation.

IHPA's statutory committees comprise the Clinical Advisory Committee (CAC) and the Jurisdictional Advisory Committee (JAC) which have been established pursuant to part 4.10 and 4.11 of the *National Health Reform Act 2011* to assist IHPA in performing its functions.

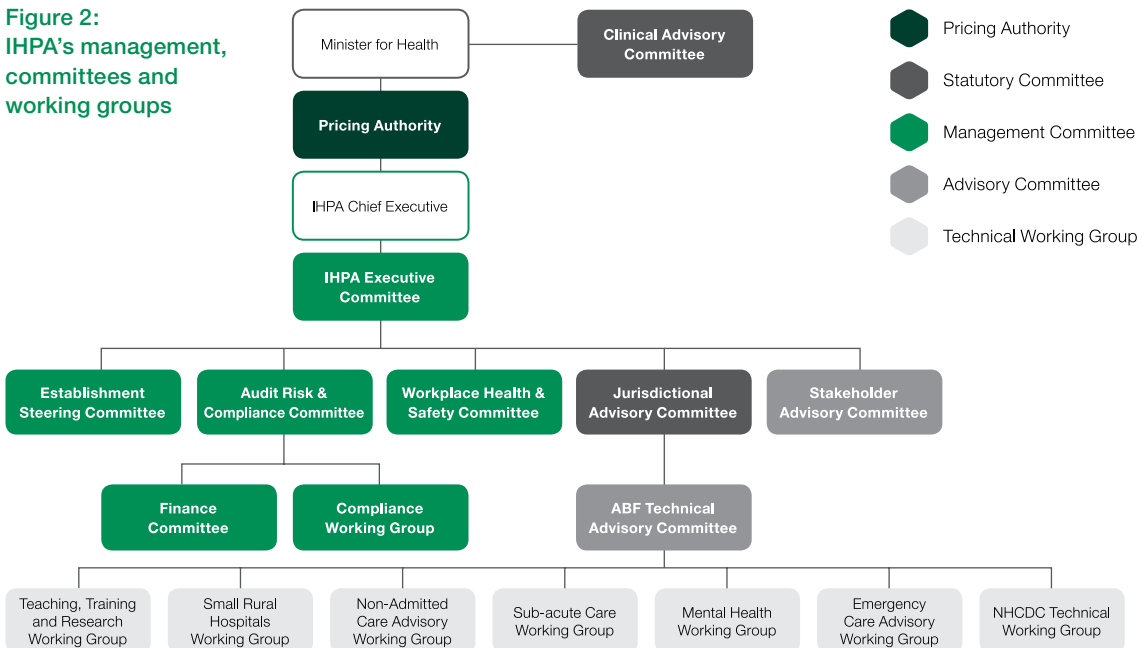
Other advisory committees and working groups have been established to assist IHPA in delivery of its work program, pursuant to Part 4.12 of the *National Health Reform Act 2011* including:

- Stakeholder Advisory Committee
- Activity Based Funding Technical Advisory Committee

- Teaching, Training and Research Working Group
- Small Rural Hospitals Working Group
- Non-admitted Care Advisory Working Group
- Subacute Care Working Group
- Mental Health Working Group
- Emergency Care Advisory Working Group
- National Hospital Cost Data Collection (NHCDC) Technical Working Group.

Figure 2 depicts the alignment between IHPA's management, committees and working groups. Working groups and committees are structured to enhance IHPA's statutory functions. All committees and working groups have a documented Charter or Terms of Reference (ToR) setting out their role, function, delegated power, membership and reporting relationship.

Figure 2:
IHPA's management,
committees and
working groups



Clinical Advisory Committee

The Clinical Advisory Committee (CAC) is responsible for providing advice to the Australian Government Minister for Health and IHPA with respect to clinical matters and reports directly to the Minister.

The CAC was appointed by the previous Minister for Health, the Hon. Tanya Plibersek, MP, in June 2012 (as well as two appointments made in February 2013), with additional members being appointed based on the need for more areas of expertise. At the date of publication of this report, the CAC consisted of 27 members.

As specified in s. 193 of the *National Health Reform Act 2011*, the CAC is required to report annually. More information about the CAC can be located in the CAC annual report in Chapter 2 of this report.

Jurisdictional Advisory Committee

The Jurisdictional Advisory Committee (JAC) was established under s. 195 of the Act. Membership of the JAC consists of a Chair appointed by the Pricing Authority and nine other members (one to represent each state, territory and the Australian Government). JAC members are appointed by written instrument by the head of the health department of each state and territory. The Australian Government member is appointed by the Secretary of the Department of Health.

The JAC met on 10 occasions between 1 July 2012 and 30 June 2013:

- 20 July 2012
- 17 August 2012
- 21 September 2012
- 18 October 2012
- 16 November 2012
- 17 December 2012
- 13 February 2013
- 14 March 2013
- 8 May 2013
- 19 June 2013

Current JAC members

Dr Tony Sherbon, Chair
Ms Kerry Flanagan
Dr Rohan Hammett
Ms Jenny Richter
Mr Nick Steele*
Dr Dorothy Jones
Ms Frances Diver*
Ms Penny Fielding
Mr Michael Pervan
Mr Stephen Goggs*

Previous members during this period

Mr Ian Thompson*
Mr Lance Wallace*
Mr Terry Mehan*

* There were several JAC membership changes during the period 1 July 2012 to 30 June 2013 – QLD, VIC and ACT advised IHPA of changes to JAC membership by written instrument throughout this period.

Table 3: Jurisdictional Advisory Committee meetings 2012–13

Jurisdiction	Meetings attended
IHPA	10
Australian Government	9
NSW	10
SA	10
QLD	10
WA	10
VIC	10
NT	8
TAS	10
ACT	10

Table 4: Other committee and working group meetings 2012–13

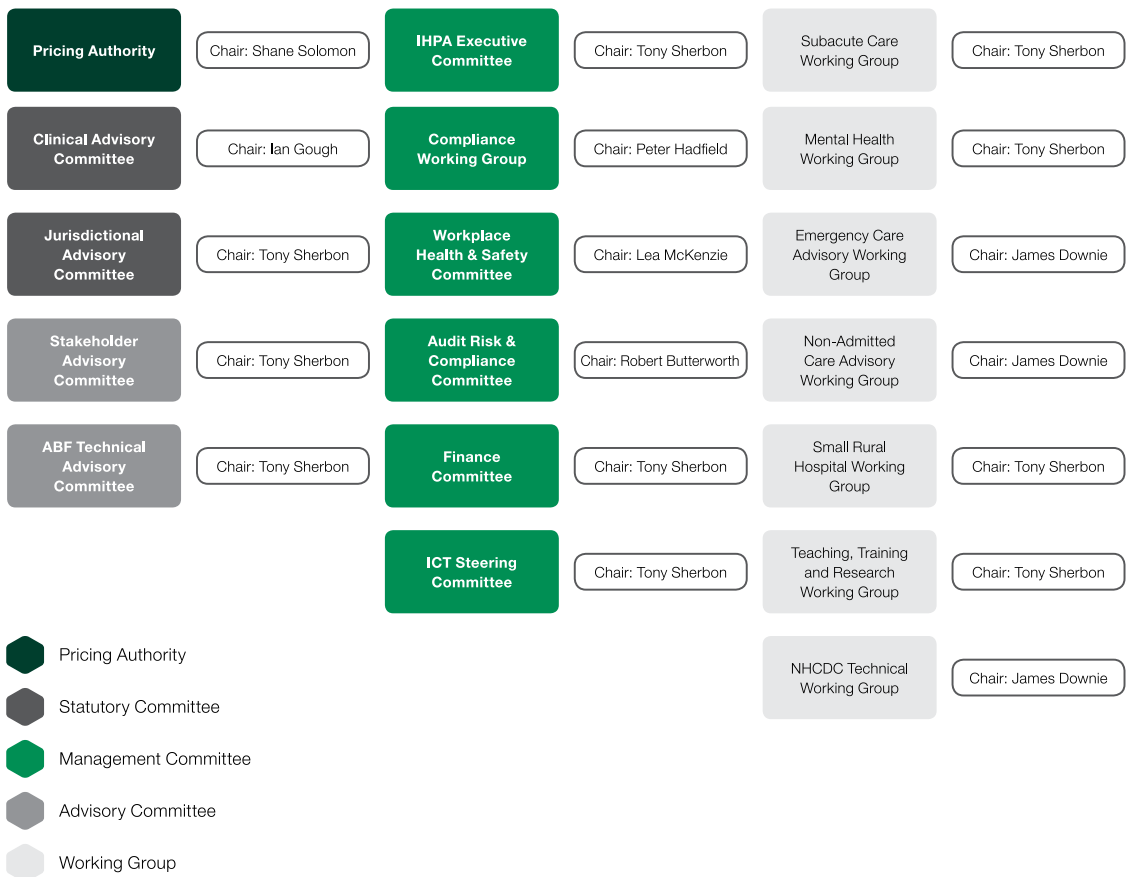
Committee	Meetings held up to 30 June 2013
ABF Technical Advisory Committee	8
Stakeholder Advisory Committee	4
Teaching, Training and Research Working Group	3
Small Rural Hospitals Working Group	4
Non admitted Care Advisory Working Group	9
Subacute Care Working Group	10
Mental Health Working Group	12
Emergency Care Advisory Working Group	8
NHCDC Technical Working Group	5

IHPA internal committees

IHPA has a number of internal committees that provide independent assurance and assistance to the CEO, the Executive Committee and the Pricing Authority on matters such as risk, control and compliance frameworks and financial statement responsibilities.

More detailed information about these committees can be located in Chapter 4 – Management and Accountability.

Figure 3: Committee Chairs



Chapter 2:

CLINICAL ADVISORY COMMITTEE ANNUAL REPORT



About the Clinical Advisory Committee

The IHPA Clinical Advisory Committee (CAC) is a key component of the National Health Reform Agreement and the *National Health Reform Act 2011* which recognises the critical role of clinicians in the development of Activity Based Funding (ABF).

The CAC was established to ensure that clinicians had an input in the development of a national ABF system through the provision of timely and quality clinical advice to inform Pricing Authority decision making.

Members are appointed by the Australian Government Minister for Health and are drawn from a range of clinical specialties and backgrounds to ensure the CAC represents a wide range of clinical expertise. CAC members are appointed based on their individual expertise and not in a capacity as a representative of an organisation, peak body or jurisdiction, however the membership of the CAC is widely spread across Australia. Remuneration is determined by the Remuneration Tribunal.

The 27 CAC members provide high level technical and clinical advice to the Pricing Authority on a range of issues such as ABF and classification development and revision to guide policy development at IHPA and to inform the National Efficient Price and National Efficient Cost.

The Chair of the CAC, Professor Ian Gough, reports to the Australian Government Minister for Health and is supported by IHPA staff.

The Clinical Advisory Committee (CAC) is a statutory committee that was established under Part 4.10 of the *National Health Reform Act 2011*.

The functions of the CAC as described in s. 177:

- a) to advise the Pricing Authority in relation to developing and specifying classification systems for health care and other services provided by public hospitals;
- b) to advise the Pricing Authority in relation to matters that:
 - i) relate to the functions of the Pricing Authority; and
 - ii) are referred to the Clinical Advisory Committee by the Pricing Authority;
- c) to do anything incidental to or conducive to the performance of the above functions.

Membership of the Clinical Advisory Committee

The 27 members of the CAC met four times in 2012–13.

Table 5: Membership of the Clinical Advisory Committee

Name	Position	Specialty	Meetings eligible	Meetings attended
Appointed in June 2012				
Prof Ian Gough	Chair	Endocrinology/Surgery	4	4
Dr Alasdair MacDonald	Deputy Chair	Internal Medicine	4	3
Prof Gerard Carroll	Member	Cardiology/ Rural	4	4
Prof Peter Macdonald	Member	Transplantation	4	3
A/Prof Paul Varghese	Member	Geriatrics/ Rehabilitation	4	4
Dr Bernard Whitfield	Member	Ear Nose and Throat Surgery/Injuries/Trauma	4	4
Prof John Turnidge	Member	Infectious Disease	4	3
Dr Philip Hoyle	Member	Administration	4	3
A/Prof Louis Irving	Member	Respiratory/ Indigenous Health	4	3
A/Prof Daryl Williams	Member	Anaesthesia and Pain Management	4	2
Prof Leon Flicker	Member	Geriatrics/Indigenous Health	4	3
W/Prof Fiona Wood	Member	Burns	4	3
Dr Amanda Ling	Member	Administration	4	3
A/Prof Liza Heslop	Member	Nursing/Pregnancy and Childbirth	4	4
Mr Graham J Reynolds	Member	Paediatrics	4	2
Prof Geoff Donnan	Member	Neurology	4	2
Prof Ray Lowenthal*	Member	Haematologist/Oncologist	3	1
Ms Jan Erven	Member	Occupational Therapist	4	3
Prof Sally Tracy	Member	Midwife	4	2
Ms Amber Roberts	Member	Pharmacist	4	4
Ms Alison McMillan	Member	Chief Nurse	4	3
Dr Ruth Vine	Member	Psychiatrist	4	4
Ms Sue Davis	Member	Nurse	4	3
Ms Julie Connell	Member	Allied Health Manager	4	4
Dr Jo Wright	Member	Rural Medical Practice	4	3
Appointed in February 2013				
A/Prof Melinda Truesdale	Member	Emergency Medicine	1	1
Dr Amod Karnik	Member	Intensive Care Medicine	1	1

* Prof Ray Lowenthal was granted a leave of absence by the Chair from March 2013–March 2014.

Letter from the Chair



I am very pleased to provide the annual report for the Clinical Advisory Committee (CAC) for 2012–13.

This year the CAC has cemented its working relationship with the Independent Hospital Pricing Authority (IHPA) and provided advice that has guided the Pricing Authority with some key decisions. Clinical advice is crucial to the successful implementation of national Activity Based Funding and I am pleased with the progress we have made this year.

The CAC sat four times in 2012–13 and made a significant contribution to the *Pricing Framework for Australian Public Hospital Services 2013–14*, ensuring the accuracy of the National Efficient Price and National Efficient Cost Determinations for 2013–14.

The CAC's clinical expertise and experience enables it to recognise any potential inequalities in the pricing process or any weaknesses in the model.

Through participation in a number of IHPA working groups and committees as well as at formal CAC meetings, we have been able to provide strategic advice from a clinical perspective specifically on areas such as classification development and ideas about how to fund teaching, training and research and assess the impact of new technologies.

CAC members have also played a key role in the discussions about whether it is possible to put a price on quality and safety in public hospitals by participating in a joint working party across the states and the Australian Government that is currently being led by the Australian Commission on Safety and Quality in Health Care.

I would like to thank my fellow CAC members for their ongoing commitment to the improvement of the Australian health system. The clinical expertise of the CAC will continue to assist IHPA as it strives to improve data quality and develop new classifications. I look forward to continuing to Chair the CAC and work in partnership with IHPA to contribute to improving efficiency and access to Australian public hospitals.

A handwritten signature in black ink, appearing to read 'I. Gough'.

Professor Ian Gough
Clinical Advisory Committee Chair
1 October 2013

The year in review

In 2012–13 the Clinical Advisory Committee (CAC) has consolidated its role and membership and commenced a work program that complements IHPA's own *Work Program 2012–13*.

Key achievements:

- A key role in the development and revision of clinically relevant classifications which support the implementation of a nationally consistent Activity Based Funding (ABF) framework.
- Provided critical input into the development of the *Pricing Framework for Australian Public Hospital Services* for 2012–13 and 2013–14.
- Informed the development of the National Efficient Price 2012–13 and 2013–14 and the National Efficient Cost 2013–14 through the provision of clinically relevant and timely advice.
- Assisted with the establishment of a joint working party with the Australian Commission on Safety and Quality in Health Care to look at options for the consideration of safety and quality in the pricing of public hospital services in Australia and continue to be represented by six CAC members on the working party.
- Assisted with the establishment of the Teaching, Training and Research Working Group (TTRWG) which is currently looking into options with other healthcare experts on how to price teaching, training and research.
- Representation on other key working groups convened by IHPA that are developing classification systems in subacute care and the provision of mental health services.
- The addition of two members to the CAC appointed by the Australian Government Minister for Health, to fill identified gaps in clinical expertise in emergency and intensive care medicine.
- Presentation by the CAC Deputy Chair to approximately 500 health professionals at IHPA's Activity Based Funding Conference 2013 in Sydney, explaining the role of the CAC and assisting IHPA in its role to provide education and support in the implementation of national ABF.

The year ahead

In the next financial year the CAC will build on its achievements and work on the following projects:

- Continue to inform future key policy development at IHPA including the provision of key clinical input into the *Pricing Framework for Australian Public Hospital Services 2014–15* and future National Efficient Price and National Efficient Cost Determinations.
- Classification development for admitted acute care, non-admitted care, subacute care and emergency department care to better enable ABF.
- Advise on the plan to develop Australian Refined Diagnostic Related Groups (AR-DRGs) V8.0 and the ninth edition of the International Statistical Classification of Diseases and Related Health Problems, Tenth Revision, Australian Modification, (ICD-10-AM) AR-DRG for acute admitted care.
- Assess the proposed approach to subacute and non-acute services classification revision and development (AN-SNAP) and the revision of emergency department classifications.
- Contribute to the development of new mental health and teaching, training and research classification systems.
- Participate in an evaluation of the implementation of ABF in Australia.
- Play a key role in future policy development and pricing determinations through an assessment of the impact of new technology on hospital services delivery.

Chapter 3:

PERFORMANCE REPORTING



Outcomes and planned performance

This section discusses the main activities of the Independent Hospital Pricing Authority (IHPA) and reports on performance against specific targets set out in the *Portfolio Budget Statements* (PBS) for 2012–13.

The Australian Government requires agencies to measure their performance in terms of outcomes. The outcome expected from IHPA's work in 2012–13 was:

Promote improved efficiency in, and access to, public hospital services primarily through setting efficient national prices and levels of block funding for hospital activities.

IHPA's outcome strategy states:

The Australian Government recognises that improvements to the funding of the public hospital system are necessary to ensure the financial sustainability of public health services into the future. The establishment of IHPA gives effect to the agreement between the Australian Government, the states and territories to establish a body to independently determine the National Efficient Price of public hospital services.

IHPA will promote improved efficiency in, and access to, public hospital services by providing independent advice to the Australian Government and states and territories regarding the efficient cost of services and developing and implementing robust systems to support Activity Based Funding for those services. At arm's length from all governments, IHPA is the Commonwealth agency responsible for setting the National Efficient Price and levels of block funding for services provided in public hospitals. In doing this, IHPA is also responsible for developing national classifications for health care and other services used in public hospitals and, as required, resolving disputes on cost-shifting and cross-border issues and providing advice and reports to Australian governments and the public.

To improve transparency, IHPA has published a draft Pricing Framework that outlines the principles and criteria used by IHPA to determine the efficient price.

As prescribed in the National Health Reform Act 2011, the Clinical Advisory Committee, the Jurisdictional Advisory Committee and other advisory committees have been established to advise IHPA on matters in relation to the functions of IHPA. These committees will ensure that the underlying principles applied to setting the National Efficient Price are both clinically relevant and technically appropriate.

The program attached to this outcome is Program 1.1: Public hospital price determinations.

Program 1.1 defines IHPA's four key program objectives:

- Determine the National Efficient Price for public hospital services
- Develop national classifications for Activity Based Funding
- Develop the *Three Year Data Plan*
- Resolve disputes on costing-shifting and cross-border issues.

The full *Portfolio Budget Statement* for 2012–13 is available at http://www.health.gov.au/internet/budget/publishing.nsf/Content/2012-2013_Health_PBS/

Below is a summary of the work conducted by IHPA to meet the four objectives specified in *Program 1.1*.

Determine the National Efficient Price for public hospital services

IHPA publishes an annual National Efficient Price (NEP) Determination for public hospital services for the coming financial year, along with other information supporting the efficient funding of public hospitals. This includes advice on the scope of public hospital services eligible for Australian Government funding (the General List), criteria for services to be funded by block grants (the National Efficient Cost) and adjustments to the price to reflect legitimate and unavoidable variations in the cost of delivering health care services.

In designing the pricing model, IHPA must comply with the requirements of the National Health Reform Agreement (NHRA) in:

- Ensuring reasonable access to public hospital services, clinical safety and quality, efficiency and effectiveness and financial sustainability of the public hospital system.
- Considering the actual cost of delivery of public hospital services in as wide a range of hospitals as practicable.
- Considering the expected changes in costs from year to year when making projections.

During 2012–13, IHPA undertook technical development to improve the robustness of the price setting process ensuring that the strategic directions of IHPA were met. This included the development of the second National Cost Model and National Pricing Model, which formed the basis of determining the NEP for the 2013–14 financial year.

A key achievement has been the design and delivery of the first National Cost Model for block-funded hospitals, which formed the basis of determining the inaugural National Efficient Cost (NEC) for 2013–14.

This year IHPA has reviewed and strengthened its policies relating to the NEP and NEC Determinations. This includes the development of the *Annual Review of the General List Policy*, providing guidance when a jurisdiction requests IHPA to consider services to be included or excluded from the General List.

In 2012–13 IHPA has also produced an *Assessment of Legitimate and Unavoidable Cost Variations Framework* to layout the process by which IHPA will follow in assessing submissions from jurisdictions relating to claims of unavoidable cost difference in determining adjustments to the NEP.

To support this work IHPA has produced extensive supporting documentation to assist jurisdictions, including technical specifications, shared base data and copies of the main cost models. An *Information Release Policy* has also been finalised outlining the principles and processes adopted by IHPA in the discretionary release of information.

Work has also included further development of the approach to indexation of the 2010–11 costs to 2013–14 prices and provision of confidential projections of the NEP to First Ministers for review.

In November 2012, the Australian Government Minister for Health, following consultation with the Standing Council on Health, directed IHPA to determine a National Efficient Price for a standard list of items associated with clinical trials. IHPA carried out this work with the assistance of a steering committee, which included representatives from the pharmaceutical industry, states and territories and hospitals. The Pricing Authority finalised the Determination of this work on 28 June 2013.

National Hospital Cost Data Collection (NHDCDC)

Fundamental to the NEP and the NEC Determinations is the data obtained through the NHDCDC. The NHDCDC is the primary data input that results in NEP and NEC Determinations. IHPA is constantly focused on improving data quality to ensure that the NEP and NEC are robust, transparent and as accurate as possible.

In 2012–13 IHPA has aimed to significantly improve the NHDCDC standards, collection structure and the validation and reporting tools. Specific outputs include:

- Completion of the NHDCDC Round 15 including the production of a cost report and an independent financial review.
- Undertaking the NHDCDC Round 16 for the public and private sector.
- Commencement of work on NHDCDC Round 17 with a focus on substantially reducing the data burden on states and territories by reducing duplication across data sets.
- Comprehensive stakeholder consultation as part of a strategic review of the NHDCDC to ensure that the collection is fit for use for the requirements of IHPA, balances the data burden on states, territories and hospitals and reviews the governance arrangements of the data collection into the future.

Develop national classifications for Activity Based Funding

Activity Based Funding (ABF) requires robust classification systems. Without acceptable classifications to describe what hospitals do, ABF cannot be implemented. Classification systems enable clinical and demographic information that is written in medical charts or collected elsewhere to be converted into manageable data categories. Rules for collecting and coding clinical data need to be consistent across Australia to ensure that all states and territories are obtaining and providing information the same way. Effective clinical classification systems ensure that hospital data is grouped into appropriate classes, which in turn contributes to the determination of the National Efficient Price (NEP).

This year we have reduced the data burden on jurisdictions where possible, by aligning data set specifications with national minimum data sets.

In addition we have convened the following working groups to provide us with expert advice;

- Non-Admitted Care Advisory Working Group (NACAWG).
- Mental Health Working Group (MHWG).
- Subacute Care Working Group (SCWG).
- Emergency Care Advisory Working Group (ECAWG).
- Teaching, Training and Research Working Group (TTRWG).
- National Hospital Cost Data Collection Technical Working Group (NHCDC TWG).

We have engaged a consortia led by the University of Sydney to develop and refine the Australian Refined Diagnostic Related Groups (AR-DRG) classification system from 1 July 2013 to 30 June 2017.

2012–13 saw the transition of licensing management from the Department of Health and Ageing to IHPA. Fourteen countries internationally during 2012–13 were licensed to use or evaluate the AR-DRGs and ICD-10-AM/ACHI/ACS classification system.

Revisions have been made to the Tier 2 non-admitted services classification and we have updated the *Tier 2 Definitions Manual*, the *Tier 2 Definitions Compendium* and established the Tier 2 Non-admitted Services Query Review Panel to consider and resolve queries associated with the Tier 2 classification at a national level. IHPA also commenced a project to investigate alternative classifications to Tier 2 and consider if a new or revised classification should be used for ABF.

IHPA has completed a project led by the University of Queensland to define mental health care and investigate the key cost drivers associated with the delivery of mental health care.

The Australian Institute of Health and Welfare was engaged to agree nationally consistent definitions and business rules for subacute and non-acute admitted patient care. As a result, nationally consistent definitions, metadata, guidelines and decision making processes for admitted patient, subacute and non-acute care have been agreed.

Negotiations on a licence with the University of Wollongong have been completed, enabling IHPA to modify the Australian National Subacute and Non-Acute Patient (AN-SNAP) classification (version 3).

Finally, procurement of a consultancy has been finalised to define teaching, training and research and determine the teaching, training and research cost drivers.

Develop the Three Year Data Plan

Timely, accurate and reliable public hospital data is vital to both the development of classifications for hospital services and to determine the National Efficient Price (NEP) of those services. Recognising this, IHPA has developed a rolling *Three Year Data Plan* to communicate to the Australian Government, states and territories the data requirements, data standards and timelines that IHPA will use to collect data over the coming three years. This rolling *Three Year Data Plan* is revised each year.

This year IHPA has established the data set specifications for the various data collections that IHPA relies on for ABF. This included building the data validation tools for each data set and provision of these to jurisdictions.

IHPA publishes quarterly data compliance reports as required under the National Health Reform Agreement. The reports are available on the IHPA website at www.ihoa.gov.au.

In the next financial year, IHPA plans to establish a secure data exchange infrastructure, including online data validations. This will increase the security of our data during transfers, and reduce the work required by jurisdictions in submitting data to IHPA.

We will also continue to refine the data specifications for future years, to ensure that IHPA has the data it needs to perform its roles. This will include the annual update to the *Three Year Data Plan*, to forecast IHPA's data requirements for the coming three years.

In addition we will continue work with other national agencies to achieve the aim of 'single provision, multiple use' of data to reduce the data burden on states and territories.

Resolve disputes on cost-shifting and cross-border issues

IHPA has a role to investigate and make recommendations concerning cross-border disputes between states and territories, and to make assessments of cost-shifting disputes. Cross-border dispute recommendations are to be accepted and implemented by jurisdictions, whilst IHPA makes assessments of cost-shifting disputes.

Where any Australian Government, state and or territory health minister considers that costs in relation to health care services are incorrectly attributable to a jurisdiction, the minister may request IHPA investigate the dispute. As soon as practicable, IHPA will give the health minister of the other jurisdiction a written invitation to provide a submission. A recommendation will be provided to the relevant jurisdictions following the completion of the investigation.

This year IHPA has developed and published a *Dispute Resolution Framework* to guide processes to investigate cross-border and cost-shifting disputes and provide a timely process to investigate both cross-border and cost-shifting disputes should it receive a request from a health minister.

In 2012–13, IHPA did not receive any requests relating to this function.

The tables below set out the qualitative deliverables and performance against key performance indicators for 2012–13.

IHPA's financial statements can be found in Chapter 5 and Appendix B provides a summary table showing the total resources of the organisation and expenses by outcome.

Table 6: Qualitative Deliverables for Program 1.1

Determine the National Efficient Price for public hospital services
Deliverable: Annual determination of the National Efficient Price for the coming financial year along with other information supporting the efficient funding of public hospitals.
Target: Annual publication of the National Efficient Price and other information that supports the efficient funding of public hospitals.
Target met
Develop the Three Year Data Plan
Deliverable: Develop the <i>Three Year Data Plan</i> .
Target: Annual publication of the <i>Three Year Data Plan</i> and communication with the Australian Government, states and territories.
Target met
Resolve disputes on cost-shifting and cross-border issues
Deliverable: Timely investigation and provision of recommendations to health ministers on cross-border and cost-shifting dispute.
Target: IHPA investigation of cross-border or cost-shifting dispute and provision of recommendations, and if necessary advice to the Australian Government to adjust funding, within six months of receipt of request.
Reference point met

Table 7: Qualitative Key Performance Indicators for Program 1.1

Determine the National Efficient Price for public hospital services
Indicator: The rate of growth of the National Efficient Price is lower than the long term average growth in public hospital expenditure.
Target: 2012–13 will provide baseline data for acute admitted services, emergency department services and non-admitted patient services.
Target met
Develop national classifications for Activity Based Funding
Indicator: Percentage of public hospital separations funded by nationally consistent Activity Based Funding.
Target: 2012–13 will provide baseline data for acute admitted services, emergency department services and non-admitted patient services which will be funded using activity based funding.
Target met
Develop the Three Year Data Plan
Indicator: Australian Government, states and territories compliance with the data requirements and data standards, as outlined in the <i>Three Year Data Plan</i> .
Target: Publication of a quarterly report outlining the Australian Government, states and territories compliance with the data requirements and data standards.
Target met
Resolve disputes on cost-shifting and cross-border issues
Indicator: Reduction in the monetary value of disputes unresolved 12 months after notification.
Target: 2012–13 will provide baseline data on monetary value of disputes.
Target met

IHPA has produced a number of publications and reference materials that provide the groundwork to deliver our objectives as required under the *National Health Reform Act 2011*. All of these documents are available on the IHPA website at www.iHPA.gov.au.

Publications

Independent Hospital Pricing Authority Annual Report 2011–2012

IHPA's annual report provides a review of the work performed during its inaugural year, the financial year 2011–2012.

Australian Hospital Patient Costing Standards

The *Australian Hospital Patient Costing Standards* aim to provide direction for hospital patient costing through the development of standards for specific elements of the costing process and reporting requirements.

National Efficient Cost (NEC) Determination 2013–14

A national efficient cost for services that are not suitable for ABF, such as small rural hospitals. This determines the Australian Government's contribution to block funded hospitals.

National Efficient Price (NEP) Determination 2013–14

The NEP Determination for public hospital services to underpin the introduction of ABF for Australian Government funded services nationally from 1 July 2012. This document includes the way the NEP is calculated and the price weights for specific hospital services.

Pricing Framework for Australian Public Hospital Services 2013–14

A key strategic document which guides IHPA in determining the NEP for public hospital services. It details the principles to be used in determining the NEP, the scope of public hospital services eligible for ABF under the NHRA, the criteria for services to be funded by blocks grants and the methodology to be used to price services that are provided to private patients in public hospitals.

Three Year Data Plan

Outlines IHPA's plan for activity and cost data collections over the next three years (up to and including 2015–16). It includes the elements to be collected, the classifications to be applied to activity data and the timelines required for submissions to allow IHPA to meet its deadlines.

Tier 2 Non-admitted Services Compendium 2013–2014

The *Tier 2 Non-admitted Services Compendium* assists health departments and hospital staff to collect non-admitted activity data. The compendium provides guidance on the counting and classification rules associated with the Tier 2 non-admitted services classification, and provides business rules and examples to assist with consistent counting, classification and reporting of non-admitted activity data at a national level.

Tier 2 Non-admitted Services Definition Manual V2.0 2013–2014

This manual provides the Tier 2 classes for counting non-admitted service events based on an assessment of both the type of clinician providing the service and the nature of the service provided.

Reference materials

ABF Data Request Specifications

IHPA has been given responsibility for relevant data collections. These collections and specifications have been agreed by a number of working groups in collaboration with IHPA.

ABF Data Collection Compliance 2012–13

As required by the *National Health Reform Act 2011* IHPA publishes data compliance reports and a quarterly report to demonstrate jurisdictional compliance.

Annual Review of the General List of In-scope Public Hospital Services

This review considers state and territory recommendations against the published *General List* criteria and establishes a general list of other services eligible for Australian Government funding.

Australian Refined Diagnosis Related Groups Version 6.x Addendum

This addendum provides the details of the changed Diagnosis Related Group splits in the Australian Refined Diagnosis Related Groups Version 6.x

Independent Financial Review of the Round 15 (2010–11) National Hospital Cost Data Collection

An independent financial review of the costing processes of a sample of participating Round 15 NHCDC (2010–11) state and territory hospitals.

National Pricing Model Technical Specification 2013–14

The *National Pricing Model Technical Specification* describe the development of the national Pricing Model for 2013–14.

National Weighted Activity Unit (NWAU) calculators 2013–14

Operating versions of the National Weighted Activity Unit calculators described in the *National Pricing Model Technical Specification 2013–14*.

Chapter 4:

MANAGEMENT AND ACCOUNTABILITY



Corporate governance

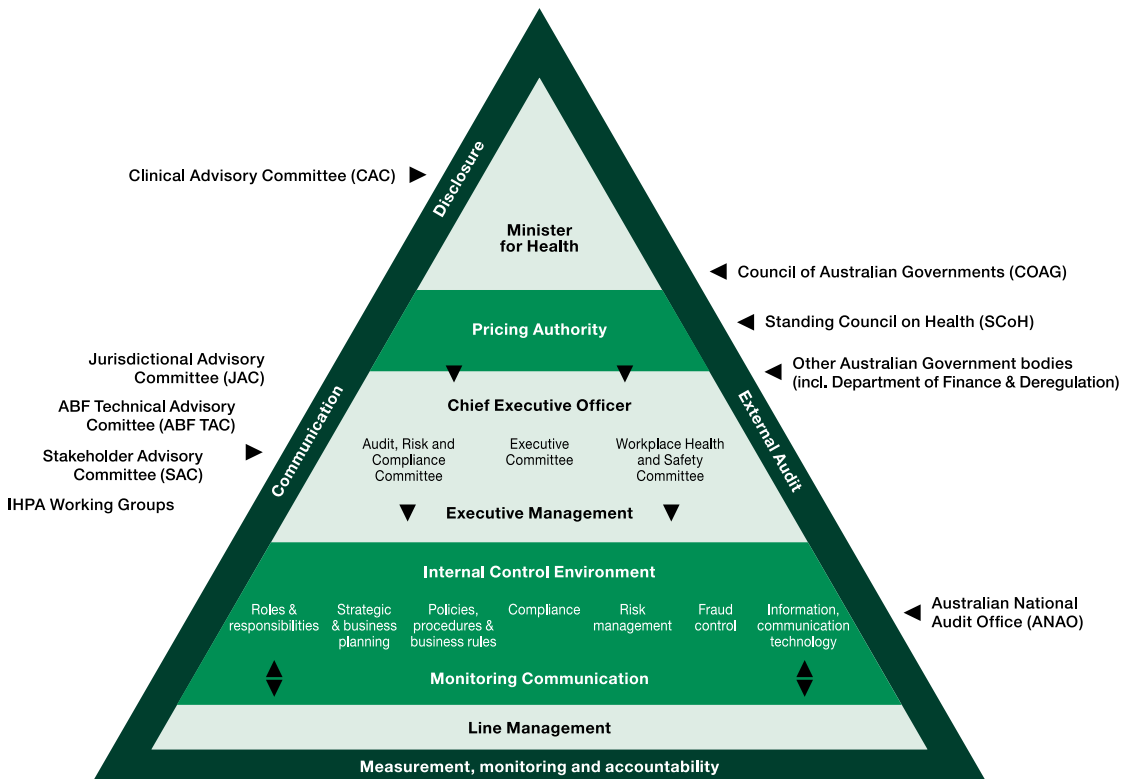
Effective corporate governance enables IHPA to meet its obligations, manage risk and take advantage of opportunities that arise. It ensures that IHPA has effective decision-making processes and compliance systems in place and that the roles and accountabilities of our staff and the Pricing Authority are clearly defined and well understood.

IHPA's corporate governance framework establishes the structure by which good governance principles are embedded in policies, processes and systems within IHPA. It shapes how we perform our functions

and activities. It contains elements that make up our internal control framework including; risk management, compliance, fraud control and strategic business planning. IHPA ensures governance practices are embedded within the organisation through induction, regular training programs and regular assessments to confirm we are complying with our governance obligations.

We operate a comprehensive governance framework which is designed to support the ongoing achievement of our strategic and operational objectives.

Figure 4: IHPA's corporate governance model.



During the 2012–13 financial year, IHPA continued to develop and implement policies and procedures that ensure good governance over IHPA's business. In 2012–13 we have:

- Implemented monthly controls that confirm compliance with business policies and processes.
- Developed procurement policies, procedures and templates.
- Established and implemented a comprehensive protective security policy framework.
- Developed a business continuity plan and disaster recovery plan.
- Completed assurance processes that confirm we have complied with the *National Health Reform Act 2011* and the National Health Reform Agreement obligations.
- Implemented Information Communication and Technology (ICT) solutions to support ABF analytical activities that comply with the Australian Government's *Information Security Manual*.
- Introduced assurance programs including an internal controls checklist to provide positive assurance for key obligations.

Audit, Risk and Compliance committee

IHPA's Audit, Risk and Compliance (ARC) committee provides independent advice to assist the Chief Executive Officer, the Executive Committee and the Pricing Authority manage IHPA's control and compliance risks. It oversees the production of financial statements and takes direct advice from internal and external auditors.

The ARC committee is made up of three external members who have experience in business, the health sector and government. At 30 June 2013, members of the ARC committee comprised:

- Robert Butterworth, Chair and Independent member
- Angela Diamond, Independent member
- Alan Bansemer, Pricing Authority member

Three management representatives including the Chief Financial Officer / Chief Operating Officer, Finance Manager and Risk and Compliance Manager also attend. In 2012–13, the committee met three times.

Fraud Control Plan

IHPA has a mandatory obligation to implement a fraud control plan that addresses its operational risks.¹ We recognise that success demands staff and suppliers operate to the highest standards of ethics and integrity. The preparation and regular review of the *Fraud Control Plan* is considered to be an essential component of effective governance.

To ensure a focus on current risks, IHPA's *Fraud Control Plan* was updated in line with the advice provided by the ARC committee. This update included the implementation of improved risk mitigation strategies and more comprehensive controls to better manage finance and information fraud risks.

IHPA's revised *Fraud Control Plan* was tabled at and approved by the Pricing Authority and endorsed by the IHPA Executive and the ARC committee.

1. See section 45 of the *Financial Management and Accountability Act 1997* (Cth)

Risk management

The ongoing management of risk is a central theme in designing IHPA's governance practices. IHPA's *Risk Management Framework* considers how to identify, treat and monitor risks. It defines governance mechanisms and assigns risks to particular roles to ensure that managers are responsible and accountable for defined risks. It details the policies, processes and systems in place to embed comprehensive and consistent risk management practices are consistently applied across all levels of IHPA's business.

Our approach to risk allows managers to treat risks in different ways as required by the needs of each task. Tools are available that assist management to deal with strategic, operational and tactical risks. Assessing, treating and accepting risks have been integrated into our decision-making processes. The risk management approach adopted by IHPA is consistent with AS/NZS ISO 31000:2009 *Risk management — Principles and Guidelines*.²

The Pricing Authority and senior management committees routinely consider emerging and ongoing risks that may impact upon IHPA achieving its objectives. These periodic risk assessments allow IHPA to identify critical issues and take action to mitigate those risks. The reviews enable management to take advantage of opportunities as they arise. IHPA's *Strategic Risk Register* was regularly reviewed and updated in 2012–13, and each revision of the register endorsed by IHPA's Executive, the ARC committee and the Pricing Authority.

IHPA undertook a range of development activities designed to help managers deal with risks in accordance with its *Risk Management Framework*. In particular:

- Developing a tactical risk management tool. This tool assists staff to identify, assess and evaluate risks and assigns clear accountabilities for making decisions about accepting or declining risk within IHPA.
- Finalising its business continuity plan and disaster recovery plan.
- Implementing a *Protective Security Framework* and accompanying policies to ensure compliance with the Australian Government's *Protective Security Policy Framework*.³
- Introducing a comprehensive range of ICT policies to ensure compliance with the Australian Government's *Information Security Manual*.
- Engaging an internal auditor to review risk management practices and make recommendations for improving and embedding risk management across IHPA.

Compliance

As an Australian government agency, IHPA has a broad range of compliance obligations including key statutory obligations set out in the *National Health Reform Act 2011 (the Act)* and the National Health Reform Agreement (NHRA) the *Financial Management and Accountability Act 1997* and the *Financial Management and Accountability Regulations*. Other legal and compliance obligations include those relating to employees, work health and safety, privacy, freedom of information, protective security, website accessibility and records management.

2. AS/NZS ISO 31000:2009 Risk management – Principles and Guidelines (Standards Australia 2009)

3. Protective Security Policy Framework, Attorney-General's Department <http://www.protectivesecurity.gov.au/Pages/default.aspx>

In the 2012–13 financial year, IHPA completed a number of significant compliance projects including development of a compliance register of IHPA's obligations under the *National Health Reform Act 2011* and the NHRA. This register assigns responsibility for policies and processes to particular managers who are required to provide formal confirmations to the compliance team that they have met their obligations under the Act and the NHRA. A register of delegations and powers under the *National Health Reform Act 2011* and the NHRA was developed during the year. The register and schedule of delegations were tabled and approved by the Pricing Authority and provided to IHPA's ARC committee. IHPA is continuing to expand its compliance controls to include all its legal and other compliance obligations.

To ensure compliance with the requirements of *Web Content Accessibility Guidelines (WCAG) 2.0*, IHPA introduced a suite of accessible templates, commissioned an internal audit and undertook remediation activities to ensure its existing website content was compliant.

In quarter four of financial year 2012–13, IHPA staff prepared for the introduction of its electronic document record management system, TRIM, which is provided under a shared services arrangement by the Department of Health and Ageing.

An internal Compliance Working Group has been established to assist the ARC committee to monitor compliance activities and provide proactive compliance oversight across IHPA. The Terms of Reference for the Working Group were reviewed and updated in 2012–13 and a work plan focusing on key quarterly compliance deliverables was adopted by the Compliance Working Group. IHPA's Compliance Working Group provides a quarterly report to the ARC committee.

Internal audit

To ensure continuous monitoring of its risk profile and governance practices, IHPA has engaged internal auditors who have developed an audit plan relevant to IHPA's business operations. Audit remediation plans are approved by IHPA's Executive and confirmed by the ARC committee.

External oversight

In 2012–13 no judicial administrative tribunal decisions relating to IHPA were handed down.

A Certificate of Compliance was sent to the Auditor-General confirming compliance with IHPA's obligations under the Australian Government *Protective Security Policy Framework*.

There were no reports on the operations of IHPA conducted by the Parliamentary Committee of the Commonwealth Ombudsman in 2012–13.

Purchasing/contracting

In 2012–13, IHPA complied with the Government's purchasing policies as stated in the Commonwealth Procurement Rules (CPRs)⁴. Our procurement framework encourages competition, value for money, transparency and accountability. All contracts were awarded after ensuring the efficient, effective, economical and ethical use of Australian Government resources.

4. Available at: www.finance.gov.au

In 2012–13 no contracts were exempt from reporting on AusTender on the basis that publishing contract details would disclose exempt matters under the *Freedom of Information Act 1982*.⁵ All IHPA awarded contracts valued at \$100,000 (GST inclusive) or greater, contained standard clauses granting the Auditor-General access to contractor’s premises.

Consultants

IHPA engages consultants where it lacks specialist expertise or when independent research, review or assessment is required. Consultants are typically engaged to either:

- investigate or diagnose a defined issue or problem;
- carry out defined reviews or evaluations; or
- provide independent advice, information or creative solutions to assist in the decision making.

Prior to engaging consultants, IHPA takes into account the skills and resources required for the task, the skills available internally, and the cost-effectiveness of engaging external expertise. The decision to engage a consultant is made in accordance with the FMA Act and related regulations including the CPRs and relevant internal policies. The selection process may involve open tender, prequalified tender, limited tender, or a pre-eminent expert or consultant who had previously undertaken closely related work for the organisation, or a consultant known to have the requisite skills where the value of the project did not justify the expense or delay associated with seeking tenders.

Administered

During 2012–13 16 new consultancy contracts, with a value greater than \$10,000, were entered into involving total actual Administered expenditure of \$3.261 million. In addition, three ongoing consultancy contracts were active during 2012–13, involving total actual Administered expenditure of \$0.091 million.

Departmental

During 2012–13 one new consultancy contract, with a value greater than \$10,000, was entered into involving total actual Departmental expenditure of \$0.045 million. One new consultancy contract was entered into involving total actual Departmental expenditure of less than \$10,000. There were no ongoing consultancy contracts active during 2012–13, involving Departmental expenditure.

Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website www.tenders.gov.au

Table 8: Comparison expenditure on consultancy contracts during 2010–11, 2011–12 and 2012–13

	2010–11	2011–12	2012–13
Administered	n/a	\$0.015m	\$3.352m
Departmental	n/a	\$0	\$0.045m

5. AusTender provides centralised publication of Australian Government business opportunities, annual procurement plans, multi-use lists and contracts awarded.

Management of human resources

IHPA values the work, talent and contribution of its people and is creating organisation-wide development strategies aimed at enhancing the skills, expertise and intellectual capital of the IHPA workforce. IHPA facilitates an atmosphere of open communication and welcomes ideas and innovation. IHPA's workplace encourages people to work with a strong team ethic, develop a collaborative culture and take pride in delivering quality outcomes for our stakeholders.

This year, human resource management focussed on building the capabilities of the new organisation. All new staff attended extensive induction courses and a number of learning and development initiatives were undertaken including workshops covering work, health and safety, fraud, bullying and harassment and performance management. The development of more advanced project management skills was identified as a priority and applicable staff were able to enhance their skills at a project management workshop.

To deal with the challenges of recruiting technical positions in the Sydney market, a number of techniques were used to attract staff including; use of specialised recruitment agencies, social media and a range of online advertising.

Workforce planning, staff turnover and retention

Workforce planning activities were focussed to ensure that IHPA's organisational structure is able to meet the developing needs of the organisation. An agency structure was developed that determined the number of positions and appropriate classification levels required to ensure IHPA is able to meet its legislative objectives and functions.







This structure will continue to be reviewed and revised as the organisation matures.

Issues related to high staff turnover or ongoing retention of staff did not present as risks during this financial year.

Table 9: APS levels salary structure at 30 June 2013

Classification	Salary range (Incorporating Enterprise Agreement and Individual Flexibility Agreements (IFAs))
Executive Level (EL)	
EL 2	\$112,992 – \$168,750
EL 1	\$94,705 – \$123,240
Australian Public Service (APS)	
APS Level 6	\$77,067 – \$92,250
APS Level 5	\$68,843 – \$74,451
APS Level 4	\$64,229 – \$67,865
APS Level 3	\$56,691 – \$62,837
APS Level 2	\$49,056 – \$53,533
APS Level 1	\$41,974 – \$47,140

Table 10: Staff numbers by classification, gender and full-time/part-time status at 30 June 2013

Classification	Female 	F/T 	P/T 	Male 	F/T 	P/T 	Total
HOPO	0	0	0	1	1	0	1
SES	0	0	0	1	1	0	1
EL2	2	2	0	5	5	0	7
EL1	15	15	0	10	10	0	25
APS Level 6	7	7	0	1	1	0	8
APS Level 5	3	3	0	1	1	0	4
APS Level 4	4	4	0	2	2	0	6
APS Level 3	0	0	0	0	0	0	0
TOTAL	31	31	0	21	21	0	52







Key: F/T = full time, P/T = part time

HOPO = Holder of Public Office (a statutory appointment – currently the CEO)

Note: Staff numbers by classification are based on actual not nominal classification.

Non-ongoing includes staff on temporary moves from other APS Agencies including the Department of Health and Ageing.

Table 11: Staff numbers by classification, gender and ongoing/non-ongoing status at 30 June 2013

Classification	Female 	Ongoing 	Non-ongoing 	Male 	Ongoing 	Non-ongoing 	Total
HOPO	0	0	0	1	0	1	1
SES	0	0	0	1	0	1	1
EL2	2	1	1	5	4	1	7
EL1	15	14	1	10	5	5	25
APS Level 6	9	6	3	1	0	1	10
APS Level 5	2	1	1	2	1	1	4
APS Level 4	3	3	0	1	1	0	4
APS Level 3	0	0	0	0	0	0	0
TOTAL	31	25	6	21	11	10	52

Non-salary benefits

Non Senior Executive Service (SES) staff are entitled to the following benefits:

- Access to the Employee Assistance Program.
- Extended purchase leave.
- Maternity and adoption leave.
- Parental leave.
- Leave for personal compelling reasons and exceptional circumstances.
- Access to paid leave at half pay.
- Flextime (not all officers).
- Flexible working locations and home-based work where appropriate.
- Access to laptop computers, dial-in facilities and mobile phones.
- Study assistance.
- Support for professional and personal development.
- Access to negotiated discount registration/ membership fees to join a fitness or health club.
- Refund of health and wellbeing expenses including provision of eyesight testing and reimbursement of prescribed glasses.
- Family care rooms.
- Influenza vaccinations.
- Access to financial advice for staff 54 years and older.
- Access to salary packaging.

Senior Executive Service remuneration:
SES officers are employed under the terms of a determination made under s. 24 of the *Public Service Act 1999*. The amount of remuneration received by SES officers in IHPA is determined on an individual basis by the CEO.

Training and development

As a new organisation, training and development has focussed on the induction of staff. Sessions paid particular attention to governance and compliance obligations of managers and staff.

We will continue to build capability by offering opportunities for staff to undertake professional development. Staff currently have access to Department of Health and Ageing (DoHA) 'face to face' and online learning and opportunities. These will be enhanced through access to professional and industry specific training to further develop the skills of IHPA people.

Work, health and safety (WHS)

IHPA's Workplace Health and Safety Committee has been established in accordance with the *Work Health and Safety Act 2011*.

Chaired by the Human Resources Manager, the committee membership includes two management representatives and two health and safety representatives. The role of the committee is to consider and deal with WHS issues and provide independent assurance to the CEO and the IHPA Executive on the health and safety of IHPA staff.

During the year a *Work Health and Safety Policy* incorporating health and safety management arrangements was developed, approved and implemented.

The committee held four meetings during the year and dealt with a range of WHS issues.

Workplace agreements

The *Public Service Act 1999* provides the employment framework for IHPA.

An Enterprise Agreement was negotiated with staff and was approved by Fair Work Australia with effect from 15 January 2013. The Enterprise Agreement came into force 1 March 2013 and replaced the previous determination made under s 24.1 of the *Public Service Act 1999*.

A number of human resource policies were developed during the year including the IHPA *Workplace Bullying and Harassment Prevention Policy*, the *Managing and Determining Suspected Breaches of the APS Code of Conduct Policy*, the *Whistleblower Policy* and the *Procedures and Review of Actions Policy* and Procedure. Where IHPA human resource policies, procedures and guidelines are in the process of being developed, DoHA policies, procedures and guidelines are being used to provide direction for decision making.

Individual Flexibility Agreements (IFAs)

As at 30 June 2013, 10 non-SES staff members (five x EL1 and five x EL2) had IFAs covering specific conditions of employment.

Performance pay

Two EL2 staff members received a performance bonus of \$24,000. Access to the Performance Pay Scheme was withdrawn from 1 April 2013.

Ethical standards

IHPA is committed to promoting and maintaining behavioural standards contained in the Australian Public Sector (APS) Values and Code of Conduct as set out in the *Public Service Act 1999*. The IHPA *Ethics and Integrity Handbook* was prepared and made available on the IHPA intranet. Induction programs and new starter packs provide information and guidance material covering the Australian Public Service Commission's APS values and Code of Conduct. Managers and employees also have access to supplementary APS Values and Code of Conduct information via the DoHA intranet.

Staff have been made aware of the changes to the Code of Conduct and APS Values arising from the amendments to the *Public Service Act 1999* that became effective from 1 July 2013.

Compliance with Carer Recognition Act 2010

IHPA has due regard to the Australia's Carers Statement. Staff will be made aware of the statement as human resource policies and procedures on this topic are developed and implemented.

Disability reporting

Since 1994, Commonwealth departments and agencies have reported on their performance as policy adviser, purchaser, employer, regulator and provider under the Commonwealth Disability Strategy. In 2007–08, reporting on the employer role was transferred to the Australian Public Service Commission's *State of the Service Report* and the *APS Statistical Bulletin*. These reports are available at www.apsc.gov.au. From 2010–11, departments and agencies have no longer been required to report on these functions.

The *Commonwealth Disability Strategy* has been overtaken by a new *National Disability Strategy 2010–2020* which sets out a ten year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society. A high level two-yearly report will track progress against each of the six outcome areas of the strategy and present a picture of how people with disability are faring. The first of these reports will be available in 2014, and will be available at www.fahcsia.gov.au.

The Social Inclusion Measurement and Reporting Strategy agreed by the Government in December 2009 will also include some reporting on disability matters in its regular *How Australia is Faring* report and, if appropriate, in strategic change indicators in agency annual reports. More detail on social inclusion matters can be found at www.socialinclusion.gov.au.

Equal employment opportunity

IHPA is an inclusive organisation that values fairness, equity and diversity consistent with the APS Values and Code of Conduct. The organisation is committed to the principles of workplace diversity and equity in employment, which include recognising, respecting, valuing and utilising individual difference. Comprehensive diversity and harassment policies are being developed to underpin this commitment. IHPA will develop a Workplace Diversity Program to assist in giving effect to the APS Values and to address the removal of employment-related bias.

Chapter 5:

FINANCIAL MANAGEMENT



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Financial performance

Financial overview

IHPA's financial records are classified as either departmental or administered. Departmental statements provide information on assets, liabilities, income and expenses controlled by IHPA in its own right. Administered statements provide financial information on matters that are managed by IHPA on behalf of the government. The statements detail the financial outcomes of activities directly related to the setting of national efficient prices and block funding arrangements for hospital activities.

IHPA received an unqualified audit report from the Australian National Audit Office on its 2012–13 Financial Statements.

IHPA was established on 15 December 2011 and in June 2012 transferred to new operational support facilities in Sydney. The cost profiles in the 2012–13 financial statements are reflective of an ongoing establishment phase that has now been completed. Comparative 2011–12 operating results contain 6.5 months of operation.

Departmental results

The departmental Statement of Comprehensive Income shows a surplus of \$4.155 million (2011–12: \$11.341 million). Three factors have influenced this result:

- during the year management successfully implemented a strategy to minimise one off establishment costs;
- recruitment did not deliver a full staff compliment until quarter 4 of the financial year; and
- decisions were taken early in the year to minimise the level of contractor support.

2012–13 revenue from Government at \$14.110 million was \$2.503 million less than 2011–12 (\$16.613 million) and this reduction is mainly attributed to a reduction in capital funding.

IHPA recognised income from sales of intellectual property licences to sovereign countries of \$2.153 million. \$0.597 was retained in Departmental and \$1.556 million was recognised in the Administered Financial Statements.

Employee, supplier and depreciation expenses were recorded below budget at \$10.627 million. The increase from 2011–12 of \$5.303 million is reflective of a full year of expenses. Average headcount for the six months of 2011–12 was 30 whilst average headcount strength in 2012–13 was 52.

The Departmental cash flow was positively impacted by a lease incentive receipt from Memocorp of \$0.655 million as a result of taking space in 1 Oxford Street Darlinghurst NSW and \$0.522 million of cash receipts received from other agencies to cover leave liabilities for staff who have transferred into IHPA.

Administered results

2012–13 administered expenses amounted to \$7.418 million compared with \$1.530 million in 2011–12. In 2011–12, transitional arrangements with the Department of Health and Ageing resulted in the majority of expenses incurred prior to June 2012 being included in the Department of Health and Ageing's Financial Statements.

Actual administered expenditure was lower than budget. IHPA undertakes careful planning to ensure that an optimal approach is selected before the application of administered resources to tasks that will contribute to the setting of efficient national prices and block funding costs of hospital services. Consequently whilst the closing schedule of commitments balance of \$16.152 million will drive expenses in 2013–14, the opening commitment balance of \$2.681 million resulted in below budget administered expenses in 2012–13.

Administered sales of goods and services are reported at \$1.855 million in 2012–13 (2011–12: \$nil). This revenue arose due to a transfer from Departmental of AR-DRG classification licence fees sourced from international countries of \$1.556 million and \$0.299 million of fees charged to attendees of IHPA's May 2013 Activity Based Funding Conference.

Independent auditor's report



INDEPENDENT AUDITOR'S REPORT

To the Minister for Health

I have audited the accompanying financial statements of the Independent Hospital Pricing Authority for the year ended 30 June 2013, which comprise: a Statement by the Chief Executive and Chief Financial Officer; Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; Administered Schedule of Comprehensive Income; Administered Schedule of Assets and Liabilities; Administered Reconciliation Schedule; Administered Cash Flow Statement; Schedule of Administered Commitments; Schedule of Administered Contingencies; and Notes to and forming part of the financial statements comprising a Summary of Significant Accounting Policies and other explanatory information.

Chief Executive's Responsibility for the Financial Statements

The Chief Executive of the Independent Hospital Pricing Authority is responsible for the preparation of financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards, and for such internal control as is necessary to enable the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Independent Hospital Pricing Authority's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Independent Hospital Pricing Authority's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Chief Executive of the Independent Hospital Pricing Authority, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Opinion

In my opinion, the financial statements of the Independent Hospital Pricing Authority:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Independent Hospital Pricing Authority's financial position as at 30 June 2013 and of its financial performance and cash flows for the year then ended.

Australian National Audit Office



Puspa Dash
Executive Director

Delegate of the Auditor-General

Canberra
1 October 2013

Statement by officers

Independent Hospital Pricing Authority

Statement by the Chief Executive Officer and Chief Financial Officer

In our opinion, the attached Financial Statements for the year ended 30 June 2013 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.



Dr Tony Sherbon
Chief Executive Officer
1 October 2013



Peter Hadfield
Chief Financial Officer
1 October 2013

Financial Statements

STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2013

	Notes	2013 \$	2012 \$
EXPENSES			
Employee benefits	3A	6,427,644	2,624,627
Supplier	3B	3,819,970	2,691,234
Depreciation and amortisation	3C	271,140	7,764
Losses from asset sales	3H	340	–
Other expenses	3I	107,678	–
Total expenses		10,626,772	5,323,625
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Sale of goods and rendering of services	4A	597,216	–
Other revenue	4B	24,992	–
Total own-source revenue		622,208	–
Gains			
Other gains	4C	50,000	51,000
Total gains		50,000	51,000
Total own-source income		672,208	51,000
Net cost of services		9,954,564	5,272,625
Revenue from Government	4D	14,110,000	16,613,134
Surplus on continuing operations		4,155,436	11,340,509
Other comprehensive income		–	–
Total comprehensive income		4,155,436	11,340,509

The above statement should be read in conjunction with the accompanying notes.

BALANCE SHEET

as at 30 June 2013

	Notes	2013 \$	2012 \$
ASSETS			
Financial assets			
Cash and cash equivalents	5A	192,739	184,950
Trade and other receivables	5B	18,207,092	12,432,652
Total financial assets		18,399,831	12,617,602
Non-financial assets			
Land and buildings	6A, 6C	936,982	1,006,082
Plant and equipment	6B, 6C	341,238	375,844
Intangibles	6D, 6E	97,129	–
Other non-financial assets	6F	44,178	–
Total non-financial assets		1,419,527	1,381,926
Total assets		19,819,358	13,999,528
LIABILITIES			
Payables			
Suppliers	7A	223,898	406,990
Other payables	7B	2,912,463	1,611,057
Total payables		3,136,361	2,018,047
Provisions			
Employee provisions	8A	832,346	485,931
Other provisions	8B	154,706	155,041
Total provisions		987,052	640,972
Total liabilities		4,123,413	2,659,019
Net assets		15,695,945	11,340,509
EQUITY			
Parent entity interest			
Contributed equity		200,000	–
Retained surplus		15,495,945	11,340,509
Total parent entity interest		15,695,945	11,340,509
Total equity		15,695,945	11,340,509

The above statement should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2013

	Retained earnings		Contributed equity/capital		Total equity	
	2013	2012	2013	2012	2013	2012
	\$	\$	\$	\$	\$	\$
Opening balance						
Balance carried forward from previous period	11,340,509	–	–	–	11,340,509	–
Adjusted opening balance	11,340,509	–	–	–	11,340,509	–
Comprehensive income						
Surplus for the period	4,155,436	11,340,509	–	–	4,155,436	11,340,509
Total comprehensive income	4,155,436	11,340,509	–	–	4,155,436	11,340,509
Transactions with owners						
Contributions by owners						
Departmental capital budget	–	–	200,000	–	200,000	–
Sub-total transactions with owners	–	–	200,000	–	200,000	–
Closing balance as at 30 June	15,495,945	11,340,509	200,000	–	15,695,945	11,340,509

The above statement should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT

for the period ended 30 June 2013

	Notes	2013 \$	2012 \$
OPERATING ACTIVITIES			
Cash received			
Appropriations		7,066,171	5,800,000
Sales of goods and rendering of services		2,090,481	–
Cash lease incentive		655,245	–
Net GST received		1,181,593	(510,314)
Other – revenue		24,657	–
Other – employee provisions		522,251	–
Total cash received		11,540,398	5,289,686
Cash used			
Employees		(6,228,400)	(1,850,160)
Suppliers		(5,046,749)	(2,019,927)
Total cash used		(11,275,149)	(3,870,087)
Net cash from operating activities	9	265,249	1,419,599
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of plant and equipment		645	–
Total cash received		645	–
Cash used			
Purchase of property, plant and equipment		(149,403)	(1,234,649)
Purchase of software		(108,702)	–
Total cash used		(258,105)	(1,234,649)
Net cash used by investing activities		(257,460)	(1,234,649)
Net increase in cash held		7,789	184,950
Cash and cash equivalents at the beginning of the reporting period		184,950	–
Cash and cash equivalents at the end of the reporting period	5A	192,739	184,950

The above statement should be read in conjunction with the accompanying notes.

SCHEDULE OF COMMITMENTS

as at 30 June 2013

	2013 \$	2012 \$
BY TYPE		
Commitments receivable		
Net GST recoverable on commitments	291,125	365,375
Total commitments receivable	291,125	365,375
Commitments payable		
Other commitments		
Operating leases ¹	3,004,469	3,416,489
Other ²	197,908	602,639
Total other commitments	3,202,377	4,019,128
Total commitments payable	3,202,377	4,019,128
Net commitments by type	2,911,252	3,653,753
BY MATURITY		
Commitments receivable		
Other commitments receivable		
One year or less	75,488	108,860
From one to five years	215,637	256,515
Total other commitments receivable	291,125	365,375
Total commitments receivable	291,125	365,375
Commitments payable		
Operating lease commitments		
One year or less	632,459	594,821
From one to five years	2,372,010	2,821,668
Total operating lease commitments	3,004,469	3,416,489
Other commitments		
One year or less	197,908	602,639
Total other commitments	197,908	602,639
Total commitments payable	3,202,377	4,019,128
Net commitments by maturity	2,911,252	3,653,753

Footnotes:

- The operating lease is an accommodation lease that relates to IHPA's premises in Oxford Street Sydney. The lease is effectively non-cancellable. The lease commenced on 1 June 2012 for a period of 6 years. There is no option in the lease to extend the lease term.
As part of the lease agreement, a cash lease incentive of \$655,245 was received from the landlord on 13 July 2012.
- Other commitments relate to contracts entered into by IHPA where no liability currently exists.

Commitments were GST inclusive where relevant.

The above schedule should be read in conjunction with the accompanying notes.

SCHEDULE OF CONTINGENCIES

as at 30 June 2013

There were no contingent assets or contingent liabilities as at 30 June 2013 (2012: nil).

There are no unquantifiable or remote contingent assets or liabilities as at 30 June 2013 (2012: nil).

The above schedule should be read in conjunction with the accompanying notes.

ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME

for the period ended 30 June 2013

	Notes	2013 \$	2012 \$
EXPENSES			
Supplier	14A	7,418,248	1,530,442
Total expenses administered on behalf of Government		7,418,248	1,530,442
Non-taxation revenue			
Sale of goods and rendering of services	15	1,854,686	–
Total non-taxation revenue		1,854,686	–
Total own-source revenue administered on behalf of Government		1,854,686	–
Net cost of (contribution by) services		5,563,562	1,530,442
Deficit on continuing operations		(5,563,562)	(1,530,442)
Total deficit		(5,563,562)	(1,530,442)

The above schedule should be read in conjunction with the accompanying notes.

ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES

as at 30 June 2013

	Notes	2013 \$	2012 \$
ASSETS			
Financial assets			
Cash and cash equivalents	16A	4,409	59,988
Trade and other receivables	16B	1,761,969	152,989
Total financial assets		1,766,378	212,976
Total assets administered on behalf of Government		1,766,378	212,976
LIABILITIES			
Payables			
Suppliers	17A	2,255,927	1,559,418
Other payables	17B	4,409	–
Total payables		2,260,336	1,559,418
Total liabilities administered on behalf of Government		2,260,336	1,559,418
Net liabilities		(493,958)	(1,346,442)

The above schedule should be read in conjunction with the accompanying notes.

ADMINISTERED RECONCILIATION SCHEDULE

	2013 \$	2012 \$
Opening administered assets less administered liabilities as at 1 July	(1,346,442)	–
Plus: Administered income	1,854,686	–
Less: Administered expenses	(7,418,248)	(1,530,442)
Annual appropriations for administered expenses (non CAC)	8,208,424	184,000
Transfers to OPA	(1,792,378)	–
Closing administered assets less administered liabilities as at 30 June	(493,958)	(1,346,442)

The above schedule should be read in conjunction with the accompanying notes.

ADMINISTERED CASH FLOW STATEMENT

for the period ended 30 June 2013

	Note	2013 \$	2012 \$
OPERATING ACTIVITIES			
Sales of goods and rendering of services		298,346	–
Net GST received		547,884	(11,223)
Total cash received		846,230	(11,223)
Cash used			
Suppliers		(8,811,887)	(112,789)
Total cash used		(8,811,887)	(112,789)
Net cash flows used by operating activities		(7,965,657)	(124,012)
Net decrease in cash held		(7,965,657)	(124,012)
Cash and cash equivalents at the beginning of the reporting period		59,988	–
Cash from Official Public Account for:			
– Appropriations		8,208,424	184,000
		8,268,412	184,000
Cash to Official Public Account for:			
– Appropriations		(298,346)	–
Cash and cash equivalents at the end of the reporting period	16A	4,409	59,988

The above schedule should be read in conjunction with the accompanying notes.

SCHEDULE OF ADMINISTERED COMMITMENTS

as at 30 June 2013

	2013 \$	2012 \$
BY TYPE		
Commitments receivable		
Net GST recoverable on commitments	1,560,403	268,084
Total commitments receivable	1,560,403	268,084
Commitments payable		
Other ¹	17,712,745	2,948,929
Total other commitments	17,712,745	2,948,929
Total commitments payable	17,712,745	2,948,929
Net commitments by type	16,152,342	2,680,845
BY MATURITY		
Commitments receivable		
Other commitments receivable		
One year or less	496,705	268,084
From one to five years	1,063,698	–
Total other commitment receivable	1,560,403	268,084
Total commitments receivable	1,560,403	268,084
Commitments payable		
Other commitments		
One year or less	6,013,197	2,948,929
From one to five years	11,699,549	–
Total other commitments	17,712,746	2,948,929
Total commitments payable	17,712,746	2,948,929
Net commitments by maturity	16,152,343	2,680,845

Footnote:

1. Other commitments relate to contracts that the supplier has yet to provide the goods or services.

Commitments are GST inclusive where relevant.

The above schedule should be read in conjunction with the accompanying notes.

SCHEDULE OF ADMINISTERED CONTINGENCIES

as at 30 June 2013

There were no contingent assets or contingent liabilities as at 30 June 2013 (2012: nil).

There were no unquantifiable or remote contingent assets or liabilities as at 30 June 2013 (2012: nil).

The above schedule should be read in conjunction with the accompanying notes.

Notes to and forming part of the Financial Statements for the Independent Hospital Pricing Authority

for the year ended 30 June 2013

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Note 1: Summary of significant accounting policies

The Independent Hospital Pricing Authority ('IHPA') is a Commonwealth agency that was established on 15 December 2011. Accordingly, 2012 in this financial report covers the period from 15 December 2011 to 30 June 2012.

1.1 Objectives of the Independent Hospital Pricing Authority

IHPA is an Australian Government controlled entity that is independent of Commonwealth, State and Territory governments. It is a prescribed agency under the *Financial Management and Accountability Act 1997* and its roles and functions are set out in the *National Reform Act 2011*. It is a not-for-profit entity.

The objective of IHPA is to:

- determine a national efficient price for hospital services;
- ensure public hospitals receive funding based on need; and
- encourage developments in best practice care across the health care system.

IHPA is structured to meet one outcome:

Outcome 1: Promote improved efficiency in, and access to, public hospital services primarily through setting efficient national prices and levels of block funding for hospital activities.

IHPA activities contributing to this outcome are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by IHPA in its own right.

Administered activities involve the management or oversight by IHPA, on behalf of the Government, of items controlled or incurred by the Government. The administered activities IHPA conducts on behalf of the Government include the development of national classifications used to classify activity in public hospitals for the purposes of activity based funding and determination of the national efficient price.

The continued existence of IHPA in its present form and with its present programs is dependent on Government policy and on continuing appropriations by Parliament for IHPA's administration and programs.

The Australian Government continues to have regard to developments in case law, including the High Court's recent decision on Commonwealth expenditure in *Williams v Commonwealth* (2012) 288 ALR 410, as they contribute to the larger body of law relevant to the development of Commonwealth programs. In accordance with its general practice, the Government will continue to monitor and assess risk and decide on any appropriate actions to respond to risks of expenditure not being consistent with constitutional or other legal requirements.

1.2 Basis of preparation of the financial statements

The financial statements are general purpose financial statements and are required by section 49 of the *Financial Management and Accountability Act 1997*.

The financial statements have been prepared in accordance with:

- a) Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2011; and
- b) Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest dollar.

Unless an alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow to IHPA or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executory contracts are not recognised unless required by an accounting standard. Liabilities and assets that are not recognised are reported in the schedule of commitments or the schedule of contingencies.

Unless alternative treatment is specifically required by an accounting standard, income and expenses are recognised in the Statement of Comprehensive Income when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

Administered revenue, expenses, assets and liabilities and cashflows reported in the Administered schedules and related notes are accounted for on the same basis and using the same policies as for Departmental items. For further information refer to note 1.18.

1.3 Significant accounting judgements and estimates

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

1.4 New Australian accounting standards

Adoption of new Australian accounting standard requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. Of the new standards, amendments to standards and interpretations issued by the Australian Accounting Standards Board that are applicable to the current period, none have had a material impact on IHPA.

Future Australian accounting standard requirements

Of the new accounting standards, amendments to accounting standards and interpretations issued by the Australian Accounting Standards Board that are applicable to future periods, none are expected to have a material impact on IHPA.

1.5 Revenue

Revenue generated from the sale of goods is recognised when:

- a) the risks and rewards of ownership have been transferred to the buyer;
- b) IHPA retains no managerial involvement or effective control over the goods;
- c) the revenue and transaction costs incurred can be reliably measured; and
- d) it is probable that the economic benefits associated with the transaction will flow to IHPA.

Revenue generated from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- a) the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- b) the probable economic benefits associated with the transaction will flow to IHPA.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

Revenue from Government

Amounts appropriated for departmental purposes for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when IHPA gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned. Appropriations receivable are recognised at their nominal amounts.

1.6 Gains

Resources received free of charge

Resources received free of charge are recognised as gains when the fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Resources received free of charge are recorded as either revenue or gains depending on their nature i.e. whether they have been generated in the course of the ordinary activities of IHPA.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government agency or authority as a consequence of a restructuring of administrative arrangements.

Sale of assets

Gains from disposal of non-current assets are recognised when control of the asset has passed to the buyer. The gain on disposal is calculated as the difference between the carrying amount of the non-current asset at the time of disposal and the net proceeds on disposal.

1.7 Transactions with the Government as Owner

Equity injections

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) and Departmental Capital Budgets (DCB) are recognised directly in contributed equity in that year.

1.8 Employee benefits

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits due within twelve months of the end of the reporting period are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

All other employee benefit liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting. The average sick leave taken in future years by employees of IHPA is estimated to be less than the annual availability for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including IHPA's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and redundancy

Provision is made for separation and redundancy benefit payments. IHPA recognises a provision for termination when it has developed a detailed formal plan for the terminations.

Superannuation

The majority of IHPA's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap).

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance and Deregulation's administered schedules and notes.

IHPA makes employer contributions to the Australian Government and various other superannuation schemes at rates determined by an actuary to be sufficient to meet the cost to the Government of the superannuation entitlements of IHPA's employees. IHPA expenses contributions to defined-benefit and defined-contribution plans. The liability for superannuation recognised as at balance date represents the outstanding contributions payable as at 30 June.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the financial year.

1.9 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

IHPA has no finance leases (2012: nil).

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

Where a lease incentive is included in an operating lease in the form of cash, free leasehold improvements or rent-free periods, the net value of the minimum lease payments is expensed on a straight-line basis over the term of the lease.

1.10 Cash

Cash and cash equivalents includes notes and coins held and any deposits in bank accounts with an original maturity of three months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash is recognised at its nominal amount.

1.11 Financial assets

IHPA classifies its financial assets as loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non current assets. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets are assessed for impairment at the end of each balance date.

1.12 Financial liabilities

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received, irrespective of having been invoiced.

1.13 Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised in the balance sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote. IHPA had no contingent liabilities or contingent assets as at 30 June 2013.

1.14 Acquisition of assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

1.15 Property, plant and equipment

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the balance sheet, except for purchases costing less than \$2,000 which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total). Property, plant and equipment acquired at no cost or for a nominal charge are recognised initially at fair value.

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. A corresponding provision for the 'make good' is taken up.

Revaluations

Following initial recognition at cost, property, plant and equipment were carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets did not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depended upon the volatility of movements in market values for the relevant assets.

Fair values for each class of asset are determined as shown below:

Asset class	Fair value measured at
Leasehold improvements	Depreciated replacement cost
Plant and equipment	Market selling price

IHPA has determined that the fair value of plant & equipment as at 30 June 2013 is not materially different from the carrying amount.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reversed a previous revaluation decrement of the same asset class that was previously recognised through the Statement of Comprehensive Income. Revaluation decrements for a class of assets are recognised directly through the Statement of Comprehensive Income except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to IHPA using, in all cases, the straight-line method of depreciation. Leasehold improvements are depreciated on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

Depreciation rates (useful lives), residual values and methods are reviewed at each balance date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives, which are the same as last year:

Asset class	Useful life 2012-13	Useful life 2011-12
Leasehold improvements	Lease term	Lease term
Other plant and equipment	3 to 10 years	3 to 10 years

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 3C.

Impairment

All assets were assessed for impairment at 30 June 2013. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if IHPA were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

1.16 Intangibles

IHPA's intangible assets comprise software purchases. These assets are carried at cost less accumulated amortisation and accumulated impairment losses if purchased for \$2,000 or more. Intangibles costing less than \$2,000 are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Software is amortised on a straight-line basis over its anticipated useful life. The useful life of IHPA's software is 3 years (2012: 3 years).

All software assets were assessed for indications of impairment as at 30 June 2013.

1.17 Taxation

IHPA is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Revenues, expenses, assets and liabilities are recognised net of GST except:

- a) where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- b) for receivables and payables.

1.18 Reporting of administered activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the administered schedules and related notes.

Except where otherwise stated below, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

Administered cash transfers from the Official Public Account

Cash is drawn from the Official Public Account (OPA) maintained by the Department of Finance and Deregulation to make payments under Parliamentary appropriation on behalf of Government. These transfers to and from the OPA are adjustments to the administered cash held by IHPA on behalf of the Government and reported as such in the schedule of administered cash flows and in the administered reconciliation schedule.

Suppliers

The administered activities IHPA conducts on behalf of the Government include the development of national classifications used to classify activity in public hospitals for the purposes of activity based funding and determination of the national efficient price.

Note 2: Events after the reporting period

Departmental

There were no significant events occurring after 30 June 2013 with the potential to significantly affect the ongoing structure and financial activities of IHPA.

Administered

There was no subsequent event that had the potential to significantly affect the ongoing structure and financial activities of IHPA.

Note 3: Expenses

	2013	2012
	\$	\$
Note 3A: Employee benefits		
Wages and salaries	5,037,481	2,009,724
Superannuation:		
Defined contribution plans	295,941	118,563
Defined benefit plans	530,711	212,618
Leave and other entitlements	561,491	283,722
Separation and redundancies	2,020	–
Total employee benefits	6,427,644	2,624,627

Note 3B: Supplier

Goods and services

Contractors and consultants	1,068,972	1,102,863
Recruitment and relocation costs	320,703	392,913
Travel and training costs	794,891	253,682
Communications and information technology goods and services	608,205	368,403
Legal expenses and audit fees	212,660	106,050
Other	380,787	192,898
Total goods and services	3,341,218	2,416,809

Goods and services are made up of:

Provision of goods – related entities	–	1,765
Provision of goods – external parties	218,425	195,768
Rendering of services – related entities	495,123	127,035
Rendering of services – external parties	2,627,670	2,092,241
Total goods and services	3,341,218	2,416,809

Other supplier expenses

Operating lease rentals – external entities:		
Minimum lease payments	396,290	207,067
Workers compensation expenses	82,462	67,358
Total other supplier expenses	478,752	274,425

Total supplier expenses	3,819,970	2,691,234
--------------------------------	------------------	-----------

	2013	2012
	\$	\$

Note 3C: Depreciation and amortisation

Depreciation:

Property, plant and equipment	259,568	7,764
Intangibles	11,572	–
Total depreciation	271,140	7,764

Note 3H: Losses from asset sales

Property, plant and equipment:

Proceeds from sale	(645)	–
Carrying value of assets sold	985	–
Total losses from asset sales	340	–

Note 3I: Other expenses

Royalty payments	107,678	–
Total other expenses	107,678	–

Note 4: Income

OWN-SOURCE REVENUE

Note 4A: Sale of goods and rendering of services

Rendering of services – external parties	597,216	–
Total sale of goods and rendering of services	597,216	–

Note 4B: Other revenue

Other	24,992	–
Total other revenue	24,992	–

Note 4C: Other gains

Resources received free of charge	50,000	51,000
Total other gains	50,000	51,000

REVENUE FROM GOVERNMENT

Note 4D: Revenue from Government

Appropriations:

Departmental appropriations	14,110,000	16,613,134
Total revenue from Government	14,110,000	16,613,134

Note 5: Financial assets

	2013	2012
	\$	\$

Note 5A: Cash and cash equivalents

Cash on hand or on deposit	192,739	184,950
Total cash and cash equivalents	192,739	184,950

Note 5B: Trade and other receivables

Appropriations receivable:

For existing programs	18,056,964	10,813,134
Total appropriations receivable	18,056,964	10,813,134

Other receivables:

Receivable from Department of Health and Ageing	41,678	287,535
Receivable from other Federal Government agencies*	–	134,076
GST receivable from the Australian Taxation Office	45,917	542,662
Other	62,533	655,245
Total other receivables	150,128	1,619,518
Total trade and other receivables (gross)	18,207,092	12,432,652
Total trade and other receivables (net)	18,207,092	12,432,652

* comprises leave liabilities associated with staff transferring from other Commonwealth agencies.

Receivables are expected to be recovered in:

No more than 12 months	18,207,092	12,432,652
Total trade and other receivables (net)	18,207,092	12,432,652

Receivables are aged as follows:

Not overdue	18,207,092	12,432,652
Total receivables (gross)	18,207,092	12,432,652

Note 6: Non-Financial Assets

	2013 \$	2012 \$
Note 6A: Land and buildings		
Leasehold improvements		
Gross carrying value (at fair value)	1,129,473	1,011,625
Accumulated depreciation	(192,491)	(5,543)
Total leasehold improvements	936,982	1,006,082
Total land and buildings	936,982	1,006,082
Note 6B: Plant and equipment		
Gross carrying value (at fair value)	414,834	378,065
Accumulated depreciation	(73,596)	(2,221)
Total plant and equipment	341,238	375,844

No indicators of impairment were found for property, plant and equipment.

No property, plant or equipment is expected to be sold or disposed of within the next 12 months.

Note 6C: Reconciliation of the opening and closing balances of property, plant and equipment 2013

	Land and buildings \$	Plant and equipment \$	Total \$
As at 1 July 2012			
Gross book value	1,011,625	378,065	1,389,690
Accumulated depreciation and impairment	(5,543)	(2,221)	(7,764)
Net book value 1 July 2012	1,006,082	375,844	1,381,926
Additions:			
By purchase	11,732	149,402	161,134
Impairments recognised in the operating result:			
Cost	(5,178)	–	(5,178)
Accumulated depreciation	892	–	892
Depreciation expense	(186,339)	(73,229)	(259,568)
Other movements – reclassification of opening book value	111,294	(111,294)	–
Other movements – reclassification of opening accumulated depreciation	(1,501)	1,501	–
Disposals:			
Cost	–	(1,339)	(1,339)
Accumulated depreciation	–	353	353
Net book value 30 June 2013	936,982	341,238	1,278,220
Net book value as of 30 June 2013 represented by:			
Gross book value	1,129,473	414,834	1,544,307
Accumulated depreciation and impairment	(192,491)	(73,596)	(266,087)
Net book value 30 June 2013	936,982	341,238	1,278,220
	Land and buildings \$	Plant and equipment \$	Total \$
As at 1 July 2011			
Gross book value	–	–	–
Accumulated depreciation and impairment	–	–	–
Net book value 1 July 2011	–	–	–
Additions:			
By purchase	1,011,625	378,065	1,389,690
Depreciation expense	(5,543)	(2,221)	(7,764)
Net book value 30 June 2012	1,006,082	375,844	1,381,926
Net book value as of 30 June 2012 represented by:			
Gross book value	1,011,625	378,065	1,389,690
Accumulated depreciation and impairment	(5,543)	(2,221)	(7,764)
Net book value 30 June 2012	1,006,082	375,844	1,381,926

Note 6D: Intangibles

	2013 \$	2012 \$
Computer software:		
Purchased	108,701	–
Accumulated amortisation	(11,572)	–
Total computer software	97,129	–
Total intangibles	97,129	–

No indicators of impairment were found for intangible assets.

No intangibles are expected to be sold or disposed of within the next 12 months.

Note 6E: Reconciliation of the opening and closing balances of intangibles 2013

	Computer software purchased \$	Total \$
As at 1 July 2012		
Gross book value	–	–
Accumulated amortisation and impairment	–	–
Net book value 1 July 2012	–	–
Additions:		
By purchase or internally developed	108,701	108,701
Amortisation	(11,572)	(11,572)
Net book value 30 June 2013	97,129	97,129
Net book value as of 30 June 2013 represented by:		
Gross book value	108,702	108,702
Accumulated amortisation and impairment	(11,572)	(11,572)
Net book value 30 June 2013	97,129	97,129

Note 6F: Other non-financial assets

Prepayments	44,178	–
Total other non-financial assets	44,178	–
Total other non-financial assets – are expected to be recovered in:		
No more than 12 months	44,178	–
Total other non-financial assets	44,178	–

No indicators of impairment were found for other non-financial assets.

Note 7: Payables

	2013 \$	2012 \$
Note 7A: Suppliers		
Trade creditors and accruals	223,898	365,442
Operating lease rentals	–	41,548
Total suppliers' payables	223,898	406,990
Suppliers' payables expected to be settled within 12 months:		
Related entities	20,297	40,940
External parties	203,601	366,050
Total	223,898	406,990
Total suppliers' payables	223,898	406,990

Settlement was usually made within 30 days.

Note 7B: Other payables

Payable to Department of Health and Ageing	587,235	710,128
Wages and salaries	191,896	220,395
Superannuation	29,403	34,390
Lease incentive	536,937	646,144
Payable to Intra IHPA – administered	1,556,340	–
Other	10,652	–
Total other payables	2,912,463	1,611,057
Total other payables are expected to be settled in:		
No more than 12 months	2,484,733	1,611,057
More than 12 months	427,730	–
Total other payables	2,912,463	1,611,057

Note 8: Provisions

	2013 \$	2012 \$
Note 8A: Employee provisions		
Leave	832,346	485,931
Total employee provisions	832,346	485,931
Employee provisions are expected to be settled in:		
No more than 12 months	343,597	202,162
More than 12 months	488,749	283,769
Total employee provisions	832,346	485,931
Note 8B: Other provisions		
Provision for restoration obligations	154,706	155,041
Total other provisions	154,706	155,041
Other provisions are expected to be settled in:		
More than 12 months	154,706	155,041
Total other provisions	154,706	155,041
	Provision for restoration \$	Total \$
Carrying amount 1 July 2012	155,041	–
Additional provisions made	–	155,041
Amounts used	–	–
Unwinding of discount or change in discount rate	(335)	–
Closing balance 30 June 2013	154,706	155,041

Note 9: Cash flow reconciliation

	2013 \$	2012 \$
Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash flow statement	192,739	184,950
Balance sheet	192,739	184,950
Difference	-	-
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	(9,954,565)	(5,272,625)
Add revenue from Government	14,110,000	16,613,134
Adjustments for non-cash items		
Depreciation / amortisation	271,140	7,764
Employee provisions transferred from other agencies	379,934	-
Fit-out expensed	4,285	-
Loss on disposal of assets	340	-
Changes in assets / liabilities		
(Increase) / decrease in net receivables	(5,954,369)	(12,432,652)
(Increase) / decrease in prepayments	(44,178)	-
Increase / (decrease) in employee provisions	346,415	485,931
Increase / (decrease) in supplier payables	(183,092)	406,990
Increase / (decrease) in other payables	(132,041)	900,929
Increase / (decrease) in other provisions	(335)	-
Increase / (decrease) in inter agency payable for expenses paid by the Dept of Health & Ageing	(134,625)	710,128
Increase in payable to Administered item	1,556,340	-
Net cash from operating activities	265,249	1,419,599

Note 10: Senior executive remuneration

Note 10A: Senior executive remuneration expenses for the reporting period

	2013 \$	2012 \$
Short-term employee benefits:		
Salary	616,005	191,913
Annual leave accrued	88,744	14,051
Other	111,190	1,112
Total short-term employee benefits	815,939	207,076
Post-employment benefits:		
Superannuation	108,263	25,475
Total post-employment benefits	108,263	25,475
Other long-term benefits:		
Long-service leave	10,676	4,492
Total other long-term employee benefits	10,676	4,492
Total senior executive remuneration expenses	934,878	237,043

Footnotes:

1. Note 10A is prepared on an accrual basis which may be different to Note 10B which is on a cash basis.
2. No performance bonuses were paid to senior executives in 2012–13 (2011–12: nil).
3. Note 10A excludes acting arrangements and part-year service where total remuneration expensed for a senior executive was less than \$180,000.

Note 10B: Average annual reportable remuneration paid to substantive senior executives during the reporting period

Average annual reportable remuneration¹	Substantive senior executives No.	Reportable salary² \$	Contributed superannuation³ \$	Reportable allowances⁴ \$	Bonus paid⁵ \$	Total reportable remuneration \$
Total remuneration (including part-time arrangements):						
\$180,000 to \$209,999	1	177,232	26,296	–	–	203,528
\$270,000 to \$299,999	1	238,592	32,714	384	–	271,690
\$390,000 to \$419,999	1	368,180	50,189	–	–	418,369
Total	3					

Average annual reportable remuneration¹	Substantive senior executives No.	Reportable salary² \$	Contributed superannuation³ \$	Reportable allowances⁴ \$	Bonus paid⁵ \$	Total reportable remuneration \$
Total remuneration (including part-time arrangements):						
less than \$150,000	1	49,859	7,409	–	–	57,268
\$180,000 to \$209,999	1	182,667	23,992	–	–	206,659
Total	2					

Footnotes:

1. This table reports substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.
2. 'Reportable salary' includes the following:
 - a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
 - b) reportable fringe benefits (at the net amount prior to 'grossing up' for tax purposes);
 - c) exempt foreign employment income; and
 - d) salary sacrificed benefits.
3. The 'contributed superannuation' amount is the average cost to the entity for the provision of superannuation benefits to substantive senior executives in that reportable remuneration band during the reporting period.
4. 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.
5. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the entity during the financial year.

Note 10C: Average annual reportable remuneration paid to other highly paid staff during the reporting period

Average annual reportable remuneration paid to other highly paid staff in 2013

Average annual reportable remuneration¹	Other highly paid staff No.	Reportable salary² \$	Contributed superannuation³ \$	Reportable allowances⁴ \$	Bonus paid⁵ \$	Total reportable remuneration \$
Total remuneration (including part-time arrangements):						
\$180,000 to \$209,999	3	152,386	24,895	288	7,482	185,051
Total	3					

There were no employees whose salary was \$180,000 or more in 2011–12.

Footnotes:

1. This table reports staff:
 - a) who were employed by the entity during the reporting period;
 - b) whose reportable remuneration was \$180,000 or more for the financial period; and
 - c) were not required to be disclosed in Table B or director disclosures.
 Each row is an averaged figure based on headcount for individuals in the band.
2. 'Reportable salary' includes the following:
 - a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
 - b) reportable fringe benefits (at the net amount prior to 'grossing up' for tax purposes);
 - c) exempt foreign employment income; and
 - d) salary sacrificed benefits.
3. The 'contributed superannuation' amount is the average cost to the entity for the provision of superannuation benefits to substantive senior executives in that reportable remuneration band during the reporting period.
4. 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.
5. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the entity during the financial year.

Note 11: Remuneration of auditors

	2013	2012
	\$	\$
Financial statement audit services were provided free of charge to IHPA by the Australian National Audit Office (ANAO).		
Fair value of the services provided		
Financial statement audit services	50,000	51,000
Total	50,000	51,000

No other services were provided by the auditors of the financial statements.

Note 12: Financial instruments

Note 12A: Categories of financial instruments

Financial assets

Loans and receivables:

Cash and cash equivalents	192,739	184,950
Receivable from the Department of Health and Ageing	41,678	287,535
Receivable from other Federal Government agencies	–	134,076
Lease incentive	–	655,245
Other receivable	62,533	–
Total	296,950	1,261,806
Carrying amount of financial assets	296,950	1,261,806

Financial liabilities

At amortised cost:

Payable to the Department of Health and Ageing	587,235	710,128
Trade creditors and accruals	223,898	365,442
Operating lease rentals	–	41,548
Total	811,133	1,117,118
Carrying amount of financial liabilities	811,133	1,117,118

The carrying amounts of all financial assets and financial liabilities approximate fair value.

Note 12B: Credit risk

IHPA was exposed to minimal credit risk as receivables are cash and other receivables. The maximum exposure to credit risk for other receivables is the risk that arises from potential default of a debtor. IHPA manages its credit risk policies and procedures that guide employees in debt management and recovery. IHPA has no significant exposures to any concentrations of credit risk.

Credit quality of financial instruments	Not past due nor impaired 2013 \$	Not past due nor impaired 2012 \$	Past due but not impaired 2013 \$	Past due but not impaired 2012 \$
Other receivables	62,533	–	41,678	421,611
Total	62,533	–	41,678	421,611

Ageing of financial assets that were past due but not impaired for 2013	0 to 30 days \$	Total \$
Other receivables	41,678	41,678
Total	41,678	41,678

Ageing of financial assets that were past due but not impaired for 2012	0 to 30 days \$	Total \$
Other receivables	421,611	421,611
Total	421,611	421,611

Note 12C: Liquidity risk

IHPA's financial liabilities comprise payables. The exposure to liquidity risk is negligible for IHPA as it does not have any borrowings. It is also highly unlikely that IHPA will encounter difficulty in meeting its obligations. This is because annual funding is provided to IHPA from the Australian Government and other funding mechanisms are available to IHPA such as the Advance to the Finance Minister. Internal policies and procedures have also been put in place to ensure IHPA has appropriate resources available to meet its financial obligations.

	2013 within 1 year \$	2012 within 1 year \$
Maturities for non-derivative financial liabilities 2013		
Trade creditors and accruals	223,898	406,990
Other	587,235	710,128
Total	811,133	1,117,118

IHPA had no derivative financial liabilities in either 2013 or 2012.

Note 12D: Market risk

IHPA holds basic financial instruments that do not expose it to material market risks. IHPA is not exposed to significant 'interest rate risk', 'currency risk' or 'other price risk'.

Note 12E: Interest rate risk

IHPA's financial instruments are not exposed to interest rate risk.

Note 13: Financial assets reconciliation

	Notes	2013 \$	2012 \$
Financial assets			
Total financial assets as per balance sheet		18,399,831	12,617,602
Less: non-financial instrument components:			
Appropriations receivable	5B	18,056,964	10,813,134
Other receivables	5B	45,917	542,662
Total non-financial instrument components		18,102,881	11,355,796
Total financial assets as per financial instruments note	12A	296,950	1,261,806

Note 14: Administered – expenses

	2013	2012
	\$	\$
Note 14A: Suppliers		
Goods and services		
Consultants	3,119,127	15,925
Contractors	4,227,720	1,513,861
Travel	8,215	–
Other	63,186	656
Total goods and services	7,418,248	1,530,442
Goods and services are made up of:		
Provision of goods – related entities	232	–
Provision of goods – external parties	43,028	656
Rendering of services – related entities	8,564	–
Rendering of services – external parties	7,366,424	1,529,786
Total goods and services	7,418,248	1,530,442
Total suppliers expenses	7,418,248	1,530,442

Note 15: Administered – income

	2013	2012
	\$	\$
OWN-SOURCE REVENUE		
Non-taxation revenue		
Note 15: Sale of goods and rendering of services		
Rendering of services – external parties	(1,854,686)	–
Total sale of goods and rendering services	(1,854,686)	–

Note 16: Administered – financial assets

	2013 \$	2012 \$
Note 16A: Cash and cash equivalents		
Cash on hand or on deposit	4,409	59,988
Total cash and cash equivalents	4,409	59,988
Note 16B: Trade and other receivables		
Other receivables:		
Amount receivable from Departmental item	1,556,340	–
GST receivable from Australian Taxation Office	205,629	152,989
Total other receivables	1,761,969	152,989
Total trade and other receivables (gross)	1,761,969	152,989
Receivables are expected to be recovered in:		
No more than 12 months	1,761,969	152,989
Total trade and other receivables (net)	1,761,969	152,989
Receivables were aged as follows:		
Not overdue	1,761,969	152,989
Total receivables (gross)	1,761,969	152,989

Note 17: Administered – payables

	2013 \$	2012 \$
Note 17A: Suppliers		
Trade creditors and accruals ^{1,2}	2,255,927	1,559,418
Total suppliers	2,255,927	1,559,418
Supplier payables expected to be settled within 12 months:		
External parties	2,255,927	1,559,418
Total suppliers	2,255,927	1,559,418

1. Includes an amount of \$1,494,032 earned by IHPA and to be remitted to the Official Public Account.
2. Settlement was usually made within 30 days.

Note 17B: Other payables

GST payable	4,409	–
Total other payables	4,409	–

Note 18: Administered – cash flow reconciliation

	2013 \$	2012 \$
Reconciliation of cash and cash equivalents as per Administered Schedule of Assets and Liabilities to Administered Cash Flow Statement		
Cash and cash equivalents as per:		
Schedule of administered cash flows	4,409	59,988
Schedule of administered assets and liabilities	4,409	59,988
Difference	–	–
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	(5,563,562)	(1,530,442)
Changes in assets / liabilities		
(Increase) / decrease in net receivables	(1,608,980)	(11,223)
Increase / (decrease) in supplier payables	(793,115)	1,417,653
Net cash from operating activities	(7,965,657)	(124,012)

Note 19: Administered – financial instruments

	2013 \$	2012 \$
Note 19A: Categories of financial instruments		
Financial assets		
Loans and receivables:		
Cash on hand or on deposit	4,409	59,988
Receivable from Departmental item	1,556,340	–
Total loans and receivables	1,560,749	59,988
Carrying amount of financial assets	1,560,749	59,988
Financial liabilities		
At amortised cost:		
Trade creditors and accruals	2,255,927	1,559,418
Total financial liabilities at amortised cost	2,255,927	1,559,418
Carrying amount of financial liabilities	2,255,927	1,559,418

Note 19B: Fair value of financial instruments

Financial assets

The fair values of all monetary financial assets approximate their carrying amounts.

Financial liabilities

The fair values of all monetary financial liabilities approximate their carrying amounts.

Note 19C: Credit risk

IHPA is exposed to minimal credit risk as receivables are cash and other receivables. The maximum exposure to credit risk for other receivables is the risk that arises from potential default of a debtor. IHPA manages its credit risk policies and procedures that guide employees in debt management and recovery. IHPA has no significant exposures to any concentrations of credit risk.

Credit quality of financial instruments	Not past due nor impaired 2013 \$	Not past due nor impaired 2012 \$
Other receivables	1,556,340	–
Total	1,556,340	–

Note 19D: Liquidity risk

IHPA's financial liabilities comprise trade creditors and accruals. IHPA will be exposed to liquidity risk if it encounters difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely as IHPA was appropriated funding from the Australian Government which IHPA manages and controls to ensure it has adequate funds to meet payments as and when they fall due. Internal policies and procedures have also been put in place to ensure IHPA has appropriate resources available to meet its financial obligations.

Maturities for non-derivative financial liabilities 2013	Within 1 year \$	Total \$
Trade creditors and accruals	2,255,927	2,255,927
Total	2,255,927	2,255,927

Maturities for non-derivative financial liabilities 2012	Within 1 year \$	Total \$
Trade creditors and accruals	1,559,418	1,559,418
Total	1,559,418	1,559,418

Note 19E: Market risk

IHPA holds basic financial instruments that do not expose it to material market risks. IHPA is not exposed to significant 'interest rate risk', 'currency risk' or 'other price risk'.

Note 20: Administered – financial assets reconciliation

	Notes	2013 \$	2012 \$
Financial assets			
Total financial assets as per schedule of administered assets and liabilities		1,766,378	212,976
Less: non-financial instrument components			
Other receivables	16B	205,629	152,989
Total non-financial instrument components		205,629	152,989
Total financial assets as per financial instruments note	19A	1,560,749	59,988

Note 21A: Appropriations

Table A: Annual appropriations ('recoverable GST exclusive')

	2013 appropriations							Appropriation applied in 2013 (current and prior years) \$	Variance ⁴ \$
	Appropriation Act		FIMA Act			Total appropriation \$			
	Annual Appropriations reduced ^{1,3} \$	AFM ² \$	Section 30 \$	Section 31 \$	Section 32 \$				
DEPARTMENTAL									
Ordinary annual services	14,316,000	-	-	1,799,296	-	16,115,296	(10,866,913)	5,248,383	
Other services	-	-	-	-	-	-	-	-	
Equity	-	-	-	-	-	-	-	-	
Total departmental	14,316,000	-	-	1,799,296	-	16,115,296	(10,866,913)	5,248,383	
ADMINISTERED									
Ordinary annual services	12,589,000	(5,170,752)	-	-	-	7,418,248	(8,208,424)	(790,176)	
Administered items	-	-	-	-	-	-	-	-	
Total administered	12,589,000	(5,170,752)	-	-	-	7,418,248	(8,208,424)	(790,176)	

Footnotes:

- Appropriations reduced under Appropriation Acts (Nos. 1, 3 & 5) 2012-13; sections 10, 11, and 12 and under Appropriation Acts (Nos. 2, 4 & 6) 2012-13; sections 12, 13 and 14. Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request the Finance Minister to reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament.
- As with departmental appropriations, the responsible Minister may decide that part or all of an administered appropriation is not required and request that the Finance Minister reduce that appropriation. For administered appropriations reduced under section 11 of Appropriation Acts (Nos. 1, 3 & 5) 2012-13 and section 12 of Appropriation Acts (Nos. 2, 4 & 6) 2012-13, the appropriation is taken to be reduced to the required amount specified in Table D of this note once the annual report is tabled in Parliament.
- There was no Advance to the Finance Minister (AFM) – Appropriation Acts (Nos. 1, 3 & 5) 2012-13; section 13 and Appropriation Acts (Nos. 2, 4 & 6) 2012-13; section 15. \$3.5m of administered appropriation was not available to IHPA as at 30 June 2013 as it had been quarantined by the Department of Finance and Deregulation.
- The variance for Departmental ordinary annual services has arisen as a result of Section 31 receipts negating the need to drawdown appropriation. Section 31 monies in 2012-13 included receipts for employee provisions for staff transferring to IHPA (\$0.5m), the receipt of a cash lease incentive (\$0.7m), savings in employee expenses as recruitment was slower than expected (\$0.9m), savings in establishment costs (\$1.9m) and contractor and supplier underachievement (\$1.2m). The variance for Administered ordinary annual services predominantly reflects unpaid invoices as at 30 June 2013.

	2012 appropriations							Appropriation applied in 2012 (current and prior years) \$	Variance ³ \$
	Appropriation Act		FMA Act			Total appropriation \$			
	Annual appropriation \$	Appropriations reduced ¹ \$	AFM \$	Section 30 \$	Section 31 \$		Section 32 ² \$		
DEPARTMENTAL									
Ordinary annual services Equity	-	-	-	-	-	16,613,134	16,613,134	(5,104,736)	11,508,398
Total departmental	-	-	-	-	-	16,613,134	16,613,134	(5,104,736)	11,508,398
ADMINISTERED									
Ordinary annual services Administered items	-	(2,156,558)	-	-	-	3,687,000	1,530,442	(112,789)	1,417,653
Total administered	-	(2,156,558)	-	-	-	3,687,000	1,530,442	(112,789)	1,417,653

Footnotes:

- For administered appropriations reduced under section 11 of Appropriation Acts (Nos. 1, 3 & 5) 2011–12 and section 12 of Appropriation Acts (Nos. 2, 4 & 6) 2011–12, the Appropriation is taken to be reduced to the required amount specified in Table D of this note once the annual report is tabled in Parliament. All administered appropriations may be adjusted by a Finance Minister's Determination, which is disallowable by Parliament.
- A Determination under section 32 of the *Financial Management and Accountability Act 1997* was signed on 21 June 2012 resulting in the transfer of funds from the Department of Health and Ageing to IHPA.
- The variance for Departmental ordinary annual services has arisen as a result of the section 32 Determination being signed late in the financial year. The variance for Administered ordinary annual services reflects the unpaid invoices as at 30 June 2012. These invoices were all paid within 2 months of the balance date.

Table B: Departmental Capital Budgets (DCB) ('Recoverable GST exclusive')

	2013 capital budget appropriations				Capital budget appropriations applied in 2013 (current and prior years)				
	Appropriation Act		FMA Act		Total capital budget appropriations	Payments for non-financial assets ³	Payments for other purposes	Total payments	Variance
	Annual capital budget	Appropriations reduced ²	Section 32						
DEPARTMENTAL									
Ordinary annual services									
Departmental Capital Budget ¹	200,000	-	-	-	200,000	-	-	-	200,000 ⁴

Footnotes:

1. Departmental Capital Budgets are appropriated through Appropriation Acts (Nos. 1, 3 & 5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.
2. For more information on ordinary annual services appropriations, please see Table A: Annual appropriations.
3. Appropriations reduced under Appropriation Acts (Nos. 1, 3 & 5) 2012-13: sections 10, 11, 12 and 15 or via a determination by the Finance Minister.
4. Payments made on non-financial assets include purchases of assets, expenditure on assets which has been capitalised, costs incurred to make good an asset to its original condition, and the capital repayment component of finance leases.
5. In 2012-13, IHPA's appropriation requirements were drawn down from ordinary services and the Departmental Capital Budget drawn down in 2013 was nil.

Table C: Unspent annual appropriations ('recoverable GST exclusive')

Authority	2013	2012
	\$	\$
DEPARTMENTAL		
Appropriation Act (No. 1) 2011-12	3,939,702	10,998,084
Appropriation Act (No. 1) 2012-13	14,110,000	-
Appropriation Act (No. 1) 2012-13 – DCB	200,000	-
Total	18,249,702	10,998,084
ADMINISTERED		
Appropriation Act (No. 1) 2011-12	-	3,514,223
Appropriation Act (No. 1) 2012-13	5,863,385	-
Total	5,863,385	3,514,223

Note: Unspent annual appropriations include cash at bank as at 30 June.

Table D: Reduction in administered items ('recoverable GST exclusive')

2013	Amount required ³ – by Appropriation Act			Total amount required ³	Total amount appropriated ⁴	Total reduction ⁵
	Act (No.1)	Act (No.3)	Act (No.5)			
Ordinary Annual Services						
Outcome 1 ⁶	7,418,247.84	0.00	0.00	7,418,247.84	12,589,000.00	(5,170,752.16)

Footnotes:

1. Numbers in this section of the table must be disclosed to the cent.
2. Administered items for 2013 were reduced to these amounts when these financial statements were tabled in Parliament as part of IHPA's 2013 annual report. This reduction was effective in 2014, but the amounts were reflected in Table A in the 2013 financial statements in the column 'Appropriations reduced' as they were adjustments to 2013 appropriations.
3. Amount required as per Appropriation Act (Act 1 s. 11; Act 2 s. 12).
4. Total amount appropriated in 2013.
5. Total reduction effective in 2014.
6. Public Hospital Price Determinations.

2012	Amount required ³ – by Appropriation Act			Total amount required ³	Total amount appropriated ⁴	Total reduction ⁵
	Act (No.1)	Act (No.3)	Act (No.5)			
Ordinary Annual Services						
Outcome 1 ⁶	1,530,441.98	0.00	0.00	1,530,441.98	3,687,000.00	(2,156,558.02)

Footnotes:

1. Numbers in this section of the table must be disclosed to the cent.
2. Administered items for 2012 were reduced to these amounts when these financial statements were tabled in Parliament as part of IHPA's 2012 annual report. This reduction was effective in 2013, but the amounts were reflected in Table A in the 2012 financial statements in the column 'Appropriations reduced' as they were adjustments to 2012 appropriations.
3. Amount required as per Appropriation Act (Act 1 s. 11; Act 2 s. 12).
4. Total amount appropriated in 2012.
5. Total reduction effective in 2013.
6. Public Hospital Price Determinations.

Note 21B: Compliance with statutory requirements for payments from the Consolidated Revenue Fund

Section 83 of the Constitution provides that no amount may be paid out of the Consolidated Revenue Fund except under an appropriation made by law. The Department of Finance and Deregulation provided information to all agencies in 2011 regarding the need for risk assessments in relation to compliance with statutory conditions on payments from special appropriations, including special accounts. IHPA does not have any special appropriations or special accounts.

During 2012–13 additional legal advice was received that indicated there could be breaches of Section 83 under certain circumstances with payments for long service leave, goods and services tax and payments under determinations of the Remuneration Tribunal. IHPA will review its processes and controls over payments for these items to minimise the possibility of future breaches as a result of these payments.

Note 22: Compensation and debt relief

Compensation and debt relief – departmental

No payments were made under section 73 of the *Public Service Act 1999* during the reporting period (2011–12: nil).

No 'Act of Grace' expenses were incurred during the reporting period (2011–12: nil).

No waivers of amounts owing to the Commonwealth were made pursuant to subsection 34(1) of the *Financial Management and Accountability Act 1997* (2011–12 nil).

No ex-gratia payments were made during the reporting period (2011–12 nil).

Compensation and debt relief – administered

No 'Act of Grace' expenses were incurred during the reporting period (2011–12: nil).

No waivers of amounts owing to the Commonwealth were made pursuant to subsection 34(1) of the *Financial Management and Accountability Act 1997* (2011–12 nil).

No ex-gratia payments were made during the reporting period (2011–12 nil).

Note 23: Reporting of outcomes

Note 23A: Net cost of outcome delivery

	Outcome 1' 2013 \$	Outcome 1' 2012 \$
Departmental		
Expenses	10,626,772	5,323,625
Own-source income	672,208	51,000
Administered		
Expenses	7,418,248	1,530,442
Own-source income	1,854,686	–
Net cost of outcome delivery	15,518,126	6,803,067

Note 23B: Major classes of departmental expense, income, assets and liabilities by outcome

	Outcome 1' 2013 \$	Outcome 1' 2012 \$
Expenses		
Employees	6,427,644	2,624,627
Suppliers	3,819,970	2,691,234
Depreciation and amortisation	271,140	7,764
Losses from asset sales	340	–
Other	107,678	–
Total	10,626,772	5,323,625
Income		
Sale of goods and services	597,216	–
Other	74,992	51,000
Total	672,208	51,000
Assets		
Cash and cash equivalents	192,739	184,950
Trade and other receivables	18,207,092	12,432,652
Land and buildings	936,982	1,006,082
Plant and equipment	341,238	375,844
Intangibles	97,129	–
Other	44,178	–
Total	19,819,358	13,999,528
Liabilities		
Suppliers	223,898	406,990
Other payables	2,912,463	1,611,057
Employee provisions	832,346	485,931
Other provisions	154,706	155,041
Total	4,123,413	2,659,019

Footnote:

1. Outcome 1 is described in Note 1.1.

Note 23C: Major classes of administered expenses, income, assets and liabilities by outcome

	Outcome 1' 2013 \$	Outcome 1' 2012 \$
Expenses		
Suppliers	7,418,248	1,530,442
Total	7,418,248	1,530,442
Assets		
Cash and cash equivalents	4,409	59,988
Receivables	1,761,969	152,989
Total	1,766,378	212,976
Liabilities		
Suppliers	2,255,927	1,559,418
GST payable	4,409	–
Total	2,260,336	1,559,418

Footnote:

1. Outcome 1 is described in Note 1.1.

Note 24: Net cash appropriation arrangements

	2013 \$	2012 \$
Total comprehensive income less depreciation/amortisation expenses previously funded through revenue appropriations¹	4,426,575	11,340,509
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	(271,140)	–
Total comprehensive income – as per the Statement of Comprehensive Income	4,155,435	11,340,509

Footnote:

1. From 2010–11, the Government introduced net cash appropriation arrangements, where revenue appropriations for depreciation/amortisation expenses ceased. Entities now receive a separate capital budget provided through equity appropriations. Capital budgets are to be appropriated in the period when cash payment for capital expenditure is required.

APPENDICES

Appendix A: Further information

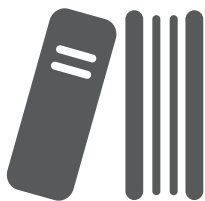
Appendix B: Resource statement and expenses by outcome

Appendix C: Acronyms and abbreviations

Appendix D: Glossary

Appendix E: Compliance index

Appendix F: Index



Appendix A: Further information

Freedom of Information

The *Freedom of Information Act 1982* (FOI Act) promotes disclosure of government information and expressly recognises that public access to government information is to be provided promptly and at the lowest reasonable cost.

The Information Publication Scheme (IPS) was established by Part II of the FOI Act with effect from 1 May 2011. This requirement has replaced the previous requirement for agencies to publish a Section 8 statement in their annual report.

Our Information Publication Scheme is available on our website at www.ihpa.gov.au. This includes information about the type of documents we hold and our FOI procedures, facilities and contact details.

More information about the classes of personal information we hold is available at the Office of the Australian Information Commissioner website at www.privacy.gov.au.

How to lodge an FOI request

If you want to view one or more documents, you must send us a request in writing, by mail, fax or email. You need to include as much detail as possible about the document(s) you want to access. FOI application forms are available on our website. The FOI Act provides that charges may be imposed for processing requests. If access is granted to the documents under the FOI Act, you will be provided with either a copy of the document(s) or the opportunity to inspect them at our Sydney office.

More information

For more information, contact our FOI Officer using the following details:

FOI Officer
Independent Hospital Pricing Authority
PO Box 483
Darlinghurst NSW 1300

Email: FOI_IHPA@ihpa.gov.au
Phone: (02) 8215 1107
Fax: (02) 8215 1111

Ecologically sustainable development and environmental performance

S. 516A of the *Environment Protection and Biodiversity Conservation Act 1999* requires Australian Government organisations to detail their environmental performance and contribution to ecologically sustainable development in their annual reports.

We are committed to the principles of sustainable development and recognise our responsibility to the Australian Government and the wider community to make a contribution to minimise the impact of our operations on the environment.

IHPA has a range of efficiency measures in place to reduce its environmental impact and ensure efficient use of resources, effective waste management and pollution prevention. These include:

- Recycling paper, cardboard and printer cartridges.
- Ensuring equipment such as desktop computers, photocopiers, dishwashers and printers incorporate energy saving features.
- Installing sensors to allow automatic turn-off of lighting in rooms not occupied.
- Providing facilities to allow staff to recycle a range of kitchen and general waste.
- Using teleconferences wherever possible to cut down on travel and minimise our carbon footprint.
- Using flexible working locations and home-based work where appropriate.

In addition, IHPA is actively monitoring the amount of paper it uses and is aiming to progressively reduce its overall paper usage. It is now using 100% recycled paper.

Our decision-making processes effectively integrate long-term and short-term economic, environmental and social considerations, such as, implementing an electronic document records management system to reduce the amount of paper records created and stored.

Advertising and market research

During 2012–13 IHPA conducted the following advertising campaigns:

- Public consultation for *Pricing Framework for Australian Public Hospital Services 2013–14*
- Public consultation for the *Work Program 2013–14*
- Public consultation for *Pricing Framework for Australian Public Hospital Services 2014–15*

The amount paid was as follows:

- Adcorp Australia – \$36,166
- Adcorp Australia – \$22,964
- Adcorp Australia – \$28,907

Further information is available in the reports on Australian Government advertising prepared by the Department of Finance and Deregulation. Those reports are available at www.finance.gov.au/advertising/index/html

Grant programs

IHPA did not administer any grant programs during the period 1 July 2012–30 June 2013.

Legal services expenditure

Details of the legal services expenditure for 2012–13 are provided in Table 12. The statement of legal expenditure is published in accordance with paragraph 11.1 (ba) of the *Legal Services Directions 2005*.

Table 12: Legal services expenditure 2012–13

Legal service	Expenditure (Incl. GST)
Total legal services expenditure	\$178,926.53
Total external legal services expenditure	\$178,926.53
External expenditure on solicitors	\$178,926.53
External expenditure on counsel	–
Other disbursements on external legal services	–
Total internal legal services expenditure	–

Appendix B:

Resource statement and expenses by outcome

IHPA Resource Statement 2012–13

	Actual available appropriation 2012–13 \$'000	Payments made 2012–13 \$'000	Balance remaining 2012–13 \$'000
Ordinary annual services			
Departmental appropriation			
Prior year departmental appropriation ¹	10,998	7,066	3,932
Departmental appropriation ²	14,316	–	14,316
s31 Agency Receipts	3,803	3,801	2
Total^{3,4}	29,117	10,867	18,250
Administered resources			
Outcome 1	12,589	7,418	5,171
Total	12,589	7,418	5,171
Total ordinary annual services	41,706	18,285	23,421
Total available annual appropriations	41,706	18,285	23,421
Total resourcing	41,706	18,285	23,421
Less appropriations drawn from annual or special appropriations above and credited to Special Accounts and/or CAC Act bodies through annual appropriations	–	–	–
Total net resourcing for IHPA	41,706	18,285	23,421

Notes:

All figures are GST exclusive.

1. Opening appropriation carried from previous year \$10.813 million plus opening cash \$0.185 million.
2. Available appropriation includes \$0.2 million in 2012–13 for the Departmental Capital Budget.
3. \$18.250 million represents carry forward Departmental appropriation including closing cash.
4. Includes \$1.556 million that will be returned to the Official Public Account in 2013–14.

Expenses by Outcome 2012–13

Outcome 1: Promote improved efficiency in, and access to, public hospital services primarily through setting efficient national prices and levels of block funding for hospital activities.

	Budget 2012–13 \$'000	Actual Expenses 2012–13 \$'000	Variation 2012–13 \$'000
Program 1.1: Public hospital price determinations			
Administered expenses			
Ordinary annual services (Appropriation Bill No. 1) ¹	12,589	7,418	5,171
Departmental expenses			
Departmental appropriation ²	14,694	14,782	(88)
Expenses not requiring appropriation in the budget year ³	290	321	(31)
Operating deficit (surplus)	(2,790)	(4,476)	1,686
Total for Program 1.1	24,783	18,045	6,738
Total expenses for Outcome 1	24,783	18,045	6,738
	2011-12	2012-13	
Average staffing level (number)⁴	30	52	

1. \$1.671 million Administered appropriation will lapse 1 July 2013.
2. Departmental appropriation combines 'Ordinary annual services (Appropriation Bill No 1)' and 'Revenue from independent sources (s31)'.
3. Expenses not requiring appropriation in the Budget year is made up of depreciation expense, amortisation expense, makegood expense and audit fees.
4. 2011–12 staffing numbers reported at 30 June Actual.

Appendix C: Acronyms and abbreviations

Term	Description
ABF	Activity Based Funding
ACSQHC	Australian Commission on Safety and Quality in Health Care
Act (the)	<i>National Health Reform Act 2011</i>
ANAO	Australian National Audit Office
AIHW	Australian Institute for Health and Welfare
APC	Admitted Patient Care
APS	Australian Public Service
APSC	Australian Public Service Commission
AR-DRG	Australian Refined Diagnosis Related Group
ASGC-RA	Australian Standard Geographical Classification – Remoteness Areas system
CAC	Clinical Advisory Committee
CEO	Chief Executive Officer
COAG	Council of Australian Governments
CFO	Chief Financial Officer
CSO	Community Service Obligations
DoHA	Department of Health and Ageing
DSS	Data Set Specification
ED	Emergency Department
EL	Executive Level
ES	Emergency Services
HOPO	Holder of Public Office
ICD-10-AM	International Statistical Classification of Diseases and Related Health Problems, Tenth Revision, Australian Modification

Term	Description
ICT	Information and Communication Technology
IHPA	Independent Hospital Pricing Authority
JAC	Jurisdictional Advisory Committee
LHN	Local Hospital Network
NAP	Non-admitted Patient
NEP	National Efficient Price
NHCDC	National Hospital Cost Data Collection
NHFB	National Health Funding Body
NHPA	National Health Performance Authority
NHRA	National Health Reform Agreement (2011)
NMDS	National Minimum Data Sets
NWAU	National Weighted Activity Unit
PBS	Portfolio Budget Statements
PHED	Public Hospital Establishment Data
PICU	Paediatric Intensive Care Unit
SCoH	Standing Council on Health
SES	Senior Executive Service
TAC	Technical Advisory Committee
TTR	Teaching, Training and Research
UDG	Urgency Disposition Groups
URG	Urgency Related Groups
WHS	Work, Health and Safety

Appendix D: Glossary

Activity Based Funding means an activity comprising in-scope public hospital services which will be funded by the Australian Government in the 2012–13 financial year in the manner described at clause A32.c of the National Health Reform Agreement 2011. An ABF Activity may take the form of a separation, presentation or service event

Adjustment means an amount added to, or subtracted from a Price Weight, in recognition of legitimate and unavoidable variations in the cost of service delivery.

Agreement means the National Health Reform Agreement (NHRA) between the Australian Government and state and territory governments, dated 2 August 2011.

www.yourhealth.gov.au/internet/yourhealth/publishing.nsf/Content/nhra-justreleased

AR-DRG refers to a group within the classification system known as Australian Refined Diagnostic Related Groups version 6.x (also known as AR-DRG V6.x).

ASGC-RA means the Australian Standard Geographical Classification – Remoteness Areas system, developed by the ABS (ABS publication 1216.0).

Block funding refers to a way of funding hospitals that is not tied to outputs.

Carer Recognition Act 2010 is an Act to provide for the recognition of carers, and for related purposes.

www.comlaw.gov.au/Details/C2010A00123

Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act) is the Australian Government’s central piece of environmental legislation. It provides a legal framework to protect and manage nationally and internationally important flora, fauna, ecological communities and heritage places—defined in the EPBC Act as matters of national environmental significance.

www.environment.gov.au/epbc/

Emergency Department Service means the provision of care to a person by an Emergency Department.

Financial Management and Accountability Act 1997 (FMA Act) provides the framework for the proper management of public money and public property by the Executive arm of the Australian Government. Public money and public property is defined in the Act as money and property in the custody or control of the Australian Government.

www.finance.gov.au/financial-framework/fma-legislation/fma-act.html

Freedom of Information Act 1982 gives members of the public rights of access to official documents of the Australian Government and of its agencies.

www.comlaw.gov.au/Series/C2004A02562

Health and Safety Act 2011 is an Act relating to work health and safety, and for related purposes.

www.comlaw.gov.au/Details/C2011A00137

Metadata is often called ‘data about data’. More precisely, it is the underlying definition or structured description of the content, quality, condition or other characteristics of data.

National Efficient Price means the price that IHPA has determined as the price that will be paid for a NWAU.

National Health Reform Act 2011 an Act relating to National Health Reform based on the National Health Reform Agreement.

www.comlaw.gov.au/Details/C2011C00952

National Weighted Activity Unit is the unit of measure in the national ABF system. It allows activity across different setting to be compared on the basis of resource use.

Outer Regional means an area that is classified as Outer Regional Australia under the ASGC-RA.

Public Service Act 1999 is the principal Act governing the establishment and operation of, and employment in, the Australian Public Service.

www.comlaw.gov.au/Series/C2004A00538

Price Weight means the weight assigned to an ABF Activity.

Remote means an area that is classified as remote Australia under ASGC-RA.

Remoteness Area Adjustment means the Outer Regional Adjustment, the Remote Area Adjustment and the Very Remote Area Adjustment.

State means the State of New South Wales, the State of Victoria, the State of Queensland, the State of Western Australia, the State of South Australia, the State of Tasmania, the Australian Capital Territory and the Northern Territory of Australia, as applicable.

Tier 2 is the classification system for non-admitted patients that IHPA is currently using.

Triage is a process of assessment of a patient on arrival to the emergency department to determine the priority for medical care based on the clinical urgency of the patient's presenting condition. Triage enables allocation of limited resources to obtain the maximum clinical utility for all patients presenting to the emergency department.

UDG refers to a group within the classification system known as Urgency Disposition Groups. It classifies a patient attending the emergency department based on the combination of triage and disposition. Refer to Appendix B, table 2 of the National Efficient Price Determination 2012–13 for a full list of UDGs.

[www.iHPA.gov.au/internet/iHPA/publishing.nsf/Content/NEP-determ-12-13/\\$File/NEPDetermination2012-2013.pdf](http://www.iHPA.gov.au/internet/iHPA/publishing.nsf/Content/NEP-determ-12-13/$File/NEPDetermination2012-2013.pdf)

URG refers to a group within the classification system known as Urgency Related Groups. It is applied across disposition categories (admitted and non-admitted). Refer to Appendix B, table 3 of the National Efficient Price Determination 2012/13 for a full list of the UDGs.

[www.iHPA.gov.au/internet/iHPA/publishing.nsf/Content/NEP-determ-12-13/\\$File/NEPDetermination2012-2013.pdf](http://www.iHPA.gov.au/internet/iHPA/publishing.nsf/Content/NEP-determ-12-13/$File/NEPDetermination2012-2013.pdf)

Appendix E: Compliance index

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	Organisational structure	Mandatory	13–14
	Outcome and program structure	Mandatory	31–38
	Where outcome and program structures differ from PB Statements/ PAES or other portfolio statements accompanying any other additional appropriation bills (other portfolio statements), details of variation and reasons for change	Mandatory	n/a
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	Where performance targets differ from the PBS/PAES, details of both former and new targets, and reasons for the change	Mandatory	n/a
	Narrative discussion and analysis of performance	Mandatory	31–38, 52
	Trend information	Mandatory	n/a
	Significant changes in nature of principal functions/ services	Suggested	n/a
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	Social inclusion outcomes	If applicable, mandatory	n/a
	Performance against service charter customer service standards, complaints data, and the department’s response to complaints	If applicable, mandatory	n/a
	Discussion and analysis of the department’s financial performance	Mandatory	52–99
	Discussion of any significant changes from the prior year, from budget or anticipated to have a significant impact on future operations.	Mandatory	n/a
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Consultants	The annual report must include a summary statement detailing the number of new consultancy services contracts let during the year; the total actual expenditure on all new consultancy contracts let during the year (inclusive of GST); the number of ongoing consultancy contracts that were active in the reporting year; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST). The annual report must include a statement noting that information on contracts and consultancies is available through the AusTender website.	Mandatory	44
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