



IHPA

Independent Hospital Pricing Authority

# ANNUAL REPORT 2014-15

## 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 2014 – 30 June 2015.

This report provides Members of Parliament and Senators with an accurate description of IHPA's activities during the financial year 2014–15. The report also provides a valuable resource of information for IHPA's stakeholders including the general public.

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### Independent Hospital Pricing Authority Annual Report 2014–15

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# PREFACE

The Independent Hospital Pricing Authority (IHPA) Annual Report 2014–15 starts with a letter from IHPA’s Acting Chief Executive Officer (CEO), James Downie, to the Minister for Health, asking the Minister to present the Annual Report to Parliament.

**Page 4: 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.

**Page 11: 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 2014–15 as well as looking forward to what IHPA plans to achieve next year.

**Page 29: 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.

**Page 36: 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 2014–15. This section also provides some key highlights of IHPA’s work during 2014–15.

**Page 47: 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.

**Page 63: Chapter 5: Financial management**—a discussion and analysis of IHPA’s financial performance, the independent auditor’s report, a signed statement by the CEO and Chief Financial Officer and a complete set of financial statements for IHPA from 1 July 2014 – 30 June 2015.

**Page 104: 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



The Hon. Sussan Ley, MP  
Minister for Health  
Parliament House  
Canberra ACT 2600

Dear Minister,

In accordance with the requirements of the *National Health Reform Act 2011* and the *Public Governance, Performance and Accountability Act 2013*, 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 2015.

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 the *Public Governance, Performance and Accountability Act 2013*.

Yours sincerely,



**James Downie**  
Acting Chief Executive Officer  
Independent Hospital Pricing Authority  
2 October 2015

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# INTRODUCTION

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## BACKGROUND

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

The NHRA sets out the intention of the Australian Government and state and territory governments to work in partnership to improve health outcomes for all Australians.

A key component of the NHRA was the introduction of Activity Based Funding (ABF) as a methodology for funding public hospital services throughout Australia. IHPA was formed to deliver a number of the key decisions that underpinned the establishment of ABF across Australia.

ABF aims to improve transparency of public hospital funding and strengthen incentives for efficiency in the delivery of public hospital services across Australia.

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.

In accordance with s. 210 of the *National Health Reform Act 2011* (the Act) 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. This report also includes the Clinical Advisory Committee's Annual Report for 2014–15.

## ABOUT IHPA

The Independent Hospital Pricing Authority (IHPA) was established in 2011 under the *National Health Reform Act 2011* (the Act).

IHPA is governed by the Pricing Authority which is made up of eight members who bring various skills, including experience in both health care needs and the provision of health care for people living in regional and rural areas.

The Pricing Authority is responsible for the 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). The Chair of the Pricing Authority reports directly to the Minister for Health. As outlined in the Act, the Minister is unable to direct the Determinations by the Pricing Authority on matters related to the Determination of the National Efficient Price (NEP) and National Efficient Cost (NEC).

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

IHPA's key role is to determine the 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 for services that are not suitable for Activity Based Funding (ABF), such as small rural hospitals.

To achieve its Work Program IHPA works in collaboration with all jurisdictions, advisory committees, key stakeholders and the public. Consultation is central to the development of IHPA's work, including the annual development the *Pricing Framework for Australian Public Hospital Services* which outlines the policy intentions for the NEP and NEC.

IHPA balances a range of national policy objectives, guided by a set of principles contained in the National Health Reform Agreement (NHRA) 2011. This includes IHPA 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 facilitate a strong national framework for the delivery of public hospital services.

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



## IHPA'S VISION, MISSION AND VALUES

IHPA values the work, talent and contribution of its people. Organisation-wide development strategies to maintain and grow discipline have been developed to harness this expertise and intellectual capital. An atmosphere of open communication and the welcoming of ideas are encouraged to inspire innovative thinking. IHPA's people demonstrate a strong team ethic and collaborative culture.

### 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).

### MISSION

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

### VALUES

To 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.

## WHAT HAS BEEN ACHIEVED

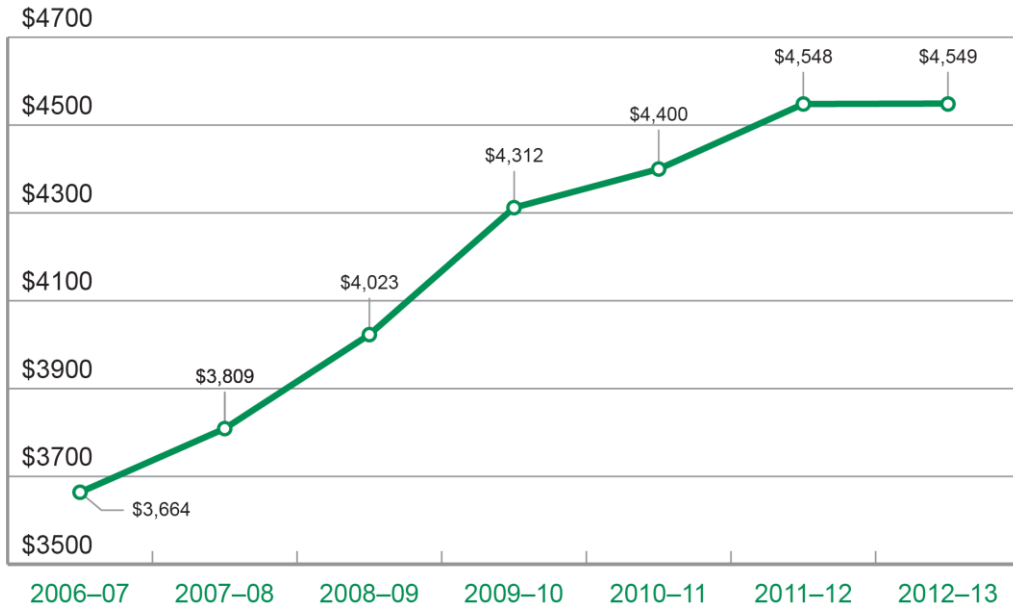
Since establishment, IHPA has been charged with introducing Activity Based Funding (ABF) for public hospital services nationally. ABF is used to determine the Australian Government's funding contribution to Local Hospital Networks. IHPA does this through the annual determination of the National Efficient Price (NEP).

IHPA has released four NEP Determinations for public hospital services. The NEP represents the average cost of a National Weighted Activity Unit (NWAU).

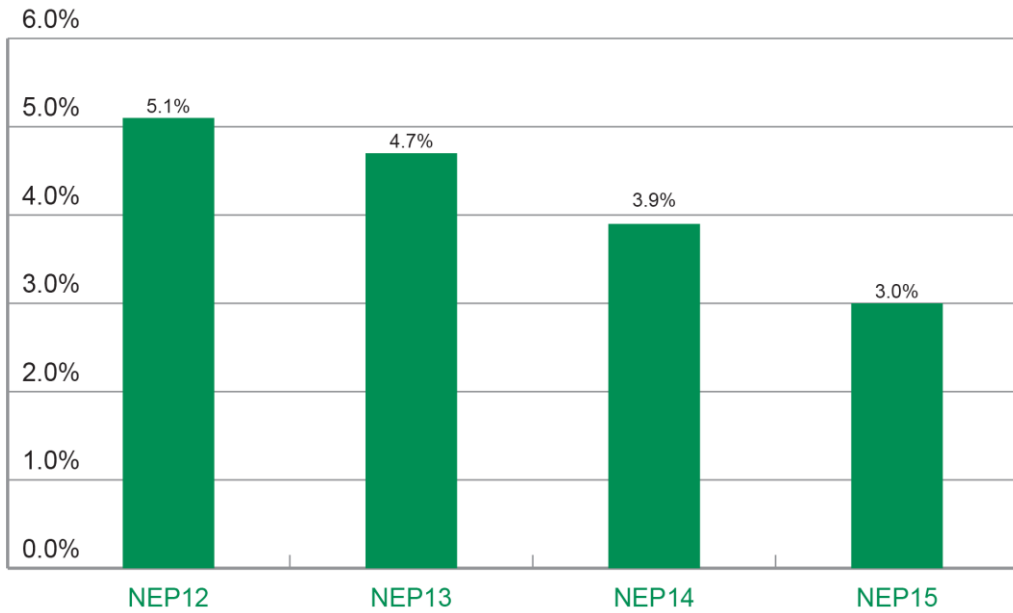
Since the introduction of the NEP, the growth in public hospital costs, as calculated by the cost per NWAU, has slowed. This has had a direct impact on the calculation of the NEP. It is also reflected in the year-on-year decrease in the NEP indexation rate.

The slower than expected growth in the NEP, combined with lower than expected activity growth, resulted in a decrease of \$941 million for public hospital expenditure in the Australian Government's *Mid-year Economic and Fiscal Outlook 2014–15* over the forward estimates period.

### DECREASED GROWTH IN COSTS PER NWAU



### DECREASING NEP INDEXATION RATE



## NEP AND NEC DETERMINATIONS 2015–16

In 2014–15 IHPA released the NEP and NEC Determinations for 2015–16.

The NEP for 2015–16 is \$4,971 per NWAU. An NWAU is a unit of measure that allows hospital activity across a range of settings to be compared.

Examples of costs of procedures:

- A tonsillectomy has a weight of 0.7066 NWAU which equates to \$3,513.
- A hip replacement (without complications) has a weight of 4.0591 NWAU which equates to \$20,178.

The NEC for 2015–16 is \$4.784 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: NEP and NEC Determinations**

	2012–13	2013–14	2014–15	2015–16
<b>NEP Determination</b>	\$4,808	\$4,993	\$5,007	\$4,971
<b>Back-cast NEP Determination</b>	N/A	\$4,819	\$4,826	N/A
<b>NEC Determination</b>	N/A	\$4.738 million	\$5.725 million	\$4.784 million

The NEP for 2013–14 and 2014–15 were back-cast using more up to date cost data that was not available when the price was first calculated. This is in accordance with the National Health Reform Agreement (clause A40).

Chapter 1  
**OVERVIEW**

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## CHAIR'S WELCOME

I am delighted to present the Independent Hospital Pricing Authority's (IHPA's) Annual Report for 2014-15.

This year IHPA has continued to embed Activity Based Funding (ABF) at a national level to further improve the transparency, efficiency and benchmarking opportunities that ABF presents to the Australian health care system.

In 2014-15 IHPA delivered its fourth round of pricing for Australian public hospital services through the National Efficient Price (NEP) and the National Efficient Cost (NEC) Determinations which directly determine the Australian Government's funding for public hospital services throughout Australia.

Working in partnership with all jurisdictions and a wide range of stakeholders ensured that IHPA's Work Program for 2014-15 was successfully delivered.

Our achievements this year included a costing study on mental health care services to further progress the development of a national classification for mental health care. Further improvements to the National Hospital Cost Data Collection (NHCCDC) were also achieved in the past year with the help of the NHCCDC Advisory Committee.

The Pricing Authority was pleased to witness another successful Activity Based Funding Conference for approximately 400 delegates. The conference held in Adelaide demonstrated the work that has been done across the country at all levels to embed ABF as a tool for management rather than purely funding.

I would like to thank my fellow members of the Pricing Authority for their expertise and vision which has guided IHPA over the past financial year.

I would also like to extend my thanks to James Downie, Acting Chief Executive Officer and his staff for their hard work to deliver IHPA's Work Program at such a high standard in 2014-15. Without this expertise the achievements outlined in this report would not have been possible.

Finally, I would also like to recognise IHPA's former Chief Executive Officer, Dr Tony Sherbon, for his leadership for the past four years. Dr Sherbon delivered a number of key achievements including four annual Determinations of the National Efficient Price and has left the agency in a strong position to further deliver on its obligations under the *National Health Reform Act 2011*.

I am proud of the achievements outlined in this report and look forward to chairing the Pricing Authority in 2015-16 as we continue to work towards improving the Australian health care system.



**Shane Solomon**  
Pricing Authority Chair  
2 October 2015



## CHIEF EXECUTIVE OFFICER'S YEAR IN REVIEW

I am pleased to report on the Independent Hospital Pricing Authority's achievements in 2014–15.

It has been an exciting year of work for IHPA as we have witnessed Activity Based Funding (ABF) become further entrenched within the national health care system.

During 2014–15 IHPA consulted widely with jurisdictions, key stakeholders and the public to finalise the *Pricing Framework for Australian Public Hospital Services*. Pricing Framework provides the methodology that guides IHPA's annual pricing process.

IHPA recognises the importance of its relationships with jurisdictions and key stakeholders. In 2014–15, IHPA developed these relationships further via ongoing consultation and its advisory committees to help guide IHPA's Work Program. Our stakeholders are critical to the success and national acceptance of IHPA's work and I would like to thank them for their assistance this past year.

In February 2015, IHPA released the National Efficient Price (NEP) and National Efficient Cost (NEC) Determinations for 2015–16.

This year IHPA completed a costing study for mental health care services and further progressed the work towards the Australian Mental Health Care Classification as guided by the newly established Mental Health Care Expert Reference Group. This group includes mental health professionals and experts in classification development.

Another notable achievement was commencing the costing study for Teaching, Training and Research (TTR). This study aims to define TTR and identify associated cost drivers for ABF purposes.

I would like to thank the Pricing Authority for their continued expertise and vision and the Clinical Advisory Committee who provide a vital perspective to ensure that decisions are made incorporating clinical expertise.

Finally, I would like to extend my thanks to the highly skilled experts at IHPA for the high standard of work they have produced over the past year. Every section across the business has demonstrated professionalism and a strong work ethic.

I look forward to another successful year ahead as IHPA continues to help improve the transparency and efficiency of the Australian health care system.



A handwritten signature in black ink, appearing to read 'James Downie'. The signature is stylized with a large loop at the beginning and a long horizontal stroke extending to the right.

**James Downie**  
Acting Chief Executive Officer  
Independent Hospital Pricing Authority  
2 October 2015

## HIGHLIGHTS AND ACHIEVEMENTS

### **PUBLISHED**

Updated *Pricing Framework for Australian Public Hospital Services 2015–16*.

Annual update to the *Three Year Data Plan 2015–16 – 2017–18*.

### **DETERMINED**

National Efficient Price (NEP) and National Efficient Cost (NEC) for 2015–16.

### **DEVELOPED**

National pricing models in consultation with stakeholders.

### **COLLECTED**

National Hospital Cost Data Collection (NHCDC) Round 17 in public and private hospitals. The NHCDC is a primary input into the National Efficient Price (NEP) Determination.

### **REVIEWED**

Tier 2 non-admitted services classification publishing updates to the *Non-admitted Services Definition Manual* and *Non-admitted Services Compendium*.

Australian National Subacute and Non-Acute Patient (AN-SNAP) classification resulting in the development of the fourth version of AN-SNAP.

### **COMPLETED**

Coding of non-admitted data obtained from the *National Non-Admitted and Subacute Costing Study*.

Australian Refined Diagnosis Related Groups (AR-DRG) version 8.0 and International Statistical Classification of Diseases and Related Health Problems, 10th Revision, Australian Modification (ICD-10-AM) Ninth edition.

A mental health care costing study to inform the development of the Australian Mental Health Care Classification.

### **PROVIDED**

Advice to the COAG Health Council on the feasibility of transitioning funding for teaching, training and research to ABF or other appropriate arrangements.

### **DELIVERED**

Activity Based Funding Conference 2015 for approximately 400 delegates in Adelaide.



## LOOKING AHEAD

- Publication of the *Pricing Framework for Australian Public Hospital Services 2016–17*.
- The National Efficient Price and National Efficient Cost Determinations for 2016-17.
- Australian Mental Health Care Classification (AMHCC) version 1.0 released and the pilot project for the AMHCC completed in preparation for future national implementation.
- Development of initiatives to improve the robustness of the National Hospital Cost Data Collection (NHCCDC) and develop version 4.0 of the *Australian Hospital Patient Costing Standards*.
- Publication of the NHCCDC Round 17 cost report for public hospitals and private hospitals.
- Completion of the Annual review of the Tier 2 non-admitted services classification. Commencement of the development of the new Australian Non-admitted Care Classification (ANACC).
- Commencement of the development and refinement of the Australian Refined Diagnosis Related Group (AR-DRG) version 9.0 and International Statistical Classification of Diseases and Related Health Problems, Tenth Revision, Australian Modification (ICD-10-AM) 10th edition for admitted acute care.
- Completion of work on the Teaching, Training and Research (TTR) costing study to inform the development of a TTR classification.
- Commence the development of a new emergency care classification system including undertaking a targeted costing study to inform classification and data development.
- Continue to support the development of the subacute care classification focusing on the development of an improved classification for Geriatric Evaluation Management (GEM) services.
- Hosting the 2016 Activity Based Funding Conference in Brisbane.

## WHAT IS ACTIVITY BASED FUNDING?

Activity Based Funding (ABF) is a way of funding public hospital services. ABF allows for the number and mix of patients to determine funding. If a hospital has more activity, it receives more funding. ABF also has the ability to take into account a patient that is more complicated to treat than others.

ABF aims to improve transparency across the health care system and the sustainability and efficiency of public hospital services.

The building blocks required for an ABF system are:

### **CLASSIFICATION**

Classifications aim to provide the health care sector with a nationally consistent method of classifying all types of patients, their treatment and associated costs in order to provide better management, measurement and funding of high quality and efficient health care services.

### **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.

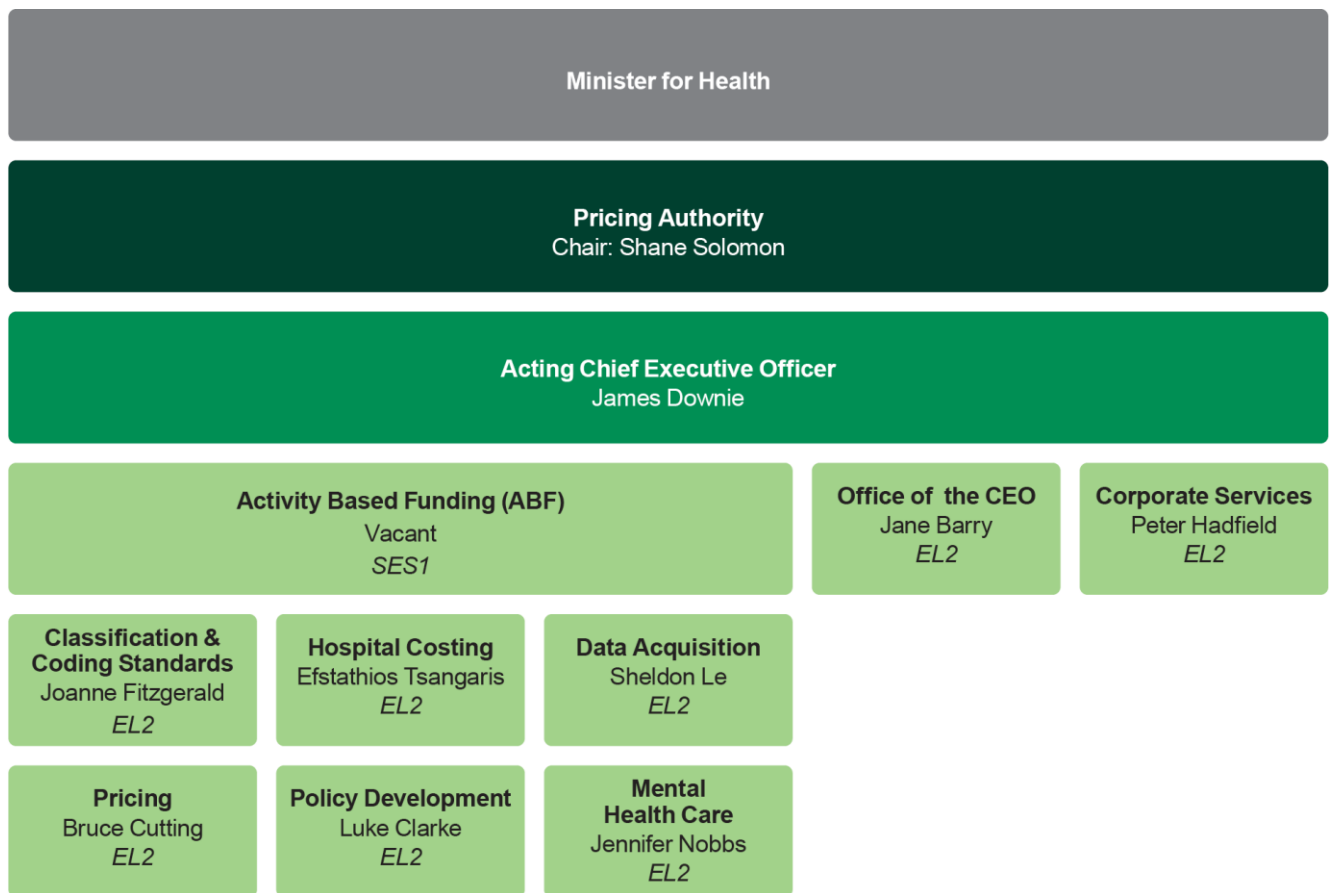
### **PRICING**

The pricing model determines how much is paid for an average patient. The pricing model needs to adequately recognise 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.

# ORGANISATIONAL STRUCTURE

The Chief Executive Officer (CEO) of the Independent Hospital Pricing Authority (IHPA) is a statutory office holder and reports to the Pricing Authority, which reports to the Minister for Health.

**Figure 1: IHPA's organisational structure at 30 June 2015**



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

## **ACTIVITY BASED FUNDING**

IHPA's Activity Based Funding (ABF) branch has six teams led by an Executive Director who is responsible for establishing and maintaining the infrastructure and systems required enabling the delivery of IHPA's Work Program.

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.

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

NHCDC data is also available to researchers in accordance with s. 221 of the *National Health Reform Act 2011*.

### **3. Classification and Coding Standards**

The Classification and Coding Standards team works with clinical, technical and jurisdictional 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 five work streams, in addition to providing input to mental health care.

- Admitted acute
- Non-admitted
- Subacute and non-acute
- Emergency
- Teaching, Training and Research.

The team is responsible for the 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. Pricing**

The Pricing team develops the statistical 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*.

#### **5. Mental Health Care**

The Mental Health Care team works with key stakeholders, largely through IHPA's Mental Health Working Group to develop a new national classification for mental health care to enable ABF for mental health care services.

#### **6. Policy Development**

The team develops ABF policy across IHPA including matters relating to the *Pricing Framework for Australian Public Hospital Services*, the NEP Determination and the NEC Determination.

### **OFFICE OF THE CEO**

The 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, media, stakeholder engagement and website management.

### **CORPORATE SERVICES**

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

### **DISPUTE RESOLUTION**

IHPA did not receive any dispute resolution referrals from health ministers this financial year; therefore plans to develop the role remain on hold.

## 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, with one position currently not filled.

The Pricing Authority are appointed for a period not greater than five years. The Chair is selected and appointed by the Australian Government Minister for Health; the Deputy Chair is appointed with the agreement of first Ministers of all states and territories and the remaining 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.

### MEMBERS OF THE PRICING AUTHORITY 2014–15

- Mr Shane Solomon (Chair)
- Mr Jim Birch, AM (Deputy Chair)
- Mr Glenn Appleyard
- Dr Michael Walsh
- Mr Alan Bansemer
- A/Prof. Bruce Chater, OAM
- Mr Alan Morris
- Prof. Jane Hall.

The Pricing Authority met on 11 occasions between 1 July 2014 and 30 June 2015:

- 17 July 2014
- 22 August 2014
- 18 September 2014
- 30 October 2014
- 20 November 2014
- 19 February 2015
- 19 March 2015
- 23 April 2015
- 21 May 2015
- 18 June 2015
- 30 June 2015.

**Table 2: Pricing Authority meetings and attendances 2014–15**

<b>Member</b>	<b>Meetings eligible</b>	<b>Meetings attended</b>
Shane Solomon (Chair)	11	10
Jim Birch (Deputy Chair)	11	7
Glenn Appleyard	11	11
Alan Morris	11	8
Alan Bansemer	11	10
A/Prof. Bruce Chater, OAM	11	11
Prof. Jane Hall	11	8
Michael Walsh	11	10

**THE PRICING AUTHORITY 2014–15**

Back row, left to right: Mr Glenn Appleyard, Mr Jim Birch, AM (Deputy Chair), Dr Michael Walsh, Mr Alan Bansemer, Associate Professor Bruce Chater, OAM.

Front row, left to right: Mr Alan Morris, Professor Jane Hall, Mr Shane Solomon (Chair).

### **Mr Shane Solomon (Chair)**

Shane Solomon has over 30 years of international and national healthcare management expertise. In 2014, 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 and state government financial relations. He 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, Banscott 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**

Professor 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.

### Dr Michael Walsh

Michael is Chief Executive of Cabrini Health, a private not for profit Catholic health service in Melbourne, Australia. He was recruited from Doha, Qatar where he was Chief Executive of the National Health Authority. Prior to this he worked in London, England as Chief Executive, South East London Strategic Health Authority. Michael has held a range of senior hospital and health department positions in Victoria and Western Australia. He is Vice President of the Royal Australasian College of Medical Administration, a Fellow of Australasian College of Health Service Management. Michael has over 25 years' experience in health service policy and management in both public and private sectors.

## 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.

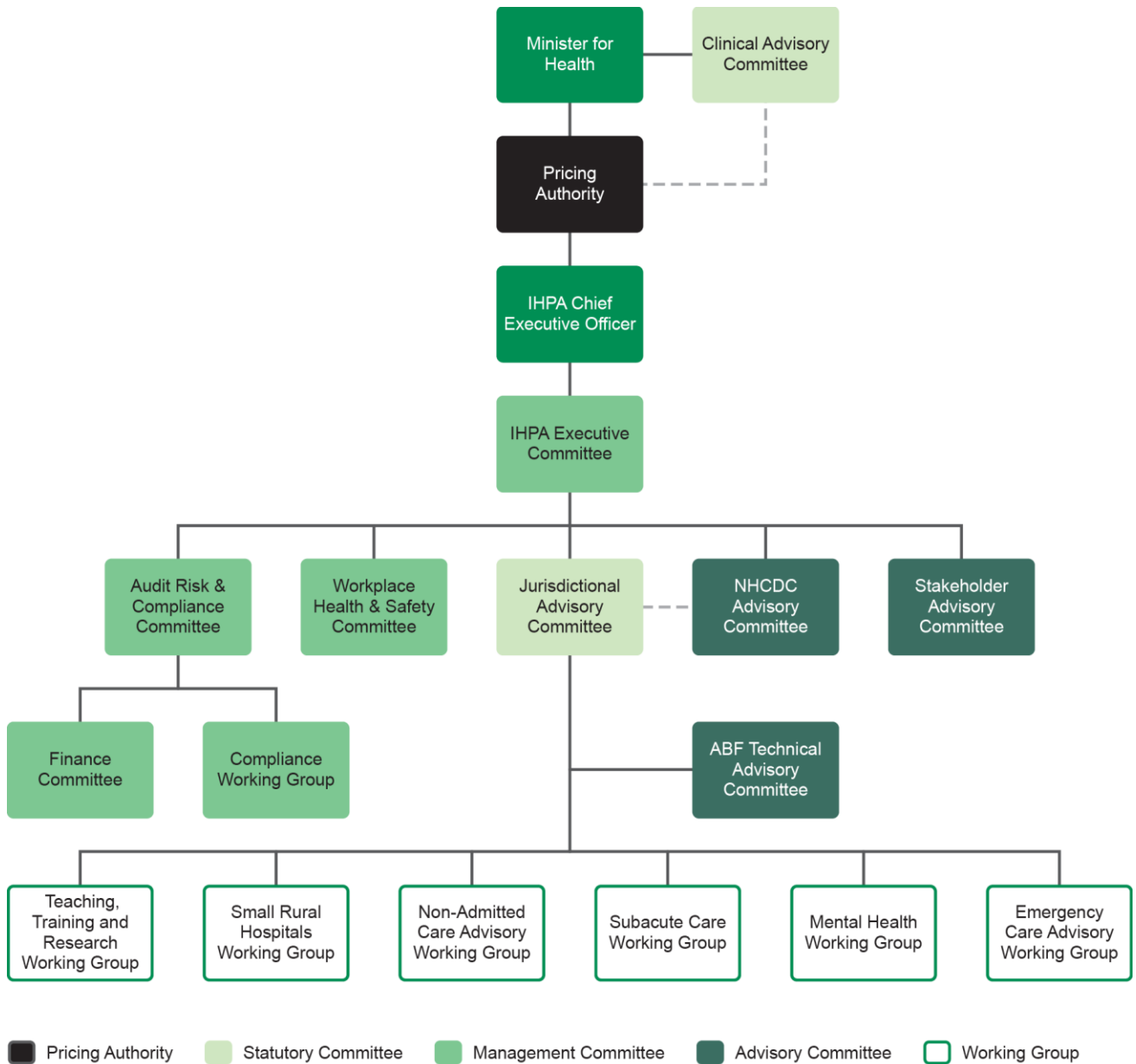
IHPA's statutory committees comprise the Clinical Advisory Committee (CAC) and the Jurisdictional Advisory Committee (JAC) which have been established pursuant to part 4.10 and 4.11 of the *National Health Reform Act 2011* to assist IHPA in performing its functions.

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
- 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
- ABF Evaluation Steering Committee
- National Hospital Cost Data Collection (NHCDC) Advisory Committee.

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. Some committees and working groups may also have sub-committees to assist in the delivery of IHPA's work program. All committees and working groups have a 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 Australian Government Minister for Health in June 2012, with two further appointments made in 2014–15. At 30 June 2015, the CAC consisted of 27 members.

As specified in s. 193 of the *National Health Reform Act 2011 (the Act)*, 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 jurisdiction.

The JAC met on nine occasions between 1 July 2014 and 30 June 2015:

- 28 July 2014
- 28 Aug 2014
- 30 September 2014
- 31 October 2014
- 12 December 2014
- 3 February 2015
- 3 March 2015
- 5 May 2015
- 2 June 2015.

### Current JAC members

- Mr James Downie, Chair
- Ms Janet Anderson\*
- Mr Nick Steele
- Ms Frances Diver
- Mr Michael Pervan
- Ms Allison Grierson\*
- Mr Beress Brooks
- Mr Jamin Woolcock\*
- Ms Elizabeth Koff\*.

\*There were several JAC membership changes during the period 1 July 2014 to 30 June 2015. The NT, WA, NSW, ACT and SA advised IHPA of changes to JAC membership by written instrument throughout this period. IHPA's Acting CEO Mr James Downie, became Chair of JAC from 1 June 2015.

### Previous members during this period

- Dr Dorothy Jones
- Kym Piper
- Dr Rohan Hammett
- Stephen Goggs.

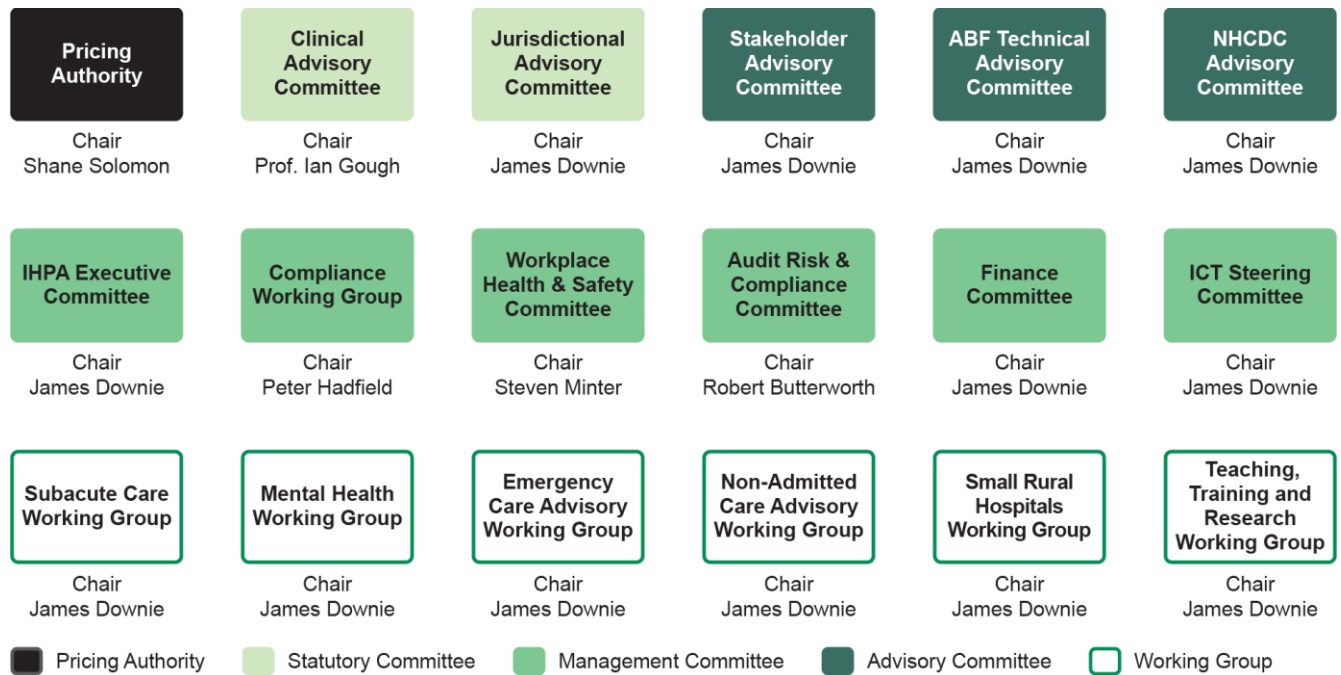
**Table 3: JAC meetings 2014–15**

<b>Members</b>	<b>Meetings attended</b>
IHPA	9
Australian Government	4
NSW	5
SA	6
QLD	8
WA	6
Vic	6
NT	6
Tas	2
ACT	6

**Table 4: Other committee and working group meetings 2014–15**

<b>Committee</b>	<b>Meetings held up to 30 June</b>
Activity Based Funding Technical Advisory Committee	6
Activity Based Funding Evaluation Steering Committee	4
Stakeholder Advisory Committee	4
Teaching, Training and Research Working Group	5
Small Rural Hospitals Working Group	5
Non-admitted Care Advisory Working Group	6
Subacute Care Working Group	5
Mental Health Working Group	6
Emergency Care Advisory Working Group	4
National Hospital Cost Data Collection Advisory Committee	6

**Figure 3: Committee chairs**



### 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.

Chapter 2

**CLINICAL  
ADVISORY  
COMMITTEE  
ANNUAL  
REPORT**

## LETTER FROM THE CHAIR

I am pleased to report on the Clinical Advisory Committee's (CAC's) achievements during 2014–15.

The CAC was established in 2011 as part of the National Health Reform Agreement to offer the Independent Hospital Pricing Authority (IHPA) strategic clinical advice to help guide its work program.

Through its establishment the CAC has provided essential support to IHPA's work via the clinical expertise of its members who assist IHPA with resolving clinical matters as they arise.

In 2014–15 members were involved with the development of the *Pricing Framework for Australian Public Hospital Services 2015–16* which informed the National Efficient Price and National Efficient Cost Determinations for 2015–16.

In addition to the CAC's work on the revision and development of existing classification systems, this year the CAC played a key role in the ground-breaking work to establish national classification systems for mental health care and teaching and training.

Other achievements highlighted in this chapter include the assessment of new technologies and their impact on the pricing model, continuing work on national costing standards and pricing for safety and quality.

I would like to thank my fellow CAC members for their contribution to the work outlined within this chapter. I would also like to recognise the members of IHPA's Pricing Authority and its staff who have once again delivered a successful work program in 2014–15.

I look forward to continuing IHPA's work to drive transparency across the health system to help achieve better health outcomes for all Australians.



**Professor Ian Gough**  
Clinical Advisory Committee Chair  
2 October 2015





## ABOUT THE CLINICAL ADVISORY COMMITTEE

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.*

The CAC is a key component of the National Health Reform Agreement and the *National Health Reform Act 2011*. The CAC was established to ensure that clinicians had input in the development of a national Activity Based Funding system through the provision of timely and quality clinical advice to inform Pricing Authority decision making.

The 27 members of the CAC were 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. Appointments are based on individual expertise rather than as a representative of an organisation, peak body or jurisdiction. Remuneration is determined by the Remuneration Tribunal.

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

## MEMBERSHIP OF THE CLINICAL ADVISORY COMMITTEE

The 27 members of the CAC met four times in 2014–15.

**Table 5: Membership of the Clinical Advisory Committee**

<b>Name</b>	<b>Position</b>	<b>Specialty</b>	<b>Meetings eligible</b>	<b>Meetings attended</b>
<b>Prof. Ian Gough</b>	Chair	Endocrinology/Surgery	4	4
<b>Dr Alasdair MacDonald</b>	Deputy Chair	Internal Medicine	4	4
<b>Prof. Gerard Carroll</b>	Member	Cardiology/Rural	4	4
<b>Prof. Peter Macdonald</b>	Member	Transplantation	4	1
<b>A/Prof. Paul Varghese</b>	Member	Geriatrics/Rehabilitation	4	4
<b>Dr Bernard Whitfield</b>	Member	Ear Nose and Throat Surgery/Injuries/Trauma	4	3
<b>Prof. John Turnidge</b>	Member	Infectious Disease	4	1
<b>Dr Philip Hoyle</b>	Member	Administration	4	3
<b>A/Prof. Louis Irving</b>	Member	Respiratory/ Indigenous Health	4	2
<b>A/Prof. Daryl Williams</b>	Member	Anaesthesia and Pain Management	4	2
<b>Prof. Leon Flicker</b>	Member	Geriatrics/Indigenous Health	4	4
<b>W/Prof. Fiona Wood</b>	Member	Burns	4	0
<b>Dr Amanda Ling</b>	Member	Administration	4	2
<b>A/Prof. Liza Heslop</b>	Member	Nursing/Pregnancy and Childbirth	4	3
<b>Mr Graham J Reynolds</b>	Member	Paediatrics	4	1
<b>Prof. Geoff Donnan</b>	Member	Neurology	4	3
<b>Prof. Ray Lowenthal*</b>	Member	Haematologist/Oncologist	3	2
<b>Ms Jan Erven</b>	Member	Occupational Therapist	4	3
<b>Prof. Sally Tracy</b>	Member	Midwife	4	0
<b>Ms Amber Roberts</b>	Member	Pharmacist	4	4

<b>Name</b>	<b>Position</b>	<b>Specialty</b>	<b>Meetings eligible</b>	<b>Meetings attended</b>
<b>Ms Alison McMillan</b>	Member	Chief Nurse	4	3
<b>Dr Ruth Vine</b>	Member	Psychiatrist	4	3
<b>Ms Sue Davis</b>	Member	Nurse	4	3
<b>Ms Julie Connell</b>	Member	Allied Health Manager	4	4
<b>Dr Jo Wright</b>	Member	Rural Medical Practice	4	3
<b>A/Prof. Melinda Truesdale</b>	Member	Emergency Medicine	4	2
<b>Dr Amod Karnik</b>	Member	Intensive Care Medicine	4	2

\*Prof. Ray Lowenthal resigned from the IHPA Clinical Advisory Committee effective 1 April 2015.

## THE YEAR IN REVIEW

In 2014–15 the Clinical Advisory Committee (CAC) supported IHPA's Work Program to deliver the following key achievements:

### CONTRIBUTED

To the development of the *Pricing Framework for Australian Public Hospital Services 2015–16* by providing clinical advice on complex areas such as bundling pricing for care such as dialysis treatments that take place in the home.

### INFORMED

National Efficient Price (NEP) 2015–16 and the National Efficient Cost (NEC) 2015–16 Determinations.

### CONSULTED

On the development of the Australian Mental Health Care Classification and the costing study for Teaching, Training and Research.

### REVIEWED

And commented on the framework for the ABF Evaluation project.

### ADVISED

On the development of the Australian National Subacute and Non-Acute Patient (AN-SNAP) classification version 4.0.

### PROVIDED

Input into the development of Australian Refined Diagnosis Related Group (AR-DRG) version 8.0 and International Statistical Classification of Diseases and Related Health Problems, Tenth Revision, Australian Modification (ICD-10-AM) 10th edition for acute admitted care.

### ASSESSED

Impact of new technology on hospital service delivery for future policy and pricing determinations.

### INVOLVEMENT

In the joint working party with the Australian Commission on Safety and Quality in Health Care to develop indicators between the role of ABF data and quality.

## THE YEAR AHEAD

In the next financial year the CAC will build on its achievements and provide input into the following projects:

- Continue to advise IHPA on its Work Program for 2015–16 by assisting with the development of the *Pricing Framework for Australia Public Hospital Services 2016–17* and IHPA's determination of the NEP and NEC for 2016–17.
- Advise on the further development of national classification systems for Teaching, Training and Research (TTR) and mental health care.
- Evaluate the proposed approach for a new classification system for emergency care services.
- Assist with the development work on International Statistical Classification of Diseases and Related Health Problems, Tenth Revision, Australian Modification (ICD-10-AM) Tenth edition for admitted acute care.
- Continue to assist in the evaluation of the implementation of ABF in Australia.
- Continue to assess the impact of new technology on hospital service delivery on future policy and pricing determinations.
- Investigate options for bundled pricing across care settings for future years.
- Provide clinical advice on IHPA's approach to best practice pricing for hip fracture care in future years.
- Contribute to IHPA's specialist groups including the joint working party Australian Commission on Safety and Quality in Health Care.

Chapter 3

# PERFORMANCE REPORTING

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## 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 2014–15.

The Australian Government requires agencies to measure their performance in terms of outcomes. The outcome expected from IHPA's work in 2014–15 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:

*Improvements to the funding of the public hospital system are necessary to ensure the financial sustainability of public health services into the future. IHPA promotes improved efficiency in, and access to, public hospital services by providing independent advice to the Australian Government and state and territory Governments regarding the efficient cost of health care services, and by 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 NEP and the NEC for public hospital services. This then determines the Commonwealth's contribution to public hospital funding.*

*IHPA is also responsible for developing national classifications for health care and other services used in public hospitals and, as required, resolving disputes on costshifting and cross-border issues and providing advice and reports to the Australian Government and the public.*

*To improve transparency, IHPA publishes an annual Pricing Framework for Australian Public Hospital Services that outlines the principles, criteria and methodology used by IHPA to determine the NEP for services provided by hospitals on an activity basis and the NEC for services that are block funded.*

*From 2017-18 the Australian Government will introduce revised public hospital funding arrangements, to recognise states' and territories' responsibility for managing an efficient public hospital sector.*

*As prescribed in the National Health Reform Act 2011, the Clinical Advisory Committee, the Jurisdictional Advisory Committee and other advisory committees, will continue to advise on matters relating to the functions of IHPA. These committees will ensure that the underlying principles applied to setting the NEP and the NEC 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 and National Efficient Cost for public hospital services.
- Develop national classifications for Activity Based Funding.
- Determine data requirements and data standards.
- Resolve disputes on cost-shifting and cross-border issues.

The full *Portfolio Budget Statement for 2014–15* is available at [http://www.health.gov.au/internet/budget/publishing.nsf/Content/2014-2015\\_Health\\_PBS](http://www.health.gov.au/internet/budget/publishing.nsf/Content/2014-2015_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 AND NATIONAL EFFICIENT COST 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 2014–15, IHPA continued to improve the robustness of the price setting in consultation with stakeholders. This included the further development of the national pricing model to inform the determination of the NEP for the 2015–16 financial year.

Another key achievement has been the improvements to the national cost model for block-funded hospitals, which informed the determination of the National Efficient Cost (NEC) for 2015–16.

Through the consultation processes of the Pricing Framework and stakeholder committees, IHPA further strengthened its policies relating to the NEP and NEC Determinations. This includes the review and update 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 2014–15 IHPA reviewed the *Assessment of Legitimate and Unavoidable Cost Variations Framework* to layout the process which IHPA will follow in assessing submissions from jurisdictions relating to claims of unavoidable cost difference in determining adjustments to the NEP.

## **DEVELOP NATIONAL CLASSIFICATIONS FOR ACTIVITY BASED FUNDING**

Activity Based Funding (ABF) requires robust classification systems to be able to describe the activity undertaken within a hospital. 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 IHPA continued to address the data burden on jurisdictions by working within the current national health data system and using existing data collections where possible.

Work to develop and refine the Australian Refined Diagnosis Related Groups (AR-DRG) version 8.0 and International Statistical Classification of Diseases and Related Health Problems, Tenth Revision, Australian Modification (ICD-10-AM) 9th edition for admitted acute care was completed and approved by the Pricing Authority in November 2014.

The development of AR-DRG version 8.0 included a major review of the existing case complexity process and the development of a new, evidence based methodology for determining case complexity within the classification.

IHPA also licenses the AR-DRG classification system to other countries. As at 30 June 2015, 15 countries in Europe, Asia and the Middle East are licensed for the AR-DRG classification system.

The Tier 2 non-admitted services classification underwent an annual review with updates made to the classification, as well as to the *Non-admitted Services Definition Manual* and *Non-admitted Services Compendium*. A work program has commenced to develop a new non-admitted classification in a staged and manageable fashion. This work program commenced with the completion of the coding of diagnoses and procedure data that was collected as part of the Non-admitted and Subacute Care Costing Study. The coded data from this project will provide an extensive clinical and cost dataset on which to base the future classification.

IHPA has commenced the project to develop a new classification system for emergency care services, which includes undertaking a live costing study to inform classification and data development.

IHPA commenced work on the development of a new mental health care classification system, by undertaking a mental health care costing study. This work has been informed by the key cost drivers associated with the delivery of mental health care.

The Australian National Subacute and Non-Acute Patient (AN-SNAP) Classification underwent a significant review with updates made to all areas of

the classification, resulting in the development of a new version. The fourth version of AN-SNAP is now available on the IHPA website.

In December 2014, IHPA fulfilled its requirement under the National Health Reform Agreement to provide advice to the Council of Australian Governments Health Council (formerly known as the Standing Council on Health) on the feasibility of transitioning funding for Teaching, Training and Research (TTR) to ABF or other appropriate arrangements reflecting the volumes of activities carried out under these functions by no later than 30 June 2018. This advice stated that ABF is feasible for teaching and training and further work should be undertaken before determining the feasibility of ABF for research. IHPA also commenced a TTR costing study at a representative sample of Australian hospitals. The costing study will inform development of a TTR classification and includes six months of prospective activity and cost data collection.

## **DETERMINE DATA REQUIREMENTS AND DATA STANDARDS**

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, every year IHPA revises a rolling Three Year Data Plan to communicate the data requirements, data standards and timelines to the Australian Government, states and territories that IHPA will use to collect data over the coming three years.

This year IHPA has continued to produce the data set specifications for the various data collections that IHPA relies on for ABF. This includes a secure data exchange infrastructure with online data validation tools for each data set collected from the jurisdictions.

IHPA publishes data compliance reports as required under the National Health Reform Agreement on a six-monthly basis. The reports are available on the IHPA website at [www.ihoa.gov.au](http://www.ihoa.gov.au).

Fundamental to the National Efficient Price (NEP) and the National Efficient Cost (NEC) Determinations is the data obtained through the NHCDC. IHPA is constantly focused on improving data quality to ensure that the NEP and NEC are robust, transparent and as accurate as possible.

The NHCDC is a world class data collection and IHPA is continuing to make improvements to refine the collection further guided by recommendations in the *NHCDC Strategic Review*.

In the next financial year, IHPA plans to enhance the existing secure data submission portal, including an online data quality assurance function. This will reduce the work required by jurisdictions in submitting data to IHPA while ensuring high quality data is provided.

IHPA will 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.

## **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 reviewed and published the *Cost-shifting and Cross-border 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 2014–15, IHPA did not receive any requests relating to this function.

The tables on the next page set out the qualitative deliverables and performance against key performance indicators for 2014–15.

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.

## QUALITATIVE DELIVERABLES FOR PROGRAM 1.1

### Determine the National Efficient Price (NEP) and National Efficient Cost (NEC) for public hospital services

Deliverables	Target	Result
Develop the <i>Pricing Framework for Australian Public Hospital Services</i> for public hospital services in 2015–16	2015–16 <i>Pricing Framework for Australian Public Hospital Services</i> to be published by 31 December 2014 outlining the principles, scope and methodology to be adopted in the determination of the NEP and NEC	Target met
Publish an annual determination of the NEP and NEC for the coming financial year along with other information supporting the efficient funding of public hospitals	2015–16 NEP and NEC Determinations to be published by 31 March 2015	Target met

### Develop national classifications for Activity Based Funding (ABF)

Deliverable	Target	Result
Develop ABF classifications for mental health, subacute and non-acute care and non-admitted patient care	Complete mental health cost study to inform the development of the first version of the Australian Mental Health Classification April 2015 Complete development of Australian National Subacute and Non-acute Classification (AN-SNAP) <i>Version 4</i> by October 2014 Commence work on non-admitted patient classification	Target met

### Determine data requirements and data standards

Deliverable	Target	Result
Update the <i>Three Year Data Plan</i> in consultation with the Australian Government and state and territory Governments	Updated <i>Three Year Data Plan</i> published on the IHPA website by July 2014	Target met

## QUALITATIVE KEY PERFORMANCE INDICATORS FOR PROGRAM 1.1

### Determine data requirements and data standards

Indicator	Target	Result
Commonwealth, states and territories comply with the data requirements and data standards, as outlined in the <i>Three Year Data Plan</i>	Publication of a quarterly report outlining the Commonwealth and state and territory compliance with the data requirements and data standards specified in the <i>Three Year Data Plan</i>	Target met on a six monthly basis as determined by COAG Health Council for implementation in 2014–15

### Determine the National Efficient Price (NEP) and National Efficient Cost (NEC) for public hospital services

Indicator	Target	Result
Reduce the number of Local Hospital Networks that record costs per National Weighted Activity Unit (NWAU) significantly above the NEP	2014–15 should provide a reduction in the range between the 50th and 90th percentile cost per NWAU when compared to 2012–13 data. In 2011–12 this was \$4,096	Target met

### Develop national classifications for Activity Based Funding (ABF)

Indicator	Target	Result
Increased percentage of public hospital services funded by nationally consistent ABF	2014–15 will provide an increase in the proportion of public hospital funding using ABF as reported by the Administrator of the National Health Funding Pool. In 2012–13, 72 per cent of National Health Reform Agenda funding was provided on the basis of ABF	Target met

### Resolve disputes on cost-shifting and cross-border issues

Indicator	2014–15 Reference Point or Target	Result
Timely investigation and provision of recommendations to Health Ministers on cross-border and cost shifting disputes	IHPA investigation of cross-border or cost shifting disputes and provision of recommendations or assessment within six months of receipt of request	Reference point met

## PUBLICATIONS

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.ihoa.gov.au](http://www.ihoa.gov.au)

### ***NATIONAL EFFICIENT COST (NEC) DETERMINATION 2015–16***

A National Efficient Cost for services that are not suitable for Activity Based Funding (ABF), such as small rural hospitals. This determines the Australian Government's contribution to block funded hospitals.

### ***NATIONAL EFFICIENT PRICE (NEP) DETERMINATION 2015–16***

The NEP underpins ABF across Australia for Commonwealth funded public hospital services. This document includes the way the NEP is calculated and the price weights for specific hospital services.

### ***PRICING FRAMEWORK FOR AUSTRALIAN PUBLIC HOSPITAL SERVICES 2015–16***

The Pricing Framework is fundamental to the National Health Reform Agreement and underpins the annual NEP and NEC for Australian public hospital services.

### ***AUSTRALIAN REFINED DIAGNOSIS RELATED GROUP (AR-DRG) VERSION 8.0***

As part of the development of AR-DRG version 8.0, IHPA has released the Review of the AR-DRG Case Complexity Process; and the Development of the Australian Refined Diagnosis Related Groups version 8.0.

### ***TIER 2 NON-ADMITTED SERVICES COMPENDIUM 2015–16***

The Tier 2 Non-admitted Services Compendium assists health departments and hospital staff to collect non-admitted activity data for ABF. The compendium provides guidance on the counting and classification rules associated with the Tier 2 non-admitted services classification.

### ***TIER 2 NON-ADMITTED SERVICES DEFINITION MANUAL VERSION 4.0 2015–16***

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.

***DEFINE TEACHING, TRAINING AND RESEARCH (TTR) AND IDENTIFY ASSOCIATED COST DRIVERS FOR ABF PURPOSES – FINAL REPORT***

The final report presents the findings of work to develop a set of nationally agreed definitions, identify cost drivers, and produce a classification development framework. It provides recommendations that aim to support a feasibility assessment of transitioning TTR to ABF by 1 July 2018.

***DEVELOPMENT OF THE AUSTRALIAN NATIONAL SUBACUTE AND NON ACUTE (AN-SNAP) PATIENT CLASSIFICATION VERSION 4 – FINAL REPORT***

The report presents the findings of work to develop a fully revised version of the AN-SNAP classification that reflects current and evolving clinical practice. AN-SNAP version 4 was released in May 2015.

***WORK PROGRAM 2014–15***

IHPA's Work Program is revised and published each financial year. It outlines IHPA's objectives, performance indicators and timeframes for the coming year.

# STAKEHOLDER ENGAGEMENT

## ACTIVITY BASED FUNDING CONFERENCE 2015

- 360+ delegates in Adelaide
- Five workshops
- 10 plenary and panel sessions
- Over 40 concurrent sessions
- 52 abstracts submitted.

## ONLINE

- Over 270,000 website visits
- 310 mentions on Twitter
- 231 Twitter followers
- 348 LinkedIn followers.

## CONSULTATION

- 1000+ stakeholders engaged throughout the year for public consultations
- Over 70 committee and working group meetings
- 11 submissions on the *Work Program 2014–15*
- 27 submissions on the *Pricing Framework for Australian Public Hospital Services 2015–16*
- 29 submissions on the Development of the Australian Mental Health Care Classification
- Eight written submissions on the Australian National Subacute and Non acute (AN-SNAP) development and in-person workshops.



Chapter 4

# MANAGEMENT AND ACCOUNTABILITY

## CORPORATE GOVERNANCE

Effective corporate governance enables the Independent Hospital Pricing Authority (IHPA) to meet its obligations by managing risk effectively. 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 IHPA performs functions and activities. It contains elements that include: an internal control framework; an enterprise approach to risk management; positive assurance processes that confirm compliance with IHPA's legal obligations; fraud control; and strategic business planning. IHPA ensures good governance practices are understood and embedded within the organisation through induction, regular training programs, acting on controls and regular assessments to confirm compliance with governance obligations.

IHPA operates a comprehensive governance framework which is designed to serve the needs of stakeholders through the ongoing achievement of strategic and operational objectives.

Figure 4: IHPA’s corporate governance model



- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li><b>1</b> Clinical Advisory Committee (CAC)</li> <li><b>2</b> Jurisdictional Advisory Committee (JAC)<br/>ABF Technical Advisory Committee (ABF TAC)<br/>Stakeholder Advisory Committee (SAC)<br/>IHPA Working Groups</li> </ul> | <ul style="list-style-type: none"> <li><b>3</b> Council of Australian Governments (COAG)</li> <li><b>4</b> COAG Health Council</li> <li><b>5</b> Other Australian Government Bodies<br/>(incl. Department of Finance &amp; Deregulation)</li> <li><b>6</b> Australian National Audit Office (ANAO)</li> </ul> |
|--|---|

## GOVERNANCE INITIATIVES

During the 2014–15 financial year, IHPA continued to develop and implement policies and procedures that ensure good governance over IHPA's business:

- Continued to mature and embed a risk management approach that encourages managers to accept appropriate risks and decline unsuitable risks.
- Updated the risk management policy, processes and systems to align them with the Commonwealth Risk Management Policy.<sup>1</sup>
- Ensured that reviews are undertaken of business risks in addition to refining and updating the monthly control report used to provide positive assurance of compliance.
- Conducted the annual audit of Australian Government, state and territory legal data management obligations and confirmed IHPA's policies, processes and systems for protecting data collected by IHPA meet all defined obligations.
- Arranged for third party audits to be undertaken. Audit findings on IHPA's procurement processes, compliance with the *Public Governance Performance and Accountability Act 2013* (PGPA Act), employee entitlements, and fraud management processes have been reviewed by management and remediated.
- Developed security protocols and processes and delivered training for third parties accessing IHPA data.
- Developed and delivered training for existing staff and induction training for all new staff on protective security, fraud and the new compliance obligations under the PGPA Act.
- Updated existing compliance registers for protective security and the *National Health Reform Act 2011* to reflect changes arising from the PGPA Act.
- Completed assurance processes that confirm compliance with the *National Health Reform Act 2011* and the National Health Reform Agreement obligations.
- Updated protective security and information, communication and technology to implement the top four strategies to prevent for cyber intrusion as required under the 2014 Australian Government *Information Security Manual*.

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<sup>1</sup> Developed by the Department of Finance for the introduction of the *Public Governance Performance and Accountability Act 2013*.

## DEVELOPED AND IMPLEMENTED A COMPLIANCE ASSURANCE PROGRAM FOR PGPA 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 strategic governance mechanisms and assigns risks to particular roles to ensure that managers are responsible and accountable for defined risks. Tactical risks are managed through detailed policies, processes and systems. IHPA has implemented a system of risk delegates who are empowered to accept or decline tactical risks. Together, these risk management techniques have enabled the organisation to adopt an enterprise wide view of risk where staff use appropriate risk management tools that meet their immediate business needs and assist in achieving optimised business outcomes.

IHPA's 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 the decision-making processes. The risk management approach adopted by IHPA is consistent with AS/NZS ISO 31000:2009 *Risk management—Principles and Guidelines*.<sup>2</sup>

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 2014–15, and each revision of the register endorsed by IHPA's Executive, the Audit, Risk and Compliance (ARC) Committee and the Pricing Authority.

IHPA has a mature enterprise risk management framework in place and risk management is considered a business as usual activity for all IHPA staff.

## COMPLIANCE

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 *Public Governance Performance and Accountability Act 2013* and the *Public Governance Performance and Accountability Rule 2014*. Other legal and compliance obligations include those relating to employees, work health and safety, privacy, freedom of information, intellectual property, protective security, website accessibility and records management.

In the 2014–15 financial year, following the introduction of the PGPA Act, IHPA developed and implemented an assurance program that assesses compliance quarterly and uses this evidence to support the annual certificate of compliance. IHPA also updated its Corporate Plan consistent with the requirements of s. 25 of the PGPA Act. It is currently updating its Corporate Plan for the next reporting period.

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<sup>2</sup> AS/NZS ISO 31000:2009 Risk management—Principles and Guidelines (Standards Australia 2009).

A quarterly assurance register of compliance with the Act and the NHRA was completed. This register assigns responsibility for each section of the Act and schedule in the agreement to particular managers who are required to provide quarterly formal confirmations to the compliance team that they have met their obligations under the Act and the NHRA.

A system of controls monitors approved delegates' use of powers defined in the Act and NHRA. This system designed in a previous financial year continued to provide the Pricing Authority with assurance that IHPA is correctly using its powers.

The Act and NHRA compliance registers and controls were tabled and approved by the Pricing Authority and provided to IHPA's ARC Committee.

IHPA submitted its first digital transfer to the National Archives of Australia (NAA). Collaboration between IHPA and NAA enabled the digital transfer process to be tested as part of the transfer acceptance, evaluation and assessment.

IHPA has an ongoing program of assessing if its compliance and controls should be expanded or reduced to meet the current risks contained in its legal and compliance 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 financial management and organisational risk. Assisted by internal and external auditors, it oversees the production of financial statements and quality assured the strategic risk register.

The ARC Committee is made up of three external members who have experience in business, the health sector and government. At 30 June 2015, 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 2014–15, the Committee met five times.

## FRAUD CONTROL PLAN

IHPA has a requirement to implement prevent, detect and deal with fraud. We recognise that minimising fraud risk demands that 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.

In 2014–15, IHPA reviewed and updated its *Fraud Control Plan* to encompass the requirements under PGPA Fraud Rule<sup>3</sup> and the Commonwealth Fraud Policy. It also developed a fraud awareness statement for staff summarising their obligations and the relevant policies that include the controls IHPA has in place to prevent, detect and manage fraud. All staff were required to complete the Commonwealth fraud awareness training.

Fraud control is recognised as an element of the total risk and controls system. Effective fraud mitigation is achieved by integrating fraud control into IHPA's overall systems of risk management and controls are monitored that are designed to identify both data and financial fraud.

IHPA's revised *Fraud and Anti-Corruption Control Plan* was tabled at and approved by IHPA Executive and 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 2014–15 no judicial administrative tribunal decisions relating to IHPA were handed down.

The Australian Government Solicitor provided advice on IHPA's management of IHPA protected data and concluded that IHPA was managing these data sets in accordance with the Australian Government, state and territory privacy requirements.

A specialised external ICT security company was commissioned to undertake an assessment of IHPA's computer systems' compliance with the Australian Government's *Information Security Manual*. During the course of the audit substantial compliance was noted and all findings were remediated.

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 2014–15.

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<sup>3</sup> Section 10, Public Governance Performance and Accountability Rule 2014

## PURCHASING/CONTRACTING

In 2014–15, IHPA complied with the government’s purchasing policies as stated in the Commonwealth Government Procurement Rules<sup>4</sup>. IHPA’s 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.

In 2014–15 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*<sup>4</sup>. 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 to supplement its 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 *Public Governance Performance and Accountability Act 2013* (PGPA Act) and related regulations including the Australian Government Procurement Rules 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. It also includes 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.

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<sup>4</sup> AusTender provides centralised publication of Australian Government business opportunities, annual procurement plans, multi-use lists and contracts awarded.



During 2014–15 seventeen new consultancy contracts, with a value over \$10,000, were entered into involving total actual expenditure of \$2.616 million. In addition, sixteen ongoing consultancy contracts were active during 2014–15, involving total actual expenditure of \$2.416 million.

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](http://www.tenders.gov.au).

**Table 8: Comparison expenditure on consultancy contracts**

	2010–11	2011–12	2012–13	2013–14	2014–15
<b>Consultancy Contracts</b>	N/A	\$0.015m	\$3.397m	\$4.631m	\$5.031m

Between 2010–11 to 2013–14 NHRA Consultants were reported in Administered Financial Statements.

### Procurement Initiatives to Support Small Business

IHPA supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance's website:

[www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts/](http://www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts/)

IHPA's procurement practices support small business through;

- The Small Business Engagement Principles (outlined in the Australian Government's Industry Innovation and Competitiveness Agenda), such as communicating in clear, simple language and presenting information in an accessible format.
- Electronic systems or other processes used to facilitate on-time payment performance, including the use of payment cards.
- Positive support for small indigenous business.
- Took steps to encourage small business.

## MANAGEMENT OF HUMAN RESOURCES

IHPA's work program incorporates a high degree of technical work which requires significant technical workforce capability and expertise.

IHPA's workforce planning strategies emphasise both core public sector skills, management capabilities and technical skills. Underpinning these strategies are the foundation skills required by all APS employees, such as strategic thinking, policy development and advice, effective writing, analysis and judgement, cultural interpersonal effectiveness, team work and collaboration, working in partnership, and negotiation and relationship management. All will be central to IHPA's future success and effectiveness

IHPA has and will continue to strengthen our management and leadership teams by enhancing performance feedback and providing targeted learning and development programs.

IHPA values the work, talent and contribution of its people and has created 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, to respect diversity, develop a collaborative culture and take pride in delivering quality outcomes for our stakeholders.

This year, human resource management focussed on managing and developing staff to achieve organisational objectives. All new staff attended induction courses and learning and development initiatives included workshops covering work, health and safety, fraud control, mental health and performance management.

The development of management skills was identified as a priority and applicable staff were able to enhance their skills during a targeted management course that involved training and one-on-one management coaching.

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. IHPA met its obligations for recruitment under the interim recruitment arrangements that were announced in October 2014. IHPA applied for exemptions from these arrangements on five occasions, for key positions.

## WORKFORCE PLANNING AND STAFF RETENTION AND TURNOVER

Workforce planning activities were focussed to ensure that IHPA's organisational structure is able to meet the developing needs of the organisation, ensuring IHPA is adequately resourced and able to meet its legislative objectives and functions.

IHPA's agency structure determines the number of positions and appropriate classification levels in line with the Australian Public Service Work Level Standards. This structure is subject to a process of ongoing review to ensure that resources are optimised for the achievement of organisational goals.

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

**Table 9: APS levels salary structure at 30 June 2015**

Classification	Salary range (incorporating Enterprise Agreement and Individual Flexibility Agreements)
<b>Executive Level (EL)</b>	
EL 2	\$112,992–\$168,750
EL 1	\$94,705–\$133,777
<b>Australian Public Service (APS)</b>	
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 2015**

<b>Classification</b>	<b>Female Total</b>	<b>Female F/T</b>	<b>Female P/T</b>	<b>Male Total</b>	<b>Male F/T</b>	<b>Male P/T</b>	<b>Total</b>
HOPO	0	0	0	1	1	0	1
SES	0	0	0	1	1	0	1
EL2	3	2	1	6	6	0	9
EL1	18	18	0	8	8	0	26
APS Level 6	9	8	1	8	8	0	17
APS Level 5	0	0	0	1	1	0	1
APS Level 4	2	1	1	0	0	0	2
APS Level 3	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>32</b>	<b>29</b>	<b>3</b>	<b>25</b>	<b>25</b>	<b>0</b>	<b>57</b>

**Key** F/T = full time, P/T = part time, HOPO = Holder of Public Office (a statutory appointment – 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.

**Table 11: Staff numbers by classification, gender and ongoing/non- ongoing status at 30 June 2015**

<b>Classification</b>	<b>Female Total</b>	<b>Female F/T</b>	<b>Female P/T</b>	<b>Male Total</b>	<b>Male F/T</b>	<b>Male P/T</b>	<b>Total</b>
HOPO	0	0	0	1	1	0	1
SES	0	0	0	1	1	0	1
EL2	3	2	1	6	6	0	9
EL1	18	18	0	8	8	0	26
APS Level 6	9	8	1	8	8	0	17
APS Level 5	0	0	0	1	1	0	1
APS Level 4	2	1	1	0	0	0	2
APS Level 3	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>32</b>	<b>29</b>	<b>3</b>	<b>25</b>	<b>25</b>	<b>0</b>	<b>57</b>

**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 (APS staff)
- Flexible working locations and home-based work where appropriate
- Access to laptop computers, dial-in facilities, electronic tablets and mobile phones
- Study assistance
- Support for professional and personal development
- Refund of health and wellbeing expenses including provision of eyesight testing and reimbursement of prescription 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**

Training and development this year has focussed on building capabilities for the management team within IHPA. This was identified as a key area of growth for the agency in the Australian Public Service Census. IHPA also focused its training on performance development and internal sessions covering governance and compliance obligations of managers and staff.

IHPA will be ensuring all applicable staff are offered the opportunity to undertake management training in 2015–16 to ensure the benefits gained within this financial year are carried over for future years.

Staff also have access to the Department of Health's 'face-to-face' and online learning and development 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 continued in 2014–15 in accordance with the *Work Health and Safety Act 2011*. The committee held four meetings during the year and dealt with a range of WHS matters.

The committee is 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.

Quarterly WHS inspections were carried out by a management representative and a nominated health and safety representative. WHS risks were identified and remediation action was recommended to the IHPA Executive for consideration.

## **WORKPLACE AGREEMENTS**

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

All APS and non-APS Enterprise Agreements had a nominal expiry date 1 July 2014. Under the *Fair Work Act 2009*, agreements continue to operate after their nominal expiry date until they are replaced or terminated.

IHPA continues to develop its bargaining position in accordance with the Australian Government Public Sector Workplace Bargaining Policy 2015 and continues to negotiate with staff and union delegates to develop a new enterprise agreement

## **INDIVIDUAL FLEXIBILITY AGREEMENTS (IFAS)**

As at 30 June 2015, seven non-SES staff members had IFAs covering specific conditions of employment.

## **INDIGENOUS EMPLOYMENT**

As at 30 June 2015, two staff members identified as Indigenous.

## **PERFORMANCE PAY**

No performance pay was issued during this financial year.

## **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*. 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 Department of Health's intranet.

## **COMPLIANCE WITH *CARER RECOGNITION ACT 2010***

IHPA has due regard to Australia's Carers Statement. Staff are 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](http://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 the 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 2015, and can be found at [www.dss.gov.au](http://www.dss.gov.au)

## **LEAVE REPORTING**

IHPA presented a detailed monthly unplanned leave report to the CEO. The report ensured leave was being entered accurately and within the correct pay periods. It also identified that IHPA's unplanned leave ratio at 30 June 2015 was below the Australian Public Service Commission average.

## **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 have been developed to underpin this commitment.

## **WORKPLACE DIVERSITY**

IHPA developed an *Agency Multicultural Plan for 2014–15 (AMP)* and published it on IHPA's website. The key areas of focus in this AMP cycle is 'engagement' and 'responsiveness'. The delivery of IHPA's work program requires effective policy development, engagement and communication strategies with all stakeholders, including culturally and linguistically diverse communities to achieve IHPA's legislative requirements.



Chapter 5

# FINANCIAL MANAGEMENT

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## FINANCIAL PERFORMANCE

The Independent Hospital Pricing Authority (IHPA) became a Corporate Commonwealth Entity on 1 July 2014 with the CEO as the accountable authority. Financial records have been maintained in accordance with this status and defined in these statements as Departmental. Information is provided on assets, liabilities, income and expenses controlled by IHPA.

IHPA received an unqualified audit report from the Australian National Audit Office on its 2014–15 Financial Statements.

### IHPA FINANCIAL OVERVIEW

The Statement of Comprehensive Income for the Departmental Item shows a surplus of \$3.746 million (2013–14: \$3.606 million). The key drivers of this surplus were savings in employment costs arising from the implementation of the Australian Government's recruitment restrictions and overachievements in sales of the Australian Refined Diagnosis Related Groups (AR-DRG) classification system. Expense actuals were in line with budget.

Material balances in the Departmental Statement of Comprehensive Income include:

1. Revenue from the Australian Government was \$25.726 million. Equivalent funding in 2013–14 was \$25.699 million, this was sourced from departmental appropriations of \$13.609 million and administered appropriations of \$12.090 million.
2. Sales of goods and services at \$2.364 million were above the 2013–14 figure of \$0.448 million. These revenues arose from the AR-DRG classification system sales and licensing and recognition of revenue related to the Activity Based Funding Conference which was held in Adelaide in June 2015.
3. Employee benefits at \$7.242 million were above the 2013–14 figure of \$7.090 million but reflected an ongoing underachievement of budgeted headcount due to Australian Government recruitment restrictions.
4. Supplier expenses at \$16.423 million were in line with resource plans. The 30 per cent increase over 2013–14 (\$12.640 million) reflected the previous year's budget underachievement and the increase in IHPA's Work Program.

During the year, National Health Reform Agreement expenditure was directed towards data assurance and classification development activities including the development of subacute, emergency department and mental health care classification systems. It also included the management of costing studies used to assist in calculating the National Efficient Price.

The accounts contain revenues and expenses for IHPA's Activity Based Funding Conference 2015. The cost recovery mechanism allows IHPA to run the conference with a financial surplus.

### BUDGET PERFORMANCE

During the year, IHPA exceeded its revenue budget and kept expenditure within the available budget. This was achieved by an organisational culture that has a strong focus on cost control. Procurement and human resource proposals are rigorously scrutinised and only approved in accordance with business needs.

# INDEPENDENT AUDITORS REPORT



## INDEPENDENT AUDITOR'S REPORT

### To the Minister for Health

I have audited the accompanying annual financial statements of the Independent Hospital Pricing Authority for the year ended 30 June 2015, which comprise:

- Statement by the Accountable Authority and Chief Executive, and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Schedule of Commitments; and
- Notes to and forming part of the Financial Statements comprising a Summary of Significant Accounting Policies and other explanatory information.

### *Accountable Authority's Responsibility for the Financial Statements*

The Chief Executive Officer is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act. The Chief Executive Officer is also responsible for such internal control as is necessary to enable the preparation and fair presentation of financial statements that 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 entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the

reasonableness of accounting estimates made by the Accountable Authority of the entity, 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) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Independent Hospital Pricing Authority as at 30 June 2015 and its financial performance and cash flows for the year then ended.

Australian National Audit Office



Brandon Jarrett  
Executive Director

Delegate of the Auditor-General

Canberra  
16 September 2015

# STATEMENT OF OFFICERS

## INDEPENDENT HOSPITAL PRICING AUTHORITY

### STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF EXECUTIVE, AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2015 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that Independent Hospital Pricing Authority will be able to pay its debts as and when they fall due.



James Downie  
Accountable Authority and  
Acting Chief Executive Officer

16 September 2015



Peter Hadfield  
Chief Financial Officer

16 September 2015

# FINANCIAL STATEMENTS

## Statement of comprehensive income for the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000 Departmental	2014 \$'000 Administered
<b>NET COST OF SERVICES</b>				
<b>Expenses</b>				
<i>Employee benefits</i>	3A	7,242	7,090	–
<i>Suppliers</i>	3B	16,423	2,778	9,862
<i>Depreciation</i>	3C	567	378	–
<i>Finance costs</i>	3D	–	7	–
<i>Write-down and impairment of assets</i>	3E	242	31	–
<i>Losses from asset sales</i>	3F	–	–	–
<i>Other expenses</i>		–	31	–
<b>Total expenses</b>		<b>24,474</b>	10,315	9,862
<b>Own-source income</b>				
Own-source revenue				
<i>Sale of goods and rendering of services</i>	4A	2,364	448	567
<i>Other revenue</i>	4B	38	8	–
<i>Interest Revenue</i>	4C	34	–	–
<b>Total own-source revenue</b>		<b>2,436</b>	456	567
<b>Gains</b>				
<i>Other gains</i>	4D	58	58	–
<b>Total gains</b>		<b>58</b>	58	–
<b>Total own-source income</b>		<b>2,494</b>	514	567
<b>Net cost of services</b>		<b>21,980</b>	9,801	9,295
Revenue from Government	4E	25,726	13,407	–
<b>Surplus after income tax</b>		<b>3,746</b>	3,606	(9,295)
<b>OTHER COMPREHENSIVE INCOME</b>				
Items not subject to subsequent reclassification to net cost of services				
<i>Changes in asset revaluation reserve</i>		–	16	–
<b>Total other comprehensive income</b>		<b>–</b>	16	–
<b>Total comprehensive income</b>		<b>3,746</b>	3,622	(9,295)

### Note

In 2014, IHPA operated under the *Financial Management and Accountability Act 1997* and received both administered and departmental appropriations. In 2015, IHPA became a Corporate Commonwealth Entity under the *Public Governance, Performance and Accountability (PGPA) Act 2013* and received one combined appropriation.

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

## Statement of financial position

as at 30 June 2015

	Notes	2015 \$'000	2014 \$'000 Departmental	2014 \$'000 Administered
<b>ASSETS</b>				
<b>Financial assets</b>				
<i>Cash and cash equivalents</i>	5A	4,743	313	–
<i>Trade and other receivables</i>	5B	19,864	20,125	274
<b>Total financial assets</b>		<b>24,607</b>	20,438	274
<b>Non-financial assets</b>				
<i>Leasehold improvements</i>	6A,6D, 7	596	796	–
<i>Other property, plant and equipment</i>	6B, 6D, 7	348	264	–
<i>Intangibles</i>	6C, 6D, 7	410	94	288
<i>Other non-financial assets</i>	6E	48	44	–
<b>Total non-financial assets</b>		<b>1,402</b>	1,198	288
<b>Total assets</b>		<b>26,009</b>	21,636	562
<b>LIABILITIES</b>				
<b>Payables</b>				
<i>Suppliers</i>	8A	3,892	376	2,151
<i>Other payables</i>	8B	688	731	38
<b>Total payables</b>		<b>4,580</b>	1,107	2,189
<b>Provisions</b>				
<i>Employee provisions</i>	9A	1,140	849	–
<i>Other provisions</i>	9B	162	162	–
<b>Total provisions</b>		<b>1,302</b>	1,011	–
<b>Total liabilities</b>		<b>5,882</b>	2,118	2,189
<b>Net assets</b>		<b>20,127</b>	19,518	(1,627)
<b>EQUITY</b>				
<i>Contributed equity</i>		400	400	–
<i>Asset revaluation reserves</i>		16	16	–
<i>Retained surplus</i>		19,711	19,102	–
<b>Total equity</b>		<b>20,127</b>	19,518	–

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



**Statement of changes in equity**  
for the year ended 30 June 2015

	Retained earnings		Asset revaluation surplus		Contributed equity/capital		Total equity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Opening balance</b>								
<i>Balance carried forward from previous period</i>	<b>19,102</b>	15,496	<b>16</b>	–	<b>400</b>	200	<b>19,518</b>	15,696
<b>Adjusted opening balance</b>	<b>19,102</b>	15,496	<b>16</b>	–	<b>400</b>	200	<b>19,518</b>	15,696
<b>Comprehensive income</b>								
<i>Surplus for the period</i>	<b>3,746</b>	3,606	–	–	–	–	<b>3,746</b>	3,606
<i>Other comprehensive income (revaluation of leasehold assets)</i>	–	–	–	16	–	–	–	16
<b>Total comprehensive income</b>	<b>3,746</b>	3,606	–	16	–	–	<b>3,746</b>	3,622
<b>Transactions with owners</b>								
<i>Extinguishment of appropriations<sup>1</sup></i>	<b>(3,651)</b>	–	–	–	–	–	<b>(3,651)</b>	–
<i>Contribution to settle prior period administrative accruals</i>	<b>514</b>	–	–	–	–	–	<b>514</b>	–
<i>Contributions by owners</i>	–	–	–	–	–	–	–	–
<i>Departmental capital budget</i>	–	–	–	–	–	200	–	200
<b>Total transactions with owners</b>	<b>(3,137)</b>	–	–	–	–	200	<b>(3,137)</b>	200
<b>Closing balance as at 30 June</b>	<b>19,711</b>	19,102	<b>16</b>	16	<b>400</b>	400	<b>20,127</b>	19,518

**Note**

1. Omnibus Repeal Day Act 2014.

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

**Cash flow statement**  
for the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000 Departmental	2014 \$'000 Administered
<b>OPERATING ACTIVITIES</b>				
<b>Cash received</b>				
<i>Appropriations</i>		23,641	11,516	–
<i>Sales of goods and rendering of services</i>		1,316	677	2,098
<i>Other – cash lease incentive</i>		–	–	–
<i>Net GST received</i>		1,047	177	677
<i>Interest</i>		34	8	–
<i>Other</i>		37	50	–
<b>Total cash received</b>		<b>26,075</b>	<b>12,428</b>	<b>2,775</b>
<b>Cash used</b>				
<i>Employees</i>		(6,908)	(7,890)	–
<i>GST paid to ATO</i>		(53)	–	–
<i>Suppliers</i>		(14,186)	(2,724)	(9,220)
<i>Section 74 receipts transferred to Official Public Account</i>		–	(1,723)	–
<i>Other</i>		(3)	–	–
<b>Total cash used</b>		<b>(21,150)</b>	<b>(12,337)</b>	<b>(9,220)</b>
<b>Net cash from (used by) operating activities</b>	10	<b>4,925</b>	91	<b>(6,445)</b>
<b>INVESTING ACTIVITIES</b>				
<b>Cash received</b>				
<i>Proceeds from sales of property, plant and equipment</i>		–	–	–
<i>Proceeds from sales of intangibles</i>		–	–	–
<b>Total cash received</b>		<b>–</b>	<b>–</b>	<b>–</b>
<b>Cash used</b>				
<i>Purchase of property, plant and equipment</i>		(174)	(87)	–
<i>Purchase of intangibles</i>		(594)	(84)	(288)
<b>Total cash used</b>		<b>(768)</b>	<b>(171)</b>	<b>(288)</b>
<b>Net cash (used by) investing activities</b>		<b>(768)</b>	<b>(171)</b>	<b>(288)</b>

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

**Cash flow statement continued**  
for the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000 Departmental	2014 \$'000 Administered
<b>FINANCING ACTIVITIES</b>				
<i>Cash received</i>				
<i>Contributed equity</i>		–	200	–
<i>Other</i>		273	–	–
<b>Total cash received</b>		<b>273</b>	200	–
<b>Cash used</b>				
<i>Purchases</i>		–	–	–
<b>Total cash used</b>		–	–	–
<b>Net cash from financing activities</b>		<b>273</b>	200	–
<b>Net increase (decrease) in cash held</b>		<b>4,430</b>	120	–
Cash and cash equivalents at the beginning of the reporting period		313	193	–
Cash transferred from (to) the Official Public Account		–	–	–
<b>Cash and cash equivalents at the end of the reporting period</b>	5A	<b>4,743</b>	313	–

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

## Schedule of commitments

as at 30 June 2015

Notes	2015 \$'000	2014 \$'000 Departmental	2014 \$'000 Administered
<b>BY TYPE</b>			
<b>Commitments receivable</b>			
Net GST recoverable on commitments <sup>1</sup>	1,448	276	1,312
<b>Total commitments receivable</b>	<b>1,448</b>	276	1,312
<b>Commitments payable</b>			
Other commitments			
<i>Operating leases</i> <sup>2</sup>	1,859	2,421	–
<i>Goods and services</i>	14,595	612	14,886
<b>Total commitments payable</b>	<b>16,454</b>	3,033	14,886
<b>Net commitments by type</b>	<b>15,006</b>	2,757	13,574
<b>BY MATURITY</b>			
<b>Commitments receivable</b>			
Net GST recoverable on commitments			
<i>Within 1 year</i>	798	114	653
<i>Between 1 to 5 years</i>	650	162	658
<b>Total other commitments receivable</b>	<b>1,448</b>	276	1,311
<b>Commitments payable</b>			
Operating lease commitments			
<i>Within 1 year</i>	628	642	–
<i>Between 1 to 5 years</i>	1,231	1,779	–
<b>Total operating lease commitments</b> <sup>2</sup>	<b>1,859</b>	2,421	–
<b>Goods and Services</b>			
<i>Within 1 year</i>	8,695	612	7,645
<i>Between 1 to 5 years</i>	5,900	–	7,241
<b>Total commitments payable</b>	<b>14,595</b>	612	14,886
<b>Total other commitments</b>	<b>16,454</b>	3,033	14,886
<b>Net commitments by maturity</b>	<b>15,006</b>	2,757	13,575

### Notes

1. Commitments are GST inclusive where relevant.
2. Forward commitments for an office lease that are subject to an annual cost increase and not able to be cancelled.

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

## Note 1: Summary of significant accounting policies

- 1.1 Objectives of the Independent Hospital Pricing Authority
- 1.2 Basis of preparation of the Financial Statements
- 1.3 Significant accounting judgements and estimates
- 1.4 New Australian accounting standards
- 1.5 Revenue
- 1.6 Gains
- 1.7 Transactions with the Government as owner
- 1.8 Employee benefits
- 1.9 Leases
- 1.10 Fair value measurement
- 1.11 Cash
- 1.12 Financial assets
- 1.13 Financial liabilities
- 1.14 Contingent liabilities and contingent assets
- 1.15 Acquisition of assets
- 1.16 Leasehold improvements, plant and equipment
- 1.17 Intangibles
- 1.18 Taxation

### 1.1 OBJECTIVES OF THE INDEPENDENT HOSPITAL PRICING AUTHORITY

IHPA's objective is to:

- Determine the National Efficient Price and National Efficient Cost for public hospital services;
- Develop national classifications for Activity Based Funding; and
- Resolve disputes on cost-shifting and cross-border issues.

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.

From the date of creation to 30 June 2014, IHPA was a prescribed agency under the *Financial Management and Accountability Act 1997*. Since 1 July 2014 onwards, IHPA has been governed under the *Public Governance, Performance and Accountability (PGPA) Act 2013* as a Corporate Commonwealth Entity. A consequence of this change is that from 1 July 2014, IHPA no longer maintains separate accounting records for Administered revenue, expenses, assets and liabilities and cashflows as these are accounted for as part of IHPA's Departmental item.

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

## 1.2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability (PGPA) Act 2013*.

The financial statements have been prepared in accordance with:

- a. Financial Reporting Rule (FRR) for reporting periods ending on or after 1 July 2014; 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 thousand dollars unless otherwise specified.

Assets and liabilities are recognised in the Statement of Financial Position when and only 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.

Income and expenses are recognised in the Statement of Comprehensive Income when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

## 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

The following standard issued prior to the signing of the statement by the Accountable Authority and Chief Financial Officer was applicable to the current reporting period and had a material effect on the IHPA's financial statements:

- AASB 1055 *Budgetary Reporting*

All other standards, revised standards, interpretations or amendments to standards that were issued prior to the sign off date and are applicable to the current reporting period did not have a material effect on IHPA's financial statements.

### Future Australian Accounting Standard Requirements

The following new accounting standards, amendments to accounting standards and interpretations were issued by the Australian Accounting Standards Board prior to the signing of the statement by the Accountable Authority and Chief Financial Officer and are expected to have a material impact on IHPA's financial statements for future reporting periods:

- AASB 15 *Revenue from Contracts with Customers*

All other standards, revised standards, interpretations or amendments to standards that were issued prior to the sign off date and are applicable to the current reporting period are not expected to have a material effect on IHPA's financial statements.

## 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. Collectability of debts is reviewed at the 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 Australian Government when IHPA gains control of the appropriation. 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.

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 Australian 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.

## 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.

### **Restructuring of administrative arrangements**

Net assets received from or relinquished to another Australian Government entity under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

### **1.8 EMPLOYEE BENEFITS**

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits due within 12 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 entitlement 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 liability for long service leave has been determined by reference to the work of an actuary as at April 2014. 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 and has informed those employees affected that it will carry out the terminations.

#### **Superannuation**

The entity's staff are members funds such as 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's administered schedules and notes.

The entity makes employer contributions to the employees' superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The entity accounts for the contributions as if they were contributions to defined contribution plans.

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



## **1.9 LEASES**

All leases are operating leases where the lessor effectively retains substantially all such risks and benefits.

Lease incentives are recognised as liabilities and reduced on a straight line basis against rental expense over the term of the lease.

Where IHPA has a contractual obligation to undertake remedial work upon vacating a property the estimated cost is recognised as a liability.

## **1.10 FAIR VALUE MEASUREMENT**

IHPA deems any transfers between levels of the fair value hierarchy to have occurred at the end of the reporting period.

## **1.11 CASH**

Cash is recognised at its nominal amount. Cash and cash equivalents includes:

- a. Cash on hand; and
- b. Demand 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.

## **1.12 FINANCIAL ASSETS**

IHPA classifies its receivables as financial assets.

The classification is based 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.

Financial assets are assessed for impairment at the end of each reporting period. Impairment is recognised in the Statement of Comprehensive Income.

### **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.

## **1.13 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.

## **1.14 CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the 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.

There are no quantifiable, unquantifiable or significant remote contingencies in either the current or immediately preceding reporting period.

## **1.15 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.

## 1.16 LEASEHOLD IMPROVEMENTS, PLANT AND EQUIPMENT

### Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, 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).

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. This particularly applies to the IHPA property lease that contains an obligation to return the property in its original condition.

### 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 depends upon the volatility of movements in market values for the relevant assets.

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 2014–15	Useful life 2013–14
Leasehold improvements	Lease term	Lease term
Other plant and equipment	3–10 years	3–10 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 as at 30 June 2015. 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 was 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.

### 1.17 INTANGIBLES

IHPA's intangible assets comprise access to intellectual property used to design classification systems and 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).

Intangibles are amortised on a straight-line basis over their anticipated useful life. The useful life of IHPA's intangibles is one to five years (2014: three years).

All intangible assets were assessed for indications of impairment as at 30 June 2015 and none were found to be impaired.

### 1.18 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.

## Note 2: Events after the reporting period

### DEPARTMENTAL

The Australian Government has made a decision to not proceed with the establishment of a Health Productivity and Performance Commission. From 1 July 2016, the IHPA Board and CEO will remain independent and will be supported in their operations by the Australian Government Department of Health.

**Note 3: Expenses**

	2015 \$'000	2014 \$'000 Departmental	2014 \$'000 Administered
<b>NOTE 3A: EMPLOYEE BENEFITS</b>			
Wages and salaries	5,201	5,568	–
Superannuation			
<i>Defined contribution plans</i>	431	328	–
<i>Defined benefit plans</i>	500	588	–
Leave and other entitlements	1,110	547	–
Separation and redundancies	–	59	–
<b>Total employee benefits</b>	<b>7,242</b>	<b>7,090</b>	<b>–</b>
<b>NOTE 3B: SUPPLIERS</b>			
<b>Goods and services supplied or rendered</b>			
<i>Contractors and consultants</i>	13,441	423	9,602
<i>Recruitment and relocation costs</i>	104	72	–
<i>Travel and training costs</i>	529	537	25
<i>IT services</i>	622	593	–
<i>Publishing materials</i>	300	–	–
<i>Legal expenses and audit fees</i>	247	238	–
<i>Other</i>	678	404	235
<b>Total goods and services supplied or rendered</b>	<b>15,921</b>	<b>2,267</b>	<b>9,862</b>
<b>Goods supplied in connection with</b>			
<i>Related parties</i>	–	3	–
<i>External parties</i>	1,107	130	1
<b>Total goods supplied</b>	<b>1,107</b>	<b>133</b>	<b>1</b>
<b>Services rendered in connection with</b>			
<i>Related parties</i>	468	264	1,451
<i>External parties</i>	14,346	1,870	8,410
<b>Total services rendered</b>	<b>14,814</b>	<b>2,134</b>	<b>9,861</b>
<b>Total goods and services supplied and rendered</b>	<b>15,921</b>	<b>2,267</b>	<b>9,862</b>
<b>Other suppliers expenses</b>			
Operating lease rentals in connection with external parties:			
<i>Minimum lease payments</i>	434	445	–
Workers compensation expenses	68	66	–
<b>Total other suppliers expenses</b>	<b>502</b>	<b>511</b>	<b>–</b>
<b>Total suppliers expenses</b>	<b>16,423</b>	<b>2,778</b>	<b>–</b>
<b>NOTE 3C: DEPRECIATION AND AMORTISATION</b>			
<b>Depreciation</b>			
<i>Property, plant and equipment</i>	90	101	–
<i>Leasehold improvements</i>	200	189	–
<b>Total depreciation</b>	<b>290</b>	<b>290</b>	<b>–</b>

	2015 \$'000	2014 \$'000 Departmental	2014 \$'000 Administered
<b>Amortisation</b>			
<i>Intangibles</i>	277	88	–
<b>Total depreciation and amortisation</b>	<b>567</b>	<b>378</b>	<b>–</b>
<b>NOTE 3D: FINANCE COSTS</b>			
Unwinding of discount	–	7	–
<b>Total finance costs</b>	<b>–</b>	<b>7</b>	<b>–</b>
<b>NOTE 3E: WRITE-DOWN AND IMPAIRMENT OF ASSETS</b>			
Impairment of trade debtors <sup>1</sup>	242	–	–
Revaluation decrements – plant and equipment	–	31	–
<b>Total write-down and impairment of assets</b>	<b>242</b>	<b>31</b>	<b>–</b>
<b>Note</b>			
1. An unpaid Intellectual Property sales invoice was assessed as impaired.			
<b>NOTE 3F: LOSSES FROM ASSET SALES</b>			
<b>Property, plant and equipment</b>			
<i>Proceeds from sale</i>	–	(1)	–
<i>Carrying value of assets sold</i>	–	1	–
<b>Total losses from asset sales</b>	<b>–</b>	<b>–</b>	<b>–</b>

**Note 4: Own-source income**

	2015 \$'000	2014 \$'000 Departmental	2014 \$'000 Administered
<b>NOTE 4A: SALE OF GOODS AND RENDERING OF SERVICES</b>			
<b>Rendering of services in connection with</b>			
<i>Related parties</i>	500	–	–
<i>External parties</i>	1,864	448	567
<b>Total rendering of services</b>	<b>2,364</b>	<b>448</b>	<b>567</b>
<b>Total sales of goods and rendering of services</b>	<b>2,364</b>	<b>448</b>	<b>567</b>
<b>NOTE 4B: OTHER REVENUE</b>			
Other	38	8	–
<b>Total other revenue</b>	<b>38</b>	<b>8</b>	<b>–</b>
<b>NOTE 4C: INTEREST REVENUE</b>			
Interest	34	–	–
<b>Total interest revenue</b>	<b>34</b>	<b>–</b>	<b>–</b>
<b>NOTE 4D: OTHER GAINS</b>			
Resources received free of charge	58	58	–
<b>Total other gains</b>	<b>58</b>	<b>58</b>	<b>–</b>
<b>NOTE 4E: REVENUE FROM GOVERNMENT</b>			
Appropriations			
<i>Departmental appropriations</i>	25,726	13,407	–
<b>Total revenue from Government</b>	<b>25,726</b>	<b>13,407</b>	<b>–</b>

**Note 5: Financial assets**

	2015 \$'000	2014 \$'000 Departmental	2014 \$'000 Administered
<b>NOTE 5A: CASH AND CASH EQUIVALENTS</b>			
Cash on hand or on deposit	4,743	313	–
<b>Total cash and cash equivalents</b>	<b>4,743</b>	<b>313</b>	<b>–</b>
<b>NOTE 5B: TRADE AND OTHER RECEIVABLES</b>			
Services receivables in connection with			
<i>External parties</i>	–	35	28
<b>Total services receivables</b>	<b>–</b>	<b>35</b>	<b>28</b>
<b>Appropriations receivables</b>			
<i>Existing programs – Departmental Appropriations</i>	18,219	19,748	–
<i>Existing programs – Departmental Capital Budget</i>	200	200	–
<b>Total appropriations receivables</b>	<b>18,419</b>	<b>19,948</b>	<b>–</b>
<b>Other receivables</b>			
<i>Receivable from Department of Health</i>	380	52	–
<i>Receivable from other Federal Government agencies</i>	168	3	–
<i>GST receivable from the Australian Taxation Office</i>	306	50	246
<i>Other</i>	833	37	–
<b>Total other receivables</b>	<b>1,687</b>	<b>142</b>	<b>246</b>
<b>Total trade and other receivables (gross)</b>	<b>20,106</b>	<b>20,125</b>	<b>274</b>
<b>Less impairment allowance account:</b>			
<i>Services</i>	(242)	–	–
<b>Total impairment allowance account</b>	<b>(242)</b>	<b>–</b>	<b>–</b>
<b>Total trade and other receivables</b>	<b>19,864</b>	<b>20,125</b>	<b>–</b>
<b>Trade and other receivables (net) are expected to be recovered</b>			
<i>No more than 12 months</i>	19,864	20,125	274
<i>More than 12 months</i>	–	–	–
<b>Total trade and other receivables (net)</b>	<b>19,864</b>	<b>20,125</b>	<b>274</b>
<b>Trade and other receivables (gross) aged as follows</b>			
Not overdue	19,864	20,125	274
<i>30 to 60 days</i>	–	–	–
<i>61 to 90 days</i>	–	–	–
<i>More than 90 days</i>	–	–	–
<b>Total trade and other receivables (gross)</b>	<b>19,864</b>	<b>20,125</b>	<b>274</b>

**Note 6: Non-financial assets**

	<b>2015</b> \$'000	<b>2014</b> \$'000
<b>NOTE 6A: LAND AND BUILDINGS</b>		
<b>Leasehold improvements</b>		
<i>Fair value</i>	<b>796</b>	796
<i>Accumulated depreciation</i>	<b>(200)</b>	–
<b>Total land and buildings</b>	<b>596</b>	796

No indicators of impairment were found for leasehold improvements.  
No leasehold improvements are expected to be sold or disposed of within the next 12 months.

**NOTE 6B: PROPERTY, PLANT AND EQUIPMENT**

<b>Other property, plant and equipment</b>		
<i>Fair value</i>	<b>438</b>	264
<i>Accumulated depreciation</i>	<b>(90)</b>	–
<b>Total other property, plant and equipment</b>	<b>348</b>	264

No indicators of impairment were found for Property, Plant and Equipment.  
No Property, Plant and Equipment are expected to be sold or disposed of within the next 12 months.

**NOTE 6C: INTANGIBLES**

<b>Intangibles</b>		
<i>Fair value</i>	<b>786</b>	193
<i>Accumulated amortisation</i>	<b>(376)</b>	(99)
<b>Total intangibles</b>	<b>410</b>	94

No indicators of impairment were found for Intangibles.  
No Intangibles are expected to be sold or disposed of within the next 12 months.

**Revaluations of non-financial assets**

All revaluations were conducted in accordance with the revaluation policy stated at Note 1.



**NOTE 6D: RECONCILIATION OF THE OPENING AND CLOSING BALANCES OF NON-FINANCIAL ASSETS FOR 2015**

	Leasehold improvements \$'000	Property, plant and equipment \$'000	Intangibles \$'000	Total \$'000
<b>As at 1 July 2014</b>				
<i>Gross book value</i>	796	264	193	1,253
<i>Accumulated depreciation and impairment</i>	–	–	(99)	(99)
<b>Net book value 1 July 2014</b>	<b>796</b>	<b>264</b>	<b>94</b>	<b>1,154</b>
Additions				
<i>Purchase</i>	–	174	593	767
Depreciation and amortisation	(200)	(90)	(277)	(567)
Disposals	–	–	–	–
<b>Net book value 30 June 2015</b>	<b>596</b>	<b>348</b>	<b>410</b>	<b>1,354</b>
<b>Net book value as of 30 June 2015 represented by:</b>				
<i>Gross book value</i>	796	438	786	2,020
<i>Accumulated depreciation and impairment</i>	(200)	(90)	(376)	(666)
<b>Net book value 30 June 2015</b>	<b>596</b>	<b>348</b>	<b>410</b>	<b>1,354</b>

**NOTE 6E: RECONCILIATION OF THE OPENING AND CLOSING BALANCES OF NON-FINANCIAL ASSETS FOR 2014**

	Leasehold improvements \$'000	Property, plant and equipment \$'000	Intangibles \$'000	Total \$'000
<b>As at 1 July 2013</b>				
<i>Gross book value</i>	1,129	415	109	1,653
<i>Accumulated depreciation and impairment</i>	(192)	(74)	(12)	(278)
<b>Net book value 1 July 2013</b>	<b>937</b>	<b>341</b>	<b>97</b>	<b>1,375</b>
Additions				
<i>Purchase</i>	32	55	84	171
Revaluations recognised in the asset revaluation reserve	16	–	–	16
Impairments recognised in net cost of services	–	(30)	–	(30)
Depreciation and amortisation	(189)	(101)	(87)	(377)
Disposal	–	(1)	–	(1)
<b>Net book value 30 June 2014</b>	<b>796</b>	<b>264</b>	<b>94</b>	<b>1,154</b>
<b>Net book value as of 30 June 2014 represented by:</b>				
Gross book value	796	264	193	1,253
Revaluation recognised in asset revaluation reserve	–	–	–	–
Accumulated depreciation and impairment	–	–	(99)	(99)
<b>Net book value 30 June 2014</b>	<b>796</b>	<b>264</b>	<b>94</b>	<b>1,154</b>

**NOTE 6F: OTHER NON-FINANCIAL ASSETS**

	<b>2015</b> \$'000	<b>2014</b> \$'000
Prepayments	<b>48</b>	44
<b>Total other non-financial assets</b>	<b>48</b>	44
Other non-financial assets expected to be recovered		
<i>No more than 12 months</i>	<b>48</b>	44
<b>Total other non-financial assets</b>	<b>48</b>	44

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

## Note 7: Fair value measurements

The following tables provide an analysis of assets and liabilities that are measured at fair value. The different levels of the fair value hierarchy are defined below.

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3:** Unobservable inputs for the asset or liability.

### NOTE 7A: FAIR VALUE MEASUREMENTS, VALUATION TECHNIQUES AND INPUTS USED

#### Fair value measurements at the end of the reporting period<sup>3</sup>

	2015 \$'000	2014 \$'000	Category (Level 1, 2 or 3) <sup>4</sup>
<b>Non-financial assets</b>			
<i>Leasehold improvements</i>	<b>596</b>	796	3
<i>Property, plant and equipment</i>	<b>348</b>	264	2
<b>Total non-financial assets</b>	<b>944</b>	1,060	
<b>Assets not measured at fair value in the statement of financial position:</b>			
Non-financial assets <sup>1</sup>	–	–	
<b>Total fair value measurements of assets in the statement of financial position</b>	<b>944</b>	1,060	

#### For Levels 2 and 3 fair value measurements

Valuation technique(s) <sup>2</sup>	Inputs used	Range (weighted average)	Sensitivity of the fair value measurement to changes in unobservable inputs
Depreciated Replacement Cost (DRC)	Replacement Cost New (price per square metre)	n/a	Net present value of the current obligation determined as a price per square metre
	Consumed economic benefit/Obsolescence of asset	16.67% per annum	
Market Approach	Adjusted market transactions	n/a	

#### Notes

1. IHPA did not remeasure non-financial assets at fair value on a non-recurring basis at 30 June 2015.

2. No change in valuation technique occurred during the period.

#### 3. Fair value measurements – highest and best use differs from current use for non-financial assets (NFAs)

IHPA's assets are held for operational purposes and not held for the purposes of deriving a profit. The current use of all controlled assets is considered their highest and best use. This is consistent with the treatment in 2014.

#### 4. Recurring and non-recurring Level 3 fair value measurements – valuation processes

IHPA undertook a comprehensive valuation of all its non-financial assets at 30 June 2014. IHPA tests the procedures of the valuation model as an internal management review at least once every 12 months (with a formal revaluation undertaken once every three years). If a particular asset class experiences significant and volatile changes in fair value (i.e. where indicators suggest that the value of the class has changed materially since the previous reporting period), that class is subject to specific valuation in the reporting period, where practicable, regardless of the timing of the last specific valuation. IHPA has engaged Australian Valuation Solutions (AVS) to provide written assurance that the models developed comply with AASB 13.

**Note 8: Payables**

	2015 \$'000	2014 \$'000 Departmental	2014 \$'000 Administered
<b>NOTE 8A: SUPPLIERS</b>			
Trade creditors and accruals	3,892	376	2,152
<b>Total suppliers</b>	<b>3,892</b>	<b>376</b>	<b>2,152</b>
<b>Suppliers expected to be settled</b>			
<i>No more than 12 months</i>	3,892	268	2,152
<i>More than 12 months</i>	–	108	–
<b>Total suppliers</b>	<b>3,892</b>	<b>376</b>	<b>2,152</b>
<b>Suppliers in connection with</b>			
<i>Related entities</i>	353	100	–
<i>External parties</i>	3,539	276	2,152
<b>Total suppliers</b>	<b>3,892</b>	<b>376</b>	<b>2,152</b>
Settlement was usually made within 30 days.			
<b>NOTE 8B: OTHER PAYABLES</b>			
Payable to Department of Health	119	98	–
Wages and salaries	191	155	–
Superannuation	32	25	–
Lease incentive	319	428	–
GST payable	11	19	38
Other – credit card	16	7	–
<b>Total other payables</b>	<b>688</b>	<b>732</b>	<b>38</b>
<b>Total other payables expected to be settled</b>			
<i>No more than 12 months</i>	479	422	–
<i>More than 12 months</i>	209	310	–
<b>Total other payables</b>	<b>688</b>	<b>732</b>	<b>38</b>

**Note 9: Provisions**

	2015 \$'000	2014 \$'000 Departmental	2014 \$'000 Administered
<b>NOTE 9A: EMPLOYEE PROVISIONS</b>			
Leave	1,140	849	–
<b>Total employee provisions</b>	<b>1,140</b>	<b>849</b>	<b>–</b>
<b>Employee provisions expected to be settled</b>			
<i>No more than 12 months</i>	436	348	–
<i>More than 12 months</i>	704	501	–
<b>Total employee provisions</b>	<b>1,140</b>	<b>849</b>	<b>–</b>
<b>NOTE 9B: OTHER PROVISIONS</b>			
<i>Provision for restoration<sup>1</sup></i>	162	162	–
<b>Total other provisions</b>	<b>162</b>	<b>162</b>	<b>–</b>
<b>Other provisions expected to be settled</b>			
<i>More than 12 months</i>	162	162	–
<b>Total other provisions</b>	<b>162</b>	<b>162</b>	<b>–</b>

**Note**

1. The provision for restoration is an allowance to make good premises at end of lease.

**Note 10: Cash flow reconciliation**

	2015 \$'000	2014 \$'000 Departmental	2014 \$'000 Administered
<b>Reconciliation of net cost of services to net cash from (used by) operating activities</b>			
<i>Net (cost) of services</i>	(21,980)	(9,801)	(9,295)
<i>Revenue from Government</i>	25,726	13,407	–
<b>Adjustments for non-cash items</b>			
<i>Depreciation / amortisation</i>	567	378	–
<i>Net write-down of non financial assets</i>	242	31	–
<b>Movements in assets and liabilities</b>			
<b>Assets</b>			
<i>(Increase) Decrease in net receivables</i>	(3,390)	(1,918)	1,414
<i>(Increase) Decrease in prepayments</i>	(4)	–	–
<b>Liabilities</b>			
<i>Increase (Decrease) in employee provisions</i>	291	16	–
<i>Increase (Decrease) in supplier payables</i>	3,516	152	1,436
<i>Increase (Decrease) in other payables</i>	(43)	(1,692)	–
<i>Increase (Decrease) in other provisions</i>	–	7	–
<i>Increase (Decrease) in inter agency payable for expenses paid by Department of Health</i>	–	(489)	–
<b>Net cash from (used by) operating activities</b>	<b>4,925</b>	<b>91</b>	<b>(6,445)</b>

**Note 11: Contingent assets and liabilities****QUANTIFIABLE CONTINGENCIES**

There were no quantifiable contingent assets or liabilities in this reporting period (2014: nil).

**UNQUANTIFIABLE CONTINGENCIES**

There were no unquantifiable contingent assets or liabilities in this reporting period (2014: nil).

**SIGNIFICANT REMOTE CONTINGENCIES**

There were no significant remote contingent assets or liabilities in this reporting period (2014: nil).

**Note 12: Senior management personnel remuneration**

	2015 \$	2014 \$
<b>Short-term employee benefits</b>		
<i>Salary</i>	471,930	464,745
<i>Allowances including motor vehicle</i>	117,353	119,806
<b>Total short-term employee benefits</b>	<b>589,283</b>	584,551
<b>Post-employment benefits</b>		
<i>Superannuation</i>	82,058	84,752
<b>Total post-employment benefits</b>	<b>82,058</b>	84,752
<b>Other long-term employee benefits</b>		
<i>Annual leave</i>	54,303	34,369
<i>Long-service leave</i>	18,503	11,656
<b>Total other long-term employee benefits</b>	<b>72,806</b>	46,025
<b>Total senior executive remuneration expenses</b>	<b>744,147</b>	715,328

**Note**

There are two senior management personnel included in the above table (2014:2).

**Note 13: Financial instruments**

	2015 \$'000	2014 \$'000 Departmental	2014 \$'000 Administered
<b>NOTE 13A: CATEGORIES OF FINANCIAL INSTRUMENTS</b>			
<b>Financial assets</b>			
Loans and receivables			
<i>Cash and cash equivalents</i>	4,743	313	–
<i>Receivable from the Department of Health</i>	380	52	–
<i>Receivable from other Federal Government agencies</i>	168	3	–
<i>Trade and other receivables</i>	590	72	28
<b>Total financial assets</b>	<b>5,881</b>	440	28
<b>Financial liabilities</b>			
Financial liabilities measured at amortised cost			
<i>Trade creditors and accruals</i>	3,892	375	2,152
<i>Payable to the Department of Health</i>	119	98	–
<i>Other payables – credit card</i>	16	7	–
<b>Total financial liabilities</b>	<b>4,027</b>	480	2,152

**NOTE 13B: 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. All financial liabilities are current, therefore a maturity analysis is not required.

**NOTE 13C: CREDIT RISK**

IHPA was exposed to minimal credit risk as financial assets cash and trade and other receivables. The maximum exposure to credit risk was the risk that arises from potential default of a debtor. This amount was equal to the total amount of trade and other receivables (2015: \$1,687,184 and 2014: \$177,593). At 30 June 2015 IHPA had no significant exposures to any concentrations of credit risk.

**Credit quality of financial assets not past due or individually determined as impaired**

	Not past due nor impaired	Not past due nor impaired	Not past due nor impaired	Past due or impaired	Past due or impaired	Past due or impaired
	2015	2014	2014	2015	2014	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
		Departmental	Administered		Departmental	Administered
Cash	4,743	313	–	–	–	–
Related Entity	548	55	–	–	–	–
Other receivables	590	72	28	242	–	–
<b>Total</b>	<b>5,881</b>	<b>440</b>	<b>28</b>	<b>242</b>	<b>–</b>	<b>–</b>

There were no financial assets that were past due date and not impaired as at 30 June 2015 (30 June 2014: nil).

**NOTE 13D: LIQUIDITY RISK**

IHPA financial liabilities were trade creditors and other payables. IHPA's exposure to liquidity risk is limited due to its funding arrangements and mechanisms available to the entity. IHPA has internal policies and procedures in place to ensure there were appropriate resources available to meet its financial obligations.

**Maturities for non-derivative financial liabilities in 2015**

	2015 within a year	2014 within a year	2014 within a year
	\$'000	\$'000	\$'000
		Departmental	Administered
Trade creditors and accruals	3,892	375	2,152
Other payables	135	105	–
<b>Total</b>	<b>4,027</b>	<b>480</b>	<b>2,152</b>

**Note 14: Financial assets reconciliation**

	2015	2014	2014
	\$'000	\$'000	\$'000
		Departmental	Administered
<b>Total financial assets as per statement of financial position</b>	<b>24,607</b>	<b>20,438</b>	<b>274</b>
<b>Less: Non-financial instrument components</b>			
Appropriations receivable	18,219	19,747	–
Other receivable	306	50	246
<b>Total non-financial instrument components</b>	<b>18,525</b>	<b>19,797</b>	<b>246</b>
<b>Total financial assets as per financial instruments note</b>	<b>6,082</b>	<b>641</b>	<b>28</b>



## Note 15: Appropriations

### NOTE 15A ANNUAL APPROPRIATIONS ('RECOVERABLE GST EXCLUSIVE')

Annual Appropriations for 2015

	Appropriation Act Annual appropriation \$'000	Appropriation Act AFM \$'000	PGPA Act Section 74 \$'000	PGPA Act Section 75 \$'000	Total appropriation \$'000	Appropriation applied in 2015 (current and prior years) \$'000	Variance \$'000	Section 51 determinations \$'000
<b>Departmental</b>								
Ordinary annual services	25,726	–	–	–	25,726	23,641	2,085	–
<b>Total departmental</b>	<b>25,726</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>25,726</b>	<b>23,641</b>	<b>2,085</b>	<b>–</b>

### NOTE 15A ANNUAL APPROPRIATIONS ('RECOVERABLE GST EXCLUSIVE')

Annual Appropriations for 2014

	Appropriation Act Annual appropriation \$'000	Appropriation Act AFM \$'000	PGPA Act Section 74 \$'000	PGPA Act Section 75 \$'000	Total appropriation \$'000	Appropriation applied in 2014 (current and prior years) \$'000	Variance \$'000	Section 51 determinations \$'000
<b>Departmental</b>								
Ordinary annual services	13,609	–	58	–	13,667	(11,716)	1,951	–
Other services	–	–	–	–	–	–	–	–
<i>Equity</i>	–	–	–	–	–	–	–	–
<b>Total departmental</b>	<b>13,609</b>	<b>–</b>	<b>58</b>	<b>–</b>	<b>13,667</b>	<b>(11,716)</b>	<b>1,951</b>	<b>–</b>
<b>Administered</b>								
Ordinary annual services								
Administered items	12,090	(1,934)	–	–	10,156	(8,924)	1,232	–
<b>Total administered</b>	<b>12,090</b>	<b>(1,934)</b>	<b>–</b>	<b>–</b>	<b>10,156</b>	<b>(8,924)</b>	<b>1,232</b>	<b>–</b>

**NOTE 15B DEPARTMENTAL AND ADMINISTERED CAPITAL BUDGETS ('RECOVERABLE GST EXCLUSIVE')**

Annual capital appropriations for 2015

	2015 capital budget appropriation		Capital budget appropriations applied in 2015 (current and prior years)				Variance \$'000
	Appropriation Act Annual capital budget \$'000	PGPA Act Section 75 \$'000	Total capital budget appropriations \$'000	Payments for non-financial assets \$'000	Payments for other purposes \$'000	Total payments \$'000	
<b>Departmental</b>							
Ordinary annual services – Departmental Budget	–	–	–	–	–	–	–

**NOTE 15B DEPARTMENTAL AND ADMINISTERED CAPITAL BUDGETS ('RECOVERABLE GST EXCLUSIVE')**

Annual capital appropriations for 2014

	2014 capital budget appropriation		Capital budget appropriations applied in 2014 (current and prior years)				Variance \$'000
	Appropriation Act Annual capital budget \$'000	PGPA Act Section 75 \$'000	Total capital budget appropriations \$'000	Payments for non-financial assets \$'000	Payments for other purposes \$'000	Total payments \$'000	
<b>Departmental</b>							
Ordinary annual services – Departmental Budget	200	–	200	200	–	200	–
<b>Administered</b>							
Ordinary annual services – Administered Budget	–	–	–	–	–	–	–

**NOTE 15C UNSPENT APPROPRIATIONS ('RECOVERABLE GST EXCLUSIVE')**

	<b>2015</b> \$'000	<b>2014</b> \$'000
<b>Departmental</b>		
<i>Appropriation Act (No.1) 2011-12</i>	–	–
<i>Appropriation Act (No.1) 2011-12-DCB</i>	–	3,651
<i>Appropriation Act (No.1) 2012-13</i>	<b>6</b>	2,690
<i>Appropriation Act (No.1) 2012-13-DCB</i>	–	–
<i>Appropriation Act (No.1) 2013-14</i>	<b>37</b>	13,720
<i>Appropriation Act (No.1) 2013-14-DCB</i>	<b>200</b>	200
<i>Appropriation Act (No.1) 2014-15</i>	<b>22,915</b>	–
<b>Total departmental<sup>1</sup></b>	<b>23,158</b>	20,261
<b>Administered</b>		
<i>Appropriation Act (No.1) 2012-13</i>	–	–
<i>Appropriation Act (No.1) 2013-14</i>	–	3,859
<b>Total administered</b>	–	3,859

**Note**

1. On 16 October 2014, the Omnibus Repeal Day Act repealed \$3.651 million of IHPA's Appropriation Act 2011–12 DCB.

**NOTE 15D: SPECIAL APPROPRIATIONS APPLIED ('RECOVERABLE GST EXCLUSIVE')**

There are no special appropriations applied to the IHPA during financial years 2014 and 2015.

**NOTE 15E: DISCLOSURE BY AGENT IN RELATION TO ANNUAL AND SPECIAL APPROPRIATIONS ('RECOVERABLE GST EXCLUSIVE')**

There are no appropriations for work performed on behalf of other agencies during financial years 2014 and 2015.

**Note 16: Compliance with statutory conditions 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 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 account.

Subsequently, 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. During 2014/15 IHPA conducted a risk assessment and reviewed its processes and controls over payments for these items. No breaches occurred during the financial year and the risk of breaches occurring is minimal.

**Note 17: Reporting of outcomes**

IHPA's outcome statement: promote improved efficiency in, and access to, public hospital services primarily through setting efficient national prices and levels of block funding for hospital activities

	<b>Outcome 1 2015 \$'000</b>	<b>Outcome 1 2014 \$'000</b>
<b>Departmental</b>		
<i>Expenses</i>	<b>24,474</b>	10,315
<i>Own-source income</i>	<b>2,494</b>	514
<b>Administered</b>		
<i>Expenses</i>	–	9,862
<i>Income</i>	–	567
<b>Net cost of outcome delivery</b>	<b>21,980</b>	19,096

**Note 18: Budgetary Reports and Explanations of Major Variances**

The following tables provide a comparison of the original budget as presented in the 2014–15 Portfolio Budget Statements (PBS) to the 2014–15 final outcome as presented in accordance with Australian Accounting Standards for IHPA. The Budget is not audited.

Major variances are generally those greater than 10 per cent of the original budget. Variances below this threshold are generally not included unless considered significant by their nature.

## Statement of comprehensive income

for the year ended 30 June 2015

	Budget estimate Actual 2015 \$000	Budget estimate Original 2015 \$000	Variance <sup>1</sup> 2015 \$000
<b>Net cost of services</b>			
Expenses			
<i>Employee benefits</i>	7,242	8,860	1,618
<i>Suppliers</i>	16,423	4,325	(12,098)
<i>Depreciation</i>	567	380	(187)
<i>Finance costs</i>	–	–	–
<i>Write-down and impairment of assets</i>	242	–	(242)
<b>Total expenses</b>	<b>24,474</b>	<b>13,565</b>	<b>(10,909)</b>
<b>Own-source Income</b>			
Own-source revenue			
<i>Sale of rendering services</i>	2,402	314	(2,088)
<i>Interest</i>	34	–	(34)
<b>Total own-source revenue</b>	<b>2,436</b>	<b>314</b>	<b>(2,122)</b>
<b>Gains</b>			
<i>Other gains</i>	58	–	(58)
<b>Total gains</b>	<b>58</b>	<b>–</b>	<b>(58)</b>
<b>Total own-source income</b>	<b>2,494</b>	<b>314</b>	<b>(2,180)</b>
<b>Net cost of services</b>	<b>21,980</b>	<b>13,251</b>	<b>(8,729)</b>
Revenue from Government	25,726	13,251	(12,475)
<b>Surplus after income tax</b>	<b>3,746</b>	<b>–</b>	<b>(3,745)</b>

### Notes

#### 1. Variance analysis

Employee benefits: IHPA ran core business with lower than approved staffing levels due to restrictions in recruitment and a balancing of work effort with contractors.

Supplier expenses variance was funded by an appropriation amount of \$12,277,000 originally budgeted in Administered.

Depreciation was higher than planned due to increased depreciation arising from an expanded use of analytical software tools and amortisation of intellectual property purchased to support classification development.

Impairment was incurred on an uncollected sales invoice related to sale of Australian Refined Diagnosis Related Groups.

#### Intellectual Property.

Agency receipts were higher as a result of unplanned; sales of Diagnostic Resource Group Intellectual Property, refund from the portfolio of the development costs of activity based clinical trials and recognition of revenue from sale of publications.

## Statement of financial position

as at 30 June 2015

	Budget estimate Actual 2015 \$000	Budget estimate Original 2015 \$000	Variance <sup>1</sup> 2015 \$000
<b>ASSETS</b>			
<b>Financial assets</b>			
<i>Cash and cash equivalents</i>	4,743	138	4,605
<i>Trade and other receivables</i>	19,864	19,809	55
<b>Total financial assets</b>	<b>24,607</b>	<b>19,947</b>	<b>4,660</b>
<b>Non-financial assets</b>			
<i>Land and buildings</i>	596	561	35
<i>Property, plant and equipment</i>	348	306	42
<i>Other non-financial assets</i>	48	44	4
<i>Intangibles</i>	410	97	313
<b>Total non-financial assets</b>	<b>1,402</b>	<b>1,008</b>	<b>394</b>
<b>Total assets</b>	<b>26,009</b>	<b>20,955</b>	<b>5,054</b>
<b>LIABILITIES</b>			
<b>Payables</b>			
<i>Suppliers</i>	3,892	398	3,494
<i>Other payables</i>	688	1,324	(636)
<b>Total payables</b>	<b>4,580</b>	<b>1,722</b>	<b>2,858</b>
<b>Provisions</b>			
<i>Employee provisions</i>	1,140	1,147	(7)
<i>Other provisions</i>	162	163	(1)
<b>Total provisions</b>	<b>1,302</b>	<b>1,310</b>	<b>(8)</b>
<b>Total liabilities</b>	<b>5,882</b>	<b>3,032</b>	<b>2,850</b>
<b>Net assets</b>	<b>20,127</b>	<b>17,923</b>	<b>2,204</b>
<b>EQUITY</b>			
<i>Contributed equity</i>	400	598	(198)
<i>Reserves</i>	16	–	16
<i>Retained surplus</i>	19,711	17,325	2,386
<b>Total equity</b>	<b>20,127</b>	<b>17,923</b>	<b>2,204</b>

### Notes

#### 1. Variance analysis

Cash is higher than budget as Treasury action was taken at end of year to ensure adequate cash was available to pay supplier liabilities.

Non financial assets; intangibles are higher than budget as a clinical classification system was purchased and higher than planned expenditure on analytical software occurred during the year.

Other payables were lower than budget as planned inter agency creditor accounts have been settled.

**Cash flow statement**

for the year ended 30 June 2015

	Budget estimate Actual 2015 \$000	Budget estimate Original 2015 \$000	Variance <sup>1</sup> 2015 \$000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
<i>Appropriations</i>	23,641	12,834	10,807
<i>Sales of goods and rendering of services</i>	1,316	–	1,316
<i>Other</i>	71	–	71
<i>Net GST received</i>	1,047	643	404
<b>Total cash received</b>	<b>26,075</b>	<b>13,477</b>	<b>12,598</b>
<b>Cash used</b>			
<i>Employees</i>	6,908	8,769	(1,861)
<i>Suppliers</i>	14,186	4,097	10,089
<i>Net GST paid</i>	53	556	(503)
<i>Other</i>	3	–	3
<b>Total cash used</b>	<b>21,150</b>	<b>13,422</b>	<b>7,728</b>
<b>Net cash from (used by) operating activities</b>	<b>4,925</b>	<b>55</b>	<b>4,870</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash used</b>			
<i>Purchase of property, plant and equipment</i>	768	198	570
<b>Total cash used</b>	<b>768</b>	<b>198</b>	<b>570</b>
<b>Net cash (used by) investing activities</b>	<b>(768)</b>	<b>(198)</b>	<b>(570)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
<i>Contributed equity</i>	273	198	75
<b>Total cash received</b>	<b>273</b>	<b>198</b>	<b>75</b>
<b>Net cash from financing activities</b>	<b>273</b>	<b>198</b>	<b>75</b>
<b>Net increase (decrease) in cash held</b>	<b>4,430</b>	<b>55</b>	<b>4,375</b>
Cash and cash equivalents at the beginning of the reporting period	313	83	230
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>4,743</b>	<b>138</b>	<b>4,605</b>

**Notes**

**1 Variance analysis**

**Cash received:**

During 2014–15, IHPA also received an Appropriation originally budgeted as an Administered item of \$12,277,000.

Sales of goods and rendering of services contains cash received for sale of Australian Refined Diagnosis Related Groups classification systems, the annual Activity Based Funding conference. Variance in GST received is commensurate with additional expenditure.

**Cash Used:**

Employee benefits: IHPA staffing levels were below budget due to application of Government interim recruitment arrangements.

Supplier variance reflects expenditure originally budgeted in Administered offset by an increase in balance sheet payables and provisions. The \$53,000 in GST paid is the amount of GST IHPA remitted to the ATO for own source revenue.

Purchase of property plant and equipment was higher than budget as a result of the purchase of analytical software tools and intellectual property used in the development of clinical classification systems.



## Statement of changes in equity

for the year ended 30 June 2015

	Retained earnings			Asset revaluation surplus			Contributed equity/capital			Total equity		
	Actual	Budget estimate	Budget estimate	Actual	Budget estimate	Budget estimate	Actual	Budget estimate	Budget estimate	Actual	Budget estimate	Budget estimate
	2015 \$'000	Original 2015 \$'000	Variance 2015 \$'000	2015 \$'000	Original 2015 \$'000	Variance 2015 \$'000	2015 \$'000	Original 2015 \$'000	Variance 2015 \$'000	2015 \$'000	Original 2015 \$'000	Variance 2015 \$'000
<b>Opening balance</b>												
<i>Balance carried forward from previous period</i>	19,102	17,325	1,777	16	–	16	400	400	–	19,518	17,725	1,793
<b>Adjusted opening balance</b>	<b>19,102</b>	<b>17,325</b>	<b>1,777</b>	<b>16</b>	<b>–</b>	<b>16</b>	<b>400</b>	<b>400</b>	<b>–</b>	<b>19,518</b>	<b>17,725</b>	<b>1,793</b>
<b>Comprehensive income</b>												
<i>Surplus for the period</i>	3,746	–	3,746	–	–	–	–	–	–	3,746	–	3,746
<i>Other comprehensive income</i>	–	–	–	–	–	–	–	–	–	–	–	–
<b>Total comprehensive income</b>	<b>3,746</b>	<b>–</b>	<b>3,746</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,746</b>	<b>–</b>	<b>3,746</b>
<b>Transactions with owners</b>												
<i>Extinguishment of Appropriations</i>	(3,651)	–	(3,651)	–	–	–	–	–	–	(3,651)	–	(3,651)
<i>Contribution to settle prior period administrative accruals</i>	514	–	514	–	–	–	–	–	–	514	–	514
<b>Contributions by owners</b>												
<i>Departmental capital budget</i>	–	–	–	–	–	–	–	198	(198)	–	198	(198)
<i>Restructuring</i>	–	–	–	–	–	–	–	–	–	–	–	–
<b>Total transactions with owners</b>	<b>(3,137)</b>	<b>–</b>	<b>(3,137)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>198</b>	<b>(198)</b>	<b>(3,137)</b>	<b>198</b>	<b>(3,335)</b>
<b>Closing balance as at 30 June</b>	<b>19,711</b>	<b>17,325</b>	<b>2,386</b>	<b>16</b>	<b>–</b>	<b>16</b>	<b>400</b>	<b>598</b>	<b>(198)</b>	<b>20,127</b>	<b>17,923</b>	<b>2,204</b>

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](http://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](http://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](mailto:FOI_IHPA@ihpa.gov.au)

Phone: (02) 8215 1100

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:

- Use of electronic meeting papers through tablet devices.
- 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 and video conferences wherever possible to cut down on travel and minimise our carbon footprint.
- Using flexible working locations and home-based work where appropriate
- Using 100% recycled paper
- Minimising the creation of paper records by promoting the use of our electronic document records management system TRIM.

IHPA will continue to develop and implement business solutions that are efficient, effective and environmentally sound.

## ADVERTISING AND MARKET RESEARCH

IHPA conducted one advertising campaign during the period 1 July 2014–30 June 2015 for the public consultations of *Pricing Framework for Australian Public Hospital Services 2015–16* and *Work Program 2014–15*.

The amount paid was:

- Adcorp media placement services – \$49,566.89 (GST inclusive).

Further information is available in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available at [www.finance.gov.au/advertising/index.html](http://www.finance.gov.au/advertising/index.html)

## GRANT PROGRAMS

IHPA did not administer any grant programs during the period 1 July 2014 – 30 June 2015.

## LEGAL SERVICES EXPENDITURE

Details of the legal services expenditure for 2014–15 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 2014–15**

Legal Service	Expenditure (Incl. GST)
Total external legal services expenditure	\$79,766.19
External expenditure on solicitors	\$0.00
External expenditure on counsel	\$0.00
Other disbursements on external legal services	\$0.00
Total internal legal services expenditure	\$0.00
Total legal services expenditure	\$79,766.19

Appendix B

**RESOURCE  
STATEMENT  
AND EXPENSES  
BY OUTCOME**

# RESOURCE STATEMENT AND EXPENSES BY OUTCOME

## IHPA Resource Statement 2014-15

	Actual available appropriation for 2014–15 \$'000	Payments made for 2014–15 \$'000	Balance remaining 2014–15 \$'000
<b>Ordinary annual services</b>			
Departmental Appropriation <sup>1</sup>	45,987	22,829	23,158
<b>Total net resourcing for IHPA</b>	<b>45,987</b>	<b>22,829</b>	<b>23,158</b>

### Notes

1. Appropriation Act (No. 1) 2014–15  
All figures are GST exclusive.

## Expenses by Outcome

	Budget 2014–15 \$'000	Actual expenses 2014–15 \$'000	Variation 2014–15 \$'000
<b>Program 1.1: Public hospital price determinations</b>			
<b>Departmental Expenses</b>			
Departmental Appropriation <sup>1</sup>	13,251	25,726	(12,475)
Revenue from own sources	314	2,436	(2,122)
Expenses not requiring appropriation in the budget year	380	58	322
Operating deficit (Surplus)	(380)	(3,746)	3,366
<b>Total expenses for Outcome<sup>1</sup></b>	<b>13,565</b>	<b>24,474</b>	<b>(10,909)</b>
		<b>2013–14</b>	<b>2014–15</b>
Average staffing level <sup>2</sup>		53	53

### Notes

1. The variation in departmental appropriation of \$12.475 million was funded by a transfer of administered budget to departmental of \$12.277 million and consolidation of departmental capital budget of 0.198 million.

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

2. Staff numbers were 57 at 30 June 2015.

Appendix C

# ACRONYMS AND ABBREVIATIONS



<b>Term</b>	<b>Description</b>
<b>ABF</b>	Activity Based Funding
<b>ACSQHC</b>	Australian Commission on Safety and Quality in Health Care
<b>Act (the)</b>	<i>National Health Reform Act 2011</i>
<b>AIHW</b>	Australian Institute for Health and Welfare
<b>AMHCC</b>	Australian Mental Health Care Classification
<b>ANACC</b>	Australian Non-admitted Care Classification
<b>AN-SNAP</b>	Australian National Subacute and Non-Acute Patient
<b>ANAO</b>	Australian National Audit Office
<b>APC</b>	Admitted Patient Care
<b>APS</b>	Australian Public Service
<b>APSC</b>	Australian Public Service Commission
<b>ARC Committee</b>	Audit, Risk and Compliance Committee
<b>AR-DRG</b>	Australian Refined Diagnosis Related Groups
<b>CAC</b>	Clinical Advisory Committee
<b>CEO</b>	Chief Executive Officer
<b>COAG</b>	Council of Australian Governments
<b>CFO</b>	Chief Financial Officer
<b>DSS</b>	Data Set Specification
<b>ED</b>	Emergency Department
<b>EL</b>	Executive Level
<b>ES</b>	Emergency Services
<b>FOI</b>	Freedom of Information
<b>GEM</b>	Geriatric Evaluation Management
<b>HOPO</b>	Holder of Public Office

<b>Term</b>	<b>Description</b>
<b>ICD-10-AM</b>	International Statistical Classification of Diseases and Related Health Problems, Tenth Revision, Australian Modification
<b>ICT</b>	Information and Communication Technology
<b>IFA</b>	Individual Flexibility Arrangements
<b>IHPA</b>	Independent Hospital Pricing Authority
<b>JAC</b>	Jurisdictional Advisory Committee
<b>LHN</b>	Local Hospital Network
<b>NAP</b>	Non-admitted Patient
<b>NEC</b>	National Efficient Cost
<b>NEP</b>	National Efficient Price
<b>NHCDC</b>	National Hospital Cost Data Collection
<b>NHFB</b>	National Health Funding Body
<b>NHPA</b>	National Health Performance Authority
<b>NHRA</b>	National Health Reform Agreement (2011)
<b>NWAU</b>	National Weighted Activity Unit
<b>PBS</b>	Portfolio Budget Statements
<b>PGPA Act</b>	<i>Public Governance, Performance and Accountability Act 2013</i>
<b>SES</b>	Senior Executive Service
<b>TAC</b>	Technical Advisory Committee
<b>TTR</b>	Teaching, Training and Research
<b>WHS</b>	Work Health and Safety

Appendix D  
**GLOSSARY**

The background is a solid green color. It features several overlapping, rounded rectangular shapes in various shades of green. A prominent dark green shape is oriented diagonally from the top right towards the bottom center. Another medium green shape is positioned below it, also diagonally. A light green shape is located at the bottom left, partially overlapping the other shapes. The overall composition is modern and minimalist.

### **Activity Based Funding**

An activity comprising in-scope public hospital services which will be funded by the Australian Government 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**

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

### **Agreement**

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](http://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 8.0 (also known as AR-DRG version 8.0).

### **ASGS**

The Australian Statistical Geography Standard, developed by the Australian Bureau of Statistics.

### **Block funding**

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

### ***Carer Recognition Act 2010***

An Act to provide for the recognition of carers, and for related purposes. [www.comlaw.gov.au/Details/C2010A00123](http://www.comlaw.gov.au/Details/C2010A00123)

### ***Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act)***

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/](http://www.environment.gov.au/epbc/)

### ***Emergency Department Service***

The provision of care to a person by an Emergency Department.

### ***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](http://www.comlaw.gov.au/Series/C2004A02562)

### ***Work Health and Safety Act 2011***

An Act relating to work health and safety, and for related purposes. [www.comlaw.gov.au/Details/C2011A00137](http://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.

### **METeOR**

Australia's repository for national metadata standards for health, housing and community services statistics and information.

### **National Efficient Price**

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](http://www.comlaw.gov.au/Details/C2011C00952)

### **National Weighted Activity Unit**

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**

An area that is classified as outer regional Australia by the ASGS.

### **Public Service Act 1999**

The principal Act governing the establishment and operation of, and employment in, the Australian Public Service. [www.comlaw.gov.au/Series/C2004A00538](http://www.comlaw.gov.au/Series/C2004A00538)

### **Public Governance, Performance and Accountability Act 2013**

The Act replaced the *Financial Management and Accountability Act 1997* (FMA Act) and the *Commonwealth Authorities and Companies Act 1997* (CAC Act) on 1 July 2014.

### **Price Weight**

The weight assigned to an ABF Activity.

### **Remote**

An area that is classified as remote Australia under the ASGS.

### **Remoteness Area Adjustment**

The Outer Regional Adjustment, the Remote Area Adjustment and the Very Remote Area Adjustment.

### **State**

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**

The classification system for non-admitted patients that IHPA is currently using.

Appendix E  
**COMPLIANCE  
INDEX**

The background is a vibrant green with several overlapping, rounded rectangular shapes in different shades of green. A prominent dark green diagonal bar runs from the upper right towards the lower left, overlapping the other shapes. The text is positioned in the upper left corner.

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	Summary of significant issues and developments	Suggested	16
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	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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