

# Agreement for minimum Commonwealth funding for public hospital services in the Australian Capital Territory

## Preliminaries

1. This Agreement is between the Commonwealth of Australia (the Commonwealth) and the Australian Capital Territory (ACT).
2. This Agreement will support the delivery of a guaranteed minimum Commonwealth funding to the ACT for public hospital services each year for the period 2017-18 to 2019-20.
3. This Agreement should be read in conjunction with the *National Health Reform Agreement* (NHRA) and the *Intergovernmental Agreement on Federal Financial Relations* (IGA FFR).

## Term of this agreement

4. This Agreement will commence as soon as the Commonwealth and ACT sign the Agreement and the addendum to the NHRA, outlined in the 1 April 2016 *Heads of Agreement between the Commonwealth and the States and Territories on Public Hospital Funding*, commences.
5. This Agreement will expire once the final reconciliation for the 2019-20 financial year has been completed, assessment of eligibility for payment under this Agreement has been finalised and, where relevant, processing of this payment. The Agreement may be terminated early or extended as agreed in writing by the Parties.

## Roles and Responsibilities

6. The Commonwealth agrees to be responsible for:
  - (a) monitoring the expected level of National Health Reform (NHR) funding provided by the Commonwealth, as advised by the Administrator of the National Health Funding Pool (the Administrator);
  - (b) determining whether payment is required under this Agreement and calculating the payment amount due; and
  - (c) should payment be required, providing a financial contribution to the ACT in accordance with this Agreement.
7. The ACT agrees to be responsible for providing accurate and timely activity forecasts and actual service data to the Administrator in accordance with the NHRA.

8. The Commonwealth and the ACT agree to continue to fulfil their responsibilities under the NHRA.

## Financial arrangements

9. The Commonwealth will provide additional funding to the ACT for public hospital services each year for the period 2017-18 to 2019-2020 should the growth in Commonwealth contribution for public hospitals in the ACT be less than the growth in the Consumer Price Index (CPI) and national population for that year.

### Eligibility for payment

10. In accordance with the NHRA and the *National Health Reform Act 2011*, following reconciliation of actual hospital service data, the Administrator will advise the Commonwealth Treasurer of the amounts to be paid by the Commonwealth into the ACT State Pool Account of the National Health Funding Pool.
11. Upon receipt of this advice, the Treasurer (or delegate) will determine whether the final Commonwealth Funding Entitlement is less than the 'Guaranteed Minimum'.
12. The 'Guaranteed Minimum' for a financial year is calculated as:

- (a) **Step 1: Base Year Entitlement** - the calculation of the 'Base Year Entitlement' involves determining the previous financial year's National Health Reform Funding to ACT Residents.

$$\text{Prior Year National Health Reform Funding Entitlement} - \text{Prior Year Cross Border Adjustment}$$

- (b) **Step 2: CPI and Population Growth Funding to ACT Residents** - the 'Base Year Entitlement' is then multiplied by the 'CPI and national population growth rate'. This provides the Commonwealth funding for ACT residents under a CPI and Population growth rate funding model.

$$\text{Base Year Entitlement} \times \text{CPI and Population Growth Rate}$$

- (c) **Step 3: Total funding provided to the ACT under a CPI and Population Funding Model** - the 'Cross Border Entitlement', calculated by the National Health Funding Body, is then added to the 'CPI and Population Growth Funding to ACT residents' to determine the total Commonwealth funding that would be provided to the ACT under a CPI and national population growth rate funding model.

$$\text{CPI and Population Growth Funding to ACT Residents} + \text{Cross Border Entitlement}$$

13. Should the advice provided in clause 10 be less than the guaranteed minimum for the given financial year as calculated above, then the ACT is eligible for funding under this Agreement for that year.

### Quantum of payment

14. The total financial contribution to the ACT for a given financial year in respect of this Agreement will be calculated as:

$\frac{\textit{'Guaranteed Minimum'}}{\textit{Final Commonwealth Funding Entitlement}}$
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### Payment conditions

15. Any payments made under this Agreement will occur following the completion of reconciliation under the NHRA in accordance with Schedule D of the IGA FFR. Payments will be made in the next available regular monthly payment from the Commonwealth Treasury to the ACT Treasury.
16. Any funding provided under this Agreement will be outside of the National Health Funding Pool and will not be considered in calculating ACT's 'Guaranteed Minimum' in subsequent years.
17. Services funded under this Agreement are not eligible for Commonwealth funding under the NHRA, consistent with Clause A6 of the NHRA.
- (a) The ACT will include the National Weighted Activity Unit counts for any services funded under this agreement (both estimates and actuals) in its reports to the Administrator.
- (b) Data provision to the Administrator will separately identify these services (for each local Hospital Network) and the ACT will direct the Administrator to exclude these services from the calculation of the Commonwealth contribution and share of the National Efficient Price (NEP) to ACT public hospital services funded on an activity basis under the NHRA.
18. Any payments made under this Agreement will be GST exclusive.
19. Any payments made under this Agreement will be included in annual acquittals reports provided to the Council on Federal Financial Relations.
20. Any funding provided under this Agreement may be used for any health service that will assist in ameliorating or meeting the growth in demand for hospital services, including chronic disease management programs; preventive health programs; mental health programs; hospital admission avoidance programs; hospital early discharge programs; or other health services as jointly agreed by the Commonwealth and the ACT.

### Post-payment variations

21. If after the completion of reconciliation under the NHRA (see clause 15), the Administrator revises state entitlements under Schedule I to the NHRA, and the revision results in a revised Commonwealth contribution under clause 14, the Parties will determine appropriate payment or recoupment arrangements for any resulting variations to payment amounts under this agreement.

## **Governance arrangements**

22. The Parties do not intend any of the provisions of this Agreement to be legally enforceable. However, this does not lessen the Parties' commitment to this Agreement.
23. The Agreement may be amended at any time by agreement in writing by both Parties.
24. A Party to the Agreement may terminate their participation in the Agreement at any time by notifying the other Party in writing.
25. The Commonwealth Treasurer may delegate the assessment of eligibility for payment under this Agreement and the authorisation of related payments to senior Commonwealth officials, having regard to the financial and policy risks associated with those payments.

## **Interpretation**

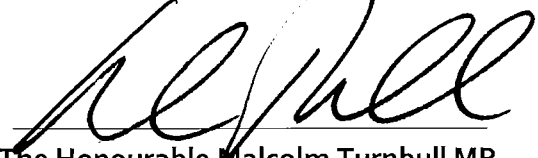
26. For the purpose of clause 12, 'CPI Growth' will be based on Commonwealth CPI figures for the relevant financial year.
27. For the purpose of clause 12, 'Population growth' is based on the national population as determined by the Australian Statistician in accordance with Section 7 of the Federal Financial Relations Act 2009 for that financial year.
28. For the purpose of clause 14, the ACT's 'Final Commonwealth Funding Entitlement' is the current financial year's Final Commonwealth Funding Entitlement as advised by the Administrator of the National Health Funding Pool.

## **Dispute resolution**

29. Any Party may give notice to the other Party of a dispute under this Agreement.
30. Officials of both Parties will attempt to resolve any dispute in the first instance.
31. If a dispute cannot be resolved by officials, it may be escalated to First Ministers.

The Parties have confirmed their commitment to this agreement as follows:

*Signed for and on behalf of the Commonwealth of Australia by*

A handwritten signature in black ink, appearing to read 'M. Turnbull', written over a horizontal line.

**The Honourable Malcolm Turnbull MP**  
Prime Minister of the Commonwealth of Australia

[Day] [Month] [Year]

*Signed for and on behalf of the Australian Capital Territory by*

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**Andrew Barr MLA**

Chief Minister of the Australian Capital Territory

[Day] [Month] [Year]

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**Andrew Barr MLA**  
Chief Minister of the Australian Capital Territory

**28 03 2017**  
[Day] [Month] [Year]