

# Notes to the State Budget Schedule

## Illawarra Shoalhaven Local Health District



Health



# Notes

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## Overview

The NSW State Efficient Price for 2023-24 has been set at \$5,207. This price has been informed by the 2021-22 District and Network Return (DNR) clinical costing study results provided by all Districts and Networks. These results have been subject to the annual internal clinical costing audit, and results are expressed in NWAU23.

The 2022-23 State Efficient Price was based on 2020-21 DNR results which were expressed in NWAU22, as such a direct comparison between the 2022-23 price and 2023-24 price is not possible.

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

Further technical information will be available in the NSW Activity Based Management (ABM) and Activity Based Funding (ABF) Compendium 2023-24.

The following notes relate to the specific elements of the Budget Schedule.

## 4.1 State Budget Schedule: Part 1

The Budget Schedule: Part 1 sets out types of services split by allocation method. In line with the devolved health system governance, Districts have the flexibility to determine the application and reconfiguration of resources between services that will best meet local needs and priorities.

### Target Volume

The target volume in the Budget Schedule includes activity targets set for Activity Based Facilities as well as Small Hospitals. The table below sets out the components of the activity allocation.

Table 1: - State Budget Schedule 2023-24 - Allocation of Activity

Illawarra Shoalhaven LHD	Activity Based Funded Services	Small Hospitals
	Target Activity NWAU23	Target Activity NWAU23
Acute Admitted	86,421	
Emergency Department	23,425	
Sub-Acute Services	17,836	
Non Admitted Services - Incl Dental Services	29,643	
<b>Total</b>	<b>157,325</b>	<b>0</b>
Mental Health - Admitted (Acute and Sub-Acute)	10,385	
Mental Health - Non Admitted	6,037	
<b>Total</b>	<b>16,422</b>	<b>0</b>
<b>Sub-Total Activity Based Facilities &amp; Small Hospitals</b>	<b>173,748</b>	<b>0</b>
<b>Total as per Schedule</b>	<b>173,748</b>	

### Activity Based Funded Services

The ABF Services budget has been set by multiplying the ABF target (NWAU23) against the State Efficient Price. This applies to both baseline and growth activity. Note: This does not apply to contractual arrangements, where a specific adjustment are made for these arrangements. The ABF activity targets have been set for Acute Admitted, Emergency Department, Sub-Acute Services, Non-Admitted Services (including Dental) and Mental Health Admitted Services.

The NSW State Efficient Price for 2023-24 has been informed by the Cost per NWAU data of the 2021-22 DNR Clinical Costing Study.

NSW Health will continue to determine a State Price to meet other system requirements.

For Districts or Networks with a Projected Average Cost (PAC) that exceeds the State Efficient Price the difference between their specific PAC and the State Efficient Price will be addressed by a Cost-Price Adjustment (refer below).

### *Small Hospitals and Other Block Funding*

#### **Block Funded Hospitals (Small Hospitals)**

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

This model and the concept is particularly applicable to the Rural and Regional Districts. The model adopts a fixed and variable cost methodology and has been used again for the 2023-24 State Budget allocation.

For 2023-24 NSW Small Hospital Funding Model, a linear regression analysis has been used to calculate the fixed and variable components. The variable price for delivering activity from small hospitals has been set at \$5,764 per NWAU23. The fixed component for the 2023-24 budget has been set at \$0.878 million per facility.

Block funded services at these facilities, the Multi-Purpose Service (MPS) program and Residential Aged Care are allocated funding using their DNR cost plus escalation and have been excluded from the 2023-24 Small Hospital Funding Model.

#### **Block Funded Services**

This allocation in the 2023-24 State Budget has been informed by the 2021-22 DNR, clinical costing study.

- The NSW State-wide Teaching and Training cost allocation methodology has been applied to reduce the volatility and enhance the stability of the Teaching and Training cost allocation across the system. This allocation approach continues to be applied in the 2023-24 State Budget.
- Other Non-Admitted Patient Services component addresses the funding of home ventilation clinics. These services are block funded in the 2023-24 State Budget.

#### **Gross-Up (Private Patient Service Adjustments)**

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

#### **State Only Block Funded Services**

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

These services include:

- Public and Population Health, Aboriginal Health and other Community Health based programs as well as non-health related services;

- Privately referred Non-Admitted services which do not have activity targets and therefore are not included in the ABF allocation. A block allocation for these services has been included in the State Only Block section and has been set using the cost reported in the most recent full year DNR clinical costing study;
- Also included are amounts which have been excluded for pricing such as Public Private Partnerships (PPP) interest, Isolated Patients Travel and Accommodation Assistance Scheme (IPTAAS), S100 drugs and Blood products.

Districts are also responsible for determining the allocation of activity and budgets to their individual hospitals and other services, noting the state-wide priorities identified in Part 2 of this Service Agreement.

### **Cost-Price Adjustment**

In further developing the NSW Funding Model, a Cost-Price Adjustment will be applied where a District/Network's Projected Average Cost exceeds the State Efficient Price. The rules for funding up to 50 per cent of growth have not been applied given there was no applicable growth this year.

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

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

The calculation for Small Hospitals Cost-Price Adjustment is the difference between the overall funding, based on the NSW Small Hospitals funding model, for a District's small hospitals and the aggregate projected cost for the District's small hospitals as informed by the 2021-22 DNR clinical costing results.

## **SECTION A**

This section of the schedule identifies the budget for Acute Admitted, Emergency Department, Sub-Acute Services and Non Admitted Services (including Dental Services). The amounts have been allocated using both an activity based and block basis.

## **SECTION B**

This section of the schedule identifies the Mental Health Services budget which has been allocated using both an activity based and block basis.

Non-admitted Mental Health is again block funded in the 2023-24 Budget while the NSW PSC classification continues to be used for shadow funding of mental health non-admitted services on an activity basis.

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

Admitted Mental Health is funded using the AMHCC on an ABF basis.

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

- *Mental Health Non-Admitted* - For the 2023-24 State Budget Mental Health Non-Admitted services will be block funded while the new Australian Mental Health Care Classification continues being implemented.
- *Standalone Psychiatric Hospitals* - A small number of standalone psychiatric hospitals have continued to be block funded based on the 2021-22 DNR clinical costing results.
- *Small & Rural Hospitals* - Within the Small and Rural Hospitals block allocation a quantum of funding for both Mental Health services as well as Teaching, Training and Research for Mental Health has been provisioned.

## SECTION C

This section of the Schedule identifies the budget for Teaching, Training and Research and Other Non Admitted Patient Services which have been allocated on a block basis. Refer Block Funded Services section above.

## SECTION D

This section of the Schedule identifies the budget for Other Services which has been allocated on a block basis. Refer to State Only Block Funded Services section above.

## SECTION E

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

The initiative details are provided in Budget schedule: Part 1 B.

## SECTION F

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

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

## SECTION G

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

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

## SECTION H

This section of the Schedule provides the total expense amount.

## SECTION I

This section of the Schedule provides other gains or losses on disposal of assets etc.

## SECTION J

This section of the Schedule identifies the revenue, split by ABF Commonwealth Share, Block Commonwealth Share and all other revenue excluding these amounts.

## SECTION K

This section of the Schedule provides the net result.

## 4.2 State Budget Schedule: Part 2

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The 2023-24 Revenue Budget for each District results from trend growth and volume increases as well as a performance factor and other adjustments. There are also specific amendments for High Cost Drugs, revenue attributable to compensable patients and for certain other items.

Own source revenue includes all revenue from sources other than Government Grants. From 2023-24, the Commonwealth contributions for National Health Reform Agreement (NHRA) activity based and block-funded services will be considered as own source of revenue.

## 4.3 State Budget Schedule - NHRA Clause A95(b) Notice

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

The Schedule reflects both the Commonwealth and the State's contribution to the funding of health services both in scope for Commonwealth contributions as well as those services for which the Commonwealth does not contribute.

## 4.4 State Budget Schedule- Capital Program

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This section explains the 2023-24 capital program including capital projects managed by Health Infrastructure and Ministry of Health.