

**Senate Community Affairs Committee**

ANSWERS TO ESTIMATES QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

Budget Estimates 2012-2013, 30 & 31 May and 1 June 2012

**Question:** E12-424

**OUTCOME 13:** Acute Care

**Topic:** Hospitals to be block funded

**Type of Question:** Hansard Page 28, 30 May 2012

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**Senator:** Senator Fierravanti-Wells

**Question:**

**Senator FIERRAVANTI-WELLS:** Across Australia in relation to what hospitals are going to be block funded and what—

**Ms Flanagan:** Certainly in terms of principles it is very clear that for a lot of small rural hospitals it was always intended that they be block funded. That has never been a controversial issue.

**Senator FIERRAVANTI-WELLS:** No. I guess the figures and the lists and those sorts of things—we are not at that point yet but we are close?

**Ms Flanagan:** We could certainly take it on notice and give you a breakdown of which hospitals—

**Senator FIERRAVANTI-WELLS:** Per jurisdiction—yes, thank you.

**Answer:**

There is no national list of public hospitals that are to be block funded. As required by the National Health Reform Agreement (NHRA), the Commonwealth has reached bilateral agreement with each state and territory government on the proportion of Commonwealth public hospital funding that is to be paid on a block grant basis in 2012-13. States and territories as system managers are responsible for deciding which Local Hospital Networks and hospitals will be block funded.

From 2013-14 the Council of Australian Governments will agree on the criteria that will determine which hospitals are to be block funded. The Independent Hospital Pricing Authority (IHPA) in the 2012-13 Pricing Framework for Australian Public Hospital Services, proposed the following draft Block Funding Criteria.

“Public hospitals, or public hospital services, will be eligible for block grant funding if:

1. The technical requirements for applying activity based funding are not able to be satisfied.

2. There is an absence of economies of scale that mean some services would not be financially viable under activity based funding.”

The IHPA has also released indicative guidelines on ‘low volume’ thresholds that might form part of draft Block Funding Criteria for use in 2013-14. Under these thresholds, hospitals may be eligible for block funding if:

- They are in a metropolitan area (defined as ‘major city’ in the Australian Standard Geographical Classification) and they provide  $\leq 1,800$  inpatient National Weighted Activity Units (NWAU) per annum; or
- They are in a rural area (defined as all remaining areas, including ‘inner regional’, ‘outer regional’, ‘remote’ and ‘very remote’ in the Australian Standard Geographical Classification) and they provide  $\leq 3,500$  inpatient NWAUs per annum.