

**NATIONAL HEALTH FUNDING POOL BILL 2012**

*Introduction and First Reading*

Bill introduced, on motion by **Dr K.D. Hames (Minister for Health)**, and read a first time.

Explanatory memorandum presented by the minister.

*Second Reading*

**DR K.D. HAMES (Dawesville — Minister for Health)** [12.13 pm]: I move —

That the bill be now read a second time.

Pursuant to standing order 126(1), I advise that this bill is a uniform legislation bill. It is a bill that ratifies or gives effect to an intergovernmental or multilateral agreement to which the government of the state is a party. The bill gives effect to the National Health Reform Agreement which Western Australia agreed to in August 2011, along with all other states and territories and the commonwealth. The National Health Reform Agreement proposes significant change to the way commonwealth funding for the delivery of public hospital services flows to the state. Under current arrangements the commonwealth provides a subsidy payment to the state. This payment is received into consolidated revenue and forms part of the budgets allocated each year to the Department of Health and the Mental Health Commission in the form of state appropriation.

The key reform agreed to under the National Health Reform Agreement is that commonwealth funding for public hospital services will, from 2012–13, be funded on an activity basis, wherever possible. To give effect to this reform Western Australia has agreed to pool its state funding for public hospital services with the commonwealth's funding in a state pool account to be administered by an independent administrator. Collectively, these accounts will form the National Health Funding Pool. The state pool account will be managed through a separate bank account to be established by the state with the Reserve Bank of Australia. For 2012–13 and 2013–14, this arrangement will not result in any different funding outcome for the state than under the current National Healthcare Agreement. However, from 2014–15 the commonwealth's funding for public hospital services in Western Australia will vary depending on the quantum of activity delivered. From 2014–15, the commonwealth will fund 45 per cent of the efficient cost of the growth in public hospital services over the preceding year. From 2017–18 this proportion will increase to 50 per cent.

It is important to understand that this does not mean that the commonwealth will become an equal partner with the state in funding public hospital services, for two reasons: firstly, the arrangement commencing in 2014–15 does nothing to address the current gross inequity in state and commonwealth funding shares for public hospital services in Western Australia—it only applies to activity growth from that point forward; secondly, the commonwealth's funding for growth in public hospital activity will be determined by the relevant proportion of a national efficient price to be determined by the Independent Hospital Pricing Authority. If the pricing authority's modelling fails to take into account the significant and legitimate cost of disabilities involved in the delivery of services in a state the size of Western Australia, the state will again be left to meet the shortfall in funding.

An administrator will be appointed under the bill to administer the state pool account. It is the core function of the administrator to oversee and manage the flow of funding into, and from, the state pool account, acting at all times under the direction of the Western Australian Minister for Health.

The key features of the bill are: part 2 of the bill provides for the appointment, suspension and termination of the administrator. In appointing the administrator, the chair of the Standing Council on Health—the ministerial council comprising the health ministers of all states and territories and the commonwealth—will seek nominations from all ministers of the council and seek agreement to an appointment. Once agreed by the council, each state and territory and the commonwealth will appoint the same person to be the administrator of each individual state pool account and the national health funding pool as a whole. This arrangement was agreed upon as part of the National Health Reform Agreement, at the insistence of Western Australia and other states, to ensure that the state's own funding for public hospital services remains at all times under the control of the state. When acting in his or her capacity as the administrator of the Western Australian state pool account, it is the intent of the agreement and of this bill that the administrator will be a Western Australian statutory officeholder, accountable to the Minister for Health for the performance of his or her functions. The administrator may be suspended where the chair of the council is requested to do so by at least three members of the council or the commonwealth member of the council. The grounds for requesting the suspension of the administrator are set out in the bill. The administrator is to be removed from office if a majority of the members of the council agree to the administrator's removal. An acting administrator can be appointed in circumstances when the office is vacant or the holder of the office is suspended or absent from duty. This ensures that the distribution of funds to public hospital services can continue without interruption. Staff and facilities to assist the administrator in

exercising or performing his or her functions are to be provided by the national health funding body. This body is established under the commonwealth national health reform legislation.

The administrator has a number of key functions which include to calculate and advise the Treasurer of the commonwealth of the amounts required to be paid by the commonwealth into each state pool account; to monitor payments into each state pool account; to make payments from each state pool account in accordance with the directions of the Minister for Health; and to report publicly on the payments made into and from each state pool account. The administrator and the body and staff assisting the administrator are not subject to the control or direction of any minister of the commonwealth.

Part 3 of the bill is concerned with the establishment of a state pool account. It is a requirement under this part that an account be opened and maintained with the Reserve Bank of Australia in the name of Western Australia for the purpose of receiving funding under the National Health Reform Agreement. Details of the moneys to be paid into and from the state pool account are set out under this part. Commonwealth funding for public hospital services that was previously provided to the state under the National Healthcare Agreement and received into consolidated revenue will, commencing 1 July 2012, flow instead into the state pool account and be pooled with state funding for the same purpose. The state pool account is being established as an agency special purpose account under section 16 of the Financial Management Act 2006. The Director General of the Department of Health will be responsible for the account.

Details of the flow of funds through the state pool account in 2012–13 are provided on page 151 of volume 1 of budget paper No 2 of the 2012–13 *Budget Statements*, including recognition of the commonwealth government's \$1.402 billion funding contribution in 2012–13. The National Health Reform Agreement draws a clear distinction between the flow of money to fund health services on an activity basis and on a block funding basis. Western Australia introduced activity-based funding as the basis of funding the state's public hospital services in 2010–11 and currently funds inpatient services, emergency department services and outpatient services on this basis. However, other aspects of service delivery continue to be funded on a block basis, either when the information to support activity-based funding is not yet available or when it is not viable to fund services on an activity basis—for example, in small remote or rural hospitals. The National Health Reform Agreement's funding reforms complement the state's successful introduction of activity-based funding. Under the agreement, commonwealth and state funding for public hospital services that are funded on an activity basis will flow directly from the state pool account to health services as directed by the state. Commonwealth funding in the state pool account for services that are block funded or in support of public health activities will flow to state-managed fund accounts or agency general operating accounts.

Part 4 of the bill provides for the establishment of two state-managed fund accounts, one each for the Department of Health and the Mental Health Commission. This arrangement recognises that in Western Australia these two departments are jointly responsible for the planning and funding of public hospital services. Funds held in state-managed funds will be applied for the delivery of services by health services; for teaching, training and research activities; or for any other purpose that the National Health Reform Agreement stipulates is to be funded through a state-managed fund.

The financial management and reporting obligations of the administrator are set out under part 5 of the bill. In relation to financial management, the administrator must apply appropriate policies and procedures, keep proper records, and prepare the required financial statements. The administrator must also prepare monthly and annual reports and annual financial statements. The annual reports and financial statements are to include the amounts paid into each state pool account and state-managed fund by the state and the commonwealth and the amounts paid from the state pool account.

Part 6 of the bill deals with miscellaneous matters. Of note is the intention that a number of the state's administrative laws will be dis-applied in relation to the administrator and corresponding commonwealth administrative laws applied as state laws in their place. This reflects clause B31 of the National Health Reform Agreement, which recognises the desirability of having a consistent set of administrative laws applied to the administrator by all jurisdictions. The relevant commonwealth laws will require modifications to enable them to be administratively workable as Western Australian laws. These modifications will be made by regulations made under the bill and be subject to parliamentary review and disallowance in the usual way.

The bill is to be interpreted in accordance with schedule 7 to the Health Practitioner Regulation National Law set out in the schedule to the Health Practitioner Regulation National Law (WA) Act 2010. The Interpretation Act 1984 will otherwise not apply to this bill, except that regulations made under the bill will continue to be made in accordance with the procedure set out under the Interpretation Act 1984. This part also provides that functions of the minister under the act may be delegated to an authority or officer of the state. However, functions relating to the appointment, suspension or removal of the administrator may not be delegated.

Part 7 amends section 21 of the Hospitals and Health Services Act 1927 to clarify the power of public hospital boards to apply funds under their control for the purposes of funding services for public patients provided by private hospitals and the provision of other health services by non-government providers. The state's ability to fund these services is not in doubt. What requires clarification is the ability for public hospital boards to make these payments as distinct from the Department of Health. For example, the state's contract for services with the operators of Joondalup Health Campus is managed on the state's behalf by the North Metropolitan Area Health Service; however, payments under the contract are made by the Department of Health because of the current limitation of section 21. The amendment proposed by part 7 will allow funds management for these services to be undertaken directly by public hospital boards instead of the Department of Health.

Part 8 of the bill deals with the repeal of the Hospital Fund Act 1930 and consequential amendments to the Lotteries Commission Act 1990. The hospital fund established by section 3 of the Hospital Fund Act 1930 will be replaced under the bill by the state pool account and state-managed funds as the mechanisms through which funding flows to public hospitals in Western Australia. Apart from providing for the hospital fund, which is no longer required, the Hospital Fund Act 1930 is obsolete and can be repealed. The consequential amendment to the Lotteries Commission Act 1990 is that lotteries moneys that are currently credited to the hospital fund under that act will, after the commencement of the bill, be credited instead to the state pool account and applied in accordance with the provisions of the bill to fund public hospital services. This preserves the intent of the Lotteries Commission Act 1990 that a fixed portion of the commission's net proceeds from gaming activities will be applied as a funding source for public hospital services. The annual contribution that the Lotteries Commission makes to WA Health will be acknowledged in WA Health's budget allocation process, with reporting to the commission on the quantum of hospital activity that its contribution represents each year under activity-based funding.

The bill reflects the state's commitment to the implementation of the new funding arrangements under the National Health Reform Agreement. I commend the bill to the house.

Debate adjourned, on motion by **Mr D.A. Templeman**.