

Northern Sydney LHD



Health



The 2018/19 initial budget allocation for your Health Entity is \$1,670,913,212, representing an increase of \$56,152,188 (3.5%) compared to your annualised budget as indicated in Schedule C of the Service Agreement.

The Budget Explanatory Notes have been prepared to assist your finance department to unpack the overall budget increase. The increase includes three main components: Escalation, Activity Growth and New Initiatives

Expenditure Budget Increase

\$ 56,152,188

Escalation

The 2018/19 budget includes a state average efficient escalation factor of 2.2% on funded expenditure, excluding non-escalated items. National Partnership Agreement items of expenditure are traditionally not escalated (and generally relate to expenditure sourced from Commonwealth funds). Depreciation and SP&T are also not escalated.

Some expenditure items have been specifically escalated. For example, Electricity has been escalated at a rate of 17%, High Cost Drugs at 1.75% (which is matched to increases in direct revenues), NGOs at a rate of 2.5%, while a general escalation rate of 2.2% was applied for intra-health charges for eHealth NSW, HealthShare and NSW Health Pathology.

The composite escalation rate for your organisation is 2.22%, calculated as follows:

2017/18 annualised expenditure base	\$ 1,614,761,024
Less specific items:	
2017/18 annualised expenditure base – High Cost Drugs	\$ 17,500,222
2017/18 annualised expenditure base – Blood & Blood Products	\$ 5,064,008
2017/18 annualised expenditure base – Electricity	\$ 9,345,212
2017/18 annualised expenditure base – NGOs	\$ 1,213,898
TOTAL 2017/18 annualised expenditure base (excl. Specific Items)	\$ 1,581,637,684
Less: Non escalated expenditure items	\$ 287,499,443
Escalatable expenditure base for 2018/19 (excl. Specific Items)	\$ 1,294,138,241
General escalation (excl. specific items)	\$ 31,190,856
Add specific item escalations:	
High Cost Drugs	\$ 306,254
Blood & Blood Products	\$ 238,374
eHealth – ICT Recoups	\$ 2,673,238
Non-Government Organisations	\$ 81,800
Electricity	\$ 1,588,686
ICT Budget Efficiency Dividend	-\$ 260,730
Total composite escalation (\$)	\$ 35,818,478
Escalated expenditure base for 2018/19 (incl. Specific Items)	\$ 1,650,579,502
Total composite escalation rate (%)	2.22%

Note that it is a Condition of Subsidy (Government Grant) that the budget Health Entities allocate for services purchased from NSW Health Pathology, eHealth NSW and HealthShare NSW must agree with the pricing advice provided by these entities (and, therefore, with the budgets allocated to Health Entities for this purpose). It is also a Condition of Subsidy that Health Entities escalate NGO budgets by the applied escalation rate (2.5%).

Activity Growth

The Health Entity has been provided with total ABF growth funding of \$20.7 million. The net ABF growth funding allocated is as follows (no transition grant):

ABF In-Scope growth funding	\$ 20,653,067
Less: ABF growth funded by Acute/ED transition grant	\$ 0
Net ABF growth funding	\$ 20,653,067

New initiatives

A number of new initiatives have been included in your 2018/19 budget allocation and reflected in your Schedule C. These initiatives have been provided on a recurrent basis unless otherwise identified below.

Leading Better Value Care Program Support Transition	\$ 250,000	
HealthShare Accelerated Savings Program	-\$ 1,400,232	*
Election Commitment - Additional Nursing, Midwifery and Support positions ^	\$ 417,875	* ^
Parents and Children Package	\$ 413,000	
Total New Initiatives	-\$ 319,357	
Data Improvement Project	\$ 750,000	
HAC Improvement Project	\$ 350,000	
Purchasing Adjustors (including Hospital Acquired Complications)	-\$ 1,085,000	
Electricity escalations	\$ 1,588,686	*
ICT escalation (Intra Health)	\$ 2,673,238	*
Total Provision for Specific Initiatives	\$ 3,957,567	

* Budget has been provided on a recurrent basis

^ Further details below

2015 Election Commitments

In 2018/19, the Health Entity has been provided with the following funding with respect to 2015 Election Commitments:

Nursing, Midwifery & Support positions – full year impact of 2017/18 funding	\$ 117,875
Nursing, Midwifery & Support positions – new positions funded in 2018/19	\$ 300,000
Total 2015 Election Commitment Funding	\$ 417,875

Increment for Election Commitments Part-Funded in 2017/18

In 2017/18, the Health Entity received only part-year funding for the additional Nursing, Midwifery and Support positions (5 FTE @ 9 months). The following budget increase has been provided to fund the full year impact of these positions in 2018/19 (escalated at 2.5%):

Health Entity Positions	FTE	2018/19 Increment (3 months escalated)
Nurse Practitioners	1	\$ 35,875
Clinical Nurse Educators – Mental Health	1	\$ 28,188
Clinical Support Officers	3	\$ 53,812
Total	5	\$ 117,875

New Funding for 2015 Election Commitments in 2018/19

Continuation of the NSW Government's election commitment to provide additional funding to employ Nursing, Midwifery and Clinical Support Officer positions:

Health Entity Positions	FTE	2018/19 Budget	Annualised Budget
Nurse Practitioners	1	\$ 105,000	\$ 140,000
Clinical Nurse Consultant	1	\$ 90,000	\$ 120,000
Clinical Support Officer	2	\$ 105,000	\$ 140,000
Total	4	\$ 300,000	\$ 400,000

Parents and Children

The NSW Government announced a Parents and Children package. In 2018-19, Northern Sydney LHD is receiving budget allocation of \$0.413 million for Parents and Children package to support new parents and their babies within your Health Entity.

Summary

Escalation	\$ 35,818,478
Activity Growth	\$ 20,653,067
New Initiatives	-\$ 319,357
Total Expenditure Budget increase	\$ 56,152,188

Revenue Budget Increase

\$ 68,720,183

Own Source Revenue (excl. Government Contributions)

Revenue Budget increases for 2018/19 comprise the following elements:

1. Price Increase – per unit fee escalation for goods and services provided by NSW Health.
2. Volume Increase – revenue from natural growth in patient volumes.
3. Performance Increase – additional revenue resulting from improved business practices
4. Other Amendments – new or extraordinary items impacting revenue.

The revenue increase is the sum of the four components and is added to the LHD's 2017/18 revenue budget (along with agreed in-year adjustments) to provide the LHD's 2018/19 revenue budget. It is the responsibility of each LHD to allocate this budget among facilities.

The Ministry of Health revenue re-alignment project is progressing with a plan to conduct further consultations in July and August before finalisation. Accordingly, the current revenue budget allocation is based on your District's historical base.

Excluding Government Contributions, the own source revenue budget for the LHD increased by \$6.2 million, comprising:

Revenue Category	Budget Increase
Price Increase	\$ 5,335,670
Volume Increase	\$ 3,251,885
Performance Increase	\$ 0
Car Parks	\$ 303,000
DVA Falling Volume	-\$ 2,663,893
Total Revenue Budget Increase (excl. Government Contributions)	\$ 6,226,663

A further breakdown of your District's revenue budget (by line item) is contained in Attachment A.

Price Increase

The price increase is calculated by applying specific escalation factors by account group to the District's 2017/18 full-year forecast (as at April 2018).

The specific escalation factors come from a range of sources such as the Commonwealth (default shared room rate) and the Ministry (for example, the single room rate). Other prices are set at a local level (for example, fees for conference and training facilities).

These changes are applied to account groups as follows:

TABLE 1

Account Group	Price Increases (%)	Calculation Method
Patient Fees		
Patient fees- inpatients	3.57%	State-wide weighted average of price increases for various PHI categories, ineligible, other compensables and worker's comp
Patient fees - non inpatients	2.05%	Sydney CPI
Patient fees - other	1.15%	Weighted average of pension indexation
Patient fees - nursing home	1.15%	Weighted average of pension indexation
Transitional aged care	1.15%	Weighted average of pension indexation
MAA 3rd party receipts	0.00%	ABF price increases set by IHPA (Recognise variation in NWAU weights)
Patient fees – DVA	0.00%	Negotiated funding agreement with Commonwealth Government
Non-Patient Fee Revenue		
Other User Charges	2.05%	Sydney CPI
Investment Income	2.05%	Sydney CPI
Grants & Contributions	2.05%	Sydney CPI
Other Revenue	2.05%	Sydney CPI

Volume Increase

Volume changes for many revenue types are based on activity targets negotiated between each LHD and the Ministry (included in the 2018/19 Service Agreements). The remaining volume changes reflect trend analyses.

These changes are applied to each account group as follows:

TABLE 2

Account Group	Volume Increases	Calculation Method
Patient Fees		
Patient fees- inpatients	Health Entity Specific	Refer Health Entity Service Agreement
Patient fees - non inpatients	Health Entity Specific	Refer Health Entity Service Agreement
Patient fees - other	0.00%	Estimate based on trend analysis
Patient fees - nursing home	0.00%	Estimate based on trend analysis
Transitional aged care	0.00%	Estimate based on trend analysis
MAA 3rd party receipts	0.00%	Refer Health Entity Service Agreement
Patient fees – DVA	-10.00%	Estimate based on trend analysis
Non-Patient Fee Revenue		
Other User Charges	Health Entity specific	Refer Health Entity Service Agreement
Investment Income	0.00%	
Grants & Contributions	0.00%	
Other Revenue	Health Entity Specific	Refer Health Entity Service Agreement

High Cost Drugs

The High Cost Drugs budget is escalated at 1.75% in line with expenses.

Performance Increase

There is no performance component in the 2018/19 revenue budget.

Other Amendments

The nature and impact of new or extraordinary revenue issues will differ across Health Entities.

Government Contributions

The total revenue budget increase also includes Government Contributions, as follows:

Recurrent Subsidy	\$ 49,135,020
Capital Subsidy	\$ 13,358,500
Total Government Contributions	\$ 62,493,520

Note that 2018/19 subsidy allocations reflect the Treasury's cash management policy (TC15-01).

Balance Sheet Movements**-\$ 52,097,512**

When determining the Health Entities Government Contributions, the following Top Level balance sheet budget movements were considered:

Cash and Cash Equivalents	\$ 3,024,474
Receivables and Prepayments	\$ 299,743
Property Plant & Equipment, excluding new Capital, including Depreciation	-\$ 53,392,202
Total Asset Movements	-\$ 50,067,985
Payables	-\$ 1,896,855
Other Liabilities	-\$ 132,672
Total Liabilities Movements	-\$ 2,029,527
Total Balance Sheet Movements	-\$ 52,097,512

Attachment A – Revenue Breakdown

Northern Sydney LHD 2018/19 Revenue Budget Summary			
Starting Budget			-\$ 281,054,268
Budget Increase	<i>Price Component</i>	-\$ 5,335,670	Refer Table A
	<i>Vol Component</i>	-\$ 587,992	
	<i>Performance</i>	\$ -	Refer Table B
	<i>Other Adjustments</i>	-\$ 303,000	Refer Table C
	Total Increase	-\$ 6,226,663	
Final 2018/19 Revenue Budget			-\$ 287,280,931

Table A - Price & Volume						
Account Groups	17/18 FY Forecast (At Apr 2018)	% Price increase	% Vol increase	\$ Price increase	\$ Vol increase	Total
Patient Fee Revenue						
CAMSAM Patient Fees	-	1.15%	0.00%	-	-	-
Patient Fees DVA	- 26,638,930	0.00%	-10.00%	-	2,663,893	2,663,893
Transitional Care	- 7,440,686	1.15%	0.00%	85,568	-	85,568
Motor 3rd Party Payment	- 11,647,783	0.00%	0.00%	-	-	-
Inter Area Patient Inflows	-			-	-	-
Patient Fees Inpatients	- 95,903,428	3.57%	2.02%	3,419,337	1,933,226	5,352,562
Patient Fees Non Inpatients	- 4,615,925	2.05%	2.02%	94,791	93,048	187,839
Patient Fees Nursing Home	- 96,667	1.15%	0.00%	1,112	-	1,112
Other Revenue						
User Charges *	- 88,941,343	2.05%	2.02%	1,076,463	1,225,611	2,302,074
Interest Revenue *	- 2,888,611	2.05%	0.00%	-	-	-
Grants and Contributions *	- 36,265,759	2.05%	0.00%	561,567	-	561,567
Other Sources of Revenue *	- 5,867,378	2.05%	2.02%	96,834	-	96,834
TOTAL	- 280,306,510			- 5,335,670	- 587,992	- 5,923,663

* Not all accounts are escalated by price and volume factors

Table B - Performance Improvement	
Revenue Scorecard total	\$ -

Table C - Other Adjustments			
	Revenue Increase	Revenue Decrease	Total
Car Park	-\$ 303,000		-\$ 303,000
Total			-\$ 303,000