

SECOND READING SPEECH

National Health Funding Administration Bill 2012

Mr Speaker,

I am pleased to introduce the *National Health Funding Administration Bill 2012*. The purpose of this Bill is to establish the National Health Funding arrangements to apply from 1 July 2012.

In August 2011, Tasmania, along with all states and territories, reached an agreement with the Commonwealth to implement national health reform through the National Health Reform Agreement.

The National Health Reform Agreement will result in major funding and structural changes to the Tasmanian health system. Tasmania is already well on the way to implementing the changes required by the Agreement, including the passage late last year of the legislation to establish three Tasmanian Health Organisations as local hospital networks.

This Bill establishes the mechanisms required to operate the health funding arrangements of the National Health Reform Agreement. These new arrangements will see the creation of a National Health Funding Pool and Administrator to distribute funds to all Local Hospital Networks in Australia, including our THOs. These reforms will make funding of health care more transparent; ensuring that money committed to health services is only spent on those services.

All states and territories, and the Commonwealth, intend to introduce similar legislation to this Bill prior to 1 July. In order to ensure national consistency, each jurisdiction's legislation will be based on a set of common and related provisions which have been developed by a national working group of health and central agency officials. Tasmania was an active participant of this working group, with representation from the Department of Treasury and Finance and the Department of Health and Human Services.

I will now outline the main features of the new funding arrangements to be implemented by this Bill.

The National Health Funding Pool and the State Pool Account

A logical place to start is the establishment of the National Health Funding Pool and State Pool Accounts in Part 3 of the Bill.

The new funding arrangements require each state and territory to open and maintain an account with the Reserve Bank of Australia for the purpose of receiving and distributing all Commonwealth and activity-based State public hospital funding. Each account will be known as a State Pool Account and the eight state and territory accounts will collectively comprise the National Health Funding Pool.

There are two key aspects to the operation of the National Health Funding Pool.

The first is that as the State Pool Account will be a bank account in the name of the State, any Commonwealth money paid into it will cease to be part of the Commonwealth Consolidated Fund Revenue (and by extension will no longer be subject to Commonwealth control) as soon as the payment is made.

The second is that while the Tasmanian State Pool Account is part of the broader National Health Funding Pool, the new arrangements ensure that there is complete transparency and line-of-sight of money being paid into and out of the State Pool Account. There is no possibility that money paid into the State Pool Account for the purpose of National Health Reform Agreement funding can be used for any other purpose.

Further to this, the State will have full control over when payments may be made from the State Pool Account. Payments may only be made from the State Pool Account in accordance with the direction of the State. These directions will include the amount of each payment, the party to which it is to be paid and the timing of the payment.

In addition to the creation of a State Pool Account, the Bill also provides for the creation of a State Managed Fund. This fund will be used to receive funding for block grants and teaching, training and research. The money will then flow from the State Managed Fund to the THOs or other organisations, such as the University and other training providers.

The Administrator

Part 2 of the Bill provides for the administrator of the national health funding pool. Each state and territory and the Commonwealth will pass legislation to establish the office of Administrator of the National Health Funding Pool. The passage of legislation in each jurisdiction will result in a single person being appointed as the Administrator and allow for the Administrator to exercise his or her functions in multiple Australian jurisdictions.

The Administrator will be appointed following agreement by the Standing Council on Health (SCoH) - of which I am a member - on who should be appointed, the date the appointment will take effect, the period of the appointment and the conditions of appointment.

The Administrator may be suspended from office if three members of SCoH or the Commonwealth Minister for Health request their suspension. A suspension may only be requested if sufficient grounds for the suspension exist, such as the Administrator being unable to perform his or her functions satisfactorily.

The Administrator will be permanently removed from office if agreed by a majority of members of SCoH.

The Bill also includes provisions for the appointment of an acting Administrator should the position be vacant or if the holder of the position is absent or suspended.

Section 10 of the Bill outlines the functions of the Administrator. These include:

1. Calculating and advising the Commonwealth Treasurer of the amount required to be paid by the Commonwealth into the State Pool Account
2. Overseeing payments into the State Pool Account
3. Making payments from the State Pool Account in accordance with the direction of the State and

Formatted: Indent: Left: 0 cm, Hanging: 1 cm, Bulleted + Level: 1 + Aligned at: 0.63 cm + Indent at: 1.27 cm, Tab stops: Not at 1.27 cm

4. Publicly reporting on the payments made into and from each State Pool Account and other matters on which the Administrator is required to report.

It is important to note that the functions of the Administrator are mechanical in nature. The Administrator cannot exercise any discretion in the exercise of their functions and has no policy making capacity.

The Administrator will receive administrative support from the National Health Funding Body, a new body to be established under Commonwealth legislation. All costs associated with the establishment and ongoing operation of the National Health Funding Body will be borne by the Commonwealth.

Financial Management and Reporting

Part 4 of the Bill provides for financial management and reporting provisions. Timely and transparent reporting of health funding flows is a key component of the reforms.

The Bill requires the Administrator to provide and publish monthly reports on payments made into and out of the State Pool Account and State Managed Fund, and on the number of public hospital services and functions funded by those payments.

Within four months of the end of each financial year, the Administrator is to prepare and publish an annual report. The annual report will contain an annual summary of the information contained in the monthly reports, plus audited financial statements of each State Pool Account. The Administrator's annual report will be a public document which I, as Minister, will be required to table in Parliament.

Other provisions

Part 5 of the Bill contains two sections relating to the exclusion of Tasmanian legislation and the application of certain Commonwealth Acts. These provisions are necessary to provide a nationally consistent legislative environment for the Administrator to perform his or her functions, enabling him or her to operate under the Commonwealth's administrative law arrangements rather than nine different sets of laws.

Part I of the Bill also excludes the application of the Tasmanian *Acts Interpretation Act 1931*, in favour of the uniform interpretative provisions in the *Health Practitioner Regulation National Law*.

The Bill also contains transitional and validation provisions, which will enable the National Health Funding Pool to operate even if one or more states have not yet passed the necessary legislation to establish their State Pool Account.

Conclusion

The introduction of the new health funding arrangements to be established by this Bill represents another important milestone in the implementation of National Health Reform in Tasmania. The new funding arrangements will provide an unprecedented level of transparency and accountability for public health funding.

Importantly, the integrity of the State's role as system manager of the public hospital system will be maintained, with the State retaining full control over the quantum and timing of payments to the THOs and other service providers.

This Bill continues the State Government's commitment to implement the objectives of the National Health Reform Agreement, and, by doing so, to support a more sustainable system for funding of the public health system.

I commend the Bill to the House.