

# Heads of Agreement between the Commonwealth and the States and Territories on Public Hospital Funding

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*This Agreement is made between the COMMONWEALTH OF AUSTRALIA (Commonwealth) and NEW SOUTH WALES, VICTORIA, QUEENSLAND, WESTERN AUSTRALIA, SOUTH AUSTRALIA, TASMANIA, the AUSTRALIAN CAPITAL TERRITORY and the NORTHERN TERRITORY (the States)*

## **Preliminaries**

1. This Agreement sets out the shared objective of the Commonwealth and the States (the Parties) to improve health outcomes for all Australians and ensure the sustainability of the Australian health system.
2. We intend this agreement to build on and complement the policy and reform directions outlined in the National Healthcare Agreement (NHA) and the National Health Reform Agreement (NHRA). It is also subject to the Intergovernmental Agreement on Federal Financial Relations and should be read in conjunction with that agreement and any subsidiary schedules.
3. The Parties agree this Agreement will form the basis of negotiations leading towards a time-limited addendum of the National Health Reform Agreement (in the form of an additional schedule) to commence on 1 July 2017. The addendum will amend specified elements of the operation of the National Health Reform Agreement for a period of three years, ceasing 30 June 2020.
4. This Agreement recognises that responsibility for health is shared between the Commonwealth and the States.
  - a. The States will remain system managers for public hospitals and will remain responsible for their infrastructure, operation, delivery of services and performance.
  - b. The Commonwealth will continue to have lead responsibility for general practice (GP) and primary health care, including the Primary Health Networks, and continue to support private health services through the Medicare Benefits Schedule (MBS), the Pharmaceutical Benefits Scheme (PBS), the Private Health Insurance Rebate.
  - c. All governments have a shared responsibility to integrate systems and services to improve health outcomes for Australians and acknowledging the interoperability of the system.

5. The Parties agree the reforms in this Agreement reaffirm the Medicare Principles:
  - a. eligible persons are to be given the choice to receive, free of charge as public patients, health and emergency services of a kind or kinds that are currently, or were historically provided by hospitals;
  - b. access to such services by public patients free of charge is to be on the basis of clinical need and within a clinically appropriate period; and
  - c. arrangements are to be in place to ensure equitable access to such services for all eligible persons, regardless of their geographic location.
6. Specifically, this Agreement and its Schedules includes:
  - a. public hospital funding arrangements between the Parties from 1 July 2017 until 30 June 2020;
  - b. a commitment to develop an addendum to the NHRA to commence on 1 July 2017, to operate for a period of three years, ceasing 30 June 2020;
  - c. a commitment to develop by 1 July 2017, and begin to implement, reforms to improve Australians' health outcomes and decrease avoidable demand for public hospital services as set out in Schedule 2, through:
    - i. better coordinated care, particularly for patients with complex and chronic disease;
    - ii. funding and pricing for quality and safety, to avoid funding unnecessary or unsafe care;
    - iii. reducing avoidable readmissions to hospital; and
    - iv. the Commonwealth continuing to focus on reforms in primary care that are designed to improve patient outcomes and reduce avoidable hospital admissions.
7. The Parties agree this Heads of Agreement will lapse after the NHRA addendum is signed.
8. The Parties acknowledge that NHRA addendum anticipates the development of a longer-term public hospital funding agreement to commence 1 July 2020. This longer-term public hospital funding agreement will be developed by the Commonwealth and all jurisdictions and be considered by COAG before September 2018.

#### **Public Hospital Funding Arrangements for 2017-18 to 2019-20**

9. The Parties agree, consistent with clause A(1) of the NHRA that the Commonwealth's contribution to hospital services from 1 July 2017 until 30 June 2020 will comprise funding relating to:
  - a. hospital services provided to public patients in a range of settings, and eligible private patients in public hospitals and a range of settings, with funding provided on the basis of activity based funding (ABF);
  - b. block funding for public hospital services better funded through block grants, including relevant services in regional and rural communities and teaching, training and research functions; and