

Part 4

Funding and accountability

Introduction

This part of the Rural and Regional Health and Aged Care Services (RRHACS) Division Policy and Funding Plan describes RRHACS Division's approach to funding and accountability in the context of the broad Government and departmental funding and accountability framework and sets out specific funding and accountability policies.

Budget information is provided in Part 5. More information about funded organisation accountability and reporting requirements is contained in Part 6. Detailed information about individual organisation budgets and targets, will be provided separately as part of the service agreement negotiation process.

Partnership and agreements with funded organisations

New, growth and reprioritisation funding policy

The Department of Human Services funding policy governs the funding of external organisations that provide services to the community. The policy reflects the Government's policy position that organisations should be funded for community services in the context of a partnership between the department and the service sector. Accordingly, the Social Development Committee of Cabinet approved the *Policy on funding relationships between the Department of Human Services and funded agencies* in October 2000. The department has since developed mechanisms and guidelines that apply to the allocation of new, growth and reallocation initiatives identified in this Plan.

The department's funding guidelines have been developed to meet a number of objectives in relation to the funding of community services, as follows:

- Client focus and outcomes should be the paramount considerations in any service funding exercise.
- The impact of any service funding exercise on the long-term development of the human services sector should also be considered, in particular how this exercise might contribute towards service development goals.
- Funding methods have been designed to provide incentives for efficiency, achieve equitable distribution of resources according to need, and encapsulate monitoring of quality outcomes.
- Expectations of organisations should be clearly articulated and agreed to ensure proper accountability for the expenditure of public funds.
- Any service funding decision should be transparent and defensible. Departmental staff and managers are therefore expected to act ethically and in complete fairness to all parties, and to adequately document the decision-making process.

The guidelines define and describe the principal methods for selecting providers for the delivery of services to the community. The appropriate funding method should be selected so as to employ the process that is likely to deliver the best value outcome, demonstrate financial responsibility and incorporate partnership principles. The methods used to select service providers are:

- direct allocation
- invited submission process
- advertised submission process.

A range of criteria apply to the choice of each method, thereby ensuring consistency of application throughout the department. The criteria are focused on factors including:

- the needs of clients, for example in terms of service continuity
- the stage of development, size, complexity and geographical distribution of the service sector
- the extent to which the encouragement of cooperation among service providers within the sector is appropriate
- the extent to which service outputs can be specified.

The selection of the process must be justified and approved by the relevant senior manager.

Funding and accountability strategies

The department manages funds on behalf of the Government and is required to account for the use of those funds. This responsibility requires the development, implementation and monitoring of appropriate approaches to funding and accountability in ways that reflect policy commitments and support effective relationships with the organisations delivering services in their communities. Figure 3A shows the range of approaches used in monitoring and validating performance in service delivery, community education, illness prevention and the range of other undertakings of organisations funded by the division.

Significant medium term improvements to RRHACS funding and accountability approaches include the primary health program funding approach, new HACC planning and funds allocation processes, review of the drugs 'episode of care' and in extending a more flexible approach for small rural health services. The funding and accountability strategies put into effect to date have also achieved incremental improvements each year. For example:

- performance measures in service agreements have been reduced in number and improved each year, reducing the reporting burden on organisations
- activities have been rationalised to improve flexibility in the allocation of funding
- the designation of funding for supporting such things as workforce and capital development (rather than for the direct provision of a service or product) has been reviewed, resulting in a clearer differentiation of investment activities to which performance measures and data reporting requirements are not attached
- measures published in Budget Paper 3 and reported to the Department of Treasury and Finance and to Parliament have been reviewed and improved each year.

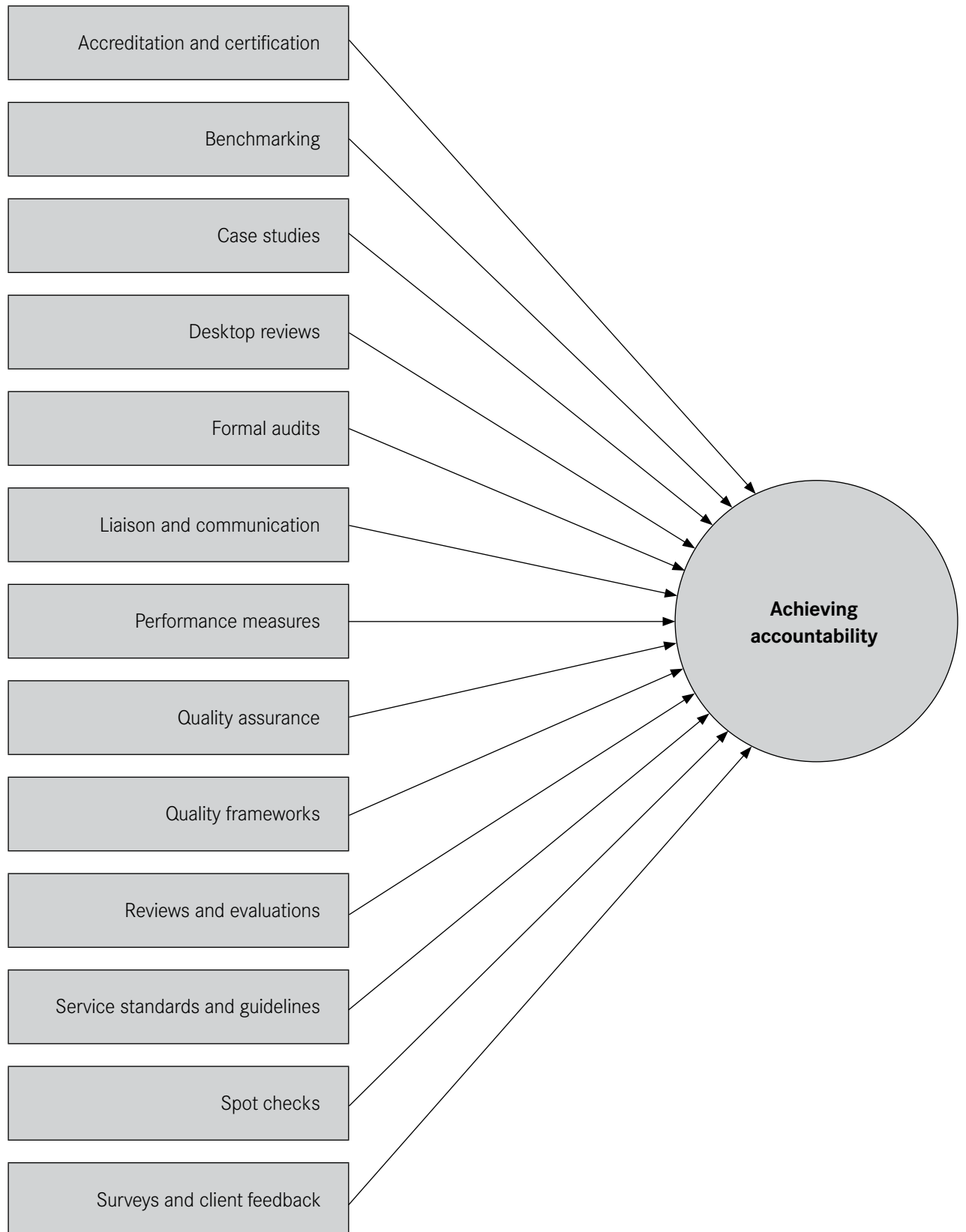
Part of the division's reform agenda involves streamlining and improving its reporting and data collection processes. The work of funded organisations and other service providers is essential to the achievement of Government policy goals and departmental objectives. The department monitors organisational performance to ensure that funds are directed to appropriate services, and delivered effectively. Data and reports submitted by organisations help the department in this monitoring role, as well as contributing to planning and policy development.

In 2006-07 to 2008-09, the focus of funding and accountability strategic development will be:

- continued development of the Primary Health Program funding approach
- review of funding approaches for dental health services
- further development of the Small Rural Health Services flexible funding and accountability approach
- further streamlining of reporting to the department by organisations
- renegotiation of the HACC agreement and development of the Assessment and Care Coordination Framework in HACC
- review of unit prices in public sector residential aged care.

Further information about these development projects can be found in Part 3 of this Plan.

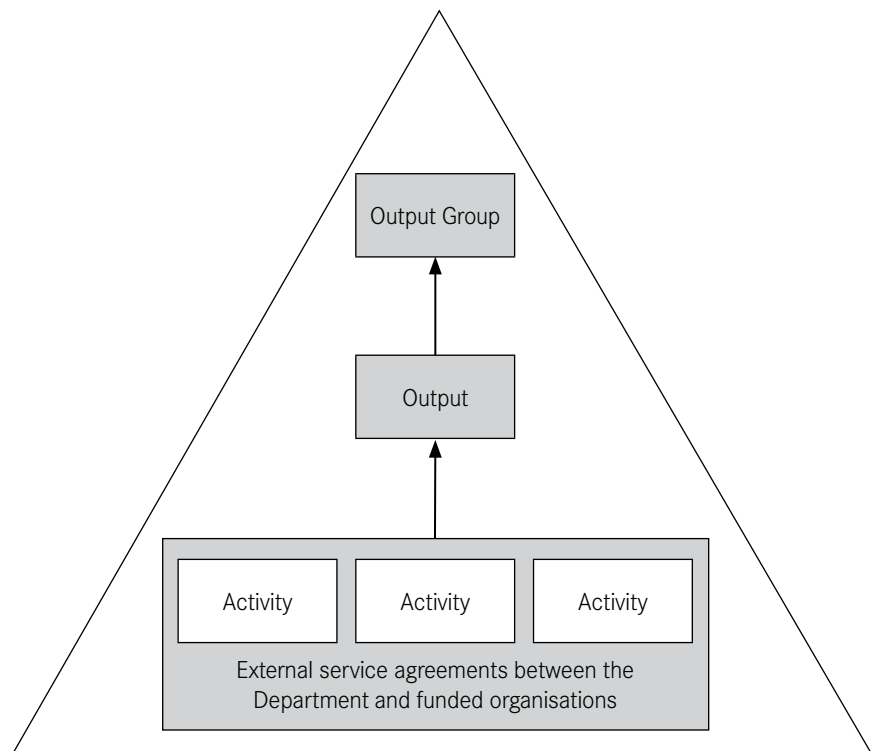
Figure 4A – Approaches in monitoring and assuring performance



Output Structure - Chart of Accounts

Like most organisations, the Department of Human Services allocates and monitors its resources using a chart of accounts. The chart of accounts includes a hierarchical structure, with activities grouped to form outputs within each output group. The output group, output and activity levels are the key levels used for RRHACS Division's budget management.

Figure 4B – Department of Human Services chart of accounts structure



Most financial reporting within the department and to the Department of Treasury and Finance takes place at the output group or output level. The department allocates funds to agencies at the activity level to provide services. The activities for which agencies are funded are documented in service agreements. Within the organisational service agreement, related activities are grouped together in service plans.

Figure 4C presents the RRHACS output structure for 2006-07 to 2008-09 at output level.

Further details regarding the activity level of the RRHACS Chart of Accounts can be found in Part 6 of this document, including translation tables showing the changes that have occurred to activities between 2007-08 to 2008-09.

Changes to output group structure

The RRHACS output group structure is shown in Figure 4C.

Aged and home care

Positive ageing, aged care service system development and resourcing and HACC service system development and resourcing have been absorbed into the four remaining output groups.

Dental health

Dental service system development and resourcing was merged with the Dental Services output group in 2005-06.

Drugs services

Drug service system development and resourcing has been absorbed into Drug treatment and rehabilitation. (This output group budget is managed by RRHACS for MHD Division since March 2007).

Primary health

Primary health service system development and resourcing was merged with the community health care output group in 2005-06.

Public health

All prior year output groups: communicable disease prevention and control; non-communicable disease prevention and control; health and social development; public health training; research and ethics; environmental health and safety; food safety; and Koori Health and Multicultural Policy, have been allocated across the three new output groups.

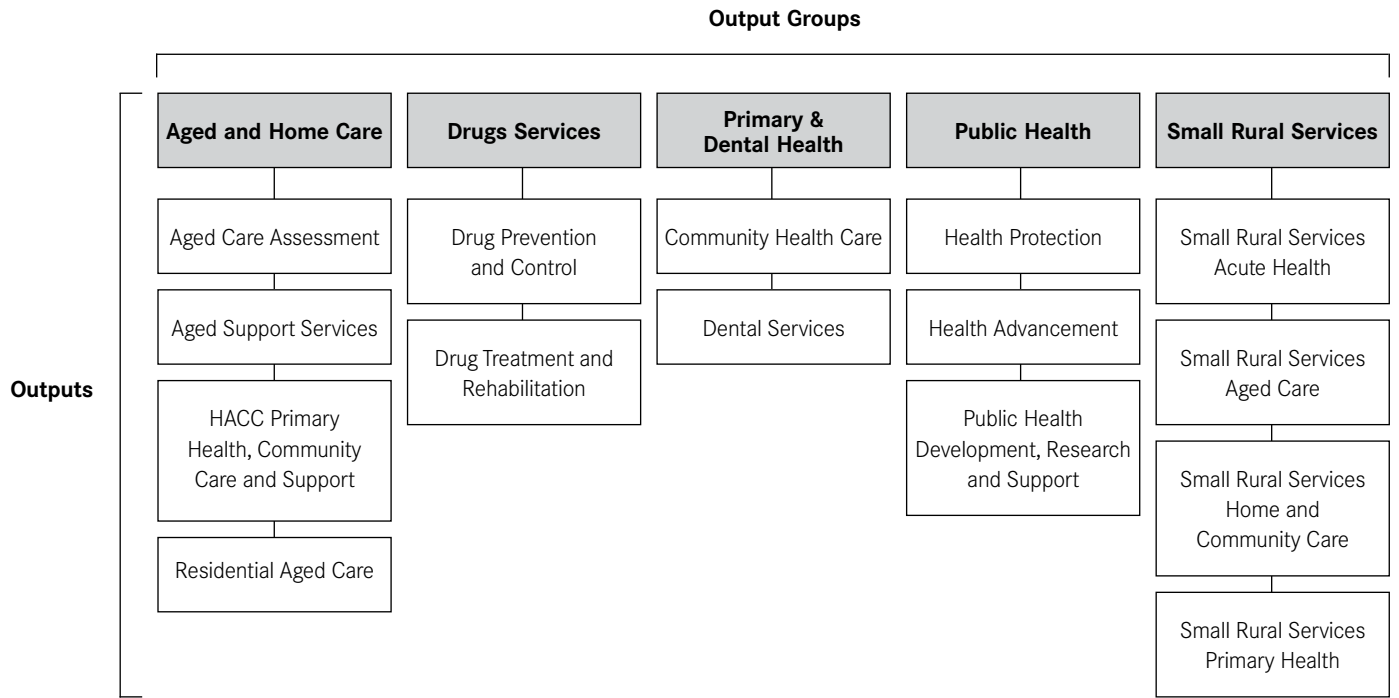
Small rural services

A number of outputs have been disaggregated from other RRHACS output groups and have been combined to form the small rural services output group. The SRHS approach enables funding and service delivery flexibility with a local focus for SRHSs in towns with fewer than 5000 people. It encourages services to be active in the planning and management of health service delivery to meet local needs, to involve the community and to be active in collaborative planning and service delivery arrangements with neighbouring health service providers. This is supported by the ability to use acute health program and primary health program funds flexibly.

The new funding and accountability approach aims to facilitate greater flexibility in how organisations use health and aged care funds, so that the most appropriate mix of services can be provided to local communities. This is facilitated through use of a separate output group to facilitate evaluation of funding and performance.

No changes have been made to Output Groups or Outputs from 2007-08 for the 2008-09 financial year.

Figure 4C – Output Groups and Outputs managed by RRHACS 2006-07 to 2008-09*



Profile of RRHACS funding programs

Diversity of services provided by organisations

Many organisations that receive funding from RRHACS provide a range of services and receive funding from multiple RRHACS and other Department of Human Services output groups. For example, in 2005-06:

- 720 organisations received funding from RRHACS Output Groups
- 277 organisations (38 per cent) received funding from a single RRHACS output group, the majority (58 per cent) of these from aged and home care
- 53 organisations (7 per cent) received funding from two or more of the five RRHACS output groups
- 390 organisations (54 per cent) received funding from one or more RRHACS output groups in combination with funding from output groups managed by other divisions. These are the acute health, child protection and family services, disability, early years, housing, juvenile justice and youth, or mental health output groups.

Table 4A – RRHACS funded organisations - number of output group sources

Number of DHS Output Group funding sources	Organisations	
	Number	% of total
One Output Group	277	38
Two Output Groups	135	19
Three Output Groups	96	13
Four Output Groups	76	11
Five Output Groups	55	8
Six Output Groups	37	5
Seven Output Groups	21	3
Eight Output Groups	15	2
Nine or more Output Groups	8	1
TOTAL	720	100

Aged care funding

The Aged Care Branch funds a number of programs across residential aged care and home and community care.

Residential aged care is a complex policy area, for which the Commonwealth has primary responsibility in planning, policy and funding. The public sector currently provides around 16 per cent of all operational residential aged care places in Victoria. Demand for residential aged care is increasing and the Victorian public sector will continue to play a role in the provision of public sector residential aged care services, particularly in rural areas.

The HACC program is the major community care program and is delivered by over 500 funded agencies including almost all local governments. Fifty per cent of agencies are in the department's rural regions and a quarter of these services are small not-for-profit organisations that receive a relatively small amount of funding. The major kinds of services provided are domestic assistance, delivered meals, personal care, nursing,

allied health care and respite for carers. A number of program initiatives are aiming to increase access to individuals from diverse backgrounds, socio-economic status and geographic dispersion.

Personal Alert Victoria (PAV) supports frail older people and people with disabilities, who are isolated and vulnerable, to live independently in their own homes by providing contact 24 hours a day, every day through the use of a personal alarm unit worn either on the wrist or around the neck. The system utilises family and friends who respond to a call for assistance. Of the order of 20,000 have access to the service across Victoria

The Falls Prevention Program funds projects that focus on individual falls risk assessment, physical activity, hazard identification and modification, vision testing and correction, and management of medications.

The Aged Care Support for Carers Program supports over 20,000 carers of people aged 65 years and over. The program responds to carers' needs and provides varied assistance including in-home and out-of-home respite, flexible respite, and emergency and 24-hour support.

Services provided for people with dementia and their families and carers include counselling and support services, and flexible respite and support via brokerage funding to dementia care support workers.

Specific funding programs managed by the Aged Care Branch are as follows:

Aged Care Assessment Service (ACAS)

ACAS funding arrangements are detailed in the *Aged Care Assessment Program Operational Guidelines*, Commonwealth Department of Health and Ageing (2007). This document specifies the usage of Commonwealth and State funds, and acquittal requirements for Commonwealth funds. Commonwealth funds that are accepted under conditions of grant for the Aged Care Assessment Program cover core program dollars to all teams, Dementia Support for Assessment (DSA) Program funding to rural teams and the funding for the Victorian Evaluation Unit.

Home and Community Care (HACC)

The *Victorian HACC program manual* and other HACC program documents are available via the HACC website (www.health.vic.gov.au/hacc). The manual is the key policy document for the HACC program in Victoria. Agencies must adhere to the requirements set out in the *Victorian HACC program manual* along with other program requirements as stipulated.

Residential aged care

Residential aged care services are funded to meet a specified number of resident bed days. If this target number is not reached, then funding may be recalled.

Funding of operational places

In 2006-07 to 2008-09, State funding will be provided under public sector residential aged care activities 13031 – Public Sector Residential Aged Care Supplement, 13107 – Rural Small High Care Supplement and 13059 – Residential Aged Care Complex Care Supplements for Commonwealth approved places that are in operation and meet other criteria set out below. An operational place is a Commonwealth approved place managed by an approved provider, which is either occupied or available for the provision of residential aged care to an approved care recipient.

New residential aged care places

New residential aged care places allocated to public sector residential aged care facilities since 1997, either under the Commonwealth Aged Care Approvals Round or out of round, and which are not endorsed by the Department of Human Services, are ineligible for payments under Activity 13107–Rural Small Nursing Home Supplement and the State contribution to enterprise bargaining costs under Activity 13031.

Only operational high care places in public sector residential aged care facilities with up to and including 30 places located in rural Victoria, that were supported by the Department of Human Services in their application for new high care places in the Commonwealth Approvals Round, are eligible for the specified amount of bed day funding under Activity 13107–Public Sector Residential Aged Care Supplement (applicable to both high and low care places).

Annual funding is calculated as follows:

Number of operational places x 365.25 days per year x 99% occupancy factor
x relevant activity price.

Public Sector Residential Aged Care Supplement

Funding of Activity 13031–Public Sector Residential Aged Care Supplement is applicable to operational Commonwealth approved places in public sector residential care facilities with State ‘S’ places–eligible for the Commonwealth Adjusted Subsidy Reduction. This supplement is intended to equalise payments for public sector residential aged care providers with Commonwealth payments for other nursing home operators (private and not-for-profit). In addition, State contributions to enterprise bargaining agreement costs are paid through this Activity.

Public sector residential aged care facilities that have received high care places post 1997 are not eligible to receive funding for the Commonwealth Adjusted Subsidy Reduction component of this activity on these places, as they are fully subsidised by the Commonwealth Department of Health and Ageing (DOHA). For further information, see Section 6.3.6.3 Adjusted subsidy reduction, page 6-28 in The Residential Care Manual 2005 published by the Commonwealth Department of Health and Ageing.

Rural Small High Care Supplement

Funding of Activity 13107–Rural Small High Care Supplement is applicable to services with up to and including 30 operational Commonwealth approved high care places in public sector residential aged care facilities in rural Victoria.

The Rural Small Nursing Home Supplement is a viability supplement funded at three rates according to the size of the facility as follows: 1-10 places, 1-20 places and 1-30 places. There are currently a number of historical inconsistencies in the application of this supplement. Some residential aged care facilities with more than 30 places are receiving payment equivalent to the applicable Rural Small High Care Supplement at the 1-30 places rate. In some cases, these payments have been known as Specified or Transitional Grants.

No new residential aged care facilities with more than 30 places will receive specified or transitional grants funding. Agencies receiving specified or transitional grants funding will not receive the Rural Small High Care Supplement for existing services.

Residential Aged Care Complex Care Supplement

The Residential Aged Care Complex Care Supplement is paid on high care public sector residential aged care places approved by the Aged Care Branch.

Funding of Activity 13059–Residential Aged Care Complex Care Supplements is only applicable for operational Commonwealth approved places in public sector residential aged care facilities with State approved complex care places.

Drugs services funding

In 2007-08 the Department of Human Services funded 113 alcohol and drug service agencies to provide more than 360 services across Victoria. These services are provided across the State, by a variety of agencies including:

- 28 community health centres
- 21 hospitals
- 4 local government organisations
- 60 non-government organisations.

Services delivered by these agencies include drug and alcohol prevention and education projects, voluntary treatment and rehabilitation services, forensic drug treatment services, and needle and syringe services. Some of these services are targeted at specific client groups with special needs such as youth services, family services and Koori services.

Pharmacotherapy-registered pharmacists, general practitioners and a number of drug specialist services undertake direct service delivery for pharmacotherapy.

Specific Commonwealth funding is provided for the Drug Diversion Program and the National Illicit Drug Strategy. The Commonwealth Department of Health and Ageing also directly funds a small number of drug and alcohol services in Victoria.

Specific policies affecting the funding arrangements for programs managed by the MHD Division's Drug Policy and Services Branch are detailed in *Victoria's alcohol and drug treatment services – The framework for service delivery*, (Department of Human Services 1997), which is available on www.health.vic.gov.au/downloads/vicadts.htm

Primary health funding

The Community Health Program provides core funding to approximately 100 CHSs that deliver programs from over 300 sites throughout Victoria. More than two thirds of these service delivery sites are in the department's rural regions. In addition to their core funding from the Community Health Program, CHSs have become major providers of a wide range of community-based health care drawing on funding from multiple sources within the State Government, and from the Commonwealth Government and other sources. These include dental health, drug and alcohol services, home and community care, psychiatric and disability support services, general practice clinics and family and community services.

There are also a number of small and specialist programs (Family Planning, Innovative Health Services for Homeless Youth, Family and Reproductive Rights Education Program) that are largely, but not exclusively, delivered through CHSs.

The Women's Health Program provides funding to three statewide women's health services and nine women's health services based in departmental regions. These services provide health promotion and gender-specific expertise in service provision to women, particularly those who are disadvantaged. Some provide limited clinical and/or counselling casework services to women from the local area.

The Primary Care Partnerships (PCP) Strategy is a major Government strategy that improves integration of the primary health care system through the planning,

coordination and delivery of primary care services and enabling providers to work together effectively to improve the health and wellbeing of the Victorian community. It represents a major effort to help clients gain maximum benefit from integrated service delivery within primary care services and between primary care and acute and subacute services. There are 31 PCPs across the state, with 19 in rural areas. The focus of PCPs is service coordination and integrated health promotion.

New guidelines, the *Primary Health Branch policy and funding guidelines 2006-07 to 2008-09*, contain information about accountability requirements associated with each of the programs managed by the Primary Health Branch, including community and women's health, dental health, primary care partnerships and initiatives established under these programs.

These guidelines are available on www.health.vic.gov.au/pchtopics

Implementation of the new primary health funding approach (PHFA)

A revision of the PHFA with the following key elements commenced on 1 July 2007:

- Development and resourcing costs incorporated into unit prices for direct care service delivery and into health promotion block funding.
- The new unit prices for direct care service delivery has been aligned with HACC unit prices for like services. There is one unit price for allied health and counselling and a separate unit price for nursing.
- Health promotion is block funded and more meaningful performance measures that reflect a planned approach to health promotion will be developed.
- There is a direct relationship between funding levels and performance targets for direct care services. This has been achieved by adjusting targets and not by adjusting funding.
- From July 2009, following a two-year transition period, a recall policy, consistent with the HACC recall policy, will be introduced.

The department's regional offices will work with agencies during the two-year transition period to achieve a direct relationship between direct care funding and targets.

The community health and HACC fees policies and fee levels have been aligned.

More information on the revised PHFA can be located at:

http://www.dhs.vic.gov.au/rrhacs/ph_funding/index.htm

Public dental services

Public dental services are provided in community and school dental clinics located in community health services, hospitals and schools. In some cases dental care is provided by private clinicians through the Victorian Emergency Dental Scheme (VEDS), the Victorian General Dental Scheme (VGDS) and the Victorian Denture Scheme (VDS).

Dental Health Services Victoria (DHSV) is responsible for delivering public dental services directly in DHSV clinics, School Dental Service and the Royal Dental Hospital Melbourne and subcontracting to community health services and rural hospitals under conditions set out by the department. Public dental services provide routine and urgent care. People seeking urgent care are assessed, triaged and managed using the Emergency Demand Management Strategy (EDMS). People triaged as requiring urgent care will be offered an appointment. People requiring routine care are placed

on the General Waiting List. Funded organisations are required to maintain waiting lists according to departmental policies. Further information and policies concerning the dental health program can be found on the 'Dentistry in Victoria' website at www.health.vic.gov.au/dentistry

Early Intervention in chronic disease

Funding has been provided for chronic disease early intervention programs in targeted metropolitan and regional CHSs. These programs provide an integrated multidisciplinary approach for people with chronic disease including additional service delivery such as allied health and nursing, and a focus on self-management programs and approaches. Investment is targeted to disadvantaged communities where a high incidence of hospital admissions for Ambulatory Care Sensitive Conditions (ACSC) is reflected. This initiative is improving the quality of life for people with chronic and complex conditions through their increased capacity to self-manage their conditions.

Diabetes self-management

From 2006-07, self-management interventions for people at risk and newly diagnosed with type 2 diabetes will be provided through this program. Self-management interventions will be delivered through rural health and community health services.

Public health funding

The Public Health Branch is responsible for managing the funding of public health research and a range of activities that promote health, wellbeing and aim to prevent communicable diseases, injuries and chronic diseases such as diabetes, asthma, cancer and cardiovascular disease. These include significant immunisation and screening programs and sexual health services.

The division purchases vaccines listed on the National Immunisation Program Schedule and immunisation services are provided through local government and general practitioners. The department purchases vaccines and distributes them to providers. Across the State, local government and general practitioners provide immunisation for children under seven. Local government provides the majority of adolescent school immunisation while general practitioners provide the majority of immunisation for persons aged 65 and over.

The Public Health Branch provides funding to local government to assist them to fulfil their statutory obligation to provide immunisation services to children living or being educated in their municipality. This funding is paid through standard service agreements on the basis of numbers of children immunised, or data collected where the child has been immunised elsewhere. The initial service agreement funding has been calculated on an historical basis and differs according to the vaccination provided. Immunisations administered to children prior to school age attract a payment on notification to the Australian Childhood Immunisation Register (ACIR). This payment is cost shared between the Commonwealth and the States. Accountability for funding is through the demonstration of immunisations provided and calculation of immunisation coverage achieved in municipalities.

The department also provides indirect funding to support a number of developmental and program activities such as:

- funding of the nurses immunisation accreditation course in order to increase the availability of immunisation providers at a reasonable cost

- the Targeted Low Immunisation Coverage Program that follows up children in lower coverage areas who are overdue for immunisations
- funding of specific additional programs such as the mobile immunisation service, and the software used by local government to manage immunisation records and transmit these to the ACIR.

VicHealth, a key organisation for health promotion in Victoria, is also funded by Public Health. VicHealth has influenced and supported medical and public health research, workplace change, and large and small-scale community projects across the State.

BreastScreen Victoria Inc is funded to coordinate and manage breast screening in Victoria. The unit subcontracts service delivery. Breast screening sites are located throughout Victoria, approximately half of which are located in rural areas of the state. There is also a mobile screening van that provides a service in rural Victoria. The Victorian Cytology Service is funded to provide a cervical screening and surveillance service for women throughout the State.

The Blood Borne Viruses/Sexually Transmitted Infections Program funds public sector, local government and non-government organisations. Funding is directed to activities that reduce the transmission and infection of blood borne viruses and sexually transmitted infections and support affected individuals. Funding is also provided to support education and health promotion, clinical services, research and laboratory services, counselling and support, and HIV/AIDS supported accommodation and home-based care.

Quality and safety funding

The Statewide Quality Branch is responsible for implementation of policies that improve the dimensions of quality, safety, effectiveness, appropriateness, acceptability and access across acute care settings. The branch also provides funding and support to three external clinical councils that provide independent advice on innovations in quality and safety.

Information on quality reporting requirements and program activities, which includes accreditation, infection control strategy, transfusion practice, consumer participation and incident reporting, and are managed by the Statewide Quality Branch, can be found in *Victoria – Public hospital and mental health services policy and funding guidelines 2008-09*.

Small rural health services funding

The SRHS funding and accountability approach was introduced in 2003-04. In 2008-09, this approach will apply to organisations that deliver a range of health services to their local communities. These organisations include small local hospitals, multi-purpose services, bush nursing centres and a small number of stand-alone community health services.

The SRHS approach enables local service delivery flexibility for health services in towns with fewer than 5,000 people. It encourages active planning, local involvement and collaborative approaches to health service delivery in rural areas. Details of the funding and accountability approach can be found in the *Small rural health services guide 2003-04* and its updates.

Campuses of larger rural health services operating as small rural health services

The SRHS funding model provides a means for health services in small communities (less than 5,000 people) to develop services that are appropriate to the changing needs of their communities.

From 2008-09 campuses of larger health services which meet set participation criteria will be able to commence discussions with the department to use the acute component of their funding flexibly to configure services to reflect community needs, the impacts of changing demographics, and changing health practices as if they were stand-alone small rural health services.

The criteria for participation are:

- campuses should be located in towns of less than 5,000 population
- reported WIES performance at that campus of less than 250 in the previous financial year.

In consultation with the department, 'parent' organisations with campuses that meet the criteria, will have the option to choose which campuses will transition to the SRHS type approach. This change and its transition will be a cost neutral exercise. Health services wishing to explore this opportunity should contact their regional office in the first instance.

Multi-purpose services

Multi-purpose services (MPS) are funded under the SRHS funding and accountability approach. The aim of the MPS Program is to improve provision of services in small rural and remote areas by simplifying funding and accountability mechanisms and by providing a more flexible, coordinated and cost-effective framework for service delivery. The concept involves pooling of State and Commonwealth program funds for health and aged care services. This allows a community to reconfigure services to better meet health needs and to provide staff with flexible work setting options across a range of services.

The amalgamation of acute, aged care, HACC and community health services gives MPS agencies considerable flexibility in choosing service delivery mechanisms appropriate to local circumstances. Monies provided is pooled and then allocated to specific service types based on local community need. Funding and accountability arrangements may be modified over time as the overall small rural health services funding and accountability approach is developed.

Other funding policies affecting RRHACS programs

This section provides overview information about specific program funding policies applying to services funded under the aged and home care, primary and dental health, public health and small rural services output groups. In most cases, detailed information is provided in separate guideline documents referred to here and listed in Part 6. Some program specific funding policies will be developed further during the next three years.

Annual provisions

The Annual Provisions Program provides funds to organisations principally for the maintenance of assets. These funds are distributed on an annual basis via a bid-based process undertaken early in each financial year.

Department of Veterans' Affairs and Transport Accident Commission funding

Funding for the Department of Veterans' Affairs (DVA) and the Transport Accident Commission (TAC) is provided in advance on the basis of historical levels of service and is included in agreements on this basis. However, actual funding is subject to a case-by-case review of each patient record by DVA and TAC, and then adjusted to reflect the actual numbers of recognised patients. The department depends on organisations to accurately record information about veteran clients. For most service types, there is no cap on the number of patients receiving these services so funding levels will match the number of patients treated, and may be greater or less than the historical amount contained in the original service agreement.

Although services for eligible veterans are usually uncapped, special arrangements apply to the Veteran Home Care program (VHC) program. As a result there may be a cap on some VHC services for veterans of Commonwealth and allied forces.

GST changes

The Australian Taxation Office has issued a public ruling (Goods and Services Tax Ruling, GSTR 2006/11, Goods and Services Tax: Appropriations) that addresses GST and funding among government related entities.

The criteria for funding to be considered an appropriation are as follows:

- There has to be an appropriation under an Australian law;
- The payment must be made by a government related entity to another government related entity; and
- The payment must be specifically covered by the appropriation.

Departmental funding to organisations for various Commonwealth and State projects are sourced from both Commonwealth and State Appropriation Acts.

Where both the department and the funded organisation are government related entities, and the funding is sourced from a Commonwealth or State Appropriation Act, the funds from the Department of Human Services to the organisation are considered appropriations pursuant to section 9-15(3)(c) of the *Goods and Services Act 1999*. As this is outside the scope of GST, the department will pay such organisations net of GST from the 1st July 2008 onwards.

Implementation of standard equivalent value (SEV) units

The concept of SEVs was introduced in the 2007-2008 State Budget Papers, to replace previously reported service unit measures. The SEV is a single exchange rate that

measures the relative resource intensity of service activity using the price of one hour of HACC nursing as the benchmark price.

Measurement of service activity through SEV assists flexible funding and provision of appropriate services by allowing for service substitution by agencies, whilst allowing the division to monitor maintenance of effort across the service system by tracking movement between outputs.

The SEV methodology provides a transparent, simplified and consistent approach across output groups.

A conversion rate for each activity will be calculated and published annually to enable transparent conversion of all services to an SEV. The conversion factor will be expressed as a fraction or multiple of the benchmark SEV price, and reviewed annually to take account of relative price movements.

SEV is calculated by dividing the unit price of individual service activities delivered within the relevant outputs by a standard benchmark price to produce a conversion factor (or exchange rate) for each service type. The aggregated SEV units equate to the number of hours of HACC nursing that could be delivered with the same budget.

SEV monitoring does not impact on funded organisations.

RRHACS funding methods

RRHACS and MHD Drugs services are funded through three main funding types:

- Block funding
- Unit priced -output based
- Investment funding.

All three funding approaches involve a range of accountability and reporting requirements.

Table 4B - RRHACS funding method by output

Output	Funding mechanism			
	Block funding	Unit priced output based	Unit priced EFT based	Investment funding
Aged and home care				
Aged care assessment	X			
Aged support services	X	X	X	
Aged residential care	X	X		X
HACC primary health, community care and support	X	X		X
Drugs services				
Drug prevention and control	X			
Drug treatment and rehabilitation	X	X		X
Primary and dental health				
Community health care	X	X		X
Dental services	X	X		X
Public health				
Health advancement	X			X
Health protection	X	X		X
Public health development, research & support	X			X
Small rural health services				
Small rural - acute health services	X	X		
Small rural - aged care	X	X		
Small rural - home & community care	X	X		X
Small rural - primary health	X	X		X