Purchasing and Funding Framework

What is the new Purchasing and Funding Framework?

The Purchasing and Funding Framework describes how the NSW Ministry of Health, as the system manager, intends to purchase health services on behalf of the NSW Government.

The Framework applies to: the 15 NSW geographical Local Health Districts; Ambulance Service NSW; Sydney Children’s Hospitals Network; St Vincent’s Health Network; Justice and Forensic Mental Health Network.

The Purchasing and Funding Framework provides a clear and transparent outline of the service categories to be purchased, the approach that will be used to determine the quantity and price for each service category and the funding mechanisms to be applied within the context of the government directions, NSW 2021 and the National Health Reform Agreement. It also explains the ‘business rules’ that will apply to the funding allocations and what happens when activity or other aspects of service delivery are above or below the expected levels.

Full details of the funding mechanisms will be contained in 2012/13 NSW Funding Guidelines.

From 2012/13 the NSW Ministry Health will progressively implement an effective and transparent way of purchasing health services, which will:

+ secure provision of high quality services,
+ provide sustainable levels of funding to Local Health Districts and Specialty Health Networks, and
+ drive efficiency and accountability in the way services are provided and health funding is allocated and utilised.
How does this fit within the NSW Health Reforms?

As part of the implementation of NSW Health funding reforms, this framework makes decision making around the clinical services provided to our community much more transparent. Activity Based Funding places the changes to health services funding and how that links to clinical care at the centre of our thinking.

Health Services will be funded on the basis of specific prices for agreed volumes and types of public hospital services. Other services, such as community health, block funded smaller rural/remote hospitals, teaching, training and research and public health will continue to be funded through block grants or under bilateral agreements between NSW and the Commonwealth.

What does it mean to me and what will I need to do differently?

The range and volume of services purchased in 2012/13 will be those presently provided, with adjustments for negotiated trends in growth. The Framework aims to make sure the NSW Health System is stable, safe and maintains continuity of services to our community in this early stage of our Funding Reform.

The Ministry will negotiate service types and volumes with Health Services to ensure that clinical referral networks are maintained and existing services continued. Once negotiated, the service volumes and associated funding are documented in Service Agreements between the NSW Ministry of Health and the Local Health Districts and other statewide Health Services. This enables joint monitoring of service levels against the agreed activity targets and improved understanding of links between service performance and financial performance of Health Services. Mechanisms used for this monitoring are described in the NSW Health Performance Framework.

As result of these changes, you will now be able to see what services are to be provided for your local communities. In combination with other parts of the Funding Reform, communities and clinicians will play a stronger role in determining what services are required and the most efficient and effective way to deliver them.

When will it be introduced and what happens next?

The Purchasing and Funding Framework will be used for the financial year 2012/13 as part of implementation of NSW Funding Reform. It will be revised and refined as we share experiences across the state and further develop the system.

If you have any questions or want to learn more, please visit our website at www.health.nsw.gov.au/funding_reform