



# Activity Based Funding

## What is ABF?

Activity Based Funding (ABF) is a key initiative of the Commonwealth's National Health Reform (NHR) agenda. Through the National Health and Hospitals Agreement (NHHA), Tasmania has agreed to be funded on an ABF basis for its Local Hospital Networks (LHNs).

ABF is simply an allocation of funding based on what a hospital produces rather than funding based on what a hospital has historically received.

ABF will enable hospitals to make more informed decisions on the best and most appropriate use of their resources. ABF encourages more efficient patient treatment and recognises the costs associated with different procedures.

## ABF Governance

A project team has been established within the Department of Health and Human Services (DHHS), to ensure delivery of outputs and achievement of performance targets required for the implementation of ABF.

In this regard, an ABF Advisory Group has been established along with three working groups in support covering Costing & Funding, Clinical Coding & Classification and data issues (Health Services Reporting Group).

## What's happening now?

The ABF project team are currently:

- Working with Finance and Area Health Services (AHS) to refine the DHHS finance system (Finance One) chart of accounts so that its structure more accurately reflects and describes the activity of Area Health Services, and thereby facilitates costing for ABF;
- Providing ABF technical educational workshops for Finance, AHS and State-wide Mental Health Service operational staff;
- Improving coding and classification practices to ensure all patient data is captured on patient systems;
- Identifying and rectifying gaps from patient activity data into the costing process;
- Conducting interactive sessions with Clinicians on ABF; and
- Working with Finance, Area Health Services and SMHS to implement costing practices and procedures to allocate actual costs from aggregate cost centres to the areas of activity, within the finance system general ledger;

## ABF Shadow Budget

Under the National Health Reform, Local Hospital Networks (LHNs) will be funded on an ABF basis effective from 1 July 2012.

Given the move to a national activity base funding for hospitals, Tasmania needs to ensure that it is fully prepared for this change. Accordingly, it has been agreed that in addition to the normal cash line-item/historic budgets, the three Tasmanian AHS also be provided with both an accrual acute budget and an ABF shadow budget for 2011-12.

The allocation of an accrual ABF Shadow Budget for 2011-12 will assist AHS in the transition to the new Reform arrangements.