Commissioning Framework

For Activity Based Funded services in the ACT

DOCUMENT OVERVIEW

Purpose

This document sets out the framework for commissioning Activity Based Funding (ABF) activity in the ACT public hospital system. It articulates the commissioning model and timeframes, as well as sets out the roles and responsibilities of the stakeholders in the ACT ABF commissioning model.

Document Acceptance

Cabinet noted the Commissioning Framework in May 2025.

Document Development History

Version	Date	Author	Reason
V0.1	August 2023	ABM Team	First draft
V0.2	September 2023	ABM Team	Updated following ABM Steering Committee feedback
V0.3	November 2023	ABM Team	Updated following Minister for Health feedback
V0.4	January 2024	ABM Team	Updated following ABM Steering Committee feedback
V0.5	April 2024	ABM Team	Noted by Cabinet. Updated to include feedback – clarification of the relationship between the Minister for Health and other portfolio Ministers.
V0.6	April 2025	DDG PT	Updated to reflect further consideration by ACT Health, CHS, and Treasury.
V1.0	May 2025	ABM Team	Noted by Cabinet.

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1. Introduction

The purpose of commissioning is to support the delivery of and substantial progress towards the key shared objectives of quality and safety, access and timeliness, and financial sustainability of provider organisations and the Local Hospital Network (LHN).

1.1 What is Commissioning?

Commissioning is a strategic approach to delivering health services based on an assessment of population needs, design of services and allocation of volumes across system providers, and the management of this service delivery within available resources. The outcomes and evidence from each 12-month commissioning cycle will inform the next cycle with a view to continuous improvement.

Commissioning of hospital-based activity will go beyond funding of services and will require the ACT health system to:

- Commission responses which directly address community needs, a change from the previous arrangements, which simply funded service providers based on historical purchasing or activity delivery patterns.
- Work with clinicians, service providers and consumers to plan and design service delivery volumes at service providers across the system that are most appropriate in terms of affordability, accessibility and role delineations.
- Monitor progress against the delivery of outcomes and provide ongoing quality assurance to the system of commissioning.

The Commissioning cycle involves four key steps: assess, plan, purchase and implement.

1.2 Strategic direction

The ACT is committed to delivering Activity Based Funding and management in 2025. This is a key strategic and operational step to improve the delivery of public health services and, crucially, aligns the ACT to the national context.

The Commissioning Framework aligns with and builds upon the key strategic frameworks: the ACT Health Services Plan 2020-2030, the Clinical Governance Framework and the ACT Performance Framework.

The Health Services Plan 2020-2030 sets a roadmap for this decade to redesign, invest in and redevelop health services funded by the ACT Government.

The Clinical Governance Framework (national and local) supports the delivery of safe and high-quality care for consumers. It has five key components: governance, leadership and culture, patient safety and quality improvement systems. Clinical performance and effectiveness, safe environment for the delivery of care and partnering with consumers.

2. Governance arrangements

Good governance is crucial as it fosters trust, accountability and transparency. In turn, this supports the delivery of more effective, efficient and responsive systems of government.

This section of the Framework establishes the key roles, responsibilities and activities that will provide assurance to the Minster for Health and Mental Health as the Health System leader.

2.1 Roles & responsibilities

The Framework sets out key roles and responsibilities, some of which are dictated by the National Health Reform Agreement (NHRA), in table 1. Services that are provided under the NHRA are commissioned via the LHN. Community Non-Government Organisations (NGOs) are commissioned outside of the LHN by the Health and Community Services Directorate (HCSD).

Table 1: Roles and responsibilities

Entity	Role	Responsibilities
Minister for Health & Mental Health	**System leader**	Accountable for the overall management & strategic direction of the whole health system Commissions services provided by Canberra Health Services (CHS) and other LHN Providers.
HCSD	**LHN & Directorate functions**	Responsible for system results reported to the Commonwealth Department of Health and Aged Care. Sets policy parameters and advice to the Minister.
CHS and other providers	**Health service Provider**	Deliver services that are high quality, effective and safe. Develop innovative and cost-effective service models and solutions in response to commissioning decisions and local needs. Continually review and improve performance in relation to health and wellbeing outcomes, locally agreed performance targets
ACT Treasury	**Funder**	Manage the appropriation of health funding amounts to the LHN and in line with Activity Based Funding (see appendix 1 for Funding Policy parameters and appendix 2 for funding flows) Understand the health priorities in the current and future years Understand the health costing pressures
ACT Health System Council	**Advisory**	Provide advice to the Minister for Health and Mental Health on the whole of health system strategy.
LHN Assurance Committee	**Assurance**	Monitor alignment between operations and the intended results stated in the SFA – established at Level 3 monitoring standard.
CHS Strategic Advisory Committee	**Advisory**	Provide advice to the CEO of CHS and the Minister for Health and Mental Health.

2.2. Commissioning cycle

The implementation of the Commissioning Framework relies on clear accountabilities as we move between the four distinct stages of assess, plan, purchase and implement. At a high level, the following activities occur in sequence, with the detail stepped out in figure 2.

2.2.1 Assess

The assessment of previous year's performance and the emerging health needs of the population are considered in design of the coming years commissioned activity. The scope of the assessment will consider the following categories:

- Financial sustainability;
- Delivery of Government commitments;
- Access and timeliness;
- Safety and quality outcomes; and
- Workforce.

These assessments will draw on patient demographic and complexity data, planned new services (e.g. already funded in prior years), and community feedback. Consideration will also be given to ACT Government commitments, bilateral agreements with the Commonwealth Department of Health and Aged Care and other similar arrangements. In application, much of this data gathering would be undertaken throughout the annual commissioning cycle, as part of the ongoing monitoring of performance.

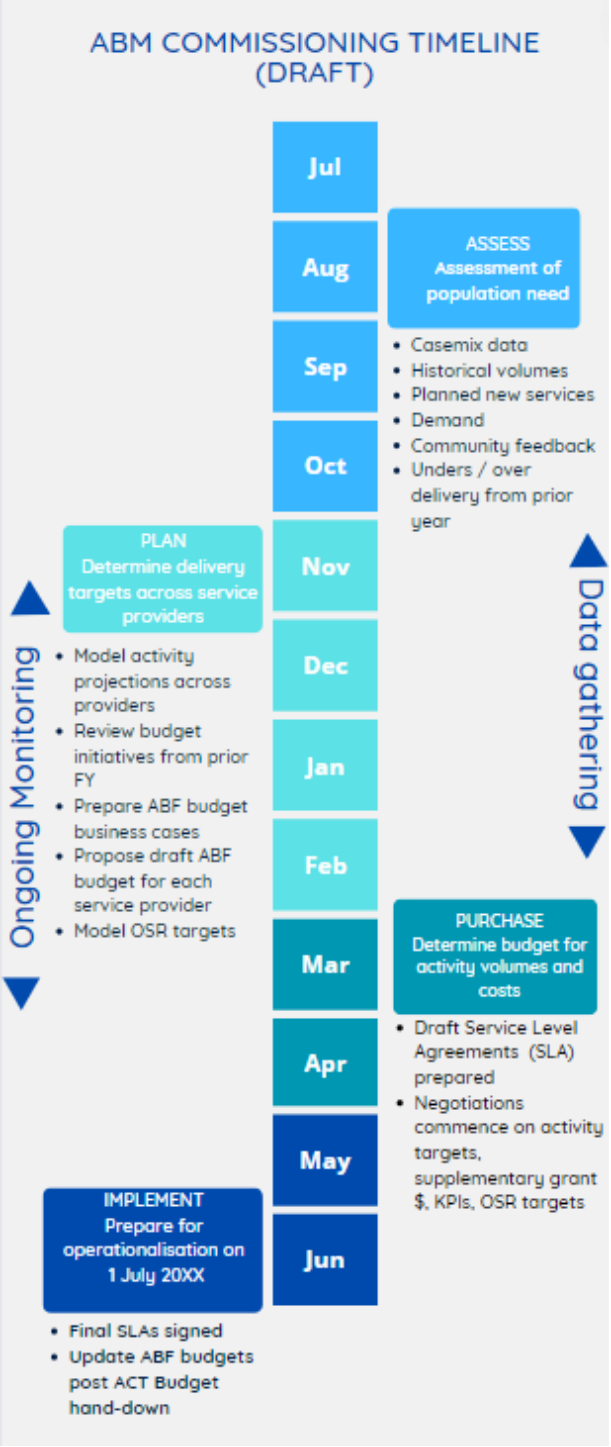
2.2.2 Planning

Following the assessment phase, activity is planned and translated into National Weighted Activity Units (NWAU) activity targets per service provider.

There are several components to planning activity from a funding perspective: ABF activity targets, block funded activity based (inclusive or not of indexation), and own source revenue targets, all of which produce the ABF budget.

Consideration will also need to be given to the outcomes of the funding which is guided by Ministerial directions, government commitments, NHRA requirements and other arrangements with the Commonwealth Department of Health and Aged Care through bilateral agreements. The agreements will reflect key indicators to health system performance, which will be monitored regularly alongside operational metrics which are known to influence the key indicators in the agreements.

Figure 1: High level process in the context of government cycle and key commission cycle steps



2.2.3 Purchasing

All of the assessment and planning culminates in agreements between the Minister for Health, the provider and the Local Health Network. For Canberra Health Service this document is a Service Funding Agreement, for others and the Local Health Network it is a Service Level Agreement.

The agreements will reflect the following categories with measures identified within them to achieve the purpose of commissioning:

- Financial sustainability
- Government commitments
- Access and timeliness
- Safety and quality outcomes
- Workforce

The agreements will also reflect other identified deliverables that the Minster for Health will identify.

Through the development of the Agreements there is opportunity for validation and negotiation of proposed activity and outcomes.

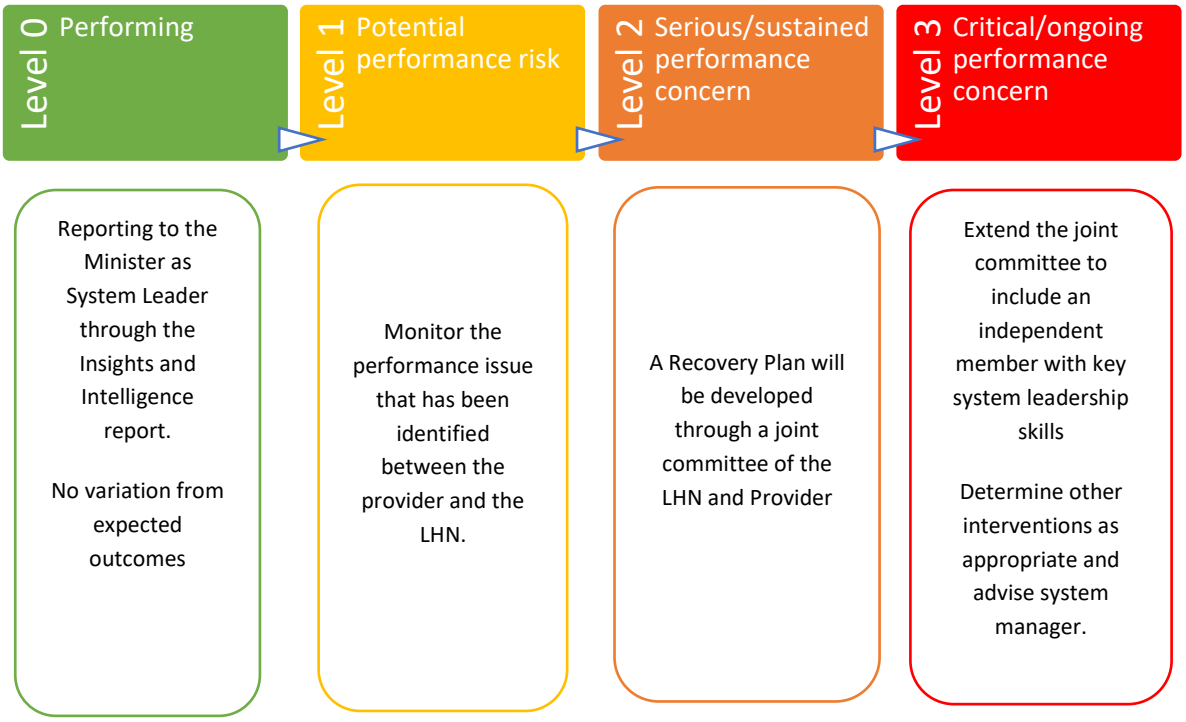
2.2.4 Implementation

The agreements are signed by the Minister for Health, CEO of CHS or the applicable CEO, and the Director-General of the LHN. Once the agreement has entered the implementation phase, the CEO of CHS is accountable for delivery, alongside the responsible executive in CHS. The Minister for Health, the LHN and Treasury are kept informed through the Insights and Intelligence report which is produced monthly and informed by advice from the CHS Strategic Advisory Committee as needed. This would be level 0 as shown in figure 2 below.

The Intelligence and Insights report includes the Key Performance Indicators in the Agreements alongside metrics which are known to contribute to these larger system metrics. Further information about this report can be found in the Insights and Intelligence report. Monitoring will follow a trajectory of escalation and de-escalation over the life of the agreement.

Figure 2 sets out the monitoring response levels and actions to be taken should indicators not follow the forecast trend. Once metrics are seen to return or trend toward expected response will be de-escalated.

Figure 2: Monitoring response



In terms of funding there are clear agreed parameters which will require immediate escalation to the Minister for Health and potential referral to Estimate Review Committee for decision.

Table 2: Funding parameters requiring immediate escalation

Measure	Lower bound	Upper bound
NWAUs	< –2.0% target	> 2.0% target
Expenditure against the budget	n/a	> 2.0% of available Budget
Own source revenue (excluding high-cost drugs)	< –10.0% to target	> 10.0% to target

Appendix 1: Commissioning policies

The policies represented below are the positions agreed to by decision-making representatives of each of the following organisations at the ABM Steering Committee: CHS, HCSD, and ACT Treasury.

An overarching position agreed to by these parties in addition to those set out below, is the time-limited application for the duration of the shadow budget period (1 July 2023 to 30 June 2024, subject to change).

Table 3: Policy settings

Area	Policy direction	Context
Determining activity targets	Forecasting policy	Activity targets will be set using the utilisation method for the activity streams; inpatient, mental health, non-admitted) The Emergency Department activity targets will be set using the HPA model. Refer to the Forecasting policy for further detail.
Determining Funding		
Own-source revenue	CHS will not receive additional funding for under delivery against the target. A decision of Government will inform the ability for CHS to maintain OSR over target	Own source revenue policy is predicated on the notion that under the Medicare principles hospitals should ensure equitable access to services, regardless of insurance status or funding source. Own source revenue policy settings will be developed further over 2024-25.
Under-delivery of activity	Activity target under delivery will result in the return of unspent funds to Treasury.	During the financial year, if activity levels are tracking under target service providers are to increase activity in controllable areas to meet the target where possible and in agreement with the Commissioner. If at end of financial year activity targets have been missed, ABF funds are to be handed back. Financial arrangements under ABF would involve risk sharing between parties. Hospitals need financial incentives to encourage more activity,

		which needs to be balanced by the financial capacity of the Territory.
Over-delivery of activity	Total activity over target will receive the Commonwealth funding contribution achieved up to Commonwealth's cap.	The Commonwealth's funding cap applies (e.g. any over-delivery of activity that attracts funding cannot exceed Commonwealth limits). The additional funding would not be booked against future years. Commonwealth funding (e.g. 45% of the NEP) to be passed through to the hospitals.
Financial penalties	Financial penalties for episodes of care, which include HACs or sentinel events, will be passed through to CHS.	The ACT LHN already reflects financial penalties as part of the overall funding envelope. Passing though the financial penalties will make explicit a feature of funding arrangements that was not clearly identified.

Appendix 2: Funding flows

