

2014-15 Commonwealth Budget Briefing

14 May 2014

The Treasurer, the Hon. Joe Hockey has delivered the first budget of the Abbott Commonwealth Government.

Comment

This budget includes cuts of over \$8 billion to health over the forward estimates. As part of these reductions, national health reform funding to states and territories has been cut over the forward estimates by \$1.155 billion including approximately \$416 million from Victoria. This is in addition to reductions announced by the Commonwealth Government in last year's MYEFO. Crucially, from 2017-18, the method for allocating funding to states will change from that laid out in the national health reform agreement (NHRA). Instead of basing growth in funding on efficient growth in hospital activity, the Commonwealth will revert to a system based on population and CPI growth. This will see the states receive as much as \$50 billion less for public hospitals until 2024 than under the existing agreement. This is a major blow for Victoria's public hospitals and will likely require a major re-working of the NHRA.

The budget also includes a new co-payment for services in bulk-billed GP clinics. In a sign that the Commonwealth recognises the impact this may have on hospitals, there is also a proposal to negotiate with state governments to implement a similar co-payment for non-emergency presentations in emergency departments. Whilst this recognition is welcomed, the VHA has serious concerns about the principle of a co-payment in both GP and hospital settings, and the impacts this is likely to have on both services and individuals.

Other major announcements include the removal of funding for Medicare Locals from July 2015, to be replaced by Primary Health Networks, and the cutting of a number of national partnership agreements covering preventive health, elective and emergency surgery and oral health.

Below is a brief analysis of the impact to be expected by Victorian health services, as well as a collation of points of interest and relevance to the public health sector in this state

Changes to Commonwealth funding arrangements for public hospitals

From July 2014 to June 2017, National Health reform funding will be linked to the level of services delivered by public hospitals as provided under the existing *National Health Reform Agreement*. During this period, each State's entitlement will be directly linked to the growth in public hospital activity provided in that jurisdiction.

From 1 July 2017, the Commonwealth will index its contribution for public hospitals funding by the Consumer Price Index and population growth.

Over the forward estimates Victoria's receipt of payments National Health Reform payments from the Commonwealth will be \$416.6 million less than the 2013 MYEFO estimates. In addition, from 2017-18, funding will no longer be linked to efficient growth of hospital activity which will see annual funding increases reduce markedly from the current arrangements.

	VIC						AUS			
	2013-14 Budget	MYEFO	2014-15	MYEFO vs 14-15			2013-14	MYEFO	2014-15	MYEFO vs 14-15
2013-14	3487	3458.7	3464	5.3	2013-14	14040	13948.8	13844.5	-104.3	
2014-15	3846	3794.2	3716	-78.2	2014-15	15531	15382.6	15551.3	168.7	
2015-16	4240	4159.5	4021	-138.5	2015-16	17164	17088.8	16551.3	-537.5	
2016-17	4673	4551.2	4346	-205.2	2016-17	18956	18777.6	18094.9	-682.7	
2017-18	-	-	4694.3		2017-18	-	-	18872.1		
	16,246.0	15,963.6	15,547.0	- 416.6		65,691.0	65,197.8	64,042.0	- 1,155.8	

Table 1: Comparison of 2013-14 budget, MYEFO and 2014-15 budget for National Health Reform Funding payments to States and Territories. Budget estimates for 2017-18 have not been included in comparisons.

National Partnerships supporting National Health Reform

Arrangements relating to a number of National Partnership Agreements that support national health reform have been altered. Funding to support the national elective surgery target and the national emergency access target will cease in 2014-15, with the Commonwealth Government citing unmet targets in each jurisdiction as the reason for ceasing the payment.

National Partnership on Preventive Health

Funding will cease in 2014-15 for the Healthy Children and Workers and Healthy Communities components of this national partnership. This will impact on local government public health measures, and will impact on services provided within community health services. This accounts for a \$57.7 million shortfall in funding in Victoria.

General Practice and Emergency Department Co-payments

General Practice consultations and non-hospital blood testing and imaging services will attract a \$7 co-payment, with \$5 being invested in a new Medical Research Future Fund, expected to be worth \$20 billion once matured.

The Commonwealth will begin discussions with the States to allow the introduction of a similar co-payment in public hospital emergency departments for GP-equivalent presentations.

The Commonwealth will also begin to look at alternative funding mechanisms for GP services, which includes partnerships with private health insurers.

Medicare Locals

From 1 July 2015 Medicare Locals (MLs) will cease to be funded. In their place the Government will establish Primary Health Networks. In line with the ML Review, Primary Health Networks will have GPs as their cornerstone and will coordinate primary care services across a catchment to reduce fragmentation for patients.

Whilst the review suggested that existing Medicare Locals would be able to bid to become Primary Health Organisations, no details on this have been released, nor on the number and size of the proposed Primary Health Networks.

Commonwealth Agencies and Department of Health

The Government will transfer essential functions of the Australian National Preventive Health Agency, Health Workforce Australia and General Practice Training Ltd to the Department of Health, with a view to closing these agencies.

During 2014-15, the Commonwealth will work with States and Territories with the intention to create a new health productivity and performance commission. Subject to consultation, the new commission would be formed by merging the functions of:

- the Australian Commission on Safety and Quality in Health Care;
- the Australian Institute of Health and Welfare;
- the Independent Hospital Pricing Authority;
- the National Health Performance Authority;
- the National Health Funding Body;
- the Administrator of the National Health Funding Pool.

In addition to these mergers and closures, the Department of Health will undergo a Capability Review.

Personally Controlled Electronic Health Records

The Government will continue to support to rollout of the PCEHR, and will provide \$140 million to support the operation of eHealth and the PCEHR, pending its formal response to the PCEHR Review..

Mental Health

The Government will continue to invest in the national *headspace* network, with a further 10 sites being added to the existing network at a cost of \$14.9 million. The Government will also invest \$18 million in to a National Centre of Excellence for Research into Youth Mental Health at the Orygen Youth Health Research Centre, located in Victoria.

The Partners in Recovery program has also had its funding reduced, with savings of \$53.8 million being achieved over the forward estimates.

Dental Health

The Dental Flexible Grants Programme will be ceased, and the National Partnership Agreement for adult dental services will be deferred.

New Subacute Beds Funding Guarantee

Previous funding allocations to support growth in sub-acute beds have not been extended by the Commonwealth Government. This funding was a component of the discontinued National Partnership Agreement on Improving Public Hospital Services. This funding, worth more than \$150 million to Victoria in 2013-14, funded more than 80,000 sub-acute bed days.

2014-15 Commonwealth Health Budget Headlines at a Glance (national)

Research

- Medical Research Fund – investments (across forward estimates) = **\$276.2 million**
- Boosting Dementia Research = **\$160 million**

MBS

- Changes to MBS safety net arrangements = **-\$266.7 million**
- MBS patient contributions = **-\$3.467 billion**
- Pausing indexation of MBS fees and the Medicare Levy Surcharge and Private Health Insurance Rebate thresholds = **-\$1.647 billion**

Hospitals

- National Partnership Agreement on Improving Hospital Services – cessation = **-\$201 million**
- Changes to Commonwealth funding arrangements to public hospitals = **-\$1.773 billion**

PBS

- Increase in co-payments and safety net thresholds = **-\$1.269 billion**
- New and amended listings = **\$378.7 million**

Workforce

- Doubling the Practice Incentives Program Teaching Payment = **\$238.4 million**
- Rural and Regional General Practice Teaching Infrastructure Grants = **\$52.4 million**
- General Practice Rural Incentives Program additional funding = **\$35.4 million**
- Rebuilding general practice education and training = **-\$115.4 million**
- Smaller government – more efficient health workforce development = **-\$142 million**

Mental Health

- National Centre of Excellence in Youth Mental Health = **\$18 million**
- Mental Health Nurse Incentive Program extension = **\$23 million**
- Headspace program = **\$14.9 million**
- Partners in Recovery reduced funding = **-\$53.8 million**

Dental

- Dental Flexible Grants Program cessation = **-\$229 million**
- National Partnership Agreement for adult public dental services deferral = **-\$390.8 million**

Prevention

- Full implementation of National Bowel Cancer Screening Program = **\$95.9 million**
- National Partnership Agreement on Preventive Health – cessation = **-\$367.9 million**

Agencies

- Australian National Preventive Health Agency abolished = **-\$6.4 million**

Flexible Funds

- Health Flexible Funds – pausing indexation and achieving efficiencies = **-\$197.1 million**

Other

- Personally Controlled Electronic Health Record system continuation = **\$140.6 million**
- Indigenous teenage sexual and reproductive health and young parent support continuation = **\$25.9 million**
- Indigenous Affairs Program rationalisation = **-\$121.8 million**

The overall position of the health budget over the forward estimates represents a \$8.595 billion saving.

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