

2025–2026
**Victorian
Budget
Submission**

About the Victorian Healthcare Association

The Victorian Healthcare Association (VHA) is the peak body supporting Victoria's publicly funded healthcare services to deliver high-quality care, build capacity and drive system reform. Established in 1938, the VHA represents Victoria's diverse publicly funded healthcare sector, including public hospitals, aged care services, community health services and non-bed-based services such as palliative care and bush nursing. The VHA advocates on behalf of its members on sector-critical issues by engaging and influencing key decision-makers involved in policy development and system reform.



Introduction

The Victorian healthcare system is at a turning point. Since the onset of the COVID-19 pandemic, the value of our healthcare system has never been more evident. All Victorians rely on and deserve equitable access to high-quality care. There are several shortcomings that need to be addressed in our healthcare system to ensure all Victorians receive high-quality and accessible care in a timely way. We need a stronger and more sustainable workforce, better interconnectedness across services and continuous innovation and improvement.

There have been several significant efforts to refresh the healthcare system. The Health Services Plan released in August 2024 outlined a redesign of the Victorian health services system, which has almost remained unchanged for over 20 years. It is an ambitious plan that could improve equity and access to healthcare for Victorians, if implemented successfully.

Building a better system to improve the health and wellbeing of Victorians requires investment and accelerating initiatives that support services, the workforce and integration. When services are faced with funding cuts, services close, jobs are lost, and Victorians are left without essential care.

The Victorian Healthcare Association's submission to the 2025–26 Victorian Budget outlines key funding priorities and opportunities that will help get our system to where it needs to be. These priorities and opportunities have been informed by consultations with our members and reflect the issues they see in our health system.

This budget provides an opportunity for the Victorian Government to reaffirm its commitment towards a healthcare system that provides the care Victorians need today and in the future.

Theme 1: Enabling health services reform

The way Victorian health services partner and collaborate is set to undergo a major change following the release of the [Health Services Plan](#) (the Plan) in August 2024.

The Plan outlines several recommendations that promote interconnectedness and collaboration across health services. Its flagship recommendation is the creation of Local Health Service Networks (LHSNs) under which health services will share many aspects of service delivery including workforce, HR systems and patient pathways.

The importance of the Plan cannot be understated as it marks an important step towards facilitating a joined-up approach to care delivery whilst maintaining Victoria's unique system of devolved governance. To be successful, there needs to be significant investment to support the significant reforms.

Funding to enable the successful implementation of the Health Services Plan

Problem: In authoring the Health Services Plan, the Expert Advisory Committee acknowledged that investment in several enablers is needed to successfully implement the Plan (see recommendation 8.1). This includes establishing oversight arrangements, undertaking clinical services planning, recruiting change management personnel and conducting community engagement. However, developing these enablers will require significant investment which health services cannot fund alone.

Ask: The Victorian Government to invest a minimum \$200 million to enable the successful implementation of the Health Services Plan for key activities including establishing oversight arrangements, undertaking clinical services planning, recruiting change management personnel and conducting community engagement.

Impact: Adequate funding for the establishment of LHSNs is required for a successful transition. Design and utilisation of meaningful key enablers will enable the resourced transition to LHSNs and reduce the impact on services in reforming operations. As a result, the healthcare system will be assisted along the journey of reform and able to prioritise efforts for the continuation of quality care being delivered in the community. Successful implementation is the key to realising the vision for a more collaborative system that will improve equity and access for all Victorians.

Commit to sustainable operational funding for Local Health Service Networks

Problem: The Health Services Plan contained details on the proposed groupings and oversight arrangements for LHSNs but was silent on how they would be operationally funded for responsibilities such as coordinating workforce and sharing waitlist management. Lack of dedicated operational funding may hinder the ability of LHSNs to coordinate effectively, develop partnerships and share resources. This may lead to inconsistent service quality and weak collaborations, ultimately limiting the potential for LHSNs to foster interconnectedness in the healthcare system.

Ask: The Victorian Government to commit to providing at least \$10 million annually in ongoing operational funding distributed through services to support their engagement in LHSNs and carry out key responsibilities.

Impact: Providing operational funding for LHSNs will ensure they are able to operate efficiently, effectively and oversee the sharing of resources across the network. Managing large networks requires considerable planning and coordination that cannot be achieved without this investment. The enablement of effective service delivery and ongoing funding for LHSNs will support long-term planning, monitoring and evaluation efforts and capacity building.



Theme 2: Building capacity in rural and regional areas

Victorians living in rural and regional areas know the challenges of rural and regional healthcare all too well. Insufficient funding, workforce shortages, and climate risks make it harder and more expensive to deliver high-quality care and create barriers for people in rural and regional areas.

Challenges in delivering high quality care in rural and regional areas are deep-rooted and hard to solve, but focused investments can help build local capacity to ensure all Victorians can access high-quality care.

Invest in digital infrastructure that supports service delivery

Many kinds of technology are reshaping the healthcare system by eliminating barriers to care delivery and making processes more efficient. Virtual models of care like the Victorian Virtual Emergency Department (VVED) are particularly valuable in rural and regional areas where constraints on workforce, infrastructure and geographical distance limit the scope of traditional service delivery. Another key technology is Electronic Medical Records (EMRs) which enable services to work more effectively internally and with each other.

Problem: The VHA understands that approximately 30 per cent of public hospital beds are not covered through EMR servicing (but are instead managed via paper-based systems) and that this gap is pronounced in rural and regional areas. While the Victorian Government's recent commitment of \$22 million to progress EMR roll out is welcome, much greater investment is needed for a state-wide rollout that is equitable across Victoria.

Ask: The Victorian Government to invest in digital infrastructure for rural and regional health. Fifty million dollars for every rural and regional health service that does not currently have an EMR system, and a further \$80 million to consolidate and integrate EMR systems across the state.

Impact: Implementing EMR systems will help services to integrate care across departments and other organisations, manage clinical risks and streamline service delivery. Funding must be prioritised to navigate the transition from manual-based systems to EMRs which typically requires significant change management, training and planning.

Problem: Bush Nursing Centres are often the first responders for emergency care in their communities in remote Victoria. Highly skilled nurse practitioners can provide care via the VVED that reduces transport requirements and regional hospital admissions, but this depends on having sufficient digital infrastructure to effectively use the VVED.

Ask: \$300,000 for Bush Nursing Centres to upgrade equipment and connectivity to the VVED.

Impact: Direct investment to Bush Nursing Centres will enable them to purchase adequate equipment to more easily connect to the VVED. Replacing outdated equipment will support staff to provide high-quality care and facilitate better connections with their patients. It will realise the full potential of the Victorian Virtual Emergency Department and keep care closer to home for Victorians living in remote areas.

Help rural and regional health services and registered community health services build climate-ready infrastructure

The frequency and intensity of extreme weather events continue to increase in Victoria and across the nation; rural and regional areas are disproportionately affected by these events.

This is having significant impacts on Victoria's publicly funded healthcare system with ongoing risks to the health workforce, community safety and existing assets. In light of this, the Department of Health has a [Health and Human Services Climate Change Adaptation Plan](#) with objectives to embed climate resilience into new healthcare builds.





Problem: Victoria’s rural and regional hospitals and registered community health services were not built with consideration of climate-related issues, posing significant risks to infrastructure and access to critical services such as utilities and supplies during and after an emergency. These risks are already apparent and will become more evident as climate change advances.

Ask: The Victorian Government to invest \$100 million in capital funding over four years to adapt existing infrastructure to a changing climate in rural and regional areas.

Impact: Rural and regional services will be able to undertake capital projects to future-proof infrastructure against climate change. This includes retrofitting or relocating high-risk assets, energy efficiency upgrades and flood protection systems. Upgrading infrastructure will allow hospitals and registered community health services to operate efficiently amid changing climate conditions with minimal disruption to staff and services. It will also result in improved management of disasters over the long-term, protect existing assets and improve the wellbeing of staff and the communities they serve. Building resilience into existing infrastructure will also reduce running costs and carbon emissions over time.



Theme 3: Fund the true cost of care

Health services must undertake a range of non-clinical activities in order to deliver high-quality care for the Victorian community, which include creating culturally safe and welcoming environments, meeting compliance and regulation, and maintaining infrastructure. Many of these non-clinical activities that support the delivery of care are insufficiently funded — if at all — leaving services with structural deficits and constant financial uncertainty.

Fund all services to provide culturally safe care

In Australia, it has been acknowledged that improving cultural safety for Aboriginal and Torres Strait Islander people will improve their access to, and the quality of, healthcare. Achieving cultural safety in the healthcare sector requires health services to create environments and embed practices that respect Aboriginal and Torres Strait Islander people’s cultural identities to ensure their healthcare experiences are free from racism.

In 2022, 20.6 per cent of Aboriginal people reported that they experienced racism in health settings within the previous 12 months.¹ The Yoorrook Justice Commission has also identified “racism and lack of cultural safety for First Peoples in mainstream health services and across the health sector” as a key issue.²

In Victoria, greater efforts to embed cultural safety in the healthcare system have emerged with recent Statement of Priorities including cultural safety mandates and the development of Victoria’s first Cultural Safety Accreditation program by VACCHO.

Problem: While there is a level of funding from the Victorian Government to support the provision culturally safe healthcare, there are gaps in funding coverage. Notably, the Aboriginal Weighted Inlier Equivalent Separations loading is only available for activity-based funded services and Aboriginal Cultural Safety Fixed grants were only provided to the 38 largest public health services in 2023–24. Greater and more sustainable funding is needed to adequately embed cultural safety across all services, irrespective of their funding mechanism or service size.

1 <https://www.firstpeoplesrelations.vic.gov.au/victorian-government-aboriginal-affairs-report-2023/health-and-wellbeing>

2 <https://yoorrookjusticecommission.org.au/wp-content/uploads/2023/11/Health-and-healthcare-Issue-Paper.pdf>, p. 3

Ask: The Victorian Government to invest \$80 million over four years into providing Aboriginal Cultural Safety Fixed grants and enhancing cultural safety initiatives to services that do not currently receive them.

Impact: More services will be able to implement important actions that contribute to culturally safe care, including designing culturally safe environments, providing cultural safety training and employing Aboriginal Hospital Liaison Officers. These actions will improve the experience of and increase accessibility to healthcare for Aboriginal and Torres Strait Islander people. This is essential to addressing systemic racism in our healthcare system ensuring Aboriginal and Torres Strait Islander people can access safe and equitable health care when they need it.

Support services to meet rising compliance costs across the sector

Problem: As we continuously strive towards a better healthcare system, health services must contend with meeting more and more compliance and regulation duties. Fulfilling these duties are essential to running safe, efficient and accountable health services, but services lack the resources and administrative staff to fulfil these duties without placing strain on their budgets or resorting to inefficient allocation of clinical resources. Unfunded compliance requirements, including training, often require clinical staff to fulfill additional administrative compliance requirements on a frequent basis.

Ask: The Victorian Government invest \$10 million annually over three years to reduce the burden of rising compliance costs, particularly through funding training and education and the employment of critical non-clinical staff, such as administrative staff, HR support and educators. A proportion of this funding should be dedicated to support the Department of Health investigate opportunities to streamline compliance requirements under a Local Health Service Networks model.

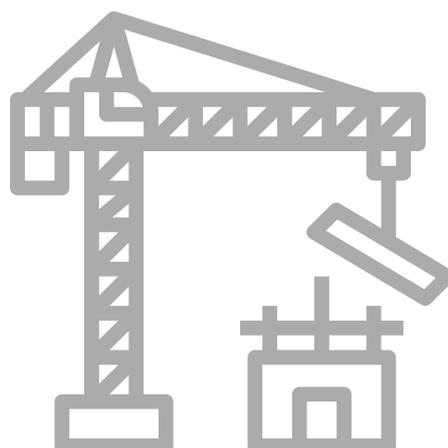
Impact: Adequate resourcing to address compliance requirements will ensure health services can meet all obligations and prioritising clinical care without stretching resources. Streamlining compliance requirements under the LHSNs model will support more efficient processes and drive greater consistency across health services. This will ultimately allow services to provide better care to patients by creating safer, more accountable environments and create a more efficient system.

Re-invest in the Metropolitan and Regional Health Infrastructure Funds

Problem: Services have ageing infrastructure that need updating to increase capacity and efficiency to meet future demand. The Metropolitan Health Infrastructure Fund and Regional Health Infrastructure Fund are key sources of funding for these upgrades. However, the Metropolitan Health Infrastructure Fund has not received new investment since the 2023–24 Victorian Budget and the Regional Health Infrastructure Fund since the 2022–23 Victorian Budget. Without additional funding, these funds will run out, leaving infrastructure continuing to degrade and become increasingly unfit for purpose.

Ask: The Victorian Government to invest \$400 million in capital funding in 2025–26 in the Metropolitan Health Infrastructure Fund and Regional Health Infrastructure Fund.

Impact: Re-investment in these funds will continue the delivery of successful capital projects including building refurbishments, expanding theatre capacity and replacing vital equipment. Upgrading infrastructure allows services continue to deliver high-quality care, remain responsive to local needs and meet increasing community demand.



Theme 4: Sustaining the future of aged care and mental health

It is well-established that demand for aged care and mental health services will rise. There has been major efforts to reform the system with the Royal Commission into Aged Care Quality and Safety and Royal Commission into Victoria's Mental Health System. Progress on meeting reform recommendations has been slow — investment needs to occur now to build the strong aged care and mental health systems Victorians need for the future.

Invest in upgrading public sector residential aged care infrastructure

Problem: Public sector residential aged care services (PSRACs) need to upgrade or replace ageing or unsuitable capital infrastructure to continue to provide high-quality aged care. Proper infrastructure is central to the provision of safe and high-quality aged care, but services lack the funds to carry out building upgrades, purchase new equipment and modernise facilities independently. This is especially important in Victoria where PSRACs play a key role in caring for local communities; of the 7,011 residential aged care places provided by state and territory governments in Australia, over 4,800 are served by Victorian PSRACs.³

Growing demand for residential aged care requires increasing the number of aged care beds and building more rooms which current capital funding arrangements do not meet.⁴ Poor infrastructure also affects the ability of services to attract new residents who may prefer to receive treatment in their local community, by a public provider that they trust, which ultimately compounding bed block issues across the system.

Ask: The Victorian Government to invest \$80 million over four years in targeted funding to improve aged care infrastructure across public sector residential aged care services.

Impact: Much-needed capital projects including modernising beds, upgrading equipment and renovating facilities will enhance the quality of aged care services to older Victorians. This will enable PSRACs to continue to provide safe, high-quality care to older Victorians. In the long-term, it will build capacity in the system to meet future demand for aged care services, respond to changing community demand and improve quality of life for people living and working in public sector residential aged care.

³ https://www.gen-agedcaredata.gov.au/getmedia/360dc871-b22d-4c10-b66b-e9d914afe70c/Health-and-Aged-Care-ROACA-2022-23_Web.pdf, p. 55

⁴ https://www.health.gov.au/sites/default/files/2024-03/final-report-of-the-aged-care-taskforce_0.pdf, p. 7

Funding to stabilise and train the mental health workforce

Problem: The future of the mental health sector depends on a sustainable, skilled and supported workforce to meet the challenges of increasing demand and acuity. Additionally, implementing the reforms of the Royal Commission into Victoria’s Mental Health System will require a stable and skilled mental health workforce; the Victorian Government cited workforce issues as a barrier to rolling out Mental Health and Wellbeing Locals during the 2024–25 Victorian Budget. However, like many parts of the healthcare system, the mental health sector is experiencing a significant shortage in mental health professionals as well as issues with attraction and retention.



Ask: The Victorian Government to invest \$20 million over the next four years in the mental health workforce, comprised of \$10 million in the Mental Health and Wellbeing Workforce Scholarship Program and \$10 million for the Regional Mental Health Workforce Incentives Program.

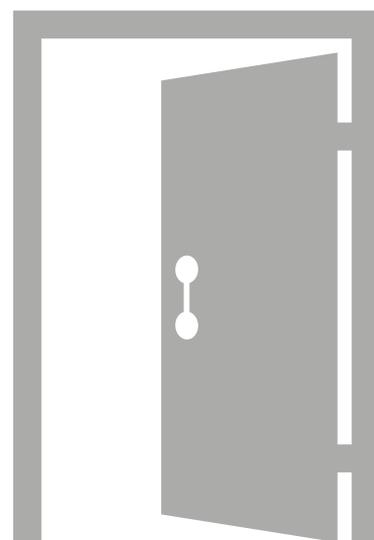
Impact: This investment will build and strengthen Victoria’s pipeline of mental health professionals by improving workforce attraction and retention. Supporting these initiatives ensures more professionals can enter the mental health workforce, access capability improvement opportunities and build key skills. This investment will develop a stable and skilled mental health workforce to deliver the services Victorians need now and into the future.

Prioritise the rollout of Mental Health and Wellbeing Locals

Problem: One of the key recommendations of the Mental Health Royal Commission was the creation of Mental Health and Wellbeing Locals ('Locals'). The rollout of Locals was delayed last year, much to the disappointment of the mental health care sector who are concerned that Victorians will have to wait longer to receive much-needed mental health care in their communities. For services, the delay in the rollout of Locals has created uncertainty, increased demand on existing mental health services and led to the loss of skilled workers as services were closed in anticipation of the establishment of Locals.

Ask: The Victorian Government to invest \$100 million over the next two years to prioritise the rollout of Mental Health and Wellbeing Locals, including the establishment of near-ready sites and planning for additional sites.

Impact: Increasing the number of Locals in line with rising community demand and areas of need will assist Victoria to build a more responsive and integrated mental health and wellbeing system. As noted in the Royal Commission, Locals also will build capacity in the system to meet increasing demand by creating "a broad front door" so more people can access services than is currently the case".⁵ This will enable more Victorians to access a variety of mental health and wellbeing treatments, care and supports closer to home. Prioritising the rollout of Locals will also help services retain skilled workers, maintain established intake systems and relieve demand pressures that ultimately transfer to the acute health system.



⁵ https://www.vic.gov.au/sites/default/files/2024-01/RCVMHS_FinalReport_ExecSummary_Accessible.pdf, p. 21



**Victorian
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For further information contact

Leigh Clarke

Chief Executive Officer

Leigh.Clarke@vha.org.au

03 9094 7777