



Policy costing

Safeguard full funding for hospitals	
Party:	Australian Greens
<p>Summary of proposal:</p> <p>The proposal has three components.</p> <ul style="list-style-type: none">• Component 1: The Commonwealth Government would fund 50 per cent of the annual growth in the efficient cost of activity-based and block-funded hospital services on an ongoing basis and would maintain the activity-based funding model.<ul style="list-style-type: none">– Under the baseline policy, the Commonwealth Government will fund 45 per cent of the annual growth in the efficient cost of activity-based and block-funded hospital services over the period to 2029-30, with annual funding growth capped at 6.5 per cent.• Component 2: The Commonwealth Government would establish an independent national health agency to support the integration of health services at a regional level.<ul style="list-style-type: none">– The new agency would take over the functions of the Independent Hospital Pricing Authority, the Administrator of the National Health Funding Pool, the Australian Institute of Health and Welfare, the Australian Digital Health Agency, and the Australian Commission on Safety and Quality in Health Care. These agencies would be abolished.– The new agency would also have responsibility for stewardship and funding decision making for primary care and dental care, with these functions transferring from the Department of Health.– All new agency staff would be co-located in Canberra.– The new agency would be distinct from the Commonwealth, state and territory health departments, and would report directly to the Council of Australian Governments or the Council of Australian Governments Health Council.• Component 3: The Commonwealth Government would provide \$10 million per year for four years to public hospitals to boost maternity care and breastfeeding support and increase access to up-to-date information in the antenatal and postnatal period, particularly in rural and regional Australia. This would comprise:<ul style="list-style-type: none">– \$4 million per year to collect data about birth and care experiences of women in hospitals via a survey of prenatal and antenatal care– \$6 million per year for public hospitals to become Baby Friendly accredited, which would ensure all public hospital maternity facilities meet best practice standards for promoting and supporting breastfeeding. <p>The proposal would have effect from 1 July 2019.</p>	

Costing overview

The proposal would be expected to decrease both the fiscal and underlying cash balances by \$2,253 million over the 2019-20 Budget forward estimates period. This reflects an increase in administered expenses of \$1,955 million and an increase in departmental expenses of \$298 million, including capital expenses of \$90 million in 2019-20.

Departmental expenses for Components 1 and 3 are not expected to be significant and have not been included.

The financial impact of this proposal is predominantly due to one of the agencies that would be incorporated into the new agency receiving continuing funding under the proposal. This funding has not been included in the 2019-20 Budget baseline.

The proposal would be expected to have an impact beyond the 2019-20 Budget forward estimates period. A breakdown of the financial implications over the period to 2029-30 is provided at [Attachment A](#).

The estimates for Component 1 are sensitive to projections of demand for hospital services and the efficient price of those services. The estimates for Component 2 are very sensitive to the level of funding provided for the abolished agencies under the budget baseline. The implications for Components 1 and 2 are also sensitive to assumptions on redundancy levels and costs, lease-break costs and capital expenses, and to parameter variations in the consumer price index and wage cost index. The estimates for Component 3 are certain as they are based on a specified capped amount.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-258	-516	-661	-817	-2,253
Underlying cash balance	-258	-516	-661	-817	-2,253

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing the proposal.

Component 1 – Fund 50 per cent of the efficient growth in activity-based and block-funded hospital services

- Based on information from the Department of Health, growth rates for activity-based and block-funded components under the current activity-based funding model are as follows:
 - the national efficient price grows by 1.6 per cent per year
 - the national weighted activity units grow by 3.9 per cent per year
 - the national efficient cost grows by 2.9 per cent per year.
- The amounts provided for public health activities under the National Health Reform Agreement 2011 would continue.

Component 2 – Establish an independent national health agency

- The new agency would sign a new lease agreement in Canberra and there would be lease-break costs incurred on all current lease arrangements for the agencies being abolished.
- Current Sydney-based staff would be offered redundancies and existing Canberra-based staff undertaking functions that would be transferred would move to the new agency. Natural attrition has been factored into redundancy estimates.
- The overall staffing level under the proposal would be in line with those employed to perform the current functions assumed by the new agency.
- The new agency would be funded by the Commonwealth Government without assistance from state and territory governments.

Methodology

Component 1

The financial implications of this proposal represent the difference between the 2019-20 Budget baseline and the specified change to funding arrangements. Efficient growth in hospital services was estimated using the Department of Health's hospital funding model. The model grows the nationally efficient price, national weighted activity units and national efficient cost independently over the medium term, based on actual historical hospital funding outcomes.

Component 2

The baseline administered and departmental expenses over the 2019-20 Budget forward estimates period were obtained from the Department of Health. The Department confirmed that some current functions that would be assumed by the new agency do not have ongoing funding under the budget baseline and that their funding is subject to future decisions by the Commonwealth Government. Ongoing functions had their baseline funding projected out to 2029-30.

The administered and departmental expenses under the proposal have been derived from baseline expenses by adjusting to account for:

- the ongoing nature of the new agency
- voluntary redundancy costs, lease-break costs, capital expenses and other departmental costs, which were based on similar budget measures
- savings from consolidating the corporate functions of the amalgamated agencies.

Administered expenses were grown by the consumer price index. Departmental expenses were estimated by growing the appropriate wage cost index net of the efficiency dividend as at the 2019-20 Pre-election Economic and Fiscal Outlook.

Component 3

The financial implications of this component are equal to the specified capped funding amount.

All components

All estimates have been rounded to the nearest \$1 million.

Data sources

The Department of Health provided the 2019-20 Pre-election Economic and Fiscal Outlook hospital funding model and details on the agencies to be abolished under the proposal.

The Department of Finance provided the consumer price index, wage cost index and efficiency dividend data as at the 2019 Pre-election Economic and Fiscal Outlook.

Commonwealth of Australia, 2019. *2019-20 Budget*, Canberra: Commonwealth of Australia.

Attachment A – Safeguard full funding for hospitals – financial implications

Table A1: Safeguard full funding for hospitals – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Component 1: Fund 50 per cent of the efficient growth in activity-based and block-funded hospital services													
<i>Administered</i>	-118	-252	-394	-543	-700	-865	-1,039	-1,222	-1,415	-1,618	-1,832	-1,307	-9,999
<i>Departmental</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Total – Component 1	-118	-252	-394	-543	-700	-865	-1,039	-1,222	-1,415	-1,618	-1,832	-1,307	-9,999
Component 2: Establish an independent national health agency													
<i>Administered</i>													
<i>Current functions of separate health agencies</i>	956	770	687	707	725	743	762	781	800	820	841	3,120	8,593
<i>Independent agency</i>	-956	-967	-889	-915	-938	-961	-985	-1,010	-1,035	-1,061	-1,087	-3,728	-10,805
Total – administered	-	-197	-202	-208	-213	-218	-223	-229	-235	-241	-246	-608	-2,212
<i>Departmental</i>													
<i>Current functions of separate health agencies</i>	179	123	124	125	125	126	127	128	129	130	131	550	1,446
<i>Independent agency</i>	-219	-180	-179	-181	-182	-183	-184	-186	-187	-188	-189	-758	-2,057
<i>Capital expenses</i>	-90	-	-	-	-	-	-	-	-	-	-	-90	-90
Total – departmental	-130	-57	-55	-56	-57	-57	-57	-58	-58	-58	-58	-298	-701
Total – Component 2	-130	-254	-257	-264	-270	-275	-280	-287	-293	-299	-304	-906	-2,913
Component 3: Boost maternity care and breastfeeding support in public hospitals													
<i>Administered</i>	-10	-10	-10	-10	-	-	-	-	-	-	-	-40	-40
<i>Departmental</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Total – Component 3	-10	-10	-10	-10	-	-	-	-	-	-	-	-40	-40
Total	-258	-516	-661	-817	-970	-1,140	-1,319	-1,509	-1,708	-1,917	-2,136	-2,253	-12,952

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.