Parliamentary Budget Office

Mental Health Workforce	
Party:	Independent Member for Indi

Summary of proposal:

This proposal is related to the 2021-22 Mid-Year Economic and Fiscal Outlook measure *Medical Workforce* which would eliminate all or part of the Higher Education Loan Program (HELP) debt for eligible healthcare workers if they reside in and practice in rural, regional, or remote Australia.

Under this proposal, the policy would be expanded to 3 additional eligible professions:

- Clinical Psychology
- Social Work
- Psychiatry

Eligible participants would be required to work:

- at least 24 hours per week for a period equivalent to half the length of their degree, for those working in remote areas
- at least 24 hours per week for a period equivalent to their entire degree, for those working in rural and regional areas

The proposal is ongoing and would be in effect from 1 October 2022.

Costing overview

This proposal would be expected to decrease the fiscal balance by around $19.5 million, the underlying cash balance by around $7.7 million, and the headline cash balance by around $16.0 million over the 2022-23 Budget forward estimates period. These impacts are primarily driven by a reduction in loan principal repayments related to waiving of Higher Education Contribution Scheme - Higher Education Loan Program (HECS-HELP) debts, and associated interest forgone.

The proposal would have an impact beyond the 2022-23 Budget forward estimates period. A breakdown of the financial implications (including separate PDI tables) over the period to 2032-33 is provided at Attachment A.

The financial implications and behavioural impacts of this proposal on the relevant workforce are highly uncertain. The Parliamentary Budget Office (PBO) anticipates that the profile of persons within the existing workforce in rural, remote, and regional areas would not be significantly influenced by this proposal, as the remaining HECS-HELP debt of this cohort would be small, in comparison to their annual salary. Growth in headcount in rural, remote, and regional areas would be driven by numbers of new entrants into the professional workforce.

Consistent with *PBO Guidance 02/2015*, public debt interest (PDI) expense impacts have been included in this costing because the concessional loans affected under this proposal would involve financial asset transactions.

The fiscal, underlying cash and headline cash balance impacts differ in the treatment of interest and dividend payments, and the flow of loan principal and equity amounts. In particular, only the fiscal balance reflects the concessional loan discount expense and associated unwinding income, and only the headline cash balance includes transactions related to loan principal amounts. The impact on net debt will be broadly consistent with movements in the headline cash balance. A note on the accounting treatment of concessional loans is included at Attachment B.

Table 1: Financial implications ($m)[(a)]

	2022-23	2023-24	2024-25	2025-26	**Total to 2025-26**
Fiscal balance	-2.1	-1.8	-7.3	-8.3	**-19.5**
Underlying cash balance	-1.8	-1.2	-2.2	-2.5	**-7.7**
Headline cash balance	-1.8	-1.2	-6.2	-6.8	**-16.0**

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

Key assumptions

The PBO has made the following assumptions in costing this proposal.

- Half of the eligible workforce of clinical psychologists would have completed a 4-year bachelor's degree followed by 2 years of employment as a provisional psychologist, before entering the workforce. The other half of the eligible workforce of clinical psychologists would have completed a 4-year bachelor's degree followed by a 2-year master's degree.
- Newly qualified psychiatrists would not have an outstanding HECS debt remaining upon completion of the 5-year psychiatry training program at the Royal Australian and New Zealand College of Psychiatrists (RANZCP).
- Half of the eligible workforce of social workers would have completed a 4-year bachelor's degree, and the other half of the eligible workforce would have completed a 2-year master's degree.
- Newly qualified health professionals that would participate in the program would enter the workforce in a rural, remote, or regional area within their first year of eligibility.
- There would be negligible behavioural impact on the existing workforce of practicing health professionals.
- The existing workforce of practicing health professionals would not have a significant HECS-HELP debt.
- The distribution of clinical psychologists in rural, regional, and remote areas would remain consistent with the current workforce profile.
- The distribution of social workers and psychiatrists in rural, regional, and remote areas would be consistent with the workforce profile of general practitioners (GPs).
- All participants would have enrolled into a Commonwealth Supported Place (CSP) for their qualifying degree, would have accrued a HECS-HELP debt, and would not have made voluntary repayments.
- In the absence of this policy, participants would have made compulsory repayments towards their HECS-HELP debt through the tax system.
- Under the existing policy baseline, all individuals affected by this proposal would have been expected to fully repay their HELP loans.

- All participants would reside in rural, regional, and remote areas and complete eligible work for the required amount of time to receive a 100% reduction of their outstanding HELP debt.

Methodology

The distribution of newly qualified professionals in rural, remote, and regional areas was estimated as described in *Key assumptions*. The headcount of the relevant professionals in rural, remote, and regional areas was projected over the medium term, based upon historical growth rates of new entrants to each workforce.

The average HECS-HELP debt of participants was calculated based on student contribution amounts of a CSP, and the length of the respective qualifying degree. Student contribution amounts were projected by the consumer price index over the medium term.

Where qualification as a health professional would not occur immediately following graduation from university study, the HECS-HELP debt of relevant participants was reduced by the average compulsory repayments of debt, calculated as the average salary that would be earned in the workforce following graduation and before obtaining professional qualifications.

The financial implications of a waiver of HECS debt would be delayed. Assuming an average duration of study of 3 years, a participant entering the program on 1 October 2022 and practicing in a rural area would become eligible for a 50% HECS debt waiver on 1 April 2024. Eligibility would be assessed in the 2023-24 tax return and the waiver would be provided in 2024-25.

Financial implications were rounded consistent with the PBO's rounding rules as outlined on the PBO Costings and budget information webpage.[1]

Data sources

The Department of Finance and the Treasury provided economic parameters as at the *Budget 2022-23*.

The Department of Health provided the Budget model of the 2021-22 Mid-Year Economic and Fiscal Outlook measure *Medical Workforce*.

The Department of Education, Skills and Employment provided the Higher Education Loan Program model as at the *Budget 2022-23*.

Department of Education, Skills and Employment (2021) *2022 Allocation of units of study to funding clusters*, Australian Government, accessed 28 January 2022.

Department of Education, Skills and Employment (2021) *Job Outlook – Social Workers*, Australian Government, accessed 28 January 2022.

Department of Health (2021) *Dashboard, Summary Statistics – Metrics*, Australian Government, accessed 28 January 2022.

Department of Health (2022) *Fact sheet – HELP for rural doctors and nurse practitioners*, Australian Government, accessed 14 June 2022.

Department of Health (2021) *Summary Statistics, MET (Medical Education and Training) 4th 2019*, Australian Government, accessed 28 January 2022.

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[1] https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Costings_and_budget_information

Industrial Relations Commission of New South Wales (2021) *Health Professional and Medical Salaries (State) Award 2021*, NSW Government, accessed 28 January 2022.

Attachment A – Mental Health Workforce – financial implications

Table A1: Mental Health Workforce – Fiscal balance ($m)(a)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	**Total to 2025-26**	**Total to 2032-33**
Revenue													
Indexation on loans	*-0.3*	*-0.6*	*-1.1*	*-1.4*	*-1.8*	*-2.2*	*-2.7*	*-3.3*	*-3.9*	*-4.4*	*-5.1*	***-3.4***	***-26.8***
Unwinding concessional loan discount	-	-	-	-	-	-	..	*-0.1*	*-0.2*	*-0.3*	*-0.4*	-	***-1.0***
Total – revenue	**-0.3**	**-0.6**	**-1.1**	**-1.4**	**-1.8**	**-2.2**	**-2.7**	**-3.4**	**-4.1**	**-4.7**	**-5.5**	**-3.4**	**-27.8**
Expenses													
Administered													
Waiver of HECS-HELP debt	-	-	*-5.0*	*-5.4*	*-10.8*	*-11.8*	*-12.7*	*-13.8*	*-14.8*	*-15.8*	*-16.8*	***-10.4***	***-106.9***
Total – administered	-	-	***-5.0***	***-5.4***	***-10.8***	***-11.8***	***-12.7***	***-13.8***	***-14.8***	***-15.8***	***-16.8***	***-10.4***	***-106.9***
Departmental													
Departmental resourcing	*-1.8*	*-1.1*	*-1.1*	*-1.2*	*-1.2*	*-1.2*	*-1.2*	*-1.2*	*-1.3*	*-1.3*	*-1.3*	***-5.2***	***-13.9***
Total – departmental	***-1.8***	***-1.1***	***-1.1***	***-1.2***	***-1.2***	***-1.2***	***-1.2***	***-1.2***	***-1.3***	***-1.3***	***-1.3***	***-5.2***	***-13.9***
Total – expenses	**-1.8**	**-1.1**	**-6.1**	**-6.6**	**-12.0**	**-13.0**	**-13.9**	**-15.0**	**-16.1**	**-17.1**	**-18.1**	**-15.6**	**-120.8**
Total (excluding PDI)	**-2.1**	**-1.7**	**-7.2**	**-8.0**	**-13.8**	**-15.2**	**-16.6**	**-18.4**	**-20.2**	**-21.8**	**-23.6**	**-19.0**	**-148.6**
PDI impacts	**..**	***-0.1***	***-0.1***	***-0.3***	***-0.5***	***-0.8***	***-1.2***	***-1.7***	***-2.3***	***-2.9***	***-3.6***	***-0.5***	***-13.5***
Total (including PDI)	**-2.1**	**-1.8**	**-7.3**	**-8.3**	**-14.3**	**-16.0**	**-17.8**	**-20.1**	**-22.5**	**-24.7**	**-27.2**	**-19.5**	**-162.1**

(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.

.. Not zero but rounded to zero.

\- Indicates nil.

Table A2: Mental Health Workforce – Underlying cash balance ($m)[(a)]

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	**Total to 2025-26**	**Total to 2032-33**
Receipts													
Interest receipts	*-*	*-*	*-1.0*	*-1.0*	*-2.1*	*-2.3*	*-2.5*	*-2.7*	*-2.8*	*-3.0*	*-3.2*	***-2.0***	***-20.6***
Total – receipts	**-**	**-**	**-1.0**	**-1.0**	**-2.1**	**-2.3**	**-2.5**	**-2.7**	**-2.8**	**-3.0**	**-3.2**	**-2.0**	**-20.6**
Departmental													
Departmental resourcing	*-1.8*	*-1.1*	*-1.1*	*-1.2*	*-1.2*	*-1.2*	*-1.2*	*-1.2*	*-1.3*	*-1.3*	*-1.3*	***-5.2***	***-13.9***
Total – departmental	***-1.8***	***-1.1***	***-1.1***	***-1.2***	***-1.2***	***-1.2***	***-1.2***	***-1.2***	***-1.3***	***-1.3***	***-1.3***	***-5.2***	***-13.9***
Total – payments	**-1.8**	**-1.1**	**-1.1**	**-1.2**	**-1.2**	**-1.2**	**-1.2**	**-1.2**	**-1.3**	**-1.3**	**-1.3**	**-5.2**	**-13.9**
Total (excluding PDI)	**-1.8**	**-1.1**	**-2.1**	**-2.2**	**-3.3**	**-3.5**	**-3.7**	**-3.9**	**-4.1**	**-4.3**	**-4.5**	**-7.2**	**-34.5**
PDI impacts	**..**	***-0.1***	***-0.1***	***-0.3***	***-0.5***	***-0.8***	***-1.2***	***-1.7***	***-2.2***	***-2.8***	***-3.5***	***-0.5***	***-13.2***
Total (including PDI)	**-1.8**	**-1.2**	**-2.2**	**-2.5**	**-3.8**	**-4.3**	**-4.9**	**-5.6**	**-6.3**	**-7.1**	**-8.0**	**-7.7**	**-47.7**

(a) 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.

.. Not zero but rounded to zero.

\- Indicates nil.

Table A3: Mental Health Workforce – Headline cash balance ($m)[(a)]

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	**Total to 2025-26**	**Total to 2032-33**
Receipts													
Interest receipts	-	-	*-1.0*	*-1.0*	*-2.1*	*-2.3*	*-2.5*	*-2.7*	*-2.8*	*-3.0*	*-3.2*	***-2.0***	***-20.6***
Loan principal repayments	-	-	*-4.0*	*-4.3*	*-8.8*	*-9.5*	*-10.3*	*-11.2*	*-11.9*	*-12.8*	*-13.6*	***-8.3***	***-86.4***
Total – receipts	**-**	**-**	**-5.0**	**-5.3**	**-10.9**	**-11.8**	**-12.8**	**-13.9**	**-14.7**	**-15.8**	**-16.8**	**-10.3**	**-107.0**
Departmental													
Departmental resourcing	*-1.8*	*-1.1*	*-1.1*	*-1.2*	*-1.2*	*-1.2*	*-1.2*	*-1.2*	*-1.3*	*-1.3*	*-1.3*	***-5.2***	***-13.9***
Total – departmental	***-1.8***	***-1.1***	***-1.1***	***-1.2***	***-1.2***	***-1.2***	***-1.2***	***-1.2***	***-1.3***	***-1.3***	***-1.3***	***-5.2***	***-13.9***
Total – payments	**-1.8**	**-1.1**	**-1.1**	**-1.2**	**-1.2**	**-1.2**	**-1.2**	**-1.2**	**-1.3**	**-1.3**	**-1.3**	**-5.2**	**-13.9**
Total (excluding PDI)	**-1.8**	**-1.1**	**-6.1**	**-6.5**	**-12.1**	**-13.0**	**-14.0**	**-15.1**	**-16.0**	**-17.1**	**-18.1**	**-15.5**	**-120.9**
PDI impacts	***..***	***-0.1***	***-0.1***	***-0.3***	***-0.5***	***-0.8***	***-1.2***	***-1.7***	***-2.2***	***-2.8***	***-3.5***	***-0.5***	***-13.2***
Total (including PDI)	**-1.8**	**-1.2**	**-6.2**	**-6.8**	**-12.6**	**-13.8**	**-15.2**	**-16.8**	**-18.2**	**-19.9**	**-21.6**	**-16.0**	**-134.1**

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

.. Not zero but rounded to zero.

\- Indicates nil.

Attachment B – Accounting treatment of concessional loans

A concessional loan is a loan provided on more favourable terms than the borrower could obtain in the financial market. The most common concession is a below-market interest rate, but concessions can also include favourable repayment conditions. The income contingent loans available through the Higher Education Loan Program are an example of concessional loans offered by the Australian Government.

Budget impact[2]

The accounting treatment of concessional loans differs across each budget aggregate. The underlying cash balance only captures actual flows of interest related to the loans. The headline cash balance captures actual flows of principal as well as interest. The fiscal balance captures accrued interest, the value of the concession and any write-offs related to the loans.[3] The interest cost of financing these loans is captured in all budget aggregates, and is separately identified by the PBO.[4] Table B1 provides information about the detail provided in a costing. The provision of concessional loans decreases the Australian Government's net worth if the liabilities issued (the value of Australian Government Securities issued to finance the loans) are greater than the assets created (measured at their 'fair value' or price at which the loans could be sold).

Treatment of debt not expected to be repaid

All budget aggregates take into account estimates of the share of loans not expected to be repaid when calculating interest flows and estimating the value of the concession that is being provided. None of the measures capture the direct impact on net worth of the loans not expected to be repaid. If a portion of loans are not expected to be repaid, estimates of the 'fair value' of the loans outstanding will be reduced. Such reductions, both when loans are issued and if loans are subsequently re-valued, are recorded in the budget under 'other economic flows' which are reflected in net worth but not in the budget aggregates.

Table B1: Components of concessional loan financial impacts in costing proposals

Budget item	Appears in	Comments
Interest accrued or received	All budget aggregates	Captures the interest accrued or expected to be received on the fair value of the debt. (The budget cannot include interest income on a debt that is not expected to be repaid.)
Concessional loan discount expense and unwinding revenue	Fiscal balance	The net present value of the concession (based on the difference between the market and concessional interest rates) is captured as an expense in the fiscal balance. As loans are repaid, the remaining value of the concession reduces, so this expense is 'unwound' with a positive impact on the fiscal balance. The concessional discount and its unwinding are not recognised in cash balances as there is no cash inflow or outflow.
Write-offs	Fiscal balance	Debt forgiveness, also known as mutually agreed write-downs (for example in the case of the death of the borrower of a HELP loan) are expensed when they occur, reducing the fiscal balance. These transactions do not affect the cash balances as no cash flows occur.
Initial loan; principal repayments	Headline cash balance	Higher estimates of loans not expected to be repaid lowers principal repayments. These transactions are not included in the fiscal balance or underlying cash balance as they involve the exchange of one financial asset (loan) for another (cash).
Public debt interest (PDI)	All budget aggregates	The PDI impact is the cost of the change in the government's borrowing requirements to fund the loans. The net headline cash balance impact excluding PDI is used to estimate the proposal's impact on PDI payments.

[2] The PBO's treatment of these loans is consistent with the Department of Finance costing guidelines.

[3] As described in *Key Assumptions*, all individuals affected by this proposal would have been expected to fully repay their HELP loans.

[4] This is in accordance with *PBO Guidance 02/2015* and the Charter of Budget Honesty Policy Costing Guidelines which specify that costings of proposals that 'involve transactions of financial assets' need to take into account the impact on PDI payments.