Australian Financial Review article

EXCLUSIVE
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Poor diagnosis for budget's health spending

The Turnbull government's claims of a record health budget have come under fire from health economists, who say spending is actually declining on a per capita basis despite soaring medical costs.

In its analysis of Tuesday's budget, Macquarie University's Centre for the Health Economy (MUCHE) warns Australians will either become sicker or be forced to pay more for medical care.

Health Minister Greg Hunt touted the health budget had been increased by $12.4 billion, with the total investment in health, aged care and sport worth $414.5 billion over the forward estimates.

This included a $4.8 billion increase in Medicare funding and $30 billion for public hospitals, while one of its showpieces was $1.6 billion for an extra 14,000 in-home aged care places.

But MUCHE's director Henry Cutler said health expenditure had only grown by 2.1 per cent in this year's budget, compared to 5.1 per cent last year, when the government was neutralising Labor's "Mediscare" pitch.

Dr Cutler said accounting for health inflation, real health expenditure would grow by 1 per cent less than population growth over the forward estimates, which meant less money spent on a per capita basis.

"The Australian government needs to invest more to improve the wellbeing of Australians," he said.

"Services gaps are becoming larger in health, ageing and disability care, while quality is starting to suffer. As the ever-increasing march of ageing, health technology costs, and chronic disease continues unabated, Australians will either face worse health outcomes, or be asked to pay more for their health care if the Australian government does not respond."

Dr Henry Cutler says, accounting for health inflation, real health expenditure would grow by 1 per cent less than population growth over the forward estimates, which meant less money spent on a per capita basis.

MUCHE's report said the 14,000 extra aged care places did not involve "new money", instead being funded by redirecting funding away from nursing-home care.

"The additional high-level home care packages falls way short of the 82,237 consumers currently awaiting an approved high-level package. There is also a projected 94,200 gap in residential aged care places by 2025," the report said.

"Given the Australian government struggles to keep up with aged care costs, it must ask consumers to pay more for their care. That would firm up sector sustainability, and help providers better meet consumer preferences."

While the government announced new medicines would be added to the Pharmaceutical Benefits Scheme, the report said most of the costs had been recovered from price reduction measures announced in last year's budget.

"Despite investment in new medicines, the pharmaceutical sector will take the brunt of health portfolio expenditure cuts," the report said.

Dr Cutler's report is also critical the government did not act to reduce the private health insurance rebate following recent reforms for health funds designed to take pressure off premium rises.

"The private health insurance rebate must be reviewed," the report said.

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"It is projected to cost the Australian government $6.9 billion by 2012-22, and represents an inefficient way to fund hospital care. Research suggests a marginal decrease in the rebate would provide net savings to the Australian Government, even if they pay for increased public hospital visits."

The report said abandoning the increase in the Medicare levy to fund the National Disability Insurance Scheme was a mistake because it increases uncertainty for the disabled.

A spokesman for Mr Hunt defended the health budget.

"Both Medicare and public hospital funding are activity-based and respond to the number of patients accessing these services," he said.

"The latest Medicare data from July 2017 to March 2018 shows Australian patients have set a new record for the highest GP bulk-billing rate ever achieved for this period – increasing to 85.8 per cent."