

# **PARLIAMENTARY INQUIRY QUESTION ON NOTICE**

## **Department of Health**

### **Senate Select Committee on COVID-19**

#### **Australian Government's response to the COVID-19 pandemic**

**26 May 2020**

**PDR Number: IQ20-000291**

**Question Subject: Private hospitals viability guarantee**

**Type of Question: Written**

**Senator: Katy Gallagher**

#### **Question:**

- A/g Secretary Edwards told the Committee on 26/5/20 that the \$1.3 billion estimate for the guarantee was to the end of the financial year (proof transcript for 26/5/20 hearing, p27). IQ20-000013 shows the \$1.3 billion is spread across two financial years, with \$642 million in each of 2019-20 and 2020-21. Which is correct?
- If IQ20-000013 is correct, actual spending to 24 May (\$1.136 billion) vastly exceeds estimated spending for all of 2019-20 (\$642 million). Does the Department remain of the view, expressed at the hearing, the actual spending will be below estimates once reconciliation is undertaken?
- Please provide updated estimates for the guarantee
- When will the viability guarantee end? Please provide trigger points if not exact dates
- When will separate state/territory agreements with private hospitals end? Please provide trigger points if not exact dates (having consulted jurisdictions if necessary)

#### **Answer:**

The profile provided in IQ20-000013 is correct.

The minimum viability guarantee is an uncapped, demand-driven program, where the estimated amounts provided by states and territories will be reconciled with the actual required viability payments for private hospitals following the completion of each financial quarter.

The cost of the funding guarantee to private hospitals was initially estimated at \$1.284 billion over two financial years. Payments of \$1.198 billion were made in 2019-20.

No Payments have been made in 2020-21. Payments are based on state-provided estimates of required funding. All payments will be subject to a reconciliation process. Reconciliation will determine the final amount payable.

	March 2020 (\$m)	April 2020 (\$m)	May 2020 (\$m)	June 2020 (\$m)	July 2020 (\$m)	Total (\$m)
<b>Private Hospital Viability Guarantee*</b>	\$0.0	\$583.4	\$552.9	\$61.3	\$0.0	<b>\$1,197.5</b>

\*Note all payments to date have been based on state estimates, reconciliation is still to occur which may adjust the total expenditure figure.

Payments under the viability guarantee cover the gap between a private hospitals essential costs and revenue. The payments do not cover lost profit, debt/loan payments or rent. Financial estimates for this program for 2020-21 will be updated in the economic update expected to be released in late July.

Contractual exit arrangements with private hospital operators are a matter for the states and territories, however as part of the National Partnership on COVID-19 Response, the Australian Government and all state and territory governments have agreed that the private hospital viability guarantee will be reviewed by no later than September 2020.