

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 380

Topic: State's GST allowance

Hansard Page: Written

Senator EGGLESTON asked:

1. If the states had agreed to pooling funding equivalent to what would have been removed from their GST allowance, would the total amount remain the same as if they had had their GST allowance removed? If not, why not?

Answer:

Under the National Health and Hospitals Network (NHHN) Agreement, the Commonwealth Government will increase its funding contribution for public hospital services to provide:

- a. 60 per cent of the efficient price of every public hospital service provided to public patients;
- b. 60 per cent of recurrent expenditure on research and training functions funded by the States undertaken in public hospitals;
- c. 60 per cent of block funding paid against a COAG-agreed funding model, including for agreed functions and services and community service obligations required to support small regional and rural public hospitals;
- d. 60 per cent of capital expenditure, on a 'user cost of capital' basis where possible; and
- e. over time, up to 100 per cent of the national efficient price of 'primary health care equivalent' outpatient services provided to public patients.

The Commonwealth will also take on full funding and policy responsibility for primary health care and aged care (other than in Victoria).

If the Commonwealth and the States had agreed to pool funding equivalent to the increased Commonwealth funding commitment outlined above, the contribution from each State and Territory would be equivalent to the amount of GST that will be retained by the Commonwealth and dedicated to health and hospital services for that State or Territory.

From 1 July 2014, the Commonwealth will provide a new type of financial assistance, known as Top-up payments, for States participating in the NHHN Agreement to

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

reflect its greater responsibility for financing health and hospital expenditure growth under the NHHN arrangements.

The additional Top-up payment reflects that hospital costs have been growing at close to 10 per cent per annum and are expected to grow at 8 per cent per annum over the medium term. This means that hospital costs are expected to outpace growth in GST of around 6 per cent per annum, over the medium term, as well as growth in the existing National Healthcare Specific Purpose Payment.

The Commonwealth has guaranteed to pay no less than \$15.6 billion in top up payments between 2014-15 and 2019-20 assuming all States participate in the NHHN Agreement.

In addition, the Commonwealth will also provide the States with additional funding of up to \$3.4 billion through the National Health & Hospitals Network - Improving Public Hospital Services National Partnership Agreement.