

11 January 2013



Victorian Healthcare Association

Federal Government health funding cut - UPDATE

Representatives of the VHA met with Health Minister David Davis and Department of Health (DH) staff earlier today to discuss the impact of the Federal Government funding cuts. Victoria is set to lose \$106.7 million in healthcare funding this year and a total cut of \$475 million over the next four years.

During the meeting, the VHA put forward a number of strategies to moderate the scope and implementation of the cuts and expressed our disappointment in the recent announcement of the distribution of the competitive \$9 million elective surgery grant funding in light of the cuts.

The key points arising from the meeting include:

Cash neutrality, productivity savings and off-sets

DH has modified its aspirations of achieving the breadth of cash neutrality identified through the Statement of Priorities (SoP) in this financial year. The extent of the cuts are acknowledged as creating irreconcilable difficulty for some health services to achieve a cash surplus.

The VHA queried the level of productivity savings expected in the State Budget 2013-14. While the Minister could not confirm if there would be changes to the forward estimates, he noted that any capacity for review would be influenced by pre-election commitments, the reduction in GST revenue and the decline in the share of Commonwealth funding for healthcare.

The VHA proposed off-setting the cuts for the successive financial year or to implementing the cuts over a longer period of time to enable health services further time to plan and make more informed decisions regarding funding priorities. The Minister advised that State Treasury has no capacity to consider such alternative approaches, leaving the sector with a \$106.7 million cut for this financial year.

Integrity of Statement of Priorities

The VHA noted that the application of the Federal cuts at the agency level had resulted in a number of members drawing into question the integrity of their SoP. The Minister affirmed his commitment to the SoP but acknowledged that the current situation undermined its value. The Minister noted that the transparency of funding sources associated with the National Healthcare Reform Agreement (NHRA) requires further consideration to the construction of the SoP and encouraged industry feedback regarding how this might best be expressed. The VHA expressed the necessity to further develop understanding within the industry of the legal status and the intention of SoPs in order to retain confidence at the agency level.

Reconfiguration of service planning

The VHA expressed an appetite amongst VHA members to employ sustainable cost reductions that did not impact upon essential patient services. DH noted that an opportunity exists to access revenue for projects that demonstrate a long-term collaborative service reconfiguration – both in clinical and non-clinical areas – amongst health services for the next financial year. DH expressed its openness for suggestions and that a working group will be established to set parameters.

Support for Targeted Separation Packages (TSP)

The VHA noted the cash impact of staff redundancies on its members and queried whether there would be support from DH. DH acknowledged that it was conscious of this issue and would investigate further if they are in a position to contribute. DH noted that staff redundancies would need to adhere to standard TSP guidelines for the public health sector.

The Minister emphasized that the Commonwealth Government must be held to account for the disruption that its funding decision has made to the delivery of health services in Victoria. The Minister stated that future communication with the Commonwealth Government would seek to rescind its

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decision, but also seek to elicit an understanding of their partnership with the states and territories in the NHRA to deliver stability and certainty to health services.

Members will be kept up to date with any developments following this meeting.

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