

2014-15 Mid-Year Economic and Fiscal Outlook

17 December 2014

The Treasurer, the Hon. Joe Hockey has delivered the 2014-15 Mid-Year Economic and Fiscal Outlook (MYEFO)

Below is an overview of the MYEFO in general and its impact on the health portfolio.

Update to the economic outlook

The underlying cash deficit of \$40.4b (2.5 per cent of GDP) is expected in 2014-15, improving to a deficit of \$11.5b (0.6 per cent of GDP) by 2017-18, the underlying cash balance is projected to reach surplus in 2019-20, reaching 0.8 per cent of GDP.

Real GDP is forecast to grow at 2.5 per cent in 2014-15 before increasing to 3 per cent in 2015-16.

A 30 per cent drop in iron ore prices has led to a \$2.3b reduction in company tax receipts in 2014-15 and \$14.4b over the forward estimates.

Weaker wage and employment growth are expected to lower individuals' income tax receipts by \$2.3b in 2014.15 and \$8.6b over the forward estimates.

New policy decisions since the 2014-15 Budget

\$631.4m has been spent on counter-terrorism measures and \$306.4m in funding Australian operations in Iraq.

A third tranche of government reduction measures have been announced, with 175 bodies being abolished, consolidated or merged.

Health bodies affected include:

- Australian Sports Anti-Doping Authority (ASADA) Advisory Group – ceased
- Cancer Australia – back office merger with Department of Health
- Diabetes Advisory Group – ceased
- Drug and Alcohol Prevention and Treatment Advisory Committee – ceased
- Expert Panel to review Elective Surgery and Emergency Access Targets under the NPA on IPHS – ceased
- Health and Hospitals Fund Advisory Board – consolidated with uncommitted funding transferred to the Medical Research Future Fund
- ASADA – back-office merger with Department of Health
- Professional Services Review – back-office merger with Department of Health
- General Practice Recognition Appeal Committee – merged with Australian Health Practitioner Regulation Agency (AHPRA)

- General Practice Recognition Eligibility Committee – merged with AHPRA
- National Health and Medical Research Council – back-office merger with Department of Health
- Anti-Doping Research Panel – ceased
- National Indigenous Drug and Alcohol Committee – ceased.

Australia's foreign aid contribution (Official Development Assistance) spending will be returned to levels of real expense last seen when the budget was in surplus and future payments tied to CPI, providing the government with a saving of \$3.7b over the forward estimates.

Eligibility thresholds for allowances and Family Tax Benefit payment rates have been maintained, providing a saving of \$852m.

The government has established a Contestability Programme which will assess whether government functions should be open to competition and to encourage more entrepreneurial approaches to product or service delivery.

The Department of Health will undergo a functional and efficiency review to determine whether the current resourcing and functions performed by the department are aligned with government policy priorities.

An Australian Government Governance Policy will be introduced, imposing constraints on the establishment and design of new government bodies and an Australian Government Organisations Register will be launched.

The Government will provide \$300.5m over four years for new and amended listings on the PBS and Repatriation PBS. In addition to new expenses, the Government will achieve \$124.6m in savings over four years through price amendments for certain PBS items.

The cessation of the Dementia and Severe Behaviours Supplement (confirmed earlier in 2014) is included in the MYEFO and provides the Government with \$39.8m of savings over three years.