

Victorian State Budget 2015-16

5 May 2015

Introduction

The Andrews Government's first Victorian Budget, 'For Families' has delivered a 6 per cent increase to health expenditure, representing **\$900 million** of additional funding for 2015-16.

Consistent with previous years, health and human services spending accounts for more than 40 per cent of the overall Budget.

In delivering the Budget, Treasurer Tim Pallas emphasised the impacts on families and children, citing funding boosts to schools and health services.

Included in health output expenditure, the Budget provides \$200 million over four years to open 'points of care' identified in the Travis Review and \$60 million for additional elective surgery procedures.

In addition, more than \$560 million has been dedicated to fund the Government's pre-election health capital commitments and equipment replacement. This also includes previously unannounced funding for the expansion of the Werribee Mercy Hospital and planning and development for the Goulburn Valley Health redevelopment both announced today.

While the VHA broadly welcomes the health related budget measures, we are disappointed that dedicated capital funding for rural health services has been discontinued. Similarly, the Budget has not delivered new capital funding for any of Victoria's Public Sector Residential Aged Care facilities or community health services.

The VHA will also monitor the allocation of funding to individual health and community health services to ensure that the growth funding announced in this Budget is fairly distributed across providers and across the State.

Health spending

While government spending has increased by \$2.6 billion or 4.9 per cent, health spending has increased by \$900 million or 6 per cent. However, taking into account 2.75 per cent CPI and population growth of 1.8 per cent, the 'real terms' increase to health spending is more modest.

In terms of the 2015-16 health outputs, funding will increase for acute health, ambulance services, mental health, ageing and aged care services, small rural services and drug services.

However, funding will reduce overall for primary, community and dental health as a consequence of the conclusion of the National Partnership Agreement for Treating More Public Dental Patients in March 2015, as well as the deferral of the National Partnership Agreement for Adult Public Dental Services. This underscores the importance of the Commonwealth's 2015-16 Budget, which will be delivered next week.

	2014-15			2015-16		
	\$m	Change \$	Change %	\$m	Change \$	Change %
Acute health services	10275.30	439.3	4.47%	10967.1	691.8	6.73%
Ambulance services	696.50	34.6	5.23%	736.6	40.1	5.76%
Mental Health	1260.60	57.4	4.77%	1309	48.4	3.84%
Ageing, Aged and Home Care	1203.70	-12.4	-1.02%	1288.6	84.9	7.05%
Primary, community and dental health	462.30	41.4	9.84%	452.3	-10	-2.16%
Small Rural Services	560.20	26.2	4.91%	578.7	18.5	3.30%
Public Health	328.80	9.5	2.98%	339.3	10.5	3.19%
Drug Services	165.10	11.6	7.56%	181.3	16.2	9.81%
Total health output	14952.5	607.6	4.24%	15852.9	900.4	6.02%

Acute health

Acute care has received a 6.7 per cent increase in overall funding. Whilst not included as a separate line item in the budget, we are assured this includes funding for public holiday costs incurred by health services.

New output funds have been flagged that attract Commonwealth funding under the *National Health Reform Agreement*, such as boosting elective surgery, meeting hospital services demand, and the 'Beds Rescue Fund.'

The increase in overall funding is matched by growth in activity targets estimated for 2015-16, reflecting the effect of additional funding.

Primary, community and dental health

While the decrease in the headline funding to primary, community and dental health was related to the two dental National Partnership Agreements, there was an **\$8.7 million** increase in funding for the community health program, funding for the Social and Community Services Equal Remuneration Order (Equal Remuneration Order) and the Andrews Government's Ice Action Plan, all of which will have positive impacts in the primary and community health sector.

Prevention

The VHA is concerned that the Healthy Together Victoria (HTV) program remains unconfirmed beyond 30 June 2015. The VHA understands that the long-term funding for HTV is contingent on the Commonwealth Government's budget and that the Andrews Government has made representations



for its inclusion. We consider it vital that Victoria retains a strong commitment to the delivery of preventative health programs.

Ageing, aged care and home care

The Budget commits \$1.29 billion towards ageing, aged care and home care; a 7.1 per cent increase from the budget estimate of \$1.2 billion. Key aspects include:

- a decrease in estimated bed days in residential aged care due to the transfer of 90 places from Alfred Health to a non-government provider. Given funding has remained at similar levels, the VHA anticipates this will deliver a slight increase in average funding per bed day.
- an 8.4 per cent increase in funding for aged care assessments (from \$55.7 million in 2014-15 to \$60.4 million in 2015-16). Given that estimated assessment rates have not changed, the VHA anticipates this would represent an increase in average funding per assessment.
- an increase in Home and Community Care (HACC) client targets from 300,000 in 2014-15 to 317,600 in 2015-16.

The increase in HACC client targets is accompanied by a decrease in target service hours and a \$67 million increase in funding. It is anticipated that these changes would result in an increase in average funding per service hour in 2015-16, reflecting the funding provided for the Equal Remuneration Order, as well as additional Commonwealth contributions and indexation.

A **\$6.8 million** initial spend has been announced for the HACC program. This is a one off spend due to the imminent transfer of the HACC program to the Commonwealth.

Unfortunately, the Budget provides no dedicated capital funding for aged care. The Andrews Government demonstrated its commitment to maintain a strong public sector aged care presence by halting the previous government's policy of reallocating metropolitan public sector aged care beds to non-government providers. However, this commitment has not been matched in the Budget by the provision of capital funding to support, refurbish, upgrade or expand public sector residential aged care infrastructure. The VHA believes such investment is necessary to support the public sector to meet the Victorian community's growing demand for residential aged care.

Disability services

A \$35 million initial spend (\$151.1 million over the forward estimates) has been committed to provide more support for people with disabilities and their families. This is to include up to 830 additional individual support packages.

Overall the Budget commits \$1.78 billion for disability services; a 6.1 per cent increase on the 2014-15 budget estimate of \$1.68 billion. This reflects Victoria's contribution to the National Disability Insurance Scheme trial operating in the Barwon area, as well as the impact of social and community services pay equity case and the increases in the provision of individual support, respite days, and a number of supported accommodation beds for people with disability.

New initiatives

The health and human services budget includes new initiatives that together amount to almost **\$730 million** in 2015-16 or \$2.97 billion over four years.

The VHA is pleased to see the Government's **\$200 million** 'Beds Rescue Fund' has been delivered on top of usual growth funding for acute healthcare. The Victorian Minister for Health also today revealed the allocation of these funds, which will see funding of 101 'points of care' across the state.

Acute health

\$60 million for one year to boost elective surgery (replacing the 2014-15 Budget's 'health services winter demand capacity enhancement initiative')

\$200 million for the 'Beds Rescue Fund'

Primary, Community and Dental Health

\$28.6 million for 'Super Pharmacies'

Mental Health

\$88.2 million to meet clinical services demand with a focus on delivering care in appropriate community-based programs.

\$5 million for social inclusion mental health support services.

\$4.4 million to strengthen responses to young people with eating disorders.

\$5.9 million promote suicide prevention for same sex attracted and gender questioning people.

Drug Services

The Budget confirmed that the Ice Action Plan will be fully funded over four years to the tune of **\$45 million**.

Public health

\$4 million for the National Centre for Farmer Health to continue its health literacy, health assessment and health promotion programs specifically designed for rural Victorians.

\$25.2 million to develop a statewide clinical genomic sequencing program. Funding will be delivered to the Melbourne Genomics Health Alliance, comprising the Royal Melbourne Hospital, Royal Children's Hospital, University of Melbourne, Walter and Eliza Hall Institute, Murdoch Children's Research Institute, CSIRO and the Australian Genome Research Facility.

\$2.3 million to support the continuation of PRONTO!, the community-based, free, rapid HIV and syphilis testing service in Fitzroy.

\$0.3 million for a real-time prescription monitoring system, enabling pharmacists and prescribers to access a patient's dispensing history of Schedule 8 medicines.



\$8.4 million to restore funding to provide free whooping cough vaccines for expectant parents and parents of newborns.

Workforce

\$889 million to support community service organisations to meet the wage increase from the Equal Remuneration Order.

New capital projects

The health budget includes 13 new specific capital projects worth a total of \$489.45 million including \$126.7 million to be spent in 15-16. Key commitments include:

- **\$10 million** to build and equip a new cardiac catheterisation laboratory at Ballarat Health Services
- **\$20 million** to establish 20 beds across an intensive care unit and short stay unit at the Angliss Hospital in Ferntree Gully
- **\$200 million** for a dedicated Women's and Children's Hospital at Sunshine Hospital to provide 237 beds, 39 special care nursery cots, four theatres and additional clinics
- **\$85 million** to expand acute health services at Werribee Mercy Hospital with six extra operating theatres, 64 new inpatient beds (including eight critical care beds)
- **\$106.3 million** to expand Casey Hospital (Berwick) to add four operating theatres, a new surgery recovery centre, and 96 additional beds including an intensive care unit
- **\$16.15 million** to purchase medical imaging equipment and expand outpatients infrastructure at Monash Medical Centre (Moorabbin)
- **\$10 million** to replace obsolete information system hardware for patient-related clinical services at Monash Health, Peninsula Health and Melbourne Health

Planning and development funding for new capital projects has been committed as follows:

- **\$1 million** for planning and development of the Goulburn Valley Health (Shepparton) redevelopment
- **\$15 million** for planning and early works of the 195-bed stand-alone Victorian Heart Hospital (Clayton)
- **\$1 million** for progressing planning and development of Orygen Youth Mental Health (Parkville), which will house a major clinical and research facility for youth mental health

In addition, statewide capital funding commitments include:

- **\$20 million** for introducing a health service violence prevention fund to make public hospitals and mental health services safer through infrastructure improvements
- **\$5 million** for renewing mental health and alcohol and other drugs facilities
- Continuation of the statewide medical equipment and engineering infrastructure replacement programs.



With the exception of two new commitments listed above, rural and regional health services, aged care, and community health services have been left without any assurances for future capital funding, particularly with the loss of the previous government's 'Rural Capital Support Fund'. We note the allocation of the 'Beds Rescue Fund', based on recommendations from the recent Travis Review, will go some way to funding rural and regional services to deliver appropriate health services to their local community. However, we are hopeful the Andrews Government will take action over the coming months and in future budgets to fully demonstrate its commitment to rural and regional health services, aged care and community health in Victoria.

Victorian Managed Insurance Authority dividend

We note that the Budget includes, for the first time, dividends extracted from the Victorian Managed Insurance Authority (VMIA) – the central agency managing insurance and risk for the health sector.

While the state has been able to extract dividends from corporations including water retailers, and the Transport Accident Commission, for some time, this is the first time the VMIA has been subject to such action.

The Budget indicates that \$145 million will be extracted from the VMIA in 2015-16 in dividends. [Previous analysis](#) by the Victorian Auditor-General of this revenue raising strategy has described this approach as risky, particularly for the financial sustainability of the affected agencies.

The VHA will seek clarification around this measure to determine any impacts on health services.