

2015-16 Mid-Year Economic and Fiscal Outlook

16 December 2015

On Tuesday 15 December the Treasurer, the Hon. Scott Morrison, delivered the 2015-16 Mid-Year Economic and Fiscal Outlook (MYEFO).

Below is a general summary of the MYEFO and its impact on the health and aged care portfolio.

General update to the economic and fiscal outlook

The budget deficit has been revised to \$37.4b (2.3 per cent of GDP), improving to a deficit of \$14.2 billion (0.4 per cent of GDP) by 2018-19.

Real GDP is forecast to grow at 2.5 per cent in 2015-16 before increasing to 2.75 per cent in 2016-17.

Excluding Government policy decisions, MYEFO has revised total revenue to be \$33.8 billion less over the forward estimates than projected in the May budget, much of this driven by a write-down in the iron-ore price from US\$48 per tonne to US\$39 per tonne.

New policy decisions since the 2015-16 Budget

Significant cuts have been made to existing health, aged care and social services to fund new expenditure priorities and to contribute to the Government's bottom line. While not exhaustive, headline spending cuts and new programs are summarised below:

Health and aged care cuts to repair the Budget

Item	Over four years (\$m)
Revision to Aged Care Funding Instrument	-472.4
Improved compliance in aged care	-61.9
Changes to diagnostic imaging and pathology services bulk billing incentives	-650.4
Streamlining funding across health workforce programs (Note \$225 million of \$595.1 will be redirected to fund other health workforce priorities)	-370.1
Ceasing the <i>Better Access to Radiation Oncology Programme</i>	-26.6
New and amended listings to the Medicare Benefits Schedule	-8.3
Redesign of 24 health programmes associated with population health, medical services, eHealth and health workforce	-146
Retendering the National Diabetes Services Scheme from 2018-19	not for publication

Savings from use of alternative vaccine for diphtheria, tetanus and acellular pertussis	-4.7
Cessation of the National Rural and Remote Health Infrastructure Programme	-12.2
Further reduction of the number of Government bodies in the health portfolio	-70
TOTAL	-1822.6

Health and aged care expenditure marked for redirection in health portfolio

Item	Over four years (\$m)
Consolidation of existing mental health programmes - to contribute to Government's response to National Ice Taskforce Final Report	141
After hours primary care funding - to be redirected to Primary Health Networks	-
Regulation of medicinal cannabis	To be met from existing resources within the Department of Health
Redirection of additional funds from health workforce programmes to support workforce priorities	225
TOTAL	366

New expenditure since 2015-16 Budget

Item	Over four years (\$m)
Immunisation catch up programme (total investment is \$154.1 million, \$86.7 million represents new funds)	86.7
New and amended listings on PBS	627.3
Price amendments to certain medicines in PBS	37.1
Investment in Tasmanian health services	20.7
Investment in National Biomedical Translation Fund	250
Extension of Poly Implant Protheses breast implants - Medicare rebates	0.3
Sixth Community Pharmacy Agreement	-
TOTAL	1022.1

Aged Care Provider Funding — improved compliance

Savings of **\$61.9 million over four years** will be made by enforcing compliance rules on residential aged care providers. This includes an update to audit processes and systems, debt recovery arrangements and expanded fees and fines for repetitive false claims.

Aged Care Provider Funding — revision to the Aged Care Funding Instrument Complex Health Care Domain

Savings of **\$472.4 million over four years** will be made by refining the *Aged Care Funding Instrument* (ACFI), through changes to the scoring matrix that determines the level of funding.

The Minister for Health will consult with providers in implementing these reforms.

Medicare Benefits Schedule — changes to diagnostic imaging and pathology services bulk-billing incentives

Savings of **\$650.4 million over four years** will be made from the *Medicare Benefits Schedule* from 2015-16 by:

- removing bulk-billing incentives for pathology services;
- aligning bulk-billing incentives for diagnostic imaging services with those that apply to general practitioner services; and,
- reducing the bulk-billing incentive for MRI services from 15 per cent to 10 per cent of the *Medicare Benefits Schedule* fee, aligning it with other diagnostic imaging services.

Bulk-billing incentives for diagnostic imaging services will continue to apply for patients with concession cards and children under 16 years of age.

These changes will be effective from 1 July 2016.

Mental Health — streamlining

The recently announced Government response to the *National Mental Health Commission* has been made clearer, with it including a consolidation of existing mental health programmes to deliver cuts of **\$141.0 million over four years** from 1 July 2015.

Savings for this measure will contribute towards the Australian Government's *Response to the National Ice Taskforce Final Report*.

More Efficient Health Programmes

Cuts of **\$146.0 million over four years** will be made across 24 health programmes associated with population health, medical services, eHealth, and health workforce. **National Innovation and Science Agenda — Biomedical Translation Fund**

A *Biomedical Translation Fund* (the Fund) will be established in 2015-16 to invest in biomedical research. The Fund will complement the *Medical Research Future Fund* (MRFF) through the commercialisation of health and medical research.

The Fund will receive **\$250.0 million over two years** from 2015-16 and will be managed by a corporation with a Board, and with the Minister for Health and the Minister for Industry, Innovation and Science as joint shareholders.

National Rural and Remote Health Infrastructure Programme — cessation

The *National Rural and Remote Health Infrastructure Programme* will cease from 2017-8, delivering savings of **\$12.2 million over two years**.

Pharmaceutical Benefits Scheme — new and amended listings

\$627.3 million over four years for new and amended listings on the *Pharmaceutical Benefits Scheme* (PBS) and the *Repatriation Pharmaceutical Benefits Scheme*.

Primary Health Networks After Hours Funding and After Hours GP Advice and Support Line

After hours primary care funding will be refocused, aiming to improve access to after hours services and a new *After Hours General Practitioner Advice and Support Line*. Funding will be provided to Primary Health Networks (PHNs) for locally tailored after hours services.

A review of the effectiveness of PHNs in delivering after hours services will be used to assess ongoing funding from 2017-18 for this component.

The cost of this measure will be met by redirecting funding from the *Medicare Locals After Hours Programme*.

Sixth Community Pharmacy Agreement and Pharmaceutical Benefits Scheme Reforms

The Australian Government and the Pharmacy Guild of Australia (the Guild) have signed a new five-year Sixth Community Pharmacy Agreement, (6CPA), which commenced on 1 July 2015.

As a result of implementing the 6CPA and reforms to pricing, access and supply of medicines on the PBS, the Government will achieve net savings of \$2.6 billion over four years from 2015-16.

The Government will also conduct a comprehensive review of pharmacy remuneration and regulation within the first two years of the 6CPA. This review will support a transparent and public assessment of the cost-effectiveness of both pharmacy and wholesaler remuneration, as well as the appropriateness of regulations such as the Pharmacy Location Rules.

Smaller Government — health portfolio

The Government will achieve savings of **\$70.0 million over four years** from 2015-16 by further reducing the number of Government bodies in the health portfolio.

The Government will rationalise the functions of six agencies by:

- abolishing the National Health Performance Agency from 30 June 2016, and transferring its functions to the Australian Institute of Health and Welfare, the Australian Commission on Safety and Quality in Health Care, and the Department of Health;
- transferring operational functions of the *Independent Hospitals Pricing Authority* to the Department of Health from 1 July 2016, with the Board, Chief Executive Officer and functions retained; and
- abolishing the *National Health Funding Body* and the *Administrator of the National Health Funding Pool* from 31 March 2018 in line with the scheduled end of activity based funding payments from the Commonwealth.

Streamlining Health and Aged Care Workforce Programme Funding¹

The Government will achieve savings of **\$595.1 million over four years** by streamlining funding across a range of health workforce programmes, including ceasing the operations of:

- the *Clinical Training Fund*;
- the *Rural Health Continuing Education Programme*;
- the *Aged Care Education and Training Initiative*; and
- the *Aged Care Vocational Education and Training professional development programmes*.

The Government will redirect a further \$225.0 million from these measures to support current health workforce priorities, including:

- \$131.2 million over four years to expand the *Rural Health Multidisciplinary Training Programme* and establish grants to private healthcare providers to support undergraduate medical places; and
- \$93.8 million over four years to develop an integrated prevocational, postgraduate medical training pathway in rural and regional areas.

The Australian Government's Response to the National Ice Taskforce Final Report

The Government will provide **\$212.1 million over three years** from 2016-17 as part of its response to the recommendations of the *Final Report of the National Ice Taskforce* to reduce the harms associated with methamphetamine use in the community through:

- further investment in drug and alcohol treatment services;
- supporting communities to increase their capacity to address the impact of illicit drugs through implementing and expanding community based programs;
- establishing a *Centre of Clinical Excellence in Treatment, Research and Training Development for Emerging Drugs of Concern*; and
- expanding and improving data sources for the analysis of illicit drug trends.

The Government will also provide an additional **\$9.1 million over three years** for the listing of 15 new items for addiction medicine on the *Medicare Benefits Schedule*.

¹ Many of these initiatives are ongoing and further information can be found with the Department of Social Services' *Stocktake and Analysis of Commonwealth Funded Aged Care Workforce Activities*, available here:

https://www.dss.gov.au/sites/default/files/documents/12_2015/stocktake_and_analysis_of_commonwealth-funded_aged_care_workforce_activities.pdf



As part of this measure **\$78.6 million over three years** will be redirected from *the Indigenous Australian Health Programme* to support delivery of drug and alcohol strategies in Indigenous communities with a focus on ice and other methamphetamine use.

Savings from the related expense measure *Mental Health — streamlining* will contribute to funding this measure.

Further information

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