



This replaces the 23 May 2008 version of this Digest to include a minor technical amendment requested by the Department of Health and Ageing

Health Care (Appropriation) Amendment Bill 2008

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Health Care (Appropriation) Amendment Bill 2008

Date introduced: 15 May 2008

House: House of Representatives

Portfolio: Health and Ageing

Commencement: Royal Assent

Links: The [relevant links](#) to the Bill, Explanatory Memorandum and second reading speech can be accessed via BillsNet, which is at <http://www.aph.gov.au/bills/>. When Bills have been passed they can be found at ComLaw, which is at <http://www.comlaw.gov.au/>.

Purpose

The purpose of this Bill is to increase the appropriation to State and Territory governments under the Australian Health Care Agreements (AHCAs) by \$10.25 billion dollars. This will ensure continued funding for State and Territory health care systems during the AHCAs' negotiations scheduled for the later half of 2008.

Background

The AHCAs are five year bilateral funding agreements between the Commonwealth and the States and Territories to provide public hospital services. Under the AHCAs, the Commonwealth and the States and Territories share funding but management of the services is delivered by the States and Territories. The AHCAs are the key funding mechanism for State and Territory health care systems, namely public hospitals. There is provision in *Health Care (Appropriation) Act 1998* (the Act) for other health care programs to be funded provided they improve service delivery or patient outcomes.

Historically, negotiations have been protracted, and at times, the States and the Commonwealth have been at 'loggerheads' over the proposed contribution levels, with the States and Territories claiming during the last negotiations that the Commonwealth 'share' of funding has declined.¹ The current AHCAs are due to expire on 30 June 2008.

This appropriation reflects the commitment made at the Council of Australian Government (COAG) meeting on 26 March 2008, where the Commonwealth Government undertook to

1. A. Elliot & N. Hancock, 'Health Care (Appropriation) Amendment Bill 2003', *Bills Digest*, no. 162, Parliamentary Library, Canberra 2002-03.

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provide an immediate allocation of one billion dollars to the public hospital system, with 500 million to be provided before 30 June 2008.² It is intended that this money would be used by the States and Territories to relieve pressure on public hospitals.³

Of the \$10.25 billion appropriated by the Bill, \$9.7 billion is to be spent under the AHCAs and \$0.5 billion to be spent on public hospitals.⁴ Apart from the \$0.5 billion, this money is to be paid to the States and Territories during 2008-09, based on 2007-08 payments plus indexation. The terms and conditions of the current AHCAs remain unchanged and will be rolled over for the 2008-09 financial year.⁵

As the terms and conditions of the current AHCAs have been rolled over, the indexation is calculated according to (weighted) population figures which take into account demographic characteristics such as ageing and the Commonwealth Wage Cost Index 1.⁶ The predicted expenditure of \$9.7 billion for 2008-09 is not dissimilar to the annual funding estimates under the 2003-08 ACHA. Expenditure for 2007-08 is estimated at \$9.2 billion.⁷

The second reading speech gives some indication of how this money is to be spent. The Minister for Health and Ageing, Nicola Roxon, notes that an 'additional year's funding for mental health, palliative care and the hospital information and performance program established under the current Agreements' will be provided.⁸ Budget Paper 3 notes that the \$9.7 billion is to be spent on 'the provision of public hospital services free of charge to eligible persons'.⁹ Given that the current terms and conditions of the AHCAs apply to this appropriation, the way the money is allocated to public hospital services is likely to remain unchanged.

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2. Australian Government, Portfolio Budget Statements 2008-09. Budget Related Paper 1.10, 2008.
 3. Australian Government, Australia's Federal Relations, Budget Paper No. 3, 2008.
 4. op. cit, Australian Government, Budget Related Paper 1.10, p. 189; Explanatory Memorandum, Health Care (Appropriation) Amendment Bill 2008, p. 1.
 5. op. cit, Australian Government, Budget Related Paper 1.10, p. 188.
 6. See, for example, the Australian Health Care Agreement between the Commonwealth of Australia and the State of Western Australia 2003-08, http://dpl/Books/2006/AUST_HealthCareAgreement03-08WA.pdf
 7. ANAO Audit Report No.19 2006-07. Administration of State and Territory Compliance with the Australian Health Care Agreements, p. 31.
 8. Nicola Roxon, MP, Minister for Health and Ageing, 'Second Reading Speech: Health Care (Appropriation) Amendment Bill 2008, House of Representatives', *Debates*, 15 May 2008.
 9. op. cit, Australian Government, Budget Paper 3, p. 36.

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Position of significant interest groups/press commentary

This appropriation has failed to generate significant commentary. The Australian Medical Association noted that there ‘was merit in buying a year’s grace’ before negotiating the AHCAs.¹⁰ The Menzies Centre for Health Policy acknowledged the additional funding while the AHCAs were being negotiated but its analysis focussed on the Health and Hospitals Reform Fund.¹¹

Pros and cons

This appropriation effectively ensures the continued funding of health and hospital care provided by the States during the negotiations of the AHCAs. It may also mean that the findings of the National Health and Hospitals Reform Commission can be incorporated into the new AHCAs.

It appears that the protracted negotiations that have marred previous AHCAs have not resurfaced.¹² The States and Territories have not expressed any concerns about this appropriation or the injection of \$500 million to be provided before the end of this financial year. The Commonwealth has not outlined its expectations for how the \$500 million is to be spent (publicly at least), apart from ‘relieving pressure’ on public hospitals. This lack of detail may yet lead to concerns emerging from the States and Territories, for example, that the additional \$500 million will be used as a bargaining tool during the AHCA negotiations.

As one of its election promises regarding health care, the Rudd government proposed the ‘single biggest reform in a quarter of a century’.¹³ Apart from ‘ending the blame game’, Labor committed to investing \$2 billion in a National Health and Hospitals Reform Plan

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10. Australian Medical Association, ‘Health and the 2008-09 Budget – Report by Access Economics Pty Ltd for the Australian Medical Association’, 2008, Canberra, p. 8.
[http://www.ama.com.au/web.nsf/doc/WEEN-7ET9JR/\\$file/Health_and_the_2008-09_Federal_Budget.pdf](http://www.ama.com.au/web.nsf/doc/WEEN-7ET9JR/$file/Health_and_the_2008-09_Federal_Budget.pdf), accessed 21 May 2008.
 11. L. Russell, ‘Prevention and primary care measures needed more support in Labor’s first budget’, Menzies Centre for Health Policy, Canberra
http://www.apo.org.au/webboard/comment_results.shtml?filename_num=208954, accessed 21 May 2008.
 12. See A. Elliot & N. Hancock, ‘Health Care (Appropriation) Amendment Bill 2003’, *Bills Digest*, no. 162, Parliamentary Library, Canberra 2002-03.
<http://www.aph.gov.au/library/pubs/bd/2002-03/03bd162.pdf>, accessed 19 May 2008.
 13. K. Rudd & N. Roxon, *New directions for Australian Health. Taking responsibility: Labor’s plan for ending the blame game on health and hospital care*, August 2007,
http://www.alp.org.au/download/070823_dp_new_directions_for_australian_health.pdf, accessed 19 May 2008.

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‘to provide assistance for immediate reforms ... and improve health services for Australians’.¹⁴ Although not linked directly to the National Health and Hospitals Reform Plan, this appropriation is seen as recognition of the need for the Australian Government to ‘move towards a proper share of Government funding for public hospitals’.¹⁵

In the post-Budget context, many of the media statements released by the Government have focussed on the increased expenditure for health and hospitals, listing the spending priorities as demonstration of the Government’s commitment to health and hospital system for the future.¹⁶ This allocation is considered by the Government to be a part of this.

Despite increases in expenditure for the health care system overall, questions may be raised about how States and Territories can address the challenges facing the health care system when the funding is comparable to previous years. At this stage, there does not appear to be any incentives for States and Territories to innovate or find efficiencies in this interim year. Furthermore, given the significant health workforce shortages it remains to be seen how States and Territories can make significant inroads on waiting lists or broader health care reform in service delivery.

Failure to pass this Bill will limit the Commonwealth’s contribution to public hospitals (for example the additional \$500 million for public hospitals) and that the Commonwealth’s contribution to all States and Territories will cease as of 30 June 2008.

Financial implications

Standing appropriations

The current standing appropriation expires on 30 June 2008 and is capped at \$42,010,000,000. The amendments to the Bill would extend the current 5 year appropriation to 6 years and would appropriate from the Consolidated Revenue Fund an amount not exceeding \$52,260,000,000, being an increase of \$10,250,000,000 to the current appropriation.¹⁷

14. *ibid*, p. 6.

15. *op. cit*, Australian Government, Budget Related Paper 1.10, p 188.

16. See, for example, N. Roxon, (Minister for Health and Ageing), *Delivering health care for all*, media statement, 15 May 2008.

17. Explanatory Memorandum, Health Care (Appropriation) Amendment Bill 2008.

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Main provisions

Schedule 1—Amendments to the Health Care (Appropriation) Act 1998

Item 1 - section 3 (paragraph (b) of the definition of *appropriation period*)

This item extends the appropriation period from five to six years. As a result of this amendment, the appropriation period is from 1 July 2003 – 30 June 2009.

Item 2 - paragraph 4(3)(b)

The amendment to this paragraph increases the appropriation that can be made under the Act to \$52,260,000,000.

Under Subsection 4(1) of the Act the Minister can grant financial assistance to a State, or a hospital or a person for a range of services including:

- Health and emergency services
- Projects or programs that are designed to improve the efficiency and effectiveness of health and emergency services or improve patient outcomes.

The financial assistance is only payable during the appropriation period.

Concluding comments

Budget Paper No. 3 outlines the rationalisation of around 90 Specific Purpose Payments to five or six new national agreements. The reform of payments for healthcare is due to be implemented from 1 July 2009, which reflects the proposed date for implementation of the new AHCAs.¹⁸ It also notes that the Commonwealth is moving away from a prescriptive funding model to a 'rigorous focus on the achievement of outcomes'.¹⁹ Although this additional funding remains subject to the framework agreed to in the 2003-08 AHCAs, it is likely that the Commonwealth will be watching the performance of State and Territory public hospitals (and health care systems) closely prior to the negotiations of the AHCAs. While the additional money is no doubt a welcome addition to the State and Territory health care systems, the negotiation of the AHCAs and future budget priorities will reveal the extent of the Government's commitment to reform of the financing of health care and the health system more broadly.

18. op. cit, Budget Paper No.3, p. 6.

19. ibid, p. 15.

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