



## Policy costing request—during the caretaker period for a general election

<b>Name of policy:</b>	Hospital Funding We Deserve
Person requesting costing:	Senator Di Natale
Parliamentary party:	Australian Greens
Date of request to cost the policy:	1 July 2016
<i>Note: This policy costing request and the response to this request will be made publicly available.</i>	
Has a costing of this policy been requested under Section 29 of the Charter of Budget Honesty (ie from the Treasury or the Department of Finance)?	No
Details of the public release of this policy (Date, by whom and a reference to that release):	30 March 2016; Richard Di Natale <a href="http://greens.org.au/healthcare">http://greens.org.au/healthcare</a>
<b>Description of policy</b>	
Summary of policy (as applicable, please attach copies of relevant policy documents):	Starting on July 1, 2017, the Commonwealth will fund 50% of the efficient growth in hospital costs for public hospitals operated by state governments. This represents a return to the model instituted under the National Health Reform Agreement implemented by the previous government.  Also includes two National Partnership payments in 2016-17 for specific commitments: 1) \$8.8 million for Darebin Community Health Centre Preston (PANCH), Preston VIC 2) \$100 mill for Tweed Hospital, Tweed Heads NSW
What is the purpose or intention of the policy?	To provide additional Commonwealth funding to state hospital systems; to increase the Commonwealth stake in public hospitals in order to reduce cost-shifting; to provide funding certainty for planning purposes through the use of a formula; to increase investment in health.  To improve services and facilities at Darebin Community Health Centre and Tweed Hospital.
<b>What are the key assumptions that have been made in the policy, including:</b>	
Is the policy part of a package? If yes, list the components and interactions with proposed or existing policies.	N/A

PBO Policy costing request—during the caretaker period for a general election

Where relevant, is funding for the policy to be demand driven or a capped amount? If a capped amount, are the costs of administering the policy to be included within the capped amount or additional to the capped amount?	Demand driven as demand for hospital services grows organically over time.  Capped for National Partnership Payments at the amount stipulated for each project.			
Will third parties (for instance the States/Territories) have a role in funding or delivering the policy?  If yes, is the Australian Government contribution capped, with additional costs to be met by third parties, or is another funding formula envisaged?	Paying for hospital services is a state responsibility with a significant contribution from the Commonwealth. Determining the efficient growth in hospital costs would be done in conjunction with state governments.  Local people will benefit from improved health services and facilities from the National Partnership payments.			
Are there associated savings, offsets or expenses?  If yes, please provide details.	No			
Does the policy relate to a previous budget measure?  If yes, which measure?	Yes, see the NHRA as it was operating or forecast to operate previous to the 2014-15 budget.			
If the proposal would change an existing measure, are savings expected from the departmental costs of implementing the program?	N/A			
Will the funding/program cost require indexation?  If yes, list factors to be used.	N/A			
<b>Expected impacts of the proposal</b>				
If applicable, what are the estimated costs each year? If available, please provide details in the table below. Are these provided on an underlying cash balance or fiscal balance basis?				
<b>Estimated financial implications (outturn prices)<sup>(a)</sup></b>				
	2016–17	2017–18	2018–19	2019–20
Underlying cash balance (\$m)	-108.8	-110	-226	-348
Fiscal balance (\$m)	-108.8	-110	-226	-348
(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number in the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.				
What assumptions have been made in deriving the expected financial impact in the party costing (please provide information on the data sources used to develop the policy)?	That the investment in PANCH and Tweed Hospital occurs in the first financial year of the Estimates Period.			

PBO Policy costing request—during the caretaker period for a general election

<p>Has the policy been costed by a third party? If yes, can you provide a copy of this costing and its assumptions?</p>	<p>As this policy was previously government policy (45% rising to 50%) and included in past budgets, its costings are easily accessible but note the cost landscape has shifted significantly in the last few years.</p>
<p>What is the expected community impact of the policy? How many people will be affected by the policy? What is the likely take up? What is the basis for these impact assessments/assumptions?</p>	<p>The impacts of funding formula for hospitals are very large and documented elsewhere, for instance the NHRA documentation.</p>
<p><b>Administration of policy:</b></p>	
<p>Who will administer the policy (for example, Australian Government entity, the States, non-government organisation, etc)?</p>	<p>Treasury</p>
<p>Please specify whether any special administrative arrangements are proposed for the policy and whether these are expected to involve additional transactions/processing (by service delivery agencies).</p>	<p>N/A</p>
<p>Intended date of implementation:</p>	<p>1 January 2017 for hospital formula 1 July 2016 for National Partnership Payments</p>
<p>Intended duration of policy:</p>	<p>Ongoing</p>
<p>Are there transitional arrangements associated with policy implementation?</p>	<p>N/A</p>
<p>List major data sources utilised to develop policy (for example, ABS catalogue number 3201.0).</p>	<p><a href="http://www.federalfinancialrelations.gov.au/content/npa/health_reform/national-agreement.pdf">http://www.federalfinancialrelations.gov.au/content/npa/health_reform/national-agreement.pdf</a></p>
<p>Are there any other assumptions that need to be considered?</p>	<p>We assume the elasticity in demand for SSBs is similar to other OECD countries.</p>
<p><b>NOTE:</b> <i>Please note that: The costing will be on the basis of information provided in this costing request. The PBO is not bound to accept the assumptions provided by the requestor. If there is a material difference in the assumptions used by the PBO, the PBO will consult with the requestor in advance of the costing being completed.</i></p>	