



Parliament of Australia
Parliamentary Budget Office

Phil Bowen PSM FCPA
Parliamentary Budget Officer

Senator Richard Di Natale
Leader of the Australian Greens
Parliament House
CANBERRA ACT 2600

Dear Senator Di Natale

Please find attached a response to your costing request, *Primary Health Networks - Funding* (letter of 29 June 2016).

The response to this request will be released on the PBO website (www.pbo.gov.au).

If you have any queries about this costing, please contact Colin Brown on (02) 6277 9530.

Yours sincerely

Phil Bowen

29 June 2016



Policy costing—during the caretaker period for the 2016 general election

Name of proposal:	Primary Health Networks - Funding
Summary of proposal:	<p>The proposal would provide a pool of funds to Primary Health Networks, equivalent to \$750 for each enrolled patient visiting allied health providers (such as physiotherapists, nutritionists, nurses and psychologists).</p> <p>The number of enrolled patients for whom funding would be provided would be capped at one million patients per annum.</p> <p>The proposal would have effect from 1 July 2017.</p>
Person/party requesting costing:	Senator Richard Di Natale, Australian Greens
Date of public release of policy:	27 May 2016
Date costing request received:	29 June 2016
Date costing completed:	29 June 2016
Additional information requested:	On 29 June 2016 clarification was sought from the office of Senator Di Natale (the office) as to the start date of the policy.
Additional information received:	On 29 June 2016 the office advised that the proposal would commence on 1 July 2017.
Expiry date for the costing:	Release of the next economic and fiscal outlook report

Costing overview

This proposal would be expected to decrease the fiscal and underlying cash balances by \$2,047.7 million over the 2016-17 Budget forward estimates period. These impacts are due to an increase in administered expenses of \$2,025.0 million and an increase in departmental expenses of \$22.7 million.

This proposal would have an ongoing effect beyond the forward estimates period and a breakdown of the financial impacts to 2026-27 is provided at [Attachment A](#).

This costing is considered to be of high reliability as the number of enrolled patients is specified and departmental expenses are based on similar activities.

Table 1: Financial implications (outturn prices)^{(a)(b)}

Impact on (\$m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-	-531.7	-758.0	-758.0	-2,047.7
Underlying cash balance	-	-531.7	-758.0	-758.0	-2,047.7

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.

(b) Figures may not sum to totals due to rounding

Key assumptions

In costing the proposal, it has been assumed that 70 percent of the capped one million patients visiting allied health providers would enrol in the system in 2017-18 and the remaining 30 percent would enrol in 2018-19.

Methodology

The impact of this proposal on administered expenses was derived by multiplying the specified number of enrolled patients by the specified annual funding per patient (\$750).

The departmental expenses for the Department of Human Services (DHS) were derived by multiplying the estimated number of annually enrolled patients by the estimated processing cost per transaction (based on similar activities) with additional funding for the development of the payment system in 2017-18.

The departmental expenses for the Department of Health (Health) were calculated based on similar sized programs¹.

Data sources

The Department of Finance provided indexation and efficiency dividend parameters.

The Department of Human Services provided the 2016-17 Budget Funding Model on Unit Prices for National Policy Proposals.

¹ Departmental costs for Health to establish the framework for enrolling patients is included in the Parliamentary Budget Office’s costing of GRN044 – Managing Chronic Disease.

Attachment A: Primary Health Networks – funding—financial implications

Table A1: Financial implications^{(a)(b)}

(\$m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	Total to 2026–27
Impact on fiscal and underlying cash balances													
Administered	-	-525.0	-750.0	-750.0	-2,025.0	-750.0	-750.0	-750.0	-750.0	-750.0	-750.0	-750.0	-7,275.0
Departmental													
<i>Departmental (DHS)</i>	-	-5.8	-7.1	-7.1	-20.0	-7.2	-7.2	-7.3	-7.3	-7.3	-7.4	-7.4	-71.1
<i>Departmental (Health)</i>	-	-0.9	-0.9	-0.9	-2.7	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-1.0	-9.3
Total Departmental	-	-6.7	-8.0	-8.0	-22.7	-8.1	-8.1	-8.2	-8.2	-8.2	-8.3	-8.4	-80.4
Total	-	-531.7	-758.0	-758.0	-2,047.7	-758.1	-758.1	-758.2	-758.2	-758.2	-758.3	-758.4	-7,355.4

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.