



Parliament of Australia
Parliamentary Budget Office

Phil Bowen PSM FCPA
Parliamentary Budget Officer

Senator Christine Milne
Leader of the Australian Greens
Parliament House
CANBERRA ACT 2600

Dear Senator Milne

Please find attached a response to your costing request, *Hearing health* (letter of 29 August 2013).

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

If you have any queries about this costing, please do not hesitate to contact Colin Brown on (02) 6277 9530.

Yours sincerely

Phil Bowen

} September 2013



COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	Hearing health
Summary of proposal:	<p>The proposal would fund a suite of policies to improve hearing health. These initiatives are:</p> <ul style="list-style-type: none">• extending the eligibility for the Australian Government Hearing Services Program (AGHSP) to all Australians subject to a means test and to those who do not meet the means test on a fee-for-service basis• a national database to track children with a hearing impairment• early evidence-based language and communication intervention for all children with hearing impairment prior to them starting school• sound field systems for new classrooms, and in all existing classrooms where there is a significant population of Aboriginal and Torres Strait Islander children• an exemplar multidisciplinary project to address the incidence of otitis media in Aboriginal and Torres Strait Islander (ATSI) communities• the Council of Australian Governments (COAG) to prioritise hearing screenings and follow-up for all Aboriginal and Torres Strait Islander children from remote communities on commencement of school, and• a \$30 million fund (over three years) for induction programs for teachers posted to schools in ATSI communities. <p>The package would have effect from 1 July 2014.</p>
Person/party requesting costing:	Senator Christine Milne, Australian Greens
Date costing request received:	29 August 2013
Date costing completed:	3 September 2013
Date of public release of policy:	26 August 2013

POLICY COSTING – ELECTION CARETAKER PERIOD

<p>Additional information requested:</p>	<p>On the 29 August 2013, the PBO asked Senator Milne’s Office to specify for each component of the proposal:</p> <ul style="list-style-type: none"> • whether funding is demand driven or capped • where not already stated, the profile of funding for those capped components, and • whether any departmental costs are expected to be accommodated within the capped funding components.
<p>Additional information received:</p>	<p>On the 30 August 2013, Senator Milne’s Office provided the following information in response to the PBO’s questions.</p> <p>Each component of the proposal is capped with the exception of the extension of the AGHSP, which it is expected would operate as a demand driven program. The capped amounts for the remaining components are as follows:</p> <ul style="list-style-type: none"> • national database - \$2 million (one-off) • early evidence-based language and communication intervention - \$15 million per annum • sound field systems - \$4 million per annum • multidisciplinary project to address otitis-media - \$2.5 per annum over two years from 2014-15, and • COAG action – would be a call on states through COAG with no cost to the Commonwealth. <p>The request intended that departmental expenses would be included for the extension of the AGHSP and sound field Systems components of the package. For all other components of the proposal, departmental expenses are to be taken from within the capped funding amount for each year.</p> <p>In addition, the Office specified that:</p> <ul style="list-style-type: none"> • optional access to the AGHSP for clients not meeting the means test, would come at no cost to the Commonwealth because it would be implemented on a fee-for-service basis, and • the means test would be the same as ‘low income earner’ eligibility for a Health Care Card.
<p>Agencies from which information was obtained:</p>	<p>Not applicable</p>

POLICY COSTING – ELECTION CARETAKER PERIOD

Costing overview

The package of proposals is expected to decrease both the underlying cash and fiscal balances by \$368.2 million over the 2013-14 Budget forward estimates period. This includes departmental costs of \$6.0 million over the same period. This impact is entirely due to an increase in expenses.

The proposal would also have an ongoing impact that extends beyond the forward estimates period.

Apart from the capped components, the costing is considered to be of low reliability due to limited information around the projected need and take-up of hearing services by low-income earners.

The estimates in this costing differ from the expected financial impacts attributed to the package in the costing request, which reflect the impact of the extension of eligibility for the AGHSP only (see Table A1 at [Attachment A](#)).

Table 1: Financial implications (outturn prices) (a)

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-	-124.7	-123.3	-120.2
Fiscal balance (\$m)	-	-124.7	-123.3	-120.2

(a) A negative number for the fiscal balance indicates an increase in expenses or net capital investment in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses or net capital investment in cash terms.

A breakdown of the impact on each component of the proposal is included at [Attachment A](#).

Key assumptions

With respect to the extension of the AGHSP, which would be demand driven, the PBO has made the following assumptions:

- population estimates for the years 2014-15 to 2016-17 are in line with Australian Bureau of Statistics projections (ABS 1301.0 (2012) Series B)
- around 10 per cent of the population have a hearing impairment in any given year, based on analysis of the Australian Health Survey for the years 2001 to 2012
- around 8 per cent of the population in any given year would meet the means test for a Health Care Card, based on data from the Department of Human Services (2012) and the Public Health Information Development Unit (2009, 2011)
- a 100 per cent take-up rate is assumed for those eligible for support under the new program
- the average cost per client is estimated at \$681 for the period 2014-15 to 2016-17, calculated as current administered funding (net of research grants) divided by the current number of clients receiving a hearing service under the AGHSP, and
- departmental costs are based on a ratio of departmental to administered expenses of 2.2 per cent on average for the period 2014-15 to 2016-17. This was modelled on Department of Health and Ageing forecast estimates for the AGHSP.

POLICY COSTING – ELECTION CARETAKER PERIOD

In addition, as per the information provided by the requestor on 30 August 2013:

- optional access to the program for clients not meeting the means test would come at no cost to the Commonwealth as it would be implemented on a fee-for-service basis, and
- the means test would be the same as ‘low income earner’ eligibility for a Health Care Card.

Methodology

Capped funding components

With respect to the costing of the capped components of the package, the methodology was a straightforward one of summing up the capped administered funding components.

Demand-driven funding components

To cost the extension of the AGHSP, the PBO undertook the following steps:

- to calculate the number of people with a hearing impairment in any given year, the projected population was multiplied by the estimated percentage of the population with a hearing impairment
- the projected number of clients that are eligible under the current program was then subtracted from the projected number of people with a hearing impairment to calculate the number of people with a hearing impairment currently ineligible for services under the current program
- the number of newly eligible clients under the proposal was calculated by applying the “low income” test. That is, by multiplying the number of people with a hearing impairment excluded under the current program by the estimated percentage of the population that would meet the means test as applied under the Health Care Card, and
- finally, to calculate total administered costs, the number of additional clients supported under the extended program was multiplied by the average cost per client. Departmental costs were calculated by multiplying administered costs by the ratio of estimated departmental to administered expenses.

Data sources

Population projections in line with: ABS 1301.0 - Year Book Australia, 2012 Population Projections (Series B).

Percentage of population with a hearing impairment derived from: ABS Health Survey: First Results, 2011–12, Australia.

Percentage of the population with a Health Care Card extracted from:

- Department of Human Services (2012), FaHCSIA Electoral Data, accessed: <http://www.humanservices.gov.au/spw/corporate/publications-and-resources/facts-and-figures/electorate-data/resources/2012/2012-03-fahcsia.pdf>, and
- Public Health Information Development Unit, A Social Health Atlas of Australia, accessed: <http://www.publichealth.gov.au/>.

Program estimates taken from the Department of Health and Ageing 2013-14 Portfolio Budget Statements.

Indexation factors from Treasury parameters as at the Pre-Election Economic and Fiscal Outlook.



ATTACHMENT A: BREAKDOWN OF COSTS BY COMPONENT

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

Underlying cash and fiscal balance impacts	Policy duration	2013-14 (\$m)	2014-15 (\$m)	2015-16 (\$m)	2016-17 (\$m)	Total (\$m)
Extension of the AGHSP	Ongoing	-	-91.2	-91.8	-91.2	-274.2
National database	2014-15	-	-2.0	-	-	-2.0
Early evidence-based language & communication intervention	Ongoing	-	-15.0	-15.0	-15.0	-15.0
Sound field systems	Ongoing	-	-4.0	-4.0	-4.0	-12.0
Multidisciplinary project to address otitis-media	2014-15 2015-16	-	-2.5	-2.5	-	-5.0
COAG action	Ongoing	-	-	-	-	-
Teacher induction programs	2014-15 2016-17	-	-10.0	-10.0	-10.0	-30.0
	Total	-	-124.7	-123.3	-120.2	-368.2

(a) A negative number indicates an increase in expenses in both accrual and cash terms.

(b) Totals may not sum due to rounding.