



## Free Mental Health Care

Party:

Australian Greens

Summary of proposal:

This proposal would broaden access to mental health care services and consists of 3 components.

- **Component 1** would increase the Better Access Initiative to unlimited psychology or psychiatric therapy sessions and raise the Medicare Benefits Schedule (MBS) rebates for patients with a diagnosed mental illness. Within any 12-month period, patients would be eligible for unlimited sessions. Patients would need a referral from their general practitioner (GP) every 10 treatment sessions under their mental health treatment plan.
  - Registered psychologists and psychiatrists would need to bulk-bill their services.
    - For psychiatric therapy sessions, rebates for MBS items 291, 296, 297 and 299 would be raised to 100% of the schedule fees (currently 85%).
    - For psychology therapy sessions, rebates for MBS items 80000, 80005, 80010, 80015 would be increased to match the 2021-22 rates recommended by the Australian Psychology Society<sup>1</sup>.
- **Component 2** would implement a national rollout of an Individual Placement and Support (IPS) program that is funded to meet demand.
  - Any person who is currently with mental illness and not employed would be eligible. Participants would be required to fulfil the same mutual obligation requirements for income support payments.
  - Program costs would be indexed by average weekly earnings.
- **Component 3** would increase the number of mental health peer workers by 1,000 workers to undertake a national rollout of a peer workforce.
  - Peer workers would generally be people with lived experience of mental illness who provide support to others undergoing recovery.

The proposal would take effect from 1 July 2022.

## Costing overview

The proposal would be expected to decrease the fiscal balance by around \$2,901 million and the underlying cash balance by around \$2,887 million over the 2022-23 Budget forward estimates period. This is predominantly driven by increases in administered expenses, due to significant increases in MBS rebates for therapy services, projected growth in mental health treatment demand and increased mental health support.

<sup>1</sup> \$203 for MBS items 80000 and 80005 and \$267 for MBS items 80010 and 80015

The underlying cash balance impact differs from the fiscal balance impact due to claims processing lags, which would see a proportion of claims processed in the following year after the service is provided and the expense is recorded.

The proposal is expected to have ongoing impacts beyond the 2022-23 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2032-33 is provided at Attachment A.

The financial implications of Component 1 are sensitive to the assumed number of patients accessing the Better Access Initiative scheme, the growth in demand for mental health treatment and providers' behavioural responses to raising the MBS rebates. There are also significant uncertainties around the proposal's potential interaction with a range of mental health measures introduced at the Budget 2022-23, including *Prioritising Mental Health*.

The financial implications of Component 2 are highly uncertain and extremely sensitive to the assumption on the number of IPS sites that would need to be established to meet demand, which is subject to a high level of uncertainty as relevant data and evidence are still being accumulated as the IPS program matures over time. Financial implications are also sensitive to cost estimates underpinning the current trial program which this component is based on.

The Parliamentary Budget Office (PBO) also considered the broader effects, including the potential flow-on impacts from this proposal to the public health system, social security payments and taxation revenue. The PBO has not included these broader effects in this costing as these effects are highly uncertain due to the intricate interactions between these systems.

**Table 1: Financial implications (\$m)<sup>(a)(b)</sup>**

	2022-23	2023-24	2024-25	2025-26	<b>Total to 2025-26</b>
Fiscal balance	-584.4	-667.1	-769.0	-880.5	<b>-2,901.0</b>
Underlying cash balance	-573.4	-666.1	-768.0	-879.5	<b>-2,887.0</b>

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

(b) PDI impacts are not included in the totals.

### Key assumptions

The PBO has made the following assumptions in costing this proposal.

#### Component 1 – Better Access Initiative

- The number of patients accessing the Better Access Initiative scheme would grow in line with projections for Australia's population and the increasing share of people receiving mental health specific Medicare-funded services.
- The increase in rebates or offered schedule fees would lead service providers to bulk bill items and there would be no decrease in supply.
- The MBS schedule fees would grow by the appropriate wage cost index.
- The mental health measures introduced at the Budget 2022-23, including *Prioritising Mental Health* would reduce demand for Component 1 services by around 3%. This is informed by research on youth mental health by the Australian Institute of Health and Welfare.

## Component 2 – National rollout of IPS program

- There would be at least one IPS site at each of the 562 Local Government Areas (LGAs) when the program is fully established.
  - While the exact demand for the IPS program over the medium term is hard to gauge as the current program is yet to mature, ensuring each LGA has one to 2 IPS sites would be critical in ensuring easy access for participants who are suffering from mental illness.
- The start-up and ongoing costs per additional site would be similar to the approximate actual and projected start-up and ongoing per-site costs incurred by the IPS program since its inception.
- There would be a staged rollout over 4 years.
  - The Productivity Commission Report into Mental Health recommended a staged rollout.
- Departmental costs would be 3% of administered costs and account for start-up costs in 2022-23, consistent with experience from similar programs.

## Component 3 – Additional mental health peer workers

- The average salary per peer worker would be around \$60,000 in 2020-21, informed by recent job advertisements for peer support workers using glassdoor and similar websites.
- Salaries would grow in line with average weekly earnings over time.
- Departmental costs would not be significant and would be met from within existing resources.

## Methodology

The methodology for Component 1 is consistent with the Department of Health's costing approach for the 2020-21 Budget measure *Covid-19 Response Package – supporting mental health* (the Budget measure) and uses the same MBS liability factor to calculate the wedge between the fiscal and underlying cash balances.

The administered expenses for Component 1 are the sum of the below 3 elements, adjusted for the impacts of the 2022-23 Budget measures.

- The cost of unlimited therapy sessions without raised rebates were calculated by multiplying the additional session volume for each relevant MBS item group by the average session cost.
  - The additional therapy session volumes were estimated based on the Budget measure costing model provided by the Department of Health, including the underlying data and assumptions. The estimates represent a continuation of the actual service patterns observed since 2011 for the Better Access Initiative scheme, including the number of patients, additional therapy sessions and associated MBS services delivered.
  - The additional GP session volumes were measured based on the additional therapy session volume and the requirement of a GP referral for every 10 therapy sessions.
  - The average per group session costs were computed by dividing total projected Medicare rebates (without a premium increase) of relevant MBS items to their projected session volume.
- The cost of raising the rebates without additional therapy sessions were calculated by multiplying the differences between MBS premiums and average rebates of each relevant MBS item by projected session volumes (without additional therapy sessions).

- The cost of raising the rebates for additional therapy sessions were calculated by multiplying the additional session volumes by annual differences between the higher average MBS premiums and the average MBS rebates.

The administered expenses for Component 2 were calculated by estimating the number of additional sites required and multiplying this by the estimated start-up and ongoing costs per site. Both elements were estimated as per *Key assumptions*.

The administered expenses for Component 3 were calculated by multiplying the specified additional workers by their estimated growth adjusted salaries.

The departmental expenses for all components were based on similar Budget measures.

Financial implications were rounded consistent with the PBO's rounding rules as outlined on the PBO Costings and budget information webpage.<sup>2</sup>

## Data sources

The Department of Health provided information on the Better Access scheme, the costing model for the Budget measure and information on individual psychological therapy services.

The Department of Health provided the costing models for the 2022-23 Budget measure – *Prioritising Mental Health*.

The Department of Finance and the Treasury provided economic parameters and population projections as at the *Budget 2022-23*.

The Department of Health, 2021. [Medicare Benefits Schedule items report](#), accessed 14 April 2022.

Australian Institute of Health and Welfare, 2021. [Mental health services in Australia](#), accessed 23 February 2022.

Australian Bureau of Statistics, 2021. [Labour Force, Australia, October 2021](#), accessed 14 April 2022.

Australian Bureau of Statistics, 2020. [Volume 3- Non ABS Structures, June 2020](#), accessed 14 April 2022.

Glassdoor, 2021. [Peer Support Worker Salaries](#), accessed 14 April 2022.

KPMG, 2020. [IPS Trial Literature Review – For the Department of Social Services](#), accessed 14 April 2022.

Productivity Commission, 2020. [Mental Health](#), accessed 14 April 2022.

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<sup>2</sup> [https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Budget\\_Office/Costings\\_and\\_budget\\_information](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Costings_and_budget_information)

## Attachment A – Free Mental Health Care – financial implications

**Table A1: Free Mental Health Care – Fiscal balance (\$m)<sup>(a)</sup>**

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
<b>Expenses</b>													
<b>Administered</b>													
<i>Component 1 – Department of Health</i>	-342.0	-357.0	-384.0	-413.0	-443.0	-475.0	-508.0	-542.0	-578.0	-615.0	-654.0	-1,496.0	-5,311.0
<i>Component 1 – Department of Veterans' Affairs</i>	-2.6	-2.7	-2.9	-3.1	-3.4	-3.6	-3.9	-4.1	-4.4	-4.7	-5.0	-11.3	-40.4
<i>Component 2 – National rollout of IPS program</i>	-165.0	-231.0	-301.0	-378.0	-287.0	-300.0	-312.0	-322.0	-333.0	-347.0	-363.0	-1,075.0	-3,339.0
<i>Component 3 – Mental health peer workers</i>	-63.7	-65.7	-68.0	-70.6	-73.1	-75.7	-78.5	-81.5	-84.8	-88.2	-91.8	-268.0	-841.6
<b>Total – administered</b>	<b>-573.3</b>	<b>-656.4</b>	<b>-755.9</b>	<b>-864.7</b>	<b>-806.5</b>	<b>-854.3</b>	<b>-902.4</b>	<b>-949.6</b>	<b>-1,000.2</b>	<b>-1,054.9</b>	<b>-1,113.8</b>	<b>-2,850.3</b>	<b>-9,532.0</b>
<b>Departmental</b>													
<i>Component 1 – Department of Health</i>	-1.4	-1.4	-1.5	-1.7	-1.8	-1.9	-2.0	-2.2	-2.3	-2.5	-2.6	-6.0	-21.3
<i>Component 1 – Services Australia</i>	-2.2	-2.3	-2.5	-2.7	-2.9	-3.1	-3.3	-3.5	-3.7	-4.0	-4.2	-9.7	-34.4
<i>Component 2 – National rollout of IPS program</i>	-7.5	-7.0	-9.1	-11.4	-8.7	-9.1	-9.4	-9.7	-10.1	-10.5	-11.0	-35.0	-103.5
<b>Total – departmental</b>	<b>-11.1</b>	<b>-10.7</b>	<b>-13.1</b>	<b>-15.8</b>	<b>-13.4</b>	<b>-14.1</b>	<b>-14.7</b>	<b>-15.4</b>	<b>-16.1</b>	<b>-17.0</b>	<b>-17.8</b>	<b>-50.7</b>	<b>-159.2</b>
<b>Total (excluding PDI)</b>	<b>-584.4</b>	<b>-667.1</b>	<b>-769.0</b>	<b>-880.5</b>	<b>-819.9</b>	<b>-868.4</b>	<b>-917.1</b>	<b>-965.0</b>	<b>-1,016.3</b>	<b>-1,071.9</b>	<b>-1,131.6</b>	<b>-2,901.0</b>	<b>-9,691.2</b>

(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 negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

**Table A2: Free Mental Health Care – Underlying cash balance (\$m)<sup>(a)</sup>**

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
<b>Payments</b>													
<b>Administered</b>													
<i>Component 1 – Department of Health</i>	-331.0	-356.0	-383.0	-412.0	-442.0	-473.0	-506.0	-541.0	-577.0	-614.0	-653.0	-1,482.0	-5,288.0
<i>Component 1 – Department of Veterans' Affairs</i>	-2.6	-2.7	-2.9	-3.1	-3.4	-3.6	-3.9	-4.1	-4.4	-4.7	-5.0	-11.3	-40.4
<i>Component 2 – National rollout of IPS program</i>	-165.0	-231.0	-301.0	-378.0	-287.0	-300.0	-312.0	-322.0	-333.0	-347.0	-363.0	-1,075.0	-3,339.0
<i>Component 3 – Mental health peer workers</i>	-63.7	-65.7	-68.0	-70.6	-73.1	-75.7	-78.5	-81.5	-84.8	-88.2	-91.8	-268.0	-841.6
<b>Total – administered</b>	<b>-562.3</b>	<b>-655.4</b>	<b>-754.9</b>	<b>-863.7</b>	<b>-805.5</b>	<b>-852.3</b>	<b>-900.4</b>	<b>-948.6</b>	<b>-999.2</b>	<b>-1,053.9</b>	<b>-1,112.8</b>	<b>-2,836.3</b>	<b>-9,509.0</b>
<b>Departmental</b>													
<i>Component 1 – Department of Health</i>	-1.4	-1.4	-1.5	-1.7	-1.8	-1.9	-2.0	-2.2	-2.3	-2.5	-2.6	-6.0	-21.3
<i>Component 1 – Services Australia</i>	-2.2	-2.3	-2.5	-2.7	-2.9	-3.1	-3.3	-3.5	-3.7	-4.0	-4.2	-9.7	-34.4
<i>Component 2 – National rollout of IPS program</i>	-7.5	-7.0	-9.1	-11.4	-8.7	-9.1	-9.4	-9.7	-10.1	-10.5	-11.0	-35.0	-103.5
<b>Total – departmental</b>	<b>-11.1</b>	<b>-10.7</b>	<b>-13.1</b>	<b>-15.8</b>	<b>-13.4</b>	<b>-14.1</b>	<b>-14.7</b>	<b>-15.4</b>	<b>-16.1</b>	<b>-17.0</b>	<b>-17.8</b>	<b>-50.7</b>	<b>-159.2</b>
<b>Total (excluding PDI)</b>	<b>-573.4</b>	<b>-666.1</b>	<b>-768.0</b>	<b>-879.5</b>	<b>-818.9</b>	<b>-866.4</b>	<b>-915.1</b>	<b>-964.0</b>	<b>-1,015.3</b>	<b>-1,070.9</b>	<b>-1,130.6</b>	<b>-2,887.0</b>	<b>-9,668.2</b>

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

**Table A3: Free Mental Health Care – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)<sup>(a)(b)</sup>**

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
<b><i>Fiscal balance</i></b>	-7.0	-21.0	-37.0	-57.0	-78.0	-102.0	-130.0	-161.0	-198.0	-239.0	-291.0	-122.0	-1,321.0
<b><i>Underlying cash balance</i></b>	-6.0	-19.0	-35.0	-55.0	-76.0	-99.0	-126.0	-158.0	-193.0	-234.0	-285.0	-115.0	-1,286.0

- (a) As this table is presented as a memorandum item, these figures are not reflected in the totals in the tables above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary<sup>3</sup>.
- (b) 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 negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

<sup>3</sup> [Online budget glossary – Parliament of Australia \(aph.gov.au\)](https://aph.gov.au)