



| Making Telehealth Permanent   |                   |
|---|-------------------|
| Party:  | Australian Greens |
| Summary of proposal:<br>The proposal would fund the COVID-19 temporary Medicare Benefits Schedule (MBS) telehealth and phone consultation services on an ongoing basis.<br>The proposal would have effect from 1 July 2022. |                   |

## Costing overview

The proposal would be expected to decrease the fiscal balance by around \$518 million and the underlying cash balance by around \$513 million over the 2022-23 Budget forward estimates period. This is predominantly driven by increases in administered expenses. The underlying cash balance impact differs from the fiscal balance due to claims processing lags, which would see a small proportion of claims processed in the year after the year in which the service is provided and the expense is recorded.

The proposal would have an ongoing impact 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 COVID-19 temporary MBS telehealth and phone consultation services were first introduced in the *Mid-Year Economic and Fiscal Outlook 2021-22*. A lot of these items have since been made permanent by the Australian Government, significantly reducing the financial impact of this proposal.

The financial impact of this proposal is mainly driven by the increase in demand for MBS services arising from the improved convenience and accessibility of telehealth services. The estimated financial implications of this proposal are sensitive to the assumptions on the supply and demand of the relevant MBS telehealth services and any substitution effects on other MBS services.

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

|                         | 2022-23 | 2023-24 | 2024-25 | 2025-26 | Total to 2025-26 |
|-------------------------|---------|---------|---------|---------|------------------|
| Fiscal balance          | -128.6  | -125.6  | -130.7  | -132.7  | -517.6           |
| Underlying cash balance | -123.6  | -125.6  | -130.7  | -132.7  | -512.6           |

(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 Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

- The relevant MBS telehealth service volumes would grow in line with those for the corresponding MBS service groups projected by the Department of Health.

- The relevant aspects of the proposal would be consistent with the following assumptions underpinning the 2020-21 Budget measure COVID 19 Response Package — *guaranteeing Medicare and access to medicines — extension* and the 2021-22 Budget measure COVID 19 Response Package — *guaranteeing Medicare and access to medicines — extension* (the Budget measures):
  - the total number of patients accessing MBS telehealth services in 2020-21 and 2021-22
  - the distribution of service volumes across the relevant MBS items
  - the MBS liability factor, which drives the wedge between the fiscal and underlying cash balances
  - the ratio of departmental to administered expenses
  - the proportion of administered expenses for the Department of Veteran’s Affairs.

## Methodology

The methodology for this costing is consistent with the Department of Health’s costing approach for the Budget measures.

- The baseline telehealth services were provided by the Department of Health as at the *Budget 2022-23* and projected over the medium term as per *Key assumptions*.
- The impact on the proposal’s service volume was estimated using the projected service volume of all COVID-19 temporary telehealth services minus the telehealth service volume projected in the baseline because of the Budget measures.
- Administered expenses were calculated by multiplying the estimated service volume for each relevant MBS item by its schedule fee, which grows by the wage cost index 5 over the medium term.

The Budget measures inform the departmental expenses and the Department of Veteran’s Affairs costs.

Financial implications were rounded consistent with the PBO’s rounding rules as outlined on the PBO Costings and budget information webpage.<sup>1</sup>

## Data sources

The Department of Health provided information on the temporary COVID-19 MBS telehealth services and the associated costing models as at the *Budget 2020-21* and *Budget 2021-22*.

The Department of Health provided the MBS service volume over the forward estimates period and further details on current telehealth and telephone MBS items as at the *Budget 2022-23*.

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

Australian Bureau of Statistics, 2021. *Household Impacts of COVID-19 Survey*.

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<sup>1</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 – Making Telehealth Permanent – financial implications

**Table A1: Making Telehealth Permanent – 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<br>2025-26 | Total to<br>2032-33 |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------------|---------------------|
| <b>Expenses</b>              |               |               |               |               |               |               |               |               |               |               |               |                     |                     |
| <i>Administered expenses</i> | -127.0        | -124.0        | -129.0        | -131.0        | -137.0        | -143.0        | -149.0        | -156.0        | -163.0        | -170.0        | -177.0        | -511.0              | -1,606.0            |
| <i>Departmental expenses</i> | -1.6          | -1.6          | -1.7          | -1.7          | -1.8          | -1.8          | -1.9          | -2.0          | -2.1          | -2.2          | -2.3          | -6.6                | -20.7               |
| <b>Total (excluding PDI)</b> | <b>-128.6</b> | <b>-125.6</b> | <b>-130.7</b> | <b>-132.7</b> | <b>-138.8</b> | <b>-144.8</b> | <b>-150.9</b> | <b>-158.0</b> | <b>-165.1</b> | <b>-172.2</b> | <b>-179.3</b> | <b>-517.6</b>       | <b>-1,626.7</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: Making Telehealth Permanent – 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<br>2025-26 | Total to<br>2032-33 |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------------|---------------------|
| <b>Payments</b>              |               |               |               |               |               |               |               |               |               |               |               |                     |                     |
| <i>Administered expenses</i> | -122.0        | -124.0        | -129.0        | -131.0        | -137.0        | -143.0        | -149.0        | -156.0        | -162.0        | -170.0        | -177.0        | -506.0              | -1,600.0            |
| <i>Departmental expenses</i> | -1.6          | -1.6          | -1.7          | -1.7          | -1.8          | -1.8          | -1.9          | -2.0          | -2.1          | -2.2          | -2.3          | -6.6                | -20.7               |
| <b>Total (excluding PDI)</b> | <b>-123.6</b> | <b>-125.6</b> | <b>-130.7</b> | <b>-132.7</b> | <b>-138.8</b> | <b>-144.8</b> | <b>-150.9</b> | <b>-158.0</b> | <b>-164.1</b> | <b>-172.2</b> | <b>-179.3</b> | <b>-512.6</b>       | <b>-1,620.7</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: Making Telehealth Permanent – 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<br>2025-26 | Total to<br>2032-33 |
|---------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------------------|---------------------|
| <b><i>Fiscal balance</i></b>          | -1.4    | -4.3    | -7.3    | -10.4   | -13.9   | -17.9   | -22.5   | -27.8   | -33.7   | -40.5   | -49.1   | <b>-23.4</b>        | <b>-228.8</b>       |
| <b><i>Underlying cash balance</i></b> | -1.2    | -3.9    | -6.9    | -10.1   | -13.5   | -17.4   | -22.0   | -27.1   | -33.0   | -39.7   | -48.0   | <b>-22.1</b>        | <b>-222.8</b>       |

- (a) As this table is presented as a memorandum item, these figures are not reflected in the totals in any 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>2</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>2</sup> [Online budget glossary – Parliament of Australia \(aph.gov.au\)](https://aph.gov.au)