

ANSWERS TO QUESTIONS ON NOTICE

TREASURY PORTFOLIO

15 December 2010

Question no: 10

Topic: Top up payment

Hansard Page: E15-16

Senator asked:

Senator CORMANN—Going on to the top-up payments, what does the \$15.6 billion represent? How did you come up with that figure?

Mr Robinson—It was on the basis of the projections and the approach that I mentioned in answer to the earlier question around the components of changes in roles and responsibilities in the NHHN agreement—in particular, the Commonwealth 100 per cent of funding of primary care and 60 per cent of hospitals. We did the projection work and then, if you take from that aggregate, the Commonwealth commitment, the dedicated GST and the SPP amount, it is the residual amount.

Senator CORMANN—This is \$2.6 billion per year and it starts in 2014-15. Is that \$15.6 billion in 2009-10 dollars or is it going to be adjusted moving forward to reflect 2014-15 and beyond dollars?

Mr Robinson—It will be reflected in the dollars of the day when it is determined.

Senator CORMANN—So it will be indexed as well?

Mr Robinson—It is actually an amount.

Senator CORMANN—The top-up payments are beyond the current forward estimates. The GST is proposed to be taken over as of 1 July 2011, which is over three years of the current forward estimates. If your additional payment proposed, \$2.6 billion per year over six years, is in today's dollars and it is not adjusted that is even less value than what it otherwise might look like. Can you, hand on heart, say that this is going to be adjusted for—

Mr Robinson—I will take that on notice.

Answer:

The \$15.6 billion is the sum of the nominal funding gap arising from the difference in the projected growth of health expenditure relative to GST revenue and the special payment over the period 2014-15 to 2019-20. It is calculated by determining the total projected Commonwealth health expenditure in each year and then subtracting the funding coming from the projected dedicated GST and the special payment.

The states and territories will continue to receive all their GST and Healthcare SPP entitlement (other than, in the case of the Healthcare SPP, any adjustments to the new special payment as a result of states or territories no longer directly delivering certain services).