



13 February 2013

Committee Secretary
Senate Finance and Public Administration Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Committee Secretary

Implementation of the National Health Reform Agreement

The Consumers Health Forum of Australia (CHF) welcomes the opportunity to provide a submission to the Senate Finance and Public Administration Committee's (the Committee) *Inquiry into the Implementation of the National Health Reform Agreement* (the Agreement).

CHF is the national peak body representing the interests of Australian healthcare consumers. CHF works to achieve safe, quality, timely healthcare for all Australians, supported by accessible health information and systems.

CHF has considerable interest in hospital funding, and in the implementation of the Agreement. We note that the cuts announced as part of the 2012-13 Mid-Year Economic and Fiscal Outlook 2012-13 (MYEFO) were attributed to changes in the population estimates as a result of the 2011 Census, and moderation to the Australian Institute of Health and Welfare (AIHW) health price index that reflect changes in medical inflation rates. As a result, the difference between the figures that were foreshadowed by the May Budget and the MYEFO is around \$1.5 billion.

CHF is concerned that these cuts will impact on many services critical to consumers, including admitted services, Hospital in the Home programs, emergency department services and a range of other outpatient, mental health and subacute services.

We also note that the funds allocated as part of the Agreement, together with State and Territory contributions, are paid into the accounts for each State and Territory set up within the National Health Funding Pool. CHF is therefore concerned that the cuts announced as part of the MYEFO may result in a corresponding reduction in funds from the States and Territories, particularly because the announcements were made mid-financial year, without consultation, and after most States had already set their health budgets.

Although the indexation formula was thought to be confirmed in the Agreement, representatives of the Victorian and Queensland Governments have attributed the reduction in health funding to the Commonwealth. The MYEFO announcement, however, followed a reduction in funding from previous health budget cuts instituted by these Governments. CHF is therefore concerned that in addition to their impact on the provision of services, these cuts may have exacerbated confusion around the responsibility for health funding and inflamed existing tensions that surround the funding models, with a resulting negative impact on Australian consumers who are the casualty of this dispute.

Although the Agreement contains clauses on dispute resolution, CHF recommends that future agreements:

- Explicitly aim to reduce cost-shifting across jurisdictions
- Provide mechanisms for managing cost-shifting and cross-border disputes
- Improve transparency on the funding and pricing of hospital services
- Confirm funding formulas to the greatest extent possible, and outline processes for resolving issues around possible revisions.

Finally, CHF considers that the practice of revising forward estimates is likely to continue as Governments update projected expenditure according to changing information and changes to policy. Although it is outside the scope of the Inquiry's terms of reference, we believe that these issues are unlikely to be resolved in the absence of structural reform, or while there is more than one funding body. We would welcome further exploration of a single funding body as part of the Committee's report.

CHF appreciates the opportunity to provide a submission to the Inquiry. Should you wish to discuss these comments in more detail, please contact CHF Policy Manager, Ms Maiy Azize, on (02) 6273 5444.

Yours sincerely,

Carol Bennett
CHIEF EXECUTIVE OFFICER