

# **COALITION SENATORS DISSENTING REPORT**

## **A SMOKE & MIRRORS CASH GRAB NOT HEALTH REFORM**

### **SUMMARY**

Coalition Senators recommend the Senate oppose this legislation.

As we are writing this report it is becoming increasingly clear that the Prime Minister is preparing the ground for a massive back down on this Bill. The government's proposed clawback of about one third of GST has clearly not withstood scrutiny.

This Bill seeks to implement yet another grab for cash by a Federal Labor Government addicted to spending.

The government's stated intention to take 'about one third' of GST revenue away from the States and Territories would result in more than \$200 billion<sup>1</sup> in additional federal revenue between 1 July 2011 and 30 June 2020 at the expense of the States.

In return, the government is promising to provide the States and Territories with \$15.6 billion in so called 'top-up payments' between 1 July 2014 and 30 June 2020.<sup>2</sup>

Simply seizing and re-branding \$200 billion in State and Territory revenue as federal funding for health and hospitals is not health reform.

Coalition Senators note that the promised \$15.6 billion in 'top-up payments' from 1 July 2014 over six years is less than the federal government would have been expected to commit if annual growth in federal funding under the past three five year healthcare agreements continued from 2014/15.<sup>3</sup>

Even Dr Deeble, principal adviser to the Whitlam and Hawke governments on the introduction of Medibank and Medicare, described the claimed gains to the States of \$15 billion over ten years as 'fictitious'.<sup>4</sup>

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<sup>1</sup> Estimate based on published budget forecasts of GST revenue for 2011/12 – 2013/14 and an assumption of 6% year-on-year growth in GST revenue for the period 2014/15 – 2019/20, consistent with the government's stated expectations in the Second Reading Speech on the Bill. Accordingly, estimated GST revenue for the 2011/12 – 2019/20 period is over \$613 billion.

<sup>2</sup> That is if all the States and Territories – including Western Australia – participate. Otherwise the \$15.6 billion would be reduced.

<sup>3</sup> Taking the average 8.9% growth in federal funding over the past three five-year Australian Health Care Agreements (or equivalent) independently verified by the Parliamentary Library as the benchmark;

<sup>4</sup> Dr John Deeble, Health benefit lost in smoke and mirrors, *The Age*, 14 April 2010, page 19;

Despite repeated requests by the Committee (during the inquiry and in questions on notice) to point us to evidence of any other committed and quantifiable increases in federal funding for health and hospitals over that six-year period, no information has been forthcoming.

As long as these questions remain unanswered, this issue alone casts serious doubt in the minds of Coalition Senators whether this legislation is in the national interest, the interest of the States and Territories and most importantly the interest of patients.

Furthermore, this legislation proposes to breach the GST Agreement entered into in good faith by the Australian and all State and Territory governments back in 1999.

Both the original GST agreement<sup>5</sup> and its successor agreement signed by former Prime Minister Kevin Rudd and State and Territory Leaders in 2008<sup>6</sup> are unequivocal – changes to the GST arrangements such as those proposed by this legislation require unanimous agreement by all parties.

This is also the advice Treasury gave the incoming Gillard government after the last election<sup>7</sup>.

Most of the media focus has been on opposition to the GST clawback from Coalition governments in Western Australia and Victoria and the alternative government in NSW.

While we don't know the reasons why, it is important to note that not one single State or Territory Labor government has as yet signed the agreement to hand over any of their GST revenue to the Commonwealth either. Could it be that on reflection and after further scrutiny they too realised that what they precipitously agreed to in principle back in April 2010 was in fact a bad deal?

## **Recommendation 1**

**That the Senate not pass this legislation.**

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<sup>5</sup> The Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations – agreed on 9 April 1999;

<sup>6</sup> The Intergovernmental Agreement on Federal Financial Relations agreed on 29 November 2008;

<sup>7</sup> Treasury's Incoming Government Brief for the Gillard government (or Red Book), page 15;

## FEDERAL-STATE FINANCIAL RELATIONS

This legislation has a fundamental impact on Federal-State financial relations.

Since Federation the 'own-source' revenue base of States and Territories to fund expenditure for important services has narrowed significantly.

In 1942 all income taxing powers were transferred to the Federal government. This resulted in the payment of Federal Financial Assistance Grants to States in various forms between 1946 and 2000 as reimbursement for the loss of those income taxing powers.

In 1997 the High Court also struck down various State and Territory excise arrangements.

The problem of vertical fiscal imbalance between the Commonwealth and the States and Territories was getting worse and worse.

In 2000, the GST was introduced with a comprehensive overhaul of Commonwealth-State financial relations.

All GST revenue was committed to the States and Territories. This was to finally give them access to an efficient source of growth revenue, to help fund state responsibility services like health, law and order and education.

This involved agreement between all Commonwealth, State and Territory governments before relevant legislation was passed through the Federal Parliament.

As the then Victorian Premier Steve Bracks said back in 2005:<sup>8</sup>

"They (the Federal Government) signed up to it on the basis that that legislation put in place security - all the GST revenue for the states would be enduring. That a future Federal Government would not use its power to simply overturn that legislation..."

Yet, that's exactly what the Gillard government is proposing to do with this legislation (even though it is unclear at this time what the government's proposals actually are).

Ironically, the Gillard government is using the argument that the States 'own-source' revenue is inadequate to fund all of their services as the reason to take a significant chunk of the GST, the one efficient growth revenue they have access to, away from them.

Coalition Senators consider that the fundamental reforms in Federal-State financial relations implemented as part of the introduction of the GST should not be changed this lightly and certainly not without a clear national consensus.

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<sup>8</sup> ABC TV, 7.30 Report, 9 March 2005, <http://www.abc.net.au/7.30/content/2005/s1319767.htm>

## **THERE IS NO UNANIMOUS AGREEMENT**

In fact not one single State or Territory government has signed the agreement to vary GST arrangements.

One of the key features of the 1999 GST Agreement was that any changes required unanimous agreement. That requirement for unanimous agreement was replicated in the Intergovernmental Agreement on Federal Financial Relations agreed to in 2008.

At the time of writing this report not a single State or Territory government has signed the agreement to hand over any of their GST revenue to the Commonwealth for the National Health and Hospitals Network.

The Gillard government has clear Treasury advice that changes to the 1999 Intergovernmental Agreement on Federal Financial Relations can only be made by unanimous agreement.

In its Incoming Government Brief, Treasury advised the government that<sup>9</sup>:

"Western Australia has indicated that it is not prepared to agree to proposed amendments to the IGA notwithstanding that they preserve the current arrangements for Western Australia"

and that

"as changes can only be made to the IGA by unanimous agreement of all parties, alternative approaches may need to be considered to give effect to the financing arrangements for other jurisdictions."

Treasury also told the Gillard government that *"ideally these issues should be resolved before the reintroduction of the legislation"*.

The government did not resolve these 'issues' before reintroducing the legislation.

To proceed with this legislation in the absence of unanimous agreement by all parties to vary the Intergovernmental Agreement on Federal Financial Relations would be a fundamental breach of trust.

It would be a breach of trust both with the States and Territories who entered into these Intergovernmental Agreements in good faith and with the Australian people.

The requirement for unanimous agreement to make any changes is an important safeguard which should be preserved. If the Parliament became complicit in breaching a firm commitment like this a very bad precedent would be set. How could State and Territory governments trust unequivocal commitments made by the Commonwealth in

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<sup>9</sup> Treasury's Incoming Government Brief for the Gillard government (or Red Book), page 15;

future, if the Federal Parliament was happy to disregard them on the simple recommendation of the Federal government?

As the States' House, the Senate in particular should take a very dim view of a proposal by government to breach an explicit undertaking to the States and Territories not to vary GST arrangements without unanimous agreement by all parties.

On this important point, government Senators in their report merely note *"the current uncertainty about the detail of a revised Intergovernmental Agreement on Federal Financial Relations"*.

They then proceed to say that they're *"confident the Commonwealth will be able to agree upon a revised IGA with the states in 2011"*.

It is unclear what information government Senators are relying on to reach that view. Certainly no evidence to that effect has been received by the Committee during or since our inquiry. If anything, it looks less likely today that the government will be able to achieve unanimous agreement to the changes to the IGA consistent with this Bill.

This appears to be the Prime Minister's assessment of late as well, given she has been preparing the ground for a major back down on this legislation.

In any event – as a matter of proper process – the unanimous agreement should come first and any debate on passage of this legislation to facilitate implementation of such an agreement second.

## **Recommendation 2**

**That before this legislation is considered any further, the government be required to table a copy of an agreement to vary the Intergovernmental Agreement on Federal Financial Relations signed by all members of COAG consistent with the changes proposed in this legislation.**

## **LARGE VARIATIONS IN SHARE OF GST TRANSFERS**

There is a lack of transparency and apparent unfairness around the share of GST each individual State or Territory is expected to transfer to the Federal government.

First, the Treasurer stated in his second reading speech that it will be 'about one third' of GST revenue – without any further specifications. We were then told in MYEFO that the ACT is expected to hand over between 50 and 51% and Queensland up to 44%. It took further questions during this inquiry to find out that if Western Australia signed up to the agreement it would have to hand over a staggering 60 to 63% of its remaining GST revenue to the Commonwealth.

Share of GST to be transferred to the Commonwealth<sup>10</sup>:

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2011-12	30%	25%	40%	60%	26%	20%	50%	14%	31%
2012-13	31%	25%	43%	62%	27%	20%	50%	15%	32%
2013-14	31%	25%	44%	63%	27%	21%	51%	16%	33%

The proposed method of GST reallocation under the proposed arrangement seems imbalanced

Treasury told the Committee that there were two reasons for the variations in the share of GST to be transferred to the Commonwealth<sup>11</sup>:

“A state or territory that has a greater per capita spend on healthcare than average will have a lower proportion of that expenditure funded by the Commonwealth through the Healthcare SPP (particular in the context of the distribution of the Healthcare SPP moving to an equal per capita basis). This will result in a greater amount of GST dedicated when the Commonwealth increases its funding commitment as set out in the NHHN Agreement.”

So in essence, the reason some States and Territories have to hand over a larger share of their GST is because they're investing more of their own money into health and hospital services at present. They have to transfer more GST because their current health spending as a proportion of overall health spending in their jurisdictions is above average while current federal spending in those jurisdictions is below average.

Those States and Territories doing more themselves to respond to health needs in their jurisdictions seem to be getting penalised by the Gillard government's formula for determining the level of GST transfers to the Commonwealth under this legislation.

Secondly:

"The proportion of the GST revenue that will be dedicated to healthcare will also vary due to the effect of the existing horizontal fiscal equalisation (HFE) arrangements. For example, states that have a sizable own source revenues are net contributors under HFE processes and, therefore, have a smaller GST pool from which to dedicate funds for healthcare. As a result,

<sup>10</sup> From MYEFO 2010-11 and Senate Economics Committee Inquiry into Federal Financial Relations Amendment (National Health and Hospitals Network) Bill 2010, Answer to Question on Notice No.2, 15/12/2010;

<sup>11</sup> Senate Economics Legislation Committee Inquiry into Federal Financial Relations Amendment (National Health and Hospitals Network) Bill 2010, Answer to Question on Notice No.4, 15/12/2010;

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these states are likely to have a larger proportion of GST revenue dedicated to healthcare than other states and territories."

So those States and Territories who already receive less GST as part of the horizontal fiscal equalisation processes through the Commonwealth Grants Commission will have to hand over a higher share of GST revenue to the Commonwealth.

Those States get hit twice. The worse a particular jurisdiction fares through the Commonwealth Grants Commission process the worse the impact of the proposed GST clawback.

It hardly seems fair.

Apparently State and Territory Leaders were told about 'some' variations between jurisdictions in share of GST to be transferred. However, given the government's refusal to provide specific detail on what State and Territory governments were told, Coalition Senators don't believe they were aware of the significance of those variations when they agreed 'in principle' to the proposed arrangements back in April 2010.

Officials were unable to tell the Committee during the inquiry precisely what the States and Territories were told by the federal government during the COAG meeting:<sup>12</sup>

Senator CORMANN — When the state and territory leaders signed up to the NHHN deal at COAG back in April 2010—that is, all other than Western Australia—did they know the actual percentages that would be clawed back from each of their states and territories when they agreed in principle?

Ms Vroombout—They had seen estimates of.

Senator CORMANN—Did the Premier of Queensland know that her state would have to hand over up to 44 per cent of their GST?

Ms Vroombout—As I say, they saw estimates of.

Senator CORMANN—How do the estimates compare with the percentages that are contained in MYEFO?

Mr Robinson—I think we would have to take on notice the absolute differences.

We asked the government to provide us with this information. At the time of drafting this report the government is refusing to release that information.

If the information provided to COAG was the same or very similar to the information eventually published in MYEFO on 9 November 2010, why wouldn't they provide it to the Committee?

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<sup>12</sup> Transcript of Senate Economics Committee Inquiry into Federal Financial Relations Amendment (National Health and Hospitals Network) Bill 2010, 15/12/2010, p.6

It clearly does raise the question whether Premiers and Chief Ministers knew what the impact on their budgets would be when they agreed 'in principle' to the proposition to hand over 'about a third' of their GST revenue to the Commonwealth.

Would this be the reason why no State or Territory government has signed on to the deal? Are they now concerned about the actual share of GST to be handed over to the Commonwealth? Do they now have a better understanding of some of the implications outlined in this report?

## **STATES AND TERRITORIES WORSE OFF?**

In seeking to promote its National Health and Hospitals Network package, the Federal Government has said that its proposed changes would be financed through a combination of:<sup>13</sup>

- Funding currently provided by the National Healthcare Specific Purpose Payment
- The clawback of about one third of total GST
- Top-up funding of at least \$15.6 billion between 2014/15 and 2019/20

During the inquiry we asked the government several times for the dollar value of any proposed and committed increases in National Healthcare Specific Purpose payments by the federal government beyond 2014/15.

The government has been unable or unwilling to provide that information to the Committee.

The clawback of about one third of GST – about \$200 billion between 2011/12 and 2019/20 – will be at the expense of State and Territory governments.

So the only firm commitment for increased health and hospital funding from the Federal government for the period 2014/15 and 2019/20 through this legislation is the \$15.6 billion in top-up payments (if all States are part of the 'deal').

According to Parliamentary Library research (based on published final budget outcomes), federal government funding over the past three five-year Australian Health Care Agreements (or equivalent) has increased by about 8.97% since 1998/99.

Federal funding for health and hospitals under those previous agreements has been:

1998/99 – 2003/04 – \$29 billion

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<sup>13</sup> A National Health and Hospitals Network for Australia's Future – Delivering better health and better hospitals, 2010, page 52  
([http://www.health.gov.au/internet/yourhealth/publishing.nsf/Content/report-redbook/\\$File/HRT\\_report3.pdf](http://www.health.gov.au/internet/yourhealth/publishing.nsf/Content/report-redbook/$File/HRT_report3.pdf));



2003/04 – 2007/08 – \$42 billion (+45% from previous agreement)

Extended by one year by the Rudd government.

2009/10 – 2013/14 – \$64.4 billion (+53% from previous agreement)

If those past federal health and hospital funding growth trends continued over the subsequent five years (between 2014/15 and 2018/19) relevant federal funding would be:

2014/15 – 2018/19 – \$103.2 billion (or an increase of \$38.8 billion)

In the absence of any other information from the government \$15.6 billion in top-up payments (over six years) would be more than \$20 billion less federal funding than if past growth trends in federal health funding continued from 2014/15.

As previously mentioned, while he was slightly more generous, Dr John Deeble also pointed to this issue prior to the COAG discussion in April 2010 when he said that<sup>14</sup>:

"The claimed "gains to the states" of \$15 billion over 10 years are equally fictitious. The Commonwealths own costings show it is simply the extra amount it would have to pay to maintain the average 8 per cent a year increase in state and territory health spending over the past 10 years."

To this date the government has not adequately addressed this issue. Presumably State and Territory governments would want to get clarification on this as well.

### **Recommendation 3**

**That before this legislation is progressed any further the government be required to explain the apparent real cuts in federal funding for health and hospitals compared to a continuation of past growth trends.**

For completeness – after being asked to comment on this issue during the inquiry, the government claimed on notice that:

"...the analysis incorrectly assumes the first Australian Healthcare Agreement commenced in 1997-98 when it was in fact 1998-99..."<sup>15</sup>

The Parliamentary Library advised that in its research for Coalition Senators it based its findings on publicly available final budget outcomes. Furthermore deferring the reference year for the commencement of the Australian Healthcare Agreement from 1997/98 to 1998/99 made the comparison between past growth and what is proposed in this legislation worse for the Gillard government.

<sup>14</sup> Dr John Deeble, Health benefit lost in smoke and mirrors, The Age, 14 April 2010, page 19;

<sup>15</sup> Senate Economics Legislation Committee Inquiry into Federal Financial Relations Amendment (National Health and Hospitals Network) Bill 2010, Answer to Question on Notice No.9, 15/12/2010

Indeed, it meant that the average annual growth in federal health and hospital funding over the past three five year agreements from 1998/99 was 8.97 per cent instead of 8.6%. Based on the answers provided by the government so far, the implication is that the gap between what is proposed in this legislation and a continuation of past growth trends becomes even larger.

## **SPECIAL PAYMENTS**

'Special payments' are proposed to replace current National Health Care special purpose payments for 'participating States'.

There is a lack of clarity as to what will happen with 'special payment' amounts beyond 2014/15. There is no information in this legislation and no information about specific and quantifiable increases in special payments has been provided by the government.

In fact, officials told our inquiry that other than the \$15.6 billion in so called top-up payments no other commitment to federal funding increases for health and hospitals have been made for the period 2014/15 to 2019/20:

Senator CORMANN— If the Treasurer cannot commit to those specific increases as they were experienced in the past, really the only certainty we have got, the only firm commitment to additional federal funding for the states and territories for health and hospitals under the NHHN deal is for the period 2014-15 to 2019-20, which is for that \$15.6 billion in top-up payments, isn't it? That is the only firm figure we have got.

Mr Broadhead—Apart from the other agreements that have also been done—for example, the National Partnership Agreement on Improving Hospital Services, which also provides additional resources to the states and territories for elective surgery, emergency departments, subacute care and so on.

Senator CORMANN—Over the period 2014-15 to 2019-20?

Mr Broadhead—Not under that period, no.<sup>16</sup>

This seemed unbelievable. This is why we asked the Government on notice for a detailed breakdown of committed and quantifiable increases in 'special payments' or other proposed federal funding increases for health and hospitals for the period 2014/15 to 2019/20. However, the government yet again has been unable or unwilling to provide answers to any of those questions.

If the Gillard government truly had a good story to tell here why wouldn't they tell us? Why wouldn't they want everyone to know?

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<sup>16</sup> Transcript of Senate Economics Committee Inquiry into Federal Financial Relations Amendment (National Health and Hospitals Network) Bill 2010, 15/12/2010, p.13

How can any State and Territory government think that handing over \$200 billion in GST revenue to the Commonwealth between now and 2019/20 in exchange for \$15.6 billion in top-up payments is a good deal for them or for patients?

Furthermore, according to this legislation there could be positive or negative 'adjustments' to special payments to be determined by the Treasurer through a legislative instrument which the government does not want to be disallowable. Yet no specific information has been made available by the government in relation to those possible 'negative adjustments':

Senator CORMANN—So they have specific dollar figures that their special payments, which currently are their specific purpose payments, will be reduced by between 2012-13 and 2019-20?

Mr Caruso—They are estimates, though.

Senator CORMANN—Are they published anywhere?

Mr Robinson—Not that I am aware of.<sup>17</sup>

## **'TRUST US WE'RE FROM THE GOVERNMENT'**

If this legislation is passed as drafted it would result in reduced accountability to the Parliament.

This Bill provides that the Minister may make certain determinations, which though legislative instruments would not be disallowable under the *Legislative Instruments Act 2003*.

In particular these are: new section 6A (item 18), and in new Part 3A, new subsections 15B(1), 15D(1) and (2), 15E(1) and (2), 15G(1) and (2), 15H(1)(2) and (5). The justification given for the determinations not being disallowable is that the instruments will facilitate the operation of an intergovernmental agreement or scheme.<sup>18</sup>

Yet, as outlined in the government senators' report – current determinations made by the Treasurer under the National Healthcare SPP are disallowable legislative instruments. It is proposed for those determinations to continue to be disallowable for those States not participating in the NHHN agreement.

Yet for determinations in relation to 'Special Payments' to 'participating States' the government wants those determinations by the Treasurer to be non-disallowable. Why?

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<sup>17</sup> Transcript of Senate Economics Committee Inquiry into Federal Financial Relations Amendment (National Health and Hospitals Network) Bill 2010, 15/12/2010, p.12

<sup>18</sup> Explanatory Memorandum to the Federal Financial Relations Amendment (National Health and Hospitals Network) Bill 2010, p.17);

Similarly, in this legislation the government proposes that all determinations (again by the Treasurer) about final shares of GST to be handed to the Commonwealth by individual jurisdictions be non-disallowable. Why?

Current shares per State and Territory to be transferred to the Commonwealth are only estimates. We're told that more work is being done to determine final shares to be transferred.

Finally, in this legislation the government proposes that determinations by the Treasurer about so called positive or negative adjustment amounts be non-disallowable. Why?

Coalition Senators can't see any reasonable justification why any of those determinations should not be subject to Parliamentary scrutiny and as such be disallowable.

#### **Recommendation 4**

**If this legislation is to be passed it should at the very least be amended to ensure determinations by the Treasurer in relation to:**

- **the share of GST to be transferred by individual States and Territories to the Commonwealth;**
  - **special payments;**
  - **positive or negative State adjustment amounts;**
- are disallowable.**

### **SOME GOVERNMENT ARGUMENTS GO BEYOND MERE SPIN**

In the debate about the federal financial relations implications of this it has become a truism that if this proposed GST drawback does not occur, health costs would consume state budgets in their entirety.

This is what the Prime Minister Julia Gillard said in a speech on 8 December 2010 to the St Vincent's Institute Luncheon at The Langham Hotel in Melbourne:

"First, by taking on 60 per cent of hospital costs and 100 per cent of community and aged care, the Commonwealth assumes the lion's share of rising health costs into the future.

That growing burden, which would have bankrupted the state treasuries by mid century, now shifts to the Commonwealth." (emphasis added)

Health Minister Nicola Roxon said on Sky News PM Agenda on 22 November 2010:

"We know that if you don't do anything you'll actually have health expenditure overtake state budgets in just several decades time. And then

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how do you fund every other service? It's just not sustainable." (emphasis added)

These statements are completely without foundation. They're just not true. There is no evidence anywhere that health costs would consume all State budgets or overtake them. It is a ridiculous suggestion which is based on a dishonest and incomplete presentation of state revenue.

Treasurer Wayne Swan, while more careful in his language, has been equally misleading. In his Economic Note on 7 March 2010 he said that:

"...It's not well known, for example, that if we allowed current trends to continue, by 2045-46 spending on health and hospitals would consume the entire revenue raised by state governments." (emphasis added)

When the Treasurer is talking about revenue 'raised by' State governments he excludes more than half their revenue base from his assessment. The GST for example is not technically raised 'by' the States though it is clearly raised 'for' the States.

The government in making the above assertions has excluded all of the GST revenue from the State and Territory revenue base as well as all other grants and subsidies received by the States and Territories.

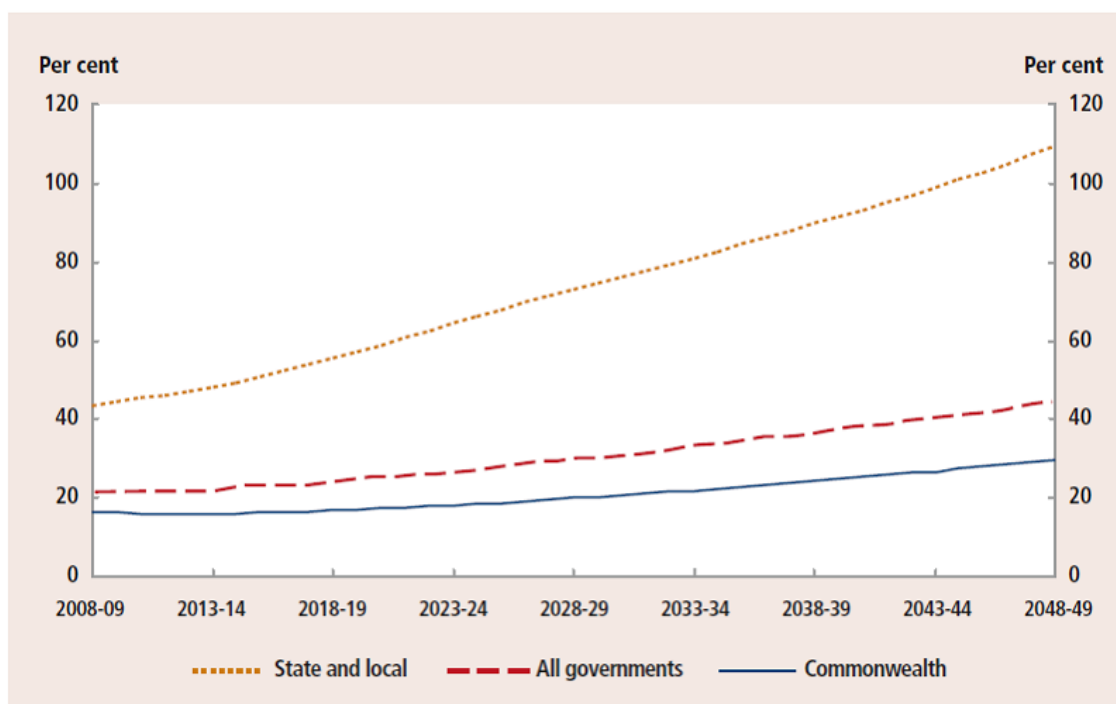
Why would this be a relevant argument? Its like arguing that the Commonwealth can't afford health and hospital funding because a specific revenue category (say the Medicare Levy) can't fully fund it.

To demonstrate their point about health funding 'overtaking state budgets' the Federal government published this grossly misleading graph below in several publications<sup>19</sup>:

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<sup>19</sup> A National Health and Hospitals Network for Australia's Future – Delivering better health and better hospitals, 2010, page 53  
([http://www.health.gov.au/internet/yourhealth/publishing.nsf/Content/report-redbook/\\$File/HRT\\_report3.pdf](http://www.health.gov.au/internet/yourhealth/publishing.nsf/Content/report-redbook/$File/HRT_report3.pdf) );

**Figure 5: Health funding responsibility as a proportion of own source tax revenue (illustrative)**



Source: Treasury projections based on data from the Australian Institute of Health and Welfare. Tax held constant as a share of GDP. Based on current arrangements at the time of the 2010 Intergenerational Report.

To justify their assertion that health and hospital spending would overtake state budgets (or 'consume all State revenue') the government has excluded more than half of the States and Territories revenue base from its calculations – including all of the GST.

This is not a serious way to pursue a public policy debate about how to ensure sustainable health financing into the future.

For the record, in 2009/10 State and Territory 'own-source' revenue amounted to \$90.5 billion, whereas total current grants and subsidies (including all of the GST) amounted to \$97.2 billion.<sup>20</sup>

<sup>20</sup> Figures provided by the Parliamentary Library, based on information sourced from State Annual Financial Reports and Final Budget Outcomes;

## **TREASURER AGAIN REFUSES TO ANSWER QUESTIONS**

On this occasion the Treasurer has refused to answer the following questions taken on notice by his officials:

- 1) What are the currently scheduled and committed increases in federal funding for health and hospitals in dollar amounts for each financial year between 1 July 2011 and 30 June 2020 (financial years 2011/12 – 2019/20), broken down for each financial year by their funding source – that is clearly identifying how much of the increased federal health and hospital funding each year comes from:
  - a. The GST revenue taken from the States and Territories
  - b. Indexation to 'Special Payments'
  - c. 'Negative State Adjustment Amounts' from 'Special Payments'
  - d. The \$15.6 billion in top-up payments
  - e. Any other separately identifiable federal government funding source
- 2) In relation to the percentage share of GST to be handed over to the Commonwealth by individual States and Territories between 2011/12 and 2013/14 as part of the National Health and Hospitals Network reform package:
  - a. What specific information was made available by the government to State and Territory Leaders at COAG on 19-20 April 2010 about the percentage shares of GST to be handed over by each jurisdiction.
  - b. Did each State and Territory Leader obtain specific and detailed advice on the share of GST to be handed over by their respective State or Territory under the NHHN deal.
  - c. Or was the information more general and consistent with the government's statements that 'about one third of GST revenue' would have to be handed over under the NHHN reform.
  - d. Was the information provided to State and Territory Leaders at COAG on 19-20 April 2010 identical to the information provided in MYEFO 2010/11.
  - e. If not, please provide specific details of the percentage shares advised to State and Territory Leaders at the April 2010 COAG meeting.

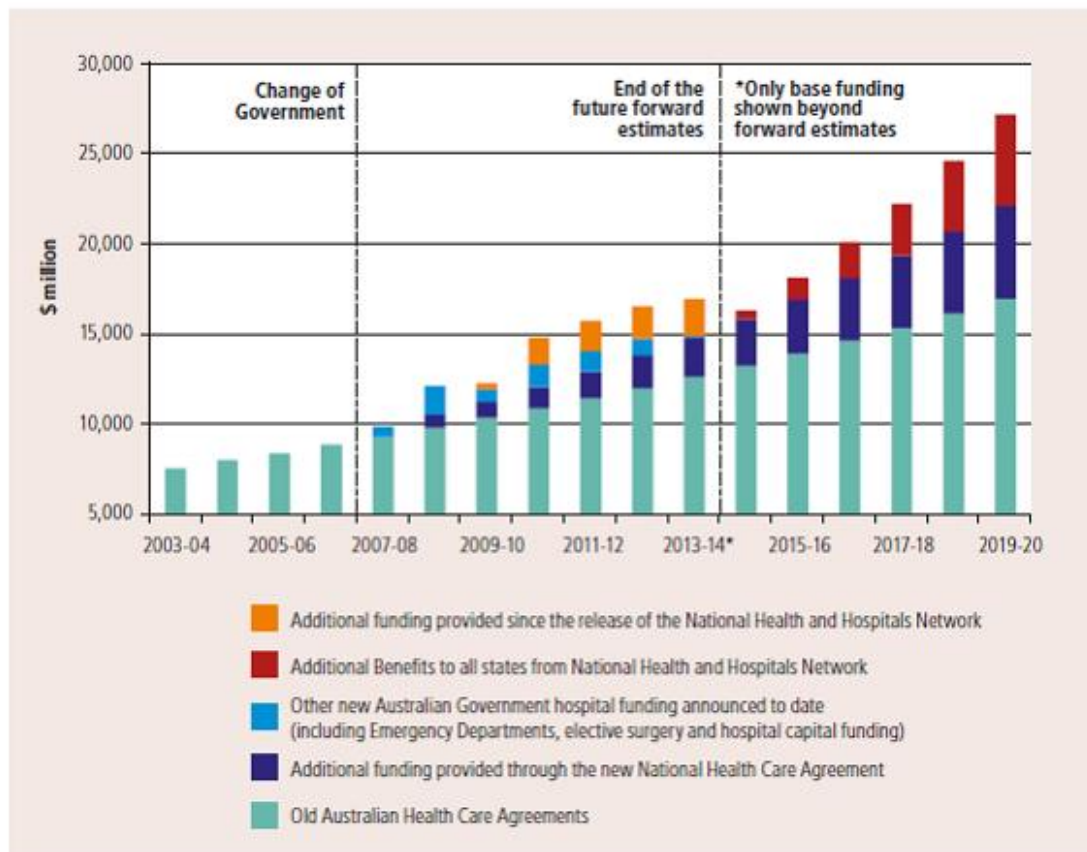
The graph below purports to present additional Commonwealth Government health and hospital expenditure under the National Health and Hospitals Network until 2019/20.<sup>21</sup>

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<sup>21</sup> A National Health and Hospitals Network for Australia's Future – Delivering better health and better hospitals, 2010, page 14  
([http://www.health.gov.au/internet/yourhealth/publishing.nsf/Content/report-redbook/\\$File/HRT\\_report3.pdf](http://www.health.gov.au/internet/yourhealth/publishing.nsf/Content/report-redbook/$File/HRT_report3.pdf));

Yet, questions about the funding sources, apparent inconsistencies and actual dollar amounts represented in this graph and taken on notice during the inquiry remain unanswered:

**Figure 1: Additional Commonwealth Government health and hospital expenditure under the National Health and Hospitals Network**



Source: Commonwealth Budget Papers, Commonwealth Department of Health and Ageing and Department of the Prime Minister and Cabinet analysis.

Why is the government not able or unwilling to clarify the detail about the five funding categories depicted in this graph – specifically the funding from 2014/15 listed under the 'Old Australian Health Care Agreements' and under the new 'National Health Care Agreement'. Somebody put this graph together in an effort to sell the merits of the government's proposed reforms. Why then would the government not be prepared to provide such basic information?



## **CONCLUSION**

This legislation is about federal financial relations not about health reform.

It is about \$200 billion in additional revenue for a federal government that hasn't been very good at spending taxpayers' money wisely at the expense of States and Territories.

There is insufficient detail about the actual benefits for patients which would flow from this shift in revenue and some costs to the Commonwealth.

True to form, the government has again mismanaged the process which led to the introduction of this legislation. The government is effectively asking the Senate to endorse a breach of the Intergovernmental Agreement on Federal Financial Relations agreed by all Australian governments state and federal in 2008.

Finally, many of the arguments used by the government to promote the merits of its proposed changes did not withstand scrutiny and too many legitimate questions remain unanswered to this day.

Coalition Senators believe that this legislation is not in our national interest, that it is not in the interest of States and Territories and that it is not in the interest of patients across Australia.

It would appear that the Prime Minister has come to the same conclusion.

## **COALITION SENATORS RECOMMEND THAT:**

- 1) The Senate not pass this Bill;
- 2) Even if this legislation is considered any further, the government be first required to:
  - a. table a copy of an agreement signed by all members of the Council of Australian Governments to vary the Intergovernmental Agreement on Federal Financial Relations consistent with the changes proposed by this legislation;
  - b. explain the apparent real cuts in federal funding for health and hospitals compared to a continuation of past growth trends;

- 3) If this legislation is to be passed it should at the very least be amended to ensure that determinations by the Treasurer are disallowable instruments when they relate to:
- a. the share of GST to be transferred by individual States and Territories to the Commonwealth;
  - b. special payments;
  - c. positive or negative State adjustment amounts.

Senator Mathias Cormann

Senator David Bushby

Senator John Williams