

Senate Community Affairs Committee

ANSWERS TO ESTIMATES QUESTIONS ON NOTICE

HEALTH PORTFOLIO

Budget Estimates 2017 - 2018, 29 May 2017

Ref No: SQ17-000689

OUTCOME: 2 - Health Access and Support Services

Topic: Mersey Community Hospital

Type of Question: Written Question on Notice

Senator: Lambie, Jacqui

Question:

In 2007 the Commonwealth was responsible for the running of the Mersey Community Hospital in Tasmania. In 2017 the Federal government has handed it back to the Tasmanian state government along with a payment of \$730 million as running costs for the next decade.

- a) How do the costs per patient by DRG diagnosis-related group compare between the Mersey and other equivalent regional hospitals?
- b) Was the commonwealth any more efficient at running a hospital than the states on average?
- c) Is there any IHPA data providing an accurate evaluation?
- d) What factors and conditions were placed on the Tasmanian State Government to determine the one off payment of \$730 million to the Tasmanian government to get them to take back the running of the hospital?

Answer:

The Mersey Community Hospital (the Mersey) has been operated by the Tasmanian Government under successive Heads of Agreements between the Commonwealth and Tasmania. Funding levels have been set based on the outcome of negotiations between Governments and are not determined on an activity basis like other public hospitals. This difference in funding models is one of a range of factors that influences the delivery and cost of hospital services and comparisons between the Mersey and other regional hospitals is unlikely to accurately capture the impact of these factors.

The one-off payment of \$730.4 million to the Tasmanian Government as part of arrangements to transfer ownership of the Mersey was also negotiated and agreed between Governments. This figure was calculated based on the net present value of ten years of funding indexed from the rate of funding provided in 2016-17.

The National Partnership associated with the return of the hospital specified a service level for which Tasmania will not be eligible for activity based funding over the ten years of the National Partnership. This reflects the contribution the Commonwealth has already made to the delivery of public hospital services over these ten years through the one-off payment.