

Senate Community Affairs Committee

ANSWERS TO ESTIMATES QUESTIONS ON NOTICE  
HEALTH AND AGEING PORTFOLIO

Supplementary Budget Estimates 2011-2012, 19 October 2011

Question: E11-421

OUTCOME 0: Whole of Portfolio

Topic: HOSPITAL FUNDING

Written Question on Notice

Senator Fierravanti-Wells asked:

- a) The Prime Minister has said that the Agreement is "a commitment of \$175 billion extra by 2030". Are the states guaranteed to receive \$175 billion in extra top-up payments by 2030? Could it be less than \$175 billion?
- b) How much additionally will be provided to the states each year to reach the \$175 billion by 2030?
- c) What assumptions have been used to arrive at \$175 billion by 2030?

Answer:

- a) The National Health Reform Agreement guarantees payments for the period 2014-15 to 2019-20. The Commonwealth has guaranteed that the states will receive \$16.4 billion more under the Agreement over the period 2014-15 to 2019-20 than they would have received under the National Healthcare Agreement Specific Purpose Payment.

The estimated additional funding is based on the Commonwealth paying 45 per cent of efficient growth in public hospital services and functions over the three years from 2014-15 to 2016-17, and 50 per cent of efficient growth thereafter, through a mixture of activity based funding and block grants.

If actual Commonwealth funding paid under the National Health Reform Agreement over the period 2014-15 to 2019-20 falls short of the guaranteed additional \$16.4 billion, the difference will be paid in the form of top-up payments.

The \$175 billion figure represents the estimated annual difference between the amount that would have been payable under the National Healthcare Agreement Specific Purpose Payment over the period from 2014-15 to 2029-30, and Treasury projections of the amount payable by the Commonwealth under the National Health Reform Agreement over the same period.

- b) The National Health Reform Agreement provides an annual breakdown of the projected amounts of growth funding payable for the period 2014-15 to 2019-20.

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Projected annual growth funding amounts (\$m)	574	1,231	1,983	3,012	4,161	5,433

- c) Aggregate public hospital expenditure is projected on a similar basis to the models used for the 2010 Intergenerational Report. In general, projections are derived by first applying non-demographic growth to current age-specific spending rates per person. These estimates are then increased by the projected population and CPI to derive nominal projections of spending.

The historical series used to determine the non-demographic growth rate for public hospital expenditure is 1996-97 to 2008-09.

- Total government spending on hospitals is projected to grow at around 8 per cent per annum over the medium term. This is derived from historic growth in real age adjusted per capita expenditure of 3.5 per cent.
- The projections are based on data from the Australian Institute of Health and Welfare (AIHW). The projections use 2008-09 as the base year (the latest year available from the AIHW).

The National Healthcare Specific Purpose Payment is projected beyond the forward estimates on the basis of a COAG agreed indexation methodology which includes demographic growth, increases in the health price index and technological change.