

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Treasury Portfolio
Budget Estimates
2017 - 2018

Division/Agency: Social Policy Division
Question No: 278
Topic: Hospital Funding
Reference: Hansard page 74 (29 May 2017)
Senator: Hume, Jane

Question:

CHAIR: Senator McAllister and Senator Gallagher, your 15 minutes is now up, but I will follow up a couple of your questions with the panel and with the minister. Is it fair to say that the Medicare Guarantee Fund means that the MBS and the PBS will effectively have first call on the resources of the government?

Senator Cormann: Yes, that is right.

CHAIR: That is what the guarantee fund is. How much will be credited to the fund in the forward estimates period?

Mr M Brennan: It is in the order of \$34 billion a year.

CHAIR: \$34 billion.

Mr M Brennan: That is per year, so multiply it roughly by four.

Ms Evans: It rises to \$38 billion in the last year of the forwards.

CHAIR: So it increases every year?

Ms Evans: Correct.

CHAIR: Just on that issue of hospital funding, what is the average annual growth for public hospital funding for the Commonwealth over the forward estimates?

Mr M Brennan: There are two things. Under the hospital agreement with the states, there is an allowance to grow hospital funding by up to 6.5 per cent. That was the nature of the deal struck at COAG in April 2016. The forecasts that we have in Budget Paper No. 3 may reflect some actual activity at actual estimates of price, which mean that the current forecasts are a bit less than 6½ per cent.

Senator Cormann: Again, to be clear here, this is the reforms pursued by the Gillard government playing out around introducing a national efficient price. The 6.5 per cent is like the upper cap, but the intention, of course, was always to get maximum bang for your buck, if you like, by putting downward pressure on the growth in hospital expenditure without comprising access to high-quality care.

Mr M Brennan: So I may have to take that on notice.

Senator Cormann: Yes, we may have to take that on notice.

Ms Evans: Senator, it is annual growth of 5.6 per cent from 2016-17 through to 2019-20.

Mr M Brennan: That is an estimate, as distinct from the cap. The cap is 6½ per cent.

Answer:

As per Table 2.4 of Budget Paper No. 3, National Health Reform funding is projected to increase from \$19.6 billion in 2017-18 to \$22.7 billion in 2020-21 – average annual nominal growth of 5.0 per cent per year. Estimates of funding in 2020-21 are based on 2019-20 funding for each State indexed by CPI and population growth. Actual total and state funding in 2020-21 will be subject to the outcome of negotiations on a longer-term funding agreement.