Labor Senators' Dissenting Report

1.1 The National Health Reform Agreement (NHRA) is a shared commitment to national reform of public hospital and health services which outlines conditions for calculating Commonwealth funding to the states as well as the role of governments in the application of this funding.[1] The adjustment in Commonwealth health funding to the states, announced as part of the 2011-12 Final Budget Outcome and the Mid-Year Economic and Fiscal Outlook (MYEFO) (published in September 2012 and October 2012 respectively), was undertaken in accordance with the agreement between governments.[2]

1.2 The NHRA aims to improve transparency of public hospital funding, patient access and the efficiency of public hospitals as well as performance reporting.[3] Funding from the Commonwealth under the NHRA is subject to regular adjustments to reflect, amongst other things, changes in activity and from 2014-15 will be determined on the basis of activity levels set by the states.[4]

1.3 In 2012-13, the Commonwealth is providing $13.3 billion to Local Hospital Networks and the states under the NHRA, which is an increase of 5.7 per cent over 2011- 12 funding.[5] Funding for public hospitals is expected to grow by approximately 8.2 per cent per annum from 2012-12 to 2015-16.[6] This increase reflects in part the commencement of the Commonwealth's commitment under the NHRA to increase funding by at least $16.4 billion between 2014-15 and 2019-20, compared to the former National Healthcare Special Purpose Payment (SPP).[7]

1.4 Additional funding to enhance public hospitals is also being provided through the Commonwealth via National Partnership Agreements, with $4.1 billion being paid since 2007-08 and another $59 million scheduled to be paid in the remainder of 2012-13.[8] Further, the Commonwealth has committed $5 billion for health infrastructure across Australia under the Health and Hospitals Fund.[9]

1.5 Taking Victoria as an example of state specific funding outcomes, the state is receiving a total of $3.6 billion in total health funding from the Commonwealth in

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1 Joint Submission – Australian Government Department of Health and Ageing and the Treasury, *Submission 55*, p. 5.

2 Health and Ageing and Treasury Submission, *Submission 55*, p. 18

3 Health and Ageing and Treasury Submission, *Submission 55*, p. 5.

4 Health and Ageing and Treasury Submission, *Submission 55*, p. 3.

5 Health and Ageing and Treasury Submission, *Submission 55*, p. 3.

6 Health and Ageing and Treasury Submission, *Submission 55*, p. 3.

7 Health and Ageing and Treasury Submission, *Submission 55*, p. 3 and p. 11.

8 Health and Ageing and Treasury Submission, *Submission 55*, 3.

9 Health and Ageing and Treasury Submission, *Submission 55*, 3.

2012-13.[10] This includes the Commonwealth providing an additional $196 million in NHRA funding (an element of the total funding the Commonwealth provides) to Victoria this year compared with 2011-12.[11] By 2015-16 total health funding from the Commonwealth to Victoria will equal $4.5 billion, an increase of $900 million over four years.[12] In terms of total National Healthcare SPP and National Health Reform figures, Commonwealth funding to Victoria will increase by 38.1% from 2011-12 to 2015-16.[13]

1.6 Total Commonwealth funding for other jurisdictions will also be markedly enhanced. For example, New South Wales, there will be an increase of 32% in Commonwealth funding during that same period and in Queensland total funding from the Commonwealth will increase 41.3%.[14]

(I) Adjustment

1.7 The process used to finalise the 2011-12 National Healthcare SPP and update National Health Reform funding estimates for 2012-13 to 2015-16 at MYEFO was consistent with the regular budget processes that Treasury undertakes throughout each year.[15]

1.8 Professor Jane Halton, Department of Health and Ageing, told the committee:

> …I should make the point that, when it comes to appropriations in relation to health, there are a number of appropriation items which are standing appropriations. In other words, they reflect activity or other parameter adjustments. The fact that there is an estimate included in the Commonwealth Budget does not constitute a commitment to spend the amount of money nominated in the line item of the budget.[16]

1.9 The Treasurer's final determination of the 2011-12 National Healthcare SPP made a downward revision to the amount initially estimated in the 2012-13 Budget. This revision was a result of advance payments made in 2011-12 being higher than the outcomes specified in the Treasurer's determination.[17] The Federal Financial

10 Mid-Year Economic and Fiscal Outlook, Table 3.24: Payments for specific purposes by sector, 2012-13 to 2015-16, p. 77.

11 MYEFO, Table 3.23: Total payments for specific purposes by category, 2012-13 to 2015-16, p.74; Final Budget Outcome 2011-12, Payments for specific purposes to support state health services, 2011-12, p. 74.

12 MYEFO, Table 3.24: Payments for specific purposes by sector, 2012-13 to 2015-16, p. 77.

13 Health and Ageing and Treasury Submission, *Submission 55*, p. 17.

14 Health and Ageing and Treasury Submission, *Submission 55*, p. 17.

15 Health and Ageing and Treasury Submission, *Submission 55*, p. 15.

16 Professor Jane Halton, Secretary of the Department of Health and Ageing, *Committee Hansard*, 21 February 2013, p. 55.

17 Health and Ageing and Treasury Submission, *Submission 55*, p. 15.

Relations Act 2009 clearly states that any difference between the estimated and final outcome for the year is to be recouped by the Commonwealth.[18]

1.10 Following finalisation of the MYEFO, the Treasury was able to commence adjustments to 2012-13 National Health Reform payments, incorporating both the updated 2012-13 National Health Reform funding profile for the year, and the recoupment of overpayments made under the National Healthcare SPP in 2011-12.[19]

1.11 Mr Paul Gilbert, Victorian Branch of the Australian Nursing Federation (ANF), explained to the committee that:

> …what occurred was consistent with the terms of the agreement. It might be prudent for people to look back and see what the terms said.[20]

(II) Calculating the Adjustment

1.12 In the first two transition years of the NHRA, Commonwealth funding variations may occur based on the application of the agreed funding formula set out in the Intergovernmental Agreement on Federal Financial Relations (IGA) that the Commonwealth and state Treasurers signed up to.[21] The formula is calculated with reference to growth in population estimates provided by the Australian Bureau of Statistics (ABS) weighted for hospital utilisation, the rolling five-year average of growth in the Australian Institute of Health and Welfare (AIHW) Health Price Index and a technology factor (which is fixed).[22]

1.13 The joint submission from the Department of Health and Ageing and Department of the Treasury (joint Health and Treasury submission) noted that:

> All nine jurisdictions have agreed that this formula reflects the costs of delivering public hospital services. The funding formula ensures the Commonwealth provides funding which reflects increasing demand for health services – as costs or population levels change, Commonwealth funding changes. The components of the formula ensure that the Commonwealth does not under-fund services if costs and/or population growth are higher than expected, and conversely does not over-fund if costs and/or services are lower than expected.[23]

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18 *Federal Financial Relations Act 2009* section 18; Health and Ageing and Treasury Submission, *Submission 55*, p. 15

19 Health and Ageing and Treasury Submission, *Submission 55*, p. 16.

20 Mr Paul Francis Gilbert, Assistant Secretary, Australian Nursing Federal (Victorian Branch), *Committee Hansard*, 21 February 2013, p. 7.

21 Health and Ageing and Treasury Submission, *Submission 55*, p. 20.

22 Health and Ageing and Treasury Submission, *Submission 55*, p. 14.

23 Health and Ageing and Treasury Submission, *Submission 55*, p. 14.

(i) Population Growth

1.14 In terms of population growth estimates, the ABS submission explained that the bureau introduced innovations that directly improved the quality of estimated resident population (ERP) figures when putting together the preliminary official population estimates based on the 2011 Census.[24] The innovation was the introduction of Automated Data Linking which meant an improved measure of net undercount than would have previously been possible under other Census estimates.[25] The submission noted that:

> This major improvement resulted in a lower estimate of how many people the ABS needed to add to the 2011 Census counts when deriving Australia's official population estimates for 30 June 2011. The ABS estimated that the previous method would have added in around 247,000 people who were not actually in the population.[26]

1.15 Ms Gemma Van Halderen, ABS, informed the committee that this recalculation occurred in a transparent and open fashion. Ms Halderen stated that the ABS:

> …put out advice prior to the population census in 2011 that it was going to be using a new method of measuring the quality of the census. We then put out advice in 2012, when the first census release came out and when first population estimates came out…Like the Australian Institute of Health and Welfare, we are very open and transparent in our methods and how we approach things.[27]

1.16 Professor Stephen Duckett, in responding to the question of whether the Commonwealth's application of population figures was fair, indicated that it was. He stated before the committee:

> In brief, yes…My view is that it was fair of the Commonwealth to say, "We are going to use the latest estimates that are available of population and we believe these are what should be applied." I think that is fair…[28]

(ii) Health Price Index

1.17 The AIHW advised that growth in the Health Price Index for the last available year of 2010-11 was the lowest for a decade and that this was a result of moderation in medical inflation rates and the price of the Australian dollar (which leads to a fall in the price of medical and surgical equipment sourced from outside Australia). This

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24 Australian Bureau of Statistics Submission, *Submission 25*, pp. 2-3.

25 Australian Bureau of Statistics Submission, *Submission 25*, p. 3

26 Australian Bureau of Statistics Submission, *Submission 25*, p. 3

27 Ms Gemma Van Halderen, First Assistant Statistician, Population, Education and Data Integration Divisions, Population, Labour and Social Statistics Group, Australian Bureau of Statistics, *Committee Hansard*, 21 February 2013, p. 37.

28 Professor Stephen Duckett, private capacity, *Committee Hansard*, 21 February 2013, p. 1.

lower growth has driven down the overall five-year average of the index calculated by the AIHW.[29]

1.18 David Kalisch, AIHW, stated in the submission to the committee that:

> On the issue of transparency, the AIHW fully explains the method of calculation for the THPI [Total Health Price Index] in our annual *Health expenditure Australia* report, which is released around September each year….I would suggest that the Committee does not confuse the issue of transparency which we have demonstrated with the perspective of those who believe the numbers should be higher in order to produce a higher funding level to state governments.[30]

(III) Timing

1.19 Much of the criticism directed at the Commonwealth relating to the adjustment in funding has focussed on the timing of the decision and the deadlines placed on states to adjust their budgets. However, the Commonwealth actually departed from normal practice by spreading the residual adjustment over the remainder of the 2012-13 financial year, commencing in December 2012.[31] This was done to assist states in managing cash flows even though normal practice is to make adjustments in full in the next available payment.[32]

1.20 The *Federal Financial Relations Act 2009* actually indicates that any adjustments should be made in the first practicable financial year following the change.[33] Further, the IGA requires that adjustments to account for the difference between estimated and actual outcomes are to be acquitted in the first available payment.[34]

1.21 Mr Peter Robinson, Treasury, informed the committee:

> In this case, we have spread the adjustment to the SPP over the course of 2012-13. So we have gone as far, I guess, as we could in terms of the legislative basis that we have for making adjustments.[35]

1.22 The NHRA was an agreement signed off by all governments after extensive negotiations. The nature of the agreement and how funding would be calculated were known to all jurisdictions for a substantial period of time and the Commonwealth made deliberate efforts to even out the adjustment whilst abiding by relevant legislative requirements.

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29 Health and Ageing and Treasury Submission, *Submission 55*, p. 15.

30 Australian Institute of Health and Welfare Submission, *Submission 2*, p. 1.

31 Health and Ageing and Treasury Submission, *Submission 55*, p. 16.

32 Health and Ageing and Treasury Submission, *Submission 55*, p. 16.

33 *Federal Financial Relations Act 2009* section 18.

34 Health and Ageing and Treasury Submission, *Submission 55*, p. 18; Clause D9 of the IGA.

35 Mr Peter Robinson, General Manager, Commonwealth-State Relations Division, Treasury, *Committee Hansard*, 21 February 2013, p. 57.

(IV) State Responsibility for Impact on Healthcare Services

1.23 Labor Senators note that the Commonwealth is actually providing an additional $716 million in public hospital funding to the states in 2012-13 compared to 2011-12.[36] Also, the states have numerous options at their disposal to adapt to the funding adjustment. For example, the joint Health and Treasury submission noted:

> The Commonwealth will also provide States with $48.2 billion in "untied" GST payments in 2012-13, which States could apply to public hospital services if they choose to do so. The 2012-13 MYEFO adjustment varied the Commonwealth payment in 2012-13. It does not automatically flow that this should have a negative impact on patient care or services.[37]

1.24 The NHRA recognises that the states are the system managers of the public hospital system. A core element of being the system manager of public hospitals is to ensure that services are appropriately funded. Clause A60 of the NHRA states:

> States will determine the amount they pay for public hospital services and functions and the mix of those services and functions, and will meet the balance of the cost of delivering public hospital services and functions over and above the Commonwealth contribution.[38]

1.25 This means that where Commonwealth funding increases or decreases according to the agreed funding formula, the state has the critical role of assessing whether the state's funding contribution requires adjustments to enable the Local Hospital Network to meet the level of services set out in their Service Agreement. Some states have met their obligations; for example Dr Mary Foley, New South Wales Department of Health, told the committee:

> In New South Wales, the state Treasury has maintained our level of funding, in keeping with the service agreements and new funding model we implemented on 1 July last year.[39]

1.26 Other states have not met their obligations under the NHRA and have instead blamed the Commonwealth funding adjustments for service reductions driven by their own funding cuts. The submission from the ANF Victorian Branch states in the context of cuts to the Victorian health system that:

> …while these cuts [in the Victorian health system] have occurred subsequent to the Federal Government adjustments to state funding, it does not immediately follow that this is the sole cause or motivation for the cuts.[40]

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36 Health and Ageing and Treasury Submission, *Submission 55*, p. 18.

37 Health and Ageing and Treasury Submission, *Submission 55*, p. 18.

38 *National Health Reform Agreement*, clause A60.

39 Dr Mary Foley, Director-General, New South Wales Department of Health, *Committee Hansard*, 21 February 2013, p. 12.

40 Australian Nursing Federal (Victorian Division) Submission, *Submission 5*, p. 3.

1.27 Furthermore, Labor Senators note allegations put before the committee that the Victorian Government may have acted to ensure that the Commonwealth funding adjustment was implemented in such a manner as to maximise service cuts to Victorians. Mr Gilbert stated:

> It has been put to me that there was one example where a health service proposed to deal with the cuts by way of not closing any beds or reducing theatre sessions and that that proposal was rejected in favour of one that closed beds and reduced theatre sessions. I think [Victorian Health] Minister Davis, as is his role, for the good of Victoria, in his view, ensured that the impact was as severe as it could be in order to generate the positive outcome.[41]

1.28 When questioned on whether he thought that the Baillieu Government intentionally sought to make the adjustment in Commonwealth funding appear more severe as part of a public relations effort, Mr Gilbert responded:

> I am saying that a hospital changed its proposal to deal with the cuts [following submission to the Victorian Department] to one that had a greater media impact. I am saying this was consistent with the minister's message. Whether the minister ever had communication with that health service, it [sic] will never know.[42]

1.29 Despite the protestations of the Baillieu Government, data recently released by the AIHW demonstrates that Victorian hospitals were tracking well below their performance targets prior to concerns being raised about the Commonwealth funding adjustment. In fact, Victorian hospitals were only seeing 62.8% of emergency patients within four hours in the September quarter, and only seeing 65% on time over the 2012 calendar year, figures were well below the target of 70% for the year.[43]

1.30 **It is because of the Victorian Government's inability to** manage their own health system that the Commonwealth is paying $107 million directly to Local Hospital Networks and not to the Baillieu Government.[44] This payment was necessary because of the decision of the Baillieu Government to make substantial cuts of some $616 million from the Victorian health system.[45]

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41 Mr Paul Francis Gilbert, Assistant Secretary, Australian Nursing Federal (Victorian Branch), *Committee Hansard*, 21 February 2013, p. 11.

42 Mr Paul Francis Gilbert, Assistant Secretary, Australian Nursing Federal (Victorian Branch), *Committee Hansard*, 21 February 2013, p. 11.

43 Minister for Health and Ageing, the Hon Tanya Plibersek, "Baillieu government failing on hospitals long before funding dispute", *Media Release*, 28 February 2013.

44 Minister for Health and Ageing, the Hon Tanya Plibersek, "Victorian hospital rescue package helps patients", *Media* Release, Thursday 21 February 2013.

45 Victorian Budget Paper No 3 2011-12, Chapter 2, Service Delivery 2011-12, p 112, (a figure of $481.9 million is derived by adding election commitment savings and measures to offset the GST reductions); Victorian Budget Paper No 3 2012-13, Chapter 1, 2012-13 Service Delivery, p. 23 (a figure of $134.1 million is derived by adding total savings).

1.31 The ANF Victorian Branch submission also observed that Victoria has previously issued, through its Department of Health, quarterly reports of elective surgery waiting lists and emergency department waiting times. As the submission suggests, these are reasonable measures against which to assess the impact of any cuts on patient care and services. However, since June 2012, the Victorian Government has failed to update these reports.[46]

1.32 The inquiry also heard that ordinarily Victorian health services enter into Statements of Priorities with the Victorian Department of Health which indicate what services they intend to provide. Unlike in previous years, these statements have not been published, although according to the ANF Victorian Branch an initial set was negotiated and signed but not published once the Commonwealth funding adjustment was announced.[47] The committee heard that:

> They would have been a good benchmark on which to judge the impact of the federal cut because you could have said, "Looking at what was going to happen before anyone knew about the federal cut, we could say this is what happened as a consequence of the federal cut".[48]

1.33 Another key concern raised at the inquiry was the fact that the Victorian Government has refused to provide the independent Administrator of the National Health Funding Pool with details on how it is allocating the Commonwealth funding.[49] When questioned on why the Victorian Government would not want this data published Professor Duckett responded to the committee:

> I do not know. I think it is very regrettable, as I said in my opening statements. I think part of these reforms are about transparency, and I think that the Victorians should supply that data to the independent administrator; it is part of the reforms they agreed to.[50]

1.34 The ANF Victorian Branch submission speculates as to the reasons for these various omissions on the part of the Victorian Government:

> It may be inferred from this that cuts to services were already intended…the timing of the Gillard Government funding adjustment has enabled the entire woes of the Victorian health system to be blamed on the actions of the Commonwealth. The absence of usually available State statistics has made this an easier task.[51]

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46 Australian Nursing Federal (Victorian Division) Submission, *Submission 5*, p. 3-4.

47 Australian Nursing Federal (Victorian Division) Submission, *Submission 5*, p. 4.

48 Mr Paul Francis Gilbert, Assistant Secretary, Australian Nursing Federal (Victorian Branch), *Committee Hansard*, 21 February 2013, p. 6.

49 Professor Stephen Duckett, Private capacity, *Committee Hansard*, 21 February 2013, p. 3.

50 Professor Stephen Duckett, Private capacity, *Committee Hansard*, 21 February 2013, p. 4.

51 Australian Nursing Federal (Victorian Division) Submission, *Submission 5*, p. 4.

1.35 This misleading attribution of blame to the Commonwealth may apply even where health services have specifically linked changes in their services to the Commonwealth's funding adjustment. Mr Gilbert stated before the committee that:

> …there were substantial cuts going on in, for example, elective surgery procedures that were indeed publicly announced at Christmas before last and they were already impacting on health services. Simply because a statement says that it is because of something [adjustment in Commonwealth funding] is not itself evidence to me that that is the case.[52]

1.36 Labor Senators encourage all states to transparently reveal how Federal Government funding to their health systems is being spent and take responsibility for cuts in funding that occurred independently from the adjustment in Commonwealth funding announced last year.

(V) Response to Recommendations

1.37 In relation to recommendation 1, Labor Senators do not consider it necessary to reinstate funds to the states and territories for the years 2011-12 and 2012-13 that were affected by the release of MYEFO. The decision to alter Commonwealth funding was done in accordance with a formula designed so that the Commonwealth does not over-fund if costs or services are lower than expected.[53] A decision on whether other jurisdictions will receive a funding rescue package similar to the one provided to Victoria will be made by on a case by case basis. However, Labor Senators point out that other states have succeeded in meeting the costs of health services from their own budgets.[54] As noted, the New South Wales Government absorbed the Commonwealth funding adjustment from across the entire state's budget and there was no reduction of funds dedicated to health services.[55]

1.38 Labor Senators reject the premise of recommendation 2. In order to secure the emergency funding package to Victoria the Commonwealth has had to redirect funding from the Seamless National Economy National Partnership, with the balance of the $107 million to come from decisions on future funding projects for the state.[56] This, however, is not a threat to the state's taxpayers but rather a necessary commitment on the part of the Commonwealth to ensure that essential health services meet the needs of all Victorians. Such a step would not have been necessary if the

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52 Mr Paul Francis Gilbert, Assistant Secretary, Australian Nursing Federal (Victorian Branch), *Committee Hansard*, 21 February 2013, p. 6.

53 Health and Ageing and Treasury Submission, *Submission 55*, p. 14.

54 Dr Mary Foley, Director-General, New South Wales Department of Health, *Committee Hansard*, 21 February 2013, p. 12.

55 [55] Dr Mary Foley, Director-General, New South Wales Department of Health, *Committee Hansard*, 21 February 2013, p. 14.

56 Minister for Health and Ageing, the Hon Tanya Plibersek, "Victorian hospital rescue package helps patients", Media Release, Thursday 21 February 2013.

Baillieu Government had not cut hospital budgets and then engaged in a cynical scare campaign aimed at falsely attributing blame to the Commonwealth.[57]

1.39 In terms of recommendation 3, Labor Senators think that the Commonwealth should retain discretion to bypass existing arrangements and fund state hospitals or hospital administrators directly in order to swiftly secure vital health services. Although this approach does depart from regular funding processes, it may be necessary in particular circumstances such as in Victoria where the Baillieu Government cut $616 million from the state's health system.[58] The Commonwealth would of course prefer to avoid future emergency rescue payments and encourages all jurisdictions, including Victoria, to support the NHRA and fulfil their obligations as system managers of the public hospital system.

1.40 In response to recommendation 4 the Commonwealth will, depending on the circumstances, consider how to apply funding adjustments if and when they arise. In the present scenario, the Commonwealth spread the funding adjustment over the course of the financial year even though it would have been permissible to make the adjustment earlier (i.e. first available payment).[59] Under the NHRA, there will continue to be regular variations in Commonwealth funding for public hospital services. Commonwealth funding is calculated according to a designated formula agreed to by all jurisdictions and the formula will change depending on the inputs into that formula.[60] As part of the NRHA, all states have agreed to a future process of six-monthly reconciliations of Commonwealth funding against public activity levels and funding from the Commonwealth will vary if actual activity differs from what was originally forecast.[61] Also, it is important to remember that the states will be able to amend the service levels outlined in Service Agreements at any time. The Commonwealth's activity based funding will be based on the forecast activity in these agreements, meaning that it will be varied if amendments are made by the states.[62]

1.41 Labor Senators do not support recommendation 5 and believe that the Commonwealth should be afforded the flexibility to rearrange health payments as considered suitable depending on a variety of factors. The adjustment in funding was not undertaken to reimburse the Commonwealth for an ancillary purposes; it was done completely in accordance with the NHRA.

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57 Minister for Health and Ageing, the Hon Tanya Plibersek, "Victorian hospital rescue package helps patients", Media Release, Thursday 21 February 2013.

58 Victorian Budget Paper No 3 2011-12, Chapter 2, Service Delivery 2011-12, p 112, (a figure of $481.9 million is derived by adding election commitment savings and measures to offset the GST reductions); Victorian Budget Paper No 3 2012-13, Chapter 1, 2012-13 Service Delivery, p. 23 (a figure of $134.1 million is derived by adding total savings).

59 *Federal Financial Relations Act 2009* section 18; Health and Ageing and Treasury Submission, *Submission 55*, p. 18; Clause D9 of the IGA.

60 Health and Ageing and Treasury Submission, *Submission 55*, p. 19.

61 Health and Ageing and Treasury Submission, *Submission 55*, pp. 19-20.

62 Health and Ageing and Treasury Submission, *Submission 55*, p. 20.

1.42 In terms of recommendation 6, Labor Senators note that the nature of the Health Price Index and how it was calculated was one of the conditions for Commonwealth funding set out in the IGA which all jurisdictions were aware of prior to the recent Commonwealth funding adjustment. The Commonwealth has no present plans to alter the formula.

(VI) Conclusion

1.43 The NHRA ensures that all states will receive additional Commonwealth funding for public hospitals compared with the National Healthcare SPP.[63] Adjustments to Commonwealth funding were not arbitrarily decided but rather were consistent with the regular budget processes that Treasury undertakes throughout each year after due consideration of the estimated population growth and the Health Price Index.[64] Some states have refused to meet the requirements of the NHRA and perform their role as system managers. This has impacted on service delivery in those states.

1.44 It is also important to consider that the NHRA contains a dispute resolution clause which is available to all jurisdictions and could have been utilised to handle this matter currently before the committee.[65] However, as the Department of Health and Ageing mentioned during the inquiry, the dispute resolution arrangements have not been triggered by Victoria or any other state.[66] If the Victorian Government or any other government was confident that the funding adjustment was unreasonable it could have opted to employ this clause at any time after the Commonwealth Treasury informed state Treasuries on 3 November 2012 that adjustments would occur across the remainder of the 2012-13 financial year.[67]

1.45 The timing of the adjustment has provided an opportunity for the Victorian Government to attempt to lay blame on the Commonwealth for its own health funding cuts. This is a false ascription of culpability that ignores the fact that the NHRA contains mechanisms to adjust Commonwealth funding in accordance with the application of a known formula. The states have an important role to play as system managers and this is explicitly recognised in the agreement.[68]

63 Health and Ageing and Treasury Submission, *Submission 55*, p. 6.

64 Health and Ageing and Treasury Submission, *Submission 55*, p. 14.

65 *National Health Reform Agreement*, clauses 21-23.

66 Professor Jane Halton, Secretary of the Department of Health and Ageing, *Committee Hansard*, 21 February 2013, p. 56.

67 Health and Ageing and Treasury Submission, *Submission 55*, p. 18.

68 *National Health Reform* Agreement, clause 8a; Health and Ageing and Treasury Submission, *Submission 55*, p. 3.

1.46 The Commonwealth and the states signed up to the NRHA to secure the future health of Australia with less waste and increased transparency and accountability. Labor Senators urge all states and other stakeholders to closely scrutinise the terms of the NHRA and recognise that the adjustment was in keeping with the agreement.

Senator Helen Polley
Deputy Chair

Senator Anne McEwen
Senator for South Australia