Analysis of the Health Provisions in the 2012-13 Mid-Year Economic and Fiscal Outlook (MYEFO)

Dr Lesley Russell
Senior Research Fellow
Australian Primary Health Care Research Institute
The Australian National University

A C K N O W L E D G E M E N T S

This research is a project of the Australian Primary Health Care Research Institute, which is supported by a grant from the Australian Government Department of Health and Ageing. The information and opinions contained in it do not necessarily reflect the views or policy of the Australian Primary Health Care Research Institute or the Australian Government Department of Health and Ageing.

This paper looks at the health provisions in the 2012-13 *Mid-Year Economic and Fiscal Outlook 2012-13* (MYEFO). It is done in the light of current and past strategies, policies, programs and funding and is supported by data drawn from government documents, Senate Estimates, Medicare Australia, reports and published papers.

The opinions expressed are those of the author who takes full responsibility for them and for any inadvertent errors.

Australian Primary Health Care Research Institute

The Australian National University

Acton ACT 0200 Australia

T 61 2 6125 3021

F 61 2 6230 0525

E Lesley.Russell@anu.edu.au

anu.edu.au/aphcri

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Introduction

The old adage “the devil is in the details” is never more true than when it comes to the federal budget. Behind the bland statements in the 2012-13 Mid-Year Economic and Fiscal Outlook (MYEFO) document are some decisions that will have far-reaching consequences in prevention and public health, some confusing statements about funding sources for dental health reforms, what looks like a lack of interest in ensuring the success of a promised push for telehealth services for medically under-served areas, and some very opaque budget numbers.

The hidden disaster in the 2012-13 MYEFO is the hit (unacknowledged by anyone in the Government) taken by preventive and public health. We know that $ 1.5 billion over four years ($254 million in 2012-13) has been cut from the National Health Reform (NHR) funding. The MYEFO says this reflects downward revisions to both the weighted population used to calculate hospital utilisation following the 2011 Census and the Australian Institute of Health and Welfare health price index. However, closer examination reveals that cuts have been made in both hospital services and public health funding. The latter funding has been reduced by $400 million over the forward estimates, down from a total of $1.383 billion. With public health funding always such a negligible proportion of healthcare funding, every dollar counts here.

What is even more distressing is to discover that major cuts have been made in the National Partnership for Preventive Health. What was originally $584 million provided over the years 2012-13 to 2014-15 for Healthy Children, Healthy Communities and Healthy Workers is now only $397 million. Presumably, some of the $188.6 million that is clawed back goes towards the $74.1 million over four years provided since the 2012-13 Budget for preventive health activities. Of this funding, $29.1 million will support the Australian National Preventive Health Agency’s core activities and research as well as initiatives to combat eating disorders. The remaining $45.0 million will fund social marketing to discourage tobacco use, complementing the plain packaging initiative. However, in the light of MYEFO, this is not such a generous policy initiative and overall the Treasury has pocketed $100 million in savings from preventive health activities.

If Australia is to tackle the growing and costly burden of non-communicable diseases and ensure that our population is as healthy as possible throughout life, then increased efforts and investments in public health and prevention are essential. To date there is little evidence that the Government is committed to these.

Elsewhere in the MYEFO we find that the Government appears to have lost interest in what was a key 2010 election promise to deliver telehealth services through the Connecting Health Services with the Future package. Changes to the telehealth programs included in the MYEFO will deliver savings totalling $139 million. The MYEFO cuts to this program come on top of savings of $183.9 million taken in the 2012-13 Budget. Essentially $323 million has been taken over the years to 2015 -16 from a suite of programs that was to cost of the order of $690 million.

In the twelve months since the introduction of the telehealth consultation MBS items, there have been 26,557 specialist consultations at a cost of Medicare of $4.3 million, and 16,026 patient- end services, the majority of which have involved GPs, at a cost to Medicare of $1.2 million. It’s hard to know whether this should be considered an appropriate rate of uptake. However it is certainly less than that budgeted for, and that means the considerable savings that could be achieved by the use of telehealth services are not being realised – especially as there are now additional efforts in place to restrict access to these items. The Government seems happy to simply claw back savings rather than asking if additional effort is required to reap the patient health and economic benefits of telehealth it once touted.

It would be churlish at this early stage to criticise the new package of dental health reforms, although some have done so. I believe that the proposed initiatives are a good foundation

on which to build a sustainable dental health system that will benefit those Australians most in need. However the MYEFO information raises questions about where the savings to fund these reforms will come from.

When the dental reform package was announced in August, it was stated that the funding for these new initiatives, the majority of which will not be implemented until 2014-15, would come from the axing of the Medicare-based Chronic Disease Dental Scheme (CDDS), the cost of which has blown out to around $1 billion annually, and the Teen Dental Scheme which cost $65 million in 2011-12 but has consistently failed to hit its targets because it funds only check-ups and not the treatments found to be needed. It is estimated that over the next six years CDDS costs will amount to $6.6 billion, considerably more than the $4.1 billion cost of the new proposals. While closure of the CDDS has been included as a budget measure for several years, presumably Treasury has not been able to take these savings, so it can be inferred that these reforms will save money over that currently being spent on dental programs, at least over the next six years. Consequently it is impossible to determine where and how the budget impact of $495 million in 2012-15 and 2015-16 arises.

However the MYEFO states that "the cost of this dental health reform will be offset by savings including from changes to private health insurance" which will take effect from 1 April 2014, and result in savings of $1.09 billion over four years. When asked in Supplementary Senate Estimates where the money for dental reforms would come from, Departmental Secretary, Jane Halton, responded: "That is a matter for Treasury, the Finance Department and the centre of government."

Those who have followed my Budget analyses and prognostications over the years will be aware that I regularly complain about the difficulty of tracking programs and spending over time and the lack of both consistency and transparency in how financial information is conveyed. The 2012-13 MYEFO document is no exception. This might be a function of the growing complexity of government, it might be deliberate obfuscation, or it might just be accidental. It certainly impacts on the ability of outsiders to assess the impact, effectiveness and efficiency of government strategies, policies and programs.

As a final aside, it is interesting to note that the Contingency Reserve, given as **$670 million** in the 2012-13 Budget papers, is now **$2,818 million**.

Changes to the 2012-13 Budget

The Australian Government has moved in the 2012-13 Mid-Year Economic and Fiscal Outlook (MYEFO)[1] to ensure that the Budget is kept in surplus despite a weak global economy which has led to falls in global commodity prices, especially in the mining sector, that have impacted heavily on anticipated tax receipts.

Savings of **$16.4 billion** are taken in MYEFO. Although some of this is spent on promised reforms such as those in dental health, overall the Government has cut its forecast spending on health by **$1.66 billion** over the period 2012-13 to 2015-16, including a single year cut of **$890 million** in 2013-14. Most of these savings are due to changes in the indexation of the 30 percent Private Health Insurance Rebate and a reduction in National Health Reform Funding as a result of an expected fall in hospital utilisation.

As the MYEFO points out, despite the substantial global headwinds, the Australian economy has grown strongly. Australia's level of economic activity is significantly above its pre-Gobal Financial Crisis level, in stark contrast to the majority of other advanced economies, and real Gross Domestic Product (GDP) is forecast to grow by 3 percent in both 2012-13 and 2013-14.

THE MYEFO SPECIFICALLY IDENTIFIES THE FOLLOWING AS CONTRIBUTING TO THE FISCAL PRESSURES ON THE 2012-13 BUDGET:

- A downward revision to tax receipts of around **$4 billion**;
- An increase of **$1.2 billion** associated with managing the increasing number of people seeking asylum arriving by boat.
- an expected increase in payments for Tertiary Student Assistance of **$381 million** due to an increase in enrolments.
- an expected increase in Medicare payments of **$358 million** primarily resulting from the extension of the Chronic Disease Dental Scheme to 30 November 2012.

The Government has not identified other potential fiscal pressures in health such as the fact that pathology costs have blown out, the loss of **$650 million** in revenue from tobacco excise taxes and the loss in revenue from excise revenue from alcopops of **$10 million**.

MAJOR POLICY DECISIONS SINCE THE 2012-13 BUDGET THAT HAVE INCREASED COSTS IN 2012-13 AND OVER THE FOUR YEARS TO 2015-16 INCLUDE:

- Funding for the Government's Dental Health Reform package which is expected to cost **$1.8 billion / 4 years**. These costs are to be funded by savings in other health-related programs.

[1] http://www.budget.gov.au/2012-13/content/myefo/html/01_part_1.htm

- Funding of **$39 million** in 2012-13 **($325 million / 4 years**) to the Tasmanian health system to address challenges caused by Tasmania's ageing population, high rates of chronic disease and constraints in their health system.
- Funding of **$111 million in 2012-13 ($497 million / 4 years**) as part of the Government's response to the Report for the Expert Panel on Asylum Seekers.
- A contribution of **$154 million / 2 years** from 2014-15 to support the Afghan National Security Forces.

BUDGET CUTS

The impact of the policy decisions on payments has been more than offset by a number of decisions that have reduced costs, including:[2]

- Changes to the calculation of the Government's contribution to private health insurance, to take effect from 1 April 2014, which will achieve savings of **$700 million / 3 years** from 2013-14.
- Removing the PHI Rebate on the Lifetime Health Cover loading component of PHI premiums which will achieve savings of **$390 million / 3 years**.
- Reducing the baby bonus rate from $5,000 to $3,000 for second and subsequent children from 1 July 2013, to achieve savings of **$461 million / 3 years**.
- Slowing the rate of funding increases for Sustainable Research Excellence to achieve savings **of $79 million** in 2012-13 **($499 million / 4 years**).
- Savings of **$19 million** in 2012-13 **($277 million / 4 years**) taken from the apprenticeship incentives programs and rephrasing funding for the Trade Training Centres in Schools program.
- Ceasing Facilitation Funding for universities from 1 January 2014 to achieve savings of **$270 million / 3 years** from 2013-14.
- Changes in funding to a number of grant programs across a range of Government portfolios by **$157 million** in 2012-13 **($89 million / 4 years**);

Additional savings are also taken in health: **$139 million / 4 years** from telehealth programs; **$22.9 million / 4 years** from the Premium Support Scheme, **$20.1 million** from the decision not to proceed with the Queensland Regional Acute / Subacute / Extended Inpatient Mental Health Services project and **$18.7 million** from Departmental media spending.

[2] These are the savings as listed in the MYEFO.

Analysis of the specific issues

NATIONAL HEALTH REFORM FUNDING

National Health Reform (NHR) funding has been revised to be **$254 million** lower in 2012-13 **($1.5 billion / 4 years**). This reflects downward revisions to the weighted population used to calculate hospital utilisation following the 2011 Census and the Australian Institute of Health and Welfare health price index. The health price index has declined due to the high Australian dollar exerting downward pressure (as much as 20 percent) on the cost of imported medical goods.

However while there is some logic to adjusting the funding provided for hospital services, it is distressing to see that cuts are also made to public health funding included in the NHR funds. These funds, described in the 2012-13 Budget papers as providing for national public health, youth health services and the service delivery of essential vaccines, have been reduced by **$400 million** over the forward estimates, down from a total of **$1.383 billion** (See Table 1 and Table 2). With public health funding always such a negligible proportion of healthcare funding - in this case just 2.3% of total federal NHR funds - every dollar counts.

Table 1. National Health Reform Funding (2012-13 Budget Papers)

	2012-13 $m	**2013-14 $m**	**2014-15 $m**	**2015-16 $m**
National Health Reform funding	13,518	14,383	15,944	17,639
Hospital services	*13,204*	*14,049*	*15,588*	*17,261*
Public health	*314*	*334*	*356*	*379*

Table 21. National Health Reform Funding (2012-13 MYEFO)

	2012-13 $m	**2013-14 $m**	**2014-15 $m**	**2015-16 $m**
National Health Reform funding	13,264	14,014	15,537	17,192
Hospital services	*12,956*	*13,688*	*15,193*	*16,828*
Public health	*308*	*325*	*344*	*363*

These funds, together with State and Territory contributions, are paid into the accounts for each state and territory set up within the National Health Funding Pool. The public health outcomes and how they will be developed and measured are not included in the National Health Reform Agreement document. It is unclear if this federal funding cut will also result in less funds coming from the States and Territories for public health, although this is assumed to be the case.

The one consolation here is that there is a limit to such cuts: the NHR Agreements commits the Commonwealth to providing at least $16.4 billion of additional funding under NHR over the period 2014-15 to 2019-20.

NATIONAL PARTNERSHIP ON PREVENTIVE HEALTH

The Government has chosen not to highlight the significant funding changes that have been made to the National Partnership (NP) for Preventive Health since the Budget was released and which are revealed in the MYEFO. What was originally **$584 million** provided over the years 2012-13 to 2014-15 for Healthy Children, Healthy Communities and Healthy Workers is now only **$397 million** (see Table 3 and Table 4).

Presumably, some of the **$188.6 million** that is clawed back goes towards the **$74.1 million / 4 years** provided since the 2012-13 Budget to support preventive health activities. Of this funding, **$29.1 million** will support the Australian National Preventive Health Agency's core activities and research as well as initiatives to combat eating disorders. The remaining **$45.0 million** will fund social marketing to discourage tobacco use, complementing the plain packaging initiative. However, in the light of closer MYEFO scrutiny, this is not such a generous policy initiative and overall the Treasury has pocketed **$100 million** in savings from preventive health activities. These cuts will impede the ability of the states and territories to reach the performance benchmarks by 2013 and 2015.

Table 3. NP on Preventive Health (2012-13 Budget Papers)

	2012-13 $m	**2013-14 $m**	**2014-15 $m**	**2015-16 $m**
Enabling infrastructure	2.5	-	-	-
Healthy children	64.9	97.4	130.8	-
Healthy communities	15.2	11.1	-	-
Healthy workers	62.8	88.2	105.2	-
Social marketing	6.0	-	-	-
Total	**151.2**	**196.6**	**235.9**	**-**

Table 4. NP on Preventive Health (2012-13 MYEFO)

	2012-13 $m	**2013-14 $m**	**2014-15 $m**	**2015-16 $m**
Enabling infrastructure	2.5	-	-	-
Healthy children	23.85	28.86	28.86	-
Healthy communities	15.2	11.1	-	-
Healthy workers	21.15	24.65	24.65	-
Social marketing	6.0	-	-	-
Total	**68.73**	**64.61**	**53.25**	**-**

Given the increasing importance of prevention in tackling the rising burden of chronic illness and the associated social and economic costs, it is distressing to see that there has been a constant erosion of the NP on Preventive Health funds over the past several years. The 2012-13 Budget reallocated the $26.3 million provided in the 2011-12 Budget for Healthy Communities in 2012-13 over two years and clawed back $2.5 million previously provided in 2013-14 for enabling infrastructure and $6 million for social marketing. The total federal funds spent on public health and prevention is around 3% of the total healthcare budget – a percentage that has barely changed despite the development of the National Preventative Health Strategy.

NATIONAL PARTNERSHIP FOR ADULT DENTAL SERVICES

In August the Minister for Health and Ageing, Tanya Plibersek announced a Dental Reform package costing **$4.2 billion / 6 years**.[3] This includes:

- **$2.7 billion** for a Child Dental Benefits Package for around 3.4 million Australian children who will be eligible for subsidised dental care;
- **$1.3 billion** for a National Partnership Agreement for Adult Public Dental Services to provide services for adults on low incomes, including pensioners and concession card holders, and those with special needs; and
- **$225 million** for a Flexible Grants Program to provide dental capital and workforce to support expanded services for people living in outer metropolitan, regional, rural and remote areas.
- The new funding is in addition to **$515 million** announced in the 2012/2013 budget, which included **$346 million / 3 years** to treat adult patients on dental waiting lists. The total funding now available to the states and territories for public dental treatments for adults is **$1.646 billion**. This is estimated to deliver services to 1.8 million people over the next 6 years.

There seems to be some debate as to where the savings to fund these reforms will come from.

When it was announced in August, it was stated that the funding for these new initiatives, the majority of which will not be implemented until 2014-15, would come from the axing of the Medicare-based Chronic Disease Dental Scheme (CDDS), the cost of which has blown out to around **$1 billion / year**, and the Teen Dental Scheme which cost **$65 million** in 2011-12 but has consistently failed to hit its targets because it funds only check-ups and not the treatments found to be needed. It is estimated that the next six years CDDS costs will amount to **$6.6 billion**, considerably more than the $4.1 billion cost of the new proposals. While closure of the CDDS has been included as a budget measure for several years, presumably Treasury has not been able to take these savings, so it can be inferred that in fact these reforms will save money over that currently being spent on dental programs, at least over the next six years.

However the MYEFO states that "the cost of this dental health reform will be offset by savings including from changes to private health insurance" which will take effect from 1 April 2014, and result in savings of **$1.09 billion / 4 years**.

When asked in Supplementary Senate Estimates where the money for dental reform would come from, DoHA Secretary Jane Halton responded: "That is a matter for Treasury, the Finance Department and the centre of government."

The impact to the Budget in MYEFO of this $4.2 billion package is given as an additional **$495.0 million** in 2014-15 and 2015-16 for the NP for adult public dental services. It is not clear where this figure comes from (See Table 5).

[3] http://www.health.gov.au/internet/ministers/publishing.nsf/Content/mr-yr12-tp-tp074.htm?OpenDocument&yr=2012&mth=08

Table 5. Cost of Dental Health Reform over forward estimates (2012-13 MYEFO)

	2012-13 $m	**2013-14 $m**	**2014-15 $m**	**2015-16 $m**
Child Dental Benefits Package	0.9	191.3	604.7	636.9
NP for Adult Public Dental Services	-	-	200.8	295.8
Flexible Grants Program	-	-	50.5	55.5
Medicare Teen Dental Scheme	-	-35.9	-97.7	-106.5
Total	**0.9**	**155.4**	**758.3**	**881.7**

In Supplementary Senate Estimates slight different numbers were given (see Table 6).

Table 6. Cost of Dental Health Reform over forward estimates (Supplementary Senate Estimates)

	2013-14 $m	**2014-15 $m**	**2015-16 $m**	**2016-17 $m**	**2017-18 $m**
Child Dental Benefits Package	194	586	617	650	684
NP for Adult Public Dental Services	-	201	296	391	391
Flexible Grants Program	-	51	56	61	61

PRIVATE HEALTH INSURANCE

The Government has finally bitten the bullet and acted to contain the cost of the Private Health Insurance (PHI) rebate, one of the fastest growing components of the federal budget. This is something it has looked to do for some time. The changes in MYEFO, arguably driven by the need to balance the budget, come on top of earlier changes, first announced in 2009 but not enacted until March 2012, that mean from 1 July 2012, the PHI rebate is means tested and there is an increase to the Medicare Levy Surcharge (MLS) for high income earners who don't have an appropriate level of hospital cover. These earlier changes are expected to achieve savings of **$1.9 billion / 4 years**; the additional savings taken in the MYEFO will amount to **$1.09 billion / 4 years**.

There are two new changes to the PHI rebate in the MYEFO. Instead of being automatically inked to premium increases, the level of the PHI rebate will be based on an indexation arrangement. From 1 April 2014, the Government's contribution to PHI will be calculated using commercial premiums as at 1 April 2013 and then indexed annually by the lesser of CPI or the actual increase in commercial premiums. Historically, increases to PHI premiums have been well above CPI levels. The measure will take effect from 1 April 2014, and result in savings of **$699.7 million.** In conjunction with this measure, the Government will streamline arrangements for the 2013 premium setting round for private health insurance and undertake discussions with industry and consumer groups on options for further simplification of premium setting.

As well, the Government will remove the PHI rebate on the Lifetime Health Cover (LHC) loading component of PHI premiums. The LHC loading is an additional 2 percent charge added to an individual's PHI premium for every year elapsed after their 31st birthday before

they take out PHI. Some 1.05 million people (or 13.8 percent of those covered) currently have a LHC loading on their premiums. This measure will take effect from 1 July 2013 and will result in savings of **$386.3 million**.

The MYEFO papers also note that the Government's PHI payments are expected to increase by **$313 million** in 2012-13, reflecting a higher than expected increase in the prepayment of PHI policies in June 2012, with a consequent increase in the PHI rebate paid by government in 2012-13. The cost to Government of people prepaying for their PHI so as to ensure they receive the full 30 percent rebate may in fact be higher than this: at Supplementary Senate Estimates the Department of Health and Ageing (DoHA) stated that there was a difference of about **$520 million** between budgeted and actual expenditure in 2011-12, and some of this is likely due to prepayment.

MEDICARE TELEHEALTH SERVICES

The delivery of telehealth services was a 2010 election promise from the Gillard Government. It was included in the 2010-11 MYEFO, where it was funded at **$334 million / 4 years** (See Table 7). This investment in the Connecting Health Services with the Future package included:

- Medicare rebates for online consultations across a range of specialties, providing around 495,000 services over four years to patients in rural, remote and outer metropolitan areas.
- Financial incentives for specialists, General Practitioners (GPs) and other health professionals to participate in delivering online services.
- $50 million to expand the GP after hours helpline and include the capacity for the helpline to provide online triage and basic medical advice via videoconferencing.
- Training and supervision for health professionals using online technologies.

Table 7: Funding for Connecting Health Services to the Future (2010-11 MYEFO)

	2010-11 $m	**2011-12 $m**	**2012-13 $m**	**2013-14 $m**
Connecting Health Services to the Future	2.3	51.9	100.3	179.4

Eleven MBS items were introduced for consultations via video conferencing on 1 July 2011. These items allow a range of existing MBS attendance items to be provided by specialists, consultant physicians and consultant psychiatrists. Twenty-three MBS items were introduced for patient-end services provided to a patient during their video consultation with a specialist, consultant physician or consultant psychiatrist. These new items are for face-to-face consultations when patient-end practitioners provide clinical support to the patient during their video consultation.

To encourage participation Medicare offered an incentive of $6,000 to GPs and specialist till 30 June 2012 (dropping to $4,800 in the following year, and the $3,900 for the two consecutive years).

In addition the Telehealth Support program was established to fund projects to assist in the introduction of Medicare rebates now available for telehealth consultations. To date this program has allocated $15.7 million for 28 new projects to 30 June 2013. Of the projects funded, six organisations will provide professional standards and clinical guidelines; 19 organisations will develop education and training; and 20 organisations will be involved in

communications and awareness-raising. Additionally, 50 Telehealth Support Officers will be engaged by a number of funded organisations to assist in the implementation of the telehealth projects.

In the twelve months since the introduction of the telehealth consultation MBS items, there have been 26,557 specialist consultations at a cost of Medicare of **$4.3 million**, and 16,026 patient- end services, the majority of which have involved GPs, at a cost to Medicare of **$1.2 million** (See Table 8). It's hard to know whether this should be considered an appropriate rate of uptake. However it is less than that budgeted for, and that means that the considerable savings[4] that could be achieved by the use of telehealth services are not being realised – especially as there are now additional efforts in place to restrict access to these items. The 2012-13 Budget provides $58.2 million to be paid out as Medicare rebates for specialist telehealth consultations in 2012-13, $109.3 million in 2013-14, and $221.2 million 2015-2016.

Changes to the telehealth program included in the MYEFO will deliver savings totalling **$139 million / 4 years.** Most of these savings come from geographical restrictions to telehealth services; this is estimated to save **$134.4 million / 4 years**. From 1 January 2013, geographic eligibility criteria for MBS telehealth services will be amended to exclude patients in outer metropolitan areas and major cities of Australia, in accordance with the Australian Standard Geographical Classification Remoteness Area (ASGC-RA). The amendment to geographical eligibility will not affect services that are provided to patients of an Aboriginal Medical Service or care recipients of a residential aged care facility.

In addition new MBS items from 1 January 2013 for short consultant physician and specialist video conferencing attendances are estimated to generate savings of **$4.5 million / 4 years**.

The Government has also announced that it will change its approach to developing the video conferencing capabilities of the after-hours GP helpline. This is describes as a "staged approach to the rollout of the video conferencing capabilities [which] will allow the technology to be fully tested and developed in 2012-13 to ensure appropriate consumer experience before a national rollout in 2013-14." Reading between the lines this implies that the technology rollout is slower than predicted and / or there are budget savings from the delay.

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http://www.mbsonline.gov.au/internet/mbsonline/publishing.nsf/Content/256BA3C38B7EEA22CA2577EA006F7C42/$File/CHSWTFsub-MTAA.pdf

Table 8. Uptake of Medicare Telehealth items July 2011-September 2012 (Medicare Australia data)

Item	Description	No. services	Medicare cost
Specialists			
99	Specialist attendances	5,202	$424,002
112	Consultant physician	13,843	$2,124,140
149	Geriatric specialist	104	$59,012
288	Consultant psychiatrist	6,654	$1,630,938
389	Occupational physician	7	$589
2820	Pain medicine	106	$11,414
3015	Palliative medicine	16	$2,548
6016	Neurosurgery	199	$25,510
13210	Miscellaneous and ART	1	$106
16399	Obstetrics	97	$8,173
17609	Anaesthesia	328	$27,408
	Total	***26,557***	***$4,313,840***
Patient-end services – Medical Practitioners (GPs and specialists)			
2100, 2126, 2143, 2195	At consulting rooms outside Inner Metropolitan area or at Aboriginal Medical Service.	13,785	$1,083,228
2122, 2137, 2147, 2199	At other consulting rooms, home visit	256	$29,812
2125, 2138, 2179, 2220	At residential aged care facility	312	$34,767
Patient-end services – Practice Nurses or Aboriginal Health Workers			
10983	Outside Inner Metropolitan area or at Aboriginal Medical Service	1571	$49,912
10984	At residential aged care facility	28	$890
Patient-end services - Midwives			
82150, 82151, 85152	Outside Inner Metropolitan area or at Aboriginal Medical Service	12	$435
Patient-end services – Nurse Practitioners			
82220, 82221, 82222	Outside Inner Metropolitan area or at Aboriginal Medical Service	48	$2,545
82223, 82224, 82225	At residential aged care facility	14	$796
	Total	***16,026***	***$1,202,385***

The MYEFO cuts to this program come on top of savings of **$183.9 million / 5 years** taken in the 2012-13 Budget. Essentially **$323 million** has been taken over the years to 2015 -16 from a suite of programs that was to cost of the order of **$690 million** – in other words, the funding has been cut by 50 percent.

These previous cuts included:

- Funding for the Telehealth Support Initiative to cease from July 1 2013.
- Funding for telehealth incentives to practitioners to cease July 1, 2014, one year earlier than planned.
- A requirement for a 15km minimum distance between specialist and patient location to be implemented from November 1, 2012, although this will not apply to residents of aged care facilities and patients of Aboriginal medical services.

MEDICAL INDEMNITY INSURANCE

The Government will achieve savings of **$22.9 million / 4 years** by reducing the level of subsidy that applies under the Premium Support Scheme (PSS). This measure was included as a 'decision taken but not yet announced' in the 2011-12 Budget.

The PSS was introduced in 2004 to help doctors with the costs of their medical indemnity insurance. It provides a subsidy to cover the proportion of medical indemnity insurance costs of eligible doctors (those whose gross medical indemnity costs exceed 7.5 percent of estimated gross income from private billings; procedural GPs in rural areas; former Medical Indemnity Subsidy Scheme participants; doctors who have retired from private practice but continue to practice in the public sector).

The subsidy will be reduced from 80 to 70 cents in the dollar in 2012-13, then to 60 cents in the dollar from 2013-14 onwards, reflecting the fact that more affordable premiums for medical indemnity insurance are now available.

The PPS was announced in December 2003 and funding was included in the 2004-05 Budget (See Table 9). It replaced and expanded upon the Medical Indemnity Subsidy Scheme. Current annual expenditure could not be determined.

Table 9: Funding for Premium Support Scheme (2004-05 Budget)

	2003-04 $m	**2004-05 $m**	**2005-06 $m**	**2006-07 $m**
Premium Support Scheme	22	27.4	29.6	34.9

QUEENSLAND MENTAL HEALTH

The Government will not proceed with funding for the Queensland Regional Acute/Subacute/Extended Inpatient Mental Health Services project following a decision by the Queensland Government to withdraw its support for the project. This is estimated to save **$20.1 million / 4 years**. Funding for this project was announced as part of the Health and Hospitals Fund 2010 Regional Priority Round in the 2011-12 Budget. At that stage the measure was announced as **$33.1 million** for a facility to support the Hervey Bay, Bundaberg, Maryborough and Toowoomba communities.

Savings from this measure will be redirected to support a new **$21.4 million** Cancer Centre in Springfield, Queensland.

TASMANIAN HEALTH PACKAGE

On 15 June 2012, The Minister for Health announced a **$325 million** Assistance Package for Tasmania's health system.[5] The Package is described as "not a bailout nor a takeover

[5] http://www.health.gov.au/internet/ministers/publishing.nsf/Content/mr-yr12-tp-tp053.htm?OpenDocument&yr=2012&mth=06

of the public health system. The four year, finite funding Package is Commonwealth controlled and is aimed at making Tasmania's health system more sustainable in the long term." It was negotiated with Independent Member of Parliament Andrew Wilkie.

Table 10: Tasmanian Health Assistance Package (DoHA website)

	2012-13 $m	**2013-14 $m**	**2014-15 $m**	**2015-16 $m**
Tasmanian Assistance Package	38.8	88.6	103.7	94.1

However the MYEFO shows that this funding is to be allocated differently that that shown in Table 10, and presumably over a longer period (See Table 11).

Table 11: Tasmanian Health Assistance Package (2012-13 MYEFO)

	2012-13 $m	**2013-14 $m**	**2014-15 $m**	**2015-16 $m**
Tasmanian Assistance Package	6.9	41.8	54.1	54.1

The Key Facts and Figures document[6] available on the DoHA website shows that this package is allocated as follows:

- **$40.9 million** for a clinical redesign of Tasmania's health and hospital system.
- **$31.2 million** to provide about 2,600 additional surgeries for patients who have been waiting longer than the clinically recommended period for elective surgery.
- Up to **$22.8 million** to establish Walk-in Clinics in Hobart and Launceston that will provide care for minor illnesses and injuries, for extended hours and at no charge to patients.
- **$35.4 million** to improve care coordination for people with chronic disease and aged care clients.
- **$11.2 million** to trial streamlined care pathways by providing the Tasmanian Medicare Local with flexible funds to improve patient transitions between primary, acute and aged care sectors.
- **$63.2 million** to strengthen palliative care services.
- **$54.9 million** to train more medical specialists in Tasmania and provide more scholarships for nurses and allied health professionals.
- **$15.4 million** to address gaps in mental health services.

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6 http://www.health.gov.au/internet/main/publishing.nsf/content/3C3315A1E2D7BF87CA257A870009079B/$File/Package%20overview%2028%20Sept%202012.pdf

- $36.8 million to roll out the Personally Controlled Electronic Health Record in Tasmania's hospitals and enable allied health, pathology and diagnostic imaging services to connect to eHealth.
- **$13.3 million** to address the social determinants of health and health risk factors.

A Commission of the Delivery of Health Services in Tasmania is established to oversee and advise on the implementation of the package.

While Tasmania's ageing population, high burden of preventable chronic illness and struggling health care system are clearly reasons to invest in improvements, it remains to be seen if these can be achieved. In particular the $54 million committed to elective surgery and walk-in clinics stand out as perhaps not the best investments. $87.5 million is allocated to health services research and health system reforms and this work will need to produce visible results within four years – not an easy task. While the investment in palliative care services is to be applauded, there is clearly an under-investment in mental health.

MEDIA SPENDING

The Government will save **$18.7 million** in 2012-13 by reducing media spending across the health portfolio.

There is no indication as to the extent, if any, that DoHA will cut its media monitoring budget. This was $940,000 in 2011-12.

PHARMACEUTICAL BENEFITS SCHEME (PBS)

There is no acknowledgement in the MYEFO of the potential substantial savings that will accrue through changes to the Pharmaceutical Benefits Scheme (PBS). The Government has consistently under-estimated these savings; for example actual spending on the PBS in 2011-12 was **$600 million** below what was forecast in May 2011.

It is possible that the $3 billion in unspecified savings for 2012-13, described on page 56 of MYEFO as "other variations", could include revisions in PBS spending.