

BUDGET 2018-19

ANZ HEALTH CHECK



Budget 2018-19 supports the pillars of the National Health Plan in underwriting spending for continued funding of public hospitals, the Medicare Benefits Schedule (MBS) and the Pharmaceutical Benefits Scheme (PBS), initiatives to promote preventative and mental health as well as medical research.

HEALTH MEASURES

This business-as-usual message in the health budget will likely have some appeal on face value to many Australians; pre-budget polling identified healthcare as Australians' top priority for the Federal Government in the next 12 months ahead of the election in 2019—ahead of employment/jobs and housing affordability.¹

While support for the health and welfare of older and Australians are notable inclusions, a previously proposed increase in the Medicare levy to fund the National Disability Insurance Scheme (NDIS) is a noticeable omission. Meanwhile the outcomes of MBS and PBS reviews are still forthcoming. Childcare and PHI reforms have been foreshadowed and are awaited.² There are a couple of other notable omissions, namely, Health Care Homes and digital health: now just forgotten ideas rather than works in progress?

We (the voters) are of course ageing. So there is attention on health-related measures supporting older Australians such as increased numbers of home care packages and residential aged care places that well complement other financial measures in budget 2018-19, including opening up access to the Pension Loan Scheme.³ Although it is clear that such measures in this budget are no panacea: current aged care policy settings are challenging and home care demand already far outstrips supply. The silver tsunami has begun. At the same time, in the wider policy context, there is a tension between greater provision of home care and calls to free up housing stock.

Nevertheless, leaving aside an ambitious plan to advance Australia's medical technology, biotechnology and pharmaceutical sectors, health budget 2018-19 avoids radical measures to reflect more restrained commitment to the status quo in Australia's universal health system rather than wholesale electoral sweetener.

Key measures include:

HOSPITALS: ADDITIONAL FUNDING THROUGH 2021-25 UNDER THE NEXT NATIONAL HEALTH REFORM AGREEMENT



There are some localised gains in the form of funding for health infrastructure projects (including facilities at hospitals in Darwin, Hobart and Launceston), but the big ticket item in terms of hospital measures announced in budget 2018-19 is an additional \$30.2bn to support public hospitals under the next five-year National Health Reform Agreement effective from 1 July 2020. That additional \$30.2bn will take total projected Commonwealth funding for public hospitals through 2021-25 to \$130bn.

All states and territories except Queensland and Victoria have already signed the National Health Reform Agreement, under which the Commonwealth continues to fund 45% of the 'efficient growth' in activity-based services although that growth in total Commonwealth funding is capped at 6.5% p.a. The combination of 5%+ p.a. medical inflation and ~2%+ p.a. population growth are likely to continue to present challenges for public hospital systems faced with the 6.5% p.a. funding cap.⁴

At this stage, the parties have agreed to work on six key areas for reform: (1) paying for value; (2) joint planning and funding at a local level; (3) nationally cohesive health technology assessment; (4) empowering people through health literacy; (5) prevention and wellbeing; and, (6) enhanced health data.

Increasing focus on value, improving coordination at the local level for greater efficiency and effectiveness, along with advancing preventative health and harnessing health data are already well established themes across the health sector. Many will be keenly watching to see how those themes are translated into policy and change at the hospital level.

MEDICARE BENEFITS SCHEDULE (MBS): THE THAW CONTINUES, FUNDING FOR NEW AND AMENDED MBS LISTINGS



The 2018-19 year marks the return of indexation for standard GP and specialist consultations. This is of course a positive development for medicos; it should further reduce some of the pressure practitioners may have encountered in finding business efficiencies or alternative income since the freeze began in 2013.

The gradual lifting of the freeze on MBS rebate indexation was one of the most significant measures announced in the 2017-18 budget. GPs were the direct beneficiaries as GP bulk-billing incentives attracted indexation from 1 July 2017. The thaw continues, as previously announced, through 2018-19 with indexation returning to standard GP and specialist consultations from 1 July 2018; specialist procedures and allied health consultations from 1 July 2019; and selected diagnostic imaging items from 1 July 2020.

Budget 2018-19 allocates an additional \$4.8bn to the Medicare Guarantee Fund. The Fund was another major element in the 2017-18 budget, designed to corral funding for both the MBS and PBS. The Government states that the additional funding to the Medicare Guarantee Fund will result in increased spending on Medicare from \$24bn in 2017-18 to \$28.8bn in 2021-22.

While the MBS Review is ongoing, the Government has committed \$75 million in funding for the introduction of new and amended MBS listings over the next five years. Acting on the recommendations from the MBS Review Task Force, the Government will provide new MBS items for renal dialysis in remote communities, MRI scans for prostate cancer checks and a new test for the early detection of breast cancer as well as a new genetic test for cystic fibrosis. These measures all appear supportive for the diagnostic sector.

PHARMACEUTICAL BENEFITS SCHEME (PBS): \$2.4 BILLION FOR NEW MEDICINES AND A \$1BN PROVISION FOR MORE



Recent Budgets have provided strong support to the PBS and Budget 2018-19 is no exception. The Government continues to emphasise its commitment to the PBS, pointing to \$9bn of new drug listings since October 2013. Moreover, the Government has committed to list all medicines on the PBS with a positive Pharmaceutical Benefits Advisory Committee (PBAC) recommendation.

So, with some additions already having been flagged prior to budget night, budget 2018-19 allocates \$2.4b for new medicines along with an additional provision of \$1bn for the listing of new medicines. New high value items to be listed on the PBS include expensive treatments for spinal muscular atrophy and breast cancer at a total cost of \$944m over the four years to 2022. Other new items for listing include medicines for addressing refractory multiple myeloma, relapsing-remitting multiple sclerosis and HIV.

The community pharmacy sector is awaiting details on changes to payment arrangements for high-cost medicines; but these are expected to be positive for pharmacies.

RURAL HEALTH INITIATIVES: MORE TRAINING AND GREATER ACCESS TO MEDICAL SERVICES



Budget 2018-19 sees a raft of initiatives under the banner of the Stronger Rural Health Strategy. Addressing workforce shortages by focusing on teaching, training, recruitment and retention in regional areas is a key element of the strategy.

A new training network designed to provide end-to-end medical training across the southeast of the country, the Murray-Darling Medical Schools Network, involves Charles Sturt University partnering with Western Sydney University (Orange), Monash University (Bendigo), University of NSW (Wagga Wagga), University of Melbourne/La Trobe University (Shepparton) and University of Sydney (Dubbo); and the development of a National Rural Generalist Pathway which will incorporate private sector training opportunities.

Recruitment and retention measures include establishment of the More Doctors for Rural Australia Program and funding for the Workforce Incentive Program. The latter is expected to build upon the Practice Nurse Incentive Program and the GP Rural Incentive Program and, to the extent that the funding assists practices employ other health professionals, should also be supportive for medical practices and the wider communities of rural areas. The overall combination of rural-based training and retention measures could potentially positively affect workforce distribution imbalances; with potential implications for practice business models reliant on shorter term staffing solutions.

The Government will also allocate additional funding to the Royal Flying Doctor Service to improve the delivery and availability of dental, mental health and emergency aeromedical services. In addition, funding for the Indigenous Australians' Health Programme (IHAP) will see an increase of \$200m, taking total funding in that primary health-focused programme to \$3.9 billion over four years from 2018-19.

MENTAL HEALTH: TARGETED EFFORTS ADDRESSING PEOPLE WHO HAVE ATTEMPTED OR ARE AT RISK OF SUICIDE



Mental health-related measures in budget 2018-19 build on earlier years' including the "Strengthening mental health care in Australia" package announced as part of the 2016-17 Mid-Year Economic and Fiscal Outlook. Despite commentators' continued concerns about the difficulty of navigating this particularly fragmented part of the sector, these mental health-related measures in budget 2018-19 all appear very positive for providers and the wider community.

The Government has allocated an additional \$338m over four years for improved mental health services, especially for people who have attempted or at risk of suicide, and for more research into suicide prevention. This includes \$82.5m for mental health services for people living in aged care facilities, against the backdrop of a growing rate of suicide amongst men aged 85 and over. The Government will also provide \$37.6m to the *beyondblue* Way Back Support Service across Australia, which provides care and support to people discharged from hospital after a suicide attempt.

Other significant initiatives include government funding of \$33.8m for updating and improving Lifeline Australia's telephone crisis support service; \$125m over 10 years to assist 1m people receive diagnosis and treatment; \$12.4m over four years to the National Mental Health Commission to oversee mental health reform and implement the Fifth National Mental Health and Suicide Prevention Plan.

PREVENTATIVE HEALTH AND WELLBEING: MEASURES PROMOTING HEALTHIER CHILDREN



Measures to promote increased physical activity through investing \$230m across a range of sport and physical activity initiatives, including \$41.7m over two years for the Sporting Schools Program (across 500 secondary schools and 5,200 primary schools); and \$29.7m for community sport infrastructure grants program focused on improving existing facilities.

MEDICAL RESEARCH: INDUSTRY POLICY ADVANCING AUSTRALIA'S MEDICAL TECHNOLOGY, BIOTECHNOLOGY AND PHARMACEUTICAL SECTORS



The first disbursements from the Medical Research Future Fund (MRFF) were announced as part of budget 2017-18 as part of the Government's stated aim to grow medical research. This year the Government doubles down on that theme.

Budget 2018-19 allocates significant funding for medical research. At the core of this is an ambitious industry policy in the form of the National Health and Medical Industry Growth Plan, which is supported by funding from the MRFF. With funding of \$1.3bn over 10 years, the Growth Plan aims to grow Australia's medical technology, biotechnology and pharmaceutical sectors.

The budget papers note that the Growth Plan is expected to inject \$18bn into the economy and support the creation of ~28,000 new jobs. Beyond advancing Australia's position in health, medical research and technology development, the ambitious Growth Plan also aims to give Australians "earlier and better access to improved medicines, devices and treatments."

The Growth Plan includes a \$500m commitment to the Genomics Health Futures Mission, geared towards developing 'precision medicine' approaches to diseases; \$240m in funding for a Frontier Science program designed to support innovative research, devices and treatments; \$248m for cancer and disease research; and other funding to support expanded clinical trial programs, "biomedtech" programs and industry-researcher collaborations.

Stakeholders such as Medicines Australia and the Australian Academy of Science have welcomed the Growth Plan and highlighted its significant positive potential economic benefit to industry and the wider community.^{vi} At the same time as acknowledging the Growth Plan's significant potential, other observers noted that there will be significant challenges in allocating the funding most efficiently and effectively at the project level. Nonetheless, longer term, it could be elements of the Growth Plan that have the most long-lasting impact from budget 2018-19.

MEDICAL TRAINING: SUPPORT FOR CONTEMPORARY POSTGRADUATE TRAINING PROGRAMS THROUGH THE COLLEGES



Funding for improved postgraduate training for doctors to be delivered through the Colleges: with funding available for a contemporary postgraduate training program for GPs through the Royal Australian College of General Practitioners (RACGP), RACGP President Dr Bastian Seidel stated "[This] will ensure that all Australians have access to a doctor with specialist qualifications in general practice. This has not always been the case."^{vii}

HOME CARE PACKAGES: ADDITIONAL PLACES WELCOME BUT INSUFFICIENT TO MEET CURRENT OR FUTURE DEMAND



In the context of our rapidly ageing society, policies designed to support longer working lives, aid transition to retirement and ageing are all especially welcome. To this end, 2018-19 budget funding of \$1.6 billion for an additional 14,000 Home Care Packages over four years, positioned as part of the Government's "More Choices for a Longer Life Package" is of course positive. After all, consumer demand for home care is strong; and home care provides a more fiscally attractive option to Government with effective subsidy levels far lower than those for residential aged care.

Government projections from 2012 estimated demand for home care places in 2017 would sit at around 106,000. However the 2018-19 budget papers note that around 88,000 places were allocated for 2017-18. In addition, the Department of Health's own most recent Home Care Packages Program Data Report^{viii} note that there were 104,602 consumers on the waiting list for home care places as at 31 December 2017. Hence, not only have historical forecasts of demand been undercooked, but recent delivery of places has not kept pace with actual demand.

As welcome as the additional 14,000 home care places are, demographic trends and consumer preferences are likely to see demand sustained at high levels outpacing supply. The budget papers stipulate targeted home care place numbers increasing from 2018 to 2022 at more than double the rate of annual growth achieved in delivery of places between 2011 and 2018. To address the current shortfall in home care places, let alone meet further incremental growth in demand, further significant investment is still required.

The opening up of the Pension Loan Scheme increases access to a wider pool of retirees. Moreover, those that access the scheme will be able to draw higher amounts (up to 150% of the pension), which will effectively provide funds for consumers. It will be interesting to follow the uptake of this and; if it is broadly accepted it would seem likely that some of these funds may have a positive impact for home care services demand.

RESIDENTIAL AGED CARE MEASURES: STANDARDS, PLACES, AND SOME FUNDING FOR IMPROVEMENTS, BUT NO BIG BANG



The budget introduces a raft of measures linked to standards, funding, capital improvements. Also, albeit on the back of a delayed ACAR round: 13,500 new residential aged care places; 775 short-term residential places, termed "restorative" – are foreshadowed; \$60m in capital funding over four years; another \$60m to further improve the My Aged Care website; and \$40.4m for rural and regional service providers to undertake urgent maintenance and building works; already publically alluded to by Minister Ken Wyatt, a new government agency, the Aged Care Quality and Safety Commission, will be established, with \$50m of funding scheduled to be made available to service providers to help them meet the new standards for aged care.

CHILDCARE: A NEW SYSTEM IN THE NEW FINANCIAL YEAR



No new news: The New Child Care Package rolls out from 2 July 2018. Observers expect it will support demand across most demographics. The industry will be watching closely.

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- i An IPSOS Poll asked 1,000+ Australians: “What should be the Federal Government’s three key priorities in the next 12 months ahead of the election in 2019?” Health ranked as the top priority with 22%, followed by Employment / Jobs with 17.7% and Housing affordability (including capital gains and negative gearing reform) at 13.5%.” CAANZ, Exclusive budget poll reveals top priorities for Australians & calls for action on black economy, 8 May 2018: <https://www.charteredaccountantsanz.com/news-and-analysis/media-centre/press-releases/exclusive-budget-poll-reveals-top-priorities-for-australians-calls-for-action-on-black-economy>
- ii See “The New Child Care Package:” <https://www.education.gov.au/ChildCarePackage>
- iii See “Expansion of the Pension Loans Scheme:” <https://budget.gov.au/2018-19/content/factsheets/3-financially-prepared.html#expansion>
- iv Text on Budget 2018-19 measures references Portfolio Budget Statements 2018-19, Budget Related Paper No. 1.9: [http://www.health.gov.au/internet/budget/publishing.nsf/Content/2018-2019_Health_PBS_sup1/\\$File/2018-19_Health_PBS_1.00_Complete.pdf](http://www.health.gov.au/internet/budget/publishing.nsf/Content/2018-2019_Health_PBS_sup1/$File/2018-19_Health_PBS_1.00_Complete.pdf)
- v See inflation figures from ABS Catalogue 6401.0 (Mar 2018); population figures from 3101.0 (Sep 2017)
- vi See “Government Commits to PBS, Time to Unpack the Detail:” <https://medicinesaustralia.com.au/media-release/government-commits-to-pbs-time-to-unpack-the-detail/>
- vii See “Federal Budget: RACGP welcomes commitment to the future of general practice:” <https://www.racgp.org.au/newsGP/Racgp/RACGP-welcomes-signs-the-Federal-Government-is-com>
- viii See Department of Health Home Care Packages Program Data Report (as at 31 December 2017): https://www.gen-agedcaredata.gov.au/www_ahwgen/media/Home_care_report/HCP-Data-Report-2017%e2%80%9318-2nd-Qtr.pdf

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