

ANZ HEALTH CHECK

BUDGET 2020-21

The 2020-21 Australian Federal Budget represents a dramatic departure from fiscal conservatism as the Government attempts to incentivise private business investment and employment in response to the economic shock induced by the COVID-19 pandemic. Though when it comes to health measures this is a “no surprises” budget. After all, the Government had already announced the more noteworthy or big-ticket items.

OVERVIEW OF HEALTH PORTFOLIO MEASURES

Already announced or prefigured items include various pandemic response measures carried over from earlier in the calendar year. These include whole-of-population telehealth and e-prescribing, funding for ensuring hospital capacity, GP-led respiratory clinics, COVID-19 pathology testing, and expanded services for mental health.

Underneath the overlay of pandemic response measures is business-as-usual funding expected to maintain the pillars of the Government’s National Health Strategy. This includes 2020-21 funding of \$23.6 billion for public hospitals, \$39 billion for the Medicare Benefits Schedule (MBS) and the Pharmaceutical Benefits Scheme (PBS), more than \$7 billion for medical research, and \$5.7 billion for mental health.

Yet noteworthy omissions from Budget 2020-21 include anything like the voluntary patient enrolment (VPE) initiative. That was the most recent tilt, pre-pandemic, at major reform in primary care. And similar broader reform measures in mental health or aged care are still over the horizon pending the conclusion of major inquiries.

Whole-of-population telehealth (video or telephone) represents the major initiative affecting how healthcare works here, at least for now.

Even if patients’ use of telehealth recedes somewhat, as recent MBS data from states including Qld and WA suggest, the accelerated adoption of whole-of-population telehealth (along with e-prescribing) will remain one of the more significant and enduring legacies of the pandemic.

Flow-on effects from the pandemic such as increased isolation and financial stress have exacerbated mental health issues. Budget 2020-21 includes an investment of \$100.8 million under the Better Access initiative to extend previously announced increased access to MBS-funded mental health (from 10 to 20

psychological services). This is one of the early responses to recommendations from the Productivity Commission’s mental health inquiry.

Health Minister Greg Hunt confirmed on budget night that we should expect further mental health measures to follow the inquiries by the Productivity Commission and National Suicide Prevention Adviser.

Meanwhile service providers along with older Australians and their families will welcome the additional 23,000 home care packages and further one-off funding injections into aged care. Once again, however, it is clear that such measures are no panacea: aged care policy settings remain challenging and home care demand still far outstrips supply.

We should expect more systemic aged care reform measures to follow the conclusion of the Royal Commission on Aged Care Quality and Safety.

Historical evidence suggests we should also expect a material economic shock producing higher unemployment, lower incomes and greater uncertainty to result in adverse health outcomes over both the short and long-term for those affected, granted there will be significant variation across the population.

Health Portfolio measures in Budget 2020-21 seem somehow weighted more towards the immediate response to the pandemic, on top of business-as-usual, rather than towards investments specifically for the longer-term response to the pandemic’s consequences and what might come afterwards. That seems a justifiable necessity, for now.

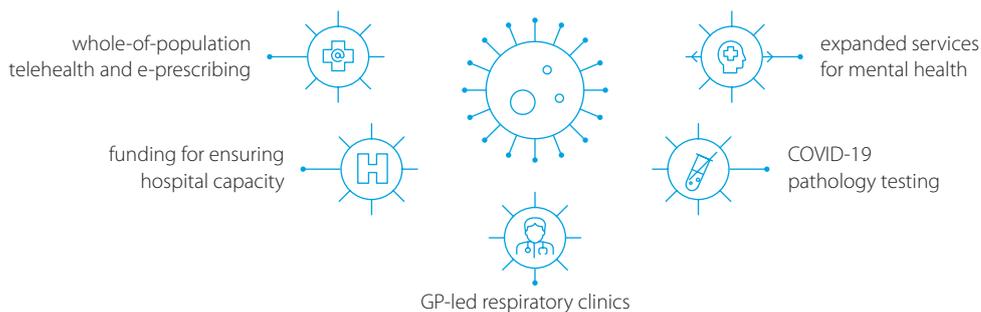


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PANDEMIC RESPONSE MEASURES, INCLUDING



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NATIONAL HEALTH STRATEGY - KEY ELEMENTS

2020-21 FUNDING:

**\$23.6
BN**

FOR PUBLIC HOSPITALS

**\$39
BN**

FOR THE MEDICARE BENEFITS SCHEDULE (MBS) AND THE PHARMACEUTICAL BENEFITS SCHEME (PBS)

**\$7+
BN**

FOR MEDICAL RESEARCH, INCLUDING

\$6 billion over four years for investments across the Biomedical Translation Fund, Medical Research Future Fund, National Health and Medical Research Council

\$424.3 million for new research grants and programs

**\$5.7
BN**

FOR MENTAL HEALTH, INCLUDING

\$630.4 million to the headspace network for establishing new services as well as funding ongoing operations and waiting time reductions

\$100.8 million under the Better Access Initiative to extend previously announced increased access to MBS-funded mental health (from 10 to 20 psychological services).

KEY MEASURES INCLUDE:

TELEHEALTH: CEMENTING THE FOUNDATION FOR PERMANENT WHOLE-OF-POPULATION TELEHEALTH



- The Government had already announced the extension of the current policy settings for whole-of-population telehealth until 31 March 2021. Including the investment from 2019-20, that takes the projected spend on MBS telehealth to \$2.4 billion.
- The extension of MBS telehealth benefits practice owners, practitioners, and patients to the extent it provides for the provision of convenient, efficacious healthcare. In addition to GPs, others benefiting via access to telehealth are practice nurses, midwives, allied health, mental health services, and specialists including consultant physicians, geriatricians, and practitioners providing neurosurgery services.
- Minister Hunt confirmed on budget night that the current telehealth model will be the one that endures beyond the March expiry date. That is, the model will remain essentially unchanged barring further adjustments as it moves through review by medical peak bodies and other stakeholders.
- Greater certainty around MBS telehealth policy settings post-March should encourage at least some practices and practitioners to refine their approaches to telehealth.
- Further upgrading or integrating systems for patient engagement, booking, and accounting could help practices generate efficiencies through reducing administrative burden and optimising workflow.

HOSPITALS: ENSURING CAPACITY ACROSS AUSTRALIA'S HYBRID HOSPITAL SYSTEM



- Outside of business-as-usual funding under the National Health Reform Agreement (\$133.6 billion over five years), the Government has allocated significant hospital-related funding over this and the prior fiscal year as part of the pandemic response.
- The total \$4.8 billion here includes funding as part of the National Partnership on COVID-19 Response, \$3.1 billion for the State Health and Hospital 50:50 Sharing Agreement, and \$1.7 billion for the private hospital viability guarantee. These measures have enabled management of COVID-19 patients and hospital capacity across both public and private hospitals.
- Also grouped under the Supporting our Hospitals label, the budget includes a total allocation of \$3.3 billion to the National Medical Stockpile for personal protective equipment (PPE) and pharmaceuticals.
- With the resumption of elective surgery, state public systems will at least partially rely on the capacity of private hospitals as they work through the increased backlogs of elective surgery, just as they historically have during so-called "waiting list blitzes".

PRIVATE HEALTH INSURANCE: SEEKING TO ADDRESS THE EXIT OF YOUNGER PEOPLE AND EXPAND OUT-OF-HOSPITAL CARE



- Budget 2020-21 introduces measures to address declining membership of younger private health insurance members and offer greater value for money through wider access to out-of-hospital care and treatment.
- Younger Australians will be able to stay covered under family policies until age 31 (up from 24); and people with disabilities will be able to remain on family policies.
- Policyholders should also gain access to a wider range of mental health and rehabilitation services, initially focused on orthopaedic services in home and community-based settings.
- Insurers themselves have conceded that the ongoing decline in participation in private health insurance over recent years largely reflects consumers' issues with affordability and the perception of a diminished value proposition.
- Increasing the age cut-off for family membership may provide some marginal support to private health insurers to the extent it slows exits by younger members.
- Insurers have been working with healthcare service providers to trial and expand the range of care and treatments available outside traditional hospital settings.
- Also, the pandemic has accelerated the adoption of "hospital-in-the-home" services across both private and public hospitals in Australia.
- As Minister Hunt noted on budget night, further work is required on removing regulatory barriers to expand and realise opportunities in out-of-hospital care.
- The Minister also flagged we should expect another round of private health insurance reform including initiatives on fee transparency.

PHARMACY: ACCELERATING THE INTRODUCTION OF E-PRESCRIBING AND PRESERVING FUNDING FOR NEW PBS MEDICINES



- On top of already announced funding certainty under the 7th Community Pharmacy Agreement (7CPA), the pharmacy sector and patients benefit from pandemic response measures such as the accelerated introduction of e-prescribing and support for home delivery of medicines. Efficient and convenient.
- In addition, the budget framework from Budget 2020-21 onwards now corrals spending for new drugs in the PBS via the PBS New Medicines Funding Guarantee.
- On the face of it, this Guarantee looks like just an accounting treatment. However, the Minister maintains that setting aside funding for new medicines via the Guarantee will preserve the various funding buckets across the Health Portfolio.
- The budget projects \$2.8 billion in new funding over the next four years for new PBS listings. Among the new medicines funded in Budget 2020-21 are high cost drugs for cancers, diabetes and leukaemia.

MENTAL HEALTH: EXPANDING INFRASTRUCTURE AND IMPROVING ACCESS TO MBS-FUNDED MENTAL HEALTH SERVICES



- Australia faced significant mental health challenges well before the 2019-20 bushfires and the COVID-19 pandemic.
- The Government announced various mental health measures earlier in the year in response to the pandemic. -
- Allocating \$5.7 billion for mental health, Budget 2020-21 further builds on measures in recent years' budgets to expand mental health services as well as the more recent pandemic responses.
- Among the budget's many mental health-related allocations is \$630.4 million to the headspace network for establishing new services as well as funding ongoing operations and waiting time reductions.
- Ongoing investment in both telephone and online as well as face-to-face services should directly benefit the service providers and practitioners involved along with their patients.
- Yet observers suggest—and, based on its interim report, the Productivity Commission final report will likely affirm—that as a nation we still require much greater investment given the scale of the mental health challenge. That includes more investment in face-to-face services let alone critically important related supports intertwined with mental health outcomes such as social housing.

MEDICAL RESEARCH: EXPANDING FUNDING INFRASTRUCTURE AND INVESTING STRATEGICALLY



- Medical research allocations also reflect a balance between the ongoing and the pandemic-specific.
- Among the research-related investments are \$6.6 billion over four years for material allocations across the Biomedical Translation Fund (BTF) Medical Research Future Fund (MRFF), National Health and Medical Research Council (NHMRC), funding of \$424.3 million for new research grants and programs, and \$1.7 billion for potential COVID-19 vaccine doses.

RURAL HEALTH: IMPROVING ACCESS AND ADDRESSING WORKFORCE MALDISTRIBUTION



- Budget 2020-21 earmarks funding of \$125 million over five years for supporting improved access to clinical trials through the Rural, Regional and Remote Clinical Trial Enabling Infrastructure Program.
- The budget also injects \$50 million over four years into the long-running Rural Health Multidisciplinary Training Program (RHMT), which benefits the workforce in training and the rural communities in which they are based.

CHILDCARE: ENSURING CENTRE VIABILITY AND SUPPORTING PARENTAL WORKFORCE PARTICIPATION



- Budget 2020-21 projects Child Care Subsidy (CCS) payments of \$9 billion. Despite the withdrawal of JobKeeper several months ago, the childcare sector remains the beneficiary of material sector-specific support reflecting its important role in facilitating parental workforce participation and by extension national economic growth.
- The CCS was temporarily withdrawn earlier in the pandemic, but subsequently replaced by direct income support via the Early Childhood Education and Care Relief Package (Relief Package) from April to July.
- With the return of the CCS, additional direct income supports covered under Budget 2020-21 have come via the Transition Payment from July to September, and the Recovery Payment (in Victoria) from September to January.
- These measures in combination with others such as the loosening of activity tests for parents (and the availability of JobKeeper earlier) have ensured centre viability.
- Childcare occupancy rates have continued to recover across the country with attendance at or above pre-COVID levels outside Victoria.
- Reduced household income supports and higher unemployment levels still represent potential headwinds for childcare, granted there will be significant variability across geographies.

AGED CARE: BOLSTERING THE PANDEMIC RESPONSE AND ADDRESSING QUALITY AND SAFETY ISSUES



- Budget 2020-21 allocates \$23.9 billion to aged care.
- In response to both the pandemic and issues raised by the ongoing Royal Commission, the budget includes \$408.5 million in funding specifically to improve care and quality.
- The budget allocates a further \$746.3 million to provide for pandemic response measures such as additional temporary workforce support, increased training, workforce retention payments, and increased testing.
- Other notable allocations are in response to issues raised in the Royal Commission on Aged Care Quality and Safety. These include measures for the provision of counselling, monitoring abuse, and finding more age-appropriate facilities for younger persons.
- As mentioned earlier, we can expect further reform measures following the conclusion of the Royal Commission.

Please visit [bluenotes](#) for ANZ's full coverage of Australia's 2020-21 Federal Budget.



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i VPE featured in the FY2019-20 budget, with \$448.5 million in funding over three years. The initiative was intended to target higher risk, chronic disease patients (70+ yrs, 50+ yrs for Aboriginal and Torres Strait Islander peoples). A patient would voluntarily register with a nominated regular GP who (along with his or her practice) would receive a quarterly payment to provide care.

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