ANZ HEALTH CHECK

BUDGET 2023-24

OVERVIEW OF SELECTED HEALTH AND AGED CARE PORTFOLIO MEASURES

Against the backdrop of an improved budget position despite structural spending challenges, the Commonwealth Government has prioritised several significant health and aged care measures in Budget 2023-24.

Most noteworthy are (1) the funding of award wage increases together with funding that constitutes service provider viability support in aged care and (2) increases to Medicare indexation and bulk billing incentives within primary care that bolster access and practice incomes.

These are the material measures in the health and aged care portfolio this year to the extent that they support service providers' viability and go at least some way to addressing longstanding systemic issues in residential aged care and primary care.

AGED CARE

$11.3bn
increasing wages for aged care workforce

$2.5bn
covering recent cost increases

~$167m
adding home care places

MEDICARE

$3.5bn
tripling bulk billing incentives

$1.5bn
lifting indexation of Medicare rebates

~$445m
increasing Workforce Incentive Program incentives

~$359m
expanding Medicare Urgent Care Clinics

(PBS) PHARMACEUTICAL BENEFITS SCHEME

$2.2bn
adding new and amended PBS listings

PREVENTIVE HEALTH

$737m
supporting smoking and vaping cessation

includes:

~$264m
for lung cancer screening

~$141m
for tackling smoking among first nations people

MENTAL HEALTH

~$587m
supporting mental health initiatives

includes:

~$260m
for psychosocial support to people with severe mental illness outside the NDIS

~$136m
supporting culturally and linguistically diverse (CALD) communities with specialised trauma support/ psychosocial services

OVERVIEW OF SELECTED HEALTH AND AGED CARE PORTFOLIO MEASURES

AGED CARE: MATERIAL INCREASES TO AWARD WAGES SUPPORTING RECRUITMENT AND RETENTION ALONG WITH FUNDING SUPPORTING SERVICE PROVIDER VIABILITY

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- Service provider viability support
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- Home care

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- Smoking and vaping measures

MENTAL HEALTH: FUNDING PSYCHOSOCIAL SUPPORT AND BOLSTERING WORKFORCE

- Psychosocial support
- Trauma and other support for Culturally and Liguistically Diverse (CALD) communities
- Workforce measures

AGED CARE: MATERIAL INCREASES TO AWARD WAGES SUPPORTING RECRUITMENT AND RETENTION ALONG WITH FUNDING SUPPORTING SERVICE PROVIDER VIABILITY

Award wage increases

- Funding of $11.3bn over five years for a 15% wage increase to aged care workers under selected awards is the signature measure when it comes to the health and aged care portfolio in the Commonwealth Budget 2023-24.
- Wage increases for aged care workers under three awards had been recommended by the Aged Care Royal Commission back in March 2021 and again via the interim decision of the Fair Work Commission (FWC) in November 2022.
- With their scope broadened since the original FWC case, the award wage increases are expected to cover ~250,000 staff and assist service providers to recruit and retain staff as well as to meet and comply with the upcoming minimum care minutes obligations announced as part of the Commonwealth Budget 2022-23.
- Taking effect from employees' first full pay period on or after 30 June 2023, the funding for the award wage increases will flow through via the existing mechanism, the Australian National Aged Care Classification (AN-ACC), and a one-off grant scheme (to meet associated one-off liability adjustments for leave, etc.).
- Both employer and employee will be welcoming the award wage increases (which the Commonwealth Government had earlier committed to paying) to the extent that they (a) improve the ability of service providers to recruit and retain staff in a competitive landscape and (b) represent a significant bump for employees.
- For example, a registered nurse on level 2.3 of the industry award will receive an additional $196.08 per week (~$10,000 p.a.); and personal care staff, a lifestyle officer or cook on level 4 of his or her award, will receive an increase of $141 per week (~$7,000 p.a.).

- Exactly how service providers with staff outside the awards on Enterprise Bargaining Agreements (EBAs) will respond is uncertain. The improvement in award wage levels could motivate some service providers to consider moving to awards; although providers have traditionally used EBAs to offer more competitive wages and conditions, especially for traditionally harder to secure nursing staff.
- Regardless, with competition for workers across the aged care sector expected to remain intense, service providers will have to consider both salary and non-salary factors on top of their employment or industrial relations strategies.

Service provider viability support

- Another material funding element in aged care measures in Budget 2023-24 is the inclusion of funding of $2.5bn in indexation over four years from 2023-24 that goes to covering cost increases since the AN-ACC price was set in October 2022.
- In addition to the AN-ACC funding increase (approx. +17% from $216 to $243 per resident per day from 1 July 2023), Budget 2023-24 includes a new $10.80 per resident per day supplement. This reflects a return of the Basic Daily Fee supplement (removed in October 2022) and is equivalent to ~$3.5bn over four years from 2023-24.
- This new "hotelling supplement" also effective 1 July 2023 is intended to support service providers in meeting the costs of hotelling services such as catering, cleaning, and gardening. The separation of this non-care-related component of funding from AN-ACC aligns with the expectation that additional care funding should be spent on delivering care while this supplement specifically assists service providers' financial viability.
- Another significant measure given pandemic-driven cost escalation over recent years is ~$2bn of funding over the next two years to continue support for vaccination programs, pathology, and responding to outbreaks in residential aged care facilities.

Visa measures

- The Commonwealth has also announced that aged care providers can access the new "Aged Care Industry Labour Agreement" under the Skills Shortage Visa 482 program. Available for use immediately, the agreement streamlines the recruitment of direct care workers from overseas to work specifically in the aged care sector.
- Bringing workers into the country for the purposes of employment in the sector has been a difficult and lengthy process. Engagement is required with the Department of Home Affairs, relevant union bodies, and the applicant, to negotiate terms on a case-by-case basis. Ratified by all stakeholders, this new agreement accelerates the process.
- The Commonwealth Government has confirmed that applications will be fast-tracked through immigration and includes a "Pathway to Permanent Residency" when a 482 Visa worker meets certain hurdles including two years of service in the aged care sector.

Home care

- Increments to home care place supply have become annual budget fixtures and so Budget 2023-24 allocates funding of ~$167m to make an additional 9,500 home care packages available in 2023-24.
- In the background for home care, work on the "Support at Home" program continues: its commencement is postponed to 1 July 2025, apparently in response to feedback and to provide for further refinement of "the design." Consequently, existing grant arrangements for the Commonwealth Home Support Programme remain in place until 30 June 2025.
- A related, noteworthy detail in the budget papers is a downwards revision to the expectations on the number of aged care beds required over the forward estimates to reflect the trend towards aging longer in the home. Historically, this hovered around ~70 beds per 1,000 head of population over the age of 70 but is now closer to ~60 beds per 1,000, though the related funding is effectively redeployed back to the sector through indexation.

Industry body response

- The Aged & Community Care Providers Association (ACCPA), the aged care peak body, has broadly welcomed the Budget 2023-24 aged care measures. ACCPA believes that the award wage increases and AN-ACC indexation will help service providers comply with minimum care obligations and requirements for registered nurses (RNs) to be present 24/7.
- At the same time, the peak body is stressing the need for the Commonwealth to continue the conversation on sector reform including funding through the establishment of the Aged Care Taskforce advisory body. That conversation, ACCPA suggests, should include "the potential for consumer contributions for those who can afford to pay."

Bottom line

- Overall, the award wage increases and visa program measures represent significant support for service providers to address workforce challenges of recruitment and retention as well as comply with impending minutes of care obligations.
- Framed as part of building a "sustainable care economy," Budget 2023-24 also delivers on service provider viability support via the additional funding covering cost escalation and the hotelling supplement.
- These measures are all very welcome, on top of earlier improvements to Commonwealth aged care funding levels and ongoing recovery in occupancy, as service providers continue to navigate their way out of the immediate post-pandemic period.

PRIMARY CARE: TRIPLING BULK BILLING INCENTIVE ADDRESSES EQUITY CONCERNS AMONG VARIOUS MEASURES BOLSTERING PRIMARY CARE

Bulk billing incentive

- Funding of $3.5bn over five years to triple the Medicare bulk billing incentive is the most notable primary care item and another signature measure in Budget 2023-24.
- Although increases to the bulk billing incentive are framed under the broader banner of cost-of-living relief measures, they can also be looked at in the longstanding context of Medicare Benefits Schedule (MBS) funding lagging cost escalation for GP practices. This dynamic has driven the deployment of, and tinkering with, various incentive payments over the years including the bulk billing incentive.
- Tripling the bulk billing incentive is a response to the Strengthening Medicare Taskforce Report, the work of an advisory body made up of practitioners/experts that commenced in July 2022. Though it also reflects the intent of earlier measures that increased the bulk billing incentive for practitioners in rural areas.
- Effective from 1 November 2023, the incentive rises from $6.85 to $20.65 where a GP bulk bills an eligible patient for a standard consultation in a metro area, and from $13.15 to $39.65 in a very remote area. The measure will cover face-to-face and telehealth consultations, including home visits and consultations in residential aged care facilities. And the eligible patient cohort is material: 11.6m, including 5.1m children under 16 and 7.9m pensioners and other Commonwealth concession card holders.

MBS indexation

- MBS indexation sits atop other noteworthy measures for primary care including an increase to the Workforce Incentive Program (WIP), reinstatement of some telehealth items previously withdrawn, and funding for a long MBS consultation item (60+ minutes).
- MBS indexation increases are scheduled to flow through in both July and November 2023. Although MBS indexation may not be as much of a "game changer" as perceived if higher than expected inflation persists (and there is no concomitant adjustment). Nonetheless, MBS indexation increases are significant because they represent at least some direct financial support for GP practice business viability.
- Medicare indexation not having kept up with practice business cost escalation has long made such increases a top-ranking item on pre-budget wish lists for the RACGP and medico-political peak body the Australian Medical Association (AMA). The inclusion of MBS indexation in Budget 2023-24 is another win for the medico peak bodies, practitioners, and practice businesses.

Workforce incentive program (WIP)

- The ~$445m over five years for the WIP incentive will flow through as a 30% increase in incentive payments for small and medium-sized GP practices utilising multidisciplinary teams (a 4% increase for large practices), and a greater number of practices eligible for the maximum payment.
- As with the increase to the bulk billing incentive, the increase to the WIP incentive is expected to make a positive financial difference at the margins where GP practices are positioned to access the potential opportunities.

MBS telehealth items

- Accelerated introduction of MBS telehealth items from early 2020 had been one of the few enduring positives of the pandemic. Reinstatement of such items for some longer consultation items withdrawn since is a positive outcome for patients and practioners alike.

60+ Minutes MBS consultation item

- The RACGP made several recommendations related to longer consultations in its pre-Budget 2023-24 wish list. They reflect the increased prevalence of chronic disease in our growing, ageing population: 47% of the population have one or more of 10 chronic diseases according to the Australian Institute of Health and Welfare. Hence, the ~$98m in funding for a new MBS consultation item of 60+minutes is another measure well received by the medico peak bodies.

Digital health

- Funding for digital health was another pre-announced feature of Budget 2023-24. This includes ~$950m over four years, with ~$325.7m for the Australian Digital Health Agency and $429m for upgrading of the much maligned My Health Record. The latter is intended to make the digital health record platform easier to use for both patients and providers as well as enable "secure, safe and efficient sharing of information."
- My Health Record still suffers from low take-up more than a decade after the launch of its precursor system, the unfortunately named PCEHR ("the pecker"). Only one in 10 specialists are reportedly using My Health Record. Realising the opportunities in digital health remains a significant challenge.

"MyMedicare"

- The new voluntary patient "enrolment" (VPE) model, "MyMedicare" is a far smaller allocation but another interesting inclusion (or re-inclusion given its appearance in earlier years' budgets but subsequent deferral due to COVID-19).
- Flagged by Minister for Health and Aged Care Mark Butler at his pre-budget National Press Club address, MyMedicare is (in theory) designed to provide a GP practice with more information about a voluntarily enrolled patient and drive improvement/efficiency in continuity of care, particularly for patients with complex needs.
- There is some superficial similarity between MyMedicare and the ill-fated Health Care Homes: it is another "medical home model" based on a patients' voluntary enrolment at GP practices and targeting patients with complex needs. Yet the marketing differs in that the budget papers describe the MyMedicare VPE as funding of $98m for "wraparound, tailored care" along with $112m for patients in residential aged care.
- Updated nomenclature aside, the aim of MyMedicare appears broadly similar: keeping chronic disease patients who are "frequent hospital users" out of hospitals. How the theory translates in practice will be interesting to see.

Bottom line

- Over recent years, GP practices have increasingly moved away from bulk billing and out-of-pocket fees increased. Tripling the bulk billing incentive translates into significant financial support at the margins for GP practices where practitioners choose to continue bulk billing. But the measure is not necessarily expected to reverse GP practices' shifts towards private/hybrid billing models, or higher out-of-pocket fees – especially in more affluent metro areas where patients are demonstrating higher willingness to pay.
- Regardless, the primary care measures in Budget 2023-24 are positive for GP practices to the extent that they provide at least some direct financial support via higher MBS indexation and potential opportunities where business models, staffing and other circumstances allow practices to take advantage of the incentives available.

PBS: CHANGES TO DISPENSING RULES EXPECTED TO REDUCE PHARMACY DISPENSING INCOME

PBS listings

- Over recent years, the pharmacy sector has been a consistent beneficiary of Commonwealth Budgets. The typical noteworthy pharmacy measures include some incremental additions to the Pharmaceutical Benefits Scheme (PBS) and/or supplementary funding to programs already funded under a Community Pharmacy Agreement.
- This year is no different in as much as there is mention of a ~$2bn allocation for new and amended PBS listings including medicines to treat conditions such as COVID-19 and cystic fibrosis.

PBS dispensing rule change

- But revealed well before budget night, the material measure affecting pharmacy in Budget 2023-24 is the scheduled PBS dispensing rule change. This will enable GPs and nurse practioners to prescribe – and patients to collect – 60 days' supply of selected medicines rather than the current 30 days' supply (an increase in the "maximum dispensing quantity" or MDQ).
- In total, the PBS dispensing rule change is planned to apply to ~325 medicines on the PBS including the most prescribed medicines accounting for ~65% of volume dispensed. Medicines in scope include those for common chronic conditions such as heart disease, high cholesterol, hypertension, Crohn disease, diabetes, breast cancer, endometriosis, osteoporosis, asthma, and Parkinson's disease.
- Unlike the elongated implementation for PBS price disclosure, the PBS dispensing rule change is currently scheduled for implementation in three stages over a relatively brief time frame: 113 medicines in scope from 1 September 2023, 98 medicines from 1 March 2024, and 114 medicines from 1 September 2024.
- This is another budget measure framed as cost-of-living relief, lowering out-of-pocket health costs, and delivering more affordable healthcare. By reducing the number of GP appointments and potentially halving the number of pharmacy visits a patient with a chronic disease requiring regular medication makes, the patient – and the Commonwealth – is expected to save.
- On the patient side, budget papers suggest eligible patients are expected to save, for each medicine, up to $180 p.a. and Concession card holders up to $43.80 p.a.; while the Government expects to save ~$1.6bn. GPs and patients are also expected to benefit as previously script-related consult times are freed up.
- Yet the savings are at the cost of dispensing fee income foregone for the pharmacy (attached to each visit). The Guild, peak body for community pharmacy owners, has publicised widely its own estimates of the financial impact at the pharmacy level as well as its concerns regarding related supply chain impacts.

Other measures

- Incremental measures supporting income for some pharmacies include ~$80m over four years for doubling of the Regional Pharmacy Maintenance Allowance (assisting ~1,093 pharmacies in regional and rural Australia) and ~$114m over four years for vaccinating eligible patients under the National Immunisation Program. By themselves, these measures are not expected to meaningfully offset reductions in pharmacy income from dispensing fees driven by the PBS dispensing rule change.

Bottom line

- Of course, there is significant variation in pharmacy business profiles resulting from factors such as a pharmacy's location, patient base, and cost structure, etc.
- Outside the characteristics of a specific pharmacy business – and ignoring how pharmacies (and doctors/nurse practitioners) might respond, as well as potential reductions in pharmacy income from non-script income given reduced footfall – the deciding factor will ultimately be the responses of the patient base.
- Most pivotal will be the response of patients aged 65+yrs who collectively account for 76% of scripts and are on average overwhelmingly likely to regularly visit one pharmacy, as many as 20+ times a year.
- Despite uncertainty around the magnitude of the financial impact of the PBS dispensing rule change at the pharmacy level – uncertainty that will not be fully resolved until after the change has been in effect for some period – the measure is all else being equal expected to result in reduced pharmacy earnings.

PREVENTATIVE HEALTH: TARGETING SMOKING AND VAPING

Smoking and vaping measures

- Funding measures to target smoking and vaping are noteworthy as significant measures supporting public health under the preventative health banner in Budget 2023-24.
- Among allocations totalling $737m over four years, $264m is earmarked to fund lung cancer screening through a National Lung Cancer Screening Program, $141m to tackling smoking among first nations people via the Tackling Indigenous Smoking program, $63m for public health information campaign on vaping and tobacco control, and $30m for supporting smoking and vaping cessation.

Bottom line

- The specialist lung physicians professional body, the Thoracic Society of Australia and New Zealand, and the dental peak body, Australian Dental Association, were among those who had earlier commended the Health Minister's pre-budget announcements outlining the Commonwealth's intent to work with the states and territories to stop the importation of non-prescription vapes and other measures designed to stem the threat that vaping presents to young Australians in particular. On budget night, the AMA also pointed to the vaping measures announced as a "huge public health win." Another welcome development.

MENTAL HEALTH: FUNDING PSYCHOSOCIAL SUPPORT AND BOLSTERING WORKFORCE

Psychosocial support

- Among allocations under the mental health banner totalling ~$587m, the big-ticket item is ~$260m over two years for funding to extend "psychosocial support" to more than 18,000 people with severe mental illness outside the NDIS.

Trauma and other support for Culturally and Liguistically Diverse (CALD) communities

- Another of the larger mental health-related allocations, ~$136m over four years is earmarked to programs supporting CALD communities. The bulk of this, ~$135m, is allocated to the Program of Assistance for Survivors of Torture and Trauma to provide specialised trauma support and psychosocial services.

Workforce measure

- Finally, like other areas of the health and aged care sectors, mental health has faced significant workforce shortages pre-dating the pandemic: Budget 2023-24 builds on previous budgets' efforts to address these by allocating ~$91m over five years to bolster the psychology training pipeline.

Bottom line

- A series of Commonwealth budgets pre-pandemic placed significant priority on expanding mental health services, and the measures above are all welcome. Prior to the pandemic, the spotlight was on mental workforce shortages specifically in psychiatry and mental health nursing – and the persistent challenges of expanding the professional pipeline in those areas.
- With the pandemic having further exacerbated widespread workforce shortages across the health and aged care sectors, including those in mental health, expanding training places and career development opportunities has never been more important.

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