Against the backdrop of a looming election, Budget 2019-20 provides for a modest increase in health expenditure, with much of the headline-grabbing spend back-ended.

**LARGEST ALLOCATIONS (FY20-FY23)**

- **+$40BN** Medicines
- **+$7BN** Aged Care
- **+$6BN** Medicare
- **+$5BN** Public Hospitals

**NOTEWORTHY MEASURES**

- Address primary care for consumers 70+
- Funding for hospital infrastructure
- Funding for youth mental health issues

Longer term, commentators suggest the forward estimates are potentially vulnerable to greater demand on our health system, a function of our demographic trajectory and our mixed public and private system.
PRIMARY CARE
MAINTAINING INCENTIVES
AND INTRODUCING A NEW
CO-ORDINATED CARE
APPROACH FOR +70S

• Primary care measures in Budget 2019-20 included ~$1bn (on top of $512m in the 2018–19 MYEFO) for the Strengthening Primary Care package across FY20-FY23.

• GPs potentially stand to benefit where they access Primary Care Practice Incentives (e.g. Aged Care Access Incentive) and other incentives designed to promote access in areas of need: $116m (~78%) of $147m in FY20. GPs should also see some slight benefit as indexation returns to the full range of GP MBS items in FY20.

• Consumers over 70 may benefit where they receive Medicare-covered, coordinated care under agreement with their GPs. Practitioners will be able to “provide consultations, referrals, scripts and test results remotely—without seeing patients face-to-face.”

• Without further details to hand, this seems a pragmatic policy response removing existing MBS-related impediments to greater use of telehealth. Assuming appropriate funding for service providers and take-up by consumers, this should support greater access for ageing consumers and patient flow for GPs.

• Will this new approach targeting consumers over 70s constitute a more workable, sustainable model than the maligned Health Care Homes trial? (The budget papers outline continued support for the latter up until 30 June 2021, though the HCH trial is now targeting a greatly reduced number of participants (down from 65,000 to 12,000)).

• Funding and initiatives to address the maldistribution of the medical practitioner workforce: $62m over five years supporting rural GP training pathways. This should provide some modest benefit to both GPs and GPs in training and their rural communities, as should measures intended to promote employment of local GPs.

• Still Australia’s ongoing urban densification—with population growth increasingly concentrated in major east coast metro areas—is just one reason to think that the misdistribution issue is unlikely to dissipate anytime soon. The Budget Papers project city-rural variations persisting. Intracity distribution is changing with health infrastructure investment and the continued growth of the medical workforce, reflecting the impact of the expansion of medical training infrastructure and immigration measures.

HOSPITALS
INVESTING IN HOSPITAL INFRASTRUCTURE
ACROSS THE COUNTRY

• Recurrent funding for public hospital services will be determined in a COAG health funding agreement later in 2019. However, the Budget Papers flag some big-ticket capex items under the Community Health and Hospitals Program (CHHP). Among the projects across the country covered by ~$1.2bn in funding here are a Children’s Cancer Centre at Sydney’s Children’s Hospital and a centre for Cellular Immunotherapy at Melbourne’s Peter MacCallum Cancer Centre.

• Training, direct and indirect employment opportunities for the medical workforce should be among the benefits of such investments.

PRIVATE HEALTH INSURANCE (PHI)
MAINTAINING SPENDING ON PHI PAYMENTS

• Participation and membership (for hospital treatment coverage) has been dropping both in percentage terms and in absolute numbers. Budget 2019-20 allocates ~$6.3bn in FY20 to PHI payments (rebates and incentives), marginally up on the prior year’s ~$6.2bn.

• Significant PHI-related policy reforms were introduced just prior to the budget, flowing from the work of the Private Health Ministerial Advisory Committee. Effective 1 April is policy standardisation (the new basic, Bronze, Silver or Gold policy categories) intended to make policies more consistent, understandable and comparable. Other reforms designed to support PHI affordability include raising policy excess amounts and removing coverage of some treatments. Collectively, such reforms are intended to support PHI membership levels.

• Sceptics would suggest it will take more than renaming policies to make PHI more attractive to consumers, given the persistent rises in premiums and concerns about value for money. Indeed, consumer research indicates low levels of awareness of the changes—and even lower levels of consumers indicating that the changes will make a difference.

• A sustained, material drop in PHI membership is not in any of our interests to the extent it would put more pressure on the public system (longer waiting lists, greater activity and demand for capacity expansion and funding, etc.) and at the margins reduce the pool of consumers availing themselves of the services of private service providers (smaller customer and PHI funding base).

• What to do about PHI is a critical question for our system. Although Budget 2019-20 presents no new response on this, the Opposition has flagged that the question will get extensive consideration via a Productivity Commission review on PHI in the event of a change of government.

• Longer term, burgeoning demand for tertiary care—as in aged care and home care—begets the question who will pay?
SPECIALISTS
TRANSLATING CALLS FOR FEE TRANSPARENCY; GREATER CONSUMERISATION

- Health Minister Greg Hunt in March signalled that the Government would be funding a website to provide information about the costs of specialists’ services. This is one of the recommendations from the Ministerial Advisory Committee on Out-of-Pocket Expenses. The Budget Papers note that the Department is targeting the launch of this site in FY20.¹
- Minister Hunt has stated that the site will show de-identified and aggregated data, presenting ranges for both fees and out-of-pocket costs in a local area, starting with gynaecology, obstetrics and cancer services.
- Transparency about costs is really only part of the requirement from a consumer perspective, however; specialists like GPs and hospitals are increasingly seeing the “consumerisation of health,” which requires catering to increasingly higher consumer expectations.
- Many specialists already effectively communicate their propositions through social media and other channels. With the introduction of this website, a greater number of specialists should be reviewing how they help consumers make informed decisions.

PHARMACY
ADDING NEW MEDICINES TO THE PHARMACEUTICAL BENEFITS SCHEME (PBS) AND MAINTAINING THE AHI

- Consumers stand to benefit from $331m in funding over five years for new and amended items on the PBS including medicines for treating leukaemia and various cancers.
- Pharmacists benefit also to the extent they see the extension of the Administration, Handling and Infrastructure (AHI) fee, introduced back in 2015 to at least partially offset the impact of PBS price disclosure.

AGED CARE
AWAITING AGED CARE ROYAL COMMISSION OUTCOMES AND ADDRESSING UNMET DEMAND IN HOME CARE

- The early hearings in the Royal Commission have highlighted a wide range of issues including funding and operations, and stoked a sense that some changes might be expected post-Royal Commission. The budget did nothing to dispel that.
- Several items announced pre-budget were wrapped into the $724m headline figure, including $320m for a one-off increase in ACFI funding; new funding of $62m was allocated for strengthening quality assurance.
- With the continuing shortfall in supply for home care attracting recent attention in the Royal Commission hearings, the Treasurer singled out funding for 10,000 new home care packages ($282m over five years, announced back in February); and the Budget Papers indicate home care packages increasing from 124,032 in FY19 to 157,154 in FY23.
- At least one commentator has described the supply-demand imbalance in home care as one of Australia’s most pressing problems.
- The difficulty in getting close to meeting current demand for home care is already clear. As the Department of Health’s own data implies: ~70,000 people waiting to receive any type of package and ~60,000 receiving an interim package while they wait for a package providing a higher level of care.¹
- While any new places are welcome, it remains unclear how our system will meet and fund the demand from a swelling base of consumers, especially as the magnitude of the challenge grows with our ageing population.

MEDICAL RESEARCH
BUILDING OUT THE MEDICAL RESEARCH FUTURE FUND ECOSYSTEM

- The Budget allocates an additional $931m for medical research (e.g. cancer and rare disease-related clinical trials) under the remit of the Medical Research Future Fund (MRFF). The Budget also provides for the establishment of the Health and Medical Research Office to allocate money from the MRFF.
- Funding initiatives associated with the MRFF, established a little over four years ago, have featured in past budgets and will be a standing feature for the medium term at least given a total of more than $30 billion is allocated to the MRFF by 2020-21.
MENTAL HEALTH 
EXPANDING MENTAL HEALTH SERVICES FOR YOUTH AND COMMUNITY

- Building on recent years’ focus on expanding measures to address mental health, Budget 2019-20 allocates $461m specifically to address youth mental health including funding for 30 new headspace centres across metro and regional areas along with suicide prevention initiatives.
- The Budget also provides $114m for community mental health centres, $63m for initiatives to address eating disorders and $15m for initiatives to support workplace mental health initiatives.
- All of these measures will benefit providers, recipients and our wider community—while we wait to see whether structural reforms could result from the Productivity Commission’s current inquiry into mental health.

NATIONAL DISABILITY INSURANCE SCHEME (NDIS): ADDRESSING PRICING AND SUPPORTING

- Commentators have made much of the shortfalls in spending on NDIS (for FY19 and projected in FY20) as critical factors in supporting the projected budget surplus.
- Getting NDIS participants into the right plans has been a driver of delay, and staffing an issue. NDIS providers have also been pointing out for some time that pricing must be made viable.
- Recently announced adjustments to the pricing framework seem a prerequisite to maintaining, let alone growing, service providers—and by extension both workforce and coverage the NDIS requires to fulfil its ambitious aims: ~245,000 persons accessing as at Dec. 2018, and ~460,000 by some time 2020.iii
- The National Disability Insurance Agency and others will be watching closely to see that those changes help NDIS participants get the care they require.

Please visit bluenotes for ANZ’s full coverage of Australia’s 2019-20 federal budget.

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i National strategy to tackle specialist out of pocket costs” Department of Health, 2 March 2019
ii Background Paper 1 - Navigating the maze: an overview of Australia’s current aged care system,” Ms Carolyn Smith and the Office of the Royal Commission, The Royal Commission into Aged Care Quality and Safety, 2019