

2020 FEDERAL BUDGET

What it means for Health



Group Economics overview of the Budget

As expected, this is one of the most stimulatory budgets we have ever seen.

Broadly it is largely as expected. A key decision has been to backdate the Phase 2 tax cuts (worth \$17.8bn over four years). The back dating of Phase 2 cuts is important as it helps fill the gap to consumers incomes from the reduction of JobKeeper and JobSeeker payments. It has also led us to revise up our near-term GDP forecasts and reduce the level of unemployment at the same horizon.

The biggest item in the budget was the instant asset write off for firms with turnover of less than \$5bn (covering around 99% of businesses) - worth \$26.7bn. It is very much aimed at encouraging business investment. Further in keeping with the tone of moving from “support to survival”, extra money has been given by way of pay incentives to employ people, especially for under 35 year olds who were previously unemployed (\$4bn). Also announced were wage subsidies for new apprentices (\$1.2bn).

A surprise was not bringing forward the timing of “Stage 3” tax cuts (which the Opposition opposes) or permanently increasing the JobSeeker payment.

The expenditure items include bringing forward infrastructure spending by providing extra money to the States (\$6.7bn) along with Commonwealth road infrastructure of \$2bn. There was also a carry back tax provision (of around \$4.9bn). There was extra money for manufacturing support (\$1.5bn) and higher education (\$0.9bn). Further, as previously announced, the laws on Responsible lending have been scrapped in an attempt to boost credit for SMEs.

The size of the total fiscal package suggests a policy stimulus this year of around 7% of GDP. The implied fiscal tightening that follows as JobKeeper drops out sees the Budget position improving by around \$100bn - or a tightening of nearly 5%. At a time when the economy is expected to grow by 4.8%. That in our view is a big stretch - either for the pace of Budget repair and growth.

In looking at the near-term deterioration in the Budget nearly all the work is done on the expense side - as is the subsequent repair process. Albeit, the structural Budget deficit is - even on these charitable assumptions - still likely to be around 6% in deficit. Therefore, repairing the budget will be a protracted process, taking well over 5 years.

Overall, we have no problem with the focus on getting the economy going using fiscal stimulus. Structural reform would have also been useful but has not really been attempted apart from the tax cuts. We agree the issue of future debt is of little near term concern. The economy needs all the help it can get from fiscal policy. While the RBA may fractionally lower rates, that would have marginal impacts at present. The cost of credit is not the issue - rather it is the lack of demand for credit.

Fundamentally we are much more worried about the outlook than the forecasts published by the Treasury. We see GDP falling by around -2.1% in 2020/21 (while the Treasury is at -1.5%). For 2021/22 we have around 3.8% but the Treasury has 4.7%. While we both see unemployment peaking at around 8% (Treasury in December 2020, NAB March 2021) the Treasury has unemployment falling to around 6½% in 2021/22 while NAB is nearer 7%. We both have unemployment of around 6% in 2022/23. Generally, we are weaker across all private sector components, while we are stronger on the outlook for government spending. We also expect a slower bounce back in exports.

Health Services

2020 has delivered the healthcare sector its biggest challenge in a century, but the impacts have been widely disparate across different parts of the sector. Big public hospitals, particularly in Victoria, have been under intense pressure to manage outbreaks and treat those hospitalised with coronavirus (peaking at 675 in Victoria in mid-August). Meanwhile, while still being subject to infection control requirements, private hospitals have faced the cancellation of elective surgeries due to restrictions or lower appetite for procedures on the part of concerned patients. Importantly Australia's public-private health sector has provided critical capacity in response to the pandemic, with private operators relieving pressure on the public sector, highlighting the need for a sustainable private health insurance sector.

Aged care facilities have been hit hard, particularly in Victoria where 73 aged care facilities have experienced outbreaks with at least five cases. The Royal Commission into Aged Care Quality and Safety released an interim report advising that the Commonwealth undertake immediate action by 1 December 2020 in four key areas, including additional funding for adequate staff, increasing allied and mental health services access in Medicare, develop a national COVID aged care plan and require facilities to appoint infection control officers.

Coronavirus diagnostics have been massive, but demand for diagnostic services outside of the virus has been under pressure. Likewise, GPs and dentists face onerous infection control demands and lower patient demand. Allied health services have likewise been hit hard, as patients avoided healthcare settings unless absolutely necessary.

Against this background, our health system has coped remarkably well showing incredible resilience. The sector has been a frontline in managing the pandemic, often pivoting towards digital health to ensure care has been maintained. NAB recently surveyed over 1,000 Australians about their health and the health system ([NAB 2020 Consumer Health Survey](#)). Around 1 in 5 Australians felt they had needed professional help for their emotions, stress, mental health or substance abuse during COVID-19 (rising to over 1 in 4 for those living in VIC).

When asked whether they could access health care only 1 in 10 people said they were unable to do so. Australians were also very satisfied with the quality of care received from most service providers (scoring over 8 points out of a possible 10). Almost 4 in 10 Australians had experienced a non-face to face health consultation during COVID-19, and 1 in 2 rated the experience about the same as a face-to-face consultation.

Finally, around 6 in 10 people who currently have private health insurance were happy with their cover and not intending to change it. Almost 15% of Australians planned to shop around for a cheaper/better product, around 10% drop it altogether, and 5% reduce their coverage.

What did business want?

The Australian Medical Association (AMA) believes this year's Budget provides a rare opportunity to reset Australia's attitude to health expenditure, citing longer waiting lists for elective surgery, hospital bed ratios for older Australians, worsening emergency department times and the backlog of cancelled surgeries and delayed diagnoses due to the pandemic. The AMA was particularly concerned for the aged care system, mental health, the protection of frontline healthcare workers, falling private health cover (noting the private health system accounts for about 60% of elective surgery), as well as the need to keep the virus out of our Indigenous communities.

Against this background, the AMA called for an increase in spending on general practice from less than 12.7% of total Commonwealth Government spending on health to 16%, and at least 5% of the health budget on prevention measures. In relation to aged care, the AMA called for minimum staff-to-resident ratios that reflect the level of care required and ensure 24-hour, on-site availability of registered nurses. More generally, telehealth needs to become a feature of Australia's health system which requires sustainable funding models. In its pre-Budget Submission (produced earlier in the year), it called for the Government to increase health spending as a share of GDP, noting Australia's ageing population and increasing incidence of chronic illnesses.

In its pre-Budget Submission, the Australian Dental Association (ADA) called for the Government to provide additional targeted and sustainable funding to address the unmet oral and dental health care needs of Australians identified as 'priority' groups. In line with the Government's aim to develop a National Preventive Health Strategy, the ADA also wants funding for a range of prevention-oriented initiatives designed to reduce the incidence of oral disease.

Optometry Australia (OA) called on the Government to: reinstate biennial Medicare rebates for comprehensive initial examinations for Australians aged 45 to 64; expand the Visiting Optometrists Scheme to provide services for Aboriginal and Torres Strait Islander and rural and remote communities; support greater awareness of general eye health; fund research into enhancing integration of optometric care into primary health; and review the Medicare fee schedule to ensure alignment with true cost of providing care.

The Pharmaceutical Society of Australia called on the Government to implement a number of measures, including: a program to support safe and quality use of medicines within aged care; support rural pharmacists in providing high quality primary care; a pilot opioid stewardship program to reduce harm caused by these medicines; increased incentives to support more pharmacists within general practice; and the introduction of a Commonwealth Chief Pharmacist.

The Council on the Ageing (COTA) welcomed the Aged Care Royal Commission's special report into COVID-19 and that the Government accepted all six recommendations. It recommended that the Government introduce dedicated funding to support increased visits for aged care residents. This includes funding for screening, infection control and personal protective equipment. It also called for increased funding for home care packages, ensuring that no older Australian wait more than 30 days. There were also calls for significant improvements to aged care workforce capacity and skills, and the greater incentives for business investment in the sector.

What did the Budget deliver?

COVID-19 measures

The Government will spend \$1.7 billion over two years to ensure supply and production agreements for COVID-19 vaccines once available. These include agreements for the University of Oxford/AstraZeneca vaccine and the University of Queensland/CSL Limited vaccine. In addition, the Government will spend \$123 million to join the COVID-19 Vaccines Global Access Facility (COVAX).

The Government will also spend \$1.1 billion in 2020-21 to support access to healthcare services through the COVID-19 pandemic. This includes:

- \$711.7 million to extend Medicare Benefits Schedule pathology items for COVID-19 testing, including targeted testing for key sectors such as interstate freight and aged care workers;
- \$170.8 million for dedicated respiratory clinics to ease pressure on hospitals; and
- \$111.6 million to extend temporary COVID-19 telehealth services.

The Government will provide \$1.1 billion in 2020-21 under the National Partnership Agreement on COVID-19 Response to states and territories. This includes a continuation of the COVID-19 viability guarantee for eligible private hospitals that are supplementing public hospital capacity.

Aged care

The Government will spend \$2.0 billion over four years to support older Australians, with \$1.6 billion to create an additional 23,000 home care packages, and additional funds to improve transparency and regulatory standards in the sector.

The Government will provide \$746.3 million over four years (or \$700.2 million net of income tax revenue impacts), to provide COVID-19 support to the aged care sector. This includes:

- \$245 million supplementary payment to all Commonwealth funded residential aged care and home care providers to cover additional operating costs due to COVID-19. This comprises a lump sum to all providers and the continuation of the 30% increase to the viability and homeless supplements for eligible providers;
- \$205.1 million over two years (\$159 million net income tax receipts) to provide a third instalment of the workforce retention bonus; and
- \$103.4 million this year to support aged care providers to manage and prevent COVID-19 outbreaks.

Medicines

The Government will spend \$375.5 million over four years for new and amended listings on the Pharmaceutical Benefits Scheme (PBS) and the Repatriation Pharmaceutical Benefits Scheme (RPBS).

Mental health

The Government has committed additional funding for mental health across a range of programs, including:

- \$100.8 million over two years to provide up to 10 additional psychological therapy sessions each year through the Medicare Benefits Schedule;
- \$47.3 million over two years for additional mental health and crisis support services in Victoria due to the COVID-19 pandemic; and
- \$62.1 million over four years to improve access to mental health services, including \$45.7 million to support vulnerable young people with mental illness to participate in the workforce.

How did business react?

Dr Omar Khorshid, the Federal AMA President, commended the Government for its COVID-19 health response and further stimulus spending. However, he noted that addressing a wide range of health sector problems has been deferred, including preventative health, long term public hospital funding, the viability of private health and help needed for General Practitioners.

Ian Yates, COTA Australia Chief Executive, welcomed the increase in home care packages, but was disappointed that there is still no commitment or plan to get waiting times down to 30 days or to ensure no one is prematurely forced into residential aged care.

Alison Verhoeven, Chief Executive, Australian Healthcare and Hospitals Association noted that the budget makes major commitments to health and aged care necessary to address COVID-19, but that there are many areas of significant need where more is required. The AHHA were disappointed with the limited focus on strengthening preventative and primary health and the lack of an Australian Centre for Disease Control.

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