2021-22 FEDERAL BUDGET

What does it mean for Health?

more than money
nab

Group Economics overview of the Budget

The Treasurer wasn't kidding when he said budget repair has been put on hold until unemployment was below 5%, with a raft of new spending measures offsetting the cyclical improvements in the budget due to a better than expected economic outcome. Overall, the momentum of the recovery has more than offset the pullback in stimulus, but this budget aims to provide further support.

In terms of spending the largest item was the aged care package - at around $17.7 billion over the forward estimates. But there were other big spends in the areas of Infrastructure ($15 billion) and NDIS ($13.2 billion). The Low and Middle-Income tax offset was extended a year ($7.8 billion) and the Investment Asset Write Off also was extended. Other areas of focus included childcare, home ownership support and a number of tweaks to superannuation to ensure greater flexibility (as well as support for women).

Something of a surprise was relatively little to boost private sector investment which will be critical to maintain the recovery's momentum. Also, there was not a lot of emphasis on public housing and no attempt to bring forward the third phase of tax cuts (which will be much cheaper than first thought given the better labour market outcomes forecast) or company tax changes. It is worth noting that the Budget does not include election spending which will either occur via an early Budget (the election must be called by May 2022) or via Government announcements.

Structurally the Budget is taking back only around 2% of GDP in policy stimulus - compared to a net 8% stimulus in 2019/20 and 2020/21. Clearly a structural surplus is a long way off. In looking at the near-term trends, the fiscal situation is once again driven by the expense side rather than revenue. Indeed, compared to MYEFO there is little change.

Overall, we have no problem with the focus on maintaining the support for economic growth, but we see the scope for more structural/productivity enhancing measures to have been included. Cutting red tape, tax changes and greater support for alternative energy environment would have been preferred. That said, as noted above, we are only getting a partial view of the likely budget outlook and much can and will probably change in the lead up to the election.

Fiscal Outcome

The underlying cash balance for 2020/21 is estimated at $161 billion (or around 8% of GDP), around $40 billion better than at MYEFO. While for 2021/22 a deficit of $107 billion is forecast (we had expected around $75 billion), after that progress is slow and by 2023/24 the deficit is still expected to be around $79.5 billion. A return to surplus looks many years away.

Economic Outlook

Both we and the Treasury see the economy continuing to recover over the next couple of years. In aggregate our outlook for real GDP sees a similar end point over the forward estimates but there are some underlying differences. We see a bigger boost to business investment in the near term and a more pronounced cycle in dwelling investment, while Treasury sees stronger consumption and a bigger contribution from net exports. On the labour market we are more optimistic with unemployment around 0.5ppt lower than the budget outlook by the end of the forecast horizon. That said, both sets of forecasts embody a weak outlook for wage growth, which will see soft inflationary pressure and the need for ongoing support from policy makers. Our forecasts are based on much the same assumptions for a reopening in borders next year and the possibility of further small outbreaks of the virus but no large-scale shutdowns.

Financial Markets

S&P maintained its negative outlook for Australia's AAA credit rating, noting that "risks remain tilted toward the downside". S&P has said before that a narrowing in the deficit towards 3% of GDP is more consistent with a AAA rating (not projected till 2024-25 in the budget).

Health Services

The healthcare sector was expected to be at the centre of this year's Budget, following the findings of the Royal Commission into Aged Care Quality and Safety released during March this year. Among its key findings the commission concluded that the present ration-based system of aged care should be replaced in favour of a rights-based system that allocated care to individuals based on assessments of their requirements in order to eliminate waiting lists. There were also calls for stronger governance and oversight into the sector including an independent pricing mechanism to set industry cost standards. The Commission also pointed to the need for new standards for front line workers, including a new national registration scheme. Finally, the report called for a universal funding model to replace the current mixture of means-tested arrangements. It would also eliminate refundable accommodation deposits, which can make the process of securing care difficult for many.

The healthcare sector was also hoping to see the Government take on board recommendations from the Productivity Commission and the Royal Commission into mental health and allocate additional investment into the system. National Mental Health Commission CEO Christine Morgan noted that the COVID-19 pandemic had shone a spotlight on the need to access mental health services as it showed Australians their mental health "is as much a part of us as our physical health."

What did business want?

The **Australian Medical Association** identified a range of key areas for funding commitments:

- **Telehealth** - permanent Medicare Benefits Schedule rebates for telehealth consultations with GPs and medical specialists - which were introduced in response to COVID but are only funded to the end of the year.
- **Public hospitals** - implement a comprehensive funding solution for public hospitals to reduce waiting times and cope with times of increased demand.
- **Aged care** - provide greater access to healthcare within the system to reduce the reliance on hospitals.
- **General Practice** - invest in the sector to respond to the needs of the ageing population.
- **Private health insurance** - addressing the decline in private health insurance and ensuring its long-term sustainability.
- **Indigenous health** - better access to healthcare to improve current poor health outcomes.

The **Pharmacy Guild of Australia** and the **Pharmaceutical Society of Australia** highlighted measures including:

- **Combating opioid dependence** - by increasing access to, and reducing the cost of, opioid dependence treatment.
- **Implementing e-prescriptions** - to reduce medication errors.
- **Aged care** - increase funding to allow residential aged care facilities to directly engage pharmacists to reduce preventable harm caused by medicines.

Australian Aged Care Collaboration, a group comprising of six peak bodies that deliver 70% of in-home and communal residential aged care services, outlined a range of priorities for this year's Budget, based on the findings of the Royal Commission. These were grouped into broad categories, including:

- **Human rights, access and choice** - including committing to a rights-based (non-rationed) Aged Care Act by July 2023; providing funding to remove the waiting list for home care packages by December 2022; developing and implementing uncapped and better integrated aged care (both in home and residential) by July 2024 with clear funding (comprising a mix of block and activity models and personal contributions).
- **Workforce** - increase minimum award wages; fund training program to ensure adequate long-term aged care workforce; improve access to wider health system by older people receiving aged care (including allied health professionals); implementing a national registration scheme for personal care workers.
- **Transparency** - implementing transparency and accountability provisions from December 2022, including clinical indicators, performance-based star ratings, reporting of care staff hours, reporting financial data to the independent pricing authority and strengthening prudential regulations.
- **Sustainability** - establishing an independent aged care pricing authority by July 2022 to determine pricing based on case-mix; funding for implementing amendments to indexation arrangements; extending the 30% increase in the Viability Supplement (for rural and regional providers); increased funding for residents' everyday living expenses and reimbursement for employers for their staff development costs.

Vision 2020's pre-Budget submission focussed on enhancing local eye care for Aboriginal and Torres Strait Islander communities, increasing support to combat blindness in Papua New Guinea, enhancing support for older Australians with vision loss, supporting workforce training, and increasing access to cataract surgery.

The Australian Healthcare & Hospitals Association had a wide range of recommendations across the healthcare system, including: moving from a volume-based healthcare system to a value-based one; increased funding for preventative health, mental health, oral health and aged care; a nationally consistent framework for advanced care, palliative care and end of life decisions; improved access to healthcare for Aboriginal and Torres Strait Islanders and rural and remote communities; and the establishment of an Australian Centre for Disease Control.

What did the Budget deliver?

Aged Care

The Government has pledged $17.7 billion over 5 years as part of an overall funding package in response to the Royal Commission into Aged Care Quality and Safety. This spending includes:

Residential Aged Care Services - the Government will provide $7.8 billion over five years from 2020-21 into improving the service and sustainability of residential aged care services, including:

- $3.9 billion over four years from 2021 on increasing front line care minutes with 200 minutes per day (40 minutes with a registered nurse) to be mandated by October 2023.
- $3.2 billion to support aged care providers via a new daily supplement of $10 per resident.
- $278.8 million over three years to continue the temporary financial support for aged care providers.
- $189.3 million over four years to implement a new funding model, the Australian National Aged Care Classification.
- $117.3 million to support structural reforms of the aged care sector and the strengthened financial reporting requirements for residential aged care providers.

Home Care Packages - an additional $7.5 billion will be provided in creating new home care packages which includes:

- $6.5 billion over four years to create 80,000 new home care packages over two years from 2021-22.
- $798.3 million for greater access to respite care and support carers.
- $272.5 million over four years to support access to information about aged care for senior Australians.

Aged Care Quality & Safety - $942 million over four years of new funding will be directed to improve the quality and safety of aged care services, including:

- $365.7 million for primary and other health care access and additional digital & face-to-face support to navigate the aged care system.
- $301.3 million for the Aged Care Quality and Safety Commission to ensure the safety and integrity of aged care services and to address the failures of COVID-19 response.
- $200.1 million for a new star rating system for senior Australians and their family and carers to make comparisons of aged care providers.

Regional Access to Aged Cared & Governance - $698.3 million in funding over five years, with the largest share to improve access to quality aged care services in regional, rural and remote areas, including those with Indigenous backgrounds and special needs groups.

Workforce - $652.1 million will be provided for training and upskilling of the aged care workforce.

Mental health

The Government will spend $2.3 billion over the four years starting 2021-22 to implement the National Mental Health and Suicide Prevention Plan, in collaboration with state and territory governments. This spending includes around $1.2 billion for mental health treatment (including specialised youth and disability services), almost $300 million for suicide prevention, around $250 million for prevention and early intervention and around $200 million to support workforce and governance.

COVID-19 measures

The Government will spend $1.9 billion over the five years commencing 2020-21 to continue the rollout of COVID-19 vaccines. The detailed breakup of this spending is somewhat unclear - given existing funding from last year's budget, along with commercial-in-confidence details regarding additional purchases of the Pfizer BioNTech vaccine.

The Government will spend $879 million over the two years from 2020-21 (including around $140 million carried over from last year's budget) to support Medicare and access to medicines in response to the COVID-19 pandemic. These measures include:

- $557.1 million to extend temporary Medicare Benefits Schedule (MBS) pathology items for COVID-19 testing.
- $204.6 million to extend temporary telehealth MBS services until the end of

2021, with some revised billing arrangements to commence 1 July 2021.

The Government will also spend $845.3 million over the two years from 2020-21 to continue its emergency response to the pandemic. These measures include:

- $487.0 million over two years to expand quarantine facilities in the Northern Territory.
- $271.5 million in 2020-21 to support the activities of the National Partnership on the COVID-19 Response.

Medicines and appliances

The Government will spend $882.5 million over the five years starting from 2020-21 for new and amended listings on the Pharmaceutical Benefits Scheme, the Repatriation Pharmaceutical Benefits Scheme and the Stoma Appliance Scheme, including extending the Take Home Naloxone Program to reduce the risk of opioid overdose.

Other healthcare measures

Changes to the Medicare Benefits Schedule will see the Government spend an additional $151.5 million over four years from 2021-22 for a range of services - including pre-implantation genetic testing of embryos for IVF; improved diagnosis of hypertension; and a range of cancer diagnosis and treatments.

The Government will spend an additional $231.9 million over the four years starting 2021-22 to support the national sport plan “Sport 2030” and support sport and physical activity in the community.

The Government will spend an additional $297.4 million over the four years starting 2021-22 to support greater access to primary healthcare services, with Medicare subsidised treatment for medication resistant major depressive disorder accounting for a large share of the spending.

How did business react?

The **Australian Aged Care Collaboration** welcomed the Government’s $17.7 billion funding increase into the aged care sector over the next four years in response to the Aged Care Royal Commission. AACC representative Patricia Sparrow noted that this Budget, and the Government’s response to the Royal Commission’s recommendations, finally addressed many of the challenges facing aged care. That said, she noted that Australia now spends around half of what comparable countries do on aged care, and while this year’s budget won’t close the gap, it will provide structural relief in many critical areas.

The President of the **Australian Medical Association**, Dr Omar Khorshid, highlighted the increased spending on aged care and mental health as much needed improvements, although noted some concerns around how long implementation will take. Dr Khorshid also raised concerns around capacity in public hospitals and GP clinics - particularly regarding waiting times in emergency rooms and for elective surgery. He also noted that more should be done regarding prevention measures and that telehealth should be made permanent, rather than being temporarily extended.

Alison Verhoeven, **Chief Executive of Australian Healthcare and Hospitals Association** noted the sizeable investment in health in this year’s budget, but also highlighted the need to plan for future challenges, such as climate change, the ageing population with rising rates of chronic disease and equity issues in healthcare access. She also noted that the announced spending in aged care was only around half of the investment recommended as necessary by the Royal Commission and the short-term extension to telehealth was a missed opportunity.

NAB’s View

Kate Galvin, **Executive NAB Health**, noted “It is pleasing to see Health and Aged Care at the forefront of the budget, highlighting a strong commitment to pursue a healthy Australia. The NAB Health team is looking forward to discussing these announcements with all of our customers with a view to understanding the impacts on their businesses.”

With regards to aged care, **NAB’s Head of Corporate Health** John McCarthy stated “As one of the largest financiers to the sector we welcome the budget announcements and the Government’s commitment to meaningful reform. We believe there is a balance between immediate relief with an eye to longer term change. We look forward to continuing to support our customers and the sector as the change program is implemented over the coming years.” More specifically he noted:

- In response to the 148 Royal Commission recommendations, Aged Care funding and reform were set to be the centrepiece of the 2021 budget. The Government committed to addressing the final report on budget night. To a large degree it did this directly through an increase in funding to residential facilities and home care places, and indirectly through various buckets of funding to support a complete reform of the sector.

- Residential Aged Care facilities, that have largely been struggling to cover the cost of care, will benefit directly from the $10 daily increase per resident. This will provide instant relief while $189m is spent on putting in place the Australian National Aged Care Classification Model that should ensure there is a more sustainable funding model going forward.
- Funding for mandated care hours and registered nurses will boost confidence in the sector. The key questions are: is the funding sufficient and why wait until October 2023?
- 80,000 additional home care places over the next two years will go a long way to addressing the current wait list issues and will provide genuine choice for consumers. Additional funding to safeguard the system through support for informal carers, respite services and the new support program are all key enablers to a functioning home care system.
- Staffing the biggest issue within the sector and one that needed to be addressed urgently has been provided welcome relief with the Government committed to grow a "skilled, professional and compassionate aged care workforce" through a $652m funding package. Vocational training places and financial support for registered nurses will enhance the attractiveness of the sector to potential employees.
- The perception of the sector has suffered through inconsistent governance and reporting. There is additional funding to establish a National Aged Care Advisory Council, independent regulator and a new star rating system. These enhancements will provide be endorsed by all stakeholders in the sector.
- The integration with primary health networks in the regions and the additional funding to improve access to the primary care system for residents of aged care facilities will hopefully highlight the benefits of collaboration across the healthcare sector to improve care for older Australians.
- While means testing has not been directly covered, the introduction of an Independent Pricing Authority is another welcome relief to the sector. The authority needs to fully review how the consumer contributions are managed to ensure a fair and equitable system.
- While investors, consumers and operators will welcome the removal of the ACAR, greater clarity is still needed on the future of RADs. The phasing out of these as recommended by the Royal Commission has not been covered and this will create instability within the sector.

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