2022-23 FEDERAL BUDGET

What does it means for Health?

more than money

nab

Group Economics overview of the Budget

With the looming election and the promise by the Opposition of a new budget if elected, there is considerable uncertainty over how many of the announced measures will be implemented. We also don't know what else the Government will announce in the lead up to the election (although the Contingency Reserve which widens to $15.4 billion by 2025-26 is pointing to some further announcements).

That said, the focus of spending was largely as expected. Cost of living measures were a centre piece, including halving the petrol excise for 6 months (worth 22c per litre), an extra $420 on the LMITO, and one-off special payment of around $250 for pensioners and welfare recipients.

Planned infrastructure spending was upped by $17.9 billion - largely concentrated on roads and rail. A new Regional Investment package of at least $11 billion was announced as well as significant new spending on defence - worth $270 billion over 10 years. Elsewhere there were incentives for investment in agriculture, medical manufacturing and digital.

Other measures included tax benefits for SMEs to invest in training and technology and an extension and expansion on home loan guarantees for housing.

Our analysis of the Structural Budget impulse using OECD methodology points to, very little structural tightening over the forward estimates - with the structural position improving by only 2% of GDP over the next 3 years. This sees the structural deficit still around 5% of GDP by 2024-25. Indeed, the small reduction in the headline Budget was largely brought about by a better economy - we think more could have been done.

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. See Fiscal Stimulus section.

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. Further measures that cut red tape, reform taxation and provide greater support for renewable energy would have been welcomed. This budget also does not change expectations for monetary policy - i.e., the RBA will move soon to moderately increase rates (we expect that process to start by August this year).

Fiscal Outcome

The underlying cash balance for 2022-23 is estimated at $78 billion (or around 3.4% of GDP), while around $47 billion or 1.9% of GDP by 2023-24. Net debt is now expected to peak at around 33.1% of GDP by 2024-25 much lower and earlier than previously expected. That said, a return to surplus looks many years away.

Economic Outlook

Both we and the Treasury have similar views on the economic outlook. We see growth of around 3.8% in 2022-23 (Treasury has 3.5%). For 2023-24 we have 2.2% and they have 2.5%. Our expectations for consumption and investment are somewhat more modest in the short term than the Treasury's forecasts, but on the other hand we see unemployment lower for the near term at 3.5%.

Further out, Treasury see unemployment falling to 3.75% in 2023-24 - we are at 3.5% - and then they see unemployment rising back up to 4% in 2024. They also forecast less sustained business investment growth. Regardless, we share a positive outlook for the near term, albeit coloured by elevated inflation and ongoing virus and geopolitical risks.

Financial Markets

S&P has indicated that with Australia running a current account surplus in recent years, Australia's AAA rating is secured by a return to a budget deficit of around 2.5% of GDP, which this Budget presents.

Health Services

Many parts of healthcare have forever been transformed because of the COVID-19 pandemic. The virus accelerated innovation, co-operation, and digitisation across the health sector. Many healthcare businesses used this time to explore new business models and unlock the full potential of emerging technologies. Health providers will need to continue to pivot and respond to the evolving health and economic implications of the virus. Consumers increasingly expect care to be available when and how it is most convenient and safe for them. Telemedicine has improved face-to-face care, but certainly not replaced it.

HICAPS data clearly showed that health volumes closely followed any restrictions imposed by state governments, irrespective of the ability to trade. Against this background, consumers became more mindful where they spent money, switched to less expensive products and services, and were more proactive and empowered as patients and more conscious of "wellness". Some cost-conscious consumers decided that fewer visits to health practitioners and procedures were necessary. Any ongoing economic hardship for some could have longer-term impacts on the demand for private medical care, private health insurance membership and the use of public hospitals. The cost of health services in Australia is already relatively high compared to the OECD average, with many Australians having to pay out-of-pocket for Medicare services. There is a growing evidence of an economic divide, with rising financial and emotional stress rising among lower income groups, the unemployed and younger people. Further policy may be required to avoid exacerbating rising inequalities including making access to health services more equitable.

While COVID has motivated many consumers to be more proactive in caring for their health, the funding model for the health system remains focussed on treating illness. COVID saw a decrease in preventive screenings with some patients hesitant to see their health care provider. The impact of deferred detection and care across different conditions will vary, but the resulting cost to the health system could be substantial. Delays in GP visits could also increase the chance of more serious complications requiring costly hospital treatment at a later date.

The aged care sector has also been on the frontline of the pandemic response, working to protect the older Australians in their care. The ongoing Omicron wave continues to significantly impact the sector. The sector has called for greater preparedness for the next major wave of COVID cases, noting the double threat of a future wave in combination with seasonal influenza.

In March 2021, The Royal Commission into Aged Care Quality and Safety's final report listed 148 recommendations. These included: a new aged-care system underpinned by a rights-based Act; funding based on need; and changes to regulation and transparency. The Government has already implemented a number of compliance requirements including the Serious Incident Response Scheme, National Mandatory Aged Care Quality Indicators and increased reporting detail and frequency through the Aged Care Financial Report.

Last year's Budget contained $17.7 billion worth of investments in aged care. The funding was allocated to address a number of issues including the size of the home care queue and wait times by making available more home care packages. Funds were also made available to ease financial pressures in residential care and to employ more carers and registered nurses in residential aged care. An independent pricing authority was also created.

While the aged care sector welcomed the investment made in the 2021-22 Budget and acknowledged that it could continue to do better, many have expressed their ongoing concern around underfunding, key workforce issues including incentives for nurses to work in regional areas and older workers to join the industry, and the challenges faced from the pace of compliance and regulatory change.

What did business want this year?

The **Australian Medical Association** argued that "the current health system funding model was not fit for purpose with a focus on the number of procedures hospitals provide" (and failing to adequately account for the fact that Australia's population is growing, ageing, and developing more complex health needs). The system also does not provide sufficient funding to "keep people out of hospital through preventative and community care". The AMA called on the Government to implement a four-point plan for public hospital reform:

1. **Improving performance** - reintroduce funding for performance improvement (e.g. improvement in elective surgery and emergency department waiting times), to reverse the decline in public hospital performance.
2. **Expanding capacity** - give public hospitals additional funding for extra beds (along with the staff) and support them to expand capacity to meet community demand, surge when required, improve treatment times, and put an end to ambulance ramping.

3. **Addressing demand for out-of-hospital alternatives** - fund alternatives for out-of-hospital care (so those whose needs can be better met in the community can be treated outside hospital). Programs that work with general practitioners to address avoidable admissions and readmissions should be prioritised.
4. **Increasing funding and remove funding cap** - increase the Commonwealth government's contribution to 50% for activity, beyond the temporary COVID-19 specific partnership agreement (an investment of $12.7 billion over four years between 2022-23 and 2025-26). Require states and territories to reinvest the 5% of 'freed-up' funds to improve performance and capacity. Remove the artificial 6.5% cap on funding growth that is shared between states and territories, so funding can meet community health needs based on realities on the ground. This represents an investment of $7.8 billion over four years between 2022-23 and 2025-26.

The **Royal College of General Practitioners** also noted the challenges GPs had faced over past year while undertaking the largest vaccination program Australia has ever seen. According to the College, general practitioners delivered over 20 million COVID-19 vaccinations while maintaining day-to-day care for their patients. But they also noted that the general practice workforce is ageing, with the proportion of GPs over the age of 65 increasing from 11.6% in 2015 to 13.3% in 2019. And at the same time, the proportion of final-year students listing general practice as their first preference specialty has fallen to just 15.2% - the lowest since 2012. This is of particular concern given "one in two Australians has a chronic disease and two in three have at least three or more risk factors for heart disease, diabetes or chronic kidney disease".

The **Pharmaceutical Society of Australia** noted that despite the significant strain on Australian pharmacists the over the course of the pandemic, "pharmacy doors remained open, and pharmacists remained on the frontline, when many other services closed". Pharmacists continue to "go above and beyond for their communities, helping the nation achieve its vaccination targets, managing the significant shortage of rapid antigen tests, and ensuring patients continue to have timely access to essential medicines, non-urgent care, and other services". Four key budget proposals were identified:

1. **Embedding** pharmacists in Residential Aged Care Facilities to improve medication management, reduce medicine-related harm, and improve quality of life for aged care residents.
2. **Introducing** an MBS service payment to pharmacists for administering National Immunisation Program (NIP) vaccinations (including COVID-19 vaccines).
3. **Supporting** a GP-Pharmacist Collaborative Prescribing Pilot to address the urgent workforce crisis currently facing regional, rural and remote General Practice.
4. **Introducing** an MBS rebate for pharmacists to be remunerated for multidisciplinary case conferences (i.e. where General Practitioners coordinate a team of allied health, home and community service providers to ensure their patient's care needs are being met through a planned and coordinated approach).

The **Pharmacy Guild of Australia** also argued that with rising cost of living pressures "the Government must act to make prescription medicines on the Pharmaceutical Benefit Scheme more affordable". In March 2022, the Guild argued that research showed 24% of non-concession card holders were struggling to afford their medicines and more than one in ten (13%) had not filled a script over the last three years due to cost.

The **Australian Dental Association** noted that good oral health was "pivotal for general health and well-being and should be available to all Australians". The ADA cited the recent AIHW, and that around one-fifth of dentate adults aged 15 years and over had avoided or delayed dental care in 2019–20 due to cost constraints. The ADA has repeatedly called on the Government to "address the urgent need for additional, targeted, and sustainable funding to meet vulnerable populations' oral and dental health care needs". In their 2022–23 Budget submission, the ADA identified three priority groups: older Australians; rural and remote Australians; and low-income adults. A range of initiatives were recommended for oral health promotion including: Senior Dental Benefits Scheme; dental practitioners to become integral members of aged care teams; an increase tele-dentistry services; scholarships for Indigenous dental or oral health students and for student placements in rural locations; and increased access to public dental care.

The **Australian Association of Psychologists,** noting the growing trend in anxiety, and indicators of PTSD and depression in Australia, recommend four key initiatives:

1. **One-tier** Medicare rebate for the clients of all registered psychologists in Australia.

2. **Raising** the Medicare rebate to $150 per session to allow for greater access, to facilitate more bulk billing, and to enable appropriate treatment rather than an inadequate psychological health care response.
3. **Implementing** the Productivity Commission recommendation for up to 40 rebated sessions per annum.
4. **Establishing** a 'Provisional Psychologist' Medicare rebate.

Australian Aged Care Collaboration, a group comprising six peak bodies that deliver around 70% of in-home and communal residential aged care services, outlined a range of priorities for this year's Budget noting that aged care was "experiencing a workforce crisis and the financial viability of residential aged care operators continued to be compromised". Measures needed to better support and protect older Australians were divided into two packages:

1. COVID-19 package

- **Testing** - adequate testing available with sufficient supply of rapid antigen tests to allow screening every 72 hours and more frequently where there are outbreaks or exposures.
- **PPE** - more reliable access, including investment in strengthened logistics chains and additional outbreak stock.
- **Surge staffing** - capable of addressing shortages on the scale experienced during the Omicron wave (i.e., an average 25% of shifts unfilled).
- **Shifting allowances/retention** - financial recognition of the efforts staff undertake in responding to COVID-19. Previously the Government has paid one-off retention bonuses.
- **Precautionary costs** - current funding for COVID-19 costs is largely through grant arrangements that remain linked to responding to COVID-19 exposures rather than preparing for them.
- **Vaccines and antivirals** - plans must be in place to ensure further doses can be delivered ahead of when they are needed.

2. Workforce and Sustainability package

- **Supporting** aged care providers to pay a competitive wage - increase indexation payments to ensure they cover, as a minimum, the Fair Work Commission Minimum Wage increase for 2021-22 and 2022-23.
- **Incentivising** nursing students, prospective care, support, and foreign workers - suggestions included: subsidised university fees; graduating nurses having to complete time at an aged care facility; incentives for registered nurses to upskill and to work in regional & rural areas; pathway programs for secondary school students and re-skilling programs for those in other sectors; Permanent Residency and visa concessions for Regional Australia.

Private Healthcare Australia noted the pandemic had "demonstrated the value of Australia's flexible, varied health system which is a strong protection for the community in times of crisis, with private health care proving to be the best way to receive timely, supported health care for a range of conditions". It urged the Government to address cost of living pressures and improve health care through:

- **Restoring** the Private Health Insurance Rebate to 30 percent for low-and middle-income earners to provide immediate cost relief for consumers (currently less than 25 percent).
- **Improving** continuity of care and out of hospital options through removing unnecessary red tape.
- **Reducing** the cost of medical devices, which remain well above international benchmarks.
- **Improving** Commonwealth procurement processes where there is evidence of market failure in access to medical technology (e.g. price gouging by intermediaries in the supply of rapid antigen tests (RATs) and personal protective equipment (PPE) throughout the pandemic).
- **Implementing** measures flagged from previous budgets on default benefits, risk equalisation and community rating.
- **Providing** immediate cost relief for younger Australians with private health insurance through Fringe Benefits Tax changes.
- **Reviewing** the model for consumer input to policy-making in private health to better ensure consistency and alignment with community values.

The **Australian Private Hospitals Association** called for a range of additional initiatives including: reforms to skilled migration regulations; a 12-month moratorium on charges to employers for health care related skilled migration; pathways to permanent residency for highly skilled employees; more training opportunities; better management and coordination of the National Medical Stockpile; support for domestic manufacture of essential medical supplies; retention of temporary MBS COVID-19 telehealth items on a permanent basis; and, funding and financial incentives for the improvement of IT compliance and digital health capacity building.

What did the Budget actually deliver?

COVID-19 measures

The Government will spend $2.6 billion over 2 years from 2021-22 (with the majority of spending occurring in 2021-22) to procure and distribute rapid antigen tests and personal protective equipment.

In addition, the Government will spend $1.1 billion over 2 years from 2022-23 to continue the emergency response to COVID-19. This includes:

- $984.0 million over 2 years to extend the National Partnership on COVID-19 Response.
- $56.9 million in 2022-23 to continue COVID-19 activities of the National Incident Centre and Therapeutic Goods Administration, as well as expanding the National Medical Stockpile.

The Government will spend $1.0 billion over 2 years from 2021-22 for the continued distribution of COVID-19 vaccines in Australia.

The Government will spend an additional $886.0 million over 2021-22 and 2022-23 to fund the health response to the COVID-19 pandemic. This funding includes:

- $546.0 million in 2022-23 to extend temporary Medicare Benefits Schedule pathology items for COVID-19 testing.
- $248.1 million from 2021-22 for the General Practitioner-led Respiratory Clinics Program to diagnose and manage COVID-19 cases.
- $43.3 million in 2022-23 to support the COVID-19 response in rural, remote and Indigenous communities.

Medicines and Appliances

The Government will spend $2.5 billion over five years from 2021-22 to fund new and amended listings on the Pharmaceutical Benefits Scheme, the Repatriation Pharmaceutical Benefits Scheme, the Stoma Appliance Scheme and the National Epidermolysis Bullosa Dressing Scheme.

In addition, the Government will spend $525.3 million over 4 years from 2022-23 to lower the Pharmaceutical Benefits Scheme Safety Net thresholds from 1 July 2022. This will lower the cost of medications for around 2.4 million Australians.

Aged Care

The Government will spend $458.1 million over the 5 years from 2021-22 to provide additional COVID-19 support for the aged care sector. This funding includes:

- $215.3 million over 2021-22 and 2022-23 to provide bonuses to aged care workers in residential aged care and home care.
- $124.0 million in 2022-23 to fund the Aged Care Preparedness program to support providers to manage and prevent COVID-19 outbreaks and transition to living with COVID-19.
- $50.4 million over 4 years to train residential aged care workforce to deliver vaccinations.
- $37.6 million over 2 years to provide infection prevention and control training for qualified nurses in residential aged care.

The Government has pledged an additional $122.6 million over 5 years from 2021-22 as part of the existing funding package in response to the Royal Commission into Aged Care Quality and Safety. The majority of this funding is focused on improving the administration of medication management for residential aged care residents, along with funding for workforce training, regulatory and professional support.

Mental Health

The Government will spend an additional $303.2 million over 5 years from 2021-22 to provide mental health Stage 2 reforms through the 5 pillars of the National Mental Health and Suicide Prevention Plan. These pillars are: Prevention and Early Intervention; Suicide Prevention; Mental Health Treatment; Support for Vulnerable Australians; and Workforce and Governance support.

Other Healthcare Measures

The Government will provide an additional $1.3 billion to the Medical Research Future Fund (MRFF) Ten Year Investment Plan.

The Government will spend an additional $380.6 million over five years from 2021-22 to treat and prevent cancer. The majority of the funding will to contribute to establishing the Western Australian Comprehensive Cancer Centre in Perth.

The Government will spend an additional $226.5 million over five years from 2021-22 to improve access to primary care services. This includes:

- $108.5 million over 2 years from 2022-23 to improve access to public dental services.
- $56.0 million in 2022-23 to support after-hours health care services.

The Government will provide $224.4 million over 4 years from 2022-23 to improve primary care in rural and remote Australia. The majority of funding is to support training doctors in these regions.

The Government will spend an additional $112.4 million over 4 years from 2022-23 for a range of women's health initiatives and to support the implementation of the National Women's Health Strategy.

Changes to the Medicare Benefits Schedule will see the Government spend an additional $40.3 million over 5 years from 2021-22.

How did business react?

The President of the **Australian Medical Association**, Dr Omar Khorshid welcomed the continued spending on the COVID-19 response, but argued that additional Medicare and hospital funding in this year's Budget fails to address stress in the health system, noting that:

"The Medicare and hospital funding in tonight's Budget amounts to little more than usual recurrent spending and planned growth, not the new injection of funds our health system desperately needs……this Budget was the last chance for the Government to show it is serious about primary care reform by delivering the extra funding needed to improve patient access to high quality General Practice."

Dr Khorshid also noted that the Budget failed to address hospital waiting lists or improve patient access to high quality General Practice.

"While the Health portfolio has been spared funding cuts, the Government's focus on cost of living has overlooked quality of life, particularly for the thousands of Australians languishing on hospital waiting lists."

The **Royal Australian College of General Practitioners** (RACGP) welcomed many of the Budget measures but warned that it failed to address the fall-out of the COVID-19 pandemic and the future challenges of a fatigued health system. The College's main concern is that vital components of the Primary Health Care 10 Year Plan remain unfunded. The Budget also failed to include funding for the implementation of the long-overdue reforms related to voluntary patient enrolment, aimed at providing more support for patients who need it most.

The **Australian Aged Care Collaboration** condemned the Government's response to the Royal Commission, having failed to address the workforce recommendations. Failing to provide wage uplifts leaves aged care workers on the edge of poverty and many older Australians without services.

"There is nothing in the Budget 2022 to improve aged care wages, leaving our dedicated workers on the edge of poverty & many older Australians without the services they need. The Royal Commission's workforce recommendations are the key area of unfinished business."

The **Australian Nursing and Midwifery Federation** criticised the Budget for lacking sustainable funding and real reform for health and aged care - particularly Royal Commission recommendations around staffing levels, increased wages for aged care workers and accountability for public funding.

The Chief Executive of **cohealth**, one of Australia's largest non-profit community health services, Nicole Bartholomeusz expressed disappointment that the budget failed to address upstream factors – with no change to Centrelink payments, investment in social housing or measures to address insecure and low paid work - that can restrict people from seeking healthcare. Ms Bartholomeusz noted that one-off payments do not provide sufficient support for low income earners to address increasing costs of living.

The President of **People With Disability Australia**, Samantha Connor criticised the Budget for not providing better support for people with disability, with no new funding commitments of any significance.

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