

NCOSS analysis of NSW HEALTH BUDGET 2014-15

Overview

Health continues to be the largest government expense with a record \$19.9bn budget in 2014-15. This comprises \$18.7bn on health services and \$1.17bn on infrastructure.¹ There is an additional \$846m for health services this year, which reflects a 5.2% growth rate on a comparative basis with previous years.² This is slightly less than Treasury's estimated demand projection of 6% per annum over the long-term. In the capital expenditure budget \$246.5m is new spending, of which \$120m will be locally funded.

Major initiatives

More than 90% of new funding is directed to meet growing demand and cost escalation. This includes \$406m for salary and general cost increases and \$300m for additional hospital activity. There is modest spending for new or continuing initiatives in:

- Medical research = \$92m
- Patient centred services = \$70m
- ICT = \$35m
- Mental health initiatives = \$29m
- Preventive health = \$27m
- Nurses = \$15m

Patient services – There is a small but significant investment of \$5m for the Aids and Equipment Program managed by Enable NSW. NCOSS had called for an additional \$25m to meet growing demand. Another minor highlight is \$2m to care for young people with a brain injury in appropriate settings.

Other welcome investments include \$30m for integrated care as part of the Government's \$120m commitment over four years, \$7m to expand Hospital in the Home services, \$13m for palliative care, of which \$3m is for a new renal palliative care model, \$6.8m for pain management services, \$5m for the Whole of Hospital program and \$0.8m for cochlear implants.

Health promotion and prevention – The Population Health Services budget is \$543.9m, a slight decrease of 1% in real terms. The NSW Government will fund \$19.5m to continue programs on obesity, healthy eating and physical activity since the Commonwealth has discontinued the National Partnership Agreement on Preventive Health. There is also \$18m to continue anti-smoking and skin cancer protection campaigns.

Primary and community health – The budget is \$848.4m, a small real increase of 1%. NCOSS has previously recommended increased funding to re-orientate the health system from costly acute hospitals to more sustainability community-based services.

Mental health – There is 2% real growth in mental health, bringing the budget to \$1.6bn. There is an additional \$27m for acute and sub-acute services and \$2m for eating disorders. NCOSS welcomes this further investment but would like to have seen commensurate funding for community-based care as outlined in our Pre-Budget Submission.

¹ The budget papers report a \$1.3bn capital spend, but this includes \$117m capital expensing.

² The budget papers note \$84m has been deducted from the expenses budget due to changes in interstate patient funding arrangements. Without these changes, the expense budget would have been \$18.8m, an increase of \$929m or 5.2%. From 2014-15, the Commonwealth will pay States directly for providing public hospital services to residents from another jurisdiction, so that cost will no longer appear in the NSW Health Expense budget.



NCOSS analysis of NSW HEALTH BUDGET 2014-15

Health Transport - There is no real increase in the transport for health budget, which is \$29.6m in 2014-15. NCOSS called for \$11.4m plus CPI for non-emergency health transport to meet growing unmet demand.

Oral Health – There is \$220m for public dental funding, which includes \$38m under the National Partnership Agreement (NPA) to March 2015. The Commonwealth delayed commencement of a second Public Dental NPA until 2015-16. While the NSW budget allocation of \$182m appears less than 2013-14, the Chief Health Officer advised this is due to accounting changes for the Centre for Oral Health Strategy. NCOSS has previously called for increased oral health funding of \$35.5m.

Health NGO Program- Funding has been extended for most organisations under the existing Health NGO Program until June 2015 with indexation of 2.5%. The new contestable funding framework, NSW Partnerships for Health, will be phased in during 2015-16. NCOSS had called for a \$1m sector development fund to support transition to the new funding framework.

Local Health Districts (LHD) and Specialty Health Networks (SHN) budgets - The Ministry of Health advised the 2014-15 Service Agreements with LHDs detailing activity and funding will be available on LHD/SHN websites. They are also required to release a summary of expense budgets at program, service and facility-levels, along with staffing and activity levels.

Commonwealth funding implications – The 2014 federal budget has reduced NSW funding by an estimated \$2.2bn over 5 years. The Commonwealth's hospital funding changes and its abolition of funding guarantees under the National Health Reform Agreement (NHRA) will cost NSW \$1.1bn.

NSW will also lose \$119m from the early termination of the National Partnership Agreement on Preventive Health and up to \$63m for Improving Public Hospital Services. For 2014-15, the NSW Government will fund \$19m to continue services previously funded under the Preventive Health NPA. It will also fund \$220m to continue services under the Improving Public Hospital Services and the Long Stay Older Patients National Partnership Agreements that expire on 30 June 2014.

The budget papers note the impact of the federal changes should be moderated by up-to-date health activity forecasts and cross-border services payment changes over the forward estimates. However from 2017-18, the Commonwealth's growth funding to NSW is projected to fall from 7% to 4%, which is below expense growth of 6% per annum. The Commonwealth's overall contribution to NSW health spending is expected to halve to 13% in 2050-51. This structural funding reduction has significant implications for the long-term sustainability of the NSW health budget.