

BOARD OF TREASURERS

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The Hon Josh Frydenberg MP
Treasurer
Parliament House
CANBERRA ACT 2600



Dear Treasurer

I am writing on behalf of the Board of Treasurers (the Board) to convey the collective concern of the states and territories about the delay in finalising the National Health Reform Agreement (NHRA).

The Board urges the Commonwealth Government to re-engage with states and territories with the aim of resolving all remaining issues of the NHRA by the end of this calendar year, consistent with the agreement at the December 2018 Council of Australian Governments (COAG) meeting. This will ensure both the Commonwealth and the states and territories have a clear understanding about the arrangements supporting the delivery of priority health services over the next five years commencing from 1 July 2020.

Whilst states and territories consider that funding the public health system should be an equitable partnership with the Commonwealth Government and that a 50/50 funding share would be appropriate, the Board recognises the need to resolve outstanding issues as a matter of priority and has therefore agreed to pursue finalisation of the NHRA consistent with the terms set out in the Heads of Agreements (HoA).

At its meeting on 9 August 2019, the Board resolved that the following principles are key in finalising the NHRA:

1. **No retrospectivity for methodological updates:** To ensure predictability, funding calculations should not include retrospective adjustments associated with methodology updates.

Updates to the underlying methodology occur every 2-3 years and should not disadvantage jurisdictions and their ability to receive funding for services already provided. Reconciliation adjustments reflecting actual delivered

activity each year (based on consistent methodology as understood at the start of the year) should continue.

2. **Demand pressures from Commonwealth interfaces of care are appropriately addressed:** In all public hospital systems, there exists patients who otherwise do not need to be there, but for delays in assessment and acceptance into alternative services that are the responsibility of the Commonwealth. The deficiencies in the primary care, aged care and disability service sectors represent a material cost to public hospitals, as care providers of last resort.

Governance arrangements between the interfaces of care need substantial and rapid improvement. Recognising the Commonwealth's responsibility for aged care and disability services, it is proposed that the Commonwealth should meet the full cost of hospital services provided to patients who have been awaiting placement in the aged care or disability services sector and have been unable to be discharged from hospital due to delays in identifying a suitable placement for 30 days.

The NHRA should also include a conditions clause that allows for the review of the appropriateness of the funding growth cap where growth is demonstrated to be driven by inappropriately shifting costs away from the Commonwealth to state health systems.

3. **Appropriate funding for early intervention and prevention:** The HoA commits the Commonwealth to \$100 million for a Health Innovation Fund over the life of the next agreement, to fund trials that support preventative health programs and better use of health data.

The growing prevalence of lifestyle-based chronic conditions in Australia's population presents a salient financial risk for primary and acute health systems. There needs to be much more significant investment in early intervention and prevention.

The Commonwealth and the states and territories should commit to investigating evidence-based measures to sustainably fund early intervention.

4. **Out-of-hospital services should be treated consistently in the funding model:** Services delivered by all state health systems should be consistently included in the calculation of Commonwealth growth funding, in order to encourage innovative methods of treatment. This means that if a particular jurisdiction has a service included in its health funding calculation e.g. NSW dental, then it will be automatically included for all jurisdictions. Jurisdictions would work collectively as innovative methods of health treatment evolve to assess suitability and progress this in a consistent manner. Innovation in this context refers to opportunities to improve the efficacy and value for money of treatment, as opposed to expansion into specialised high-cost therapies.

5. **Recommit to reforms to improve health outcomes and health funding sustainability:** The HoA commits to continue reforms towards better coordinated care, funding and pricing for safety and quality, reducing avoidable readmissions to hospitals and Commonwealth reforms in primary care, and the development of six long-term system wide reforms. The HoA acknowledges the need to take into account each State's particular circumstances.

All jurisdictions should re-commit to the importance of the six reform areas as put forward in implementation plans that best suit local needs and support local health systems. This will meaningfully progress these reforms over the 2020-25 NHRA, to ensure progress towards a fair and sustainable health system that delivers improved health outcomes for all Australians.

Consistent with the agreement at the August 2019 COAG meeting acknowledging the role of Treasurers in significant National Agreements, the Board considers it important that Treasurers are provided with a meaningful opportunity to engage in the current development of the NHRA. I have written to you separately suggesting that a discussion on key issues be included on the CFFR agenda.

The Board would appreciate if you could coordinate with the Prime Minister and Minister for Health to recommence negotiations on the NHRA as soon as possible.

Yours sincerely



Hon Rob Lucas MLC
Chair – Board of Treasurers

20 August 2019

Cc. Hon. Dominic Perrottet MP, Treasurer of New South Wales
Tim Pallas MP, Treasurer of Victoria
Hon. Jackie Trad MP, Treasurer of Queensland
Hon. Ben Wyatt MLA, Treasurer of Western Australia
Hon. Peter Gutwein MP, Treasurer of Tasmania
Mr Andrew Barr MLA, Chief Minister and Treasurer of the Australian Capital Territory
Hon. Nicole Manison MLA, Treasurer of the Northern Territory