

ACT Legislative Assembly Select Committee on Estimates 2008-09

Analysis of Out-years Health Funding

General government expenses by function are provided at Appendix F of Budget Paper No. 3. This presents the estimated outcome and the budget and projected expenses using accrual-based data. Data from 2008-09 and 2009-10 budget papers is below. The first line for each function or the three major sub-functions presents the figures included in the 2008-09 Budget. The second line portrays the figures from the 2009-10 budget papers.

The first figure in each line is the outcome for the relevant year (estimated at the time the budget papers were prepared). The second figure is the budgeted provision. Remaining figures are estimates or projections.

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
\$ Millions						
Health						
08-09	653	703	750	792	843	
09-10		809	866	911	975	1046
Acute Care						
08-09	425	458	490	516	551	
09-10		549	589	617	662	711
Community Health						
08-09	130	141	149	158	168	
09-10		149	160	169	180	192
Administration						
08-09	48	52	55	58	62	
09-10		49	53	56	60	64

The above table shows a result for health which is typically found in other jurisdictions. The budget for the health function is never enough and is supplemented during the year. Thus, the \$703 million budgeted for the whole Health function in 2008-09 - even though it was a 7.7 per cent increase on the 2007-08 outcome - was insufficient. The outcome for Health for 2008-09 was thus 24 per cent greater than the previous year's expenses (partly funded by Commonwealth programs directed to reducing queues for surgery). It was 15 per cent higher than the budget estimate.

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At the same time, the higher than budgeted expenditure reverberates through next year's forward estimates. That is, provisions made for the out-years are typically less than are required when that year becomes the budget year. Thus the budgeted amount for 2009-10 is more than 15 per cent higher than the estimate made last year for 2009-10. Similarly, the estimates for the out-years contained in last year's budget have had to be increased by at least 15 per cent for the 2009-10 budget papers. The pattern is echoed at the sub-function level.

The largest health sub-function, Acute Care Institutions, covers hospital care. And institutions in the ACT are under the same or greater pressures than are evident elsewhere in Australia.

ABS data (Government Finance Statistics) show that in the nine years from 1998-99 to 2007-08, expenditure on acute case institutions by all Australian states and territories increased on average by nearly nine per cent compounded. And the percentage increase in expenses for this sub-function is accelerating – from about an eight per cent average in the early part of the period to an average of over 10 per cent in more recent years.

Over the same period, Acute Care expenses in the ACT rose by around 9.3 per cent compounded. And the percentage increases accelerated from around seven per cent in the early years to nearly 12 per cent in recent years.

This suggests that it will be difficult for the ACT government to maintain the modest increases for acute care which are evident in its 2009-10 Budget papers. All increases for acute care from and including 2009-10 are less than eight per cent. To achieve this after recent increases of nearly 12 per cent annually would demonstrate a remarkable increase in efficiency or alternatively a sharp increase in fiscal stringency. More likely, the Committee might conclude that the estimates are unrealistically low for this sub-function. The same conclusion can be applied to the provisions in the 2009-10 Budget for the Health function because Acute Care accounts for around two-thirds of the total expenses incurred under Health.

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