

Reform of Federation Leaders' Retreat July 2015



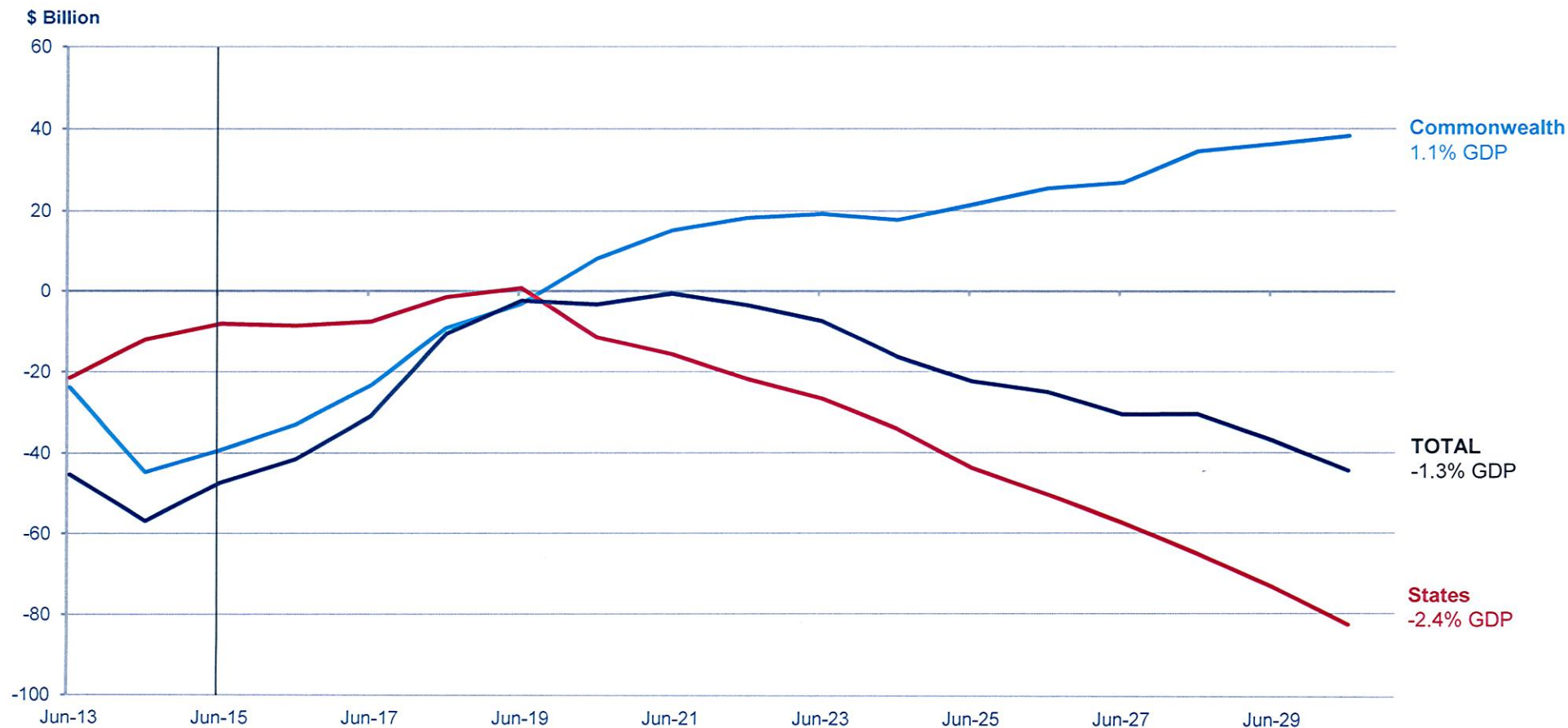
Addressing the Fiscal Gap Leaders' Retreat Summary

Australia is facing a large fiscal deterioration

– even on optimistic assumptions, a projected shortfall of \$45 billion by 2030

Net Lending Result¹, \$ billion, nominal

Commonwealth based on Intergenerational Report 'proposed policy' scenario. 'Legislated' scenario would result in total fiscal gap of 3.7%.



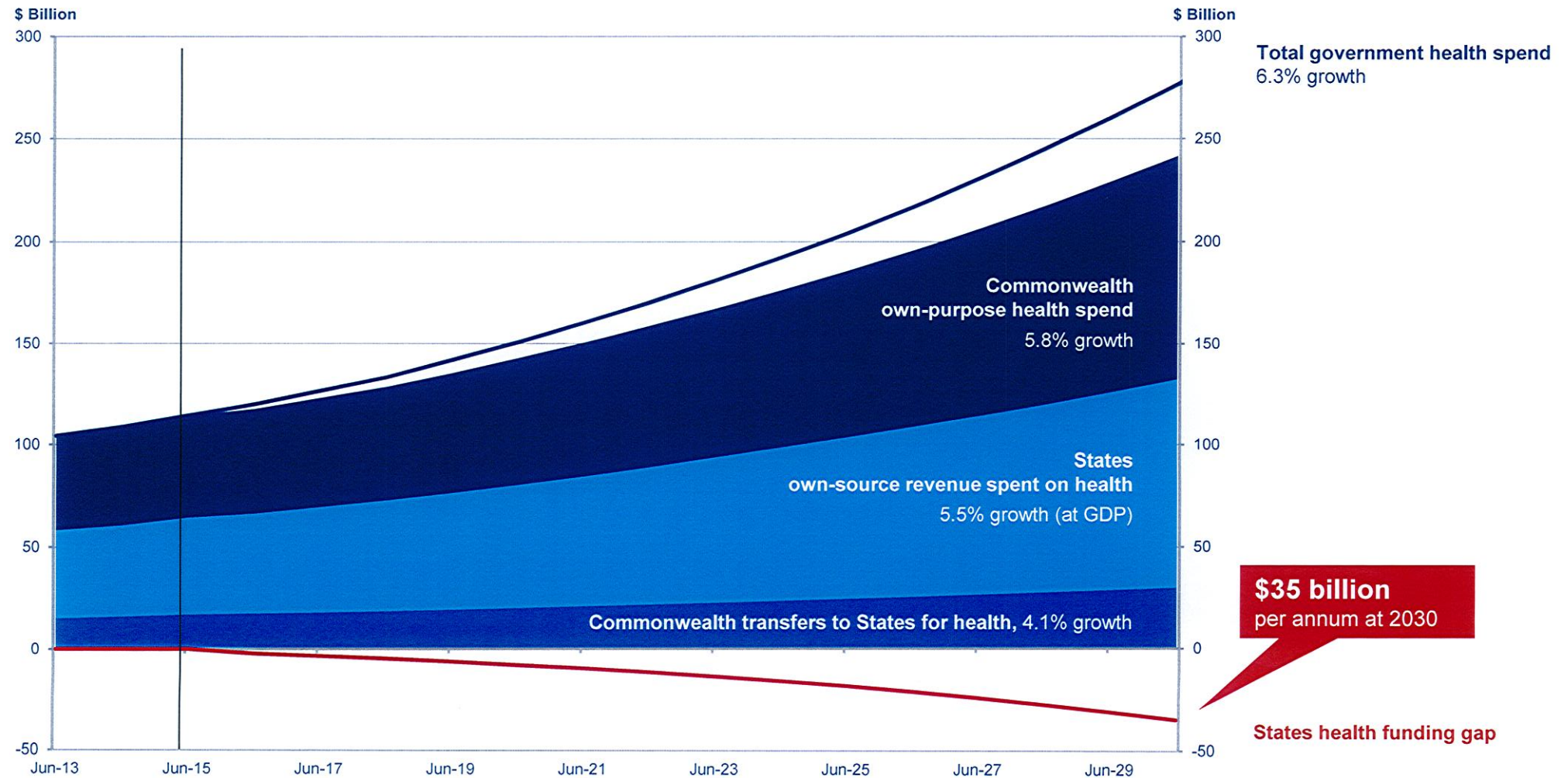
1. For 2013-14 to 2018-19: based on Budget Papers

For 2019-20 to 2029-30: assumes growth of 5.5% nominal GDP, 5.8% Commonwealth health spend (excluding transfers), 6.6% States health spend
Commonwealth is underlying cash balance

Health funding gap

– even in a best case scenario, health makes up nearly 80% of the national fiscal gap

Preliminary modelling of government health expenditure, \$ billion, nominal



The health funding gap has serious implications for the provision of health services

– by 2030 the funding gap will be equivalent to running approx. 30 Westmead hospitals

Health funding value: \$35 billion in 2029-30

Number of equivalent facilities / services¹

Hospitals			Employees		Services ²		
500+ beds eg, Westmead	200-500 beds eg, Blacktown	100-199 beds eg, Dubbo	Nurses	Medical registrars	Cataract procedures	Hip replacements	Dialysis episodes
29	71	247	191,000	118,000	6,802,000	1,397,000	53,554,000

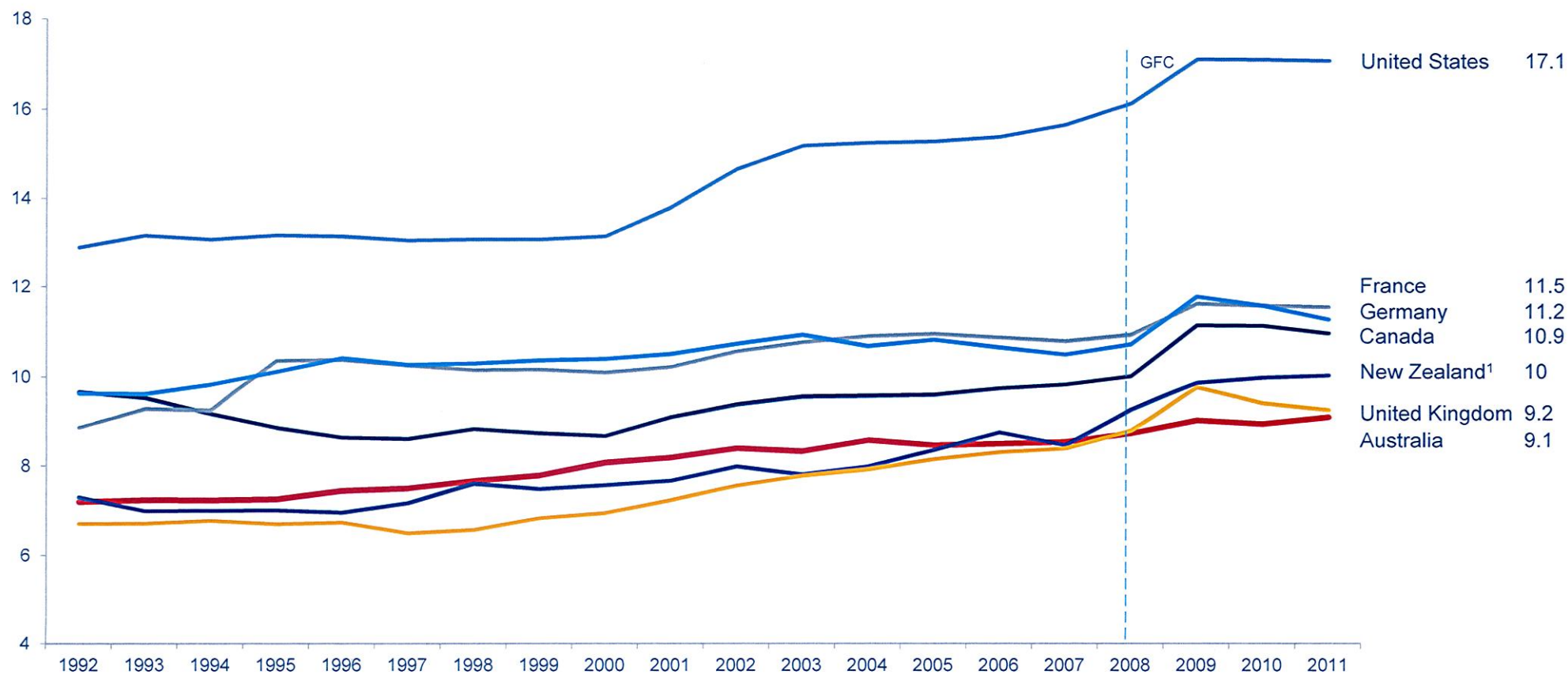
Source: NSW Ministry of Health analysis July 2015

1. Based on NSW estimated average costs 2014-15, inflated at 2.5% p.a.

2. Calculated using average NWAUs per encounter, sourced from the ABM portal. Figures are calculated assuming all NWAU activity is lost in one procedure.

Total health spend levels are already efficient versus OECD nations

Total expenditure on health, % GDP



Source: OECD Health Statistics 2014, <http://stats.oecd.org/Index.aspx?DataSetCode=SHA>

1. NZ data series excludes investments

Around \$20 billion of revenue is required by 2020 to close the fiscal gap

Impact on Net Lending Result in 2019-20; fully compensate households <\$100k, half for \$100k-\$155k
\$ billion, nominal

