Public hospitals – new funding arrangements

The 2016–17 Budget increases Commonwealth funding for public hospitals by $3.9 billion to 2019–20. This will bring the total Commonwealth investment to more than $95 billion over the forward estimates. Of this increase, $2.9 billion arises from the new three-year Heads of Agreement recently signed between the Commonwealth and the states and territories. The remainder is from the annual change in price and services based on state and territory hospital data.

The Commonwealth will fund 45 per cent of the efficient growth of public hospital services. Activity based funding paid at the nationally efficient price will be used to achieve value for money and boost productivity. The agreement will also help to improve patient safety and reduce instances of poor quality care.

This measure also reinstates the Administrator of the National Health Funding Pool and the National Health Funding Body which calculates the Commonwealth’s public hospital funding contribution to states and territories.

Why is this important?

- The Commonwealth’s contribution to hospitals will increase over time at an affordable and sustainable rate.

- A cap on overall indexation will encourage the states and territories to do all they can to reduce costs and improve efficiency.

- These pricing and payment systems reward effective management and ensure quality and safe care.

- Better coordinated care for patients with chronic and complex disease will reduce demand for hospital services.

Who will benefit?

- Patients will receive care when they need it, delivered effectively, safely and efficiently now and into the future.

- All Australians will benefit from improved health outcomes through greater sustainability of the Australian health system.

How much will this cost?

Public hospital funding will increase by $3.9 billion from 2015–16 to 2019–20, taking the total Commonwealth investment to more than $95 billion over the forward estimates. Of this, $2.9 billion arises from the new three-year Heads of Agreement recently signed between the Commonwealth and the states and territories.