

Tasmanian government under-funding of health

Explanatory notes

The Grants Commission process

The Commonwealth Grants Commission uses the GST to iron out the differences between the capacities of the various states and territories to provide a roughly equal standard of government services to their populations. To do this, it takes money away from rich states and gives it to poor ones using two broad criteria.

First, the Commission calculates what each state can reasonably do to raise money from its own taxes and charges. It then redistributes the money from the GST pool to ensure each state and territory government receives about the same *per capita* amount. Tasmania, despite being able to raise much smaller amounts from its own efforts, is given extra cash to bring us up to the national average.

If the populations of all states were homogeneous and had exactly the same needs, the Commission could stop there. Of course, they don't and it doesn't.

So there is a second step in which the Commission calculates the specific needs of those diverse populations and further adjusts GST allocations to compensate. For instance, Tasmania has an older, sicker and poorer population with worse health and education outcomes than the rest. So the Commission gives us extra money specifically for our needs in health, education and various other areas. In some, money is taken away from us – though not much.

In 2014-15 this extra money will include \$266 million for health, a rise of \$97 million on 2013-14.

The CGC's stage one in practice

But no state or territory government is forced to spend this money on the services for which the Grants Commission says it is needed. In Tasmania's case, this extra money goes nowhere near health. If that money was put into the health portfolio, the *per capita* health budget would be well above the national average. Instead, it is much lower. On a per-person basis, the Tasmanian government puts less money into health than any other jurisdiction.

The most recent official figures on this are for 2012-13:

Table 1: Per capita health funding (\$) by source, states and territories, 2012-13

	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>	<i>Tas</i>	<i>ACT</i>	<i>NT</i>	<i>Average</i>
<i>Aust govt</i>	2,765	2,650	2,604	2,265	2,718	2,792	2,557	2,785	2,644
<i>State/local^(a)</i>	1,529	1,349	2,036	2,158	1,986	1,275	2,852	4,567	1,735
<i>Non-govt^(b)</i>	2,100	2,256	1,882	1,992	1,783	2,207	1,811	1,508	2,051
<i>Total</i>	6,394	6,255	6,522	6,415	6,487	6,274	7,220	8,860	6,430

(a) Local government health funding is negligible.

(b) Includes funding from private insurers, out-of-pocket expenses paid by individuals and injury compensation insurers.

Source: Australian Institute of Health & Welfare, Health Expenditure Australia 2012-13: analysis by sector.

Tasmanian state government spending on health was \$460 lower than the national average. To bring it up to the average – and that would still not take into account our population’s special needs – the government would have had to put an extra \$234 million into health.

Looking at public hospitals, the picture is repeated. In 2012-13 Tasmania put \$180 per head, or \$92 million, less into public hospitals than the national average.¹

Table 2: Per capita public hospital funding (\$) by source, states and territories, 2012-13

	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>	<i>Tas</i>	<i>ACT</i>	<i>NT</i>	<i>Average</i>
Aust govt	731	706	671	656	736	904 ^(a)	681	768	709
State	962	989	987	1,110	1,239	852	1,734	2,129	1,032
Non-govt^(b)	196	165	197	149	132	84	61	80	173
Total	1,889	1,860	1,855	1,915	2,107	1,840	2,476	2,977	1,914

(a) The figure for this year was unusually high, probably as a result of capital grants. Previous years have been much closer to the national average. (b) Includes funding from private insurers, out-of-pocket expenses paid by individuals and injury compensation insurers.

Source: AIHW, *Health Expenditure Australia 2012-13: analysis by sector*.

Since then, it is highly probable that Tasmania has fallen further behind other jurisdictions. The last state budget included a small dollar-amount increase for health but this fell well short of the increase in real costs. Since then there have been significant job cuts in the area. Using the 2012-13 figure to build a picture of the current situation – which, in the absence of more recent figures, we have to – is therefore likely to provide a conservative estimate of what is happening today.

The CGC’s stage two in practice

Stage two of the Commission’s process, as we have seen, is to look at the specific service needs of each state’s population. Because Tasmanians need more health care than other Australians, and rely more heavily on the public system, this state was given more GST money in this category than any jurisdiction other than the Northern Territory.

Table 3: Effect of health needs assessment on GST distribution, 2014-15 and 2015-16

	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>	<i>Tas</i>	<i>ACT</i>	<i>NT</i>
2014-15 (\$m)	-658	-816	-2	699	109	169	-11	509
2014-15 \$ per cap	-87	-138	0	265	65	329	-26	2 086
2015-16 (\$m)	-531	-987	70	557	173	266	-68	518
2015-16 \$ per cap	-69	-164	14	206	102	515	-170	2 049

Source: Commonwealth Grants Commission, *Report on GST revenue sharing relativities, 2015 review, volume 2, p.210*.

The outcome for Tasmania

The complete picture of health under-funding by the Tasmanian government is provided when we add together, first, the amount it would take to bring *per capita* funding up to the national average, and second the amount the Grants Commission has awarded us in recognition of our health needs.

For the first, we must rely on the comparative figures for 2012-13 from the Australian Institute of

¹ Assuming a Tasmanian resident population of 512,000.

Health and Welfare shown in Table 1. As we have seen, these figures are likely to give us a conservative estimate because Tasmania has almost certainly fallen further behind other states since then.

For 2014-15, it would have required an extra \$403 million (\$234 million + \$169 million) to bring the level of health services in Tasmania up to the general national standard.

For 2015-15, this will require an extra \$500 million (\$234 million + \$266 million). This is probably a conservative estimate.

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