



Health Workforce	
Party:	Independent Member for Indi
<p>Summary of proposal:</p> <p>The proposal comprises three components:</p> <p>Component 1: provide an additional \$22 million in funding to support the Health Workforce Scholarship Program (HWSP), indexed to consumer price index (CPI), commencing 1 July 2022. The eligibility for this program will be expanded to include applicants from regional centres (Modified Monash Model category MM2), and applicants employed in the public health system.</p> <p>Component 2: provide funding to support additional Commonwealth Supported Places (CSP) as part of the Murray – Darling Medical Schools Network (MDMSN) rural based university medical school programs:</p> <ul style="list-style-type: none">• An additional 45 CSP in the Bachelor of Biomedical Science (Medical) offered by La Trobe University, Albury-Wodonga, commencing January 2023.• An additional 45 CSP in the Doctor of Medicine offered by the University of Melbourne in Shepparton, commencing January 2026. <p>Component 3: provide funding to examine the feasibility of broadening the Murray–Darling Medical Schools Network (MDMSN) to include allied health, pharmacy, and nursing rural based university programs. This component would commence on 1 July 2022.</p>	

Costing overview

The proposal would decrease the fiscal balance by around \$109 million, the underlying cash balance by around \$108 million, and the headline cash balance by around \$112 million over the 2022-23 Budget forward estimates.

The proposal would have an impact beyond the 2022-23 Budget forward estimates period. A breakdown of the financial implications (including separate PDI tables) over the period to 2032-33 is provided at Attachment A.

The financial implications of Component 1 of this proposal are sensitive to assumptions about the demand for scholarships and bursaries under the HWSP.

The financial implications of Component 2 of this proposal are uncertain and sensitive to assumptions about demand for medical school CSP places in regional universities as well as assumptions about student attrition. There are also inherent uncertainties in the baseline estimates for the relevant student loan programs, uncertainties around existing estimates of debts not expected to be repaid, and limited information regarding loan repayment profiles.

Consistent with the Parliamentary Budget Office (PBO) Guidance 02/2015, public debt interest expense impacts have been included in this costing because the concessional loans provided under Component 2 of the proposal involve financial asset transactions.

The fiscal, underlying cash, and headline cash balances differ in the treatment of interest payments and the flow of loan principal. Specifically, only the fiscal balance reflects the concessional loan discount expense, associated unwinding income, and loan waivers, and only the headline cash balance includes transactions related to loan principal amounts. The impact on net debt would be broadly consistent with movements in the headline cash balance. A note on the accounting treatment of concessional loans is included at Attachment B.

Table 1: Financial implications (\$m)^{(a)(b)}

	2022-23	2023-24	2024-25	2025-26	Total to 2025-26
Fiscal balance	-23.3	-25.8	-28.3	-31.4	-108.8
Underlying cash balance	-23.2	-25.7	-28.1	-31.1	-108.1
Headline cash balance	-23.4	-26.4	-29.3	-32.9	-112.0

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
 - Indicates nil.

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

Component 1

- There would be sufficient demand that the entire funding envelope would be spent on scholarships and bursaries each year.
- Associated departmental expenses would not be significant and would be absorbed within existing resources.

Component 2

- The rate of attrition each year for commencing and continuing students would be 2% and 1% respectively.
 - This is based off the latest report from Medical Education and Training which measures medical student attrition rates.
- There would be sufficient teaching capacity and demand for the additional CSP places in the Bachelor of Biomedical Science (Medical) offered by La Trobe University Albury-Wodonga, and the Doctor of Medicine offered by the University of Melbourne in Shepparton.
- The Equivalent Full Time Student Load (EFTSL) of both programs would remain unchanged.
- The rates of debt not expected to be repaid across the Higher Education Loan Program (HELP) would remain unchanged under the proposal.
- The ratio of students expected to make up-front payments towards their student contributions across HELP would remain unchanged under the proposal.
- Deferral of enrolments would be marginal and has not been included in this costing.
- Associated departmental expenses would not be significant and would be absorbed within existing resources.

Component 3

- The feasibility study would take 18 months and be managed by staff in the Department of Education, Skills and Employment (DESE).

Methodology

Component 1

The financial implications were calculated as specified in the request.

Component 2

The financial implications of the proposal were calculated using the DESE HELP and Commonwealth Grants Scheme (CGS) models.

- The additional CSPs allocated to La Trobe University and University of Melbourne were scaled to estimate the number of effective CSPs in each year.
 - ‘Effective CSPs’ refers to the number of commencing and continuing students after factoring in the respective attrition rates.
- Australian Government contributions were calculated by multiplying the number of CSPs in each year by the applicable funding amount for medical students under the CGS.
- The HELP model used the number of effective CSPs to derive the impact on student loans.

Component 3

- Additional departmental expenses for DESE were estimated based on the resource requirements of similar programs.

Financial implications were rounded consistent with the PBO’s rounding rules as outlined on the PBO Costings and budget information webpage.¹

Data sources

The Department of Finance and the Treasury provided economic parameters as at 2022-23 Budget.

The Department of Education, Skills and Employment provided the Higher Education Loan Program and Commonwealth Grant Scheme modelling as at 2022-23 Budget.

Department of Health, 2020, Medical Education and Training (MET) Data Collection. [Online] Accessed 21 February 2022 at: <https://hwd.health.gov.au/resources/information/met.html>

¹ https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Costings_and_budget_information

Attachment A – Health Workforce – financial implications

Table A1: Health Workforce – Fiscal balance (\$m)^(a)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Revenue													
Administered non-tax													
<i>Component 2 – Indexation on loans</i>	-	..	..	..	0.10	0.10	0.20	0.30	0.40	0.50	0.60	..	2.20
<i>Component 2 – Unwinding concessional loan discount</i>	-	-	-	-	-	-	..	0.01	0.02	0.03	0.05	-	0.11
Total – revenue	-	..	..	..	0.1	0.1	0.2	0.3	0.4	0.5	0.7	..	2.3
Expenses													
Administered													
<i>Component 1 - Funding to support the HWSP</i>	-22.0	-22.7	-23.3	-23.9	-24.5	-25.1	-25.7	-26.3	-27.0	-27.7	-28.4	-91.9	-276.6
<i>Component 2 – Commonwealth Grant Scheme</i>	-0.7	-2.0	-3.4	-5.1	-6.9	-8.5	-10.2	-11.2	-11.4	-11.7	-12.0	-11.2	-83.1
<i>Component 2 – Personal benefits</i>	..	-0.01	-0.01	-0.01	-0.02	-0.02	-0.03	-0.03	-0.03	-0.03	-0.03	-0.03	-0.22
<i>Component 2 – Remissions</i>	-	-	-	-	..	..	..	..	..	-0.01	-0.01	-	-0.02
<i>Component 2 – Concessional loan discount</i>	-	-	-	-	-	..	-0.1	-0.1	-0.2	-0.3	-0.3	-	-1.0
<i>Component 2 – Other loan financing</i>	..	-0.1	-0.2	-0.3	-0.4	-0.5	-0.6	-0.7	-0.7	-0.7	-0.7	-0.6	-4.9
Total – administered	-22.7	-24.8	-26.9	-29.3	-31.8	-34.1	-36.6	-38.3	-39.3	-40.4	-41.4	-103.7	-365.8

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Departmental													
<i>Component 3 – Department of Education, Skills and Employment</i>	-0.3	-0.2	-	-	-	-	-	-	-	-	-	-0.5	-0.5
Total – departmental	-0.3	-0.2	-	-	-	-	-	-	-	-	-	-0.5	-0.5
Total – expenses	-23.0	-25.0	-26.9	-29.3	-31.8	-34.1	-36.6	-38.3	-39.3	-40.4	-41.4	-104.2	-366.3
Total (excluding PDI)	-23.0	-25.0	-26.9	-29.3	-31.7	-34.0	-36.4	-38.0	-38.9	-39.9	-40.8	-104.2	-364.0
PDI impacts	-0.3	-0.8	-1.4	-2.1	-3.0	-3.9	-5.1	-6.4	-8.0	-9.7	-11.7	-4.6	-52.4
Total (including PDI)	-23.3	-25.8	-28.3	-31.4	-34.7	-37.9	-41.5	-44.4	-46.9	-49.6	-52.5	-108.8	-416.4

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

.. Not zero but rounded to zero.

- Indicates nil.

Table A2: Health Workforce – Underlying cash balance (\$m)^(a)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Receipts													
<i>Administered non-tax</i>													
<i>Component 2 – Interest receipts</i>	-	-	-	..	..	..	0.01	0.02	0.03	0.03	0.03	..	0.12
Total – receipts	-	-	-	..	..	..	0.01	0.02	0.03	0.03	0.03	..	0.12
Payments													
<i>Administered</i>													
<i>Component 1 - funding to support the HWSP</i>	-22.0	-22.7	-23.3	-23.9	-24.5	-25.1	-25.7	-26.3	-27.0	-27.7	-28.4	-91.9	-276.6
<i>Component 2 – Commonwealth Grant Scheme</i>	-0.7	-2.0	-3.4	-5.1	-6.9	-8.5	-10.2	-11.2	-11.4	-11.7	-12.0	-11.2	-83.1
<i>Component 2 – Personal Benefits</i>	..	-0.01	-0.01	-0.01	-0.02	-0.02	-0.03	-0.03	-0.03	-0.03	-0.03	-0.03	-0.22
Total – administered	-22.7	-24.7	-26.7	-29.0	-31.4	-33.6	-35.9	-37.5	-38.4	-39.4	-40.4	-103.1	-359.9
<i>Departmental</i>													
<i>Component 3 – Department of Education, Skills and Employment</i>	-0.3	-0.2	-	-	-	-	-	-	-	-	-	-0.5	-0.5
Total – departmental	-0.3	-0.2	-	-	-	-	-	-	-	-	-	-0.5	-0.5
Total – payments	-23.0	-24.9	-26.7	-29.0	-31.4	-33.6	-35.9	-37.5	-38.4	-39.4	-40.4	-103.6	-360.4
Total (excluding PDI)	-23.0	-24.9	-26.7	-29.0	-31.4	-33.6	-35.9	-37.5	-38.4	-39.4	-40.4	-103.6	-360.3
<i>PDI impacts</i>	-0.2	-0.8	-1.4	-2.1	-2.9	-3.8	-5.0	-6.3	-7.8	-9.5	-11.5	-4.5	-51.3
Total (including PDI)	-23.2	-25.7	-28.1	-31.1	-34.3	-37.4	-40.9	-43.8	-46.2	-48.9	-51.9	-108.1	-411.6

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

.. Not zero but rounded to zero.

- Indicates nil.

Table A3: Health Workforce – Headline cash balance (\$m)^(a)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Receipts													
Administered non-tax													
<i>Component 2 - Interest receipts</i>	-	-	-	..	..	..	0.01	0.02	0.03	0.03	0.03	..	0.1
<i>Component 2 - Loan principal repayments</i>	-	..	..	..	0.10	0.10	0.20	0.30	0.50	0.60	0.80	..	2.60
Total – receipts	-	..	..	..	0.1	0.1	0.2	0.3	0.5	0.6	0.8	..	2.7
Payments													
Administered													
<i>Component 1 - funding to support the HWSP</i>	-22.0	-22.7	-23.3	-23.9	-24.5	-25.1	-25.7	-26.3	-27.0	-27.7	-28.4	-91.9	-276.6
<i>Component 2 – Commonwealth Grant Scheme</i>	-0.7	-2.0	-3.4	-5.1	-6.9	-8.5	-10.2	-11.2	-11.4	-11.7	-12.0	-11.2	-83.1
<i>Component 2 - Personal benefits</i>	..	-0.01	-0.01	-0.01	-0.02	-0.02	-0.03	-0.03	-0.03	-0.03	-0.03	-0.03	-0.22
<i>Component 2 - Total loans</i>	-0.2	-0.7	-1.2	-1.8	-2.5	-3.1	-3.7	-4.0	-4.1	-4.2	-4.3	-3.9	-29.8
Total – administered	-22.9	-25.4	-27.9	-30.8	-33.9	-36.7	-39.6	-41.5	-42.5	-43.6	-44.7	-107.0	-389.7
Departmental													
<i>Component 3 – Department of Education, Skills and Employment</i>	-0.3	-0.2	-	-	-	-	-	-	-	-	-	-0.5	-0.5
Total – departmental	-0.3	-0.2	-	-	-	-	-	-	-	-	-	-0.5	-0.5
Total – payments	-23.2	-25.6	-27.9	-30.8	-33.9	-36.7	-39.6	-41.5	-42.5	-43.6	-44.7	-107.5	-390.2
Total (excluding PDI)	-23.2	-25.6	-27.9	-30.8	-33.8	-36.6	-39.4	-41.2	-42.0	-43.0	-43.9	-107.5	-387.5
PDI impacts	-0.2	-0.8	-1.4	-2.1	-2.9	-3.8	-5.0	-6.3	-7.8	-9.5	-11.5	-4.5	-51.3
Total (including PDI)	-23.4	-26.4	-29.3	-32.9	-36.7	-40.4	-44.4	-47.5	-49.8	-52.5	-55.4	-112.0	-438.8

(a) A positive number for the headline cash balance indicates an increase in receipts or a decrease in payments or net capital investment in headline cash terms. A negative number for the headline cash balance indicates a decrease in receipts or an increase in payments or net capital investment in headline cash terms.

.. Not zero but rounded to zero.

- Indicates nil.

Attachment B – Accounting treatment of concessional loans

A concessional loan is a loan provided on more favourable terms than the borrower could obtain in the financial market. The most common concession is a below-market interest rate, but concessions can also include favourable repayment conditions. The income contingent loans available through the Higher Education Loan Program are an example of concessional loans offered by the Commonwealth.

Budget impact²

The accounting treatment of concessional loans differs across each budget aggregate. The underlying cash balance only captures actual flows of interest related to the loans. The headline cash balance captures actual flows of principal as well as interest. The fiscal balance captures accrued interest, the value of the concession and any write-offs related to the loans. The interest cost of financing these loans is captured in all budget aggregates and is separately identified by the PBO.³ Table B1 provides information about the detail provided in a costing. The provision of concessional loans decreases the Commonwealth Government's net worth if the liabilities issued (the value of Commonwealth Government Securities issued to finance the loans) are greater than the assets created (measured at their 'fair value' or price at which the loans could be sold).

Treatment of debt not expected to be repaid

All budget aggregates take into account estimates of the share of loans not expected to be repaid when calculating interest flows and estimating the value of the concession that is being provided. None of the measures capture the direct impact on net worth of the loans not expected to be repaid. If a portion of loans are not expected to be repaid, estimates of the 'fair value' of the loans outstanding will be reduced. Such reductions, both when loans are issued and if loans are subsequently re-valued, are recorded in the budget under 'other economic flows' which are reflected in net worth but not in the budget aggregates.

Table B1: Components of concessional loan financial impacts in costing proposals

Budget item	Appears in	Comments
Interest accrued or received	All budget aggregates	Captures the interest accrued or expected to be received on the fair value of the debt. (The budget cannot include interest income on a debt that is not expected to be repaid.)
Concessional loan discount expense and unwinding revenue	Fiscal balance	The net present value of the concession (based on the difference between the market and concessional interest rates) is captured as an expense in the fiscal balance. As loans are repaid, the remaining value of the concession reduces, so this expense is 'unwound' with a positive impact on the fiscal balance. The concessional discount and its unwinding are not recognised in cash balances as there is no cash inflow or outflow.
Write-offs	Fiscal balance	Debt forgiveness, also known as mutually agreed write-downs (for example in the case of the death of the borrower of a HELP loan) are expensed when they occur, reducing the fiscal balance. These transactions do not affect the cash balances as no cash flows occur.
Initial loan; principal repayments	Headline cash balance	Higher estimates of loans not expected to be repaid lowers principal repayments. These transactions are not included in the fiscal balance or underlying cash balance as they involve the exchange of one financial asset (loan) for another (cash).
Public debt interest (PDI)	All budget aggregates	The PDI impact is the cost of the change in the government's borrowing requirements to fund the loans. The net headline cash balance impact excluding PDI is used to estimate the proposal's impact on PDI payments.

² The PBO's treatment of these loans is consistent with the Department of Finance costing guidelines.

³ This is in accordance with PBO Guidance 02/2015 and the Charter of Budget Honesty Policy Costing Guidelines which specify that costings of proposals that 'involve transactions of financial assets' need to take into account the impact on PDI payments.