



Parliament of Australia
Parliamentary Budget Office

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Parliamentary Budget Officer

Senator Christine Milne
Leader of the Australian Greens
Parliament House
CANBERRA ACT 2600

Dear Senator Milne

Please find attached a response to your costing request on *securing Medicare* (letter of 14 August 2013).

The response to this request will be released on the PBO website (www.aph.gov.au/pbo).

If you have any queries about this costing, please do not hesitate to contact Colin Brown on (02) 6277 9530.

Yours sincerely

Phil Bowen

16 August 2013



COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	Securing Medicare
Summary of proposal:	The proposal would move indexation of Medicare Benefits Schedule (MBS) fees from 1 July each year to 1 November each year, effectively reversing the 2013-14 Budget measure <i>Medicare Benefit Schedule – realigning indexation with the financial year</i> decision to move indexation from 1 November each year to 1 July. The proposal will have effect from 1 November 2013.
Person/party requesting costing:	Senator Christine Milne, Australian Greens Party
Date costing request received:	14 August 2013
Date costing completed:	16 August 2013
Date of public release of policy	27 July 2013
Additional information requested (including date):	Clarification was sought from Senator Christine Milne's office 15 August 2013 as to whether the policy would be capped or demand driven.
Additional information received	On 15 August Senator Christine Milne's office advised that the policy would not be capped.
Agencies from which information was obtained:	Department of Health and Ageing (DHA)

Costing overview

This proposal is expected to decrease the underlying cash balance by \$662.2 million and decrease the fiscal balance by \$663.6 million over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in expenses over this period.

The proposal will have an ongoing impact that extends beyond the forward estimates period. This ongoing impact would be in the order of \$163.0 million per annum plus the effect of any underlying trends (service growth, average rebate growth, new or revised listings) in Medicare expenditure

The underlying cash impact of this proposal differs from the fiscal balance impact because of the time lag between the treatment sessions occurring (at which time the payment from the Government is owing) and the actual payment of the fee to the provider once the claim through Medicare has been processed.

A detailed breakdown of the costs by Agency is included at [Attachment A](#).

POLICY COSTING – ELECTION CARETAKER PERIOD

This costing is considered to be of high reliability, given the net impact of utilisation rates and indexation parameters since the measure was announced in the 2013-14 Budget has been minimal.

Table 1: Financial implications (outturn prices)^(a)

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-159.6	-152.8	-172.9	-176.8
Fiscal balance (\$m)	-159.9	-153.1	-173.4	-177.3

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms.

Key assumptions

This costing utilises information provided by DHA.

The PBO has assumed that departmental funding associated with the original 2013-14 Budget measure would no longer be required.

Methodology

The savings announced in the original 2013-14 Budget measure have been reduced in line with the reduction in estimated overall Medicare expenditure between the 2013-14 Budget and the 2013 Pre-Election Economic and Fiscal Outlook.

Savings associated with Departmental funding for the original measure are then taken into account.

Data sources

- 2013-14 Budget Paper no.2 page 177.
- Program level forward estimates.

POLICY COSTING – ELECTION CARETAKER PERIOD

ATTACHMENT A: AGENCY BREAKDOWN OF COSTS

The following table provides an agency breakdown of administered and departmental costs.

Table A1: Agency breakdown – financial implications (outturn prices)^{(b)(c)}

Agency	2013-14	2014-15	2015-16	2016-17
Department of Health and Ageing - Administered (\$m)	-152.2	-146.2	-162.6	-163.0
Department of Health and Ageing - Departmental (\$m)	0.06	-	-	-
Department of Human Services (\$m)	0.05	0.05	-	-
Department of Veterans' Affairs (\$m)	-7.7	-6.9	-10.8	-14.3
TOTAL (\$m)	-159.9	-153.1	-173.4	-177.3

(b) Figures represent fiscal balance.

(c) A positive number for the fiscal balance indicates a decrease in expenses in accrual terms. A negative number for the fiscal balance indicates an increase in expenses in cash terms.