



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, *Mental health* (letter of 30 August 2013).

The response to this request will be released on the PBO website (<http://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

4 September 2013

COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	Mental Health
Summary of proposal:	The proposal would improve the mental health services in Australia by: - investing \$150 million over three years to establish a National Institute for Mental Illness Research - increasing funding for the Mental Health Nurse Incentive Program by \$70 million per year on top of current budget commitments - reinstating the option of six extra sessions of psychological treatment in exceptional circumstances (EC) under the Better Access initiative - providing grants of up to \$50,000 to mental health non-government organisations (NGOs) through re-establishing the NGO Capacity Grants Program, capped at \$7.5 million over three years, and - establishing a National Suicide Prevention Campaign and improving the collection of data relating to suicide with an investment of \$38.3 million over three years. The proposal would have effect from 1 July 2014.
Person/party requesting costing:	Senator Christine Milne, Australian Greens
Date costing request received:	30 August 2013
Date costing completed:	4 September 2013
Date of public release of policy:	27 August 2013
Additional information requested:	On 2 September 2013 the PBO sought clarification as to the termination dates of each element.
Additional information received:	On 3 September 2013 Senator Milne's Office advised that all elements are over three years from 1 July 2014 to 30 June 2017.
Agencies from which information was obtained:	- Department of Health and Ageing (DoHA) - Department of Human Services (DHS)

POLICY COSTING – ELECTION CARETAKER PERIOD

Costing overview

This proposal is expected to decrease the underlying cash balance by \$546.0 million and the fiscal balance by \$547.4 million over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in expenses.

The underlying cash impact of this proposal differs from the fiscal balance impact because the EC psychological treatment element includes a 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.

The EC psychological treatment element of the costing request includes \$1.0 million to cover DHS departmental costs over the forward estimates. Given this is an extension of an existing program, DoHA's departmental costs associated with implementing the proposal would be minimal relative to overall costs and have not been included. Departmental costs for the other elements are estimated to be minimal and have not been included.

This costing is considered to be of medium reliability as the EC psychological treatment element is based on estimated demand and applying average costs.

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

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-	-178.0	-182.1	-186.0
Fiscal balance (\$m)	-	-178.4	-182.5	-186.4

(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

As per the costing request, the capped elements of the proposal are split evenly each year over the forward estimates from 2014-15.

The PBO has made the following assumptions in costing the EC psychological treatment element:

- the population of patients receiving additional treatments across the forward estimates is calculated by applying the growth rate implicit in the 2011-12 and 2012-13 Budget measures relating to the Better Access Initiative (see [Data sources](#)) to the 2012-13 patient population.
- the estimated reduction in the population of patients, as a result of the refined EC criteria reducing the number of eligible patients, is based on Australian Psychological Society estimates (see [Data sources](#))
- the average cost per session will grow uniformly over the forward estimates period in line with growth occurring over the five year period from 2007-08 to the 2011-12
- there is sufficient capacity within the sector to accommodate the increased demand for additional treatment sessions resulting from this proposal, and
- all patients who qualify for the additional EC treatment will utilise all six additional sessions.

POLICY COSTING – ELECTION CARETAKER PERIOD

Methodology

EC psychological treatment element

The total cost of this element is derived by adding the following administered and departmental costs:

- Administered costs:
 - The average session cost per year was estimated by applying a compound annual growth rate, derived from historical data, to the 2011-12 average session costs.
 - The patient population per year was calculated by applying the growth rate implicit in the 2011-12 and 2012-13 Budget measures relating to the Better Access Initiative to the actual 2012-13 patient population. The patient population estimate is then reduced by 19 per cent as a result of the refined EC criteria.
 - The total administered cost is derived by multiplying the estimated patient population (those that qualify under the refined EC criteria) by the estimated cost of the additional six sessions.
- Departmental costs
 - The total departmental cost is derived by multiplying the estimated number of transactions by the processing cost per transaction.

Other policy elements

The estimates are based on the capped funding amounts specified in the costing request.

See [Attachment A](#) for a full breakdown of each cost element.

Data sources

- DoHA
 - Historical data on the number of patients receiving EC treatment sessions, average cost per EC treatment session, over the period from 2007 to 2012 and costing models for the:
 - : 2011-12 Budget measure: *National Mental Health Reform – Better Access Initiative – rationalisation of allied health treatment sessions*
 - : 2012-13 Budget measure: *National Mental Health Reform – Better Access Initiative – continuation*
- DHS
 - Current estimated processing cost per transaction for the 2013-14 Budget forward estimates period.
- *Proposal for permanent reinstatement of the Better Access ‘exceptional circumstances’ sessions*, Australian Psychological Society paper, updated April 2013
 - Estimate of reduction in patient numbers as a result of the refined criteria for EC.

POLICY COSTING – ELECTION CARETAKER PERIOD

ATTACHMENT A: DETAILED BREAKDOWN OF COSTING

Table A1: Financial implications (outturn prices)^(a)

Underlying cash balance impacts (\$m)	2013-14	2014-15	2015-16	2016-17
Establish a National Institute for Mental Illness Research	-	-50.0	-50.0	-50.0
Increasing funding for the Mental Health Nurse Incentive Program	-	-70.0	-70.0	-70.0
EC psychological treatment element	-	-42.7	-46.8	-50.7
Re-establishing the NGO Capacity Grants Program	-	-2.5	-2.5	-2.5
Establishing a National Suicide Prevention Campaign	-	-12.8	-12.8	-12.8
Total impact	-	-178.0	-182.1	-186.0

(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.

Table A2: Financial implications (outturn prices)^(a)

Fiscal balance impacts (\$m)	2013-14	2014-15	2015-16	2016-17
Establish a National Institute for Mental Illness Research	-	-50.0	-50.0	-50.0
Increasing funding for the Mental Health Nurse Incentive Program	-	-70.0	-70.0	-70.0
EC psychological treatment element	-	-43.2	-47.3	-51.1
Re-establishing the NGO Capacity Grants Program	-	-2.5	-2.5	-2.5
Establishing a National Suicide Prevention Campaign	-	-12.8	-12.8	-12.8
Total impact	-	-178.4	-182.5	-186.4

(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. Amounts may now sum due to rounding.