

Reform of Health System Funding

The Australian public healthcare system needs to be adequately funded in a sustainable and durable way, providing certainty for longer-term funding arrangements for the Commonwealth, states and territories.

The overriding objective of the public healthcare system should be to ensure high quality care that is equitable, accessible and affordable.

Health budget sustainability must include the concept of affordability for consumers and acknowledge capacity to pay and individual health vulnerability.

Existing resources should be used effectively with all parts of the health system working together to eliminate waste, inefficiencies and to limit low value care.

AHHA POSITION:

- ✧ The health system needs adequate funding to support increased demand for services driven by:
 - a growing and ageing population
 - the increasing cost of health technology
 - consumer expectations associated with rising real incomes.
- ✧ The health system also needs to better use the resources it already has by:
 - reducing waste and inefficiency
 - limiting low value care
 - achieving better system integration, care coordination and delivery across the primary, acute and aged care sectors
 - improving use of electronic health records.
- ✧ Consumers contribute to health system funding through private health insurance and out of pocket payments, but requirements for contributions must reflect capacity to pay and individual health vulnerability.
- ✧ Any move by government to raise taxes or change the tax mix must ensure that vulnerable people are protected, including:
 - those with lower incomes
 - those who are otherwise vulnerable due to their need for health care and the costs associated with this care.
- ✧ The protection of vulnerable people may be achieved through personal income tax arrangements and social security transfers, but may also require other targeted measures such as enhanced safety nets.
- ✧ Funding for the private health insurance rebate should be transparently re-directed to the public healthcare system by:
 - tighter means testing
 - only providing the subsidy for evidence based practice.
- ✧ Expenditure on preventive healthcare should be expanded and recognised as an investment in:
 - better health outcomes
 - reduced future load on the healthcare system.
- ✧ If the Government adopts a proposed Hospitals Benefit*, this must:
 - have the benefit/price set by a fully independent body, such as the Independent Hospital Pricing Authority
 - have a durable agreement on the share of the funding to be paid between the Commonwealth, state and territory governments, for example via legislation.

* Option 2 in the draft Discussion Paper on Reform of the Federation available [here](#)