

Position Statement on Reform of Specific Purpose Payments and Health Funding to NSW

What are Specific Purpose Payments?

Specific Purpose Payments (SPPs) are grants provided by the Commonwealth government to the States and Territories for specific purposes (as differentiated from those provided for general purposes).

How do SPPs affect Health funding for NGOs and disadvantaged groups?

There are many SPPs that affect funding for health programs, including those provided by community and non-government organisations. SPPs that particularly affect health NGOs and health programs for disadvantaged groups include:

- The Population Health Outcome Funding Agreements (PHOFAs), which provide funding for sexual and reproductive health, women's health and HIV/AIDS programs, Immunisation, the National Drugs Strategy, Breast and cervical screening programs, the Alternative Birthing Program and female genital mutilation education and prevention programs.
- Innovative Health Services for Homeless Youth (IHSY), which provides funding for health programs for homeless and at risk youth.
- Communicable disease control, including for needle and syringe programs and hepatitis C education and prevention.

- Prevention of hazardous and harmful drug use, including for the Illicit Drug Diversion Initiative (IDDI) and NGO treatment grants program.

How much money is spent in NSW on SPPs?

In the 2007-08 Commonwealth budget \$9,850 million was allocated to NSW in Specific Purpose Payments, including \$3,537 million for Health. This makes NSW the largest recipient of SPP funding of all the States and Territories, with Health funding being the largest type of funding received. Commonwealth SPP funding to NSW for health in 2007-08 included \$75.7m for the PHOFA and \$859,000 for youth health services.

What is currently happening with SPPs?

The communiqué from the January 14, 2008 meeting of Commonwealth, State and Territory Health Ministers and Treasurers indicated that there had been in-principle agreement to reform Specific Purpose Payments (SPPs), including a reduction in the number of SPPs by at least three quarters. A heads of treasuries working party will be producing a draft report for reform by the end of February, which will go to a Ministerial meeting in March, and then on to the Council of Australian Government's (COAG) meeting in March.

Endorsed by:



How will the review of SPPs affect Health funding?

The review of SPPs may affect health more immediately than other areas as the review is happening concurrently with the renegotiation of the Australian Health Care Agreements (due to expire 30 June this year) and general health reform, including the establishment of the National Health and Hospitals Reform Commission.

There have been indications that reform of the SPPs may include some current health SPP funding becoming part of the Australian Health Care Agreements (AHCA), and speculation that all current SPPs for Health may be rolled into one broad 'health' payment.

In 2005-06 estimated total government expenditure on public health activities across Australia was 2.66% of total recurrent government expenditure on health – a decline from 2004-05 and lower than the percentage in 1999-2000¹. **We are alarmed that without adequate guarantees the amalgamation of health funding agreements will jeopardise already inadequate funding allocations for primary health and prevention services.**

Our Position

1. We welcome reform that provides greater transparency of responsibilities for health funding and policy.
2. Given the current level of vertical fiscal imbalance², we believe it is appropriate for both the States and the Commonwealth to contribute funding to health programs.
3. Greater financial and policy emphasis must be placed on primary health, particularly early intervention, prevention and health promotion services. With this in mind, we welcome the establishment of the health and hospitals reform commission. Funding for health should be undertaken in a coordinated way across the health system, and reform should include a priority focus on how greater emphasis and funding can be directed to early intervention and prevention services, particularly amongst disadvantaged and vulnerable population groups.
4. Streamlining bureaucratic administration costs should be an essential component of reform of Specific Purpose Payments. Any cost-savings achieved through reform should be committed to primary and community health services, and not shifted to state-based bureaucracy or the administration of other funding programs (such as AHCA's).

5. Funding for primary health services, prevention and early intervention services should be expanded and guaranteed in a broadbanded health funding agreement. In particular, where funding agreements cover primary and acute services funding allocations should be clearly demarcated. This could be achieved through the continuance of specified funding or the use of Key Performance Indicators (as are currently employed in the PHOFA agreements).
6. The negotiation of health reform and funding agreements should be transparent. The development of funding agreements should be based on consultation with appropriate ministerial, departmental, non-government and community input – particularly in relation to agreement priorities, funding allocation, targets and any outcome or result measures.

Conclusion

We acknowledge the need for broad-based health reform, including reform of funding arrangements. Our priority is that specific and identified funding for primary and community health is guaranteed to these programs, whatever form the funding agreements ultimately take.

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¹ Australian Institute of Health and Welfare, 2008, National Public Health Expenditure Report 2005-06

² Revenue collection of State/Territories and Commonwealth does not match their spending responsibilities. In Australia the States have a high-level of responsibility for spending and little revenue collection, whilst the opposite occurs at a Commonwealth level.

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