



PRIME MINISTER

TREASURER

MINISTER FOR HEALTH AND AGEING

JOINT MEDIA RELEASE

DELIVERING SUSTAINABLE HEALTH FUNDING FOR THE FUTURE

The Rudd Government's new National Health and Hospital Network will help ensure the long-term sustainability of Australia's finances and underpin high-quality health services into the future.

The Australian Government will take majority control of the hospital system – funding 60 per cent of all public hospital services – and take full financial and policy responsibility for GP and primary care services.

This plan is fully funded over the forward estimates and wholly consistent with the Government's fiscal strategy.

To fund this change, the Commonwealth will dedicate around one-third of GST revenue directly to health spending. This amounts to a \$50 billion takeover of funding responsibility from the states and territories over the upcoming forward estimates.

Because the expected growth in health care costs outpaces the growth in GST revenues, the Australian Government will shoulder the burden of funding the rapidly rising health costs of the future.

This is a fundamental change to federal financial relations which will end the blame game and ensure the future funding of our national health and hospital system is sustainable.

The 2010 Intergenerational Report, *Australia to 2050*, warned of ballooning health costs hitting the Australian economy and underscored the need for financial reform of the health system to prevent it collapsing under its own weight.

If current trends continue, by 2045-46 spending on health and hospitals would consume the entire revenue raised by state governments. This means that states would not be able to fund their health and hospital system, let alone meet their other responsibilities.

The Rudd Government is responding now to this important national challenge - and in doing so, is also boosting the long-term productivity of the Australian economy.

These reforms mean the level of government in Australia with the most stable and efficient means of raising revenue will now be the majority funder of the fastest growing area of public expenditure.

To help meet rising health care costs, the Government's reforms are designed to deliver greater efficiencies in health and hospitals – particularly through activity based funding.

Under these reforms, no state or territory will be worse off over the forward estimates and all will be better off in the medium term.

These reforms are also wholly consistent with the Government's strict fiscal strategy. They will:

- be fully costed and funded over the forward estimates;
- be consistent with the Government's commitment to keep taxation as a share of the economy on average below the level inherited from the previous government; and
- not delay the return to surplus or increase peak net debt.

The Government will seek the advice of the Commonwealth Grants Commission in determining the technical details of dedicating a proportion of the GST to health and hospital funding.

The Rudd Government has already demonstrated its commitment to building a fairer and more sustainable health system through proposed changes to the Private Health Insurance Rebate.

The fundamental national reforms announced today will build a stronger health and hospital system for Australians while helping to ensure the long-term sustainability of Australia's finances.

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