

AMA (NSW) PRE-BUDGET BRIEFING
1 PM MONDAY 31 MAY 2010
BOARDROOM, ADMINISTRATION BLOCK, SYDNEY HOSPITAL

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1. **Survey of NSW public hospital surgeons – see attached media release and summary.**
2. **Commonwealth Budget – health payments to NSW (Source: Budget Paper No. 3)**

	2009/10	2010/11	2011/12	2012/13	2013/14
Recurrent funding	3711.0	3949.0	8977.0	9649.0	10335.0
NHHN package	84.4	273.2	249.8	279.8	316.6
Other programs	228.4	309.6	328.5	251.7	193.5
Total	4023.8	4531.8	9555.3	10180.5	10845.1
\$ increase		\$508.0m			
% increase		12.6%			

3. **Health inflation**
 In the hospital sector, an increase of about 9% per annum is required to stand still, i.e. to address population growth, population ageing, price and wage increases and cost increases driven by new technologies.
4. **System capacity**
 Average occupancy rates in many major hospitals are well above 90% and in some cases the rate is above 100%. Based on 2007/08 “Yellow Book” data, we have calculated that NSW needs an additional 1450 hospital beds in order to achieve safe average occupancy levels of 85%. This figure will have risen since 2008 and will continue to increase as demand increases.
5. **NSW Budget – what to look for**
 - 5.1 **Capital expenditure**
 The last NSW budget saw a reduction in health capital expenditure of more than 20%, from \$779 million to \$603 million. Health infrastructure projects are largely

on hold in NSW, with the exception of projects that are being completed or where the Commonwealth has made funding available. Major projects that have been announced but not funded include the new Northern Beaches Hospital.

5.2 Revenue component of the health budget

In the 2009/10 NSW Budget, the total budget for recurrent expenditure (i.e. excluding capital) on health was \$14.488 billion. The revenue component of this was \$2.206 billion, or 15.2%. In other words, 15% of the health budget is a revenue target that is expected to be generated by the hospitals from income sources such as private patients. This revenue target has been steadily increasing in recent years as a percentage of recurrent expenditure. The equivalent figure in 2005/06 was 12.4%, a difference in dollar terms of \$860 million.

5.3 Workforce and training

There is currently a severe medical workforce shortage in NSW and Australia. This has been recognized at Commonwealth level with funding over the past few years for a major increase in medical school places. In NSW the number of medical school graduates in 2012 will almost double compared to 2008. Medical school graduates are not able to gain full registration as doctors until they have completed an intern year working in a hospital. While NSW has provided a guarantee up until 2012 that there will be sufficient intern places (although this guarantee does not extend to all graduates), there appears to be little, if any, planning to address the need for training beyond the intern year or to ensure that there are sufficient senior doctors to provide supervision and training. There is a significant risk that the major public investment in medical school places will be wasted and the workforce shortage will not be addressed.

5.4 Benefits arising from NHHN funding

According to the Commonwealth Budget papers, NSW received \$84.4 million in 2009/10 as part of the NHHN package to begin work on the commitments made in that package, including 4 hour ED target capital needs and elective surgery capital needs. A further \$273.2m is to be made available in 2010/11. The NSW Budget should explicitly identify where these funds are to be spent.

6. AMA (NSW) view – what needs to be in the NSW Budget

- Increased funding to maintain the NSW share of health funding (estimate \$15.9 billion recurrent, or a 9.6% increase)
- Transparent expenditure of the NHHN package funding
- Increase in the number of acute beds with a commitment to safe occupancy rates
- Funding for increased numbers of medical training positions and senior staff
- Adequate funding for health infrastructure