

1983-84

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

STATES (TAX SHARING AND HEALTH GRANTS) AMENDMENT BILL (NO 2) 1983

EXPLANATORY MEMORANDUM

(Circulated by Authority of the Treasurer, the Hon P.J. Keating, MP)

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GENERAL PURPOSE OF BILL

As agreed at the Premiers' Conference of 30 June-1 July 1983, changes to the public hospital funding arrangements with the States and the Northern Territory are to be introduced on 1 February 1984 as part of the Medicare Program. It is proposed that existing funding arrangements under the States (Tax Sharing and Health Grants) Act 1981 (hereafter referred to as the Principal Act) continue separately until that Act's expiry on 30 June 1985.

The purpose of this Bill is to amend the Principal Act in order to change two aspects of the present funding arrangements which are affected by the introduction of the Medicare arrangements.

In order to participate in the Medicare funding arrangements, South Australia and Tasmania have agreed to terminate their hospital cost-sharing agreements with the Commonwealth with effect from 1 February 1984. The main set of amendments to the Principal Act proposed in this Bill provide for South Australia and Tasmania to

receive, from that date, additions to the health grants payable under this Act in place of grants payable under their hospital cost-sharing agreements with the Commonwealth. As a result, their health funding arrangements with the Commonwealth will be brought more into line with those currently applying in all other States and the Northern Territory.

The amendments proposed in the Bill provide for these additional health grants to be related to an agreed notional amount that each State would have received had its hospital cost-sharing agreement run for the whole of 1983-84 in the absence of the Medicare arrangements. In 1983-84, this addition will be equal to the balance of the amount otherwise payable in respect of the whole year had the cost sharing agreements continued unaffected by Medicare. In 1984-85, this addition will be equal to the amount otherwise payable in respect of the whole of 1983-84 under the cost-sharing agreements escalated (as are all other health payments under the Principal Act) in line with the growth in total Commonwealth tax collections in 1983-84 compared with 1982-83.

The second area of amendment relates to the conditions currently attached to the health grants payable under the Principal Act. From the time the new Medicare arrangements are introduced, it is proposed that all conditions which the Commonwealth requires to be met by the States in the hospitals area will be attached to the new Medicare compensation payments. The conditions currently attaching to health grants payable under the Principal Act, which are generally narrower in coverage than those to apply as part of the Medicare arrangements, will no longer have effect and are to be removed by this Bill.

NOTES ON CLAUSES

Clause 1 - Short title, etc

Self-explanatory

Clause 2 - Commencement

Self-explanatory

Clause 3 - Health Grants for 1983-84 and for 1984-85

Amends section 18 of the Principal Act by:

- (a) in proposed sub-section (5), defining the amount to which South Australia and Tasmania would otherwise have been entitled as a payment from the Commonwealth under the cost-sharing agreements relating to the provision of hospital services in respect of the whole of the year 1983-84, had those agreements continued in force during the period 1 February 1984 to 30 June 1984 in the absence of Medicare (and so abstracting from the effect which Medicare will have upon the net operating costs of each State's public hospital system);
- (b) in proposed sub-section (4), defining the entitlements of South Australia and Tasmania to additional health grants in 1983-84, to be paid with respect to the five month period after

31 January 1984, as being the difference between the amount otherwise payable to the State with respect to the whole of 1983-84 and the sum of the amounts actually paid to that State over the period 1 July 1983 to 31 January 1984 under the cost-sharing agreements; and

- (c) in proposed sub-section (2), including health payments made to South Australia and Tasmania in 1983-84 for the purpose of determining the total health grants to which the States and the Northern Territory are together entitled in 1984-85.

Clause 4 - Distribution of certain health grants among the States

Amends section 19 of the Principal Act so that the distribution of the total grant to which the States and the Northern Territory are together entitled in 1984-85 under proposed section 18(2) will take into account the entitlements of South Australia and Tasmania.

Clause 5 - Repeal of Section 20

Conditions attaching to the payment of health grants under the Principal Act are to be repealed from 1 February 1984. In their place, it is proposed that conditions will be attached to the new Medicare compensation payments.

Clause 6

Section 22 of the Principal Act is amended to reflect the fact that payments to be made to South Australia and Tasmania under section 30 of the Health Insurance Act are to terminate on 31 January 1984.

Section 23 of the Principal Act is to be repealed as the provision dealing with the circumstances to apply if South Australia or Tasmania were to terminate their cost-sharing agreements are made redundant by other provisions of this Bill.

