Budget 2016-17 overview

HEALTH

Public Hospitals:

- The new 3-year Heads of Agreement signed between the Commonwealth and the states and territories, increasing the funding by $2.9 billion from 2017-18 to 2019-20.
- Confirmation that Activity Based Funding will continue to be the mechanism for establishing funding for public hospitals.

> *MTAA comment*
> *MTAA welcomes the additional funding to be provided to public hospitals and supports efforts to introduce best practice pricing to drive compliance with agreed safety and quality measures that will improve patient outcomes.*

Medicare Benefits Schedule initiatives include:

- Two additional MBS items to cover testing of chronic sight-threatening disease diabetic retinopathy with a non-mydriatic retinal camera ($33.8 million over 4 years from 2016-17);
- Two new MBS items for diagnostic imagining services of breast cancer conditions ($3 million over 4 years commencing 2016-17);
    - An MBS item to cover breast MRIs where conventional imaging and examination does not show the source of the tumour;
    - An MBS item for MRI-guided biopsy of the breast for patients with suspected breast cancer where the lesion is only identifiable via MRI;
- New and amended MBS Schedule listings including amended skin services items; revised vascular surgery item; revised plastic and reconstructive surgery for fat grafting; revised MBS items for hip arthroscopy; amended skin patch testing items; amended circumcision items (saving $51.4 million over 4 years from 2016-17);
- Removing 24 obsolete MBS items from schedule arising from MBS Taskforce recommendations to date (saving $5.1 million over 4 years from 2016-17);
- Introduction of cost-recovery arrangements for the provision of customised MBS and PBS data extracts for external clients (saving $0.2 million over 4 years from 2016-17);
- Extending the pause on indexation for MBS fees provided by general practitioners, medical specialists, allied health and other health practitioners for an additional two years (saving $925.3 million over 2 years commencing 2018-19);

> *MTAA Comment*
> *MTAA welcomes the additional MBS items and notes that its has contributed to a number of MBS and MSAC reviews leading to these Budget announcements. MTAA will continue to provide appropriate recommendations that are, transparent, whole-of-system and evidenced-based.*

Private Health Insurance initiatives include:

- No announcement of Prostheses List cuts for August 2016

- Establishing a Private Health Sector Committee to provide technical and specialist advice on designing and implementing the Government's PHI reform (costing $2.2 million over 3 years commencing 2016-17);
- Improving the listing and reimbursement process for prostheses by reconstituting the Prostheses List Advisory Committee to take into account the recommendations made by the Industry Working Group on Private Health Insurance Prostheses Reform (costs to be absorbed by Department);

MTAA Comment
MTAA welcomes the reforms announcements made in this Budget as they are consistent with its advice to Government. MTAA supports reforms that see patients come first and where transparency is at the centre of future reform.

MTAA looks forward to continuing to work constructively and diligently with the Minister and the Government to get the best outcome for patients possible.

Primary Care initiatives include:

- Funding of first roll-out of the Health Care Homes model as recommended by the Primary Health Care Advisory Group to improve the care of certain patients with chronic and complex disease. The roll-out has been funded by $21.3 million over 4 years from 2015-16 to 2018-19);

MTAA Comment
Currently primary health care services in Australia for certain patients with chronic disease can be fragmented and often poorly linked with secondary care services, making it difficult for patients to be confidently engaged in their care. This is in particular of concern for patients in rural and remote areas. Effective communication between the health 'team' can be challenging and may be inconsistent. This leads to concern regarding the quality and safety of patient care.

MTAA will continue to advocate that digital health be included in the development of this program.

Australian Digital Health Agency

- This Budget announced the formation of the Australian Digital Health Agency to commence on 1 July 2016. The Agency will provide the leadership, coordination and delivery of a collaborative and innovative approach to utilising technology to support and enhance a clinically safe and connected national health system to improve health service delivery and health outcomes for the Australian community.

MTAA Comment
Currently the focus of the Digital Health Agency is on MyHealth Record. The Agency has a program to:

> *work in collaboration with consumers, health care providers and the health industry, the Digital Health Agency will deliver an effective national digital health capability that will achieve significant improvements in the quality and delivery of health care, and increased efficiency of the Australian health system*

Promotion of eHealth offers significant opportunities for the devices industry and collaboration with the Agency will be important as it establishes its work priorities and strategy.

Regulation and Safety initiatives include:

- Improving the regulatory framework by streamlining pre- and post-market processes to enable earlier access to medicines and medical devices thus reducing burden and administrative costs to industry;
- Leveraging assessment work from comparable overseas regulatory agencies to reduce time to market in Australia;
- Novel medicines and medical devices to be approved faster in certain circumstances;
- Additional approval pathways to enable products to be listed on the ARTG;
- Conformity Assessment Bodies designated by the TGA to be allowed to undertake pre-market assessments;
- Greater consistency in advertising regulations for medicines and medical devices
- Rationalising and making committees advising the Therapeutic Goods Administration more efficient and effective
- Automatic approval for low risk products under the Special Access Scheme (Category B) to be introduced.

MTAA Comment *These announcements appear to be directly related to the outcomes of the TGA review of Medicines and Medical Devices. The level of investment at around $20 million over 4 years commencing 2016-17 appears to be significant and it is therefore expected that this will require significant industry activity.*

Registries:
Extending funding of cardiac and breast device registries is approved for an additional 12 months at a cost of $2.2 million over 2016-17.

MTAA Comment *MTAA welcomes the delay in moving to a cost-recovery arrangement as had previously been mooted pending resolution of issues around funding and the instability of the sector given the possible financial impact of the PHI reforms.*

Stoma Appliance Scheme — new and amended listings:
The government made changes to the Stoma Appliance Scheme, including listing 4 new items, amending the lists of 3 current items, and deleting two items.

MTAA comment *MTAA strongly supports the provision of access to essential healthcare items through subsidised schemes such as the Australian Governments Stoma Appliance Scheme (SAS). Efforts to ensure the long term sustainability of the scheme should be supported in order to ensure that all Australians who need these products continue to have access to them.*

Radiation Oncology Health Program Grants Scheme (ROHPG):
Funding for approved workforce activities continues and the 2016-17 target for the number of sites delivering radiation oncology has been revised to 82.

MTAA comment *MTAA recommends to the Australian Government that ROHPG scheme remains in place to provide continued equitable access to quality radiotherapy treatment for cancer patients across all States and Territories*

DEPARTMENT OF SOCIAL SERVICES

NDIS
The Government will establish the National Disability Insurance Scheme Savings Fund Special Account to assist in meeting the future costs of the National Disability Insurance Scheme (NDIS). In the 2016-17 Budget, the Government will credit $2.1 billion to the fund, comprising:

- funding of $711.2 million over five years, reflecting reduced net costs in NDIS transition agreements which have been signed with the states and territories; and
- savings of a total $1.3 billion over five years which are the net proceeds of more efficiently targeting social welfare expenditure, after offsetting a range of new priorities in the Social Services Portfolio.

The following efficiencies will contribute to the NDIS Savings Fund:

- $108.6 million over four years by aligning the backdating provisions for new Carer Allowance claims with other social security payments. From 1 January 2017, Carer Allowance will be payable to eligible applicants from the date of the claim, or the date they first contact the Department of Human Services. Savings for this component have already been provided for by the Government.

- $62.1 million over five years by reviewing 30,000 Disability Support Pension recipients each year for three years by assessing their capacity to work.
- $66.7 million by identifying funds not being spent in 2015-16 and by not proceeding with the NDIS advertising campaign.

MTAA comment

For those living with disabilities in the community, there are many medical products that support better healthcare for patients. In general, these products can be characterised as aids for daily living that are required for the critical care of a patient or that improve a patients quality of life. These will often be consumable items that are low technology.

It is important that once the NDIS is rolled out in full that all patients regardless of where they live have subsidised access to these essential care items.

As such MTAA strongly supports the establishment of a savings fund that will ensure the ongoing viability of the NDIS.

SMALL BUSINESS /STARTUP INCENTIVES

Expanding Tax Incentives for Early-Stage Investors

The Government has amended the *Mid-Year Economic and Fiscal Outlook 2015-16* measure *National Innovation and Science Agenda — tax incentives for angel investors* to:

- reduce the holding period from three years to 12 months for investors to access the 10 year capital gains tax exemption;
- include in the definition of eligible startups, a time limit on incorporation and criteria for determining if the startup is an innovation company;
- require that the investor and innovation company are non-affiliates; and
- limit the investment amount for non-sophisticated investors to $50,000 or less per income year in order to receive a tax offset

Venture Capital Investment

The Government has amended the *Mid-Year Economic and Fiscal Outlook 2015-16* measure *National Innovation and Science Agenda — new arrangement for venture capital investment* to:

- add a transitional arrangement that allows conditionally registered funds that become unconditionally registered after 7 December 2015 to access the tax offset if the criteria are met;
- relax the requirement for very small entities to provide an auditors' statement of assets;
- extend the increase in fund size from $100.0 million to $200.0 million for new early-stage venture capital limited partnerships (ESVCLPs) to also apply to existing ESVCLPs; and
- ensure that the venture capital tax concessions are available for FinTech, banking and insurance related activities.

Increase the small business entity turnover threshold

The Government will increase the small business entity turnover threshold from $2.0 million to $10.0 million from 1 July 2016. The current $2.0 million turnover threshold will be retained for access to the small business capital gains tax concessions, and access to the unincorporated small business tax discount will be limited to entities with turnover less than $5.0 million. An additional 90,000 to 100,000 business entities will gain access to the small business concessions, such as the lower small business corporate tax rate, accelerated depreciation and depreciation pooling provisions.

Reducing the company tax rate to 25%
The Government will reduce the company tax rate to 25 per cent over 10 years.

The tax rate for businesses with an annual aggregated turnover of less than $10.0 million will be 27.5 per cent from the 2016-17 income year. The threshold will then be progressively increased to ultimately have all companies at 27.5 per cent in the 2023-24 income year. The annual aggregated turnover thresholds for companies facing a tax rate of 27.5 per cent will be:

- $25.0 million in the 2017-18 income year;
- $50.0 million in the 2018-19 income year;
- $100.0 million in the 2019-20 income year;
- $250.0 million in the 2020-21 income year;
- $500.0 million in the 2021-22 income year; and
- $1 billion in the 2022-23 income year.

In the 2024-25 income year the company tax rate will be reduced to 27 per cent and then be reduced progressively by 1 percentage point per year until it reaches 25 per cent in the 2026-27 income year. Franking credits will be able to be distributed in line with the rate of tax paid by the company making the distribution.

TAX INTEGRITY PACKAGE

Diverted Profits Tax
The Government will introduce a new tax aimed at multinational corporations that artificially divert profits from Australia. The tax will apply to income years commencing on or after 1 July 2017. This measure is estimated to have a gain to revenue of $200.0 million over the forward estimates period.

The new tax will target companies that shift profits offshore through arrangements involving related parties:

- that result in less than 80 per cent tax being paid overseas than would otherwise have been paid in Australia;
- where it is reasonable to conclude that the arrangement is designed to secure a tax reduction; and
- that do not have sufficient economic substance.

Where such arrangements are entered into, this measure will apply a 40 per cent tax on diverted profits to ensure that large multinationals are paying sufficient tax in Australia.

This measure will apply to large companies with global revenue of $1 billion or more. Companies with Australian revenue of less than $25 million will be exempt, unless they are artificially booking their revenue offshore.

This measure forms part of the Government's Tax Integrity Package, which will strengthen the integrity of Australia's tax system.

Establishing the Tax Avoidance Taskforce
The Government will provide $678.9 million to the Australian Taxation Office (ATO) over the forward estimates period to establish a new Tax Avoidance Taskforce. This

will enable the ATO to undertake enhanced compliance activities targeting multinationals, large public and private groups and high wealth individuals.

EDUCATION AND TRAINING

Industry Skills Fund

The Industry Skills Fund will be repositioned as a more targeted fund delivering on its core policy intent of assisting micro and small businesses to take advantage of business growth opportunities and adapt to rapid technological change.

INDUSTRY AND SCIENCE

Cooperative Research Centres

Last financial year the Government advised that they would achieve savings of $26.8 million over four years from 2015-16 by reducing funding for the *Cooperative Research Centres* programme. The commitment made at the time was to continue to provide $732.4 million over the forward estimates period pending the outcome of a review of CRCs.

This review recommended that the CRC programme should continue without change and this was accepted by the Government. This year's Budget provides for only $652 million over the forward estimates from 2016/17 – 2019/20

MTAA Comment
While it is disappointing that there has effectively been a reduction in funding for the CRC, the key issue for industry is about improve the translation of research into innovative technologies for the healthcare market. Boosting commercialisation of translational research will maximise Australia's potential economic return on investment, and in turn foster a sustainable health and medical research system that contributes to national prosperity.

Expediting Clinical Trial Reform

Support for clinical trial reform has decreased to $100,000 and will cease after this financial year.

Growth Centres

Funding has continued as committed when the growth centre program was announced. As would be expected as the growth centres became operational funding would increase in the first couple of years and decrease over time. The Government has allocated $60.7 million this financial year.

MTAA Comment
The MTAA supports the concept of the Growth Centres and would like to ensure it is appropriately funded to enable it to achieve its purpos.

VETERAN'S AFFAIRS

In-Home Telehealth for Veterans

Disappointingly there is no reference to the in-home telehealth pilot which was funded for another two years in the 2015/16 budget.

MTAA comment
Globally remote monitoring currently plays an important role in managing chronic disease patients in home settings, reducing hospital admissions and tertiary hospital costs in the longer term.

We would encourage the Government to incorporate telehealth into the mainstream delivery of health care services, rather than continually run pilot studies