

FEDERAL BUDGET OVERVIEW

On Tuesday the 6th of October the Treasurer, the Hon. Josh Frydenberg MP, announced the 2020-21 Federal Budget. Treasurer Frydenberg opened his speech by saying 'The Great Depression and two World Wars did not bring Australia to its knees, neither will COVID-19'.

The Budget focuses heavily on policies to drive jobs growth, encourage people to reskill, incentivising businesses to hire and small businesses to invest in people and equipment. As anticipated personal and business tax cuts, to drive economic stimulus, were included as was significant spending on infrastructure, health, and manufacturing.

In August MTAA submitted to Government 17 policies via our Pre-Budget Submission. The final Budget included 5 MTAA recommendations accepted in full 7 in part and 5 were not accepted.

Budget outcome snapshot

Policy	Outcome	Overview
Continuation of Reimbursement while Using Telehealth	The Federal Government will invest a total of \$2.4 billion in telehealth services ensuring continued access to Medicare-subsidised telehealth for general practitioner, nursing, midwifery, allied health, allied mental health services, specialist services and Medicare-subsidised pathology.	Accepted
Continuation of Elective surgery during COVID	As expected, there was limited mention of elective surgery in the budget papers. The purpose of this item's inclusion in the submission was to notify Government not to receive a specific action	Not Included in the Budget
Cardiac Remote Monitoring	Cardiac Remote Monitoring was not included in the Budget Papers as Government met with Industry and insurers to reach a resolution.	Accepted – in part
Sovereign Capability in Advanced Manufacturing	The Government will invest \$3.3 billion for the COVID National Medical Stockpile. This includes \$9.2 million for increasing onshore mask manufacturing capability.	Accepted
Private Health Insurance	MTAA raised a number of challenges for Private Health Insurance that could provide further support for the ailing industry. These included making PHI more attractive to young people. Increasing the age of dependence to 31 has the potential to help.	Accepted – in part
Review of Private Health System	Whilst not directly what was recommended by MTAA there are aspects of Private Health Insurance that will undergo independent reviews. The Government will fund external actuarial studies of two key pillars of Australia's PHI system, to inform the next wave of reforms.	Accepted – in part
Prosthesis List	MTAA recommended The Agreement between the MedTech industry and Government be honoured in full. As there were no changes announced this recommendation has been accepted	Accepted – in part

Home and Community Care	MTAA issued a substantive recommendation to Government to increase Home and Community Care. The Government included within the announcement a commitment home care would only be used when clinically appropriate.	Accepted
Advanced Manufacturing	The Government has announced two key items for advance manufacturing. \$1.3 billion to increase the volume and support for Advanced manufacturing. The Government has also announced cost of energy policies that will drive lower energy prices for local manufacturers.	Accepted
Research and Development	The Government has stepped away from significant parts of their controversial R&DTI reforms. They will however introduce a two tier intensity threshold for larger companies and the refundable component will be calculated based on a company's tax rate	Accepted – in part
Clinical Trials	MTAA's policy recommendations were particularly clear within the clinical trials space, these specific asks were not accepted. However the Government will spend \$6.6 billion over 4 years on medical research and clinical trials. Of this \$1.3 billion is set aside for clinical trials for innovative treatments, delivering more advanced health care and medical technology.	Accepted – in part
Tax Reform	MTAA recommended the Government reduce Australia's corporate tax rate to closer to the OECD average of 23.59%. Small and medium businesses will receive a tax cut taking their rate to 25%, larger businesses will not see a change to taxation rates.	Included in the Budget but not adequately
Taxation of Intellectual Property	This was not included in the budget. MTAA will continue to work with our coalition partners to drive this useful policy.	Not Included in the Budget
Therapeutic Goods Administrations Systems	The Government has announced \$12 million to upgrade the TGA's ICT systems	Accepted
PPE access for Private Hospitals	This was not included in the budget. MTAA will continue to work with private hospitals to ensure access.	Not Included in the Budget
Digital Health	MTAA did not issue a specific recommendation regarding Digital Health but rather included it within our Pre-Budget Submission to foreshadow future trends within the Industry.	Not Included in the Budget
Artificial Intelligence	MTAA did not issue a specific recommendation regarding Artificial Intelligence but rather included it within our Pre-Budget Submission to foreshadow future trends within the Industry. This was not included in in the broader budget although there are some grants to universities in the space.	Not Included in the Budget

Continuation of Reimbursement while Using Telehealth

The Federal Government will invest a total of \$2.4 billion in telehealth services. The Treasurer noted “We delivered 10 years of reform in 10 days with the introduction of whole-of-population access to telehealth” To 30 September 2020, more than 32.8 million telehealth services have been delivered, with a total investment of more than \$2.4 billion. This Budget extends the telehealth services for a further six months while the long term design is developed in conjunction with medical groups and the community. Telehealth for specialists and allied health has also been extended.

Supporting our Hospitals – COVID-19 National

The Budget also included \$3.3 billion for the COVID National Medical Stockpile. Expiring antiviral, chemical, biological, radiological and nuclear inventory items are being replenished, along with pharmaceuticals and personal protective equipment (PPE) – including face masks, respirators, gloves, face shields and gowns – and medical supplies and equipment. As of 30 September 2020, the NMS has purchased a total of:

- 166 million P2/N95 respirators
- 595 million surgical masks
- 12 million face shields
- 32 million goggles
- 53 million gowns
- 61 million gloves

Private Health Insurance – increasing the age of dependants

From 1 April 2021, the Government will increase the maximum age of dependants for private health insurance policies from 24 to 31 years and remove the age limit for dependants with a disability. Allowing dependants to remain on the family policy until the start of Lifetime Health Cover provides them with a clear moment for decision about maintaining their PHI, and increases PHI’s attractiveness to young people.

People with a disability will be provided with the flexibility to access more affordable private health insurance without age limits as they can be covered under a family policy at no or low cost – rather than purchase a standalone policy.

Private Health Insurance – actuarial studies of incentives

The Government will allocate \$2.4 million for external actuarial studies of two key pillars of Australia’s PHI system, to inform the next wave of reforms The studies will look at:

- Lifetime Health Cover, which provides a financial incentive for people to take out private hospital cover before the age of 31 years.

- Risk equalisation, which supports community rating by sharing the cost of certain claims between insurers, however may not adequately incentivise private health insurers to provide access to new preventive health measures.

Private Health Insurance – expanding home and community based mental health and rehabilitation care

This Budget will make home and community-based care for rehabilitation services more accessible through private health insurance (PHI). Home and community care will be expanded, allowing patients to recover and rehabilitate in their own homes – if that is their preference and is clinically appropriate – with the support of their doctor. A rehabilitation plan will be developed by an appropriate doctor, which explicitly considers home and community care options, in consultation with the patient.

Advanced Manufacturing

The Modern Manufacturing Strategy – announced by the Prime Minister last week and confirmed in this evening's budget will see “medical products” as one of six priority sectors at the centre of the Government's industry acceleration policies. The Modern Manufacturing Strategy will deliver \$1.3 billion for industry development with a goal to create further jobs. This announcement follows sustained engagement with Government by MTAA and sits within the Prime Minister's JobMaker program.

Find out more here: [Link](#)

Cost of Energy

This budget solidified the Government's earlier announcement of its long-term energy policy. In MTAA's pre-budget submission we called for the development of an all-inclusive energy policy with a particular focus on the needs of manufacturing with an aim to provide long term certainty and lower energy costs. The Government's announcement follows this to a tee and ensures future generation is focused on low emissions, low cost technologies.

Find out more here: [Link](#)

R&D Tax Incentive

The Government will not proceed with its proposed R&D Tax Incentive. This decision follows sustained advocacy from MTAA in collaboration with other industry bodies. The proposed R&D Tax Incentive would have hampered industry's ability to conduct research, the decision to not proceed will allow MTAA to work with Government through several channels to ensure future reforms to the incentive will be effective and support industry's needs.

TGA IT Systems Update

After advocacy from MTAA, our members, and third-party supporters the Morrison Government has announced \$12 million over four years to upgrade the Therapeutic Goods Administration's (TGA) IT Systems. It is hoped that after the upgrade there will be significant improvements to application tracking, status transparency, as well as the TGA providing information in a usable format and improve the ability to search and link various TGA databases. The TGA has not had an IT upgrade since 1998 hampering interactions between the industry and the TGA.

Find out more here: [Link](#)

Beyond the Pre-Budget Submission

Improving Access to Medicines – Unique Device Identification system for the safety of medical devices

The Australian Government will establish a Unique Device Identification (UDI) System for medical devices. The system will allow tracking and tracing of medical devices that have been implanted in patients. It will enhance the ability for doctors to notify patients quickly if there is a safety issue with a medical device and strengthen Australia's post market medical device adverse event system.

The Government has allocated \$7.7 million from 2020–21 to 2023–24 through the Therapeutic Goods Administration to support this initiative.

JobMaker

JobMaker which includes skills, university education, and jobs formed one of the two pillars of yesterday's budget. The Government will spend \$240 million to encourage more women to participate in the workforce. They will also support an additional 50,000 places in higher education short courses in select sectors, 12,000 new Commonwealth supported places in tertiary institutions and via the Clontarf Foundation 2000 indigenous students will be supported through year 12 and to pursue tertiary education or employment.

Social Services

Social Services, including subsidised employment and stimulus measures, will receive additional investments totalling over \$22 billion. This includes \$2.6 billion (over three years) for two \$250 stimulus payments to be paid for people receiving social welfare. \$15.6 billion to relax the JobKeeper requirements to increase eligibility, \$4 billion (over three years) to subsidise the employment of under 35s. and \$798.8 million for quality and safeguards commission supporting patients on the NDIS JobMaker

Energy and the Environment

Within the energy and the environment space the Government will provide an additional \$18 million to the Clean Energy Finance Corporation, the Australian Renewable Energy Agency. \$52.9 million to grow Australia's gas industry. And a \$40 million funding package and \$20 million will be invested in coastal ecosystems under a federal government COVID economy recovery plan.

The Treasurer also announced \$583 for regional tourism and to upgrade facilities in Uluru, Kakadu, Christmas Island and Booderee National Park.

\$2 billion in concessional loans will be spent on assisting farmers who have been affected by drought and bushfires and a further \$2 billion will be invested in building new water infrastructure including dams, weirs and pipelines as part of the national water grid.

Finance, Defence and Infrastructure

The Government has continued with stage 2 of its income tax cuts, extending the 19% bracket from \$37,000 to \$45,000 and the 32.5% bracket from \$90,000 to \$120,000. The Government also extended the Instant Asset Write-Off to include business with turnover <\$5 billion.

40% of the Defence budget will be spent on capital expenditure including the construction of the Hunter Class Frigates and Attack Class submarines.

The Government will invest \$14 billion for new and accelerated infrastructure projects with an additional \$355.9 million of aviation support.