

HEALTH BUDGET IN WESTERN AUSTRALIA

Motion

MR BOARD (Murdoch) [6.10 pm]: I move -

That the Minister for Health explain to this House the true situation in regard to the Health budget in Western Australia showing -

- (a) where is the announced \$380 million increase over the next four years;
- (b) where is the announced \$240 million nurses package over the next four years;
- (c) what is the true situation in regard to the added costs that hospitals will need to meet moving to full accrual accounting; and
- (d) how will hospitals meet wage increases out of their existing budgets?

I put on record my appreciation to the Minister for Health for remaining in the House to debate this motion. I am raising this issue in private members' time because during the estimates debate, as the minister may be aware, I found it very difficult to get the information I wanted and to get as much clarity on the exact position of the health budget for not only the ensuing year, but also the forward estimates. Although five hours was allocated to the health estimates, it was protracted because there were not many opportunities for questions from individual members. Although I do not blame the minister for that, we were unable to explore the budget to the extent I would have liked, notwithstanding the fact that neither the minister nor his advisers were able to clearly indicate the status of the state health budget. That flies in the face of a number of public statements by the Government and the minister about the size of the health budget in Western Australia. Under any scrutiny - I have done my best in this regard and spent some time on it - some of the rhetoric does not match the actual figures.

I hope in this debate the minister can provide some clarity on those issues, and point out some of the items in the budget about which a number of statements have been made.

I refer first to the size of the budget. In many ways this budget is very disappointing to the community of Western Australia. The Labor Party campaigned in the state election on health as a major issue, and made commitments to the community to fund health care in Western Australia. Many speeches made in this House prior to the state election were about the health area being underfunded and, as a result, in chaos. Labor indicated that if it were elected it would restore community confidence in the health system, and more adequately fund the delivery of health services in Western Australia so that it could fulfil community requirements. I recall hearing speech after speech in this House demanding additional funds for the health budget. However, we are almost four months into the new financial year and, by any examination, particularly by those working in the system, health care is deteriorating and suffering from lack of resources. Many of the statements made by the Government and the Minister for Health about the portfolio wins for health do not exist.

Mr D'Orazio: You guys have the gall to stand up here and say that when you got slaughtered at the election. It was the main election issue.

Mr BOARD: There are times when I welcome interjections. However, if the member wants to interject, he should at least do some homework and say something credible.

Mr D'Orazio: I have.

Mr BOARD: Everyone agrees that the health budget grew by six or seven per cent each year that the coalition was in government. Those figures have been audited by the Auditor General. I also have records of public statements about increases in the health budget. In its first budget, this Government increased the health budget by a lousy three per cent. Next year, the increase will be a lousy one per cent. That represents a real cut in health services in Western Australia. What will be the increase in the following year? It will be two per cent. That will be 16 per cent behind what a coalition Government would have provided over the same period. Members should not believe the minister's press releases; they should look at the budget and the total appropriations for 2000-01, 2001-02 and 2002-03. One does not need to be Einstein to realise that the difference between last year's budget figure and this year's is an increase of three per cent. The 2001-02 increase is one per cent and the 2003-04 increase will be two per cent. If members were to use a basic calculator to work out those increases, they would find that they have absolutely nothing to do with the minister's \$385 million, which he said was the budget increase over four years. It is not mentioned in the net appropriations.

The Treasurer pointed out today that it can be found in the section of the *2001-02 Economic and Fiscal Outlook* dealing with the impact on agencies of financial performances and policy decisions. Apparently, the policy decisions will amount to \$385 million. They may do, but they are not in the net appropriations grand total in the

budget. The Government has fudged it, and unfortunately the media fell all over it. There will be a very small increase in the budget in net terms this year, a real decrease next year if the forward estimates hold up, and a decrease the following year. If we account for the fact that the capital-user charge and superannuation costs are built in, the Government will find itself in disarray in funding increased services in Western Australia.

The \$385 million is not in this budget. I challenge the minister to show us where it is mentioned. The minister can say it is an output or any other put he can think of - even a shot-put - it is not in these documents. I challenge the minister to show the House where that \$385 million increase is mentioned in the state budget.

I also challenge him to show us where the \$240 million nurses' package is mentioned. I issued him that challenge during the Estimates Committee hearing, but he was unable to meet it.

Mr Kucera: That is not correct.

Mr BOARD: I have read the *Hansard* three times, but I still cannot find it. The budget does include allocations to cover the cost of the nurses' pay agreement, professional development packages and other bits and bobs, but that sum does not come anywhere near \$240 million. The minister is referring to 300 nurses who do not exist. He might fund them out of an existing service with an existing budget. If he goes down that track to increase staffing, he will be fudging it. I challenge the minister to show us where the \$240 million package is mentioned in the budget. I also challenge him to show how he will account for salary increases for hospital salaried officers and doctors over the next four years. If the Government does not plan to find that money by decreasing services, from where will it come? I fear that the minister will say that it will be raised by cutting existing hospital budgets, which are already stretched. I am also afraid that our hospitals will have to meet salary increases by cutting services that they are struggling to maintain.

We know that the metropolitan public hospital system is already \$120 million over budget. That is why this health budget is so dishonest. After only three months, the Government already knows that it is inadequate. Members opposite are not prepared to fund hospitals to provide the service level they promised prior to the last election. That promise was part of the rhetoric about the growth in services and the need to fund that growth. They talked about how they would meet those commitments. What have they done since the election? They have said that they will increase funding by \$385 million. That money will be difficult to find. Even if the \$385 million were found, it would be totally inadequate to meet the growth in the system. In addition, it is less than half -

Mr Ripper: What would be your response to a \$120 million overrun? Let us assume that that wild assumption is correct. Would you say that taxes should be increased or would you run into deficit?

Mr BOARD: If the Treasurer is saying that he totally misled the Western Australian community prior to the election -

Mr D'Orazio: Absolutely not.

Mr BOARD: It is true. Members opposite are now saying that the growth in health services is unsustainable.

This Government sacked the very body that was capable of making those things happen in the metropolitan region. The challenge for this minister is to do those very same things, but without the assistance of the body that could make it happen. Members opposite have raised the expectations of the community, clinicians, nurses and salaried officers. They are now not delivering. They will suffer from a huge lack of credibility - if that has not already happened.

This is about the budget and the Government's press releases -

Several members interjected.

Mr BOARD: Where is that \$385 million in the forward estimates?

Mr Ripper: Page 4 of budget paper No 3.

Mr BOARD: It is only a statement of policy decisions. Where is it in the forward estimates? Where is it in the net appropriations? I ask the Treasurer to show me where it is and I will be satisfied. I will not be satisfied with the amount, but at least satisfied that it exists. Show me where the \$240 million for the nurses package is in the budget. If I can see it I will be satisfied that the Government has not misled the nurses. Show me that it is not like a number of other things that we seem to be getting from the Government. The Government issues press releases that it will give so much money to projects but it does not have it - it will come out of thin air through savings. People say, "Hallelujah, we have some more money." There is no more money. It is like Gaspo the balloonist. Children put a balloon on their nose and it fills up with air. The kids think it is fantastic and that they have something. They walk away, the balloon explodes and nothing is left. Unfortunately, that is the situation with the health budget.

I will move on as time is precious, and I want to leave adequate time for the minister to respond. If the rhetoric and press releases are correct, why are there public meetings throughout the State? There is one tonight. They are not being led by the Opposition. Members of the Labor Party are running public meetings. They are saying that the minister has let down regional health and they are facing a crisis in country regions as a result of the budget. An urgent public meeting will be held tonight in the senior citizens centre in Albany. There is a crisis in the health care system. The literature states -

Rural Western Australia is facing a crisis in health funding.

Over the last 4 years, the proportion of the total state health budget spent in rural WA has decreased . . .

I am prepared to read the whole leaflet. It continues -

Following the Labor Government's State Budget of September 2001, the allocation of funding for the Lower Great Southern Health Service (LGSHS) is NOT ENOUGH TO MAINTAIN THE CURRENT SERVICE LEVEL.

The Health Service has been directed to come up with a range of measures to meet this deficit.

What have they been asked to do?

The proposed measures include -

reducing dental surgery

reduced funding for cancer detection services

eg. endoscopy/colonoscopies

CLOSURE OF BEDS - up to 20% of current bed capacity

stopping obstetric services at Mt. Barker and Denmark Hospitals

relocation of aged care patients from Albany to Mt. Barker hospital

stopping general surgery at Mt. Barker hospital

reduction in GP and visiting specialist services eg. gynaecology/orthopaedics/ENT/urology/plastic surgery

respite care to cease at Albany Regional Hospital

No respite - this is what they have been asked to do as a result of the budget. It continues -

We feel that the community need to be made aware of the looming threat to these essential community services.

There is much political rhetoric in the lay press regarding health funding issues, which can often be misleading.

This has prompted the formation of the Albany Health Action Group. Concerned members have come together to find the truth and raise community awareness of these issues.

It is very disturbing to see this situation echoed in almost every other health service region in WA.

It is happening in Kalgoorlie and around Western Australia. The minister has issued press releases stating that the budgets for regional health have been increased. In real terms, they cannot meet the existing demand for services. The Government has put in capital user charges and a range of other costs that need to be met. The health services must meet salary increases. The services are already stretched and they cannot meet the demand. The minister knows that. It is a tragedy. We are trying to encourage the development of the State's regional hospitals.

An allocation of \$100 million has been made for capital works. One would say that is not a bad effort, but \$77 million was allocated by the previous Government. What is the Government's new commitment to capital works in the health system? It is only \$27.5 million out of a \$2 billion budget. The previous Government built the hospitals; the least the current Government could do is fund them recurrently.

Mr D'Orazio: The member was on the Estimates Committee with me. The member knows that his federal colleagues allocated \$526 million to rural health. What did they allocate to Western Australia? An amount of \$6 million!

Mr BOARD: That is not going to wash. We run hospitals in this State; we fund hospitals in this State. We built the hospitals. It is a tragedy. Dental and mental health services are among a range of areas I could talk about. I am keen to hear from the minister. As such, I will not be able to run through all the issues.

If the funding were not bad enough, we have seen an incredible lack of confidence in the decisions made by the minister and a lack of support by clinicians. The minister may make light of the fact that the Australian Medical Association conducted a survey. The reality is that more than 300 doctors responded to the survey. They are not rabid unionists trying to undermine the system; they are doctors working in the system.

Mr Kucera: Does the member support the methods used by the AMA?

Mr BOARD: I am concerned about a deteriorating lack of confidence. If the minister attempts to make partial changes in health - let alone a full agenda - and he thinks he can do it without the support of the major clinicians in this State, he is in cloud-cuckoo-land. The minister needs their support to resolve issues. Getting into a tug-of-war with doctors over their credibility will not settle the issue or give the minister the opportunity to make decisions.

I could raise many more issues about the budget. Has any member read the budget? The budget shows that hospital waiting lists will blow out. The budget also shows that category three waiting lists will double under this Government. The separated costs for patients - which are already the highest in Australia - will increase under this Government. Why? The Government will bring more services in-house, it will create more inefficiency and, as a result, the system will continue to blow out. It will also be funded inadequately. Although I could raise many other issues, I will not. I would like the minister's response to the issues I have already raised. I appreciate that the minister is here to answer my questions.

MR KUCERA (Yokine - Minister for Health) [6.40 pm]: Firstly, I will comment on the estimates committee process because it is the first time that I have been involved in it. I did not rise during the debate yesterday, as that is not my role. However, I found the hearing an enlightening process. I note that the members for Murray-Wellington and Roe are in the Chamber. At the time, I complimented the member for Murdoch.

These matters must be worked through rationally. Treasury explained the budget process very well. I compliment the Treasurer for the efforts of the people from Treasury, who took the time and trouble to explain to various members, including members of the Opposition - I attended the same briefings as they did - the process of accrual accounting that we used this year. Members must realise that this year's budget was difficult to frame because it was the first accrual budget. I understand some of the difficulties the member for Murdoch had in finding things in the budget, because one must analyse it to find the detail. As the Treasurer rightly pointed out, the allocations made throughout the budget papers are not in only one single spot. Members must do some hard work to understand them.

The details of the \$385 million are contained in the major policy decisions table on page 1239 of the *Budget Statements*. I understand that the member for Murdoch was referred to page 4 of budget paper No 3, entitled *Economic and Fiscal Outlook*; they are also repeated there. The \$385 million is made up of \$242 million in election commitments, which are reported in both volumes of the budget papers, and the increased base funding of \$206 million is shown clearly in the appropriations pages. The budget allocates \$66 million for required savings, which is the priority dividend mentioned throughout the budget papers, and not only in those that deal with health.

Mr Board: I thought health was saved from that.

Mr KUCERA: Health was saved from that because the priority dividend will be put back into health, as was explained to the member for Murdoch in the estimates debate. In response to the member's request for supplementary information to be supplied to the Estimates Committee, he was provided with an extract from the budget statements that clearly sets out the details of the \$385 million of the forward estimates. However, as I say, members need to do some work on it. I am not being condescending when I say that.

Mr Board interjected.

Mr KUCERA: I remind the member that my time is limited and that I did not interrupt him. I responded to one interjection from him but I shall not respond to any more. The member presumes that there will be no reforms or savings in the area of health. He asked where was the approved \$240 million package over the next four years. The estimates hearing lasted for five hours. *Hansard* shows that the member for Murdoch had ample time to ask these questions. Yesterday, the Leader of the Opposition said that well-thought-out questions are the way to get information from the Estimates Committees. I will say what the Leader of the Opposition stated yesterday. I will comment on the process, which I thought was good. I commend the member for Murdoch on the way he approached the issues. However, he must listen carefully and then go back to the budget papers and *Hansard* to understand the issues.

Mr Board: I have done that and I still cannot find them.

Mr KUCERA: The member for Murdoch must do that if he wishes to benefit from the process. As I said repeatedly - as did all of the officers from the Department of Health who were involved in the estimates hearings - and as the people who laid out the accrual-based budget in all areas of Government showed us, this is an output-based budget. The member for Murdoch talked about input costs. The member knows that the budget process extends over the entire fiscal year. The Government expects hospitals to deliver on their budgets this year. Input costs do not appear in the budget statements, as I clearly stated on a number of occasions to the member for Murdoch. The budget is prepared on the agreed rate and amount for activity.

I will also touch briefly on some of the added costs. The member for Murdoch asked me what was the true situation with the additional costs that hospitals will need to meet when they move to full accrual accounting. I go back to the comments of the Leader of the Opposition yesterday about well-framed questions and good questions. That is how members get the information they want. Hospitals have been preparing financial statements based on full accrual accounting since 1991-92. The former Minister for Health used that process with inputs. However, this is the first time that the budget has been prepared on an accrual basis. I will comment on some of those extra costs to which the member for Murdoch referred.

Unfortunately, the member for Avon misunderstood me. I am not sure whether that was a genuine misunderstanding or political point scoring. At this stage, I will assume it was a misunderstanding. The member for Avon misunderstood the issue of superannuation. Superannuation of \$91.1 million is fully funded within the appropriation for superannuation. When the bills for superannuation are received, the individual hospitals pay them and ask the Department of Health for a recoup. An amount of \$91.1 million was put aside for that. Before the budget process even hit the ground, and before we had even talked about that, a lot of scaremongering went on about country hospitals having to pay costs that they had not previously had to pay.

I move on to the capital user charge of \$98.1 million. Health is fully funded with an appropriation for the capital user charge. It also has an appropriation asset fund of \$76.5 million, and both these funds, although primarily the appropriation fund, are made up of depreciation expenses and movements in employee leave entitlements. For the first time, the Department of Health has a budget for the depreciation of major equipment. However, that does not overcome the health system's major exposure to equipment that was not put into a depreciation process and was not replaced over many years.

The previous Government built a number of hospitals in this State, and I commend it for that. All members will remember that wonderful episode of the television program *Yes Minister*, which my wife bought me on video as soon as I was declared Minister for Health. It was about the greatest hospital in the world - one that did not have any patients! The reality is that for the first time the Government has asked people to be mindful of their output budget and to start to work to it.

I need to move to a couple of other issues that are important. I understand why the member for Murdoch needs to use his calculator. I am not an economist - or a professed economist like the Leader of the Opposition - and I also use a calculator. I also had the budget clearly explained to me. I make no apology for that. This is the first time I have had to go through the process from the government side. In my previous life I used to get out on the front steps of my building and say to my boss that if he did not give me the money, people would be raped in their beds and there would be murder and mayhem on the streets - and sometimes it worked! About six years ago it became clear under the reform process that the previous Government and the former Labor Government put in place - they saw the way the Police Service was going - that we had to move to output-based budgeting. The first year they did that to us, it really hurt. We had to say to people that they had to draw a line in the sand and look at the way they deliver services, and for once it needs to be there. With the local member, I spoke in Albany to the people who are organising the rally about which the member for Murdoch spoke tonight. The member for Albany works his butt off for the people down there, and spends a lot of time making sure that they have the kinds of services they need. It came down to an argument about what would have to be paid to the doctors who supply services to that hospital. The member for Murdoch talked earlier about credibility. I have never questioned the credibility of doctors. There are some fine doctors in this State. Today I met a new specialist who recently started in obstetrics at King Edward Memorial Hospital, because it is the only hospital in the world that has in place systems and research programs that can attract a man of his calibre. He was very excited to be here. Over a cup of coffee I talked to him about the issues that have arisen in relation to King Edward Memorial Hospital and the inquiries that are going on. He told me to put that to one side. He was pleased to have been brought here from his own country, because he considers that King Edward is a fine hospital that can be developed as the first women's and children's hospital in this State. The Government will work towards that, and make sure it occurs.

Mr Board interjected.

Mr KUCERA: I will be happy to discuss these issues with the member for Murdoch outside the House, but I must move on.

I mentioned the appropriation assets. These items are not easily discernible within the appropriation process. In the forward estimates on page 1237 of the *Budget Statements*, Treasury has increased the 1999-2000 and 2000-01 figures to make them comparable for these issues. It was brought up because it is accrual. If the calculator is used, it will never come out that way because, as was explained in the meeting in the committee rooms, Treasury officers have averaged up the money from those previous years.

Mr Board: The figures have been fudged.

Mr KUCERA: It is not fudging. The member for Murdoch should recall what was said in the Estimates Committee debates. Mr Alex Kirkwood from the finance area within the Department of Health explained that it could not be done by simply looking at the bottom line.

Mr Board: The minister claims the funding has increased by \$385 million, but it does not show.

Mr KUCERA: The same accrual process has been used across all the budget papers. Treasury officers clearly stated that. I am sure the Treasurer would be quite happy to explain that to the member.

Mr Board: How can the minister claim the increase of \$385 million when it is not shown in net appropriations?

Mr KUCERA: I have just explained why that is the case. It is shown in the net appropriations. I must move quickly to salaries and other issues. The Government has already outlined what is happening with the nurses, and how the \$240 million nurses' package will be dealt with over the next four years. I have said already that this is an output-based budget, but the member was talking about input-based costs. Input costs do not appear in the budget statement, and the budget is prepared in terms of the amount of activity. The Government does not give individual hospitals a budget which includes certain amounts for nurses, bedpans, new sheets and so on. Hospitals are expected to manage on the quantity figures they are given, within their budget processes. The money is there, and I have already talked about the added costs. The nurses' package will stand for the next four years and will start to kick in as more nurses come on board in the next two years. How will hospitals meet wage increases from their existing budgets? No Government has ever funded that, including the previous Government. That is asking the Government to look at a crystal ball to determine what the cost will be down the road. It does not happen that way. That was clearly explained during the estimates process.

I will speak briefly about dental services, which is a key issue in the whole process. The federal Government, in its infinite wisdom, removed all subsidies and support from dental service programs within this State and across Australia. The State is now carrying the can for all dental services, including the state dental services that were supplied by the Perth Dental Hospital for a number of years. During previous debate in this House - I think it was during question time a couple of weeks ago - I commended the previous Minister for Health, the member for Darling Range, on the commissioning and building of a new dental hospital at Sir Charles Gairdner Hospital. I visited the building the other day and looked at what I thought were the plans for removal from the Perth Dental Hospital to the new facility. What did I find? I always found the previous Minister for Health to be fairly meticulous; however, I was dismayed to find that little planning had been done and that there had been virtually no estimation of any forward costs for that facility. Again, I have had to bring forward those issues within the budget process, and will bring them on during the capital works process later this year. I want to make sure that the Government can move forward with this excellent concept, for which no prior planning was carried out. When asked how we should cope with that, I was told to keep the old dental hospital open. I asked how the Government would pay for that and was told that health had always been given money and that it did not matter. It is an excellent concept, but it is time to move forward.

A headline in *The West Australian* of 10 September said "WA health costs top the nation". Indeed it does. The introductory paragraph to the article stated -

Kucera must control hospital spending, economist says

The report continued -

WA SPENDS more money on individual patients in its teaching hospitals than any other State, according to a national report.

That occurs for a range of reasons. Most of it is tied to the cost of working towards clinical reform in this State. There is no doubt about that. The member for Murdoch asked me to comment on some of the issues concerning doctors. He is right; we cannot undertake necessary reform in this State without clinical reform. The previous Minister for Health, the member for Darling Range, knew that only too well. He knew that without clinical reform within the system, savings could not be made and the Government could not start to get back on track with the kinds of issues highlighted by that headline. However, the Australian Medical Association president, Dr Pearn-Rowe, told a commercial radio program on 10 August that the State Government seemed totally preoccupied with balancing budgets, and dollars and cents. Dr Pearn-Rowe said he recognised that responsible financial management called for that kind of attitude in many areas of government, but that health could not be

considered in the same light. I have never questioned the credibility of the AMA on clinical practices, but if that is the attitude of the people who lead the push, I now understand why it was so difficult for the previous minister to get on board with the AMA and to make those clinical changes. I will wind up because that issue is clear. I agree with the member for Murdoch that the Government must cooperate with doctors on where we go from here.

We need to sort out the pay issues. We have worked out the pay issues with the nurses; they have settled down. The Hospital Salaried Officers Association is voting on its issues. We have worked through those and achieved the conclusion we said we would achieve. We are negotiating with the doctors. Essentially, the issue is one of a union asking for a pay rise and a Government trying to introduce a program of reform, combined with the acrimony that always accompanies industrial issues and disputes. We will settle that. We will work through it, just as we work through everything else. I am sure we will get things on an even footing.

An article in the Health + Medicine section of this morning's *The West Australian* quoted last year's state president of the Australian Medical Association, Simon Towler. He provided a good overview of what he thought was the current situation with hospitals in this State.

Debate adjourned, pursuant to standing orders.

House adjourned at 7.00 pm
