

2015-16 FEDERAL BUDGET MEASURES AFFECTING HEALTH & MEDICAL RESEARCH

KEY SPENDING & SAVINGS MEASURES:

- **Establishment of the Medical Research Future Fund by 1 August 2015 with an initial \$3.4 billion** from uncommitted funds from the Health and Hospitals Fund and other budget savings made over the past year. The fund is expected to reach \$20 billion by 2019-20.

More than \$400 million will be disbursed from the fund for medical research in the next four years, including \$10 million in 2015-16, \$53 million in 2016-17, \$130 million in 2017-18 and \$224 million in 2018-19.
- **Funding of \$15.3 million over four years for tropical health research** through the Northern Australian Growth Plan, including \$8.5 million for the Australian Tropical Medicine Commercialisation Grants Programme and \$6.8 million to the NHMRC to build capacity in tropical disease research.
- **Funding of \$150 million in 2016-17 towards the National Collaborative Research Infrastructure Strategy (NCRIS),** funded by savings to the Sustainable Research Excellence scheme.
- **Funding of \$20.5 million in 2016-17 to help meet the operating costs of the Australian Synchrotron** (including an additional \$13 million expenditure and reallocation of \$7.5 million from other sources). The balance of the \$30 million in operating costs will be met by the Victorian Government & New Zealand Synchrotron Group.
- **A \$26.8 million reduction in funding over the next four years to Co-operative Research Centres (CRCs).**
- **A \$260 million cut to the Sustainable Research Excellence scheme** from 2016-17 to 2018-19.
- **\$27.3 million in savings over five years (including \$23 million in 2014-15) from the Entrepreneurs' Infrastructure Programme.**
- **\$31.7 million in savings over three years (including \$17.6 million in 2014-15) by reducing funding from Commercialisation Australia, Enterprise Connect and Industry Innovation Precincts** (which were closed to new applications on 1 January 2015).
- **A reduction in funding for preventative health research,** as part of \$962.8 million in savings over five years through rationalising and streamlining funding across a range of Health programmes (see page 3).

NHMRC FUNDING:

Medical Research Endowment Account (for NHMRC grants & fellowships):

- 2015-16 - \$796 million (compared to \$799 million budgeted for in 2014-15 budget)
- 2016-17 - \$809 million (compared to \$813 million budgeted for in 2014-15 budget)
- 2017-18 - \$822 million (compared to \$828 million budgeted for in 2014-15 budget)
- 2018-19 - \$835 million

Please note: The apparent decrease in NHMRC MREA allocations in 2015-16 (\$796K) compared with 2014-15 (\$859K) does not represent a 'real' decrease in NHMRC funding. The former Government reduced MREA funds in 2012-13 by \$71 million (paying only 11 months' grants in that year due to a change in grant payments from quarterly in advance to monthly in arrears), with this \$71 million in funding being re-allocated to the MREA in 2014-15, thus inflating 2014-15 figures.

OTHER RELEVANT MEASURES:

- **Funding of \$7.8 million over four years to implement a regulatory framework for crowd-source equity funding**, including simplified reporting and disclosure requirements.
- **Salary sacrificed meal, entertainment facility leasing and accommodation expenses for eligible employees will be capped at \$2,550 per FBT year** (i.e. a grossed-up cap of \$5,000 per year), effective from 1 April 2016, saving the Government \$295 million over four years. These benefits will also become reportable. There is no change to the tax-free salary packaging cap of \$15,900 per FBT year (i.e. grossed-up cap of \$30,000) for employees of Health Promotion Charities or Public Benevolent Institutions (including medical research institutes).
- **Changes to the methods of calculating work-related car expense deductions from the 2015-16 income year**, increasing government revenue by \$845 million from 2016-17 to 2018-19. The '12 per cent of original value method' and the 'one-third of actual expenses method' will be removed. The three different 'cents per kilometre method' rates based on engine size will be replaced with one rate set at 66 cents per kilometre. The 'logbook method' will be retained.
- **Funding of \$30.0 million over four years to attract foreign investment in five priority areas:** infrastructure; tourism; resources and energy; agribusiness and food; and advanced manufacturing, services and technology.
- **As previously announced, a cap of \$100 million has been placed on the amount of eligible R&D expenditure for which companies can claim a tax offset at a concessional rate under the R&D tax incentive.** Expenditure beyond the \$100 million cap will receive a lower offset at the company tax rate. This measure replaces the measure announced by the previous Government in the 2013-14 Budget, with no net budgetary implications.

FURTHER MRFF DETAILS:

The MRFF will be established by 1 August 2015 with an initial \$1.4 billion from uncommitted funds from the Health and Hospitals Fund and \$2.4 billion in other budget savings over the past year:

Table 8.3: Medical Research Future Fund

	Estimates			Projections	
	2014-15	2015-16	2016-17	2017-18	2018-19
	\$m	\$m	\$m	\$m	\$m
Savings invested in the MRFF	0	2,406(a)	2,182	3,512	4,778
Uncommitted balance from the HHF invested in the MRFF		1,021			
Total investments each year in the MRFF	0	3,427	2,182	3,512	4,778
Net interest earnings		63	130	224	396
Capital gains		7	15	26	45
Additional funding for Medical Research(b)		-10	-53	-130	-224
Cumulative Balance of the MRFF(c)(d)	0	3,487	5,761	9,392	14,387

(a) Includes \$76 million in 2013-14 savings and \$743 million in 2014-15 savings which will be invested in the MRFF after it is established on 1 August 2015.

(b) The net interest earnings of the MRFF are paid out in the year after they are earned to fund medical research. This expenditure is included in the health function.

(c) The estimated cumulative balance includes capital gains in addition to savings.

(d) Numbers may not add due to rounding.

POTENTIAL HEALTH SAVINGS TO HELP BUILD THE MRFF:

Note: In all the below cases, the budget papers indicate that the savings will be redirected by the Government to fund other Health policy priorities or will be reinvested into the MRFF.

- **Savings of \$962.8 million over five years by rationalising and streamlining funding across a range of Health programmes**, including:
 - the Health Portfolio Flexible Funds;
 - dental workforce programmes;
 - preventative health research;
 - GP Super Clinics which have not yet commenced construction;
 - ceasing the Inborn Error of Metabolism programme; and
 - piloting competitive tendering for a subset of products in the Stoma Appliance Scheme.
- **Savings of \$252.2 million over five years for price amendments for certain medicines listed on the Pharmaceutical Benefits Scheme and the Repatriation Pharmaceutical Benefits Scheme.**
- **The Government will provide \$485.1 million over four years (rather than the \$699.2 million provision in the contingency reserve of the 2014-15 Budget) to continue the operation of the eHealth system**, including trials of opt-out arrangements.
- **Savings of \$144.6 million over four years by removing the duplication between health assessments** under the Medicare Benefits Schedule and the child health assessments provided by states and territories.
- **Savings of \$125.6 million over four years by broadly aligning indexation arrangements for the benefits payable and the benefits cap under the *Child Dental Benefits Schedule*** with indexation arrangements for other health benefits programmes.
- **Savings of \$113.1 million over five years through a range of efficiency measures and structural changes in the Department of Health.**
- **Savings of \$72.5 million over four years by streamlining nine existing health workforce scholarships into a single *Health Workforce Scholarship Programme*.**
- **Savings of \$7.6 million over four years from the *Stoma Appliance Scheme*** through the listing of two new items, amending the prices of 21 current items and deleting one item from 1 July 2015.
- **Savings of \$5.1 million in 2018-19 by extending the increases to the Pharmaceutical Benefits Scheme (PBS) safety net thresholds by one additional year in 2019.** This measure builds on the 2014-15 Budget measure titled *Pharmaceutical Benefits Scheme — increase in co-payments and safety net thresholds* which increased the PBS safety net thresholds each year for four years from 1 January 2015, with general safety net thresholds to increase by 10 per cent each year and concessional safety nets to increase by the cost of two prescriptions each year. The Government has revised the start date of this measure to 1 January 2016, with the final increases in the safety net thresholds to now occur on 1 January 2019.

The Government will not proceed with measures originally announced to redefine the time requirements for Level A and B GP consultation items and to reduce rebates by \$5 for common GP consultations and after hours services to non-concessional patients aged 16 and over. This will reduce government revenue by around \$3 billion over five years.