

This document discusses the analysis used to arrive at cuts by hospital figures based on the federal funding changes.

Overview

The cuts by hospital figures are the outcome of assumptions about how the state by state cuts, calculated by the Parliamentary Budget Office, will be allocated to hospital services in each state.

These assumptions were necessary because of the lack of publicly available data about how hospital funding is allocated. Hospital funding cuts were therefore allocated on the basis of a hospital's size relative to all other hospitals in the state.

This was done so that the magnitude of the possible impact of the cuts could be illustrated. They may not represent the actual amount of funding a hospital will lose, but they represent the best estimate that could be arrived at with the available data.

The figures are, while as accurate as possible, illustrative and are intended to convey the impact at the local level of decisions made at the top of a very complex state-federal funding mechanism.

Methodology

To estimate the amount hospitals may lose, the following steps were taken.

1. Work by the Parliamentary Budget Office (PBO)¹ was used in the analysis for all the estimates as to how much each of the States and Territories may lose from changes in hospital funding
2. Once the figure for each state is known, these are projected onto each hospital in the State/Territory as follows:
 - a. Bed figures were obtained from the Australian Institute of Health and Welfare (AIHW)²
 - b. For each hospital, its share of total beds in the State/Territory was calculated by dividing it by the total public hospital beds in the state
 - c. Using the bed share proportion, this was then used to calculate the estimated share of the funding loss for each hospital

Key Considerations

1. The total funding loss for each hospital has been compared to the estimated ten year costs of running a hospital bed, or employing a Nurse or Doctor.
2. As analysis by the PBO has demonstrated, the potential funding differences are larger in the later years than earlier years, due to differences in the estimated funding growth rates under the two different policies.

¹ Parliamentary Budget Office, Submission to the Senate Select Committee on Health regarding
² Australian Institute of Health and Welfare, Australia 2016 Hospital Statistics 2012-13, Appendix A

3. By estimating funding losses according to number of beds, this does not take into account that costs will vary by hospital.
4. Bed Shares are calculated according to 2012-13 AIHW statistics. These may have changed since then. By estimating according to bed size, this may not reflect the funding arrangements of the hospital. Bed proportions has been used to estimate how the funding loss may be split across States and Territories.
5. For the cost of beds, the estimated cost of a bed in a general ward in one of St Vincent's main hospitals was used. While this may not reflect how activity based funding for hospitals is delivered, it provides a base as to how much a major metropolitan hospital estimates a bed costs for one year.
6. For simplicity, a 2.5 per cent growth rate was used for changes in costs over time for hospital beds. This is the same growth rate used in the NSW Government Budget submission on estimating funding short falls in public hospitals. Changes in the growth rate of costs of beds influences the total amount of beds that are estimated to be lost to a funding short fall. A higher growth rate would result in less beds being lost. However, a higher growth in costs would also reflect that there would be less beds funded.
7. The number of Nurses/Doctors calculated reflects the entire funding loss. As such, it may actually be larger than the number of Nurses or Doctors at the hospital.
8. The total amount a hospital may lose over a ten year period has not been discounted. The estimated costs of a bed, nurse or doctor have been adjusted to reflect an estimated 10 year cost.