

# New Issues for the 2021 Update

## Community health – Changes to data on Indigenous grants

### Background

1. Two non-state sector adjustments are applied to the socio-demographic composition assessed expenses for community health:
  - The first adjustment recognises that the availability of GPs affects the level of State spending on community and public health services.
  - The second adjustment recognises that the availability of Commonwealth funding through the Indigenous Australians' Health Program (IAHP) for health services provided by Aboriginal Community Controlled Health Services (ACCHS) affects what States need to spend.
    - ACCHS provide clinical care and health education, promotion, screening, immunisation and counselling, as well as specific programs such as hearing health, sexual health, substance use and mental health.
    - If a State's share of the total IAHP grants (hereinafter referred to as Indigenous grants) is higher than its assessed share of grants, then it would be assessed as needing less GST compared to the other States.

### Issue

2. In the 2020 Review, ACCHS services were allocated the remoteness area and socioeconomic status (SES) quintile that corresponded to the site location of the ACCHS.
3. However, site location information was not collected for 2018-19. Rather, organisations that had multiple sites were assigned the remoteness area and SES quintile corresponding to the ACCHS' organisation address.
4. Whether site location information is collected in future years is a decision for the Commonwealth Department of Health.
5. Undertaking the community health assessment using Indigenous grants data that is based on the ACCHS' organisation address will lead to a material change in GST distribution for one state (at the \$10 data adjustment threshold).

### Options

6. The Commission has identified two options for handling this issue for the 2021 Update.

#### Option 1

7. The Commission could allocate Indigenous grants using the site distribution information from the 2017-18 financial year.
8. This is staff's preferred option as it will more closely align the distribution of ACCHS spending with the population groups that actually benefit from the services.

9. The adjustments that would apply in the 2018-19 assessment year using this approach are shown in Table 1.

Table 1 Community health – Adjustment for Indigenous grants, 2018-19 – Option 1

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Assessed substitutable expenses	172	37	190	106	29	24	7	119	684
Actual substitutable expenses	145	52	153	104	45	12	12	160	684
<b>Assessed needs</b>	<b>27</b>	<b>-16</b>	<b>36</b>	<b>2</b>	<b>-16</b>	<b>12</b>	<b>-5</b>	<b>-41</b>	<b>0</b>

## Option 2

10. Alternatively, the Commission could do the assessment using the 2018-19 grants data that is based on the ACCHS' organisation address.
11. This approach will provide a less accurate assessment of the availability of non-state services to meet needs because the alignment between the grant location data and the recipients of ACCHS' services is not good as with Option 1. However, if the site location information is no longer collected, the Commission will eventually have to move away from an assessment based on the site information.
12. The adjustments that would apply in the 2018-19 assessment year using this approach are shown in Table 2.
- The largest impact of a change from using site location data to using ACCHS' organisation address data would be experienced by the Northern Territory.
  - Using organisation address leads to a lower proportion of assessed grant payments in very remote areas, with accompanying higher assessed grant payments in regional and remote areas.
  - As such, for Option 2, assessed substitutable expenses for the Northern Territory are higher than for Option 1 and therefore Northern Territory has less GST redistributed away as a result of the provision of Indigenous grants.

Table 2 Community health – Adjustment for Indigenous grants, 2018-19 – Option 2

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Assessed substitutable expenses	170	36	188	107	26	23	8	126	684
Actual substitutable expenses	145	52	153	104	45	12	12	160	684
<b>Assessed needs</b>	<b>25</b>	<b>-17</b>	<b>34</b>	<b>2</b>	<b>-18</b>	<b>11</b>	<b>-4</b>	<b>-34</b>	<b>0</b>

## Recommendation

Staff propose to recommend that the Commission:

- allocate Indigenous grants using the site distribution information from the 2017-18 financial year as it will more closely align the distribution of ACCHS spending with the population groups that actually benefit from the services.