



Split funding of public hospitals and remove 6.5% funding growth cap	
Party:	Australian Greens
Summary of proposal: The proposal would increase funding for public hospitals by having the Commonwealth provide 50% of public hospital funding under the National Health Reform Agreement (NHRA), including removing the 6.5% cap on hospital funding growth, phased in over 10 years. The proposal would be ongoing and start on 1 July 2026.	

Costing overview

The proposal would be expected to decrease the fiscal and underlying cash balances by around \$4.7 billion over the 2025-26 Budget forward estimates period (see Table 1). This impact reflects an increase in administered expenses for hospital funding.

The proposal would be expected to have an impact beyond the 2025-26 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2035-36 is provided at Attachment A.

The baseline Commonwealth funding in this costing is uncertain as a new NHRA has yet to be formally signed.

Table 1: Split funding of public hospitals and remove 6.5% funding growth cap – Financial implications (\$m)^{(a)(b)}

	2025-26	2026-27	2027-28	2028-29	Total to 2028-29
Fiscal balance	-	-1,070.0	-1,550.0	-2,090.0	-4,710.0
Underlying cash balance	-	-1,070.0	-1,550.0	-2,090.0	-4,710.0

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) PDI impacts are not included in the totals.

- Indicates nil.

Key assumptions

The Parliamentary Budget Office (PBO) has assumed a funding profile to 2035-36 that increases to 50% by the end of the medium term.

- The Commonwealth contribution for hospital funding is the sum of national Activity Based Funding (ABF), block grants, and public health funding as at the Budget 2025-26 version of the National Health Reform Agreement estimates model from the Department of Health and Aged Care.
- Based on information from the Department of Health and Aged Care, growth rates for activity-based funding and block funding grants would be as follows:

- The national efficient price would grow by around 4% per year
- Total cost of operating hospitals would grow by around 8% per year.
- States and territories would agree to a new NHRA with the revised arrangements.

Methodology

This costing is based on the National Health Reform Agreement estimates model provided by the Department of Health and Aged Care. The model accounts for the one-year 2025-26 extension of the existing agreement.

As a new NHRA post 2025-26 has not been formally signed, the PBO has updated this model to reflect an estimated baseline of Commonwealth funding.

The PBO has also updated the estimates model to reflect the 2025-26 National Efficient Price Determination, which influences the total cost of hospital services.¹

To estimate the impact of increasing the Commonwealth share of hospital funding to 50%, the Commonwealth contribution rate is increased from 2026-27 in a linear trend to reach 50% by 2035-36 and the funding growth cap is removed as specified.

Contribution rates in the baseline and proposal are multiplied by the total cost of hospitals operation as per *Key Assumptions*.

Financial implications were rounded consistent with the PBO's rounding rules.²

Data sources

Commonwealth of Australia (2025) *Pre-election Economic and Fiscal Outlook 2025*, Commonwealth of Australia.

Independent Health and Aged Care Pricing Authority (2025) *National Efficient Price Determination 2025–26*, Independent Health and Aged Care Pricing Authority.

The Department of Health and Aged Care provided the National Health Reform Agreement estimates model as at the 2025-26 Budget.

¹ The [2025-26 Determination of the NEP](#) is \$7,258 per national weighted activity unit, which is around 12% higher than the [2024-25 Determination](#) of \$6,465 per national weighted activity unit.

² <https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules>

Attachment A – Split funding of public hospitals and remove 6.5% funding growth cap – Financial implications

Table A1: Split funding of public hospitals and remove 6.5% funding growth cap – Fiscal and underlying cash balances (\$m)^(a)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Expenses													
Administered													
<i>Increased hospital funding</i>	-	-1,070.0	-1,550.0	-2,090.0	-2,710.0	-3,420.0	-4,230.0	-5,140.0	-6,180.0	-7,360.0	-9,860.0	-4,710.0	-43,610.0
Total (excluding PDI)	-	-1,070.0	-1,550.0	-2,090.0	-2,710.0	-3,420.0	-4,230.0	-5,140.0	-6,180.0	-7,360.0	-9,860.0	-4,710.0	-43,610.0

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

- Indicates nil.

Table A2: Split funding of public hospitals and remove 6.5% funding growth cap – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Fiscal balance	-	-20.0	-80.0	-170.0	-280.0	-430.0	-620.0	-860.0	-1,150.0	-1,510.0	-1,980.0	-270.0	-7,100.0
Underlying cash balance	-	-20.0	-70.0	-150.0	-250.0	-390.0	-570.0	-800.0	-1,080.0	-1,430.0	-1,860.0	-240.0	-6,620.0

(a) As this table is presented as a memorandum item, these figures are not reflected in the totals above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary³.

(b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

- Indicates nil.

³ [Online budget glossary – Parliamentary Budget Office \(pbo.gov.au\)](https://pbo.gov.au)