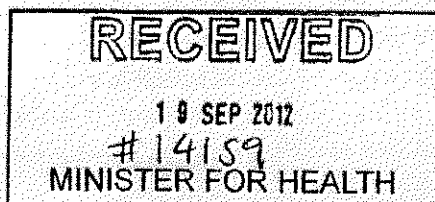




**The Hon Tanya Plibersek MP
Minister for Health**

The Hon David Davis MP
Minister for Health
Minister for Ageing
Parliament House
MELBOURNE VIC 3002



Dear Minister

Thank you for your letter of 18 July 2012 regarding the impact of the carbon price on Victoria's public health system.

The Commonwealth estimates that the impact of the carbon price will be about 0.3 per cent on hospital costs. Your letter indicates commissioned modelling shows the impact across Victoria's health system to be in the order of \$13.4 million, rising to \$19 million in 2020.

In stark contrast, Commonwealth funding for public hospitals has significantly increased and will continue to do so.

From 2008, the Commonwealth agreed to provide an additional \$4.8 billion for public hospitals over five years, through the introduction of a generous indexation formula and an increase to base funding of \$500 million per annum. For Victoria in 2012-13, the National Healthcare Specific Purpose Payments (SPP) amount is \$3,322.5 million, an increase from 2011-12 of \$223 million. Calculated against the Healthcare SPP alone, \$13.4 million is an impact in 2012-13 of 0.4 per cent - consistent with the Commonwealth's estimate.

In addition, by 2017-18, the Commonwealth will have increased its funding contribution to 50 per cent of the efficient growth in hospital costs. States and territories are guaranteed additional funding for public hospital services of at least \$16.4 billion between 2014-15 and 2019-20. Victoria could stand to benefit approximately \$4 billion over that period. The actual payment would of course be dependent upon the level of efficient growth in your state.

The Commonwealth is also providing states and territories with additional funding of up to \$3.4 billion to improve elective surgery and emergency departments - in Victoria's case, this amounts to additional funding of up to \$821 million.

The significant increases funding outlined above contrast very sharply with the modelled impact of the carbon price. I would be very disappointed if Victoria claimed the very modest impact of the carbon price was responsible for any slowing of growth in services such as elective surgery.

In relation to Ambulance Victoria (AV), I note that the additional fuel cost forecast as a result of the carbon price being applied to aviation fuel will be in the order of \$186,000. I understand that AV's total expenses in 2010-11 were in excess of \$571.3 million, meaning the price on carbon would result in an increase to AV of about 0.3 per cent, or three cents in \$10.

I also note your comments that the National Health Reform Agreement (NHRA) was signed prior to the implementation of the Clean Energy Future Package. The Clean Energy Future Package was announced on 10 July 2011, several weeks prior to the signing of the NHRA. I believe this provided adequate time for any state or territory to raise this issue in negotiations before the NHRA was signed. I note that no state or territory chose to take this opportunity.

The significant increase in Commonwealth funding since 2008 and our continued commitment to future funding will ensure that public hospitals continue to be properly funded.

Once again, thank you for writing.

Yours sincerely



Tanya Plibersek

10.9.12