## CHF Policy Primer

# Federal vs State in Healthcare

Healthcare is a shared responsibility in Australia, meaning that both the Federal and State/Territory governments are involved in funding, delivering and regulating it.

**Why?**

This is due to how Australia was set up in 1901. Section 51 of the *Commonwealth of Australia Constitution Act* (the law that created Australia) outlines what the responsibilities of the Commonwealth Government (also known as the Federal Government) would be. Anything and everything *not* listed in Section 51 remains the responsibility of the States. And in 1901 healthcare was not listed so it remained with the States.

A referendum in 1946 approved adding to Section 51 a new paragraph ('Paragraph xxiiA') that included in part "*The provision of... pharmaceutical, sickness and hospital benefits, medical and dental services (but not so as to authorize any form of civil conscription)*...". This gave the Commonwealth the legal authority to pay for medical and healthcare services, leading to the creation of various 'fee for services' schemes such as the Medicare Benefits Schedule ('Medicare' or 'the MBS'), the Pharmaceutical Benefits Scheme (the 'PBS'), and the Child Dental Benefits Scheme (the 'CDBS'). Though the responsibility to directly manage hospitals, emergency services (e.g. ambulances) and other health facilities remained with the States and Territories.

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However Section 51 also gives the Commonwealth Government responsibility for taxation, which forms the primary income source for Governments worldwide. Between Personal Income Tax and the Goods & Services Tax ('GST') the Commonwealth Government collects around 80% of all taxes in Australia while the States/Territories collect just over 15%. The remainder is collected by Local Governments e.g. rates.

This control of the income stream means that while State Governments technically have responsibility to directly manage the healthcare system, over the decades the Federal Government has increasingly become part of the process to design, implement and regulate healthcare as they have the ability to pay for it. This particularly started after the Commonwealth Government created Medicare in 1984. The current system for determining how Commonwealth funding is used to support State delivery of services is the *National Health Reform Agreement*.

**Why does this matter?**

Generally it shouldn't. If everything is working as intended, you should receive high quality and timely care with no problem.

However if something does go wrong, it is important to know who is responsible for that section of the healthcare system so you know where to go to get help.

**So who does what?**

The Federal Government is responsible for everything in the 'primary healthcare system'. This includes:

- Medicare, which subsidises many medical services, GP visits, specialist consultation and public hospital services
- Pharmaceuticals, such as the *Pharmaceutical Benefits Scheme* ('PBS') which subsidises essential medications and the *Pharmacy Location Rules* which regulate where community pharmacies can operate.
- The 31 Primary Health Networks (PHNs) which coordinate primary and community care at a regional level
- Urgent Care Clinics (UCCs), which provide walk-in care for people with urgent but non-emergency health matters.

The Federal Government is also responsible for both Aged Care and contributes to Disability Services (e.g. the NDIS), but these sit outside of the health care system.

States and Territories are responsible for what is sometimes called the 'Public & Community Healthcare System' which includes:

- Hospitals, where they *run* Public Hospitals and *regulate* Private Hospitals
- Ambulances and emergency transport
- Dental services
- Mental health services and counselling
- Maternal & children health
- School health programs
- Public health surveillance e.g. infectious disease control.

Additionally State Governments typically delegate to Local Governments responsibility to manage and oversee "environmental health" matters such as water, sewerage/sanitation and food hygiene inspections.