Fact Sheet 5 – What this means for Commonwealth mental health funding and responsibilities

Key issues

- The Review’s findings clearly show that Australia’s patchwork of mental health services and programmes is not delivering the best outcomes from either a personal or economic perspective. Many people do not receive the support they need and governments get poor returns on their substantial investment.

- Total mental health spending by Commonwealth, state and territory governments is significant, at around $14 billion per year.

- Nationwide, resources are concentrated in expensive acute care services – the crisis end of the spectrum – and income support payments, with too little directed towards supports that help to prevent and intervene early in mental illness.

- Of total Commonwealth spending of $9.6 billion, 87.5 per cent is in demand-driven programmes, including income support and funding for acute care, both of which can be indicators of system failure.

- A lack of clarity around roles and responsibilities is resulting in duplication and poor coordination between the Commonwealth and the states and territories. This predominantly relates to community mental health services and non-clinical community support services.

- Given that the onset of mental ill-health often happens during childhood and teenage years, we need to ensure that prevention and early intervention is a priority for young people. It is unjust to condemn young Australians to a lifetime of chronic illness and disability because the right services are not in place to address their mental health issues when they arise.

- The need for mental health reform has had long-standing bipartisan support.

Key responses

- The Commission has adopted as a principle that there should be no net reduction in the overall investment in mental health, and no net reduction in current levels of funding to acute services. The recommendations are proposed to be implemented within existing resources, but funds need to be spent on the right things.

- The Commission considers that the Commonwealth’s role in mental health should focus on providing national leadership and regional integration, including integrated Primary and Mental Health Care.

- The Commission’s Review is underpinned by the definition of roles and responsibilities of the Commonwealth in mental health, including through a new Intergovernmental Agreement with the States and Territories, and a new National Mental Health and Suicide Prevention Plan, developed in partnership with consumers, carers and service providers.
Another central recommendation of the Review is a shift in the balance in the system, away from crisis care to prevention, early intervention and community and primary health care services.

The mechanism for this exists, without cutting costs to hospital beds, by the reallocation of a portion of future growth funding in hospital expenditure to community and primary mental health services.

It is proposed that this is conducted in a staged approach over five years, starting with $100 million from 2017-18. The proposed staged reallocation rises to $300m in 2021-22, representing a minimum of $1 billion from future growth in Commonwealth acute hospital funding into community and primary mental health services in the forward estimates over the five years.

The Commonwealth currently allocates $16 billion a year to the states for hospital care - $100 million represents only 0.6 per cent indexation on that $16 billion.

This reallocation of future growth investment represents a relatively minor amount in overall hospital expenditure but would be a significant boost to community and primary mental health expenditure.

Our recommended approach is about catching people before they fall, keeping them out of hospital and crisis care, putting support into communities, taking the pressure off state hospital systems, and driving long term cost savings.

The Commonwealth’s role: National leadership with regional integration

Adapted from The Case For Mental Health Reform in Australia: a Review of Expenditure and System Design, Medibank Private and Nous Group (2013)
Commonwealth expenditure on mental health

$9.6 billion

- 48.8% Disability Support Pension (DSP) $4,676.3 million ▲ 35.6% since 2008–09
- 10.7% National Agreements—NHCA/NHRA (est MH share of Commonwealth hospital funding) $1,024.9 million ▲ 13.1% since 2008–09
- 10.4% Carer Payment and Allowance $999.1 million ▲ 52.5% since 2008–09
- 9.5% Medicare Benefits Schedule $907.9 million ▲ 21.3% since 2008–09
- 8% Pharmaceutical Benefits Scheme $768.1 million ▼ 7.6% decrease since 2008–09
- 12.5% Other (11 programmes) $1.2 billion

Source: concept designed by The National Mental Health Commission with expenditure information from Commonwealth agencies 2014