BUDGET 2007-08

Mid Year Economic and Fiscal Outlook

The Charter of Budget Honesty Act 1998 requires the Treasurer to publicly release and table a Mid-year Economic and Fiscal Outlook (MYEFO) report by the end of January in each year, or within 6 months after the last budget, whichever is later. Typically, MYEFO is released in November each year. This year it was released on October 15.

The purpose of the MYEFO report is to provide updated information to allow the assessment of the Government's fiscal performance against the fiscal strategy set out in the current Budget Papers (ie Budget Paper No. 1).

The Charter of Budget Honesty Act 1998 also requires the Secretaries to the Treasury and the Department of Finance and Administration to release a Pre-election Economic and Fiscal Outlook (PEFO) report that provides updated information on the economic and fiscal outlook. The PEFO must be released within ten days of the issue of the writ for a general election.

Summary of MYEFO issues, with the focus on health

The total revenue expected to be raised by the Government in 2007-08 is $5.1 billion higher then forecast in the Budget in May. Almost all of this is from increased tax revenues.

Expenses for 2007-08 have decreased by $3.7 billion, however this is offset by $3.5 billion in spending on new policy measures announced since May. The total decrease in expenses is therefore $180 million.

New policy issues announced since May 2007 and major Budget variations

- $499 million in 2007-08 for the NT Emergency Response. The total cost of this intervention is given as $688 million / 4 years. Of this $183.7 million has been allocated to the improvement of child and family health and the expansion of service delivery. The health funding is allocated over the next 30 months, with $83.4 million in the current financial year, $45.5 million in 2008-09 and $54.2 million in 2009-10.
• $112 million in 2007-08 ($711 million / 4 years) for the listing of the drugs Lucentis and Visudyne, used to treat macular degeneration, on the PBS. However this cost is offset by an $88 million reduction in expenses for the PBS, due primarily to a price reduction for simvastatin, used to treat high cholesterol, and the delisting of Prexige, a drug used for pain relief that was withdrawn from the market because of serious side effects.

• In 2008-9 through 2010-11, the Government will not achieve planned savings of $103.6 million which were to be made as a consequence of the recently enacted PBS reform legislation. These changes have not been publicly announced, but were made in response to the concerns of manufacturers of patented drugs which fall into the F2T formulary.

• There has been a $106 million increase in Medicare services due to the higher than expected take up of mental health services provided by GPs, psychologists and psychiatrists. This represents a significant increase in the cost of this initiative, originally given as $538 million / 5 years.

• There has been a $46 million increase in Community Pharmacy and Pharmacy Awareness expenses as a result of a higher uptake than expected of the PBS Online claiming facility by pharmacies.

• This is accompanied by additional spending of $93.6 million over the forward estimates for increased pharmacy dispensing fees under the Community Pharmacy Agreement.