

# NSW Healthcare Funding Inquiry April 2025 – Issues of interest for MHCN

## *Purpose of this document*

This policy brief provides an overview of the Report of the NSW Special Commission of Inquiry into Healthcare Funding, 2025, with a focus on references of interest to Mental Health Carers NSW.

## *Background*

The Honourable Justice Richard Beasley was appointed Commissioner on 23 August 2023, pursuant to the Special Commissions of Inquiry Act 1983 (SCOI Act) (NSW), to conduct a Special Commission of Inquiry into Healthcare Funding. MHCN made a written submission to the Inquiry in November 2023 and appeared before the Commissioner on two occasions.

The Commissioner wrote that

*‘Rather than being an inquiry into the failure of government and its agencies, or into their poor conduct, misconduct or unlawful conduct, it has been an inquiry into how a government service might be improved.’ (p3)*

The focus of the Inquiry was broader than previous inquiries of a similar nature (e.g., Garling Report 2008) as it had a focus that included community, primary care, and other services in addition to hospitals. However, the Inquiry was limited to a consideration of *‘how health services are funded by the State of NSW’*. Excluded was the funding by the Australian Government of health services in NSW despite this being a major source of health service funding.

The report did not have a particular focus on mental health services.

## *Impressions of the report*

This is a well written report that summarises a long (18 months) and comprehensive process. The scope of the report is a little odd in parts with a ‘deep dive’ into some topics (such as Affiliated Health Organisations) and less focus on areas such as mental health. There is some focus on Justice Health and the Forensic Mental Health Services

which recognises that these services are underfunded. Disapprovingly, the report concludes the following.

*‘Time, resources, and the need to inquire into so many matters raised by the TORs did not enable this Special Commission to examine those issues [about Justice Health and the Forensic Mental Health Service] in the manner that would enable a firm view to be reached. I am concerned enough about them to recommend that they be independently examined as a discrete topic as a matter of urgency.’*

The report misses opportunities to make specific recommendations about funding models. For example, on page 213 it notes the recommendations of the Productivity Commission in 2020 that the state and territory governments should use ABF for community ambulatory mental health care, among others. However, this report is silent in its recommendations on this (and does not mention that this is about to happen from July 2025) and other funding mechanisms for mental health services.

## Summary of report findings

The report argues that ‘universal healthcare is now firmly part of the social contract between Australians and their governments’ (p5). This responsibility is shared between the Australian government and the states. It concludes that

*‘first, and broadest, is that if universal healthcare is the aim of the NSW public health system, at least parts of that system are underfunded. They have been for some time’.*  
(p6)

The report states that [*emphasis added*]

*‘it is beyond sensible argument, in my view, that there is under resourcing or underfunding in aspects of the wider healthcare system, such as:*

*a. primary care (including general practitioner services and allied health)*

***b. mental health services***

*c. community health services*

*d. aged care*

*e. dental services*

*f. paediatric services*

*g. preventive health services; and*

*h. health services for First Nations people.*

The Commissioner writes that

*‘a fundamental problem with the provision of health services in NSW – the fragmented funding arrangements that exist between the states and the Commonwealth. (p7).*

## Primary Care

The report focuses on the importance of prevention and primary care (including mental health). It notes the different responsibilities and funding issues between the Commonwealth and the states under the National Health Reform Agreement (NHRA) (which is the framework for the allocation of Australian Government funding to the states and territories) in relation to primary health care and determines that it is not working effectively. It is particularly critical of the NHRA's capacity to deliver on its intent.

*'It is not good enough for the Commonwealth and the states to merely "encourage local health organisations, such as Primary Health Networks, [LHDs] ... primary and community health services, to collaborate when planning health services and making investment decisions". The time to "encourage" things (and for using language like that) is over. It is now time for the Commonwealth and State (through NSW Health and its relevant agencies) to act so that primary health services do not continue to diminish.'*  
(p24)

## Statewide Planning

The report makes specific mention and considerable discussion of the lack of statewide planning in relation to health services generally and some specific health services and is particularly critical of the Ministry of Health for this failure. It traces the absence of planning at a state level to the establishment of the Ministry of Health and the Local Health District system in 2011. It expresses the view that the responsibility for services planning at a state level is the clear responsibility of the Ministry and that LHDs have limited capacity to complete the detailed health services planning that is necessary.

It uses spinal cord injury, rehabilitation, traumatic brain injury rehabilitation, and paediatric services as case studies of services that should have, but lack, statewide planning. The implication is that other areas of clinical service, such as mental health, may also suffer from this lack of planning, although mental health is not specifically mentioned in this context.

It makes five recommendations in relation to health services planning (recommendations 21 to 25). These findings are consistent with the expressed views of MHCN.

## Funding models

There is a very good chapter (c19) on the current source of funds and the current method of allocating these funds to health services (*of note is figure 1 on page 600*). It is recommended reading for anyone who wants a succinct description of the funding models of the national and state health systems in Australia. It describes the mix

between Activity Based Funding (ABF) models and block grants. A conclusion concerning ABF (*it is used to estimate the budgets of acute hospitals and for mental health services*) is that while this model is useful to increase *technical efficiency* it does not necessarily reward improved outcomes (*allocative efficiency*) or account well for different populations.

*'The current focus is almost solely on productive efficiency at the expense of ... allocative efficiency (investing in the interventions that deliver the greatest benefit) and considerations of social equity (distributive justice). (p632).*

Although the report does not arrive at a solution to this well known conundrum, the ABF system is arguably better than the 'model' it replaced. The report notes that the previous funding model, the 'base funding model', for developing health services budgets was opaque. The previous model was no more sophisticated than last year's block grant plus a bit. A conclusion is that ABF is more useful for calculating budgets than the system it replaced, but it is not perfect.

The report is extremely critical of the method the Ministry of Health uses to allocate funding across public sector entities providing healthcare in NSW (mostly LHDs and speciality networks). This is particularly the case where the funding model appears to fail to take populations differences into consideration. The report advocates for a much greater role of the Ministry of Health in statewide planning. – recommendations 21 to 25.

The chapter on Funding (c19) concludes this report may not have a significant impact on future funding decisions.

*'It is only by engaging in those processes that a considered assessment can be made of whether the present funding envelope is "adequate", or whether additional funding is needed, and if so, how much. At present that assessment cannot reliably be made in circumstances where the origins of the current starting point (i.e., the "base") are elusive, and a comprehensive, system wide, analysis of population health needs and the services and facilities needed to meet them, has not been undertaken.'*  
[recommendation 34]

## Mental Health

There is a good summary of recent reviews of mental health services in Australia commencing on page 214. However, the report does not come to any conclusions about these reforms and the subsequent impact on mental health services.

The Commissioner makes the argument that this Special Inquiry focused on the wider health care system in NSW and not on specific operational issues such as mental health.

*‘Mental health is, and has been, a significant healthcare issue over some time and will likely remain so into the future. It is a topic that is apt to be the subject of a standalone inquiry of itself’. (p49).*

To defend the lack of focus on mental health the Commissioner concludes that

*‘Attempting to deal comprehensively with those issues at an operational level in the context of this Special Commission (and its broad TORs) would not have done the topic justice.’ (p49)*

## Closing remarks

The Commissioner includes four matters in his conclusion.

- NSW Health needs additional funding to implement his recommendations.
- The NSW public health system is comparable with the best in other developed countries.
- It is beyond his comprehension why there has been a failure to implement the recommendations to reform Medicare and other funding models and to put in place the prevention strategies outlined in the agreements between the Commonwealth and the States and Territories.
- ‘the long term health reforms outlined in the Addendum to the NHRA, and its aspirations for “shared intentions” and to “work in partnership” towards a “nationally unified and locally controlled health system”, are just words on paper’.

## Recommendations of relevance to MHCN

Recommendation 14 **Justice Health:** There should be an independent review undertaken by an appropriately qualified person of:

- a. the current arrangements for access to psychological care in custodial settings; and
- b. the role of Justice Health in the delivery of care to forensic mental health patients through facilities across the State with a view to facilitating patient flow through that system,

Recommendation 21 **Services Planning:** NSW Health must implement a transparent, committed, and collaborative approach to system wide service planning that is coordinated and overseen by the Ministry of Health.

**Recommendation 24 Planning Processes:** System wide, coordinated planning of that kind needs to be accompanied by a transparent articulation of the planning process, the health needs of the community identified through that process, the way in which those health needs are to be met and, to the extent that they are not, this also needs to be clearly articulated and an explanation provided of the rationale for this decision.

**Recommendation 39 Unwarranted clinical practice variation:** There must be strong leadership (at the Ministry of Health and executive management levels) that empowers clinical and non-clinical staff to reduce unwarranted clinical practice variation, withhold low value care, and prevent over investigation, over diagnosis, and over treatment.

## *Commissioner's conclusions*

‘It would be naïve to think that NSW Health can successfully implement, embed, and sustain the system wide planning processes that I have recommended – along with the other recommendations made in this Report – without being adequately funded to do so. Unless NSW Health receives the funding necessary to properly respond to the recommendations I have made, there is a very real risk that their benefits will not be harnessed. If that were to occur, it would represent yet another lost opportunity to make the change necessary to address the challenges confronting the system that are explored in this Report.

## *Suggested Policy Position for MHCN*

### MHCN

- Is disappointed that the Inquiry did not take mental health services into consideration as a particular area of focus.
- Supports the recommendations related to the health of the population and the need for prevention (1 to 3).
- Supports recommendation 14 which calls for an independent review of psychological care in custodial setting and the role of Justice Health in the delivery of mental health care across the state with a view to facilitating patient flow.
- Endorses and strongly supports the recommendations (21–25) in relation to statewide planning for health services (and particularly mental health services).
- Agrees with recommendation 34 that the Ministry of Health reformulate the funding model and devise appropriate funding structures to deliver the health



care system after it has completed the system wide health service planning process.

- Also agrees with the rest of the recommendations not specifically mentioned.

Richard Baldwin

Senior policy officer

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