

The Treasury

Budget 2012 Information Release

Release Document

June 2012

www.treasury.govt.nz/publications/informationreleases/budget/2012

Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

- [1] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
- [2] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
- [3] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [4] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [5] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [6] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [7] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [8] 9(2)(h) - to maintain legal professional privilege
- [9] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [10] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [11] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [12] 9(2)(ba)(i) - to prevent prejudice to the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied.

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, an [4] appearing where information has been withheld in a release document refers to section 9(2)(b)(ii).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

SAVINGS OPTIONS IN HEALTH

A] Increase pharmaceutical co-payments

Increasing co-payments on pharmaceuticals would generate significant savings. Co-payment changes can be designed so the bulk of this additional cost falls on people with higher ability to pay and has minimal impact on access for disadvantaged groups.

The table below outlines Treasury's estimates of annual savings from:

- i) increasing the maximum co-payment from \$3 to \$5, \$7, \$10, \$12, \$15 and \$20; and
- ii) in addition to (i), increasing the co-payment for subsidy card holders to \$3 (currently between \$0 and \$2).

		i) And no increase for PSC/HUHC holders	ii) And increase to \$3 for PSC/HUHC holders
Increase maximum co-payment from \$3	to \$5	\$45 - 50 million	\$80 – 85 million
	to \$7	\$90 – 100 million	\$125 – 135 million
	to \$10	\$160 - 170 million	\$195 – 205 million
	to \$12	\$210 – 220 million	\$245 – 255 million
	to \$15	\$285 – 295 million	\$320 – 330 million
	to \$20	\$405 – 415 million	\$440 - 450 million

Note: All options above retain zero co-payments on children under 6

The table below outlines Treasury's estimates of annual savings from:

- i) increasing the maximum co-payment from \$3 to \$5, \$7, \$10, \$12, \$15 and \$20;
- ii) in addition to (i), retaining the co-payment at \$3 for the 6 to 18 age group.

		i) And no increase for PSC/HUHC holders	ii) And no increase for under 18 (reduces savings by 8.2%)
Increase maximum co-payment from \$3	to \$5	\$45 - 50 million	\$37 – 42 million
	to \$7	\$90 – 100 million	\$82 – 92 million
	to \$10	\$160 - 170 million	\$152 – 162 million
	to \$12	\$210 – 220 million	\$193 – 202 million
	to \$15	\$285 – 295 million	\$262 – 271 million
	to \$20	\$405 – 415 million	\$372 – 381 million

The savings estimates assume no behavioural impacts ie. no reduction in prescription volumes. A drop in prescription volumes would impact on the savings estimates in two main, and offsetting, ways:

- an increase in savings as the government would need to fund fewer prescriptions (though to realise these savings the pharmaceutical budget would need to be reduced); and
- a decrease in savings if there is increased take-up of current subsidies for eligible high health users.

Larger increases in co-payments are likely to have larger behavioural impacts. This may have an adverse impact on achieving health outcomes in a cost effective manner (if it disincentives the filling of prescriptions which would represent good value for money).

B] Stopping increases in residential care subsidy asset threshold

Aged residential care costs around \$42,000 a year for the first level of care (rest home care). If a resident own over \$210,000 of assets they pay the full cost of and don't receive a government subsidy. The asset threshold is currently increasing at \$10,000 each year.

The following table shows the savings generated by holding the asset threshold constant at \$210,000.

	2012/13	2013/14	2014/15	2015/16	2016/17
Asset threshold current rules	220,000	230,000	240,000	250,000	260,000
Holding asset threshold constant	210,000	210,000	210,000	210,000	210,000
Savings (\$m GST excl)	20	40	60	78	97