



Performance. Independence. Innovation



Barwon Healthcare Property 2022 – 2023 Healthcare Federal Budget Review

MARCH 2022

A Healthy Outlook



Introduction

The 2022-2023 Federal Budget was delivered on 29 March 2022. Amidst the backdrop of the COVID-19 pandemic, shocks from the recent floods in Queensland and northern New South Wales and the ongoing Russian invasion of Ukraine, the Australian economy has proven its resilience to these impacts with economic activity so far exceeding pre-pandemic levels.

The Federal Budget has been designed to address cost of living pressures brought about by global inflationary pressures. The Australian Government's other expenditure targets a range of social and economic challenges - from aged care, mental health, job creation, training and up-skilling, community resilience, and the perennial budget priorities of infrastructure, defence and national security.

The Government's Budget has introduced a range of initiatives and stimulus to further the delivery of essential health services and to navigate Australia's transition to living with COVID-19.

The new stimulus is aimed at ensuring that the Australian health system has the capacity to deal with new challenges posed by the emergence of new COVID-19 variants.

Barwon's Healthcare Federal Budget Review focuses on the healthcare sub-sectors which are prime beneficiaries of the financial stimulus.

We hope you find Barwon's insights on the Federal Budget helpful.



Tom Patrick
Partner
Head of Healthcare Property

Budget Overview

The Australian Government has handed down a stimulus Budget with major spending across infrastructure, health and defence. The Budget for health is a continuation of existing programs related to COVID-19, mental health, aged-care and the National Disability Insurance Scheme (NDIS) which Barwon welcomes.

- The Government will spend a record **\$132 billion** in 2022-23 and **\$537 billion** over the next four years on health, aged care and sport related health expenses.
- From a health perspective, this Budget focuses primarily on:
 - Continued investment in Medicare, COVID-19 health support and the Pharmaceutical Benefits Scheme which is designed to help improve the access of subsidised medicine to all Australians;
 - Further investment into mental health and suicide prevention, to help facilitate improved treatment and care;
 - Further investment into the Medical Research Future Fund for into life-saving and job-creating medical research; and
 - Ongoing investment to continue the implementation of the Government's response to the Aged Care Royal Commission.

“

The Australian Government is investing in a stronger health system as part of our plan for a stronger future through a record \$132 billion in 2022–23, increasing to \$140 billion in 2025–26, with a total commitment of \$537 billion over the next four years.

”

The Hon Greg Hunt MP
Minister for Health and Aged Care

Access to Medicine

Continued investment in Medicare, COVID-19 health support and the Pharmaceutical Benefits Scheme which is designed to help improve the access of subsidised medicine to all Australians.

Key Medicare & Medicine Expenditure

\$1.0 billion	Investment over the next two years to extend the COVID-19 vaccine rollout. Of which \$808.8 million will be towards the administration of primary and booster doses in primary care settings, pharmacies, aged and disability care facilities and Aboriginal and Torres Strait Islander and culturally and linguistically diverse communities.
\$2.6 billion	Towards the procurement and distribution of rapid antigen tests (RATs) and personal protective equipment (PPE). More than 25 million RATs have been provided to over four million Australians through the Concessional Rapid Antigen Test Program. An additional 10 free RATs per eligible concessional card holder will be available with the extension of the scheme to 31 July 2022.
\$2.4 billion	Towards guaranteeing affordable access to essential medicines on the Pharmaceutical Benefits Scheme (PBS). The funding will reduce out of pocket costs for new and amended listings on the PBS.
\$525.3 million	The Government is reducing the PBS Safety Net thresholds, from \$1,542.10 to \$1,457.10 for general patients and from \$326.40 to \$244.80 for concessional patients. These changes are expected to benefit around 2.4 million people by lowering the out-of-pocket costs for medicines.
\$546.0 million	To extend the Medicare Benefits Schedule (MBS) pathology items for testing and detection of COVID 19.
\$230.7 million	Towards improving access to primary health care services, including through better integration of services
\$20.4 million	Investment for the extension of temporary telehealth Medicare Benefits Schedule (MBS) services to support the management of COVID positive patients in the community, including specialist and longer general practitioner telephone consultations.



Supporting Hospitals

The Federal Government is furthering its support for Australian public hospitals through a focus on ensuring hospital capacity and equipment.

Key Hospital Support Expenditure

<p>\$1.1 billion</p>	<p>Secured for over two years to support the Government’s emergency response to COVID-19.</p>
<p>\$984 million</p>	<p>Secured for over two years to extend activities under the national partnership for COVID-19 response to ensure hospital, COVID-testing and public health capacity.</p>
<p>\$27.3 billion</p>	<p>Contribution by the Australian Government for public hospital funding. This amount has increased by 5.6% in real terms from last year and expenditure is expected to increase by 9.9% in real terms over the period to 2025-26.</p>
<p>\$56.9 million</p>	<p>Investment to continue activities of the National Incident Centre and Therapeutic Goods Administration, and to support the expanded operation and modelling for the National Medical Stockpile.</p>



Mental Health

Following on from last year's \$2.3 billion investment into mental health and suicide prevention, the Federal Government is committing an additional \$547 million to help facilitate improved treatment and care across the sub-sector.

Key Mental Health Expenditure

\$547.0 million	Further investment over five years to provide mental health reforms under the National Mental Health and Suicide Prevention Plan. The funding will deliver support for young Australians, Aboriginal and Torres Strait Islander peoples and multicultural communities
\$285.5 million	Towards mental health treatment activities to ensure continued access to services for Australians with severe mental health.
\$76.4 million	Secured for prevention and early intervention activities and research.
\$46.7 million	Investment towards suicide prevention activities, through research and targeted regional initiatives



Medical Research

The Federal Government have announced the continuation of investment into medical research by committing a further \$1.3 billion under the Medical Research Future Fund (MRFF) Ten Year Investment Plan (total investment \$6.3 billion).

Key Medical Jobs & Research Expenditure

\$604.8 million	Further investment in medical translation to support medical discoveries becoming part of medical practice.
\$114.9 million	Ongoing investment in medical research to help researchers tackle significant challenges through investment, leadership and collaboration.
\$117.4 million	Additional investment to support patients by funding innovative treatments, supporting clinical trials, and delivering more advanced health care and medical technology.
\$495.4 million	Secured investment for medical researchers to make breakthrough discoveries, develop their skills and progress their careers in Australia.



Aged Care

The Federal Government has announced a further \$468.3 million investment to continue the implementation of the Government’s response to the Royal Commission into Aged Care Quality and Safety. This builds on the record \$17.7 billion investment in aged care announced in the 2021-22 Budget. A further investment of \$507.7 million will be allocated into the aged care sector as part of the COVID-19 Response Package and Education, Skills and Employment.

Key Aged Care Expenditure

\$345.7 million	Investment into improving the administration of medication management for residential aged care residents.
\$215.3 million	Allocated to eligible aged-care workers to recognise their commitment and hard work during COVID-19.
\$124.9 million	Expansion of the funding to support aged care providers to manage and prevent outbreaks of COVID-19 and prepare providers to transition to living with COVID-19.
\$50.4 million	Investment to improve the capability and capacity of the residential aged care workforce to deliver vaccination services to residents and staff.

Barwon's Observations

Barwon welcomes the Government's continual investment in healthcare.

As one of the leading healthcare real estate investors in Australia with a portfolio of investments that are beneficiaries of the 2022-2023 Budget, we make the following observations.

- The Budget has committed further support to improve access to medicine, including primary care health services, as well as increasing support for pathology testing and detection of COVID-19.

The Barwon property funds are well invested in medical centres, pathology collection and pathology laboratories. This commitment of funding by the Australian Government highlights the crucial role these sub-sectors play in the Australian healthcare system and underscores our belief that primary care assets remain of high strategic value to the healthcare system.

- Additional financial support has been committed to further fund crucial medical research. This translates to additional requirements for medical laboratories and clinical trial facilities collaborating with educational institutions.

Whilst not yet a large part of the Barwon portfolios, Life Science assets offer an interesting and compelling avenue for our Funds to invest over time. The backbone of technology advancements in healthcare is founded and matured within the bounds of these assets, and they will be critical to addressing ongoing healthcare issues associated with chronic diseases and other disorders.

- Mental health services are a substantial sub-sector exposure in Barwon's property funds. The Federal Government's continued increase in funding in this sector will provide opportunities for new facilities as well as demand for the underlying services in our existing assets.

Whilst we are seeing good growth in the mental health sector, it remains underserved, and we will continue to strategically allocate capital to this sub sector over the coming years.

- The Government is continuing its commitment to the NDIS. Over the past 12 months, it has provided an additional \$39.6 billion to support the continued implementation of the Scheme and currently provides support to more than 500,000 Australians, with more than 280,000 participants receiving support for the first time.

The NDIS and the SDA sector are experiencing strong growth, and it is encouraging to see continued bi-partisan support for the industry. Barwon seeks to support this growth through the Barwon Disability Accommodation Fund which aims to enrich and empower the lives of those living with disability by providing quality fit for purpose accommodation for people in need.

If you would like more information about the Barwon Healthcare Property Fund or the Barwon Disability Accommodation Fund, please email investors@barwon.net.au.



Tom Patrick
Head of Healthcare Property,
Partner
tom.patrick@barwon.net.au



Rob Morrison
Co-Head of Property,
Partner
rob.morrison@barwon.net.au



Kate Hayward
Partner
kate.hayward@barwon.net.au



Brett Scallan
Business Development
Manager
brett.scallan@barwon.net.au

About Barwon Investment Partners

Barwon Investment Partners is a Sydney-based fund manager with a 15-year track record of generating strong investment returns for institutional and wholesale clients. With expertise in healthcare real estate, property finance and global investments, Barwon manages over \$2 billion on behalf of its clients.

DISCLAIMER While every care has been taken in the preparation of this document, Barwon Investment Partners Pty Limited ABN 19 116 012 009 AFSL 298445 makes no representation as to the accuracy or completeness of any statement in it, including without limitation, any forecasts. Past performance is not a reliable indicator of future performance. This document has been prepared for the purpose of providing general information, without taking account of any particular investor's objectives, financial situation or needs. An investor should, before making any investment decisions, consider the appropriateness of the information in this document, and seek professional advice, having regard to the investor's objectives, financial situation and needs. This document is solely for the use of the party to whom it is provided.



Performance. Independence. Innovation

Contact Us

P +61 2 9216 9600

Barwon Investment Partners
Level 10, 17 Castlereagh Street
Sydney NSW 2000 Australia

For more information

Tom Patrick - tom.patrick@barwon.net.au
Rob Morrison - rob.morrison@barwon.net.au

www.barwon.net.au