



23 August 2024

The Hon Mark Butler MP
Minister for Health and Aged Care

Senator the Hon Katy Gallagher
Minister for Finance

The Hon Dr Jim Chalmers MP
Treasurer

Dear Ministers Butler and Gallagher and Treasurer Chalmers,

Re: Indexation and Contract Length for PHN Commissioned Services

We are writing to you on behalf of NSW/ACT Primary Health Networks (PHNs), Sector Peaks and Community Managed Organisations to address two pressing issues impacting the delivery of essential health and community services, as well as the retention of our dedicated workforce:

1. The inadequate levels of indexation in Commonwealth funding delivered via PHN commissioning.
2. The short-term nature of these funding agreements.

1. Indexation

Currently, indexation in PHN funding agreements ranges from nil to 3.5% per annum. This compares negatively to Australia's annual Wage Price Inflation of 4.1% (ABS, Private Sector Wages, Mar Qtr. 2023 to Mar Qtr. 2024) and Consumer Price Index (CPI) inflation of 3.6% in the same period. This hampers PHNs' ability to provide adequate financial support to the providers they commission, which in turn affects the breadth and quality of services available to our communities.

To ensure these services can continue to support and empower communities, we request that the Commonwealth increases the indexation rate to match the rising costs faced by providers in the health and community services sector. Specifically, the Commonwealth must account for:

- the Fair Work Commission's Annual Wage Review increase on Awards
- the legislated increase in the superannuation guarantee of 0.5% from 1 July 2024
- non-wages component of grants indexed to reflect past annual or last quarter CPI figures

We are aware that some providers directly funded by the Commonwealth Government have benefited from more generous indexation through the 2022/23 Budget announcement of \$560 million over four years to support community organisations and charities. It is unclear why PHN commissioned service providers are not eligible for this enhanced indexation. Similarly, at the state level, the NSW Government provided 5.75% indexation to many programs in its 2023/24 State Budget.

PHN commissioned health services are essential because they are free and ensure **equity of access** for people who cannot afford to pay. The effects of inadequate levels of indexation—reduced service hours and fewer staff—fall most heavily on people on low incomes, people experiencing financial crisis, children at risk, and vulnerable young people and families. Without adequate indexation, we risk diminishing equity of access to these critical services, which adversely affects both jobs and support for our most vulnerable community members.

2. Contract Length

We applaud your recent announcement of four-year rolling funding for Aboriginal Community Controlled Health Organisations. Under current Commonwealth funding arrangements, the maximum contract length PHNs can offer to service providers is three years, with one- or two-year extensions being commonplace. Often contract extensions are offered only a month or two prior to the contract end date. Despite a promise by Government that PHNs would have three year rolling contracts for major schedules, allowing them to always have three years forward funding certainty, this has not occurred.

These short-term contracts are then passed on to commissioned providers, creating a ripple effect that hinders their ability to recruit and retain talented staff. Furthermore, recent changes to the Fair Work Act, which restrict the number of short-term contracts an employee can be offered, exacerbate the risks for not-for-profit organisations.

We request that the Commonwealth extend contract periods for PHNs to at least five years, with an option for a further five-year extension, similar to arrangements for the

Royal Flying Doctor Service and Disability Employment Services. Additionally, it is vital that PHN funding contracts are extended at least one year before their termination date to provide greater certainty for commissioned providers.

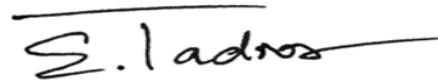
We firmly believe that addressing these issues will significantly enhance the stability and effectiveness of health and community services across our regions. To discuss these matters in more detail and explore potential solutions, we kindly request a meeting with you at your earliest convenience.

Thank you for your time and consideration. We look forward to the opportunity to work together to improve the support for our communities.

Yours sincerely,



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