

Morrison government pledges funds to help states with health burden of COVID-19

Written by Michelle Grattan, Professorial Fellow, University of Canberra

The Morrison government has announced a funding partnership with the states expected to see A\$1 billion extra spent to deal with health costs around the coronavirus.

Scott Morrison said the Commonwealth would provide money on a matching 50-50 basis.

The federal government “will pay 50% of the additional costs incurred by state and territory health services as a result of the diagnosis and treatment of patients with COVID-19, those suspected of having the virus or activities to prevent the spread of it,” Morrison and Health Minister Greg Hunt said in a statement.

The support will be available for services provided in public hospitals, primary care, aged care, and community health care such as health services in child care.

The federal government is putting in an initial \$100 million. While the estimate is that the likely cost to the Commonwealth will be around \$500 million, there will be no cap and it could exceed that.

Morrison told a news conference: “It’s a demand-driven arrangement - the costs will be what the costs are.

“But we are estimating, based on the advice we have at the moment, that this could be as much as about a billion dollars, \$500 million each. ... I hope it’s not that much. It could be more”.

The 50-50 arrangement is a better deal than the states get from the Commonwealth for their hospitals, which sees 45% of the funding come from Canberra.

Details of the deal with the states will be tied down by the time the Council of Australian Governments meets on Friday, when the coronavirus situation will be at the centre of

Morrison government pledges funds to help states with health burden of COVID-19

Written by Michelle Grattan, Professorial Fellow, University of Canberra

discussion.

By then the Morrison government is expected to have announced its fiscal package of billions of dollars aimed at protecting jobs and businesses hit by the crisis.

Global ratings agency Standard & Poor's has predicted in a report on the implications of COVID-19 for the Asia-Pacific region that "Australia, Hong Kong, Japan, Korea, Singapore and Thailand will enter or flirt with recession".

It says COVID-19 "could knock US\$211 billion from Asia-Pacific incomes and slow GDP growth to 4.0% in 2020. Our new baseline for China is 4.8% with a downside scenario of 2.8% in 2020."

Saying various regional countries will flirt with recession, S&P doesn't use the standing recession definition of two quarters of negative growth.

Its definition is "at least two quarters of growth substantially below trend and sufficient to cause unemployment to rise, underlying inflation to fall, and policymakers to react with stimulus."

S&P predicts a "hit" of one percentage point to Australian growth, "to leave growth in 2020 at 1.2%, well below trend which is closer to 2.5%".

"The initial spillover from the coronavirus came from people flows which were already depressed from the bushfires," it notes.

S&P expects the Reserve Bank – which cut interest rates this week - to cut again, to 0.25% "which leaves the Reserve Bank of Australia on the cusp of quantitative easing.

"We also expect moderate, targeted fiscal stimulus aimed at the most-harmed sectors."

Morrison government pledges funds to help states with health burden of COVID-19

Written by Michelle Grattan, Professorial Fellow, University of Canberra

[Morrison government pledges funds to help states with health burden of COVID-19](#)