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Hospitals are singled out on cost pressures facing state

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Victoria spends more per capita on health than any other Australian government, according to a sweeping review of the public service that endorses the state Health Department's recent crackdown on hospital budgets.

The review, led by former top bureaucrat Helen Silver, singles out hospitals as a “significant cost pressure” on the state and raises concerns about top-ups being provided to hospitals after their budget allocation. It found 41 per cent of emergency department cases involved lower-urgency patients who should have been dealt with through primary care services such as GP clinics.

“High numbers of people access hospital emergency departments as the ‘front door’ to the health system, which are not always the most appropriate point of contact for patient need,” the report says.

It also found that Victoria’s health spending has surged by 39 per cent over the past decade, and while Victoria spends \$4200 per capita on health, the more populous NSW spends \$3600 per capita.

One of the main changes to come out of the review will involve Victoria’s independent health promotions agency, VicHealth, ceasing to exist as a standalone entity. It will be absorbed into the Health Department.

Public Health Association of Australia chief executive Terry Slevin

slammed the agency’s axing, describing it as a backwards step that would make more people sick.

In her review, Silver also recommends the Commonwealth fully fund Victoria’s 12 state-funded urgent care clinics, which were established in the wake of the pandemic to reduce the pressure on hospital emergency departments.

Premier Jacinta Allan said yesterday that the state would step up its calls for the federal government to take full control but would keep funding the clinics in the meantime.

A federal Health Department spokesperson said the federal health minister had already announced the transition of three state-funded urgent care clinics to the federally funded Medicare urgent care clinic program. There were no plans for further transitions.

Special COVID-19 leave for health workers will be axed as part of the Silver review. But the Allan government will not adopt the recommendation to cease state funding for its doctors-in-schools program.

Silver found Victoria’s Health Department spent \$30.7 billion in the 2023-24 financial year – almost a third of all state government expenditure at that time. Her recommendations for the department – included the axing of 47 full-time equivalent positions – would save the government just over \$1 billion

through to June 30, 2029.

State Health Minister Mary-Anne Thomas has long said it is time for hospitals to tighten their belts.

The findings coincide with revelations cash-strapped Seymour Health was allegedly ordered by the state government to raid money set aside for staff and employee liabilities to reduce its debt.

The Age revealed yesterday that the health service had sought reassurances from the department that it would be bailed out should it not have the cash reserves available to pay its workers’ leave entitlements.

The department says there has been no change to the way public hospitals treat employee entitlements on their balance sheets as part of cost-saving measures implemented since 2024.

AMA Victoria president Dr Simon Judkins said the allegations were nonetheless troubling.

“There is no doubt there are significant financial pressures that all hospitals are under,” he said. “We are mindful that we need to manage costs. But quick and easy savings are not real solutions. Both the review and the government response state that there will be no cuts to frontline healthcare workers, and we will hold them to that.”