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ANZ Health Check Budget 2025-26

Overview of selected healthcare-related measures

March 2025

Pre-announced, key healthcare-related measures in Budget 2025-26 play into the pre-federal election, cost-of-living narrative.

In primary care, these include expanded Medicare bulk billing for non-concessional patients, an enlarged urgent care clinic (UCC) network, and targeted initiatives in women's health, which all build on measures from recent prior years' budgets.

At face value, these are the most notable measures in the Health portfolio for Budget 2025-26 as they enhance equity in the health system and improve access to affordable healthcare services. Unsurprisingly, they are popular with consumers.

However, the bulk billing and UCC-related measures, in particular, have received mixed responses from medical peak bodies and practitioners—and their impact on practice businesses may be mixed.

Some GPs have voiced concerns about perverse implications, including potential for even greater encouragement of short consults under a fully bulk billing model—potentially at the expense of quality and leading to adverse outcomes in the longer term for patients, hospitals, and the broader health system. Despite reasonable claims that UCCs can reduce emergency department presentations, equally reasonable questions remain about the model's relative cost-effectiveness.

Both the expanded bulk billing incentives and the additional investment in UCCs shift primary care policy further away from measures preferred by medical peak bodies and practitioners—such as higher rebates on longer consults and greater funding for more holistic chronic condition management to support quality and continuity of care.[1] Still, UCCs may contribute to the competitive dynamic in an area—but the new UCC network (up to 137 UCCs) is not poised to supplant the established GP network (~+7,000 GPs).[2]

Expanded bulk billing measures may not reach the take-up levels implied in the budget papers if, after careful assessment with their accounting and business advisers, GPs determine that the financial incentives are not sufficiently compelling and that shifting to bulk billing does not align with their business strategies. This may be a more likely outcome for metro-based practices already following a mixed or private billing model, where a relatively lower proportion of patient visits are bulk billed. Rural, remote, and regional practices aligned with a fully bulk billing model appear more likely to benefit.

Notable also is that both the aged care and child care sectors play a less prominent role in Budget 2025-26 compared to recent years' budgets. Both sectors have received funding to support workforce recruitment and retention, which is essential for meeting the ongoing and growing demand for their services.

Recent funding settings in aged care have bolstered viability. Nevertheless, many providers reportedly face challenges—grappling with the short timeline to prepare for the new Aged Care Act as well as the introduction of the new home care system, Support at Home.

Meanwhile, the child care sector may still face further material reforms, potentially shifting towards a "universal child care" model, depending on the federal election outcome.

The following focuses on selected key measures in Budget 2025-26 affecting primary care, community pharmacy, aged care, and child care.

Selected Key Measures

Medicare

~$7.9bn
for expanded Medicare bulk billing measures from 1 November 2025 (+ 15m Australians eligible for bulk billing)

~$644m
for establishing 50 more Medicare Urgent Care Clinics (UCCs), which will take the total to 137 nationally

~$792.9m
for improving access to and affordability of women's healthcare: e.g., cheaper access to oral contraceptives/ UTI treatments; new menopause/ endometriosis treatments; 11 new endometriosis and pelvic pain clinics

Pharmaceutical Benefits Scheme (PBS)

~$784.6m
for reducing the PBS general patient co-payment from $31.60 to $25.00 effective 1 January 2026 (over four years from 2025–26)

~$1.8bn
for listing new PBS items: e.g., contraceptives, treatments for endometriosis, lymphoma, menopause, and depression

Aged Care

~$82m
for increasing award wages for aged care nurses from 1 March 2025, in line with a recent Fair Work Commission outcome, with material additional funding allocated providing for future wage increases over the medium term

Childcare

~$426.6m
for covering the new 3 Day Guarantee which could benefit up to ~100k families who will be eligible for additional hours of Child Care Subsidy-supported care

Key Measures

Primary Care

Expanded bulk billing: A total of $7.9bn is allocated over the forward estimates to cover the expansion of eligibility for bulk billing to all Australians (+15m persons newly eligible) effective 1 November 2025 with the Bulk Billing Practice Incentive Program (+12.5% on every $1 of eligible services, split between practice and practitioner[3]) designed to incentivise practices to go fully bulk billing.

Eligibility for the Bulk Billing Practice Incentive Program requires full bulk billing, advertised participation in the program, and MyMedicare registration. Payments will be made quarterly in arrears; and, at this stage, the split between practice and practitioner is expected to be determined "in consultation with the sector" prior to 1 November 2025.[4]

Where practices are already heavily weighted towards bulk billing (e.g., +75% of patient visits bulk billed) newly bulk billing non-concessional patients could result in some revenue uplift, assuming all else equal.

With bulk billing incentives positively weighted higher for rural, remote, and regional practices,[5] fully bulk billing practices, especially outside metro areas, appear more likely to see a higher revenue uplift, based on indicative modelling from analytics platform Cubiko and internal sample data.

But where practices' business models already incorporate higher out-of-pocket fees (e.g., patient contributions ranging $40-60 on top of Medicare rebates), especially within metro areas, they may find that moving towards a bulk billing model offers less of a compelling financial incentive for maintaining practice viability.

Related funding under the "Strengthening Medicare" banner is allocated to support the expansion of the primary care workforce (+1,300 GPs) including by increasing GP training places and providing salary incentives for junior doctors to specialize in General Practice, with funding designed to address disparities between GP trainees and other trainees regarding paid parental and study leave, as well as nursing and midwifery scholarships (400).

Bottom line: Practice owners should be carefully assessing their response to the expanded bulk billing measures in consultation with their accounting and business advisers, considering the unique characteristics of their businesses, including factors such as catchment area profiles, patient and service mixes, potential incremental demand as well as costs, workforce, and their longer term strategies.

Despite the budget papers claiming that up to ~4,800 practices could ultimately benefit by adopting the expanded bulk billing measures, many particularly in metro areas are expected to maintain a mixed billing model.[6]

By definition, a mixed billing model should continue to offer greater flexibility in managing cost escalation (e.g., potential payroll tax liabilities in some states, increased super contributions, and est. ~+5% wage inflation for GPs), changes in MBS items (e.g., Chronic Disease Management Plan, Mental Health items), and overall practice viability.

Enlarged urgent care clinic (UCC) network: Also pre-announced, the $644m enlargement of the UCC network (+50 clinics) presents a business opportunity for only a relatively small number of potential service providers. At the same time, it also represents employment opportunities for a somewhat larger number of GPs.

Again, this is a measure that has garnered mixed views to date from medical peak bodies, practitioners, and other observers.

Critics typically point to UCCs' higher per patient costs (anecdotally ~1.5x to ~3x) in comparison to

GP clinics' as well as concerns around care quality and the opportunity cost of not investing more in the existing GP system.

Advocates reasonably emphasize UCCs' lower per patient costs (anecdotally ~0.3x to ~0.5x) in comparison to emergency departments' and their role in filling a gap.

Bottom line: UCCs appear to provide greater access to bulk billed care and potentially relieve pressure on hospital emergency departments. Although whether the enlargement of the UCC model (with the +50 taking the total up to 137 clinics) is the most cost-effective approach remains a reasonable question. Findings from an as-yet-to-be-released evaluation are still expected to shed some light on that and other aspects of the UCC model.

Meanwhile, there is no available evidence suggesting any widespread reduction in patient flows into regular GP practices as a result of UCCs. Anecdotally some GPs have suggested UCCs in their areas have not had any significant impact, given ongoing favourable population growth. The addition of 50 more UCCs is not expected to change that; and demand for GP services is expected to remain strong and grow roughly in line with ongoing population growth.

Initiatives in women's health:
This pre-announced package totals $792.9m over the forward estimates to improve health care accessibility and affordability for women.

The package includes increased Medicare rebates as well as bulk billing for long-acting reversible contraceptives (LARCs) and related training centres.

Funding is also earmarked to support national trials aimed at making oral contraceptives and UTI treatments more affordable and accessible for women.

In addition, the package supports menopause and endometriosis patients with a new rebate for menopause health assessment, 11 additional clinics focused on pelvic pain and endometriosis, as well as new menopause and endometriosis treatments being listed on the Pharmaceutical Benefits Scheme (PBS).

Bottom line: The expansion of the pelvic pain and endometriosis clinics also presents a business opportunity, though only for a relatively small number of service providers. Additional Medicare rebates and PBS listings can also be expected to generate some marginal new activity for the service providers (GPs and pharmacies) involved.

A much larger number of women patients are expected to benefit via this package, as it improves access to and affordability of women's health.

Community Pharmacy

Lower PBS co-payment: Another pre-announced measure, the reduction in the maximum general PBS co-payment lowers the out-of-pocket cost of a non-concessional patient's prescription by $6.60, from $31.60 to $25, effective 1 January 2026.

This is another cost-of-living relief measure, framed under the banner of "cheaper medicines." It extends prior reductions in the PBS co-payments (for general and concessional patients) and complements the introduction of 60-day prescriptions for selected PBS items.

The Guild, the peak body representing pharmacy owners, maintains that one in five Australians—and one in three in regional areas—have been skipping prescriptions due to cost.[7] The Comm. Gvt. expects the reduced PBS co-payment to make up to ~400k prescriptions per week more affordable.

The Guild, together with a coalition of other health sector advocacy groups, has strongly supported the reduction in the maximum PBS co-payment for non-concessional patients, as with previous reductions in the PBS co-payment, given the measure supports both patient health and pharmacy viability.

While the PBS still ranks just within the top 10 programs by expense[8], the scheme stands out for maintaining lower growth compared to other health and care programs. The PBS is expected to maintain almost flat growth (~+0%) in comparison

to the NDIS (~+6%), medical benefits (~+5%), and Child Care Subsidy (CCS) (~+4%).[9]

Related funding of $1.8bn under the "Cheaper medicines" banner is earmarked for BAU-like investment in new and amended PBS listings, including treatments for contraception, endometriosis, lymphoma, menopause, and depression.

Bottom line: Beyond providing some cost-of-living relief, lower maximum PBS co-payments should also prevent hospital admissions as well as support improved health outcomes and pharmacy viability.

The measure addresses affordability issues especially for rural and regional areas where up to one-third of patients may have been delaying PBS purchases due to costs. Community pharmacies continue to benefit, supported by the Community Pharmacy Agreement (CPA) framework.

Aged Care

Support for nursing workforce: New funding for nursing workforce wage increases has been allocated within the Aged Care Services program, including since the MYEFO to increase aged care nursing award wages from 1 March 2025 in line with a recent Fair Work Commission outcome.[10]

However, the more significant impact comes from the changes required to operate under the new Aged Care Act and related standards, along with the introduction of a new home care system, Support at Home.

This is reflected in the new call out in the budget papers on fiscal risk in relation to aged care. Support at Home costs are expected to depend on implementation, demand, service eligibility, access, and recipient contributions. Residential aged care costs may also be affected by changes to contribution arrangements.[11]

Bottom line: Support for higher wages in aged care has been broadly welcomed. However, with the sector just months away from transitioning to operating under the new Act from 1 July 2025 and the introduction of Support at Home, peak bodies have called for changes to the implementation timeline and additional support for the sector's transition.

Calls for specific transition support: On budget eve, Ageing Australia, the peak body representing aged care service providers, recommended several measures to support the transition to the new Aged Care Act and address related challenges.[12]

Funding-related measures are at the forefront: (a) administrative and business costs under the new Act, (b) review of the Accommodation Supplement, (c) sufficient funding to meet new service list requirements, (d) adjusting the Commonwealth Home Support Programme funding, and (e) alleviating cost pressures through reintroducing the Aged Care Payroll Tax Supplement.

Workforce-related measures include (a) a National Aged Care Workforce Strategy Taskforce; (b) initiatives to boost the aged care workforce, especially in rural areas; and (c) improved access to migrant workers.

Other transition-related measures include (a) support for implementing the new Act, (b) funding to support Information and Communications Technology (ICT) changes, and (c) piloting hospital-in-home services in retirement villages.

Ageing Australia maintains its recommendations are aimed at providing the aged care sector with the necessary resources and time to implement reforms effectively without jeopardizing the care of older Australians.

Post the release of Budget 2025-26, Ageing Australia welcomed the provision of funding for future pay rises for aged care nurses—but reiterated calls for support for ICT upgrades ($600m) and providers' transition efforts ($188m).

Ageing Australia also emphasized that the sector needed not to delay the commencement of the Act—but to take a "staged approach" to implementing some of the required reforms to avoid service disruptions.[13]

Bottom line: The scale and pace of the change required by the aged care sector should not be underestimated.

The recent industry response to proposed new liquidity standards suggested further refinements (and consultation) may be needed. Pressure for additional adjustments, including to the implementation timeline, is expected to persist.

Child Care

3 Day Guarantee: Another pre-announced measure reflected in projected expenses within Budget 2025-26, on top of other pre-announced material commitments: namely, ~$3.6bn for the Worker Retention Payment to support workforce recruitment and retention, and ~$1bn for the Building Early Education Fund to establish ~160 services in "thin markets" on school sites "where possible"[14] .

Funding to support increased wages for the child care workforce had already been flagged in the 2024-25 budget and incorporated in the 2024-25 MYEFO.

The introduction of the 3 Day Guarantee is being framed as "laying the foundations for universal early childhood education and care".[15]

The minimum 3 Day Guarantee improves child care accessibility and affordability from 1 January 2026. Families earning up to $533k will be eligible to receive at least three days per week (72hrs per fortnight) of CCS-funded early childhood education and care.

Both the Australian Competition & Consumer Commission and the Productivity Commission had recommended the Comm. Gvt. consider changes to the Activity Test for the CCS, especially as it had been deemed an impediment to more lower income families accessing child care.[16]

Bottom line: Combined with the removal of the Activity Test, the introduction of the 3 Day Guarantee may be a material measure for operators across the sector as it provides further support for child care services and may drive incremental demand, assuming the sector can meet staffing requirements.

Despite some positive impact from higher wages, vacancies remain at elevated levels, according to Jobs and Skills Australia[17], and workforce recruitment and retention in child care may remain challenging.

With the removal of the Activity Test, the introduction of the 3 Day Guarantee, and projected growth in child care demand, the total expense for CCS is projected to surpass that for Job Seeker from 2026-27.[18]

Further reforms?: Outside the budget context, the child care sector may still face further reforms depending on the federal election outcome.

Earlier in 2025, the Comm. Gvt. signalled its preference for implementing a so-called "flat-fee" child care model as part of "universal child care,"[19] despite the Productivity Commission recommending targeted changes to the existing framework to improve affordability for lower income families.[20]

More recently, peak bodies, such as the Australian Childcare Alliance representing operators, along with other stakeholders, have reiterated their support for reforms to bolster care quality and safety in the wake of recent adverse media coverage of abuse and neglect in the sector.[21]

Additionally, in response to the above, the Australian Children's Education and Care Quality Authority (ACECQA), the body responsible for the National Quality Framework, has also reportedly met with stakeholders including peak bodies, providers, and regulatory bodies to gather views on "what systems, structures, processes or practices can be enhanced to give everyone who works in, or uses, an approved service assurance that children and young people will thrive." ACECQA is consequently expected to make recommendations to the Education Ministers.[22]

Bottom line: Along with any measures to strengthen monitoring and enforcement of quality and safety, further reforms affecting the CCS funding framework—including a so-called "flat fee" system—remain key areas to watch.

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