



Committee Secretary  
Senate Standing Committees on Community Affairs  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600

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Dear Committee Secretary

### **Health Insurance Amendment (Extended Medicare Safety Net) Bill 2014**

The Consumers Health Forum of Australia (CHF) welcomes the opportunity to provide a submission to the Senate Community Legislation Committee Inquiry into the *Health Insurance Amendment (Extended Medicare Safety Net) Bill 2014* (the Bill). The Bill proposes to implement a 2013 – 14 Budget measure to increase the Extended Medicare Safety Net (EMSN) upper threshold from 1 January 2015.

CHF is the national peak body representing the interests of Australian healthcare consumers. CHF works to achieve safe, quality, timely healthcare for all Australians, supported by accessible health information and systems.

The projected savings from this Budget measure is \$105.6 million over four years. While CHF acknowledges the (previous) Government's aim to achieve Budget savings in a challenging fiscal environment, we are concerned that the proposed change to the EMSN threshold will have a significant impact on patient affordability. The Bill proposes that restrictions are placed on the EMSN eligibility criteria, to raise the threshold from \$1,221.90 to \$2,000 for middle income earners. This will ultimately result in increased out-of-pocket costs for health consumers, particularly those in poor health and with high-level healthcare needs.

The EMSN is a key support mechanism for people with chronic conditions and high-end users of the health system, whose medical costs are likely to be high. The EMSN takes effect once the threshold has been reached in out-of-pocket costs<sup>1</sup> for Medicare out-of-hospital services including GP and specialist attendances, as well as many pathology and diagnostic imaging services. Medicare covers 80 per cent of any future out-of-pocket costs for eligible services for the remainder of the calendar year, except for services where an upper limit or 'EMSN benefit cap' applies.

The EMSN was designed to provide additional financial relief for consumers, however the proposed change to the EMSN threshold will make it harder for people to receive additional

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<sup>1</sup> Out-of-pocket costs refers to the difference between the fee charged by practitioners and the Medicare rebate received by consumers.

rebates for high out-of-pocket costs. This is particularly concerning given the proposed phase-out of the net medical expenses tax offset (NMETO)<sup>2</sup> from 1 July 2019, which was also announced in the 2013 – 14 Budget. There is also speculation that the Government will introduce a consumer co-payment for GP patients, which will likely create more financial hardship for vulnerable consumers.<sup>3</sup>

CHF is concerned that safety nets and other compensatory mechanisms to protect against high out-of-pocket costs are being eroded at a time when increased rates of chronic disease are expected to require significant health expenditure in the years to come.<sup>4</sup> Australians already make a relatively high direct contribution to healthcare costs. Individual consumer co-payments comprise 17 per cent of total healthcare expenditure in Australia and are the largest non-government source of funding for health goods and services.

In recent years the health costs consumers have had to pay from their own pockets has climbed steadily. Australians now spend an average of more than \$1,000 a year in out-of-pocket costs.<sup>5</sup> This finding is consistent with the results of a national survey of consumers conducted by CHF, where over 50 per cent of respondents indicated they had paid between \$1,000 and above \$5,000 for healthcare in the last year.<sup>6</sup>

CHF's survey of almost 600 respondents across the country provides a worrying picture of vulnerable Australians already struggling to cope with high out-of-pocket costs. Key findings include:

- Many consumers are already experiencing difficulty affording healthcare costs
- Many consumers are failing to access needed healthcare due to costs; and
- Any increase in out-of-pocket costs will further add to the financial difficulties being experienced by many consumers and create additional barriers to accessing appropriate care.

A research report commissioned by CHF shows that the impact of high out-of-pocket costs is most profound for people who are most in need and vulnerable in our communities – those with chronic and long-term illnesses, especially those afflicted with multiple chronic conditions. Furthermore, while the report acknowledges that direct costs for most healthcare services are either fully or partially subsidised in Australia, consumers can still face substantial unbudgeted out-of-pocket costs and co-payments.<sup>7</sup>

The report also highlights the inadequacy of current safety nets, including the EMSN, to target consumers adversely affected by out-of-pocket costs to ensure they do not experience barriers to accessing care. For example, the report notes that one of the

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<sup>2</sup> The NMETO can be particularly useful for consumers with complex and chronic conditions because it allows them to claim a tax offset for a wide range of health expenses, including those only partially, or not covered by private health insurance and the Medicare and Pharmaceutical safety nets. CHF's submission to the Treasury on the phase-out of the NMETO is available at <https://www.chf.org.au/submissions.php>

<sup>3</sup> CHF's letter to Federal MP's on this issue is available at [https://www.chf.org.au/pdfs/chf/CHF-Letter-to-MPs-and-Senators\\_20140423.pdf](https://www.chf.org.au/pdfs/chf/CHF-Letter-to-MPs-and-Senators_20140423.pdf)

<sup>4</sup> Australian Government (2010) *The 2010 Intergenerational Report – Australia to 2050: Future Challenges*. Commonwealth of Australia: Canberra

<sup>5</sup> Australian Institute of Health and Welfare (AIHW) 2012 *Health Expenditure Australia 2010 -11* (Health and welfare expenditure series no. 47. Cat. no. HW56). AIHW, Canberra.

<sup>6</sup> Survey to be published in May 2014.

<sup>7</sup> Doggett J. 2014. *Empty pockets: why co-payments are not the solution*. Canberra: Consumers Health Forum of Australia.

problems with Australia's current system of safety nets is that they are based on annual expenditure which advantages consumers whose healthcare expenses occur in a short timeframe (e.g. a one-off, acute condition) over those who have ongoing conditions requiring lower levels of care for longer periods (e.g. complex, chronic conditions).

Another problem identified by the report is that mechanisms to address inequity, such as healthcare cards, identify people on the basis of income level or carer status, but do not accurately target those who have difficulty affording health care. For example, there are many consumers who do not qualify for healthcare cards or pensions but who experience difficulty in meeting their healthcare costs.<sup>8</sup>

The report suggests that a single safety net should be established as one solution to address the problems of the current system.

CHF is concerned that the proposed change to the EMSN threshold does not sufficiently take these problems into account, and may in fact exacerbate them. Under the proposed arrangements, middle income families and individuals will need to incur \$778.10 of additional out-of-pocket costs before they reach the new EMSN threshold. To illustrate, this is the equivalent of a consumer with chronic illness living in Canberra having to visit their GP an additional 14 times.<sup>9</sup>

In light of the Bill's potential negative impact on patient affordability, as well as its potential to exacerbate the inherent problems with safety nets, CHF reiterates its call for the Federal Government to wait for the report of the Senate Inquiry into out-of-pocket costs in healthcare before implementing significant changes to Medicare.<sup>10</sup>

CHF appreciates the opportunity to provide a submission to this consultation. If you would like to discuss these comments in more details, please contact CHF Policy Director Ms Donna Stephenson

Yours sincerely

Adam Stankevicius  
Chief Executive Officer

30 April 2014

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<sup>8</sup> CHF has published stories of consumers struggling with high out-of-pocket costs on our consumer website, *Our Health Our Community*, available at <http://ourhealth.org.au/stories>

<sup>9</sup> This case study is provided for illustrative purposes and may not accurately reflect the situation of all consumers with chronic illnesses. It is based on a GP consultation fee of \$90 and a Medicare rebate of \$36.10 for a standard Level B consultation.

<sup>10</sup> Consumers Health Forum of Australia (2014) Medicare faces a double whammy (Media release). Accessed 28 April 2014, <https://www.chf.org.au/pdfs/med/MED-20140422--Medicare-faces-a-double-whammy.pdf>