Parliamentary Budget Office

Policy costing

Medicare cancer plan	
Party:	Australian Labor Party

Summary of proposal:

The proposal has eight components and would have effect from 1 July 2020.

- Component 1: Introduce a new ongoing Medicare Benefits Schedule (MBS) item for medical oncologists, radiation oncologists and cancer surgeons to reduce out-of-pocket costs for patients following a cancer diagnosis. The new MBS item would be based on existing MBS item numbers 105 and 116: *Professional attendances,* whose item descriptions are provided at Attachment A.

  The new MBS item would cover professional attendance at consulting rooms or hospitals by the above-listed specialists for the purpose of providing ongoing care and maintenance of treatment following a cancer diagnosis.

  The item would be required to be bulk-billed and have an MBS schedule fee of $150.00 in 2020-21, with a 75 per cent benefit of $112.50 for services provided when the patient is admitted into hospital as a private patient and an 85 per cent benefit of $127.50 for services provided by a medical practitioner in a non-hospital setting. The schedule fee of the new item would be indexed in line with the current MBS indexation arrangements for the existing MBS items on which it is based.
- Component 2: Reduce out-of-pocket costs for diagnostic imaging by funding up to six million free cancer scans through Medicare. This component would provide $600 million over four years from 2020-21 and $1,500 million over the period to 2029-30.

  This would include substantially increasing the rebates for cancer-related scans provided to cancer patients, as long as the service is bulk billed. A Ministerial Working Group would be established comprising radiologists and other medical practitioners, consumers and cancer specialists, and would assist with implementing the policy from within the specified funding envelope.
- Component 3: Provide $10 million over two years to establish a Ministerial Working Group to develop a new national standard for informed financial consent for patients undergoing cancer treatment. This would give patients clear and consistent information about the costs they will incur.
- Component 4: Provide $125 million per year for four years for a National Partnership Agreement for cancer care services to reduce waiting times for cancer-related surgery and consultations in public hospitals.
- Component 5: Establish a support package to protect bulk billing for pathology and keep life-saving blood tests free for older Australians and Australians with cancer. This component would provide $200 million over four years from 2020-21 and $500 million over the period to 2029-30 to increase the bulk billing incentive for pathology tests.
- Component 6: Provide $300 million in total over four years from 2020-21 to upgrade cancer centres in hospitals across Australia. As part of this capital investment $60 million would fund 13 radiation therapy facilities in regional and rural areas.

- Component 7: Provide $250 million over four years from 2020-21 to invest in targeted services and support for cancer patients, including funding for clinical trials and cancer research, initiatives to support patients with lung cancer and young Australians diagnosed with cancer, awareness campaigns and increasing the number of specialist cancer nurses.
- Component 8: Guarantee that every drug recommended by the Pharmaceutical Benefits Advisory Committee will be listed on the Pharmaceutical Benefits Scheme.

Costing overview

The proposal would be expected to decrease the fiscal and underlying cash balances by $1,710.3 million over the 2019-20 Budget forward estimates period. This reflects an increase in administered expenses of $1,706.2 million and an increase in departmental expenses of $4.1 million.

A detailed breakdown of the financial implications over the 2019-20 Budget forward estimates period is provided at Attachment B. Components 1, 2 and 5 would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period. Components 3, 4, 6 and 7 would terminate in 2022-23 and Component 8, while ongoing, would have no impact on the budget as it reflects the baseline policy setting.

Departmental expenses for Components 1, 2 and 5 have been included for the Department of Human Services to administer and for the Department of Health to implement the proposed changes.

The financial implications for Component 1 are sensitive to a number of assumptions, some of which are informed by limited data, including the use of the new MBS item by providers, the share of surgeons' professional attendances that would be eligible for the new item, and growth in services under the baseline. While the estimates for Components 2 to 7 are certain as they are based on specified capped amounts, Components 2 and 5 are sensitive to the assumption that consultations with stakeholders would deliver policy settings that would be accommodated within the specified funding envelopes.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-	-564.0	-571.8	-574.5	**-1,710.3**
Underlying cash balance	-	-564.0	-571.8	-574.5	**-1,710.3**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

Component 1 – Introduce a new ongoing MBS item for medical oncologists, radiation oncologists and cancer surgeons

- All medical oncologist and radiation oncologist services under items 105 and 116 relate to cancer patients and therefore would be eligible for the new MBS item.

- The proportion of professional attendance by surgeons that would be eligible for the new MBS item would be equal to the proportion of elective hospital admissions involving surgery for patients with a principal diagnosis of cancer in 2016-17 (approximately 15 per cent).
- The share of specialists bulk billing under the baseline would remain constant at their 2017-18 levels.
- All providers who bulk bill professional attendances for patients with a cancer diagnosis under items 105 and 116 under the baseline would continue to bulk bill under the policy proposal, using the more generous new MBS item in the policy case.
- The number of professional attendance claims paid in the baseline and under the proposal would grow in line with the overall projected growth in specialist services benefits payments.
- Additional services to be bulk billed under the proposal would come from two sources: some services which were not bulk billed under the baseline would be bulk billed under the proposal, and a provider behavioural response would result in some additional services under the proposal.
  - Some share of relevant specialists not bulk billing under the baseline would switch to bulk billing under the policy proposal given the more generous schedule fee.
    - All oncology specialists currently claiming under item 105 would bulk bill all patients with a cancer diagnosis under the policy. The current bulk-billing rate amongst oncology specialists for item 105 is 85 per cent.
    - Surgeons currently claiming under item 105 and oncology consultant physicians currently claiming under item 116 would increase their bulk-billing rates under the proposal to 85 and 80 per cent, respectively. This is based on analysis of current billing data which shows that the average current charge for these services is well below the proposed schedule fee.
  - There would be a provider behavioural response in the number of bulk-billed professional attendances as a result of the more generous new MBS item, equal to 5 per cent of the total baseline services, further increasing the number of services provided and bulk-billing rates.
    - For example, there may be occasions under the baseline where a specialist would not charge for all services provided out of concern for a patient's financial circumstances. Under the proposal, the ability to receive a higher fee than the baseline at no charge to the patient may mean a specialist makes more eligible claims under the MBS.

  The fiscal and underlying cash balances for MBS expenses would be equal, due to the high prevalence of instant electronic rebate transfers at the point at which eligible services are rendered.

Components 2 and 5 – Work with stakeholders to provide relief from out-of-pocket costs for diagnostic scans and pathology tests

- Final policy settings agreed following consultations with stakeholders would be accommodated within the specified funding envelopes.

Methodology

Component 1

The additional administered expenses of this proposal are a result of:

- the increase in the schedule fees and the bulk-billing rate, holding the total volume of services at the baseline level

- the increased number of bulk-billed professional attendances as a result of the new MBS item.

The additional expenses due to the increase in the schedule fee and the bulk-billing rate were calculated by multiplying the level of services both eligible for and claimed under the proposal by the difference between the existing Medicare benefit paid for each current item and the proposed benefit payment for the new MBS item.

The additional expenses due to the increased number of bulk-billed professional attendances were calculated by multiplying the assumed increase in services by the benefit to be paid under the new MBS item.

The distribution of additional administered expenses between the Department of Health and the Department of Veterans' Affairs are constant over the period to 2029-30 and are based on their shares from the 2011-12 Budget measure *Diagnostic Imaging – reforms*. Administered expenditure is indexed by wage cost index 5.

The proposal would be expected to result in decreased expenditure under the Extended Medicare Safety Net as a consequence of the increase in bulk-billed services, which do not count towards a patient's Extended Medicare Safety Net. This decrease in administered expenditure is more than offset by the increase in the bulk-billed benefits. This direct fall in expenditure under the Extended Medicare Safety Net has been factored into the costing but is not separately reported.

Components 2 to 7

The financial implications of these components are equal to the specified capped funding amounts.

- The departmental expenses for Component 2 and 5 were based on the departmental to administered expense profile of Component 1.
- Components 3, 4, 6 and 7 consist of entirely administered expenses.

Component 8

Component 8 refers to current government policy, and as such would have a zero financial impact.

All components

All estimates have been rounded to the nearest $100,000.

Data sources

The Department of Health provided access to their Enterprise Data Warehouse and MBS data was extracted on 10 December 2018.

The Department of Finance provided the wage cost indexation parameters as at the 2019 Pre-election Economic and Fiscal Outlook.

The Department of Human Services provided the departmental costs per MBS item transaction as at the 2019 Pre-election Economic and Fiscal Outlook.

Australian Institute of Health and Welfare, 2017. *Cancer in Australia 2017*. [Online] Available at: https://www.aihw.gov.au/getmedia/3da1f3c2-30f0-4475-8aed-1f19f8e16d48/20066-cancer-2017.pdf.aspx?inline=true.

Australian Institute of Health and Welfare, 2018. *Admitted patient care 2016-17: Australian hospital statistics*. [Online] Available at https://www.aihw.gov.au/getmedia/acee86da-d98e-4286-85a4-52840836706f/aihw-hse-201.pdf.aspx?inline=true.

Commonwealth of Australia, 2011. *Budget 2011-12*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2018. *Budget 2018-19*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2019. *Pre-election Economic and Fiscal Outlook*, Canberra: Commonwealth of Australia.

Attachment A – Medicare cancer plan – Component 1 – Existing Medicare items on which the new item would be based

Category 1 - PROFESSIONAL ATTENDANCES

105

Group A3 - Specialist Attendances To Which No Other Item Applies

Professional attendance by a specialist in the practice of his or her specialty following referral of the patient to him or her- an attendance after the first in a single course of treatment, if that attendance is at consulting rooms or hospital, other than a service to which item 16404 applies

Fee: $43.65 **Benefit:** 75% = $32.75 85% = $37.15

(See para AN.0.70, TN.1.4 of explanatory notes to this Category)

Extended Medicare Safety Net Cap: $130.95

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Category 1 - PROFESSIONAL ATTENDANCES

116

Group A4 - Consultant Physician Attendances To Which No Other Item Applies

Professional attendance at consulting rooms or hospital, by a consultant physician in the practice of his or her specialty (other than psychiatry) following referral of the patient to him or her by a referring practitioner-each attendance (other than a service to which item 119 applies) after the first in a single course of treatment

Fee: $76.65 **Benefit:** 75% = $57.50 85% = $65.20

(See para AN.0.70 of explanatory notes to this Category)

Extended Medicare Safety Net Cap: $229.95

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Attachment B – Medicare cancer plan – financial implications

Table B1: Medicare cancer plan – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Component 1: Introduce a new ongoing Medicare Benefits Schedule item for medical oncologists, radiation oncologists and cancer surgeons					
Administered					
Department of Health	-	*-94.5*	*-102.2*	*-110.5*	***-307.1***
Department of Veterans' Affairs	-	*-1.3*	*-1.4*	*-1.5*	***-4.3***
Total – administered	**-**	***-95.8***	***-103.5***	***-112.1***	***-311.4***
Departmental					
Department of Health	-	*-0.6*	*-0.6*	-	***-1.2***
Department of Human Services	-	*..*	*-0.1*	*-0.1*	***-0.2***
Total – departmental	**-**	***-0.6***	***-0.7***	***-0.1***	***-1.4***
Total – Component 1	**-**	**-96.4**	**-104.2**	**-112.2**	**-312.8**
Component 2: Diagnostic imaging package					
Administered	-	*-149.0*	*-149.1*	*-149.9*	***-448.0***
Departmental	-	*-1.0*	*-0.9*	*0.1*	***-2.0***
Total – Component 2	**-**	**-150.0**	**-150.0**	**-150.0**	**-450.0**
Component 3: Introduce a standard for informed financial consent					
Administered	-	*-5.0*	*-5.0*	-	***-10.0***
Departmental	-	-	-	-	**-**
Total – Component 3	**-**	**-5.0**	**-5.0**	**-**	**-10.0**
Component 4: Support a National Partnership Agreement for cancer care services in public hospitals					
Administered	-	*-125.0*	*-125.0*	*-125.0*	***-375.0***
Departmental	-	-	-	-	**-**
Total – Component 4	**-**	**-125.0**	**-125.0**	**-125.0**	**-375.0**
Component 5: Pathology support package					
Administered	-	*-49.7*	*-49.7*	*-50.0*	***-149.3***
Departmental	-	*-0.3.*	*-0.3*	*..*	***-0.7***
Total – Component 5	**-**	**-50.0**	**-50.0**	**-50.0**	**-150.0**
Component 6: Provide funding to upgrade cancer centres					
Administered	-	*-75.0*	*-75.0*	*-75.0*	***-225.0***
Departmental	-	-	-	-	**-**
Total – Component 6	**-**	**-75.0**	**-75.0**	**-75.0**	**-225.0**
Component 7: Invest in targeted services and support for cancer patients					
Administered	-	*-62.5*	*-62.5*	*-62.5*	***-187.5***
Departmental	-	-	-	-	**-**
Total – Component 7	**-**	**-62.5**	**-62.5**	**-62.5**	**-187.5**

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Component 8: Guarantee that every drug recommended by independent experts will be listed on the Pharmaceutical Benefits Scheme					
Administered	-	-	-	-	**-**
Departmental	-	-	-	-	**-**
Total – Component 8	**-**	**-**	**-**	**-**	**-**
Total – expenses	**-**	**-564.0**	**-571.8**	**-574.5**	**-1,710.3**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

- Indicates nil.