



31 January 2014

Senator Richard Di Natale

Chair

Senate Select Committee into the Abbott Government's Commission of Audit

PO Box 6100

Parliament House

Canberra ACT 2600

Dear Senator Di Natale,

### **Submission to the Senate Select Committee Inquiry into the Commission of Audit**

The Consumers Health Forum of Australia (CHF) welcomes the opportunity to provide input to the Senate Select Committee Inquiry into the Commission of Audit (*the Inquiry*).

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.

CHF recognises the objective of the Audit to review the scope, efficiency and functions of the Commonwealth government. CHF supports the Government's view that there are opportunities to improve the current scale of activities. However, while CHF acknowledges the current need to focus on fiscal sustainability, we are strongly opposed to the creation of additional barriers to health care access.

Australia is already experiencing the emergence of a two-tiered health system where people on low incomes struggle and often fail to get the care they need in a health system which can provide the very best care for those who can afford it. Any imposition of additional barriers such as co-payments will serve to widen this disparity, and further erode equitable access to health care for all Australians.

CHF believes this Audit offers a key opportunity to re-orientate the system from a throughput model to a focus on outcomes and results, as detailed in our submission. It is vital that we do this so that our health system continues to remain sustainable while delivering the best health outcomes for all Australians.

CHF appreciates the opportunity to provide and input to the Inquiry and awaits the outcomes of this significant process.

Yours sincerely,

**Rebecca Vassarotti**

**A/ CHIEF EXECUTIVE OFFICER**



**Submission to the Senate Select Committee  
Inquiry into the Commission of Audit**

**January 2014**

## **Consumers Health Forum of Australia Submission to the Senate Select Committee Inquiry into the Commission of Audit**

### **Introduction**

The Consumers Health Forum of Australia (CHF) welcomes the opportunity to provide a submission to the *Senate Select Committee Inquiry into the Commission of Audit* (the Inquiry).

CHF is the national peak body representing the interests of Australian health care consumers. CHF works to achieve safe, quality, timely health care for all Australians, supported by accessible health information and systems. As such, CHF and its members have a strong interest in ensuring that our health system delivers and meets these principles.

CHF recognises the objective of the Commission of Audit to review the scope, efficiency and functions of the Commonwealth Government. CHF supports the Government's view that there are opportunities to improve the current scale of activities and improve the effectiveness of Government spending.

However, CHF is concerned with the focus on achieving revenue savings through the proposed imposition of additional co-payments on health consumers. Ongoing public commentary around this suggestion, as well as CHF's submission to the Commission of Audit<sup>1</sup>, continue to highlight the serious impact any decision to introduce any co-payments will have on the health and welfare of all Australians.

Consumers want a health system that is people-centred, navigable, affordable, accessible, safe, and of high quality. The submission to the Commission of Audit addresses a range of imperatives that should be considered in assessing the current health system:

- Reducing latent waste in the health funding system;
- Addressing out-of-pocket costs;
- Investing in primary health care; and
- Moving towards a performance based health care model.<sup>2</sup>

CHF has drawn on extensive consultation with members over recent years in the preparation of our submission to the Commission of Audit and in this submission to the Inquiry.

Our recommendations to the Commission of Audit were developed with the current financial climate in mind, and our submission represents a commitment to contribute to the discussion about savings as well as expenditure initiatives.

To support this submission to the Inquiry, CHF also conducted a member survey to get consumer perspectives on some of the proposals currently being proposed to the Commission of Audit. The survey, launched in mid January has already received hundreds of responses, with the vast majority of respondents expressing significant concerns regarding proposals

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<sup>1</sup> CHF (2013), *Submission to the National Commission of Audit*, Consumers Health Forum of Australia: Canberra

<sup>2</sup> Op. Cit. CHF 2013

surrounding co-payments in health and its impact on their ability to access timely, appropriate care.

CHF's consultations show that the imposition of additional co-payments is an ad-hoc response which could in fact lead to higher health care costs in the long run, and poorer health for those on low incomes and the chronically ill. Rather than creating additional barriers to health care access through short term measures such as co-payments, CHF argues that it is time to review how we structure health management and distribute health funding. This would include the introducing measures that will ensure that the values of universality and accessibility can be maintained in a health system facing new challenges and pressures.

Overall, while CHF acknowledges the current need to focus on fiscal sustainability, we are strongly opposed to the creation of additional barriers to health care access and see that co-payments can and do present significant barriers to access. Our 'universal access' health system has already been eroded by the introduction of a range of co-payments. As such, Australia is already experiencing the emergence of a two-tiered health system where people on low incomes struggle and often fail to get the care they need in a health system which can provide the very best care only for those who can afford it. Any imposition of additional co-payments will serve to widen this disparity, and further erode equitable access to health care for all Australians.

CHF's submission to the Inquiry is focused on the terms of reference relevant to the *potential impact of any proposed revenue measures on the Budget and on taxpayers, including access to services like health and education.*

## **Overarching burden of Out-of-Pocket Costs**

As noted in our submission to the Commission of Audit<sup>3</sup>, CHF is concerned that the terms of reference of the Commission of Audit include a focus on "*savings and appropriate price signals – such as the use of co-payments, user-charging or incentive payments – where such signals will help to ensure optimal targeting of programs and expenditure (including to those most in need), while addressing the rising cost of social and other spending*".

### ***Existing burden of co-payments***

Existing levels of individual co-payments already comprise 17% of total health care expenditure in Australia<sup>4</sup> and are the largest non-government source of funding for health goods and services. According to a recent study by Commonwealth Fund<sup>5</sup> consumers are already contributing a larger part of the health bill than their counterparts in most developed western countries when health care spending is adjusted for the cost of living. It found that Australians pay more in direct payments than all over countries surveyed, apart from the USA and Switzerland.

There is a growing body of evidence that many Australians are missing out on essential health care and experiencing financial stress due to the impact of co-payments. A number of groups in the community are particularly vulnerable to the impact of co-payments, including:

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<sup>3</sup> Op. Cit. CHF 2013.

<sup>4</sup> Organisation for Economic Cooperation and Development Health Data 2008 OECD 2008

<sup>5</sup> David Squires Multinational Comparisons of Health Systems Data, 2013 Commonwealth Fund 2013

people with chronic illnesses; people on low incomes; people living in rural and remote areas; young families; and older Australians<sup>6</sup>.

Co-payments are a less equitable form of payment for health care than most alternatives (such as taxation) as they have a disproportionate impact on people who are high level users of health care and low income households. Given that sicker people tend also to be poorer than average – as illnesses and disabilities often adversely affect earning capacity – the overall impact of increasing co-payments for health care, without introducing appropriate safety-net or compensatory measures, is to shift the burden of health funding from the affluent and healthy to the sick and poor.

### ***The consumer impact of current co-payments***

As previously noted, CHF has undertaken a member survey asking consumers to share their experiences around the impact of current co-payments in health. At the time of providing this submission, over 300 consumers have shared their stories about the impact of current co-payments, and their views around proposals for new co-payments. The vast majority of survey respondents have shared stories about the negative impact of current co-payments and how this is resulting in:

- ***Delays in treatment:***

*“...I live in a rural town and the specialist I needed to see is in Melbourne. I have put it off for over 12 months simply because I couldn't afford to travel down, a hotel and the specialist fees. I still cannot really afford it, so we are doing a video conferencing appointment, which in my understanding you do not get a rebate. But I would probably benefit more by attending this appointment in person but just cannot afford it.”* Consumer from VIC, CHF survey 2014

*“I've prioritised access to a health practitioner for someone in my family over myself sometimes - if I think their need is greater than mine - this might result in my delaying access for myself - this always requires careful judgement and can be a balancing act.”* Consumer from ACT, CHF survey 2014

- ***Choices between treatment and other essential service:***

*“I can't afford as healthy, high quality food and cannot afford social outings.”* Consumer from VIC, CHF survey 2014

*“We delay using services as the cost is to [sic] great and we can't afford it financially. Sometimes it means the kids miss out on things that they need but we try to do what we can.”* Consumer from WA, CHF survey 2014

- ***Severe financial stress:***

*“It has had a massive impact on my health due to stress of limited finances and I have needed to move in with my parents as I can not [sic] afford medical expenses and living expenses. It has also impacted my family's health as they have been stressing about me getting worse without proper treatment/Specialists and about finances as well. I am not able to work due to*

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<sup>6</sup> Yusuf F., Leeder S. 2013. Can't escape it: the out-of-pocket cost of health care in Australia. Medical Journal of Australia. Med J Aust 2013; 199 (7): 475-478.

*chronic illness and I have NO income, I feel that the government does not help enough at all.”* Consumer from VIC, CHF survey 2014

*“It has meant that medical conditions have gone undiagnosed for extended periods of time, and unmanaged thereafter. Its a catch 22 situation. With good management I might be able to get back to work to afford the health care I need, but without that health care, my condition is undertreated and undermanaged (lack of expertise a significant factor) and I am unable to work. Lack of health care has a massive impact on all facets of life. Lessened mobility, social activity and interaction, loss of quality of life, increased stresses and pressures which in turns adversely affects wellness; depression; financial stresses and pressures...the list is endless. Suicidal and suicide attempts.”* Consumer from VIC, CHF survey 2014

- **Chronic Disease issues**

*“The rising cost of private health cover will force us soon to reduce our cover. Without the medicare safety net we would have difficulty paying for our health costs due to having chronic illness.”* Consumer from NSW, CHF survey 2014

*“Access to wellness therapies for people with chronic health issues will cost less than the ambulatory care most will end up needing when their condition inevitably worsens from inactivity, mobility and mental health issues that are never addressed in these cases...”* Consumer from NSW, CHF survey 2014

*“ALL 4 members of our family have chronic health issues, disabilities and need multiple medications. We were all well 9 years ago, when our first daughter was diagnosed with autism and an ID - we all started to be diagnosed from then on and none of them seem to be related to each other. As a young family, we are a walking medical dictionary. We require our health care card to ensure that we get all of our medications as cheaply as possible and we need bulk billing are [sic] we are all constantly at the doctor. Before we started to become ill - we were a normal family in high-paying jobs, living the dream life.”* Consumer from QLD, CHF survey 2014

Consumers have also provided their perspectives on the potential impact of new co-payments. For example:

*“I am relatively lucky enough to be able to afford private health cover (just-we are considering reducing our level though), unlike my pensioner mother who has many health issues. I am concerned that introducing this fee will encourage more people to go to ER for health issues that could quite easily be treated by the local GP. Once again the already overloaded, underfunded, under resourced hospital system will suffer!!”* Consumer from NSW, CHF survey 2014

The current level of co-payments is already resulting in the emergence of a two-tiered health system. While Australia has one of the best health care systems in the world, and can offer a very high quality of care, many vulnerable health care consumers struggle and often fail to get the care they need when they need it. The erosion of our universal health system is resulting in widening disparity in access to health care, and the introduction of additional co-payments across health care will only serve to widen this gap.

### ***Decreasing consumer health cost-saving measures***

Existing cost-saving initiatives are already set to take a toll on health care affordability with the abolition of Net Medical Expenses Tax Offset, combined with other proposed savings measures such as the proposed increase to the threshold for the Extended Medicare Safety Net to \$2000. These initiatives were originally introduced in recognition of the issue of rising co-payments in the health system and the fact that some health care consumers are facing significant costs. The reduction of these initiatives means that the protections that have been put in place to support health care consumers with high levels of co-payments are being eroded. While there are legitimate issues raised in relation to the effectiveness of these measures, removal without alternative cost-saving initiatives will continue to impact on affordability in the health care system.

### ***Barriers to Accessing Primary health care***

Co-payments for primary health care services are particularly problematic. While reducing access to cost-effective primary care and/or preventive health services may save program budgets in the short-term, the long term impacts will include higher health and social costs if minor problems that could have been dealt with develop into more serious illnesses. As such, paradoxically increasing co-payments, particularly in primary health care may in fact lead to higher health expenditure as treatment is delayed until consumers are forced to access acute and hospital based services.

### ***Make Savings Rather Than Shift Costs***

CHF recognises that our universal health care system is facing increasing constraints in delivering on its core objectives. However, in addressing these issues, CHF would not support measures that increase co-payments and charges given the considerable evidence surrounding the impact of growing out-of-pocket costs on Australians. CHF believes that a re-alignment of health funding, as detailed in our submissions to the Commission of Audit<sup>7</sup>, would see sufficient revenue raised without undermining the principles of universality that underpin current arrangements.

The current structure of our health care system, which uses a fee for service mechanism and rewards throughput rather than performance and outcomes, is already resulting in significant out-of-pocket-costs for all Australians. The introduction of any additional co-payment to access health care will only serve to increase this burden, and increase inequity within our health system. This approach does not result in an overall saving in health expenditure but instead just shift these costs, in a way that disproportionately impacts on vulnerable health care consumers without addressing effectiveness.

### **Recommendation**

- 1. CHF strongly objects to any proposals to increase co-payments across the health care system. Consumers in Australia already bear the burden of significant out-of-pocket costs, and we question any approach that creates more disincentives in access to health care.**

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<sup>7</sup> Op. Cit. CHF 2013

## **Addressing fundamental issues across the health system**

Introducing co-payments is a short-term measure that essentially shifts health care costs from one part of the system to another, and does not address the critical issues across the funding of health care in Australia, and how to ensure sustainability into the future.

As previously noted, rates of chronic illness are rising in Australia, and governments are already spending more to address this growing issue. Increased rates of chronic disease are expected to require significant health expenditure in years to come.<sup>8</sup> However, central to Australian health care spending is the current Medicare system which is in need of review to ensure that its essential core of delivering universal health care is maintained as we move into the future.

As the users and funders of health care (through taxes and through co-payments) consumers need to be part of the discussion on ways in which we ensure sustainability within the health care system into the future. They need to be part of a review of the current system which has seen the emergence of co-payments and continues to support throughput rather than better quality of health outcomes.

### ***Changing health landscape***

The nature of illness and disease has changed significantly since Medicare was introduced 30 years ago. Medicare has essentially provided funding subsidy for on-off interactions with the health system such as a visit to the doctor or a short hospital stay. While this model works well for people who have a single or short-term health condition that can be treated effectively over a short period of time, it is less suited to the increasing numbers of people who may have one or more chronic, and often complex, illnesses that require ongoing interactions with a range of health care providers in both the hospital and the community.

We now see widening gaps in both health outcomes and ability to access health care. This includes people who find it hard to access necessary health services, as well as those whose circumstances and background make it more likely that they will disproportionately suffer from disease than those in society at large.

### ***Reconsideration of Funding models***

The latest report from the National Health Performance Authority<sup>9</sup> reveals sharp differences in the performance of public hospitals when it comes to how long patients with malignant bowel, breast or lung cancers have to wait for surgery after the decision to operate has been made. This highlights the pressing need to examine the mechanisms that incentivise performance, and are linked to the improvement of health outcomes for local communities and populations.

CHF has called for a reconsideration of the current funding framework, which is focussed on throughput and activity rather than performance. Australia needs a new focus on health outcomes and delivering services that meet the needs of consumers.

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<sup>8</sup> Australian Government (2010) *The 2010 Intergenerational Report – Australia to 2050: Future Challenges*. Commonwealth of Australia: Canberra.

<sup>9</sup> National Health Performance Authority 2013, Hospital Performance: Cancer surgery waiting times in public hospitals in 2011–12



CHF argues that there are opportunities to structure funding in a way that focuses and rewards improved health outcomes and services that meet the needs of individual health consumers. If we genuinely want shared care arrangements, what we need to see is a funding model that is centred around the consumer. A fee-for-service model can work effectively for individual visits to health professionals to manage straightforward health problems. However, for consumers with multiple, chronic complex conditions, requiring multidisciplinary care arrangements, it is time to consider other models.

### ***Focus on Primary Care***

A well-resourced integrated primary-care system offers a more comprehensive and effective response to many of today's chronic diseases, with the GP leading the team of health professionals -such as practice nurses, physiotherapists, psychologists, dietitians and podiatrists- who may oversee much of the regular therapy chronically ill patients need. While this requires up-front investment, these are the approaches which will result in sustainability of the health system in the long term.

This patient-centred strategy would replace the present approach that offers only limited avenues for the doctor and patient to harness the most appropriate care and support. A national trial for diabetes care may well show support for a performance-based payment system that provides incentives for doctors and patients who reach shared goals.

Alternatively, introducing a co-payment system will just serve to further delay the urgent task of bridging the gaps in healthcare affordability and access, which is the more critical issue at hand.

### **Recommendation**

**2. CHF recommends a review of Medicare and move towards a more performance based health care funding framework. CHF rejects the introduction of any co-payments which will only serve to move further away from patient centred care.**

### **Conclusion**

CHF believes that the current financial environment provides an opportunity for a realignment of health expenditure to enable investment in early intervention and primary care initiatives. Consumers are facing increasing barriers in accessing timely and appropriate care. There is a key opportunity to re-orientate the system from a throughput model to a focus on outcomes and results. It is vital that we do this so that our health system continues to remain sustainable. While this process will take time, commencing the process has never been more apt. While a more complex task than focusing on the introduction of short-term co-payments, this approach will deliver in relation to sustainability of the health system in the long term, and most importantly reducing rising health costs and delivering better health outcomes for all Australians.

CHF appreciates the opportunity to provide and input to the Inquiry and awaits the outcomes of this significant process.



The Consumers Health Forum of Australia (CHF) is the national peak body representing the interests of Australian health care consumers. CHF works to achieve safe, quality, timely health care for all Australians, supported by accessible health information and systems.

CHF does this by:

1. advocating for appropriate and equitable health care
2. undertaking consumer-based research and developing a strong consumer knowledge base
3. identifying key issues in safety and quality of health services for consumers
4. raising the health literacy of consumers, health professionals and stakeholders
5. providing a strong national voice for health consumers and supporting consumer participation in health policy and program decision making

**CHF values:**

- our members' knowledge, experience and involvement
- development of an integrated health care system that values the consumer experience
- prevention and early intervention
- collaborative integrated health care
- working in partnership

CHF member organisations reach Australian health consumers across a wide range of health interests and health system experiences. CHF policy is developed through consultation with members, ensuring that CHF maintains a broad, representative, health consumer perspective.

CHF is committed to being an active advocate in the ongoing development of Australian health policy and practice.