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19 November 2015

Committee Secretary
Senate Community Affairs Legislation Committee
PO BOX 6100
Parliament House
CANBERRA ACT 2600

Dear Committee Secretary

***Health Insurance Amendment (Safety Net) Bill* 2015**

The Royal Australian College of General Practitioners (RACGP) thanks the Senate Community Affairs Legislation Committee for the opportunity to provide a submission on the *Health Insurance Amendment (Safety Net) Bill 2015* (the Bill).

Background

The RACGP is the specialty medical college for general practice in Australia. We represent over 30,000 members working in or towards a career in general practice. The RACGP is responsible for:

- defining the nature of the discipline and the scope the profession
- setting the standards and curriculum for education and training
- maintaining the standards for quality clinical practice
- supporting general practitioners in their pursuit of excellence in patient care and community service.

The RACGP is committed to improving the health of all Australians through promoting access to quality general practice services. As outlined in the RACGP's Core strategic objectives, our members strive to support fairness and equity.

The RACGP's position on the Bill

The RACGP supports the intent of the Medicare safety net providing additional assistance to patients who face out-of-pocket costs when accessing clinically necessary care. The RACGP supports the aims of providing greater support to concessional patients and to increase transparency and consistency of the Medicare safety net.

However, the RACGP has significant concerns that the proposed changes will leave all patients with greater out-of-pocket costs. Although the safety net thresholds have been lowered, it will be harder for patients to reach the threshold because less of their out-of-pocket expenses will count toward it. Once patients reach the threshold, less of their out-of-pocket cost is covered.

The Royal Australian College of General Practitioners
100 Wellington Parade, East Melbourne, Victoria 3002 Tel +61 3 8699 0414 Fax +61 3 8699 0400
www.racgp.org.au ACN 000 223 807 ABN 34 000 223 807

We also note that the Bill's intended purpose is to address fee inflation by prompting health service providers to reduce their fees for certain services. However, there is no guarantee that provider behaviour will actually change if the changes come into effect on 1 January 2016. The restrictive caps placed on the maximum accumulation amount and the safety net benefit will have an increasingly harmful effect on patient access to clinically necessary care.

General practice and the Medicare safety net

Currently, 84.5% of consults are bulk billed in general practice, therefore the proportion of patients who require support to meet out-of-pocket costs when accessing general practice services will be small.[1] However, those patients will also see other providers where the impact of the safety net changes will be much greater. Therefore, GPs are concerned about the possible effects of this Bill across the broader healthcare sector, and not only as it applies to patient access to general practice services.

GPs coordinate and plan care for patients. High out-of-pocket costs to access other medical specialists or healthcare services prevent patients accessing the care they require. The Australian Bureau of Statistics (ABS) reported that one in twenty (5%) people delayed or did not visit to a GP in the past 12 months due to cost, while one in twelve (8%) delayed or didn't consult other specialists due to cost.[2] The changes to the safety net will only serve to exacerbate existing cost barriers.

The combined effect of the Bill and Medicare indexation freeze

The proposed Medicare safety net changes coupled with the indexation freeze will increase the cost of care to all patients. Safety net thresholds will be indexed annually in line with the Consumer Price Index (CPI) while patient rebates remain frozen. The value of the safety net benefit will be eroded over time as out-of-pocket costs increase and patient rebates remain stagnant.

Following is an example of this effect. It considers the scenario of a patient who has qualified for the safety net attending a GP for Level B general consultation (item 23) and paying the GP for the service provided.

Under the proposed Medicare Safety Net, patients who have reached the threshold and pay $76 for an item 23 would face $20.43 in out-of-pocket costs, compared to $7.80 under current safety net arrangement.

In 2018, when the indexation freeze has been in place for 3 years and GP fee has increased according to CPI to $80.65, patients will face $25.08 in out-of-pocket costs compared to $8.51 under the current safety net.

Medicare rebates do not reflect the cost of providing care

The RACGP recognises the need to address situations where patients are charged seemingly excessive fees for healthcare.

[1] Department of Health. Annual Medicare Statistics Canberra2014 [cited 2015 7 April]. Available from: http://www.health.gov.au/internet/main/publishing.nsf/Content/Annual-Medicare-Statistics.
[2] Australian Bureau of Statistics. 4839.0 - Patient Experiences in Australia: Summary of Findings 2014-15 2015. Available from: http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/4839.0Main+Features12014-15?OpenDocument.

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However, the proposed changes to the Medicare safety net are the wrong solution as many MBS patient rebates do not accurately reflect the actual cost of delivering a quality health service. This issue is further compounded by the 'one size fits all' proposed by the Bill, where the same multipliers:

- apply to all patients, regardless of concession card status or patient need
- apply to all patient rebates, regardless of total patient rebate amount or historical growth in fee inflation.

The 150% multiplier (or 150% - patient rebate) of the scheduled fee for calculating the maximum accumulation amount and safety net benefit is too low to be applied across all MBS items and to meaningfully assist patients to meet their out-of-pocket costs for healthcare.

Example provided at Senate Community Affairs Legislation Committee hearing on 16 November 2015

At the Committee's hearing on 16 November, the RACGP's representative, Dr Bastian Seidel, provided an example of the effect of the Bill on qualifying for the safety net threshold using general practice consultations.

Under the proposed changes, less of a patient's out-of-pocket costs will count towards the Medicare safety net. For example, the current safety net threshold for a concession family is $638.40, compared to $400 threshold for the new threshold.

Under the current arrangements, if the patient is charged $76 for a standard consultation in general practice, it would take them 16 consults to reach the threshold (i.e. $638.40 worth of out-of-pocket costs to reach the $638.40 threshold, because all out-of-pocket costs are included).

Under the new arrangements, if the patient is charged $76 for a standard consult, it would take 21 consults for them to reach the threshold (i.e. the patient would pay $817.95 worth of out-of-pocket costs by the time they reach the $400 safety net threshold, because not all out-of-pocket costs are included).

Conclusion

Implementation of the proposed changes in the Bill will affect all patients, regardless of income, health need or socio economic status. The proposed changes to the Medicare safety net set out in the Bill are a blunt solution to a complex problem. Any solution needs to provide genuine support for patients experiencing high out-of-pocket costs while preventing unnecessary fee inflation.

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I trust that our feedback is helpful. Should you wish to discuss this matter further, please feel free to contact me directly or Ms Sarah Maguire, Council Coordinator

Yours sincerely

Dr Frank R Jones
President

The Royal Australian College of General Practitioners
100 Wellington Parade, East Melbourne, Victoria 3002 Tel +61 3 8699 0414 Fax +61 3 8699 0400
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