



Private Healthcare Australia
Better Cover. Better Access. Better Care.

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Legislation brief

PRIVATE
HEALTHCARE
AUSTRALIA
RECOMMEND THAT
THE BILL BE PASSED
WITHOUT
AMENDMENT

Key points

The Bill responds to recommendations of the Review of Medicare Integrity and Compliance

The changes to the Professional Services Review Scheme will improve perceptions of independence

The Bill is part of a wider program tackling fraud, miscoding and low value care

Addressing fraud, miscoding and low value care will reduce burden of treatment, government costs and consumer's private health insurance premiums

Health Insurance Amendment (Professional Services Review Scheme) Bill 2023

This Bill represent the first legislative response to the independent Review of Medicare Integrity and Compliance undertaken by Dr Pradeep Philip ([Philip Review](#)), released in April 2023.

Within weeks of receiving the report, the government has acted. First, the [Health Portfolio Budget](#) included \$29.8 million over four years to fund the response to the Philip review, as called for by Private Healthcare Australia (PHA) in our [Budget Submission](#). This funding will provide resources to examine fraud, miscoding and low value care.

The *Health Insurance Amendment (Professional Services Review Scheme) Bill 2023* is the legislative response to the initial recommendations of the Philip Review, to promote best practice for the “pointy end” of compliance activities, through the Professional Services Review (PSR).

Very few doctors will ever be referred to the PSR, but a strong, independent compliance monitor not only addresses poor behaviour from a small minority, but provides advice and encouragement on best practice to the vast majority of providers who do the right thing.

The perception of independence for the PSR is compromised by the current legislative requirements to consult a specific industry group whose members are subject to enforcement measures on the choice of Director. While consultation and soundings on appointments are generally a good idea, it should be unambiguously up to the government of the day to make such decisions in the public interest.

Removing the veto power is necessary to improve the scheme's integrity.

The other parts of the Bill provide for similar changes or improved administrative arrangements and should be supported.

The Bill is part of a wider response to Medicare Integrity and Compliance, which is a major issue for the community. The Philip Review highlighted the dangers of the current approach, with [Minister Butler responding](#) that, “at a time of great pressure on household and Government budgets, every dollar in Medicare is precious and must be spent directly on patient care.”

The Minister also noted, “Strengthening Medicare also means safeguarding the taxpayer funds that underpin it and this Government is committed to that task.”

PHA identifies three key aspects of low value care:

- **Fraud**, where monies are claimed for a service that did not occur. We consider fraud to be rare in Australia.
- **Miscoding**, where a provider chooses the more favourable description of a service where the descriptors are open to interpretation. In a fee for service model such as Australia, miscoding is endemic among some providers.
- **Low value care**, where there is low benefit (or risk of harm) which do not outweigh the costs of the procedure. Importantly, dollars spent on low value care are not productive.

It often takes many years or decades to reduce or eliminate low value care. However, it can be done. For example, knee arthroscopies used to be very common in Australia, but hard work from academics, strong clinical leadership and government action has reduced the incidence of this essentially useless procedure dramatically in recent years – saving consumers millions of dollars and much pain and suffering.

When introducing Medicare in 1983, then Health Minister Neal Blewett noted, “The more complex a health scheme, the more likely it is to favour the well -off, the articulate and those capable of manipulating a complex system” (Hansard).

The complexity of Medicare has grown over time and this has resulted in higher levels of fraud, systematic inappropriate claiming and many areas of low value care in Australia’s health system. No level of fraud is acceptable, and miscoding and low value care must be eliminated.

Estimates of the prevalence of low value care in Australia indicate a significant issue for consumers, funders and governments. Braithwaite et al (2020) notes, “While change is everywhere, performance has flatlined: 60% of care on average is in line with evidence- or consensus-based guidelines, 30% is some form of waste or of low value, and 10% is harm.”¹ The Philip Review suggested a figure of financial loss to the taxpayer of between \$1.5 billion and \$3 billion per annum.

This Bill is a small but vital part of the government’s program to improve Medicare integrity, and PHA recommends that the Bill be passed without amendment.

¹ At <https://bmcmecicine.biomedcentral.com/articles/10.1186/s12916-020-01563-4>