

PARLIAMENTARY INQUIRY QUESTION ON NOTICE

Department of Health

Senate Select Committee on COVID-19

**Inquiry into the Australian Government's response to the COVID-19
pandemic**

26 May 2020

PDR Number: IQ20-000280

Question Subject: MBS rebate on COVID tests

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Senator: Richard Di Natale

Question:

Senator DI NATALE: I understand that the MBS item number for processing COVID tests is \$100 for the private providers and \$50 for public providers.

Ms Edwards: Yes.

Senator DI NATALE: What is the rationale for that discrepancy?

Ms Edwards: The rationale of fifty-fifty correlates to the fifty-fifty cost-sharing relationship arrangement we have with states and territories in relation to all COVID related expenditure through the national partnership agreement which was agreed in relation to COVID. So it is on the same basis. We are sharing with the states and territories the healthcare costs of this pandemic, and we are doing it equally in the private pathology labs.

Senator DI NATALE: There are a number of other MBS item numbers where there isn't a discrepancy between public and private providers. They're basically being given the same reimbursement, regardless of where they deliver those services. So why specifically for pathology and not for other areas of the MBS?

Ms Edwards: We are in unusual specific times.

Senator DI NATALE: Sorry—that's a really glib answer. Could you please take the question seriously.

Ms Edwards: I don't think I can add anything to my answer.

Prof. Murphy: I think what Ms Edwards is saying is that the COVID tests are specifically covered by this partnership agreement with the states and territories, so they are funding half of everything, even though in other pathology tests when they do private work they get the full benefit of the MBS fee, even though it may be that they're covering some of those costs of these public labs themselves. In this particular circumstance we have a deal across all the states and territories that everything we spend is split down the middle, and that

applies to these specific COVID tests as well as everything else.

Ms Edwards: That's right.

Senator DI NATALE: So has the department actually secured an agreement that the states are going to fund the second half of that fee for the public providers?

Ms Edwards: The states are aware that it's a 50 per cent reimbursement for these tests when they're done in their labs, and they've been content with that arrangement.

Prof. Murphy: The public labs are largely funded by public hospital core funding. Their private work is money on top. I used to run one of them. They would be very happy to be able to fund the other half of the cost, I think. It's just part of the general, overall principle of the COVID cost sharing, which has worked well.

Senator DI NATALE: Can you just tell me how you came to the \$100 figure? What was the basis for that?

Ms Edwards: I think I'd have to take that on notice and get back to our specific costing team about that.

Answer:

- On 13 March 2020, Medicare Benefits Schedule (MBS) item 69485 was listed for microbiology testing for the detection of severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) in private patients.
- This item was introduced to help support the Australian pathology sector to increase its capacity to provide accessible and rapid laboratory testing of SARS-CoV-2, the virus that causes COVID-19. At the time, the cost of the novel test were still being determined.
- On 1 April 2020, a new MBS item for private sector pathology COVID-19 testing, with a schedule fee of \$100 was introduced. The increase in rebate reflected the changing and volatile market prices for COVID-19 testing supplies and personal protective equipment, and information provided by the sector on elevated costs of the usual inputs to a pathology service in the context of the pandemic. Usual costs include collection, transport, laboratory and staff costs. The fee was comparable to rates provided by other governments at the time.
- The \$100 Schedule Fee was backdated to 13 March 2020.
- MBS rebates for pathology services performed by public providers are generally distinguished from services provided by private providers. For example, patient episode initiation fees are higher for the private sector in recognition of the flow of funding from the National Health Reform Agreement (NHRA) to public sector laboratories, for example for infrastructure costs.
- The different MBS fee for COVID-19 testing of \$50 for public laboratories and \$100 for private laboratories recognises the significant financial contribution the Australian Government has made in collaborating with the States and Territories.
- In addition to the funding contributions provided to assist the States and Territories with the costs of delivering public health services through the NHRA, under the National Partnership on COVID-19 Response the Commonwealth has agreed to

provide an uncapped 50 per cent contribution to the costs incurred by the state public health and hospital systems in responding to the COVID-19 outbreak.

- States and Territories retain primary responsibility for public health services. Patients presenting for public health COVID-19 testing should be treated as public patients and therefore covered under the Australian Government's agreement with the States and Territories.