

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 102

Topic: Medicare Benefits Schedule

Hansard Page: E37 (03/06/2010)

Senator ABETZ asked:

Senator ABETZ—Senator Sherry, as I indicated, I have two brief brackets of questions. OzCar was brief; I think this one will be as well. In the 2009 budget there was a decision taken to deregulate the collection centre scheme for pathology services.

Dr Kennedy—I will just check with my colleagues.

Senator ABETZ—Yes, of course. For what it is worth, it is supposed to start on 1 July this year.

Dr Kennedy—I think the best I can do for you, Senator, is take the question on notice. In fiscal group our colleague Ms Peta Furnell looks after social policy inclusion.

Senator ABETZ—I should have asked this in fiscal group rather than in markets. Fair enough. That is fine.

Dr Kennedy—Certainly we look after competition issues, but where they go to a specific industry or market we would look at the area that is responsible for that area, and in this case it is social policy division. But if you want to give me your question—

Senator ABETZ—Thank you. Would you be so kind as to take it on notice, albeit I may be in the wrong area. I would be interested in what Treasury modelling or advice was provided as the background to this decision, because the proposition that has been put to me is that, by deregulating the number of collection centres, there will be a lot more collection centres; therefore, the capital cost will increase; therefore, there will be a driver to try to cover those extra costs; and, therefore, we will see an increase in pathology services to cover all that. When the licensing system was introduced it was designed to restrict the growth in pathology services, and it seemed to have worked. I will leave all that on the *Hansard*. If you can get back to me on notice I would be much obliged.

Dr Kennedy—Yes. I will just clarify. Are you most concerned about overservicing arising out of this deregulation, rather than price?

Senator ABETZ—The extra cost to MBS payments—whether advice was sought from Treasury or any analysis done. I am interested in what the likely impact might be.

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Answer:

The Treasury participated in an inter-departmental process prior to the 2009-10 Budget which provided advice to the Government on arrangements for diagnostic imaging services and pathology services, including the regulation of pathology collection centres.

Although the nature of this advice is internal to Government, Treasury's main focus reflected its portfolio responsibilities — specifically issues relating to competition policy, regulation and well-functioning markets, as well as access, sustainability and expenditure growth for such services.

The Budget's forward estimates were not adjusted due to the changes to licensing arrangements for collection centres. It was assumed there would be no increase in the number of Medicare Benefits Schedule (MBS) services resulting from these changes as:

- there was no evidence of unmet demand;
- pathology providers are prohibited from pressuring or providing inducements to doctors to request services. Medicare Australia investigates any alleged breaches of the prohibited practice provisions of the Health Insurance Act 1973; and
- inappropriate practice, including suspected cases of over-servicing, by any practitioner that provides MBS services is monitored by Medicare Australia and investigated by the Professional Services Review (an independent authority within the Health and Ageing portfolio).

To enhance consumer choice and increase competition between pathology providers from 1 July 2010, patients may present request forms for Medicare-eligible pathology services to any approved pathology provider. Previously the provider was designated by the referring doctor.

Given the complex nature of the pathology services sector, it is difficult to attribute changes in the growth in pathology expenditure under the MBS to the previous collection centre arrangements.