DISSENTING/MINORITY REPORT

Australian Labor Party, Australian Democrats and Australian Greens

Health Insurance Amendment (Medicare Safety-nets) Bill 2005

The Labor Party, the Australian Democrats and the Greens have two broad concerns about this report – that it does not adequately address the known adverse impacts of the Medicare safety net, and that the restricted time allowed for consideration of this legislation has meant that a full examination of the impacts of the new changes has not been possible.

The Labor Party, Australian Democrats and the Greens (hereafter referred to as "opposition parties") are concerned that the committee's report does not take into account other publicly available evidence which illustrates that the safety net is contributing to health inflation and larger out of pocket costs for health consumers, problems which could fundamentally weaken Medicare in the future.

The opposition parties also believe it is unsatisfactory for key health stakeholders and policy makers, present at the hearings on this Bill, to cite insufficient or no evidence as a reason for not addressing major weaknesses in the Extended Medicare Safety Net, particularly when this evidence is well publicised and readily available via internet or other public sources.

We also note the short period of time allowed for submissions to be made and for attendance to the single public hearing, which was held a week after the Bill was referred to the committee. Given the controversy surrounding the government's pre-election campaigning on this policy and the subsequent reversal of this position, the opposition parties believe more time was required to allow for greater input and consideration of the costing and policy development elements of this policy.

Further consideration of these matters is detailed below.

Affordability of medical services

The opposition parties believes there is ample evidence on the public record which supports the assertion that the Medicare safety net has contributed to ongoing decline in the affordability of medical services, and in particular, medical services offered by specialists. The Chair's report correctly notes that both the Department of Health and Aged Care and the Australian Medical Association have denied that there is any evidence to suggest that this is the case. However, official data sources provide ample evidence.

The Health Insurance Commission produces a comprehensive set of data on its HIC online web site, at: http://www.hic.gov.au/providers/health_statistics/statistical_reporting.htm. According to the data on this web site, both the cost to the budget (benefits paid out) and the number of services have been significantly affected by the government's policy introduced in 2004.

In the area of diagnostics, benefits paid increased by 6.4 per cent in the first quarter of the Medicare safety net's operation in 2004, and then by 10.2 in the subsequent quarter. This compares with two previous consecutive quarters in which rebates for diagnostic imaging fell by 3.3 per cent in the fourth quarter of 2003 and 2.2 per cent in the first quarter of 2004.

In the area of obstetrics, the effect of the safety is well defined, and even though this can be partially explained by the creation of a new Medicare item "to make explicit the nature of these charges for the out of hospital management of the pregnancy beyond 20 weeks"[1], this is still much evidence to suggest that the safety net provides incentives for doctors to adjust billing practices to meet the new requirements of the extended safety net.

In the first year of the safety net's operation, Medicare rebates for obstetric services experienced a dramatic quarter on quarter increase: in the first quarter after the safety net's introduction rebates increased by 13.5 per cent, and then by 50.9 per cent. The third quarter saw rebate growth continue, by 26 per cent. There was also evidence of delays in scheduling procedures as rebates fell sharply in the first quarter for 2005 but then resumed their quarter on quarter growth by 30 per cent in June 2005. The data does not appear to suggest that this rebate growth was matched with a corresponding increase in obstetric services.

The opposition parties also note that in the first quarter of 2005, the rebates paid for diagnostics also fell, before increasing by 14.7 per cent in the second quarter of 2005. This pattern, which is seen in other types of Medicare services, suggests that the qualification period for the safety net is affecting the timing of medical services. This can be seen in either lags or reductions in service levels in the first stages of the year, as people wait until they have qualified for the safety net, and by spurts in the latter stages of the calendar year, where more services are likely to be captured by the safety net. We question the efficacy and appropriateness of the incentives being offered by the Medicare safety net which in this case could be some postponing necessary care or promoting the over use in the latter stages of the year.

Recently, the government has initiated an investigation in the area of IVF, in response to attempts by the Health Minister to reduce access to IVF procedures provided under Medicare. While the opposition parties acknowledge the increase in rebates in this area since the commencement of the safety net, they also maintain that the safety net

[1] Senate Community Affairs Committee, Additional Estimates 2004-05 17 February 2005, Answer to Question on Notice: E05-208

provides specialists with incentives to adjust billing and timing of procedures to maximize the benefits for the patients to be attained from Medicare. The opposition parties do not believe it is appropriate for government to provide doctors and specialists with incentives to re-structure their services or fees to maximize benefits. Rather, its role is to ensure access and equity with regard to the provision and cost of medical services. Furthermore, the opposition parties call on both the government and medical groups to address the ongoing issue of rising specialist fees, given the ongoing evidence of these increases[2].

Beneficiaries of the safety net

During the 2005-06 Budget senate estimates hearings, Health Department officials admitted that in excess of 1 million people who previously qualified for the safety net will now miss out under the lower thresholds. However, the department continues to refuse access to data which will disclose what proportion of this 1 million will be covered by the lower threshold and therefore be low income earners and concession card holders.

The opposition parties have maintained that the safety net is geared toward those who have the capacity to spend more on health. It follows that Australians with higher incomes and a higher capacity to undertake discretionary spending in health are more readily able to access the safety net and faster. This is evidenced in the recent ABS Survey of Household Expenditure which shows that the lowest household income quintile spends just $22 on average per week while the highest household income quintile spends $77 per week. In the last 5 years, household spending on health has increased by over 40 per cent – this means that in 1998-99 an average family spent around $14 per week on health care and medical expenses, but in 2003-04 this weekly average is at $46.

The governments own Medicare data, as released by the Minister for Health in September 2004, has shown that there is a high correlation between incomes and levels of Medicare Safety net rebates claimed.

While the government has maintained that this safety net helps those with a chronic illness, what the government has failed to acknowledge is that this safety net has inflationary effects. It has contributed to increasing levels of health inflation, with health costs rising at almost double the rate of CPI, and with the component including medical specialists fees rising by 4.8 per cent. While it may be the case that making it more difficult to qualify for the Medicare safety net will reduce the costs of the safety net in the short term, because safety net benefits are uncapped and unregulated there is no evidence to support the assertion that this proposal will have any long term impact on the overall inflationary and unsustainable effect of the safety net scheme.

[2] June Quarter Medicare data available on www.health.gov.au shows that in the last year fees have increased by 9.5 per cent, with Obstetric fees increasing by 111 per cent and diagnostic services increasing by 9.7 per cent.

Further evidence that the policy has resulted in large income transfers to doctors can be found in a recent BRW article[3]. This article reports that the government's election policies are expected to give a boost to the earnings of listed health service companies, including radiology and pathology companies – where Medicare payments have increased by 11 and 8 per cent respectively; ophthalmology by 13 per cent and 80 per cent for obstetrics. The CEO of Primary Health care, Edmund Bateman, has already said that the government's policies will add about $1 million to the company's bottom line.

We also note that Committee's report did not take into account alternative proposals to raising the safety net thresholds. The Rural Doctors Association of Australia suggested that "raising the threshold is likely to penalise poorer patients and those with chronic conditions. A more equitable approach would be to cap safety net payments per individual Medicare item."

Costing of the Safety net

Labor the Democrats and the Greens maintain that sufficient information regarding the extreme variations in the actual cost and the estimated cost of the safety net was available to warrant attention by policy makers and the government prior to the 2004 Federal Election. Indeed, this information was confirmed during the 2004 Federal Election by the "Charter of Budget Honesty" process, which revealed that the cost of safety net had doubled since the previous budget estimate.

Throughout the first year of the safety net's operation, the Minister repeatedly issued statements, through regular press releases, which publicized the high level of registrations and successful claimants for the safety net. Throughout this process, the Minister failed to acknowledge the fiscal and policy implications of such data, which, as confirmed by the Health Insurance Commission, was being provided to the Department of Health on a daily and weekly basis.

The Department now admits[4] that it underestimated registrations, "substantiations", and medical fees which subsequently caused the well known cost blow out.

However, through the 2005-06 Budget estimates process, and other public sources, the opposition parties maintain that there was a sufficient level of advice and warning regarding the safety net's increasing cost and declining sustainability throughout 2004. In June 2004, actual spending on the safety net was 40 per cent more than estimated in the budget and his own department has confirmed that this would have been known by the Minister by mid July 2004. In July 2004, actual spending on the safety net was 60 per cent more than estimated in the budget and the Minister would have known this by mid August 2004. Labor notes that the government did not go into caretaker mode until 30 August.

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[3] Beth Quinlivan, *Medicare Windfall* BRW 4-10 August 2005

[4] Community Affairs Legisaltion Committee Hansard Thursday 18 August 2005, CA 11-12.

The Department of Finance has also confirmed, though the 2005-06 Budget Estimates process, that in June Finance was also examining the estimates, as there were "indications" of that the program was growing more rapidly than estimated[5].

In addition to departmental information, in July 2004 the Herald Sun reported that an internal HIC audit revealed evidence of changed billing practices amongst doctors to help patients reach the safety net faster. This same report showed that more than 3000 patients in Victoria slipped into the safety net in only one month. This audit revealed a $1.4 million blow out in the scheme in Victoria, in June alone.

In August, according to Department of Finance officers, it then "became clearer that this program was increasing faster than we had estimated at budget time"[6] and an officer was sufficiently concerned that he contacted the Finance Minister's office about the matter and spoke to the Minister's advisers, who subsequently briefed their Minister, Nick Minchin. This occurred prior to the caretaker period, as explicitly stated by the Deputy Secretary of Finance, Mr Phil Bowen, in this Budget Estimates hearing. During this same hearing, the Finance Minister has dismissed his knowledge of this advice by stating that the briefing was oral in nature and:

> *"it was not formal advise to me…it was hearsay"* and… *"it was not actionable information …"* and…*"I am not going into the detail of what, if any, communications go on within the government on this or any other matter…"*[7]

The opposition parties call on the committee to note that the policy development and costing of the Medicare safety net was significantly compromised by the government's intention to campaign heavily on this policy irrespective of the longer term impact it would have on both the costs of medical care and the impact on the budget. Furthermore, we maintain that the there is sufficient evidence to show that Senior Minister ignored advice in order to maintain a campaigning opportunity, even though any competent Minister would have realized it could not be sustained beyond after the election campaign.

Recommendation

For the reasons outlined above, Labor, the Australian Democrats and the Greens will not support the passage of this Bill. Labor believes that the government should be held accountable for its questionable heath and fiscal management, as demonstrated by the introduction, promotion, and subsequent cuts to this policy.

We are of the opinion that the government needs to reconsider the safety net scheme and consider greater investment in the public primary health scheme to deliver a much more equitable and affordable health care system and one that is sustainable well into

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[5] Source – Budget 2005 Senate Estimates Hansard FPA 59

[6] Source – Budget 2005 Senate Estimates Hansard FPA …

[7] Source: Budget 2005 Senate Estimates Hansard FPA 62

the future. This might require new and flexible ways of achieving a more equitable distribution of Medicare resources through initiatives such as supplementing state government-operated community health centres, funding free or low cost specialist outpatient clinics, extending affordable access to allied health professionals and flexible grants for those areas where per capita Medicare expenditure is below average.

In addition, the opposition parties note the continuing erosion in the ministerial standards set by the Howard government and in particular, in the Prime Minister's failure to hold his Minister for Health and Minister for Finance accountable for failing to address the known problems of this policy, which then required urgent attention following the election, and the expenditure of up to $20 million promoting the policy through a cross – media advertising campaign.

SENATOR JAN MCLUCAS (ALP, QUEENSLAND)

SENATOR CLAIRE MOORE (ALP, QUEENSLAND)

SENATOR HELEN POLLEY (ALP, TASMANIA)

SENATOR LYN ALLISON (AUSTRALIAN DEMOCRATS, VICTORIA)

SENATOR KERRY NETTLE (THE GREENS, NSW)