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17 August 2005

Senator Humphries
Chair
Community Affairs Legislation Committee
Parliament House
Canberra
ACT 2600

Dear Senator Humphries

RE: HEALTH INSURANCE AMENDMENT (MEDICARE SAFETY-NETS) BILL 2005

We are responding to the call for submissions on the above Bill. In summary the Australian Consumers' Association (ACA) does not support the Medicare safety net in its current form, and recommends that government devise a more equitable and economically feasible scheme. Within the existing structure ACA is opposed to any increase in the safety net. Increasing the thresholds for the Medicare safety net will exacerbate the existing problems and inequities with this scheme.

Safety net benefits are entirely contingent on the amount charged by the practitioner. Once out-of-pocket expenses to the consumer reach the threshold amount, then 80% of all subsequent expenses are reimbursed for the rest of the calendar year. The safety net therefore disproportionately benefits those who see private specialists, and access expensive out-of-hospital medical treatment such as diagnostic scans, where the gap between the schedule fee and the fee charged is much greater.

For those who can afford it there is an incentive to reach the safety net threshold because 80% of all subsequent out-of-pocket medical expenses are reimbursed. Once the threshold is reached there is also no incentive for consumers to limit the number of times they access services and no incentive for service providers to reduce fees—because the consumer pays only 20%. And if individuals also reach the gap safety net threshold (currently \$335.50) they also get back 100% of the schedule fee for services the rest of the calendar year.

The data released by the Minister for Health and Ageing in September 2004 showed that in the first few months of operation the safety net, 643,827 people benefited from the safety net but those families and individuals making safety net claims were more likely to be located in wealthy electorates. Most claims were from the electorates of Bradfield, Wentworth and Warringah, NSW.¹

¹ Tony Abbott, Minister for Health and Ageing, 'Medicare Safety Net providing real benefits to 650,000 Australians', *Media Release*, 16 September 2004 ABB152/04

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The safety net also puts inflationary pressure on doctors' fees which are uncapped. It was reported for example that obstetricians' fees rose 9% in the first few months after the introduction of the safety net.²

As highlighted in the second reading of this Bill in the House of Representatives, some specialties shifted charges onto Medicare out-of-hospital items so that their patients could claim safety net entitlements.³ We understand that this has occurred in the case of obstetrics since September 2004 when a new Medicare item was added for the planning and management of pregnancy. Private obstetricians can now charge two-thirds of their fees as outpatient services and so any gap payments for these outpatient services contribute towards the safety net threshold. It is also worth noting that between the March quarter 2004 and the March quarter 2005 the average patient contribution per service for patient billed out-of-hospital services increased by 10%, and the most significant increase was seen in the area of obstetrics which increased by \$151.8%.⁴

Effect of lifting the threshold

Hardest hit by the threshold increase will be people with chronic illnesses. These people tend to accrue medical costs slowly throughout the year. They would have to visit a general practitioner many times to qualify for the safety net. Lifting the threshold (from \$306.90 to \$500 [63%] for concession card holders and families in receipt of family tax benefit part A, and from \$716.10 to \$1,000 [39%] for all other families and individuals) will make it harder for these people to qualify for the safety net in a calendar year.

However, wealthier families or individuals paying high fees for private obstetricians for example will easily qualify for the safety net with just a single doctor's bill. (There is also a tax rebate for out-of-pocket medical expenses in excess of \$1,500.)

According to information provided by the Department of Health and Ageing to Senates Estimates in June 2005, one million fewer people are expected to qualify for the safety net in 2006 as a result of increasing the threshold. Those who will miss out will be poorer patients who will experience more difficulties in finding the extra cash to get the medical care they needed before the safety net benefits flow through.

Lifting the thresholds will shift more costs onto those consumers who can least afford it, and the greatest benefit will go to those who need it least. It is a lose-lose situation.

In addition, lifting the threshold will do nothing to stop inflation of prices. In fact, quite the opposite.

² Mark Metherell, 'Medicare change may deliver \$1000 baby bonus', *The Sydney Morning Herald*, 25 August 2004

³ Tony Abbott, Health Insurance Amendment (Medicare Safety-nets) Bill 2005 Second Reading, *House of Representatives Hansard*, 23 June 2005.

⁴ Department of Health and Ageing, Medicare Statistics – March Quarter 2005. Accessed at: <http://www.health.gov.au/internet/wcms/publishing.nsf/Content/medstat-mar05-analysis-b-ave>

Other comments

We would also like to note that individuals with substantial out-of-pocket medical costs are disadvantaged by the way the safety net is calculated on the basis of a family unit, which includes a spouse, de facto spouse or dependent children. (However the gap safety net threshold however is calculated on an individual basis.)

Recommendations

ACA recommends

1. that the amount of the current safety net should not be increased as to do so would unfairly impact on low income consumers.
2. that the current safety net should be replaced with an alternative means of protecting people with ongoing medical needs from high out-of-pocket expenses, without producing distortions in health care funding.

Yours sincerely

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