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17 August 2005
Mr Elton Humphery
Committee Secretary
Senate Community Affairs Legislation Committee
Parliament House
Canberra ACT 2600

Dear Mr Humphery,

Health Insurance Amendment (Medicare Safety-nets) Bill 2005

Thank you for your letter of 11 August 2005 inviting written submissions on the above Bill by Wednesday 17 August 2005. The AMA is pleased to make a brief submission given the short timeframe available to us.

The AMA strongly supported the original Safety Net legislation with the thresholds set at $300 and $700 respectively. When the Government announced in March this year its intention to raise the thresholds to $500 and $1000 respectively, the AMA was critical. First, we felt the Government should have stood by the promises made in the 2004 election campaign. More importantly, we felt that the original safety net arrangements provided considerable benefits to Australians on lower incomes and those with chronic illness.

In 2003-04, the last full year where Medicare Statistics are available, the difference between aggregate fees charged and aggregate benefits paid through Medicare were $2.4 billion. This is the amount which is funded by users of health services out of their own pockets either directly or through their private health insurance premiums. The Government had a choice either to lift MBS fees and rebates across the board in order to reduce these very high aggregate gaps or more selectively target higher benefits through a safety net. It chose the latter and the AMA considered it a good policy.

The original safety net arrangements should have been given more time to settle in. Given the level of the gaps ($2.4 billion) the safety net, if it was to provide real benefit, was always going to cost a lot of money. But the advantages to Australians on lower incomes or with chronic illness were significant. They would enjoy greater access with a reasonable price signal.

On the evidence available to us, doctors' charges did not cause higher expenditure on the safety net. Our understanding is that doctors charges have risen in line with increases in the Medicare Benefits Schedule as indexed by the Government. There has been a small drift upwards in the complexity of items used but this is an entirely expected continuation of past trends as medicine becomes more complex and affordable to Australians.

The AMA showed leadership in the development of policies for responsible behaviour under the safety net and promulgated these policies widely to the membership. A copy of the

Federal Council's policy on the safety net is attached. The AMA worked closely with the Government on monitoring the implementation of the safety net and indicated a preparedness to intervene whenever change was necessary.

In relation to the three specific matters you raised, the AMA makes the following comments:

**To examine the provisions of the Bill relating to increases in the Medicare Safety Net thresholds to ascertain how many Australian individuals and families will face higher out of pocket medical expenses as a result of the increased thresholds.**

The AMA does not have access to the very detailed information necessary to make this assessment and it is unlikely the Government would give the AMA such access. The Government itself finds it difficult to make these judgements which involve linking and modelling several large and complex government databases and predicting change in patient behaviour.

We note that the Government has estimated budgetary savings of $500 million over 4 years, a substantial savings measure on any construction. If the average safety net benefit was postulated to be $25 (AMA does not know what it is), the change would affect 20 million services over 4 years.

**The extent of the higher out of pocket expenses experienced by these individuals and families**

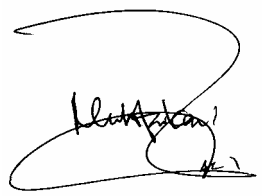
As stated above, this would involve complex modelling of several large government databases and we do not have access to the information. The only information available to us is the level of expected savings as mentioned above.

**The implications for access and equity in health care for all Australians.**

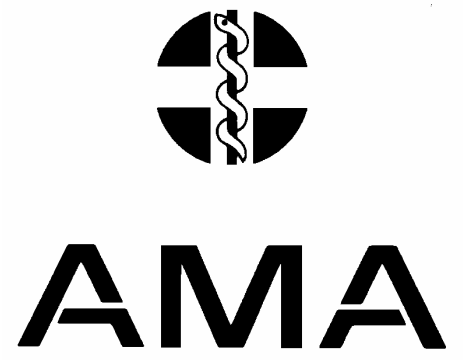
In the view of the AMA, the measure will impact hardest on those who are in most need of health services (chronically ill) and those least able to afford to pay for such services (low income groups). Although we think the threshold provisions of the new Bill are a step back from the original thresholds, we still consider the new thresholds are a big step forward from where we were prior to March 2004. AMA is of the view that the whole matter should be allowed to settle down now and that any future refinements should be made on the basis of evidence and consultation.

In the future, the AMA would see merit in amalgamating the MBS and PBS safety nets into a single safety net arrangement. We believe this would make the system easier for people to understand and ultimately more equitable.

Yours sincerely



Dr Mukesh Haikerwal
President




# GUIDE TO UNDERSTANDING THE MEDICARE SAFETY NET

August 2004

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**AMA Guide to understanding the Medicare Safety Net**
**August 2004**

**Medicare Safety Net**

- The Medicare Safety Net is an additional rebate scheme introduced by the Federal Government for the benefit of patients and represents an arrangement between patients and the Federal Government.
- The newly introduced Medicare safety net provides for reimbursement of 80% of the gap between the rebate and the charge for non inpatient services once the relevant threshold has been met.
- It is a significant benefit to patients and there is an interest in ensuring that the safety net remains as an aspect of Medicare into the future.
- It is reasonable for doctors to do what they can to assist patients to understand the safety net.
- Safety net entitlements should be based on existing fee structures, not vice versa.

**Fees**

- Longstanding AMA policy is that doctors provide their services in a competitive market and they are free to set their own fees without interference from third parties.
- The AMA produces a List of Medical Services and Fees which it considers are fair and reasonable.
- The AMA strongly supports open discussion and disclosure of fees between the doctor and the patient
- The doctor should attempt to ensure that patients are aware of the existence of safety net benefits.

# The AMA recommends

- Doctors should document their fees and fee charging policies and provide these to patients.
- The charge for any medical service should be set having regard to the physical, technical and intellectual resources applied by the doctor to the service, including background practice costs. It should not include the cost of any consumables (other than background practice costs) not related to the service or the cost of any item for which separate reimbursement is available to the patient.
- The account for the service should indicate whether the service was rendered in an inpatient or outpatient setting.
- Doctors should not alter the actual location of the service to financially benefit the patient, nor to shift an inpatient gap to an associated outpatient consultation.
- Patients should expect that the billing practice of a doctor will not alter once the patient has reached the safety net eligibility point.
- The introduction of the safety net is not an opportunity to lift medical charges.
- Charges should be reviewed regularly in the light of movements in practice costs and earnings and should not vary from patient to patient without good reason.