



18 August 2005

Committee Secretary
Senate Community Affairs Committee
Department of the Senate
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Dear Committee Secretary

Please accept CHA's apology for not being able to participate in the hearings being conducted as part of the Inquiry into the *Health Insurance Amendment (Medicare Safety-nets) Bill 2005* due to unavoidable prior commitments.

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By way of a written submission to the Inquiry, CHA would like to submit previously published commentary made prior to the introduction of the enhanced Medicare Safety Net as well as subsequent to the announcement that the safety net thresholds were to be increased.

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The attached documents are:

- (i) Article by Mr Francis Sullivan in *Health Matters* No 25, April 2004;
- (ii) CHA Media release of 10 March 2004; and
- (iii) CHA Media release 14 April 2005

*The Catholic health,
aged and community
care sector*

If you require any further information please contact me on 02 6260 5980 or email: franciss@cha.org.au.

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Yours sincerely

FRANCIS SULLIVAN
Chief Executive Officer

MedicarePlus – Welcome to welfare health care (published in Health Matters No 25, April 2004)

MedicarePlus, the federal government's response to falling rates of GP bulk billing passed through the national parliament in early March.

Much has been made of the changes it introduced — a new safety net to pay 80% of doctor bills, access to some dentistry and allied health services, and differential incentives to bulk bill — in an attempt to give low income people a better deal out of Medicare. But a closer examination reveals the creation of poverty traps rather than an easing of financial burdens for the average working families.

Since 2001 the rates of bulk billing across the country have been declining. But not uniformly. Such is the perverse nature of general practice that the highest rates of bulk billing are found in the well healed suburbs where the numbers of GPs per capita is highest.

In other words, bulk billing is most often the option of last resort in areas where GPs are under the most intense competition. Unfortunately these areas also coincide with populations who can better afford to pay more. Poorer communities and distant regions suffer the most on any barometer of affordability.

The fundamental problem with the decline in bulk billing rates lies with the Medical Benefits Schedule (MBS). Not only does it not keep pace with the real costs of medical practice, patients are only reimbursed to 85 percent of the schedule fee [subsequently increased to 100% for GP items]. As a consequence more patients are paying out of pocket fees regardless of their income.

In other words the strategy of a deliberately underpriced MBS to exert downward pressure and restrain doctors fees is failing. The price signal sent by the MBS that was once generally adhered to by most GPs for most of their patients no longer works. The upshot is that low income people, including pensioners, are being charged to visit the GP rather than being bulk billed.

The latest figures indicate that on average people are paying around \$15 more for each visit to a GP. From a health insurance perspective this indicates that the value of Medicare is eroding on a daily basis for most Australians.

The federal government's options were clear. Either reinvest substantially in the MBS so that most people would be bulk billed or pay very little for a GP service. Or, subsidise poorer people and those who use GPs a lot of the time. The government chose the latter.

It is hard not to see the government's solution as being primarily driven by expenditure concerns rather than sound public policy. On a number of occasions the Health Minister, Tony Abbott, even excused the limited scope of the safety net package on the grounds that there was only so much money to go round!

Clearly the government has chosen not to have Medicare keep pace with the costs of medical practice. This in turn means that universal health cover will only cover some of an individual's costs and will never provide certainty that full gap cover is possible. For

people with chronic illnesses and those living on or around average weekly earnings this is a significant issue.

There is ample research which highlights the negative impacts of user fees on access to health services — impacts which are not only linked to the size of the fees, but also their frequency and propensity to rise. Many people faced with user fees and concerned about costs take rational decisions to postpone health care or become more selective about what type and when to access health services. The health status of people can suffer and the productivity of the workforce can be affected.

From a public policy perspective the introduction of user fees can have more counter productive impacts than positive short term public expenditure benefits.

The MedicarePlus package has been designed to provide a two tiered cash relief measure for people who spend up to either \$300 or \$700 a year on medical bills, depending on their level of income. Put simply this is a welfare measure not a mechanism to ensure access to essential health services. The safety nets are more akin to handouts rather than safeguarding low income people from the invidious decision as to whether cost will inhibit their access to health care.

That said the safety net structure is an improvement on the original \$500 proposal placed before the Senate. At least now low income families will be guaranteed some cash relief after they spend \$300 a year. But where they spend slightly less there is no cash relief. Still no relief if they spend just under \$300 in the following year or the one after.

MedicarePlus institutionalises the notion that all people can expect to pay more for medical care before the government subsidy reduces the cost. This is a far cry from the spirit of Medicare and propels Australia's primary care system down the path of increased user pays.

For some commentators this is not grounds for despair. They have long bemoaned the 'middle class' welfare provided by Medicare. They have called for reforms which shift the burden of costs more squarely on to households. They have got their wish! But the trouble will come when those very households struggle to keep pace with the costs of health as real wages flag behind and as employment remains tenuous, elusive or in many instances non-existent.

Already the flawed nature of this shift to 'welfare health care' has been revealed. Commonwealth figures indicate that up to 711 000 individuals and families pay more than \$300 per year in out of pocket medical fees. The MedicarePlus package at best assists only around 450 000. So in real terms many people on modest means are facing a more expensive health service. In the absence of increased public investment the users of the system are being 'taxed' at the point of service.

Make no mistake, MedicarePlus does not guarantee even the unemployed a bulk billed service. It places a notional safety net in the void left by an inadequate MBS benefit. It signals that the public medical insurance scheme, Medicare, is eroding and the government has no real intention of making Medicare benefits reflect more accurately the cost of medical care.

The prospect of higher doctors' fees for the majority of the community is real.

Media Release Catholic Health Australia

10 March 2004

A BETTER SAFETY NET, BUT MEDICARE DESERVES MORE

The country's single largest ownership grouping of non government health, aged and community care services is pleased that the independent Senators have successfully negotiated a better safety net arrangement for average and low income Australians.

CHA's CEO Francis Sullivan said 'this new safety net will give real cash relief to the most needy in the community.'

'Given that the Government's measures are not likely to substantially improve the rates of bulk billing, it is imperative that measures are put in place to relieve lower paid families and people suffering ill health from the financial pressures of higher doctor fees.'

'This renegotiated package is more generous and robust than what was originally proposed and as such offers hope for many more people.'

'Only a major injection of funds into the Medicare Benefits Schedule would improve the bulk billing for most Australians. Since that has not been the course of action chosen by the Government, a generous safety net is an improvement in the short term.'

'The benefits of Medicare are meant to be for everyone all the time. This safety net is a practical measure to bring immediate relief, but the universal insurance scheme needs more funding so that other people don't fall through the gaps'.

'The allied health measures are welcome initiatives and should be built on for more Australians to benefit.'

'Both sides of the parliament still need to commit to major investment in Medicare to keep the promise of universal access a reality for all Australians.'

Media Release
Catholic Health Australia
14 April 2005

SAFETY NET CHANGE A CRUEL BLOW TO THE SICK AND THE POOR

CHA's CEO Francis Sullivan today strongly criticised the Government's announcement that the safety net thresholds were to be increased to \$500 and \$1000 respectively.

Mr Sullivan said, "today's announcement represents a cruel blow to average and lower income earners and will hit the sickest hardest. The announcement effectively represents a \$200 per year health tax."

"With average out of pocket payments to see a GP who doesn't bulk-bill currently around \$14.70, it will take 34 visits before the safety net kicks in. This is clearly an unrealistic scenario for most middle and lower income families who will now have no option but to pay the additional health tax. This will place increased strain on family budgets which are already struggling with increased interest rates, high petrol costs and private health insurance increases."

"This impost on families is unlikely to address the major reason for the budget blow-out which has been caused by much higher charges by some medical specialist groups since the safety net was introduced."

"In a country as prosperous as Australia there is no need for the sick and the poor to be treated in this cruel way" Mr Sullivan added.

Catholic Health Australia represents the largest grouping of non-government health and aged care providers.