Office of the Minister for Health

MI132212

MOH/05/02111

18 OCT 2005

Mr E Humphey
Committee Secretary
Australian Senate Community Affairs
Legislative Committee
Parliament House
CANBERRA ACT 2600
Email: community.affairs.sen@aph.gov.au

Dear Mr Humphrey

Thank you for your letter dated 6 October 2005, regarding National Health Amendment (Budget Measures – Pharmaceutical Benefits Safety Net) Bill 2005.

There are a number of items that I would like to provide feedback on in relation to the papers that you forwarded. These are provided in the attached brief report.

However, in briefest summary, there are four areas for comment.

National Health Amendment (Budget Measures – Pharmaceutical Benefits Safety Net) Bill 2005

i. In relation to the proposed alterations to Pharmaceutical Benefits Scheme Co-payments, the proposals have potential to add complexity to an already complex system; as described, they are likely to create difficulties in access for rural patients and to increase the load on the public system where patients unable to meet payments tend to move to the public system as they have difficulty in paying in the private sector. It could be anticipated that the increased number of co-payments will create major pressures for some non-concessional patients with chronically ill patients in the family, and for many concessional patients.

Health Legislation Amendment Bill 2005

ii. Extension of the life of the Australian Community Pharmacy Authority for six months to allow consideration of a report – this appears a reasonable path to follow.

iii. Clarification of the provisions of the private health insurance as covering both contributors and their dependants appears an appropriate path to follow.

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iv. In relation to the proposed powers to allow the Commonwealth Minister for Health and Ageing to exclude Medicare payment for certain procedures without restriction is concerning. This amendment would allow the Commonwealth to cease payment of Medicare benefits for any professional service for any reason. Any removal of Medicare benefits for a type of medical procedure could shift demand for that service from the private to public health sector.

Should you have any queries regarding my advice to you, Andrew Petrie, Director, Medicines and Pharmacy Services Unit, Queensland Health, will be pleased to assist you and can be contacted on telephone number 07 323 41167.

Yours sincerely

STEPHEN ROBERTSON MP

Brief Submission on behalf of Queensland Health

National Health Amendment (Budget Measures – Pharmaceutical Benefits Safety Net) Bill 2005.

Queensland Health supports measures to keep the Pharmaceutical Benefits System sustainable into the future, and to discourage patients from hoarding medicines, but do not wish to see the system become even more administratively complex, or increased inequity between private and public providers that might tend to increase the load on the public hospitals. There are two points in the bill that are a source of concern.

i) **Changes to safety-net thresholds for pharmaceutical co-payments,**

- For general patients the proposal represents an increase by 2009 of $228 per year, a 26% increase, before any normal annual CPI increases are applied
- This will disadvantage non-concessional families who usually reach the safety-net each year, particularly, for example, those with children with chronic disease.
- This will tend to increase the dependency of these people on the public hospital system where those with difficulty paying will tend to move, as at present, as that system still provides medications when needed rather than refusing supply if they are unable to pay.
- Similarly there will be an impact on concessional patients who regularly meet the safety-net each year.
- Originally when pharmaceutical co-payments were introduced for concessional patients there was an increase in the pension to cover this. It would be hoped that a similar provision would be made to cover these additional items.

ii) **Changes to the "20 day" rule making co-payments for medicines supplied early ineligible towards the safety-net threshold**

- Currently the arrangement is discretionary on the dispensing pharmacist. On each occasion they ascertain that the patient's request for an early supply is genuine and that it is appropriate to make a supply within 20 days of a previous dispensing. Appropriate reasons include,
    - Original supply will not last 20 days (Doctor has not rung Medicare Australia for authority for increased quantity, already a double jeopardy situation where patients has to pay twice for an appropriate quantity)
    - Patient is away from home without medicine (but has a copy of the prescription)
    - Patient lives in a rural area and is taking advantage of a visit to town to get prescription filled, or has two months supply each time to reduce need to visit town
    - Original supply has been lost, misplaced or stolen.

- If a supply is genuinely needed, it is insupportable to disallow the payment to count towards the safety-net threshold
- If supply is not genuinely needed, then a supply should not be made.
- It is not apparent why a better and simpler model would not be to continue the discretionary arrangements for the community pharmacists to make an early supply in genuine cases and for this to count towards the safety-net; and audit by Medicare Australia to prevent abuse.
- The proposal further complicates a scheme which is recognised for administrative complexity. There is potential for added complexity to be counterproductive resulting in further inadvertent non-compliance.
- If the model is progressed, the outcomes should be evaluated, not only in terms of immediate saving in payments, but actual costs in medicines not obtained that were needed, impact on life of affected patients, etc.

Health Legislation Amendment Bill 2005
There are three provisions in this Bill referred to in the papers.

i) Extension of the life of the Australian Community Pharmacy Authority for six months to allow consideration of a report. This appears a reasonable path to follow.

ii) Clarification of the provisions of the private health insurance as covering both contributors and their dependants. If there is lack of clarify in this area, it is desirable to clarify that both groups are covered.

iii) In relation to powers to allow the Commonwealth to exclude medicare payment for certain procedures .....(NEEDS INPUT FROM HEALTH FUNDING)

Health Legislation Amendment Bill 2005

Schedule 3 – Amendments relating to health services tables etc.

- The inclusion of sections 19A (3) and 19A (4) under the *Health Insurance Act 1973* is of particular concern to Queensland Health because:

    - The introduction of this piece of legislation provides the Minister for Health and Ageing the absolute discretionary power to determine that Medicare benefits are not payable in respect of professional services rendered in specified circumstances. There is no established basis on which the Minister is required to make his or her determination. For example of the Minister could determine that Medicare benefits are no longer payable for hip replacements when performed on persons over a certain age, or pregnancy terminations that do not meet certain moral obligations, or that Medicare benefits are no longer payable for private patient services when provided within the confines of a public hospital.

    - Any move to limit patient access to Medicare benefits through the private health sector could see an increase in demand for those services from the public sector.

    - Whilst it would appear that the introduction of sections 19A (3) and 19A (4) are designed to empower the Minister for Health and Ageing to enact upon breaches of section 4BAA of the *Health Insurance Act 1973*, there is potential for the misuse of this legislation in the absence of any parameters governing its use.

- The inclusion of section 4BAA under the *Health Insurance Act 1973* and associated references made to this section under sections 4(1), 4AA(1) and 4A(1), would appear to be of no concern to Queensland Health because:

    - This would appear to be the formalisation of practices already employed by the Australian Government in the determination of Medicare benefit eligibility for professional services. The introduction of this legislation is designed to put in place legislative requirements for the adherence to Medicare item descriptors and associated rules for interpretation, in order to qualify for the applicable Medicare benefit.

    - It is not envisaged that this legislation would have an effect on the demand for public hospital services.