Chapter 1

Introduction

Background

1.1 On 16 June 2009, the Health Insurance Amendment (Extended Medicare Safety Net) Bill 2009 was referred to the Senate Community Affairs Legislation Committee for inquiry and report by 5 August. The committee combined this inquiry with consideration of the government's proposed legislation into the private health insurance rebate and the Medicare Levy Surcharge, though it is reporting separately on this bill.[1]

Purpose of the bills

1.2 The bill amends the *Health Insurance Act 1973* to enable the Minister for Health and Ageing to determine the maximum increase of benefit payable under the Extended Medicare Safety Net (EMSN) for specified Medicare Benefits Schedule (MBS) items. The EMSN was introduced in 2004 as part of the previous government's *Medicare Plus* reforms to provide individuals and families with an additional rebate for out of hospital Medicare services once an annual threshold of out of pocket costs is reached.

1.3 The Act provides that once an individual or a member of a registered family reaches the out of pocket EMSN threshold, they are entitled to a Medicare benefit equal to 80 per cent of their out of pocket costs for that claim for the rest of the calendar year. There is currently no limit on the amount of benefit payable under the EMSN. The Explanatory Memorandum (EM) notes that this has led some doctors to increase their fees with the knowledge that the majority of the cost will be funded by the Government once the person has reached the EMSN threshold. This also has implications for those people that have not qualified for the EMSN benefits.[2]

1.4 The amendments to the *Health Insurance Act* proposed by the bill would create a mechanism enabling the Minister to determine a cap on the EMSN benefit payable. The cap will be established in a legislative instrument which will be a disallowable instrument and therefore subject to parliamentary scrutiny. The EM explains that the cap on the EMSN benefit would apply to individual MBS items and, as is currently the case with EMSN benefits, be payable in addition to the standard

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1 The Fairer Private Health Insurance Incentives Bill 2009, the Fairer Private Health Insurance Incentives (Medicare Levy Surcharge) Bill 2009 and the Fairer Private Health Insurance Incentives (Medicare Levy Surcharge—Fringe Benefits) Bill 2009.

2 *Explanatory Memorandum*, p. 1.

Medicare rebate. Each person will be eligible to receive up to the EMSN benefit cap each time that they claim that item.[3]

Conduct of the inquiry

1.5 The committee received nine submissions relating to the bill, which are listed at Appendix 1 of this report. These submissions are also available at: http://www.aph.gov.au/Senate/committee/clac_ctte/fairer_private_health_09/submissions/sublist.htm

1.6 The committee held two public hearings. In Melbourne, on 9 July, it took evidence from the Fertility Society of Australia and a member of Access Australia's National Infertility Network. On 14 July in Canberra, the committee heard from the Department of Health and Ageing, the Australian Medical Association, the IVF Directors Group of Australia and New Zealand and the National Association of Specialist Obstetricians and Gynaecologists. The committee thanks these witnesses for their time and contribution.

Outline of the report

1.7 The report has three chapters. Chapter 2 explains the government's rationale for introducing the legislation and details the bill's provisions. It considers the findings of a report prepared for the Department of Health and Ageing (DoHA) by the Centre for Health Economics Research and Evaluation (CHERE) into the trends in EMSN expenditure. The chapter notes the government's position on the legislation and the support it has garnered from certain interest groups.

1.8 Chapter 3 looks at the criticisms of both the CHERE report and the bill as a whole. It notes the particular objections of medical groups representing obstetric and assisted reproductive technology services in response to claims that the increase in average fees for these services reflects an increase in doctors' incomes. The chapter presents the responses to these criticisms of both CHERE and the Department. On most counts, the committee finds these rejoinders convincing.

3 *Explanatory Memorandum*, p. 1.