

Mr Elton Humphery
Committee Secretary
Senate Standing Committee on Community Affairs
PO Box 6100
Parliament House
CANBERRA ACT 2600

24 July 2009

Dear Mr Humphery,

RE: Health Insurance Amendment (Extended Medicare Safety Net) Bill 2009

We have read the submission made by the Australian Medical Association (AMA) to the Senate Standing Committee on Community Affairs, dated 10 July 2009. As authors of the Extended Medicare Safety Net (EMSN) Review, we would like to take the opportunity to make the Committee aware that the AMA's critique of our Report is inaccurate in a number of ways, and that therefore their interpretation is incorrect.

In their submission, the AMA state that our analysis compares 2003 with 2007 data. This is not correct. Throughout the analysis in question we examine the entire period between 2000 and 2008. We examine changes in trends over this period. In particular, we examine whether the trend between 2004 and 2008 is different from the trend between 2000 and 2008. All point estimates reported in the EMSN Review are based on models that cover this entire period.

The AMA further state that the analysis does not take account of fees charged for services that were not covered by, and therefore not reported to, Medicare prior to the introduction of the EMSN. This is not true. The analysis incorporates our best estimate of such charges prior to 2004. It should be noted that we sought more information about these charges from the AMA, but we were informed that there were no data available.

In their submission, the AMA also assert that our analysis takes no account of the real increases in the cost of delivering services, and the shift to more complex services, over time. Again, this assertion is incorrect. Considerable effort went into our analysis to establish the causal link between the EMSN and the observed changes in trends. Firstly, we compared results in the out-of-hospital setting to those in the in-hospital setting. This was done to control for 'general' changes that occurred in the medical sector (e.g. general changes in the cost of practice). Secondly, we allowed for changes in medical complexity

by including changes to the Medicare Benefits Schedule (MBS) in our analysis. That is, new Medicare items, changes in Medicare benefits, as well as greater complexity of patients were controlled for in our analysis by examining changes to the Medicare benefits over time. By incorporating these changes into our analysis we have, in effect, controlled for potential compositional changes to practice. Using the example provided by the AMA, a shift from X-Rays to MRI scans would be detected in our analysis by an increase in the average Medicare benefit.

It is correct to state that we used the Consumer Price Index (CPI) to adjust fees and benefits. However, it is incorrect to state that we used the CPI as a benchmark. We never stated, or implied, that fee increases above the rate of CPI were 'excessive'. We simply (and correctly) reported that the results obtained were over and above the rate of inflation.

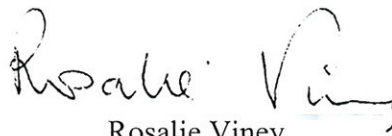
We trust these comments are helpful to your deliberations. Please feel free to contact us should you have any further queries regarding the EMSN Review.

Yours sincerely,



Kees van Gool

and



Rosalie Viney

on behalf of the EMSN Review Project Team