ROBERT W. PARRY FCA
CHARTERED +ACCOUNTANT
A Member of the The Institute of Chartered Accountants in Australia since 1951
ABN: 20 654 969 457

25 Laurie Street, Yarrambat Vic. 3091
Telephone: (03) 9717 3494
Facsimile: (03) 9717 3393

24th May, 2005

STRENGTHENING MEDICARE AND REDUCING IT'S COST

The Problems:

1. Declining bulk-billing by GPs and other health-service providers.
2. High cost of the new safety-net because of the large gap for non-bulk billed patients.
3. Wasted PBS medicines due to stock-piling by patients. The government spent millions of dollars last year with the "Dr. Wright" campaign trying to counter this costly problem.
4. Over-servicing of patients by some doctors, particularly with bulk billing.
5. Cheating of the PBS and Medicare by drug addicts "doctor–shopping" for prescriptions and then selling the drugs on the black market.
6. Cheating the PBS by obtaining expensive medicines (either with the collusion of doctors or by duping them) and then sending them overseas to relatives and friends.
7. Cheating the Medicare system with forged doctors' accounts. This can be very simply done with scanners and computers, ably assisted by the current system used at Medicare Offices. The fact that Medicare Offices process **up to $500** worth of rebates on the spot and then **immediately pay the total in cash** over the counter is placing temptation in the way of petty criminals. I don't blame the perpetrators – I blame the system for tempting them! There is no system in place to detect such activity.
8. The promotion of the cash economy by Medicare.

The Reason why GPs don't bulk bill:

The Schedule Fee for a common Level B consultation (of 10 to 20 minutes duration) is $30.85 and Medicare now pays the doctors who bulk bill. This is too low for the vast majority of practitioners.

The government recognised this fact late last year (until then 15% was deducted from the Schedule Fee when paying bulk billed amounts) and, in addition to scrapping the 15% discount, it now pays bulk-billing doctors an additional $5.95 for pensioners and other concession card holders.

If a doctor wants to receive more than the $30.85 the administration costs escalate quite significantly, so a fee of $40.00 is common for the same consultation.

Patients often pay the $40.00 by credit card so the doctor loses the merchant fee (1.5% - 2%) to the credit card provider.

THE PAYMENT INEFFICIENCY WHICH COSTS BILLIONS

1. Patients who have paid the account then claim their Rebate of $30.85 from Medicare in one of three ways:

A. By visiting one of the 239 Medicare Offices spread across Australia and receiving a CASH refund (there were 35,374,544 of these transactions in 2003/4).
B. By posting the receipted doctor's account together with a completed Medicare Claim Form to a Medicare Office. The $30.85 is then either paid by a cheque posted to the patient or the amount is transferred by EFT into the patient's nominated bank account (there were 7,586,110 of these transactions – including the one's described in C- in 2003/4). The 7,586,110 comprised EFT 2,753,573 and 4,632,537 cheques issued to the claimants.
C. By visiting one of the 1051 Medicare Claim Machines installed in pharmacies, post offices, newsagents and general stores throughout Australia. Originally these were fax machines (which enabled claimants to fax their claim forms to Medicare) but they are being replaced by new devices which have a telephone linked to a Medicare Call Centre. With these the claimant talks to a Medicare Officer, giving all of the usual details on a claim form – including the claimant's bank account details if an EFT payment is desired. The claimant then places the doctor's receipted account into an envelope provided from the machine and posts it into a slot in the machine. The proprietor of the establishment where the machine is installed clears the machine's post box and places all of the claimants' envelopes into a large free-post envelope provided by Medicare and mails it to Medicare. In due course, either a cheque is posted to the claimant or the amount is remitted by EFT into the claimant's bank account. This convoluted chain of events must be costing Medicare a fortune.

A, B and C are all high cost inefficient ways to rebate $30.85.

2. If a patient does not pay the $40.00 account at the time of the consultation the doctor usually adds an additional amount (varying from $3 to $10) to the account to cover the additional collection costs.

In these cases the doctor's computer usually completes a Medicare Claim Form which the patient immediately signs and the doctor then posts it to the Medicare Office. He does this so as to expedite the processing of the claim.

Medicare posts a cheque, **payable to the doctor** for the $30.85 Rebate, **to the patient** (there were 19,713,852 of these cheques issued in 2003/4). The idea is for the patient to take the cheque to the doctor together with the gap figure (which is then $19.15 if the doctor charged $50.00).

However, many patients do not do so and, if the cheque isn't cleared within three months of the date of issue, Medicare stops payment of it and about one month later transfers the amount by EFT direct into the doctor's bank account. The doctor is still left with the administratively costly problem of collecting the gap – bad debts are common. In these instances the doctor would have been better of if he had bulk billed the patient – he would have collected the $30.85 (or $36.80 for pensioners etc) nearly four months earlier and avoided the collection costs. The problem is that $30.85 per patient does not provide sufficient revenue to run the practice.

The Solution:

General Practitioners must be paid the bulk bill fee by Medicare and be allowed to charge their patients extra if they so desire.

This is precisely how the PBS system has efficiently worked for years, except that with the PBS pharmacists have agreed to fixed fees – the government sets the "co-payment" amounts payable by the patients and it pays the pharmacies set amounts for each prescription.

In lodging their computerised Medicare Claims the health providers would supply the following information - the patient's full name and Medicare Number, the date and starting time of the consultation, the finishing time of the consultation, the diagnosis, the prescriptions issued, the bulk bill fee claimed, any extra fee charged and whether or not paid (This last piece of information will be essential for the verification of the Safety Net claims).

Such a system must be installed if the planned HEALTHCONNECT national system of health records is to be introduced and operated efficiently.

The Benefits:

1. Enormous cost savings to Medicare would immediately arise from the elimination of the processing of the myriad of claim forms, doctors' accounts and refunds to patients.

The 239 Medicare Offices could be dramatically downsized (if not eliminated) and the 1051 Medicare Claiming Facilities would become redundant. Many of those offices are in high-rent shopping centres and thousands of employees are being entrusted with cash. The system must incur a high security cost.

2. Over-servicing of patients would be highlighted immediately.

3. By on-line linking of the pharmacy computers to the Medicare facility (as is also planned with the HEALTHCONNECT records) the stock-piling of medicines, the doctor-

shopping by drug addicts and the overseas PBS rort would be readily detected and eliminated.

How the savings can be used to create a "Virtuous Circle"

1. Medicare should share some of the benefits with doctors by increasing the bulk bill amount to 100% of the Schedule Fees.

2. The cost-savings to doctors through the simplification of the collection of their fees would be substantial and **most, if not all, would not bill their patients anything extra. The savings to the new Safety Net would be phenomenal.**

3. The savings to patients must not be overlooked. They would no longer have to visit a Medicare Office or fill in claim forms or temporally pay the refundable rebate. The MedicarePlus booklet distributed in January 2004 rightly said "The last thing most people need is the additional burden of lining up at a Medicare office to receive a rebate."

The combined effect of these benefits significantly strengthens Medicare while at the same time the overall continuing cost to the government is considerably reduced.

The resulting savings to the budget could more than fully fund the original Safety Net thresholds and guarantee its sustainability.

THE ROLE OF HEALTHCONNECT

The planned HEALTHCONNECT system is a clear step in the right direction but it will be bogged down completely unless the Medicare system is streamlined as outlined.

Strategy to Implement the Change

A very simple legislative change is all that is necessary for this streamlining of the Medicare system **to commence virtually overnight**.

The independent senators (who supported the Medicare Safety Net legislation) **and the Democrats** (who are very keen to improve Medicare) would most certainly support the legislation. There is no need to delay this change – to do so would be economically irresponsible.

The ALP is opposed to allowing the above method because it believes such a system would encourage doctors to charge higher fees. (Such an attitude is offensive to the medical fraternity.)

However, the proposal by the ALP to provide "incentive payments for doctors who meet bulk billing targets" would encourage over-servicing on a grand scale, resulting in the spiraling of Medicare costs.

The ALP's plan is to pay Metropolitan doctors $7,500 when they reach an 80% bulk billing target, their Outer Metropolitan and Major Regional Centre colleagues will get $15,000 when they reach 75% and Rural doctors will be paid $22,500 when they achieve 70%.

Obviously, a doctor could build up the percentage by simply getting bulk billed patients to come back frequently on unnecessary repeat visits.