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DPC03/02190

30 June 2003

Senator Jan McLucas
Chair
Select Committee on Medicare
Parliament House
CANBERRA ACT 2600

Dear Senator

I am writing to you with regard to your letter to the Premier on 20 May 2003, inviting the South Australian Government to make a submission to the Select Committee on Medicare. Thank you for this invitation. Please find attached the South Australian Government submission.

Yours sincerely

HON LEA STEVENS MP
Minister for Health
Minister Assisting the Premier in Social Inclusion

South Australian Government Submission to the Senate Select Inquiry on Medicare

INTRODUCTION

Medicare, in general, is a cost-effective, efficiently run public health service that ensures access to all those in medical need. This is not to say though that Medicare cannot be improved. Over the past 12 months Commonwealth and State and Territory Health Ministers, alongside the negotiations of the Australian Health Care Agreements, have been working on a health reform agenda aimed at improving various areas of the Australian health system.

One of the more important areas needing reform is the interface between primary health care services, a responsibility of the Commonwealth, and public hospital services, the responsibility of the States and Territories. The key issue for the States and Territories is that public hospital emergency departments are under increasing pressure, principally because of the inability of the Commonwealth Government to address the decline in bulk billing arrangements.

Despite these issues being raised in the context of the health reform agenda discussions, the Commonwealth Government has proposed changes to Medicare that ignore the States' and Territories' concerns. The Commonwealth Government, in ignoring the reform agenda that all Health Ministers, including the Commonwealth Minister, have been party to, is ignoring important policy issues confronting all Australian governments.

SOUTH AUSTRALIAN CONTEXT

The South Australian Government supports approaches that focus on improving the health outcomes of the population and making the health system more accessible and affordable for all South Australians.

There is concern that the Commonwealth Government's proposed changes, outlined in the *A Fairer Medicare* package, do not go far enough in providing an accessible and affordable health system for all Australians.

In South Australia, strong primary health care services are crucial to the State Government's own plans for improving its health system. The South Australian Government is committed to a reorientation towards primary health care as part of its plans for a sustainable State health system.

The South Australian Government is currently working towards the provision of health care that:

- is more integrated and coordinated, from the perspective of individual care through to a population's health;
- is oriented towards prevention, early intervention and, most particularly, primary health care;
- provides a rational basis for resource allocation based on a population's identified need;
- is cost effective and sustainable.

In order to achieve these goals, the South Australia Government requires the Commonwealth Government to invest appropriately in Medicare. The South Australian Government cannot be expected to take on the extra burden on the health

system that will be created by the Commonwealth Government's unwillingness to properly fund Medicare. This lack of cooperation on the part of the Commonwealth Government is of concern to the South Australian Government and will diminish South Australia's capacity, potential and ability to achieve better health for all South Australians.

It is the opinion of the South Australian Government that the Commonwealth Government's proposed Medicare package is deficient in the following areas:

- **Addressing mis-distribution of General Practitioners (GPs)**

Outer northern and southern suburbs of Adelaide have been identified as having a shortage of GPs and the GPs practising in these areas have less opportunity to claim a co-payment. The patient mix in these areas includes high levels of concession card holders and lower levels of income.

The South Australian Government strongly supports increasing the numbers of GPs in these areas of GP shortage. Unfortunately the Commonwealth Government's incentive payments to GPs in outer metropolitan and country areas of South Australia will do little in attracting GPs to these areas.

The reverse applies to the more affluent suburbs, where retaining the incentive for GPs to operate in these suburbs will only further aggravate the misdistribution of GPs.

- **Impact on Emergency Departments**

The South Australian Government is concerned that increased co-payments for low income non health care card holders may result in people seeking basic health care through emergency departments and thus receiving free medical care.

Allowing a co-payment is likely to influence doctors' fees for all patients, especially low income earners. Doctors are likely to charge all non-cardholders a co-payment that, on average, could be $20 to $25. While this may not be a heavy impost on some patients it will severely impact on low income earners, who may reconsider visiting their GP and instead attend the nearest public emergency department, most likely after their illness has worsened.

GPs have expressed the opinion that some patients tend to seek GP practices that provide bulk billing in preference to attending emergency departments. With the proposed changes, this option will most likely decrease for low income non health care cardholders, forcing them into attending emergency departments.

- **Early intervention and chronic disease management**

The proposed changes continue to focus on episodic treatment and not on prevention, early intervention or disease management. The South Australian Government is concerned that this may discourage people from seeking help early in the disease process, resulting in more intensive care options (eg acute care).

- **Practice nurses**

The South Australian Government supports the funding of nurses or allied health workers to support GPs in urban areas of workforce shortage. Evidence indicates that this encourages a multi-disciplinary focus on primary care, which improves patient outcomes.

The package includes funding for 457 full-time equivalent nurses across Australia. The package lacks detail about how nurses' time would be distributed and where they would be situated (eg GP practices, Divisions of General Practice), which could impact on the effectiveness of this strategy.

In employing practice nurses the Commonwealth Government needs to ensure that there is no drain on the availability of nurses to work within the hospital environment where there are currently shortages.

GENERAL PRACTITIONERS

Indications from GPs in South Australia suggest that the changes to Medicare will not provide sufficient incentives for GPs to join, thus limiting the impact on current bulk billing rates.

The General Practice Access Scheme (GPAS) included in the package does not place enough emphasis on improving health outcomes and is inflexible in the way it is to be implemented.

In order for GPs to be eligible for the financial incentives, they must sign up for the total GPAS. GPs will not be able to adopt only the individual components that they believe may be beneficial to their practice and patients. This increases the risk of GPs refusing to participate in the scheme.

The Australian Medical Association and Australian Divisions of General Practice are also indicating that the changes proposed by the Commonwealth are not widely supported by their members. They comment that the proposed Commonwealth changes do not properly address patient access and affordability issues and that the rising costs of running a practice will in the future make bulk billing unsustainable for more and more doctors.

The Medical Benefits Scheme (MBS) is inadequate and must be appropriately indexed to match the increasing cost of running a medical practice. The package locks in the declining trend in the real value of the Medicare rebate and, over time, will shift a greater share of the health burden onto doctors and their patients. Most at risk out of this package will be patients without concession cards who have chronic illnesses.

GENERAL COMMENTS ON MEDICARE AND THE PROPOSED CHANGES

- **Current rate of Medicare Rebate**

The current rate of the MBS rebate has the highest impact on the viability of bulk billing. The medical profession has expressed its concerns repeatedly about the inadequacy of the level of the current rebate. The rebate simply does not reflect the rising costs of running a general practice.

- **Limiting free care to health care cardholders**

Offering incentives for free care to health care cardholders is likely to have a minimal effect. It is likely that many cardholders are already being bulk-billed and there will be little difference in the way they receive and pay for their services. Also, the majority of GPs do not support the proposed changes and are indicating they will not participate in the new scheme.

- **Out-of-hospital out-of-pocket expenses**

The proposed changes to allow private health funds to insure for out-of-hospital out-of-pocket expenses will do very little to improve access, affordability and quality of services for individuals.

The Commonwealth Government proposes that patients will only qualify for benefits when they incur costs of $1000 or more. If it is assumed that patients would pay an out-of-pocket charge of $20 per visit, this would equate to 50 general practitioner consultations in any one year. A much lower figure would be more realistic. Since most people only attend a GP on average five times a year the majority of patients will not get the benefit of the proposed arrangements.

- **Reallocating Expenditure from the Private Health Insurance rebate**

Redirecting Commonwealth funding from the private health insurance rebate to the public health sector would improve access to health services. In a report by Professor John Deeble, entitled "The Private Health Insurance Rebate" (January 2003), commissioned by State and Territory Health Ministers, Professor Deeble argues that the rebate has been unsuccessful on both economic and health service grounds. Professor Deeble contends that lifetime health cover has had a far larger influence on private health insurance membership.