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AMA supplementary submission – Inquiry into health policy, administration and expenditure

The AMA is pleased to provide the Senate Select Committee on Health with a supplementary submission on the Budget measures announced by the Government in its Mid-Year Economic and Fiscal Outlook (MYEFO) on 9 December 2014, specifically:

- The \$5 cut to Medicare rebates for general practitioner services for general patients; and
- The freeze on indexation of all Medicare Benefits Schedule fees until 1 July 2018.

While the measures are intended to save \$3.5 billion over four years¹, because of the compounding effect of the Medicare indexation freeze, the long term savings on Medicare outlays will be significantly greater.

Our first submission provided the historical and current data to illustrate that Commonwealth expenditure on health is not unsustainable in the content of the total Government budget, and as such cannot be used to justify the measures. It is noteworthy that the new (MYEFO) measures adjust health down to 15.9% of the total Government Budget².

In terms of health policy, the Government's initial and revised budget measures are designed to significantly wind back the Medicare arrangements under which the Government provides patients with financial assistance towards the costs of their medical services.

By increasing patients' out-of-pocket costs through these measures, the Government is very likely introducing a barrier to medical care. This is short-sighted health policy.

\$5 rebate cut for general practitioner services

More significantly, the Government persists with its attack on general practice. By reducing the value of the Medicare rebate for GP services, the Government shows it has little regard for the value of those services at the front line of Australian healthcare.

As stated in our first submission to the Committee, GPs provide all the care needed for 90% of the problems that they encounter, at an average cost to the Commonwealth Government of \$286 per person in 2012-13.

¹ This will be reduced by approximately \$500m per annum now that the Government has repealed the legislation that would have reduced the Medicare rebate for GP attendances lasting less than 10 minutes.

² Table 3.22 *Mid-Year Economic and Fiscal Outlook* Part 3: Fiscal Strategy and Outlook pages 76 and 77

Yet the Government wants to reduce that contribution, and it wants general patients to make up the difference when they see their doctor. This is of course the core of the Government's 'price signal' ideology. The Government's rhetoric is that doctors may recoup the \$5 rebate reduction "through an optional co-payment" and that the decision is "entirely at the discretion of the doctor"³.

As the costs of running viable general practices that provide quality medical care continue to increase, with the largest costs being wages for practice staff, nurses and other services like bookkeepers, accountants and IT support, practices will have no choice but to pass costs on to their patients.

MBS indexation freeze

The MYEFO measure to "pause" indexation for a further two years until July 2018 amounts to a nearly six year freeze of the Medicare rebate that the Government will pay towards the cost of medical care⁴.

Some private health insurers have carried the Government's savings by indexing their schedules of medical benefits in July 2013 and 2014. It is unlikely that they will be able to carry those savings until July 2018 – they may decide to freeze indexation for a similar period of time. If that happens, there will be a drop in the current high rate of 89% of privately insured medical services that have no out of pocket costs for patients.

This extended freeze on Medicare rebates across the board and for such a long period, and its impact on the cost of private hospital treatment, is also not well understood by the general community.

Public hospital services

If the 'price signal' acts as a barrier for patients to access early care and intervention for their medical conditions, this will place a further strain on public hospital resources if patients seek 'free' care. This will come on top of the serious and immediate funding reduction of \$1.8 billion for public hospitals and the loss of the \$16.4 billion funding guarantee in the National Health Reform Agreement.

Public hospitals are struggling to meet demand due to limited capacity. The Australian Institute of Health and Welfare Australian Hospitals Statistics reports on emergency department care and elective surgery for 2013-14 show that waiting times have not improved, and only minor progress is being made towards access and treatment targets.

Waiting times for elective surgery and in emergency departments will only get worse if the Government's measures create barriers to primary care and privately insured treatment.

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³ Australian Government A Strong and Sustainable Medicare fact sheet *How is the Co-Payment changing?*
http://www.health.gov.au/internet/main/publishing.nsf/Content/strongmedicare_factsheet_co-payment_changing

⁴ Specialist medical services were last indexed on 1 November 2012, general practitioner services were indexed on 1 July 2014, pathology and diagnostic imaging services have not been indexed for in excess of 15 years.