Executive Summary

This interim report is the second of a series in which the Senate Select Committee on Health proposes to report its findings and conclusions to date. The first interim report, tabled on 2 December 2014, is available from the committee's website.[1]

Primary healthcare is the foundation of Australia's health system and general practitioners (GPs)—often referred to as the 'gatekeepers' of the system—are the principal point of contact for most Australians. GPs play a critical role in providing chronic disease management, preventative health advice, diagnosis and referral to other important areas of the health system, including allied health and mental healthcare.

Budget 2015-16: ongoing impact of the indexation freeze

Whilst the initial proposition for an upfront $7 co-payment has been abandoned, the four year freeze on indexation of Medicare fees for all services provided by GPs, medical specialists, allied health practitioners, optometrists and others remains. The indexation freeze is likely to be felt even more acutely, especially for vulnerable patients.

Department of Health figures released through a Freedom of Information request by *The Australian* show that the government's decision will have a $1.3 billion impact on Medicare rebates for GP services.[2]

As the Australian Medical Association (AMA) and others have argued there is an inevitability that these costs will be passed onto patients seeing an increase in out-of-pocket costs and a reduction in levels of bulk billing.

The AMA President, Associate Professor Brian Owler, explained that this measure is 'a freeze for the patient's rebate. It is not about the doctor's income. It is actually about the patient's rebate and their access to services.'[3]

Dr Stephen Parnis, Vice President of the AMA, told the committee that the indexation freeze was 'a co-payment by stealth':

> …irrespective of the model of business that you adopt, when the government component of contribution is fixed at zero per cent while all of the other overheads continue to rise, that means the margin there will

1 Senate Select Committee on Health, *First Interim Report*, 2 December 2014, www.aph.gov.au/Parliamentary_Business/Committees/Senate/Health/Health/First_Interim_Report.

2 Freedom of Information Request, Mr Sean Parnell, Health and FOI Editor, *The Australian* to Department of Health, 27 April 2015, p. 1.

3 Associate Professor Brian Owler, President, AMA, 'Shroud of secrecy amid lasting pain', *Medical Observer*, 9 June 2015.

> diminish. If one is a practice that exclusively bulk bills, it will not take long before that impacts. Inevitably doctors will have to make decisions to change the way in which they bill—effectively, asking patients to make a contribution where the government is not. We believe that bulk billing rates will diminish.[4]

Research undertaken by the University of Sydney indicates that the indexation freeze would cost GPs $384.32 in 2017-18 per 100 consultations, requiring an $8.43 co-payment per non-concessional patient consultation. The research also shows that the total estimated loss in rebate income to GPs would be $603.85 in 2017-18 per 100 consultations which equates to a reduction of 11.2 per cent.[5]

Dr Parnis told the committee that the indexation freeze would raise costs for primary healthcare and push patients into under-funded public hospitals:

> Medicare rebates for most consultations and operations will not change for almost six years. Even if indexation comes back in on 1 July 2018, the effects of the freeze will be felt forevermore because of the compounding effect. This will increase out-of-pocket costs for private medical care and force more people to seek care in the public sector. But the likelihood of them receiving timely care and treatment will be diminished by the squeeze on funding flowing from the Commonwealth.[6]

Unprecedented response from GPs

As indicated in the committee's first interim report, the health sector was concerned by the lack of consultation and evidence that preceded the Abbott Government targeting GPs for budget savings in the 2014-15 Budget. GPs' and health consumers' fears were further realised at the government's December 2014 decision to penalise short medical consultation times and the introduction of a $5 co-payment.

Associate Professor Owler told the committee that the announcement of the short consultations policy came as a 'complete surprise':

> …again we found out 20 minutes before the announcement was made. In fact, I was in the United States in Chicago, in my hotel room, when the phone rang from the minister stating that these were the changes about to be made.[7]

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4 Dr Stephen Parnis, Vice President, AMA, *Committee Hansard*, 9 June 2015, p. 2.

5 Christopher Harrison, Clare Bayram, Graeme C Miller, Helena C Britt, , 'The cost of freezing general practice', *Medical Journal of Australia*, 10 March 2015, www.mja.com.au/journal/2015/202/6/cost-freezing-general-practice?0=ip_login_no_cache%3D2711da5acfee8a84b8bbb5566569664a.

6 Dr Stephen Parnis, Vice President, AMA, *Committee Hansard*, 9 June 2015, p. 1.

7 Associate Professor Brian Owler, President, Australian Medical Association, *Committee Hansard*, 5 February 2015, p. 3.

Although the policies were announced just prior to the Christmas break, the political action of the GP networks was unprecedented.

The feelings of Australians were made clear in support for the Royal Australian College of General Practitioners (RACGP) *You've Been Targeted Campaign*, part of which was an online petition which collected over 44 000 signatures in less than a week.[8]

Cost-effective healthcare

According to the RACGP, around two and a half million Australians visit their GP each week.[9] The RACGP argued that while hospital costs rise, general practice costs are stable, confirming general practice as both cost-effective and efficient:

> Primary healthcare services are the most cost-effective part of the health sector. They can reduce healthcare costs through chronic disease management and health service integration, decreasing emergency department presentations and preventable hospital admissions.[10]

The Australian Healthcare Reform Alliance (AHCRA) agreed, noting that:

> The total cost of GP services is less than 7% of the total health budget – a relatively small slice of the pie. International research shows that countries with stronger and more easily accessible primary care systems have better overall health status at lower costs.[11]

Clearly, any policy which negatively impacts upon GPs will have a magnified impact on the local community. Despite the arguments of the RACGP, AHCRA, health economists, and public health community advocates, the government continues to produce policy that is at odds with the evidence given by experts in Australia's primary healthcare system.

Ms Jenny Johnson, Chief Executive Officer of the Rural Doctors Association of Australia (RDAA), explained the significant value that GPs provide, particularly in rural communities:

> …a rural doctor who is working in his or her general practice will also most likely be providing visiting medical officer services to the local hospital. They will probably be providing mental health services and counselling, they will be teaching medical students and they will be providing after-

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8 Ms Sophie Scott, 'Medicare Changes: How doctors' anger and backlash from patients forced Government to scrap rebate cuts', *ABC News Online*,15 January 2015, www.abc.net.au/news/2015-01-15/why-the-unpopular-medicare-rebate-changes-had-to-be-scrapped/6019314.

9 RACGP, 'Family Doctors acknowledged internationally as foundation of healthy communities', Media Release, 19 May 2015.

10 RACGP, *Submission 115*, p. 2.

11 AHCRA, 'Government still tunnelling away to undermine universal health care', Media Release, 14 December 2014.

> hours and emergency services. They may be providing more advanced procedural services… [If] a rural practice is forced to close or it loses a doctor because of economic circumstances, then that will flow onto the local hospital, which will have less doctors to fill its after-hours rosters and to provide emergency and secondary care. This in turn will compromise the ability of communities to access after-hours services. It will lead to a downgrading of services in the hospital and then we get into that awful downward spiral.[12]

Ms Johnson's evidence reveals the intimate systems connections between primary health and the hospital setting.

Hospital funding cuts of more than $57 billion from the 2014-15 Budget continue, with resulting cuts to state government budgets, for example:

- $17.7 billion cut from Victorian Government health budget[13]
- $11.8 billion cut from Queensland Government health budget[14]
- Over $1 billion cut from South Australian Government health budget[15]

The committee will focus on the impact of these cuts throughout the rest of the year and produce another interim report in due course.

Healthcare sector responses

Since its first interim report the Select Committee on Health has held 19 public hearings across Australia. During its extensive and transparent consultations with stakeholders, the committee has heard of the widespread concerns for Australia's healthcare system resulting from the Abbott Government's health policy omnishambles.

Fiscally driven

Peak groups have argued that the government's single-minded focus on cutting the health budget and ignoring expert advice from health economists, has created policies

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12 Ms Jenny Johnson, Chief Executive Officer, RDAA, *Committee Hansard*, 5 February 2015, p. 17.

13 Ms Jean Edwards, 'Budget 2015: Victoria blasts Abbott Government of health cuts', *ABC News Online*, 13 May 2015, www.abc.net.au/news/2015-05-13/victoria-blasts-abbott-government-over-budget-health-cuts/6467526.

14 Ms Melinda Howells, 'Budget 2015: Queensland Premier Annastacia Palaszczuk says no job cuts to health', *ABC News Online*, 13 May 2015, www.abc.net.au/news/2015-05-13/palaszczuk-no-job-cuts-to-health-despite-cameron-dick-comments/6466908.

15 Mr Steve Archer, Deputy Chief Executive, Finance and Corporate Services, Department for Health and Ageing South Australia, *Committee Hansard*, 11 June 2015, p. 20.

which will damage Australia's primary healthcare system. Associate Professor Owler told the committee:

> I think the proposals that have been made, as I have said, have all been fiscal. They have all been about saving money. No-one would introduce those measures if they were to look at the impacts through the prism of health. I think one of the most disappointing things over the past 12 months is that we have just had no health policy developed in this country. We need to get back to talking about how we are going to make the health system better.[16]

Witnesses told the committee that the government's policy changes were ideologically-driven fiscal measures rather than policies to improve health outcomes. The AMA argued that:

> …one of the reasons we are in this mess in the first place is that the changes that were flagged were always designed as fiscal measures, they were never viewed through the prism of health policy and I think that has been the failing of both sets of policies.[17]
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> …whoever is in government or whoever is Prime Minister needs to consult with the profession and go away from being driven only by personal assertions and ideology and get back to looking at evidence and data.[18]

Other areas of concern

Ms Alison Verhoeven, Chief Executive of the Australian Healthcare and Hospitals Association (AHHA) outlined the impact cuts to Flexible Funds will have on frontline services:

> The flexible funds are used to support a whole range of programs and organisations that deliver services to people across the Australian community, including prevention type services and also chronic disease management, drug and alcohol treatment, mental health services and the like. Because they are largely delivered into the primary care sector, one of the important contributions that they make is reducing some of what might be preventable hospitalisations. That is very important not only for the health of the community but also for the sustainability of funding in the health system overall.
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> Ad hoc cuts in flexible funds will damage individuals, will damage organisations and potentially will increase the burden on the hospitals.[19]

16 Associate Professor Brian Owler, President, AMA, *Committee Hansard,* 5 February 2015, p. 7.

17 Associate Professor Brian Owler, President, AMA, *Committee Hansard,* 5 February 2015, p. 4.

18 Associate Professor Brian Owler, President, AMA, *Committee Hansard,* 5 February 2015, p. 6.

19 Ms Alison Verhoeven, CEO, AHHA, *Committee Hansard,* 9 June 2015, p. 22.

Dr Morton Rawlin, Vice President of the RACGP told the committee that the scrapping of the Medicare Healthy Kids Check was another example of the Abbott Government acting without consultation:

> The scrapping of the Healthy Kids Check health assessment was surprising and unfortunate. The assessment aims to improve health outcomes for Australian children by detecting health, hearing, speech, language and behavioural issues at an early stage. Part of the value of the health assessment items, apart from providing an appropriate patient rebate for the work involved, was that it allowed members of the general practice team, practice nurses and Aboriginal health workers to contribute to the assessments supporting multidisciplinary practice within primary care. The general consultation items do not currently support this kind of teamwork or the non-face-to-face time often required to conduct a quality health assessment. If there are identified issues with the Healthy Kids Check, as the government stated, we would expect a discussion to find solutions rather than scrapping the items with no consultation or discussion.[20]

Committee's second interim report

Given the fluid and uncertain nature of the government's current policy priorities for primary healthcare and general practice, the committee is using its second interim report to record rather than make recommendations. It is clear from the government announcements since the 2014 Budget that the Abbott Government has no long-term strategic policy plan for positive healthcare reform in Australia. The committee, in conducting its comprehensive and public hearings, has created a transparent forum for public debate on healthcare policy which the government has failed to provide.

20 Dr Morton Rawlin, Vice President, RACGP, *Committee Hansard*, 9 June 2015, p. 8.