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Submission to the House of Representatives Standing Committee on Economics Inquiry into Tax Laws Amendment (2012 Measures No. 6) Bill 2012

The AMA submission specifically addresses *Schedule 5 – Rebate for medical expenses* of the Tax Laws Amendment (2012 Measures No. 6) Bill 2012 (the Bill).

The AMA believes Schedule 5 should be removed from the Bill in its entirety.

Illness does not discriminate between the rich, the poor, the young, the aged or the frail. Previous Governments have designed safety nets to ensure that every Australian who experiences high out-of-pocket medical expenses because of high, and often unexpected, medical needs in a given period, is supported financially through these difficult periods. Safety nets ensure that patients can continue to have affordable access to the care they need to recover and restore their normal, productive lives.

All Australians, regardless of their income, are eligible for the Medicare Benefits Schedule (MBS) and Pharmaceutical Benefits Scheme (PBS) safety nets. The net medical expenses tax offset (NMETO) provides the final safety net for patients, after the MBS and PBS safety nets have been applied. In the policy context, it is incongruous to apply an income test to the NMETO.

Successive governments have failed to index MBS fees in line with other indices such as the Consumer Price Index and the Labour Price Index, let alone increases in the costs of running medical practices and delivering medical care. With year upon year of indexation that has been well below par, today there is now quite a disconnect between MBS fees and the realistic cost of providing the services. Added to that, the AMA has watched the current Government systematically wind back its MBS contribution towards the health care costs of Australians¹.

More patients will access safety nets when their out-of-pocket costs increase as Governments reduce their financial contribution towards the costs of medical services.

The expected saving to the Budget of \$370 million over three years is very small in the context of annual health budgets and expenditure. However, the impact on individual patients could be significant. In 2010-11, individuals received rebates totaling \$475 million². The number of

¹ MBS fee reductions to cataract surgery, coronary angiography and GP Mental Health Treatment Plans and the removal of MBS items for joint injections. Upper limits on Extended Medicare Safety Net benefits for obstetric services, assisted reproductive technologies, a range of procedural services and consultations.

² *Health expenditure Australia 2010-11* Australian Institute of Health and Welfare, Table A3, page 112.

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individuals who have received the rebate is not publicly available so it is not possible to make any assessment of how many patients might be affected by this measure.

Means testing contributions to health insurance³ is a different proposition to means testing eligibility for safety nets for actual expenses incurred for medical care. It is a feature of Australian society that high income earners make a higher contribution to health care, through income tax and Medicare levies and more recently a higher Medicare Levy Surcharge and reduced private health insurance rebates.

The AMA is of the view that people should contribute to the costs of their health care, and pay co-payments for the services that they access. The design of the safety nets mean that patients will contribute to the costs of their care through co-payments, with a financial buffer if co-payments exceed the relevant thresholds. As the NMETO currently covers only 20 cents in the dollar, patients, and not Government will still meet remaining co-payments. It is not reasonable for any person who experiences a period of high medical need, and therefore costs, to be treated differently by the safety net system.

The AMA makes the observation that the NMETO, if left in its current form, has a valuable role in providing some relief for Australians for the costs of dental care. Good oral health is critical to good health. Australians are shouldering 64% of the costs of private dental care⁴. The proposed Child Dental Benefits Schedule is subject to a means test. Many families will have to continue to meet dental care costs, which can be challenging even for middle class families.

The AMA believes that in deciding to means test the NMETO, the Government has misunderstood the original health and social policy intention of the NMETO and its relationship to the MBS and PBS safety nets, and has perhaps got carried away with its own recent policy to means test health.

The AMA urges the Committee to recommend that Schedule 5 be removed from the Bill.

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³ Medicare Levy, Medicare Levy Surcharge and Private Health Insurance Rebates

⁴ *Health expenditure Australia 2010-11* Australian Institute of Health and Welfare, Table A3, page 112.