Coalition Senators' Dissenting Report

1.1 The Coalition members of the Community Affairs (Legislation) Committee consider that the Chairperson's inquiry report ("the Report") does not accurately reflect the breadth and complexity of the issues affecting out of pocket health expenses.

Health Expenditure

1.2 The Report fails to recognise the pressures on the current fiscal environment and the unsustainable growth in health expenditure. The previous Government incurred $123 billion in future deficits. Without policy changes, this debt will reach $667 billion.[1]

1.3 The Commission of Audit has stated that health care spending is the Commonwealth's single largest long term budget challenge.[2] Ten years ago the Australian Government spent $8 billion on Medicare; in 2014–15 the Australian Government will spend $19 billion. In 10 years' time this expenditure is projected to be more than $34 billion.[3]

1.4 The Department of Health submitted that in 2011, Australia's annual real rate of growth of total health expenditure was 4.2 per cent. They stated that this was higher than the average across the OECD, at 3.9 per cent. This placed Australia in the 2nd highest quintile on this measure.[4]

1.5 It is clear that without reform to health expenditure that the federal budget would not be able to withstand the increased health expenditure.

Out of Pocket Health Expenses

1.6 In regard to out-of-pocket expenses relating to healthcare, the Australian Medical Association submitted:

> In the decade to 2012–13, the percentage of medical services attracting out-of-pocket costs has either stayed the same or declined.[5]

1.7 The Department of Health provided in their submission:

> [T]he proportion of total health expenditure funded by out-of-pocket payments in 2011–12 (17.3 per cent) was largely unchanged from than in 2001–02 (17.5 percent).[6]

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1 Australian Government 'Budget Strategy Outlook', Budget Paper No. 1, p. 1.

2 National Commission of Audit, *Towards responsible government. The report of the National Commission of Audit, Phase One*, February 2014, pp 99–100; 111–112.

3 Senator the Hon Fiona Nash, *Committee Hansard*, 2 June 2014, p. 64.

4 Department of Health, *Submission 101*, p 25.

5 Australian Medical Association, *Submission 72*, p.2.

1.8 Whilst out-of-pocket expenses have remained relatively stable, there are some changes in the distribution of costs associated with healthcare. The Department of Health stated that:

> The largest and fastest-growing area is non-prescription medicines, including complementary medicines. They are nearly one third of the total out-of-pocket costs…
>
> It is also important to note that the discretionary choices that people are making in terms of their health expenditure. Australians in 2007 were spending $4 billion on complementary medicines and therapies.[7]

1.9 Evidence to the committee clearly highlights that while the total health expenditure funded by out of pocket payments has remained relatively stable over the last decade, there has been significant growth in discretionary spending on non-prescribed complementary medicines, including vitamins and supplements.

International Comparisons

1.10 The Report substantially details evidence of international comparisons made by various submitters to the inquiry. The volume and variance of the evidence presented illustrates the complexity of making international comparisons. The Department of Health cautioned in the hearing against making comparisons between Australia and other OECD countries:

> A number of submissions have highlighted the absolute value of out-of-pockets as evidence of issues across the system. The trend over the last couple of years for out-of-pockets as a percentage of total health expenditure is down. It peaking at 19 per cent some years ago; it was 18.3 per cent in 2010–11; and in 2011–12 it was 17.3 per cent. It is lower than the OECD average, and Australia ranks 15 out of 34 of OECD countries for out-of-pockets as a percentage of health expenditure. The absolute dollars in many ways are an indication of the wealth of a society, rather than the appropriateness or inappropriateness of the level of out-of-pockets being charged. The extent to which out-of-pockets are discretionary is highlighted when an analysis of the out-of-pocket data is undertaken. The largest and fastest-growing area is in non-prescription medicines, including complementary medicines. They are nearly one third of the total out-of-pocket costs.[8]

1.11 In the hearing for the Committee's inquiry in to National Health Amendment (Pharmaceutical Benefits) Bill 2014, Department of Health officials provided further evidence on the difficulties of international comparisons:

> If you read through the OECD report, depending on the country, some things are and are not included in the total. So you can look at one country

6 Department of Health, *Submission 101*, p 7.

7 Mr Richard Bartlett, *Committee Hansard*, 3 July 2014, p.63.

8 Mr Richard Bartlett, Committee Hansard, 3 July 2014, p.63.

> and it says, 'Yes, we include OTCs and other non-discretionary items,' and then you can look at another country and it says, 'These were included and these were not included.' Again, it is about being able to get through the back of all that data. We cannot be specific about whether you are comparing apples and oranges or apples and apples. It does vary between countries.[9]

1.12 The Department of Health acknowledged that data on expenditure by Australians on complementary medicines and therapies was limited.[10]

Government Measures addressing out-of-pocket expenses

1.13 The Report fails to acknowledge a number of measures in place designed to ensure that out-of-pocket medical costs are reduced. The MBS is designed to protect vulnerable persons with high out-of-pocket costs.

1.14 Under current rules doctors are paid an incentive fee to bulk-bill (or charge no more than the Medicare rebate) for a GP consultation to concession card holders, or children under 16. This fee is $6. Importantly, a higher bulk-billing incentive is paid to the doctor if the service is provided in a rural or remote location of $9.10 for each consultation. This is specifically designed to ensure that Concession card holders, and children under 16 have their out of pocket costs when visiting a GP minimised.[11]

1.15 Under the Government's budget changes, these incentives will still apply if Doctors limit their co-payment charge to only $7, and will be renamed the low-gap incentive payment.

1.16 The Government provides a "safety net" to support more vulnerable patients, to limit the out of pocket costs of those at risk of excessive costs for medical services. Once a family or individual has reached the Extended Medicare Safety Net General threshold, the Government will pay the Medicare benefit and 80% of the out of pocket costs, or the benefit cap, whichever is the lower amount, for eligible out of hospital Medicare Benefit Schedule services for the rest of the calendar year.

1.17 Currently there are multiple Medicare Safety Nets for out of hospital services which help protect patients. From 1 January 2016 a new Medicare Safety Net will simplify existing safety nets for out of hospital services whilst continuing to protect vulnerable patients. The new Medicare Safety Net will have lower thresholds for most people. This may allow some people to qualify for safety net benefits earlier than under current arrangements.[12]

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9 Ms Felicity McNeill, *Committee Hansard*, 19 August 2014, p.28

10 Mr Richard Bartlett, Committee Hansard, 3 July 2014, p.63

11 Department of Health, Strengthening Medicare, http://www.health.gov.au/internet/budget/publishing.nsf/content/budget2014-factsheet-strengthening-medicare (accessed 21 August 2014).

12 Department of Health, Budget 2014–15, http://budget.gov.au/2014-15/content/glossy/health/download/Health.pdf (accessed 21 August 2014).

1.18 Importantly, under the Government's budget announcement, effectively a second safety net has been introduced for concession card holders, and children under 16.

1.19 In addition to the MBS safety net, concession card holders and children under 16 will only be required to pay the $7 co-payment, for the first 10 visits in any calendar year for either General Practice, out of hospital pathology, and out of hospital diagnostic imaging. After this cap has been reached an incentive will be paid to the practitioner to bulk-bill (or charge no more than the Medicare rebate) for future services.[13]

1.20 There are some patient groups in the community that are at greater risk than others. The Government provides a "safety net" to support more vulnerable patients, to limit the out of pocket costs of those at risk of excessive medicines costs. Once a patient hits the PBS Safety Net threshold, they have the cost of their PBS medicines reduced.

1.21 For a General patient—on reaching the PBS safety net, will have their PBS patient contribution reduced from $36.90, to $6.00. For Concessional patients—on reaching their PBS safety net will have their PBS patient contribution reduced from $6.00 to free.[14]

1.22 At present there are 7.6 million Concessional PBS patients in Australia.[15] In 2012-13, one in five PBS-subsidised prescriptions dispensed through community pharmacies were supplied free of charge to concessional patients who had reached the safety net.[16]

1.23 Safety net arrangements will continue to protect very high users of medicines under the Government's proposed budget changes.

1.24 In the 2014–15 Budget Estimates, the Department of Health stated that they expect the increased PBS co-payment to result in concession card holders paying, on average, an additional $13.60 per year.[17]

Recommendations

1.25 The Report focuses on changes to co-payments for health expenditure and fails to address the context and reasons for the changes. Additionally, there is little

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13 Department of Health, Strengthening Medicare, http://www.health.gov.au/internet/budget/publishing.nsf/content/budget2014-factsheet-strengthening-medicare (accessed 21 August 2014).

14 Department of Human Services, Pharmaceutical Benefits Scheme Safety Net, http://www.humanservices.gov.au/customer/services/medicare/pbs-safety-net (accessed 21 August 2014).

15 Department of Health, Submission to the Inquiry into the National Health Amendment (Pharmaceutical Benefits) Bill 2014, p.5.

16 Department of Health, Submission to the Inquiry into the National Health Amendment (Pharmaceutical Benefits) Bill 2014, p.11.

17 Ms Felicity McNeill, *Proof Estimates Hansard*, 2 June 2014, p.45

analysis of other government support for out-of-pocket expenses beyond GP services and pharmaceuticals. The recommendations provided in the Report focus on a series of reviews that would further delay necessary reforms to health expenditure and further increase the unsustainable burden that growing health costs are having on the federal budget. Analysis, review of evidence and economic modelling were all conducted in preparation for the 2014–15 Budget.

Recommendation 1

1.26 That Coalition members of the Committee recommend that the Senate proceed with health expenditure reforms detailed in the 2014–15 Budget

Senator Zed Seselja **Senator Linda Reynolds**

Senator Dean Smith