



Policy costing

Magnetic Resonance Imaging (MRI) licences for Mount Barker and Victor Harbor	
Person/party requesting the costing:	Ms Rebekha Sharkie MP, Centre Alliance
Date costing completed:	23 August 2018
Expiry date of the costing:	Release of the next economic and fiscal outlook report.
Status at time of request:	Submitted outside the caretaker period <input checked="" type="checkbox"/> Confidential <input type="checkbox"/> Not confidential
<p>Summary of proposal:</p> <p>This proposal would grant two MRI machines with full Medicare rebate licences, one in Mount Barker and one in Victor Harbor, South Australia. Granting an MRI licence means that the Commonwealth Government pays Medicare rebates for images from those machines. Full licences mean patients can receive a rebate for any MRI item on the Medicare Benefits Schedule.</p> <p>The proposal would have effect from 1 July 2019.</p>	

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by \$8.4 million over the 2018-19 Budget forward estimates period. This impact is due to an increase in administered expenses of \$8.4 million and a minor increase in departmental expenses.

The proposal would be expected to have an ongoing impact beyond the 2018-19 Budget forward estimates period. Financial implications for the period 2018-19 to 2028-29 are provided at [Attachment A](#).

The financial implications of this proposal are sensitive to the level and composition of services supplied by the newly licensed machines and the Medicare rebates paid for MRI items.

Table 1: Financial implications (\$m)^{(a)(b)}

	2018-19	2019-20	2020-21	2021-22	Total to 2021-22
Fiscal balance	..	-2.6	-2.8	-2.9	-8.4
Underlying cash balance	..	-2.6	-2.8	-2.9	-8.4

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

- The average Medicare benefit payable per newly licensed MRI machine would be similar to that for currently licensed machines in regional areas.
- The Department of Health would run an application process to select which MRI service providers would receive the licenses. This process would start in time for the MRIs to have licences by 1 July 2019.
- The Department of Human Services' departmental expenses have been calculated based on similar previous budget measures.
- The shares of total Medicare Benefits Schedule expenses between the Department of Health and the Department of Veterans' Affairs would be constant over the period to 2028-29 and equal to their shares from the 2011-12 Budget measure *Diagnostic Imaging – reforms*.

Methodology

The administered cost of this proposal was calculated by multiplying the average Medicare benefit payable for currently licensed machines by the two new licences and growing the result over time.

Departmental costs are based on similar programs and account for the net effect of indexation parameters and the efficiency divided, in accordance with the Department of Finance's costing practices.

Administered cost estimates have been rounded to the nearest \$0.1 million.

Data sources

The Department of Health provided information on average Medicare benefits payable by MRI machines as at 25 July 2018.

Commonwealth of Australia, 2018. *2011-12 Budget*, Canberra: Commonwealth of Australia.

Attachment A – Magnetic Resonance Imaging (MRI) licences for Mount Barker and Victor Harbor – financial implications

Table A1: Magnetic Resonance Imaging (MRI) licences for Mount Barker and Victor Harbor – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2018–19	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	Total to 2021–22	Total to 2028–29
Expenses													
<i>Administered</i>													
<i>Department of Health</i>	-	-2.6	-2.8	-2.9	-3.1	-3.3	-3.5	-3.6	-3.9	-4.1	-4.3	-8.3	-34.0
<i>Department of Veterans' Affairs</i>	-	-0.1	-0.1	-0.1	-0.1	-0.1	-0.5
Total – administered	-	-2.6	-2.8	-2.9	-3.1	-3.3	-3.5	-3.7	-4.0	-4.2	-4.4	-8.4	-34.5
<i>Departmental</i>													
<i>Department of Health</i>	..	-	-	-	-	-	-	-	-	-	-
<i>Department of Human Services</i>	-
Total – departmental
Total – expenses	..	-2.6	-2.8	-2.9	-3.1	-3.3	-3.5	-3.7	-4.0	-4.2	-4.4	-8.4	-34.5

- (a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.
- (b) Figures may not sum to totals due to rounding.
- .. Not zero but rounded to zero.
- Indicates nil.