



**THE HON PETER DUTTON MP
MINISTER FOR HEALTH
MINISTER FOR SPORT**

Ref No: MC14-014223

Dr Dennis Jensen MP
Chair
Standing Committee on Petitions
Parliament House
CANBERRA ACT 2600

Dear *Dennis,*
Chair

Thank you for your correspondence of 27 October 2014 regarding a petition from certain residents of the Federal Division of Hotham and surrounding areas regarding the Budget measure to strengthen Medicare. I apologise for the delay in responding.

I note the issues raised in the petition and trust that the following information will be of assistance.

The Government is determined to strengthen Medicare and to make our health system sustainable. This is particularly important given the ageing of our population, the costs of listing new medicines and public hospital funding at record levels. In 2004, we were spending \$8 billion on Medicare. Today the figure is \$19 billion and, without policy change, it is projected to climb to \$34 billion by 2023-24. That is an 80 per cent increase.

The Government tasked the National Commission of Audit (the Commission) to undertake an across-the-board examination of government spending and to make recommendations to ensure appropriate targeting of government programmes. The Government is carefully considering all recommendations of the Commission's report.

The Commission looked closely at the current Medicare arrangements and reached some conclusions about what would need to be done in order to preserve Australians access to affordable, high quality health care. Expenditure under Medicare has grown rapidly over the last decade, increasing 124 per cent in the last ten years. Further, in 2013-14, 275 million services were provided free to patients in a population of only 23 million.

The Government has moved in the 2014-15 Budget to put health expenditure on a more sustainable footing, to ensure that Australia can continue to afford a strong Medicare system. From 1 July 2015, all patients will be asked to directly contribute to their own health care costs. While the Government will continue to subsidise a majority of the costs of Medicare services, the rebate for most GP and out-of-hospital pathology and diagnostic imaging services will be reduced by \$5.00.

Previously bulk-billed patients can expect to make a contribution of at least \$7.00 to the cost of most visits to the GP and for out-of-hospital pathology and diagnostic imaging services. Doctors will be paid a low gap incentive - equivalent to the current bulk-billing incentive - to encourage them to charge Commonwealth Concession Card holders and children under 16 years the \$7.00 contribution for ten visits in a calendar year. After the patient contribution has been paid ten times, the Medicare rebate is increased by \$5.00 and the doctor will be paid an incentive if they provide the service to the concessional patient at no charge to the patient.

Bulk-billing will still be available to doctors to apply at their discretion (as is the case today) to patients who cannot afford the \$7.00 co-payment.

The Budget measure will not apply to all services provided by GPs. Health assessments and chronic disease management (CDM) services will not be affected, and there will be no need to change current administrative arrangements for these types of service. Also, many services provided by GPs during a consultation are exempt from the measure, including simple routine pathology tests conducted in a GP surgery and other services such as removal of skin cancers. Where one of these services is provided, there are no changes to the current Medicare Benefit Schedule fees or bulk billing arrangements.

From 1 January 2016, the thresholds for the new Medicare Safety Net will be \$400 for concessional singles (this includes people receiving disability support pension) and concessional families, \$700 for non-concessional FTB(A) families and singles, and \$1,000 for non-concessional families who do not receive FTB(A). These thresholds will mean more people will qualify for safety net benefits. It is important to note that the \$7.00 patient contribution will not accumulate towards the safety net threshold.

With regard to prescriptions, over the past decade, the cost of the Pharmaceutical Benefits Scheme (PBS) has gone up a staggering 80 per cent. Further, demand for the PBS will continue to grow as the Government works to provide access to new and innovative medicines more quickly. Over the longer term, growth in PBS spending is expected to average between four and five per cent per year.

To put the PBS on a more sustainable footing, the Government is asking Australians to take more personal responsibility for their health, through modest additional contributions to the costs of their care. By asking consumers to share in the cost, the Government can build a sustainable PBS that can continue to subsidise these new, innovative and potentially lifesaving medicines, making otherwise prohibitively expensive treatments affordable for all Australians.

From 1 January 2015, concessional patients, including pensioners and veterans, can expect to pay 80 cents more per prescription for PBS listed medicines, in addition to the usual Consumer Price Index (CPI) adjustment (expected to be ten cents for concessional patients in 2015). General patients will contribute \$5.00 more per prescription for PBS listed medicines, in addition to the usual CPI adjustment.

The safety net will still be there to protect high users of medicines, but it will also be adjusted. For general patients, the safety net will increase by ten per cent above CPI in each year for every four years commencing in 2015. For concessional patients, it will increase by two prescriptions in each of these years, from the present 60 prescriptions to 62 in 2015 and up to 68 in 2018.

Savings from the patient contribution Budget measure will be directed to the Medical Research Future Fund to ensure Australia can continue to advance world leading medical research projects, attract and retain first class researchers and ultimately deliver improved health outcomes for all Australians.

Thank you for bringing the concerns of certain residents of the Federal Division of Hotham and surrounding areas to my attention.

Yours sincerely

PETER DUTTON 27/11/14