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Submission to the Parliament of Australia

Senate Community Affairs Committee

Enquiry into

Health Insurance Amendment (Extended Medicare Safety Net) Bill 2014

April 2014

Introduction

The Australian Women's Health Network thanks the Senate Community Affairs Committee for the opportunity to provide input into the Health Insurance Amendment (Extended Medicare Safety Net) Bill 2014.

The Australian Women's Health Network (AWHN)

The Australian Women's Health Network is a health promotion advocacy organisation that provides a national voice on women's health, based on informed consultation with members. Through the application of a social view of health, it provides a woman-centred analysis of all models of health and medical care and research. It maintains that women's health is a key social and political issue and must be allocated adequate resources to make a real difference.

It aims to foster the development not only of women's health services but of stronger community-based primary health care services generally, which it sees as essential to improve population health outcomes. It advocates collaboration and partnership between relevant agencies on all issues affecting health. To this end, AWHN coordinates the sharing of information, skills and resources to empower members and maximise their effectiveness. The coalition of groups that comprises the organisation aims to promote equity within the health system and equitable access to services for all women, in particular those women disadvantaged by race, class, education, age, poverty, sexuality, disability, geographical location, cultural isolation and language.

AWHN has representatives from across Australia in all States and Territories with a membership base of 150 comprising 67 organisations and 83 individuals.

AWHN's position on the Health Insurance Amendment (Extended Medicare Safety Net) Bill 2014

AWHN supports the government's intention to increase the general Extended Medicare Safety Net (EMSN) threshold to $2000 from 1 January, 2015, given that low income individuals and families will not be disadvantaged in any way by this measure. We also support the minor administrative change introduced in this Bill that will simplify the process through which the Chief Executive of Medicare is able to ascertain family composition, increasing administrative efficiency for both government officials and families.

Since 2006, the general EMSN threshold has been increased in keeping with the consumer price index in January each year and currently stands at $1248.70. The proposed change will raise the threshold by some 60 percent, increasing the level at which higher income families are eligible to receive additional benefits for out of hospital services and saving the Commonwealth $105.6 million over four years. Further, we support this saving being used to extend the benefits available to low income

individuals and families, either under the scheme or in terms of making comprehensive primary health care more accessible to them.

The proposed change amounts to a partial winding back of the EMSN, a move that AWHN endorses because the scheme has been found to be inequitable, inefficient and regressive. Introduced in 2004 with the intention of lowering out-of-pocket expenses for patients, an independent review in 2009 found that, overall, this objective has not been achieved. Rather, the additional Commonwealth money that has been paid out has primarily increased provider incomes. Moreover, expenditure has been of most benefit to high income Australians: 55 percent of payouts went to the 20 percent of people living in the most affluent areas, whereas only 3.5 percent of benefits were received by the 20 percent of Australians living in the least affluent areas. In 2007, obstetrical services attracted a disproportionate 31 percent of payouts, while IVF procedures attracted 22 percent. Between 2003 and 2008, obstetricians were able to increase their out-of-hospital fees by an extraordinary 267 percent while fees for out-of-hospital IVF services were increased by 62 percent. The review team suggested that doctors are able to calculate when patients will qualify for the EMSN and are therefore less likely to feel market pressures that might result in fee containment (Commonwealth of Australia 2009, pp v1, 63, 73). Thus, the reduction in the scope of the scheme introduced by this change is to be welcomed on both equity and health care cost containment grounds.

We note that all EMSN benefits for low income individuals and families are to be preserved and we strongly commend the Government on this approach. However, we would like to draw attention to the fact that, in a means tested scheme such as this, ensuring that the needy are not disadvantaged is not a simple matter. As in all means tested schemes, those who narrowly fail to qualify for benefits are often severely disadvantaged, particularly in those cases where people suffer from chronic diseases, such as asthma and diabetes. A low income, single parent family, for example, could experience extreme hardship if it failed to qualify and if one of the members suffered from, say, juvenile diabetes. We would urge the government, therefore, to acknowledge this dilemma and to consider the introduction of steadily tapered means tests in this and all other relevant policy areas. Those who fail to qualify for the full benefit could thereby qualify for partial benefits until the general threshold level is reached.

One of the Minister's objectives in reducing benefits for the relatively well-off under the EMSN program is to improve the sustainability of Medicare, a policy direction that we strongly support. This acknowledgement raises the very important point that there is room for huge savings in other Medicare areas where benefits are mostly paid to the already relatively well-off. This applies particularly in the case of the private health insurance rebate. A winding back in this area, which currently costs the Commonwealth and Australian taxpayers some $6 billion per year, has the potential not only to sustain Medicare but also offers the Commonwealth an opportunity to direct benefits to those most in need. Directing benefits to those most in need would not only be more equitable but will bear fruit in terms of greatly improved population health, because, as research in OECD countries shows, those most in financial need consistently have poorer health outcomes than those who are better off.

The direct public subsidisation of private health insurance is a peculiar, regressive Australian invention, which runs counter to the values that underpin the progressive taxation system. In no other OECD country are direct rebates paid for the purchase of a particular medical system product. As in the past several decades, Australian health care costs continue to increase faster than other prices and Health Minister Dutton has expressed concern about the sustainability of these increases. An incremental decrease in either the level of the subsidy and/or, as in the case of the EMSN, in the numbers of people eligible to receive it, will help to stabilise Australian health care costs by reducing the size of the private sector, where despite its subsidisation, the government has little capacity to influence prices. If the saved taxpayer dollars were differently spent, there is potential to achieve big improvements in population health. Not only would health cost inflation be curbed through a reduction in the patient load on the system as a whole, but the health and well-being of large numbers of Australians would be significantly improved.

Reference

Commonwealth of Australia (2009) *Extended Medicare Safety Net Review Report*. A report by the Centre for Health Economics Research and Evaluation, prepared for the Australian Government Department of Health and Ageing, available at http://www.health.gov.au/internet/main/publishing.nsf/Content/Review_%20Extended_Medicare_Safety_Net/$File/ExtendedMedicareSafetyNetReview.pdf