Australian Council of Social Service

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Thank you for the opportunity to provide a submission into the Inquiry into the Health Insurance Amendment (Extended Medicare Safety Net) Bill 2014.

The Australian Council of Social Service (ACOSS) is the peak body of the community services and welfare sector and the national voice for the needs of people affected by poverty and inequality. Our vision is for a fair, inclusive and sustainable Australia where all individuals and communities can participate in and benefit from social and economic life.

This area is of interest to ACOSS due to the intersection between health, poverty and disadvantage. Our previous advocacy on this issue has argued that health is an area where there should be universal coverage for all that reflects health needs and works to eliminate the current social gradient of health. This is based on recognising health as a fundamental human right, and recognising that people should be able to receive adequate health care[1].

ACOSS has deep concerns about the trends in healthcare funding that have seen a move away from universal coverage towards a system of co-payments with associated safety nets to protect vulnerable consumers[2]. This is an issue that we will explore in greater depth in our response to the Senate Inquiry into Out-of-pocket Costs in Australian Healthcare, but one that needs to be noted in relation to our response to changes to the Extended Medicare Safety Net.

Given our concerns about increasing out-of-pocket costs for healthcare consumers, particularly vulnerable ones, it may seem counter-productive to be arguing to abolish a safety net. However, as outlined below, this safety net does not appear to have assisted in reducing out-of-pocket costs for consumers at all, and may have in fact increased the costs of particular medical procedures.

ACOSS generally advocates financial arrangements in health that ensure the protection of fairness and equity; that are efficient; and that deliver the best value for money of taxpayers' contributions. In our view the current arrangements for the Extended Medicare Safety Net fails these tests.

In ACOSS' recent submission on budget priorities to inform the development of the 2014/15 Budget, this initiative was identified as an area that could deliver savings to the health budget.

In this submission we argued that health expenditure should be restructured in order to remove

[1] Rights to healthcare are outlined in the *Australian Charter of Healthcare Rights*. In July 2008, Australian Health Ministers endorsed the charter as the for use across the country. It can be accessed at http://www.safetyandquality.gov.au/national-priorities/charter-of-healthcare-rights/
[2] 2014 Dockett *Empty Pockets: Why Co-payments are not the solution*

poorly targeted subsidies which benefit higher income earners; and that this should start with the removal of the Extended Medicare Safety Net.[3].

This call built on information provided in our submission to the Commission of Audit on this issue. In this submission, we noted that "…*Between 2003 and 2009, for every dollar spent by the government on the extended [medicare] safety net, doctor's fees rose by almost 80 cents"*[4]. We noted as well that at "…*The program also disproportionately benefits high-income earners, who consume more expensive services than other people and are more likely to reach the threshold that entitles them to the rebate"* [5].

The above analysis was based on a review conducted by the then Department of Health and Ageing and released in 2009. This review found that the introduction of the Extended Medicare Safety Net had benefited more people on higher incomes more than those with lower incomes:

> Consistent with the fact that people in affluent areas incur more out-of-pocket costs, some 55% of EMSN benefits are distributed to the top quintile of Australia's most socioeconomically advantaged areas, whereas the least advantaged quintile receive less than 3.5%...
>
> EMSN benefits are highly concentrated in certain types of services. In 2007, over 30% of all EMSN benefits helped fund obstetric services and 22% went towards assisted reproductive services. The EMSN has more than doubled the amount of Commonwealth funding going towards these two professional groups. Only 8% of EMSN benefits went towards funding general practice consultations….
>
> The government's additional spending on EMSN benefits has not been matched by a drop in patients' out-of-pocket costs. Since its introduction, there have been concerns that the EMSN may lead providers to increase fees and thereby dilute the potential benefits to patients.
>
> Since the introduction of the EMSN, average fees have increased by around 4.2% per year (excluding general practice and pathology). This increase is over and above the rate of inflation. We estimate that the EMSN is responsible for 70% of this increase. That is, we estimate that the EMSN was directly responsible for a 2.9% increase in fees per year. These fee increases have resulted in considerable leakage of government benefits towards providers' incomes, rather than reduced costs for patients[6].

The follow up analysis to this, released in 2011, found that the Extending Medicare Safety Net led to a significant increase in average provider fees, particularly in some medical speciality areas. The trend continued of the majority of benefits contributing to the funding of obstetrics and assisted reproductive technology (ART) services.

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[3]ACOSS (2014) *Budget Priority Statement 2014-15* Sydney page 25

[4] Van Gool, Kees (2009), The Medicare Safety Net: review and response. Economics Research and Evaluation (CHERE), University of Technology, Sydney Survey No 14 quoted in 2013 ACOSS *Balancing the Budget: ACOSS submission to the National Commission of Audit p.10*

[5] ACOSS (2013) *Balancing the Budget: ACOSS Submission to the National Commission of Audit* p.10

[6] Savage et al (2009) *Extended Medicare Safety Net (EMSN) Review Report 2009* Commonwealth Government, Canberra pp.v-vi

This analysis found that "*While the EMSN did make services more affordable for some (e.g. people using ART services and patients with complex conditions such as cancer), it had little impact on affordability of services for those living in more remote or in lower socioeconomic areas"*[7].

The above analysis reflects serious flaws in the design of our health system; one that has required the introduction of a 'band-aid' solution that does little to reduce out-of-pocket costs for the majority of people and is in fact increasing patient costs in many cases.

While some argue that this provides protection to high needs consumers, particularly those with chronic conditions, the above analysis suggests that the extended safety net is accessed by higher income healthcare consumers[8] and for services that are considered 'one-off' or where there is alternatively publicly funded services available – for example obstetrics[9].

We maintain that the health system should be designed in a manner where people are able to access the right care at the right time, provided by the right practitioner. There should be no access barrier to this care, particularly cost barriers to access standards of care that meet community expectations. There are significant concerns that the current system, which is essentially a provider-driven market supported by public funding, is unable to deliver this. Unlike other markets, where there is some opportunity for demand-driven cost reduction, there is little opportunity to do this in health. It is an unfortunate reality that a reactive measure such as the Extended Safety Net has in fact contributed to an increase in the cost of health care, and potentially an increase in out-of-pocket costs for healthcare consumers. As such, the Bill to raise the threshold of the Extended Medicare Safety Net, will have a minimum impact in the medium term and signals a lost opportunity to make a significant saving in the health budget. ACOSS reiterates the call to the Government to abolish the Extended Medicare Safety Net and direct savings from this measure increasing the 'schedule fees' for the standard Medicare Benefit as needed.

If there is reluctance to abolish the Extended Medicare Safety Net completely, ACOSS does see the move to increase the threshold for high income earners as one way to deliver savings from the health budget. ACOSS notes that this proposal has insulated lower income earners from increases in the threshold.

If you require any additional information regarding this submission, please do not hesitate to contact the Deputy CEO of ACOSS, Rebecca Vassarotti,

Yours faithfully,

Dr Cassandra Goldie

ACOSS CEO

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[7] Van Gool et al (2011) *Extended Medicare Safety Net: Review of Capping Arrangements Report 2011* Commonwealth Government, Canberra

[8] Savage et al (2009) *Op. cit*

[9] *ibid*