



Public Pathology
AUSTRALIA



Inquiry into Rural, Regional & Remote Medicare Access & Funding

Recommendations

Public Pathology Australia recommends the introduction of tiered MBS Rural Bulk Billing Incentive to support regional, rural and remote based pathology provision using the Modified Monash Model as occurs in other medical specialties such as General Practice. This approach would reduce the gap in healthcare access between metropolitan and non-metropolitan patients.

Public Pathology Australia recommends that the Australian Government implement a regional workforce incentive scheme for pathology services to support regional healthcare, equity of access and system resilience.

Public Pathology Australia recommends the introduction of a tiered Point of Care Testing (PoCT) Patient Episode Initiation fee within the MBS using the Modified Monash Model to support expansion and access to Medicare funded PoCT services across regional, remote and remote communities, where access to pathology services is limited.

Public Pathology Australia recommends that the Australian Government increase MBS fees for public pathology services to the same rate received by private pathology providers. Public pathology providers must be rebated the same MBS fee for pathology services (Patient Episode Initiation and Bulk Billing Incentives) as private for profit and not for profit pathology providers. Funding parity would address issues of health inequity, provide greater patient choice, continuity of care and competitive pressure to ensure the Federal Government receives value for its investment in the pathology sector.

Public Pathology Australia recommends that the Australian Government invest in digital pathology infrastructure and policy to elevate the productivity, accessibility and sustainability of pathology and the health sector. International experience has demonstrated productivity gains via digital pathology.¹ To access the benefits of digital pathology in Australia, the Australian Government should collaborate with the States and Territories and the public pathology sector to drive the consistent adoption of Digital Pathology aligned to broader national Digital Health and Artificial Intelligence (AI) strategies.

Public Pathology Australia recommends that the Australian Government mandates compliance with Health Insurance Regulations 2018 to ensure patient choice and access to Medicare eligible diagnostic pathology, in the relevant national frameworks and guidelines for pathology electronic requesting.

¹ Pantanowitz L (2018). [Twenty Years of Digital Pathology: An Overview of the Road Travelled, What is on the Horizon, and the Emergency of Vendor-Neutral Archives](#). Journal of Pathology Informatics. Nov 21;9:40. doi: 10.4103/jpi.jpi_69_18

Background

Public Pathology Australia is the national peak body for public pathology in Australia.

Pathology is the medical specialty that focuses on determining the cause and nature of disease. By examining and testing body tissues (e.g. biopsies) and fluids (e.g. blood, urine), pathology helps doctors diagnose and treat patients correctly. 70 per cent of all medical diagnoses and 100 per cent of cancer diagnoses require pathology. Treating clinicians such as General Practitioners (GPs) would be comprised in their provision of patient care if they did not have access to pathology services for the diagnosis, management and treatment of disease.

Public pathology is the foundation of pathology in Australia. Public pathology represents a core part of Australia's public hospital and health care services. Unlike other pathology providers, public pathology providers operate for the benefit of the public health system and its patients.

Public Pathology Australia members are the major government owned and operated pathology services in each State and Territory in Australia. They provide the vast majority of pathology services in Australia's public hospitals and service several private hospitals. Public pathology also provides community-based collection services for patients upon referral from GPs and Specialists under the Medicare Benefits Schedule (MBS).

In addition to diagnostic services, our members conduct research and teaching in the areas of new and existing diseases, tests and treatments, and collaborate closely with colleagues in all areas of patient care, with many pathologists also performing clinical roles. Public pathology laboratory testing and medical consultation services play a crucial role in timely clinical diagnosis, in monitoring therapy and in prevention of disease in individuals and the community.

Value of Public Pathology

Provides comprehensive access for all patients



Helps protect our communities



Provides high quality, integrated care



Undertakes research, education and training



Provides expertise in complex medicine &



Operates for the benefit of the public health system and its patients



f) Medicare Reforms Needed to Support Regional, Rural & Remote Communities

Rural & Regional Pathology

The MBS Pathology Services Table (PST) does not ensure equitable access to pathology services across Australia. MBS fees are more closely aligned to a level that is only appropriate for a metropolitan laboratory setting. There need to be tiered MBS fees aligned to the Modified Monash Model to support regional, rural and remote based pathology testing which is more expensive to deliver. A higher pathology MBS fee should apply for specimens collected *and* tested outside metropolitan areas. A baseline MBS fee for metropolitan services (where economies of scale can be realised through higher level automation and reduced costs) should be accompanied by a scaled fee model applied to PST items performed at on-site laboratory services outside the major cities. Higher MBS fees for medical services in non-metropolitan Modified Monash Model areas occurs in other medical specialities.² A “Rural Bulk Billing Incentive” MBS fee in pathology would reduce the gap in healthcare access between regional, rural and remote and metropolitan communities.

To acknowledge and account for cost variations between metropolitan and non-metropolitan laboratory operations, PPA undertook an analysis of MBS items to assess the fiscal differences between a single fee versus a split metropolitan and regional fee model where service delivery costs can be highly variable.

When assessing the total Medicare benefits paid (to both public and private providers) for targeted MBS items and applying a split rebate reflective of a regional test price and a metropolitan test price, there are potential savings or a reduced fiscal impact that can be achieved compared with applying an average price. Below are two examples across PST Group P2 and P3 where savings can be achieved by fundamental reform of the MBS acknowledging the cost variation between regional and metropolitan service delivery.

Applying a split regional and metropolitan cost structure across MBS item 69309 microscopy and culture to detect dermatophytes and other fungi causing cutaneous disease (example 1) would deliver an overall cost saving in MBS benefits paid for FY23/24 in the order of \$823,612. For MBS item 66512 common chemical pathology tests (example 2), the current MBS rebate at 85% is below both the metropolitan and regional test cost. When applying a split cost structure across this MBS item, the fiscal impact to the FY23/24 MBS benefits paid would have potentially been \$29,243,404, compared with a fiscal impact of \$56,058,175 if an average cost reflective test price was used. These examples demonstrate an ability to apply a fully costed price to the MBS whilst minimising the overall fiscal impact.

² [https://www.mbsonline.gov.au/internet/mbsonline/publishing.nsf/Content/Factsheet-RBBI-Changes#:~:text=On%201%20January%202022%2C%20Rural,\(MMM\)%20classification%20of%20the%20location](https://www.mbsonline.gov.au/internet/mbsonline/publishing.nsf/Content/Factsheet-RBBI-Changes#:~:text=On%201%20January%202022%2C%20Rural,(MMM)%20classification%20of%20the%20location)

Funding Model Examples

Example 1 - Item 69309: Fee \$40.95 @85%, total benefits \$8,360,662 for 2023/24

	Singular Test Fee	Metro Test Fee (~ 90% activity)	Regional Test Fee (~ 10% activity)
		\$7,524,596	\$836,066
Cost per test	\$67.47	\$32.39	\$77.65
\$ Variance to 85% MBS Fee	\$26.52	-\$8.56	\$36.70
% Variance to 85% MBS Fee	65%	-21%	90%
Variance to 2023/24	\$5,414,524	-\$1,572,907	\$749,295

Example 2 - Item 66512: Fee \$15.05 @85%, total benefits \$250,348,827 for 2023/24

	Singular Test Fee	Metro Test Fee (~ 90% activity)	Regional Test Fee (~ 10% activity)
		\$225,313,944	\$25,034,882
Cost per test	\$18.42	\$16.30	\$21.38
\$ Variance to 85% MBS Fee	\$3.37	\$1.25	\$6.33
% Variance to 85% MBS Fee	22%	8%	42%
Variance to 2023/24	\$56,058,175	\$18,713,782	\$10,529,621

There needs to be a tiered MBS fee model to support regional, rural and remote pathology provision using the Modified Monash Model as occurs in other medical specialties to bridge the rural: metropolitan health divide.

A tiered MBS fee model is needed to support regional, rural and remote pathology provision to reduce the gap in rural healthcare.

Regional Incentives

Australia's pathology workforce faces challenges in attracting and retaining specialists in regional, rural and remote areas that closely mirror those experienced in general practice, yet comparable incentive frameworks do not exist. While General Practitioners (GPs) benefit from established rural incentive programs³ that recognise workforce scarcity, professional isolation and higher service delivery costs, pathology services that are essential for safe, timely diagnosis and continuity of care in these same communities do not. Targeted regional pathology incentives would support equitable access to diagnostic expertise, improve service sustainability and reduce reliance on fly-in/fly-out or outsourced reporting models. Aligning pathology workforce incentives with those provided to GPs would recognise pathology as a critical enabler of regional healthcare and support broader government objectives for health equity, system resilience and regional workforce stability.

³ <https://www.health.gov.au/our-work/workforce-incentive-program/doctor-stream?language=en>

Point of Care Testing (PoCT)

PoCT supports public health initiatives to divert patients away from busy tertiary care centre Emergency Departments (EDs). Intermediate care services treat and manage a large number of patients that would otherwise attend an ED. PoCT can be used within these health services to support treatment and decision making. The need for this model of care may increase over time as will the potential use of PoCT devices.

The PST is aligned with pathology testing in a traditional metropolitan laboratory setting and changes need to be made to the PST to facilitate the use of accredited PoCT services where required.

The existing PST MBS item numbers should be tied to a higher PoCT PEI (than the current PEI items) to support PoCT. The PoCT PEI could be tiered in line with the Modified Monash Model to better support the provision of PoCT in marginalised populations where access to pathology services is limited. It is critical that any the new MBS items (whether standalone or tied to a PEI) are the same irrespective of provider type (e.g. Public Pathology, Private Pathology, General Practice or First Nations Service Provider). If a PoCT service provider were to receive a lower PoCT PEI MBS fee compared to another PoCT provider, this would be open to challenge based on being anti-competitive. PoCT services must also be accredited to ensure appropriate quality control and patient safety.

Funding Parity

Current Status

Private pathology providers receive higher MBS fees for the same tests compared to public pathology providers. This provides a competitive advantage to private pathology providers. The inability of the public sector to financially sustain community services disadvantages patients through reduced access particularly in regional, rural and remote areas where cost of service delivery is higher. There has also been significant cost shifting to the private pathology MBS sector under the current arrangements.

Need for Funding Parity

A sustainable and diverse pathology sector is essential to ensure patients have access to pathology services. Funding parity is required to enable the public sector to maintain its presence in the market, to offer effective competition and to provide bulk billed services in areas of need. This would address issues of health inequity, provide greater patient choice, continuity of care and competitive pressure to ensure the Australian Government receives value for its investment in the pathology sector.

Funding parity would offer patients more choice and would enable public pathology services to extend their reach in areas of need. Public pathology is important in ensuring continuity of care from inpatient episodes to community treatment.

Health Equity

Retaining capacity to provide community pathology services through the public sector is critical to ensuring there is sufficient capacity to meet appropriate levels of demand. The private sector does not deliver services in unprofitable areas. The public sector provides these services and is the backbone of pathology services in Australia.

A viable public sector is essential to ensuring health equity. Funding parity will demonstrate the Australian Government's commitment to ensuring all patients have access to pathology services.

Competition

Where public pathology providers have a strong presence in the community pathology market, improved access and higher bulk billing rates result. This is supported by a review of private pathology billing policies which showed that the 'gap fee' or out-of-pocket cost charged by private pathology providers is lower in areas where public pathology providers have a strong presence in the community.⁴ It has been stated that "Public pathology provision in the community therefore serves important public health policy objectives." Failure to address inequity in MBS fees challenges the sustainability of public pathology and its role in providing a balance in the pathology market.

As private pathology providers receive funding from the same sources as public pathology providers, there is no basis for differential MBS fees. Private pathology providers receive State Government funding for outsourced public inpatient testing and to establish private laboratories.⁵

Cost of Collection

The public PEI of \$2.40 does not cover the costs associated with collection and these transactional costs are not cheaper in the public sector compared to the private sector. Staffing costs alone exceed the PEI by a factor of 2 to 3 in a suburban or metropolitan collection centre, with costs even higher in rural centres. Episodic pathology costs include rental, collection equipment, tubes and IT infrastructure to name only a few. The real cost of collection is in the range of \$15-20 depending on the number of collections in the centre.

In addition, the public sector must fulfil community service obligations and provide services in rural and remote areas. Specimen transportation costs can be significant, for example when they are couriered from remote Western Australian communities or the APY lands in South Australia.

Other Medical Specialties

Nowhere else in the MBS is there a distinction between public and corporate (private) medicine. There is no clinical rationale for the funding differential.

Change required

To ensure that the public and private sectors are remunerated the same amount for the same tests, changes are required to P10 PEI (and associated items) and P13 Bulk Billing Incentive items and related MBS rules (e.g. [PN6.2](#)). Given that the public pathology sector is only 11% of the MBS market, the financial impact of the change is not significant and is in the order of ~\$24 million per annum, being 0.6 per cent of the yearly MBS spend in pathology.

⁴ Review commissioned by the ACT Government.

⁵ <https://www.invest.vic.gov.au/news-and-events/news/2026/february/melbourne-pathology-to-establish-its-victorian-headquarters-and-pathology-centre-of-excellence-at-melbournes-docklands>

Funding Parity Impact

Public pathology providers play a critical public interest role in ensuring that the full range of testing is available, not just the most profitable tests, and that all patients can access pathology testing based on need, not on the ability to pay.

Public pathology is committed to bulk billing its patients and maximising opportunities for access to high quality pathology testing as close to home as possible. Increasing MBS fees to the public pathology sector to the same level as private pathology providers will enable greater financial stability and certainty for patients and medical practitioners, particularly in regional and rural areas.

MBS fees must be changed so all pathology providers are paid the same for the same tests for competition and equitable access.

Digital Pathology Investment

Background

Digital pathology is a transformative technology that enables the digitisation of pathology slides and agar plates for viewing, analysis, reporting, sharing and storage. It can enhance diagnostic accuracy, facilitate remote collaboration, support artificial intelligence (AI) integration and significantly improve workflow efficiency. As pathology demands increase and health care systems evolve toward more data-driven practices, investing in this infrastructure now is critically important to increasing productivity and supporting a sustainable future.

The need for digital pathology adoption has been propelled by:

- Increasing case volumes and complexity.
- Global pathologist shortages.
- Regional and remote scientific workforce shortages.
- Remote reporting and collaboration needs.
- Increased costs to support regional pathology service delivery.
- Hospital based multidisciplinary team meetings.

The pathology sector in Australia has fallen well behind its international counterparts in the implementation of digital imaging into routine clinical practice in pathology. To remain at the forefront of technological advancements and deliver world-leading pathology services across both metropolitan and rural areas, there must be a commitment across both Commonwealth and State/Territory Governments to support the adoption of digital pathology in partnership with public pathology services.

Benefits

Digital pathology is not just an innovation; it is a public health imperative for the 21st century. There are clear benefits to the health care system that can be achieved through the establishment of funding pathways and policies to support the adoption of digital pathology workflows. Patients of the public health system will be the primary beneficiaries of this investment with improved diagnostic timeframes and accuracy. Digital pathology will deliver improved health outcomes and will reduce the cost burden to the health system through missed diagnosis and enabling equity of service delivery to regional, rural and remote communities. The ability to share images from remote locations and connect with centrally based specialists, reduces the need for patients to travel unnecessarily and promotes collaboration amongst clinicians via second opinions and multi-disciplinary team meetings. Digital pathology has demonstrated labour savings per case, which supports a sustainable Government funded model that allows pathology organisations to scale testing at a time when workload is increasing amidst a workforce shortage.

Benefits of Digital Pathology	
Improved timeliness of diagnoses	Real-time review by clinicians/specialists
Enhanced diagnostic accuracy	Improved equity of access for rural & regional communities
Reduced patient transfers	Image sharing capability
Reduced exposure to infectious agents	Increased reporting capacity and reduced manual workload
Remote training and support	Reduced transport costs and risk of lost/broken slides
Full traceability through reporting process	AI integration
Improved reporting with embedded images.	

Digital Pathology is pivotal to ensuring:

- affordable and universal access to healthcare;
- best practice health services;
- value for the individual patient; and
- value for the public health system.

Enablers

The transition of digital pathology into routine diagnostic processes requires investment in Information Communication Technologies (ICTs) to support integration, transmission, storage and security. Purchase of scanning equipment and change management processes including workforce training, require targeted funding to support transformational change. The international pathology sector has progressed significantly with implementation of digital pathology. There has been a slower uptake across the Australian pathology industry, with private pathology more advanced than the public sector. The current lag of adoption reflects the challenge of securing funding, despite the technology's potential to improve efficiency and equity of access to specialist testing, particularly in rural and regional Australia. Digital pathology is the technological enabler that will drive productive and sustainable pathology services equitably across Australia in what has been termed the fourth industrial revolution.

a) Supporting Telehealth

Pathology Electronic Requesting

While the e-requesting guidelines are being developed through the [Sparked Fast Healthcare Interoperability Resources \(FHIR\) program](#), there are significant concerns that current practices adversely impact patient choice of pathology service providers.

The private pathology sector has progressed e-requesting processes within their respective business process models, which involve independent integration to select general practice Management Systems (PMS) such as Medical Director, Best Practice and Magentus. This enables GPs to direct electronic orders to their chosen pathology provider, reducing the ability for the patient to make this choice.

Requestors can only direct to a particular pathology provider if there is a clinical reason to do so. Patients must have choice of pathology provider as per MBS [PN.2.2](#). The Health Insurance Regulations 2018 mandate that request forms must state that the request may be taken to a pathology provider of the person's choice; and if the person's treating practitioner has specified an approved pathology provider on clinical grounds, a Medicare benefit will be payable only if the service is conducted by that practitioner ([Clause 69](#)).

Patients are currently unable to use their e-request with other pathology providers. Patient choice is supposedly maintained by providing a PDF request form link in the electronic order. However, this is difficult to retrieve and provide to an alternate pathology provider. This process involves the patient accessing the PDF file and emailing to the pathology collector who then must print to ensure samples are accompanied by a valid request form. This is time-consuming for the collector and frustrating for the patient.

The proposed e-requesting guidelines under development have considered a national repository for electronic pathology requests (similar to e-prescribing) OR multiple repositories that are managed at a service level. PPA strongly recommends an investment from the Australian Government to develop and maintain a national repository for receipt and retrieval of pathology request forms that are readily accessible by all pathology providers nationally in real-time. The development of multiple e-requesting repositories would only replicate and compound issues with the current e-requesting processes, limiting patient choice, imposing an additional administrative burden on pathology collectors (the cost of which is not compensated in the MBS Patient Episode Initiation fee), and exposing patients and providers to cyber security threats via unencrypted emails.

A national model for pathology e-requesting that is provider agnostic will strengthen telehealth models within general practice and promote improved access to MBS-funded diagnostic pathology for regional, rural and remote communities who rely on public pathology services to meet their diagnostic testing needs.



This submission is dated **17 February 2026**.

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