

Chapter 6

Conclusion and recommendations

6.1 This inquiry was established in March 2014 to inquire into out-of-pocket costs in Australian healthcare. The purpose of the inquiry was to investigate growing concerns about the extent of out-of-pocket costs in health and the impact on individuals. Measures announced in the 2014–15 Commonwealth Budget, in particular those relating to patient co-payments and changes to safety nets, have highlighted these concerns further.

6.2 The Australian healthcare system is underpinned by the principle of universal access to healthcare. The Commonwealth Government supports universal access, through the Medicare Benefits Schedule (MBS) and the Pharmaceutical Benefits Scheme (PBS) and other mechanisms such as safety nets, concession cards and subsidised services.

6.3 The committee recognises the need for on-going reform to deliver efficiencies and ensure the sustainability of Australia's health system. As noted in Chapter 2, total health expenditure in Australia in 2011–2012 was estimated to be \$140.2 billion. Government funding provided 69.7% of total health expenditure (42.4% Commonwealth government and 27.3% state and territory governments). Non-government sources funded 30.3% of the estimated \$140.2 billion spent in 2011–12.

6.4 The committee notes the National Commission of Audit's finding that:

Health care spending represents the Commonwealth's single largest long-run fiscal challenge, with expenditure on all major health programmes expected to grow strongly to 2013–24 and beyond.¹

6.5 Factors such as demographic trends, the increasing prevalence of chronic health conditions and the development of new pharmaceuticals and technologies means that it is more likely that this trend will continue.

6.6 The committee notes the Assistant Minister for Health's, Senator the Hon Fiona Nash, statement that over the last 10 years, the cost of the MBS and PBS has risen by 130 per cent and 80 per cent respectively, requiring decisions to be made now to facilitate sustainability.²

6.7 Evidence to this inquiry supports the view that on-going reform of the healthcare system will deliver efficiencies and ensure the system's sustainability.

6.8 As highlighted in Chapter 2, out-of-pocket expenditure by individuals accounted for 57.2 per cent of the estimated non-government funding of health goods and services in 2011–12. The contribution by individuals accounted for 17.3 per cent

1 National Commission of Audit, *Towards Responsible Government: The Report of the National Commission of Audit, Phase One*, February 2014, p. 95.

2 Senator the Hon Fiona Nash, *Committee Hansard*, 2 June 2014, p. 64.

of the total health expenditure (government and non-government). In 2011–12, individuals spent approximately \$24.3 billion on out-of-pocket health expenses.

6.9 Evidence provided to the inquiry suggests that individual out-of-pocket expenditure has been increasing in real terms. Of particular note, individuals appear to be incurring significant out-of-pocket costs for areas of healthcare where there is limited or no relief by way of government or private health insurance rebates.

6.10 In addressing these issues, the challenge is to understand the most appropriate way to contain growth in health spending without undermining what is generally considered to be one of the more efficient health systems in the OECD.

6.11 The Government has said that in order to ensure the sustainability of the healthcare system, attention should focus on two areas of the health system that attract a significant portion of the Commonwealth's health expenditure—the MBS and the PBS.

6.12 The committee cautions against focusing on seeking to reduce expenditure on the MBS and the PBS in isolation. Evidence to the inquiry, though admittedly partial and anecdotal in places, clearly identifies a need to fully interrogate all available data to understand the full range of impacts of current out-of-pocket expenditure on consumer behaviour before introducing broad changes.

6.13 The committee received evidence that existing out-of-pocket health expenses create an environment where individuals already defer medical treatment or filling prescriptions because of financial reasons. Further, evidence suggests that out-of-pocket costs impact disproportionately on individuals with the greatest health needs including Aboriginal and Torres Strait Islander people, people with chronic illnesses and people living in rural and remote areas.

6.14 It is of concern to the committee that out-of-pocket expenses impact so significantly on the most disadvantaged in the community. Personal accounts about the impact of out-of-pocket costs on individuals highlighted the difficult decisions that many in the community are already facing on a regular basis. At the same time, existing safety nets appear not to be providing sufficient support or financial assistance to those that need it most.

6.15 The committee notes the significant financial burden that individuals must bear up front as they incur out-of-pocket costs before qualifying for the safety net. In addition, the committee received evidence that individuals may pay significant out-of-pocket health costs but fail to reach the threshold amount due to the number of health related costs that do not contribute towards the safety net threshold.

Co-payments and safety nets

6.16 Evidence to the committee questioned the effectiveness of using price signals to contain expenditure on health care. The committee notes that while measures such as co-payments will deliver revenue and may result in decreased use of services, they are unlikely to deliver efficiencies. The committee notes evidence regarding the indiscriminate impact of co-payments on service delivery and the limited likelihood that the proposed co-payments will provide incentives for greater efficiency and innovation in the delivery of services.

6.17 The committee is concerned that broad brush changes such as the proposed introduction of a GP co-payment and adjustments to safety nets, risk significant negative consequences for sectors of the community who are already facing barriers to access healthcare services. These measures also risk increased costs for governments in the longer term as costs are shifted onto other parts of the health.

6.18 The committee acknowledges that this is a complex issue which requires a sophisticated and coordinated response. It is important that there is a comprehensive understanding of the impact of reforms, particularly on the most vulnerable, before implementation, to reduce the risk of unintended consequences and perverse outcomes.

6.19 While the committee notes that Australians may need to continue to accept a reasonable level of out-of-pocket costs, the committee considers it is essential that vulnerable and disadvantaged people are adequately protected from the harshest consequences of such costs.

Recommendation 1

6.20 The committee recommends that the Government should not proceed with further co-payments.

Recommendation 2

6.21 The committee recommends that the Government undertake a comprehensive review of the impact of existing co-payments on individuals' access to health services and health outcomes. The review should pay particular attention to the impact on the most vulnerable groups in the community.

Recommendation 3

6.22 The committee recommends that the Government review the impact and effectiveness of existing safety nets to ensure that current safeguards provide adequate protection to the most vulnerable in the community.

Pharmaceuticals price structures

6.23 The committee notes that the PBS co-payment applies to prescription medications that a GP has assessed as being required for their patient's treatment. The committee is concerned about the impact of co-payments on an individuals' adherence to their prescribed medication schedule and emphasises that price signals, such as co-payments, are not an appropriate mechanism to contain the costs of the PBS.

6.24 The committee notes evidence to the inquiry which suggests the potential for greater efficiencies and cost saving in the PBS through a comprehensive review of price structures. Undertaking reforms in this area could consider a review of the PBS to identify areas where efficiencies can be gained.

6.25 The committee notes the effectiveness of price disclosure in pharmaceuticals and suggests that this continue to be supported as an effective mechanism to reduce pharmaceutical costs. The committee also acknowledges the evidence that greater savings may be possible with more regular price reviews.

Recommendation 4

6.26 The committee recommends that the Government review the Pharmaceutical Benefits Scheme to identify areas where efficiencies can be gained, with particular reference to the following areas:

- **current procurement and pricing structures, with particular reference to examining benchmarking as a mechanism to explore the extent to which savings could be achieved;**
- **effective monitoring and review of GP prescribing practices to ensure dispensed medications are cost effective and evidence based; and**
- **evaluation of the prevalence of patient non-adherence to prescribed medication, with particular reference to identifying reasons for non-adherence.**

Review of primary health care delivery models

6.27 The committee recognises the valuable role of primary health care in Australia's healthcare system. Primary health care provides the first reference point to respond to health concerns and plays an important role in providing referrals to other areas of the health system.

6.28 Evidence to the inquiry suggests that alternative models of primary health care delivery offer the means to secure the efficiency and innovation necessary to achieve long term sustainability in the sector. The committee notes evidence regarding the potential of multidisciplinary teams to achieve cost saving and better health outcomes by focusing on prevention as well as ongoing management of chronic conditions.

6.29 In the area of primary health care, the committee recognises opportunities for reform in a number of areas:

- (a) an examination of models for remuneration of GP services as an alternative to the current fee for service model, including capitation or performance based payments, which may have potential to encourage efficiencies and innovation in healthcare delivery and lead to improved health outcomes;
- (b) examination of alternative models of primary healthcare service delivery to assess the benefit of incorporating a more prominent role for allied health professionals.

6.30 The committee notes that by encouraging an environment in which consumers are able to access treatment appropriate to their needs from practice teams comprised of general practitioners and a range of allied health professionals, this may deliver greater long term efficiencies in primary healthcare. In addition, the committee acknowledges the important role of community pharmacies to drive further efficiencies in the system.

6.31 Importantly, such a coordinated approach will assist GPs to have greater capacity to focus attention where it is most needed. An increased focus on

preventative health may also foster collaboration between patients and health care professionals and build relationships to improve health literacy.

Recommendation 5

6.32 The committee recommends that the Government review existing models for funding and delivery of primary healthcare with a view to identifying opportunities for improved service delivery and health outcomes.

Preventive health measures, health literacy and access to information

6.33 Evidence to the inquiry underscored the key role for preventive health programs in delivering efficiencies in healthcare. The committee notes evidence to the Community Affairs Legislation Committee's inquiry into the Australian National Preventative Health Agency (Abolition) Bill 2014 that emphasised the benefit of preventative health strategies to the overall healthcare system.

6.34 Central to an increased focus on preventative health to improve efficiency is placing the individual at the centre of health care. Improving education and health literacy is fundamental to adopting a patient centred approach.

6.35 The committee notes evidence explaining the difficulties consumers face to make informed decisions about their access to health care due to the significant imbalance in knowledge and information on services and their attendant costs. The committee emphasises the importance of ensuring that consumers are well informed of the cost of treatment before it is provided and throughout the treatment process. The committee supports the position of several witnesses that greater emphasis should be given to increasing health literacy across the community. The committee considers the Government can play a role to facilitate this.

Senator Rachel Siewert

Chair

