

Chapter 1

Introduction

1.1 On 27 March 2014, the Senate referred the Health Insurance Amendment (Extended Medicare Safety Net) Bill 2014 (Bill) to the Community Affairs Legislation Committee (committee) for inquiry and report by 16 June 2014.¹

The Extended Medicare Safety Net

1.2 The Extended Medicare Safety Net (EMSN) provides individuals and families with an additional Medicare benefit once an annual threshold has been reached for out-of-pocket costs for out-of-hospital services. Out-of-hospital services include general practitioner and specialist attendances, services provided in private clinics and private emergency departments, and many pathology and diagnostic imaging services.²

1.3 There are two EMSN thresholds:

- the concessional (lower) threshold for Commonwealth Concession cardholders and families who receive Family Tax Benefit (Part A); and
- the general (upper) threshold for all other individuals and families.³

1.4 As part of the 2013-14 Budget, the Australian Government announced that the general threshold would be increased to \$2,000 on 1 January 2015, saving \$105.6 million over four years.⁴ The concessional threshold is not affected by the Bill.

Purpose and key provisions of the Bill

1.5 The Bill seeks to amend the *Health Insurance Act 1973* (Act) to:

- increase the general threshold of the EMSN from \$1,000 to \$2,000, for medical expenses incurred on or after 1 January 2015 (items 1 and 2 of Schedule 1); and

1 *Journals of the Senate*, No. 26 – 27 March 2014, pp 741-742. This inquiry ran concurrently with the Community Affairs References Committee inquiry into Out-of-pocket costs in Australian healthcare, which is, at the date of writing, due to report by 16 July 2014.

2 See: Department of Health, *Extended Medicare Safety Net*, available at: https://www.health.gov.au/internet/main/publishing.nsf/Content/EMSN_Landing_Page (accessed 20 May 2014). The additional Medicare benefit is equal to 80% of any future out-of-pocket costs for the remainder of a calendar year, subject to any Extended Medicare Safety Net (EMSN) benefit cap.

3 Explanatory Memorandum (EM), p. 3. The EMSN thresholds are indexed by the Consumer Price Index on 1 January each year. In 2014, the concessional threshold is \$624.10 and the general threshold is \$1,248.70.

4 EM, pp 1-2.

- allow the Chief Executive of Medicare to determine the manner in which families are contacted to confirm the composition of their family for EMSN purposes (item 4 of Schedule 1).

1.6 Upon introduction of the Bill into Parliament, the Hon. Peter Dutton MP, Minister for Health (Minister) stated that the proposed measures are a significant change to the Medicare system, which will allow the Australian Government:

...to responsibly manage expenditure on the [EMSN] and reduce the administrative burden on the Department of Human Services. This is important for supporting the sustainability of the [EMSN] while singles and families can continue to receive additional assistance with their out-of-pocket costs.⁵

1.7 The Minister noted however that the Bill represents a commitment first made by the Rudd Government in the 2013-14 Budget.⁶

Conduct of the inquiry

1.8 Details of the inquiry, including a link to the Bill and associated documents, were placed on the committee's website.⁷ The committee also wrote to 72 organisations and individuals, inviting submissions by 30 April 2014. Submissions continued to be accepted after that date.

1.9 The committee received nine submissions, which are listed at Appendix 1. All submissions were published on the committee's website.

1.10 The committee held a public hearing on 16 May 2014 at Parliament House in Canberra. A list of witnesses who appeared at the hearing is at Appendix 2, and the *Hansard* transcript is available through the committee's website.

Acknowledgement

1.11 The committee thanks those organisations who made submissions and who gave evidence at the public hearing.

Note on references

1.12 References to the committee *Hansard* are to the proof *Hansard*. Page numbers may vary between the proof and the official *Hansard* transcript.

5 Second Reading Speech, *House Hansard*, 26 March 2014, p. 3134.

6 Second Reading Speech, *House Hansard*, 26 March 2014, p. 3134.

7 See: http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs.