



Health Insurance Amendment (Provider Number Review) Bill 2007

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Contents

Purpose.....	2
Background.....	2
Medicare Provider Number Legislation Reviews	3
Basis of policy commitment	4
Pros and cons	4
Financial implications.....	5
Main provisions	5
Schedule 1	5
Concluding comments	6
Endnotes.....	6

Health Insurance Amendment (Provider Number Review) Bill 2007

Date introduced: March 1, 2007

House: Representatives

Portfolio: Health and Ageing

Commencement: On Royal Assent

Purpose

The Bill proposes to amend section 19AD of the *Health Insurance Act 1973* that relates to reviewing the operation of the Medicare provider number arrangements. The bill proposes to extend the interval of review from two to five years.

Background

In 1996 major changes to the *Health Insurance Act 1973* affecting training arrangements for newly graduated doctors were introduced, through the insertion of sections 19AA, 3GA and 3GC. These changes, collectively known as the Medicare provider number legislation, were designed to address a number of medical workforce issues as outlined in the second reading speech: firstly, to ensure the quality of newly graduated doctors; secondly to deal with medical workforce distribution problems (and a perceived oversupply); and thirdly to reduce growth pressures on Medicare.¹

The Medicare provider number legislation restricts access to Medicare benefits to doctors who have completed a placement, or are enrolled in, an approved vocational training program; effectively severing the automatic link between medical registration and access to Medicare benefits. Section 3GC specifically established the Medical Training Review Panel (MTRP) to monitor and examine the demand and supply of medical training opportunities. The changes restricting access to Medicare benefits were particularly controversial at the time because of concerns that employment opportunities for new doctors would be harmed.

To address concerns and secure passage of the legislation the government agreed to a number of additional measures. These included the insertion of a sunset clause as a safeguard (subsequently repealed in 2001), the establishment of the MTRP to collect data on postgraduate training and report annually, and under Section 19AD the biennial tabling of a review of the Medicare provider number legislation. This requires the Minister to place before Parliament a report detailing the operation of the Medicare provider number legislation by 31 December every two years. Within three months of the tabling of this

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report the MTRP is also required to convene a meeting to discuss the report (the Minutes from this meeting are also tabled).

To date three reviews of the Medicare provider number legislation have been undertaken, commencing with a mid-term review in 1999, then biennial reviews in 2003 and 2005. The next scheduled biennial review is due to be completed in December this year.

This Bill proposes to extend the interval between these reviews from two to five years.

As noted above, in addition to the biennial reviews, the Act also requires that the body responsible for monitoring the supply and demand for medical training places, the MTRP, convenes a meeting to discuss the findings of the review. The most recent of these meetings was held in February 2006.²

The Bill also proposes to align the frequency of these meetings in line with the proposed five year interval.

The relevance and value of the review reports are discussed below.

Medicare Provider Number Legislation Reviews

Generally the review process has been well supported by stakeholders, the review reports have been well received, and many of the recommendations acted upon, arguably improving the operation of the legislation.³ The contentious environment in which the first review was undertaken has been largely supplanted by a more cooperative and positive one.⁴

The reviews, which have all been undertaken by former NSW state Minister the Honourable Ron Phillips, have attracted considerable interest and input from stakeholders. The first mid-term review in 1999 attracted 15 written submissions, this grew to 41 submissions in 2003, but declined to 24 submissions in 2005. Significantly, stakeholders have expressed their continuing support for the operation of the Medicare provider number legislation in each of the review reports. Furthermore, the reviews have found no evidence that the Medicare provider number legislation exacerbates workforce shortages, despite early concerns.

In total the reviews made 38 recommendations. This has resulted in numerous improvements to the quality of vocational training, including: the removal of the original sunset clause, the establishment of the General Practice Education and Training Program (GPET) to manage the general practice vocational training program, more funding for training for Rural Locum Relief Program (RLRP) and improvements in data collection.

Each review report presents analysis of key issues and includes substantial data on vocational training places and background on the Medicare provider number legislation.

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For the first time the 2005 review assessed the level of support for the review process itself. It found ‘unanimous support for the continuation of the Biennial Review process’ itself, but noted there were a range of views on the preferred frequency of the reviews.⁵ Some stakeholders considered the biennial reviews too frequent, arguing that it was difficult to properly evaluate the implementation of recommendations made in previous reviews in a two year interval; consequently they favoured extending the review period to a three year interval. Others held the view that a longer review interval period would slow down the implementation of changes, and so favoured retention of the two year cycle.

Notably, the review made no argument in support of a five year interval, as proposed by this Bill. Rather, it noted strong stakeholder support for the biennial review process in the lead up to an expected increase in medical graduates from 2008. In fact, stakeholders shared the view that the biennial review would become even more relevant in 2007 and 2009.⁶

The MTRP is also required to convene a meeting to discuss the findings of the review. This gives stakeholders a further opportunity to voice their views on recommendations and comment on the review process. Under these amendments the frequency of these meetings will also be reduced, arguably reducing further the level of consultation.

Basis of policy commitment

Both the Explanatory Memorandum and the Minister’s second reading speech note that the proposed amendment to extend the interval period between reviews from two to five years, resulted from comments raised in the 2005 review. The Explanatory Memorandum notes that ‘the amendment is the result of comments submitted to, and deliberations undertaken at the most recent biennial review process in 2005’.⁷ The Minister reported in his second reading speech that ‘the frequency of the review process was questioned with a view to extending the period between reviews’.⁸

The Explanatory Memorandum also notes that the process occupies ‘significant staffing resources’ and estimated the cost of the review process in the vicinity of \$180,000. This financial impact could be reduced by moving to a five year interval.

Pros and cons

As noted above, the 2005 review reported discussions over the frequency of reviews, and heard a range of views in response. However, no support for a five year interval was reported.

Although there is an argument for realising savings by extending the frequency of the reviews, the scale of these savings maybe less than the cost estimate of \$180,000. This estimate includes the cost of seconding two senior Departmental officers for Secretariat duties. While their salaries contributed to the total cost of the review process, the cost of

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the salaries should not be viewed as a potential saving to government if the review interval is extended. The salaries of the two officers would have been paid for if they had remained in the department, and will continue to be paid for regardless of the review interval. So any savings to government can only be realised by reducing the cost of engaging the independent reviewer, currently estimated at \$80,000 (although this cost may rise in coming years).⁹

Although difficult to quantify, the value of the review process itself has been demonstrated by the high engagement and support of stakeholders and the resulting improvements to the vocational training of doctors. It has also been noted that there is strong support for the review process. Nevertheless, many of the originally contentious issues have been addressed, particularly in the first review; the most recent review received far fewer submissions than in 2003, perhaps indicating that there are fewer outstanding critical issues left to address.

It has been argued that reducing the frequency of reviews will slow down the implementation of recommendations. Others argue that the reviews are too frequent to properly implement improvements. Both views are based on a desire to improve the quality of the process of review. There is also general agreement among stakeholders of the importance of reviewing the legislation in upcoming years, because of expected higher numbers of medical graduates. In contrast, the main argument in support of the five year interval is a desire to realise some modest savings.

Financial implications

The Financial Impact Statement notes that the cost of the biennial review in 2005 exceeded \$180,000.¹⁰ This cost comprised a consultant's fee of \$80,000 and the cost of the salaries of two senior officers seconded from the Department. The proposed amendments will reduce this financial burden, because the cost will be incurred less frequently. However, as noted above, the scale of this saving is likely to be less than the cost estimate of \$180,000.

Main provisions

Schedule 1

Item 1 replaces section 19AD(1) which specifies that the review must be tabled every two years by 31 December, with a new section which specifies this occur on 31 December 2010, and subsequently each five year period.

Item 2 removes the reference in section 19AD(2) specifying the convening of a meeting must occur within three months of a report being tabled in the specified two year period,

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with the requirement that this occur in alignment with the new section which specifies a five year period.

Concluding comments

Although some modest savings will be realised by the measures in this Bill, there are grounds for concern that the extension of the review interval from two to five years will diminish capacity to review the Medicare legislation.

Endnotes

1. Hon. Michael Wooldridge 'Health Insurance Amendment Bill (no. 2) 1996: Second Reading' House of Representatives *Debates* 17/10/96, p. 5799.
2. Medical Training Review Panel *Special meeting held on Friday, 24 February 2006 to discuss the report of the 2005 Biennial Review of the Medicare provider number legislation: record of proceedings*, [Canberra, Department of Health and Ageing], 2006.
3. The reviews have all been undertaken by former NSW State Minister Ron Phillips. In order the reports are: *Mid-term Review of Provider Number Legislation* Canberra, Department of Health and Aged Care, 1999; *Biennial review of the Medicare Provider Number Legislation* Canberra, Department of Health and Ageing, 2003; *Biennial review of the Medicare Provider Number Legislation* Canberra, Department of Health and Ageing, 2005.
4. Mr Ron Phillips the independent consultant who has conducted all the reviews noted difficulties in conducting the first review in 1999, describing it as 'pretty doom and gloom' and 'hard to handle' in an address to the Special meeting held on Friday 24 February 2006 to discuss the report of the 2005 biennial review of the Medicare provider number legislation.
5. *Biennial review of the Medicare Provider Number Legislation*, 2005 op. cit, p. 49.
6. *Ibid.*
7. Explanatory Memorandum, p. 1.
8. Hon. Tony Abbott, 'Health insurance amendment (Provider Number Review) Bill 2007: second reading' House of Representatives *Debates* 1/3/2007, p. 3.
9. Explanatory Memorandum, p. 2.
10. *Ibid.*

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