



Policy costing

More access to magnetic resonance imaging units (MRIs)	
Party:	Australian Labor Party
Summary of proposal: The proposal would grant full Medicare eligibility to 20 MRI units. Granting full Medicare eligibility means patients can receive a rebate for any MRI item on the Medicare Benefits Schedule (MBS). Ten units would come into effect from 1 July 2019 and 10 units from 1 July 2020. Up to four of these units would currently be 'partially eligible' for MBS rebates (meaning a patient can receive a rebate for only some specific MRI items on the MBS) and be upgraded to full Medicare eligibility. At least half of the 20 units would be located within public hospitals.	

Costing overview

The proposal would be expected to decrease the fiscal balance by \$121.6 million and the underlying cash balance by \$120.4 million over the 2019-20 Budget forward estimates period. In fiscal balance terms, this impact reflects an increase in administered expenses of \$121.4 million and an increase in departmental expenses of \$0.2 million.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-17.1	-34.1	-34.6	-35.8	-121.6
Underlying cash balance	-16.5	-33.6	-34.6	-35.7	-120.4

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is included at [Attachment A](#). The proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period.

Departmental expenses reflect the cost of delivering the proposal and processing the additional number of MRI services, which increase as the number of eligible MRI units increase.

The proposal has slightly different impacts on the fiscal and underlying cash balances which reflect differences between when appointments are held and subsidies are paid.

The financial implications of this proposal are sensitive to the level and composition of services provided by the newly eligible machines and the Medicare rebates paid for MRI items. Historical data indicate that the average level of MBS rebates per MRI unit is higher for units in metropolitan areas than rural areas, and higher for units outside hospitals than inside hospitals. The financial implications in this costing have been calculated assuming 70 per cent of the units would be in metropolitan locations and 30 per cent in regional locations. If in practice there were more regional units, the estimated financial implications of the proposal would be lower than estimated.

The financial implications in 2019-20 are sensitive to the assumption that newly eligible machines can be identified reasonably quickly and therefore rebates would be paid from the commencement of the proposal.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

- Newly eligible units would become eligible in time to pay rebates on or shortly after the proposal's start date.
 - The Department of Health recently ran an invitation-to-apply process and received a large number of applications, including from operators of existing MRI units, so additional units from these or a subsequent process could be selected reasonably quickly.
- Ten units out of the 20 would be located within public hospitals. Fourteen of the 20 units would be in metropolitan areas.
- The average Medicare benefits payable per newly eligible MRI unit would be similar to the average benefits payable per currently eligible unit of the same type and projected to increase in line with historical trends.
- The shares of total administered expenses between the Department of Health and the Department of Veterans' Affairs would be constant over the period to 2029-30, and equal to their shares from the 2019-20 Budget measure *Guaranteeing Medicare – improved access to diagnostic imaging*.
- Four upgrades would be supported under this proposal. Two of the four upgrades from partially eligible units would occur on 1 July 2019 and two on 1 July 2020.

Methodology

Total administered expenses under the proposal are the sum of administered expenses by unit type (for example, new fully eligible metropolitan units outside hospitals, upgrades from partial eligibility in metropolitan hospitals, and so on).

Expenses by unit type were calculated by applying the proposal specifications and assumptions outlined above to generate the characteristics of the 20 new units, and multiplying the numbers of units by the average annual Medicare benefits payable per current eligible unit of that type. Costs were not indexed as MRI items are not indexed under the baseline in the MBS.

Departmental expenses for the Department of Human Services to administer the additional MBS services have been calculated based on the 2019-20 Budget measure. Consistent with the 2019-20 Budget measure, departmental expenses for the Department of Health to administer the proposal are not expected to be significant and have not been included.

All estimates have been rounded to the nearest \$100,000.

Data sources

The Department of Health provided information on historical average Medicare benefits payable by the different types of MRI units and provided the costing models for the 2018-19 Mid-Year Economic and Fiscal Outlook measure *Guaranteeing Medicare – expansion of Medicare eligibility for magnetic resonance imaging* and the 2019-20 Budget measure *Guaranteeing Medicare – improved access to diagnostic imaging*.

The Department of Health, 2019. *Expansion of Medicare-eligible magnetic resonance imaging (MRI) MRI – ITA – 2018* [Online] Available at: <http://www.health.gov.au/internet/main/publishing.nsf/Content/diagnosticimaging-expansion-of-medicare-eligible-magnetic-resonance-imaging> [Accessed: 31.05.2019].

Attachment A – More access to magnetic resonance imaging units (MRIs) – financial implications

Table A1: More access to magnetic resonance imaging units (MRIs) – Fiscal balance (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Expenses					
<i>Administered</i>					
<i>Department of Health</i>	-17.0	-33.8	-34.3	-35.5	-120.6
<i>Department of Veterans' Affairs</i>	-0.1	-0.2	-0.2	-0.2	-0.8
Total – administered	-17.1	-34.0	-34.5	-35.7	-121.4
<i>Departmental</i>					
<i>Department of Human Services</i>	..	-0.1	-0.1	-0.1	-0.2
Total – departmental	..	-0.1	-0.1	-0.1	-0.2
Total – expenses	-17.1	-34.1	-34.6	-35.8	-121.6

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

Table A2: More access to magnetic resonance imaging units (MRIs) – Underlying cash balance (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Expenses					
<i>Administered</i>					
<i>Department of Health</i>	-16.4	-33.3	-34.3	-35.4	-119.4
<i>Department of Veterans' Affairs</i>	-0.1	-0.2	-0.2	-0.2	-0.8
Total – administered	-16.5	-33.5	-34.5	-35.6	-120.2
<i>Departmental</i>					
<i>Department of Human Services</i>	..	-0.1	-0.1	-0.1	-0.2
Total – departmental	..	-0.1	-0.1	-0.1	-0.2
Total – expenses	-16.5	-33.6	-34.6	-35.7	-120.4

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.