



Policy costing

Reform the primary health care system of chronic disease management

Party:

Australian Greens

Summary of proposal:

The proposal comprises three components to manage chronic diseases in the Australian population by enrolling a specified number of patients in an ongoing chronic disease management scheme. The proposal would have effect from 1 July 2019. It would operate in addition to the incentives for general practitioners (GPs) implemented in the 2019-20 Budget measure *Guaranteeing Medicare – strengthening primary care*.

Up to 500,000 patients per year with physical health issues and up to 500,000 patients per year with mental health issues would be enrolled. There would be 700,000 enrolled patients in 2020 and one million per year thereafter.

- Component 1 – make an annual payment to GPs of \$1,000 per enrolled patient in return for enrolling patients in the new chronic disease management scheme (the new scheme).

The payments would compensate GPs for time spent managing, planning and coordinating the care of the patient, including with allied health providers. Payments would be conditional on health benchmarks being met; these would be set by the Department of Health and local Primary Health Networks.

The proposal would also phase out specified chronic disease management items in the Medicare Benefits Schedule (MBS) for patients enrolled in the new scheme. Lists of the items affected by each health stream are at [Attachment A](#). These would be phased out as follows:

- year 1 – no change
- year 2 – remove access to half of the relevant MBS items (details to be agreed in consultation with stakeholders as part of implementing the new scheme)
- year 3 – remove access to all of the relevant MBS items.

Patients enrolled in the chronic physical health stream would continue to have any mental health issues treated through existing MBS items. Similarly, patients enrolled in the chronic mental health stream would continue to have any physical health issues treated through existing MBS items. Patients not enrolled in the new scheme would continue to have access to all MBS items.

- Component 2 – develop risk profiles, template management plans, funding recommendations, and administrative and reporting systems to support the new scheme.
- Component 3 – provide a pool of funds to Primary Health Networks, equivalent to \$750 for each enrolled patient visiting allied health providers (such as physiotherapists, nutritionists, nurses and psychologists), for the purpose of subsidising visits.

Costing overview

The proposal would be expected to decrease both the fiscal and underlying cash balances by \$4,890 million over the 2019-20 Budget forward estimates period. These impacts are due to an increase in administered expenses of \$4,829 million and an increase in departmental expenses of \$61 million.

The increase in administered expenses over the forward estimates period reflects increased expenditure of \$3,200 million related to payments for enrolled patients and \$2,400 million related to payments to Primary Health Networks. This is partially offset by reduced expenditure of \$772 million, resulting from phasing out the specified MBS payments for current chronic disease management for patients enrolled in the new scheme.

The proposal would be expected to have ongoing impacts beyond the 2019-20 Budget forward estimates period. A breakdown of the financial implications over the period to 2029-30 is provided at [Attachment B](#).

The financial implications of the proposal are very sensitive to the take-up rate of the new scheme and transitional arrangements, which are reasonably uncertain. The financial implications of the proposal are also sensitive to the MBS expenditure that patients enrolled in the new scheme would have incurred under the baseline, the costs of administering the new scheme, and the assumption that both the proposal and the related 2019-20 Budget measure would be fully subscribed when operating in parallel.

The financial implications are also sensitive to potential changes in the billing behaviour of GPs, in particular the assumption that the proposal would not result in any change in demand for services for which Medicare rebates continue to be available. Any switch in billing towards these other services would increase the cost of the proposal.

While there may be additional savings to the Commonwealth from the proposal, for example through reduced GP visits or avoidable hospitalisations, these have not been included due to the high level of uncertainty about the magnitude and timing of their impacts.

Changes to the costs of the Extended Medicare Safety Net have not been included in the costing. They are expected to be small and would depend in part on how Primary Health Networks implement the subsidies proposed under Component 3.

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

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-631	-1,411	-1,477	-1,373	-4,890
Underlying cash balance	-631	-1,411	-1,477	-1,373	-4,890

(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.

Key assumptions

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

Proposal

- The proposal would be fully subscribed at one million patients, and the program as set out in the 2019-20 Budget measure *Guaranteeing Medicare – strengthening primary care* would also be fully subscribed.
 - Given the prevalence of chronic disease in the community, there would be enough patients to fill both schemes.
 - Given the earlier implementation date of the proposal relative to the Budget measure and the more generous funding arrangements under the proposal, implementation of the Budget measure would not alter the profile of uptake for the proposal.
- The scheme would become operational on 1 January 2020.
- All funds provided to Primary Health Networks for the purpose of subsidising allied health provider visits would be used.
- 50 per cent of the costs of all of the items specified to be removed for patients in the scheme would be saved in 2021.
- The proposal would have no impact on the consumption of MBS services for which enrolled patients are still eligible, and no impact on the use of any other Commonwealth Government payments or services.
- Changes to the costs of the Extended Medicare Safety Net are expected to be small and have not been included in this costing.
- The program under Component 2 would be wholly departmental and take two years to complete, with three quarters of the costs incurred in the first year and the remainder in the second year.

Baseline

- Each patient enrolled in the new scheme would have consumed, under the baseline, the historical average number of services of the items phased out under the proposal.
 - For example, if they were not in the new scheme, patients with chronic physical health conditions would consume one health assessment and around three chronic disease management items per year, including team care coordination and review items.
- The costs for MBS items that patients in the new scheme would have consumed under the baseline would be the average cost per service of the relevant item groups, and would have been bulk billed.

Methodology

Component 1 – Establishing a chronic disease management scheme

The administered costs of this component were estimated by subtracting the savings from phasing out the specified MBS payments from the cost of the additional GP payments under the new scheme.

- The costs of the additional GP payments each year were derived by multiplying the assumed number of enrolled patients with a chronic disease condition by the specified annual payments to doctors per enrolled patient (\$1,000).

- The savings from reduced MBS payments for chronic disease management items were calculated by multiplying the assumed number of transactions under the baseline by their projected average cost per service.

Departmental expenses for the Department of Human Services associated with this component were estimated by subtracting the savings from reduced processing of existing MBS items from the additional costs of processing the new payments to GPs.

- The costs of processing new payments to GPs were derived by multiplying the specified number of enrolled patients by the estimated processing cost per transaction, with additional funding for the development of the payment system in 2020.
- Savings from reduced processing of existing MBS items were derived by multiplying the estimated number of services for MBS items that would be removed under this proposal by the estimated processing cost per transaction.

Departmental expenses for the Department of Health were calculated based on similar-sized programs.

Component 2 – Developing departmental support capabilities

Departmental expenses for the Department of Health were calculated based on similar-sized programs and are assumed to be incurred in the first year of operation.

Component 3 – Providing a pool of funds to Primary Health Networks to assist patients with allied health costs

The impact of this component on administered expenses was derived by multiplying the specified number of enrolled patients by the specified annual funding per patient (\$750). The departmental expenses for the Department of Human Services were derived by multiplying the estimated number of enrolled patients by the estimated processing cost per transaction, with additional funding for the development of the payment system in 2020.

Departmental expenses for the Department of Health were calculated based on similar-sized programs.

All estimates have been rounded to the nearest \$1 million.

Data sources

Australian Institute of Health and Welfare, 2007. *Comorbidity of mental disorders and physical conditions 2007*, Canberra: Commonwealth of Australia.

Australian Institute of Health and Welfare, 2018. *Mental health services: In brief 2018*, Canberra: Commonwealth of Australia.

The Department of Finance provided the indexation and efficiency dividend parameters as at the 2019 Pre-election Economic and Fiscal Outlook.

The Department of Human Services provided the per unit cost departmental parameters as at the 2019 Pre-election Economic and Fiscal Outlook.

Medicare statistics, 2018. [Online] Available at: <http://medicarestatistics.humanservices.gov.au/statistics> [Accessed 9.10.2018].

Attachment A – Primary care reform for chronic disease management – Lists of current chronic disease management items affected by the proposal

The lists below set out the MBS items for which patients enrolled in the new chronic disease management scheme become ineligible after two years.

Chronic physical health stream

Patients enrolled with chronic physical health conditions would be ineligible for the following physical health assessments and chronic disease management plan items.

Physical health assessments

- 10986 Health assessment kids check
- 701 Health assessment brief
- 703 Health assessment standard
- 705 Health assessment long
- 707 Health assessment prolonged
- 715 Health assessment for Aboriginal and Torres Strait Islander People

Chronic disease management plan

- 721 Chronic disease plan
- 723 Team care coordination
- 729 Contribution to team care (health)
- 731 Contribution to team care (aged)
- 732 Review of GP management plan

Chronic mental health stream

Patients enrolled with chronic mental health conditions would be ineligible for the following mental health assessment and treatment plan items.

Mental health assessments and treatment plan

- 2700 GP mental health treatment plan – 20 to 40 minutes with no additional training
- 2701 GP mental health treatment plan – more than 40 minutes with no additional training
- 2712 GP mental health treatment plan – review
- 2715 GP mental health treatment plan – 20 to 40 minutes with additional training
- 2717 GP mental health treatment plan – more than 40 minutes with additional training

Attachment B – Reform the primary health care system of chronic disease management – financial implications

Table B1: Reform the primary health care system of chronic disease management – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Component 1: Establishing a chronic disease management scheme													
<i>Administered</i>													
<i>Payments to general practitioners</i>	-350	-850	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-3,200	-10,200
<i>Removal of existing Medicare rebates</i>	-	94	287	391	402	414	426	438	450	463	476	772	3,840
Total – administered	-350	-756	-713	-609	-598	-586	-574	-562	-550	-537	-524	-2,428	-6,360
<i>Departmental</i>													
<i>Department of Human Services</i>	-3	-6	-5	-5	-5	-5	-5	-5	-5	-5	-5	-19	-53
<i>Department of Health</i>	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-3	-10
Total – departmental	-4	-7	-6	-22	-63								
Total – Component 1	-354	-763	-719	-615	-604	-592	-580	-568	-556	-543	-530	-2,450	-6,423
Component 2: Developing departmental support capabilities													
Total – administered	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Departmental</i>													
<i>Department of Health</i>	-10	-3	-	-	-	-	-	-	-	-	-	-13	-13
Total – departmental	-10	-3	-	-13	-13								
Total – Component 2	-10	-3	-	-13	-13								
Component 3: Providing a pool of funds to Primary Health Networks to assist patients with allied health costs													
<i>Administered</i>													
<i>Payments to Primary Health Networks</i>	-263	-638	-750	-750	-750	-750	-750	-750	-750	-750	-750	-2,400	-7,650
Total – administered	-263	-638	-750	-2,401	-7,651								
<i>Departmental</i>													
<i>Department of Human Services</i>	-3	-6	-7	-7	-7	-7	-7	-7	-7	-7	-7	-23	-72
<i>Department of Health</i>	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-3	-10
Total – departmental	-4	-7	-8	-26	-82								
Total – Component 3	-267	-645	-758	-2,427	-7,733								
Total	-631	-1,411	-1,477	-1,373	-1,362	-1,350	-1,338	-1,326	-1,314	-1,301	-1,288	-4,890	-14,169

(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. 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.

- Indicates nil.