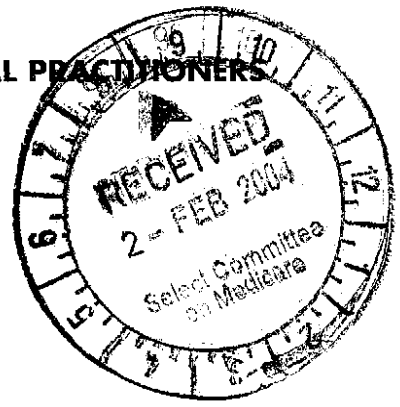
THE ROYAL AUSTRALIAN COLLEGE OF GENERAL PRACTITIONERS



January 29, 2004

Senator Jan McLucas
Chairperson
Senate Select Committee on Medicare
Suite S1 30
Parliament House
Canberra, ACT 2600

Submission 67a

Dear Senator McLucas

Re: Professor Deeble's proposed Safety Net discussed at Senate hearing, 19 January 2004

Thank you for providing me with the opportunity to speak with the Senate Select Committee on Medicare, on behalf of the Royal Australian College of General Practitioners (RACGP), on Monday 19th January 2004.

On behalf of the Committee, you asked that the RACGP provide comment on Professor John Deeble's proposal for a new safety net arrangement for the Australian Government's MedicarePlus health package.

The RACGP is pleased to provide comment on Professor Deeble's proposed safety net and has included its position on the following pages.

The RACGP has been advised that the Rural Doctors Association of Australia (RDAA) supports the RACGP's attached comments on Professor Deeble's proposal.

The RACGP would be happy to provide further information to the Committee if necessary.

Please do not hesitate to contact Mr Ian Watts, National Manager – GP Advocacy & Support, in the first instance, should you require any further information. Mr Watts can be contacted at 03 8699 0544 or ian.watts@racgp.org.au.

Yours sincerely

Professor Michael Kidd
President

CC: President, Rural Doctors Association of Australia

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RACGP response to Professor John Deeble's safety net proposal

Executive Summary

The Royal Australian College of General Practitioners (RACGP) has carefully considered Professor Deeble's safety net proposal and believes that despite being theoretically appealing, in its current form, it is unlikely to operate as an effective safety net for the Australian public.

Professor Deeble's proposed safety net does not ensure that the costs of maintaining high quality care are adequately met. It is the view of the RACGP that his proposal assumes that the value of the Medical Benefits Schedule (MBS/ the schedule) rebate meets these costs which limits Professor Deeble's approach because, as submissions to the Senate Select Committee on Medicare suggest, this is not the case. Professor Deeble's proposal does not adequately act as a reliable safety net because its threshold, which caps benefits above fees charged above 30% of the MBS rebate, may not meet their full costs of accessing primary medical care. The average fee charged over the schedule, for example, exceeds Professor Deeble's proposed 30% threshold. It is the view of the RACGP that this form of a safety net would be unacceptable to the community.

In essence, Professor Deeble's critique of the safety net under MedicarePlus is based on the premise that General Practitioners (GPs) would profiteer. This is unlikely in the context of General Practice. Such practices would be the exception rather than the rule and any consideration to scrap the initiative on this basis risks 'throwing out the baby with the bathwater'.

The RACGP maintains its view that a safety net should not be necessary in a properly functioning universal health system, however, it is important to ensure the access of those with high medical costs is not restricted. It remains the responsibility of the Australian Government to ensure universal access to primary medical care for all people in Australia, especially for those people who can be marginalised by our health care system.

The RACGP believes that the provision of strengthened safety nets under the MedicarePlus proposal should combine both the Pharmaceutical Benefits Scheme (PBS) and MBS expenditure and have lower thresholds than currently proposed. Unfortunately, the current MedicarePlus safety net does little to support single people on low incomes with high healthcare needs.

Were Professor Deeble's proposed safety net to be used, RACGP would seek its adjustment , such that it funds the cost of providing quality care. If the proposal plans to use the thresholds and other details of the MedicarePlus initiative, the RACGP maintains its view that these thresholds should be lowered and the PBS included.

Patients must have access to a safety net that covers all costs associated with providing quality care and recognise, but not limit, appropriate private "over-schedule" fees. For any restrictions on "over-scheduled" fees, the MBS rebate must be set and indexed at an adequate level.

Until these suggested revisions are made to Professor Deeble's proposed safety net, the RACGP does not offer its endorsement.

RACGP's position on safety nets

The principle of a safety net

The RACGP strongly supports the provision of a safety net for those who find themselves unable to afford primary medical care. While our universal health system should operate without the need of a safety net, certain individuals who often have much higher health care needs and costs must have their access protected.

The RACGP's position is that it is the Government's responsibility to ensure universal access to primary medical care for all people in Australia, especially for those people who can be marginalised by our health care system including Aboriginal people, Australians living in rural and remote areas, people with low incomes, people of culturally and linguistically diverse backgrounds and people with chronic health care problems.

Improving the MedicarePlus safety net: reducing the threshold and including the PBS

The provision of strengthened safety nets by Government for needy patients who strike barriers to access arising from the failure of the Medical Benefits Schedule (MBS/ Schedule) to reflect practice costs is welcomed in MedicarePlus. However, triggers for these should combine both the Pharmaceutical Benefits Scheme (PBS) and MBS expenditure and have lower thresholds than currently proposed. As reported in page 6 of the Rural Doctors Association of Australia's (RDAA's) second submission to the Senate Select Committee on Medicare, "The National Centre for Social & Economic Modeling (NATSEM) (estimates)...that people in the lowest socio-economic quintile ...spend between 7.2% and 9% of their after- tax income on subsidized Pharmaceutical Benefits Scheme (PBS) drugs, as compared to approximately 2% spent by families which have concessional cards."

Unfortunately, the MedicarePlus safety net does little to support single people on low incomes with high healthcare needs.

RACGP's comments on Professor Deeble's proposed safety net

The remainder of this paper pertains mostly to Professor Deeble's safety net proposal.

Summary of Professor Deeble's proposal

Professor Deeble's proposed safety net aims to limit the reimbursement of out of pocket amounts to a maximum of 30% above the Medical Benefits Schedule (MBS). This is to address the issues of doctors attempting to profiteer from this initiative by unreasonably increasing their fees.

Profiteering unlikely in General Practice

The RACGP understands that there remains a risk of profiteering in the MedicarePlus safety net which does not have a cap placed on the out-of-pocket amounts charged to patients. Profiteering, or moral hazard, is a well known economic concept and a reasonable theoretical critique on the MedicarePlus safety net arrangement. The RACGP rejects the proposition that most doctors would attempt to profiteer out of this arrangement and thus, does not think that this critique is valid in the context of General Practice.

As members of the Senate Select Committee on Medicare will be aware, submissions from private billing General Practitioners (GPs) report that, where a fee is charged to patients above the schedule, it is to cover the costs of maintaining high quality care that are not fully met by the MBS rebate. GPs also reported that they are familiar with the potential trade-offs between providing high quality care by charging above the schedule and by doing so, potentially reducing patient access. It would appear that most GPs who private bill favour maintaining the high quality care in their services over greater access to lower quality services. Some GPs have reported maintaining high quality by working longer hours, or longer before retirement, or by foregoing income.
The RACGP holds the view that submissions to the Senate inquiry can be reliably interpreted in this way and that GPs have a very strong ethic of responsible billing and any profiteering would be an aberration within the profession.

With appropriate revision, including lower thresholds to meet the safety net and the incorporation of PBS costs, the RACGP believes that the MedicarePlus safety net arrangements would be effective in improving the access of disadvantaged patients to primary health care. Since the program is unlikely to attract profiteering, the RACGP believes that scrapping the initiative altogether risks 'throwing out the baby with the bath water'.

Safety nets must adequately fund the costs of providing quality care

The RACGP is concerned that Professor Deeble's proposed safety net, in its current form, will not operate effectively due to it being unlikely to meet the true costs of providing quality care.

Professor Deeble indirectly eludes to this point in his submission, which states that "over-schedule(d) doctor charges…is really an admission of either the government's unwillingness to raise benefits or its inability to control or otherwise limit medical fees, particularly for (some) specialists." As has been established, in submissions to the Senate Select Committee on Medicare's first inquiry, GPs who charge an amount "over-schedule" do so to cover the amount to which the MBS does not fund the cost of providing quality care.

The cost of high quality care in General Practice may include a public (MBS) and private (above schedule fee) component. It is imperative that the safety net fund the whole cost of providing quality care. This will ensure that above schedule fees are not unreasonably restricted when private fees are essential for providing high quality care.

Why the proposal is unlikely to operate as a safety net

The proposed threshold, which limits benefits to patients to no more than 30% of the MBS rebate, will be unlikely to completely cover the large difference between the average fees charged above the schedule rebate. For example, in General Practice, the 30% cap above the MBS rebate, for a Vocationally Registered (VR) GP would limit the fee above the schedule to $7.70 in a level B consultation. The average gap payment is likely to be above this. This may mean that some patients will be dissuaded from seeking the services of a GP while other will still incur out-of-pocket expenses they cannot afford.

Alternatively, GPs may feel compelled, as is often the case, to act as the safety net by reducing their private fee.

Neither scenario will both fund the true cost of providing quality care and eliminate the cost barriers of needy patients accessing primary medical care.

Why the relativity of the MBS rebate will affect the success of the safety net

As discussed, the RACGP is concerned that the proposed safety net threshold is too low to effectively assist eligible disadvantaged patients. It would appear that Professor Deeble's proposal assumes that the relativity of the MBS rebate is correct in, and between, all specialist medical disciplines that access the MBS.

This relativity assumes that the MBS equally meets the costs of providing quality care. Therefore, for this proposal to operate effectively, the degree to which the MBS rebate meets the real costs of providing high quality care must be equal in all specialist disciplines.

The effect of health inflation is not considered

Another limitation of Professor Deeble's approach is the way in which health inflation will effect its operation. Professor Deeble's proposal funds 30% above the schedule fee. Unless the rebate keeps pace with health inflation, this cap will be exceeded more and more frequently, thus undermining the effective operation of the safety net.

RACGP's suggested revisions for Professor Deeble's proposed safety net

The RACGP calls for Professor Deeble's proposed safety net to adequately fund the true cost of providing quality care. If the proposal plans to use the thresholds and other details of the MedicarePlus initiative, the RACGP maintains its view that these thresholds should be lowered and the PBS included.

Patients must have a safety net that covers all costs associated with providing quality care and recognise, but not limit, appropriate private "over-schedule" fees. For any restrictions on "over-scheduled" fees, the MBS rebate, must be set and indexed at an adequate level.

Until these suggested revisions are made to Professor Deeble's proposed safety net, the RACGP does not offer its endorsement.