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INFORMATION ANALYSIS ADVICE

CLIENT ADVICE

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## Medicare—changes to bulk billing incentives

You asked a series of questions concerning the Government's recent announcement on changes to bulk billing incentives. Specifically, you asked:

1. Detail exactly what the Government proposed cuts are - and what cuts to medicare funding have been brought in.
2. How much will it cost the average working family a year?
3. What are the peak bodies saying about these cuts?
4. Can these cuts be stopped by the Senate in a disallowance motion?
5. Is the minister using regulations rather than legislation to put these cuts into place?
6. What are Tasmanian peak welfare bodies saying about these cuts?

This memo provides responses to each of these questions. It draws substantially from a recent Flagpost I prepared [‘Changes to bulk billing incentives for pathology and diagnostic imaging face resistance’](#) published in December 2015.

### ***Detail proposed cuts to Medicare and previous cuts***

#### **MYEFO announcement**

At the Mid-Year Economic and Fiscal Outlook (MYEFO), the Government announced it would remove bulk billing incentive payments for pathology and change the level of these payments for diagnostic imaging MRI services from July 2016, achieving significant savings. See extract from MYEFO below:

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## Medicare Benefits Schedule — changes to diagnostic imaging and pathology services bulk-billing incentives

Expense (\$m)	2014-15	2015-16	2016-17	2017-18	2018-19
Department of Human Services	-	4.6	7.9	7.0	5.7
Department of Health	-	-	-215.8	-225.2	-234.6
Total — Expense	-	4.6	-207.9	-218.2	-228.9

The Government will achieve savings of \$650.4 million over four years from 2015-16 by: removing bulk-billing incentives for pathology services; aligning bulk-billing incentives for diagnostic imaging services with those that apply to General Practitioner services; and, reducing the bulk-billing incentive for Magnetic Resonance Imaging (MRI) services from 15 per cent to 10 per cent of the Medicare Benefits Schedule fee, aligning it with other diagnostic imaging services. Bulk-billing incentives for diagnostic imaging services will continue to apply for patients with concession cards and children under 16 years of age.

These changes to pathology and diagnostic imaging bulk-billing incentives will be effective from 1 July 2016.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Source: MYEFO<sup>1</sup>

Pathology services include a wide range of diagnostic tests, including blood tests (regularly required for diabetics), tissue pathology for diagnosis of cancer, cytology such as pap smear tests, pregnancy tests, etc. Diagnostic imaging refers to services including ultrasounds (to monitor a pregnancy), diagnostic radiology (such as X-rays to identify fractures), Computed Tomography (CT scan, used to assess a body part or structure such as the vascular system) and Magnetic Resonance Imaging (MRI, often used to image the brain and diagnose brain tumours).

### What incentive payments will be affected?

A bulk billing incentive payment of \$6.00 is currently payable to pathology providers who bulk bill certain patients, specifically, children and concession card holders. A higher payment of \$9.10 is available if the provider who delivers the service to the child or concession card holder is located in a designated outer metropolitan or rural area, or in Tasmania.

There are also additional bulk billing incentives for pathology items listed as 'Group P13' items in the Medicare Benefits Schedule (MBS). The amount of these incentive payments vary from \$1.40 to \$3.40, depending on the item number.

Under the MYEFO proposal all the bulk billing incentives paid to pathology providers will be removed. The Medicare rebate for these services will remain unchanged.

Diagnostic imaging providers can also access the same \$6 bulk billing incentive when they bulk bill children and concession card holders and the \$9.10 incentive when these patients live in designated rural and regional areas, and the provider holds dual qualifications as a GP. These incentives will remain unchanged.

Currently a higher than normal rebate applies for diagnostic imaging providers who bulk bill.<sup>2</sup> For bulk billed out of hospital services, the provider receives a rebate equal to 95% of the schedule fee except for item 61369, and all items in Group I5 - Magnetic Resonance Imaging. For items in Group I5 - Magnetic Resonance Imaging, the rebate for out of hospital services is currently set at 100% of the Schedule Fee listed in the MBS table.<sup>3</sup> Although

1. Australian Government, [Mid-Year Economic and Fiscal Outlook 2015–16](#), p. 174, accessed 13 January 2016.

2. Normally the rebate paid to a provider who bulk bills is 85% of the schedule fee (except for GPs who receive 100% of the schedule fee if they bulk bill).

3. Department of Health, [Medicare Benefits Schedule Book Category 5](#), note DIQ, p. 52, accessed 13 January 2016.

MYEFO announced this would be set at 10% less, according to a press release from the Minister the rebate for these MRI services will actually be reduced to 95% of the schedule fee.<sup>4</sup>

The precise details of the changes to the bulk billing incentives will not be clear until the Minister issues new regulations (see below for a discussion on this).

Bulk billing incentives for pathology and diagnostic imaging services were introduced under the former Labor government in 2009–10. They are an additional payment made to providers who choose to bulk bill their patients in an out of hospital setting so that patients do not face out of pocket costs. According to annual Medicare statistics (Table 2), in 2014–15 some 114.3 million pathology services were provided out of hospital, almost all of these (98.7%) were at no cost to the patient.<sup>5</sup>

The Government argues that the removal of the bulk billing incentives for pathology is justified because currently most pathology services are bulk billed, and so incentives to bulk bill are not now required. Nationally, the bulk billing rate for pathology is 87.8% (for diagnostic imaging it is 76.9%).<sup>6</sup>

### **Previous changes to Medicare resulting in savings**

The 2014–15 and 2015–16 budgets and previous MYEFO (2014–15) included a number of measures to reduce government expenditure on Medicare. This included:

- Freezing indexation of Medicare fees (and therefore rebates) until 2018 (implemented)
- Imposing a \$7 GP and pathology co-payment (not proceeding)
- Reducing the rebate for GP consultations by \$5 and allowing GPs to impose a patient co-payment on bulk billed services (this replaced the co-payment proposal but is also not proceeding)
- Redefining the time requirements for Level A and B GP consultations (also not proceeding)
- Removing the Healthy Kids Check from the MBS (implemented)
- Comprehensive review of MBS services (ongoing)
- Streamlining the Medicare safety net (legislation introduced but has yet to pass the Senate)

### ***How much will it cost the average working family a year?***

I have not located any specific modelling on what the financial impacts would be on working families. Estimating the financial impacts would require detailed information on those who currently access bulk billed services, including their utilisation levels (how many bulk billed services they use on average) and income levels. The Library does not have access to such information. As well, a more precise definition of what you mean by a ‘working family’ would be needed. You might consider asking the Department of Health through Senate Estimates if they have done any modelling on the financial impact on people of different income levels. Alternatively, you might consider requesting the Parliamentary Budget Office to undertake this modelling (they can access Departmental data).

Having said that, the financial impact of the removal of bulk billing incentives—particularly those applying to pathology—may increase patient out of pocket costs *if the providers respond by moving away from bulk billing patients to charging patients a higher fee.*

### ***Responses of peak bodies***

Generally, doctor and patient groups were quick to criticise the measure. The peak group representing pathology providers, Pathology Australia, has warned that without the incentives, the bulk billing rates will fall leaving patients facing higher out of pocket costs, or patients opting to defer or decline recommended tests. In addition, the pathologists argue that some pathology collection centres may be forced to close—including those in rural and regional areas and in hospitals—due to the higher costs of maintaining these centres in these areas.

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4. S Ley, ‘[Labor blows \\$500m for 1% increase in pathology bulk-billing rates](#)’, media release, 15 December 2015, accessed 13 January 2016.

5. Department of Health, [Medicare Statistics](#), table 2. Figures are for 2014–15. The 98.7% figure is derived by dividing the total number of pathology services reported as being bulk billed (112.8 million) by the total number of out of hospital pathology services (114.3 million). This results in a slightly higher figure than the officially reported bulk billing figure for pathology of 87.8%, because it applies to both in hospital and out of hospital services which combined add up to a higher number. Most public hospital services are not bulk billed.

6. S Ley, *op. cit.*

They are also critical that the changes were announced outside of the Medicare review process currently underway.<sup>7</sup>

The Australian Diagnostic Imaging Association described the proposal as ‘nothing less than a co-payment by stealth’, that will make diagnostic imaging unaffordable for many patients because they will now incur up-front costs they previously avoided when they were bulk billed.<sup>8</sup>

The Consumers Health Forum (representing consumers) is also worried that consumers who previously faced no out of pocket costs for pathology may be dissuaded from undergoing essential tests due to concerns over cost.<sup>9</sup>

The Australian Medical Association, the peak body representing doctors, has argued the changes will increase the health burden cost for Australians, ‘with the poorest and the sickest being hit the hardest’.<sup>10</sup>

### **Response of Tasmanian peak bodies**

The Tasmanian Council of Social Services (the peak welfare body for Tasmania) has reportedly expressed concerns about the changes.

Tasmanian Council of Social Service chief executive Kym Goodes quoted in *The Advocate*, said the organisation was concerned the cost would be passed on to those using pathology services and represents a ‘false economy’.

"Tasmanians are hardest hit in these cuts as we have a higher proportion of our population on a low income and we also have high rates of chronic health conditions," she said.

"Therefore, presenting any barriers to accessing diagnostic services such as pathology can delay or prevent people accessing timely diagnosis and treatment.

"It is a false economy to think this is a 'saving' to our bottom line."<sup>11</sup>

### ***Is the Minister using regulations rather than legislation to implement?***

Yes. Bulk billing incentive payments are specified in the *Health Insurance (Pathology Services Table) Regulations*. The current regulations will need to be amended to implement these changes. However, precisely when this will occur is not clear, but new regulations would need to be registered and tabled before the commencement date of July 2016.<sup>12</sup>

### ***Can these cuts be disallowed by the Senate?***

Yes. The relevant regulations are a disallowable legislative instrument. The process for disallowance is explained in this [Senate brief](#). Broadly, once the regulations are registered and tabled in Parliament a Senator has 15 sitting days to give notice of a motion to disallow the instrument (in whole or in part).

I hope this is of assistance, but let me know if you require anything further.

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7. Pathology Australia, '[Pathology Australia slams Government's hit on consumers](#)', media release, 15 December 2015, accessed 13 December 2016.

8. Australian Diagnostic Imaging Association, '[Government Puts Early Diagnosis At Risk With New "Co-Payment By Stealth"](#)', media release, 16 December 2015, accessed 13 January 2016.

9. Consumers Health Forum, '[Pathology cuts a fresh barrier to care](#)', media release, 12 December 2015, accessed 13 January 2016.

10. Australian Medical Association, '[MYEFO – Government Shifts More Health Costs On To Australian Families](#)' media release, 15 December 2015, accessed 13 January 2016.

11. '[Fears on removal of pathology bulk-billing](#)', *The Advocate* 17 December 2015, p. 8 via News Bank

12. The current regulation is called the [Health Insurance \(Pathology Services Table\) Regulation 2015](#).

