

Briefing: Comparison of \$7 co-payment, as announced in the 2014-15 Budget, and the new 'A Strong and Sustainable' MYEFO package.

1. Medicare Benefits Schedule – introducing patient contribution for general practitioner, pathology and diagnostic imaging services

In the 2014-15, the Government announced the rebate for out-of-hospital GP visits (consultations and after hours items), pathology episodes, and diagnostic imaging services would be reduced by \$5 from 1 July 2015, and providers could collect a \$7 patient contribution for these services.

Under the measure, providers would be paid a low gap incentive (equivalent to the bulk billing incentive) to charge concessional patients and children under 16 the \$7 contribution for their first ten in-scope GP, pathology or diagnostic imaging services.

For the 11th service (and any subsequent services) that calendar year, the \$5 rebate would be restored and health professionals would receive the low gap incentive if they did not charge the concessional patient (or child under 16) any contribution.

Budget: The proposal was projected to save \$3.5 billion over the forward estimates (2014-15 to 2017-18), with all savings directed to the Medical Research Future Fund (per page 31 of the 2014-15 Portfolio Budget Statements: Health Portfolio).

Programme	2013-14 \$'000	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000
Medicare Benefits Schedule - introducing patient contributions for general practitioner, pathology and diagnostic imaging services					
Department of Health					
Administered expenses	3.1	-	(1,165,329)	(1,181,993)	(1,226,899)
Administered expenses	3.3	(208)	(212)	(215)	(218)
Departmental expenses	3.1	1,576	1,158	610	270
Department of Human Services					
Departmental expenses	249	7,398	34,228	28,576	26,034
Departmental capital	-	5,406	2,353	-	-
Total	249	14,172	(1,127,802)	(1,153,022)	(1,200,813)

1. A Strong and Sustainable Medicare

On the 9 December 2014, the Government announced the \$7 co-payment would be replaced by a package of measures:

- From 19 January, a GP who intends to charge for a standard (Level B) consultation will have to spend between 10 and 20 minutes with the patient.

Consultations lasting less than 10 minutes will need to be charged as a shorter consultation (Level A) that attracts a lower MBS rebate.

- From 1 July 2015, the Medicare rebate for common GP consultations and after hours items will be reduced for \$5 for out-of-hospital services on a non-concessional patient (16 years or older), which doctors may choose to recoup through an optional co-payment of up to \$5.
- Freeze on the Schedule Fee for all Medicare services until 1 July 2018.

Budget: The proposal is projected to save \$3.6 billion over the over the four-year forward estimates period, with all savings directed to the Medical Research Future Fund. The savings comprises of:

- Schedule fee indexation freeze, \$1.3 billion in savings;
- Level A/Level B consultation time changes, \$1 billion in savings (includes non-VR GP and nurse practitioner consultation save); and
- The \$5 rebate reduction, \$1.3 billion in savings.

A breakdown of the save by financial year is below*.

MBS impact of the revised measure (MBS only savings from components of the new measure)

	2014-15	2015-16	2016-17	2017-18	Total (4 year)
	(\$,000)	(\$,000)	(\$,000)	(\$,000)	(\$,000)
Indexation Freeze (all items)	0.00	-130.46	-431.51	-748.86	-1310.83

*MYEFO only reported the impact of the changes to the patient contribution measure. The MYEFO figures is available at http://www.budget.gov.au/2014-15/content/myefo/html/11_appendix_a_expense-02.htm

1. MYEFO measure (December costing table per Cabinet decision)

Please note the figures relate to the Administered underlying cash balance of the Department of Health. It does not include the impact on the Department of Human Services or the Department of Veterans' Affairs.

	2014-15 (\$m)	2015-16 (\$m)	2016-17 (\$m)	2017-18 (\$m)	Total (\$m)
Indexation freeze (GP until 1/7/2018)	0	+123.5	+275.0	+439.0	\$837.5
Indexation freeze (all other items until 1/7/2018)	0	0	+140.6	+293.9	\$434.5

2. 2014-15 Budget measure breakdown for indexation of MBS fees (excluding GP items)

In the 2014-15 Budget, the Government announced the measure *Pausing indexation of some Medicare Benefits Schedule fees and the Medical Levy Surcharge and Private Health Insurance Rebate thresholds*.

The component to suspend the 1 July 2014 indexation of all Medicare Benefits Schedule (MBS) fees for 24 months, except for General Practitioner (GP) attendance items, was projected to save \$986 billion over the forward estimates.

Please note the figures relate to the underlying cash balance of the Department of Health.

	2013-14 (\$m)	2014-15 (\$m)	2015-16 (\$m)	2016-17 (\$m)	2017-18 (\$m)	Total (\$m)
Indexation freeze until 1/7/2016 (exclude GP items)	0	+123.9	+264.5	+282.0	+2998.1	+968.5

3. Indexation of Level B MBS rebate

It is expected that the indexation freeze for a period of three years will have a revenue impact for bulk-billed services of around 5.8% when based on Wage Cost Index (WCI-5) of 1.9% per annum.

Over the period of the indexation freeze a standard Level B GP consultation would receive an estimated benefit of \$2.10 less than without the freeze and the bulk billing incentive (metro) would receive a benefit \$0.35 less as shown in the tables below:

MBS item - benefit		2013-14	2014-15	2015-16	2016-17	2017-18
Level B consultation (MBS item 23)	Freeze	-	\$37.05	\$37.05	\$37.05	\$37.05
	Indexed	\$36.30	\$37.05	\$37.70	\$38.40	\$39.15
Difference		\$0	\$0	\$0.65	\$1.35	\$2.10
Projected services				96,254,349	99,877,205	102,642,363
Cost to index				\$62,565,327	\$134,834,227	\$215,548,962

Of the \$837.5 million in projected savings from the freezing of indexation for GP items as announced in MYEFO, approximately \$413 million is from freezing the indexation of MBS item 23. Please note the indicative indexation figures used here are estimates, and are subject to change.