

Supplementary Brief – Explanation of savings from the Measure *Visas for General Practitioners – targeting areas of doctor shortages*

How does this measure provide a save of \$415.5 over forward estimates?

- The save comes from reduced supplier-driven flow-on costs to Australia's health system. Costs include Medicare, the Pharmaceutical Benefits Scheme, and diagnostic, pathology and specialist referral costs.
- Supplier-driven costs are reduced by slowing down the rate of growth of doctors in over-serviced metropolitan and outer metropolitan areas. Unnecessary growth in medical services (over-servicing) is being experienced in these areas due to an increased supply of doctors rather than genuine increases in patients' needs for services.
- Medicare data suggests that slowing the GP growth rate in over-serviced areas will reduce the number of services and associated costs.
- 59% of the save comes from Medicare billings (\$269M), 26% from PBS (\$117M) and 15% (\$70M) from referrals.

Note: Total save of \$415.5 is the net of whole-of-government savings and costs including loss in taxation revenues.

How are the estimated savings calculated?

These have been based on an analysis of GP billing patterns using the following methodology and assumptions:

- Billing patterns of OTDs working in GP practices were analysed.
- Data analyses included MBS service level data, referrals data and PBS over the past three years 2014- 2016.
- Based on the above analysis, the total cost of an OTD working in GP practices was calculated as \$486,398, (\$287K MBS, \$124K PBS and \$74K referrals) which was then used to project costs for the forward estimates. The savings for referrals were discounted by 50% to reflect that some of these services would still occur.
- The costing did not simply assume that the average cost of a doctor would become a save.

Data analysis

- Analysis of the data indicates that in situations where there is a sustained decrease or increase in provider numbers, the benefits paid increase or decrease accordingly.
The graph in **Attachment A** shows a 99% correlation between MBS billing and the number of service providers.

Background

- Over the past decade, the rate of increase in the GP numbers has been three times more than the population growth rate. Majority of the growth in GPs, overseas trained doctors in particular, has been concentrated in the metropolitan areas.
- Australia has experienced a sustained high level supply of overseas trained doctors through Australia's skilled migration program and more recently, a surge in supply of domestic medical graduates

- on average around 74 per cent of those overseas doctor entering Australia have worked in primary health care in metropolitan areas.
- If not corrected, an estimated oversupply of around 7,000 doctors per year is projected by 2030¹, which will further add to the GP over-servicing and pressure on training places for Australian trained medical graduates.

Calculations

Current average cost of Overseas Trained Doctor per doctor:

Year	Medicare	Referrals	PBS	Total cost	% of final cost
2014	\$97,363.79	\$18,173.74	\$20,594.57	\$136,132	28%
2015	\$252,344.09	\$58,923.73	\$73,977.02	\$385,245	79%
2016	\$287,006.75	\$74,890.10	\$124,501.17	\$486,498	100%

Reducing by 200 on 1 Jan 2019

Year	Medicare	Referrals	PBS	Total cost	% of final cost
2018-2019	\$ 4,018,095	\$ 1,048,461	\$ 1,743,016	\$ 6,809,572	7%
2019-2020	\$ 34,440,810	\$ 8,986,812	\$ 14,940,140	\$ 58,367,762	60%
2020-2021	\$ 45,921,080	\$ 11,982,416	\$ 19,920,187	\$ 77,823,683	80%
2021-2022	\$ 57,401,350	\$ 14,978,020	\$ 24,900,233	\$ 97,279,603	100%

Cost allocation per year

	2018-2019	2019-2020	2020-2021	2021-2022
Medicare	\$ 4,018,095	\$ 38,458,905	\$ 84,379,985	\$ 141,781,335
Referrals	\$ 1,048,461	\$ 10,035,273	\$ 22,017,689	\$ 36,995,709
PBS	\$ 1,743,016	\$ 16,683,156	\$ 36,603,343	\$ 61,503,576

Method

- 1) A "cohort" of doctors who started a moratorium in 2014 and who at that time were claiming private services through Medicare were identified
- 2) The Medicare services rendered by the cohort of doctors were identified
- 3) The services resulting from a referral by a doctor in the cohort were also identified
- 4) The total PBS cost for the cohort of providers was identified
- 5) The MBS, MBS referral 50% and PBS costs were combined to create a "current average cost per doctor"
- 6) The costing assumes that the doctors were removed from the system entirely, with no substitution
- 7) A similar "uptake" pattern to that observed in the actual data was applied to the projected savings of removing 200 doctors that being 27% save in the first year, 70% in the second and 100% in the third and subsequent years
- 8) As the changes will commence on 1 January 2019, only half of the savings for 2018-2019 have been applied

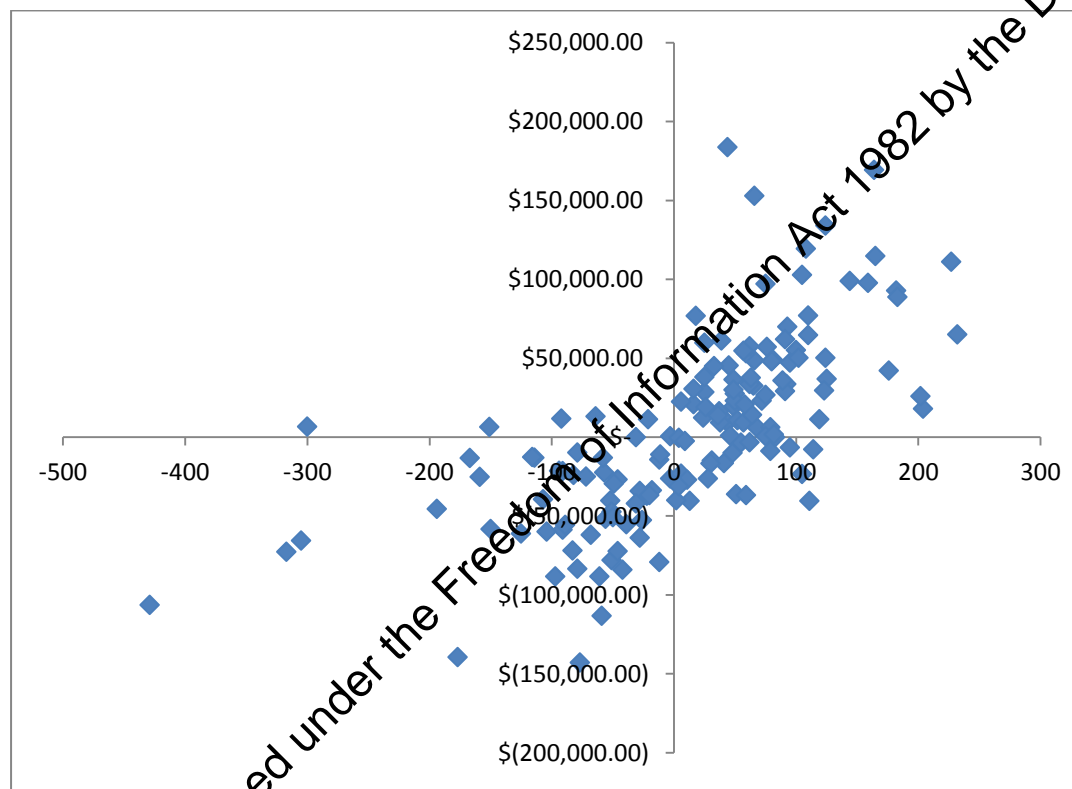
¹ Australia's Future workforce – Doctors report, 2014

MBS data trend: Relationship between service providers (SPR) and services

Relationship between SPR and services (2005-2017)

- This data shows the relationship between the number of services (benefits paid) provided in a given month from 2005 to 2017 linked to the number of SPRs providing those services.
- The scatter plot below shows that for Non-VRGPs (x-axis) if the number of SPRs decreased from one month to another; so too does the benefits paid (y-axis) decrease.

Relationship between service provider count (non-VR GPs) and benefits paid



• Each plot represents a month.