

# SUBMISSION

## AMA submission to the Medicare Safety Net Reform consultation paper

Consultation closes 15 November 2024

By online form

### Introduction

The Australian Medical Association (AMA) advocates for better access to healthcare and supports the ongoing review of Medicare programs for a more streamlined MBS system that meets the health needs of all Australians. The Medicare Safety Net (MSN) provides essential support to patients requiring significant, ongoing healthcare services for chronic and/or complex health needs.

The AMA is strongly supportive of the MSN and the Extended Medicare Safety Net (EMSN) as programs that assist patients in avoiding high out-of-pocket medical costs for services provided out-of-hospital.

While we acknowledge there is evidence that the arrangements have not been accessed by all patient cohorts equally, they provide essential support for people who require significant and sometimes ongoing care. As such, any efforts to reform the safety nets must be approached with great care to ensure patients are appropriately supported. Any reform must also engage with all impacted specialties and relevant consumer groups to ensure there is genuine understanding of the models of care and patient needs.

We are aware the Department of Health and Aged Care is considering placing caps on the remaining items. This would be a significant reform that, if not well designed, could leave patients worse off. The level at which any cap is set must be appropriate, acknowledge the costs of delivering services, protect patients, and recognise the need for caps to be indexed.

If the department is to pursue caps on items, close consideration must be given to how the Medicare Safety Net resets every 12 months, and whether this artificial threshold is providing sufficient support to patients facing significant out-of-pocket medical costs.

The reality is people's health needs are not dictated by the calendar. There is a strong case for considering reforms that would provide greater flexibility in the assessment of eligibility for support under the MSN. Changes should ensure patients who incur costs over the end of the calendar year receive the financial support they need.

## The Safety Nets

The MSN and the EMSN have been effective in limiting out-of-pocket costs for patients. These arrangements provide a substantial support to patients with significant out-of-pocket costs or ongoing healthcare, particularly in the context of an MBS system under the strain of demand and insufficient indexation. Greater effort should be made to educate consumers about the benefits of the MSN, and the government should consult widely with stakeholders to consider how this mechanism can be improved to serve the most vulnerable cohorts better.

While Medicare is essential to the healthcare system, government reforms in this space in the past two decades have led to increased out-of-pocket costs for patients. There is a long history of MBS indexation lagging well behind the contemporary costs of providing medical care. The 2013 Labor government-initiated delays in MBS indexation, carried on by a sustained six-year freeze on Medicare rebates under the former Coalition government. These decisions have denied patients significant sums in rebates for healthcare visits and private surgery over the past decade. In 2023, the AMA estimated Medicare rebate freezes had stripped \$3.8 billion from primary care alone.

Over the same period, patients have been impacted with rising private health insurance bills, with years of inadequate indexation of insurer rebates pushing more costs onto patients. Insurance providers are funnelling significantly more money into management expenses, dwarfing any spending increase on rebates and benefits.

The AMA's 2023 Private Health Insurance Report Card found the proportion of hospital insurance policy premiums returned to patients in the form of benefits for hospital treatment fell by 6.5 per cent between 2018–19 and 2022–23. Between 2018 and 2022, private health insurance hospital policy premiums increased by 19.8 per cent while insurer rebates to patients to cover medical costs during hospital treatment increased by just 8.3 per cent.

The net result is patients pay more for their healthcare needs now, and out-of-pocket costs are spread across an increasingly wide demographic. The 'long tail' distribution of out-of-pocket medical costs is well known. A relatively small proportion of Australians experience high out-of-pocket costs, but their expenses are significant. While gap payments are not a huge problem on average, it should be a government priority to assist those in need. MSN and EMSN arrangements must be maintained to ensure they are supporting the most vulnerable of these.

The AMA consistently advocates for greater transparency on medical fees and the cost of quality medical care and treatment, including through publishing resources such as the Informed Financial Consent guide. Treatment should never be delayed or disrupted by any uncertainty or misinformation about the costs ahead. The responsibility for fee transparency is shared between patients, medical practitioners, and private health insurers alike. Measures to support patient health literacy and awareness of fees are essential for the MSN to achieve its intended outcomes and improve healthcare access and affordability for all Australians.

Although caps have been introduced across approximately 75 per cent of the MSN to control spending, data indicates this has contributed to the increase of out-of-pocket expenses for most services. Any amendment to the MSN caps requires careful evaluation to ensure dollar figures are reasonable and do not act as a mechanism to increase out-of-pocket costs to the very patients the MSN seeks to assist.

## Options for reform

The government may need to consider targeted support programs for specific cohorts of low-income patients, such as increased subsidies or adjusted benefit levels for essential services, ensuring equitable access across different socioeconomic groups. This approach aligns with efforts seen in various countries to ensure low-income populations receive necessary healthcare without financial hardship.

Financial hardship to patients — the core, inhibiting issue the MSN seeks to resolve — remains the central problem within the current MSN structure itself. Current arrangements require patients to incur out-of-pocket costs before qualifying for safety nets. Subsequently, data consistently demonstrates wealthier patients with significant health needs remain the chief beneficiaries of the safety net. Fundamentally, initial unsurmountable costs continue to discourage preventive healthcare for patients who cannot persist in accessing services long enough to reach the MSN threshold.

Another issue, and an ongoing frustration for AMA members, is that safety nets reset at the start of every year, but the MBS is indexed on July 1. This does not align and makes providing informed financial consent challenging.

An option that would address both issues is introducing continuous eligibility assessments based on recent healthcare visits rather than just out-of-pocket expenses per calendar year. This may effectively target those requiring support without those patients having to commit considerable funds to be captured by the safety net. Reforming safety net programs to better align incentives with patient care outcomes is a strategy used in some healthcare systems internationally. Focusing on value rather than volume can enhance the overall effectiveness of healthcare delivery.

Services rendered should always be determined by a patient's clinical needs and fees should reflect the complexity of the consultation and treatment provided. This must not interfere with current patient treatments and must be applied appropriately so as not to create higher out-of-pocket costs.

The government should engage in ongoing consultation with key stakeholders to improve the scheme and ensure government supports are proportional to costs and are directed to demographics with the most acute needs.

### Contact

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### See also:

[Informed financial consent - A collaboration between doctors and patients \(AMA\)](#)

[AMA Private Health Insurance Report Card 2023](#)