Submission to the

Senate

Community Affairs References Committee

Inquiry into

Out-of-pocket costs in Australian healthcare

May 2014

Introduction

The Australian Healthcare & Hospitals Association (AHHA) welcomes the opportunity to provide a submission to the Senate Community Affairs References Committee's Inquiry into out-of-pocket costs in Australian healthcare.

In the following submission the AHHA highlights some key issues impacting on the experience of out-of-pocket expenses by Australians. We welcome the opportunity to discuss these issues in greater detail at your convenience.

Extent of the Issue

Out-of-pocket expenses have a significant impact on Australians seeking health care. OECD data shows that only residents of the USA and Switzerland had higher out-of-pocket costs when amounts are adjusted for the cost of living. Australians regularly report cost as a reason for avoiding or delaying care.

It is important that the Committee's deliberations consider the full scope of sources of out-of-pocket expenses and not limit the focus to general practice and Medicare related costs. For example, in 2009-10, Australians incurred significant out-of-pocket costs associated with pharmaceuticals ($7.7 billion) and dental care ($4.7 billion). Out-of-pocket costs for dental care were the same as the costs for medical services, public hospital and private hospital care combined.

Increasing specialist fees also contribute to growing out-of-pocket costs. In the December quarter 2012, medical specialist fees for in-hospital services totalled $254 million with Medicare covering $67 million, private health insurance $47 million and patients incurring out-of-pocket costs of $140 million.

Direct out-of-pocket costs are also only one component of the costs incurred by individuals. Depending on their circumstances, individuals may also incur costs associated with the Medicare levy and private health insurance premiums.

Pharmaceuticals

Price disclosure has reduced the cost to Government of a range of subsidised pharmaceuticals which in turn eases the imperative for Government to reduce subsidies and pass on additional costs to consumers. However clearly more can be done to reduce pharmaceutical costs with a study by the Grattan Institute identifying potential savings of $1 billion per year.

Data limitations

Readily accessible bulk-billing data reflects services (MBS item numbers) and does not give an indication of the number of bulk-billed individuals –data on the proportion of people who are always bulk-billed, sometimes bulk-billed and never bulk-billed should be publicly reported so that the impact of out-of-pocket costs can be assessed.

Further detail of the distribution of these groups of people by socio-economic status and by geographic region will provide a more informative analysis than reliance on existing publicly available data sets which focus on the proportion of service items that are bulkbilled.

Co-payments

There is strong speculation that the Government will adopt, in some form, the National Commission of Audit's recommendation to introduce co-payments for GP services. Co-payments are proposed to address the growth in healthcare expenditure, however the growth in costs is dominated by the acute hospital sector rather than general practice.

Evidence from numerous sources shows that the elderly and those with chronic disease are hit hardest by co-payments resulting in them delaying or avoiding seeking care.

An effective and equitable health system should be implementing systems that improve access to health care for those most in need – not creating more barriers.

Financial consent

Similar to the unexpected mobile phone bill, unanticipated health care costs can also result in bill-shock.

While there is a great deal of attention on the importance of informed consent in relation to clinical procedures there is less emphasis on financial consent. Discussion of the costs involved with the provision of various treatment options is not a routine occurrence. Various health practitioners may advertise the costs of routine consultations in waiting rooms but more involved or complex treatment is frequently commenced without a discussion of the cost implications.

People seeking health care are already in a vulnerable position and while consumers are increasingly more informed about their options when confronted with the need for treatment, particularly immediate care, patients are at a distinct knowledge disadvantage and will often accept proposed treatments without question. The challenge of undertaking financial consent discussions was demonstrated within the Chronic Disease Dental Scheme, which saw many dentists facing penalties associated with non-compliance with cost disclosure processes.

Cumulative impacts

Out-of-pocket expenses can be expected to increase as a result of changes arising from the 2014-15 Federal Budget including:

- Copayments for general practice care
- Increased copayments for pharmaceuticals
- Changes to safety net levels and eligibility
- Changes to the Net Medical Expenses Tax Offset.

Together these additional costs will drive more people to avoid or delay seeking the care that they need, so when they do seek medical care they will be sicker, requiring more extensive and expensive care, and will be more likely to require hospital care.

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