

Committee Secretary
Senate Standing Committees on Community Affairs
PO Box 6100
Parliament House
Canberra ACT 2600

11th May 2014

Dear Sir/Madam

Re: Inquiry into Out-of-pocket costs in Australian healthcare 2014

The **Victorian Medicare Action Group (VMAG)** welcomes the opportunity to make a submission to the Senate Community Affairs References Committee's Inquiry *into Out-of-pocket costs in Australian healthcare* (the Inquiry).

VMAG is an informal alliance of interested people and organisations. VMAG has a large membership including health practitioners, health organisations, community organisations, policy advocates, religious organisations, unions and consumers. For more information on VMAG see: <http://vicmedicareactiongroup.weebly.com/>

VMAG has been a strong champion of Medicare and has previously run successful Save Medicare campaigns. VMAG is a strong defender of Medicare as it is committed to an equitable health system for all, with particular emphasis on speaking out on behalf of the most marginalised – those on low incomes and those who are sick and dependant on the world class public health care system Australia should be proud of and that is the envy of many other western countries.

We are firmly against the creation of a two tiered health system where those who have the financial resources are able to access treatment and those without miss out.

VMAG wishes to reiterate that Medicare is NOT a free service. Taxpayers already contribute via progressive taxation as well as the progressive impact of the 1.5% Medicare levy.

The introduction of a flat co-payment bears no relationship to people's capacity to pay.

VMAG is concerned that co-payment to visit the GP is being considered in isolation of all of the other out of pocket expenses people already pay for. Research has shown that existing consumer out of pocket expenses already comprise over 17% of total health care expenditure in Australia making consumers the largest non-government source of funding for health goods and services. According to a recent study by Commonwealth Fund, Australian consumers are already contributing a larger part of the health bill than their counterparts in most other developed western countries. People are already paying out of pocket expenses for private hospitals, primary care services, PBS medicines, non PBS medicines, dental services and aids and appliances. These out of pocket expenses are on top of additional costs often experienced by people with chronic diseases and disabilities that also generally have lower earning power.

The analogy that the co-payment proposed is equal to a cup of coffee a week misses the point that **many people in the community are particularly vulnerable to the impact of rising out-of-pocket costs.** Key groups this proposal will particularly affect include people with chronic illnesses; people on low incomes; people living in rural and remote areas; young families; and older Australians. These groups already have to budget so tightly that a

cup of coffee a week is already a luxury they cannot afford. Co-payments to attend the GP could mean a much more serious decision has to be made: If I go the doctor, can I also afford to buy food for myself and my family and can I afford to turn the heater on.

VMAG welcomes a conversation on the costs of our health care system but urges this committee to **consider the whole picture and not matters like co-payments in isolation.** There are other ways costs associated with provision of universal health care can be addressed. Numerous reports and surveys have for example shown Australians would be prepared to pay higher taxes in order to ensure access to health services. **Funding the system via higher taxes, paid by those who can afford them and not punishing the vulnerable, is a more equitable and sustainable way to address the costs of health care.**

There are also supply side issues in terms of General Practice such as maldistribution of GPs that could be addressed if over use of GPs in some areas is a concern. For example the introduction of co-payments will particular impact people such as those in rural areas whose health is already statistically likely to be poorer and for who access to formal health care of any sort is also poorer than that available to their city counterparts. Some initiatives worth considering before punitive measures against consumers are adopted could include **greater use of practice nurses and nurse /other practitioners and wider development of community health centres and services.**

The Committee should also be aware of **the short term nature of any financial gain made by a GP co-payment system.** The introduction of co-payments, especially at the \$15 rate proposed by the Commission of Audit, will likely see people defer seeking healthcare, resulting in more expensive treatments being needed later and / or further overcrowding of emergency departments. All developed countries recognise that spending on prevention, i.e. GPs and related services, is the best way to address hospital overcrowding.

Universal access to health care recognises not only the importance of prevention in terms of health of individuals but the health of the broader community. **We are all at risk if people do not gain the healthcare they need the obvious example being contagious diseases.**

In addition we all pay the cost if people use more expensive services such as hospital emergency departments or worse they delay receipt of needed health care until their condition has worsened.

This concept of social solidarity is recognised in the funding of most health systems across the developed world with the US coming later than most to this understanding with the introduction of the Affordable Care Act. Before the Affordable Care Act came into effect, many Americans did not get the preventive care they need to stay healthy, avoid or delay the onset of disease, and reduce health care costs. Often because of cost, Americans used preventive services at about half the recommended rate. The Affordable Care Act **ensured it made prevention affordable and accessible for all** Americans by requiring most health plans to cover recommended preventive services **without cost sharing.** Through the Affordable Care Act, preventative health care services such as cancer screenings are covered with no cost sharing under some health plans. The Affordable Care Act also makes certain recommended preventive services **free for people on Medicare. This act recognises that certain groups in our society are more vulnerable and that preventative services should be prioritised not removed or made so costly that they are forgone.**

In conclusion, **VMAG firmly believes a co-payment would be counterproductive as it would deter people from seeing their GP.** It is a fact that people from a lower socio-economic demographic have poorer health – do we really want to exacerbate this by making

access to the local GP unaffordable? Spending on GPs is currently around \$7.4 billion. GPs are the cheapest end of the health system. There are more gains to be made by addressing other components of the health care system. For example, Australians go to hospital at a higher rate than almost any other developed country – we need to ask why this is and why we have such a hospital centric system. **Investing in a stronger primary care system backed up by strong preventative health programs would be a far more robust way of addressing rising health care costs.**

VMAG would be happy to provide any additional information to the committee considering out of pocket expenses and can be contacted via spokesperson Meredith Carter (mobile 0400 511 763) or Vic.medicare.action@gmail.com.