



Background

The 2016-17 Federal Budget sets out the federal government's intention to extend the Medicare patient rebate indexation freeze for an extra two years. The indexation freeze commenced in July 2015 and was originally intended to end in July 2018. It will now continue until at least July 2020.

Up until the commencement of the freeze, Medicare Benefits Schedule (MBS) fees were generally indexed according to the Department of Finance's Wage Cost Index (WCI-5). This index was a combination of a wage index and the Consumer Price Index (CPI).

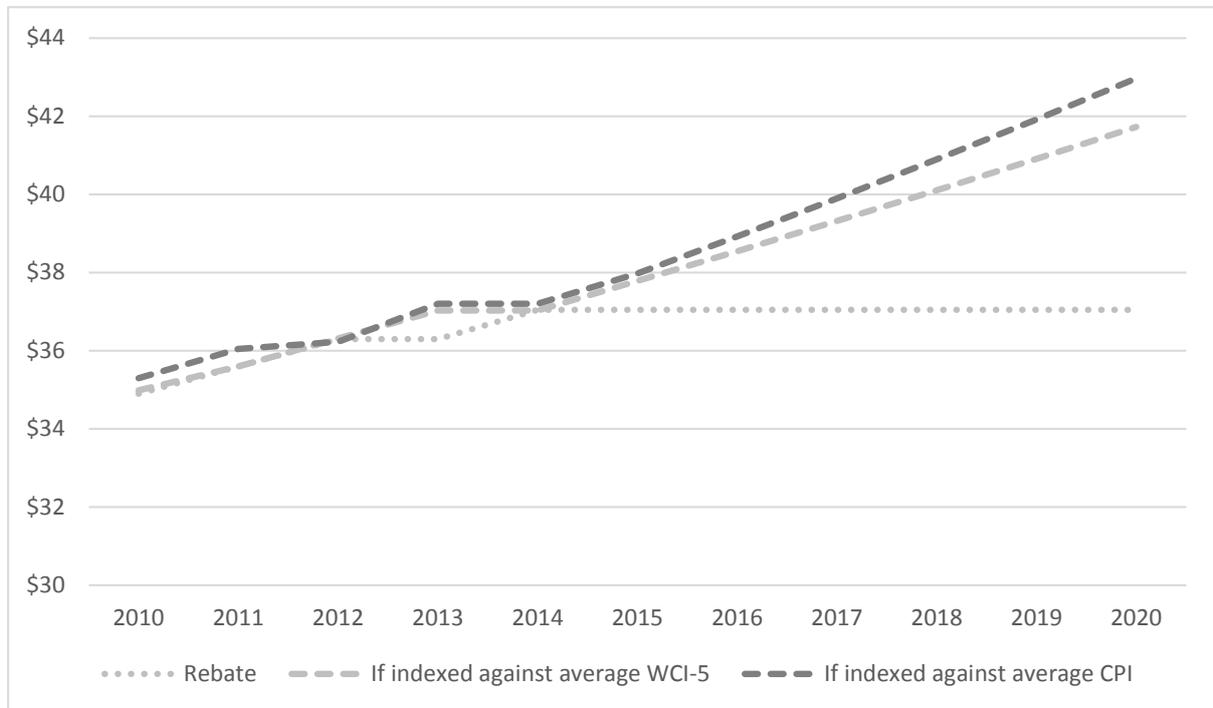
The RACGP is advocating for appropriate and reasonable indexation of Medicare rebates. Indexation should keep pace with the costs associated with providing quality health services and employing highly trained and skilled staff, while supporting patient access to services.

A timeline of the key events regarding the indexation of Medicare rebates

| Date | Activity |
|-----------------|--|
| 14 May 2013 | Suspension of MBS rebate indexation until 1 July 2014 to align indexation with financial year, announced in 2013-2014 Federal Budget. |
| 13 May 2014 | Indexation freeze for specialists, allied health professionals, nurse practitioners, midwives and dental surgeons MBS and DVA rebates until 30 June 2016, announced in 2014-2015 budget. |
| 1 July 2014 | MBS items for GP attendances indexed. For example, the Item 23 (Level B GP consultations) rebate increased by \$0.75 to \$37.05 (a 2% increase). |
| May – Dec 2014 | Sustained advocacy from the RACGP and other professional organisations against 2014-15 budget measures. |
| 9 December 2014 | Prime Minister announces that rebates for Medicare-eligible consultations and procedures performed by GPs, other medical specialists, allied health professionals, nurse practitioners, midwives and dental surgeons will be frozen until 1 July 2018. |
| 1 July 2015 | Rebate indexation freeze commences. |
| 3 May 2016 | 2016–17 Federal Budget extends rebate indexation freeze to July 2020 |
| 1 July 2020 | Freeze budgeted to end. However, at this stage there is no guarantee of indexation beyond 2020. |

What does the rebate indexation freeze mean?

The graph below shows the difference in the value of the Level B (item 23) patient rebate from 2010 until July 2020 (when the freeze is budgeted to end). It shows there will be a nearly \$6 difference between the scheduled patient rebate and the forecast rebate had indexation taken place against either the average WCI-5 (approximately 2%) or average CPI (approximately 2.5%).¹



How will the freeze impact practices and patients

- The MBS rebate freeze will affect all practices, GPs and patients.
- The cost of providing services will continue to increase while MBS rebates remain frozen.
- Practices where most services are privately billed will need to meet those costs through increasing out-of-pocket payments.
- Practices where a large proportion or all services are bulk billed will be significantly affected. The rebate freeze will have a detrimental impact on the viability of the practice. These practices may need to consider introducing or increasing out-of-pocket expenses to ensure the sustainability of the practice.
- Individual GPs employed by a practice may be asked by their practice to pay a larger service fee to cover increasing practice costs.
- Patients will experience a reduction in the value of their MBS patient rebate over time.
- The impacts will be magnified for GPs and practices providing patient services in lower socio-economic areas, where a majority of patients are from vulnerable groups (such as pensioners, Aboriginal and Torres Strait Islander peoples and people on very low incomes). Many people in these areas cannot afford to meet out-of-pocket costs for care.
- Unable to absorb the reduced rebate over time, some general practices will have no option other than to close, leaving the most vulnerable groups unable to access care.

¹ Access Economics. 2004. Indexation of MBS rebates for GP Consultation Items: report for the Australian Medical Association. Available from: <https://ama.com.au/media/gps-want-better-method-indexation-medicare-rebates-gp-consultations>

How your peers plan to manage the indexation freeze

The RACGP surveyed members in 2015 on how they planned to manage the indexation freeze. Of the 566 members who responded, the majority (57%) said they would increase out of pocket costs for patients. They said they would do this either because the practice would stop bulk billing and commence charging a gap or co-payment (30%), or the practice would increase out-of-pocket costs for non concessional cardholders (27%). Only 8% indicated that they would not increase out-of-pocket costs for their patients.

Ensuring the sustainability of your practice

To understand the likely impact of these changes on your patients and the financial impact on your practice or the practice(s) you work in, consider assessing:

- your practice profile and the demographics of your patient population to understand your practice's service mix and patient groups
- your practice's billing profile to understand the proportion of services that are bulk and privately billed
- the MBS items your practice currently bills/utilises
- the responses made by other local practices in relation to the rebate indexation freeze.

Once you understand your practice's current position, you can better determine how your practice can adjust to the rebate indexation freeze. This may include:

- updating your practice's billing policy, including the criteria for bulk billing and charging gap payments
- updating your practice management software to streamline Medicare claims and EFTPOS payments
- the best methods for telling your patients about your practice's billing policies and any increases in out-of-pocket costs
- considering the recommended fees in the [Australian Medical Association's List of Medical Services and Fees](#).

The RACGP's position on gap payments

Many patients will be in a position to make an upfront contribution to the cost of their healthcare. You should determine a fair and equitable fee based on your practice costs, professional time and services. We support you to set fees that accurately reflect the value of the services you provide to your patients.

The RACGP provides guidance on determining appropriate patient fees in Module 7 of the General Practice Management Toolkit [Managing financial resources](#). We also suggest you seek professional advice from an accountant or consultant when considering the financial performance of your practice.

For further information, email advocacy@racgp.org.au

The RACGP is lobbying for these changes to be reversed

The Medicare rebate freeze will have a significant impact on all practices and patients and may deter patients from seeking medical care. In an effort to see the freeze on MBS rebates reversed, the RACGP has launched [a dedicated advocacy campaign 'You've been targeted'](#). The campaign unites GPs and patients and aims to amplify the community's voice and herald change.

You, staff in your practice and your patients can participate by:

- displaying the You've been targeted poster in your practice
- using RACGP letter templates to write to your local candidates
- contributing to the discussion on twitter at #youvebeentargeted

Information on the RACGP's You've been targeted campaign and links to resources are available from the RACGP website: yourgp.racgp.org.au/targeted