



# PULSE CHECK

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## SPECIAL BUDGET EDITION

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## 1. Health a Key Focus in 2017-18 Budget

Treasurer Scott Morrison handed down his second budget on Tuesday 9 May. It is many years since a Federal Budget placed such an emphasis on health; certainly not since the days of Budget surpluses back in the 'noughties have we seen such spending commitments in the Health portfolio.

Health Minister Greg Hunt has announced “**partnerships**” with general practice, specialists, pharmacists and the medicines sector. Details of what each of these partnerships will mean over time have not been released, but the financial impact is clear.

The Government has committed **\$10 billion** in the Budget to health. Minister Hunt has also announced a new “cornerstone” in health: a **Medicare Guarantee Fund** to be set up from 1 July 2017. This Fund will be financed from the proceeds of increasing the Medicare Levy for all taxpayers from 2% to 2.5% of taxable income from 1 July 2019 – *after* the National Disability Insurance Scheme has been funded from this increased revenue. The increase in the ML is estimated by Treasury to bring in an extra **\$8.2 billion** in the three years from 2019 to 2021 (*Source: Hon. Greg hunt MP, Media Release, 9 May 2017; Commonwealth Budget 2017018, Budget paper no.2, published 9 May 2017*).

The Government has committed to a **phased lifting of the freeze on indexation of MBS rebates** and also, in agreement with the medicines and pharmacy sectors **will return an estimated \$1.8 billion of savings from reduced prices for medicines to the PBS** to allow new drugs to be listed.

The key Budget measures in health and aged care are set out below.

## Key Measures in Health and Aged Care

### 2. General Practice and Specialists

At an estimated cost of **\$2.4 billion over four years**, the **current freeze on rebates** paid under the Medicare Benefits Schedule (MBS) will be **lifted** in a **phased manner**:

- GP bulk-billing incentive items – 1 July 2017;
- General GP and specialist consultation items – 1 July 2018;
- Specialist procedures – 1 July 2019;
- Diagnostic items – 1 July 2020.

The Government will also **retain the current bulk-billing incentives** for pathology and diagnostic imaging providers – the estimated cost of **\$957 million is included in the \$2.4 billion** figure for Medicare initiatives.

In a signal that it has heard the concerns of the AMA and RACGP about the **Health Care Homes (HCH)** trial being too rushed and not well enough funded, the Budget commits an **extra \$25.6 million** to the initiative (not on-stream until 2019-2020) and **delays the commencement** of the trial of the first 20 sites from July until October 2017, with another 180 sites due to come on-line in December this year.

A measure that is not popular with the RACGP, but is supported by the AMA, is **changes to prescribing software** that will mean a default to the prescription of the generic form of a medicine where one is available (doctors will need to choose the branded version of a drug). **Savings** from this measure are included in the overall savings from the PBS – see Section 4 below.

### 3. Community Pharmacy

Pharmacy is a big winner in this Budget. The Pharmacy Guild has advocated continuously for reimbursement for reduced prescription revenue as a result of PBS reforms, and has been successful. The Government has announced **an increase of \$200 million** in the Administration Handling and Infrastructure Fee paid to community pharmacists over the three years to FY 2019-2020, the remaining years of the 6CPA.

The Government has also committed to delivering all of the **\$600 million** allocated in the 6CPA for **new and expanded community pharmacy programs** from 1 July 2017. Initiatives include:

- \$340 million for Dose Administration Aids for eligible, high-needs patients;
- \$80 million for the Staged Supply of medicines for patients with issues of adherence;
- \$90 million to expand the MedsCheck and Diabetes MedsCheck programs;
- \$60 million for Home Medicines Review, including follow-up services in community pharmacy; and
- \$30 million to incorporate medication management programs in the Health Care Homes (HCHs) Program.

Other welcome news for pharmacy is the **retention of the current Location Rules beyond the 6CPA** and a commitment from Minister Hunt that he will, at the earliest opportunity, remove the sunset clause in the *National Health Act* that would have seen the Location Rules discontinue on 30 June 2020.

**Community pharmacies** will also be recognised in the **Primary Health Network (PHN)** guidelines and other relevant documents and will be **integrated** into the **Health Care Home (HCH) trials**. In return, the Guild has committed to work with Australian Digital Health Agency to maximise the uptake and clinical use of the **My Health Record by community pharmacies**.

Minister Hunt has also given an “express commitment” to work with the Guild in ensuring that the Government’s response to the King Review of Pharmacy Remuneration and Regulation *maintains the community pharmacy model and secures a viable community pharmacy sector, including a willingness to review the current optional \$1 co-payment discount* (*Pharmacy Guild, Statement on 2017 Budget, 9 May 2017*).

### 4. PBS Reform

As flagged in Section 1 above, the Government estimates savings of around **\$1.8 billion to the PBS over the five years from 2017-2018** through a series of measures agreed with the medicines and pharmacy sectors. These include:

- One-off price reduction for drugs that have been on the PBS for 10 and 15 years;
- On-going reductions in the price paid by government for some PBS-listed drugs; and
- Support for the uptake of lower-cost generic and bio-similar medicines, including by modifications to prescribing software packages to make the default prescription a generic one (doctors will need to choose the branded version of the drug).

The savings of \$1.8 billion will be **re-invested into the PBS**.

## 5. Digital and Telehealth

The Government has committed an **additional \$374 million for My Health Record**, which the AMA, RACGP and Pharmacy Guild GP have agreed to support; the system will now be delivered on an **opt-out**, rather than an opt-in, basis.

The Budget also contains a commitment of **\$115 million over four years** to fund suicide prevention support programs, including **telehealth for psychological services** in regional, rural and remote Australia; psychological support services; and mental health research.

## 6. Medical Research

The Budget announces a number of research initiatives, including:

- a disbursement of nearly **\$66 million** from the \$20 billion *Medical Research Future Fund*, across eight medical research projects, including clinical trials for new drugs and medical devices; and
- an additional **\$80 million** for research into cancer;

## 7. Private Hospitals and Health Insurance

The Budget contains no items impacting specifically on private hospitals or health insurance. However, Minister Hunt has announced that the **Prostheses Listing Advisory Committee (PLAC)** will conduct a **targeted review** of the hip, knee, spinal and cardiac categories.

## 8. Aged Care

The only new Budget measures for aged care are:

- **\$1.9 million over two years** to establish and support an industry-led aged care workforce taskforce which will explore options to improve productivity in the aged care workforce and contribute to the development of an aged care workforce strategy, including for regional and remote areas - the measure is being funded from existing resources of the Department of Health;
- another **\$31 million** to help aged care and disability service providers struggling with workforce issues in rural and regional areas;
- **the extension of the Commonwealth Home Support Program (CHSP)** for another two years, until **30 June 2020**, at a cost of \$5.5.billion – this will fund approximately 1600 new CHSP packages that provide home nursing and allied health services, as well as food delivery and home maintenance support to older people at home; and
- an extra **\$3.1 million** for ICT to improve the **MyAgedCare digital** platform.

An additional **\$8.3 million** for **palliative care** services to be delivered in people's **homes**, although part of the health portfolio, will impact in the aged care space as well.

## **9. Industry Reaction to the Health Budget**

All doctors' groups, the Pharmacy Guild, the pharmaceutical industry and the medical research community have largely welcomed the health budget. Although doctors would have preferred to see the MBS rebate freeze lifted across the board from 1 July this year instead of phased, the timing in fact will have little impact on the bottom line of most practices. Overall, the reaction from provider peak groups and industry bodies has been a positive one, in sharp contrast to the Budget of 2014, and even 2015 and 2016.

*AMA President, Dr Michael Gannon, said that the Government "has begun to win back much of the goodwill it lost with the disastrous 2014 Health Budget with the announcement of a number of positive health measures, most notably an early lifting of the freeze on Medicare patient rebates....the policy breakthroughs in the 2017 Health Budget are the direct result of the consultative approach of Health Minister, Greg Hunt, with the hands-on input and support of the Prime Minister" (AMA, **Media Release**, 9 May 2017).*

*RACGP President Dr Bastian Seidel said more than 85% of Australians receive preventative health care services from their GP every year – and the lifting of the Medicare rebate freeze is the first step towards a commitment to reinvesting in preventative health...If you see your GP early you'll save the whole community money by staying out of hospital – and receive GP health services that can cost up to ten times less," Dr Seidel said.*

*"The patient rebate had been frozen since 2013 putting pressure on patients and their GPs as out of pocket fees increased. The lifting of the freeze was exactly what the RACGP's #youvebeentargeted campaign was aiming for" (RACGP, **Media Releases**, 9 and 16 May 2017).*

*Pharmacy Guild President George Tambassis said: The Federal Budget has recognised the vital role of community pharmacy in our health system, with a package of measures which will provide certainty and stability for pharmacies and their patients. The Government has recognised significant pressure on community pharmacies, and the importance of maintaining the pivotal role of the community pharmacy sector in delivering affordable medicines and professional services to Australian patients. We are pleased to have reached an Agreement with the Government that supports community pharmacy in return for additional services and reform," (Pharmacy Guild of Australia, **Media Release**, 9 May 2017).*

*Members of the Medicines Partnership of Australia (MPA), the nation's pharmaceutical supply chain peak body, welcomed key initiatives toward stability and ongoing support for the pharmaceutical sector announced as part of this year's Federal Budget. The Australian pharmaceutical industry has been identified as one of the key sectors for our nation's future economic success and the measures in the Budget are encouraging to the entire medicines supply chain," said MPA Chair Donna Staunton.*

*Medicines Australia Chairman Wes Cook said that the Strategic Agreement with the Commonwealth provided much needed policy stability and provides a base from which to grow investment in the industry from within Australia and oversea (MPA, **Media Release**, 9 May 2017).*

## 10. Industry Reaction to the Aged Care Budget

Peak industry bodies such as Aged and Community Services Australia (ACSA), the Aged Care Guild (ACG), Leading Age Services Australia (LASA), Catholic Health Australia (CHA) and UnitingCare Australia (UCA) were **positive** about the aged care measures. These provider groups have been working together to develop a framework for dealing with aged care workforce issues and welcome the announcement of an industry-led taskforce to develop a workforce strategy.

*LASA CEO Sean Rooney said: "Individually, and collectively, these Budget initiatives respond (in part) to the growing demands for age services in Australia and are welcomed by our industry."*

*Notwithstanding this, the aged care sector needs a long term, stable and sustainable funding strategy to ensure Australia has an accessible, affordable, quality aged care system. LASA looks forward to the conclusion of Government reviews currently underway, including the Legislated Review of Aged Care Reforms, the Senate inquiry into the aged care workforce, and the work underway to consider alternatives to the current arrangements for aged care funding" (LASA. **Media Release**, 9 May 2017).*

*Catholic Health Australia said: "Looking forward, CHA notes that the report of the independent Legislated Review of aged care reforms, due to be tabled in Parliament in August this year, and the review of ACFI will provide the basis for the next tranche of aged care reforms. It is critical that these reviews are used in future Budgets to progress the reform destinations envisaged in the Roadmap for Aged Care Reform." (CHA, **Media Release**, 9 May 2017).*

**Pulse Check** sums up: What a difference three years can make! The outpouring of approbation for the health and aged care parts of this year's Budget are in sharp contrast to 2014 (especially), 2015 and 2016. The Government has pressed the re-set button in these portfolio areas with a firm hand, promising not only extra funding but also abandoning the so-called "zombie savings" from 2014, such as the Medicare co-payment and the increase in PBS co-payments which were still on the budget books, even though they had no chance of passing the Senate. Only time will tell whether this outbreak of co-operation across the industry will prove to be a new *modus operandi*.

### DISCLAIMER:

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