

WESTERN AUSTRALIAN SEPTEMBER 2009 SUBMISSION

COMMUNITY AND OTHER HEALTH SERVICES

Key Points

- Western Australia supports the Commission's proposals as set out in the draft report.
 - On a small issue, we do not understand the proposal to exclude Medicare bulk billing incentives paid through the MBS rebate scheme.
- Western Australia supports the Butler review conclusion that supplier-induced demand is not a significant issue for the proposed assessment.

PROPOSED ASSESSMENT

Western Australia supports the Commission's proposals as set out in the draft report, in relation to:

- employing the subtraction model;
- constructing Australian Government expenses from benefits paid under the MBS for State-like services and relevant other payments; and
- assessing non-government expenses in three parts, namely expenses applicable to:
 - out-of-pocket medical services (distributed in line with MBS benefits);
 - people with private health fund ancillary benefit coverage (proxied by standardised private health fund ancillary benefit recipients); and
 - non-insured people (distributed on an equal per non-insured population basis, adjusted for Indigeneity and remoteness).

Commission staff have proposed excluding Medicare bulk billing incentives paid through the MBS rebate scheme from the estimate of Australian Government expenses.¹ We do not understand this.

- The rebates are extra benefits for the same services currently included in the Australian Government expenses component of the model.

¹ As expressed in an email from Lace Wang to all States on Friday 28 August 2009.

- While there is some debate about the appropriateness of including Commonwealth allowances for higher costs in remote locations, the rebates do not appear to have a significant remote cost component. Nor is the State-by-State distribution of the rebates reflective of needs in remote areas.
- While the impact of the rebates on needs appears to be small, we are concerned about the issues of principle.
- We ask that the Commission review its proposed treatment, and explain its decision.

SUPPLIER-INDUCED DEMAND

Western Australia supports the Butler review conclusion that the magnitude and significance of supplier-induced demand for health services is sufficiently small to not pose a challenge to the validity of the proposed assessment.

Our review of the literature reveals substantial disagreement among academics and professionals as to the existence of supplier-induced demand.

Given the shortage of medical practitioners in Australia, we consider unnecessary servicing (i.e. services that do not generate a health benefit) to be not significant.

Supplier-induced demand is sometimes defined very broadly to mean the use of supplier capacity to its limit (e.g. Richardson 1998²). Obviously, in an environment of doctor shortages, more doctors mean more services. This type of supplier-induced demand does not compromise the Commission's substitution model, as this demand is substitutable between the private and public sector.

As noted by Butler (page 8), non-price rationing of public outpatient and emergency services is a policy issue, and not relevant to the substitutability between private and public services. The Commission's proposed assessment is aimed at equalising capacity to provide Community Health services.

² Richardson J. 1998. *Supplier induced demand reconsidered*. Paper presented to the annual conference of the Health Economics society, Sydney, July.