NATIONAL RURAL HEALTH ALLIANCE INC.

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PO Box 280 Deakin West ACT 2600
Phone: (02) 6285 4660 • **Fax:** (02) 6285 4670
Web: www.ruralhealth.org.au• **Email:** nrha@ruralhealth.org.au

Federal Budget 2014-15

Impact of a GP co-payment on out-of-pocket health care costs in rural and remote areas

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Average out-of-pocket costs per GP service are higher in regional and remote Australia than in the Major cities. In 2012-13 the average out-of-pocket cost for each Medicare rebated GP service, by geographic area, was $5.01 in Major cities, $5.62 in Inner regional areas, $5.63 in Outer regional areas, $6.08 in Remote areas and $4.55 in Very remote areas.

Put another way, the cost to a patient of each GP service under Medicare was 12 per cent higher in regional areas, 21 per cent higher in Remote areas, but 9 per cent lower in Very remote areas compared with Major Cities.

Assuming all other things remain unchanged, under the proposed new arrangements there would be a doubling of average out-of-pocket costs for each GP consultation in all geographic areas.[1] The new average cost to patients would be $11.67 per service in Major cities, $12.21 in Inner regional areas, $12.24 in Outer regional, $12.71 in Remote areas and $11.28 in Very remote areas.

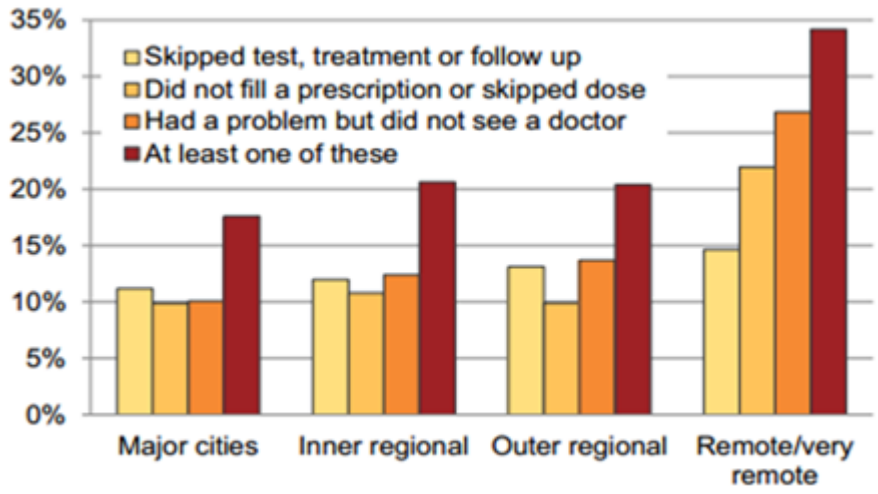
While the individual average burden would increase quite considerably in all areas, the inter-regional differences may become less extreme than is currently the case, with average out of pocket costs per GP service 5 per cent higher in Inner and Outer regional areas, 9 per cent higher in Remote areas, but 3 per cent lower in Very remote areas than in the Major Cities.

This finding has to be seen in the context of the fact that rural people already postpone or avoid medical consultation at higher rates than people in the cities. While 17 per cent of those in Major cities had skipped a medical service or medication in the past year due to cost, the percentage increased with remoteness to over 20 per cent in regional areas and to almost 35 per cent in remote areas (see Figure below).

A doubling of the average out-of-pocket cost of a GP service across all areas would certainly increase the proportions of people who have to miss out on care.

[1] These estimates do not include the relatively small average benefits to patients of the safety net and the 'ten visit rule'. Based on publicly available national data, it seems likely that those patient benefits would see out-of-pocket cost for a GP visit increasing from a current national average of $5.20 to $9.50, rather than to $11.80. Reliable assessment of the national and regional impact is only possible if those with access to unit record Medicare data perform such an analysis and release the results.

Figure: Proportion of people who reported access barriers due to cost in the last year, by remoteness, 2010



Importantly, it is likely that the impact will be more serious in regional and especially remote areas. Notwithstanding the enjoyment and satisfaction of living outside of Major cities, people living in rural and remote areas tend to have lower incomes, pay higher prices for basics (except for housing), pay the same rates of tax, and have lower levels of access to services related to healthcare, public transport, and education. Table 1 shows that there is also a gradient from Major cities to Very remote areas in a number of indicators related to socio-economic and life opportunity.

Table 1 Socioeconomic and opportunity indicators for rural Australia

	MC	IR	OR	R	VR
	Percent				
Low income families with children 2009	8.8	10.7	11.1	12.9	23.1
Single parent payment beneficiaries 2009	4.6	6.9	6.8	6.2	6.5
Disability support pensioners 2009	4.6	7.0	6.9	5.6	5.2
Long term unemployment beneficiaries 2009	2.3	3.3	3.4	3.7	5.5
Unskilled and semi skilled workers 2006	14.6	19.6	21.4	22.8	30.4
Jobless families with children under 15 yrs 2011	12.2	15.4	15.6	15.0	25.9
Private health insurance (hospital cover) 2001	48.2	43.8	40.6	33.0	19.6
Young children developmentally vulnerable 2009	11	12.4	13.8	16.9	32.2
School leaver participation in higher education 2012	35.5	20.4	16.2	12.1	4.5
Full time participation of 16 yr olds in secondary school education 2011	81.3	76.8	73.9	65.4	51.6
Participation in vocational education and training 2010	6.7	9.8	10.6	12.3	11.1
Self-assessed health as fair or poor 2007/08	13.3	17.6	18		
Disability –profound or severe 2011	4.4	5.4	5.1	3.6	3.2
Young unemployment beneficiaries 2009	4.2	6.8	7.0	7.7	10.2
Long term unemployment beneficiaries 2009	2.3	3.3	3.4	3.7	5.5
Unskilled and semi skilled workers 2006	14.6	19.6	21.4	22.8	30.4

Table 2 NSW Electricity Prices in urban and regional areas, 2012 (NSW Regulated Tariff)

Energy Australia		**Integral**		**Country Energy**	
SAC* cents per day	Cents per kWh	SAC cents per day	Cents per kWh	SAC cents per day	Cents per kWh
69.08	26.84	76.05	26.67	138.02	34.41

*SAC is the fixed cost Service Availability Charge

To all of these disadvantages experienced by people in rural and remote areas would be added an extra cost for seeing a GP. It scarcely needs to be said that there are substantial adverse consequences from being forced to skip primary care services.

One consequence is a higher rate of admission to hospital for causes which could have potentially been prevented through the provision of appropriate primary care.

Rates of potentially preventable hospital admissions are already higher outside Major cities, being 2,600 admissions per 100,000 population in Major Cities, and 2,920, 3,186, 5,757, and 6,430 per 100,000 population respectively in Inner regional, Outer regional, Remote and Very remote areas. Much of this higher rate of potentially preventable hospital admission is borne by Aboriginal people, 66 per cent of whom live in regional and remote Australia, with generally and significantly higher rates for other Australians living in these areas.

Potentially preventable hospital admissions are a substantial contributor to the higher rates of public hospital usage by people living outside Major cities, and to increased health care costs overall; the average overnight stay in hospital is roughly 100 times more expensive than a GP consultation.

In addition, reduced access to primary care increases the risk that a person becomes seriously and permanently ill (eg chronic disease) or disabled. Good access to primary care reduces the prevalence of chronic disease which is one of the major contributors to increasing healthcare costs. And higher rates of chronic disease and disability very significantly reduce productivity; with estimates of the effect on GDP for current rates of chronic disease at 5-10 per cent of GDP.

The budget proposals for higher co-payments for seeing a GP are inherently unfair as it is poor people who would have the greatest difficulty in paying, and the same people who are in greatest need of seeing a GP because they tend to be sicker.

In small rural communities there is the additional issue that GPs may compromise their practice income to ensure patient care and safety, given closer personal relationships between patient and doctor and fewer options for local patients to seek alternative services. This could well become another disincentive for GPs to work in small towns.

Reducing access to primary care for the poorest and sickest people in the country would be unfair and - if the aim is to reduce total expenditure on health care - ineffective.