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05/341

13 February 2009

The President
Australian Industrial Relations Commission
11 Exhibition Street
MELBOURNE VIC 3000

By email: amod@airc.gov.au

Dear President

Re: Matter number AM 2008/13
Nurses Occupational Award 2010 – Exposure draft
Health Professionals and Support Services Industry Award 2010 – Exposure draft

I am writing in relation to matter number AM 2008/13 and the exposure drafts of the Nurses Occupational Award (NOA) and the Health Professionals and Support Services Industry Award (HPSSIA) that were recently issued for comment by the Commission.

The AMA has a significant interest in these proposed awards as many members operate private medical practices that employ nurses, other health professionals and clerical staff that these awards will cover.

While the AMA supports efforts to simplify and reduce the number of federal industrial awards that currently operate across the country, it does not support the proposed NOA and HPSSIA in their current form. The current exposure drafts are structured to cover employers in both the public and private sectors. In taking this approach the exposure drafts do not acknowledge the reality that current award conditions in these sectors often vary markedly.

There are good reasons why public sector and private sector award conditions vary. Both sectors have unique needs and their operations are significantly different. In relation to private medical practices, according to the Australian Bureau of Statistics (ABS)[1] around 90% of private specialist practices are solo practitioner businesses employing an average of 3.2 persons. According to the same report just under 70% of general practices were solo practitioner businesses employing an average of 2.9 persons.

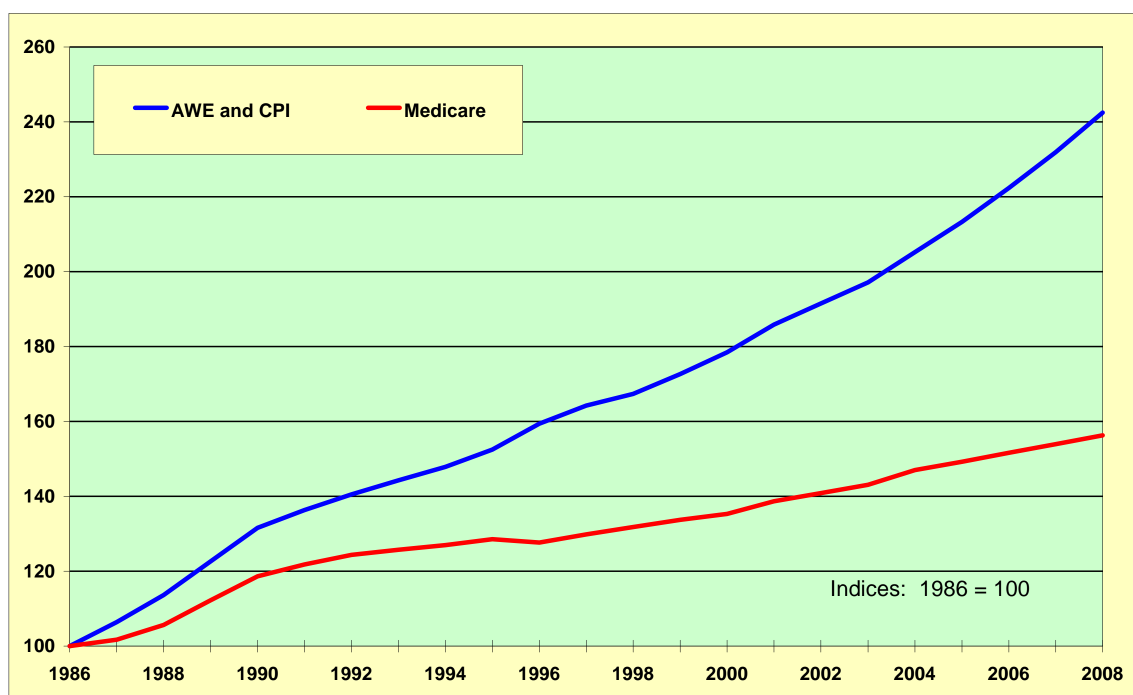
While the AMA understands that the number of solo general practices has steadily declined since the above ABS report was published, they still make up around 37% of all general practices according the Annual Survey of Divisions of General Practice published by the Primary Care Research and Information Service[2]. According to the same report 81% of general practices have 5 doctors or less. Private medical practice is clearly dominated by small business and the nature if its operations simply cannot be compared to major hospitals and other large healthcare providers.

[1] Private Medical Practices Australia, 2001-2002. Australian Bureau of Statistics. Cat 8685.0
[2] Moving ahead. Report of the 2006–2007 Annual Survey of Divisions of General Practice. Primary Health Care Research and Information Service 2008

Private medical practices operate largely on a fee for service basis. The Commonwealth, through the Medicare Benefits Schedule (MBS), provides patients with a Medicare rebate to defray the costs of accessing private medical care. General practice, in particular, has a strong history of billing patients according to the schedule of rebates outlined in the MBS. Over recent years, close to 80% of non-referred GP attendances have been bulk billed

The Commonwealth uses Wage Cost Index 5 to index the MBS on 1 November each year, however, many parts of the MBS are not indexed at all. On 1 November 2008 the average indexation rate applied across the whole of the MBS was 1.54%. Rebates for GP consultations rose by 2.3%. Since 1986 MBS indexation has consistently been much lower than a range of important indicators including health inflation, CPI movements and changes in average weekly earnings (AWE). Figure 1 below illustrates how MBS rebates have fallen behind relevant indicators.

Table 1. Comparison of movements in AWE and CPI versus Medicare fee indexation



While the Commonwealth has from time to time delivered one off funding boosts to the MBS, these decisions have been driven by immediate politic needs without any acknowledgement the growing costs of providing high quality medical care. The Government has made no attempt to put in place long lasting measures to ensure that that patient rebates are properly indexed and keep up with the costs of delivering medical care.

This means that the impact of funding boosts is also short-lived. The last key funding injection for the MBS took place in 2005. Recent bulk billing statistics show that the impact of this increase has now run out of steam. The initial rise in the GP bulk-billing rate that was generated started to plateau in 2008 and has now flatlined.

The viability of general practice is clearly very sensitive to movements in the MBS and current levels of MBS indexation make it very difficult for general practice to absorb additional wage costs. Many practices are likely to have to increase their fees to patients and many of these patients will be out of pocket because, as highlighted above, the Commonwealth has failed to adequately fund the MBS.

The AMA has undertaken some analysis of the proposed NOA and HPSSIA. Based on this analysis, many employers operating private medical practices will face increased costs as a result of the proposed awards. The AMA calculates that the introduction of the proposed NOA and HPSSIA will see award wage rates rise by between zero and 12% depending on the location of the practice and the employee's classification. Employers operating private medical practices will also have to come to grips with significant changes in areas such as:

- Allowances
- Classification structures
- Hours of work, including the span of ordinary hours
- Penalty rates
- Overtime
- Shift payments

The Minister for Employment and Workplace Relations modernisation request to the Commission stated that the award modernisation process was not intended to increase costs for employers. The AMA submits that the proposed awards do indeed have the potential to drive up wage costs and impose significant new compliance costs for employers operating private medical practices.

The AMA submits that the Commission should further refine the proposed NOA and HPSSIA by creating a NOA and HPSSIA specific to the private sector that more closely reflect existing award conditions, particularly those award conditions currently applying to private medical practice. This would still allow the Commission to achieve the Government's stated objectives in relation to award modernisation, but would not impose unfair costs on employers operating private medical practices.

Should the Commission require additional information or wish to discuss the AMA's proposal to create a NOA and HPSSIA specific to the private sector in more detail, then the AMA would welcome the opportunity to further assist the Commission as it progresses this matter.

Yours sincerely

Mr Francis Sullivan
Secretary General