

Detailed Review of Funding for Diagnostic Imaging Services

Terms of Reference

The Government has requested a detailed review of funding arrangements for diagnostic imaging, to ensure that the Government is paying the right amount in the right way to support access for patients to quality diagnostic imaging services.

Scope

The Detailed Review of Funding for Diagnostic imaging Services will focus on diagnostic imaging services currently funded through the Medicare Benefits Schedule (MBS), including x-ray, ultrasound, computed tomography, magnetic resonance imaging (MRI), nuclear medicine imaging and positron emission tomography (PET). The review will not focus on issues around the requesting of and demand for diagnostic imaging services, except where this is relevant to considering how services are funded. The Government is already investing \$9.4 million over four years to fund the National Prescribing Service to promote high quality and appropriate requests for diagnostic imaging services and pathology tests.

Process

The review will be undertaken by the Commonwealth Department of Health and Ageing (DoHA), in consultation with relevant stakeholders, including the providers of diagnostic imaging services, clinical and industry experts and relevant professional colleges.

Consultative mechanisms will be established to ensure that diagnostic imaging stakeholders are able to contribute effectively to this review process. This will include a formal consultative committee that includes representation from relevant stakeholder groups.

Key Issues

Key issues that will be considered include:

1. Funding and relativities

The MoUs that previously applied across diagnostic imaging involved a range of fee adjustments to different diagnostic imaging items to meet MoU growth rate targets. The review will consider whether current fee relativities should be changed to better reflect costs, both between and within different modalities of imaging. It could also consider any areas where existing Medicare rules may be unnecessarily adding to costs or making poor use of radiologists' time. For example, whether all the items where a radiologists must personally supervise Medicare-eligible services are necessary for ensuring quality and safety.

The review could also consider other areas that diagnostic imaging stakeholders have raised as particular concerns, including indexation of fees. However, the overall outcomes of any review would need to take into account the Government's broader commitment to responsible financial management.

The Government is very aware that information about cost structures of providing different types of imaging, general and specific industry structures, and the clinical requirements of different patient groups, is not captured through existing Medicare data and must be obtained from stakeholders.

Questions that the review will seek to answer include:

- Are current relativities in MBS fees between different diagnostic imaging modalities and services appropriate?
- What differences are there in how services are provided, and the costs involved, between comprehensive diagnostic imaging practices and other practices that provide diagnostic imaging?
- How could fee relativities be adjusted to better reflect changes in costs over time?
- Are there aspects of current funding arrangements that lead to distorted incentives, unintended consequences or poor outcomes for patients? For example, are there any areas where current arrangements unnecessarily add to costs or make poor use of the time of radiologists or other skilled staff?
- Are the current arrangements sustainable over the medium to longer term, for Government, for patients and for diagnostic imaging providers?
- Do current arrangements support long-term viability of diagnostic imaging services, particularly in rural, regional and outer-metropolitan areas? If not, what are the options for addressing this?
- How well do current funding arrangements support patient access to diagnostic imaging services and contribute to improved health outcomes?
- Are there any patient groups who are not well served by current arrangements? What options might improve this?

2. Alternative Financing Arrangements

The detailed review of diagnostic imaging will also consider approaches to funding other than fee-for-service under Medicare and seek to identify any specific areas that might be more appropriately supported through a different financing arrangement. A particular consideration for some modalities of diagnostic imaging is the funding of the capital component of imaging equipment. The review is also likely to consider international experience with different funding mechanisms.

Questions that the review will seek to answer include:

- Are there any specific areas of diagnostic imaging that might be more appropriately supported through a different financing arrangement?
- What alternatives to fee-for-service under Medicare could potentially be appropriate for some kinds of diagnostic imaging?

- Are there better ways of funding the capital component of imaging equipment? What implications would flow from separate funding for capital?
- What is the international experience with different funding mechanisms?
- How could alternative approaches to financing be implemented, while maintaining access to high quality diagnostic imaging services?
- What are the risks of moving to different financing arrangements?
- What effect would different funding arrangements have on patient access to quality diagnostic imaging services?
- What effect would different funding arrangements have on long-term viability of diagnostic imaging services in rural, regional and outer-metropolitan areas?

3. Magnetic Resonance Imaging

As well as considering MRI under issues 1 and 2 above, the review will look specifically at arrangements for funding MRI, particularly restrictions around Medicare eligible/ineligible units, given the impact of the current arrangements on competition. Since MRI services were first funded through the MBS, MRI services have been required to be provided on 'eligible equipment' as defined in the *Health Insurance (Diagnostic Imaging Services Table) Regulations 2009*. As a result, some MRI units are Medicare-eligible, while others are Medicare-ineligible. The review will consider the effects of these funding arrangements for MRI and how they could be improved.

Questions that the review will seek to answer include:

- What are the effects of current arrangements on competition between providers, on regulatory burden for businesses and on patient access to MRI services?
- How is MRI technology evolving and what are the implications of this for funding arrangements?
- How does the availability of MRI affect the need for other diagnostic imaging services?
- What are the options for improving funding arrangements for MRI?
- What are the risks of changing the current arrangements?
- How could different funding arrangements be implemented, while maintaining access to high quality MRI services?

4. Positron Emission Tomography

As well as considering PET under issues 1 and 2 above, the review will look specifically at arrangements for the funding PET services, including the level of capital funding, and the impact of the current arrangements on the provision of PET services. Medicare funded PET services have all been recommended for public funding through an assessment by the Medical Services Advisory Committee (MSAC). MSAC advises the Minister for Health and Ageing on the strength of evidence pertaining to new and emerging medical technologies and procedures in relation to their safety, effectiveness and cost effectiveness, and under what circumstances public funding should be supported for these services. Currently the MBS rebate does not include capital and the review will specifically examine how the capital component should be calculated specifically for PET services.

Questions that the review will seek to answer include:

- What are the effects of current arrangements on competition between providers, service provision and on patient access to PET services?
- How is PET technology evolving and what are the implications of this for funding arrangements?
- What are the options for improving funding arrangements for PET, in particular what capital funding arrangements should apply for PET?
- What are the risks of changing the current arrangements?

Outcomes

The outcomes of the review will reflect the Government's broader commitment to responsible financial management.

Following consultation with stakeholders and careful analysis, DoHA will provide the Minister for Health and Ageing with options for consideration by Government. It is expected that the Government's decisions in response to the review will be reflected in the 2011-12 budget.

Insights gained through this review process may also be used to inform broader consideration of fee relativities under the MBS.