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**Transcript:** AMA President Dr Michael Gannon, Sky News Live, 19 February 2017

**Subjects:** Medicare freeze, Medicare Benefits Schedule review, Public Hospital Report Card, private health insurance, health funding

**PATRICIA KARVELAS:** In tonight's edition of *The Issue*: so we have a new Health Minister, and Greg Hunt now has a pretty huge reform agenda on his plate. He also has to neutralise the issue of health after Labor's pretty successful, electorally speaking, Medicare - or Mediscare, if you want to use that language - campaign during last year's election.

So what should be on Greg Hunt's immediate to-do list? Well the President of the Australian Medical Association, Dr Michael Gannon, has some ideas, he joins me. And health economist at the Grattan Institute, Stephen Duckett, also joins me. Thank you so much for both of your time.

Let's start with the freeze on GP payments. Michael, you had been pressuring Sussan Ley pretty intensely. Do you think there's going to be any movement now that there's a change of Minister? He's certainly been very methodical about getting all of his briefings so that he can be perfectly across everything. Do you think there's any shift, any change?

**MICHAEL GANNON:** Oh, I'm greatly encouraged by conversations I've had with the Minister, as recently as yesterday evening. He understands that this is such an important issue - to give that money to patients, to make a contribution towards the costs of their visits to GPs, and he also understands that undoing the freeze is key to maintaining bulk billing for those most vulnerable patients across Australia.

So I'm in no doubt that he understands the issues. And equally, I'm in no doubt from my discussions with the Prime Minister that he has tasked the Minister with delivering, and this would be a sign of good faith with doctors and patients across Australia.

**PATRICIA KARVELAS:** Stephen Duckett, it might be good faith with doctors and patients, but the Government doesn't have a whole lot of money to play with. We all know that. Do you think it's a realistic option, or has the time passed? I mean, I thought there was a period, particularly after the federal election, where it was a very live issue and the Government seemed to me very much to be re-thinking this. But I get the sense that they've decided that they've taken the political heat and they're unlikely to change it. What's your read?

**STEPHEN DUCKETT:** I think the political heat is there all the time, and the problem the Government has is that the longer the freeze stays in place, the more likely doctors are to stop bulk billing. And the more doctors stop bulk billing, the politics of that are horrendous for the Government. So I think the Government is going to have to do something about the rebate freeze, at least for general practice, in the forthcoming Budget.

**PATRICIA KARVELAS:** Sussan Ley launched lots of reviews, and the one on the Medicare Benefits Schedule is probably the most significant, or the one that we're most watching. Michael Gannon, what are you looking for in this space? Because the Government is looking for a lot of efficiencies in this area. In fact most Government MPs I've spoken to say, if you want to look for where the savings are going to come from, it's health.

**MICHAEL GANNON:** Well, we were very supportive of Minister Ley's approach to the MBS reviews, because what she did was make sure that there was deep clinician involvement, and most of the clinical committees were well populated by doctors working in the area who understand the Schedule well.

The challenge is going to be when they actually produce their work. Some of them are in advanced stages of delivering reports to government. When we see what they've come up with, there is undoubtedly going to be winners and losers. We've got to make sure that they've got that right; that we can still deliver care where it's appropriate; that rebates are there - recognising that that's important for patients. So that's going to be a challenging period in coming months when we actually see some details out of those review committees.

**PATRICIA KARVELAS:** Stephen, yeah diplomatic words there, but they've used "challenging". The Government's end-game here is pretty obvious, it's looking for serious efficiencies in a system it sees as very bloated. Do you think that those efficiencies will be widespread? What is your understanding of just what might come out of this?

**STEPHEN DUCKETT:** I think it's going to be really hard for them to find really big savings. They've done a couple of tranches of announcements from the MBS review already and it's really been chicken ... it's been tiny, tiny stuff. And because identifying when a procedure is never ever necessary, so you can take it off the schedule, is a really hard thing to do. So I ... I don't think ... they might find a hundred or two hundred million, but that's [laughs] that's a tenth of what they need if they're going to lift the rebate freeze.

**PATRICIA KARVELAS:** The AMA released a report card just a couple of days ago on hospitals and you're calling for better long-term funding for hospitals. What are the realistic prospects of that? Because, as I've said, the Government's argument consistently now is that it doesn't have the money to spend. We've seen this Omnibus Bill, for instance, where it's trying to find savings, fail to pass at this stage. The Government wants to get spending under control. Do you really think, Dr Gannon, that we're really going to see any reform in this area?

**MICHAEL GANNON:** Well, we need to see reform if we're going to maintain the standards of our health system. If we're going to continue to have life expectancy at levels the envy of most of the rest of the world, then we need to see investments in the things that work. We need to see a modest increase across the board. We want money going to what works.

Now Australia, compared to comparable countries like Canada and New Zealand, spends a very small amount on prevention, we spend less money than comparable countries on our GP workforce.

But you're referring to the AMA's Public Hospital Report Card earlier this week. By the metrics available - things like emergency department waiting times, things like elective surgery waiting times - according to the Government's own data and internationally-accepted metrics of hospital performance, we're not performing too well.

Most of the jurisdictions are going sideways, if not backwards. What the States and the Territories need is adequate funding from the Commonwealth. Perhaps just as important, they need certainty of funding from the Commonwealth. For example, they don't really know what numbers they're going to get in as soon as two-and-a-half years' time.

**PATRICIA KARVELAS:** Stephen Duckett, they might want certainty, they might want more money, but the Government doesn't have a lot of extra money to play with. What efficiencies can be found in the system to try and recalibrate the funding pie, because the Prime Minister

has again - and the Treasurer - shown no appetite for increasing funding?

**STEPHEN DUCKETT:** I think the Commonwealth is in a very difficult position. In the 2014 Budget, it ripped money out of the States and it suffered significant political costs because of that. Just before the last election, they put money back in again - not as much as they'd taken out, but I think what they put back in was fair. And, as Michael Gannon says, come 2020, the States don't know what they're going to get, and this is just around the corner.

The States are building hospitals right now. They don't know whether there's going to be money to open them and so on and so forth. So I think the certainty issue is really important.

Health is always in the top three of what people vote on. They think, you know, it's politically very salient, so I think they're going to have to find the money.

Importantly, there is money to be found in the health system. There is money to be found in hospitals. We've done some work at Grattan Institute, where we looked at relative efficiency. There's huge variations in efficiency of hospitals across the country. We estimated a couple of years ago there was \$1 billion to be found and everybody said that's an underestimate. So there's money to be saved in hospitals.

There's money to be saved elsewhere in the health system as well. I mean, I think the MBS review will find a little bit of money, but I think there's still money to be found in pharmaceuticals, there's still money to be found in health insurance and so on. So there is money to be found in the health system and it has to be prioritised to be put back in the right way.

**PATRICIA KARVELAS:** The number of Australians with hospital cover is continuing to decline, and that's putting enormous pressure on health insurance and the health insurance industry, and the Federal Government is increasingly under pressure to deal with this issue.

Dr Gannon, are you under any idea? You said you spoke, which I'm very intrigued by, to Greg Hunt as early as yesterday. So clearly lots of these things are on their radar. Are we going to see some reform when it comes in this - into this space? Because this decline is a very significant issue.

**MICHAEL GANNON:** Well, I think one thing that we do see when we see the potentially unedifying spectacle of the health insurers' private businesses going to Government once a year and saying, "can we please increase our premiums by 4 per cent this year, or 6 per cent or 9 per cent", what we're actually seeing there is probably a more accurate metric of the growth of costs in the health system.

If you ask the managers of public hospitals, they will tell you that health CPI runs at roughly three times real CPI. The cost of providing health care increases year on year. So, whether we're talking about the Commonwealth Government's formula for how much money it gives the jurisdictions to fund public hospitals, or whether we're talking about what they sign off in terms of increased costs in the private health system, we need to have a recognition that the costs are going up. And we need to have a bipartisan conversation about how we're going to fund the inevitable growth in the costs of running the health system.

**PATRICIA KARVELAS:** I'll give you the final word, Stephen Duckett. That is really almost the elephant in the room, isn't it? Or it's an enormous issue that Greg Hunt has to deal with in a pretty immediate way.

**STEPHEN DUCKETT:** Yes, and of course one of the options is to actually say to the Australian people, “well, it does cost more to run the health system”. Health inflation is faster than CPI. The population is ageing, new technology is coming on the agenda, and we may just have to find some more money through increased taxes in addition to the savings. An increase in the Medicare levy was floated last week and so I think those sorts of things - the combination of revenue and savings - need to be on the agenda.

**PATRICIA KARVELAS:** Thank you to both of you. I don't know what appetite the Government has for tax increases, given they've been very much trying to rule all of that out. Thank you so much for your time.

**STEPHEN DUCKETT:** Thanks Patricia.

**MICHAEL GANNON:** Pleasure, Patricia.

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19 February 2017

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