

## Summary of AAPP's Submission to the Strategic Review of Future Arrangements for Pathology and Diagnostic Imaging Services

The Government is conducting a review to identify options for future funding arrangements for pathology. Pathology underpins most Australians' health care with testing used to predict, pre-empt, diagnose and monitor disease, and to determine and monitor appropriate therapies. Around 70% of diagnoses are reached through pathology.

Points to consider about Australian pathology:

<b>Preventive health and management of chronic disease</b>	Over the period 2004-05 to 2007-08, the number of pathology tests requested by General Practitioners (GPs) grew by 75%. Approximately 60% of this growth is clearly linked to preventive health and chronic disease management (obesity, diabetes, cancers, heart disease, STDs).
	Pathology testing plays a vital role in supporting the National Primary Care Strategy in the areas of disease prevention and management. Pathologists support GPs by providing advice on test result interpretation and follow up of abnormalities.
<b>Unrivalled access to pathology services</b>	50% of Australians have at least one pathology test/s each year, with a total of approximately 30 million episodes in 2007. Medicare guarantees unrivalled access by Australians to pathology services.
	In 2007 pathology accounted for 34.4% of all Medicare services and 14.5% of all Medicare benefits.
<b>Marked pathology fee restraint</b>	While the number of services is growing, the rebates for scheduled services have not changed since 1985. Since 1985, the CPI has risen almost 120%. This means that the level of rebates in 2008 are around 40% of the level they were set at in 1985.
	Pathologists are performing more tests for less of the Medicare spend. Over the past 8 years, the percentage of all Medicare services provided by the pathology profession has increased by 5.9%. Over the same period, pathology's share of Medicare outlays has fallen by 7.6% per annum (as a result of declining fees in real terms).
	At the same time, pathology use has grown much faster than GP or specialist activity.
	The major cost to Pathology Practices (over 60%) is labour which inexorably and significantly increases with volume increases. Other costs also increase in either a stepped fashion or are directly related to volume. Costs have grown at a rate which has outstripped revenue growth over the past decade. PricewaterhouseCoopers have forecast that these unfavourable trends will continue and that costs to pathology practices are likely to increase by around 8% per annum over each of the next five years.

The Australian Association of Pathology Practices (AAPP) represents the majority of private pathology providers in Australia. The AAPP welcomes the opportunity to work with the Government to ensure continued high levels of access for Australians to much needed pathology services.

Here are the key recommendations put forward by Australian private pathologists for Government consideration.

Issue	Recommendation	Explanation
<b>Maintenance of Fee for Service</b>	1. That the Fee for Service (FFS) arrangement be maintained with the same increments as are applied to other medical practitioners within the Medical Benefits Scheme (MBS) (see AAPP paper on Costs in Pathology).	Fee for Service is a standard business model where services are unbundled and paid for separately. It is applied in other parts of the health system. In health insurance and the health care industry Fee for Service occurs when doctors and other providers receive a fee for each service such as an office visit or test. Fee for Service health insurance plans typically allow patients to obtain care from doctors or hospitals of their choosing, and in return for this flexibility they may pay higher copayments or deductibles. Patients also frequently pay providers directly for services.
<b>Removal of Coning</b>	2. That the cone that applies to rebates paid for services requested by general practitioners be removed.	Pathology has the highest rate of bulk billing of all medical services, ensuring that financial barriers to accessing services are minimized. Over the past decade, Medicare rebates for patients requiring multiple tests have included only the three most expensive tests. This is known as 'coning'. While this reduces costs for patients and Government, it is estimated to represent a cost to pathology providers of more than 10% of revenue. Should demand for tests continue to increase at current rates, this is not sustainable.
<b>Continued partnership with Government</b>	3. That the important partnership between Government and the pathology industry continue through existing fora.	The AAPP is committed to working constructively with Governments and supports maintaining this relationship through committees such as the Pathology Services Table Committee, the Quality Use of Pathology Committee, the Pathology Consultative Committee and the National Pathology Accreditation and Advisory Committee. These bodies ensure that the expertise pathology can bring to each of these committees will not be lost, continuing the delivery of high quality pathology tests to all Australians.
<b>Maintenance of quality services</b>	4. As part of an emphasis on quality, we support the exploration of improving pathology ordering through the development of intelligent ordering systems to ensure appropriate investigations are ordered for our patients.	The pathology sector leads the health and medical field in its use of technology. This is how the sector has been able to reduce costs in the past and assist Government in getting value for taxpayer spend. The sector is committed to working with Government and other stakeholders to build on the existing IT infrastructure and practices to incorporate system-wide developments including: unique patient and health care provider identifiers; individual electronic health record; electronic discharge summaries; referrals; requesting and reporting; disease registries; and issues relating to notifiable diseases and Biosecurity.