Australian Government

Department of Health and Aged Care

Medicare Safety Net Reform

Consultation Paper

Why are we consulting?

Medicare Safety Nets serve an important role in protecting health care consumers from the impact of high out-of-pocket costs. The safety nets do not apply to services that are not listed on the Medicare Benefits Schedule (MBS) or to MBS services that are delivered in hospital.

Once your out-of-pocket medical costs reach a certain amount, Medicare gives you a higher amount back for the rest of the year. Anyone enrolled in Medicare is eligible for these safety nets.

In 2023, over 1 million Australians received additional benefits through Medicare Safety Nets. For many Australians with complex or high health care needs, safety net arrangements help ensure health care services remain affordable and accessible.

While current safety net arrangements work well for many, the MBS Review Taskforce's final report identified a range of issues to be addressed in relation to consumer out-of-pocket costs and the operation of the safety nets. The Taskforce recommended the establishment of a Working Group with the medical profession and consumers to review current safety net arrangements and advise on opportunities for reform of the system.

In response to these recommendations, in July 2024 the Medicare Safety Net Reform Working Group (MSNWG) was established by the Department of Health and Aged Care to review current Medicare Safety Net arrangements and provide advice on possible reform options for consideration by Government. Membership of the MSNWG comprises health economic and systems experts, consumer representatives and medical provider representatives.

The Department is seeking feedback from consumers, health practitioners and other interested parties about their experiences with current Medicare Safety Net arrangements to inform the deliberations of the MSNWG. While the Government also provides support to consumers with the costs of their health care through a number of other programs including the Pharmaceutical Benefits Scheme Safety Net and Private Health Insurance Rebate these programs are out of scope for this consultation process.

You are invited to provide responses to the consultation questions included in this paper by completing an online survey on the Department's Consultation Hub at https://consultations.health.gov.au/medical-benefits-division/medicare-safety-net-reform

You can also use the survey form to upload a written submission. Survey responses will be accepted until 5:00pm AEDT on 15 November 2024.

What are the Medicare Safety Net arrangements?

Medicare's system of safety nets has been designed to support patients facing high out-of-pocket costs for Medicare-funded health care services delivered out-of-hospital. This system consists of three separate safety nets:

- Original Medicare Safety Net (OMSN)
- Extended Medicare Safety Net (EMSN)
- Greatest Permissible Gap (GPG)

Eligible out-of-pocket costs and safety net benefits are calculated and processed automatically through this system. Patients may be able to increase their access to safety net benefits by registering as a family.

Original Medicare Safety Net (OMSN)

The OMSN was created in 1984 to reimburse patients for the 'gap' between the Medicare Schedule Fee and the Medicare Rebate. Generally patients receive a rebate of 85% of the Schedule Fee for all out-of-hospital items (except for general practice consultation items for which patients receive 100% of the Schedule Fee). Any out-of-pocket costs paid by an individual or family member in a calendar year to cover the gap between the Medicare Rebate and Schedule Fee accumulate towards their OMSN threshold. Once the OMSN eligibility threshold ($560.40 in 2024) has been reached, the Medicare participant or family will receive MBS rebates at 100% of the MBS Schedule Fee for the remainder of the calendar year. An example of how an OMSN benefit is calculated is provided in Appendix 1.

In 2023, a total of 84,099 patients received a benefit through the OMSN.

Extended Medicare Safety Net (EMSN)

The EMSN is the largest of the safety nets. Out-of-pocket expenses (defined as the difference between the Medicare Rebate received and the fee charged by a doctor or other health care professional in respect of a service in which MBS benefits were payable) count towards the EMSN eligibility threshold. Once the EMSN threshold has been reached in a calendar year the Medicare participant or family will receive, in addition to regular MBS rebates, an additional rebate of 80% of the out-of-pocket cost of the service or the EMSN cap for the relevant item or items (whichever is lower) for the remainder of that calendar year.

The EMSN has separate thresholds for concessional individuals and families and general individuals and families. EMSN thresholds are $811.80 (concessional) and $2,544.30 (general) respectively. An example of how an EMSN benefit is calculated is provided in Appendix 1.

In 2023, a total of 1,161,665 patients received a benefit through the EMSN.

Greatest Permissible Gap (GPG)

The GPG was created at the establishment of Medicare. The GPG requires that the difference between the MBS fee for an item and the 85% Medicare benefit must not be greater than a specified amount. In other words, the GPG is a rule that sets a maximum gap dollar amount. The GPG is currently set at $98.70, which means that all out-of-hospital Medicare services which have an MBS fee of $658.35 or more will attract a benefit that is greater than 85% of the MBS fee. Unlike the other two safety nets, patients do not need to reach a specified out-of-pocket threshold to access the GPG.

The GPG currently applies to 1,857 MBS items and is calculated and applied automatically. An example of how the GPG is calculated is provided in Appendix 1.

What are the key design features of the safety nets?

Family arrangements

All Medicare recipients are registered for Medicare safety nets as individuals at the time of enrolment. If a patient is part of a family or couple, they can register as a family to combine their costs. This means they are more likely to reach the safety net thresholds sooner. Even if all family members are on the same Medicare card, patients still need to register through Services Australia as a family. Patients only need to register as a family once and are required to update Services Australia if there is a change in their circumstances. Families are however asked to confirm their family composition annually as they approach a Safety Net threshold before they receive safety net benefits.

For Medicare safety nets purposes, a family can be any of these:

- a married couple, not separated, with or without dependants
- a couple in a de facto relationship, with or without dependants
- an individual person with dependants.

For Medicare safety nets purposes, a dependant is someone the family supports financially and either a:

- child under 16 years
- full time student between 16 and 25 years.

A dependant can be a member of two registered Medicare safety net families. However, the dependant's out-of-pocket and gap amounts only accumulate towards the eligibility thresholds of the Medicare safety net family that pays for the medical services.

Safety Net Thresholds

In order to access safety net benefits, individuals or registered families must spend more than the out-of-pocket threshold amounts established for that safety net. In 2024, the thresholds for the OMSN and EMSN are as follows:

Threshold	Threshold amount	Who is it for?	What counts towards your threshold?	What benefit will you get back?
OMSN	$560.40	Everyone in Medicare	Your gap amount for the calendar year.	Gap amount between rebate and schedule fee. Out-of-hospital rebate is 100% of schedule fee for rest of calendar year.
EMSN - General	$2,544.30	Everyone in Medicare	Your out-of-pocket expenses for the calendar year.	80% of out-of-pocket costs or the EMSN benefit caps for out of hospital services.
EMSN - Concessional	$811.80	Concession cardholders and families eligible for Family Tax Benefit Part A		

Families are contacted by Services Australia once their combined out-of-pocket expenses reach 70% of the EMSN threshold. Family members need to confirm their family status before safety net benefits will be paid.

The OMSN and EMSN both operate on a calendar year basis and threshold accumulation is reset to $0.00 on 1 January each year. Threshold amounts are indexed in January each year in line with Consumer Price Index (CPI) rates from the September quarter in the previous year.

EMSN concessional arrangements

The EMSN has a lower threshold for concessional individuals and families to allow them to access safety net arrangements sooner. Patients are considered concessional if they are:

- a Commonwealth Seniors Health Card holder
- a Health Care Card holder
- a Pensioner Concession Card holder

- eligible for Family Tax Benefit Part A.

Medicare safety net families may be formed from a mix of concessional and non-concessional individuals. This formation has implications for Medicare safety net calculations.

All out-of-pocket costs for concessional patients in a Medicare safety net family count towards **both** the concessional and general threshold. All out-of-pocket costs incurred by non-concessional family members **only** accumulate towards the family's general threshold. When the family crosses the concessional threshold, only the concessional members of the family can access EMSN benefits. When the family crosses the general threshold all family members can access EMSN benefits.

EMSN benefit caps

EMSN caps place an upper limit on the value of the EMSN benefit a patient can receive for a particular MBS item. The value of an item's cap is listed in the item details published on MBS Online.

When the EMSN was originally introduced in 2004 the value of benefits was uncapped. Caps were initially applied in 2010 to a small number of MBS items. The value of these caps was set manually with the aim of controlling EMSN expenditure and reducing incentives that may encourage fee inflation. Since that time, the number of capped items has increased substantially, and caps are now applied on a more systematic basis. In general, existing EMSN caps for most procedural items are set at 80 per cent of the MBS fee and consultation items are capped at 300 per cent of the MBS fee (up to $500).

Capping of EMSN benefits only applies once a patient reaches the EMSN threshold. All out-of-pocket costs accumulating towards the EMSN threshold are uncapped. For example, if a patient incurred an out-of-pocket cost of $400 for an MBS service and the EMSN cap applied to that item was $200, then:

- Where the patient has yet to reach the EMSN threshold, the full $400 out-of-pocket cost is accumulated towards reaching the threshold. The patient receives no EMSN benefit but is $400 closer to the EMSN threshold.
- Where the patient has reached the threshold the EMSN cap comes into effect and the maximum EMSN payment a patient can receive is $200 (plus the MBS rebate for the service).

Consultation questions

Reflecting on your experiences with, and/or observations of, Medicare Safety Net arrangements, you are invited to provide responses to any or all of the following questions:

1. Do you believe Medicare Safety Net arrangements have been effective in assisting health care consumers that incur high out-of-pocket costs for services provided out-of-hospital? Why or why not?

2. Are there any aspects of the Medicare Safety Net arrangements that could be changed to achieve more equitable outcomes?

3. Have there been unintended consequences as a result of the introduction of the EMSN? If so, how effective are current policy settings in reducing or limiting their impact and what other policy changes should be made?

4. To what extent are Medicare Safety Net arrangements simple to understand and access? What can be done to reduce complexity and improve system administration?

5. Does more need to be done to improve awareness and understanding of Medicare Safety Net arrangements in the community? How can this be achieved?

6. Do you have any other suggestions for improving the operation of Medicare Safety Net arrangements that you have not covered elsewhere?

Appendix 1

Worked Examples

OMSN Example

OMSN Benefit Example: Item 110, A4 Consultant Physician Attendances To Which No Other Item Applies

Descriptor (shortened): Initial attendance in a single course of treatment in the practice of the consultant physician's specialty (other than psychiatry) following referral.

MBS Schedule Fee= $174.50 **Benefit 75% =** $130.90 **Benefit 85% =** $148.35

EMSN Cap = $500.00

OMSN Calculation

Scenario: Fee charged by a provider is $200. Patient has qualified for OMSN threshold but not EMSN threshold.

85% Benefit= $148.35

Gap= $174.50 - $148.35 = $26.15

OMSN provides additional rebate to 100% of MBS fee. The patient therefore receives the MBS benefit ($148.35 plus $26.15 Gap). Note, the additional out-of-pocket ($25.50) is not covered by the OMSN. These costs will however accumulate toward the patient's EMSN threshold.

Total Rebate = $174.50.

EMSN Example 1- Standard 80% EMSN benefit

EMSN Example (Standard EMSN benefit): Item 42701, T8- Surgical Operations

Descriptor (shortened): INTRAOCULAR LENS, insertion of, excluding surgery performed for the correction of refractive error except for anisometropia greater than 3 dioptres following the removal of cataract in the first eye.

MBS Schedule Fee = $377.85 **Benefit 75% =** $283.40 **Benefit 85% =** $321.20

EMSN Cap = no EMSN cap.

Scenario: Fee charged by provider is $850. Patient has qualified for EMSN but not the OMSN.

Rebate Calculation

85% benefit = $321.20

Pre-EMSN out-of-pocket = $850.00 - $321.20= $528.80

EMSN benefit = 0.8 x $528.80= $423.05 (rounded up to nearest 5c)

Total rebate = $321.20 + $423.05= $744.25

Final out-of-pocket = $850.00 - $744.25 = $105.75

EMSN Example 2- OMSN active and EMSN cap

EMSN Example (including cap and OMSN): Item 110, A4 - Consultant Physician Attendances To Which No Other Item Applies

Descriptor (shortened): Professional attendance at consulting rooms or hospital, by a consultant physician other than a psychiatrist, initial attendance following referral.

MBS Schedule Fee = $174.50 **Benefit 75% =** $130.90 **Benefit 85% =** $148.35

EMSN Cap = $500.00

Scenario: Fee charged by provider is $850. Patient has qualified for both OMSN and EMSN.

Rebate Calculation

85% benefit = $148.35

Additional OMSN benefit = amount to 100% Schedule Fee= $174.50 - $148.35 = $26.15

Out-of-hospital benefit excluding EMSN = 100% MBS fee = $148.35 + $26.15= $174.50

Pre-EMSN out-of-pocket = $850.00 - $174.50 = $675.50

EMSN benefit = 0.8 x $675.50= $540.40

Out-of-pocket of $540.40 > EMSN cap of $500.00

Therefore EMSN rebate is cap of $500.00 is applied.

Total rebate = $174.50 + $500.00= $674.50

Final out-of-pocket = $850.00 - $674.50 = $175.50

GPG Example

GPG example: Item 15922, T2 Radiation Oncology, 2 Megavoltage

Descriptor (simplified): Additional dosimetry plan for re-planning of intracranial stereotactic radiation therapy (SRT) or stereotactic body radiation therapy (SBRT) treatment.

MBS Schedule Fee = $3,338.05 **Benefit 75% =** $2,503.55 **Benefit 85% =** $3,239.35

EMSN Cap = N/A

(Note – Benefits published above are the benefits published on MBS Online factoring in application of GPG)

GPG Calculation

True 85% benefit= 0.85 x $3,338.05 = $2,837.35

True Gap= $3,338.05 - $2837.35 = $500.70 (i.e. 15% of Schedule fee)

$500.70> $98.70, therefore GPG activated.

New out-of-hospital rebate= $3,338.05 - $98.70 = $3,239.35

Additional GPG rebate= $3,239.35 - $2,837.35 = $402.00