Impact on patient access to Private Radiotherapy

Health Insurance Amendment (Safety Net) Bill 2015

November 2015

The proposed *Health Insurance Amendment (Safety Net) Bill 2015* will have an negative impact on access to essential cancer care for around 20,000 patients p.a.

As it stands, the legislations will:

1. On average **more than double patient out-of-pocket costs** for radiotherapy
2. Private sector will be forced to **ration care** – particularly discounted care which is currently provided below the cost of service delivery
3. **Reduce access to modern treatment techniques**
4. As a result **more patients will be forced to access care in the public system** – where they will face longer travel time, longer wait lists and poorer health outcomes
5. **No budget savings – in fact it will increase health care system costs**
   - Patients will be directed away from a highly efficient service where they are directly contributing towards the cost of their care
   - Lower radiotherapy utilisation will increase utilisation of more costly treatments

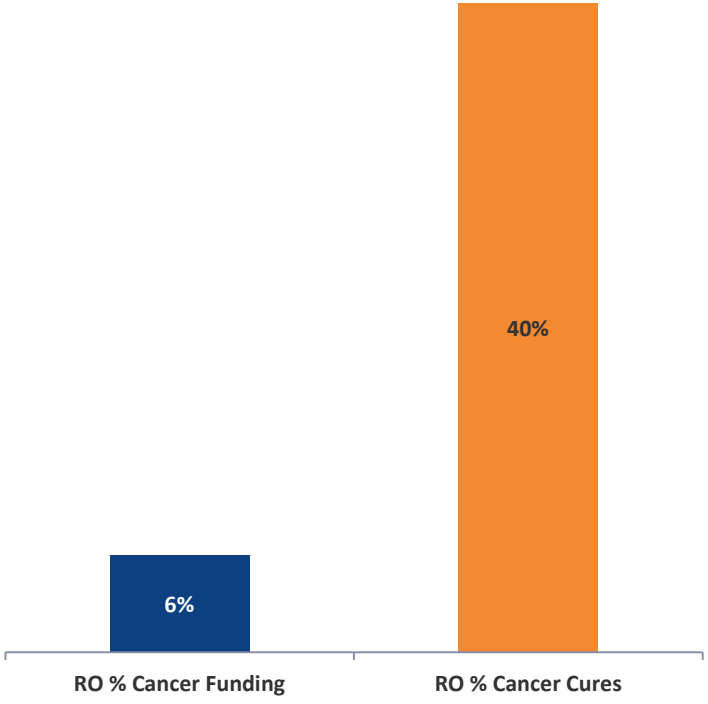
The proposed MSN Cap will restrict patient access to cancer treatment

1. Radiotherapy is underfunded under the MBS, below the cost of delivery and well below international peers
   - No MBS review for over 20 years – modern treatments are particularly underfunded vs older less effective treatment
   - EMSN funding vital to sustainably provide comprehensive evidence based care
2. Fees charged above 150% of MBS to a minority of our patients necessary in order to:
   - Support service development in lower socioeconomic communities
   - Cross subsidise care for those who cannot afford to pay
3. The private sector cannot further improve efficiency to shield patients from funding cuts. Impact of change will be passed on to patients and will prevent access to care for those who cannot afford to pay
   - Many in regional areas will not receive care given there is no public alternative
   - Higher cost to taxpayers for patients which do move to public sector and receive treatment at less efficient public hospitals, whilst making no contribution to their cost of treatment
4. We acknowledge the budget imperatives and the need to cap benefits under the MSN. As suggested by the DoH we see a temporary uplift in the MSN cap for radiotherapy as a practical interim measure for the Government to achieve its policy objectives without disrupting access to cancer treatment
   - This solution delivers budgeted savings without adversely impacting patients

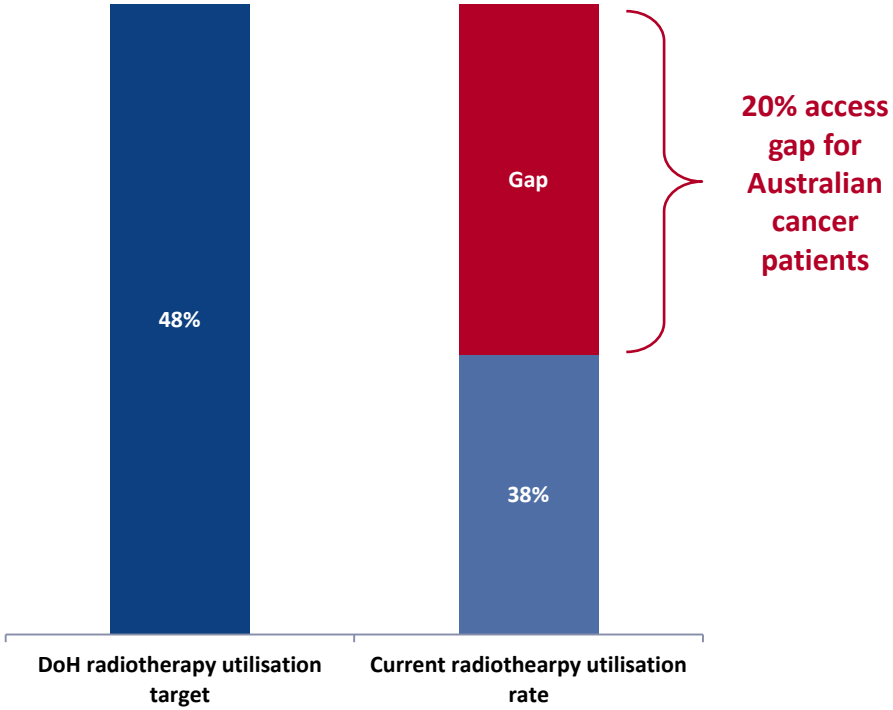
Our proposal is for an interim 195% cap for radiotherapy

Radiation Oncology is an essential, cost effective and under-utilised cancer treatment

Radiotherapy is a cost effective cancer treatment [1,2,3]



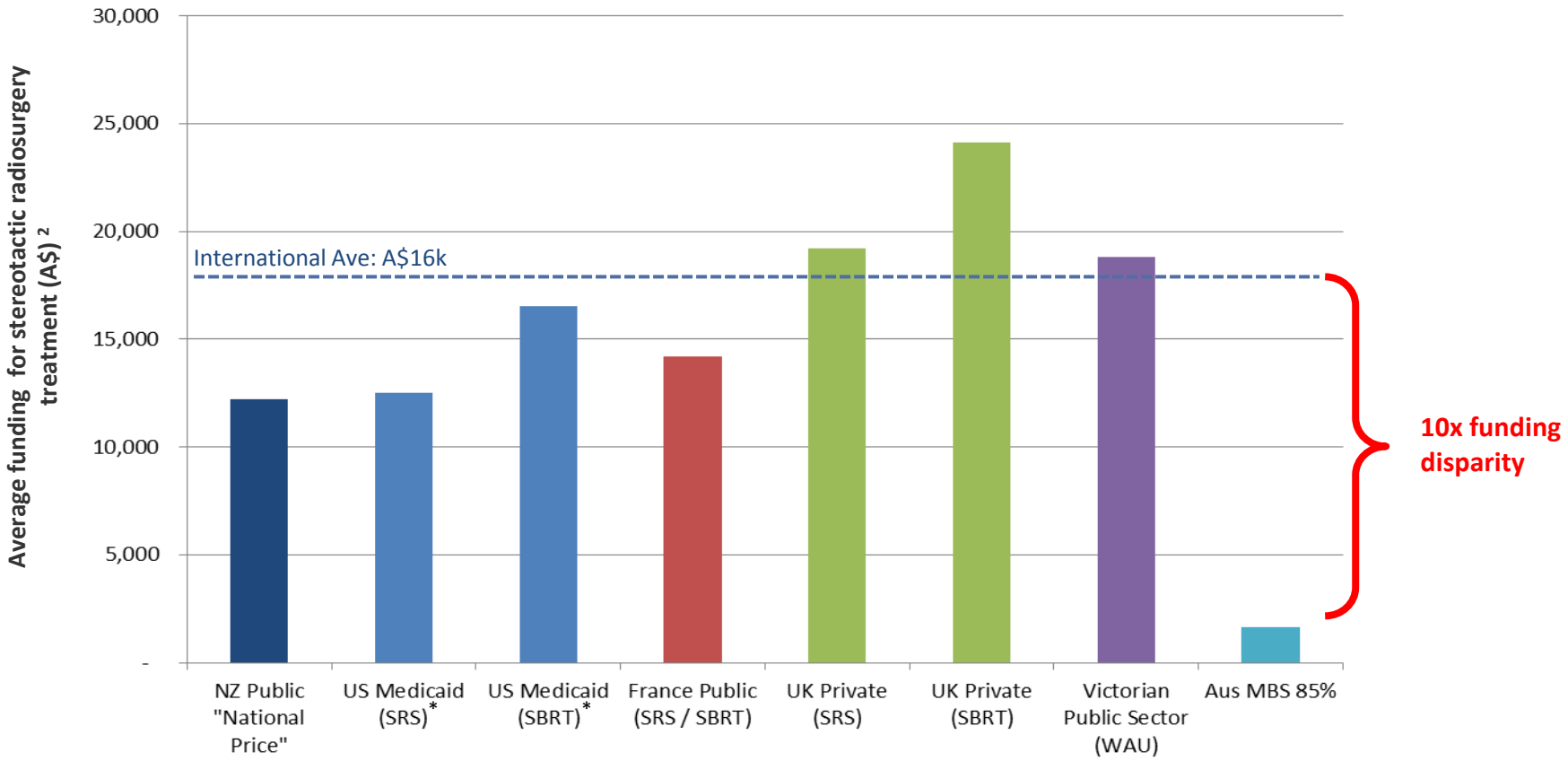
Radiotherapy is materially under-utilised in Australia [4,5]



1. AIHW. Cancer in Australia 2010
2. Cancer Council: Cancer control priorities for the 2010-11 federal budget
3. RANZCR website
4. Federal Department of Health radiotherapy utilisation target
5. Morgan G. 1999. Journal of Medical Imaging and Radiation Oncology 2011

1 Radiotherapy is underfunded under the MBS and as such the Medicare Safety Net is an essential source of funding

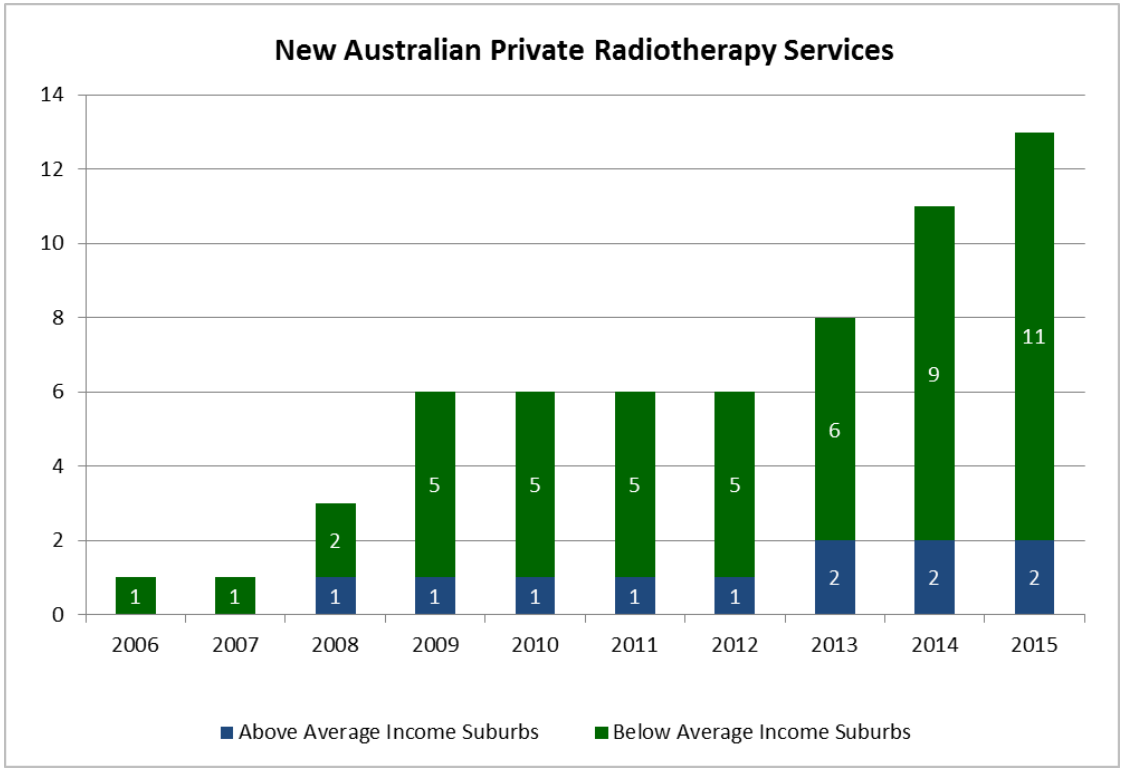
- **How can funding be capped when underlying reimbursement is inappropriate?**
- Stereotactic radiosurgery[1] is one of many radiotherapy treatments receiving insufficient funding under the MBS



1. Stereotactic radiosurgery is a highly accurate and specialised form of radiotherapy commonly used to treat brain and lung cancers. It costs ~$12,000 per treatment
2. Excludes Professional fee for clinician

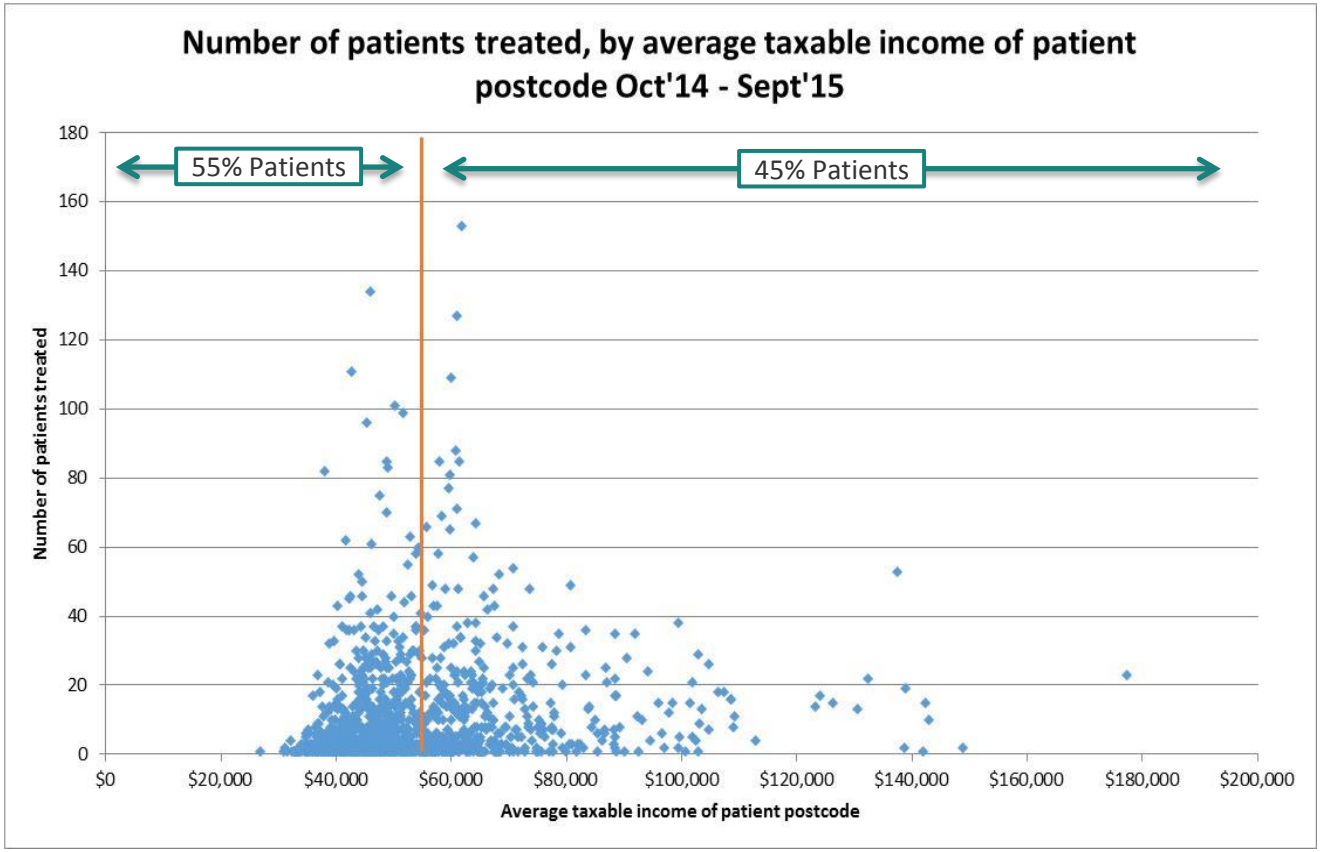
2 Since its introduction the EMSN has supported over $250m of private investment in cancer services in suburbs with incomes below the national average

- Government is concerned that the Medicare Safety Net only supports "**Australia's most wealthy suburbs – almost without exception**"
- The chart below depicts Private sector investment in new radiotherapy services since the introduction of the Extended Medicare Safety Net; this supports the Prime Minister's push for greater innovation and introduction of new technologies
- 85% of new services have been developed in suburbs with incomes below the national average
- All of these services were developed in Communities that the DoH assessed as "Areas of Need"



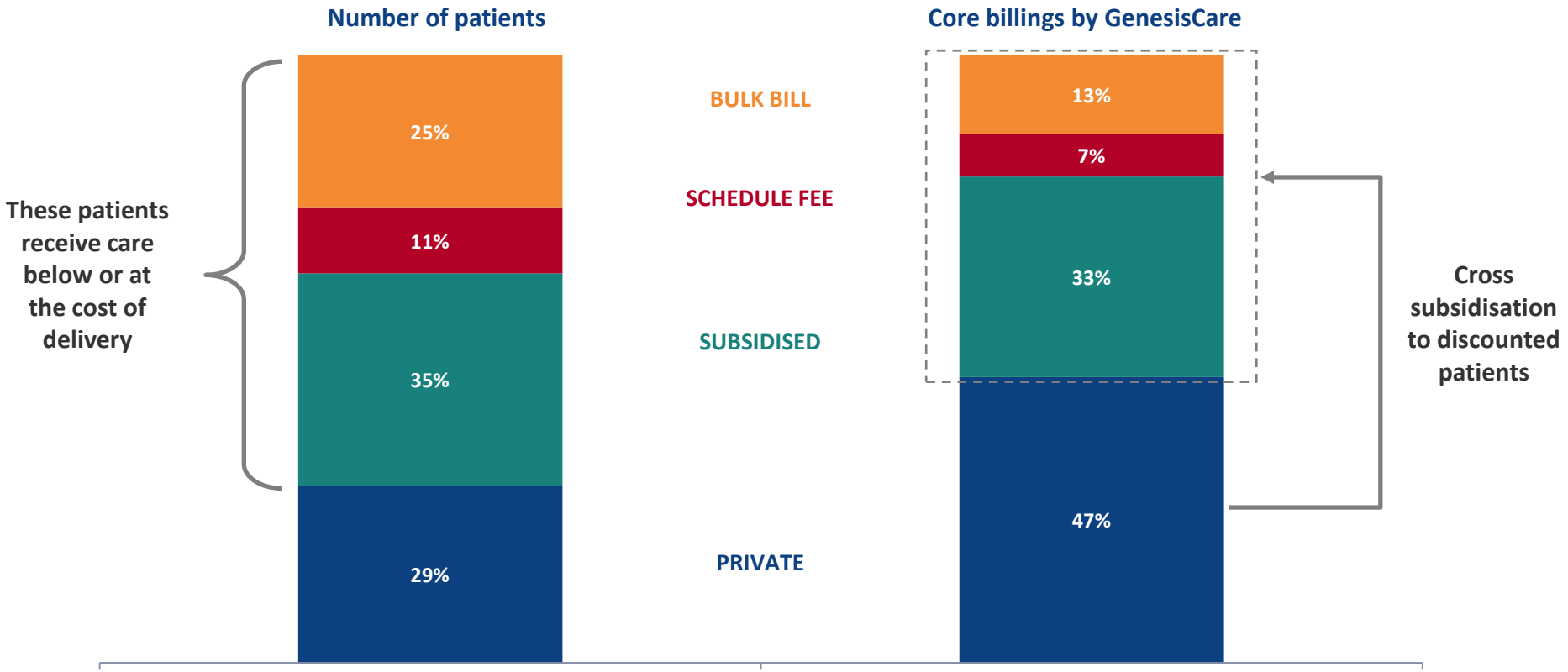
2 On average cancer patients treated in Private Radiotherapy services come from suburbs with incomes below the national average

- Government has a concern that the Medicare Safety Net only supports "**Australia's most wealthy suburbs – almost without exception**"
- The chart below depicts the average income of the post code for last 13,000 patients treated in Private Radiation Oncology centres
- Contrary to the Minister's assertion, **there is no relationship between average income and Private radiotherapy utilisation** (R squared 0.016)



2 Cross subsidisation is a key feature of the Private sector business model which supports equity of access

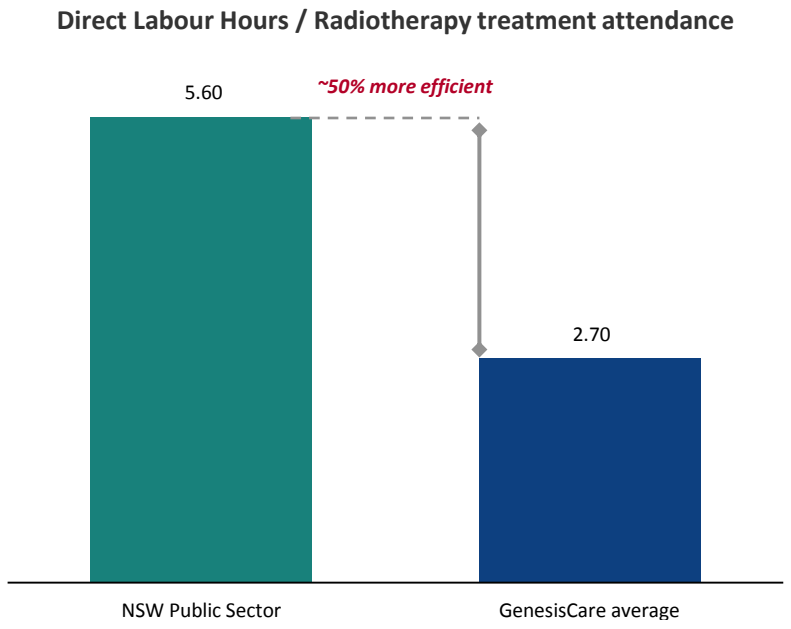
- **>70% of our patients are provided care at a discounted rate and 25% of patients incur no out of pocket expense at all**
- **36% of patients (bulk bill and schedule fee) contribute to only 20% of revenue**
  - We are able to develop services in lower socio economic regions by utilising the safety net for cross subsidisation



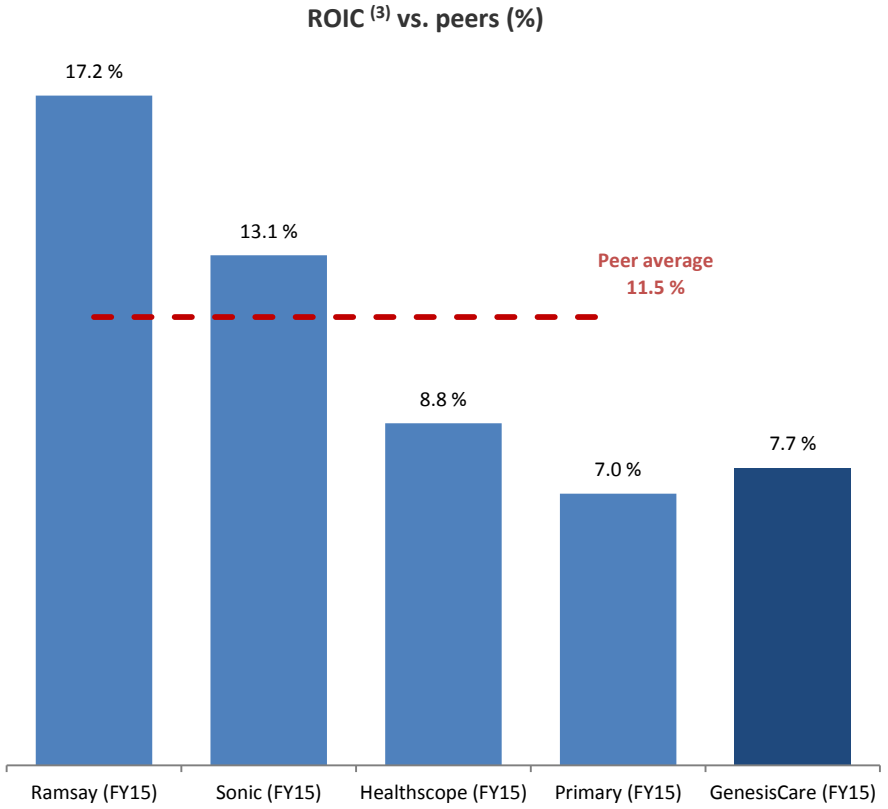
* Represents GenesisCare patients treated between January and August 2015

3 Private radiotherapy industry is highly efficient and does not make excess returns as such it can not absorb material reimbursement cuts

Benchmarking clinical productivity Public and Private sector[1]



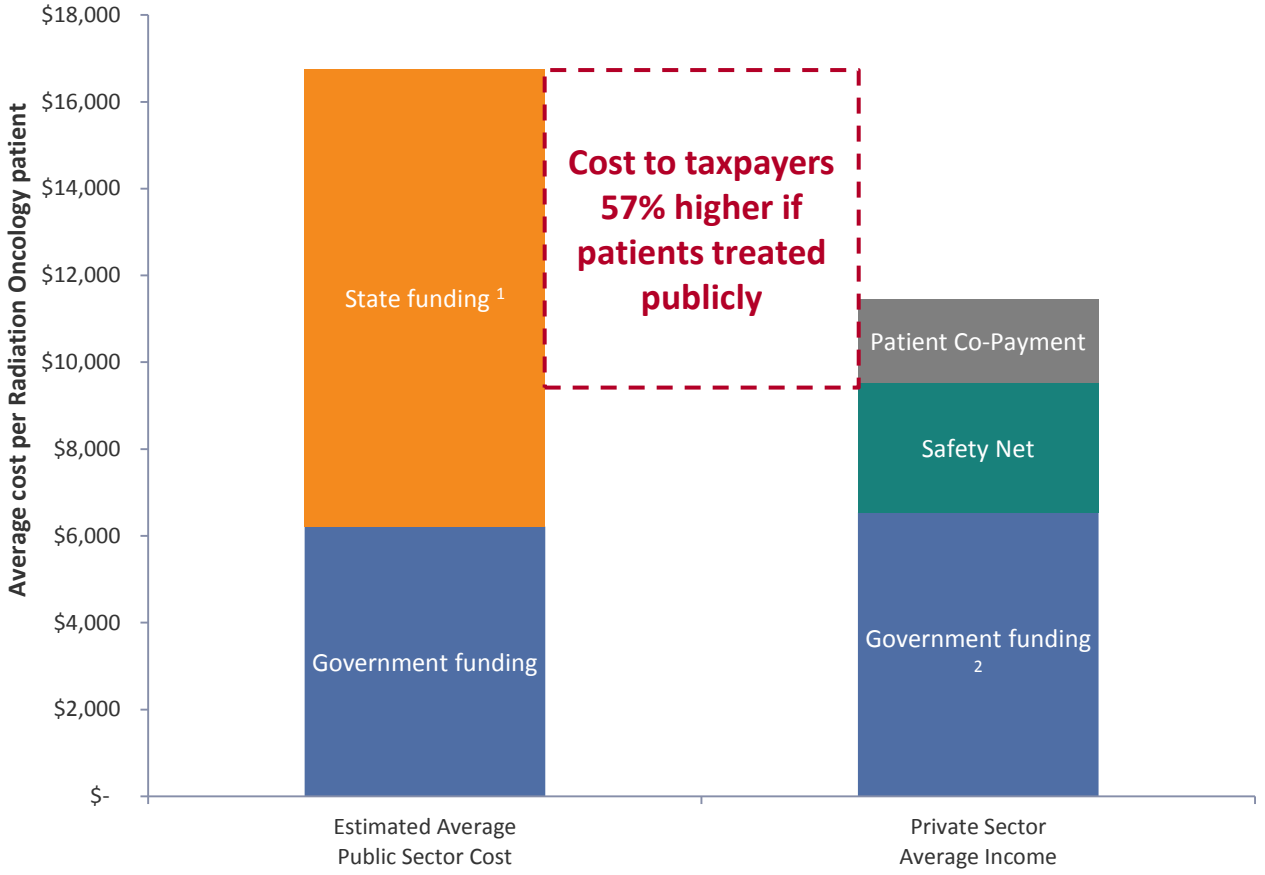
Genesis Care profitability is below its peers[2]



- In response to a highly competitive market place, Australian Private Radiotherapy services have had to develop a high quality and efficient operating model to keep patient out of pocket costs to a minimum
  - Based on our global evaluation GenesisCare is best class for quality and efficiency
- This more efficient operating model ensures greater value for taxpayers

1. NSW Radiotherapy Management System Report
2. Audited financial statements submitted to ASIC for period ending Jun-2015.
3. Return on invested capital = EBIT / (Net debt + Equity)

3 Patients will bear the brunt of funding cuts and be forced to seek treatment in the public sector at higher cost to Government



- Private sector is highly efficient compared to public sector
- Patients make direct contribution to cost of care
- Cuts to MSN funding will push patients into the higher cost public system
- Will also result in:
  - Reduced access for patients
  - Higher social impacts
  - Increased net cost to taxpayers
  - Worse health and clinical outcomes
  - Less investment in innovation

1. Estimated Public sector costs based on publically available data, bottom up cost analysis and Victorian Activity Based Funding / Weighted Activity Units funding
2. Includes MBS and HPG income. Assumed 95% outpatient mix
3. GenesisCare treats ~6,100 patients at bulk bill or schedule fee. Public sector requires a least ~$7,200 more funding per patient (and this excludes ancillary costs such as transport and accomodation)

4 GenesisCare is committed to developing a sustainable solution for radiotherapy within the spirit of the existing policy

We have been engaging with the Department of Health, Health Minister's Office and the Prime Minister's Office on this issue for over 16 months to highlight the impact of the proposed 150% cap

- At the Department's request we were asked to identify what changes to the proposed cap would allow us to continue offering cancer treatment to all patients
- A higher cap was identified by the DoH as the most appropriate mechanism to deal with the issue as a necessary temporary measure to enable continuity in patient access before a formal MBS review
- We agree a temporary measure capping the Safety Net Benefits is an appropriate budget measure – however sustainable implementation requires a detailed review of underlying funding
- A temporary cap of 195% for radiotherapy offers a practical solution to the issues we have raised whilst still achieving Government's policy aims:
    - ✓ Does not disrupt patient access to care
    - ✓ Protects against potential future price increases
    - ✓ Delivers the bulk of the budgeted policy savings
    - ✓ Encourages support for the policy
- We earnestly request a temporary 195% cap for Radiotherapy is included in Government's proposed adjustment to the EMSN so we can actively support what we believe is a responsible and necessary change to policy

Patient Case Studies and Background materials

2 Given underfunding, MSN cap will increase perverse incentive to utilise lower quality treatment techniques

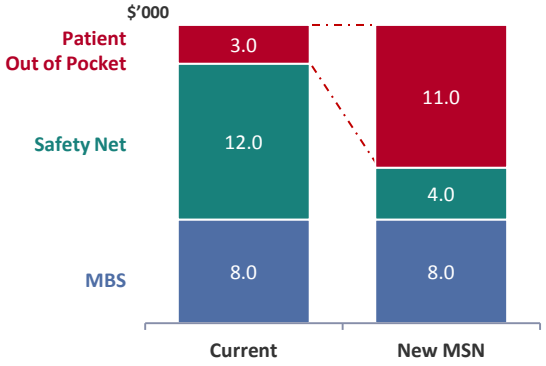
[redacted] 62 year old retiree, Primary Carer, Albury

Prostate Cancer

Philip is of indigenous heritage and doesn't consent to having a photo taken

Diagnosed with prostate cancer and treated with a state of the art VMAT treatment technique

- **No alternative radiotherapy service available without travelling to Melbourne (330 km)**
- **VMAT is a highly underfunded treatment technique**
- **$8,000 increase to out of pocket costs due to government policy [1]**



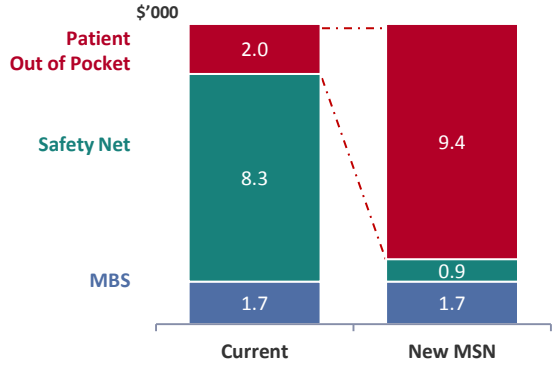
270% increase

[redacted], 71 year old retiree, Adelaide

Malignant Melanoma

Diagnosed with Malignant melanoma with three intracranial lesions and treated with single state of the art SRS treatment

- **Unable to receive type of treatment elsewhere – alternative was significant brain surgery**
- **SRS is highly underfunded (see slide 5)**
- **$7,400 increase to out of pocket costs due to government policy [2]**



370% increase

1. Example prostate patient with 30 days of treatment using modern standard of Dynamic Image Modulated Radiotherapy (DIMRT); assumes patient is through Safety Net at start of treatment
2. Example patient receiving modern stereotactic radiosurgery; assumes patient is through Safety Net at start of treatment
3. Costs post 2016 Safety Net change estimated based on publically available information for proposed budget changes

2 Government policy punishes even the most financial disadvantaged patients who can least afford it

[redacted] 41 year old single mother of 2, Croydon

Breast Cancer

[redacted]

Treated for breast cancer at heavily discounted rate ($490)

[redacted] 79 year old pensioner, Mt Eliza

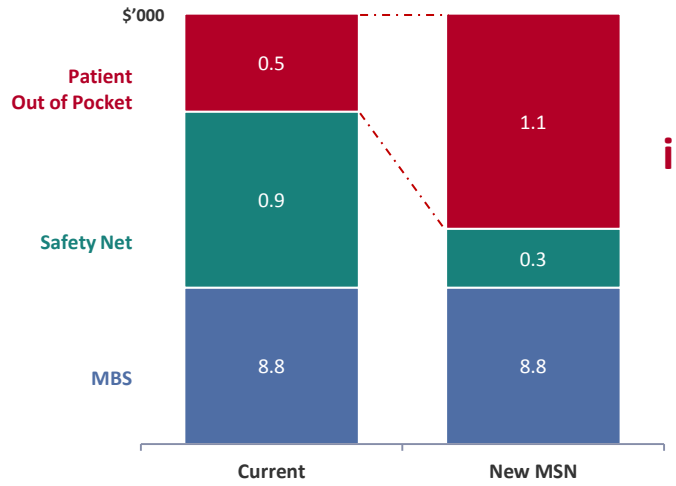
Breast Cancer

[redacted]

Treated for breast cancer at heavily discounted rate ($490)

- **Financially disadvantaged**
- **Government policy would remove GC's ability to discount**
- **Rosslyn would have required a loan to pay for treatment or spend time away from her children and work (which she could not afford)**
- **Shirley would not be able to afford treatment as she lives off the pension**
- **Without GC, neither Rosslyn or Shirley would be able to be treated close to home**
- **Shirley would have to travel more than 80km with no means of getting there**

Rosslyn and Shirley will see their out of pockets increase significantly



>200% increase

1. Example breast cancer patient with 20 days of treatment using modern treatment techniques; assumes patient is through Safety Net at start of treatment. $960 benefit under OSN (MBS100 rebate cover) and $0 from EMSN vs. $307 capped safety net cover under SMSN policy
2. Costs pre 2016 Safety Net change estimated based on publically available information for proposed budget changes

Private sector has invested significantly in improving patient access to radiotherapy with minimal Federal capital support beyond ROHPG

- In addition to being the lowest cost service provider (50% of the recurrent cost of the Public system), GenesisCare has invested hundreds of millions in improving patient access to radiotherapy with no direct federal funding support (beyond ROHPG)
- The Federal DoH approved all GC Greenfield developments as "Area's of Need" and the safety net was featured in all HPG applications as a essential feature of these departments financial sustainability

Recent Federal Government RO capital investments beyond ROHPG

		HHF Grants	Bunkers	Linacs
New England	NSW	$31,691,000	2	1
Gosford	NSW	$28,593,000	3	2
Shoalhaven	NSW	$23,801,000	2	2
Illawarra	NSW	$12,067,000	1	1
Darwin	NT	$19,000,000	2	2
Rockhampton	QLD	$84,635,000	4	2
Bundaberg	QLD	$5,634,828	2	1
Townsville	QLD	$70,106,000	3	2
Springfield	QLD	$21,422,000	2	1
Hobart / Bernie	TAS	$35,199,000	5	4
Ballarat	VIC	$42,025,000	4	2
Albury	VIC	$65,000,000	3	2
Lyell McEwin	SA	$69,786,000	1	1
		$508,959,828	**34**	**23**

Genesis Care greenfield RO access investments over the same period

		HHF / RCC Grants	Bunkers	Linacs
Kurralta Park	SA	-	2	2
Macquarie University	NSW	-	4	3
Southport	QLD	-	2	2
Epping	VIC	-	2	2
Joondalup	WA	-	3	2
Northern Suburbs	SA	-	2	1
Lake Macquarie	NSW	-	2	2
Hurstville	NSW	-	2	2
Casey	VIC	-	2	2
St Vincent's Melbourne	VIC	-	2	1
		-	**23**	**19**

If the Federal government funded an equivalent expansion of services through the public system it would have contribute ~$400m in capital funding
(more than 20x the growth in MSN expenditure)

An assessment of 'Value for Money' needs to factor in all form of Public funding (not just growth in the MSN)