

Detailed Review of Funding for Pathology Services

Terms of Reference

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

Scope

The Detailed Review of Funding for Pathology Services will focus on pathology services currently funded through the Medicare Benefits Schedule (MBS). The review will not focus on issues around the requesting of and demand for pathology 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 pathology tests and diagnostic imaging

Process

The review will be undertaken by the Commonwealth Department of Health and Ageing (DoHA), in consultation with relevant stakeholders, including the providers of pathology services, clinical and industry experts and relevant professional colleges. Consultative mechanisms will be established to ensure that pathology 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 MoU funding cap placed restrictions on the degree to which pathology funding could be reallocated across different disciplines of pathology to reflect changes in costs. The review will consider whether current fee relativities should be changed to better reflect costs. It could also consider whether funding arrangements could be more tailored to the different disciplines of pathology. For example, whether the approach to funding low volume services should be different from the approach to funding high volume services, such as many chemical and haematology services. This could include looking at areas that the pathology sector has raised as particular concerns, such as the GP-requested episode cone and indexation of fees, noting that 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 pathology services, 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 pathology stakeholders.

Questions that the review will seek to answer include:

- What are the elements that need to be in place to continue to provide high quality pathology services? To what extent are they different or the same across different disciplines of pathology, different pathology tests and different patient groups?
- To what extent do provision of services and costs vary between different kinds of pathology providers, for example, between urban and rural areas, or between laboratory networks and stand-alone laboratories?
- To what extent do current MBS fees reflect the costs of providing different kinds of pathology services?
- Are current relativities in fees between different services appropriate?
- How could fees be adjusted to better reflect changes in costs over time?
- How could differences between different kinds of pathology be better reflected in funding arrangements?
- Are there aspects of current funding arrangements that lead to distorted incentives, unintended consequences or poor outcomes for patients?
- Are the current arrangements sustainable over the medium to longer term?
- How well do current funding arrangements support patient access to pathology 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 pathology will also consider approaches to funding other than fee-for-service under Medicare and seek to identify any specific areas of pathology that might be more appropriately supported through a different financing arrangement.

Questions that the review will seek to answer include:

- What alternatives to fee-for-service under Medicare could potentially be appropriate for some kinds of pathology?
- Are there any specific areas of pathology that might be more appropriately supported through a different financing arrangement?
- Are there better ways of funding some components of the cost of pathology services, for example, capital costs of equipment?
- What is the international experience with different funding mechanisms, including the New Zealand experience with tendering of pathology services, and what can Australia learn?
- How could alternative approaches to financing be implemented, while maintaining access to high quality pathology services?
- What are the risks of moving to different financing arrangements?

- What effect would different funding arrangements have on patient access to quality pathology services?
- What effect would different funding arrangements have on long-term viability of pathology services, including those in rural, regional and outer-metropolitan areas?

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.