

25 November 2013

Mr Tony Shepherd AO
Chair
National Commission of Audit
Via email: Secretariat@ncoa.gov.au

Dear Mr Shepherd

Submission to National Commission of Audit

On behalf of the members of the Australian Diagnostic Imaging Association (ADIA), thank you for the opportunity to make a submission to the National Commission of Audit. ADIA wishes to comment on the 'Scope of Government' aspect of the Review.

Phase 1

Scope of government

- The Commission is asked to assess the current split of roles and responsibilities between and within the Commonwealth government and State and Territory governments, including areas of duplication.
- In relation to activities performed by the Commonwealth, the Commission is asked to identify:
 - Whether there remains a compelling case for the activity to continue to be undertaken; and
 - If so, whether there is a strong case for continued direct involvement of government, or whether the activity could be undertaken more efficiently by the private sector, the not-for-profit sector, the States, or local government.

Australian public hospitals are funded by both State government funding and Medicare funding to provide medical imaging services to GP and specialist-referred outpatients. With equipment and practice costs already paid for, public hospitals are competing aggressively with the private sector (which needs to fund its own equipment, premises and staff) for Medicare funding.

Current Commonwealth policy supports this 'double dipping'. For example, the Government has granted full or partial Medicare-eligibility for MRI in a large number of Australian public hospitals. These hospitals compete with the private sector for MRI outpatients, despite having their equipment, premises and staff funded by state and territory governments.

The resulting trend, given the growth in the number and share of Medicare services provided by less efficient public hospitals, is reduced sector wide efficiency and bulk billing. ADIA estimates that each 1 per cent gain in market share by public hospitals is costing the Commonwealth government \$50 million in additional funding per year. If private sector



efficiency was achieved in the public sector, savings to the Commonwealth government would be up to \$1.2 billion per year.

Some public hospitals are diverting capital expenditure from emergency care by duplicating expensive equipment which is already available in the local community (see attachments). They are prioritising GP and specialist-referred outpatients who attract Medicare funding, which distracts resources that should be focused on their own inpatients.

In addition, public hospitals are exempt from payroll tax and local government rates, and are eligible for concessional fringe benefits tax arrangements. This advantage enables them to offer packages to radiologists and medical staff that are more attractive than those available in the private sector at significantly lower employer cost.

These factors have led public hospitals to be the fastest growing practice type in the diagnostic imaging sector.

ADIA considers that the framework for funding diagnostic imaging services in public hospitals should be reviewed:

1. Services that public hospitals provide to GP or specialist referred patients should attract a lower Medicare fee, to reflect direct capital investment and other funding from state and territory governments.
2. Alternatively, the public hospital outpatient services could be funded exclusively through State government funding, thus prohibiting the current practice of double dipping into both Medicare and State government funding for provision of the same service.
3. Public hospitals should be required to meet the needs of their own inpatients (examination and reporting) before providing services to GP or specialist-referred patients.

ADIA represents diagnostic imaging practices in Australia. Its members operate private comprehensive practices that are both for-profit and charitable, in the community and in public and private hospitals and in metropolitan, rural and regional Australia.

Please do not hesitate to contact ADIA's Senior Policy Advisor [REDACTED] if you have any questions about this submission.

Kind regards,

[REDACTED]
Dr Chris Wriedt
President

