



Policy costing

Triple the bulk billing rate	
Person/party requesting the costing:	Mr Adam Bandt MP, Australian Greens
Date costing completed:	31/07/2024
Expiry date of the costing:	Release of the next economic and fiscal outlook report
Status at time of request:	Submitted outside the caretaker period
	<input checked="" type="checkbox"/> Confidential – <i>Authorised for public release on 3 October 2024</i> <input type="checkbox"/> Not confidential
<p>Summary of proposal:</p> <p>This ongoing proposal has 2 components and would commence from 1 July 2025.</p> <p>Component 1</p> <p>Eligibility for BBI to be expanded to all Medicare card holders, rebate rate set to triple rate as per the <i>Budget 2023-24 Strengthening Medicare</i> measure and include the same restrictions as the <i>Strengthening Medicare</i> measure.</p> <ul style="list-style-type: none"> Bulk billing items eligible for tripled BBI include: 00023, 00024, 00036, 00037, 00044, 00047, 00123, 00124, 05020, 05023, 05028, 05040, 05043, 05049, 05060, 05063, 05067, 05071, 05076, 05077, 90035, 90043, 90051, 90054, 91800, 91801, 91802, 91891, 91900, 91910, and 91920. <p>Medicare rebates would be indexed to Wage Cost Index, consistent with current arrangements.</p> <p>Component 2</p> <p>A 20% increase to the Medicare patient rebates for all general attendance items for general practitioners Level C and Level D as specified in Note AN.0.74 Medicare Benefits Schedule (health.gov.au).</p>	

Overview

The proposal would decrease the fiscal balance by around \$5.8 billion over the 2024-25 Budget forward estimates period (Table 1). This reflects an increase in both administrative and departmental expenses. The underlying cash balance impacts differ slightly from the fiscal balance impacts due to time lags between when services are delivered, and when subsidies are paid to health care providers.

The proposal would be expected to have an impact beyond the 2024-25 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2034-35 is provided at Attachment A.

Table 1: Triple the bulk billing rate – Financial implications (\$m)^{(a)(b)}

	2024-25	2025-26	2026-27	2027-28	Total to 2027-28
Fiscal balance	-	-1,907.8	-1,908.3	-1,969.9	-5,786.0
Underlying cash balance	-	-1,835.6	-1,908.2	-1,969.9	-5,713.7

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) PDI impacts are not included in the totals.

- Indicates nil.

Uncertainties

The financial implications of the proposal are highly uncertain and are sensitive to assumptions around forecast MBS service volumes and medical practitioners' billing behaviour under the proposal.

- Practitioner billing is highly unpredictable in aggregate and could be influenced by a range of financial and non-financial factors other than the proposed policy changes, including practice-specific factors and patient demographics.
 - The behavioural responses to the proposal are particularly uncertain, however they form a small proportion of the total financial impact (the majority of the impact is due to services already bulk billed but not currently eligible).

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

- The service volume of eligible MBS services would grow in line with the Australian population, with growth projections provided by the Treasury as at the 2024-25 Budget.
- The composition of relevant MBS items would remain stable over the costing period, consistent with the pattern observed between 2019-20 and 2022-23.
- The bulk billing incentive benefit and all other MBS rebates would grow in line with WCI-5 over the costing period consistent with the current indexation arrangements.
- Billing behaviours and relative differences between MBS benefits and patient fees would be similar to 2022-23.
- Practitioners are assumed to start bulk-billing a patient charged service once the remuneration from bulk-billing (with the incentive under the policy) is within \$10 of the average service 'gap fee'. This would grow linearly to 100 per cent where bulk-billing remuneration is \$5 over the average service gap (this is, where practitioners would on average make \$5 more by bulk-billing than their existing patient charge).

Methodology

Component 1

- The administered expenses for expanding BBI eligibility were calculated by multiplying the relevant BBI rate by the number of eligible services for the following cohorts:
 - Services already bulk billed but not currently eligible for BBI and would become eligible under the proposal.
 - Services that are currently patient charged but would become bulk billed under the proposal.
 - » A small impact from interaction with increased rebates in Component 2 is also captured here.
- The number of services that are currently patient charged but would become bulk-billed under the proposal was estimated based on the cost to practitioners to start bulk-billing under the policy, as per Key Assumptions.
- The cost was calculated per item for a given Modified Monash Model (MMM) and Private Health Network (PHN) area, based on the difference between the average gap fee for each service and location under the baseline, and the average gap after the relevant BBI was applied under the policy.

Component 2

- The administered expenses for increasing the MBS rebates (Component 2) were estimated by increasing the benefits for eligible MBS items by 20% across the costing period.

Ongoing departmental expenses for administering the program were calculated by multiplying the estimated increase in services by the estimated unit cost for administering the affected service items provided by Services Australia.

Financial implications were rounded consistent with the PBO's rounding rules as outlined on the PBO Costings and budget information webpage.¹

Data sources

The Department of Health and Aged Care provided the costings model used for the 2023-24 Budget measure *Strengthening Medicare*.

The Department of Health and Aged Care provided MBS data for general practice visits split by PHN and MMM for the 2022-23 financial year.

Services Australia provided the Services Australia Funding Model as at the 2024-25 Budget.

The Department of the Treasury provided updated economic parameters as at the 2024-25 Budget

¹ <https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules>

Attachment A – Triple the bulk billing rate – Financial implications

Table A1: Triple the bulk billing rate – Fiscal balance (\$m)^(a)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	Total to 2027-28	Total to 2034-35
Expenses													
Administered													
<i>Component 1 - BBI eligibility change</i>	-	-1,280.0	-1,280.0	-1,320.0	-1,370.0	-1,420.0	-1,460.0	-1,510.0	-1,560.0	-1,620.0	-1,670.0	-3,880.0	-14,490.0
<i>Component 1 - BBI additional services</i>	-	-133.0	-133.0	-138.0	-143.0	-147.0	-152.0	-158.0	-163.0	-168.0	-174.0	-404.0	-1,509.0
<i>Component 2 - MBS rebate increase</i>	-	-431.0	-432.0	-447.0	-462.0	-478.0	-494.0	-511.0	-528.0	-546.0	-564.0	-1,310.0	-4,893.0
Total – administered	-	-1,844.0	-1,845.0	-1,905.0	-1,975.0	-2,045.0	-2,106.0	-2,179.0	-2,251.0	-2,334.0	-2,408.0	-5,594.0	-20,892.0
Departmental													
<i>MBS additional services</i>	-	-63.8	-63.3	-64.9	-66.6	-68.3	-70.0	-71.8	-73.6	-75.4	-77.2	-192.0	-694.9
Total – departmental	-	-63.8	-63.3	-64.9	-66.6	-68.3	-70.0	-71.8	-73.6	-75.4	-77.2	-192.0	-694.9
Total – expenses	-	-1,907.8	-1,908.3	-1,969.9	-2,041.6	-2,113.3	-2,176.0	-2,250.8	-2,324.6	-2,409.4	-2,485.2	-5,786.0	-21,586.9
Total (excluding PDI)	-	-1,907.8	-1,908.3	-1,969.9	-2,041.6	-2,113.3	-2,176.0	-2,250.8	-2,324.6	-2,409.4	-2,485.2	-5,786.0	-21,586.9

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

- Indicates nil.

Table A2: Triple the bulk billing rate – Underlying cash balance (\$m)^(a)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	Total to 2027-28	Total to 2034-35
Payments													
Administered													
<i>Component 1 - BBI eligibility change</i>	-	-1,230.0	-1,280.0	-1,320.0	-1,370.0	-1,420.0	-1,460.0	-1,510.0	-1,560.0	-1,610.0	-1,670.0	-3,830.0	-14,430.0
<i>Component 1 - BBI additional services</i>	-	-128.0	-133.0	-138.0	-142.0	-147.0	-152.0	-157.0	-163.0	-168.0	-174.0	-399.0	-1,502.0
<i>Component 2 - MBS rebate increase</i>	-	-416.0	-432.0	-447.0	-462.0	-478.0	-494.0	-510.0	-527.0	-545.0	-563.0	-1,295.0	-4,874.0
Total – administered	-	-1,774.0	-1,845.0	-1,905.0	-1,974.0	-2,045.0	-2,106.0	-2,177.0	-2,250.0	-2,323.0	-2,407.0	-5,524.0	-20,806.0
Departmental													
<i>MBS additional services</i>	-	-61.6	-63.2	-64.9	-66.6	-68.2	-70.0	-71.7	-73.5	-75.3	-77.1	-189.7	-692.1
Total – departmental	-	-61.6	-63.2	-64.9	-66.6	-68.2	-70.0	-71.7	-73.5	-75.3	-77.1	-189.7	-692.1
Total – payments	-	-1,835.6	-1,908.2	-1,969.9	-2,040.6	-2,113.2	-2,176.0	-2,248.7	-2,323.5	-2,398.3	-2,484.1	-5,713.7	-21,498.1
Total (excluding PDI)	-	-1,835.6	-1,908.2	-1,969.9	-2,040.6	-2,113.2	-2,176.0	-2,248.7	-2,323.5	-2,398.3	-2,484.1	-5,713.7	-21,498.1

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

- Indicates nil.

Table A3: Triple the bulk billing rate – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	Total to 2027-28	Total to 2034-35
Fiscal balance	-	-40.0	-120.0	-210.0	-300.0	-400.0	-510.0	-630.0	-760.0	-900.0	-1,050.0	-370.0	-4,920.0
Underlying cash balance	-	-30.0	-100.0	-190.0	-280.0	-380.0	-490.0	-600.0	-730.0	-860.0	-1,010.0	-320.0	-4,670.0

- (a) As this table is presented as a memorandum item, these figures are not reflected in the totals in the tables above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary².
- (b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.
- Indicates nil.

² [Online budget glossary – Parliament of Australia \(aph.gov.au\)](https://aph.gov.au)