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Serving Australian Anaesthetists for 75 years

Extract from an article prepared by Dr David Olive on behalf of the Economics Advisory Committee.

For every rebateable medical service (i.e. one covered by Medicare, which excludes such things as cosmetic surgery) there is a Medicare Schedule Fee. The government pays 75% of the Schedule Fee and the health fund the remaining 25%. Since 2001, the health funds have been able to offer rebates above the Schedule Fee. These higher rebates are referred to variously as “GapCover”, “MediCover” or “EzyClaim” rebates, depending on the fund. In this article they will be referred to generically as “gap cover rebates”.

Anaesthetic accounts are calculated with the use of the Relative Value Guide, a system under which all anaesthetic services are made up of a number of “units”, which reflect the complexity and duration of the service. This number is independent of which anaesthetist is providing the service and of which health fund is insuring the patient. The total fee is derived by multiplying the number of units by that anaesthetist’s “unit price”. The rebate (i.e. what the patient receives back) is derived by multiplying the number of units by the health fund’s gap cover unit price.

So, if an anaesthetist charges \$40/unit and a health fund rebates \$30/unit, a hypothetical 7 unit procedure would result in a total fee of \$280 (7 x \$40) and a rebate of \$210 (7 x \$30), leaving a “gap” of \$70. For the same anaesthetist and health fund, a 70 unit procedure would result in a fee, rebate and “gap” of \$2800, \$2100 and \$700 respectively. This system enables us to compare funds’ rebates (and anaesthetists’ fees for that matter) regardless of what procedure is being undertaken.

Funds differ in that some offer “No Gap or Known Gap” and others offer “No Gap only”. This is an important distinction, one that is poorly understood by consumers. If the doctor’s fee is equal to or less than the health fund’s rebate, then that is self-evidently a “No Gap” account. If the doctor’s fee exceeds the fund’s rebate (and the patient was made aware that this would be the case prior to admission), then most funds allow a “known gap” account, under which, as you would expect, the patient pays the difference between the fee and the “gap cover” rebate. Some funds do not recognise “known gap” accounts, however, and only offer a “no gap” product. While superficially this might seem attractive to consumers, who understandably would prefer no gap to any gap, known or otherwise, it is a case of “buyer beware”. These funds state that as soon as the doctor’s fee exceeds the “gap cover” rebate, even by \$1, then the gap cover rebate will no longer be paid, and the rebate will be pared back to the minimum that the fund is required to pay by law – i.e. the Medicare Schedule Fee.

The Medicare Schedule Fee is presently \$18.70/unit. If an anaesthetist charges \$31/unit and the health fund gap-cover rebate is \$30/unit, then with a “Known Gap” fund, the gap would be only \$1/unit, whereas with a “No Gap only” fund, the gap would be \$11.30/unit, even though the fee only exceeded the fund’s gap-cover rebate by \$1. This represents the fund trying to arm-twist the doctor into dropping their fees by threatening to disadvantage the patient unless the doctor complies. It is crucial that the doctor practises good Informed Financial Consent, so that the patient’s ire in such cases is directed towards the fund for their restrictive conditions and subsequent poor rebate, not to the doctor about their (supposedly) high fees.

If you would like more information on this topic, please contact aterry@fed.asa.org.au

The ASA... representing Australian Anaesthetists, since 1934

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