

Pathology in Australia

Pathology: the Profession

Pathology is literally "the study of disease" and is the science upon which medicine is based. Pathologists are medical specialists who must undergo a minimum of 11 years medical training to qualify. There are six areas of specialty within pathology, viz Anatomical Pathology, Haematology, Chemical Pathology, Microbiology, Immunopathology, and Genetics; this diversity in expertise throughout private and public sectors in all states is essential to ensure that all Australians have access to the highest quality specialist pathology care.

Pathology and pathologists are responsible for 70% of all medical diagnoses^{1,2} and 100% of all cancer diagnosis and make a significant contribution to the management of disease.

Pathologists and pathology play an essential role in the majority of preventive health programs and are crucial for the diagnosis and management of many chronic diseases such as cancer, diabetes, arthritis, hepatitis, and HIV.

Australian Pathology: world's best practice

Australian pathology is considered world's best practice and all Australians enjoy the highest quality pathology care, regardless of their socio-economic status or geographical location.

*"Australia has a long history of focusing on quality assurance and continuous improvement in pathology services.... RCPA (Royal College of Pathologists of Australasia) has driven the implementation of a quality framework that is unparalleled internationally."*³

Pathology is the most highly regulated of all medical specialties with stringent regulations and legislation that underpin the provision of high quality safe pathology services. RCPA's paper entitled "Quality of pathology services" is attached at Appendix A to illustrate and expand on this point.

Also attached at Appendix B is a short overview and history of the regulations and quality measures that govern the collection of pathology specimens in the community.

Pathology: a leader in e-health

Of all the disciplines in health, pathology has led in the use of information technology for the transmission of its records. In fact, for more than a decade pathology laboratories have been delivering electronic information to customers. With around 40 million reports delivered electronically in 2007, pathology remains the leader in this important area of e-health.

Pathology: efficient billing practices

As with other Australian medical services, each pathology episode is charged on a "fee-for-service" basis. Fee for service billing is a simple and efficient billing method ensuring only tests undertaken are billed, so that the services performed are described for each episode. Fee for service also results in a very comprehensive data base enabling sophisticated and continuous analysis and monitoring of the incidence and cost of pathology services.

^{1, 2,3} Department of Health Pathology Modernisation Team. Modernising pathology

² RCPA "Quality of pathology services" July 2008

³ RCPA "Quality of pathology services" July 2008

Pathology: the process

Pathology services are also governed by internal administrative pathology processes. This process is illustrated at Appendix C.

Pathology: ensuring equity and access for all

The pathology sector has worked hard to ensure that all Australians have equal access to pathology services, regardless of their social, economic or ethnic background. In contrast to many other areas of health and medical care (for example as described in the “Australia the Healthiest Country by 2020” discussion paper), there are no disparities of access to pathology services between Aboriginal and non-Aboriginal Australians in metropolitan, regional or remote Australia.

Medicare Australia data⁴ provide robust evidence for the high level of access provided by the pathology sector in Australia:

- In the fiscal year 2007/08 there were 29,777,903 Medicare items claimed for referred pathology services (PEIs);
- 14,305,832 of these were collected in Approved Pathology Collection Centres (APCCs) located throughout Australia. Approximately 38% of APCCs are in regional, rural and remote locations; and
- There were 851,183 specimens collected from patients' homes and 418,076 collected from nursing homes during that period.

Pathology specimens are transported (over 1400 vehicles are owned and operated by private pathology) to one of the 376 laboratories⁵ (includes category B, GX or GY but excludes Category S, M⁶) located throughout metropolitan, regional and remote Australia for testing. Laboratories provide 24 hour and/or on call services⁷ to GPs, specialists and hospitals, at their own expense with no additional costs accruing to patients or Medicare.

For the convenience of the Australian public and requesting practitioners, private pathology performs over 600,000 non-pathology tests within its laboratories. These include Warfarin dosing, ECGs, Holter Monitors, 24 hour blood pressure monitor, spirometry, peer reviews, case reviews with various specialist groups, vaccine delivery, infection control within hospitals, intravenous cannulation for private hospital and blood transfusion services, pre-employment testing and occupational health/environmental testing e.g. water quality testing. Without the provision of these services by private pathology providers many Australians would not have convenient access to these essential medical services.

Pathology laboratories also maintain regular contact with public hospitals to manage histopathology services and provide hospital and forensic autopsies. They provide, without charge, notifications to the various health/cancer/infectious disease registers, for example the Pap Smear Register, and conduct clinical research in a range of areas. Many laboratories also contribute to local drug and alcohol monitoring programs. These contributions provide significant benefits for the current and future health and welfare of the Australian community.

⁴ Medicare Australia Statistical Item reports June 2007 -08 accessed via www.medicareaustralia.com.au

⁵ NATA list of 423 Laboratories accessed via the website www.nata.asn.au

⁶ All Australian pathology laboratories are categorised under Australian Government regulations governing pathology services

⁷ AAPP survey September 2008

Private pathology providers also play a major role in medical and public education and training including:

- Conducting education/training sessions for GPs/Divisions of General Practice, medical specialists, scientists, collection staff, medical registrars and non-medical staff;
- Producing and distributing public educational flyers and brochures; and
- Giving lectures at universities on a range of relevant health and medical topics.

It is estimated that there are 36,000 people directly employed in providing private pathology services within Australia. Pathology laboratories contribute to their local communities by employing staff from the area and supporting local businesses, either by engaging their services or sponsorships. Representatives from local laboratories participate on many hospital/academic committees in the areas of patient management, infection control and clinical auditing.

Pathology: the Business

Pathology in 2008 operates a very different business model⁸ from that of 20 years ago. Major changes and operational efficiencies within the sector have resulted from the rising cost⁹ of running pathology services whilst, concurrent with cost increases, pathology rebates have remained stagnant or have been cut. Some of the major factors affecting the business environment in which the pathology sector operates are as follows:

- AWE and CPI have increased by approximately 200%¹⁰ since 1988 (pathology employs over 36,000 people nationwide)¹¹;
- Medicare rebates are today lower than they were in 1985. This long term fee attrition has been offset by increased automation, practice aggregation (economies of scale) and sophisticated management practices. Pathology providers can no longer significantly expand on their use of these mechanisms to offset continuing fee attrition. Since 2000, these combined measures have saved the Australian taxpayer over \$3 billion;
- If a GP orders four or more tests on a patient at any one time the pathologist will only get paid for three tests (“coning”). This unpaid work currently adds up to \$200 million per year;
- Medicare Services data suggest that 34.3% of all Medicare activity relates to pathology (and this is rising), and pathology attracts 14.5%¹² of rebates (and this is falling); and
- Private pathology currently bulk bills approximately 90% of all patients. This is higher than any other medical specialty, including general practice.

The pathology sector has responded to the above factors by implementing business model changes to increase efficiency within the sector. However, there are now no more significant cost efficiencies to be gained.¹³ Despite this the profession continues to be placed under financial pressure, including from the following:

- Ever increasing demand for pathology services/utilization inside a capped funding environment where GP/specialist ordering is not within the control of the pathology profession¹⁴;
- Government initiatives and policies, and advances in best practice medicine principles^{15, 16};

⁸ Profitability and returns in the non- government sector” Price Waterhouse Coopers August 2008

⁹ Review of cost and cost drivers for the non government pathology sector Oct. 2008

¹⁰ AAPP Review fact sheet

¹¹ DOHA “Pathology Workforce in Australia” 2008 and AAPP survey

¹² Pathology a declining proportion of Medicare outlays, EW consulting July 2008

¹³ “Profitability and returns in the non- government sector” Price Waterhouse Coopers August 2008

¹⁴ An Analysis of Pathology Test Use in Australia “ a collaborative study BEACH, Uni of Sydney and AAPP July 2008

¹⁵ “An Analysis of Pathology Test Use in Australia “ a collaborative study BEACH, Uni of Sydney and AAPP July 2008

¹⁶ “Profitability and returns in the non- government sector” Price Waterhouse Coopers August 2008

- More than 10% of revenue being lost to pathology practices through “coning”¹⁷;
- Pathology laboratories requiring high volumes of tests to sustain financial viability¹⁸ but without the option of further amalgamations, giving higher volumes, due to restrictions of the Trade Practices Act;
- Reaching the limit in revolutionary technological advances, restricting significant further automation savings.

The Medicare funding reduction of pathology testing, in real terms, over the past 20 years, has resulted in a large reduction in the number of small to medium sized laboratories, reflecting their difficulty in achieving cost containment (see Appendix D - *The Role of Small-medium Private Pathology Practices in Australia*).

If these issues are not addressed, private pathology will find it difficult to continue to provide into the future the same high level of service to the Australian community (including access and affordability), particularly in areas which are currently unfunded or under-funded by governments.

¹⁷ AAPP 2007/08 Review Fact sheet

¹⁸ Profitability and returns in the non- government sector” Price Waterhouse Coopers August 2008