

MEDIA RELEASE

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New EY report: Australian private pathology saved tax payers \$2.4bn in 2014-15

CANBERRA: The Australian private Pathology sector delivered cost savings to Government of \$2.4bn last financial year including a \$2bn efficiency dividend from productivity improvements plus \$450m worth of unpaid tests according to a new report released today.

Costs to Government would have been \$4.9 billion without the Pathology industry delivering productivity gains and unpaid services.

The *Estimating the Pathology Productivity Dividend* report by EY examined the costs and productivity of the Australian pathology sector and the dividend efficiencies delivered. The review of 17 years of pathology figures includes extensive primary source data provided by the Pathology industry detailing for the first time the level of services provided free of charge and reveals the true cost of pathology services.

Key findings

- **\$450m worth of testing was provided free of charge during 2014-2015 due to buy 3 tests get the rest free coning payment arrangement.**
- **Tests provided free of charge by the Pathology industry have increased from 5% of pathology tests in 1999-00 to 17% of tests performed today.**
- **Productivity improvements delivered \$2bn in cost savings to Government.**
- **The Pathology industry delivered an average annual growth in productivity of 4.3% compared with the Australian industry average of 1.5%.**
- **Australian pathology is cheaper than comparable countries including USA and Canada. The Grattan Institute's February report failed to account for the impact of coning.**

Pathology testing requested by GPs and specialists is the mainstay of preventive health and early detection of disease. Over the last 19 years the number of pathology services has risen from less than 48.7million per year to more than 128.8 million.

"This is the first time that the Pathology industry's complex funding system has been closely examined using commercial data from within the industry itself. Our analysis includes details of the coning system, which has a significant impact that has not been accounted for in previous reports" said report author Dr Tony Sherbon.

A single pathology request may include a number of Medicare services, each Medicare service can contain in some cases up to 20 tests. The coning system allows pathology providers to only be reimbursed by Medicare for the 3 most expensive tests requested by a General Practitioner at one time. When a General Practitioner requests more than 3 pathology services, pathology providers must undertake the additional tests free of charge – see Figure 3.

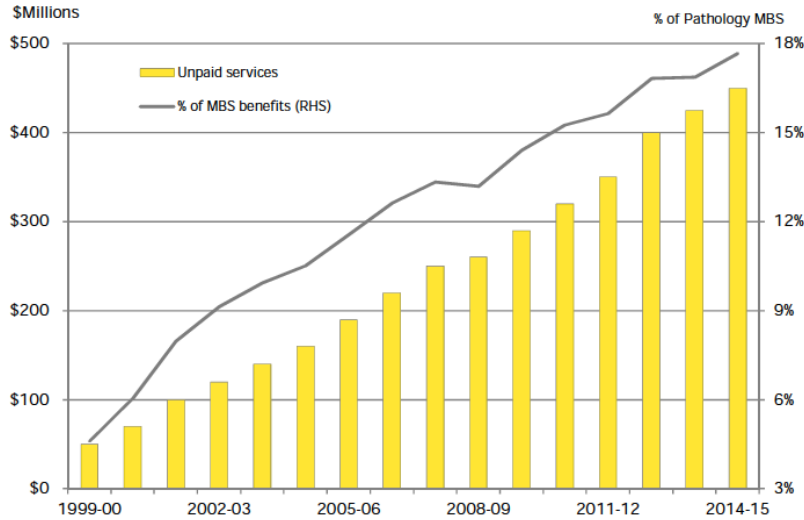


Figure 3 Coning non-funded tests

The report notes ‘When the costs of providing pathology services in Australia are compared internationally, Australia is a leader in delivering value for money, while maintaining quality of service’.

Contradicting a report released by the Grattan Institute in February, the inclusion of coning in EY’s report shows Australian pathology costs \$381m less than the USA, and \$45m less than Canada.

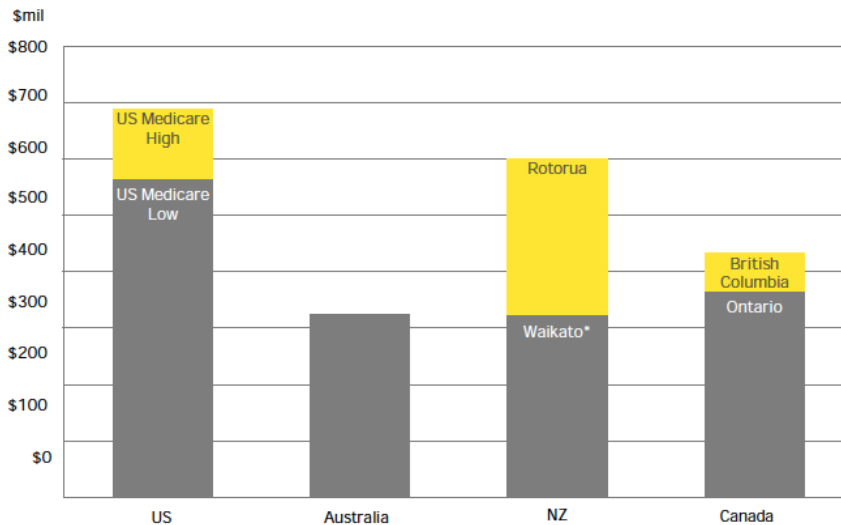


Figure 4 International fee comparison

Despite the sector’s efficiency the Government intends to scrap bulk billing incentive payments for pathology on 1 July.

The bulk billing incentive fee means patients receive bulk billed pathology services, via community collection centres that service remote and regional areas as well as towns and cities. Without this fee some collection centres will be at risk of closure meaning job losses and reduced services for patients.

Pathology Australia President Dr Nick Musgrave says the sector can do no more with less funding.

“This report shows that the Pathology industry has been providing an efficient and high quality service under increasing pressure for a number of years. Every year pathology does more for less and scrapping the bulk billing incentive will force providers to close services in some areas and patients will be asked to pay a co-payment”.

ENDS

Media contacts

John Emmerson 0448 493 146
Annette Stenhouse 0416 861 732

Media conference

Date: Thursday 28th April 2016

Time: 9.15am – 10.15am

Location: Capital Pathology, Equinox Building 4, Ground Floor, 70 Kent St, Deakin ACT 2600

Comment: Dr Nick Musgrave Tony Sherbon are available for interview.

Vision: Opportunity to film inside pathology laboratory.

Patient case studies can be provided.

Pathology Australia

Pathology Australia is the national peak body for private pathology in Australia. Members include small specialised laboratories as well as large corporations with laboratories nationwide. Pathology Australia members are committed to the provision of high quality, affordable, safe and accessible pathology service to all Australians. Pathology Australia members provide a majority of all community-based pathology services in Australia.