



## A new Medicare Safety Net

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As announced in the 2014-15 Budget the Government will introduce a new Medicare Safety Net from 1 January 2016 (subject to passage of legislation) to assist people with out-of-pocket costs for their out-of-hospital Medicare services. Until this time, the existing safety net arrangements will continue until the end of 2015.

### What is the new Medicare Safety Net?

Just like the Extended Medicare Safety Net, the new Medicare Safety Net will increase the Medicare benefit payable once an annual threshold in eligible out-of-pocket costs for Medicare out-of-hospital services is reached.

**Medicare benefit** is the amount that is paid for a Medicare-eligible medical service. It includes the Medicare Safety Net benefit where applicable.

**Medicare Safety Net benefit** is the amount a Medicare benefit is increased once the annual threshold in eligible out-of-pocket costs is reached.

**Eligible out-of-pocket costs** means the difference between the fee you are charged by your doctor, and the MBS rebate you will receive from Medicare.

**MBS rebate** is an amount of money which patients receive from Medicare following a Medicare-eligible service. It is based on the MBS Fee and does not include the Medicare Safety Net rebate.

**MBS Fee (or Schedule Fee)** is the fee the Government has set for each individual Medicare service. This is different from the fee the doctor chooses to charge.

From 1 January 2016 there will be a limit on the eligible out-of-pocket costs that count towards reaching the threshold. The maximum accumulation amount per Medicare service will be 150% of the MBS Fee less the MBS rebate. Any out-of-pocket costs beyond that amount will not count towards reaching the threshold.

Once the relevant threshold has been reached, Medicare will pay Safety Net benefits of 80% of any future out-of-pocket costs for out-of-hospital Medicare services for the remainder of the calendar year. However, the maximum Medicare benefit (the MBS benefit plus the Safety Net benefit) a patient is able to receive for each service is limited to 150% of the MBS Fee.



## What will the thresholds for the Medicare Safety Net be?

From 1 January 2016, the thresholds will be:

1. \$400 for singles and families with Commonwealth concession cards;
2. \$700 for families who qualify for Family Tax Benefits Part (A), and single people without concession cards; and
3. \$1,000 for all other couples and families.

## What are out-of-hospital services?

Out-of-hospital services include GP and specialist attendances, services provided in private clinics and private emergency departments, and many pathology and diagnostic imaging services. However, many day surgery facilities are classified as hospitals in Australia. The distinction between in-hospital and out-of-hospital services is not always obvious. It is important that patients talk with their doctors regarding the classification and likely out-of-pocket costs for their medical treatment, including any benefits paid through Medicare.

## What services are not eligible for the Medicare Safety Net?

In-hospital services (including hospital-substitute services) are not eligible for the Medicare Safety Net. Where people receive their treatment in-hospital as a private patient they are eligible for a Medicare benefit equal to 75% of the MBS Fee. If they hold Private Health Insurance (PHI), they may also receive a benefit from their PHI fund.

The Medicare Safety Net provides an additional benefit for eligible out-of-hospital Medicare services. It is not available for services for which a Medicare benefit is not paid and out-of-pocket costs for these services do not count towards the annual Medicare Safety Net threshold.

## How will benefits be calculated under the Medicare Safety Net from 1 January 2016?

The following provides an example of how benefits will be calculated for an initial specialist consultation (MBS item 104) which in 2014 has a MBS Fee of \$85.55 and an out-of-hospital Medicare benefit of \$72.75.

### To qualify for the Medicare Safety Net

The limit on out-of-pocket costs that can count towards the threshold is equal to the difference between the Medicare benefit and 150% of the MBS Fee, which in this case is \$55.60 ((150% x \$85.55) less \$72.75) or the difference between the Medicare benefit and the doctor's fee, whichever is the lesser amount.

Example 1: If a patient is charged \$120 for the consultation and the Medicare benefit is \$72.75, this leaves an out-of-pocket cost of \$47.25 (\$120 less \$72.75). As this out-of-pocket amount is below the maximum amount allowed to be counted towards the threshold for this item, \$47.25 is counted towards the patient's threshold.



Example 2: If a patient is charged \$150 for the consultation and the Medicare benefit is \$72.75, this leaves an out-of-pocket cost of \$77.25 (\$150 less \$72.75). As this out-of-pocket is more than the maximum amount allowed to be counted towards the threshold for this item, only \$55.60 is counted to the threshold.

### Calculating benefits once the threshold is reached

Once the patient has reached the threshold, the maximum Medicare benefit payable is equal to 150% of the MBS Fee, which for MBS item 104 is \$128.35.

Example 1: If a patient is charged \$120 for the consultation, the Medicare benefit is \$72.75, this leaves an out-of-pocket cost of \$47.25 (\$120 less \$72.75). Medicare safety net benefits are calculated as 80% of the out-of-pocket costs, which in this case is \$37.80 (80% of \$47.25). As the total calculated Medicare benefit of \$110.55 (\$72.75 standard benefit plus safety net of \$37.80) is less than the maximum Medicare benefit payable for this item, the patient receives \$110.55. The patient's remaining out-of-pocket cost after the total Medicare benefits are paid is \$9.45 (\$120 less \$110.55).

Example 2: If a patient is charged \$150 for the consultation, the Medicare benefit is \$72.75, this leaves an out-of-pocket cost of \$77.25 (\$150 less \$72.75). Medicare safety net benefits are calculated as 80% of the out-of-pocket costs, which in this case is \$61.80 (80% of \$77.25). Given the total calculated Medicare benefits of \$134.55 (Medicare benefit of \$72.75 and safety net benefit of \$61.80) is greater than the maximum Medicare benefits payable for this item of \$128.35, the patient receives the maximum Medicare benefit of \$128.35. The patient's remaining out-of-pocket cost after the total Medicare benefits are paid is \$21.65 (\$150 less \$128.35).

### Do I have to register for the new Medicare Safety Net?

No. If you have registered as a family for the previous Medicare Safety Net arrangements – there is no need to re-register. However, it is important that the Department of Human Services has your correct details.

To register as a new family, couples and families should contact the Department of Human Services— Medicare by calling 132 011, to register their family members as part of a Medicare eligible family. Registering as a family allows eligible out-of-pocket costs for each individual family member to count toward the family's Medicare Safety Net threshold. Couples and families need to register even if all family members are listed on the Medicare card. Registration is only required once unless family members change, for example, if a dependent child is no longer studying or you have a newborn baby.

The Department of Human Services will contact people to confirm their family members when people are approaching their threshold.



## What will happen for Medicare services provided before 1 January 2016?

For out-of-hospital Medicare services that are provided before 1 January 2016 the existing original and extended Medicare Safety Net arrangements will continue.

## How will the new Medicare Safety Net arrangements affect me?

The majority of people will not notice a change in their Medicare benefits due to the changes to the safety net arrangements. Under the new Medicare Safety Net, as there are lower thresholds, more people will receive an increased Medicare benefit.

People that are charged fees that are greatly in excess of the MBS Fees, may have a reduction in the Medicare benefit that they receive for some services.

## Why is the Government introducing a new Medicare Safety Net?

The existing safety nets are complex and have undergone many changes over the years, which has added complexity to the system and made it harder for patients and providers to understand their Medicare entitlements. Two previous independent reviews of the Extended Medicare Safety Net reported that the problems with the existing arrangements were largely related to the uncapped nature of the program.

The new Medicare Safety Net will introduce limits across all services for the amount that is counted toward the Medicare Safety Net threshold and a maximum on the benefits patients receive for each service. This will constrain growth of Medicare expenditure.

The lower thresholds in place in 2016 for most people will mean that more people will qualify for Medicare Safety Net.

## What else is changing with the Medicare Safety Net?

From 2016, single people without concession cards will have a lower Medicare Safety Net threshold compared to now.

Couples who are living apart due to illness or infirmity, such as when one spouse is resident in a residential aged care facility, will now be able to register as a family and have their costs accrue to the one threshold in recognition that people in this situation often continue to pool their living expenses.

Young people who are financially dependent on their family and unable to study full time due to illness or disability will be able to remain on their family's Medicare Safety Net registration. Previously, if they were not in fulltime study, there was a requirement that they be removed from the family registration at age 16.

## Where do I get further information on the new Medicare safety or my Medicare entitlements?

For further information about the Medicare Safety Net and Medicare entitlement, please contact the Department of Human Services (DHS) – Medicare, you can call on 132 011 or visit your local DHS Service Centre or Medicare office.



The website [www.mbsonline.gov.au](http://www.mbsonline.gov.au) also provides information on the Medicare Safety Net and a search engine which allows you to search Medicare services to identify the standard Medicare benefit payable.