

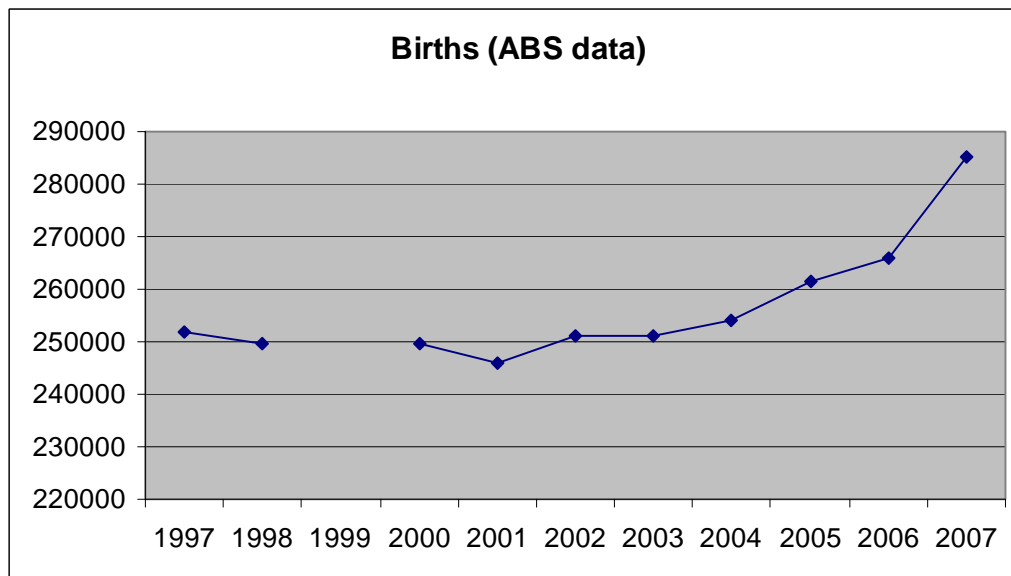
THE INCREASING COST OF PRIVATE MATERNITY SERVICES

What the data shows:

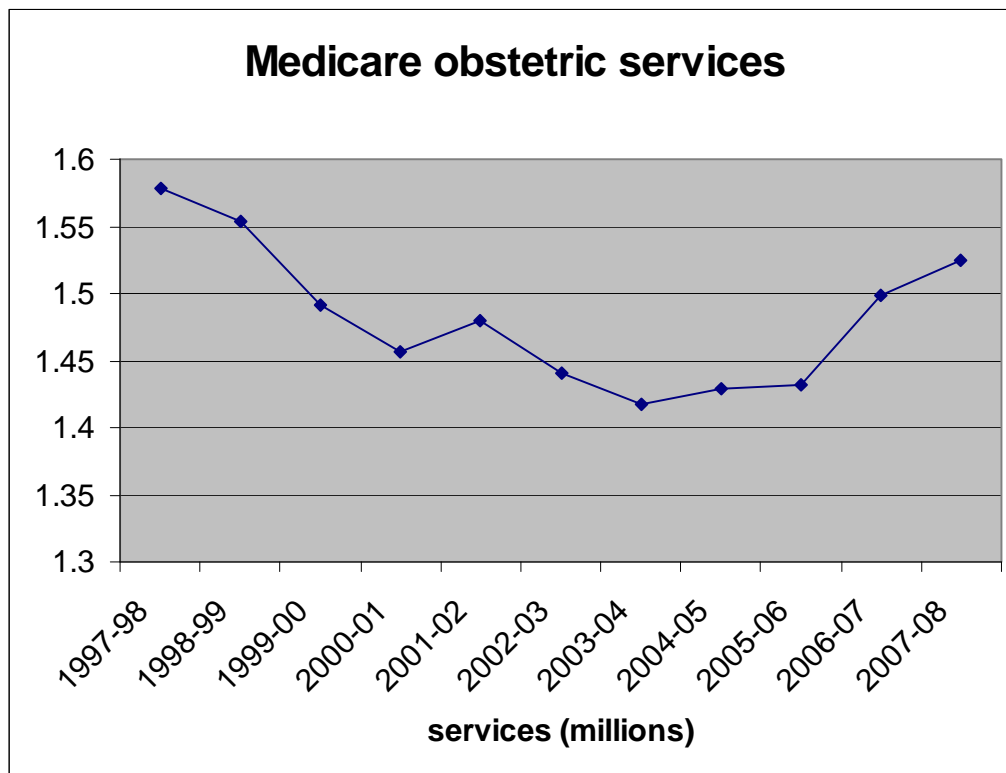
While the Australian birthrate has increased by 13 %, from 251,800 to 285,200 over the decade from 1997 to 2007, the cost to Medicare of obstetrics services in that time has increased 285%, from \$54.9 million in 1997-98 to \$211.3 million in 2007-08. This is despite the fact that the number of Medicare-reimbursed obstetrics services has declined by 4.5%. The number of Medicare funded deliveries has increased over that time, but remained constant at one-third of all births. However the number of routine antenatal services has decreased by 15.3%. This is offset by an increase in the number of diagnostic tests ordered.

The dramatic increase in costs means that Medicare is now paying three times as much in fees per private birth as it was a decade ago (\$721 / birth in 1997-98 vs \$2357 / birth in 2007-08). If the additional costs of the Medicare safety net (\$98.6 million in 2007) are included, then the cost to Medicare of a private birth in 2007-08 was \$3457.

The birth rate in Australia was fairly constant over the years 1997-2003, but began to rise in 2004, presumably as a consequence of the Howard-Costello baby bonus, and in 2007 Australia had the highest number of births ever registered.



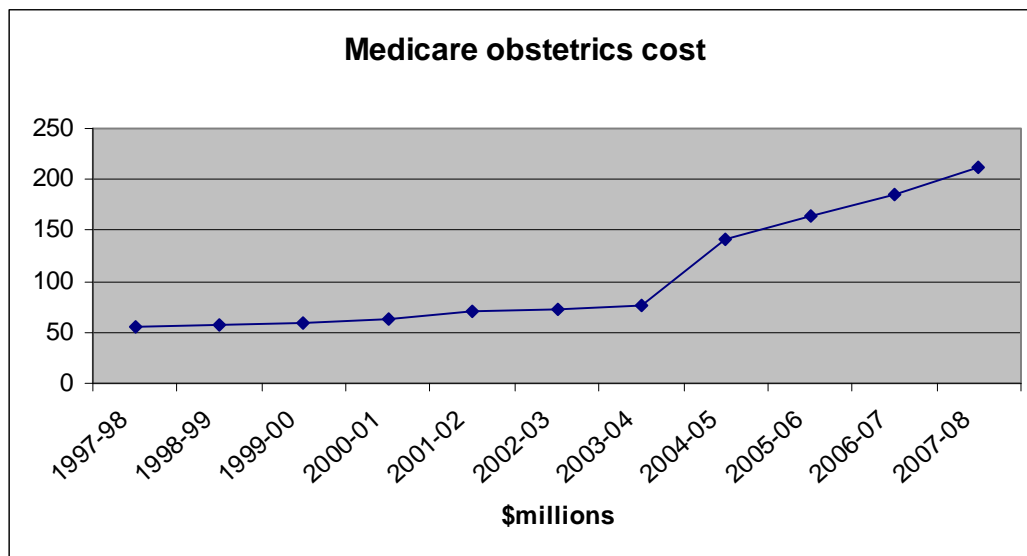
The number of Medicare-reimbursed private obstetrics services declined considerably from 1997-98 until 2005-06, when they began to rise again. However they have yet to reach the levels of a decade ago.



The number of Medicare-rebates for labour and delivery departed somewhat from this pattern, declining from 1997-98 until 2000-01, with slow increases since then (perhaps due in part to the impact of the 30% private health insurance rebate) and with significant increases since 2005-06. However, as noted above, this had not led to an increase in the percentage of births which occur in the private sector.

The major impact over the past few years has been in costs which have taken off dramatically since 2004-05. This is due to the introduction of item 16590 for the planning and management of pregnancy (after 20 weeks). This item has largely taken the place of a booking fee for which no Medicare reimbursement was previously payable. It was introduced by the Howard Government when it became clear that some obstetricians were gaming the Medicare safety net rules to enable their patients to claim this fee, which in July 2008 averaged \$1,980.51 but which can be as high as \$9,000. The recently released Discussion paper on Improving Maternity Services in Australia notes: 'Anecdotally, whereas the booking fee was an exception, it appears that the charging of a planning and management fee is now widespread'.

It is interesting to note that this fee was claimed 122,975 times in 2007-08, a number considerably higher than the number of births (89,655). This might be because some pregnancies were lost after 20 weeks, or it may be that this item was claimed for women who later delivered as public patients.



It is interesting to note the increasing disuse of items 16519 (management of labour and delivery by any means (including Caesarean section) including post-partum care for 5 days) and 16520 (Caesarian section and post-operative care for 7 days where the patient's care has been transferred by another medical practitioner for management of the confinement and the attending medical practitioner has not provided any of the antenatal care) in favour of the highly reimbursed item 16522. This item requires that one or more pre-existing conditions are present, but given that these include glucose monitoring, a previous C-section, and prolonged labour, this requirement is presumably easily met.

The Discussion Paper on maternity services also notes that obstetric costs are heavily subsidised by the Medicare Safety Net. In 2007, 31% (\$98.6million) of total safety net expenditure went to obstetric services.

However the patient is still left with substantial out-of-pocket costs. Medicare Australia data shows that these costs have increased from \$20.90 in the March 2004 quarter to \$86.97 in the June 2008 quarter. Given that in 2007-08 only 29.63% of obstetric services were bulk billed, this means that patients paid \$93.23 million in out-of-pocket costs in the last financial year.

This data does not address the issue of the cost to government resulting from the 30% rebate for private health insurance or the out-of-pocket costs incurred by patients with private cover.