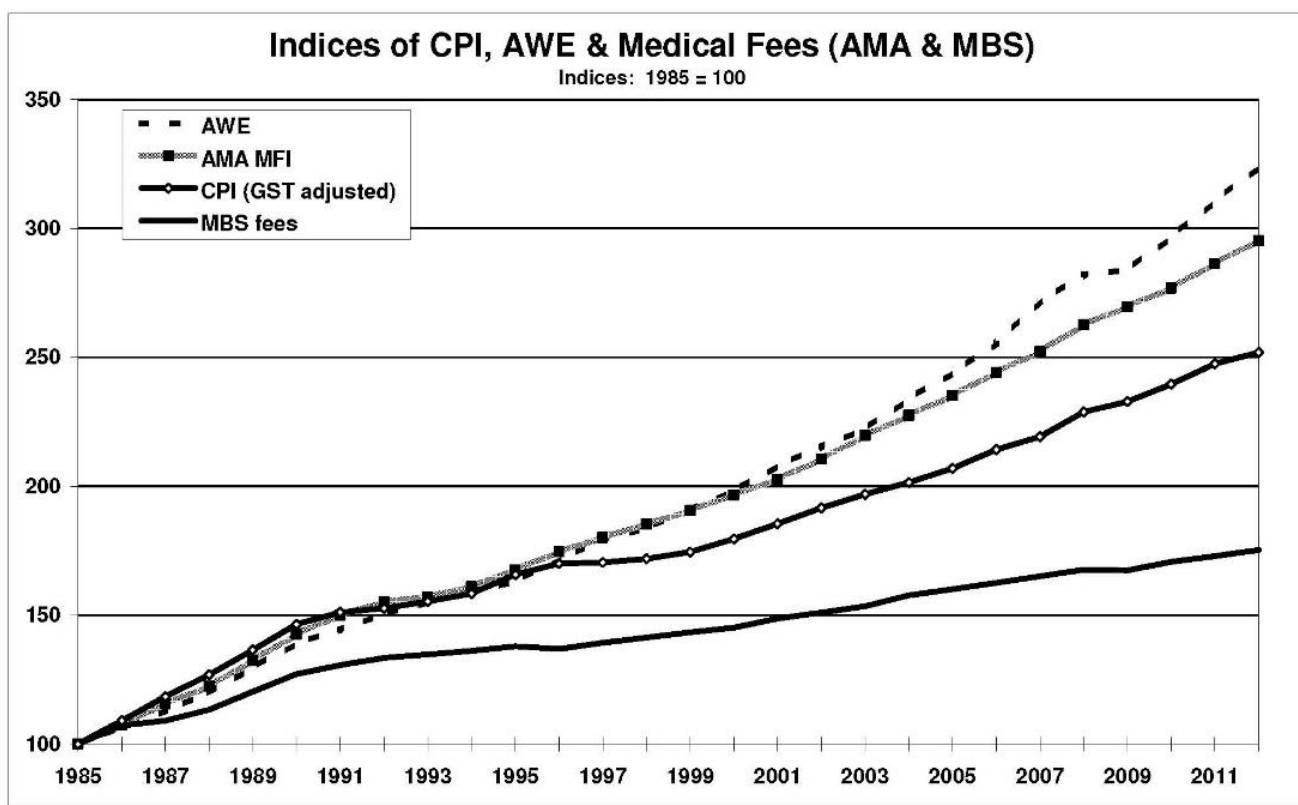


Health insurance rebates for anaesthesia procedures

Anaesthetists' fees are calculated according to the Relative Value Guide (RVG). This system allocates a number of 'units' to an anaesthesia service, the number varying with factors such as the complexity of the surgery, the time taken, and the age and general health of the patient. For example, anaesthesia for a major procedure such as open heart surgery may generate 50-60 units or more (depending on the time taken) whereas a smaller operation such as wisdom teeth extraction may attract around 12 units.

The fee for an anaesthetic is calculated as (number of units) x (unit dollar value). By law each anaesthetist must individually decide upon a unit dollar value, as such, anaesthetists cannot agree on a single set fee as a group. Generally, the ASA endorses the AMA fee schedule, which is updated in November of each year. The current AMA RVG unit value, which the ASA considers to be a fair reflection of the value of anaesthetists' services, and therefore a reasonable maximum, is \$77.

The AMA fee schedule incorporates annual indexations which are carefully calculated based upon factors such as inflation, the Consumer Price Index (CPI) and average weekly earnings (AWE). Any indexation less than the AMA level results in a drop in the unit value in real terms. Over the last 25 years, the annual indexation in the Medicare Schedule Fee has consistently been less than inflation (see chart below). Practice costs, on the other hand, increase year by year in line with inflation.



(2012 Fees gap chart – Produced by the Australian Medical Association)

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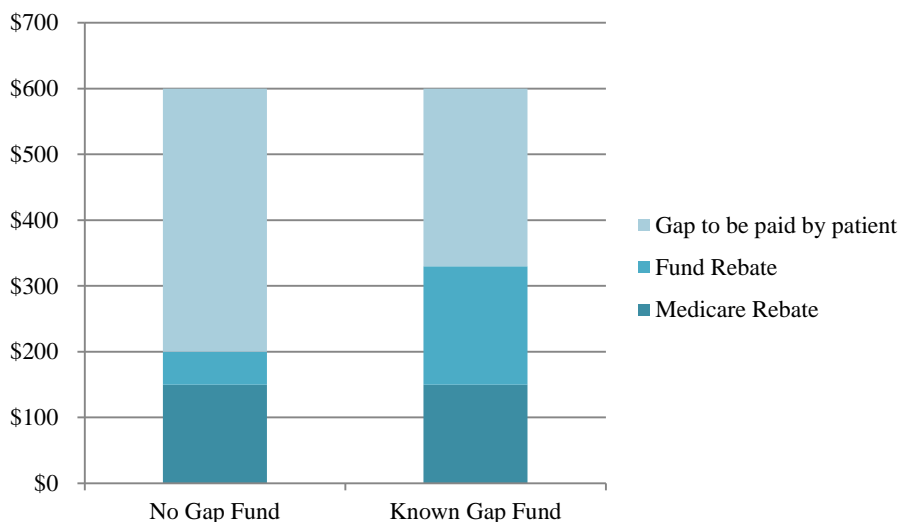
All Australian citizens are entitled to a Medicare rebate of 75% of the 'Schedule Fee' for anaesthetists' services in private hospitals. Private health insurers cover the other 25% of the Schedule Fee. The Medicare 'Schedule Fee' (\$19.80) is significantly lower than the AMA fee; in fact for anaesthesia the difference is the highest for any medical speciality. Private health insurers are prepared to pay more than the Medicare 'Schedule Fee' (see table below) but place various terms and conditions on this extra payment. These conditions vary from insurer to insurer.

Some health insurers offer only a 'no gap' policy where if the anaesthetist does not accept the insurer's total rebate (around \$30-37 as per the table below) as the full fee, these insurers will then only provide benefits up to the level of the MBS 'Schedule Fee' (a total of \$19.80). As this 'no-gap' total rebate is still significantly less than the AMA fee, many anaesthetists will not accept this total rebate as their full fee, and a gap will be payable by the patient.

The 'no gap' insurers include BUPA (Mutual Community, HBA, and MBF), HCF, NIB and Manchester Unity. As can be seen in the examples below, patients with these insurers will often have significantly higher gaps to pay despite the total fee being the same for all cases.

Other insurers offer a 'known gap' policy. These funds will continue to pay at the \$30-37 level even where there is a gap to pay. However, each insurer applies different terms and conditions to their 'known gap' policy. Most importantly, a 'known gap' arrangement requires written informed financial consent by the patient.

The example below illustrates the difference between the two types of funds. Here an anaesthetist has sent an account for 10 units at a fee of \$60 per unit. The full fee is \$600. The 'no gap' fund will only top up the Medicare repayment to \$200 leaving a gap of \$400. The 'known gap fund' will top the Medicare repayment to \$330 (at a known gap rate of \$33/unit) leaving a gap of \$270. The patient is, therefore, \$130 better off and the anaesthetist is paid the same.



There is no requirement for an anaesthetist to accept a "no gap" or "known gap" arrangement. Some anaesthetists may send you a private account. In this case your total rebate will depend on your insurer. Some will rebate at "known gap" levels, but others will only pay the Medicare 'Schedule Fee'.

The table below shows the payment per RVG unit for a number of insurers, and the most recent indexation. The current AMA and MBS unit values are included for comparison.

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Fund	RVG Unit Value	Last Indexation
MBS	\$19.80	0.0%
DVA	\$32.70	0.0%
AMA ¹	\$77.00	3.0%
CPI ²		2.4%

Known-gap

Medibank Private	\$32.70	0.0%
AHSA ³	\$34.01	1.0%
HBF	\$29.85	1.2%

No-gap

HCF	\$34.45	0.6%
BUPA ⁴	\$33.75	1.2%
NIB	\$31.05	0.0%
HBF	\$38.30	1.3%

- November 2013 indexations varied significantly between payers
 - MBS Indexation delayed until July 2014
 - DVA Indexation delayed until July 2014
 - Medibank Private Indexation delayed until July 2014
 - AHSA Indexation on a pro-rata basis in November 2013 and July 2014, only to portion above the MBS Fee
 - Bupa Indexation only to the portion above the MBS Fee
 - nib Indexation delayed until July 2014
 - HCF Indexation on a pro-rata basis in November 2013 and July 2014, only to portion above the MBS Fee
 - HBF Indexation on a pro-rata basis in November 2013 and July 2014, only to portion above the MBS Fee

2. The AMA unit value is rounded off to the nearest dollar. The indexation is applied to the original 'unrounded' figure.

3. The CPI figure is for the 12 months to September 2013

4. Average value – RVG unit value varies from state to state. AHSA RVG unit values and indexation for each state are:

NSW/ACT	\$33.90	0.9%
VIC	\$34.60	0.9%
QLD	\$33.90	0.9%
WA	\$33.20	0.9%
SA	\$33.80	0.9%
TAS	\$35.10	0.9%
NT	\$33.60	0.9%

5. Average value – RVG unit value varies from state to state. Bupa RVG unit values and indexation for each state are:

NSW/ACT	\$32.85	1.1%
VIC	\$35.45	1.3%
QLD	\$32.95	1.1%
WA	\$33.00	1.2%
SA	\$36.10	1.5%
TAS	\$32.85	1.1%
NT	\$33.05	1.4%

6. HBF does not offer its "no gap only" arrangement to anaesthetists outside WA

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The following is an example of an anaesthesia fee, and the varying rebates offered by different insurers.

Description	Units	Unit value	Fee
Anaesthesia for appendicectomy	6	\$77.00	\$ 462
Start 8.00pm end 8.40pm (40 minutes)	4	\$77.00	\$ 308
Total	10		\$770.00

A patient insured with (for example) Medibank Private would receive a rebate of (10 x \$32.70) \$327.00, leaving a gap of \$423.00. A patient insured with Mutual Community, HBA, MBF, NIB, HCF or Manchester Unity would receive only the Medicare 'Schedule Fee'. The rebate would be (10 x \$19.80) \$198.00, leaving a significantly higher a gap of \$552.00, despite the total fee being the same for both patients. If these insurers would agree to pay their full rebate, the gap would be approximately \$200 less.

If you are having surgery you may already have information about the fee for your anaesthetic. The ASA strongly recommends that anaesthetists follow best possible informed financial consent processes. If you do not yet have this information, you should contact your anaesthetist (ask your surgeon for the contact details) prior to your admission.

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