

Razor gang targets pathology test costs

- Siobhain Ryan | *April 06, 2009*

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THE budget razor gang is reviewing a \$1.9 billion-a-year agreement governing publicly funded blood tests in Australia, suspending negotiations with pathologists over the next five-year deal as it struggles to rein in health costs.

Almost a year after the Government slashed \$120 million from pathology in the last budget, it again has the sector in its sights, calling in the departments of Treasury, Finance and Prime Minister and Cabinet, as well as Health, to scrutinise funding for blood tests as well as diagnostic imaging.

The review, which began last year, has been finalised but is now mired in budget secrecy, halting talks with the pathology profession on the fate of its multi-billion-dollar deal with Canberra, which expires on June 30.

The current agreement affects millions of Australians every year who have blood tests, from those that measure cholesterol levels to those that diagnose cancer, by agreeing on the government subsidies to be paid and limiting out-of-pocket costs for patients.

Royal College of Pathologists of Australasia chief executive Debra Graves, who helped negotiate the last two agreements, said the stalling of talks so close to the mid-year deadline for the next pact was unprecedented. "It would be very difficult to achieve a new agreement by June 30 at this stage of the game," she said.

The sector fears the Government could make unilateral changes to the way subsidies for pathology services are structured, or even scrap an agreement in favour of more tightly capped or competitive funding deals.

A spokeswoman for Health Minister Nicola Roxon said "a range of possible funding arrangements" was being considered. "The Government will consider advice from the review in the lead-up to the 2009-10 budget," she said.

The decision to put pathology before the budget razor gang comes as it sharpens its focus on health cost blow-outs; it is reportedly considering

cuts to the Medicare safety net and increased nursing home charges for the more affluent.

The costs of blood tests to taxpayers has risen as demand has surged, with pathology test orders from GPs jumping by 45 per cent over the past decade.

Pathology accounts for more than a third of Medicare services billed, and about 15 per cent of all Medicare benefits paid out.

It also boasts one of the highest bulk-billing rates of any medical profession.

Dr Graves said the 1350 pathologists in Australia could trim their costs no further, after returning more than \$2 billion in savings to government over the past seven years through automation and other efficiencies.

Last year's budget cuts saw the industry's biggest players respond by charging patient co-payments (out-of-pocket costs above the government subsidy rate), often for the first time.