



THE AUSTRALIAN  
ORTHOTIC PROSTHETIC  
ASSOCIATION

## Pre-budget submission 2021-22

Improving access orthotic and prosthetic services



# Orthotics and Prosthetics in Australia

Orthotist/prosthetists assess the physical and functional limitations of people resulting from disease, illness, trauma and disability, including limb amputation, diabetes, arthritis and neuromuscular conditions, such as stroke. Orthotic and prosthetic services may involve the provision of orthoses and prostheses to restore function, prevent deterioration, and improve quality of life. Orthotist/prosthetists are commonly employed in Australian hospitals, private clinics, research institutions as well as rural and remote regions, working independently and as part of multidisciplinary healthcare teams to support the Australian community.

Orthotist/prosthetists are tertiary qualified allied health professionals. An Australian Qualification Framework level 7 is required to practice as an orthotist/prosthetist in Australia, consistent with education standards for other allied health professions. Orthotic/prosthetic students complete training alongside physiotherapy, podiatry and occupational therapy students.

The Australian Orthotic Prosthetic Association (AOPA) is the peak professional body for orthotist/prosthetists in Australia, with certified practitioners comprising 89% of the practicing profession. AOPA is responsible for regulating the profession and is a founding member of the National Alliance of Self Regulating Health Professions (NASRHP) in partnership with other professional organisations, including Speech Pathology Australia, the Australian Association of Social Workers and Exercise and Sports Science Australia. AOPA is recognised by the Commonwealth Government as the assessing authority responsible for conducting migration skill assessments for orthotist/prosthetists.

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# Executive Summary

Improving access to orthotic and prosthetic services enables consumers to receive appropriate orthotic/prosthetic care, before their condition deteriorates and they present at the crisis point of care.

The Federal Government can implement policy that saves disability and health costs, whilst improving quality of life and health outcomes for those affected by diabetes and other chronic health conditions.

## Access to services in the primary care setting

The inclusion of orthotic services under the Medicare Benefits Scheme will cost the Australian Government \$1.1 million to implement but is conservatively estimated to save \$21.3 million (potentially up to \$189 million) in health care costs. By including orthotic services in Medicare, the Australian Government will be supporting 'high-quality care', 'improve clinical outcomes' and 'reduce overall health care costs' as recommended by the Medicare Review Allied Health Reference Group.<sup>1</sup>

## Remove inequitable and inconsistent tax arrangements

Amending the Goods and Services Tax Act 1999 to recognise orthotic and prosthetic services as a Health Service, along with all other allied health, will remove a financial burden on consumers and funding bodies. This amendment will make all orthotic and prosthetic services GST exempt and therefore reduce costs to consumers and funding bodies. Reducing these costs will improve access to essential services and reduce administrative burden.

Including orthotic services into the Medicare Benefits Scheme and amending the Goods and Services Tax Act 1999 improves access to orthotic and prosthetic care. This will allow consumers to receive vital treatment before presenting at the crisis point of care and a lifetime of ongoing care and health needs.

## Recommendations

1. *Immediate implementation of the MBS Allied Health Reference Group recommendation to include orthotic services in Medicare*
2. *Amend the Goods and Services Tax Act 1999 to include orthotic and prosthetic services as a Health Service*

# Immediate inclusion of orthotic services in Medicare

Orthotic services are not included in the Medicare Benefits Schedule which restricts access to essential orthotic services for persons with chronic disease in the primary care setting. In February 2019 the Medicare Benefits Schedule (MBS) Review Allied Health Reference Group reviewed the available evidence and concluded that:

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*'a new item for orthotic services under the MBS' would support 'high-quality care', 'improve clinical outcomes', and 'reduce overall health care costs'*<sup>1</sup>

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In 2020, the MBS Taskforce final report "Taskforce Findings on Primary Care" were 'supportive of the objective' of Recommendation Three of the Allied Health Reference Group's Report (to include a new item for orthotic services under the MBS) but failed to endorse the recommendation to Government.<sup>2</sup>

## The need for immediate action

The failure to include an orthotic item in the Medicare Benefits Schedule is detrimental to the health outcomes of Australians.

This year alone diabetes-related foot disease will result in at least 1,700 deaths,<sup>3</sup> 4,400 amputations<sup>4</sup> and 27,600 hospital admissions.<sup>5,6</sup> Failure to provide access to orthotic services in the primary care setting is preventing 1.7 million Australians with diabetes from accessing support. Everyday 280 Australians develop diabetes and thousands of Australians are on wait lists across the country.<sup>7</sup>

This means that every day four Australians will die, 12 will experience an amputation and 75 will be admitted to hospital. Each of these incidents can be avoided through better access to orthotic services.<sup>1,8,9,10,11</sup> However, thousands of Australians are currently

awaiting orthotic services on public wait lists across the country.

In 2019, at a single Victorian public hospital high-risk foot clinic, there were more than 150 people on a wait list without access to services.<sup>12</sup> Fifty-one of these people will likely have experienced an amputation without immediate access to an orthotist.<sup>13</sup> Almost all of those on the wait list will likely have required admission to hospital without access to alternative services. A number of those on the wait list will die. This is true for all Australians on wait lists for high-risk foot services across the country and a situation that will not improve without purposeful action.

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## Implementation costs

A conservative estimate of the total annual cost of including orthotic services in Medicare is \$1.1 million. There are 220 orthotists practicing privately in Australia that would be eligible to provide Medicare services.<sup>16</sup> This is a smaller number when compared to other Medicare-eligible allied health professionals.

The expected cost of the recommendation can be calculated by examining the services provided by a similar professional group to a similar cohort of patients. Credentialed diabetes educators currently provide Medicare-eligible services (CDM Item 10951) to a patient group that are likely to also require orthotic services. There are 1,021 credentialed diabetes educators in Australia providing 95,751 Medicare-eligible services provided each year.<sup>17</sup> This equates to

approximately 94 services provided by each eligible provider every year. However, persons with chronic disease are able to access up to five Medicare-eligible consultations with a credentialed diabetes educator each year. As the proposed Medicare orthotic service item is limited to only one service per year, the expected service rate per orthotist will be even lower than for credentialed diabetes educators.<sup>1</sup> This means that any estimate is highly conservative and likely in excess of the actual cost of the recommendation.

Assuming all eligible orthotists do provide services at the same rate per year as credentialed diabetes educators, there is likely to be only 21,381 services each year. As the benefit paid for equivalent services is \$52.95, a conservative estimate of the cost of implementing the recommendation is \$1,132,168. The actual cost to implement the proposal is likely to be lower.

### Significant cost savings

The immediate implementation of the AHRG recommendation will result in significant economic benefits. In Australia, diabetes-related foot disease accounts for at least \$1.6 billion of expenditure, a significant proportion of which is attributed to amputation procedures.<sup>3</sup> This includes more than \$160 million attributed to the health costs of partial foot amputation each year alone.<sup>18</sup> This estimate does not include the cost of subsequent amputations that occur in one third of cases for persons with partial foot amputation.<sup>18</sup> If the number of subsequent amputations each year are included, the health expenditure attributed to partial foot amputations subsequent to diabetes-related foot disease increases to more than \$213 million.

Orthotic services have been demonstrated as effective in preventing the complications of diabetes-related foot disease, including an 89% reduction in the incidence of amputation.<sup>19</sup> If this reduction in amputation was realised in full there would be a \$189 million decrease in health expenditure associated with partial foot amputation. This is consistent with findings that the expected savings following the implementation of evidence-based care for persons with diabetes-related foot disease is likely to amount to \$540 million per year.<sup>20</sup> If a more conservative estimate is considered and a reduction in amputation of only 10% is achieved, there would still be a \$21.3 million decrease in health expenditure associated with partial foot amputation.

This estimate does not include the significant cost of rehabilitation and prosthetic services. These avoidable lifetime costs would substantially increase the economic burden associated with diabetes-related foot disease.<sup>21</sup>

The significant savings of improved access to orthotic services — being at least \$21.3 million in health care costs alone — can be contrasted against the low cost of implementing the recommendation of \$1,132,168. The AOPA 2018 business case for inclusion of orthotic services in Medicare, as presented to the Allied Health Reference Group is provided as Appendix 1.

The recommendation is therefore cost-saving and life-changing for people with chronic illness.

The significant savings of improved access to orthotic services — being at least \$21.3 million each year — can be contrasted against the low cost of implementing the recommendation of \$1.1 million.



### There is no 'alternative (non-MBS) mechanism'

The Allied Health Reference Group recommendation is informed by the clinical evidence, low implementation costs and a clear cost-benefit.

The Taskforce's failure to endorse the inclusion of an orthotic item under the Medicare Benefits Scheme is not substantiated. The Taskforce states:

*"While supportive of the objective behind this recommendation, the Taskforce does not believe that a fee for service model is the best way to support delivery of these services and suggests an alternative (non-MBS) mechanism should be considered noting integration with the NDIS and public hospital systems will be key for patient outcomes. Should inclusion in the MBS be considered in the future, appropriate MSAC process should be followed."<sup>2</sup>*

*There is no 'alternative (non-MBS) mechanism' within the primary or tertiary care setting.*

The Taskforce's reference to utilising the NDIS and public hospital system is misinformed. Neither the NDIS nor the public hospital system is an appropriate or viable alternative for the provision of timely primary care services. Hospital wait times are extensive and meanwhile up to 4,400 amputations are occurring annually as a direct result of diabetic foot disease.<sup>3</sup> The recommendation to include orthotic services in the Medicare Benefits Schedule aims to alleviate the burden placed on the public hospital system.

Furthermore, the Taskforce's recommendation of following "appropriate MSAC (Medical Services Advisory Committee) process" is also erroneous. The MSAC appraises medical services and procedures, for cost-effectiveness and safety<sup>22</sup>. It is not in the remit of the MSAC to approve a profession to access the Medicare Benefits Schedule. This advice has been clearly articulated to the profession by the Department of Health and Ministers on numerous occasions.

The inclusion of an orthotic item under the Medicare Benefits Schedule can be implemented immediately by the Minister for Health pursuant to section 3C of the Health Insurance Act 1973 (Cth).<sup>23</sup> The infrastructure to implement this change is already in place. Orthotists currently have access to Medicare provider numbers and the online claiming system as providers for the Department of Veterans' Affairs.<sup>24</sup> The only change remaining is the addition of the relevant item to the Medicare Benefits Schedule. The Taskforce began this work and drafted the proposed item in the Allied Health Reference Group's Report.

*We now request for the endorsement of this evidenced and well supported recommendation, allowing improved access to orthotic services in the primary care setting.*



# Include Orthotics and Prosthetics as a Health Service in the Goods and Services Tax Act (1999)

## The unique administrative burden

Orthotics and prosthetics is a small profession with a unique administrative burden. Orthotic and prosthetic services are funded through public and private hospitals, state equipment schemes, the Department of Veterans affairs, private health insurance and privately. There are more than 40 different funding mechanisms for orthotic and prosthetic devices, with their own, unique mechanisms.

The administrative burden of quoting and invoicing and maintaining compliance with this number of agencies is substantial. Further to this, in most cases there is a 100% audit process, meaning that all quotations are assessed, require justification and approvals are delayed.

A key area of burden for the orthotic and prosthetic profession is the application of GST. In early 2015 AOPA sought a GST Ruling for the profession from the Australian Tax Office (ATO). In this Ruling, it was determined that only the medical devices provided by orthotist/prosthetists and the associated integral clinical services were GST exempt.

This means that all other clinical services not directly associated with the provision of an orthosis/prosthesis, such as clinical assessments, reviews, gait education, attract GST.<sup>25</sup> There is also complexity regarding repairs depending on the dominance of any part included within the repair and whether it is a medical device in itself or not. For example, if a major medical device is provided during the repair then the labour is GST free, but if a small non-medical part is provided then the labour and the small part attracts GST.

## Why the complexity exists

Services provided by orthotist/prosthetists are accepted by the ATO as a health service but are not a medical service as defined by the GST Act 1999 (GST Act). Orthotist/prosthetists are not specifically listed in subsection 38-10(1) "Other Health Services" of the GST

Act and therefore the clinical services of the profession are not GST exempt unless it is part of the provision of a medical device.

## Impact on access to care

This exclusion as an "Other Health Service" creates complexity in GST application for the profession. As a result, most service providers are conservative with GST application, and apply it to all clinical services (labour). This ensures compliance with the legislation. It is impossible to manage the nuance of the GST Ruling across the health services provided by the profession - separating the GST-applicable and non-applicable services - and across the invoicing requirements for 40 funding mechanisms.

The complexity of GST application to orthotic/prosthetic services, devices and components, likely results in the over application of GST to consumers and funding agencies. Consumers are forced to bear the out-of-pocket expense of GST being applied to a well-acknowledged health service. This is particularly problematic for consumers from a low-socioeconomic background. Furthermore, the over-application of GST extends to state and commonwealth funding bodies, where resources are already stretched.

## Reducing complexity, improving access

By amending the GST Act 1999 to include Orthotics and Prosthetics as an "Other Health Service" under subsection 38-10(1), all orthotic/prosthetic services will be GST exempt. This will prevent the over-application of the GST ruling, and decrease the cost of this health service to consumers, state and commonwealth funding agencies.



# Citations

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