Reducing copayments for general practice

**Country:** New Zealand  
**Partner Institute:** The University of Auckland  
**Survey no:** (4)2004  
**Author(s):** Centre for Health Services Research and Policy  
**Health Policy Issues:** Funding / Pooling, Others, Access

**Current Process Stages**

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**1. Abstract**

A key objective of the government’s Primary Health Care Strategy is to reduce financial barriers to general practice consultations and pharmaceuticals by increasing subsidy levels in stages for different population groups. Implementation of this policy began in July 2002 and should be completed by July 2007. However a recent survey suggested that increasing the subsidy has not always resulted in a reduction in copayments for general practice consultations.

**2. Purpose of health policy or idea**

**Main objectives:**

- To reduce the cost of GP consultations and pharmaceuticals by increasing government subsidies for these services for different population groups in stages over a five year period.
- To move from a targeted to a universal regime of subsidies, thereby remove the need for the Community Services Card which currently entitles lower income and high risk people to higher subsidies than other groups.

**Characteristics:**

Government subsidies for general practice services (and also pharmaceuticals) have historically been paid on a fee-for-service basis, with subsidies being targeted to low income and high risk people. GPs have the right to charge patients a fee, over and above any subsidy to which the patient may be entitled. Because the subsidy levels have not been increased with inflation, and because GPs can set their own levels of copayments, this has resulted in a significant cost barrier to accessing GP services.

A central feature of the government's Primary Health Care Strategy is to remove this cost barrier by (a) increasing the subsidy levels for general practice consultations and pharmaceutical items, and (b) by paying Primary Health Organisations (PHOs) on a capitation basis (see Survey No. 01/2003 on Primary Health Organisations). The roll out of higher subsidies commenced in July 2002, with higher capitation rates initially being paid to those PHOs which have an enrolled population which is more than 50% Maori, Pacific and/or people living in a deprived area. This was followed by higher rates for children up to the age of 17 years and for those aged 65 years or over. The roll out will continue to other age groups through until July 2007, at which time the higher capitation rates will apply to the whole population and will cover both GP services and pharmaceuticals.
Incentives:

- *Patients* have an incentive to increase their use of GP services if fees are reduced.
- *GPs* may be encouraged to review their fee levels prior to joining a PHO and prior to the introduction of higher subsidies (assuming that there is pressure to then pass the higher subsidy on to patients in the form of lower fees).
- *The government* has an incentive to monitor GP fees to ensure that the higher subsidies are passed on to patients in the form of lower fees.

Main objectives
To ensure low cost access to GP services and pharmaceuticals.

Type of incentives
*Patients*: Have an incentive to use GP services more regularly.

Groups affected
Users of general practice services and pharmaceuticals, General practitioners, Primary Health Organisations

3. Characteristics of this policy

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<th>Characteristic</th>
<th>Traditional</th>
<th>Innovative</th>
<th>Consensual</th>
<th>Highly Controversial</th>
<th>Marginal</th>
<th>Fundamental</th>
<th>Very Low</th>
<th>Very High</th>
<th>Strongly System-Dependent</th>
<th>System-Neutral</th>
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<td>Transferability</td>
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4. Political and economic background

Change of government
A new Labour-led coalition government was elected to power in November 1999. This policy is a key component of the current government’s Primary Health Care Strategy, which was published in 2001.

5. Purpose and process analysis
Origins of health policy idea
Copayments for general practice services are higher in New Zealand than in many other developed countries. Surveys have consistently shown that cost is a significant barrier to access to primary health care for some people. One of the main objectives of the current government's Primary Health Care Strategy is to achieve affordable access for all. This should bring New Zealand more into line with other OECD countries.

Stakeholder positions
The general policy of reducing copayments has widespread support from most groups. Many GPs have expressed concern about the inequities associated with the staged implementation of the subsidies, (see Survey 01/2003 on Primary Health Organisations for details). However, these inequities will be ironed out once implementation is completed.

Influences in policy making and legislation
No change in legislation is required to implement this policy.

Legislative outcome

Adoption and implementation
The key groups involved in implementing this policy are:

(a) The Minister of Health, who requires cabinet approval for the additional funding.
(b) District Health Boards, who have a role in ensuring that the fees charged by general practitioners are set at an appropriate level.
(c) PHOs and general practitioners in setting patient fees.

To be successful in securing low cost access to services, it is obviously necessary for GPs to reduce their fees as the subsidy increases.

Monitoring and evaluation
A preliminary evaluation has been undertaken of the impact of the initial subsidy changes on GP fees (see below). A fuller evaluation of the impact of the policy is also underway.

In the longer term, changes in access to primary care will be tracked through:

- monitoring GP consultation rates for different demographic groups
- self-reported access to and use of primary health services, collected via the New Zealand Health Survey.

Results of evaluation
Preliminary evaluation indicates that fees charged to patients by GPs have not always fallen by as much as might have been expected, had the subsidy increases been passed on in full to patients.

A survey of GP fees in February 2004 showed that GPs belonging to PHOs with deprived populations (which are being paid at a higher rate under the "Access" capitation formula) are generally charging all of their patients fees that
are significantly lower than other PHOs. However fees in these other PHOs (i.e. those paid under the "Interim" formula) were generally higher than in GP practices which did not belong to a PHO at all. This indicates that the higher subsidy paid to PHOs has not always been passed on to patients as the government had hoped. The survey also found that the fees charged to people aged 65 and over fell by an average of 24% following the introduction of a patient subsidy for this group on 1 July 2004. However fees charged to these patients had increased by an average of 12% in the months prior to the introduction of the subsidy.

As a result of the information from this evaluation, the government is now working more closely with PHOs and District Health Boards to ensure that GP fees are set at appropriate levels.

6. Expected outcome

This policy should result in removing at least some of the current financial barriers to primary health care. However, as long as GPs retain the right to charge a copayment for their services over and above any subsidy paid by the government, universal low cost access to primary health care could prove difficult to achieve and to sustain in the longer term.

| Quality of Health Care Services | marginal | fundamental |
| Level of Equity                  | system less equitable | system more equitable |
| Cost Efficiency                 | very low | very high |

Reducing the cost of GP services should:

1. improve the quality of care by encouraging earlier intervention and treatment
2. improve equity by removing the cost barrier for those who currently cannot afford to visit a GP
3. improve efficiency by reducing inappropriate use of the emergency departments of hospitals where care is provided free of charge, and reducing the costs of treating problems that could have been reduced or prevented with earlier intervention.

7. References

Sources of Information

Details of the proposed funding changes are described in a cabinet paper: www.moh.govt.nz/moh.nsf/0/EC272299ECCBF6E1CC256C4F00028D15/$File/CabinetPaperLowCostAccess.pdf
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