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Medical Cards, the 'Over 70s' and all that…
… out of the frying pan?

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Working Paper No. 2009 – 01
August 2009

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Medical Cards, the ‘Over 70s’ and all that…
… out of the frying pan?

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Abstract

The government removed the 'automatic' entitlement to a medical card for persons reaching age 70 on 1 January 2009. Since then, persons aged 'over 70' must satisfy a means test to receive a medical card. This policy has imposed extra GP and pharmacy costs on those elderly who lost their medical cards far greater than the financial savings the HSE achieved by it, which implies that the policy is inefficient. The same level of GP and pharmacy services can be delivered *at lower cost* both to those who lost their medical cards and to the HSE. I sketch an alternative efficient policy that provides the elderly with greater financial protection for the medical risks they face and that may encourage them to avail of preventative medical services and thereby mitigate longer term medical costs.

Introduction.

The 1970 Health Act obliged Irish Health Boards to provide General Practitioner (GP), Community Pharmacy and Dental services to eligible persons. An eligible person, under Section 45 of the Act, is "*an adult person (or dependant of such a person) who, without undue hardship, is unable to arrange general practitioner, medical and surgical services for themselves and their dependants*". In 1972 the Choice of Doctor General Medical Services Scheme (GMS) replaced the previous Dispensary System and GP fees were paid on a fee per item basis. In 1989 the fee basis changed to an annual capitation fee. On 1 July, 2001 all persons aged over 70, irrespective of means, became 'automatically' or 'universally' entitled to a medical card. Last year the Health Act 2008 provided that all 'over 70s' medical cards would become means-tested[1] from 1 Jan 2009. An upper income eligibility threshold of €36,500 per year was set for single persons (€73,000/year for couples).[2] The Department of Health and Children (DoHC) estimated that 95% of the 353,432 'over 70s' card holders[3] would retain their medical cards: 5% or 17,671 persons would lose their medical card. The policy was motivated by financial not medical considerations. By removing the cards the HSE achieved savings in GP fees and drug costs of around €15.9m gross (around €15m net) of taxation. Nonetheless, the policy is inefficient: it increased the overall cost of providing an unchanged level of GP and Community Pharmacy services to those who lost their medical cards. Put bluntly, the DoHC could have provided the same pre-existing level of GP and pharmacy services at lower cost to both itself and to those who lost their cards with an altered policy.

Method.

The inefficiency of withdrawing medical cards has its origins in the fees structure the HSE pays for medical services. First, for historical reasons, GPs received an average annual capitation fee of €162 in 2008 for GMS patients with 'means-tested' cards but received €640 for 'automatic' card holders who qualified on the grounds of age. Second, persons losing their medical card became eligible for the Drug Paymtent Scheme (DPS) and now pay a maximum of €100/month for their drugs; the HSE pays any excess[4]. In June 2008 pharmacists received a flat fee of €4.54 per item dispensed to 'over 70' GMS patients and a lower fee of €3.16 per item but also a 50% mark-up on medical ingredient costs for 'over 70' DPS patients[5]. Medical ingredients make up, on average, 80% of drug costs.

I examined the consequences these payment structures had for the 5% of 'automatic' medical card holders who lost their cards and transferred from the GMS to the DPS.

Results

HSE Savings on GP Capitation Fees

In 2008 GPs received €89m in capitation fees for 139,035 'automatic' 'over 70' medical card patients, an average capitation fee of €640: they received €34.7m for 214,397 'means-tested' 'over 70s' medical card patients, an average capitation fee of €162. 'Automatic' 'over 70s' patients cost 3 times more than means-tested 'over 70s' patients even though there were 50% more means-tested 'over 70' patients! Table 1 (section A), drawn from the Sullivan Report,[5] recaps these details.

Sullivan recommended a single unified GP annual capitation fee of €290 to replace the separate 'means-tested' and 'automatic' fee structures. This would generate savings of around €21.2m in GP capitation fees; 'automatic' GP fees would drop by €48.7m, 'means-tested fees would increase by €27.5m (see Table 1, section B).

Withdrawing 'automatic' medical cards from 5% of 'over 70' card holders (i.e. withdrawing 17,671 medical cards) would additionally save the HSE €5.125m in GP capitation fees (Table1, section C) or by €11.3m[6] if the GP capitation fee was not unified.

Table 1. 'Over 70s': GP Capitation Fees and Costs in 2008.

	'Over 70s' 'Automatic' medical cards	'Over 70s' 'Means tested' medical cards	Total
A. GMS GP Fees, Take-up and Costs for 'over 70' patients in 2008.			
1. Number of 'over 70' Cards or 'Take-up'	139,035	214,397	353,432
2. GP Capitation Fee	€640	€164	
3 = 1*2. GP Capitation Costs	€89m	€34.7m	€123.7m
B. HSE Cost Saving from a unified €290 GMS GP Capitation Fee for all over 70s			
4. Unified Capitation Rate	€290	€290	
5 = 1*4. 'Unified' GP Capitation Costs	€40.32m	€62.18m	€102.5m
6 = 3-5. *Cost Saving*	+ €48.7m	- €27.5m	€21.2m
C. HSE Cost Saving from Reducing 'Over 70s' medical cards GMS 'Eligibility' by Means-Testing			
7. Reduction in 'Over 70s' Medical Cards (i.e. 5% of 353,432 = 17,671)	17,671	Nil	
8 = 1-7. New Take-up	121,364	214,397	335,761
9 = 4*8. Capitation Costs with Reduced Take-up	€35.2m	€62.18m	€97.38m
10 = 5-9 Cost Saving from reduced eligibility	€5.125m	Nil	€5.125m
D =B+C. HSE Savings on GP Capitation Fees			
From Reduced Capitation Fee (6)	From Reduced Eligibility via Means-testing (10)		Total
€21.2m	€5.125		€26.325m

Source: Section A data are drawn from the Sullivan Report.

Thus, 80% or €21.2m of the overall savings in GP capitation fees of €26.325m comes from applying the reduced unified capitation rate of €290 and just 20% (€5.125m) comes from 'de-universalising' and withdrawing the medical card from 17,671 'over 70s'.

HSE Savings on Pharmacy Costs.

A medical card entitles the holder to community (i.e. 'free') pharmacy. The 'over 70s' who lost their medical cards became eligible for the Drug Payments Scheme (DPS).
From Jan 2009 DPS beneficiaries paid the first €100 of their monthly drug bills; the HSE paid any monthly excess. When an elderly person loses their medical card and transfers to the DPS the HSE *may* save up to around €100/month.

The HSE pays the pharmacist the reimbursement price of the item (i.e. the ex factory price + 17.67%) plus a mark-up of 50% plus the standard €3.16 upwards dispensing fee per item. This extra 50% mark up on ingredient costs is ***not*** paid to pharmacists who dispense the same drugs to medical card holders. Instead they receive the reimbursement price plus a slightly higher flat fee per item of €4.54 for medical card holders aged over 70.
Under these arrangements, when an elderly person loses their medical card and transfers to the DPS the pharmacist's flat fee falls by €1.38 per item (i.e. €4.54 - €3.16) but they receive an extra 50% mark-up on the reimbursement cost of the item. This mark-up was replaced by a 20% mark-up and a tiered flat fee-per-item charge in September 2009.[5]

Table 2 gives the cost of GMS medicines dispensed to persons aged 70 and over in 2007.

Table 2. Cost of GMS Medicines by Age and Gender in Ireland in 2007

Age 70-74 Years			Aged 75 Years and Over		
Males	Females	Total	Male	Female	Total
€1,422	€1,361	€1,393	€1,691	€1,648	€1,674

Source. http://www.hse.ie/eng/PCRS/PCRS_Publications/2007_Report.pdf (Table 15. p62)

GMS medicines cost on average €856 per person in 2007 but were 60% to 100% higher for elderly persons aged 70 and over: drug costs rise sharply with age.

For convenience I rounded the average 'over 70' pharmacy cost to €1,500 per annum; medical ingredients make up 80% or €1,200 of this. Thus, when an elderly person loses their medical card and transfers to the DPS the pharmacist gets, on average, around an extra €600 per annum mark-up for dispensing the same drugs to them.

Table 3 sets out the combined GP and drug cost gains and losses when an average person aged '70 and over' loses their medical card. For convenience I rounded the unified GP capitation fee Sullivan recommended from €290 to €300 per annum.

Winners and Losers from the Policy Change

Table 3 Gains & Losses when an Average Person Aged '70 and over' loses their Medical Card.

Policy Regime	***Cost Category***	***Person Aged over 70***	***HSE***	***Total***
Policy Regime 1: Elderly Person has a Medical Card	GP Cost	Nil	€300	€300
	Drug Cost	Nil	€1,500	€1,500
	Total Cost	Nil	€1,800	€1,800
Policy Regime 2: Elderly Person does not have a Medical Card and is on the Drug Payment Scheme	GP Cost	€300	Nil	€300
	Drug Cost	€1,200	€900	€2,100
	Total Cost	€1,500	€900	€2,400
Individual Gains and Losses from Switching Policy		Loses €1,500	Saves €900	Total Loss €600

The HSE pays a €300 GP capitation fee plus €1,500 on drugs or €1,800 in total for the average GMS medical card holder aged 70+.

When the DoHC/HSE withdraws the medical card that person pays their own GP costs of €300 per annum (say, 6 GP visits @ €50 each). Their total drug costs now rise to €2,100 (€1.500 in drug costs plus the €600 mark up). The elderly person pays €100/month of this or €1,200 for the year (assuming, for illustration, that drug costs are spread evenly over the year) and the HSE pays the remaining €900.

The elderly person's medical costs consequently increase from nil to €1,500 (i.e. €300 for GP visits plus €1,200 in drug costs), whereas the HSE costs fall from €1,800 to €900: the pharmacist gains €600 for providing the same drugs they provided before the medical cards were withdrawn.

Scaling up these average cost changes for the estimated 17,671 persons aged '70 and over' who lost their medical cards, and with no change in GP visits or in drugs dispensed, gives,

Table 4. Total Gains & Losses from Withdrawing the 17,671 Medical Cards.

Policy Regime	***Cost Category***	***Person Aged over 70***	***HSE***	***Total***
Policy Regime 1: 17,671 'over 70s' with Medical Cards	GP Cost	Nil	€5.3m	€5.3m
	Drug Cost	Nil	€26.5m	€26.5m
	Total Cost	Nil	€31.8m	€31.8m
Policy Regime 2: 17,671 'over 70s' without Medical Cards (On the Drug Payment Scheme)	GP Cost	€5.3m	Nil	€5.3m
	Drug Cost	€21.2m	€15.9m	€37.1m
	Total Cost	€26.5m	€15.9m	€42.4m
Gross Gains /Losses from Switching Policy		- €26.5m	+€15.9m	- €10.6m

Withdrawing the 17,671 medical cards saves the HSE €15.9m (i.e. €900*17.671); €10.6m on drugs and €5.3m in GP capitation fees. If the 'over 70' GP capitation fee remained unchanged at €640 the overall saving is €22m: GP capitation fee savings would increase to €11.3m.

The 50% DPS ingredient cost mark up drives the average elderly person's the annual drug bill up from €1,500 to €2,100 and generates a €10.6m windfall to pharmacists for dispensing the same drugs to the same patients. The elderly who lose their cards now pay €21.2m in drug costs (17,671*€1,200) and €5.3m in GP costs: the HSE pays the remaining €15.9m. The 50% DPS mark-up prevents the HSE drug bill from falling to €5.3m.

Some who lose their medical card may acquire a GP Visit Only card but this just shifts the cost of GP visits from the elderly to the HSE: it doesn't alter the total cost of GP visits.

Discussion

The key conclusion is that removing the medical cards from the elderly was economically inefficient.

To see this more clearly consider the alternative policy of offering those who lost their cards *the option* of retaining their medical cards for an annual contribution of, say, €1,000.

Instead of losing €1,500 annually the average elderly person taking up the option would just lose their €1,000 contribution; they would be €500 better off and unburdened by the financial consequences of medical risk. The HSE would receive the €1,000 contribution; €100 more than it saves from withdrawing the medical card. Those with higher medical risk are more likely to take up the option, with greater potential savings to themselves and to the HSE.

This alternative policy is more efficient: the elderly and the HSE are unambiguously better off and it works for any option contribution in the €900 - €1,500 range. The specific rate chosen fixes how the €10.6m efficiency gain gets divided between the elderly and the HSE. A change in fee structure alters the size of the estimated €10.6m efficiency gain: higher elderly prescription rates increase it; a smaller mark-up reduces it, but as long as the gain remains positive the key conclusion remains robust and general.

The State is focussed on the cost of medical services (witness the current IPHA/HSE agreement's projected €300m cost savings[6]); GPs focus on their medical benefits, such as encouraging preventative care GP visits that reduce the risk of stroke and heart attack. Geriatrician Prof Des O'Neill, claims, "…if you get the flu jab you reduce your risk of heart attack and stroke by 30 per cent, so these are huge savings to the health system.[7] Similarly, Eamon Timmins (Age Action Ireland) claimed that removing automatic medical cards for over-70s would "…result in more older people being admitted to acute hospital beds and residential nursing homes" and noted that "Minor ailments such as respiratory infections can quickly develop into more serious, life-threatening conditions if left untreated in older people. Likewise, regular monitoring of blood pressure and cholesterol levels by your GP prevent much more serious illnesses developing"[8]

Equity also matters. Dr John Mc Manus, addressing the Irish College of General Practitioners in 2008, characterised the 'universalizing' of medical cards for 'over 70s' in 2001, regardless of income, as "*probably the most inequitable tax-funded health scheme ever introduced in this state*"[9]

He considered that the extra financial burden obliged the State to introduce 'yellow pack' (i.e. GP Visit Only cards) medical cards and also that higher GP fees for ‘automatic’ than for ‘means-tested’ patients are unfair.

The alternative policy I sketched above has the potential to lessen these inequities, eliminate the identified inefficiencies, reduce costs for patients and the HSE alike and increase medical protection.

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