



Exercise & Sports Science Australia

Pre-Budget Submission 2021-2021

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1. About Exercise & Sports Science Australia

Exercise & Sports Science Australia (ESSA) is the peak professional association for exercise and sports professionals in Australia, representing over 7,000 members, including university qualified Accredited Exercise Physiologists (AEPs), Accredited Sports Scientists (ASpSs), Accredited High-Performance Managers (AHPMs) and Accredited Exercise Scientists (AESs).

AEPs are recognised allied health professionals (AHPs) who provide clinical exercise interventions aimed at primary and secondary prevention; managing acute, sub-acute and chronic disease or injury; and assist in restoring optimal physical function, health and wellness. Exercise physiology is a recognised and funded profession under compensable schemes such as Medicare Benefit Services (MBS), Department of Veteran Affairs (DVA), the National Disability Insurance Scheme (NDIS), private health insurance, and state and territory-based workers' compensation schemes. AEPs are four year trained university professionals.

Accredited Exercise Scientists apply the science of exercise to design and deliver physical activity and exercise-based interventions to improve health, fitness, well-being, performance; and assist in the prevention of injury and chronic conditions. They coach and motivate to promote self-management of physical activity, exercise and healthy lifestyles and work in the National Disability Insurance Scheme as personal trainers and allied health assistants (AHAs), in fitness businesses, for sporting bodies, in corporate health and as AHAs for exercise physiologists and other allied health professionals. AESs are three year trained university professionals.

Accredited Sports Scientists (ASpSs) and Accredited High-Performance Managers (AHPMs) work predominately in high performance/elite sport specialising in applying scientific principles and techniques to assist coaches and athletes to improve their performance, either at an individual level or within the context of a team environment. ESSA is recognised by the Australian Institute of Sport and Sport Australia as the peak accrediting body for physiology/recovery, biomechanics, performance analysis and skill acquisition support personnel working in Australian sports science.

2. Introduction

Exercise & Sports Science Australia (ESSA) welcomes the opportunity to respond to the 2021-22 Pre-Budget Submission process on behalf of Accredited Exercise Physiologists.

ESSA has focused on one single longstanding issue impacting on Accredited Exercise Physiologists in this submission – the issue of the goods and services tax (GST) on exercise physiology services. This submission draws heavily on ESSA's 2020-2021 pre-budget submission and includes updated data since last year's submission was prepared and additional information.

Exercise physiology services have been included in Medicare since 2006 and despite former Treasurer Costello's assertions in 1999 that Medical services would be GST-free if they attracted a Medicare benefit¹, exercise physiology remains subject to GST.

ESSA gives permission for this submission to be published in full or in part.

3. Recommendations

Recommendation 1:

That Exercise & Sports Science Australia (ESSA) calls on the Australian Government to exercise leadership in respect to the removal of GST on exercise physiology services by:

- developing a case for the consideration of the Council on Federal Financial Relations and enlisting the support of the state and territory governments so a unanimous agreement can be reached or
- the Minister for Health determining that the supply of exercise physiology services is GST-free under Section 38-10(1)(c) of the *A New Tax System (Goods and Services Tax) Act 1999* (Cth)ⁱⁱ.

Recommendation 2:

That once a mechanism had been agreed upon to remove GST from exercise physiology services, then Exercise & Sports Science Australia (ESSA) calls on the Australian Government to:

- include exercise physiology as an 'other health service' not defined as a medical service and adding exercise physiology to the table of 'other health services' listed in Section 38-10(1)(c) of the *A New Tax System (Goods and Services Tax) Act 1999* (Cth)
- acknowledge that exercise physiology services are performed by exercise physiologists as accredited service providers
- acknowledge that exercise physiologists are recognised professionals in relation to the supply of the listed services of that kind (i.e. exercise physiology services)
- acknowledge that exercise physiology services are generally accepted in the listed health professions as being necessary for the appropriate treatment of the recipient (patient) of the supply (of exercise physiology services)
- recognise Exercise & Sports Science Australia as the professional association with uniform national accreditation requirements for practitioners of exercise physiology so that exercise physiologists accredited with ESSA will be considered as recognised professionals for the purposes of Section 38-10(1)(b) of the *GST Act* which requires that the supplier of 'other health services' be a recognised professional.

4. Overview

Exercise physiology is a highly respected mainstream and evidence based health profession, as demonstrated by the inclusion of exercise physiology services in the Medicare Benefits Schedule (MBS), Department of Veterans' Affairs (DVA), National Disability Insurance Scheme (NDIS), personal injury (work cover) schemes and private health insurance; and by the employment of exercise physiologists in public and private hospitals.

Exercise physiology services meet the Australian Taxation Office (ATO)'s criteria for a listed health service under the 'other health services' (not defined as medical services) category in respect to uniform national professional requirements and clinical relevance. A well-established national self-regulation system for Accredited Exercise Physiologists has been operating since 1996. A body of evidence that demonstrates that exercise physiology services are clinically relevant is outlined below.

Critically for patients, there are anomalies in GST in respect to exercise physiology and 'other health services' operating within national and state compensable schemes, across private health insurance funds and for those patients who pay privately for services.

One such example is that exercise physiology is the only standalone profession in the MBS Group M3 (allied health chronic disease management plan individual services - items 10951–10970) that is not exempt from GST. Details on how exercise physiology patients are impacted by the lack of a GST exemption are outlined further in the submission.

The following Australian Health Practitioner Regulation Agency (AHPRA) regulated 'non-medical' health professions are exempt from GST:

- occupational therapy
- physiotherapy and
- podiatry.

There are several self-regulating 'non-medical' health professions with a GST exemption:

- audiologists
- dietitians
- social workers and
- speech pathologists.

The professional bodies for audiologists, dietitians and speech pathologists are full members of the National Alliance of Self-Regulating Health Professions (NASRHP) alongside ESSA. NASRHP provides a quality framework and benchmark standards for self-regulation and self-accreditation of health practitioners.

'Non-medical' health professions outside AHPRA and NASRHP are also exempt from GST despite naturopathy and western herbalism being excluded from private health insurance cover from 1 April 2019:

- acupuncture
- chiropody (the term now replaced by podiatry as a more modern nameⁱⁱⁱ).
- herbal medicine (Western herbalism is one of three main types of herbalism alongside are Chinese and Ayurvedic herbalism^{iv}) and
- naturopathy.

Businesses employing AEPs have a greater GST compliance burden than other businesses delivering 'other health services'.

Exempting exercise physiology from GST would not significantly change the complexity of the tax system, nor would it pose a major revenue risk for the Australian and state governments as the number of Accredited Exercise Physiologists is still relatively small compared to other 'physical therapists' (as newly classified by Medicare under COVID-19 Temporary MBS Allied Health Services for Residents of Aged Care Facilities^v):

- 6,321 AEPs (up 10.8 per cent from 2019) as of 31 December, 2020^{vi}
- 23,405 occupational therapists with general registration (up 7 per cent from 2019)^{vii} as of September 2020) and
- 35,761 physiotherapists with general registration (up 11.3 per cent from 2019)^{viii} as of September 2020.

The Australian Government paid \$4.19 million in GST in 2016-17 for exercise physiology services delivered through Department of Veterans' Affairs^{ix} along with additional unknown GST expenses incurred through the National Disability Insurance Scheme and ComCare.

Australians with private health insurance and those who are paying privately are also paying GST on exercise physiology at a time when

- the Minister for Health, The Hon. Greg Hunt MP is focusing on insurance reforms to ensure the affordability of private health insurance^x
- out-of-pocket payments for private health insurance general treatment ancillary services increased by 3.2% in 2020 compared to the same quarter in 2019^{xi}
- only 53.2% of the population (13,742,486 people) had some form of private health insurance general treatment cover as at 30 September 2020^{xii}
- the average out-of-pocket fee to see a specialist reached a record high of \$83.77 and the average out-of-pocket fee to see a general practitioner (GP) reached a nominal high of \$38.46 in 2018-19^{xiii}.

Without intervention, the Australian Government will need to double its spending on healthcare per capita over the next 40 years in order to finance the current level of activity^{xiv}.

Western Australian (WA) Government expenditure on health has more than doubled in the past 10 years (as of 2018), yet population health and acute care outcomes have not improved at a comparable rate^{xv}. Without change, health spending is projected to consume 38 per cent of the WA budget by 2026-27, at the expense of other essential services such as education, housing, policing and transport services.

Compelling evidence supports the impact and cost-effectiveness of exercise physiologist led exercise interventions to prevent and manage obesity and chronic disease (outlined below). Investments in exercise physiology services reduce overall health costs for the general public and health system because of the reduced need to treat expensive diseases further downstream and allow Australians to live longer and better quality lives. Without improved access to exercise physiology services (and other prevention services like dietetics), the rates of obesity and chronic disease will continue to increase and place an increasingly unsustainable burden on health care costs.

Recognising exercise physiology as an eligible GST-free 'other health service' will support broader universal access to an effective health care system, especially for those Australians at risk of, or living with, chronic and complex medical conditions or injuries.

5. The Issues around GST and Exercise Physiology - Why this Matters

5.1 History of Health Services in Goods and Services Tax (GST) Reform in Australia

In 1998, the White Paper on *Tax reform: not a new tax, a new tax system* released by the then Treasurer, the Honourable Peter Costello, M.P. outlined the Government's rationale for making most medical and hospital services GST-free:

“Applying taxes to health care would place the private health sector, with its heavier reliance on direct fees, at a competitive disadvantage with the public health system^{xvi}.”

The White Paper went on to state that:

“Medical services will be GST-free if they attract a Medicare benefit or are commonly used health services, listed by the Government. Examples of GST-free health services are:

Health services covered by Medicare:

- ◆ *general practitioner and specialist consultations; and*
- ◆ *diagnostic, surgical and therapeutic procedures (for example, ophthalmology, neurology, optometry, radiation oncology, anaesthetics, radiology, ultrasound etc.) and pathology.*

Other medical services that will be GST-free include:

- ◆ *hospital charges (accommodation etc.);*
- ◆ *dental services;*
- ◆ *optical;*
- ◆ *physiotherapy, chiropractic;*
- ◆ *speech therapy;*
- ◆ *occupational therapy;*
- ◆ *counselling services;*
- ◆ *home nursing;*
- ◆ *dietary services; and*
- ◆ *podiatry.”*

The subsequent Vos Committee's *The Report of the Tax Consultative Committee* noted in its deliberations:

“For commonly used health services, the Committee considered whether any other services should be added to the list in ‘Tax Reform: not a new tax, a new tax system’. The Committee noted that the Government had listed health services that would generally be considered by the community to be mainstream rather than complementary or alternative, and have been available as a specialist service, with specific qualifications for some time. The Committee also noted that a large number of submissions argued persuasively that some services should be added to the list because they were strikingly similar in nature to services already included, such as podiatry and chiropody.

The Committee therefore restricted its consideration of GST-free health services to those which were either very similar in nature to those already nominated, or which the Committee considered fitted the general characteristics of the list proposed by the Government.....

Listed services must be clinically relevant and be of the type normally supplied in that profession. The practitioner must also be a member of a relevant professional body subject to, State government professional registration or uniform national professional self-regulation^{xvii}.”

The Committee kept the majority of the services originally proposed by the Government and recommended additional listed services as below:

- osteopathy;
- chiropody;
- speech pathology;
- audiology, audiometry;
- ambulance;
- paramedical;
- nursing;
- aboriginal health services;
- social work services;
- pharmacy; and
- psychology.

Subsequent Senate deliberations with the Australian Greens in 1999 saw three other health services added: acupuncture, herbal medicine (including traditional Chinese herbal medicine) and naturopathy.

The final 21 listed health services included in the *A New Tax System (Goods and Services Tax) Act 1999^{xviii}* are included in Table 1 below together with other allied health services recognised by the Australian Government:

Table 1: Comparison of Exercise Physiology with other Health Professions

Health profession	Current health services (not defined as a medical service) listed by the ATO as exempt from GST ^{xix}	National Registration & Accreditation Scheme (NRAS) administered by Australian Health Practitioner Regulation Agency ^{xx}	Full members assessed by National Alliance of Self-Regulating Health Professions' Pool of Assessors & approved by the Board of Directors ^{xxi}	Allied health professions considered in the Commonwealth's health workforce policy planning ^{xxii}	Eligible allied health & dental disciplines under the Dept. of Veterans' Affairs fee schedules ^{xxiii}	Allied health supports funded within the NDIS ^{xxiv}
an Aboriginal or Torres Strait Islander health service	✓	✓	NO	✓	NO	✓
acupuncture	✓	NO	NO	✓	NO	NO
art therapy	NO	NO	NO	NO	NO	✓
audiology or audiometry	✓	NO	✓	✓	NO	✓
chiropractic	✓	✓	NO	✓	✓	NO
chiropractic	✓	✓	NO	✓	✓	NO
counselling	NO	NO	NO	✓	NO	✓
dental	✓	✓	NO	NO	✓	NO
dental prosthetics	NO	NO	NO	NO	✓	NO
dietary	✓	NO	✓	✓	✓	✓
diabetes education	NO	NO	NO	NO	✓	NO
exercise physiology	NO	NO	✓	✓	✓	✓
herbal medicine (including traditional Chinese herbal medicine)	✓	✓ Chinese Medicine	NO	✓	NO	NO
Medical radiation practice	Unknown	✓ Medical radiation	NO	✓	NO	NO
music therapy	NO		NO	✓		✓
naturopathy	✓	NO	NO	NO	NO	NO
neuropsychologists	Unknown	NO	NO	NO	NO	NO
nursing	✓	✓	NO	NO	NO	NO
nutritionists	Unknown	NO	NO	✓	NO	NO
occupational therapy	✓	✓	NO	✓	✓	✓
occupational therapy (mental health)	✓	✓	NO	✓	✓	NO
optometry	✓	✓	NO	✓	✓	NO
osteopathy	✓	✓	NO	✓	✓	NO
orthoptists	NO	NO	NO	NO	NO	✓
orthotic prosthetics	NO	NO	NO	NO	NO	✓
paramedical	✓	✓	NO	NO	NO	NO
pathologists	Unknown	NO	NO	✓	NO	NO
perfusionists	NO	NO	NO	NO	NO	NO
pharmacy	✓	✓	NO	✓	NO	NO
physiotherapy	✓	✓	NO	✓	✓	✓
podiatry	✓	✓	NO	✓	✓	✓
clinical psychology	✓	✓	NO	✓	✓	NO
psychology	✓	✓	NO	✓	✓	✓
social work	✓	NO	NO	✓	NO	✓
social work (mental health)	✓	NO	NO	✓	✓	NO
speech pathology	✓	NO	✓	✓	✓	✓
speech therapy	✓	NO	NO	NO	NO	NO
sonographers	Unknown	NO	NO	✓	NO	NO
visual aids	Unknown	NO	NO	NO	NO	NO

Key points from Table 1 are as follows:

'Non-medical' services provided by these self-regulating health professions are exempt from GST:

- audiologists
- dietitians
- social workers and
- speech pathologists.

Alongside ESSA, the professional associations for dietitians, audiologists and speech pathologists have with full membership of National Alliance of Self-Regulating Health Professions. Social workers are independently accredited by the Australian Association of Social Workers.

The following Australian Health Practitioner Regulation Agency 'non-medical' regulated professions are exempt from GST:

- occupational therapy
- physiotherapy and
- podiatry.

Natural therapy professions outside AHPRA and NASRHP are also exempt from GST:

- acupuncture
- chiropody (the term now replaced by podiatry as a more modern name^{xxv})
- herbal medicine (Western herbalism is one of three main types of herbalism alongside are Chinese and Ayurvedic herbalism^{xxvi}) and
- naturopathy.

Naturopathy and western herbalism were two of the 16 natural therapies excluded from private health insurance cover from 1 April 2019 as a result of the 2015 *Review of the Australian Government Rebate on Natural Therapies for Private Health Insurance*^{xxvii}. This Review was completed by the Natural Therapies Review Advisory Committee (NTRAC) chaired by the former Australian Government Chief Medical Officer (CMO), Professor Chris Baggoley AO. The Office of the National Health and Medical Research (NHMRC) assisted the Department with the review in the assessment of submissions and also by supervising the evidence reviews of the in scope natural therapies. At no stage in this review was exercise physiology ever regarded as a complementary or alternative therapy.

5.2 History of Exercise Physiology in the Medicare Benefits Schedule

Exercise physiology services did not attract a Medicare benefit, nor were these services commonly used health services when the GST legislation was passed in 1999. The exercise physiology profession at the time was embryonic with the forerunner to Exercise & Sports Science Australia (ESSA), the Australian Association for Exercise and Sports Science (AAESS) established in 1991.

The chronology of exercise physiology items in Medicare is as follows:

a. Permanent Items:

- Item 10953, **the first exercise physiology item was included in Medicare in January 2006** under the MBS Group M3 (allied health chronic disease management plan individual services for Chronic Disease Management (CDM))

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- Item 81110, exercise physiology services for patients with type 2 diabetes, including assessment services and Item 81115, group exercise sessions became available on 1 May, 2007
- Item 81315, the Aboriginal or Torres Strait Islanders exercise physiology service, was introduced on 1 November, 2008.
- **b. Temporary COVID-19 items to help reduce the risk of community transmission of COVID-19 and provide protection for patients and health care providers:**
 - Shared items (for all 13 allied health items, including exercise physiology): Item 93000 for video-conference and Item 93013 for when video-conferencing is not available for were introduced on 30 March, 2020 for all allied health CDM services (all 13 items, including exercise physiology)
 - Shared items (for all allied health 13 items, including exercise physiology): Item 93048 for video-conference and Item 93061 for when video-conferencing is not available were introduced on 30 March, 2020 for all follow-up allied health services for people of Aboriginal or Torres Strait Islander descent)
 - Item 93504 – Face 2 Face (F2F), Item 93527 – F2F, Item 93537 – Video and Item 93538 – Phone to improve access to allied health services for residents of residential aged care facilities (RACF), under a GP Management Plan or Multidisciplinary Care Plan commenced on 10 December, 2020 and are available until 30 June 2022. A shared allied health flag fall item for RACF was also introduced.

5.3 Growth of Exercise Physiology in Medicare

The number of exercise physiology CDM Item 10953 services increased by 614% from 2006 to 2012 with the largest rise (118%) occurring between 2006 and 2007^{xxviii}, shortly after the item was introduced. The same study found from 2006 to 2012, the number of qualified AEPs increased 563% (approximately a 38% increase each year) from 351 AEPs to 2,327 AEPs.

Between 2007 and 2012, CDM Item 10953 exercise physiology services increased by 19–37% annually^{xxix}. Growth in Item 10953 exercise physiology services continued with a 24.3% increase between 2016-2017 (279,323 services) and 2018-2019 (347,225 services)^{xxx}.

By way of comparison, the growth of CDM exercise physiology services since 2007 has been relatively consistent with the growth in other related MBS items over the period 2012-2013 to 2014-2015^{xxxi}:

- a 33% increase in allied health CDM payments (across all Items 10950–10970) and
- a 36% increase in Items 721 to 732 (for general practitioners to manage chronic or terminal medical conditions) payments.

Table 2 below illustrates the complete picture of the growth of both services and payment benefits for exercise physiology services within Medicare over the last 14 years from 2005/2006 to 2019/2020^{xxxii} (since the inclusion of exercise physiology in the MBS) and demonstrates how mainstream these services are:

Table 2: Growth of services and payment benefits for exercise physiology services within Medicare over the last 14 years from 2005/2006 to 2018/2019

Financial year (FY)	Services: Item 10953 Exercise physiology- Individual service CDM	\$Benefit Item: 10953	Services: Item 81110 Exercise Physiology – Assessment for group services Type 2 diabetes	\$Benefit Item: 81110	Services: Item 81115 Exercise Physiology – Group services Type 2 diabetes	\$Benefit Item: 81115	Services: Item 81315 Exercise physiology health service Aboriginal Health Services	\$Benefit Item: 81315
2005/2006	3,929	180,249	0	0	0	0	0	0
2006/2007	29,369	1,368,570	75	4,465	9	135	0	0
2007/2008	44,111	2,103,200	1,751	106,339	6,095	92,721	0	0
2008/2009	55,535	2,715,736	2,308	143,472	11,141	173,058	40	1,958
2009/2010	74,061	3,704,724	3,251	206,964	14,784	234,855	122	6,060
2010/2011	86,990	4,442,935	4,204	272,770	21,112	341,906	96	4,862
2011/2012	108,109	5,626,526	5,701	377,215	27,218	450,389	292	15,087
2012/2013	134,626	7,143,715	5,757	388,341	28,278	476,884	605	31,769
2013/2014	176,141	9,409,623	8,648	587,206	41,441	702,807	1,613	85,403
2014/2015	209,243	11,178,738	8,763	595,247	45,684	775,315	1,398	74,043
2015/2016	242,690	12,936,209	9,231	626,853	47,665	808,362	1,601	84,899
2016/2017	279,323	14,908,153	10,440	709,081	55,089	935,702	3,063	162,346
2017/2018	314,890	16,823,633	11,604	788,074	60,168	1,021,301	3,780	200,235
2018/2019	347,225	18,596,025	11,850	804,715	64,561	1,097,845	3,634	192,459
2019/2020	305,002	16,619,617	9,310	642,576	49,652	856,643	2,781	149,622
Totals	2,411,244	127,757,653	92,893	6,253,317	472,897	7,967,921	19,025	1,008,743

In the 2019-2020 FY, all Medicare in-person exercise physiology services and payment benefits declined due to a number of reasons:

- patients’ fear of COVID-19 and their reluctance to attend clinics for in-person services
- the introduction of shared temporary COVID-19 allied health CDM telehealth video and phone item numbers from 30 March, 2020 and
- COVID-19 restrictions which limited access to routine healthcare and in some areas like Melbourne, disallowed in-person Medicare exercise physiology services (and some other allied health services) for a short time.

Since the inclusion of the first exercise physiology item in Medicare in January 2006 to 30 June, 2020 (excluding exercise physiology payment benefits under the shared temporary COVID-19 allied health CDM items), **the Australian Government had paid a total of \$142,987,624 in exercise physiology Medicare benefits.** This figure is a substantial amount which reflects the acceptance of exercise physiology services as a commonly used mainstream health service with multiple MBS items.

5.4 Comparison of Exercise Physiology Services with other Allied Health Services within Medicare

Compared to other allied health Medicare items, **the exercise physiology Item 10953 was one of the top 5 in-scope items for 2016-2017** as per Table 3 below by service volume out of 26 MBS Items reviewed by the Allied Health Reference Group as part of the *Medicare Benefits Schedule Review*. A second exercise physiology item (Item 8115) was also listed in the top 10 in-scope items by service volume due to exercise physiology, dietetics and diabetes education having additional items for group services.

Table 3: Top 10 in-scope items by service volume 2016-2017^{xxxiii}

Top 10 in-scope items by service volume in 2016-17

Item	Descriptor	Service volume (FY2016-17) Thousands	Total benefits (FY2016-17) \$ millions
10962	Podiatry service to person with chronic condition under a care plan >20 mins	3,010	159.8
10960	Physiotherapy service to person with chronic condition under a care plan >20 mins	2,198	117.3
10954	Dietetics service to person with chronic condition under a care plan >20 mins	415	22.2
10964	Chiropractic service to person with chronic condition under a care plan >20 mins	355	18.8
10953	Exercise physiology service to person with chronic condition under a care plan >20 mins	279	14.9
10966	Osteopathy service to person with chronic condition under a care plan >20 mins	165	8.9
10970	Speech pathology service to person with chronic condition under a care plan >20 mins	157	9.0
10951	Diabetes education service to person with chronic condition under a care plan >20 mins	93	4.9
10958	Occupational therapy service to person with chronic condition under a care plan >20 mins	69	4.2
8115	Exercise physiology group service; 2-12 patients, >=60 mins	55	0.9

Potential discussion points

- Podiatry service had the highest service volume of all in-scope items
- 10965 and 10960 together (podiatry and physiotherapy) represent 75% of in-scope service volume
- 9 out of the top 10 items are for Allied Health individual services (group M3 in MBS)

SOURCE: MBS data, 2011/12 – 2016-17

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This analysis further demonstrates that exercise physiology services are commonly accessed by patients and are regarded as mainstream by referring general practitioners.

5.5 GST payments by Government Agencies

Because exercise physiology is not exempt from GST, exercise physiology services provided by the Australian Government under the Department of Veterans' Affairs (DVA) and the National Disability Insurance Scheme; and through ComCare are not exempt from GST. This means the Australian Government incurs a GST liability on those services.

Not all Accredited Exercise Physiologists are registered for GST because:

- some work as employees within the public health system
- others work as sole practitioners and do not meet the GST turnover threshold of \$75,000 and
- others work for private businesses or non-profit organisations whose turnovers does meet the GST thresholds.

Preliminary internal data collected by ESSA for the first time via the accreditation renewal process for 2021 indicates that **only 65 % (or 1,511) of the 4,291 Accredited Exercise Physiologists who have renewed as at 29 January, 2021 are registered for GST^{xxxiv}**. More complete data will be available at the end of February, 2021 once the renewal deadline has passed. What this means is that the GST liabilities outlined below for various government agencies are an overestimation of actual GST figures paid.

From 2007, exercise physiology services have formed an integral part of musculoskeletal services provided to eligible veterans, partners, and war widow(er)s under the Department of Veterans' Affairs (DVA) benefits. Table 4 below highlights the growth in DVA exercise physiology expenditure, services and patients between 2011-12 and 2016-17 and a comparison of all services across other musculoskeletal service providers.

Table 4: Summary of DVA Musculoskeletal Services per Musculoskeletal Provider Group 2011-12 & 2016-17^{xxxv}

	Osteopathy	Chiropractic	Occupational Therapy	Podiatry	Exercise Physiology	Physiotherapy
<i>Total expenditure:</i>	<i>(millions)</i>	<i>(millions)</i>	<i>(millions)</i>	<i>(millions)</i>	<i>(millions)</i>	<i>(millions)</i>
2011-12	\$1.3	\$7.1	\$17.3	\$44.4	\$17.5	\$65.3
2016-17	\$2.1	\$8.7	\$21.7	\$41.4	\$41.9	\$81.3
Change %	+62%	+23%	+25%	-7%	+139%	+25%
<i>Total services:</i>						
2011-12	21,756	117,245	207,916	695,271	294,830	1,092,109
2016-17	33,108	136,580	229,484	597,489	653,152	1,304,636
Change %	+52%	+16%	+10%	-14%	+122%	+19%
<i>Total patients:</i>						
2011-12	1,864	9,383	43,364	103,637	7,603	55,748
2016-17	2,328	9,120	39,598	75,152	16,005	54,214
Change %	+25%	-3%	-9%	-27%	+111%	-3%

Physiotherapy, exercise physiology and podiatry incur the largest expenditure in this provider grouping and comprise the highest number of services. Table 4 also highlights DVA's exercise physiology GST liability of \$4.19 million for the 2016-17 financial year, a liability which provided revenue for distribution to the states and territories.

Since exercise services were included in the National Disability Insurance Scheme on 1 July 2016, some 2,557 approved providers (exercise physiologists and personal trainers) have registered in the Exercise Physiology and Physical Wellbeing Group^{xxxvi}. No specific figures are available on exercise physiology expenditure, services and clients within the NDIS.

Exercise physiologists are registered to receive funding for services from ComCare, state personal injury schemes and Private Health Insurance providers.

Table 5 outlines WorkCover Queensland benefits and GST liability paid on exercise physiology services over five financial years.

Table 5: WorkCover Queensland Payments (including Return to Work Payments)/GST liability 2015-2016 FY to 2019-2020 FY^{xxxvii}

Year	Amount paid in benefits (excl. GST)	GST Liability
2015-2016	\$3,753,514	\$375,351
2016-2017	\$4,402,479	\$440,248
2017-2018	\$6,038,372	\$603,837
2018-2019	\$8,335,766	\$833,577
2019-2020	\$11,333,724	\$1,133,372

Table 6 outlines the New South Wales Government (NSW) State Insurance Regulatory Authority benefits and GST liability paid on exercise physiology services over the three DEIS (date entered into the insurer’s system) years:

Table 6: NSW State Insurance Regulatory Authority Benefits/GST liability 2016-2018^{xxxviii}

Date entered into the insurer’s system (DEIS) Year	Amount paid in benefits (excl. GST)	GST Liability
2016	\$23,200,000	\$2,320,000
2017	\$27,200,000	\$2,720,000
2018	\$27,000,000	\$2,700,000

WorkCover Western Australia (WA) made \$40 million in allied health service payments in 2018-19^{xxxix} with physiotherapy services and exercise therapy each accounting for 36% of the total allied health service payments (\$14,400,000 per service type), followed by occupational therapy at 14% (\$5,600,000). From 1 November 2019, a separate code was established for WorkCover WA for Exercise Based Programs delivered by Exercise Physiologists^{xl}. The *Medical, Allied Health and Workplace Rehabilitation Service Status Report (2019/20)* indicated that \$2,100,000 had been paid in exercise physiology benefits, resulting in a GST impost of \$210,000^{xli}.

Quarterly exercise physiology payments made by Worksafe Victoria are highlighted in Figure 1. The GST component is 10% of each quarterly payment.

Figure 1: Worksafe Victoria quarterly exercise physiology payments September 2010 to March 2019^{xlii}



In 2018-2019, the Victorian Transport Accident Commission^{xliii} paid \$2,108,603 GST inclusive in exercise physiology treatments incurring a GST liability of \$210,860.

The Australian Prudential Regulation Authority does not report on data about exercise physiology as a stand-alone profession in private health insurance data so no information is available on what GST exercise physiology costs are incurred in private health insurance.

As a result of its inclusion in Medicare, DVA, the NDIS, and State Workers' Compensation schemes, the exercise physiology profession has grown to the extent that exercise physiology items are now commonly used health services and their usage is equivalent to or higher than many other health services which are exempt from GST. This growth also highlights the positive impact the profession is having in the health system within the constraints of the added cost of the GST applied to most exercise physiology services outside of Medicare.

5.6 Uniform National Registration Requirements

Exercise physiology is a self-regulated profession and its accreditation system for exercise physiology was first implemented over 25 years ago in 1996 by ESSA's forerunner AAESS. Accreditation requirements include a defined [Code of Professional Conduct and Ethical Practice](#) which covers professional practice expectations, first aid and cardiopulmonary resuscitation (CPR), professional indemnity insurance and continuing professional development.

The scope of Accredited Exercise Physiology (AEP) practice includes functional testing; clinical exercise prescription and supervision; physical activity education and counselling; and outcomes analysis to prevent or manage chronic disease or injury, and assist in restoring optimal physical function, health, and wellness^{xliv}.

Accredited Exercise Physiologists also follow the [National Code of Conduct for Health Care Workers](#) and currently work alongside, and in collaboration with, general practitioners and specialist medical practitioners, diabetes educators, dietitians, psychologists, physiotherapists and many other health professionals.

In 2008, to further strengthen its accreditation processes, ESSA became a founding member of an alliance established under the auspices of Allied Health Professions Australia. This alliance later transitioned into the National Alliance of Self Regulating Health Professions to support member organisations of self-regulating health professions. NASRHP's transition to a formal independent body providing a quality framework for these professions was supported by seed funding by the Australian Government Department of Health.

In February 2018, as a peak professional body, ESSA gained its full NASRHP membership, meeting all of the NASRHP membership standards and application requirements to self-regulate and accredit practitioners within the profession (Category 1 and 2) at a 100% level.

The NASRHP accrediting system for exercise physiologists and other health professionals (including audiologists, dietitians, social workers and speech pathologists) mirrors the professional standards of the 15 health professions regulated by AHPRA.

5.7 Red Tape and Competitive Disadvantages

Researchers have found that 58% of internal compliance costs of Australian businesses were due to GST compliance costs^{xlv}. Businesses delivering exercise physiology services face a greater burden of regulation in meeting their GST compliance costs than those businesses delivering GST free exempt health services.

Exercise physiologists working in the NDIS have experienced huge challenges when plan managers have assumed that exercise physiology is a GST free supply under the NDIS and have refused to pay the GST portion of exercise physiology invoices. Only persistent lobbying by ESSA to both the ATO and the National Disability Insurance Agency (NDIA) to update resources and information has alleviated most of these concerns.

The ATO now has an *Example: Supply of when exercise physiology is not GST-free* on its website^{xlvi} and the NDIA featured exercise physiology in an article *Tax Office requirements for GST-free NDIS supports* in its 2 December, 2019 newsletter^{xlvii}.

ESSA has also worked with the ATO to develop a [GST Fact Sheet](#) for its members^{xlviii}. Australians can access GST free exercise physiology (EP) services in the following circumstances:

- EP Services charged to an NDIS participant who is a resident in a residential care facility
- EP Services charged to patients as part of GST-free hospital treatment
- EP Services charged to an Australian government agency (e.g. DVA or a government-operated hospital), an insurer or a compulsory third party scheme operator, where it is part of GST-free hospital treatment
- EP Services charged to a residential care facility that is operated by an Australian government agency, an insurer or a compulsory third party scheme operator, where it is part of GST-free residential care that they supply to their residents.

Some ESSA members are dual qualified (physiotherapy/exercise physiology and dietetics/exercise physiology) and many exercise physiologists work in multi-disciplinary allied health or health practices. In these cases, there is a requirement for two sets of billing systems – one for those health services that are GST exempt and one for exercise physiology services which are not. Australian and state government agencies and private health insurers also are required to restructure the way they do business to ensure they meet their exercise physiology GST obligations.

5.8 Cost to Remove GST on Exercise Physiology Services

ESSA is aware a costing was completed by the Parliamentary Budget Office in 2018 as to the impact on revenue should GST be removed from exercise physiology services.

In one example where exercise physiology services can play a critical role, exercise has been found to be an effective weight loss intervention for overweight or obesity, particularly when combined with dietary change according to a 2006 Cochrane review^{xlix}. The cost of not removing GST on exercise physiology services contributes to the burden of future additional costs associated with obesity as identified in a 2015 PwC Australia report^l on obesity. The report found that without further action to curb the growth in obesity, there will be a total of \$87.7 billion in additional costs accumulated across the ten years to 2025. This figure was based on total costs for eleven evidence-based areas relating to the costs of obesity in Australia in 2011-12 which were estimated to be \$8.6 billion (in 2014-15 dollars), made up of \$3.8 billion in direct costs and \$4.8 billion in indirect costs.

The cost of removing GST on exercise physiology services will be more than offset by the reduction in downstream health care costs.

5.9 Inequity

When GST was introduced in July 2000, Australians were promised that their health care expenses would remain free from GST. This is not the case for many who are disadvantaged by the GST impost on exercise physiology services including:

- those who cannot afford private health insurance or pay for private services
- those who cannot access exercise physiology services via GST free hospital treatments or GST free residential facilities or compensable schemes including Medicare
- NDIS clients whose exercise physiology services are grossed up to cover the additional 10% GST which impacts on the overall value of funds available for other services.

The burden of GST impacts more on those in lower socio-economic status (SES) groups who are at greater risk of poor health and have higher rates of chronic illness and all-cause mortality^{li}. Australian adults aged 18-64 in lower SES groups also exercise less as shown by the decrease in physical activity participation as socio-economic disadvantage increases^{lii}.

Once Medicare subsidised services are fully utilised, patients then get charged GST for any additional private services needed to complete their treatments. Anecdotal evidence provided to ESSA suggests that many patients simply stop treatment once Medicare benefits are used, partly because the additional GST burden makes services unaffordable. This often compounds patients' chronic conditions and in some cases, results in hospital admissions that could have been prevented.

To remain competitive with other allied health professionals like physiotherapists, many AEPs charge patients lower fees to compensate for the extra 10 percent GST charge on all non-exempt services.

Patients accessing exercise physiology services delivered through private health insurance and those who pay privately are at a competitive disadvantage to those who can access other GST exempt health services.

5.10 The Role of Exercise Physiology in Broader Government Agendas

Physical activity and nutrition have been recognised as important risk factors in preventing disease across all stages of life and have featured in a topic-specific consultation workshop (attended by ESSA) to inform the development of the [National Preventive Health Strategy](#), a 10-year Strategy to better balance treatment and prevention. The Strategy also forms part of the third pillar for mental health and preventive health, as outlined in *Australia’s Long Term National Health Plan*^{liii}.

Motivating and inspiring people to participate in regular physical activity is a strategy within one proposed priority (enabling active living) within The Council of Australian Governments (COAG) Health Council’s Consultation Paper^{liv} on developing a national obesity strategy. The subsequent Consultation Report^{lv} on the national obesity strategy released in 2020 noted

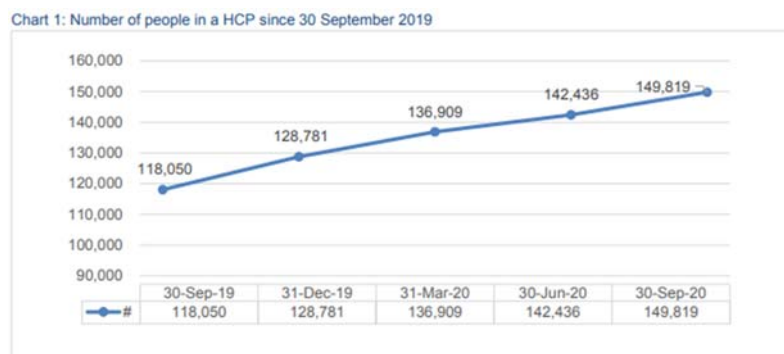
“Respondents from the health sector emphasised that effective early intervention through health services and GPs required clearer referral pathways and appropriate options to direct patients to. Suggestions included:

- **stronger pathways to qualified health promotion, exercise physiologists and nutrition professionals...**
- **embedded physical activity counselling in primary healthcare...**

In 2011, the Productivity Commission’s Inquiry *Caring for Older Australians*^{lvi} identified an increased preference amongst older Australians, to remain living independently in their own home for as long as possible. This preference has been demonstrated as the demand for home care packages continues to grow.

Figure 2 illustrates the growth in home care packages (HCPs) over the past year:

Figure 2: Number of People in a Home Care Package from 30/9/2019 to 30/9/2020^{lvii}



The same report also notes that as at there were 99,268 Australians waiting for a HCP at their approved level.

For community dwelling adults, progressive resistance strength training is an effective intervention to increase muscle strength and it has a powerful outcome in relation to prolonged independent living and a reduction in care needs^{lviii}. Reablement as the starting point for individuals referred for home care within the aged care system reduces the call for home care services over time and ensures that all older Australians have the opportunity to enjoy better physical health and live independently for longer in their own homes regardless of age, level of disease or disability^{lix}. Exercise physiologists are experts in providing progressive resistance strength training for older adults and play an important role in delivering reablement services.

Exercise is significant in the Australian Government's commitment to reducing inactivity amongst Australians by 15% by 2030 in *Sport 2030*^{ix}, the comprehensive plan to reshape Australian sport and build a healthier, more physically active nation. ESSA's Accredited Exercise Physiologists and Accredited Exercise Scientists are supporting the Government to reach its inactivity target via a project that subsidises those over the age of 65 to be more active, more often in group exercise sessions via a \$1,838 million Sport Australia *Move It AUS – Better Ageing* grant.

The delivery of exercise physiology services supports the vision of the *National Strategic Framework for Chronic Conditions*:

"All Australians live healthier lives through effective prevention and management of chronic conditions"^{xi}.

5.11 Exercise Physiology as a Clinically Relevant and Cost Effective Treatment of Patients

Exercise physiology is a highly respected, evidence based allied health profession. Research confirms that Accredited Exercise Physiologists are effective in getting people with chronic conditions to exercise.

A NSW lifestyle intervention^{lxii} provided six sessions (an initial assessment, four individual consultations with a dually qualified dietitian and exercise physiologist, and a final assessment) and aimed to modify behaviours to improve physical activity in GP referred patients with a mental illness. The study showed that cardiovascular fitness, muscular endurance, and psychological well-being improved in 80% of those who completed the program.

Another study in Western Australia showed that more than 95% of patients who completed a formal healthy lifestyle exercise program co-ordinated by an exercise physiologist with a range of individual, group, and team exercises over 30 minutes to one hour per day in a forensic mental health facility, self-reported the program was helpful in improving fitness, physical well-being and mood^{lxiii}.

Of significance are the benefits of AEPs in providing more complete and effective multi-disciplinary care through translating exercise advice given by GPs in primary care^{lxiv}.

Qualified exercise therapists in prescribing exercise delivery at preferred intensities and providing supportive psychosocial interventions through motivational education and support have generated positive outcomes in a range of psychological, social and physiological (i.e. Rated Perceived Exertion and Heart Rate scores) among depressed women who are largely sedentary^{lxv}.

Two Australian randomised controlled trials (RCTs) compared various settings for interventions and found beneficial effects were greater when exercise was supervised by an exercise physiologist. The first study^{lxvi} found that individually tailored program of 16 sessions with an exercise physiologist weekly (in person or by telephone) for post-surgery breast cancer patients, then tapering to monthly over eight months resulted in

- individuals experiencing a clinically meaningful change in their quality of life
- significant differences between the face-to-face and telephone groups compared with the usual-care group for aerobic fitness
- all values being statistically significantly different for strength and endurance.

The second RCT^{lxvii} found 16 x 15–30 minute telephone calls over eight months with an exercise physiologist for patients with invasive breast cancer resulted in

- a clinically meaningful quality of life and upper body function changes from baseline levels to 12 months post-surgery.

One of the first studies of exercise physiology coaching in Australia by AEPs under real world conditions under the CDM Medicare items confirmed positive benefits for sedentary patients referred by GPs^{lxviii}. Patients attended five face-to-face or one face-to-face and four telephone consultations over 12 weeks. The control group received usual care from GPs and a generic health promotion brochure on physical activity. This study used an objective assessment of physical activity using a pedometer unlike self-reporting measures used in eight previous RCTs analysed in a systematic review^{lxix}. The study confirmed that the effect of coaching persisted at 12 months in intervention groups after one to five consultations (an average of 4.4). Intervention groups were more active than control groups by 1,002 steps per day.

Researchers extrapolated from the Hunter Community Study^{lxx} and estimated if the effect is linear, they could expect an extra 1,000 steps to result in one-third less of a bed day of hospital admission over the subsequent 5 years. This equated to savings of \$450 to \$533 based on 2013 hospital daily bed costs of \$1,350 to \$1,600. The study confirmed the cost of the AEP intervention offered value for money compared to the average cost of a single hospital admission for heart failure or chronic obstructive pulmonary disease without any other complications in 2011-2012 was around \$5,500^{lxxi}.

A 2015 Deloitte Access Economics report *Value of Accredited Exercise Physiologists in Australia (Summary)* commissioned by ESSA outlines a summary of the benefits and costs for a number of chronic conditions, due to interventions by AEPs in Table 7 below:

Table 7: Benefit Cost Ratio and Annual Savings per Person in Health System Expenditure from Accredited Exercise Physiologists’ interventions^{lxxii}

• Condition	• Benefit Cost Ratio (benefit is shown to the health system and savings in productivity versus the cost of AEP interventions)	• Annual savings per person in health system expenditure
• Pre-diabetes	• 6.0	• \$1,977
• Type 2 diabetes	• 8.8	• \$5,107
• Mental illness (depression)	• 2.7	• \$10,062 • (per case • averted through exercise) • \$2,239 (for people still in recovery • at one year follow up)
• Cardiovascular disease	• 6.2	• \$11,847
• Chronic back pain	• 14.6	• Research not available
• Osteoarthritis	• 4.0	• Research not available
• Rheumatic diseases	• 4.2	• Research not available

Very recent research^{lxxiii} on the link between COVID-19 and obesity suggests that people with obesity are at increased risk of severe COVID-19. It is widely recognised that the presence of comorbidities such as hypertension, diabetes mellitus and CVD is associated with a more severe course of COVID-19. Obesity is a main risk factor for these comorbidities and impaired metabolic health.

Another recent study^{lxxiv} confirmed that patients with COVID-19 have comorbidities related to metabolic syndrome (MS) and that MS is a risk factor influencing the progression and prognosis of COVID-2019. Many AEPs deliver services in managing metabolic health.

6. Possible Solutions and Recommendations

The GST is an Australian Government tax with the GST revenue distributed to the states and territories. The arrangement for this is detailed in the Intergovernmental Agreement (IGA) on Federal Financial Relations^{lxxv}. Clause A4(c)(i) of the Agreement indicates that the Council on Federal Financial Relations (chaired by the Australian Government Treasurer) must approve 'changes to the GST base and rate', and clause A6 of that Agreement requires that any such agreement be unanimous.

There is conjecture that despite the IGA requiring the unanimous agreement of Australian and state and territory jurisdictions to make changes, the Australian Government is legally free to disregard the IGA and amend the GST legislation unilaterally. Legal experts, NSW barrister Brett Walker SC and his Victorian colleague Tony Lang provided a legal opinion^{lxxvi} in 2013 as follows:

"Under section 1 of the Commonwealth Constitution, the legislative power of the Commonwealth is vested solely in the Commonwealth Parliament, which consists of the Queen, the Senate and the House of Representatives.

*Under section 23 of the Constitution in the case of the Senate, and section 40 in the case of the House of Representatives, **any Act may be amended by a simple majority vote in both Houses, provided it subsequently receives the Royal assent under section 58.***

Section 51(ii) gives the Parliament specific power to make laws with respect to taxation, while section 96 gives it specific power to grant financial assistance to the States.

Sections 53-56 prescribe the procedures that apply to particular legislation. Section 61 requires the executive power of the Commonwealth to be carried out in accordance with the Constitution and the other laws of the Commonwealth.

Nowhere in the Constitution is it contemplated that any legislation made by the Commonwealth Parliament under the powers referred to will require the consent of the States.

Such a restriction could only be imposed by amendment of the Constitution itself by referendum under section 128."

The Australian Government is in a position to exercise leadership with respect to the removal of GST on exercise physiology. One possible option is that Australian Government supports removing GST on exercise physiology services by developing a case for the consideration of the Council on Federal Financial Relations and enlisting the support of the state and territory governments so unanimous agreement can be reached. Another option is that the Health Minister directly determines that the supply of exercise physiology services is GST-free under Section 38-10(1)(c) despite the IGA.

Recommendation 1:

That Exercise & Sports Science Australia (ESSA) calls on the Australian Government to exercise leadership in respect to the removal of GST on exercise physiology services by:

- developing a case for the consideration of the Council on Federal Financial Relations and enlisting the support of the state and territory governments so a unanimous agreement can be reached or
- the Minister for Health determining that the supply of exercise physiology services is GST-free under Section 38-10(1)(c) of the *A New Tax System (Goods and Services Tax) Act 1999 (Cth)*^{lxvii}.

Recommendation 2:

That once a mechanism had been agreed upon to remove GST from exercise physiology services, then Exercise & Sports Science Australia (ESSA) calls on the Australian Government to:

- include exercise physiology as an 'other health service' not defined as a medical service and adding exercise physiology to the table of 'other health services' listed in Section 38-10(1)(c) of the *A New Tax System (Goods and Services Tax) Act 1999 (Cth)*
- acknowledge that exercise physiology services are performed by exercise physiologists as accredited service providers
- acknowledge that exercise physiologists are recognised professionals in relation to the supply of the listed services of that kind (i.e. exercise physiology services)
- acknowledge that exercise physiology services are generally accepted in the listed health professions as being necessary for the appropriate treatment of the recipient (patient) of the supply (of exercise physiology services)
- recognise Exercise & Sports Science Australia as the professional association with uniform national accreditation requirements for practitioners of exercise physiology so that exercise physiologists accredited with ESSA will be considered as recognised professionals for the purposes of Section 38-10(1)(b) of the *GST Act* which requires that the supplier of 'other health services' be a recognised professional.

7. Summary

The preceding discussion presents a comprehensive case to remove GST from exercise physiology services. The data on usage noted above demonstrate that exercise physiology services are mainstream health services rather than complementary or alternative. Exercise physiology services meet all of former Treasurer Costello's original GST criteria and the later criteria set by the Vos Committee.

Accredited Exercise Physiologists are recognised health professionals within multiple compensable schemes and across private health insurance. ESSA has undisputed credentials as a professional association with uniform national registration requirements for exercise physiology practitioners that are equivalent to or exceed the registration requirements of practitioners delivering 'other health services'.

There is strong a body of evidence which demonstrates that exercise physiology services are clinically relevant. Patients pay more for private exercise physiology services. Businesses delivering exercise physiology services face a greater burden of regulation in meeting their GST compliance costs.

Exercise physiology services can assist the Government in meeting its broader health agenda through prevention. The cost of removing GST from exercise physiology services will be offset by Australian Government's GST liabilities and a reduction in downstream health and aged care expenditure.

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