



Private Healthcare Australia
Better Cover. Better Access. Better Care.



Budget submission 2025-26

Maternity services

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About Private Healthcare Australia

Private Healthcare Australia (PHA) is the Australian private health insurance industry's peak representative body. We have more than 20 registered health funds throughout Australia as members and collectively represent 98% of people covered by private health insurance. PHA member funds provide healthcare benefits for over 14.7 million Australians.

More choice for people having babies

Recommendations:

- *Allow health funds to offer an end-to-end care package for maternity services with fixed out of pocket costs.*
- *These should be able to be managed by obstetricians, midwives or general practitioners to give women more choices.*
- *Where clinicians agree to lead a team and take responsibility for all aspects of care, the Australian Government and health funds each provide at least \$3000 to reduce out of pocket costs.*

The costs of having a baby in the private system are becoming prohibitive. Further, the decline in birth rates is putting pressure on providers, with several facilities struggling due to the falling number of births. This leads to higher cost structures with higher out of pocket costs and the potential for a spiral, which threatens private maternity care in several places across the nation.

The most common complaint of new parents in the private system is high and unknown out of pocket costs, particularly for managing the pregnancy, which mostly occurs as an outpatient. Obstetricians' costs are pricing themselves out of the market. However, obstetrics services are only the most visible cost. From initial and follow up consultations, scans, pathology, hospital birthing services, anaesthetists, paediatricians and midwives, there are many opportunities for consumers to be slugged with out-of-pocket costs. Many of these costs are not disclosed at the beginning of the episode of care. Many people feel powerless to challenge these unexpected costs.

New models of care can shift private maternity care to a more sustainable path with improved outcomes at lower costs. PHA supports the [Scope of Practice Review: Unleashing the potential of our health workforce](#) recommendation to introduce a bundled payment for maternity services (rec 11.1). The report "supports a bundled

payment for maternity care, inclusive of the midwifery continuity of care model, traditional midwife plus medically led model, or a GP shared care model for combined, integrated, woman-centred care provided in primary care and private hospital settings.”

Currently health funds can only pay claims for in-hospital care. Health funds provide around 88% of the costs incurred for in-hospital maternity care, with government contributing 11%. Government and consumers pay all of the out of hospital costs and health funds are unable to contribute. Out-of-pocket costs to consumers typically add thousands of dollars.

PHA recommends developing options for bundled packages by changing the current legislation to allow health funds to pay for maternity services out of hospital under strict conditions with a wider range of practitioners. This would require a lead practitioner (the obstetrician, midwife or GP) selected by the patient to coordinate all the services required, managing the care of the patient. This would also include negotiating remuneration with other medical providers, with the lead practitioner providing a single invoice to the patient covering all the services required.¹

Such an approach would eliminate the drip pricing currently experienced by consumers and ensure parents were aware of the total out of pocket costs before they started the private maternity care journey.

It would also open new high-quality care options for parents and offer medical providers models with more sustainable cost structures for a wider pool of people.

Such a model, where a lead practitioner coordinates both the health and the financial aspect of care, is a new innovation in the Australian context, but one that would be warmly welcomed by patients.

PHA recommends medical practitioners, midwives or general practitioners be the only people able to coordinate care in this manner. Offering expectant mothers with a wider range of practitioners to lead their care will likely require legislative changes.

Coordinating care should be the responsibility of the clinician, yet currently, clinicians do not take on this role with respect to patients’ costs.

The additional administrative costs of managing patients’ care are significant. Lead clinicians would need to negotiate prices and arrangements with a range of providers, such as anaesthetists, sonographers and others in advance. The lead clinicians’ increased purchasing power should reduce overall costs from other healthcare

¹ The package would include a standard range of services. Should the birth be especially complex and require an extraordinary range of services, the lead practitioner may charge the patient more under strict conditions.

providers, but the out-of-pocket costs are still likely to be significant. However, the total costs will be known up front, meaning consumers will get more certainty and a better deal.

To compensate lead practitioners for the administrative burden and to reduce overall out of pocket costs for consumers, PHA recommends health funds and the Australian Government each provide a minimum of \$3000 to lead practitioners who undertake the task of coordinating care and providing a single bill to the patient. The Australian Government would only provide funding of \$3000 on the condition the health fund provides no less than \$3000 towards out-of-pocket costs.² The health fund would also provide a package of funding equal to the existing legislative requirements for median medical rebates.

Lead practitioners who wish to participate in the scheme would then compete for patients, with obstetricians, midwives and some GPs building practice networks to bring in and fund other healthcare providers out of the bundled care package. This competition would be transparent on both price and the services offered, providing greater choice to consumers.

The financial impact to the Australian Government is estimated at \$246 million over four years.³

² Funds typically already provide more than twice this amount, and this provision is to ensure that funds continue current levels of funding for maternity services.

³ Estimates assume legislation is passed to allow a 1 January 2026 commencement, with births covered by the scheme being 5000 in 2025-26 (\$15 million); 12,000 in 2026-27 (\$36m); 25,000 in 2027-28 (\$75m) and 40,000 in 2028-29 (\$120m). Recurrent costs stabilise at \$120m per annum. PHA has not modelled any impact on the Extended Medicare Safety Net.