



Press Release

Sustainable and Affordable Private Healthcare

4th May 2016

Australia's health funds have welcomed the Government's commitment to improving the sustainability and affordability of the private healthcare sector, but warn the Government should take immediate steps to reduce pressure on premiums.

Private Healthcare Australia's Chief Executive Officer, Dr Rachel David, welcomed the Budget announcement to establish a high level implementation committee, Private Health Sector Reform Committee, to action the recommendations of the Private Health Insurance Review.

"This Committee will be responsible for implementing important changes including the establishment of a new Prostheses List Advisory Committee and the introduction of price disclosure and reference pricing," said Dr David.

"When fully implemented, these steps will save \$800 million per year in healthcare costs and keep premiums lower for the 13 million privately insured Australia. The Industry has been working closely with the Federal Health Minister on the Review of PHI and we believe our concerns about premium affordability have been heard."

"It is crucial, however, that the Government fast track its commitment to reform the Prostheses List, particularly now that it has frozen the indexation of the PHI Rebate for a further three years until 2021.

"Premium affordability is major issue for health fund members. Almost half of all Australians with PHI have an annual income of less than \$50,000. (See infographic) They are not wealthy. They are hard-working Australians who value their private health cover and their right to choose when and where they have medical care.

"Private health insurance is under unsustainable cost pressure. Health funds' biggest issue is input costs are not within their control. Health costs are rising 8-9% each year, compared to an average 6% increase in premiums and household incomes (CPI) of 1.8%.

"Health funds have committed to pass on any savings from regulatory reform to their members. Funds will continue to introduce efficiencies to keep their internal costs down, and make it easier for members to choose and use health insurance, however the Government needs to execute reform.

"Outdated Federal Government regulations around medical device prices and cost shifting alone are estimated to be putting upwards pressure of \$2.8 billion per year on premiums. There are a number of critical reforms the Government should implement to support a strong health insurance sector.



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1. The Government can act immediately to stop the gouging of private health prostheses patients. This can be achieved by stopping foreign companies from charging Australian health fund members the highest prices in the world for medical devices, at up to 5 times the price charged for the same device in the same hospitals to public patients. The first step is a new Prostheses List Advisory Committee and the introduction of price disclosure and reference pricing;
2. Stop State Governments from cost shifting, the practice of charging private patients twice when they use the Medicare system. This shifts around \$2bn of costs every year directly on to premiums;
3. Encourage more competitive contracting in the private hospital sector by removing inflationary second-tier default benefits. Health funds are currently forced to pay uncontracted hospitals a fee-for-service, which is 85% of the average paid for contracted hospitals. Unlike contracted hospitals, non-contracted hospitals are not restricted in charging additional out-of-pocket expenses to consumers, and can charge rates that go above the benefit they would have received if a contract were in place;
4. Implement the findings of the MBS Review to prevent outdated and wasteful clinical care;
5. Change reinsurance arrangements for PHI. At present reinsurance arrangements mean that a large portion of the benefit of any funds' efficiencies go to its competitors via the reinsurance pool. Not only is there no incentive to implement disease management and prevention programs, there can be a positive disincentive to do so. Changes to reinsurance arrangements so that they were prospective not retrospective would lead to very substantial innovation in disease management and preventative care programs.

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PRIVATE HEALTH, PUBLIC BENEFIT

A strong health insurance sector benefits all Australians by **easing pressure on public hospital waiting lists.**

13 million+ Australians rely on private health cover and they want the security of knowing they can have healthcare when they need it.



close to **2 out of 3** non-emergency surgeries are performed under private health cover

IS PRIVATE HEALTH INSURANCE JUST FOR THE WEALTHY?

More than **1 in 4 people** with PHI have an annual income of **less than \$30,000**

Almost half of all people with Private Health Insurance have an annual income of **less than \$50,000**



92% of people with Private Health Insurance have an annual income of **less than \$150,000**

There are **250,000 pensioners** with an annual **income <\$30,000** who have PHI.



There are nearly **125,000+ retirees** living off their superannuation with an annual **income <\$50,000** who have PHI.

Health funds play a vital role in better health and hospital services for all Australians



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

More information at www.privatehealthcareaustralia.org.au