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Press Release

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State Government 'cost-shifting' costing health fund members more than $1 billion per year and growing

State Governments are increasingly urging public hospitals to raise funds by using Private Health Insurance (PHI) funds as a cash cow, driving up the cost of premiums for all health fund members.

Private Healthcare Australia CEO, Dr Rachel David, said the Department of Health discussion paper on private patients in public hospitals confirmed industry figures about the extent of the practice of cost-shifting by State Governments.

"At a State level, a tacit encouragement of public hospital cost shifting has been growing. Some States have reduced funding for public hospitals and set quotas for "own-source revenue", which is sought from a combination of PHI, veteran's affairs, and other non-State Government funding," said Dr David.

"There has always been a stable number of private patients treated on an elective basis in public hospitals because of the nature of their condition, or because it is where their specialist works. What we are talking about here however, is the aggressive trawling of public emergency departments to try and convert as many patients as possible to private status.

"For example, the Queensland State Government brought in quotas in 2010 and annual growth in public hospital stays for private patients changed from 7% per annum before 2010, to 12% per annum after 2010. Figures in the Department of Health discussion paper show that the percentage of public hospital separations funded by PHI in Queensland has increased by a massive 114% since 2010-11.

"Public hospitals are pressuring patients who present to a public hospital emergency department to use their private health insurance rather than the Medicare system. In fact, many patients who intended to be treated as a public patient are signed up after they are admitted. The end result is PHI policyholders are now subsidising the costs of public hospitals, despite having already contributed to these through their taxes.

"Cost-shifting obviously disadvantages health fund members, but people without private health insurance also lose out as they risk getting bumped down public hospital waiting lists if they need treatment. The Australian Institute of Health and Welfare (AIHW) has reported a median waiting time of 42 days for public patients vs 20 days for private patients.

"This practice is adding about $1 billion to the cost of premiums but it's also growing at an average of 12% per annum. This drives up the cost of premiums and sometimes it puts pressure on the consumer when they present to the hospital unwell and are put in a position where they have to make a quick decision that can also lead to them incurring unexpected out-of-pocket costs.

"State and Territory Governments received a 6.5% increase in their annual funding from 2016. They should be held accountable not only for how this is spent, but for how Medicare-eligible consumers presenting to public hospitals are treated.

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"No-one should be pressured to make a financial decision if they or a family member is acutely unwell or in distress. Any patient who chooses to use their private health insurance in a public hospital should always be provided informed financial consent, so they understand the implications of their decision," said Dr David.

A recent Catholic Health Australia report, "UPSETTING THE BALANCE, How the Growth of Private Patients in Public Hospitals is Impacting Australia's Health System" also validates the findings in the discussion paper.

Key findings in the CHA report included:

- Growth of private patients in public hospitals is outstripping rates of growth of public patients in public hospitals and private patients in private hospitals.
- The cost of treating private patients in public hospitals has more than doubled over the period from $2 billion in 2008–09 to $4.6 billion in 2015–16.
- The growth of private patients in public hospitals is also cost shifting from the States to private health insurers, with flow on impacts to consumers. Private health insurers spent $1.1 billion on benefits for private patients in public hospitals in 2014–15, which is putting upward pressure on premiums.
- The key driver of the growth of private patients in public hospitals may be attributed to the practices of some public hospitals in encouraging patients to declare and use their private health insurance product.

The issue of private patients in public hospitals is one of the key issues PHA is working to address in conjunction with the Federal Government as part of the PHI reform process.

"Clearly we need an auditable referral pathway for people coming through public hospital emergency departments if they are being pressured to use their private health insurance," said Dr David.

"There are a number of regulatory reform options which could improve the relationship between PHI and public hospitals including the removal of quotas and increase monitoring of private patient flows through public hospitals, and greater transparency on care being provided.

"Consumers should also be provided with informed financial consent to avoid unexpected out of pocket costs; public hospitals should be required to share an appropriate level of data with health funds; and the practice of hospitals offering public patients financial incentives to use their PHI is inappropriate and should be banned.

"This will encourage Commonwealth and State Governments to increase transparency and reduce cost-shifting by highlighting the impact on health fund premiums and out-of-pocket costs for consumers. Public hospital cost-shifting to health funds adds more to premium costs than the average year's premium increase," Dr David said.

Private Healthcare Australia is the peak representative body for Australia's private health insurance industry. PHA represents 20 Australian health funds with a combined membership of 12.9 million Australians, or 96% of the sector on membership. Promoting the value of private health insurance to consumers in the Australian economy and keeping premiums affordable for our members is the number one priority of PHA members.

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