



PRIVATE HEALTH NEEDS WHOLE-OF-SECTOR COMMITMENT TO TRANSPARENCY

Private Healthcare Australia is urging a whole-of-sector commitment to transparency around issues such as specialist fees to bring the private health sector up to speed with the rest of the economy and consumer expectations.

PHA Chief Executive Dr Rachel David said the latest APRA quarterly statistics (September 2017) highlighted an increase in out-of-pocket costs for consumers, which was contributing to a decline in private health insurance membership.

Out-of-pocket payments for hospital episodes increased by 5.0% compared to the same quarter for the previous year (from \$284.20 per episode to \$298.55 per episode). Out-of-pocket payments for medical services was \$154 (where an out-of-pocket payment was payable) for September 2017 quarter. This has increased 19.3% compared to same quarter last year (where average gap payment where gap was paid was \$129). This is due largely to increases in the proportion of gap payments relative to medical charges across both the *ENT* and *plastic/reconstructive* specialty groups.

The increase in out-of-pocket payments for medical services (across all medical services) for September 2017 quarter was only 2.8% compared to the same period last year. The proportion of services with no gap has increased to 88.1% for September 2017 quarter compared to 86.2% for the same period last year.

“Of the 13.5 million Australians who rely on PHI, more than half of them have disposable incomes under \$50,000 per year. 84% of members believe that they get value for money and cite peace of mind, choice of specialist, choice of hospital, and control over timing of medical treatment as the main reasons they want to keep their health cover. Their main concern is unsurprisingly premium affordability, followed by out-of-pocket medical costs,” said Dr David.

“Health funds are restricted by law from controlling what doctors’ charge, and from providing cover for medical services provided out of hospital. The minority of private health services attract a gap payment and this is great news, however gaps charged tend to be in critical and highly emotive areas like cancer treatment, reconstructive surgery, childbirth and anaesthesia. Gap payments charged for services are increasing on average at a rate higher than CPI.

“Health funds understand the MBS freeze has impacted the ability of doctors to offer no-gap services, but health fund gap cover simply cannot chase rapidly increasing fees without putting premiums up for everyone. There is a critical need for GPs and their patients to be given access to likely out-of-pocket charges before referral takes place, to give price-sensitive consumers the ability to choose the most cost-effective option between specialists with equivalent qualifications. There is also an urgent need to relax restrictions placed on health funds from negotiating with specialists to cover the gap for some essential services provided out-of-hospital, like cancer treatment. Failure to do so will lead more consumers to desert private health, for fear of being left out-of-pocket.

“Without ongoing reforms to reign in input costs, health inflation will continue to spiral, putting pressure on premiums, putting private health insurance out of reach of many Australians, and pressure back on the public health system. We need a whole-of-sector commitment to transparency around issues including hospital and specialist fees.



Press Release

“There has been some progress on medical device pricing, the fastest growing area of health fund costs. Health funds have pledged that all savings made from reducing inflated prostheses list benefits will be passed on to consumers in the next premium rounds.

“Health funds invested millions of dollars towards improving transparency during the reform process, to develop policies such as the Gold/Silver/Bronze/Basic model with a focus on reducing complexity and simplifying consumer choice. It is vital that consumers know what they are buying, what they are not buying, and that their policy of choice is not only affordable, but meets their health and life-stage needs.

“It’s time to extend the reach of transparency across the whole sector, so hospitals, medical device suppliers and medical specialists are all held accountable for reducing waste and low value care in private health, and keeping the lid on rising premiums and out-of-pocket costs.

“APRA’s 2016-17 Private Health Insurance Annual Report confirmed that health funds are delivering value for their members. Funds paid a record \$19.83 billion in benefits on behalf of their members (\$14.75 billion for hospital treatment, \$4.87 billion for general treatment and \$220 million for State levies) in 2016-17. While health fund premium revenue increased by 4.6% in 2016-17, benefits paid by funds increased by 4.5%, demonstrating that the PHI claims ratio continues to outstrip comparable industries.

“Health funds are consistently paying out the highest percentage of the premium back to customers of all insurance types – an average of 86c in the dollar (it has been above 85% for 15 years). This compares with 67c for property insurance and 62c for general insurance (2016).

“Health funds are committed to working with the Federal Government and other participants in the sector to improve the affordability and value of private health insurance, to reduce waste and address transparency across the sector”, said Dr David.

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. PHA’s CEO Dr Rachel David is available for interview.

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