

Press Release

3rd February 2021

Urgent reforms needed to protect Australia's health system in COVID-19 world

Private Healthcare Australia is calling for urgent reforms to protect timely access to healthcare and the well-being of Australia's population.

In its 2021-22 [Budget Submission](#), PHA says the future of Australia's mixed public/private health system relies on maintaining the balance between Medicare and a strong private health sector. It lists achievable reform measures designed to restore the balance.

PHA Chief Executive Dr Rachel David said the current environment required bold policy commitments to address both the existing or long run need for reform, and the immediate or short term consequences of the COVID-19 pandemic.

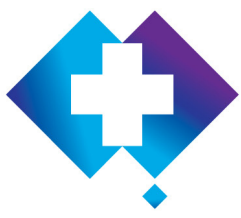
The importance of our mixed private and public health system was clearly demonstrated during the COVID-19 pandemic. It showed our capability to provide extra surge capacity while maintaining high quality and delivering a critical safety net for Australian governments as they navigated the response.

Supporting more than half the Australian population to retain their PHI has never been more important. Public hospital waiting times for many common procedures exceed 1.5 years and some media reports suggest a 10 year wait for some types of surgery as a consequence of the pandemic. Demand for inpatient mental health services, which is a major part of the PHI value proposition, is also rapidly increasing, and we are yet to witness the full impact of recent events on the mental health of our population.

Australian health funds did all they could to support members during the past year. Health funds responded quickly and effectively from the outset of the COVID-19 pandemic, postponing premiums and supporting customers in financial hardship. Funds have also cut operating costs, reduced margins and increased support for members through innovative and expanded programs such as telehealth and hospital in the home.

Health funds have this year delivered the lowest premium increase in two decades. The average premium increase of 2.74% will come into effect on 1 April 2021. Australian health funds remain committed to looking after their members and firmly believe that with the right policy levers, we can reduce premium rises even further.

To the great frustration of health funds, premium rises are still occurring because of regulation which is putting upward pressure on health costs.



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The PHA submission outlines four key areas where savings of over \$1billion can be made:

- Reforming prostheses funding (up to \$500m pa)
- Reforming second tier default benefits (up to \$200m pa)
- Removing unwarranted and outdated regulation (up to \$445m), and
- Increasing the Medicare Levy Surcharge (\$164m).

The greatest savings providing no patient disadvantage come from reforming funding for medical devices. The current Prostheses List provides set prices for more than 11,000 items, with prices set by reference to other items on the list with no market mechanisms. Private health funds are required to pay for items on the Prostheses List regardless of quality, efficacy, efficiency or safety.

PHA has developed a [blueprint for reforming prostheses funding](#) in Australia, which redistributes excessive profits from multinational medical device companies to Australian doctors, Australian hospitals and Australian families. Health funds have committed to passing on savings as a consequence of these reforms back to consumers as a reduction in premiums.

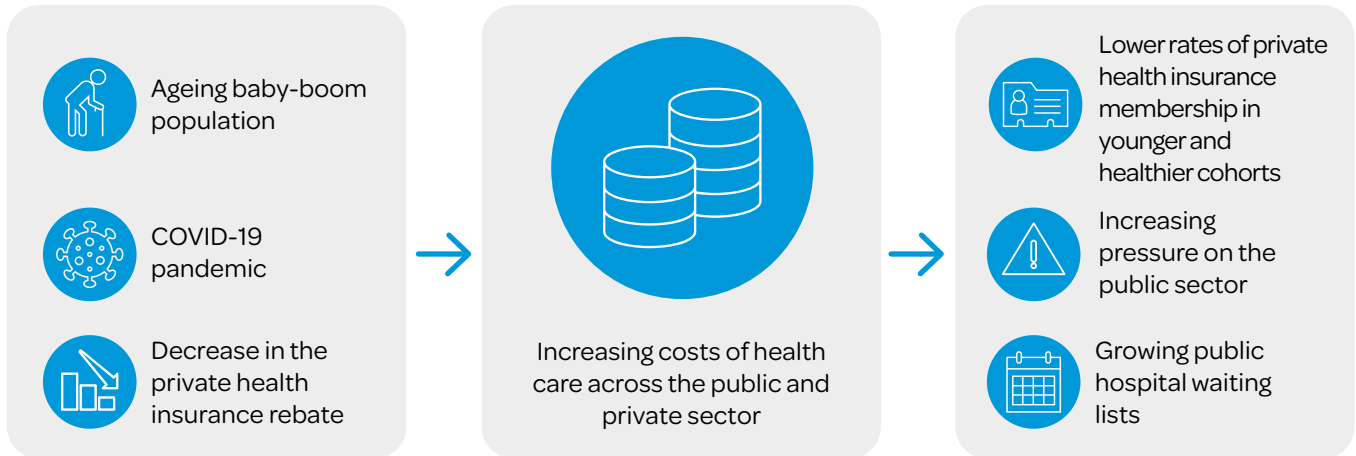
These reform measures, combined with the gradual restoration of the private health insurance rebate to 30% for those on low incomes will take immediate pressure off family budgets and ensure that the average premium increase over the next five years would be about one per cent per annum.

Private Healthcare Australia is the peak representative body for Australia's private health insurance industry. PHA represents 24 Australian health funds with a combined membership of over 13 million Australians, or 97% of the sector on membership.

Media contact: Jen Eddy, 0439 240 755

Reducing pressure on families and hospitals

In recent years, Australia's health care system has been weakened



Australia's health system needs bold reforms to restore the balance between public and private health care

\$1 Billion cost reduction is possible



Reforming prosthesis funding

Saving up to \$500M P.A.



Removing unwarranted and outdated regulation

Saving up to \$445M P.A.



Reforming second tier default benefits

Saving up to \$200M P.A.



Increasing the Medicare Levy Surcharge

Saving \$164M

Supporting private health is the most effective way for government to provide health care, as it is the most efficient way to fund essential non-emergency surgery, inpatient mental health and other services in high demand



To take immediate pressure off family budgets the private health insurance rebate should be restored to 30%.

