

Private health insurance – more questions than answers

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A new report which finds Australia's health system is "increasingly unfair, costly and confusing", must spur the Federal Government to establish a wide-ranging inquiry into private health insurance and its role in the funding and delivery of healthcare, the Consumers Health Forum says.

The report by the Grattan Institute, released tonight (15 July) concludes that the Government needs to ask a fundamental question: do the benefits of further subsidies for health insurance justify the costs?

Those costs not only include the \$6 billion a year subsidy and various tax and regulatory provisions but also the adverse impact of private insurance on the public system. For instance, higher incomes for specialists in the private sector have reportedly made it difficult for the public sector to recruit and retain doctors.

Australia's health care system has become "riddled with inconsistencies and perverse incentives" and despite increasing subsidies and regulatory protection it receives, the private health insurance industry now faces a viability challenge, the report states.

"The deep-seated questions to be asked about private health insurance and its value to both individuals and the system given the long-term challenges it faces are not new. This latest Grattan report chronicles over a decade of inquiries into various aspects of the industry and points out that each identified issues but fell short of identifying long-run solutions"

The CEO of the Consumers Health Forum, Leanne Wells, says the report confirms just how challenging the policy dilemma we face is and strengthens the call by CHF and others for a Productivity Commission inquiry into the role of private health insurance in the Australian system, the objectives to be served by government assistance and the form that assistance should take.

Higher premiums and out of pocket medical costs are fueling dissatisfaction with private health insurance and eroding the universal access to health care promised under Medicare. The Government and the community must act to counter the development of a two-tiered health system that leaves too many Australians waiting or without quality care.

"When routine medical services including those for life-saving treatments are too often put out of reach by egregious fees, and there are suggestions that private cover facilitates "queue jumping", providing access to care in public hospitals based on insurance status

Contact: Mark Metherell, 0429 111 986

Consumers shaping health

PO Box 73
Deakin West ACT
2600

Ph: (02) 6273 5444
Fax: (02) 6273 5888

www.chf.org.au

rather than patient need, Australians must ask whether we want to live with such a broken system.

“At the most extreme, when currently policy settings encourage people to have a product they can’t afford to use because out of pocket costs that dramatically exceed insurance rebates are such a deterrent, we must also ask whether we’ve got a private health insurance system that delivers value.

“As the report by Stephen Duckett and Kristina Nemet states, there are valid reasons for subsidising PHI but there are also downsides. It weakens the ability of Medicare as a single funder to control costs while private insurers are largely unable to do so, leading to significant funding inefficiencies.

“Among the numerous questions posed by the report is the root issue of whether health insurance is meant to supplement or complement public care. It says if private care is solely to complement public care, it seems more logical that people who prefer more than the care provided under the public system should bear the full cost of that choice.

“The report says it is unlikely that health insurance reduces total spending on health. It appeared that in some cases private health care, as in maternity cases, was adding cost but not improving outcomes.

“Health insurance may also be increasing the price of medical services. The report points to commentary that private hospitals may engage in “cream-skimming” --- the selection of patients whose treatment will yield higher profit margins.

“The report questions whether a subsidy targeting health insurance premiums is the most effective mechanism. An alternative approach could be to re-institute a direct subsidy to private hospitals, perhaps paid as a proportion of the price used to base Commonwealth payments for public hospitals.

“Most Australians would expect the national health system to ensure equitable access to quality health care for all. The current arrangements are eroding that, and we need to turn that around,” Ms Wells said.

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