



Australian  
Private Hospitals  
Association



# PRIVATE HOSPITALS SPEAKING UP

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APHA 30th Annual National Congress 2010





# Welcome

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President



## Outline

- Australian industry fundamentals
- Private hospital sector
- Political Landscape
- Means testing the rebate
- Health reform agenda
- APHA activities 2010
- Challenges in 2011



## Australian Industry Fundamentals

- **Balanced health care system**
  - Cultural
  - Political
  - Financial
- **Industry features**
  - Respected private providers
  - Choice & access
  - Low cost attractive insurance product
  - Comprehensive cover
  - Community rated
  - 30% rebate
  - Lifetime health cover
  - Medicare Levy Surcharge

**UNDERPINS  
ONGOING STRONG  
PARTICIPATION IN  
PRIVATE HEALTH**



## Industry Fundamentals

- **Growth in demand for health care will continue supported by:**
  - Ageing population
  - Baby boomer bulge
  - Chronic disease
  - Increased expectations
  - Increased capabilities:
    - Surgical techniques
    - Devices
    - Pharmacology
    - Biotechnology



# The Private Hospital Sector

## In FY08 private hospitals:

- Treated 40% of all hospital patients (3.1 million)
- Provided 33% of all hospital beds (27,768)
- Performed 64% of all elective surgery (1.1 million)
- Growth in separations – last 10 years:
  - 23.1% in public acute hospitals
  - 66.9% in private hospitals
- If current rates of growth continue in 2021 private hospitals will be treating 50% of all hospital patients



# Australian Health Care Costs

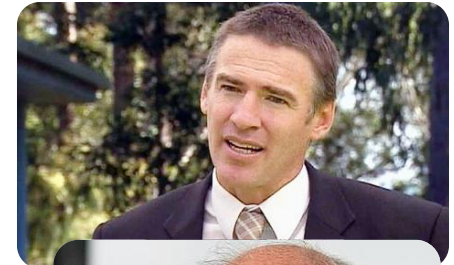
## At what cost?

- \$104b spent on healthcare in Australia in 2007/08
- \$30.8b spent on public hospital services:
  - 39% from Fed Government (\$12b)
  - 53% from State Government (\$16b)
  - 8% from non-government sources - PHI benefits/self funded patients (\$2.4b)
- \$7.7b spent on private hospitals:
  - 70.8% from private health insurers (\$5.5b) – of this, \$1.7b comes from PHI rebate.
- Total Medicare Benefits paid for services to private patients in public & private facilities was circa \$1.8b in FY08
- Total PBS benefits paid for prescription drugs in private facilities was circa \$0.75b
- Total cost to taxpayers \$4.25b



## Political Landscape

- Election outcome
- Independents with balance of power – key players:
  - Oakeshott
  - Windsor
  - Fielding
  - Xenophon
- Greens & the new Senate
- Issues:
  - Means testing the rebate (ALP)
  - Abolish the rebate (Greens)
  - Health reform agenda – where to now?
  - Balanced Budget





## Means testing/abolishing the rebate

- Undermines Australia's balanced health care system
- Does not make good fiscal sense - \$11b of private funding of healthcare at risk
- More patients than ever on waiting lists in the public sector despite massive funding injections (Public patients wait longer than they did 5 years ago for elective surgery in public hospitals)
- Ageing population – in 2010 first of baby boomers turn 65 years
- Administratively burdensome & unnecessarily complex (as described by Henry Tax Review)



## Means testing/abolishing the rebate – Consequences & arguments

- Long term sustainability
- Wrong message
- Increased pressure on public hospitals
- Reduction of private funding of health
- Reduction of clinical training spaces
- Pronounced effect on regional areas



- **Henry Tax Review**
- **Balanced Budget**



# Health Reform Agenda & what it means for private hospitals

- Federal government becomes majority funder of public hospitals, paying about 60% of costs or about \$11bn a year extra
- About 1/3rd of State GST (exc WA) money will be channelled to new health system
- Federal government takes over funding & policy responsibility for primary health care services with plan for more treatment outside hospitals
- Hospital management handed to local hospital networks run by local doctors & business people instead of central bureaucracy
- Local hospital networks paid directly at a fixed cost for each hospital service they provide, rather than by a block grant from the commonwealth to the states.



# Health Reform Agenda

## Issues

- Uncertainty as to the rollout of health reforms under Gillard (next session)
- Not all States on board - WA
- Impact on private hospitals:
- Little or none
- Recognition that private hospitals could play a role but not defined
- Avoidance of dilution of value proposition for Health Insurance critical
- Privatisation / new infrastructure



# APHA Activities 2010

- **Continue to positively influence the Health Reform Platform:**
  - Value of private hospital sector recognised in NHHRC report
  - Continued dialogue with Ministers & Department to develop further opportunities for the private hospital sector
- **Successfully lobbied against means testing the rebate:**
  - Submission to Senate Economic Committee Inquiry
  - Lobbied Opposition & Independent Senators
- **Safety & Quality**
  - Continued positive engagement with ACHS & ACSQHC
  - APHA indicators collection launched



# APHA Activities 2010

- **Workforce**

- \$5.6 million allocated to private hospitals to increase clinical training capacity
- Recurrent and set up funding sought from HWA for clinical training

- **Award modernisation**

- Successfully opposed proposed change to Health Professionals & Support Services Award 2010 which would have eliminated flexibility for part time employees
- Impact on private hospitals would have been approx \$53m

- **Productivity Commission**

- Two detailed responses submitted
- Outcome of final report complementary to private hospitals – safer & more efficient

- **Valuing Private Hospitals campaign launched**



## Valuing Private Hospitals

- 5 year campaign strategy – to gain momentum over time
- Opportunity to increase awareness of government & community of the role private hospitals play
- Comprehensive media & online strategy
- Private Hospital Week to become a major part of our annual calendar
- National Press Club Address
- Support & engagement from APHA members has been vital – Well done on getting behind it!



## Challenges in 2011

- Political Landscape – New paradigm
- Health Insurance rebate
- Workforce sustainability
  - Ageing workforce
  - Costs & commitment to training in the private hospital sector
- Quality of infrastructure
- ETS / Carbon pricing
- State Government elections
- Private Health Insurance
  - Membership
  - Premiums
  - Exclusionary & restrictive policies
- E-health agenda



## Conclusion

- Private hospitals are a huge part of health provision in Australia
- We do a great job efficiently and effectively
- Health is inextricably linked to Governments
- An industry of this size and nature needs a strong representative association
- The APHA is a strong performer on behalf of the industry
- This conference is a real reflection of this