



Price Perceptions

Policy changes have sparked consumer concerns over the cost of health insurance. Australians want to know – do private hospitals provide value for money?

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The perceived value for money of private hospital care is a polarising issue. APHA market research shows that 30 per cent of Australians agree while another 30 per cent disagree that private hospital care is good value for money¹.

The value proposition of private hospitals as perceived by most Australians is clear. They offer choice of doctor and timely access to services. However out of pocket costs are a decisive differentiator between the public and private sectors and an issue of high consumer concern¹.

This is despite out of pocket expenditure on healthcare being slightly below the OECD average percentage of per capita GDP. Australia ranks 16th out of 32. On average Australians' out of pocket expenses, excluding health insurance premiums, are 1.76 per cent of per capita GDP or \$US1,177 per annum. By comparison, citizens of the United States pay 1.95 per cent of per capita GDP and Greece tops the list at 4.76 per cent of per capita GDP².

Out of pocket contributions also need to be placed in the context of overall costs. Each year in Australia \$5,939 per person is spent on healthcare, a full 40 per cent more than the OECD average of \$4,235. One fifth of those costs are met through out of pocket payments².

However economic data of this type means little to people living with complex or chronic

health conditions who can quickly find themselves financially challenged by out of pocket costs that are far higher than average. The point is – are Australians paying a fair price for healthcare?

Those who have experienced private hospital care seem to think so. Not surprisingly people holding private health insurance perceive greater value and people over 65 are also more likely to value private hospital care¹.

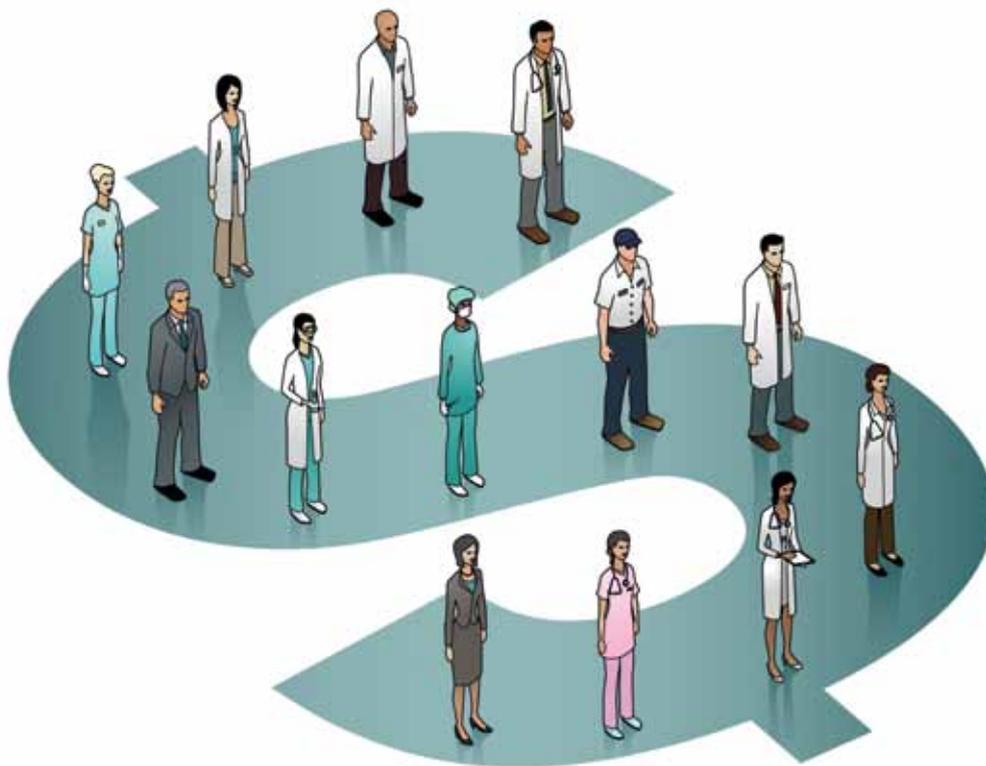
Each year 15 per cent of Australians experience treatment in private hospitals. What they value about this experience is not only choice of doctor and access to timely services, but they also perceive that private hospitals are superior in:

- The overall standard of care provided
- Provision of information and advice about treatment options
- Having friendly and supportive staff¹

For most Australians, access to private hospital care means having the ability to invest in appropriate health insurance. Over the past year we have seen persistent concern about the cost of health insurance, particularly in light of policy changes introduced by the former Federal Labor Government. Although participation in private health insurance hospital cover continued to grow through to June 2013, the rate of growth slowed.

APHA market research shows that in April this year, 30 per cent of policy holders were thinking of downgrading their cover and one in five were contemplating cancellation¹. As of 30 June 2012, the proportion of held policies that had some form of reduced cover was 45.7 per cent. By 30 June 2013, this had gone up to 47.3 per cent³.

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As taxpayers impacted by mean testing receive advice from the ATO regarding their additional PHI rebate we may see further evidence of their response. As of 30 September participation hospital cover policies was 47 per cent – virtually unchanged from previous quarters.

Private health insurance premiums rose by an

industry average of 5.6 per cent in 2012/13 and this is often the figure that consumers understandably focus on⁴. But for the financial year ending 30 June 2013, private hospital benefits per episode rose just 2.3 per cent³. In the context of health CPI of 6.6 per cent⁵, private hospitals are providing value for money! 

- 1 McLaren R, Haszard D. The Role of Private Hospitals In Australia prepared for the Australian Private Hospitals Association 2013.
- 2 Bloomberg. Out of Pocket Health care in OECD Countries. Available from: <http://www.bloomberg.com/visual-data/best-and-worst/costliest-out-of-pocket-health-care-in-oecd-countries>.
- 3 PHIAC. PHIAC A Report. In: (PHIAC) PHIAC, editor. Statistical Trends 2013.
- 4 Department of Health. 2013 Premium Round Individual Private Health Insurer Average Premium Increases 2013 [updated 8 February 2013]. Available from: <http://www.health.gov.au/internet/main/publishing.nsf/Content/privatehealth-average-premium-round>.
- 5 ABS. 6401.0 Consumer Price Index, Australia, June 2013. 2013.

Has your hospital implemented an innovative initiative worthy of national recognition?

PHAQ extends an invitation to all private hospitals & day hospitals to consider submitting an abstract for the 2014 Innovative Practice in the Private Sector Conference & Awards.

Call for Abstracts

11th Innovative Practice in the Private Sector Conference & Awards – 16 June 2014

PHAQ in partnership with HESTA Super Fund will be hosting this popular conference at the Brisbane Convention and Exhibition Centre on Monday 16 June 2014. The conference provides a platform to showcase and reward innovation in the private hospital sector from across the nation.

The 2014 Awards will attract a category award prize of \$1,000 to the winning hospital, in addition to each of the category winners being eligible for an overall prize of a further \$4,000.

Abstracts are now being sought in 4 categories:

- **Clinical Innovations**
- **Non-Clinical/Operational Innovations**
- **Innovations in Education & HR Management**
- **Innovations in Marketing &/or Community Awareness**

The conference program will be structured around the 14 selected abstracts which will be finalists for the 2014 Innovative Practice in the Private Sector Awards.

Innovative practice need not necessarily involve major projects - practical solutions to common problems will also be considered for presentation however there will be a focus on demonstrated outcomes. Small Hospitals and Day Hospitals are also encouraged to submit.

Guidelines for the submission of abstracts, together with an abstract submission template may be obtained by contacting:



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CLOSING DATE FOR SUBMISSION OF ABSTRACTS – Monday 17 February 2014