



Monday 13 January 2020

Effective incentives the key to private health insurance uptake

Effective incentives will promote private health insurance uptake and mean more Australians can access the private hospital care they value, according to the Australian Private Hospitals Association's (APHA) Federal Budget submission.

APHA CEO Michael Roff called on the Federal Government to restore the Private Health Insurance Rebate to 30 percent for Australians in the lowest income tier.

“Low-income Australian households face a double whammy of increased premiums and reduced rebates when it comes to private health insurance. Every year the value of their rebate goes down, while their private health premiums increase.

“For example, in 2019, a high-income earner who did not receive the rebate would have experienced a premium increase of 3.25 percent. However, low-income earners would have experienced a real premium increase of 3.74 percent.

“This doesn't pass the fairness test, nor does it achieve the aim of the rebate – to incentivise Australians to take up private health insurance.”

Mr Roff said APHA is calling for the restoration of the rebate to 2013-14 levels for low-income earners. That would return the rebate to 30 percent for under 65 year olds; 35 percent for 65-69 year olds and 40 percent for those aged 70 years old and over.

“This will reduce premiums for these households by between 2.02 percent and 3.67 percent and cost about \$1.4 billion in 2020-21.”

The submission also makes recommendations for savings, including curbing claims for private health insurance in public hospitals.

“This practice is punishing patients who can't afford private health insurance. They suffer with deteriorating health on elective surgery waiting lists as public hospitals push the privately insured ahead of them. Add to that, it is also a perversion of Medicare – care based on clinical need, not ability to pay.

“If this practice stopped, private health insurance premiums would drop by six percent.”

The submission also calls for a default benefit for alternatives to inpatient treatments including day, community-based, home-based programs for rehabilitation, mental health and palliative care. Not only would this provide patients with more options for accessing care, but also lower the overall cost to the health system.

“Private hospitals have developed a range of innovative programs that would reduce costs and improve outcomes for patients. These include services like chemotherapy in the home, ambulatory cardiac rehabilitation, rehabilitation in the home and hospital in the home as part of an early discharge service.



“However, the majority of health insurers refuse to financially support such programs provided by hospitals. Instead, they pay for services provided by themselves and a small number of community providers and direct their members to these services.

“Providing default benefits for these services would allow hospitals to expand and integrate services across the continuum of care. This would increase patient choice and reduce the risk of avoidable readmission,” he said.

The APHA Federal Budget submission also calls for:

- Doubling the Medicare Levy Surcharge to properly incentivise high-income Australians to take up private health insurance and relieve pressure on the public system
- Increasing remuneration through the Pharmaceutical Benefits Scheme for hospital-based pharmacy
- Upgrading IT software to relieve the administrative burden of private health insurance reforms
- Increasing clinical placement funding for medical, nursing and allied health professional graduates
- Reducing the cost and complexity of skilled migration arrangements.

APHA Federal Budget Submission: <http://www.apha.org.au/wp-content/uploads/2020/01/Budget-Submission-December-2019-Final-As-Sent.pdf>

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Private hospitals continue to offer Australians high quality care, while remaining efficient:

- The average length of stay in the private hospital sector has decreased by eight percent
- The complexity of overnight patients in private hospitals has increased by nine percent
- Total expenditure per separation has increased in real terms by less than three percent over the decade as whole and has, in fact, decreased in real terms in five of those years
- In the year ending 30 September 2019, private health insurance benefits paid to private hospitals increased four percent, but this was entirely due to increased utilisation. The benefit paid per separation actually decreased in real terms
- Expenditure growth in the public hospital system was 4.2 percent in real terms over 2014-15 to 2017-18. In the private hospital system it was only 2.6 percent.

The Australian Private Hospitals Association (APHA) is the peak industry body representing the private hospital and day surgery sector. The private hospital sector treats 4.5 million patients a year, including treatment of a third of chemotherapy, 60 percent of all surgery, 74 percent of all elective musculoskeletal surgery and 80 percent of rehabilitation.