

# Health consumer groups appeal for private insurance to benefit ALL

*A joint statement by the Consumers Health Forum, Australian Healthcare and Hospitals Association, CHOICE, Public Health Association of Australia and the National Rural Health Alliance*

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As the organisations who represent Australia's health consumers and advocate in the interests of the Australian health care system, we call on the Government to ensure its proposed reforms to health insurance benefit **ALL** Australians.

We support the need for substantial reform to health insurance given the trend toward continually rising premiums and rapidly diminishing value of many health insurance policies.

However, moves to make PHI more affordable should not be without close attention to the impact on, and potential damage to, the public health and hospital system relied on by the majority of Australians.

If the drive for a better deal for health insurance is considered to be by way of increasing subsidies, we believe the Federal Government should first look at the costs and benefits of health insurance within the overall health system.

We call on the Government to establish a comprehensive Productivity Commission inquiry into Government assistance to health insurance looking at the costs and benefits of health insurance within the overall health sector.

We also urge the Federal Government to:

- Abolish tax breaks for very low value policies that only provide cover for a handful of procedures;
- Continue to provide consumers with standardised policy information (SIS) and improve the presentation of this information with consumer testing;
- Keep community rating and ensure no measures undermine it;
- Make out-of-pocket costs for treatments more transparent and make it easier for consumers to shop around for the best value treatment.

We support stronger measures to make health insurance more transparent, including by way of public interest tests to enable immediate scrutiny of the value for money private insurance delivers to consumers.

There is a need for better understanding of actual costs of treatment in private and public facilities using private health insurance, in addition to raw patient numbers. It would be especially useful to have such information for patients beginning care in one facility (e.g. private) and subsequently being transferred to another facility (public) due to complications.

The trend in recent years, despite the negative consumer cost impacts of health insurance, is for a significantly rising proportion of treatments, elective surgery and mental health care to be performed in the private sector.

That of course is to be welcomed where it is providing services not immediately available in a timely way in the public sector. But these trends towards private care are also happening when fewer than half of Australians have private insurance, opening the way to a two-tiered health system.

And the aims of health funds have in significant cases travelled a long way from their original foundations as community-based mutual benefit organisations. Now larger health funds generate substantial profits, up by an average 18 per cent this year. The Productivity Commission inquiry should examine appropriate returns to equity and profitability within the PHI sector that has become increasingly for-profit driven, but is heavily subsidised and has government policy pushing the public into taking out PHI policies. These last two measures result in significantly de-risked industry revenue.

A central value of our health system should be equity of access. We now contemplate a set of circumstances where that equity of access regardless of income is in danger for both insured and uninsured Australians. This inequity is even more pronounced in rural and remote areas where access to private health services and benefits is either severely restricted or non-existent. It is clear that people living in rural areas already contribute a disproportionate amount to the private health funds through their insurance premiums and their share of taxpayer revenue used to fund private health insurance rebates. The changes proposed will merely add to an already unacceptable return on health insurance investment for country people.

The original argument in favour of Government subsidies and tax incentives for health insurance was that more people with health insurance would reduce strain on the



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public sector. The public sector is still clearly under stress. Insurance premiums have continued to increase each year by more than inflation, while coverage becomes less certain.

We need a thorough re-appraisal now in the interests of a healthier Australia.

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