



Australian
Nursing &
Midwifery
Federation

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INTRODUCTION

The Australian Nursing and Midwifery Federation (ANMF) is the national union for nurses, midwives and assistants in nursing with branches in each state and territory of Australia. The ANMF is also the largest professional nursing organisation in Australia. The ANMF's core business is the industrial, professional and political representation of its members.

As members of the union, the ANMF now represents over 249,000 nurses, midwives and assistants in nursing nationally. They are employed in a wide range of enterprises in urban, rural and remote locations, in the public, private and aged care sectors including nursing homes, hospitals, health services, schools, universities, the armed forces, statutory authorities, local government, and off-shore territories and industries.

The ANMF appreciates the opportunity to provide input into the Government's current consultations on Private Health Insurance (PHI). However, while we welcome a review of the PHI industry, we have significant concerns regarding the directions of the current consultations which appear confused and not to address the key consideration of any component of the health system, that is whether it is providing efficient delivery of improving health outcomes for the community.

The ANMF's specific concerns are firstly, the Government announced that the review aims to identify how PHI may be improved to deliver better value for money for consumers but did not clarify what is meant by better value, whether those who currently have PHI are getting value from their specific policy or whether all taxpayers are getting value from the increasing public subsidy of PHI. And secondly, the Government is inviting all Australians to participate in a survey for this major review yet the terms of reference for the review remain undisclosed.

BACKGROUND

The members of the Australian Nursing and Midwifery Federation are committed to the provision of health as a public good with shared benefits and shared responsibilities. We consider that access to adequate healthcare is the right of every Australian and a crucial element of the Australian social compact.

We are committed to publicly funded universal health insurance, i.e. Medicare, as the most efficient and effective mechanism to distribute resources in a manner that generally ensures timely and equitable access to affordable healthcare on the basis of clinical need rather than capacity to pay.

We are also faithful to the principles and philosophy of primary health care: social justice, equity and self-determination, with a focus on early intervention to promote health and prevent illness.

While we recognise there are substantial reforms that can be made in order to improve the health system, we believe that the principles on which Medicare was founded must be preserved: equity, efficiency, simplicity and universality.

The ANMF considers that the private health sector has a legitimate and important role as an alternate choice for the provision of health care and that PHI is an appropriate mechanism for funding consumers' participation in this sector. However, its operation and any future expansion must not be at the expense of publicly provided services available to all.

GENERAL COMMENTS

Contrary to current advice from health experts¹, recent Coalition Governments continue to indicate their intention to increase the role of the private health sector and PHI companies.² This is despite the fact that the role of PHI in Australia is currently poorly defined, frequently inefficient and unnecessarily contributing to significant duplication within the system.

The ANMF has concerns with this direction from the Government as it has been widely demonstrated that PHI is an expensive way to fund health care. Lesley Russell, Senior research Fellow, Australian National University, who has extensively examined and compared the health systems of Australia and the United States (US), points out that PHI is a high-cost mechanism for achieving what taxes and national insurers, such as Medicare, do much more efficiently.³

Ms Russell's research further demonstrates that in the US:

Multiple players in a supposedly competitive marketplace have conspicuously failed to deliver affordable access to services, an appropriate price for these services and superior quality. Significant redundancies and inefficiencies arise from the complexity of health care administration and there is evidence of an inverse relationship between administrative complexity and quality of care.⁴

As reported by the ANMF's NSW Branch, the administrative costs of private health insurers including profit margin are about three times that of Medicare, with Australians paying \$2.5 billion per year towards private health insurers' administration fees and profits. In Australia only 84 cents in every dollar collected by private insurers is returned as benefits, the rest goes to administrative costs and corporate profits. By contrast Medicare returns 94 cents in the dollar.⁵

Private insurance does not contribute to efficient distribution of resources because competition among insurers renders them powerless to influence the prices demanded by providers. In contrast, a single national insurer like Medicare has the market power to put some discipline into prices and utilisation.

Despite PHI's inefficiencies, its inability to control costs, and a lack of evidence of its overall efficacy, it continues to receive significant public subsidy. The Government uses taxpayers' money to subsidise the private sector health care in two main ways: first, through Medicare payments to private hospitals, and second, through the 30% rebate for private health insurance for both hospital and ancillary insurance.

There is little evidence to demonstrate that the subsidy has achieved any of the aims stated by Governments as the rationale for its introduction. It has not alleviated pressures on the public health system, improved health outcomes for the community, encouraged more people to take up cover or reduced premiums. It has however, contributed to inequity in the health system.

¹The Conversation, 2015, PHI in Australia series, available at: <https://theconversation.com/au/topics/private-health-insurance-in-australia>

² Commonwealth of Australia 2014, Budget Statements – Health – Outcome 6, Private Health, [http://www.health.gov.au/internet/budget/publishing.nsf/Content/2014-2015_Health_PBS_sup1/\\$File/2014-15_Health_PBS_2.06_Outcome_6.pdf](http://www.health.gov.au/internet/budget/publishing.nsf/Content/2014-2015_Health_PBS_sup1/$File/2014-15_Health_PBS_2.06_Outcome_6.pdf)

³ Russell, L. 2014, Creating a better health system: lessons from the US, *The Conversation*.

⁴ Ibid.

⁵ New South Wales Nurses and Midwives Association, 2014, Submission to NSW Senators re Budget 2014/15. Online: <http://www.nswnma.asn.au/wp-content/uploads/2014/06/submission-to-NSW-Senators-re-budget.pdf>

The fastest growing area of Government health expenditure, the rebate, although funded by all returns benefits to less than half the population. This inequity is exacerbated by the fact that those who can afford it have better access to a wider range of tests and more timely treatment than those who can't but whose clinical needs may be greater.

A significant proportion of the subsidy currently supports ancillary services such as dental care, allied health services and alternative and complementary medicine, many of which are not underpinned by a sound evidence base. In addition, the current intention to increase the role of private health insurance risks the potential for 'luxury' and other treatments delivered by workers who are not regulated health professionals, to be marketed as components of prevention and primary health care because of their potential for 'lifestyle improvement'.

SPECIFIC COMMENTS

Undermining the universality of Medicare

It appears the Government's clear intention is to expand the role of PHI such that it will be at the expense of the public health system. This intention is particularly exemplified by the proposal to allow private insurers into the primary care sector, which is explicitly explored in the Government's current survey on PHI.

If implemented, this proposal will place significant obstacles between ordinary people and accessible and affordable care and increase out-of-pocket costs. It will potentially influence the treatment decisions of GPs and other providers based on cost outcomes. It could leave large sections of the community without care as private insurers may be compelled to be selective in offering cover to those who will reap them the greatest reward, for example, restrict access to cover for those with chronic conditions or other 'risk factors' as has been mooted during the current discussions on PHI.

It appears that this could be a prelude to the introduction of 'managed care' arrangements. We reject the notion that an insurance organisation, effectively a financial institution, should intrude into clinical decision making processes. Restricting the consumer's choice of provider; the provider's ability to negotiate fees; and, the autonomy of the decision making process are anathema to how the Australian system has been structured thus far. This is not in the broader interest of quality and equity.

The ANMF does not believe increasing the role of PHI will preserve and protect public community and preventative health in state jurisdictions, which have been decimated in recent years. Our Queensland members report that the previous state government had overseen and orchestrated the closure of many community health services, with either the termination of those services or their transfer to private providers.

The closure or significantly reduced capacity of these public services will be exacerbated by the expansion of user-pays insurance schemes. The lack of affordability of such schemes for the poor is precisely why public services were implemented in the first place. The consequences of such decisions will be felt for many years to come.

To preserve the universality of Medicare, the role of the private sector and the private health insurance industry must be contained and inappropriate and unnecessary expansion of the industry must be prevented.

Better value for consumers of health care

While acknowledging and respecting the need for an effective private health system, the ANMF does not support the current public subsidy of the private health system. The public contribution to PHI is too great and as outlined above does not provide reasonable return for the wider community, in either health or economic terms.

The Government should not allow spending on subsidising private patients to continue to grow unchecked at the expense of funding public services. These taxpayer contributions would be much better and much more equitably spent if directed to the public health system. Currently, billions of dollars of taxpayers' money are being withheld from the public health system for the benefit of PHI companies.

While recognising that higher income earners should be encouraged to contribute their 'fair share' to the health system, the ANMF does not support forcing them into private health insurance by denying them access to Medicare. This strategy will not result in a cheaper health system and will bring little benefit, especially in cost management, to anyone except large health insurance companies.

To ensure better value for all consumers of health care, the Government must redirect public funds into the public health system to be used fairly by all. The ANMF recognises that this suggestion is likely to be viewed by the Government as both ideologically and politically unpalatable, nonetheless it is necessary and could be achieved in segments and/or stages which are outlined in the recommendations below.

Better value for consumers of health care with PHI

Currently in Australia, there are more than 30 private health insurers offering hundreds of different policies with widely varying coverage and conditions. Within this extremely complex and confusing environment only 17% of those Australians with PHI hold policies with no-gap, no co-payment and no deductibles cover. The remaining 83% must navigate an almost incomprehensible sea of 'exclusions' and 'deductibles' to even use their policies let alone reap value from them.

Consequently, the majority of consumers do not understand how their policies work or what coverage they provide and frequently find themselves unexpectedly out of pocket. The Australian Competition and Consumer Commission's (ACCC) recent annual report on PHI highlighted consumers' frustration with this situation and criticised the industry for its unnecessary complexity and lack of transparency and even misleading claims.

Most critically, the ACCC concluded that the industry and related regulatory incentives are currently *driving consumers to lower-priced policies than they would prefer, with an emphasis on tax rather than health outcomes*⁶.

This is an unacceptable situation. Health insurance is not like general insurance; health is not a simple commodity such as a car or a house and should not be regarded as such. Government has a key role to play in regulation of the PHI industry to ensure that health insurance products are focused on efficient and equitable delivery of good health outcomes. Current regulatory structures are not achieving this goal.

⁶ Letts, S. 2015, Complex private health insurance system failing consumers, ACCC report finds. Online: <http://www.abc.net.au/news/2015-10-20/private-health-insurance-system-failing-consumersi/6869742>

To ensure better value for holders of PHI, the Government must require greater transparency from PHI companies, information for consumers must be simplified and standardised and be easily accessible and funds must provide more information to consumers on how their contributions are being used. In addition, the ACCC and other relevant bodies must pursue false and misleading claims and inappropriate practices by PHI companies.

RECOMMENDATIONS

Medicare is not a safety net, it is a universal health insurance scheme, which is for everybody.

Protect the universality of Medicare

- Contain the role of the private sector and the private health insurance industry as a complement to the public health system
- Prevent inappropriate and unnecessary expansion of the private sector and the private health industry, e.g. ensure that PHI companies are restricted from operating in primary care. Allowing PHI companies into this domain will increase inequity and reduce efficiency.

Ensure better value for consumers of health care

- Remove the public subsidy of PHI. This could be done gradually –
 - a 10% reduction in the rebate would return significant savings to the Government even accounting for potential increase in activity to be accommodated by public hospitals with less than a 2% reduction in private health insurance coverage.⁷
 - Ancillary rebates could be cut, starting with removal of rebates for luxury items (e.g. gym memberships, running shoes and relaxation CDs) and treatments for which there is no sound evidence base.
 - Alternatively, reduce the other subsidy to the private sector: Medicare items for procedures, diagnostic imaging and pathology, which largely go to private hospitals.
- Redirect savings from these measures to the public health system
- Remove penalties for those who do not take out PHI regardless of their income.

⁷ Cheng, T.C. 2014, Does Reducing Rebates for PHI Generate Cost Savings?, Melbourne Institute Policy Brief No. 3/13, Online: http://www.melbourneinstitute.com/downloads/policy_briefs_series/pb2013n03.pdf

Ensure better value for consumers of health care with PHI

- Government regulation of the PHI must remain but must be focused on improving health outcomes for consumers and the community
- Regulation must ensure transparency from PHI companies
- Information for consumers must be simplified and standardised and be easily accessible and funds must provide more information to consumers on how their contributions are being used.
- The ACCC and other relevant bodies must pursue false and misleading claims and inappropriate practices by PHI companies.