

COMMUNITY AFFAIRS LEGISLATION COMMITTEE

INQUIRY INTO:

PRIVATE HEALTH INSURANCE (GP SERVICES) AMENDMENT BILL 2014

SUBMISSION BY THE AUSTRALIAN GOVERNMENT

DEPARTMENT OF HEALTH

3 AUGUST 2014

Introduction

The *Private Health Insurance Amendment (GP Services) Bill* ('the Bill') seeks to amend the *Private Health Insurance Act 2007* ('the Act') to prevent private health insurers from entering into agreements or arrangements with primary care providers that provide preferential treatment to their members. The Explanatory Memorandum to the Bill and Senator di Natale's second reading speech indicates that the intent of the Bill is to prevent a two-tiered health system.

Background

Current arrangements

Under the Act, private health insurers are currently permitted to pay benefits for, or contract in respect of, allied health services and medical specialist services where no Medicare benefit is payable. These services are equally available to members of the public, along with GP bulk-billing practices and after-hours medical practitioner visits.

However, both the Act and the *Health Insurance Act 1973* ('the HI Act'), both expressly prohibit private health insurance coverage of services for which a Medicare benefit is payable, such as GP consultations. Section 126 of the HI Act prohibits insurance being offered for professional services for which a Medicare benefit is payable, with some exceptions for private health insurance coverage of hospital or hospital-substitute treatment. Section 121-10 of the Act prevents insurers from paying benefits for a service for which a Medicare benefit is payable, with some exceptions, such as allied health services.

The Department is aware of a number of private health insurers who have engaged external providers to arrange general practitioner (GP) visits for their members.

In November 2013, Medibank commenced a trial with the Independent Practitioner Network ('IPN') offering Medibank members in Brisbane, Gold Coast, Ipswich, and Cairns a 24-hour appointment guarantee and streamlined access to an after-hours GP service with no out-of-pocket costs. The Department understands that the arrangement between Medibank and IPN is not health insurance business, but a management expense. This arrangement does not appear to contravene Commonwealth legislation and is beyond the scope of the Act and any amendment that the Bill attempts to effect. The Department understands that similar arrangements underpin HCF's 'MyHomeDoctor' program and the arrangement between Bupa and Healthscope.

It should be noted that these programs have the administrative payments made from insurers' management funds, rather than from funds earmarked for health insurance business or health-related business.

Implications of the Bill

The Department understands that the intention of this Bill is to prevent private health insurers from entering into arrangements with primary care providers that provide preferential treatment to their members.

The Department considers that there is a risk that this Bill may unnecessarily duplicate the current restrictions within Commonwealth legislation while potentially affecting access to broader health cover initiatives such as hospital-substitute treatment. For example, both the Act and the HI Act operate to prevent preferential treatment by prohibiting health funds from paying 'incentive payments' to GPs for their consultations.

If the Bill is enacted, as currently intended, it may duplicate current regulation by preventing private health insurers from entering into agreements or arrangements with primary care providers that provide preferential treatment to their members. This practice is already prohibited under the Act and the HI Act (i.e. general private health insurance coverage is prohibited for services which a Medicare benefit is payable, such as GP consultations).

Additionally, the Bill may consequentially prevent private health insurance coverage for services provided outside of hospital which substitute for an episode of hospital treatment, such as, for example, chemotherapy provided outside of hospital. While the Department acknowledges that hospital-substitute treatment forms a small part of private health insurance claims, it is nevertheless valuable to patients as it provides access to an alternative to hospital accommodation.

Given this risk, the introduction of this Bill may necessitate a significant review of existing Commonwealth legislation to ensure that there are no inconsistencies or unintended consequences for private health insurer funding of clinically appropriate alternatives to hospital treatment, for example, unintentional restrictions placed on hospital-substitute treatment and/or programs which aim to manage or prevent chronic disease.

Summary

The Department is of the opinion that should the Bill be enacted it is unlikely that it will achieve its intended purpose i.e. preventing implementation of arrangements currently being trialled in relation to GP services. Rather, it will duplicate existing legislation that already prevents private health insurance coverage of GP services. In addition it may also have unintended consequences regarding hospital-substitute treatment which will negatively impact on cost and patient experience.

The Department believes that any increased regulation which may discourage private health insurers from arranging preventative or intermediary care for their members would not be a desirable outcome.