



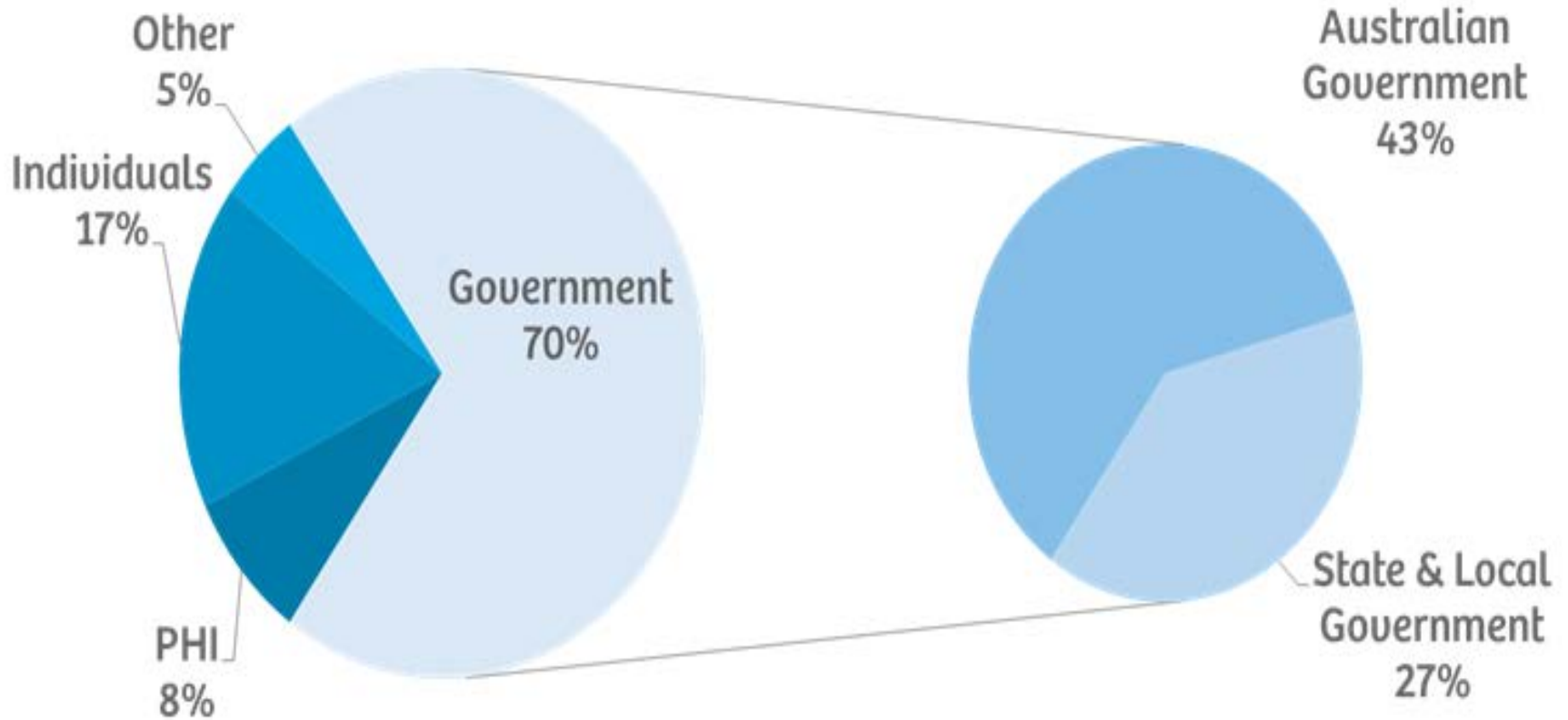
# Out-of-pocket costs in Australian healthcare

3 July 2014

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# Healthcare funding



Source: AIHW

# Out of pockets:

Generally accepted as  
part of healthcare system

Can promote  
consumer  
interest...

...or be contrary to  
consumer interest.

# Research

## Ipsos found:

- 40% of policy holders reported experiencing an out of pocket expense as a result of a hospital admission.
- Only 24% of people paying out of pocket expense felt any negative feelings in relation to the gap.
- However the likelihood of negativity increases as the size of the gap increased. For gaps up to \$300, only 13% of respondents felt any negativity, while for gaps between \$501-\$1,000 this increased to 38%.
- A third of policy holders report being surprised by out of pocket expenses.
- Most disturbingly 16% of people who incurred an expense were not informed at all.
- Policy holders generally consider the communication of expenses to be the responsibility of their medical service provider.

Source: Ipsos Health Care and Insurance Syndicated survey 2013

# Conclusion: consumer acceptance conditional

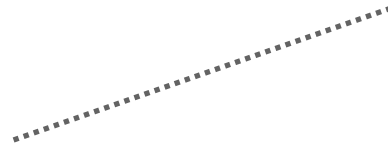
**Consumers are willing to accept out of pocket expenses in the health system under certain conditions.**

1. Communicated – the consumer is provided with advance information explaining why an expense is incurred and alternatives available to them.
2. Certain – the consumer knows when the expense is payable and its quantum or upper limit.
3. Manageable –the consumer can reasonably afford the expense.

These conditions provide the consumer with full agency in the decision to incur the expense.

# Regulation can drive out of pockets

Second tier default rule increases risk of unmanageable out of pocket expenses



Recent regulatory change leading to increased out of pocket expenses

# Other issues

## Healthcare sector shows signs of market failure

- Information asymmetry
- Principal-agent issues
- High transaction costs.

No easy solution but could be addressed by improving consumer access to reliable information.

To achieve this would require the Australian Government, medical providers and health funders such as insurers to work together.

Thank you