RACGP
Royal Australian College *of* General Practitioners

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26 July 2017

Committee Secretary
Senate Standing Committees on Community Affairs
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Committee Secretary

RACGP Submission: Inquiry into value and affordability of private health insurance and out-of-pocket medical costs

The Royal Australian College of General Practitioners (RACGP) thanks the Senate Standing Committee for Community Affairs – References Committee (the Committee) for the opportunity to contribute to its inquiry into the *Value and affordability of private health insurance and out-of-pocket medical costs*.

The RACGP is Australia's largest general practice organisation, representing over 90% of Australia's general practitioners (GPs). As the central coordinators of care, GPs are concerned about barriers to accessing healthcare. The RACGP advocates for systems that encourage affordable and equitable access to high-quality health services, and improved health outcomes for all Australians.

Insurance in primary healthcare

The RACGP notes that the principal insurer for primary healthcare is Medicare. As the principal insurer, Medicare provides universal cover for all patients seeking general practice services. However, the value of the Medicare rebate has diminished over time and there is a widening gap between the cost of providing a quality services, and the value of the patient rebate. Due to this widening gap, providers are being forced to pass increased out-of-pocket expenses onto patients.

Within this context, the general practice profession is willing to examine the role of insurance schemes within primary healthcare, and explore options for supporting the continued delivery of quality healthcare services.

Private health insurance in general practice could increase value for patients

It is well documented that the growing prevalence of chronic disease and an aging population is placing increased pressure on the health system. Private health insurance (PHI) is intended to alleviates these pressures to some extent, however hospital admissions and health care expenditure

by governments and patients continues to increase each year.[1,2,3] At the same time, PHI participation rates have been decreasing.[4]

While motives may differ, PHI and general practice share a key purpose: keeping patients healthy and out of hospital. Provided there are strategies in place to manage risks, the RACGP recommends the Committee consider the possibilities for PHI involvement in elements of general practice.

Many private health insurers already support their members to access primary care services, such as dental care and allied health. Increased involvement of PHI in other areas of primary care, such as general practice, could increase the value of PHI for patients and encourage PHI uptake. At the same time, supporting patient access to general practice will improve patient health outcomes and reduce downstream health system costs to both government and patients.

The *Private Health Insurance Act 2007* (the Act) stipulates that PHI organisations cannot fund services covered by Medicare. The RACGP does not support amending the Act to allow PHI to fund Medicare services. However, there is room for PHI to support patient access to general practice services that are not currently funded under the Medicare Benefits Schedule.

Areas of general practice that PHI could support

Chronic disease management and practice modernisation are areas where PHI can provide long-term cost savings to patients, healthcare providers and funders. PHI organisations can improve the health of their members and Australians more widely through supporting services not funded through Medicare such as:

- chronic disease management – providing additional services for patients with complex and chronic disease
- care coordination and team care– supporting patients to access nurse services, additional allied health visits and programs to assist patients transitioning between primary and tertiary healthcare, including preadmission or post-operative care
- general practice modernisation – supporting patients to access telehealth consultations and services with their regular GP; supporting the use of newer technologies (eg point-of-care testing).

Risks of this approach

The implementation of PHI in general practice would need to be carefully managed to ensure that the improvement of patient health outcomes remains the central objective. The RACGP has identified the following risks associated with the implementation of PHI in general practice for the Committee to consider.

Duplication and fragmentation of care

A number of chronic disease management programs currently offered by private health insurers have some benefit to patients. However, these programs often take place in isolation from the patient's usual GP, and appear to duplicate services available in the patient's usual general practice. To

[1] Australian Institute of Health and Welfare. Admitted patient care 2015-16. Canberra, ACT; 2017.
[2] Australian Institute of Health and Welfare. Australian Hospital Statistics: Emergency department care 2015-16. 2017
[3] Australian Institute of Health and Wellbeing. Health expenditure Australia 2014-15. Canberra, ACT; 2016.
[4] Australian Prudential Regulation Authority. Private health insurance membership and coverage. 2017.

reduce the likelihood of duplication and fragmentation, private health insurers would need to work with a patient's usual GP and practice.

It would be inappropriate for PHI organisations to encourage or require patients to see 'preferred GP providers' on the basis of the GP's contractual arrangements with the private health insurer.

Removal of the clinical independence of GPs

It would be inappropriate for PHI organisations to require or encourage GPs to refer patients to certain providers of care based on the provider's participation in a PHI pilot or ongoing program. GPs must always be able to refer to other providers and provide treatment as clinically appropriate, based on their professional judgement, application of guidelines and patient need.

Inequitable access to services - based on PHI status rather than on patient need

The RACGP supports equity of access to general practice services for all people, regardless of income or PHI status. It is important to ensure that patients with PHI are not given priority or preferential access to GPs over patients who do not have PHI. Measures will need to be developed to ensure that the involvement of PHI in general practice does not create a two-tiered primary care system.

Patients need better support to make decisions regarding PHI

In response to concerns about the information available to patients to make informed decisions, the RACGP supports efforts to ensure that patients are equipped to make decisions about which PHI policy to purchase. Private health insurers should support informed patient choice by providing standardised information to patients regarding their policies. Specifically, the RACGP recommends that the information provided include:

- the range of services covered
- exclusions, with clear rules to prevent misleading statements regarding cover
- consistent terminology.

Private health insurers could also assist patients to choose specialists by providing information on:

- expected waiting times for access to specialists
- out-of-pocket expenses for services
- after-care arrangements.

The RACGP understands that the Private Health Ministerial Advisory Committee's (PHMAC) Information Provision for Consumers Working Group are considering PHI requirements and consistency of information.[5] We suggest the Committee consults the PHMAC regarding progress made in this area.

[5] Department of Health. Private Health Ministerial Advisory Committee. 2017 [Available from: http://www.health.gov.au/internet/main/publishing.nsf/Content/phmac [Accessed 27 June 2016].

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Thank you for considering our submission. If you would like to discuss this submission further, please contact myself or Mr Roald Versteeg, Manager, Policy and Advocacy

Yours sincerely

Dr Bastian Seidel
President