



Consumers
Health Forum
of Australia

Committee Secretary
Senate Standing Committees on Community Affairs
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CANBERRA ACT 2600

By email: community.affairs.sen@aph.gov.au

Dear Committee Secretary

Inquiry into the *Private Health Insurance Amendment (GP Services) Bill 2014*

The Consumers Health Forum of Australia (CHF) welcomes the opportunity to provide a submission to the Senate Community Affairs Legislation Committee Inquiry into the *Private Health Insurance Amendment (GP Services) Bill 2014* (the Bill). The Bill proposes to amend the *Private Health Insurance Act 2007* (the Act) in order to make explicit that private health insurers must not enter into arrangements with primary care providers that provide preferential treatment to their members.

CHF is the national peak body representing the interests of Australian healthcare consumers. CHF works to achieve safe, quality, timely healthcare for all Australians, supported by accessible health information and systems.

We understand that the Bill has been prompted by the Medibank Private-IPN trial, which enables Medibank members to access:

- Guaranteed appointment to see a GP within 24 hours of calling
- No out-of-pocket expense, because participating GPs have agreed not to charge an out-of-pocket fee
- After-hours GP with no out-of-pocket expense
- A range of one-off health assessments available to people at different life stages, with no out-of-pocket expense.¹

The intent of the Private Health Insurance Act 2007 is that private health insurance cannot reimburse services that are covered by the Medicare Benefits Schedule (MBS) for out-of-hospital arrangements. This includes GP consultations provided in community settings. Medibank Private's trial appears to be technically compliant with legislation because Medibank is paying to cover IPN's administrative and management costs, rather than paying for GP services directly.

¹ Medibank (2014) *Medibank and IPN trial to give members more options to access to GPs at no cost* (Media release). Accessed 14 July 2014, <http://www.medibank.com.au/About-Us/Media-Centre-Details.aspx?news=535>

CHF shares the view that the Medibank Private trial does not uphold the intent of the legislation because the money paid by Medibank may eventually flow to GPs.² It is not clear what mechanism ensures that the money is not used to pay GPs directly. Moreover, we have concerns that the trial is being allowed to continue when the legal basis of it is under question.

Despite trialling a system that essentially expedites GP access for its members, Medibank has stated, "*The pilot is not about displacing other patients, or creating a two-tier system...Medibank members are not prioritised over other patients.*"³ CHF believes that the opposite effect is more likely to be the case: by its very nature the trial provides the ability for GPs to now discriminate between two classes of patients; the insured who have access expedited through a payment to the practice and, the uninsured, who do not.

The onus should be placed on Medibank to provide evidence that people who do not hold private health cover are not being disadvantaged by this trial. CHF understands that the evaluation of the Medibank trial does not take into account the experiences of health consumers who are *not* covered by private health insurance. In our view, this is a serious oversight, which will lead to an incomplete and biased assessment of the trial. Qualitative and quantitative review of the trial must include an assessment of the effects on *uninsured* consumers.

More broadly, we are concerned about the involvement of private health insurers in the provision of primary health care, and the potential for this, along with the GP co-payment, to diminish the universality of Medicare and undermine equitable access to primary care.

Medibank has calculated that just three per cent of its members account for 40 per cent of its total costs, and argues that private health insurance involvement at the primary care stage was justified to address the costly chronic disease burden.⁴ The Minister for Health has also expressed support for private health insurance funding of primary care as a way of delivering savings to the Federal Government by avoiding the need for expensive hospital visits down the track.

CHF acknowledges the substantial burden of illness and injury due to chronic diseases. There is a need for more integrated services to ensure that health consumers are better able to navigate, and fully benefit from, the healthcare system at an earlier stage and potentially avoid the need for more expensive tertiary-level care. However, there is no evidence to suggest that private insurance funding would be more cost-effective than Medicare in achieving this, particularly when private health insurance is subsidised by the Government through the Private Health Insurance Rebate.

Confidential modelling conducted by the Department of Health in 2008 estimated that expanding private health cover to GP visits would be 'very expensive' and would cost the Government an estimated \$3.4 billion over five years. The Department modelling showed that private cover of GP fees would lead to an increase in premiums (two per cent a year for the first four years), an

² Harrison, D 2014, 'Private insurance for GPs would 'pose risk to Medicare'' Sydney Morning Herald, 11 January, accessed 14 July 2014, <http://www.smh.com.au/federal-politics/political-news/private-insurance-for-gps-would-pose-risk-to-medicare-20140110-30mod.html>

³ Swan, J and Hunter, F 2014, 'You will pay more: Medicare changes will create US-style system' Sydney Morning Herald, 8 June, accessed 14 July, <http://www.smh.com.au/national/health/you-will-pay-more-medicare-changes-will-create-usstyle-system-20140607-39pud.html>

⁴ Parnell, S 2014, 'Primary care now the focus', *The Australian*, 5 April, p. 10

increase in the Private Health Insurance Rebate (\$400 million over five years), and an increase in GP fees.⁵

The Department also warned that private health cover of primary care would have the perverse effect of providing assistance to privately-insured people who are *not* bulk-billed, while reducing the percentage of privately-insured people who *are* bulk-billed.⁶ The Department did not support private health cover for out-of-pocket GP costs on the basis that it would lead to a two-tiered system with those who were privately insured receiving more favourable treatment than those who weren't.⁷

In addition, other research found that a single national insurer is cheaper to administer than private health insurance (due to greater economies of scale) and better able to use its market power to control costs.⁸

In conclusion, CHF has significant concerns with the Medibank trial and its potential to undermine the principles of universality enshrined in Medicare, by increasing barriers to primary care for those who are uninsured. Accordingly, we support the Bill.

CHF also reiterates its call for a Productivity Commission inquiry into private health insurance and its impact on Medicare before any serious consideration is given to any proposed structural changes to private health insurance.⁹

CHF appreciates the opportunity to provide a submission to this consultation. If you would like to discuss these comments in more detail, please contact CHF Policy Director Ms Donna Stephenson

Yours sincerely

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Chief Executive Officer

16 July 2014

⁵ Heath, J 2013, 'Health dept opposes insurance for GP consultations', Australian Financial Review, 15 August, accessed 14 July, http://www.afr.com/p/australia2-0/health_dept_opposes_insurance_for_Ea111Kxs8xF00aTTxwTvnI

⁶ Ibid

⁷ Ibid

⁸ Menadue, J and McAuley, I. (2012) *Private health insurance: high in cost and low in equity*. Centre for Policy Development. Accessed 14 July, http://cpd.org.au/wp-content/uploads/2012/01/CPD_DP_Menadue_McAuley_PHI_2012.pdf

⁹ Consumers Health Forum of Australia (2014) Australia's two-class health system calls for searching inquiry (Media release). Accessed 14 July 2014, <https://www.chf.org.au/pdfs/med/MED-20140604-Private-insurance-inquiry-call.pdf>