Senate Community Affairs Committee

ANSWERS TO ESTIMATES QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

Budget Estimates 2011-2012, 30/31 May 2011

Question: E11- 141

OUTCOME 9: Private Health Insurance

Topic: COST EFFECTIVE SERVICES

Written Question on Notice

Senator Adams asked:

What mechanisms are used to ensure that services delivered in the private sector (including private hospitals and medical specialists) are cost-effective?

Answer:

The payment of private health insurance benefits for hospital treatment is closely tied to Medicare as health insurers are required to pay at least 25 per cent of the Medicare Benefit Schedule (MBS) Fee in addition to the 75 per cent of the MBS fee paid by Medicare.

The Comprehensive Management Framework for the MBS (CMFM) announced in the 2011-12 Budget, builds on activity commenced under the previous 2 year MBS Quality Framework announced in the 2009–10 Budget. The CMFM has two main components, independent expert advice to the Government on all new and amended MBS services to be provided by the Medical Services Advisory Committee (MSAC), and rolling reviews of the quality, safety and fee levels of existing MBS items to examine evidence of the clinical quality and appropriateness of existing MBS items and MBS fees in order to maximise health outcomes for patients. The MSAC provides advice on the safety, comparative clinical effectiveness and cost-effectiveness of proposed MBS reimbursement as well as advice on total cost including any patient out of pocket expenses.

In addition, the Prostheses List requires private health insurers to pay benefits for a range of prostheses where a Medicare benefit is payable for the medical service associated with prostheses that have undergone clinical assessment and have demonstrated clinical effectiveness.

Insurers have a role in promoting cost effective services in the private sector, particularly through their contract negotiations. Included under these contracts are casemix payments, which promotes cost-effective practices and rewards efficient practices by hospitals. Casemix payments encourages efficiencies by negotiating amounts for certain procedures (based on MBS item number, diagnostic related group or ICD-10 code), which are payable for the entire episode, regardless of the length of stay. Details under these contracts are shared commercial in-confidence, being only between the individual insurer and hospital.

Accreditation is used to primarily support safety and quality, and indirectly, cost effectiveness, by reducing the risk of an extended length of stay or readmission to hospital due to poor systems being in place.

In addition to existing accreditation arrangements, the Australian Council for Safety and Quality in Health Care has developed the National Safety and Quality Health Service Standards (the Standards) which will be phased in from 1 July 2011 and will apply to all health services.

Although not the primary goal of the Standards, they will contribute to improving cost effectiveness in the private (and public) sector through:

- maximising the effectiveness of accreditation to improve the quality and care delivered and reduce the harm to patients;
- reducing the waste of health care resources associated with inadequate safety and quality in the health system; and
- ensuring that standards critical for safety and quality in health care are evidence-based.