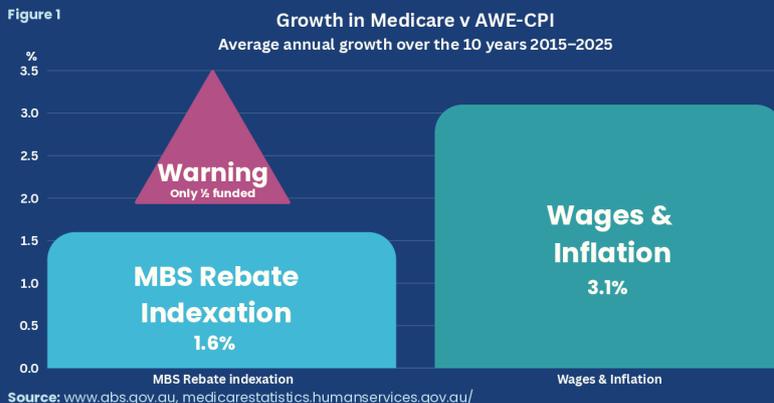




# Australian Medical Association THE GAPS THAT CREATE GAPS

Complex policy failures leave patients paying for doctor visits and hospital care

## Medicare rebates haven't kept up



Medicare rebates have been left far, far behind. Despite Medicare's stagnant rebates, medical treatments continue to get more specialised and complex, which adds to costs. When Medicare rebates fail to keep pace with real practice costs, the gap shifts – to patients.

It's time to Modernise Medicare

AMA's plan to  
**Modernise Medicare**

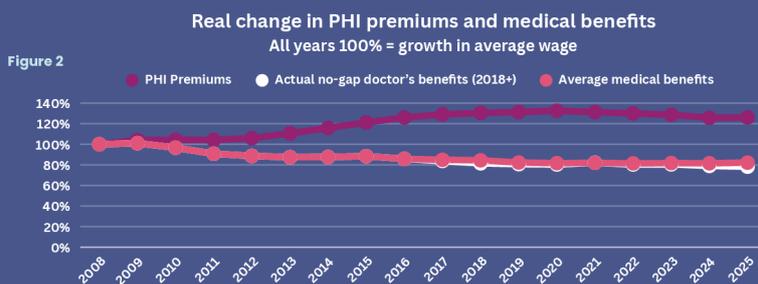
## Patient pays the full fee up front – not just the gap!

The government doesn't let doctors simply charge the 'gap' between the Medicare rebates and the actual cost of care – they make the patient pay the full amount up front and claim it back. This is a simple policy change that could make a big difference!

**Current**  
Patient needs to pay the whole fee upfront and part is rebated later

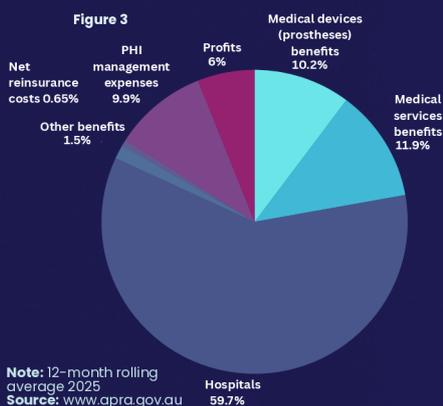
**Proposed**  
Patient only pays the gap fee upfront

## Australians are paying more but getting less



Premiums – what you pay for insurance – have grown faster than many medical rebates paid by insurers for patients; there is a widening gap in value delivered.

## Where your premium goes



**16%** Management & profits

**+ 49%** Insurance net profits

**12%** Doctors' care

**+ 51%** Management expenses

2019–2025

Only a portion of what you pay in insurance covers your doctor's care. In fact, management expenses and profits are bigger costs than what insurers pay for your doctor's care when you claim. Outlays to doctors' care have only increased 18 per cent over the same six-year period.

More of your money goes to management expenses and profits in your insurer and less to funding your doctor for your treatment.

Note: 12-month rolling average 2025  
Source: www.apra.gov.au

# One of the biggest out of pockets you pay every year is your PHI premium – whether you claim or not

Premiums are paid upfront and in full, irrespective of use; many consumers receive less value back than expected given management expenses, exclusions, and variable rebates. And of course, you must continue to pay it each and every year to stay covered.



## Same label = different rebates



Source: AMA Private Health Insurance Report Card 2025

For identical procedures, health insurance benefits vary significantly by insurer, creating confusion and unpredictable gaps.

Even two policies both labelled as 'gold' can pay significantly different amounts on your behalf.

The AMA's latest report found that for 23 common procedures, the variation between the lowest and highest benefit for the same procedure, same doctor, different fund was more than \$480!

## The 'no-gap cliff' — where patient benefits fall off

Insurers offer no gap arrangements to doctors. If a doctor accepts the fee the insurer dictates for each procedure in a no gap scheme, there is no gap for patients. But there are two problems with this system. The first is that each individual insurer sets the fee in no gap procedures, not the doctor. And insurers all pay different amounts. That's right, a doctor may be required to have dozens of different fees for each exact same procedure, depending on who the patient's insurer is. It's incredibly complicated.

And there's a second catch. If the fee is even \$1 above the insurer's no gap amount, the patient can quickly be hundreds of dollars out of pocket. In the example below, a fee \$7 dollars different from the insurer benefit equals a \$863 increase in the patient out of pocket, and the insurer saves \$856. For example, if the doctor sets their fee at a fair rate for everyone, but your insurer pays less than other insurers, your out of pocket can grow dramatically. That's because of an obscure rule, if the insurer's rebate is less than the doctor's fee and the service

isn't delivered in a gap arrangement, the insurer doesn't have to pay the full medical benefit. It just needs to top up at a quarter of the Medicare rebate. That's right, a measly 25 per cent of the Medicare rebate. So, a few dollars difference between your doctor's fee and your insurer's benefit can lead to hundreds of dollars out of pocket for you, and a significant saving for your insurer. With dozens and dozens of insurers, all with different rates for the same procedure, it's no wonder doctors and patients are constantly caught out.

Situation	Doctor's Fee	MBS Benefit	Insurance medical benefit	Out-of-pocket costs
Doctor accepts insurers no gap medical benefit amount	\$2,529.55	\$1,153.05	\$1,376.50	\$0.00
Doctor accepts insurers known gap arrangement	\$2,892.90	\$1,153.05	\$1,239.85	\$500.00
Doctor does not accept fee cap under insurer's no gap or known gap scheme	\$2,900.00	\$1,153.05	\$384.34	\$1,362.61

Note: MBS: 49518 Fee: \$1,537.35, 75 per cent = \$1,153.05  
Source: MBS online, Bupa, AMA Private Health Report Card 2026

**+\$7**  
Difference in fee

**-\$856**  
Insurer saves

**+\$863**  
Patient pays

# Doctors are trying to hold the system together

# 97.1%

Proportion of procedures with no or known gap in 2024-25

Source: Australian Prudential Regulation Authority (APRA)

Despite the complexity of private health insurance, doctors continue to meet insurer demands for different fees for the same service.

More than 97.1 per cent of services in hospital are delivered under no gap and known gap arrangements.

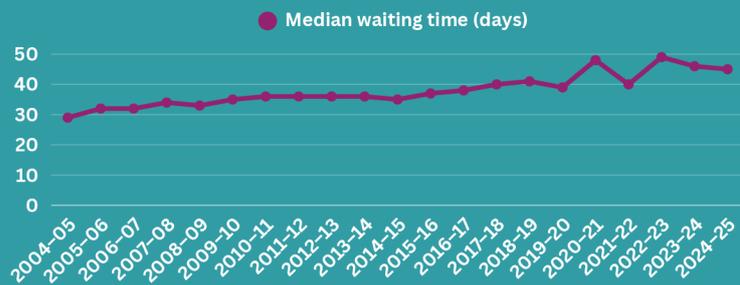
And this is despite the lack of growth in private health insurer benefits and lack of indexation to Medicare.

## There is no public alternative when there should be

With public hospitals logjammed, there isn't a functioning public alternative to many privately delivered services. ED and planned surgery waits remain among the worst on record. Getting an outpatient appointment to see a specialist in the public system — as a public patient — to seek care is nearly impossible. Patients are then forced outside of the public hospital system. The AMA has been campaigning for years to end the Hospital Logjam — it's time patients had true choice.

Figure 4

### Planned surgery waiting times Median waiting time for elective surgery (days)



Source: AMA Public Hospital Report Card 2026



## Policies to plug the gaps

1

Modernise Medicare rebates for non-GP specialist care to reflect actual costs in providing care.

2

Review the operation of the Medicare Safety Net to better support patients with out-of-pocket costs.

3

Change payment flow so patients only pay the gap (government pays Medicare share up front so you only pay the difference).

4

Set minimum benefits required for like-for-like procedures across all insurers to help reduce unexpected gaps.

5

Fix the no gap cliff (reform "no gap/known gap" so a \$1 over doesn't trigger a steep patient bill).

6

Mandate a 90 per cent payout ratio (minimum proportion of premiums returned as benefits).

7

Provide a real public alternative (fund public hospitals to expand capacity, provide genuine outpatient services and deliver care in clinically appropriate timeframes).

8

Premiums: tighten oversight to ensure downward pressure on premium growth tracks value (clamp down on phoenicing of policies; require transparent linkage to benefits; minimise management expenses).

9

Create and fund hospital equivalent services across all insurers (virtual care, hospital in the home).

10

Improve transparency of what insurers pay on behalf of their members.

11

Establish a Private Health System Authority to build a fit-for-purpose, patient-centred private health system.

12

Overhaul the Medical Costs Finder — with insurer benefits and Medicare rebates included, so patients see expected out-of-pocket costs upfront.



Further reading:  
The Role of a Private Health System Authority

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# WHAT IS THE AUSTRALIAN MEDICAL ASSOCIATION DOING TO ADDRESS OUT-OF-POCKET COSTS?

- 1** Lobbying the government to properly fund Medicare to reduce patient out-of-pocket costs.
- 2** Putting a spotlight each year on insurers through our Private Health Insurance Report Card.
- 3** Supporting best practice in informed financial consent for patients, including the publication of a national guide endorsed by 30 medical bodies.
- 4** Educating the profession through the publication of our policy on setting medical fees and billing practices.
- 5** Working with the government to improve its Medical Costs Finder website.
- 6** Arguing for better public hospital funding to improve access to both outpatient and inpatient care.