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**Transcript:** AMA President Dr Michael Gannon, 3AW, *Drive with Tom Elliot*,  
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**Subject:** Private Health Insurance

**TOM ELLIOTT:** Alright, health insurance. Is it useless? Is it a waste of money? I'm beginning to think so. I know that the Federal Government will tax me extra if I don't take out health insurance so I might as well take it, but does it make sense? Joining us now, President of the Australian Medical Association, Dr Michael Gannon. Good afternoon.

**MICHAEL GANNON:** Good afternoon, Tom.

**TOM ELLIOTT:** So is it useless? Should I can it?

**MICHAEL GANNON:** Look, it's not useless, and that's a great concern that you're even asking that question out loud. But your listeners have asked that question, and the truth is that many of them do have useless policies. So we need to fix this. We can't walk away from the problem. Seventy per cent of operations are done in the private system. The public system collapses overnight without a strong healthy private system. But there are people all around Australia in the cities, the towns, and the regions questioning the value of their private health insurance.

**TOM ELLIOTT:** Well, one of the things I've noticed, and I've spoken to people who run Bupa for example, had the chief executive of Bupa on a couple of times. He says that their costs are rising at, you know, double digit rates, 10 per cent, 11 per cent, 12 per cent per annum, but the Government limits them to only increasing their premiums by, say, 6 per cent are the most recent ones. So the impression I've got [audio skips] from my health insurance or what I get back is reduced. Glasses for example, I used to get a lot more back on my glasses than I do now. Is that what funds are doing?

**MICHAEL GANNON:** Well, certainly, they are restricting the amount they pay out to try and look after their bottom line. And that's true of all of them whether you're talking about the mutuals where you're a member, or if you hold a policy with one of the for-profit insurers. We're all in the same together. In the last 48 hours or so, I've met with Medibank Private talking about these issues. I heard some really positive noises about things that they want to do to try and improve their products. But- and one of the things that we do need to look at is what you've referred to, what Dwayne Crombie who runs Bupa has said is that they are struggling to manage the significant costs year on year, but let's even say that they were able to matter within the 4 per cent, 5 per cent, 6 per cent year-on-year increase in health insurance premiums, that's a problem in a country where wages growth is much lower than that or close to zero in so many industries.

People look at the public system and they say, look, that's pretty good, but what happens is that the whole show falls apart if we don't support the private system. There are some elements of policy that Greg Hunt's already talked about, and some of those ideas are really good. We want to support those. But we have a long way to go.

**TOM ELLIOTT:** Okay, yeah, but it's fine to say as a sort of grand bargain where if we didn't have private health cover then the public system would become overwhelmed and it would collapse. So it's sort of in everybody's interest, those who have private health insurance to keep

doing it but, from an individual perspective, I look at it and think, well I know that I've forked out heaps more in premiums, I'm about to turn 50, than I or my family have ever claimed back. I look at it and just think well, maybe there's an insurance policy before [audio skips] really gets awful but I reckon at the moment it's been a waste of money for me.

**MICHAEL GANNON:** Well, certainly, what you've been doing is contributing to the insurance pool and I suppose one thing in many ways we hope that we never get to cash in our health insurance. The last thing you want is to have a bonanza and get \$80,000 back from a big heart operation, Tom.

**TOM ELLIOTT:** That's true. I get that but, for example, I go to a physio, and I'm sure there's millions of people who have had a similar experience. Every now and then I get a sore back. Three physio appointments, they cost \$95 a piece, I get back 10 bucks. Now, you know, I might as well just not bother with the health insurance and just pay the 10 bucks out of my own pocket and pocket \$300 extra a month.

**MICHAEL GANNON:** Well, Tom, you're asking the questions that so many policyholders are asking. They're asking themselves are they worth it, and everyone who's got a stake in the industry needs to do better. I mean I take your point that individuals are saying yeah, look, I get the argument that we need the private system but I need to make contributions to make ends meet to make my books balance at the end of the week.

One of the things that has driven doctors and their enthusiastic adoption of the no gaps scheme, which is just under 90 per cent of operations, is that we understand that out of pocket expenses are a problem for patients. They might defer crucial care, they might go without other elements of their life. It's all very well having the operation but if you don't then have the money to go and have, for example, the physiotherapy, or to take the medication that might be part of your convalescence, we've got a problem. What I said to the Senate inquiry yesterday is that we don't think that doctors' fees are the problem in the value proposition of private health, but equally we think that we've all got to do our part and we need to try and get the policy levers right because it would fall apart without it.

**TOM ELLIOTT:** But what do we do? I mean that's a motherhood statement to say we need to get the policy levers ... had Scott Morrison in the studio last hour and that's the sort of thing he might say. I mean what do we actually do? Do we have everything covered but it's going to cost you more? Do we just exclude a lot of things and keep health insurance for just certain conditions like, I don't know, cancer for example? What do we do?

**MICHAEL GANNON:** Well, I think one of the things that we need to do for a start is to give people a better understanding of what they've actually bought because I think that one of the greatest complaints is perhaps not even so much the premium growth. If people knew that their premiums were growing year on year but they were certain that they were covered when it came time to use their insurance, they might be a little less grumpy.

**TOM ELLIOTT:** But, see, that's the problem. I mean, I just assume because I've taken out the cover that's been recommended that I am covered except that when I use it I find out well, no, I'm covered for a bit of things but certainly not everything, and I just think, well, you know, like with my car, alright, I know, if I crash I've got a \$500 or \$600 excess so I'm going to be out of pocket 500 bucks or 600 bucks whether I dent two cars, write the car off, it's a \$500 to \$600 excess and that's it. Now, that's simple, that's understandable. Why can't health insurance be like that?

**MICHAEL GANNON:** Well, I agree with you completely. And that's why we've supported to the extent we can the Minister's vision for gold, silver, and bronze. Now, again, if they are just terms that mean nothing, if the definitions are woolly, if it lacks the transparency, if we've still got 20,000 or 30,000 different policies out there that ordinary Australians can't understand with little tricks and carve outs and high-end medical terminology in the clinical definitions, well then we haven't moved forward. But if we land in a place where - and this is what we're

asking for is that gold means basically everything you can think of, silver means everything with excesses and maybe people can do like what they do with their car insurance. You can take a higher excess for a lower premium. [Audio skips] a more limited policy which doesn't include as much. We could live with that, that's what we want to see. But what we want to see is an end to the tricky little policies and we want to see an end to the lack of transparency, which we think at least to one extent or another is meant to be deliberately confusing.

**TOM ELLIOTT:** Alright thank you Dr Gannon, Michael Gannon there, President of the AMA.

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