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**OPENING REMARKS**

**PRIVATE HEALTH INSURANCE DEBATE – PRIVATE HEALTH: WHO BENEFITS?**

**NATIONAL PRESS CLUB OF AUSTRALIA, CANBERRA**

**WEDNESDAY 4 DECEMBER 2019**

**AMA PRESIDENT DR TONY BARTONE**

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\*\*\*Check against delivery

I'd like to first acknowledge the traditional owners of the land we are coming together on and pay my respects to elders past, present, and emerging, and welcome any Indigenous people who are also present here today.

I'd also like to thank the Press Club for arranging this talk, and to my fellow panellists for agreeing to take part in this debate.

Earlier this year I spoke about the issues facing our health system. Private Health Insurance was part of that conversation ... a conversation which indeed continues.

Ladies and gentlemen; as panellists, the three of us certainly don't agree with each other on everything, that is for sure.

Professor Duckett did say, only in July this year:

*“The question then becomes whether government should support private health care directly, or via public health insurance – or not at all.”*

There is no hiding that Private Healthcare Australia and the AMA also have different views at times.

But I believe that all three of us here on stage want our health system to be effective, high quality, provide value, and to be inclusive.

As has been said, there is more that unites us than divides us, when we talk big picture.

As the only practising GP here on stage ... one who continually refers patients to public hospitals ... I can tell you that I see enormous value in our private health system.

Yes, our public hospitals are, no doubt, some of the best in the world.

My colleagues - the doctors, nurses, and other staff in the hospital system do a simply amazing job.

But they are fighting a losing battle when it comes to waiting lists and resources.

Our AMA Public Hospital Report card shows that wait times last year are worse than they were the year before and the year before that.

We need our private health system. It plays a vital role in providing Australians the excellence in our health system that we are renowned for worldwide.

Today around 60 per cent of surgeries are performed in private hospitals – a strong vote of confidence from the Australian public. Without our private system, our public hospitals will grind to a halt. They simply will not cope.

Of course, we can talk about big picture reform and what other models might work to improve the entire health system, and we should. But my patients, your family members and friends, need quality health care now ... they cannot wait.

Nor should they ...

Imagine, as I do every single day, what we could achieve with a better funded primary care system.

To borrow a famous line, *“the first step in solving any problem is recognising there is one”*.

Today’s debate shows us that we recognise the problem and its severity - the current policy settings for PHI no longer work.

The AMA estimates that the demographic ageing of the population is causing premiums to increase by 0.6 per cent per annum.

Young people are dropping out at the same time as older people are joining up - and this may have increased premiums by another 3 per cent over the last three years.

Those older Australians then sign up to claim, and the older they are, the many more multiples of average benefits per person they receive.

In many ways, for older Australians who are living longer than ever before, Private Health Insurance is now less of an insurance for the rare accident event, and more like a health savings account for the likely health costs in the future and even the present.

For younger Australians, it is truly insurance for the unexpected.

However, the increased premiums are meaning this is getting further and further out of reach.

Taxpayers will ask how much more of their money should go to a private health insurance system, operated by private sector organisations, who have a responsibility (which they uphold quite well, I might add) to bank a profit?

I have no issues with private sector organisations making a profit.

But at something like \$6 billion dollars a year in PHI premium rebates, a potential \$3 billion - according to Grattan figures - of MBS payments, and two Federal Government financial penalty policies, namely the Life Time Health Cover loading and the Medicare Surcharge levy, forcing people to buy the product ... health insurance is not exactly a free market.

There’s a strong, and visible hand, pushing customers towards it. If more public money is to go to the private health system, Australians will want to see all parties in the system work to get value from it.

From an AMA perspective, we will want to continue to see clinical independence preserved on behalf of our patients.

As a GP, I am used to writing prescriptions where required.

So, with your indulgence, I will attempt here to make a few policy prescriptions for private health insurance, recognising that only by all of us giving some ground and pursuing reform, will we succeed.

Firstly, Government is pivotal in the health insurance equation – they are behind so many of the policy levers.

They have adjusted these over the last decade to reduce their costs: either through effective means testing of the health insurance rebate, or freezing the MBS year after year.

They have been very successful in doing this, but those costs were not removed - they have stayed in the system, and they have been passed on.

### **Premium rebate**

The decline of the premium rebate has been particularly hard on those seeking to maintain their cover.

We therefore support the Government looking at how to restore the rebate, at least for whom it will have the greatest impact – younger Australians and those in the workplace on lower incomes.

Premiums need to be within reach of average Australians - otherwise we will have a two-class system.

### **Minimum payout**

But you can't ask taxpayers to front that bill in an insurance industry that is predominately for profit.

Our second prescription is to suggest that there must be a minimum amount returned to the health consumer for every dollar going in.

Currently, this varies from anywhere between a high 70 to above 90 per cent.

It needs to be standardised, and higher than the industry average right now.

### **Lifetime Health Cover (LHC) loading**

There is no doubt insurance only works when people stay in it.

So, we are suggesting a review of the Lifetime Health Cover loading – especially the starting age, and the way in which penalties ramp up, across different cohorts.

People are staying in university or TAFE longer, starting families later, facing mortgage pressures more intensely.

The start age for Lifetime Health Cover - LHC - is supposed to be a signal to get into insurance. It works if people can afford to get in, at that point. We think it's now at a point of locking younger people out.

But we also think you need to look at the actual LHC penalties.

With older Australians coming in later and claiming as soon as the waiting periods are over, despite LHC, there is a clear signal the current penalties are not working and need review.

### **Youth Discounts**

The reforms carried out by the Government did introduce the youth discounts – designed to help younger Australians to get into Private Insurance.

But we think they can be further enhanced, modelled to better align with any proposed new LHC loading and age criteria, and promoted across the industry.

### **More efficient pricing and models of care**

The AMA supports further work to ensure that we are getting good value for money on all our input costs, recognising however that health inflation is always higher than CPI, and will likely always be the case.

We have been at the table to consider alternative clinician-led models of care. We will stay at the table to achieve the best outcomes for the system and our patients.

### **Transparency**

And finally, transparency.

On out of pockets, we've made our position clear. Despite the APRA data showing that less than 3 per cent of medical services are billed outside a no gap or known gap arrangement, we've agreed more can be done on this issue.

That's why we've developed our Informed Financial Consent guide to support patients to find out the cost of their treatment, alongside our own guide to private health insurance, the AMA annual PHI report card.

But any website from Government must help patients understand that each fund pays a different benefit for the same MBS item.

Some amounts are much higher than others, and it is this subsidy that affects the size of the patient's out of pocket cost.

Seeing the level of benefits the insurer pays will help everyday Australians pick a better value fund. Transparency helps build confidence in a better system.

Indeed, considering that only 15 per cent of hospital outlays from funds are doctors' fees, there is a fair chunk of outlays where improved transparency will help people see the value of their insurance, and promote ongoing efficiency.

It will be hard. We will all have to give ground.

The AMA and Australia's doctors stand ready to talk, constructively.

We can and must fix the system. Because at the end of the day, if we don't, it's your customers, my patients, and our citizens who stand to lose the most.

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