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Transcript: AMA President Professor Brian Owler, ABC NewsRadio, 13 November 2015

Subject: Private health insurance

SANDY ALOISI: Well let's get a doctor's view on the proposed premium rises, Marius Benson is speaking here to AMA President Brian Owler.
[Excerpt]

REPORTER: Brian Owler when people look at a call for a 6 or 7 per cent increase from the health funds, and they look at an inflation rate of 1.5 per cent they tend to think it's not justified, what's your view?

BRIAN OWLER: Well I think I can understand that completely. I think the affordability of health insurance premiums should be the key driver in the Government's private hospital or private health insurance review that's underway at the moment. But we've got to remember that affordability can't come at the expense of what is the core value of private health insurance, and that's making sure that someone is insured should they fall ill or require a treatment in a hospital unexpectedly.

REPORTER: And there has been a big exodus from the private funds over the last year, something like half a million people have left.

BRIAN OWLER: Well they haven't left. What they've done is downgraded their policies, and in fact it's actually not the patients downgrading their policies, it's the health funds themselves. So, what a number of funds have done is written to their customers, our members, and actually informed them that they're removing various procedures or illnesses coverage from their policies, and then suggesting that if they want to upgrade and include those things again they've got to pay a higher premium. So that's been the action of the health funds, rather than the action of individual patients.

REPORTER: And does that reflect the impact of the means testing of the rebate?

BRIAN OWLER: No. I think what it is, is the private health insurers looking at ways that they can remove expensive procedures, that sort of coverage from their policies, and improve their margin and bottom line. And so, we've got to take a good look at private health funds. I mean, it's not good enough to say, well, we're going to just let these commercial arrangements go unchecked, just as the Government seemed to do with the Medibank Private Calvary dispute. Because the biggest driver of costs associated with private health insurance is hospital costs, that's about 70 per cent of the premium, and then you can add another 15 per cent on top of that for prosthetics. So I think some of those things do need to be looked at. Many of those arrangements are commercial-in-confidence, they're not... it's not public knowledge, and while we would normally not want to interfere with that, I think the Government's got to remember that it's got \$6 billion of funding in the game in terms of the private health insurance rebates.

REPORTER: In fact when you talk about private health insurance the point you just made is an important one; \$6 billion of taxpayers' money goes in rebates to underwrite the private health insurance, it's sort of hybrid of private and public.

BRIAN OWLER: Yeah that's right, and I think people also need to remember that the private sector does a lot of heavy lifting when it comes to particularly surgical procedures, and without it our already overstretched public hospital system wouldn't be able to cope. So we need to make sure that we have a strong private health insurance sector, both in terms of the insurers and the hospitals, but we also need to make sure that they live up to their end of the bargain, that we don't see insurers gouging in terms of premiums and prices. And I think we've got to get back to what the core value of private health insurance should be; it's insurance for people that are requiring in-hospital services. It's not for all of the ancillary services or allied health services, or even some of the alternative therapies which are unproven, which also add to the cost of people's premiums.

REPORTER: Do you think the Australian system, this mix of private and public, is fundamentally sound and maybe needs some tweaking, or fundamentally unsound?

BRIAN OWLER: No, I think it's a very good system, and I think we can't lose sight of that. I mean for the amount that we do spend in terms of all health expenditure it's a relatively average amount in terms of the OECD (Organisation for Economic Cooperation and Development) expenditure as a percentage of GDP, but we get some of the best results in the world in terms of life expectancy and other markers of health outcomes. And I think we actually take the best of the US and the UK, we've sort of mixed them together, and this system has actually done us very well. So I think it's about building on the foundations of our health care system, both in terms of the public and private system. And that's why (we need to) maintain things like community rating, which disperses the risk amongst health insurers, making sure that we don't stratify risk in terms of premiums, which means that some people then can't afford their premiums or get kicked out of their funds because they become too expensive. Now, those sorts of core things, we've got to make sure we value those, we don't take them for granted, because I think our system serves us very well. We've just got to make sure that we have a vision for what it looks like in 10 years time, and that we're all working towards that vision, so that we have a health care system that will look after us all in the future.

REPORTER: Brian Owler thank you very much.

BRIAN OWLER: Pleasure Marius.

[End of excerpt]

SANDY ALOISI: AMA President Brian Owler speaking there to Marius Benson.

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