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Transcript: AMA President, Dr Michael Gannon, ABC Radio Brisbane, *Focus with Emma Griffiths*, Tuesday 20 February 2018

Subject: Private Health Insurance

EMMA GRIFFITHS: Dr Michael Gannon, who is the President of the Australian Medical Association, is in Perth. Really appreciate your time today, Michael.

MICHAEL GANNON: Good morning, Emma.

EMMA GRIFFITHS: Now, you're head of obstetrics at a private hospital. Would you say that that sways your opinion about whether private insurance is worth it or not?

MICHAEL GANNON: Very much so. You might say I'm conflicted. The truth is, as someone who practices gynaecology and obstetrics in both the public and the private sector, I see the advantages and disadvantages. I see firsthand the fabulous work that we do in the public sector, and I believe passionately in the value proposition of private obstetrics.

Obstetrics is an important area to consider. I do think CHOICE is being irresponsible when they advocate that 20- to 30-year olds - give up their insurance. One thing which is a reality of life is falling pregnant. Around 50 per cent of pregnancies are unplanned. That potentially leaves people without the ability to choose the private system to have babies. This is a complex area; we've already heard that in some of the discussions ...

EMMA GRIFFITHS: [Interrupts] That's not an emergency, though, is it? I mean, if you're pregnant and you're young, you can in most cases have a very happy, healthy birth in a public system, can't you?

MICHAEL GANNON: Well, the public obstetrics is a fabulous service. It won't surprise you to hear that I think that there is a value proposition in having your baby in a private hospital. That's not what I'm here to talk about today.

But it's really important that we've dealt with two unpredictable things that happen to people when they otherwise think they're going very well and are very healthy. One of those is the acute mental health episode; one of those is falling pregnant. Now, I think you've also - perhaps inadvertently - introduced the real story here in terms of: oh, it's not an emergency.

The reality is that if you have a major motor vehicle accident, if you develop a significant, life-threatening health problem, you will be very, very capably looked after in the public hospital system. Where the private system comes into its own are for those less urgent things, where sometimes you sit on a waiting list for months, if not years. We've got a situation now which is simply not good enough, where people sit on orthopaedic waiting lists in some parts of this country for more than two years.

If you are [a] healthy 24-year old tradie and you do a cartilage in your knee, you might wait months to get an orthopaedic appointment. You might then wait weeks or months to have surgery to get that sorted out. That might leave you vulnerable to addiction to painkillers; it might leave you unable to do your job. Health insurance - it's not about a climate of fear. Things go wrong in life. If you're really sick, the public system's there to look after you. If it's not life-threatening, you often find it is not there for you.

EMMA GRIFFITHS: Okay. Now, Michael, I know from previous interviews and statements that you've given that you share the concern about the rising premiums every year, and the consumers' - maybe it's perception, maybe it's reality - thought that this just isn't value for money. I know you've made some suggestions, as well. One of those is that the law be changed to ensure that all policies contain a minimum level of cover. What response have you had to that from the Government?

MICHAEL GANNON: Well, certainly there is a group of stakeholders in the private health industry - including Dr [Rachel] David and her group, the hospitals, patient/consumer groups, the Colleges - we're all there as part of the Minister's PHMAC process trying to look at this. This is a complex area of public policy, the Minister last week signed ...

EMMA GRIFFITHS: [Talks over] This is Greg Hunt.

MICHAEL GANNON: Yes. So, Greg Hunt, in the last week or two, has signed agreements with two States for increased funding to public hospitals; 6.5 per cent year-on-year increase. Now, across the political spectrum we've heard people say that that's not enough. But that is about what health inflation looks like, year-on-year ...

EMMA GRIFFITHS: [Interrupts] Can I just ask you on that suggestion you've made, though, what response have you had from Greg Hunt on legislating that policies contain a minimum level of cover?

MICHAEL GANNON: Well, we're working hard on the gold, silver, bronze system ...

EMMA GRIFFITHS: [Interrupts] So, this is like a rating that you've suggested?

MICHAEL GANNON: Absolutely. So, what you've referred to - and this is where the health insurers need to accept their level of blame for the problems in people's perception of the value of health insurance - you've referred to the fact that there's over 20,000 different combinations. That's a problem. It is confusing for people, it's bewildering, they don't know what they're getting.

Now, we've called for simplification of processes so that people have got some idea of what they're getting. And we've called for bronze to contain mental health cover, that looks as if that will be required. We think that pregnancy cover should be in bronze, as well. We think that the number of exclusions or carve-outs from bronze should be at an absolutely minimal level.

Now, the problem is the more goodies you've got in private health insurance, the greater the pressure on the premium. And that's the reality we have to deal with, is that health inflation runs between 5 and 8 per cent, so the reality is that as taxpayers we need to find ...

EMMA GRIFFITHS: [Interrupts] It was 4 per cent last year, wasn't it?

MICHAEL GANNON: Well, and that's why Minister Hunt was trumpeting the lowest increase in premiums for years. Of course, the 3.9 per cent you're referring to is the increase in the premiums, not the cost of providing the care. The reality is ...

EMMA GRIFFITHS: [Interrupts] No, the health CPI was 4 per cent, December-to-December 2017, wasn't it?

MICHAEL GANNON: Well, it has run around that level or often higher in recent years, and that reflects the fact that the cost of providing care to people just goes up and up. The

technology's better. We all celebrate this technology. I was at a hospital meeting last night where we're talking about a new minimally-invasive operation to take out thyroid cysts. A month ago, we were talking about a new minimally-invasive method of treating valvular heart disease. Now, these procedures are fabulous, they result in less scarring, quicker return to work, quicker return to full activity but they cost a lot of money.

Now, that's a different conversation. How do we contain those costs? We need to try and save money wherever we can. But what we need to find in both the public sector and the private sector is 5, 6, 7, 8 per cent extra year-on-year. That's going to require wisdom from Government as to how we find that out of the pockets of private health insurance premium holders.

Because as has been referred to - and this is not contestable - wages growth is low. So, for those people who don't prioritise their health insurance as the number one cost they put money aside for each month, each year, they will drop out of health insurance. That's why Government needs to be involved.

EMMA GRIFFITHS: Okay. Michael Gannon, thank you very much for your time today.

MICHAEL GANNON: It's a pleasure, Emma.

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