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Transcript: AMA President Dr Michael Gannon, ABC Radio Darwin, 21 March 2017

Subjects: Private Health Insurance

ADAM STEER: New research says that two million Aussies are planning to dump or downgrade their health cover with premiums rising next month. The rise on 1 April, and it's not a joke, will push the average price of family cover up by 200 bucks to over \$4,200 a year. The cost for singles will also go up a little bit. It'll be just hovering around two grand a year.

Is it time to jump ship? Should the polities be doing something about the increases, annual increases of around 5 per cent? Dr Michael Gannon is the national President of the Australian Medical Association. Dr Gannon, good morning.

MICHAEL GANNON: Good morning.

ADAM STEER: This new research says 600,000 people will drop their cover and one million people will downgrade their cover. Is this in line with what you're hearing?

MICHAEL GANNON: Well, it's of great concern. We certainly know that Australians are questioning the value of their private health insurance. In recent years, we've seen a proliferation of junk policies, which have numerous exclusions, caveats, carve outs. People are entitled to think if they've got health insurance, it's there for them when they get sick, when they need surgery or a procedure and, sadly, some of this research doesn't completely surprise me.

ADAM STEER: Health Minister Greg Hunt says the average premium rise of 4.84 per cent is the lowest in a decade. A lot of families, though, are copping heavier rises than that, aren't they?

MICHAEL GANNON: Look, I mean, Minister Hunt's correct to say that the rate is the lowest it's been in ages this year, and that is the average rise and the top rise is not much more than that. But let's not forget that people's wages, if they're lucky, are growing more like 1.5 per cent, we're seeing a rise in unemployment. In many parts of Australia, we've got an economy that's going okay, but if you don't own a house in Sydney, then perhaps you're not seeing some of the rises that the economists say we might be seeing.

People are doing it tough out there, and what they're doing is they're comparing the value they get from their private health insurance to what in many cases is a very good product in public hospital care. And they're saying, "You know what, this is a discretionary expense, I don't think I can afford it."

ADAM STEER: Half a million people considering dropping out of the private health insurance. What would that do to the industry if that was to happen?

MICHAEL GANNON: Well, I think that it would ... it would harm the bottom line of the now-dominant for-profit private health industry, and that's part of the problem.

If you go back 10 years ago, the Australian private health insurance industry was dominated by mutuals, by funds that paid their staff, dealt with all their costs, and then reinvested any surplus funds back into the mutual business.

Now, with the dominant players like Medibank and Bupa being for-profit, part of that money goes to the shareholders, so they will feel the pain. The mutuals are already feeling the pain. So many people have jumped ship from the for-profit insurers, some of those people are the sickest people, and this is the real problem - that the sickest people don't leave their private health insurance.

The people who question its value are those who might use it infrequently, those who might go to the dentist once a year, those who really think it's a good idea that you get a cheap pair of gym shoes or a session of reiki.

Now, that causes a lot of grief to a lot of doctors, they think a lot of these added extras are rubbish. But the truth is that they often keep the healthy people in, and that's how the insurance pool works. The insurance pool only works if there's a pile of healthy people who might infrequently call on their health insurance. If we end up with a pool of insured that are only the people with chronic disease, the whole show falls apart.

ADAM STEER: It's 22 to 9 on *ABC Radio Darwin*, Adam Steer with you. You're also hearing from Dr Michael Gannon, who's the national President of the Australian Medical Association. Dr Gannon, in your pre-Budget submissions to the Federal Government you said to maintain affordability of private health insurance. What should the Government be doing now?

MICHAEL GANNON: Well, what the Government has decided to do is the previous Minister, Sussan Ley, put together a Private Health Ministerial Advisory Committee. What they're looking at is developing minimum standards for what a private health insurance product should look like. They're looking at gold, silver, bronze labels, if you like, so that people have got a better idea what they're buying.

And what that committee is looking at, we understand - it's a very secretive committee - but what we understand they're looking at is that there'll be a minimum set of standards in the bronze insurance. The truth is now that too many Australians have got a product that serves no greater purpose than to help them avoid a tax penalty. Now, that doesn't serve any of us well at all. The industry ...

ADAM STEER: [Talks over] So, should that legislation be wound back, do you think?

MICHAEL GANNON: Well, I think that that's what the committee is looking at. The committee is looking at ways of legislating that there's a minimum set of standards required before you can even call it a private health insurance policy. So, some serious work needs to be done here.

The value proposition is under question. Most Australians who use their health insurance, most Australians who enter the private hospital system every year, actually express high levels of satisfaction with the care they receive. What our problem is that so many people think they've got a level of cover to be looked after in the private system, and when it finally comes time to use their insurance after years of loyally paying their premiums, they get told that's not covered. That's simply not good enough.

ADAM STEER: Dr Michael Gannon, good to talk to you today.

MICHAEL GANNON: That's a pleasure.

ADAM STEER: Dr Michael Gannon, who's the national President of the Australian Medical Association.

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