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Transcript: AMA Vice President, Dr Chris Zappala, 2SER, *The Daily with Nathaniel Keesing*, Wednesday, 29 May 2019

Subject: Private Health Insurance

NATHANIEL KEESING: Now, just a question for you: how's your insurance looking? Do you even have insurance? Well, Australian doctors are warning that our own health system is shifting towards a US-style model where, increasingly, health insurers have more power to control the types of care patients are receiving. Organisations such as the Australian Medical Association have been tackling these kinds of concerns, and this morning on *The Daily*, we're joined by Dr Chris Zappala, Federal Vice President for the Australian Medical Association, to help discuss how this shift is affecting our healthcare system.

Dr Zappala, good morning.

CHRIS ZAPPALA: Good morning, Nathaniel.

NATHANIEL KEESING: So, Chris, how does health care in the US compare to our own system here in Australia?

CHRIS ZAPPALA: They have a very different system, which is dominated by health insurance companies and they have a big corporate health element there as well, and so the principal difference is that those insurance companies dictate, to a very significant degree, what care can be offered to patients. So, rather than a doctor and a patient themselves deciding – “look, this is what you’ve got, this is the best way to treat that problem” – they then have to go to insurance companies and get approval for things and are sometimes told “no, you can't do that test, you can't use that treatment”. And so they have a significant amount of power.

And of course, the cynic – or, perhaps, the realist – would realise that it's all about preserving profits. Unfortunately, we're seeing early signs that our health system is starting to slip the same way and insurance companies are making a grab for that sort of control over an individual's health, which is just totally unacceptable. We call this managed care and it's always been against everything that we believe in in Australia here for good health care for our people.

NATHANIEL KEESING: That's pretty shocking - not getting the best health care you could possibly get just to save a few pennies. Well, what signs are we seeing that our own health system is turning this way?

CHRIS ZAPPALA: Well, for example, before we can ask some patients to have a particular treatment - rather than just admitting them to hospital and them getting it done - you have to ring the health insurance company, and say: do I have approval to do this? So this pre-authorisation type malarkey that we see. Now, we had the President of the American Medical Association visiting us recently, and she is an oncologist over there, and she was actually telling us that in their practice, they employ three full-time people just to handle that administrative function with the health fund. And, as I say, we're just seeing that behaviour

creep in here in Australia as well, and it's shifting a significant burden of cost back onto practices and patients, as well as frustrating the decision making. So that's one example.

The other reason I think we need to be careful is that, more than a decade ago, only about 15 to 20 per cent of the private health insurance companies in Australia were for-profit. But now, unfortunately, in 2019, nearly 70 per cent of all the companies in the private health insurance market are for-profit. So they're all trying to make money. And that's been a significant shift over time. The collective profitability of the private health insurance sector over the last year was \$1.8 billion, and that is a lot of money that those insurance companies are making. We think that they probably need to loosen the purse strings a little bit and pay for the health care at the right rate.

The third thing that we see is that you can go and have, for example, a hip operation, and one health insurance company might give a reasonable rebate for that, but then another insurance company will give half, less than half, of that same amount for the same service. It makes no sense whatsoever and it makes the gaps bigger, and that's an insurance company perversion. So, I think they're the indicators that we've got that we really need to take up and take some notice now and make sure we don't go the way of managed care in the US.

NATHANIEL KEESING: Well, according to a recent statement, the Coalition is increasing funding for public hospitals by almost \$7 billion in six years and will continue to fund public hospitals. They're also implementing reforms to meet private health insurance more affordable. Does this address the issue in any way?

CHRIS ZAPPALA: Only very partially. The division of insurance policies into basic, bronze, silver, gold is obviously primarily intent- its primary intent is to make it more comprehensible, more understandable to patients, so that they know what they're covered for and what they're not covered for. And that's obviously a good thing because for too long the details have been shrouded in the minute writings on our policies, and no-one ever had a chance of working out what they were truly covered for or not covered for. So, that will definitely help with health literacy and help patients understand what they're getting.

But if we're going to make health care more affordable in this country, then we have to look at the rebates that are provided to patients. Because, remember, Medicare is a system of universal coverage to make the access to health care easier for patients. It's not necessarily meant to be a complete cover-all of every cost, but it's meant to ease the burden. And the Government has been very slack - successive governments have been slack - and that rebate has been way too low for a long period of time and even not moved at all. And unfortunately, the private health insurance rebates have followed suit. They've been way too low. So, if we really want to address affordability, yes, let's have transparency and health literacy, but we also need to be honest that the funding from government and health insurance has not been adequate for a while now and that's where the problem with the affordability is coming from, and they need to lift their game.

NATHANIEL KEESING: So, you're saying the way to address this kind of issue is we need more funding?

CHRIS ZAPPALA: Yes, targeted funding to improve the rebates that patients can collect when they go see a doctor. But also perhaps legislation, for example, that will compel health insurance companies - and this is just off the top of my head - to pay certain amounts for procedures. So, for example, what I said to you before, if you're going in for a total hip replacement, it's ludicrous that the amount that you receive from your health fund can vary by two to three times.

So, let's just agree on what's an appropriate price for that and everyone pay the same, and that way, it'll be much simpler for patients and it will also help significantly reduce the gaps because patients will be getting - and doctors will be getting if they're taking that fee from the health fund - a reasonable compensation for a procedure or service that's been performed. So the differential rebate has to go, and we need to find a way to make the health insurance companies do that.

For example, one of the things in the Obamacare Act in the US was that they legislated the proportion of premium income that insurance companies had to pay out to patients for health care, and that made a huge difference to this scenario that we're talking about. Now, I'm not saying necessarily that that's the answer in Australia, but I'm saying that there are things that we can do that will address directly that affordability problem.

NATHANIEL KEESING: Well, hopefully we can see some action from the Government, get a bit of change, because we do need some more consistency and, you know, it's not really fair to play- count pennies with people's health. It's not good.

CHRIS ZAPPALA: It's not fair at all. And the other thing, just quickly, we need to remember is that as people are leaving private health insurance and there's a steady decline, the public system can't handle these increased waiting lists. So we've got to get this right for everyone's collective benefit.

NATHANIEL KEESING: Definitely. Well, Dr Zappala, thank you so much for joining us this morning.

CHRIS ZAPPALA: My pleasure. Good morning.

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