



**Submission to the Department of Health  
(Australian Government)**

**Options to reduce pressure on private health  
insurance premiums by addressing the growth of  
private patients in public hospitals**

**Prepared by  
COTA Australia**

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## COTA Australia

COTA Australia is the national consumer peak body for older Australians. Its members are the State and Territory COTAs (Councils on the Ageing) in each of the eight States and Territories of Australia. The State and Territory COTAs have around 20,000 individual members and more than 1,000 seniors' organisation members, which jointly represent over 500,000 older Australians.

COTA Australia's focus is on national policy issues from the perspective of older people as citizens and consumers and we seek to promote, improve and protect the circumstances and wellbeing of older people in Australia. Information about, and the views of, our constituents and members are gathered through a wide variety of consultative and engagement mechanisms and processes.

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## Response

Thank you for the opportunity to make some brief comments on the above consultation paper.

Older Australians remain strong subscribers of PHI (with 52.6% of people over the age of 65 retaining coverage)<sup>1</sup> despite generally much lower incomes and greater difficulty meeting premiums and out-of-pocket costs after retirement.

However, it is also important to note that nearly as many older Australians do not have PHI as do, and there are strong variations in coverage amongst older people depending on factors such as marital status, cultural and linguistic background, incomes and where a person lives. Therefore, COTA is very interested in and concerned about the interaction between the public and private health systems, as well as having a strong interest in their separate operation and delivery within a publicly supported mixed system.

COTA has for some time been concerned about the issue of private patients in public hospitals, based on anecdotal information both from older Australians and from health practitioners. Older Australians report being pressured to declare as private patients, and offered inducements to do so, including that they will receive faster treatments if they do so.

As the government is aware this repeated anecdotal evidence over some time has now been validated with the release of deeply concerning figures by the Australian Institute of Health and Welfare (AIHW) in May showing the growth in numbers of patients who used private health insurance to fund all or part of their admission to public hospitals and the simultaneous finding that:

Public patients had a median waiting time of 42 days for elective surgery in a public hospital, while it was 20 days for patients who used private health insurance to fund all or part of their admission.<sup>2</sup>

COTA joined with other stakeholders (including the Consumers Health Forum<sup>3</sup> and Catholic Health Australia<sup>4</sup>) to call for immediate action by governments to ensure that private patients in public hospitals do not receive preferential treatment ahead of public patients.

COTA believes that the patient's clinical need must be the only factor for prioritising treatment in public hospitals. This used to be a principle in the Medicare Agreements between the Commonwealth and States, and it should be reinstated.

COTA accepts that many older people maintain PHI as a way of avoiding lengthy waiting lists for elective surgery in the public system, especially for joint replacements. We also support the view that the place of treatment remains an individual choice for health consumers in a

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<sup>1</sup> Private Healthcare Australia, *Private Health Insurance Membership and Coverage – March 2016* <http://www.privatehealthcareaustralia.org.au/private-health-insurance-membership-and-coverage-march-2016/>

<sup>2</sup> AIHW. *Hospital admissions growing steadily, more Australians going private in hospitals* (17 May 2017), <http://www.aihw.gov.au/media-release-detail/?id=60129559532>

<sup>3</sup> Consumers Health Forum of Australia, *Patient need must be first priority in public hospitals* (Media Release, 21 June 2017), <https://chf.org.au/media-releases/patient-need-must-be-first-priority-public-hospitals>

<sup>4</sup> Catholic Health Australia, *Upsetting the Balance* (June 2017), [http://cha.org.au/images/CAT2006\\_Report\\_v4\\_FA\\_Low\\_Res\\_Digital.pdf](http://cha.org.au/images/CAT2006_Report_v4_FA_Low_Res_Digital.pdf)

mixed private/public system, and recognise there are circumstances when privately insured patients have no choice but to use the public system – lack of access to an appropriate private facility (particularly important in regional, rural and remote Australia), the requirements of a particular clinical condition and the choice of doctor.

However, as stated earlier, we are particularly concerned by reports that “inducements” are being offered to privately insured patients to use their insurance when admitted to a public hospital, and reports from the medical profession and patients confirming that patients in hospitals in at least several states are being told they will be treated more quickly if they opt to be private<sup>5</sup>.

Therefore, COTA approaches the current consultation paper, which is focused on premium costs, with the broader issues associated with private patients in public hospitals as an important backdrop.

We recognise that the cost of private health insurance premiums is a key consideration for older policy-holders, alongside the value of the product, the extent and nature of out-of-pocket costs, consumer protections and good quality, meaningful consumer information. COTA has argued elsewhere that we sense a tipping point being reached in the value proposition for older Australians to maintain PHI and recognise the great importance of addressing the ‘rise and rise’ of premiums.

However, we have concerns about the approach taken in the consultation paper. We are not health economists, but rather, our job is to ask how policy proposals will impact on older Australians and to advocate for their needs and interests. That requires taking a systemic view, especially in very complex systems such as health. That broader, systemic approach appears to be missing in the consultation paper at this stage, especially regarding the impact on consumers (beyond assertions regarding PHI premium costs) of the various options.

More specifically, COTA’s main concerns with the consultation paper are that:

- several of Options 1-4 are likely to result in increased out of pocket costs for patients, who would be being asked to bear the cost of an inter-governmental issues that is not of their making;
- the paper contains unverified assumptions regarding the relationship between premiums and private patients in public hospitals;
- none of the options make it easier or clearer for consumers to navigate hospital health care choices and may well further complicate things;
- there is no indication how the options under consideration would impact on the viability of the public system;
- there is no indication how the options under consideration would impact on health outcomes for public and private consumers (including the issue discussed above of differential treatment on waiting lists); and
- there is little indication of the potential impact of the various options on the value of private health insurance to policy-holders (except for a recognition that Option 3 may be perceived as negative in this regard); and on PHI membership numbers going

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<sup>5</sup> Catholic Health Australia, Ibid, iii and a number of verbal advices to COTA Australia

forward.

COTA supports the Department investigating all aspects of the issue of PHI premium costs, but argues that three further developments to the proposals are needed before policy prescriptions are decided. These are:

- a more systemic approach to analysing the impacts of the various options, including risk analysis and identification of potential unintended consequences on a range of broader criteria than simply PHI premium costs;
- a much stronger health consumer lens placed on all options to clarify the range of potential impacts across the range of consumer concerns including out of pocket costs, information, informed consent, value for money, consumer protections, health outcomes and fairness and equity; and
- evidence and modelling to support the assumption that PHI premiums will be less expensive if there is a reduction in the numbers admitted to public hospitals as private patients, and if so by what quantum.

Regarding the specific options offered in the paper in their current iteration, COTA is not able to support Options 1-4 as they each appear to have potential, unexamined detriments for consumers. Option 5, with its different focus on public hospital funding and pricing would seem to be a more fruitful avenue to address the drivers leading hospitals to pressure patients to use their PHI in public settings.

## Conclusion

Older Australians are large users of the public and private health systems, and those privately insured have generally have been pushed to the limits of its affordability.

COTA supports the Department of Health investigating how to bring premium prices down but we believe that the complexities of the mixed public/private health system require that movements in the policy settings in this space must be undertaken very carefully and deftly. We do not wish to see poorer health system outcomes or greater barriers to system use for older people emerging from policy changes aiming to address a single aspect of the much bigger picture.

The other issue that causes COTA alarm, however, is the evidence that private patients in public hospitals are being afforded preferential status in terms of waiting times for medical procedures. COTA opposes this development and is keen for the Commonwealth government to examine ways of preventing this happening.

We would be pleased to continue our engagement with the Department on this issue through further consultation.

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