Royal Australasian College of Surgeons

PRIVATE HEALTH INSURANCE

COMMONWEALTH GOVERNMENT CONSULTATION

STAKEHOLDER SUBMISSION

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Summary

The Royal Australasian College of Surgeons (RACS) is the leading advocate for surgical education, training, and high standards of practice in Australia and New Zealand. Our Fellows and staff work closely with other health organisations to promote the best health outcomes for patients and the community more broadly. RACS purpose is centred on excellence in patient care and as a Fellowship-based organisation we endeavour to give full consideration to the effects of reform measures on patient care and service provision across metropolitan, rural and remote Australia.

RACS supports the principle of universal and sustainable healthcare provision across all communities in Australia, appreciating the important contribution of the private sector in the financing and delivery of health services under the Medicare framework. RACS affirms the rights and necessity for patients to be actively engaged in their own healthcare and to be provided with all relevant information regarding their private healthcare cover in a manner that they can readily understand.

There are a number of challenges facing the Australian health sector including the burden of chronic disease and demographic changes; addressing health workforce distribution needs and achieving equity in healthcare. Addressing these challenges to deliver effective and sustainable solutions will require on-going consultation to ensure a balance is achieved between public and private sectors in funding and providing this care.

The public and private system in Australia has evolved to include a range of interdependent measures and supporting structures. It is imperative that the entire system is considered in this review to ensure that the many complex factors involved in the interaction between public and private healthcare are considered. Importantly, the long-term sustainability of this system must be considered from both an access and equity perspective.

Key Points

The Royal Australasian College of Surgeons affirms:

- Measures aimed at reducing complexity and improving consumer information about private health insurance coverage;
- That private health insurers should strive for greater transparency in insurance packages and interactions with health care providers. Patients and their health care providers need easily translatable and transparent information to ensure optimal care.
- The increased promotion of value for money for consumers, including strategies to reduce growing out-of-pocket costs and addressing exclusionary policies that offer little or no value to consumers;
- Development of a consistent approach to the use of quality indicators for performance that are supported by a rigorous evidence base and subject to regular review;
- That the vast majority of surgical procedures conducted by surgeons in Australia are performed appropriately and within acceptable cost parameters.
- That insurance policies which effectively only cover for treatment as a private patient in a public hospital should be discontinued.

Questions have been raised about the ongoing need for Government incentives, which are designed to encourage the uptake of private health insurance. RACS believes that ongoing support is required, through effective use of incentives and penalties, which ensure that younger, healthier patients continue to maintain private health insurance. This is essential as community rating is a tenet of the current system, and is supported by RACS and the public at large.

Some products effectively only cover for treatment as a private patient in a public hospital. Overall RACS believes these products offer poor value for money, as the service should be available within the same timeframes as a public patient. We recommend that these policies should be discontinued. In many cases purchasing or contracting arrangements between private health insurers and hospitals remain opaque to patients and medical practitioners. RACS encourages private health insurers and hospitals to disclose any negotiated conditions which may affect clinical decision making by doctors and patients.

Furthermore these Insurer-Hospital arrangements can significantly impact upon out of pocket costs. RACS supports the concept of default benefits, which can provide a ‘floor price’ and give smaller hospitals some security in a competitive environment. RACS does not believe these default benefits

increase prices, rather that they ensure ongoing diversity of private hospital suppliers to sustain a competitive marketplace.

One area of current interest is the desire to reduce acute inpatient healthcare costs by improving chronic disease management in the community. It has been suggested that some of this should be funded via PHI. RACS is concerned that this will result in two levels of community care, based upon insurance status, and risks exacerbating inequity and health problems in those who cannot afford private health insurance. It may also divert attention away from the cost and accessibility of hospital insurance. Improving chronic disease management is extremely important, and may indeed keep patients out of hospital, but it will require a community-based public health approach, which benefits all, not just those with private health insurance.

RACS thanks the Department of Health for the opportunity to respond to the Private Health Insurance consultation paper and we submit the following general comments for your consideration.

General Comments

Complexity and Transparency

RACS encourages private health insurers to continue to reduce the complexity of health insurance products so that consumers can readily compare products. Improving transparency across all facets of private health insurance would assist in ensuring that consumers are aware of the scope of coverage provided by their policy and the level of rebates provided for services. In addition to summarising what is included in a policy, consumers should be able to readily access information about what is excluded.

RACS considers that it is a professional responsibility of surgeons to obtain informed financial consent from their own private patients and to facilitate the obtaining of informed financial consent in relation to other practitioners involved in an episode of surgical care[1]. The complexity and lack of consumer understanding about their own private health insurance is often seen only when a patient is in need of treatment and finds that their policy either does not cover their treatment or that it has been revised and no longer provides the coverage that they had originally purchased.

Signatories to the Private Healthcare Australia's Code of Conduct commit to providing 'information to consumers in plain language'[2] thus RACS would support the industry further investigating ways to reduce the complexity of the language used in product disclosure statements. Private health insurers should be encouraged to further engage with their customers about the scope of their products and in doing so contribute meaningfully to informed financial consent.

Out-of-pocket costs and exclusionary policies

RACS is concerned about the rising out of pocket costs associated with healthcare and its likely influence on treatment decisions that patients make. RACS believes that fees which are manifestly excessive and bear no relationship to utilisation of skills, time or resources, are exploitative and unethical. Fellows of the College who are found to have charged an extortionate fee are in breach of the RACS Code of Conduct and the College has established Complaints and Professional Conduct Committees to resolve these issues.

Though RACS remains concerned at the amount of reported out-of-pocket costs being incurred by patients, there is data which demonstrates that the vast majority of medical specialists structure their fees in an attempt to minimise costs to their patients, with the percentage of medical services with no associated out-of-pocket expenses increasing to 89.7% in the quarter ending December 2013 (Private Health Insurance Administration Council data). This data suggests that increasing out-of-pocket costs are influenced by a variety of factors, and that efforts to constrain growth of these costs require careful analysis.

In addition to out-of-pocket costs, RACS is concerned about the growing number of 'exclusionary policies' that have been introduced by private health insurers, moving a large number of existing members to less-than-comprehensive private health insurance policies.[3] RACS does not oppose

[1] http://www.surgeons.org/media/312174/2014-08-29_pos_fes-pst-041_informed_financial_consent.pdf
[2] http://www.privatehealthcareaustralia.org.au/wp-content/uploads/Code-of-Conduct-2014.pdf
[3] http://www.publish.csiro.au/view/journals/dsp_journal_fulltext.cfm?nid=270&f=AH10989

exclusionary policies, but is concerned about their marketing, and the lack of understanding of many policyholders.

The Medicare Benefits Schedule (MBS) price indexation freeze and the ongoing problem of out-dated MBS item numbers is one key reason behind the increase in out of pocket costs for patients. Health funds and government must recognise the disconnect between the annual percentage increase in private health insurance premiums and the 'freeze' on MBS payments to providers. Doctors' costs are rising at the same rate as fund costs, but there is no course for reimbursement apart from imposing a gap.

The current review of the MBS must ensure that reliable processes are enacted for the fair review of item numbers and adjustment for CPI increase, technological and procedural changes, as well as other costs associated with performing surgical procedures. The efficacy of this review will have an important flow on effect to the calculation of both private health premiums and excess charges.

Use of quality indicators for performance

RACS supports maximising quality and minimising preventable errors within the hospital setting. The introduction of quality indicators to assess performance should be implemented only after rigorous statistical analysis, risk factor adjustment, and specialist consultation has been undertaken to avoid the misrepresentation of the quality performance of institutions, teams and surgeons. Recent attempts to remove payment for a range of complications without consultation with surgeons has proven to be extremely unhelpful.

RACS encourages private health insurers to work collaboratively with appropriate agencies to develop an accepted set of performance indicators within the Australian context that effectively assess the performance associated with surgical procedures. Such indicators could also be used within private hospitals to assist local peer review processes, which should be supported by the relevant hospitals. It is also critical that RACS and its associated surgical specialty societies lend their relevant expertise to the development of these measures.

All surgery has the potential for complications and whilst rates can be minimised, complications such as infection, venous thrombo-embolism and a range of others will inevitably occur. There is a real risk that patient care will be compromised unless this is understood and accepted. At least in the first incidence, such complications are usually best managed by the surgical team and the hospital, which performed the procedure and funding systems must support this model of care.

Surgical risks are exacerbated when surgery involves complex interventions on elderly persons where co-morbidities, diabetes, CAD, COAD, renal disease may be present and this significantly complicate surgical interventions. RACS and its associated specialty societies take adverse outcome and quality care very seriously as evidenced by a steadfast commitment to continuous audit and quality improvement

RACS supports the public release of outcomes-based data on surgical performance at a team, institutional or national level, where that data can be reliably aggregated and benchmarked. It is appropriate that the public have access to reports on surgical performance that are valid, reliable and that establish trust so that providers and their patients can be confident in the medical care being provided.

Conclusion

RACS wishes to continue the dialogue with the Federal Government on the efforts to address issues within the private health insurance industry. The College and its Fellows remain committed to reforms that promote sustainable healthcare into the future and we are available to assist the government in working towards improving access and equity within the healthcare system.