Health
Sydney
Local Health District

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Dr Stephen Milgate
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Dear Stephen,

RE: PROSTHESIS LISTING AND REIMBURSEMENT PROCESSES – PRIVATE HEATLH INSURANCE REVIEW

I would like to respond to each of the comments that The Department of Health has put forward in the document regarding "Issues for consideration at a round table on private health insurance, November 2015."

The issues for discussion are under the following headings.

Information and Complexity
There is a plethora of new policies becoming available from Private Health Insurers and patients do find it difficult to know exactly what they are covered for.

Many patients unfortunately fain that they don't understand that they are not covered for something like hip replacements when in actual fact they really do. Nevertheless it is quite complex particularly for many elderly patients. There should be a simple unified guideline that outlines what is covered by their policy and what is not. Patients need to know if they are covered for prosthetic costs in public or private hospitals, whether they are covered for procedure costs, for beddage costs and what is excluded and if there is an excess or not.

These points are probably the main points and really need to be clearly stated in all policies to all patients so they can make an informed decision. Many elderly patients are in fact very poorly equipped to make such a decision.

Exclusionary Products
The plethora of procedures which are coming under Exclusionary Products Legislation is a great worry to me. Community rating on insurance policies for patients is being circumvented by this growing list of exclusionary products for people who are unaware of what they may actually be required to pay for. Health Insurance is exactly that – INSURANCE. If we all could predict exactly what was going to happen to us insurance

wouldn't be necessary. We could put the money aside and do it much more cheaply. To have the concept of community rating wherein medical funds are required to cover people and then have the provision of a whole lot of exclusionary products is a bit of a nonsense to me and I would severely suggest that there should be some curtailment of exclusionary products.

Effective Use of Government Incentives
I believe that patients in this country have the best possible medical care at the lowest possible price in most instances. They can obtain liver transplants, kidney transplants and a whole range of services as public patients should they wish or they can be private patients. These decisions are for the individual to make and if they happen to be a millionaire and then choose to go as a public patient that is indeed their right to do so. Likewise if they choose to be privately insured that is their decision. That ability to choose must remain for the patient to make as an independent agent.

Value for Rural and Remote Customers
I have a large number of patients who come from the country who are privately insured and they certainly reap many benefits from having insurance. I would be surprised indeed if the vast majority of rural patients voted not to have private health insurance if they could afford it.

Aboriginal and Torres Straight Islanders
I am not overly conversant with the exact problems here. Being an uninformed member of the public it would seem to me that many Aboriginal and Torres Straight Islanders have a much lower level of per capita income and therefore would find private health insurance much more difficult to afford. That is a socioeconomic situation. I do point out however that those patients have absolutely equal access to the public health system which surely in this country is amongst the best in the world if not the best in the world warts and all.

Private Patients in Public Hospitals
Private patients pay income tax and should be able to access the public hospital system just as much as public patients can do so. They are charged a premium as private patients which means that they get a choice of doctor and that is their prerogative so to do. To abandon the ability of private patients to access public hospitals as private patients would be an extreme retrograde step. Perhaps we should take it a step further and have parity of payment from funds to hospitals be they private hospitals or public hospitals.

Prosthesis Listing and Reimbursement Processes
The cost of prosthesis in this country is relatively high. If you look at the costing much of it is due to transport and delivery because we are a very big country with a very small population. Nevertheless I think prices in this country are held artificially high by the fact that the companies which supply us our prostheses in Australia have to deal with the landed price of the prosthesis here.

I am sure that many of the manufacturers put on their profit margin before they land the prosthesis in Australia and the Australian subsidiary of the company then has to make a profit on a relatively small margin. We should look I think carefully at comparative prices for prostheses in different countries where the same prosthesis is differently costed. If there are major differences in that I think we need to change the way in which the prostheses land in the country and the landed price. International consortiums I am sure are making a profit of significant levels of prosthesis in Australia before they are landed in Australia and then the Australian company has to sell it to the hospitals and makes a relatively small margin of profit. I think this should be looked at carefully.

Risk Equalization
I am not able to comment on risk equalization in this situation. I am not absolutely certain that it makes a great deal of sense.

Coverage of Selected Non-admitted Hospital Procedures
In this country, for a long time we have had a safety net for patients receiving out-patient services and we have had non-admitted procedures which did not attract Medicare benefits.

I think the system we have here is a good balance and it should remain. It is the envy of many countries.

Purchasing Contract Arrangements
The purchasing contract arrangements are a relatively small part of the issue that we are dealing with. Most private hospitals do have negotiated contracts with insurers. The principle of community rating however is terribly important because if you are a small country hospital then it actually does cost the manufacturers more to transport all the equipment out to do a joint replacement or particular form of surgery in the peripheral country hospital. To then charge a different price for that prosthesis there compared to one done in an inner city hospital where there are huge positive economies of scale is to significantly disadvantage the rural stakeholders.

I think the principle of community rating for supply of prostheses is a good one and it makes things fairer across the whole community.

Other Regulatory Issues
The level of private health insurance is to a large degree determined by the bulk of the services provided in major city centric care provision. The country provision of care is relatively small and is offset by the large provision of services in the city. This is the principle of community rating and I think it is a good one.

It may be said by some patients that if you choose to live in the country you have to pay more. I think that is a very short sighted attitude. We have to have people in the country, we have to grow food, we have to have industries that are not city based and so therefore we have to provide medical care to the people who live in the country at a community rated level as to those in the city.

The main changes in regulatory issues are the cost of goods and services that we have. For example the cost of prostheses and to have these community rated is a very fair situation.

Broader Health System Reforms
I will not comment in this letter about broader health system reforms except to say that the mix of public and private in this country certainly encourages effective use of the health dollar and leaves us right at the forefront of international medicine at a relatively small cost. The percentage of GDP spent on medicine in this country is a little more than half of that spent in The United States. Surely we must be regarded as a very efficient system considering the fact that some 60 million United States citizens do not have medical insurance cover.

The Future of Private Health Insurance
The system in Australia particularly that of community rating, is a very fair and equitable situation. For those patients who choose to be privately insured, that is they choose to be

able to select the doctor who is going to look after them do so but they have to pay a price for that. For those who elect for public hospital care, they still receive superb standards of care by any international standards anywhere in the world.

There are certain things which are different between public and private patients and if you are paying a whole lot more for private insurance then this must be the case. To get exactly the same timing of care, frequency of care and to determine who actually looks after you is something which you can choose if you have private insurance. In those situations where patients are in the public sector and have delayed treatment it is bad if that affects their outcome. We should therefore fund the public hospital to a level which is acceptable in terms of the timely provision of care for those people who choose to be public patients.

I think the system in Australia is absolutely superb. It is one of balance and has stood the test of time.

I would be happy to elucidate further on any of these points at your convenience.

Kind regards,

Dr Paul Stalley
Program Director of Surgery, SLHD
Chairman, RPA Operating Committee