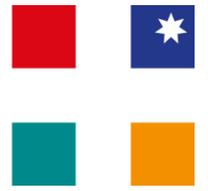


Australian  
**Private Hospitals**  
Association



# Key Issues Briefing



# Contents

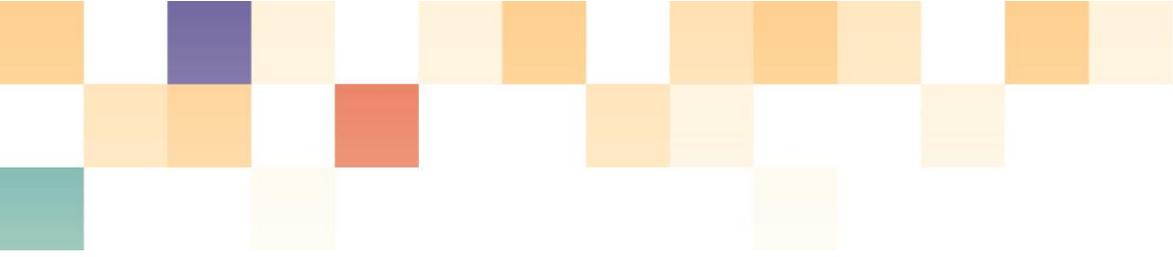
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## Contents

Contents .....	2
The private hospital sector .....	4
Why is private health important? .....	4
What this means for Australian consumers .....	4
Key facts and figures .....	4
The Australian Private Hospitals Association .....	5
Affordable private health insurance .....	6
What this means for Australian consumers .....	6
APHA position .....	6
The statistics .....	7
Drivers of growth in private health insurance premiums .....	7
Private patients in public hospitals .....	8
The Prostheses List .....	8
Private health insurance rebates .....	9
Private health insurance - better products, clear communication .....	10
What this means for Australian consumers .....	10
APHA position .....	10
The statistics .....	10
Health insurance policies which do not provide full cover for hospital care .....	10
Treatments commonly excluded .....	11
Informed choice and fair access to hospital services .....	12
What this means for Australian consumers .....	12
APHA position .....	13
The statistics .....	13
Private patient bed days .....	13
Public hospital admissions .....	13
Public elective surgery waiting lists .....	14
Emergency admissions .....	15
Private patients in public hospitals—State level data trends .....	15
Out-of-pocket costs .....	17
What this means for Australian consumers .....	17
APHA position .....	17
Workforce .....	18



What this means for Australian consumers .....	19
APHA position .....	19
Key Facts .....	19
Mental health .....	20
Background Information—private specialist mental health .....	20
What this means for Australian consumers .....	20
APHA Position .....	21
Rehabilitation .....	22
Background information—specialist rehabilitation .....	22
What this means for Australian consumers .....	23
APHA position .....	23
Quality and Safety of Care .....	24
Use of data to drive quality and safety .....	24
APHA position .....	24
Supporting best clinical practice .....	24
APHA position .....	25
Key statistics .....	26
Industry statistics .....	26



# The private hospital sector

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## Why is private health important?

The private hospital sector provides 40 percent of all hospital services in Australia, taking pressure off the stretched public hospital system.

- Almost half (49 percent) of all Australian hospitals are private
- The private hospital sector provides 34,300 licensed beds, a resource that would cost taxpayers more than \$34 billion to replicate in the public sector
- The private hospital sector delivers 40 percent of all care for only 23 percent of total expenditure.

Private hospitals deliver care efficiently. Overall, 71 percent of private hospital admissions are provided on a same day basis or through innovations including hospital-in-the-home type care.

## What this means for Australian consumers

**Timely access to elective surgery** – In the private sector patients rarely wait more than a few days for surgery after they have seen their specialist. By contrast, in 2017–18, 50 percent of public patients waited **more than 40 days** for elective surgery and one in 10 waited **more than 268 days** after they had been assessed by a surgeon.

**Emergency treatment** - Timely access for more than half a million emergency patients who are treated on a fee-for-service basis and where necessary admitted for acute hospital care. This service provides a vital alternative to seriously over-stretched public emergency departments.

**Timely access to crucial diagnostic procedures** such as endoscopy and colonoscopy, which aid in early detection of cancers, resulting in improved patient outcomes.

**Mental health** - Access to specialised psychiatric services, which cater for patients with high prevalence psychiatric conditions such as depression and anxiety who, in an acute phase, are too unwell to be adequately treated in the community.

**Rehabilitation** – Following surgery or a serious cognitive or physical impairment (like a stroke). These services reduce the risk of future hospital admissions and dependency on residential or home-based care.

**Local access** to lifesaving treatments including surgery, chemotherapy and radiotherapy.

**Choice of doctor** - Market research shows the opportunity to be treated by the surgeon or medical specialist of their choice is one of the key reasons consumers choose private health.

## Key facts and figures

The private hospital sector treats 4.43 million patients a year.



In 2016–17 it delivered:

- More than a third of chemotherapy
- 60 percent of all surgery
- 74 percent of elective musculoskeletal surgery (e.g. hip and knee replacements/reconstructions)
- 79 percent of rehabilitation
- 73 percent of eye surgery
- Almost half of all heart surgery
- 73 percent of surgery on the brain, spine and nerves.

There are 657 private hospitals in Australia made up of:

- 300 overnight hospitals (including 30 hospitals with fully equipped emergency departments)
- 357 day hospitals
- 34,300 beds and chairs (31,000 in overnight hospitals and 3,300 in free-standing day surgeries).

The private hospital sector employs more than 69,000 full-time equivalent (FTE) staff.

## **The Australian Private Hospitals Association**

The Australian Private Hospitals Association (APHA) is the peak industry body representing the private hospital and day surgery sector. About 70 percent of overnight hospitals and half of all day surgeries in Australia are APHA members.



# Affordable private health insurance

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The increasing costs of health insurance premiums mean fewer Australians are retaining their cover and those who do, are reducing their level of cover. Recent data has shown a decrease in the number of Australians covered by health insurance and many consumers, particularly those under 50 years old, question the value of private health insurance.

The private health insurance rebate has reduced in real value for people on low incomes from 30 percent to only 25 percent. This has occurred with the indexation of the rebate to Consumer Price Index as premium increases have continued to exceed general inflation.

## What this means for Australian consumers

Fewer Australians holding private health insurance and increasing use of it by those who do have it, is putting upwards pressure on premiums and continuing a negative spiral of falling participation in insurance and increasing premiums.

Increasing numbers of Australians choosing to drop their private health insurance or buy policies with products excluded result in more pressure on the public system. It also has an impact on quality of life if people are forced to wait or delay important treatments.

Households on low incomes face a 'double whammy' of increased premiums and reduced rebates because every year the value of their private health insurance rebate goes down. For example, in 2019, a high-income earner who does not receive the rebate would have experienced a premium increase of 3.25 percent. However, low-income earners would have experienced a real premium increase of 3.74 percent.

## APHA position

Consumers will only invest in private health insurance when they regard it as both valuable and affordable. Policy solutions must address both of these objectives.

APHA supports:

- Increasing the allowable excess on hospital cover policies
- Allowing insurers to provide financial incentives to 18–29 year olds
- Enabling insurers to offer improved benefits for regional and rural consumers
- Enabling consumers needing to upgrade their cover for psychiatric treatment to access the upgrade immediately on a once-in-a-lifetime basis.

Continuing increases in private health insurance premiums can be impacted by:

- Removing the requirement for health insurers to pay for private patients in public hospitals would reduce total outlays on hospital related benefits by 10 percent (see page Informed choice and fair access)
- Retention and continued reform of the Prostheses List so Australians can access new technologies which improve safety and quality in health care at a reasonable price. Without the Prostheses List, there would be no controls on the cost of new technology.

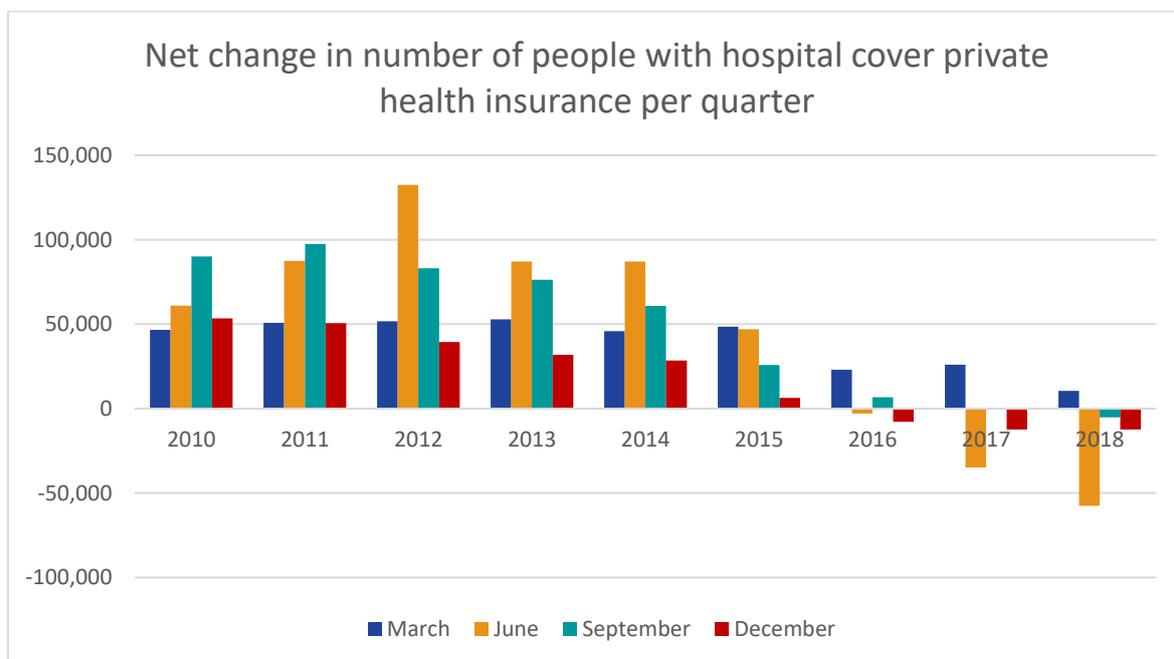
Restoration of the private health insurance rebate for households on low incomes would protect them from the combined impact of increased premiums and reduced rebates.

## The statistics

### Drivers of growth in private health insurance premiums

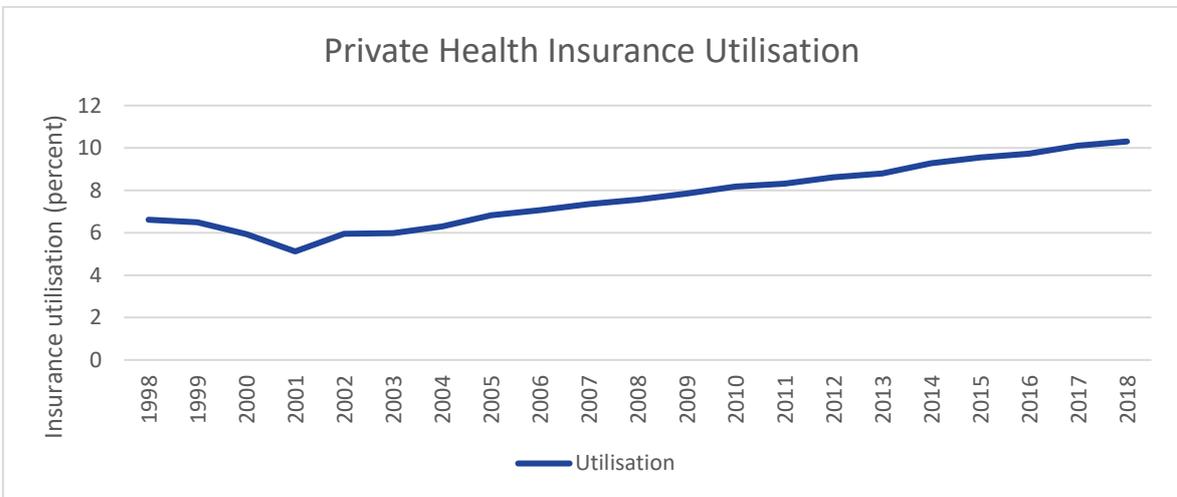
The percentage of the Australian population with private health insurance hospital cover has declined from a long-term peak of around 47 percent to just 44.6 percent as at Monday 31 December 2018.

Traditionally, figures from the June quarter see private health insurance participation grow because of tax considerations. However, the June 2018 quarter saw the largest quarterly decline in the number of people with private health insurance in over a decade; a net loss of 57,512 people. In the December quarter of 2018 there was a net loss of 12,370 people, the third net loss in a row and the eighth negative quarter in less than three years.



Source: APRA Private Health Insurance Statistics

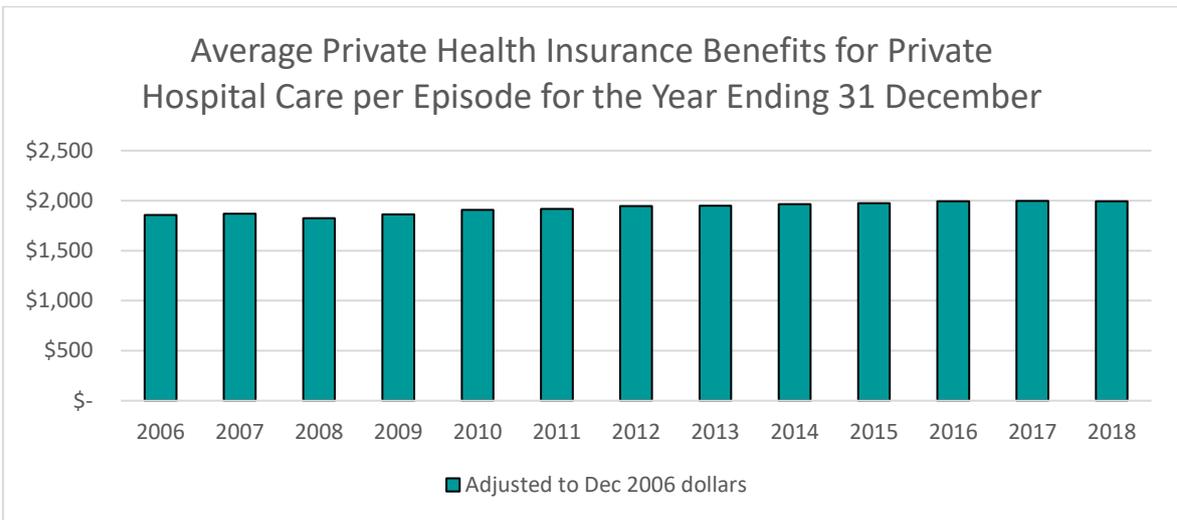
While growth in number of people covered by private health insurance has slowed, and more recently reversed, Australians with health insurance are using their cover more and more.



Source: APRA Private Health Insurance Statistics

This trend in utilisation is the primary driver of private health insurance premiums.

The average cost per episode of private hospital services has remained relatively constant over time. This is despite the fact patients treated by private hospitals are older and sicker than ever before.



Source: APRA Private Health Insurance Statistics

**Private patients in public hospitals**

Each year private health insurers pay \$1.5 billion in benefits to public hospitals. This is more than 10 percent of the total outlays in hospital related benefits and ending the practice would immediately save Australians six percent on their private health insurance premiums.

**The Prostheses List**

The Prostheses List determines how much private health insurers must pay for more than 10,000 specified medical devices.

In the five years before the Prostheses List was established, there was rampant inflation in the cost of medical technologies.

The agreement between the Federal Government and the Medical Technology Association of Australia (MTAA) provides a sound basis for ongoing reform to ensure the Prostheses List delivers equity of access to proven health technologies and protects consumers from uncontrolled inflation in health insurance premium costs and out-of-pocket costs.

### Private health insurance rebates

In 2017–18 the full private health insurance rebate was restricted to single households with incomes of \$90,000 or less and families with incomes of \$180,000 or less (not including additional allowances for dependent children). For these lowest-income households, the maximum rebate for people under the age of 65 has decreased from 30 percent in 2013–14 to just 25.059 percent in 2019–20.

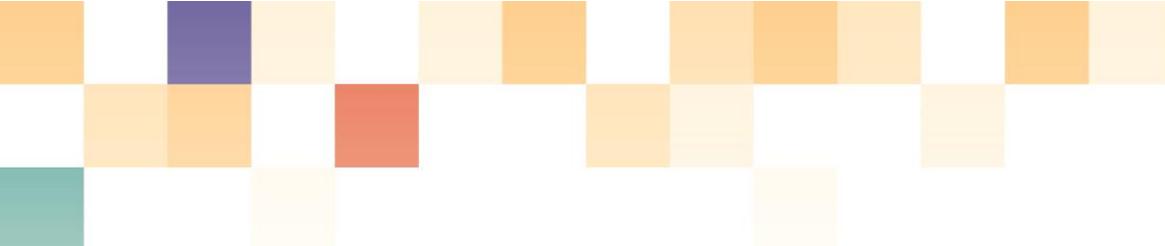
### Impact of Premium Increases and Rebate Reductions on Base Tier Households

Year 1 April - 30 March	Base Tier Rebate	Industry Average Premium Increase	Premium before Rebate	Premium after Rebate	Increased cost to the Consumer
2013–14	30.00%	5.60%	\$3,892.90	\$2,725.03	5.60%
2014–15	29.04%	6.20%	\$4,134.26	\$2,933.67	7.66%
2015–16	27.82%	6.18%	\$4,389.76	\$3,168.53	8.01%
2016–17	26.791%	5.59%	\$4,635.14	\$3,393.34	7.10%
2017–18	25.934%	4.84%	\$4,859.49	\$3,599.23	6.07%
2018–19	25.415%	3.95%	\$5,051.44	\$3,767.62	4.68%
2019–20	25.059%	3.25%	\$5,215.61	\$3,908.63	3.74%

Source: APHA analysis using private health insurance rebates and income tiers as published by the Australian Taxation Office and the Department of Health.

This table shows that since 2014-15 the lowest income earners have experienced increased insurance costs that are significantly higher than the average premium increase, due to the ongoing erosion in the value of the rebate.

For every dollar provided by the Federal Government through the private health insurance rebate, an additional \$2.70 is provided by private health insurance towards total health expenditure.



# Private health insurance - better products, clear communication

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Australians struggle to find the right private health insurance policy for themselves and their families. Policies are hard to compare and can be expensive.

As a result, many consumers are choosing policies that exclude certain products, often with little or no understanding about the impact this will have on their ability to access treatment.

## What this means for Australian consumers

Too often, consumers are unaware of important gaps in their health insurance cover until they need care. Consumers may find they are not covered at all for the treatment required, or face significant and unexpected out-of-pocket costs. The resultant 'bill shock' can lead to:

- Consumers' inability to afford access to timely treatment
- Consumers' inability to access the doctor or hospital of their choice
- Financial stress and hardship at a time of ill-health
- Consumers falling back to reliance on already overstretched public hospitals.

APHA's 2017 consumer survey shows Australians' know very little about the restrictions on their private health insurance cover. For example, 32 percent do not know if they have exclusions in their policies. Of those who know there are exclusions, 22 percent of them do not know what services are excluded.

## APHA position

Retention of mandatory cover for psychiatry, rehabilitation and palliative care and maximum waiting periods for these services (two months) is an essential consumer protection.

Private health insurers should be obliged to:

- Send an annual statement to each private health insurance member outlining exactly what they are covered for, and what they are not covered for
- Tell their members about changes to contracts with private hospitals that will impact the member's cover
- Disclose how their contracts with hospitals impact the care options available at different hospitals.

## The statistics

### Health insurance policies that do not provide full cover for hospital care

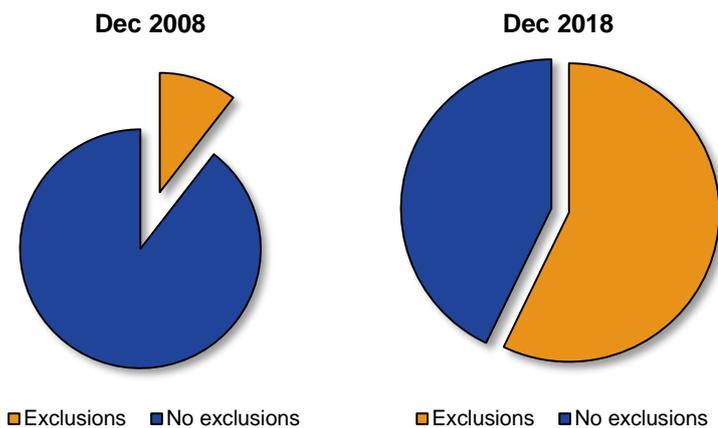
Not only is the number of people with private health insurance for hospital care falling, the quality of cover is declining.

As at December 2018:

- 41.4 percent of all hospital cover policy holders had full cover. This is down from 52.9 percent in March 2012 when means testing the rebate was introduced

- The rate of decline in full cover shows no sign of slowing
- The number of policy holders whose policies exclude access to some services has increased 412 percent in the 10 years since December 2008
- The percentage of people with hospital cover whose insurance excludes some services has risen from 10.5 percent in December 2008, to 57.2 percent in December 2018.

People covered by exclusionary policies



Source: APRA Private Health Insurance Statistics

### Treatments commonly excluded

Exclusions often will not cover care in the following areas:

- |                            |                            |
|----------------------------|----------------------------|
| • Cardiac services         | • Other joint replacements |
| • Cataract services        | • Dialysis                 |
| • Pregnancy                | • Gastric surgery          |
| • Assisted reproduction    | • Sterilisation            |
| • Hip and knee replacement | • Plastic surgery          |

Health insurance policies also commonly restrict palliative care, rehabilitation and psychiatry.



# Informed choice and fair access to hospital services

Australians believe in the goal of accessible, sustainable, quality health care. Australia's dual public and private systems mean patients should have a choice of where they are treated, but this is under threat.

Public hospitals are encouraging, and in some cases coercing, privately insured Australians to use their private health insurance to be treated as 'private patients' within the public system.

## What this means for Australian consumers

- **Delays in access and inequity in access to urgent treatment.** About 8,000 public hospital beds would be immediately available for public patients if this practice ended. This is the equivalent of 10 Royal Adelaide Hospitals available to public patients in need of care.
- **Lack of informed choice.** Public hospitals openly promote the option of 'private patient' election to vulnerable patients but in doing so they often present the choice as an opportunity to 'support your local hospital' rather than the opportunity for the consumer and their family to consider the options which are best for them.

True choice would include:

- Patients given the choice to be a public patient or transfer to a private hospital.
  - Patients given all the information they need about the costs and benefits of each option to give fully informed financial consent.
  - The opportunity to make a considered choice prior to admission.
  - Patients' decisions respected once their choice has been made.
  - Patients not subjected to continued requests from the public hospital to sign over their private health insurance benefits, even after treatment.
- 
- **Longer public waiting lists.** Australians are left languishing on public hospital waiting lists under this practice. Median waiting times for public elective surgery have increased by 25 percent from 32 days in 2006–07 to 40 days in 2017–18.
  - **Queue jumping for elective surgery.** Public patients are forced to wait twice as long as insured patients for treatment in public hospitals, according to Australian Institute of Health and Welfare (AIHW) data. This goes against the principles of Medicare.
  - **Pressure on public hospitals and delays for public patients needing emergency admission.** More public hospital beds would be available for public patients if people with private health insurance were offered the option of a transfer to private hospital when they presented to a public emergency department needing hospital care.
  - **Higher private health insurance premiums.** Australians' private health insurance premiums could be cut by up to six percent if this practice ended. Public hospitals are reaping more than \$1.5 billion in revenue from private health insurers driving up the cost of private health insurance without providing additional service to consumers or increasing the efficiency of the public health system.
  - **Tax-payer subsidisation of private treatment.** Public hospitals are significantly subsidised by Commonwealth and State governments for treating private patients through the National Hospital Funding Pool—a subsidy estimated at \$1.8 billion in 2014, the most recent year for which figures have been published. On top of this the annual cost shift to the Commonwealth is more than:

- \$522 million in MBS rebates
- \$460 million in subsidisation through the private health insurance rebate
- An unknown amount in Pharmaceutical Benefits Schedule payments.

## APHA position

APHA considers this a major issue for the health care system as a whole.

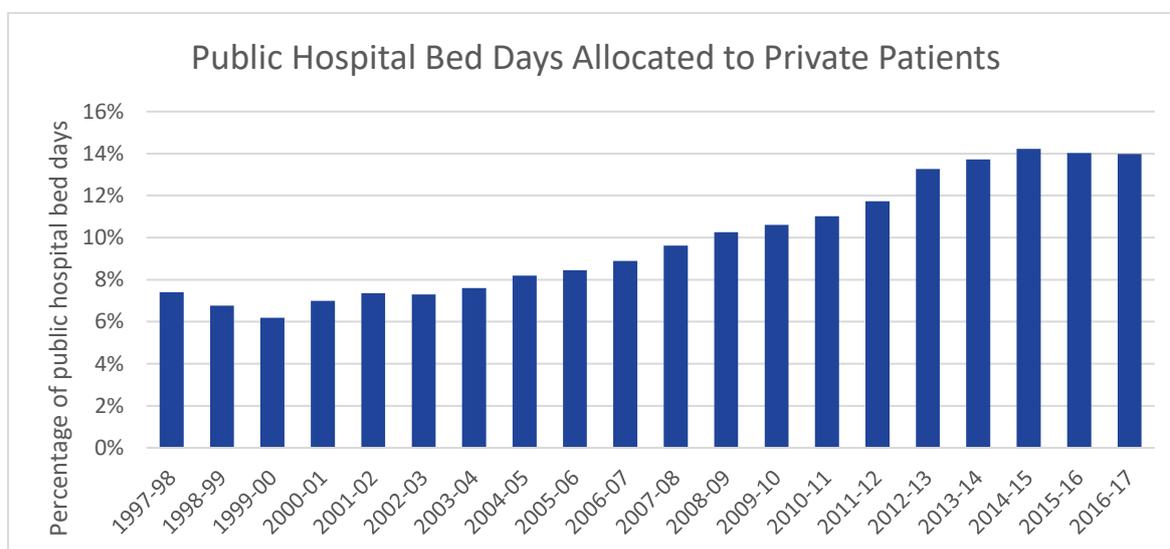
APHA is seeking:

- A removal of the rebate on 'public hospital only' policies
- Removal of the obligation for private health insurers to pay for private patients treated in public hospitals
- Strengthened patient election provisions
- Removing financial incentives for public hospitals to admit insured patients ahead of public waiting list patients.

## The statistics

### Private patient bed days

Private patients took up 3.0 million days of care in public hospitals, as estimated 14.0 percent of all public hospital days of care in 2016–17 - more than 1.5 times the share from a decade ago (8.9 percent in 2006–07). This equates to more than 8,000 public hospital beds.



Sources: APRA, Private health insurance statistics; AIHW, Admitted patient care and hospital statistics reports with an estimate for 2016-17.

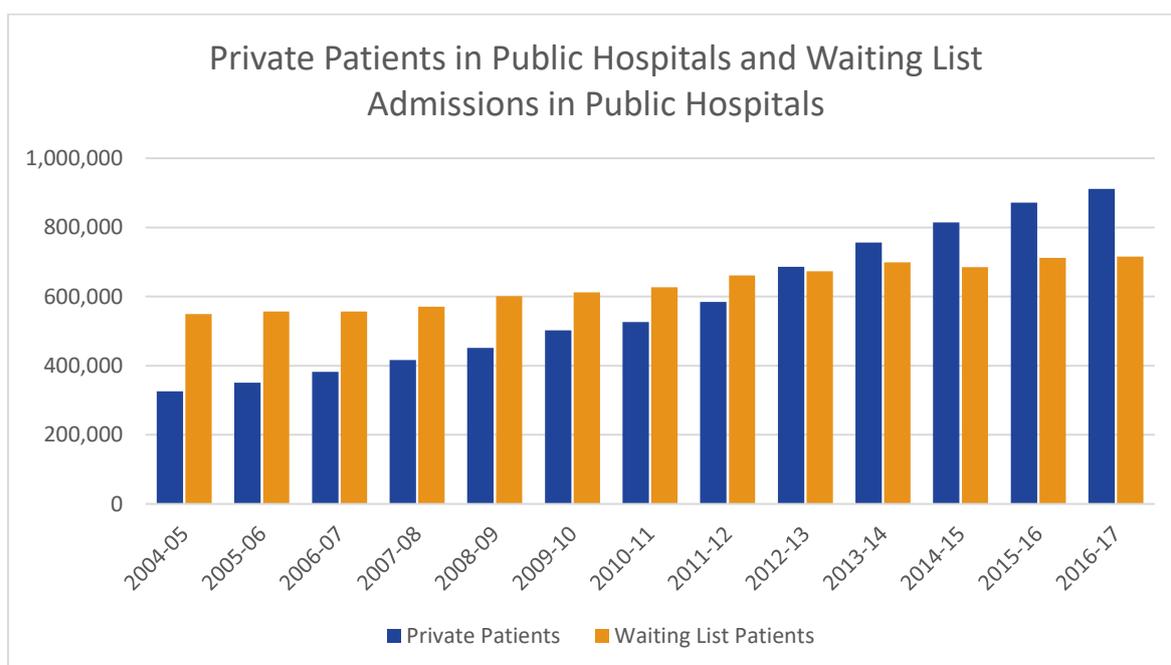
### Public hospital admissions

In 2016-17 911,707 Australians were treated using private health insurance payments in public hospitals, according to the AIHW. This was 14 percent of all public hospital admissions.

In many individual public hospitals, the proportion of patients admitted privately is far higher - up to 41 percent.

## Public elective surgery waiting lists

For the last 10 years, the number of public hospital patients funded by private health insurance has grown three and a half times faster than the number of admissions from public hospital waiting lists. In other words, public hospitals are deliberately chasing private patients rather than treating public waiting list patients.



Source: AIHW, Admitted patient care 2016–17: Australian hospital statistics

In 2017–18, the median waiting time for patients admitted from elective surgery waiting lists was 40 days, the worst since 2013–14. Patients without private health insurance face even longer waiting times because AIHW data shows wait times for private patients are on average only 21 days while those without private health insurance wait on average 48 days.

There is also data showing that private patients are being treated ahead of public patients on waiting lists – queue jumping. This goes against the principle of Medicare that says every patient should be treated in terms of their clinical need, not ability to pay.

The number of public patient elective surgeries could increase by 15 percent if the more than 100,000 surgeries (elective and emergency) on private patients in public hospitals did not occur.

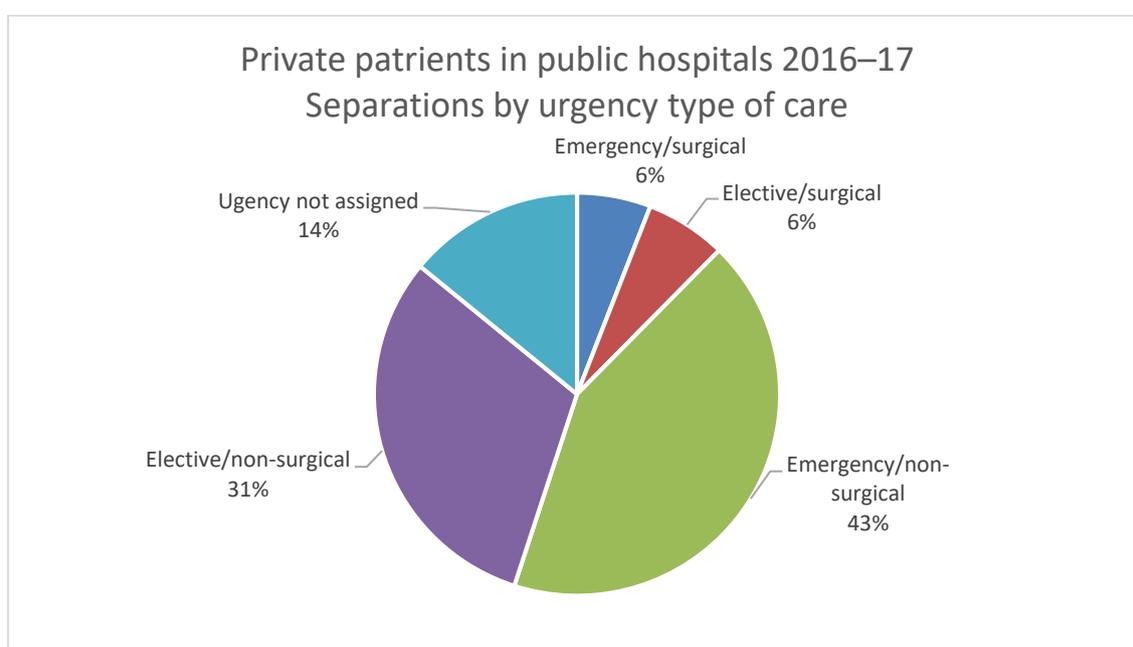
## Emergency admissions

The emergency admission of private patients has a significant impact on the availability of beds and access to care for public patients.

About half (49 percent) of all private patient admissions in public hospitals are for emergency care, and in some states these percentages are much higher.

However, many of those privately insured emergency patients could have been transferred and treated in a private hospital, freeing up beds, reducing ambulance ramping and lessening pressure on public emergency departments.

Choice for private patients is also limited when admitted through a public emergency department. Patients must be treated by the clinicians available, so there is no real choice of doctor for the privately insured.

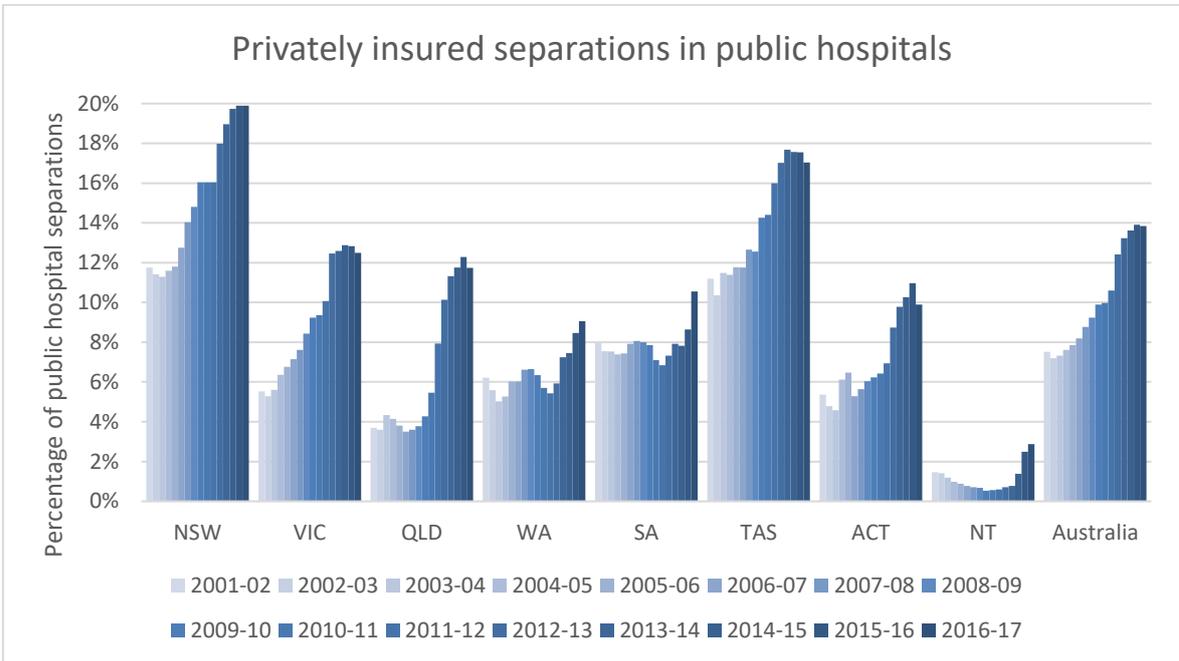
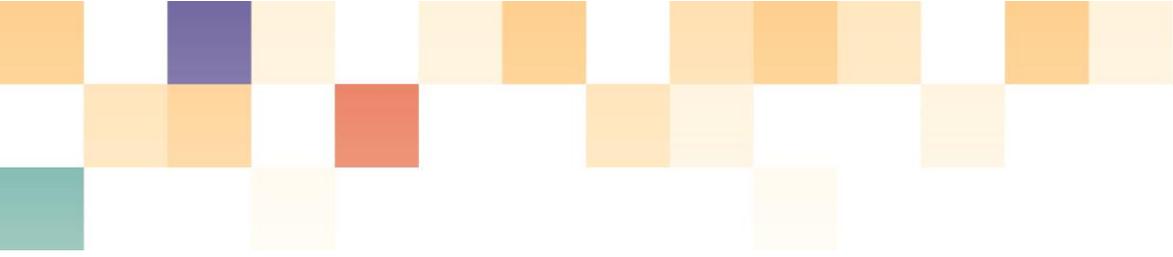


Source: AIHW, Admitted patient care 2016–17, Australian hospital statistics.

The fact half of these admissions are not emergency admissions highlights the fact that patients could be given the option to go to a private hospital in advance.

## Private patients in public hospitals—State level data trends

The proportion of public hospital patients funded by private health insurance over the past 16 years has increased rapidly in most states and in Australia as a whole, and even more so since the implementation of activity-based funding in 2011.



Source: AIHW, Admitted patient care and Hospital statistics reports, various years

In 2016–17, the number of privately insured hospitalisations in public hospitals in each jurisdiction were:

State	2016–17
New South Wales	384,115
Victoria	221,526
Queensland	163,626
Western Australia	59,119
South Australia	46,134
Tasmania	21,198
Australian Capital Territory	11,420
Northern Territory	4,569
<b>Total</b>	<b>911,707</b>

Source: AIHW, Admitted patient care 2016–17: Australian hospital statistics



# Out-of-pocket costs

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Australians with private health insurance often have to pay additional fees when accessing private hospital facilities.

## What this means for Australian consumers

Consumers face significant hurdles in obtaining adequate information about anticipated out-of-pocket costs.

There are a number of reasons for out-of-pocket costs, including private health insurance policies with excluded products or additional doctor fees.

## APHA position

- Out-of-pocket charges to patients impact the affordability of access to healthcare. These costs also influence consumer perceptions of the value of private health care and private health insurance.
- When private health insurance covers care, out-of-pocket costs in relation to private hospitals for services are usually limited to excesses and co-payments.
- Medical fees, however, are a matter for patients and their treating doctors. Medical out-of-pocket costs (including those charged by the surgeon, consulting physicians and/or anaesthetist and/or diagnostic providers) can be significant.
- Patients are entitled to transparency on all medical billing, including written information to consumers prior to treatment.
- Consumers are protected by the Second Tier Rules that provide vital consumer security against large out-of-pocket costs if their private health insurer does not have a contract with the hospital of their choice.
- APHA supports the Federal Government proposal to provide consumers with more information and to establish an independent website where consumers can access information on fees charged by specialists in their region.



# Workforce

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Private hospitals are significant employers of nurses, midwives and allied health staff.

In 2016-17 there were more than 69,000 FTE staff, including 44,000 FTE clinical staff working in the private hospital sector<sup>1</sup>.

In addition, it is estimated that 27,000 medical specialists admit patients to private hospitals.

However, Australia is facing clinical workforce challenges including:

- Keeping Australian trained graduates and providing enough opportunities for junior doctors to complete internships and gain experience
- Attraction and retention of doctors to regional areas
- Attraction and retention of trainees to specialties in shortage
- Opportunities to equip trainees with the skills they need, including exposure to procedures and practices predominantly performed in the private sector.

The private hospital sector spends more than \$167 million each year training medical, nursing, midwifery and allied health staff.

In fact, the private sector provides training in health areas not, or rarely, available in the public sector; such as certain areas of elective surgery (two in three elective surgeries occur in the private sector) as well as in mental health and psychiatry.

Despite private hospitals' commitment to training and capacity to increase this role, a significant workforce shortage is expected. A shortfall of 85,000 nurses by 2025, increasing to 123,000 by 2030 was predicted by the Department of Health in 2014.

Private hospitals already experience persistent difficulties in recruiting experienced staff including:

- Theatre nurses
- Cancer care nurses
- Mental health nurses
- Midwives
- Nursing managers.

There are also competing demands for nursing and allied health professions in the aged care and social assistance sectors and this will continue to grow.

The private hospital sector has a vital role in meeting all these challenges by:

- Providing placements for university and vocational education and training students
- Providing graduate placements for nurses and allied health professionals
- Providing internships and junior doctor positions for medical graduates
- Providing registrar positions to train future medical specialists
- Supporting staff to acquire postgraduate and research qualifications.



Although the number of doctors and nurses employed on temporary skilled migration visas have fallen, migration remains an essential strategy for employers to find staff with specialised skills and experience.

## What this means for Australian consumers

Without a ready support of well trained and experienced clinicians, consumers will inevitably face challenges in accessing affordable care.

### APHA position

- Continue to work with Government to provide training opportunities that would otherwise not be available. Government support is needed to continue and expand training opportunities including:
  - Medical internships and junior doctor placements
  - Specialist registrar training
  - Student placements for medical, nursing and allied health undergraduates.
- **Skilled migration regulation reform is needed to reduce the cost and complexity** involved in recruiting skilled and experienced clinicians to positions that cannot be filled by Australian graduates.
- These limitations affect both the ability of employers to meet immediate skill shortages and their ability to train the future health workforce. Skilled and experienced clinicians are essential to service provision and also provide the backbone of the private hospital sector's ability to train future and early-career clinicians:
  - The charges to employers need to be reduced
  - Pathways to permanent residency for highly skilled employees need to be restored
  - Government investment in training and workforce development needs to align with skill shortages.
- A national strategy involving the Federal Government, States and Territories and the private sector is needed to ensure future clinical workforce needs are met.

### Key Facts

- Research by APHA shows that the private hospital sector invests more than \$167 million year in training new doctors, nurses and allied health workers.
- The private hospital sector employs more than 69,000 full-time equivalent staff and works with around 27,000 medical specialists.



# Mental health

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Almost half of all Australians (45 percent) will experience a mental health condition in their lifetime and because mental illness can occur at any age, without warning, Federal Government regulations play a crucial role in protecting consumers by:

- Requiring health funds to provide a minimum level of cover for psychiatric care
- Permitting once-in-a-lifetime waiver of the two-month waiting period for mental health conditions, upon upgrading their policy.

Most health insurance products restrict the level of benefits paid for mental health services. Even when this restriction is disclosed, the implications for consumers are often not well understood until they make a claim. What is worse, private health insurers are increasingly demanding, through contractual arrangements, that private hospitals apply restrictions to mental health services even when these restrictions are contrary to the delivery of clinically appropriate care.

Private health insurers have also historically been reluctant to support innovation in the delivery of mental health as the development of community based and home-based care models.

## Background Information - private specialist mental health

Private mental health by numbers:

- 64 private hospitals providing specialist psychiatric care
- 3,047 psychiatric beds
- About 40,000 people access these services every year
- 63 percent of overnight inpatient care is provided to females
- 38 percent of overnight inpatient care is provided to people aged 25–44, and 36 percent provided to people aged 45–65.

Private hospitals treat patients with the full range of psychiatric conditions: depression and affective disorders, psychotic disorders, post-traumatic stress disorders, anxiety disorders, alcohol and substance abuse eating disorders and personality disorders.

Private psychiatric hospitals relieve pressure on public psychiatric hospitals and public community mental health services. They meet the needs of people requiring acute psychiatric care in an environment less stressful than a public psychiatric facility.

Private psychiatric facilities also provide formal structured day programs and outreach programs to support patients in their recovery pathway and reduce the risk of relapse and readmission. In 2016–17, around 19,000 people received services of this type and the average number of days of care per patient was 13.

## What this means for Australian consumers

- **Bill-shock and erosion of value.** Consumers are often exposed to bill shock through forces not in their control. Health insurers use contractual negotiations with private hospitals to undermine the level of cover provided and it can limit access to affordable treatment options.

- 
- **Lack of choice and inappropriate options.** Consumers are impacted by insurers constraining clinical decision making and care options available.
  - **Lack of Information.** Consumers miss out on information that may impact their care because insurers impose these requirements through contracts with hospitals, even though they directly affect the benefits provided in their policies. Two insurers may appear to have identical policies providing 'full' cover for mental health, but the benefits paid and options available may be very different depending on the terms of the contract between each insurer and the provider.

## APHA Position

- **A structured, government-led communication campaign** is needed to support the implementation reforms aimed at providing clarity for consumers. This campaign needs to include an explanation of what restricted cover for mental health means.
- **Consumers should be able to move seamlessly between systems.** Integration of public and private services is a stated aim within The Fifth National Mental Health Plan. Consumers should be able to access the care they need it, when they need it, regardless of which system has previously treated them.
- **Removal of barriers to innovation in models of care.** Introduction of a specific psychiatric default benefit for mental health day programs would enable private hospital providers to innovate and provide each patient with the most appropriate care in the most appropriate setting.
- **Assurance of quality across all providers.** All providers of innovative models of hospital treatment and hospital substitute treatment should be required to achieve accreditation against the National Safety and Quality Health Services standards.
- **Clinically appropriate care.** Services funded through private health insurance should be provided in accordance with nationally agreed clinical criteria and referral requirements. The care options made available to patients should not be controlled or restricted by health insurers.
- **Transparency for consumers.** Consumers should have access to information about the services and options covered by their insurer. Where the insurer has declined to contract with a provider for a particular care option or has imposed restrictions on the options available to the consumer, this should be disclosed even when these restrictions have been imposed through a commercial agreement between the insurer and the health service provider.



# Rehabilitation

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Most health insurance products restrict the level of benefits paid for rehabilitation services. Even when this restriction is disclosed, the implications for the consumer are not well understood until they need treatment.

What is worse is private health insurers are increasingly demanding through contractual arrangements private hospitals apply restrictions to rehabilitation programs even when these restrictions are contrary to the delivery of clinically appropriate care.

Private health insurers have historically been reluctant to support innovation in the delivery of rehabilitation such as the development of community based and home-based care models. The number of hospital-in-the-home episodes remain very low.

## Background information - specialist rehabilitation

Specialist rehabilitation provided in the private hospital sector is goal oriented and intensive. It is different from nursing home equivalent care or primary care services provided by general practitioners, allied health professionals and community nurses<sup>1</sup>.

Specialist rehabilitation improves people's quality of life and reduces the risk of future hospitalisation. It is relevant for who have recently received acute medical or surgical treatment and people living with chronic conditions who have been assessed as suitable candidates.

Patients with higher levels of impairment, clinical complications or comorbidities or a lack of supports at home are referred for overnight admission. The average age of a person receiving rehabilitation in a private hospital on an overnight basis is 75.2 years of age. Other patients receive rehabilitation through day programs provided by private hospitals. Some are able to access rehabilitation services in the community or in their own home.

There are 125 private hospitals with a total of 3,833 beds, providing rehabilitation services across Australia.

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<sup>1</sup> In the interests of promoting a consistent approach, Consultative Committee on Private Rehabilitation (CCPR), a national industry committee comprising representatives of the Australasian Faculty of Rehabilitation Medicine, Private Healthcare Australia, the Australian Private Hospitals Association, the Department of Veterans' Affairs and the Private Health Insurance Ombudsman and first convened in 2003/4, has developed and maintained the Guidelines for Recognition of Private Hospital-Based Rehabilitation Services. These Guidelines define what specialist rehabilitation is and guide (Rehabilitation Guidelines) and also provide criteria, standardised nomenclature and admission guidelines for programs delivered by private hospitals.



## What this means for Australian consumers

- **Bill-shock and erosion of value.** Health insurers use contractual negotiations with private hospitals to undermine the level of cover provided, exposing consumers to ‘bill-shock’ and limiting access to affordable treatment options.
- **Lack of choice and inappropriate options.** Some insurers also increasingly constrain clinicians and hospitals in clinical decision making and the care options provided with the result the options available may be more expensive and less convenient for patients or even clinically inappropriate.
- **Lack of Information.** Because insurers impose these requirements through contracts with hospitals, consumers have no access to the details even though they directly affect the benefits provided by the policies they have purchased. Two insurers may appear to have identical policies providing ‘full’ cover for rehabilitation but the benefits paid and options available may be very different depending on the terms of the contract between each insurer and the provider.

## APHA position

- **A structured, government-led communication campaign** is needed to support the implementation reforms aimed at providing clarity for consumers. This campaign needs to include an explanation of what restricted cover for rehabilitation means.
- **Removal of barriers to innovation in models of care.** Introduction of a specific rehabilitation default benefit for day programs, home based and community-based services in rehabilitation would enable private hospital providers to innovate and provide each patient with the most appropriate care in the most appropriate setting.
- **Assurance of quality across all providers.** All providers of innovative models of hospital treatment and hospital substitute treatment should be required to achieve accreditation against the National Safety and Quality Health Services standards.
- **Clinically appropriate care.** Services funded through private health insurance should be provided in accordance with nationally agreed clinical criteria and referral requirements. The care options made available to patients should not be controlled or restricted by health insurers.
- **Transparency for consumers.** Consumers should have access to information about the services and options covered by their insurer. Where the insurer has declined to contract with a provider for a particular care option or has imposed restrictions on the options available to the consumer, this should be disclosed even when these restrictions have been imposed through a commercial agreement between the insurer and the health service provider.



# Quality and Safety of Care

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Australians deserve to know health services are accountable for the quality and safety of the services they provide.

## Use of data to drive quality and safety

Consumers expect patient care to be the top priority for health services. Administrative processes and data collection must be directed at supporting this priority.

APHA estimates more than 70 percent of the private hospital sector voluntarily participate in independent benchmarking programs to measure their efficiency and effectiveness.

Currently, 319 private hospitals and day hospitals voluntarily participate on the MyHospitals website and many also report data on their own websites (due to limitations on what private hospitals can report on MyHospitals, many resort to uploading data on their own websites).

A total of 125 private hospitals providing rehabilitation services across Australia routinely contribute clinical outcomes data to the Australasian Rehabilitation Outcomes Centre (AROC) at the University of Wollongong. AROC independently benchmarks hospitals to measure their efficiency and effectiveness.

Private psychiatric hospitals routinely participate in a national mental health data collection jointly funded by the Department of Health and APHA. This collection was established 18 years ago and rigorously demonstrates patients leave private psychiatric hospitals in significantly better health than when they were admitted using both patient-reported and clinician-reported measures.

## APHA position

- APHA welcomes the opportunity to work with government agencies to promote quality and safety in health care through the effective use of administrative and clinical data.
- APHA is keen to promote data collection and reporting frameworks that are evidence based and supported by sector wide consensus as being relevant to improving clinical practice.
- According to the Australian Commission on Safety and Quality in Health Care, there is no evidence to support the use of financial penalties as a strategy to improve quality in health care<sup>ii</sup>.

## Supporting best clinical practice

Changes in technology and advances in clinical practice mean it is sometimes possible to provide care through a hospital-based day program, in private homes or in a community setting for patients who would otherwise need admission to a hospital on an overnight basis

There is currently no obligation on health insurers to pay benefits for home based or community-based alternatives to care provided in a hospital. This circumstance has created a barrier to innovation in models of care within the private hospital sector because of the need to secure financial support from multiple health insurers.



Australian consumers need:

- **Affordable access to best clinical practice.** Without continued reform to private health insurance, the private sector will not be able to provide the services needed to support contemporary advances in best clinical practice.
- **Consumer protections which keep step with technological and clinical change.** Regulations which are intended to ensure private health insurance products can be understood by consumer and are fit for purpose must continue to evolve in step with changes in clinical practice.

## APHA position

- **Removal of barriers to innovation in models of care.** Introduction of a default benefit for day programs, home based and community-based services in mental health and rehabilitation would enable private hospital providers to innovate and provide each patient with the most appropriate care in the most appropriate setting.
- **Assurance of quality across all providers.** All providers of innovative models of hospital treatment and hospital substitute treatment should be required to achieve accreditation against the National Safety and Quality Health Services standards, so consumers can be assured they are accessing safe and high quality services.
- **Clinically appropriate care.** Services funded through private health insurance should be provided in accordance with nationally agreed clinical criteria and referral requirements.
- **Transparency for consumers.** Consumers should have access to information about the services and options covered by their insurer. Where the insurer has declined to contract with a provider for a particular care option or has imposed restrictions on the options available to the consumer, this should be disclosed even when these restrictions have been imposed through a commercial agreement between the insurer and the health service provider.



# Key statistics

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## Industry statistics

- 49 percent of Australia's hospitals are private
- There are 657 private hospitals – 300 overnight hospitals and 357 day surgeries
- There are 34,300 beds and chairs (31,000 in overnight hospitals and 3,300 in free-standing day surgeries).

Private hospitals are significant contributors to Australia's health care system performing:

- More than a third of chemotherapy
- 60 percent of all surgery
- 74 percent of elective musculoskeletal surgery (e.g. hip and knee replacements/reconstructions)
- 79 percent of rehabilitation
- 73 percent of all eye surgery
- Almost half of all heart surgery
- 73 percent of surgery on the brain, spine and nerves.

Private patients in public hospitals:

- 13.8 percent of all public hospital patients are admitted as private patients (i.e. funded by private health insurance)
- This is up from 8.9 percent a decade ago
- Private patient recruitment by public hospitals is increasing wait times on public waiting lists.

Growth in private health insurance products with exclusions:

- Less than half of all private health insurance hospital cover policy holders have full cover (41.4 percent)
- The number of policy holders with policies that have exclusions has grown explosively, increasing 412 percent in the past ten years
- The proportion of Australians with hospital cover whose insurance excludes some services has risen from 10.5 percent in December 2008 to 57.2 percent in December 2018. This number is increasing year-on-year.

Australians' understanding of their cover:

- 32 percent are unsure whether they have exclusions in their policies
- Of those who say they do know there are exclusions, 22 percent of them do not know which services are excluded.

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<sup>i</sup> Australian Bureau of Statistics, 4390.0 Private Hospitals, Australia 2016-17, Canberra 29 June 2018  
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/4390.02016-17?OpenDocument>



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<sup>ii</sup> Eagar K, Sansoni J, Loggie C et al. (2013) A Literature Review on Integrating Quality and Safety into Hospital Pricing Systems. Centre for Health Service Development, University of Wollongong prepared for the Joint Working Party of the Australian Commission for Safety and Quality in Health Care and the Independent Hospital Pricing Authority <https://www.safetyandquality.gov.au/wp-content/uploads/2012/12/Literature-Review-on-Integrating-Quality-and-Safety-into-Hospital-Pricing-Systems1.pdf>