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## Grattan Report plan will push premiums up

Private health insurance premiums will increase if a proposal to force private hospitals to negotiate a single bill with hospital doctors is taken up, says Australian Private Hospitals Association CEO Michael Roff.

Commenting on the report released today by the Grattan Institute, "Saving private health 1: reining in hospital costs and specialist bills", Mr Roff said the idea is intended to save money, but would have the opposite effect.

"The administrative burden on hospitals having to negotiate with hundreds or thousands of doctors (depending on their size) would massively increase hospital costs. In addition, hospitals would be deemed quasi-employers of doctors, which would drive up the costs of the hospitals' indemnity insurance. These cost increases will result in higher health insurance premiums.

"The report fails to identify any mechanism to force doctors to negotiate fees with private hospitals who do not employ these doctors.

"It sounds like a good idea in theory. In practice, I'm not even sure that it would be legal," Mr Roff said.

Mr Roff said the report is riddled with selective analysis, incorrect assumptions, is based on outdated data and demonstrates such a fundamental ignorance of how the private sector operates as to eliminate the report as a sensible contribution to the policy debate.

"The report calls for 'robust negotiations' between hospitals and insurers – but we have been having these negotiations for 25 years. These negotiations are effective in keeping cost growth down. Expenditure growth in public hospitals in the three years to 2017-18 was 4.2 percent compared to only 2.6 percent in private hospitals.

"Not only that, but in calling for efficiency gains the report focusses on length of stay, which the writers admit is only one measure. However, it would not result in a single cent saved.

"The authors appear ignorant of the fact that the vast majority of payments to private hospitals are made on an episodic basis. That is, the hospital receives a single payment to cover all services making up an episode of care (e.g. theatre time, room charges, nursing, ancillary services, food) regardless of how long the patient is required to stay in hospital. Therefore, the savings the report identifies through reductions in length of stay do not exist.

"If a patient's treating doctor says they need to be in hospital, we believe that is where they should be. Getting the high quality care their private health insurance entitles them to.

"The report uses length of stay for hip replacements to assert public hospitals are more efficient than private. But we know that public hospital readmission rates for hip replacements are twice that of the private sector. So rather than showing efficiency, public hospitals may be discharging patients too early.

The Grattan report does identify an option that would reduce costs and lower premiums. It even goes so far as to admit the current practice is "perverse and contrary to the intent of Medicare."



Australian  
Private Hospitals  
Association



“Privately insured patients being ‘harvested’ in emergency departments in public hospitals is a disgrace. It costs private health insurers \$1.5 billion in benefits. Ending this practice would result in an immediate six percent decrease in premium and free up thousands of public hospital beds to treat public waiting list patients. The result would be measurable benefits for both public and private patients,” he said.

Mr Roff said the private health sector is working collaboratively to address issues of sustainability in the sector that would result in a serious and workable result for Australians.

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Media contact: Frith Rayner, Director Communications and Marketing, 0413 971 999

The Australian Private Hospitals Association (APHA) is the peak industry body representing the private hospital and day surgery sector. The private hospital sector treats 4.5 million patients a year, including treatment of a third of chemotherapy, 60 percent of all surgery, 74 percent of all elective musculoskeletal surgery and 80 percent of rehabilitation.