CPSA COMBINED PENSIONERS & SUPERANNUANTS ASSOCIATION

Submission to the Senate Standing Committees on Community Affairs Inquiry into the value and affordability of private health insurance and out of pocket medical costs

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CPSA is a non-profit, non-party-political membership association founded in 1931 which serves pensioners of all ages, superannuants and low-income retirees. CPSA has 101 branches and affiliated organisations with a combined membership of over 24,000 people living throughout NSW. CPSA's aim is to improve the standard of living and well-being of its members and constituents.

Summary of Recommendations

- **Recommendation 1:** That patients should never be required to pay the full cost of a Medicare-covered consultation upfront.
- **Recommendation 2:** That the Australian Government should introduce minimum standards for what has to be included in a private health insurance policy.
- **Recommendation 3:** That the Australian Government introduces standardised information requirements for all Private Health Insurance policies so that consumers can easily compare policies and view exclusions.
- **Recommendation 4:** that the LHC loading be abolished as it disproportionately disadvantages low income households.
- **Recommendation 5:** That Medicare be extended to cover oral and dental health care.
- **Recommendation 6:** That the Australian Government introduces a program to assist with the costs of health related transport and accommodation.
- **Recommendation 7:** That the Australian Government provide block funding to community transport organisations to be used for health-related transport.

CPSA welcomes the opportunity to comment on the inquiry into the value and affordability of private health insurance and out of pocket medical costs. As an organisation representing the interests of pensioners and low income retirees, CPSA strongly supports the continuation and expansion of universal health care as it is the only way to ensure equity of access to health care. CPSA is firmly of the view that your income should not determine your access to the health care you need.

CPSA provides free information and advice to members and the general public about a range of issues. In 2016-17 around 10% of these calls were specifically related to health care costs including private health insurance. The majority of these health-related calls were concerned with access to affordable dental care. CPSA also received regular calls regarding ambulance transport, the cost of scripts and health related transport particularly from people living in rural and regional areas. CPSA took a number of calls related to private health insurance. These callers were either questioning the value of private health insurance or seeking clarification regarding the Lifetime Health Cover (LHC) loading.

Based on CPSA call data, this submission focuses on four key issues – whether private health insurance represents value for money, the Lifetime Health Cover Loading, out-of-pocket dental costs, and out-of-pocket health transport costs.

Value of private health insurance

A recent study by The Commonwealth Fund compared 11 different national health care models around the world and ranked Australia's public/private system as the second best overall.[1] However, any claim that Australia's health care system has to superior performance is undermined by below average results in equity and fairness. In many cases, Australia's health care system is not accessible to low income households. Many individuals and households face financial hardship and reduced access to treatment as a result of high out-of-pocket medical costs that are not covered by Medicare.

Australians are paying 20 per cent of all Australian health care expenditure out of their own pockets.[2] In comparison, out-of-pocket medical costs account for only 10 per cent of health expenditure in the United Kingdom, 13 per cent in New Zealand and 14 per cent in Canada, which have similar government funded health systems.[3] Australia's out-of-pocket medical costs are high by international standards and constitute a direct barrier to accessing health care for low income households. This highlights that higher out-of-pocket health costs are associated with greater financial barriers to accessing health care. Many people who live on a full rate pension survive from one fortnight's pay to the next. They simply do not have any additional money to spend on a visit to the doctor. In 2015-16, 8 per cent of Australians who needed to see a medical specialist delayed or did not go because of the cost and 19 per cent of those who needed to see a dental professional delayed or did not go because of the cost.[4] Sacrificing medical care because of the costs is unacceptable and disproportionally affects low income households. A fee of any amount is enough to prevent many from seeking medical advice and care.

CPSA notes that even when consultations are covered by Medicare, patients are often required to pay the full cost of the consultation upfront and lodge a rebate claim later. Many low income households are unable to front the cost of a specialist appointment,

[1] The Commonwealth Fund (2017) 'Mirror, Mirror 2017: International Comparison Reflects Flaws and Opportunities for Better US Health Care' http://www.commonwealthfund.org/interactives/2017/july/mirror-mirror/ [Accessed 26 July 2017]
[2] OECD (2015) 'Health at a glance' https://www.oecd.org/australia/Health-at-a-Glance-2015-Key-Findings-AUSTRALIA.pdf [Accessed 25 July 2017]
[3] OECD (2015) 'Health at a glance' https://www.oecd.org/australia/Health-at-a-Glance-2015-Key-Findings-AUSTRALIA.pdf [Accessed 25 July 2017]
[4] ABS (2016) 'Patient Experiences in Australia' http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/4839.0~2015-16~Main%20Features~Key%20findings~1 [Accessed 26 July 2017]

which may be hundreds of dollars. CPSA also notes that these consultations invariably result in additional out-of-pocket costs such as prescriptions or referrals for scans and other treatments that may not be entirely covered by Medicare. These are extra costs which low income households cannot afford.

CPSA highlights that since the introduction of electronic Medicare rebates, where a claim can be lodged online, there has been a significant increase in the time taken to process rebates that have been lodged manually. CPSA was recently contacted by a member who had previously received their rebates 5-7 working days after lodging a claim with Medicare. They now have to wait 6-8 weeks for the claim to be processed. It is unacceptable to force people who are not online to wait much longer for their Medicare rebates to be processed than people who lodge their claims online.

- **Recommendation 1:** That patients should never be required to pay the full cost of a Medicare-covered consultation upfront.

In 2015-16 the ACCC found that 'as real household expenditure on private health insurance has increased, affordability has become a significant consumer concern'.[5] Increasing insurance premiums make purchasing private health insurance a significant financial commitment for low income earners, particularly those receiving social security payments. Consequently, when pensioners and low income households do purchase private health insurance, value for money is very important. They cannot afford top level health insurance but their insurance should at the very least reduce their out-of-pocket medical costs.

The ACCC found that over time households have shifted to lower cost premiums in response to the rising cost of private health insurance.[6] Consumers are opting for less coverage in order to manage increasing health care costs. The issue is that many low cost insurance policies are considered 'junk' as they only cover up to one per cent of services available in a private hospital; will only provide coverage in case of an accident; or will only provide coverage in a public hospital.[7] These 'junk' policies exclude common

[5] ACCC (2016) 'Report to the Australian Senate' https://www.accc.gov.au/system/files/1223_Private%20Health%20Report%202015-16_FA3_web.pdf pp. 9 [Accessed 26 July 2017]
[6] ACCC (2016) 'Report to the Australian Senate' https://www.accc.gov.au/system/files/1223_Private%20Health%20Report%202015-16_FA3_web.pdf [Accessed 24 July 2017]
[7] CHOICE (2016) 'Poor advice, poor value' https://www.choice.com.au/money/insurance/health/articles/junk-health-insurance [Accessed 24 July 2017]

serious illnesses leaving patients with out-of-pocket medical costs on half of all medical services. Many other patients end up having to join public hospital waiting lists in order to receive treatment they need.[8] CPSA urges the Australian Government to introduce minimum requirements for private health insurance policies to protect consumers against policies that offer limited benefits above what is covered under Medicare.

- **Recommendation 2:** That the Australian Government should introduce minimum standards for what has to be included in a private health insurance policy.

The ACCC attributes the purchase of junk policies to the complexity of health insurance policies. Private health insurance policies often use technical, medical and legal language to describe levels of exclusions, restrictions, waiting periods, excesses and co-payments which all vary across policies and insurers making it difficult for consumers to compare and choose policies. The ACCC found that vulnerable consumers, particularly non-English speaking people, older people and those with chronic illness undergoing continuing treatment, can be at greater risk of experiencing these difficulties.[9] In many cases this disparity is exacerbated by limited or no access to the internet. Comparison tools and policy information are readily available online, however, individuals without online access are more disadvantaged when making decisions about private healthcare policies.

This highlights the need for private health insurance to be simplified, more transparent and to cover the real cost of treatment. CPSA calls for a standardised format for private health insurance policies so consumers can more easily access information about inclusions and exclusions. This would increase the value of private health insurance by assisting consumers with comparing polices against what is offered under Medicare when they are looking to purchase private health insurance.

- **Recommendation 3:** That the Australian Government introduces standardised information requirements for all Private Health Insurance policies so that consumers can easily compare policies and view exclusions.

[8] CHOICE (2016) 'Poor advice, poor value' https://www.choice.com.au/money/insurance/health/articles/junk-health-insurance [Accessed 24 July 2017]
[9] ACCC (2016) 'Report to the Australian Senate' https://www.accc.gov.au/system/files/1223_Private%20Health%20Report%202015-16_FA3_web.pdf [Accessed 24 July 2017]

Lifetime Health Cover Loading: Poverty Penalty

The LHC loading was set up to incentivise the uptake of private health insurance. Those who do not take up private health insurance by their 31st birthday are charged an additional two per cent loading on top of their premiums for each year, up to a maximum of 70 per cent. Once a person has held private health insurance for ten continuous years the loading is removed.

CPSA is concerned that the LHC loading essentially constitutes a poverty penalty, creating a significant financial barrier to accessing private health insurance for low income households. Those who do not take up private health insurance when they turn 31 are likely to be on a low income. These people do not earn enough to be charged the Medicare Levy Surcharge and so face no immediate financial incentive to take up private health insurance.

Many low income older people who are worried about out-of-pocket health costs consider taking up private health insurance for the first time later in life. However, these people face significantly inflated premiums as a result of the LHC loading. CPSA has received numerous calls from pensioners who want to take up private health insurance but can't afford to because of the LHC. Given that older people are more likely to require health care, it does not make sense that this financial barrier to the uptake of private health insurance persists. The LHC loading exacerbates inequity of access to high quality care and perpetuates a two-tiered health system under which wealthier people can afford to access better care than people living on low incomes. It is therefore CPSA's view that the LHC loading be abolished.

- **Recommendation 4:** that the LHC loading be abolished as it disproportionately disadvantages low income households.

Out-of-pocket dental costs

CPSA notes that many low income households struggle to access adequate dental care. Relative to other areas of the health sector, there are very high out of pocket costs for dental care as it is not included in Australia's universal health system, Medicare. When it comes to private health insurance, dental is considered an extra, so there is generally a limit to the amount policy holders can claim back. These high out of pocket costs can lead to delays in treatment for patients on low incomes which in turn increases the cost of providing that care. CPSA is concerned that the failure to include oral and dental care in the Medicare system is actually leading to driving up the costs – both to individuals and the public purse – of delivering dental care particularly to low income patients.

The out-of-pocket costs associated with dental care mean that often low income patients are only able to access care through state-based public dental systems. However, CPSA notes that these public dental systems are massively oversubscribed and underfunded and consequently unable to provide treatment to all those who need it.

In NSW, there are currently over 76,000 adults waiting for treatment through the public dental system and a further 28,000 waiting to be assessed before they can join the waiting list for treatment[10]. Given the length of the waiting lists and shortage of resources, patients are allocated a priority code based on their condition which determines their position in the waiting list. The NSW public dental system is essentially only able to provide treatment to the top priority codes. Those with lower priority codes will only receive treatment once their condition has deteriorated to the point they are allocated a higher priority code. Clearly it is much more expensive to provide emergency dental treatment to those with serious, long term issues than it would be to provide treatment at first presentation so that the patient's condition doesn't deteriorate to the point of needing emergency care.

Delayed treatment due to public waiting lists and high out-of-pocket costs for private dental treatment is not only detrimental to the individuals who suffer immense pain and diminished quality of life, but also has flow on cost effects for the broader healthcare system. CPSA notes that dental conditions are the second most common cause of potentially preventable hospital admissions across the country. It is likely that many of

[10] Centre for Oral Health Strategy (2017) 'NSW Public Dental Services – Waitlists and Activity' http://www.health.nsw.gov.au/oralhealth/Pages/public-dental-care-waiting.aspx [Accessed 24 July 2017]

these admissions could have been avoided if appropriate dental care was delivered in a more timely fashion.

- **Recommendation 5:** That Medicare be extended to cover oral and dental health care.

Out-of-pocket health transport and accommodation costs

Considerations of out-of-pocket health care costs rarely take into account the costs associated with transport to and from medical appointments and treatment sessions. This is a particular issue for people living in rural, regional and remote parts of Australia who generally have to travel much further to access health care services. In many cases there is also the added cost of overnight accommodation as it may not be possible to make the journey to the treatment centre, receive the treatment and then make the return journey home in the same day.

The out-of-pocket transport and accommodation costs faced by Australians living in rural, regional and remote areas must be considered and support to meet these costs put in place. CPSA notes that people living in regional areas experience on average poorer health outcomes than those living in metropolitan areas[11]. Survival rates for serious diseases, such as cancer, are lower in regional areas as a result of delayed diagnosis and commencement of treatment[12]. Regional residents generally have to travel considerably further to attend appointments and receive treatment than people living in metropolitan areas. The cost of transport for health reasons is only likely to increase as smaller regional hospitals and treatment facilities are consolidated into larger hospitals with greater capacity in major regional centres across the country. The increased push for early discharge and growing prevalence of day surgery has further compounded the need for a more systematic approach to the delivery of health transport and accommodation[13]. Lack of transport should never act as a barrier to accessing health care.

Health-related transport costs also impact people living in metropolitan areas. For people living on low incomes, even the cost of public transport can be prohibitive, let alone the cost of private transport.

[11]National Rural Health Alliance Inc. (2011) 'Fact Sheet 28: The Determinants of Health in Rural and Remote Australia'. Available: http://ruralhealth.org.au/sites/default/files/publications/factsheet-determinants-health-rural-australia.pdf [Accessed 19 July 2017]
[12]National Rural Health Alliance Inc. (2014) 'Fact Sheet: Patient Assisted Travel Schemes'. Available: http://ruralhealth.org.au/sites/default/files/publications/nrha-factsheet-pats.pdf [Accessed 19 July 2017]
[13]Denmark, D. Hurni, A. Cooper, B. (2011) 'No Transport, No Treatment: community transport to health services in NSW' Joint Research Report commissioned by The Cancer Council of NSW, NCOSS and Community Transport Organisation (CTO). Available: http://www.cancercouncil.com.au/wp-content/uploads/2011/10/No-Transport_No-Treatment.pdf

- **Recommendation 6:** That the Australian Government introduces a program to assist with the costs of health related transport and accommodation.

CPSA notes that the aged care reforms and roll out of the National Disability Insurance Scheme have resulted in a significant reduction in block funding for community transport providers who have previously delivered a lot of supported health-related transport. As access to community transport is tied to eligibility for an aged care or NDIS package, those people who need support with health-related transport are now finding themselves unable to access subsidised community transport as they are not eligible for a package. It is critical that the Australian Government provides block funding to community transport organisations so that they can continue to provide subsidised transport to people who require it for health reasons.

- **Recommendation 7:** That the Australian Government provide block funding to community transport organisations to be used for health-related transport.