



# Inquiry into the value and affordability of private health insurance and out-of-pocket medical costs

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*Optometry Australia Submission*

*July 2017*

Optometry Australia welcomes the opportunity to provide input to the Senate Community Affairs Reference Committee inquiry into the value and affordability of private health insurance and out-of-pocket medical costs.

Optometry Australia is the national peak professional body for optometry, and represents over 80% of optometrists registered to practice in Australia. Since 1918 we have united the sector to make Australia a world leader in the delivery of vision and eye health services and patient care. Our focus is to lead, engage and promote the profession of optometry, optometrists and community eye health.

## **Further information:**

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As the cornerstone of eye care in Australia, optometry plays a key role in the prevention, early detection and management of eye disease and vision loss. The optometry profession consists of a workforce of over 5,100 registered optometrists providing services through approximately 2,900 practices nationally. Most optometry practices provide a complementary mix of clinical services, many but not all are eligible for a Medicare patient rebate; and retail of optical appliances – some of which are subject to a benefit under various private health insurance policies.

Optometry Australia recognises private health insurance as an important part of the Australian health care system, and that, for many patients, private health cover is an important part of their personal health care choices. Private health insurance also has a significant positive impact on the optometry/optical dispensing industry and on patients accessing of eye care. Optical items represent a significant proportion of benefits paid for patient claims for ancillary services across the private health care industry. Available evidence suggests people with ancillary (or general) health benefits are more likely to seek eye care than those without insurance. This likely relates to the optical appliance cover associated with such policies.

Optometry Australia also have a number of ongoing concerns regarding the practices of private health insurers that lessen consumer choice and informed decision making, and which can be anti-competitive, at the risk of the fair competition we believe is important for the efficient and sustainable delivery of services and patient access to health care.

Our perspectives are overviewed below in response to the relevant specific terms into which the committee is inquiring.

#### **Comment against TOR i. the current government incentives for private health**

We wish to highlight some of the many benefits of the current incentive approaches that support consumers to purchase private health insurance cover, including the private health insurance rebate. We believe there would be many potential negative flow-on effects of any changes that made private health insurance cover more costly for consumers, including reductions in patient access to preventative care and hospital services, unless there was simultaneous wide-reaching reform to the health care system.

We believe any change to the current government incentives for private health insurance that resulted in that less people take-out general cover would likely see a reduction in people accessing health services and health products covered under such policies. This may negatively impact individual, and population, health status and lead to greater demand for more costly health interventions at a later point as a result of reduced access to preventative health care, early detection and early intervention. With regard to eye health, there is an apparent correlation between holding a general cover policy and regularly accessing eye care. This supports regular assessment of eye health and early detection of eye conditions or disease.

Currently, the primary eye care system relies, for sustainability, on cross subsidisation of clinical services by the sale of optical appliances. Whilst most optometry services attract a Medicare rebate, this rebate is well beneath the average real cost of providing clinical care. Whilst patients may be charged an additional fee, it is frequently unfeasible, in terms of supporting patient access, to charge patients the full gap between a recommended fair fee for the service, and the Medicare rebate. As patients with general policy cover are often more likely to purchase the prescription appliances they require, private health insurance cover of optical appliances has a significant impact not only on the sustainability of optical dispensing, but also of the provision of optometry clinical care. Further de-stabilisation of an already stretched industry, would likely result from any

reforms that had the effect of reducing the number of general cover policies held. The ultimate risk here is loss of patient access to primary eye care.

We note significant concerns about reformed approaches to the private health insurance system which we understand were considered by COAG in 2015, which would replace the current consumer rebate for private health insurance with a system of direct payment to private hospitals for private hospital services. We have concerns that, if implemented singularly, such an approach, could dis-incentivise consumers taking out general services cover that provides cover relevant to 'ancillary services' (which generally include a range of primary health care services) as it is effectively channelling the current rebate to subsidise hospital services cover only. We believe this could potentially incentivise insurers to focus on hospital services and dis-incentivise focus on prevention and hospital avoidance, which are known to offer benefits to patient health status, hospital capacity and overall health expenditure.

### **Comment against TOR k. any other related matter**

#### *Transparency of information*

Optometry Australia believes it is essential consumers are able to make informed decisions about their health care, including what is best for their eye health and who provides their optometric care. Currently information provided to consumers by health funds can be difficult to understand and subsequently lead to misinformed health care decision-making.

We believe there is a lack of consistent, clear and transparent information provided to consumers by health funds regarding their optical entitlements, particularly in relation to preferred provider arrangements. Optometry Australia often hears complaints and concerns from optometrists and their patients regarding information that health funds provide to policy holders about their optical benefits. These complaints and concerns can be summarised under the following themes:

- Information that is misleading: Optometry Australia has significant concerns regarding the provision of information by health funds to consumers which could be considered misleading. We are aware of instances where health funds have encouraged policy holders to attend preferred provider optometry practices on the basis that they will 'only' receive benefits for optical appliances and/or specific eye health services if they attend such preferred providers. For example, health funds have in the past promoted 'exclusive' preferred provider clinical services to their policy holders, giving the inference that policy holders can only access these clinical investigations from preferred providers. This is considered misleading as in actual fact most optometrists provide a broad range of clinical services.
- Information that is inconsistent or inaccurate: Some health funds provide inconsistent and/or inaccurate information about the rebates policy holders are eligible to claim for some optical appliances. Consumers are frequently under the misapprehension that preferred provider schemes provide no-gap or known-gap optical products which is often not the case. These situations can increase the risk of unexpected costs and 'bill shock' for the consumer, and also place unnecessary pressure on optometrists to cover the 'gap' in order to maintain the consumer's immediate business.
- Information that explicitly directs choice of optometric provider: Optometry Australia has also received anecdotal accounts that some health funds are explicitly instructing their policy holders to avoid certain optometrists (which may be the policy holder's existing optometric provider) on the basis of not having a preferred provider arrangement in place.

Further, another common complaint we receive is health funds directing patients to their preferred providers stating that patients will 'save money' – without any knowledge of what is being prescribed, how products compare or what is clinically appropriate for the patient. The role of health funds should not be to 'direct' access to health care in any manner, rather provide clear and accurate information to allow the policy holder to make an informed decision about their health care.

We believe that the role of health funds should not be to 'direct' access to health care in any manner, rather provide clear and accurate information to allow the policy holder to make an informed choice.

The provision of information in the manner described above distorts fair competition amongst optometrists, resulting in market failure and inefficiency of the optometric sector.

*Restricted opportunity to participate in Preferred Provider Schemes and impact in rural Australia*

We have concerns about health funds which restrict the number of preferred providers, often to larger chains or affiliated practices and often where the majority of preferred providers are located in high population areas. This can disadvantage consumers and policy holders from rural/remote areas who pay the same premiums but may receive lower benefits for comparable optical appliances, resulting in greater out-of-pocket expenses and potentially providing an additional barrier to accessing health care. It also denies smaller optometry providers the opportunity to participate in preferred provider arrangements, compromising fair competition.

Optometry Australia believes patients should be able to choose their optometrist based upon a range of factors and not be forced to pay higher out-of-pocket costs because they choose a provider that does not have a preferred provider contractual arrangement with a health fund.

*Insurance providers also offering services covered by insurance*

Increasingly private health insurers are establishing their own networks of optometry practices and optical dispensers, who are treated in a similar way to preferred providers, in that accessing optical products via these practices is incentivised with higher rebates than for other providers, and often actively promoted to policy holders. Particularly given the concerns noted above regarding misinformation and lack of transparency, we have concerns about the impact of private health insurers acting as both the insurers and providers of health care services and health care products, on patient choice in health care and health care provider and on competitiveness within the health care market.

*Opportunities to strengthen how private health insurance works for consumers*

We believe there are opportunities to strengthen the way the private health insurance system works for consumers by addressing the issues raised above. Mitigating the risk of market failure and fostering fair competition is essential for the efficient and sustainable delivery of services and patient access to health care. A key component for achieving this objective is to ensure health funds are operating within the boundaries of all relevant legislative and regulatory parameters. In particular we recommend:

- Assurance of greater transparency in information provided to consumers regarding their policy, or policies they may be considering. We believe this requires clear standards for clear and accurate information to be met by insurers in policy statements, subsequent information regarding changes to policy cover, and written and verbal communications with policy holders.



- Better monitoring of potential anti-competitive activity. Optometry Australia strongly recommends the ACCC commit to establishing strategies which improve monitoring of any potential anti-competitive activity, to ensure health funds are not breaching their regulatory requirements and subsequently disadvantaging consumers and some health care providers. We recommend the ACCC be charged with monitoring the flow and dissemination of information from health funds to policy holders, to ensure all information is accurate and easy to understand; developing guidelines that assist health funds to provide PHI information and advice to consumers and policy-holders in accordance with industry best practice; conducting periodic audits into the application of preferred provider arrangements to ensure health funds are not denying opportunities for some providers solely on the basis of their business footprint.
- Close examination of the implications of private health insurers acting as both the providers of health care services and health care products and insurers, on patient choice in health care and health care provider and on competitiveness within the health care market.

More generally, we believe there is opportunity to strengthen how private health insurance works for consumers, and supports overall health system efficiency, by supporting, and removing barriers to, health insurance cover of effective hospital avoidance and minimisation approaches.