

**Senate Community Affairs References Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**HEALTH PORTFOLIO**

**Value and affordability of private health insurance and out-of-pocket medical costs**

31 October 2017

**Question no: 1**

**Type of Question:** Hansard Page 71, 31 October 2017

**Senator:** Senator Dastyari

**Question:**

**Senator DASTYARI:** I have just a final point, as I'm very conscious of time. You obviously have been listening to part of the evidence, and I'm not sure whether you've caught up with this. Something that I've been obviously banging on a bit about in this inquiry and earlier inquiries that were related is this issue of transparency within the private health insurance companies—not just the transparency between them and their customers but the broader transparency in how they're structured and how they operate. We heard earlier from the private health insurance industry that they'd welcome greater transparency.

Again, you're a department, so I'm not going to ask you guys questions of policy that would rate as asking for an opinion. But what I'm fascinated by is this: APRA collects an incredibly granular level of detail when it comes to matters like executive remuneration and it collects a whole bunch of different bits of information. They then choose to release some of it as part of their public report. What I'm interested in is: do the minister and the department have access to that level of information through APRA, or is that kept separately?

**Ms Shakespeare:** Without knowing what specifically you're talking about—

**Senator DASTYARI:** Executive pay and remuneration.

**Ms Shakespeare:** I'm not sure that it's something that we speak with APRA about. I'd need to take that on notice to see if any of the officers that work on private health insurance policy in the department have sought that information from APRA.

**Answer:**

The Department of Health does not receive information on specific spending activities such as executive remuneration.

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### HEALTH PORTFOLIO

#### Value and affordability of private health insurance and out-of-pocket medical costs

31 October 2017

**Question no: 2**

**Type of Question:** Hansard Page 71, 31 October 2017

**Senator:** Senator Dastyari

**Question:**

**Senator DASTYARI:** The premium—right, when they want to increase the premium. You mentioned earlier that there's understandably quite a lengthy and detailed process where they eventually make a claim and you challenge that claim, based on documentation. Does that process go down into the granularity of executive pay and remuneration about matters such as to what extent the back-end operations of the health fund is where costs are increasing?

**Ms Shakespeare:** We certainly look at management expenses.

**Senator DASTYARI:** At a broken down level?

**Ms Shakespeare:** I'd need to take on notice exactly how far that is broken down. But the management expenses for a company and how that impacts on the premiums that they're seeking and their capital adequacy is all a piece of work that does happen every year.

**Senator DASTYARI:** So perhaps you could take on notice, Ms Shakespeare and Mr Maskell-Knight, whether you're able to get us some information on just what granularity of information is provided to the department in making the decision when the funds are making submissions for increasing premiums, and perhaps I can get a broader understanding of just how the information-sharing works between the information that's collected by APRA, the prudential regulator, through the prism, in part obviously, of checking the liquidity and financial prudential stability of these health funds, and what the department takes into consideration when it's making its decisions.

**Ms Shakespeare:** Certainly.

**Answer:**

The Department of Health uses a range of information from both insurers and the Australian Prudential Regulation Authority (APRA) to provide advice to the Minister for Health on private health insurance premium changes.

Information from insurers is provided in each insurer's application. The 2018 private health insurance premium application form is located at

[www.health.gov.au/internet/main/publishing.nsf/Content/health-phicircular2017-41](http://www.health.gov.au/internet/main/publishing.nsf/Content/health-phicircular2017-41).

APRA supplies the Department with a range of information broken down at the insurer level consistent with the information publicly available on its website. APRA industry reports are available at: [www.apra.gov.au/PHI/Publications/Pages/Industry-Statistics.aspx](http://www.apra.gov.au/PHI/Publications/Pages/Industry-Statistics.aspx).

APRA also provides the Department with a statement confirming if the rate change would not raise concerns about the prudential outcomes for the capital for the respective health benefits funds over the next twelve months.

The Department does not receive information on specific spending activities such as executive remuneration.

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**Question no: 3**

**Type of Question:** Written Question on Notice

**Senator:** Senator Griff

**Question:**

How does the activity based funding agreement between the Federal government and the states work? I understand that each sector agrees to pay 50% of the National efficient price. The Commonwealth pays its 50%. Does the Commonwealth funding go direct to the hospital or is it paid through the state government? Do the states provide hospitals with funding based on the activity or still limit them to block grants after receiving the commonwealth contribution?

**Answer:**

The National Health Reform Agreement (the NHRA) recognises that the states and territories (states) are the system managers of their public hospital systems. Under the NHRA, and subsequently the Addendum to the NHRA, the Commonwealth funds 45 per cent of the efficient growth in activity based public hospital services, paid at the National Efficient Price. For some public hospital services more appropriately funded through block funding grants (for example, services delivered by small and rural hospitals, and teaching, training and research activities), the Commonwealth funds 45 per cent of these services, paid at the National Efficient Cost.

The Commonwealth's contribution to National Health Reform (NHR) funding is paid into state pool accounts administered by the Administrator of the National Health Funding Pool. NHR payments can be made directly to Local Hospital Networks (LHNs), to third parties on behalf of a LHN, or to state health departments. States are responsible for funding the remainder of costs needed to fund their public hospital system.

In addition to public hospital funding, the Commonwealth also funds the Medicare Benefits Schedule, the Pharmaceutical Benefits Scheme and other services including aged care, mental health and Indigenous health, as well as supporting private health services through the private health insurance rebate.

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**Value and affordability of private health insurance and out-of-pocket medical costs**

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**Question no: 4**

**Type of Question:** Written Question on Notice

**Senator:** Senator Griff

**Question:**

Will the Commonwealth consider introducing publicly available website listing the gap payments for individual doctors and other practitioners so that consumer have access to this information?

**Answer:**

On 13 October 2017 the Minister for Health and Minister for Sport, the Hon Greg Hunt MP announced a wide-ranging package of private health insurance reforms, including the establishment of an expert committee to consider best practice models for transparency of out-of-pocket costs.

The committee will consist of experts representing medical craft groups, insurers and consumers to ensure a collaborative approach in determining the best model to make information on out-of-pocket costs charged by doctors more transparent and to help Australians with private health insurance better understand out-of-pocket costs.

The terms of reference for the committee are expected to be published shortly.

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**Question no: 5**

**Type of Question:** Written Question on Notice

**Senator:** Senator Griff

**Question:**

I note that for spine surgery even though the rebate is very generous (average approx. \$7000) patients pay a very high gap charge (the largest average gap charges of over \$2500). Why is this?

**Answer:**

The Australian Government is responsible for setting Medicare Benefits Schedule (MBS) rebates for hospital services to assist patient access, but doctors are free to set their own value on their services. The Government has no authority to set the fees charged by doctors nor can it require them to charge only the MBS fee, or the level of benefit covered by a private health insurer for a medical service.

Doctors are obliged to fully explain their fees and any applicable MBS and private health insurance rebates to their patients. This is known as 'informed financial consent' and is important to enable the patient to make a fully informed decision about treatment options.

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**Question no: 6**

**Type of Question:** Written Question on Notice

**Senator:** Senator Griff

**Question:**

Who polices if insurers actually provide standard information statements (SIS) to their customers. Is this audited? Are there steps to improve the quality and comprehension (simplicity) of the information being provided?

**Answer:**

The Private Health Insurance Ombudsman, as one of its initial processes in dealing with consumers, verifies that the consumers have been receiving their Standard Information Statements as required under legislation, particularly in relation to any changes to their policies.

In relation to improving the quality of information provided, the Australian Government announced a package of reforms on 13 October 2017 designed to make private health insurance simpler and more affordable. The reforms include:

- a minimum data set to replace the current SIS as the regulated method by which insurers provide information to consumers. The information included in the minimum data set will be able to be tailored to individuals, making it more meaningful for consumers. Insurers will be able to provide product information to consumers in a variety of formats so that consumers are able to select how they receive information;
- the introduction of standard clinical definitions for both inclusions and exclusions to assist consumers in making an informed choice about private health insurance and what services different products do, and do not cover; and
- the redevelopment of [www.privatehealth.gov.au](http://www.privatehealth.gov.au) to enhance its functionality and help consumers to choose the best private health insurance product for their health needs by making it easier to compare multiple products.

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**Question no: 7**

**Type of Question:** Written Question on Notice

**Senator:** Senator Griff

**Question:**

Does the Ombudsman website [privatehealth.gov.au](http://privatehealth.gov.au) use the SIS to create the comparison tables and search functions? If not, why not?

**Answer:**

Yes. The data entered by health insurers to generate Standard Information Statements is also used for the search and comparison features on the Private Health Insurance Ombudsman's website, [www.privatehealth.gov.au](http://www.privatehealth.gov.au).

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**Question no: 8**

**Type of Question:** Written Question on Notice

**Senator:** Senator Griff

**Question:**

Why are public hospitals not compliant with HCP data and not providing it to health insurers? Is this a COAG problem?

**Answer:**

The Department of Health, private health insurers and relevant peak bodies work cooperatively with hospitals that do not provide data with the aim of ensuring hospitals provide Hospital Casemix Protocol data.

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**Question no: 9**

**Type of Question:** Written Question on Notice

**Senator:** Senator Griff

**Question:**

Gap fees. I note the constitutional impediments to regulating doctors' fees. (Section 51, part 23). According to the Parliamentary library one way around this would be for the states to legislate as there is no limit on states regulating doctors' fees. Has any discussion on this been had with the states?

**Answer:**

The Medicare Benefits Schedule is administered by the Commonwealth. There have been no discussions with states on regulating doctors' fees.

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**Question no: 10**

**Type of Question:** Written Question on Notice

**Senator:** Senator Griff

**Question:**

Seeing as gap fees are the major problem quoted by consumers – why is the department not seeking way to reform this area?

**Answer:**

On 13 October 2017 the Minister for Health and Minister for Sport, the Hon Greg Hunt MP announced a wide-ranging package of private health insurance reforms, including the establishment of an expert committee to consider best practice models for transparency of out-of-pocket costs.

The committee will consist of experts representing medical craft groups, insurers and consumers to ensure a collaborative approach in determining the best model to make information on out-of-pocket costs charged by doctors more transparent and to help Australians with private health insurance better understand out-of-pocket costs.

The terms of reference for the committee are expected to be published shortly.

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**Question no: 11**

**Type of Question:** Written Question on Notice

**Senator:** Senator Griff

**Question:**

Why do you think PHI coverage has declined over the last 8 consecutive quarters?  
(submission p23)

**Answer:**

In 2015-16 the Australian Government undertook public consultations seeking consumers' views on private health insurance via an on-line survey. The common themes emerging from the survey were: poor value for money; high out-of-pocket costs for consumers; lack of transparency; a lack of sustainability; and complex regulation.

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**Question no: 12**

**Type of Question:** Written Question on Notice

**Senator:** Senator Griff

**Question:**

Since 2007 PHI funds have been able to offer out of hospital services. How many funds offer such services? Why not?

**Answer:**

The Department of Health does not hold data on specific services offered under each product by each health insurer. Health insurers would themselves be able to provide information about these services.

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**Question no: 13**

**Type of Question:** Written Question on Notice

**Senator:** Senator Griff

**Question:**

How many funds offer home dialysis? Is this not much cheaper than in hospital dialysis?

**Answer:**

The Department of Health does not collect information on specific products offered by health insurers, nor does it have details on the contractual funding arrangements between insurers and medical providers. Private health insurers would be best place to answer these questions.

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**Question no: 14**

**Type of Question:** Written Question on Notice

**Senator:** Senator Griff

**Question:**

Fig 11. Shows more than 1 million MBS services where the fee charged was more than 250% of the MBS schedule. Why are private health insurers not required to publish their fee schedules?

**Answer:**

Any private health insurer fee schedules as specified in contracts with health service providers, including for known-gap and no-gap arrangements, are commercial business arrangements between insurers and health service providers.