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Committee Secretary  
Inquiry into Value and Affordability of private health insurance and out of pocket  
medical costs.  
Department of the Senate  
PO BOX 6100  
Parliament House  
Canberra ACT 2600

Dear Sir/Madam

**Submission to the Senate Community Affairs References Committee  
Inquiry into Value and Affordability of private health insurance and out of pocket  
medical costs**

HCF welcomes the opportunity to provide a submission to the Inquiry into Value and  
Affordability of private health insurance and out of pocket medical costs.

HCF is the largest not-for-profit health insurer in Australia and is registered under the Private  
Health Insurance Act 2007. We provide health insurance cover for more than 1.5 million  
Australians. Last year we paid \$2.1 billion in benefits to members for more than 510,000 in-  
hospital admissions to private and public hospitals throughout Australia, 4 million medical  
services and 9 million ancillary services such as dental, optical and physiotherapy services.

HCF is supportive of the-process of considering reform options to address the cost of health  
care delivery in Australia and therefore the cost of private health insurance. Australia has  
complementary systems of private and public funding which is envied by other countries.  
Maintaining this system is a key tenant for Australians.

HCF's core philosophy is to put the interests of our members first in all that we do. We  
genuinely care for the health and wellbeing of our members. Putting members first means  
empowering our members to make informed health care choices and helping them achieve  
better health outcomes. Our vision is to make health care understandable, affordable, high  
quality and customer centric.

We would be happy to answer any questions you may have with regard to this submission.

Yours sincerely

John Barrington  
Acting Managing Director

[hcf.com.au](http://hcf.com.au)

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# **HCF** **SUBMISSION**

**Senate Community Affairs References Committee**

**Inquiry into Value and Affordability of private health insurance and out of pocket medical costs.**

JULY 2017

HCF is a member of Private Healthcare Australia and is aware of their submission to the Committee. We endorse their submission and look forward to receiving the outcomes of the Inquiry which we hope will support efforts to make health care affordable for all Australians, thus ensuring that broad access to the system and good health care outcomes can be maintained.

In this submission we have focussed on key areas where we believe we can add insight.

## **PATIENT CHOICE**

HCF believes that the right of a consumer to choose where a clinical service is provided should be upheld. This generally revolves around the choice of treating clinician. In making that choice it is important that there is transparency to the consumer around both the clinical care and the financial implications of the options.

Our Hospital Patient Experience survey highlights that in the public hospital system when consumers are choosing to be a private patient there is a disconnect between their expectations and the actual experience. For example 60% of HCF members did not receive their choice of doctor in a public hospital, and only 20% received a single room. Additionally, 14% of members who declared their private health insurance had an out of pocket cost when treated in a public hospital. 22% of these patients paid more than \$1,000.

We are also aware that some members feel that they are unduly pressured to elect to be a private patient in a public hospital. This is highlighted in the following member illustrations:

### **Illustration 1 (extract from member phone call):**

*My new born baby has been in the NICU for 3 weeks, I have been told that unless I declare my private health insurance my baby will be transferred to a regional intensive care unit. Can you help me?*

### **Illustration 2 (extract from member email):**

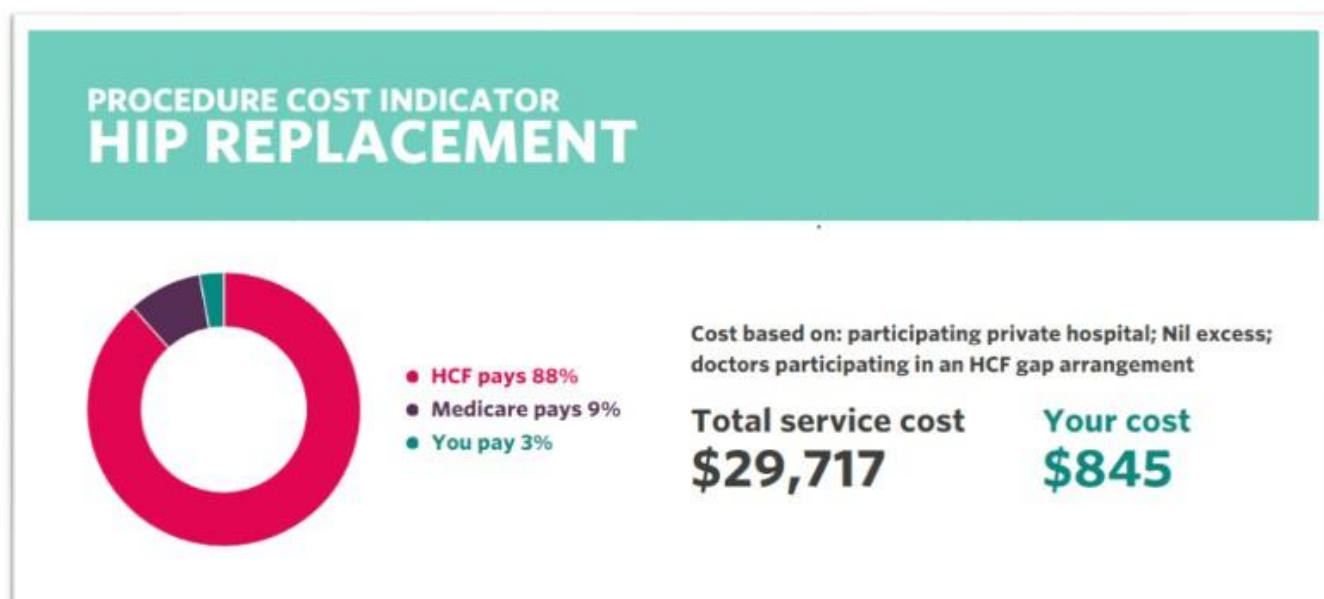
*Last week, I was admitted to hospital again through Emergency. My husband was asked if I had private health insurance and for the details. They were provided. I elected to be treated as a public patient. The next day I was visited by a ... patient liaison officer, who very quietly and repeatedly sought to have me change my election from Public to Private patient. She just kept pushing, harassing me regardless of my declining at least 3 times. Eventually she offered me a financial inducement to change my election... she showed me a print out... of the details of my HCF mem'p. I was horrified that my private information had been accessed even though I was a public patient... Despite the duress to change my election I still declined... then tried another tack. If I changed my election it would be like making a donation.... I still declined. She was adamant that it would cost me nothing and unable to understand my point when I told her that this practice just meant that everyone's premiums would go up...*

## **UNDERSTANDING HEALTHCARE AND GAPS**

HCF continues to invest in improving the consumer experience of understanding their health insurance product and that includes providing information concerning possible gaps that may be incurred. The better informed a consumer is about their level of cover the better equipped they are to make informed health decisions.

In November 2016 we launched our Preparing for Hospital website which includes information on what to expect when undergoing a procedure, including videos from patients with helpful hints and a cost indicator which assists the consumer in understanding what their average out-of-pocket cost might be and how to

minimise it - [www.hcf.com.au/preparing-for-hospital](http://www.hcf.com.au/preparing-for-hospital). This also assists consumers in understanding the value of their health insurance.



This has been supplemented with our partnership with Healthshare which provides information to consumers and GPs concerning whether a medical specialist participates in our HCF Medcover schemes. This enables the facilitation of a discussion at the point of referral between the patient and the GP around not just clinical information but also charge information. To date we have had more than 40,000 enquiries on the Healthshare website: [www.healthshare.com.au/directory/find-a-health-professional/](http://www.healthshare.com.au/directory/find-a-health-professional/).

Our objective is to minimise confusion by members surrounding out-of-pocket expenses and all participants in the health care ecosystem have a role to play. It is essential that those delivering healthcare provide informed financial consent information to consumers concerning any potential unexpected out of pocket.

Use of this protocol is high among private hospitals but not as high by individual specialists or in some cases by stand-alone day hospitals or public hospitals. We are aware that some providers (particularly where they do not have a contract with a health fund) do not meet their responsibilities of providing informed financial consent and charge the patient 100% upfront of the fee and leave it to the fund after the admission to determine the extent of coverage. Changes to the Second Tier requirements could assist the consumer by requiring hospitals to provide a quote, charge only the difference and also cap the extent to which an out-of-pocket charge can be levied.

Despite our best endeavors through our contracting arrangements with providers to minimise out of pocket charges we are concerned with an emerging trend by hospitals to pass costs on to doctors which are then charged to the consumer in the guise of a doctor fee. A common example is the charging of "access fees" to doctors to use theatres or equipment within a theatre for example a Robotic device. This fee is then charged by the doctor to the member.



## **MEDICAL SERVICE DELIVERY MODELS**

Models of clinical care continue to evolve and it is important that PHI's are able to engage with new models of care. HCF has a long and proud history of supporting innovative clinical care models. We were an early adopter and promoter of providing telephonic based care solutions to our membership via our arrangement with Healthways and Healthyweight for Life to name a few. These service models and their benefits have been published in medical journals over the years and have enabled those consumers with chronic diseases to continue to receive care out of hospital to assist with the management of their condition.

To ensure continuity of care it is important that PHI's are able to assist consumers in transitioning to models of care that are within a community setting and reflects contemporary practice.

More recently through our HCF Catalyst program we promote new health technology initiatives which will shape the way and channels through which care is delivered in the future.

## **USING DATA TO IMPROVE CARE AND SERVICE**

The experience of using the healthcare system can be significantly improved by overcoming the data disconnects within the system. Effective sharing of data assists a PHI to provide services that are tailored to the consumer's needs. Knowledge of whether a consumer is at risk of developing a chronic disease or has recently been diagnosed with a disease assists the fund in pointing the consumer towards a care model which can help manage a disease state and enhance their quality of life.

## **MEETING THE NEEDS OF CONSUMERS**

HCF has a strong ethos of engaging with consumers which is borne out of our status as a mutual. We exist for the benefit of our members. We believe that the best people to provide feedback on our services and their needs are our members. We engage with them in a variety of ways to improve our business and their satisfaction with our products. As an example more than 500 members were involved in the development of our Going to Hospital tool, from providing feedback on the type of information they wanted, to beta testing prototypes, to sharing their experiences with other members. Our net promoter system (NPS) is a tool we use to gauge the voice of customers. Over the last 12 months we have seen an improvement in our NPS by more than 7 percentage points.

## **PRODUCT DESIGN TO MEET CONSUMER NEEDS**

From a structural industry perspective, HCF supports the redefining of what constitutes a Complying Health Insurance Product (CHIP) in order to ensure PHI products are simplified, better understood by consumers and deliver greater value to consumers.

In doing so, HCF suggests that consideration be given to reverting back to defining two basic types of PHI cover for hospital services. Using current SIS terminology these would be noted in the boxes titled:

1. What's covered if I have to go to hospital? and;
2. What services are not covered at all (exclusions).

Within this framework a consumer would choose to be fully covered for all items or to have full cover for a limited range of services and no cover for the remaining services. Within the limited cover option there could be multiple product designs suitable for the consumer.

The sorts of changes to CHIP that would help achieve this include:

- Define a minimum level of cover to qualify as a CHIP, and in particular eliminate “restricted cover” all together.
- Increase the maximum excess level. The current maximum excess level is \$500 per policyholder per annum, however this has not changed for many years and would be the equivalent of around \$800 with indexation in today’s dollars.
- At the same time, the removal of co-payments and other front-end deductibles that are not an excess should be modelled for consideration.
- Remove the requirement to provide minimum benefits, default benefits, private health benefits in public hospitals. By definition the binary approach suggested above would lead to the removal from SIS of the content at “*What services are only covered to a limited extent?*”
- Many of the programs covered by the minimum requirements in other countries are done so in an out-of-hospital primary care setting and as such do not need to be mandated as a minimum requirement. The evidence-based model suggests that this is the most appropriate setting but health funds are required to fund an inappropriate clinical setting. On the question of access members can access services in both the public and private system. It is also inconsistent that you can exclude a service but not the rehabilitation that goes with it.
- Continue to allow exclusions, however, the definition of services to be excluded should be constructed by clinicians and should be consistent across the industry.

## CONCLUSION

HCF is supportive of collaboration across the sector to improve the value and affordability of access to healthcare in Australia. The focus of the review we believe aligns with our vision to make health care understandable, affordable, high quality and customer centric.

HCF would welcome the opportunity to discuss the issues and opportunities raised in this submission with the Committee.