



Medibank Private

Submission to the Senate Standing Committee on Community Affairs

Inquiry into Private Health Insurance Amendment (GP Services) Bill 2014

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Introduction

Medibank welcomes the opportunity to provide a submission to the Senate Standing Committee on Community Affairs inquiry into Private Health Insurance Amendment (GP Services) Bill 2014.

Medibank acknowledges the fundamental role that primary care plays in Australia's health system. As the entry point for most people into the healthcare system, General practitioners (GPs) underpin the entire system and are involved in all stages of the care continuum from prevention, to treatment and rehabilitation.

As such, Medibank is interested in how it can work with closer collaboration with GPs, particularly in the areas of preventative health, disease management and post-operative care. If Medibank can support GPs to assist its members to remain healthy and out of hospital, not only do members benefit but it also makes sense to Medibank from a business perspective.

Critical to the provision of effective primary care is the universal Medicare benefit that facilitates affordable access to primary care for all Australians. Short of more fundamental changes to the way health is financed, Medibank does not advocate any regulatory change that would lead to access to this universal benefit being restricted. Nor does Medibank desire regulatory changes to permit health funds to pay in part or in full for primary care services presently covered by Medicare or to cover out of pocket gaps.

Medibank does see benefit in being able to support the existing primary care system. Principally it sees this in terms of being permitted to make available programs and support services aimed at coordinating care or preventing ill-health for members.

Medibank is opposed to any tightening of regulations around private health insurer interaction with the primary care sector. To do so would restrict insurers to operating only in the most expensive part of the health system, to the detriment of the almost 13 million Australians with private health insurance and the health system overall.

About Medibank

At Medibank, we stand For Better Health.

These three simple words sit at the heart of everything we do. They define why we exist and what we stand for. For Better Health means seeing every interaction with our customers as an opportunity to build a relationship. It means we promise three things:

- Better Choices – we help people make positive health decisions and feel in control of their health
- Better Confidence – we ensure people feel confident about their health and offer genuine peace-of-mind
- Better Outcomes – we advocate for an improved health system that produces quality health outcomes but also contain health costs.

Medibank is Australia's largest provider of private health insurance and health solutions. Each year, we pay billions of dollars worth of hospital and allied health claims and directly deliver almost 600,000 clinical services, helping millions of Australians live healthier, fuller lives. With a large and diverse customer base, Medibank is one of the best

recognised brands in Australia. We are proud of the position of trust we have established and of our integral role in Australia's health system.

Protecting health and wellbeing

With Medibank and ahm amongst Australia's most trusted private health insurance brands, we are the private health insurer of choice for over 3.8 million people Australia wide, including over 200,000 overseas visitors and students. Our size allows us to offer value for money products for customers at all life stages across all states and territories and to secure sustainable pricing when purchasing health services on their behalf. They also rely on Medibank health insurance products for access to our nationwide network of partner hospitals and ancillary service providers.

Further bringing our Vision to life, Medibank has deliberately chosen to go beyond the standard health insurance with a strong value proposition that ensures peace of mind and the best in healthcare, including:

- Immediate access and treatment.
- Doctor of choice or preferred treatment pathway.
- Access to a national network of hospitals and ancillary provider.
- Nurse & health advice 24/7 every day.
- Care coordination and integrated care for complex patients.

We also draw on the strength of our brand to offer complementary insurance products, including Medibank Travel Insurance, Medibank Life Insurance and Medibank Pet Insurance. These products are strongly aligned to our core insurance business, extending peace of mind to all members of the family, including those who are overseas and much-loved family pets.

Virtual and face to face healthcare

Delivering on our commitment to support health and wellbeing, Medibank Health Solutions has become Australia's largest provider of telephone health coaching, nurse advice and triage, telephone chronic disease management and web-based health and wellness advice. As the service provider for publicly funded and available services including *healthdirect Australia*, *after hours GP helpline* and *NURSE-ON-CALL*, our expertise is experienced everyday by thousands of Australians.

We are also responsible for providing access to on- and off-base healthcare services for the Australian Defence Force. Applying from point of injury or illness through to recovery, our services connect Australian Defence Force personnel with on- and off-base health professionals, radiology, pathology and optometry services across Australia. We also provide the Australian Defence Force with a world class telehealth service delivering triage, health advice and referral services 24 hours a day, seven days a week.

Importance of primary care in the Australian Healthcare System

Primary care delivered by GPs dispersed throughout the Australian community is a critical part of Australia's healthcare system.

GPs are the first point of contact for most Australians seeking healthcare. Frequently they treat illness with their own resources, or where required, refer patients to other service providers, including specialists and diagnostic testing. As such they are the foundation of the health system and their actions drive much of the activity in the healthcare system.

Aside from the human benefits that having ready access to primary care brings, effective primary care can also play a key role in helping maintain overall health system costs. Drawing on primary care to address illness earlier rather than later and to manage disease and risk factors improves the health of the population and helps avoid the larger downstream healthcare costs associated with secondary and acute care.

Restricted by regulation to paying for hospital based treatment or non-Medicare services out of hospital, private health funds have traditionally not engaged with the primary care sector. However only paying for the treatment of members once they reach hospital does not make sense either medically or financially, especially when there is an opportunity to improve health outcomes and reduce costs through earlier intervention.

Greater focus on primary care can moderate health cost pressures

Health expenditure in Australia during 2011–12 was \$140.2 billion, equal to 9.5 per cent of GDP. Over the decade until 2012, total spending more than doubled, growing from \$69b in 2003 to \$140b in 2012, a compound annual growth rate of 8.18 per cent. In comparison, over the same period real GDP growth has averaged approximately 3 per cent.

A key driver behind expenditure growth in the last decade has been the creeping growth in healthcare utilisation by people of all ages. In short there is an ever increasing propensity for Australians to consume healthcare, including seeing doctors more often, having more tests and operations, and taking more prescription drugs than they have in the past¹.

In the coming decades demographic change looks likely to further increase the proportion of GDP spent on healthcare. As has been well established elsewhere², the number of people aged 65 and over (and who tend to consume more healthcare than younger people), is set to grow both in absolute numbers and as a proportion of the total population.

All funders of healthcare are considering how to manage this risk. Medibank's principal concern is the potential for this trend to drive benefit outlays sharply higher and so lead to private health insurance becoming unaffordable, or at least perceived as unaffordable.

If this were to occur, it may lead to a reemergence of the downward spiral of adverse selection experienced by the industry in the eighties and nineties, which saw the healthy low claimers required in a community rated system exit, leaving an ever smaller rump of less healthy, higher claiming policy holders. Such an outcome would risk forcing millions

¹ Daley, John, *Budget Pressures on Australian Governments*, Grattan Institute, 2013

² For example, in the Treasury's Intergenerational Report series.

of policy holders back into the public health sector, with negative implications for the sustainability of the overall healthcare system.

Medibank considers one of the most effective options to manage costs is to focus on addressing utilisation of the highest cost segments of the healthcare care system. For this reason it is increasingly focused on how it can work with general practitioners to manage illness and disease in a community setting so as to avoid the need for expensive secondary or acute care services.

Medibank primary care initiatives

Aligned with the overall intent expressed above, Medibank has recently commenced two new initiatives aimed at helping members and their GP manage ill-health and disease that left unaddressed can lead to expensive secondary and acute care.

GP Access pilot program

Since November 2013 Medibank has been trialling a service in Queensland³ aimed at encouraging members to access primary care services. Currently, 26 medical centres and 145 doctors are participating in the pilot, which has delivered over 20,000 consultations to date. The majority of the participating medical centres are part of the IPN group with two non-IPN clinics also trialling the scheme.

The program is built around three key elements:

- Same-day appointments – when members call one of the participating GP clinics before 10am weekdays they are guaranteed an appointment for that day. If members call later, the clinic will do their best to fit them in.
- Fee-free consultations – members who show their Medibank card at a participating clinic or who use the after-hours GP will receive the consultation fee-free.
- After-hours GP home-visits – members in metro areas can access an after-hours home GP visit within three hours.

The immediate goal of the GP Access program is to encourage and support Medibank members to access a GP. If this can be achieved it should improve individual health and may reduce the need for hospital admissions and associated costs, thus easing pressure on premiums and helping to maintain private health insurance affordability.

In the near future Medibank will pilot providing participating doctors with additional resources available for them to apply to Medibank members with chronic disease. This support would buttress resources already available to these patients under GP Management Plans and Team Care Arrangements.

Medibank recognises that for GPs to identify Medibank members, understand the additional programs to be made available and change their usual processes and systems is difficult and time consuming. As such, it has agreed to contribute funding towards the management and administrative costs of the GP Access program. Both Medibank and participating doctors are highly respectful of regulatory obligations in respect of paying for

³ The program commenced as a Brisbane only pilot in November 2013 and expanded to clinics outside of Brisbane from March 2014.

services delivered out of hospital and the financial arrangements are well within these requirements.

Just as important is the maintenance of clinical independence for participating doctors and choice for patients. Participation in the program is optional for both patients and GPs and the doctor has complete ownership of the clinical care and decisions. No clinical information is provided to Medibank.

Medibank has noted criticism suggesting the GP Access program is undermining Medicare or creating a two-tier system. This argument is misleading as it falsely suggests Medibank or the GP Access program will somehow disrupt access to the universal Medicare benefit that is the basis of the Australian system⁴. This is incorrect - Medibank recognises and supports the fundamental importance of Medicare.

Medibank intends to evaluate the GP Access program through 2014 and will make an announcement on its future following the completion of the evaluation.

CarePoint

In parallel with the development of GP Access, Medibank is also developing a pilot integrated care service called CarePoint. Aimed at high and complex needs patients, CarePoint is overlaid on to the existing health and social services system and is specifically built to eliminate the systemic breakdowns in it that leads to hospitalisation for this cohort.

Centring on the patient’s own GP, CarePoint brings together new and existing resources at primary care level, in the hospital and in the home to coordinate and support care across the entire spectrum of health and social service. It uses a unique blend of physical and virtual touch points underpinned by integrated data and a proactive care coordination workflow.

The model has been designed specifically to foster engagement with both consumers and providers across the whole spectrum of health and social services, as per the image below:



⁴ Inherently this argument also suggests primary care is homogenous. In fact it is a patchwork, multi-tier system, exhibiting great variation in access, quality and cost.

Medibank is partnering with state governments to roll out the program, meaning the benefits of CarePoint will be available to both public and privately funded patients.

Impact of the Private Health Insurance Amendment (GP Services) Bill 2014

Medibank considers that the Private Health Insurance Amendment (GP Services) Bill 2014 as problematic and unwelcome.

Problematic drafting

The Bill as drafted appears to contain some drafting errors or be based on a misunderstanding of aspects of the PHI Act. As a result it creates issues which may be unintended. If they are not unintended, the issues represent a substantial impost on the legitimate business of private health insurers.

As drafted the Bill refers to *private health insurance policies* rather than the usual expression used in the Private Health Insurance Act which is *complying health insurance policies*. This means the Bill can be interpreted as being intended to affect products and services offered to non-residents ineligible for Medicare, such as overseas students and visitors to Australia, with the further effect that *GP services* is to be interpreted as being a type of service for which Medicare may, in relevant circumstances, pay benefits.

As a provider of Overseas Student Health Cover (under a Deed with the Department of Health) and of Overseas Visitors Cover, Medibank directly funds primary care services on a fee for service basis. This Bill would thus potentially restrict the types of services Medibank can provide to these customers. Medibank objects to this restriction⁵.

Furthermore, the effect of paragraph 105-5(1)(a) is that a private health insurer must not enter into an agreement or arrangement that provides for GP services to be provided to policyholders, even if there is no payment towards the costs of those services coming from the private health insurer⁶. This would likely preclude an agreement between an insurer and a GP for the insurer to provide preventative health and care coordination programs to GPs and their patients. Medibank has plans to make such programs available in the near future and notes the introduction of such programs are supported by organisations such as the Australian Medical Association⁷.

It is unclear what the Bill refers to when it seeks to prevent an “agreement or arrangement” procuring “preferential access” in paragraph 105-5(1)(b) as “preferential access” is not defined in the proposed amendments. Medibank considers it is entirely inappropriate for such a key term to be left undefined and only referenced in the proposed Explanatory Memorandum for the Bill, where it says, “Examples might include...”. If the Parliament is to enact a Bill in these terms then it must take steps to clarify what it

⁵ If this is not the intended effect of the Bill, the Committee should recognise this potential ambiguity and address it either by restricting the prohibitions to *complying health insurance policies* or by clarifying the definition of *GP services* so that the latter clearly says that an actual Medicare benefit must be claimed and must be paid in order for that to be a GP service that is subject to the prohibitions.

⁶ Relevant to this section is that under its current GP Access program Medibank is *not* providing GP services for members but rather the participating GPs have agreed to provide these services.

⁷ See the Australian Medical Association’s position statement *Private Health Insurance and Primary Care Services - 2014*

intends to prohibit and it must not leave such obvious ambiguity as arises from the present drafting.

Based on this ambiguity Medibank cannot be sure of the impact of Bill of its current GP Access pilot program in Queensland, particularly as Medibank has not asked for nor received undertakings from participating doctors that they will provide “preferential access”.

Entrenching fragmentation, waste and ongoing cost growth

Attempts to prevent private health insurers from drawing on the expertise of GPs to manage members in the most efficient part of the health system are misguided and the antithesis of good public policy. This Bill would achieve just this.

If this Bill becomes law it will directly and unequivocally lead to worsened health outcomes for patients. It will do this because it will harden the artificial divide between primary care and other parts of the health system and deny patients the undoubted benefits that flow from coordination. This amounts to further fragmentation of the health system at a time that reform minded health strategists seek to integrate it and make it more coordinated.

A cost of this this fragmentation is waste. Poor communication among different sections of the health system, or relying on patients to join the sections together, leads directly to waste. Regardless of whether the waste is due to mismanagement, inappropriate treatment or duplication of care efforts as patients navigate the healthcare system, the system cries out for greater coordination. This Bill sets back this cause.

If private health insurers are prevented from working with primary care in the way this Bill seeks to, it would result in the best option for health insurers to tackle cost growth being denied to them. Given the key role sustained high annual benefit payment increases play as a driver of above CPI premium increases, if it becomes law this Bill must make private health insurance more expensive.

Conclusion

Medibank appreciates the motivation for this Bill is to support the health system in its current form, including the universal nature of the Medicare benefit system. Medibank supports the importance and role of Medicare as the foundation of primary care funding.

However, Medibank also considers more can be done to improve health outcomes and address financial sustainability by working more closely with GPs. Working with GPs will help insurers to place downward pressure on hospital utilisation growth rates.

Medibank considers the Private Health Insurance Amendment (GP Services) Bill 2014 as likely to prevent insurers from working with GPs and members to maximise the benefits of primary care and so likely to lead to worsened health outcomes and healthcare cost growth. Medibank urges the Community Affairs Committee to recommend the Bill not proceed to a second reading.