



**Health** New battle looms

# Secret plan to shake up hospital funding

**Exclusive**

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Health correspondent

The private health insurance rebate would be abolished, consumers would be charged more for extras cover and the states would be forced to find more money for public hospitals under radical funding changes being considered by top government officials.

Documents obtained by Fairfax Media reveal the nation's most senior health bureaucrats are part of a secret taskforce developing a proposal for a "Commonwealth Hospital Benefit" – a new funding formula for public and private hospitals that would have widespread ramifications for patients and the medical industry.

Under the plan, the Commonwealth would "pool" the approximately \$20 billion it currently gives to public hospitals each year with the \$3 billion it pays to private sector doctors and the \$6 billion it spends on the rebate to help people pay their private health insurance premiums. It would use the money to pay a standard benefit for services regardless of whether they

are performed in a public or private hospital, or whether people

choose to be treated as public or private patients.

Such an approach could result in a proportional reduction in federal funding for public hospitals.

Under present arrangements, the Commonwealth pays close to 40 per cent of the cost of public hospitals. But the department's presentation to the taskforce suggests that would be reduced to 35 per cent under the proposed scheme.

"States would be required to meet the balance of the cost for public patients thus maintaining free public hospital services," the department's presentation says.

The Taskforce on Hospital Funding is being run by a private strategic policy think tank, Global Access Partners. Tender documents show the Department of Health paid \$55,000 to help establish the taskforce, which brings it together with stakeholders for strictly confidential meetings.

Committee: *CA Leg. Committee*

**Tabled Document**

Inquiry: *2017-18 Budget Estimates*

Date: *29 May 2017*

Witness: *Senator Watt*

Organisation: .....

The taskforce has met three times, with Department of Health boss Martin Bowles and his deputy Mark Cormack – who is responsible for public hospital funding agreements – directly involved in the talks, according to a "Participant List" also obtained by

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29 May 2017  
Sydney Morning Herald, Sydney

Author: Adam Gartrell • Section: General News • Article type : News Item  
Audience : 93,403 • Page: 1 • Printed Size: 361.00cm<sup>2</sup> • Market: NSW  
Country: Australia • Words: 647 • Item ID: 783055611

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## Revealed: secret plan to shake up health insurance, hospital funding

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Fairfax Media marked “confidential”. While the taskforce process began when Sussan Ley was health minister, it continued under her replacement, Greg Hunt, with the most recent meeting in Sydney on March 28. Fairfax Media is not suggesting Mr Hunt knows about or is pushing the proposal.

While the Turnbull government struck a three-year hospital funding deal with the states last year it has signalled it wanted a more long-term, less ad-hoc agreement – and this proposal could fit the bill. COAG is set to revisit the issue of hospital funding next year to set the course for a post-2020 agreement.

The department’s presentation says the new approach – first floated under the Abbott government’s federation reform process two years ago – would boost equity and efficiency, and reduce administration costs. It would also limit the Commonwealth’s exposure to “cost shifting” – when public hospitals transfer the costs incurred on public services to private health funds.

But the department acknowledges there would be significant hurdles to overcome. The plan would have far-reaching consequences for private health insurers and consumers, potentially driving up the cost of premiums.

There would no longer be any Commonwealth support for “general treatment” insurance products such as dental and physiotherapy, meaning consumers would lose their extras cover or pay more for it.

The changes would also likely to anger doctors and specialists, who have just made peace with the government in the wake of the Medicare rebate freeze.

At present, private sector doctors are paid with funds from the Medicare Benefits Schedule, insurers and patients’ pockets. Hospitals or insurers would need to negotiate a single payment for doctors – potentially putting some of their incomes at risk.

And the department concedes the proposal does not address problems arising from the division of responsibilities with the states.