Australian
Private Hospitals
Association

31 January 2025

Department of Health and Aged Care
PO Box 9848
Canberra ACT 2601
Private.Hospitals@health.gov.au

Dear Sir/Madam,

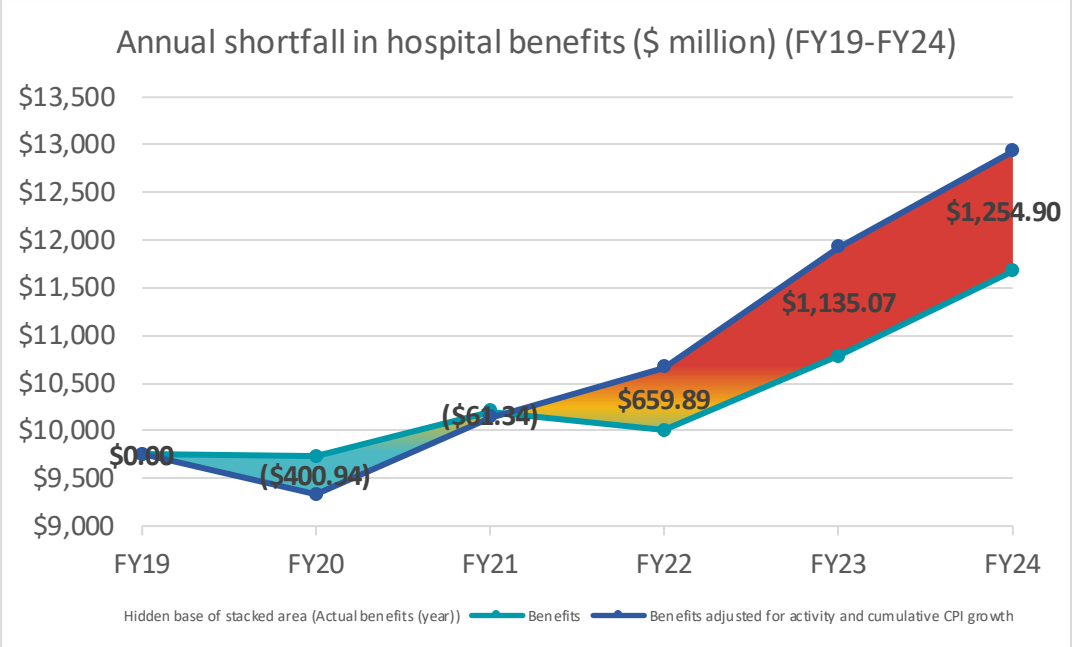
RE: Private Health Reform Options - Consultation Paper

The Australian Private Hospitals Association (APHA) is bewildered by yet another consultation process following two years of extensive briefings. Despite in-depth data, independent research papers and unprecedented financial information afforded by our members to the Federal Government, the government has done nothing, and seemingly intends to do nothing, to address the immediate issues impacting the sector, its patients and employees.

The proposed short-term options for discussion at the CEO Forum are, at best, piecemeal measures. Even collectively they will not prevent further hospital closures or curtail more services from being shut down in communities across the country. Further, there is nothing 'short-term' in delaying any decision-making for another six months, let alone after two years of inaction.

None of the measures flagged for discussion address the core issue affecting private hospital viability. That being the failure of private health insurers to pay hospitals in full for the treatments and services they provide to insured patients. The Australian Prudential Regulatory Authority reports that over the last three years, this shortfall in funding has blown out to more than $3 billion. Clearly, this is not sustainable.

The widening shortfall in funding to private hospitals is illustrated by the graph below.



Data source: Consumer Price Index, Australia, ABS (2024); APRA Quarterly Private Health Insurance Statistics, APRA (2024)

This process of yet further discussion focussed on inadequate policy responses to the issues raised by the APHA and its members for two years, is an insult to each hospital and their employees that engaged with the government in good faith.

The sector has provided government with unprecedented access to proprietary information and made a number of submissions, including the omnibus APHA private hospital viability options paper submitted last year (the options paper). We have consistently emphasised the need for immediate and medium-term solutions, as well as long-term reforms, to prevent further adverse impacts on the sector and the national health system at-large.

The options paper detailed the facts, figures and evidence-base supporting the case for action now. It included several short and medium-term options that could be immediately adopted and implemented. The proposed discussion points in the departmental consultation paper do not reflect any consideration of the data or recommendations provided to the government.

That the government has accepted the evidence provided by private hospitals but failed to act in any way, then delayed any decision point until well after the federal election, is unacceptable. This indifference undermines the ongoing viability of the Australian private hospitals sector, which accounts for 70% of all planned surgeries – 1.7 million surgeries a year, as well as 1.6 million medical treatments each year.

As for the measures flagged for ongoing discussion by the Department, Option 2.4 suggests that access to mental health care be improved by increasing the supply of internationally educated psychiatrists able to admit patients to private mental health hospitals by amending the 10-year moratorium requirement under section 19AB of the *Health Insurance Act 1973* (Cth). Mental health and psychiatry are identified as critical areas where reforms are needed in the sector. The implementation of this option would support increased access to mental healthcare in the acute private hospital system. However, the existing moratorium has implications for a larger swathe of specialties that also need amendments to current regulation and legislation. Whole-of-sector reforms are needed over the short and long-terms.

Lifting the moratorium should have been done two years ago when the APHA raised it with government. It can be done today. Delaying this action for yet another six months underscores the government's indifference to the plight of hospitals, their patients and staff. That this measure is not implemented immediately, especially given the crisis in mental healthcare nationally and the deepening plight of NSW patients as public psychiatrists resign *en masse*, is incomprehensible.

Other options provided, such as option 2.6. Changes to Risk Equalisation arrangements to support improved access to mental health and maternity care, are unreasonable and risk setting a dangerous precedent for insurers to risk-rate services. At present, risk equalisation supports the community rating principle and include an age-based pool and a high-cost claims pool. Changing this only helps distribute the costs of high-risk patients across insurers, it does not support patient care or sector viability - on the contrary, it undermines it.

There is a need for government to implement reform options that leverage innovative models of care such as hospital-in-the-home (HITH) for psychiatric care and rehabilitation. APHA formed a proposal on ambulatory care, that was submitted to the department on 16 April 2024. A follow up to the department was made on 15 October 2024. As no response to the proposal was provided by the department, we attach it to this submission for your urgent attention.

A default benefit for ambulatory outreach care can expand the availability of programs that provide effective care for people in need of acute psychiatric care without the need for intensive oversight and treatment by a psychiatrist such as occurs during an overnight psychiatric hospital admission.

Currently, less than 30 percent of people who have an inpatient admission have cover with a health insurer that funds ambulatory care in the home. APHA estimates almost 5,000 eligible people are missing out on ambulatory outreach care, simply because their health insurer refuses to fund the service. This estimate is based on the total number of patients treated in private psychiatric hospitals. This and other similar proposals that APHA has advocated for, ensure good clinical governance, integrated and responsive care, and remove barriers to access for patients.

We, again, provide (attached) the options paper that details the minimum requirements from government to ensure private hospitals can continue providing quality care to the community, including 12.2 million health insurance members with hospital cover, and support the jobs of 69,000 private hospital employees.

Yours sincerely,

Brett Heffernan
CHIEF EXECUTIVE OFFICER

Attachments

Attachment A: *Private hospital viability: immediate response to crisis*, Australian Private Hospitals Association, November 2024
Attachment B: *The critical role of ambulatory care for people accessing private psychiatric hospital* services, Australian Private Hospitals Association, February 2024