

# Economic Reform Roundtable

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CONSULTATION SUBMISSION

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# Introduction

## PURPOSE

This document is intended to provide a submission to the Economic Reform Roundtable under the Department of the Treasury's consultation process. The submission is informed by and relates to the work the Productivity Commission is leading through its five (5) productivity inquiries with a specific focus on creating a more dynamic and resilient economy, building a skilled and adaptable workforce, harnessing data and digital technology, and delivering quality care more efficiently.

The submission provides ideas and proposals to:

- improve productivity – for example, cutting red tape without lowering standards, leveraging technology and Artificial intelligence
- build economic resilience in the face of global uncertainty – for example, attracting investment, promoting trade and security supply chains, diversifying our industrial base and building a skilled and adaptable workforce
- strengthen budget sustainability – for example, options to improve the structural position of the budget and fund high-quality services and priorities.

## RATIONALE

A strong, resilient, and productive economy is grounded in a viable and sustainable health system. Private hospitals occupy a critical role in this system by providing access to high quality healthcare and advanced treatments, patient choice, clinical choice and autonomy, and support the national system by reducing the burden on the public system. It is a matter of national interest for Australia to have a robust private healthcare system, a sovereign capability that underscores our national security, national health, and competitiveness.

In addition to a direct economic impact, the upstream and downstream economic benefits of a sustained and healthy private hospital sector cannot be overstated. The sector directly employs nurses, doctors, other allied health professionals, cleaners, catering staff, accountants, lawyers, and business professionals. It indirectly requires and supports the manufacturing, construction, electricity, gas, water and waste services, transportation, information media, rental, hiring, real estate, professional, scientific and technical services, public administration, education and training, and research sectors (among others). While the direct contribution to the national economy exceeds \$24 billion, the indirect contribution is far greater.

The sector is also at the crossroads of new and advanced technologies that have the potential to and, in many ways, already are revolutionising the provision of quality care. Artificial intelligence has the ability to increase efficiency, reduce timeframes for administrative activities, support clinicians in the process of providing clinical advice, the opportunities to leverage these technologies are countless.

A vital sector with critical infrastructure that uses and engages with critical technology, and that makes a substantial contribution to the fabric of Australia. A productive Australia requires a healthy private hospital sector. Without it, the health of Australians, productivity, and the economy will continue to suffer.

# APHA Submission

## 1.0 IMPROVING PRODUCTIVITY

### 1. A Data-driven Reform Agenda

- 1.1 A data-driven reform agenda is essential for unlocking productivity gains in Australia's healthcare system and beyond.
- 1.2 By leveraging real-time data, predictive analytics, and integrated digital platforms, governments and service providers can make more informed decisions, allocate resources more efficiently, and identify areas for improvement.
- 1.3 This approach enables a shift from reactive to proactive policymaking, where interventions are guided by evidence and tailored to actual system needs.
- 1.4 In healthcare, data-driven reforms can streamline clinical workflows, reduce duplication, and improve patient outcomes.
- 1.5 For example, integrated electronic health records (EHRs) allow providers to access complete patient histories, reducing unnecessary tests and improving care coordination.
- 1.6 Predictive analytics can help identify high-risk patients early, enabling preventative interventions that reduce hospital admissions and associated costs.
- 1.7 These efficiencies directly enhance workforce productivity by allowing clinicians to focus on high-value tasks.
- 1.8 To fully realize the benefits of a data-driven reform agenda, investment is needed in digital infrastructure, workforce training, and governance frameworks that protect privacy while enabling data sharing.
- 1.9 A robust data ecosystem empowers decision-makers, enhances service delivery, and supports a more agile and productive economy.

### 2. De-fragmentation of the National Health Regulation System

- 2.1 Australia's health system has long been characterized by fragmentation—split responsibilities between federal and state governments, siloed funding streams, and disconnected service delivery across primary, acute, mental health, aged care, and disability sectors.
- 2.2 This fragmentation leads to inefficiencies, duplication of services, and gaps in care coordination, all of which undermine productivity across the healthcare system. De-fragmentation—through structural reform and integrated models of care—can significantly enhance system performance and workforce efficiency.
- 2.3 For healthcare providers, including private hospitals, a more unified regulatory and funding framework would reduce administrative burdens and improve service planning. Currently, navigating multiple regulatory bodies and inconsistent funding arrangements consumes valuable time and resources.
- 2.4 Streamlining these processes would allow providers to focus more on patient care and innovation, rather than compliance and negotiation. This shift directly supports productivity by enabling better workforce utilization and faster decision-making.
- 2.5 De-fragmentation also supports allocative and dynamic efficiency—ensuring that resources are directed to the right services at the right time.
- 2.6 Integrated care models, such as shared digital health records and coordinated funding for chronic disease management, improve patient outcomes.
- 2.7 These improvements not only lower costs but also increase the output and effectiveness of healthcare workers, contributing to a more productive system overall.

- 2.8 Reforming the National Health Regulation System to promote a “one-system” approach, where public and private providers collaborate under aligned governance and funding, can unlock significant productivity gains.
- 2.9 It allows for better workforce planning, more responsive infrastructure investment, and clearer accountability. As demand for healthcare continues to rise, especially with an ageing population and increasing chronic disease burden, de-fragmentation is essential to ensure that Australia’s health system remains both effective and economically sustainable.

### **3. Industrial Relations (IR) and Regulation Reform**

- 3.1 Industrial relations reform and associated regulation have a direct impact on productivity, profitability, and job and commercial security.
- 3.2 Radical changes to the IR environment in Australia pose a clear and present economic risk regardless of sector or size of enterprise. There is a need to ensure that reform is balanced and affords fairness to both employees and their employers.
- 3.3 The passage of the *Fair Work Legislation Amendment (Secure Jobs, Better Pay) Act 2022* (Cth), the *Closing Loopholes Act 2023* (Cth), and *Closing Loopholes No. 2 Act 2024* (Cth) are already having a considerable impact on businesses, and the re-election of the Albanese Government brings with it the further prospect of more changes.
- 3.4 New rules on increasing pay for labour hire workers, multi-employer bargaining, an intractable bargaining regime, changes to the definitions of casuals and ‘employee’, and criminal liability for ‘wage theft’, are now all in effect.
- 3.5 These changes have fundamentally altered labour relations dynamics, providing significant leverage to employees and unions, and increasing risks associated with third party intervention by the Fair Work Commission.
- 3.6 Since January 2024, the number of industrial disputes backed by industrial action have generally been increasing with an increasing number of working days lost.<sup>1</sup> This has put pressure on an economy still reeling from the economic and social impacts of the COVID-19 pandemic.
- 3.7 Recent Same Job, Same Pay provisions allow labour unions to get an order that employers with enterprise agreements (EAs) pay labour hire workers the same rate that is paid to permanent employees. This has and will continue to make it less attractive for businesses to hire labour hire workers.
- 3.8 Anticipated changes to entitlements for casual employees further accelerate the risks to industry at-large.
- 3.9 Further, proposed legislation on post-employment restraints that would render non-compete clauses in employment contracts unenforceable for employees earning below the high-income threshold threatens to cause risk to the operations of commercial entities.

### **4. Establishment of Permanent Committee Staff for Parliamentary Committees**

- 4.1 Establishing permanent committee staff within Australian parliamentary committees similar to the model used by the United States Congress, would be a forward-thinking policy reform that enhances legislative effectiveness and national productivity.
- 4.2 In the U.S., congressional committees are supported by dedicated, expert staff who provide continuous policy advice, conduct research, and assist in drafting legislation. This institutional knowledge and continuity allow committees to operate with greater independence and depth, enabling lawmakers to make informed decisions quickly and efficiently
- 4.3 In contrast, Australia's parliamentary committees often rely on temporary or rotating staff, which can limit their capacity for sustained policy development and oversight.

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<sup>1</sup> <https://www.kwm.com/au/en/insights/latest-thinking/reform-reflections-understanding-the-shift-in-australias-industrial-landscape.html>

- 4.4 By investing in permanent committee staff, Australia could ensure that its legislative bodies are better equipped to handle complex policy issues, respond to emerging challenges, and maintain institutional memory.
- 4.5 From a productivity standpoint, permanent committee staff contribute to more effective governance by streamlining the legislative process and improving the quality of policy outcomes.
- 4.6 This model fosters a proactive rather than reactive approach to policymaking, which is crucial in addressing long-term national priorities such as infrastructure, climate change, and productivity and economic reform. For Australia, adopting a similar staffing structure would not only strengthen parliamentary committees but also support broader national productivity by enabling timelier, evidence-based, and coherent policy development.
- 4.7 This reform would align with global best practices and reinforce the role of Parliament as a central engine of democratic governance and strategic planning.

## **5. Leveraging Parliamentary Friendship Groups to Connect Business and Government**

- 5.1 Leveraging Parliamentary Friendship Groups (PFGs) to strengthen connections between business and government presents a strategic opportunity to enhance national productivity in Australia, particularly in sectors like private healthcare.
- 5.2 PFGs are cross-party, formally recognised, groups of parliamentarians who share a common interest in specific issues, industries, or communities. While they are not formal decision-making bodies, they serve as powerful platforms for dialogue, awareness-raising, and soft advocacy.
- 5.3 By fostering regular, structured engagement between MPs and key stakeholders in the private hospital sector, PFGs can help bridge the gap between policy and practice. This can lead to more responsive regulation, better-informed health policy, and faster adoption of innovations that improve service delivery and efficiency.
- 5.4 In the context of private hospitals, which play a vital role in relieving pressure on the public health system, PFGs can be instrumental in highlighting operational challenges, workforce needs, and opportunities for public-private collaboration.
- 5.5 A Parliamentary Friends of Private Healthcare group could host briefings, site visits, and roundtables that bring together clinicians, administrators, and policymakers. These interactions can help shape policies that reduce red tape, support digital transformation, and improve funding models, ultimately boosting productivity across the health sector.
- 5.6 By enabling more agile and informed policymaking, PFGs contribute to a more efficient healthcare system, which in turn supports broader economic productivity.

## **6. Removing the 10-Year Moratorium on Overseas Trained Professionals**

- 6.1 Under section 19AB of the *Health Insurance Act 1973* (Cth), a person who is an overseas trained doctor or who is a foreign graduate of an accredited medical school is ineligible to receive Medicare rebates in respect of professional services rendered by them for a period of 10-years.
- 6.2 This means that these doctors and foreign graduates must work in designated priority areas for at least 10 years to provide services covered by Medicare rebates.
- 6.3 The 2023 “Independent review of Australia’s regulatory settings relating to overseas health practitioners” (Kruk Review) highlighted pertinent issues and a critical shortage of health practitioners in Australia with 44% of vacancies remaining unfilled at the time of the review.
  - 6.3.1 It noted that “Shortages are particularly acute in distinct locations and care settings, and key specialties. People living in regional, rural and remote areas find it harder to access many forms of care”.
- 6.4 The Kruk review further emphasised that workforce shortages contribute to reduced access to care, increased workloads for health practitioners, overuse of higher cost

- services (such as locums and emergency care) and poorer patient outcomes such as increased waiting times.
- 6.5 The moratorium limits the ability of overseas trained staff to contribute fully to the healthcare system. Removing the moratorium would:
    - 6.5.1 Allow faster integration of skilled professionals into the broader healthcare system.
    - 6.5.2 Reduce underemployment and skill wastage among qualified practitioners.
  - 6.6 The moratorium also creates administrative burdens (e.g., tracking scaling credits, exemptions), limits flexibility in workforce planning, and forces doctors into work that may not align with their specialties or career goals, reducing job satisfaction and retention.
  - 6.7 Removing it would streamline regulatory processes and allow more strategic workforce deployment, improving both cost-effectiveness and care quality.

## 2.0 BUILDING ECONOMIC RESILIENCE

### 1. Support and Expand Domestic Manufacturing

- 1.1 Supporting and expanding domestic manufacturing is a cornerstone of economic resilience.
- 1.2 A strong manufacturing base reduces reliance on global supply chains, which are increasingly vulnerable to geopolitical tensions, pandemics, and climate-related disruptions.
- 1.3 By investing in local production capabilities, Australia can ensure a more stable supply of essential goods, including medical equipment, pharmaceuticals, and energy infrastructure components.
- 1.4 Domestic manufacturing also plays a vital role in job creation and regional development. It stimulates innovation, supports small and medium enterprises (SMEs), and fosters skills development across a range of industries.
- 1.5 For sectors like healthcare, particularly private hospitals, a robust local manufacturing ecosystem can ensure timely access to critical supplies, reduce procurement costs, and enhance operational continuity during emergencies.
- 1.6 Expanding manufacturing capacity also strengthens Australia's strategic autonomy. By producing key inputs domestically, the country can better manage economic shocks and maintain service delivery in vital sectors. This is especially important for healthcare, where supply chain disruptions can have immediate and severe consequences. A resilient manufacturing sector ensures that private hospitals are not only better equipped but also more agile in responding to crises.
- 1.7 To achieve this, policy makers should consider targeted incentives such as tax breaks, grants for advanced manufacturing technologies, and investment in research and development.
- 1.8 Public-private partnerships and regional manufacturing hubs can further accelerate growth and ensure that domestic production aligns with national priorities. A thriving manufacturing sector is not just an economic asset; it is a strategic imperative for long-term resilience and prosperity.

### 2.0 Greater Integration with International Markets

- 2.1 The private hospital sector, while not expressly involved in the manufacture or development of medical devices, is at the forefront of the delivery of healthcare services and products to patients in Australia.
- 2.2 Providing greater access to patients to advanced treatment options, supporting greater patient and clinician choice, and ensuring that patients receive care that is fit and appropriate towards realising good health outcomes form the cornerstones of private healthcare in Australia.

- 2.3 There is a strong case for greater integration between Australian and European markets for medical devices, for example. This can help insulate the Australian healthcare system against domestic supply shortages, as has been observed with the ongoing shortfall in intravenous fluid bags. It can also support greater access to new and advanced technology being developed in EU countries.
- 2.4 Global harmonisation of medical device regulations and standards can have positive impacts on the ability of healthcare systems, public or private, to pursue the objectives of better health, better treatments, and better rehabilitation.
- 2.5 A lower regulatory burden for the approval of medical devices developed overseas to be sold in Australia can also lower costs of purchase for private hospitals at a time when viability is a significant concern.

### **3 Guarantee and Legislate for Minimum Returns on Private Health Insurance Premiums**

- 3.1 The Commonwealth should guarantee and legislate for a minimum Private Health Insurer Payout Ratio to increase private hospital funding, through the return to a payout ratio of 88 cents in each dollar of hospital policy premium revenue.
- 3.2 Historically, private health insurers paid hospital benefits of 88 cents from every dollar of premium revenue received for hospital policies.
- 3.3 In FY23 this dropped to 81 cents in the dollar and has recently recovered to 84 cents in the dollar.
- 3.4 Reverting to the historical ratio of 88 cents in the dollar would increase benefits paid to hospitals by 5 percent, which would materially remediate private hospital viability challenges.
- 3.5 This requirement would limit the portion of premium dollars that health insurers may spend on administration, marketing, and profits.
- 3.6 Health insurers would be required to publicly report on the portion of premiums spent on health care and quality improvement and other activities. Insurers failing to meet the appropriate ratio of 88 cents must subsequently pay rebates to consumers.
- 3.7 By ensuring a predictable and adequate flow of funds from private health insurers to hospitals, this measure would help stabilize operations, support workforce retention, and enable investment in critical infrastructure and services.
- 3.8 Economic resilience is closely tied to the reliability and capacity of healthcare systems. Private hospitals play a vital role in relieving pressure on public facilities, especially during health crises.
- 3.9 A guaranteed payout ratio would reduce financial uncertainty, allowing hospitals to plan and operate more effectively. This, in turn, enhances the sector's ability to respond to emergencies, maintain service delivery, and support broader public health outcomes.
- 3.10 From a macroeconomic perspective, this policy would also improve transparency and accountability in the private health insurance market. By limiting the proportion of premium revenue that can be allocated to administration, marketing, and profit, and requiring public reporting, the measure promotes consumer trust and ensures that funds are directed toward actual healthcare delivery.
- 3.11 Rebates for insurers failing to meet the ratio further reinforce this accountability, protecting consumers and encouraging efficiency.
- 3.12 Ultimately, restoring the historical payout ratio is not just a financial adjustment—it is a strategic investment in economic healthcare resilience.
- 3.13 It ensures that private hospitals remain viable and competitive, supports employment in the sector, and contributes to a more balanced and robust healthcare system. In doing so, it strengthens Australia's overall economic resilience by safeguarding one of its most critical service sectors.

### **4 Establish a Domestic Stockpile of Medicines and General Use Items**

- 4.1 Establishing a domestic stockpile of essential medicines and general use items is a strategic move to enhance national economic resilience.



- 4.2 Supply chain disruptions, whether due to global conflicts, pandemics, or natural disasters, can severely impact the availability of critical healthcare supplies. A well-managed stockpile ensures continuity of care, reduces dependency on international suppliers, and provides a buffer against price volatility and shortages.
- 4.3 For the private hospital sector, a domestic stockpile offers a safeguard against operational disruptions. Hospitals rely on a steady supply of pharmaceuticals, personal protective equipment (PPE), and medical consumables to deliver consistent and high-quality care. In times of crisis, access to a national reserve can prevent service interruptions, protect patient outcomes, and reduce the financial strain associated with emergency procurement at inflated prices.
- 4.4 Beyond healthcare, a national stockpile contributes to broader economic stability. It supports workforce productivity by ensuring that essential services remain functional during emergencies, and it reduces the economic impact of supply chain shocks.
- 4.5 Moreover, it can stimulate domestic manufacturing by creating predictable demand for locally produced goods, thereby strengthening industrial capacity and reducing reliance on imports.
- 4.6 To maximise the effectiveness of such a stockpile, it is crucial to implement robust inventory management systems, regular audits, and strategic partnerships with manufacturers and logistics providers.
- 4.7 Clear governance and transparent procurement processes will ensure that the stockpile remains responsive to evolving needs and aligned with national priorities. Ultimately, this initiative can serve as a cornerstone of Australia's preparedness strategy, reinforcing both public health and economic resilience.

## **5 Energy Affordability and Reliability**

- 5.1 Clean, affordable, reliable, and secure energy is at the heart of national security and economic resilience. Australia has seen a rapid increase in energy prices that have caused shocks to industry and an ageing electricity grid that raises the spectre of commercial and economic disruptions.
- 5.2 The energy crisis has further weakened an already struggling economy that has seen a slow post COVID-19 recovery. The economy has in effect been subject to an economic long-COVID.
- 5.3 Energy is a critical input to production in various sectors and an increase in energy prices strains profitability, forcing manufacturing-intensive industries to scale down production and service delivery-based industries, such as healthcare to cut down offerings or cease operation all together. High energy prices also deter investment, undermining firms' productivity and competitiveness even further.
- 5.4 Despite a notable move towards clean energy and energy efficiency, it is unlikely that short term gains will be sufficient to outweigh costs. A difficult investment climate for private hospitals further limits the ability of the sector to take on or absorb any additional costs.
- 5.5 To address the dual challenge of rising energy costs and reliability concerns, a coordinated national strategy is essential. This strategy should prioritize investment in modernising the electricity grid to improve resilience and reduce transmission losses, while also incentivizing diversified energy generation, including renewables, storage solutions, and low-emission baseload options.
- 5.6 Government support through targeted subsidies, regulatory reform, and public-private partnerships can help stabilize energy prices and ensure consistent supply, particularly for critical sectors such as healthcare and manufacturing.
- 5.7 In the short term, measures such as energy price caps for essential services, demand-side management programs, and emergency support for vulnerable industries can mitigate the immediate impact of energy volatility.

- 5.8 Over the long term, fostering innovation in energy efficiency technologies and expanding access to clean energy infrastructure will be key to ensuring affordability and reliability. A stable and predictable energy environment will not only support economic recovery but also enhance Australia's competitiveness and national security.

## **6 Clearer Pathways for Domestic and Foreign Investment**

- 6.1 Establishing clearer and more predictable pathways for both domestic and foreign investment is essential to strengthening Australia's economic resilience.
- 6.2 Transparent, consistent, and reliable regulatory frameworks streamlined approval processes, and targeted incentives can attract capital into sectors that are critical to national wellbeing, including healthcare.
- 6.3 By reducing uncertainty and administrative burdens, Australia can position itself as a more attractive destination for long-term investment, particularly in infrastructure-heavy industries like private hospitals.
- 6.4 For the private hospital sector, improved investment pathways can unlock much-needed capital for facility upgrades, expansion of services, and adoption of advanced medical technologies. This is especially important in the context of rising operational costs such as energy and increasing demand for healthcare services. Foreign direct investment (FDI) can also bring in global expertise, innovation, and best practices, enhancing the quality and efficiency of care delivery.
- 6.5 The benefits of a more investment-friendly environment extend beyond individual sectors. Increased investment contributes to job creation, boosts productivity, and enhances service delivery across the economy.
- 6.6 In healthcare, this translates to better patient outcomes, reduced pressure on public hospitals, and greater capacity to respond to future health crises. Moreover, a robust private hospital sector supported by sustainable investment can act as a stabilising force during economic downturns, ensuring continuity of care and preserving essential services.
- 6.7 To realize these benefits, policy makers should consider implementing investment facilitation measures such as healthcare-specific investment zones, tax incentives for green hospital infrastructure, and public-private partnerships.
- 6.8 These initiatives can help align investor interests with national priorities, ensuring that capital inflows contribute meaningfully to Australia's long-term economic and social resilience.

## **7 Develop Joint Disaster Response Plans with Private Hospitals**

- 7.1 Developing joint disaster response plans with private hospitals is a strategic move that not only strengthens the health system's capacity to respond to crises but also enhances economic resilience at a national level.
- 7.2 Private hospitals are a critical part of Australia's healthcare infrastructure, delivering more than 40 percent of all hospital care, yet they are often underutilized in disaster planning and emergency response coordination. By integrating private hospitals into formal disaster response frameworks, governments can unlock additional surge capacity, diversify service delivery, and ensure continuity of care during emergencies such as pandemics, natural disasters, and mass casualty events. This reduces the burden on public hospitals and prevents system overload, which can have cascading effects on workforce productivity and economic stability.
- 7.3 Joint planning also enables better resource allocation—such as staffing, equipment, and logistics—across both public and private sectors. This coordination ensures that healthcare services remain operational and accessible, minimizing disruptions to the broader economy. For example, during a pandemic, maintaining elective surgeries and chronic disease management in private hospitals allows public hospitals to focus on acute care, preserving overall system functionality and reducing long-term health costs.

- 7.4 Moreover, disaster preparedness in the private sector supports business continuity, protects jobs, and sustains investor confidence. When private hospitals are equipped and empowered to respond to crises, they can maintain operations, safeguard their workforce, and contribute to community resilience. This stability is essential for economic recovery and growth, especially in regions where private hospitals are major employers and service providers.
- 7.5 Incorporating private hospitals into disaster response planning is not just a health policy, it's an economic strategy. It ensures that Australia's health system is agile, inclusive, and capable of withstanding shocks, thereby reinforcing the foundations of a resilient economy.

## **8 Put in Place Mandatory Industry Codes of Conduct for Private Health**

- 8.1 Private hospitals are facing a structural crisis in financial viability, driven by longstanding market imbalances and contracting practices that have eroded sustainability. Without intervention, this will lead to further hospital closures, cancelled investments, reduced patient access and choice, and compromised service quality. These outcomes will not only strain the public hospital system but also weaken the broader economy by undermining a critical pillar of national infrastructure.
- 8.2 A major contributor to this instability is the unequal bargaining power between private hospitals and private health insurers (PHIs). Despite rising operational costs—driven by inflation, workforce pressures, and technological demands—hospitals are not receiving a fair share of premium increases. PHIs, leveraging market dominance, have suppressed payments to hospitals, even as hospitals continue to employ the workforce and deliver essential care. This imbalance has become entrenched over time, resulting in systemic market failure that harms both providers and consumers.
- 8.3 Private hospitals are increasingly unable to absorb these financial pressures, and the consequences are far-reaching. The degradation of hospital viability threatens the continuity of care, reduces investment in innovation and infrastructure, and risks the collapse of a sector that supports millions of patients annually. This is not just a health issue—it is an economic one. A weakened private health sector will increase demand on public hospitals, extend waiting lists, and reduce workforce productivity due to delayed or inaccessible care.
- 8.4 Unfair and unconscionable practices have also led to consumer harm, with patients misled about their entitlements and benefits. Legal action by the ACCC against major insurers underscores the severity of these issues and the need for regulatory oversight. Voluntary negotiation has failed to correct these imbalances, as discussions occur between unequal parties, with insurers holding disproportionate power.
- 8.5 A mandatory industry code of conduct, supported by an arbitration model and price transparency mechanisms, offers a practical, low-cost solution. It would restore balance, improve efficiency, and reduce long-term costs for consumers. Similar codes in sectors like dairy, gas, and media have proven effective in stabilizing markets and protecting essential services. Health is no less critical—indeed, it underpins the productivity and resilience of every other sector.
- 8.6 Private hospitals urge the government to act decisively. A mandatory code is a minimally interventionist yet powerful step toward stabilizing the health system, protecting patients, and reinforcing economic resilience.

## **3.0 STRENGTHENING BUDGET SUSTAINABILITY**

### **1. Amendments to Funding Arrangements under the National Health Reform Agreement (NHRA)**

- a. While the NHRA primarily governs funding for public hospitals, its evolving framework has significant implications for the broader healthcare ecosystem, including private hospitals.

- b. Amendments in the 2020–2025 Addendum and the upcoming 2025–2026 revisions emphasize integrated care, value-based funding, and improved coordination across health sectors.
- c. These reforms create opportunities for private hospitals to participate in collaborative models of care, particularly in areas like elective surgery backlogs, chronic disease management, and hospital-in-the-home services.
- d. A more integrated funding approach where private hospitals are engaged through public-private partnerships or shared service models can alleviate pressure on public hospitals while optimizing resource use across the system.
- e. This not only improves patient access and outcomes but also enhances budget sustainability by reducing duplication and leveraging existing private sector capacity. For example, proposals for a National Public-Private Hospitals Partnership suggest that better alignment of funding and service delivery could unlock efficiencies and improve system-wide resilience.
- f. Additionally, the NHRA’s emphasis on performance monitoring and outcome-based funding encourages all providers, including private hospitals, to focus on quality and efficiency.
- g. If private hospitals are included in future funding arrangements, they can contribute to reducing overall system costs while maintaining high standards of care. This would require clear policy mechanisms to ensure equitable access to funding and transparent reporting.
- h. Ultimately, aligning NHRA reforms with private hospital capabilities supports a more sustainable and resilient healthcare budget.
- i. It enables governments to tap into underutilized private infrastructure, reduce capital expenditure on public facilities, and foster innovation in care delivery. For private hospitals, this presents an opportunity to secure stable funding streams and play a more strategic role in national health planning.

## **2. Funding for Existing and New Models of Care**

- a. Investing in both existing and innovative models of care is a critical strategy for enhancing the long-term sustainability of Australia’s healthcare budget.
- b. Traditional hospital-centric care models are resource-intensive and often reactive, focusing on treatment rather than prevention. By funding new models such as integrated care, hospital-in-the-home, telehealth, and community-based services, governments can shift the focus toward early intervention, chronic disease management, and more efficient service delivery.
- c. For example, hospital-in-the-home programs allow patients to receive acute care in their own homes, while maintaining high standards of care. Similarly, telehealth expands access to services in rural and remote areas, improving equity while reducing travel and infrastructure costs.
- d. Supporting existing care models is equally important to ensure continuity and quality of service. Stable funding allows providers to maintain workforce levels, invest in training, and adopt new technologies that improve efficiency.
- e. When combined with targeted investment in innovative care models, this dual approach creates a more flexible and responsive healthcare system that can adapt to changing population needs and economic conditions.
- f. Ultimately, funding a diverse mix of care models enhances economic resilience by reducing pressure on public hospitals, improving health outcomes, and delivering better value for money.
- g. It enables a more proactive and preventative approach to healthcare, which not only improves quality of life for patients but also reduces long-term costs to the system. This strategic shift is essential for maintaining a sustainable healthcare budget in the face of rising demand and constrained public finances.

### **3. Long-Term Contracting between Public and Private Systems**

- 3.1 The Australian Government partnership with the private health sector during the COVID-19 pandemic illustrated the advantages of collaboration and cooperation to the national health interest and private hospital viability, both of which are not mutually exclusive.
- 3.2 Agreements between the government and private hospitals have significant advantages in balancing the burden on public systems, allowing public patients to access world-class healthcare in private hospitals, supporting private hospital viability, and ensuring the optimum functioning of the healthcare system.
- 3.3 Even in the absence of public health emergencies, public patients are routinely treated in Australian private hospitals under short-term contracting arrangements. Contracting can be beneficial for public patients, allowing them to take advantage of less waiting time in the private hospital sector and can also assist public hospitals address unanticipated surges in demand or reduction in capacity.
- 3.4 Contracting in Australia has generally been ad hoc. Without greater certainty about the type and volume of patients to be treated and the length of contract arrangements, it is unlikely that the full benefit of contracting (such as timelier access to care for public patients, and the more efficient use of resources) will be realised.
- 3.5 The government should consider opportunities to better ensure certainty in public-private partnerships in consultation with the sector.

### **4 Tying Premium Increases to Payments for Care in Private Hospitals**

- 4.1 In the period from 2018/19 to 2023/24 PHI price indexation has fallen well short of cost inflation resulting in substantially reduced operating margins and balance sheet strength across the sector.
- 4.2 The shortfall on the PHI benefits paid to private hospital operators has been steadily increasing from \$660 million in 2019/20 to an annualised shortfall for 2023/24 of \$1.254 billion resulting in continuation of hospital and service closures.<sup>2</sup>
- 4.3 According to the Private Hospital Financial Health Check summary, about 33 percent of hospitals were loss-making on earnings before interest, tax, depreciation and amortisation (EBITDA).<sup>3</sup>
- 4.4 The Commonwealth needs to consider options to tie premium increases to payments for care in private hospitals to ensure that premium increases can keep pace with increasing costs.
- 4.5 This approach ensures a more predictable revenue stream. When premium increases are directly linked to the costs of care, hospitals can better forecast their income, which is crucial for financial planning and sustainability.
- 4.6 Private hospitals often face higher operational costs compared to public hospitals. By tying premium increases to payments for care, hospitals can recover these costs more effectively, ensuring they can continue to provide high-quality services and ensure that patients get the care they need and deserve.
- 4.7 With more stable and predictable revenue, hospitals can invest in advanced medical technologies, infrastructure, and staff development. This not only improves the quality of care but also enhances sector competitiveness.

### **5 Review Wastage in the Public Hospital Sector**

- 5.1 In 2022-23, over \$96 billion was spent on public hospital services (including psychiatric hospitals) with 94% being funded by the Australian, state and territory governments. This is a significant appropriation of taxpayer funds and of the national health expenditure. It represents a 42.6% increase since 2013-14.<sup>4</sup>
  - 5.1.1 Between 2013-14 and 2022-23, non-salary expenditure has almost doubled.

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<sup>2</sup> <https://apha.org.au/wp-content/uploads/2024/12/Private-hospital-viability-immediate-response-to-crisis-APHA-28-Nov-2024-3.pdf>

<sup>3</sup> <https://www.health.gov.au/resources/collections/private-hospital-sector-financial-health-check-resources>

<sup>4</sup> <https://www.pc.gov.au/ongoing/report-on-government-services/2025/health/public-hospitals>

- 5.2 There is a need for the public sector to be held to a high standard of accountability for any resource wastage including overuse, misallocation, and inappropriate use of resources as a key strategy to strengthen budget sustainability.
- 5.3 Persistent inefficiencies in administrative processes, and service delivery models can erode value for money. These inefficiencies may include unnecessary diagnostic tests, duplication of services, and underutilisation of digital health tools—all of which inflate costs without improving patient outcomes.
- 5.4 A review focused on identifying and addressing these inefficiencies would allow governments to redirect funding toward high-impact areas such as workforce development, preventative care, and infrastructure upgrades. Productivity improvements in public hospitals could reduce resource consumption nationally, which would translate into billions in potential savings.
- 5.5 Moreover, tackling inappropriate resource use would help alleviate pressure on hospital staff, reduce patient wait times, and improve system responsiveness, ultimately enhancing both health outcomes and economic performance.

## **6 Legislate Against Public Hospitals Establishing Private Facilities**

- 6.1 Maintaining a clear divide between public and private healthcare sectors is essential for preserving the integrity, efficiency, and sustainability of both systems.
- 6.2 Private hospitals operate under market-driven principles, investing heavily in infrastructure, technology, and specialized services to meet patient demand and deliver high-quality care. When public hospitals begin offering private services, it blurs the lines between the two sectors and negatively impacts the private hospital sector by introducing substitute private health care services that are insulated from market pressures by government funding. This is an unfair market dynamic that diverts private health care demand away from the real private hospital market.
- 6.3 Public institutions benefit from government funding, subsidies, and tax advantages, which private hospitals do not receive. If public hospitals use these resources to attract private patients, it distorts the competitive landscape and undermines the viability of private providers while putting pressure on taxpayer funds.
- 6.4 When public hospitals begin to compete for private patients, they risk diverting attention and resources away from their public mandate. This not only compromises service quality for public patients but also creates inefficiencies in budget allocation and workforce management.
- 6.5 If private hospitals are capable of meeting the demand for private healthcare, there is no justification for public hospitals to enter this space. Doing so duplicates services, wastes public resources, and erodes the value proposition of private health care. Instead, governments should reinforce the separation by legislating against public hospitals establishing private wings or services.
- 6.6 This would ensure that public funds are used exclusively for public benefit, while private hospitals continue to innovate and invest in service excellence without facing subsidised competition. Such a policy would promote transparency, accountability, and sustainability across the healthcare system.

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