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Transcript: AMA President, Dr Michael Gannon, Radio National, *PM*, 2 August 2017

Subject: Private Health Insurance

THOMAS ORITI: Do you have private health insurance? Are you considering cancelling it? If you are, you're not alone. According to Western Australia's biggest private health insurance provider, HBF, the number of customers with top cover has halved in the past five years, and the industry expects issues around affordability are only going to get worse. Eliza Borrello reports.

ELIZA BORRELLO: 64 year old Tony has been looking for a permanent job for two years. The ABC Radio Perth talkback caller says he's been eating into his savings to support himself, and after having private health insurance for 30 years, it's now too much of a luxury.

CALLER TONY: So last year I downgraded from top hospital to base, and at \$300 a month I just can't afford it any more so I'm going to be binning it.

ELIZA BORRELLO: HBF is Western Australia's largest health insurance provider. Sascha Kendall is a HBF executive, and says Tony is not alone.

SACHA KENDALL: We have seen roughly a halving of those who have held top hospital cover in the last five years. And I think that is indicative of a broader dynamic across Australia.

ELIZA BORRELLO: She accepts the industry has a responsibility to keep costs down.

SACHA KENDALL: What we can't influence, however, are the prices set, for example, by private hospitals, by private specialists, by other medical providers, including dentists, opticians. And we certainly look to work closely with them and encourage them to revisit their own cost of supply because that really does impact, quite substantially, the overall cost of the health services that we then have to charge premiums to cover.

ELIZA BORRELLO: The Australian Medical Association's President, Michael Gannon, says it's misleading to blame doctors.

DR MICHAEL GANNON: Because the moment a doctor charges at one cent above the schedule that the insurer, in their wisdom, agrees to pay, they go all the way back to 75 per cent of the fee. So they actually pay less for those patients. So I think that when it comes to egregious fee setting by my colleagues, the AMA, the College of Surgeons, other bodies stand against that. But the insurers cannot say that that's the problem, because they do not pay for the care when doctors charge above their scheduled fee.

ELIZA BORRELLO: He says the industry needs to stop signing customers up for things they don't need, and excluding things they do.

DR MICHAEL GANNON: There are products available for male singles that include maternity cover. Now that's simply silly. Equally, maternity cover is a great example of an area where we need to see reforms. Pregnancies are normal, natural and physiological. One of the things that the AMA is advocating for is that maternity cover is included in the so-called bronze products.

ELIZA BORRELLO: Despite his criticisms, Dr Gannon argues it's crucial that health insurance programs succeed.

DR MICHAEL GANNON: The public system would collapse overnight with even a 15 per cent reduction in the number of people who are insured.

ELIZA BORRELLO: And he says private health insurance does provide a valuable service.

DR MICHAEL GANNON: For the sickest patients, for those needing the highest security of sub-specialist and specialist care, we have a fabulous public system that looks after patients. But when it comes to everyday problems, the private system serves its patients better. If you're a roof tiler and you hurt your knee, you want immediate access to care so you can get back to work. You don't want to be told it's three months for a clinic appointment and six months for an operation. So there's no question there remains value in the private system. We've just got to make sure that people see that value, and it's duty bound for the insurers to look at their products and look at exactly why people are leaving.

ELIZA BORRELLO: Private Healthcare Australia represents private health insurance providers. Its Chief Executive, Rachel David, says the industry knows affordability is an issue.

RACHEL DAVID: Well look, I think if premium rises occur as they have over the last decade, about a fifth of people on our modelling are going to have serious issues with continuing to afford their private health insurance.

ELIZA BORRELLO: Do you feel that you have a social licence, and that doing things like continuing a policy for someone in their 70s with maternity care possibly erodes that?

RACHEL DAVID: Look, I think there are a number of products that are currently available which are appropriate for people's life stage. And, don't forget that people who are older are often on the highest level of health fund cover because they know they're going to claim.

ELIZA BORRELLO: A Senate Committee looking into the value and affordability of private health insurance is due to publish its report in November.

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