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Transcript: AMA President Dr Michael Gannon, ABC News 24, 8 August 2016

Subjects: Surgical procedure expenses

JOE O'BRIEN: Australia's largest private health insurer Medibank has warned that market failure in the nation's health care system is fuelling an increase in costs, making some surgical procedures more expensive here than in the US and Europe. The Australian Medical Association says insurers are partly to blame for the high costs. From Perth, we're joined by the AMA president Dr Michael Gannon. Dr Gannon, welcome. So, cataract surgery here is twice as costly as Europe, how can that be justified?

MICHAEL GANNON: Well, these international comparisons are important and, equally, we could point to areas where Australia does well. At the root of Medibank's submission to the Productivity Commission is their desire to contain costs. We understand that, they are duty bound to deliver a dividend for their shareholders. It's important that they try and get value for money when they pay hospitals, when they pay doctors.

JOE O'BRIEN: But when we're getting to the stage where some procedures here in Australia are more expensive than they are in the US, isn't that a sign that something is seriously wrong?

MICHAEL GANNON: Well, we know that the United States is usually the higher watermark when it comes to costs of medical care, and Medibank has shown one area where it's particularly high. We saw the previous Labor government try and contain costs with cataract surgery. It's probably one of the item numbers where the fee is regarded as being high, but there are many other areas where the Australian health care system performs better than comparable countries I would challenge Medibank to find too many other individual operations where we don't perform very well.

JOE O'BRIEN: Don't we have to make some efforts to bring these costs down now. Patients don't have access to the prices charged by specialists so they can't make informed decisions. Shouldn't patients have access to that kind of information?

MICHAEL GANNON: Well, that's perhaps not that important to patients when the price they pay is zero. The vast majority of cataract operations, like the vast majority of all operations in Australia, are provided at no gap level. Eighty-six per cent of operations, there is no gap to the patient. Another seven per cent, there's a known gap of less than \$500. So, when we look at the increase in the costs year-on-year in private health care, the doctor's fee represents a very small part of that. So, let's look at the problem. The doctor's fee is very rarely the issue.

JOE O'BRIEN: So, when you say- when you concede that the problem needs to be looked at, how do you propose we go ahead with that?

MICHAEL GANNON: Well, I think we all want to see value for money in our system because we all end up paying. If we're talking about public patients, that is completely paid for by the taxpayers of this country. If we look at private patients, to a large extent, it's subsidised by taxpayers and then it's largely paid for by the rest of us in the pool of private health insurance premiums. So, it's in the interest of all of us to look at good stewardship, reduce complication rates, contain costs where possible, that's in the interests of everyone because ultimately it's the taxpayers of Australia that foot these bills.

JOE O'BRIEN: But as far as you're concerned, there's no way that the doctor's fee is overpriced?

MICHAEL GANNON: Well I think we should- we can look at individual operations and see whether we can do better but overall, if you look at an episode of elective surgery in a private hospital, the doctor's fee is typically between about five and seven per cent of the episode of care. We need to look at prostheses for joint surgery, we need to look at lens prosthesis for cataract surgery, we need to look at all of this. But really, the problem lies in other areas.

JOE O'BRIEN: And so are you proposing that there is a system by which this could be looked at independently and recommendations made that would be acceptable to everyone?

MICHAEL GANNON: Well, perhaps the Productivity Commission is the right body to do that, and I understand exactly what's behind Medibank Private's report. The simple fact is that the insurers, in a fairly strange system go to Government once a year and say we need to increase premiums by five, six, seven per cent, each year. That's difficult. We know that the two biggest players in the game, Medibank Private and Bupa, are both for profit. They have to deliver a profit to their shareholders so we understand their interest in the game. What we would say in the AMA is that the doctor's fee is a small part of the issue, but we want to work with Government, with insurers, to make sure that Australian taxpayers and, especially those who put their hand in their pocket for private health insurance, get really good value for money.

JOE O'BRIEN: Okay, Michael Gannon, thanks for talking to us.

MICHAEL GANNON: Pleasure Joe.

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