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**Transcript:** AMA President, Dr Michael Gannon, 2GB, *The Chris Smith Show*,  
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**Subject:** Private Health Insurance

**CHRIS SMITH:** Now, one of the biggest monthly costs for households and individuals is private health insurance, and I guess health is one of those few things that affects absolutely everyone, so it's no surprise we do pour a lot of our hard-earned cash into it, but we're hearing that 10,000 people per month are ditching their health insurance as premiums continue to rise. That's a stack: 10,000 per month.

Well, that has obviously played a role in what the Government has now announced. Federal Health Minister Greg Hunt has announced major overhauls to private health insurance. Now, the headlines are telling us all about: oh, we're going to be paying lower premiums. Well, it's not as simple as that, and he's been rose-colouring this message on interviews that I've seen throughout the morning on Sunrise and Today and – where else has he been? – he's been on Sky, he's been on the ABC, and it's only when you start to scratch the surface you realise: well, hang on, there's no such thing as a free lunch. But the changes include discounts for young Australians, and I'm a bit worried how much that discount will be; broader cover for mental health services – that I can't challenge; new categories of cover, which I think is a great thing, because it's so confusing, isn't it? Cheaper prostheses, and a major cut to the natural therapies you can claim. I mean major.

The Australian Medical Association President, Michael Gannon, joins me on the line right now.

Michael, welcome to the program.

**MICHAEL GANNON:** Good afternoon, Chris.

**CHRIS SMITH:** I want to talk about the headline that I keep hearing: lower premiums. So, if you go and take out an insurance policy under this new regime of changes, Michael Gannon, do you expect to get a lower premium?

**MICHAEL GANNON:** I think that the reforms, as we understand them, are likely to see the lowest increase in premiums in more than a decade. So, I can't see premiums ...

**CHRIS SMITH:** [Talks over] The lowest increase?

**MICHAEL GANNON:** ...going backwards. Yeah, I think that- I'm still expecting an increase this year, and what I'm concerned about is that many of the Minister's reforms might turn out to be a one-off. Now, he's got a difficult job. Health CPI runs at 5 to 7 per cent per year. All the fabulous new operations, the fabulous new technology, the amazing new drugs; they do cost a lot of money. That's the year on year increase in the cost of seeing public patients in public hospitals – the private system's not immune from that. So I think [indistinct]  
 ...

**CHRIS SMITH:** [Talks over] Yeah, but hang on a second. Let's go back. We were flogged the headline today that we would receive cheaper premiums. That was what Greg Hunt said:

cheaper premiums. I saw him say it twice. You're not convinced we'll see any reduction in premiums whatsoever.

**MICHAEL GANNON:** He may be able to deliver on that, and certainly I think with the deal he's done with the prostheses manufacturers and a couple of other elements of the policy, I think that he is going to be in a position where he will deliver either a flattening or maybe the smallest increase we've seen in a while. What I'm concerned about is that you can only do this deal with the prostheses manufacturers once. This- the cost of the care goes up year by year, and let's not forget 60 per cent of policyholders in Australia now have their health insurance policies with for-profit companies. Those companies have the same fiduciary responsibility to deliver a profit to their shareholders, and even for the mutuals, which now make up a smaller part of the market, they've still got to balance their books. So I'm not convinced we'll see a fall in premiums.

**CHRIS SMITH:** Well, people need to hear what you're saying, because there's a huge difference between a health minister saying cheaper premiums, and what you're saying, which is a one-off reduction in an increase in premiums. Like, there's a massive difference. We can't get too excited about this, is your message, right?

**MICHAEL GANNON:** No, we can't get too excited. This needs to be the start of a longer process. We need to start having these honest discussions about the increase in the Health budget. I'm actually at a meeting overseas at the moment, Chris. There's not a nation represented here who's not scratching their head as to how to fund their health system, and that is true of systems that are almost entirely private, like the American system; systems that are almost entirely public, like the British system; systems like Australia that may well be close to the sweet spot recognising the benefits of both parts of the system. We're all struggling to fund that year on year increase, and the ageing of the population, which is happening worldwide, and the technology that we all have a thirst for.

**CHRIS SMITH:** Okay. In terms of complexity – and this has always been a problem with private health insurance – putting products into categories like gold, silver, bronze and basic, has got to be a good thing.

**MICHAEL GANNON:** It is a good thing, and that's one of the key elements of the reforms that we support. When I said earlier this year to the Press Club that we'd counted 20,000 policies, someone told the AMA that they thought it was closer to 50,000. We think it's almost been deliberate on behalf of the funds to make it confusing for people, but it's not good enough. It's doctors everyday who have that situation where someone in good faith has paid their health insurance for years, and then they find out that they're not covered.

Good friend of mine; I said to him recently: start counting people who get told they can't have their cataract operation in a private hospital. He counted 25 in a week. That's not good enough. There are older Australians who have done the right thing. They've put money aside. We're often talking about people on fixed or limited incomes or both. They put money aside for health insurance; they deserve to be rewarded when they get sick. At least with gold, silver and bronze, and with some tightening of the clinical definitions, we'll have a situation where people don't need a medical degree to understand what they are and aren't covered for.

**CHRIS SMITH:** I heard the Minister also say today: oh, the under-30s. This is where we're targeting our changes. They can claim, or they can get an offer of a discount of up to 10 per cent, and that sounded awfully generous, but the truth of the matter is they'll be offered a two per cent discount every year, up to a maximum of 10 per cent, which they'll keep until they turn 40. Now, Labor's Health spokeswoman, Catherine King, who's been in that portfolio for quite some time, said young people will only save about 70 cents a week. That's hardly going to get those under 30 dragged into private health insurance, 70 cents a week.

**MICHAEL GANNON:** Well look, certainly the industry needs to do better in making young people see the value in health insurance, and the others stakeholders – the doctors, the hospitals, the prostheses manufacturers, et cetera – we’ve all got to do our bit as well. The reality is that sicker Australians, older Australians; they’re clever enough to keep their insurance. They know firsthand the stories of waiting times in the public system. They know the problems that that carries. But what’s happening is that healthy Australians look down the road at our world-class public system and say: you know what? If I have an accident, I’m going to end up in the public system. So, everyone has skin in the game. We’ve all got to do better to make it appeal to younger Australians. I can tell you for nothing: if you’re a young roof tiler, if you’re a working man and you do your knee, you will wait months to get an orthopaedic appointment. That’s where the private system really comes into its own for those less serious health problems, but [indistinct] ...

**CHRIS SMITH:** [Talks over] But when you’re 23 years of age you’ve got to have the money to pay for these premiums, and they simply don’t.

**MICHAEL GANNON:** You’re right, Chris. We do have a problem with affordability. We want to partner with the private health insurers to fix the system, but we do have to address the elephant in the room: there’s now billions of dollars per year going into the pockets of shareholders of for-profit insurers. I’ve spoken to Greg Hunt about this. He says that genie’s out of the bottle; Medibank Private is now a listed company; Bupa is now a big player; NIB, they’re the third biggest; these are all companies that have to deliver a dividend to their shareholders. What we will not stand for is those companies delivering those profits on the back of reduced services to our patients.

**CHRIS SMITH:** The other fine print aspect of these changes – and this will upset a lot of people who are convinced that natural therapies work – is that there’s a whole list of natural therapies that will no longer be included in terms of claiming through your private health insurance; everything from homeopathy, even pilates and yoga, and there are some people who don’t need to see the evidence to know what something like this does to their health – they’re going to be upset.

**MICHAEL GANNON:** Look, they will be upset, and we haven’t spent a lot of energy over the years, Chris, arguing against these therapies. They- most of them are unadulterated rubbish that’s near or entirely worthless, with no benefit beyond placebo effect, but the truth is that they don’t cost a lot, and they are popular. Now, if someone’s admitted to hospital for a hip replacement, the total costs are north of \$30,000. If someone has a trauma, an operation and a handful of days in an intensive care unit, that admission might push towards \$100,000. I don’t even what Roling is, Chris, and a few sessions of Reiki- well, you’d need a lot of Reiki to get towards the cost of a hip replacement. So ...

**CHRIS SMITH:** [Laughs] I’m with you.

**MICHAEL GANNON:** but we’ve never pushed this, but we can’t help but welcome it. There’s no science behind any of the things that he’s pulled back from, we will support it with that caveat on it.

**CHRIS SMITH:** Yeah, I’m hearing you. Out of 10, what would you give Greg Hunt for what’s happened here?

**MICHAEL GANNON:** I’m giving him seven out of 10, but there’s a lot of promise in this student, and I look forward to him turning up to school next year.

**CHRIS SMITH:** Nicely said. Thank you very much for your time.

**MICHAEL GANNON:** Alright. Pleasure, Chris.

**CHRIS SMITH:** Good on you. The President of the Australian Medical Association, Dr Michael Gannon.

Seven out of 10. Look, I'm not suggesting that Greg Hunt speaks with forked tongue, I'm just saying: gee, he's done a good impression of a snake oil salesman.

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