Australian Medical Association Limited
ABN 37 008 426 793

42 Macquarie Street, Barton ACT 2600: PO Box 6090, Kingston ACT 2604
Telephone: (02) 6270 5400 Facsimile (02) 6270 5499
Website: http://www.ama.com.au/

Transcript: AMA President, Dr Michael Gannon, with David Bevan, ABC Radio Adelaide, *Mornings*, 28 August 2017

Subject: Private Health Insurance

DAVID BEVAN: But let's start with health insurance. Dr Michael Gannon is the President of the Australian Medical Association, he joins us now. Good morning, Michael.

MICHAEL GANNON: Good morning, David.

DAVID BEVAN: Michael, if you were a young person getting scared by all of the advertising saying, look, if you don't sign up to a health insurance scheme by the time – I thinks it's 30 – you're going to start to be hit with penalties, and you don't have a lot of money because you're paying off your HECS debt; you've just started off in your career so you haven't got a lot of money, maybe you've just bought a house; what would you be doing?

MICHAEL GANNON: Well, it's a great question and there are all sorts of reasons why I would promote a young person having private health insurance. The one thing I will start by saying is I understand why they question it; there are too many stories – they're not that hard to find – of people who are insured and when it comes time to use their insurance, they're told that it's only good enough for treatment in a public hospital, they're questioning themselves how are they in front. But what I would say to young women out there is that two thirds of pregnancies are unplanned, and you want that option to be looked after in the private system. What I would say to young men, young women who might be in physical work – especially if they work for themselves – if you're a plumber, if you're a roof tiler, if you're a sparky and you hurt your knee, you might wait four, five, six months to get an appointment; another two, three, four months to get an operation, whereas if you're insured you get treatment very quickly. The public system is fabulous at dealing with serious health problems – major health problems – less good for the run-of-the-mill things each day. And then of course, you mention the tax penalties which are involved under the Community Rating Scheme if you're not signed up before your 30th birthday.

DAVID BEVAN: But if you're a tradie, wouldn't you be covered by either your employer's insurance or perhaps some kind of work cover? So, your injury in that scenario would be taken care of, wouldn't it?

MICHAEL GANNON: Yeah, exactly right. But if you're playing footy on the weekend and you do your knee, well then you're in real trouble. So, I think that this is the word insurance; we have to change our relationship with health insurance in many ways. Most people at the end of the year don't lament the fact that they haven't cashed in on their fire insurance, or their house and contents insurance.

DAVID BEVAN: [Laughs].

MICHAEL GANNON: And so I think that what we'd like to see is a re-pivot of the relationship. But of course, the reason it's different is that down the road you have a fabulous free product – the treatment offered in our public officials. But I'd again make the point that the public system is fantastic if you're seriously ill. If you have major trauma in a motor vehicle accident, if you get a cancer, if you have a serious health problem, you get taken very good care of. It's more the day to day problems: if you get a hernia, if you've got varicose veins, if

you want to have a baby, if you do your knee, that's where the private system comes into its own.

DAVID BEVAN: But are there a lot of junk policies out there?

MICHAEL GANNON: Well, sadly there are and this happens every day. In fact, last week after my address at the Press Club, I had a client from one of the hospitals I work in come and congratulate me. She says that this is a sad part of her job every single day of her life, to talk to people who are told that they're just not covered, or that they have the kind of excesses that make treatment in a private hospital prohibitive. That …

DAVID BEVAN: [Interrupts] Can you give me an example of a junk policy? Because people would sign up to this, they're paying good money and they think, well, look, I'm in the health system, I'm going to avoid those penalties after I turn 30, I'm in the system, this is good. In fact, what they've bought is junk.

MICHAEL GANNON: Well, if you are limited to treatment in a public hospital and nothing else – in other words, you have no advantage over being a public patient at all – I can't see how that's anything other than junk. If you have something that has so many exclusions, so many caveats, so many carve outs, that you're not going to end up possibly using it, then I think that that meets the definition of junk. We understand that someone might sensibly choose a lower insurance premium for a higher excess – that's smart, that's an individual decision – but there are just too many tricks, too much fine print. And when it comes down to it, all that we would say is that we want to see an end to these episodes where people in good faith think they're covered and when they go to use their health insurance find they're not.

DAVID BEVAN: Are some people signing up to these policies thinking, look, I know it's not much use but at least I'm in the system and I won't be penalised when I try to upgrade my policy? Maybe when I turn 40 and I need all of those extra things. So really, I'm just buying this cheap policy – it might be junk – so that I'm in the system and I don't have big penalties when I turn 40 or 50.

MICHAEL GANNON: Well, that's a great question, and I'm sure like any product amongst our community there are the clever people, the literate people, the people who have got the time to do the research and work that out. What I'm interested in is that group of people that are more vulnerable, they're not clever enough to play the system, they don't understand the fine print. We've counted well over 20,000 policy variations. A lot of people have telephoned us and said we've completely understated the true number. There are too many tricks, too many games in this, and that's why we and the industry are participating in a process that should simplify the available options. The Government wants us to get down to gold, silver and bronze, and if we can reduce the deliberate confusion in the system and look after patients better, well that's where we want to end up.

DAVID BEVAN: Alright. Now, stay on the line. I appreciate you're a very busy man, Dr Michael Gannon, but we'll take a few more calls and then I'd like you to explain what would gold, silver, bronze mean. What would that mean in terms of practical policies as our listeners turn up to buy something?

But let's go to Matt from Flagstaff. Hello, Matt.

CALLER MATT: Yeah, hi David. How are you going?

DAVID BEVAN: Good, good, good. What are you thinking?

CALLER MATT: Yeah, well, I've never understood the argument around childbirth for being involved in the private system. We had our child several years ago and we were in the public system and we had an excellent experience. The only thing we seemed to differ with the friends who were in the private system got was they seem, to all get fairly large gaps anyway of up to $5000.

DAVID BEVAN: [Laughs]. How much?

CALLER MATT: Up to $5000, we had friends who had gaps around childbirth …

DAVID BEVAN: Wow.

CALLER MATT:… and this is talking 10 years ago. And we had some complications anyway, so we would have ended up in the private system anyway because they have better neonatal services.

DAVID BEVAN: Well, I can remember hearing a horror story. Now, maybe this isn't applicable anymore, but a mate of mine – it's about 20 years ago – he and his wife had taken out private health, but then there was a real drama and she had to turn up to the hospital premature. And when they walked in, it's a big panic and they said private or public, do you have private health? He said, yeah, I've got private health, and so he's put down as a private health patient. Then there were big dramas with the birth, but fortunately everybody was okay. He got hit with a big bill because not enough time had passed from them signing up to the private health, because the baby was premature, to them being covered for childbirth. It was only because one of the specialists there at the hospital intervened and, I don't know, I think that somebody might have taken away the paperwork and dodgied something up and said, oh, no, you were a public patient, don't worry about that, mate. Otherwise he would have been- he and his wife, not only would they have the trauma of a premature baby and all of the health complications, they also would have been hit with a huge bill. But anyway, there we are, that was their experience.

Now, Dwayne Crombie is managing director of health insurance with Bupa. Hello, Dwayne.

DWAYNE CROMBIE: Good morning, David.

DAVID BEVAN: Do you agree with the AMA that there's a lot of junk out there, and that 20,000 policy variations may well be an underestimate and that the whole thing needs to be simplified?

DWAYNE CROMBIE: Well I certainly agree with Michael Gannon that there's probably too many junk policies, and there's certainly a lot of complexity that it would be helpful if we made it simpler. I think for most of your listeners, I think trying to distinguish between a good basic or budget hospital product that gives you access to the private hospital for commoner conditions, if that's what you should be seeking, is sensible. I think products that either cover just accident or only give you access to the public system are completely unhelpful. I mean, they are a way, I suppose, of avoiding the taxation part of the penalty, but I'm not sure they contribute very much apart from getting people in. But people don't really understand what they've signed up for.

DAVID BEVAN: Is that what some of these- the only service some of these policies offer is they get you into the system so you avoid the penalties which kick in after you're 30, but in terms of actually being a useful insurance policy there's not a lot there.

DWAYNE CROMBIE: I mean, the one useful thing they do is that the person who signs up for that policy contributes to what we call the risk pool. In other words, they are contributing to the cost of care for older people, but no, for that individual, apart from if they earn over $94,000 and the tax advantage, they're not really providing much in the way of actual health insurance for that person.

DAVID BEVAN: Right, but it helps subsidise an older person who is using it. I mean, that's the way insurance works, isn't it?

DWAYNE CROMBIE: Yeah, yeah, yeah, that's one advantage, but it is a problem that people have an expectation they might be covered for access to [indistinct] when they're not.

DAVID BEVAN: [Talks over] So how many of those policies does Bupa offer? That is look, they're junk policies, but they're working to subsidise the older folks and at least you avoid a penalty.

DWAYNE CROMBIE: Well, we have a few youth products, but we don't actually offer them to our adult community at the moment. And it's quite interesting to see that we are struggling from a market share point of view, because what's happened in the last year and a half noticeably is consumers are voting with their feet. Whether or not these policies are good for them, they've decided if that's the only thing they can afford, or they want to avoid the tax, then that's what they're buying. It's quite interesting to see the market really, really change in the last 18 months.

DAVID BEVAN: Can you expand on that? How has the market changed?

DWAYNE CROMBIE: Well, we've got some health funds that are aggressively selling those kinds of policies and they are getting a lot more business. I think if you don't have those kind of policies, we're seen a profound change in what people are buying. So, I know Michael believes the health insurers have driven, and I can tell you very much a bunch of consumers have driven it on affordability grounds. Some health insurers have responded to that. It is unhelpful in terms of a long-term approach to looking after the private health care needs in the community.

DAVID BEVAN: Okay. Let's go to Grant from West Lakes. Good morning, Grant. Hello, Grant.

CALLER GRANT: Yeah, can I just- look, recently I had a experience in- my GP sent me as emergency to a private hospital and I was initially treated there, and after a little while they said they want to keep me for overnight or a day or two. And they said, look, we don't have any beds here so we're going to transfer you to another hospital – another private hospital. And I said well, okay, my car's outside, I'll go to it. No, no, they said, you can't do that; once we've started to look after you, we've got a duty of care so you're going to go by ambulance. So the ambulance turned up and duly took me to another hospital about seven kilometres away – about 15 minutes in the ambulance. I got a bill for $250 from the ambulance service and the health fund is saying that won't be covered. I'm a bit confused about that. I thought we had ambulance cover in our policy.

DAVID BEVAN: And have you checked your policy?

CALLER GRANT: Not word by word but I must do that.

DAVID BEVAN: But you thought it was there?

CALLER GRANT: I understood that we had private cover with HCF and I thought we had that included, but at the moment nobody wants to own it, so I'm sure but I didn't know.

DAVID BEVAN: I'm very sorry for you, Grant. Grant from West Lakes.

Now, Pauline called from Hahndorf. She says her husband was treated at Ashford Hospital for leukaemia and private health cover was excellent. Treatment was worth $66,000 but they got it all covered by the insurance. So Pauline's very happy with what she got.

Dr Michael Gannon, President of the Australian Medical Association, let's just finish with you at 21 past nine. You say that we should go for a much more streamlined system. That is, you'd have gold, silver and bronze. How would that work in practicality?

MICHAEL GANNON: Well, just to pick up on a couple of Dwayne's points earlier, there was hardly anything Dwayne said today that I would disagree with, and I think that's the spirit in which we have to cooperate on this. And the industry doctors, the hospitals, government,

patient groups are all working together on this and with that kind of cooperation, we can work together on an industry that we've all got an interest in.

I think that what we want in gold, silver and bronze is so that people have got some sort of comprehension of what they've got. What I would take out of your three calls into the station is the concept of just how complex the health system is; how it can be absolutely bewildering to someone who is already scared, already afraid, already vulnerable. It's the last time you want to find out that you're not able to be looked after. And health care, I can tell you, is complicated – you don't know what's going to happen next. What we need people to have is some sort of comfort that they're covered, if and when they do need their insurance.

DAVID BEVAN: Dr Michael Gannon, thanks for talking to us.

MICHAEL GANNON: Pleasure, David.

---

28 August 2017

CONTACT: John Flannery 02 6270 5477 / 0419 494 761
Maria Hawthorne 02 6270 5478 / 0427 209 753

Follow the AMA Media on Twitter: http://twitter.com/ama_media
Follow the AMA President on Twitter: http://twitter.com/amapresident
Follow *Australian Medicine* on Twitter: https://twitter.com/amaausmed
Like the AMA on Facebook https://www.facebook.com/AustralianMedicalAssociation