1.1 Terms of this consultation

The Department of Health has outlined the following key areas in its consultation on Private Health Insurance.

- Improving value of private health insurance for consumers, including through the consideration of changes to regulation.
- Broader system reform including the Reform of the Federation (RoF) and Primary Health Care Advisory Group (PHCAG) and mental health processes – implications for private health insurance.
- Stakeholder directed discussion on possible private health insurance reform options.

In this submission, ACOSS focuses on the role of the Federal Government in supporting universal healthcare; and the continuing challenge in achieving this, presented by the Private Health Insurance rebate.

1.2 Broader system reform – the role of federalism

In partnership with states and territories, the Federal Government has a fundamental responsibility to ensure that health services across the continuum are available to the people that need them and that particular at-risk groups in the community are provided with the services they need to live healthy and productive lives.

While the Government has raised concern about the sustainability of the health system in Australia, we continue to track in line with the OECD average for health expenditure; 9.6% of GPD went to health expenditure in Australia in 2012-13, only slightly above the OECD average of 9.2%. Recent analysis by the Australian Institute of Health and Welfare found that during 2012-13 government health funding fell for the first time, with the Commonwealth Government reducing its rate of expenditure by 4.4%. We do know that with an ageing population and changing health needs, there will be increasing pressure placed on health budgets; and we have called for a community conversation about appropriate mechanisms to fund the health services we expect as a community. However, analysis of the current situation suggests that there is no immediate crisis in health funding and no evidence to support measures such as individual co-payments in primary healthcare. Nevertheless there are key opportunities to redistribute the existing health budget in a way that provides greater benefit to the community, and ensures that subsidies and services are well-targeted on the basis of evidence about what works and who needs access.

Universal healthcare is the most effective, efficient and equitable way to ensure the delivery of adequate health care to the Australian public. ACOSS continues to argue strongly for universal coverage of essential health services for the whole community; and for measures to improve the accessibility of those services for people and communities that are currently poorly served. As well as being more effective in reducing the health burden of the country, this approach enables the health system to respond to the needs of the community and works to eliminate the current social gradient of health. ACOSS believes that a significant proportion of essential health services should continue to be delivered through Medicare.

Funding arrangements between the states and territories should reflect appropriate indexing; be based on evidence and agreement on adequacy of funding; and focus on performance and improvement of health outcomes across the community. They should also support the core principles of transparency and accountability that ensure communities are able to understand and inform the funding and program decisions intended to support them.

There is inefficiency in the healthcare system and there is waste. However, the solution is not to place a greater burden on individual health care consumers, most of whom do not have significant financial means. It would be much better to focus on areas where there are real savings to be made, including the Private Health Insurance Rebate, which has failed in its promise to increase private health insurance and take pressure off public hospitals.

1.3 The Private Health Insurance rebate

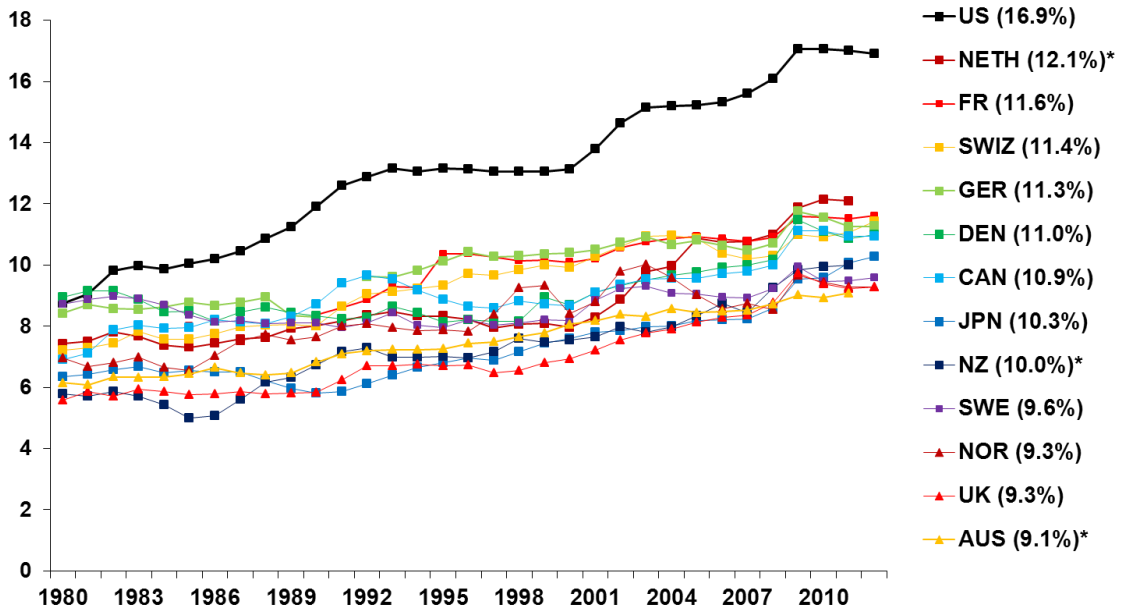
Australia spends less on health care as a proportion of GDP than most other OECD nations (see figure 1 below). Unsurprisingly then, while we have a public system that is regarded as universal, it reflects significant inequities in terms of its benefits and impacts. Among the many missing out on access to basic services and preventive treatments, are:

- Many Aboriginal and Torres Strait Islander communities;
- Communities in rural and remote settings, where access to timely and adequate health care is poor;
- People with oral health needs, recognising that 30% of people go without routine dental treatment due to cost[4]; and
- People with mental health needs, including those living with persistent and chronic conditions.

[4] Slade et al (eds) (2007) 'Australia's dental generations: the National Survey of Adult Oral Health 2004–06', Dental Statistics and Research Series No. 34, Australian Institute of Health and Welfare.

Health Care Spending as a Percentage of GDP, 1980–2012

Percent



GDP refers to gross domestic product.

OECD Health Data 2014, sourced from The Commonwealth Fund, http://www.commonwealthfund.org/publications/chartbooks/2014/multinational-comparisons-of-health-systems-data-2014
* 2011

In response to these significant and persistent health inequities in the current system, ACOSS has long argued for reform to the way the Health budget is distributed. We could achieve far greater equity in the impact of health spending and better health outcomes overall through a better targeting of existing expenditure, before committing to any additional investment in this important area.

The role of the Private Health Insurance (PHI) rebate is a key example of how current Government expenditure provides poor value to our health system and to our community. For low income earners, who cannot afford private health insurance themselves, to subsidise the health insurance of those who can afford it is unfair, unsustainable, and an inefficient use of Federal funds that runs counter to the principles of a universal health system. Consequently, ACOSS has long-standing policy for the abolition of the PHI rebate.

The savings from abolishing the rebate would make a significant contribution to a better-targeted health budget. The Grattan Institute has argued for reforms to the private health insurance rebate as one way of improving efficiency and reducing health costs below current projections. It argues that 'removing the private health insurance rebate could save $3.5 billion in expenditure. Savings of $5.5 billion from the cost of the rebate would be offset by an increase in demand for public hospital services, but once some of the saving was redirected back into hospitals to meet that increased demand, the savings would remain in the order of $3b.

By contrast, McAuley and Doggett argue that the level of annual government subsidy for private health insurance is closer to $11b, by taking account of the rebate and tax expenditures, including the Medicare Levy Surcharge exemptions. In either case, savings in the order of billions of dollars could be achieved even after some of those savings was redirected back into primary care and basic services.

In addition to our own submission, we support many of the observations contained in the submission from Ian McAuley and Jennifer Doggett and to this consultation. In particular, we support the concerns they raise about the role of PHI in contributing to health inequities; its inadequacy as a mechanism to meet the needs of those particularly with chronic health needs; the low value PHI presents to the health system overall and particularly in areas like ancillary cover; and the challenge of sustaining the current expenditure on PHI within the overall fiscal demands of the Federal Budget.