RACGP

RACGP submission to the Private Health Insurance Consultations 2015–16

Introduction

The Royal Australian College of General Practitioners (RACGP) thanks the Department of Health (DoH) for the opportunity to contribute to discussions regarding the role of private health insurance, its value and coverage in Australia.

The 2015–16 Private Health Insurance Consultations come at a difficult time for general practice and the health system. GPs are facing many pressures – the effects of Medicare rebate indexation freeze the most pressing. The population is ageing, chronic disease is becoming more prevalent and the cost of delivering healthcare continues to increase.

The RACGP considers this consultation well timed given the current broader discussions regarding healthcare expenditure and system reform. Genuine collaboration between the government, healthcare professionals and patients is needed to steer these discussions toward positive reform.

About the RACGP

The RACGP is the specialty medical college for general practice in Australia. We have over 30,000 members working in or towards a career in general practice. The RACGP is responsible for:

- defining the nature of the discipline and the scope of the profession
- setting the standards and curriculum for education and training
- maintaining the standards for quality clinical practice
- supporting GPs in their pursuit of excellence in patient care and community service.

This submission

The RACGP advocates for health system reforms that promote equitable access to high-quality general practice services that result in improved health outcomes for all Australians.[1] Therefore, the RACGP considers it important to provide comment on the possible expanded role of private health insurance.

This submission provides an overview of the potential role that private health insurers could play in general practice as outlined in our position statement. The RACGP has also identified the safeguards needed to support high-quality patient care. Lastly, the submission addresses a range of issues related to the cost and value of private health insurance for consumers and the need for private health insurers to prioritise support for evidence-based care.

The RACGP would welcome the opportunity to discuss with DoH at a convenient time the issues raised in this submission.

Background

Public and private healthcare funding

The mix of public and private funding for healthcare is complex.

Currently, taxpayers provide significant support to the private health insurance industry through the private health insurance rebate. The 2015–16 Federal Budget reported estimated expenditure on the private health insurance rebate of $6.12 billion, rising by 14% to $7 billion by 2018–19.[2] Over the same period, private health insurance coverage for hospital treatment is expected to grow by 6%, to cover 11.3 million people.[3]

Medicare benefits are paid for the medical services provided to privately insured patients accessing care in public or private hospitals. In 2013–14, 10% of total funding for privately insured services was provided through Medicare benefits for medical services.[4]

Premiums for private health insurance have risen by an average of 6% over the last three years.[5] Conversely, patient rebates for Medicare services have been frozen until July 2018. A total of $7.3 billion was spent on general practice services via Medicare for 2013–14, covering 83% of the population.[3] Spending on general practice is forecast to slow over the next decade through slowed growth of the benefit paid for each general practice service.[6]

Concerns about the involvement of private health insurers in general practice

The current private health insurance arrangements were put in place to alleviate pressure on the public hospital system, and to reduce private health insurance premiums. Unfortunately, pressure on the public hospital system has been not alleviated, and private health insurance premiums continue to increase.

Allowing private health insurers to cover general practice services is a significant shift in scope for the private health insurance industry, and the justification for expansion has not been clearly articulated. Internationally, the evidence supporting the role of private health insurers in improving health outcomes is unclear at best, with little evidence that it supports improved patient health outcomes.

Given these significant issues, the RACGP has reservations about extending private health insurance to broadly cover services provided in general practice. Generally, the RACGP does not support any amendment to the *Private Health Insurance Act 2007* (Cwlth) that would allow private health insurers to fund services currently funded by Medicare, or to cover gap payments, unless new evidence suggests access and quality patient care is improved.

The RACGP's primary concerns are that extending private health insurance will compromise patient access to general practice services, creating a two-tiered health system and increasing health system costs, while failing to deliver actual benefits to patients and the health system more broadly. Such a measure is also unlikely to reduce costs, as premiums would increase to cover the increased range of benefits paid.

In the hospital sector, private health insurance currently provides preferential access to elective surgery based on patients' ability to pay, as opposed to patient need. GPs are therefore concerned that private health insurers will seek to support preferential access for their customers to general practice services, which is likely to reduce access to care for uninsured people.

The RACGP is also concerned about the likelihood of private health insurers prioritising profit over the delivery of high-quality care by highly trained, autonomous general practice teams that provide care and refer patients based on clinical need. The introduction of managed care models, where private health insurers ration care to reduce costs or influence GPs to change their therapeutic behaviour, is of great concern to GPs. The risk is that care decisions will be influenced by cost considerations or recommended referral pathways, as opposed to patient need.

Better public support for general practice is needed

It is particularly concerning that current discussions regarding private health insurer involvement in general practice are not being driven by attempts to improve quality. While additional resourcing for general practice is required and welcome, the focus must always be on improving the quality of patient care.

The evidence clearly demonstrates that countries with strong public health insurance and adequately resourced primary healthcare systems have better health outcomes.[7–9] Well-supported primary healthcare, with the patient at the centre, is the key to an efficient and effective healthcare system. Increased investment in general practice is needed to support the sector to address the numerous challenges the Australian healthcare system faces.

To address these challenges, the RACGP released its *Vision for general practice and a sustainable healthcare system* in September 2015, presenting a model for better supporting the delivery of efficient and effective general practice services. The implementation and maintenance of the patient-centred medical home underpins our model.

Evidence shows significant savings and efficiencies can be achieved through greater investment in general practice, reducing both emergency department presentations and preventable hospital admissions.[10–16]

Noting the complexities in public and private healthcare funding, the RACGP is of the view that healthcare funding would be best targeted towards quality improvement and evidence-based services.

1. The possible role for private health insurance in general practice

The RACGP maintains that many of the inefficiencies in the health system can be addressed through increased investment in publicly funded general practice services. However, within clearly defined parameters, the RACGP considers there is a role for private health insurance in general practice.

1.1 Principles for the possible involvement of private health insurers in general practice

In December 2014, the RACGP released a position statement on private health insurance in general practice. The key principles for involvement of private health insurers in general practice as stated in this document are:

1. preventing duplication and fragmentation of care
2. recognising and supporting the clinical independence of GPs
3. supporting access based on need, not on private health insurance status.

1.1.1 Preventing duplication and fragmentation of care

GPs see 83% of the Australian population each year.[17] They are well placed to understand the needs of their patients and to collaboratively plan and coordinate their care.

A number of chronic disease management programs currently offered by private health insurers appear to be of some benefit. However, these programs often take place in isolation from the patient's usual GP, and appear to duplicate services available in the patient's usual general practice. This has the potential to create both health system waste and to fragment the patient's care – likely resulting in increased costs and reduced health outcomes.

To reduce the likelihood of duplication and fragmentation, private health insurers must work with the patient's usual GP. They should not be permitted to encourage or require patients to see 'preferred GP providers' on the basis of the GP's contractual arrangements with a private health insurer.

When choosing a GP or general practice, patients should be free to choose based on quality of care, access, convenience, cost, relationships and other individual preferences.

1.1.2 Recognising and supporting the clinical independence of GPs

Private health insurers must not require or encourage GPs to refer patients to certain providers of care based on the provider's participation in a private health insurance pilot or ongoing program.

Similarly, GPs should not be required to adhere to rules, regulations or protocols regarding treatment options for individual patients specified by a private health insurer.

GPs must be able to refer to other providers and provide treatment as clinically appropriate, based on the GP's professional judgement, application of guidelines and patient need, not on private health insurance contracts.

1.1.3 Supporting access based on need, not on patient private health insurance status

As described earlier, the RACGP supports equity of access to general practice services for all people, regardless of income or private health insurance status. Access to preventive and primary healthcare should be universal, and not restricted by a patient's capacity to pay. Triage and access decisions should also be based on patient need and not health insurance status. Private health insurers must not attempt to create a system where patients with insurance are given priority or preferential access to GPs over patients who do not have insurance.

For patients who can least afford healthcare, the government should provide services equivalent to those offered by private health insurers to prevent inequalities in access to care.

1.2 Potential areas for involvement of private health insurers

The RACGP has identified a range of opportunities for private health insurers to support general practice, operating within the principles set out in section 1.1. These include:

- preventive healthcare, including information, advice and health assessments
- evidence-based chronic disease prevention programs
- targeted chronic disease management and hospital avoidance programs (eg 'hospital in the home')
- coordination payments to GPs for privately insured patients with multimorbidities and comorbidities.[18]
- other supports for GPs and general practices to flexibly meet the needs of their patients, supporting local solutions to local challenges.

A key element of these opportunities is that private health insurers should consider facilitating patient access to evidence-based services through their general practice rather than via services parallel to it. For example, funding a patient to attend a falls and balance program or an extended cardiac rehabilitation program via a GP referral could help reduce hospital admissions and reduce duplication or fragmentation of care.

An additional opportunity is that private health insurers essentially have 'enrolled' patient populations with a useful subset of information on their customers' uses of health services. Opportunities for private health insurers to share this information to support general practices to target care toward patients most in need should be explored.

2. Access to information

The RACGP supports efforts to increase the clarity and consistency of information about private health insurance policies so that patients can make informed decisions about which policy to purchase.

Our members report having assisted their patients to understand what their private health insurance covers and to navigate the private healthcare system. Where possible, they have tried to forewarn patients about the possible fees they face from specialists. They have identified that, as GPs, they are not in the position to advise patients on the selection of insurer or product and that more transparent information is needed to assist patient choice.

Informed patient choice would be supported by requirements for private health insurers to provide standardised information to patients regarding their policies. The RACGP recommends that the information provided includes:

- consistent terminology
- information on the range of services covered
- clear information on exclusions, with clear rules to prevent misleading statements regarding cover.

Private health insurers could also assist patients to choose specialists by providing information on the:

- expected waiting times for access to specialists
- out-of-pocket expenses for services
- after-care arrangements.

3. Community rating

Community rating prevents private health insurers from discriminating against patients based on individual risk. Changing from community rated to risk-based premiums would result in a significant increase in private health insurance premiums for the most vulnerable groups in our community (older people, people with chronic disease or multimorbidity, people in rural and remote areas).

Higher premiums based on individual risk would prevent access for many Australians to private health insurance or force many to cease paying for private health insurance cover. This disadvantage would be magnified if private health insurers were to begin to subsidise access to selected general practice services.

Additionally, removing the community rating ignores the social causes of lifestyle factors and poor health outcomes. Subsidisation of private health insurance with public funding is intended to relieve pressure on the public hospital system by transferring care into the private sector. Private health insurance should be equally available and affordable for those patients likely to need it most, particularly those who are socially and/or financially disadvantaged.

4. Private health insurers and evidence-based services

The RACGP advocates for evidence-based medicine, where current research information is used as the basis for clinical decision-making. Considering this, the RACGP maintains that private health insurers should discontinue providing benefits for non–evidence-based healthcare, including homeopathy and other alternative therapies.

While non–evidence-based healthcare may be seen as 'patient choice', it is inappropriate for private health insurers to provide cover for non–evidence-based services given the significant taxpayer funding directed to supporting private health insurance.

Offering subsidies for therapies lacking evidence, such as homeopathy, also sends a confusing message to consumers. For example, listing homeopathic treatments alongside evidence-based modalities in a list of member benefits lends legitimacy to a practice not supported by scientific data.

Conclusion

Provided there are protections in place to ensure care is based on clinical need and to maintain the clinical independence of GPs, the RACGP is willing to explore the involvement of private health insurers in elements of general practice.

Before expanding the role of private health insurance to cover general practice services, the RACGP urges that the government undertakes a comprehensive review of the evidence for private health insurance, and how private health insurance can be best used to support high-quality healthcare delivery. At this stage, it is unclear whether introduction (or expansion) of private health insurance has made a positive contribution to communities locally and overseas.

If private health insurance cover were extended to include a range of general practice services, a considered and coordinated implementation process would be required. It would be paramount that any changes take place within the context of the findings from the healthcare reviews now taking place, rather than in isolation from these processes.

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