



Wednesday 7 November 2022

HEALTH MINISTER SHOULD PLACE HEALTH INSURANCE PREMIUMS IN THE HANDS OF INDEPENDENT EXPERTS, SAYS CATHOLIC HEALTH AUSTRALIA

Catholic Health Australia is pushing for reform of a dysfunctional annual health insurance premium round and calling on the Health Minister to delegate decisions to an independent expert panel.

In recent years, decisions to approve or deny premium price changes have been politically motivated, leading to unnatural distortions of the market.

The current system has neither prevented insurers from banking huge profits - including a \$2 billion cash pile during Covid - nor ensured an adequate flow of funding to struggling health care providers.

Catholic Health Australia, the peak body representing 75 not-for-profit hospitals, is calling on the Federal Health Minister to appoint the Independent Health and Aged Care Pricing Authority, which already sets prices for hospitals and aged care, to also oversee premiums.

The minister should set the parameters and principles that guide how the IHACPA would make its decisions and release them publicly to improve transparency. These principles should include customer affordability, the value for money provided by each insurer, and the sustainability of health care providers and insurers.

The independent authority should also be authorised to recommend changes to individual health insurer premiums as and when they are needed rather than on an annual basis.

CHA's proposal comes as health care providers are caught in a trap of soaring operating costs - with PPE up 600 per cent, utilities 40 per cent, food 30 per cent and wages 20 per cent - and reduced income from elective surgery stoppages. Some larger hospitals are also spending \$1m a month in extra costs solely related to Covid-19.

CHA analysis of APRA data shows that all the major funds are failing to meet the widely recognised gold standard of returning 90 percent of premiums to their members.

CHA's Health Policy Director Caitlin O'Dea said the annual premium round could achieve better outcomes for hospitals, patients and insurers if it was placed in the hands of independent experts.



“The annual premium round has become a political football and increasingly dysfunctional as a mechanism to deliver a sustainable private health care system,” she said.

“The current system focuses solely on the financial viability of the health funds, not the value of the care delivered and certainly not the sustainability of the hospitals delivering it.

“An independent panel could take into account *all* the evidence and deliver better outcomes for patients, hospitals and insurers alike, and bring much-needed transparency to the process.”

Ms O’Dea said reform is urgent because insurers are refusing to fund increased health costs, forcing hospitals to weigh up cutting back services or passing the increase on to patients.

“There needs to be a formal process for calculating premiums that takes into consideration what it actually costs a hospital to deliver health care in today’s environment,” she said.

Ms O’Dea said unless the current system changed then more people would desert private health insurance and flock to public hospitals, putting pressure on an already strained public sector.

“The system needs to change, and it needs to be fair and independent. An independent expert examining all the evidence should decide whether premiums go up or down.”

Notes to editors: Catholic Health Australia (CHA) is Australia’s largest non-government grouping of health and aged care services accounting for approximately 10 per cent of hospital-based healthcare in Australia. Our members also provide around 25 percent of private hospital care, 5 percent of public hospital care, 12 percent of aged care facilities, and 20 percent of home care and support for the elderly.