# HEALTH

## QUESTION

### BACKGROUND

Australia has more than 1,300 hospitals, of which 55% are public hospitals and 45% are private hospitals. In 2015/16, there were a total of 10.6 million hospital episodes, of which 59% were in public hospitals and 41% in private hospitals.

Funding for public hospitals is shared by state and territory and Australian governments, but they are largely owned and managed by the state and territory governments. Private hospitals are largely owned and operated by private (non-government) organisations—either for-profit companies, or not-for-profit organisations. Private hospitals tend to concentrate on treatment for non-life-threatening conditions. Most private hospital episodes are funded by private health insurers.

Under Australia's Medicare system, all residents have the right to be treated at public hospitals free of charge. Since demand for services exceeds public hospital resources, waiting times apply, particularly for treatment for non-life-threatening conditions.

About 46% of the Australian population have separately purchased private health insurance to assist with covering the cost of treatment at private hospitals, providing access to quicker treatment especially for those conditions subject to waiting times in public hospitals.

### PUBLIC HOSPITAL TREATMENT OF PATIENTS WITH PRIVATE HEALTH INSURANCE

While people with private health insurance are entitled to free treatment in public hospitals, they can choose to be treated as a private patient in a public hospital. The only clinical benefit from doing so is to choose their treating doctor, rather than a doctor being allocated by the hospital. The consequence of choosing to be treated as a private patient in a public hospital is that the patient's private health insurer will be billed by the public hospital for accommodation charges and by the treating doctors for medical fees, and the patient may also be billed for costs not covered by their private health insurer (typically any policy excess and part of treating doctors' fees).

The number of privately insured patients electing to use their private health insurance in public hospitals has increased significantly over the past decade. There are several possible reasons for this increase, including:

- the ageing of the privately insured population;
- the range of services provided by public hospitals;
- increased popularity of private health insurance products containing excesses and exclusions;
- public hospitals coercing or providing incentives to patients with private health insurance to choose to be treated as a private patient in a public hospital in order to obtain additional revenue.

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The arrangements for privately insured patients electing to use their private health insurance in public hospitals are the responsibility of the Australian Federal Government Department of Health. Some potential changes to the current arrangements for public hospital treatment of privately insured patients have been identified:

- require information to be provided to patients by hospitals prior to admission about the level of costs they will have to pay and the impact of choosing to use private health insurance, in both public and private hospitals
- require clear information to be provided for each private health insurance product regarding costs not payable by the insurer in both private and public hospitals
- restrict hospitals' ability to offer inducements or unduly pressure patients to choose to use their private health insurance
- modify the public hospital funding agreements between the Commonwealth and states to remove incentives or provide penalties for public hospitals that offer inducements or unduly pressure patients to choose to use their private health insurance
- provide greater transparency of real time data showing the status of waiting lists by type of treatment in public and private hospitals

You are an actuary managing the health practice of an actuarial consulting firm. You have been engaged by the Australian Federal Government Department of Health to provide them with some initial advice on the potential changes identified above. Your report should recommend which of these potential changes are worthy of further consideration. The Department has asked that your initial advice identifies relevant stakeholders, your view of the practicality and likely high-level impact of each potential change on each stakeholder and any risks identified. Your report should also identify any data that should be collected and analysis that should be carried out by the Department in conducting a more detailed impact assessment of each potential change. Your report does not need to include detailed numerical analysis.

Prepare your report for the Department of Health.

Note that detailed knowledge of hospital funding arrangements or legislation is not required to successfully complete this assignment.

**END OF QUESTION**

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