

Private health sector on life support

EXCLUSIVE

NATASHA ROBINSON
HEALTH EDITOR

The health insurance industry is facing the growing prospect of unprecedented government intervention in its contracting with hospitals, as doctors complain patients are being denied surgery or inpatient care even if they have top cover, with hundreds of private facilities around the nation on the brink of bankruptcy.

As concern grows over the shaky viability of the private health system, the nation's top surgical college has revealed that some privately insured patients are being left in pain and uncer-

tainty as specialists' theatre lists are cancelled or hospitals abandon completely certain surgeries deemed too unprofitable.

Many other consumers who have taken out top cover are finding they can't obtain private maternity care or mental health inpatient care amid multiple systemic pressures on the private system that health leaders say is compounding the burden on already critically overloaded public hospitals.

Private hospitals provide one-third of all hospital admissions and 60 per cent of all surgery nationwide. The commonwealth is carrying out a rapid viability review of the \$22bn private hospital system, with recent economic analysis revealing 70 per cent of

private hospital groups are currently loss-making and the industry as a whole is operating at a profit margin of just 1 per cent.

More than 70 private facilities – including day hospitals, overnight hospitals, psychiatric hospitals and rehabilitation hospitals – have closed nationwide since 2019, according to the Australian Private Hospitals Association.

Private hospitals have not yet recovered from the severe impacts of the Covid-19 pandemic, with the benefit payments being provided to operators under contracts with private health insurers lagging well below health inflation and the rising costs of staff and equipment.

“There has been a cumulative
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impact in terms of eroding private hospital earnings," said APHA chief executive Michael Roff.

"I think a lot of people have described this as the most challenging times for private hospitals in living history.

"There is now a significant proportion of private hospitals that are not generating sufficient returns to fund business as usual capital expenditure. We're really at a crunch time for the industry."

The private hospital sector is warning it is approaching a "critical mass of private beds disappearing, undermining the value proposition of private health insurance and raising the unprecedented prospect of waiting lists for surgery in the private system.

The denial of theatre time to surgeons in private hospitals has for the past year been mainly affecting specialist reconstructive, surgery especially in Perth, and oral and maxillofacial surgery across the country.

But surgeons say the problem is becoming more widespread, and it is now a growing reality that some privately insured patients are unable to use their health cover for a wider array of operations in the private system.

The issue was raised at a top-level Royal Australasian College of Surgeons meeting of councilors from every surgical speciality this week, where there was white-hot anger over the issue.

"In every state the profitable procedures in private hospitals are being prioritised over the ones

which are less profitable," said specialist plastic surgeon and professor Mark Ashton, an office holder on the RACS council who chairs the college's fellowship services. "Hip and knee replacement surgeries are being preferentially given theatre time ahead of others. This is now affecting gynaecological surgery across several hospitals in Adelaide. Some surgeons, if they've got three lists a week it's being reduced to two, some surgeons are having their lists completely removed.

"From a public community perspective, if you suddenly say well we're not going to perform gynaecology surgery in Adelaide in the private health system, where is it going to get done?"

"The issue is not only do patients have an out-of-pocket expenditure to get that surgery. The issue is they can't get the surgery at all. This isn't on. It isn't ethical."

Australian Society of Plastic Surgeons president David Morgan said some specialists were

being asked to promise a co-payment to the hospital from the surgeon's practice to make particular surgical lists viable for private hospitals. He said vested interests in the sector were "pulling in different directions", and the private health system as a whole was "marginally viable".

"I think there needs to be some sort of oversight that makes sure patients with all medical requirements are treated relatively equitably, and there aren't these perverse drivers of higher-paying or more profitable procedures

being given preference over others that are just as worthy," Dr Morgan said.

The call echoes that of the Australian Medical Association, which is campaigning for an independent regulator to govern the private health sector. "The private hospital sector in Australia is so important – it's too big to fail," said AMA president Steve Robson said.

Private Healthcare Australia chief executive Rachel David said insurers were committed to keeping private hospitals viable and of a high quality, as it was a major part of the value proposition of the entire private health sector.

She said the financial problems facing private hospitals had been triggered in large part by the pandemic and were now being addressed through the health insurance contracting process.

"But what the health funds can do in the contractual process is completely limited by the ability of consumers to pay, and the willingness of the government to approve higher-than-inflation premium increases," Dr David said.

She also disputed that the health insurance industry was banking "super-profits", as alleged by private hospitals.

The prospect of greater regulation by the government in the contracting process could affect insurance premiums, she said.

"If we are required to pay more to hospitals, then there must be savings made elsewhere in the claims process," Dr David said. "Our position is that the consumer needs to be protected."

'Profitable procedures in private hospitals are being prioritised'

MARK ASHTON
ROYAL AUSTRALASIAN
COLLEGE OF SURGEONS