December 2017

Reimagining Healthcare in Australia

Private Health Insurance – progress towards reform

pwc

www.pwc.com.au

Executive Summary

The Government's recent Private Health Insurance reform announcements are a good first step, but more government reform is needed and sector players must step up: long-term health care sustainability and our health is at stake.

We believe that Australia has one of the best health systems in the world. But, the challenges facing healthcare systems today are monumental. As people live longer and incidence of chronic diseases increases, so does the cost for governments and the community. Customer expectations of the health care sector are also changing, shaped by seamless, digital, marketplace experiences in travel, banking and retail.

Private Health Insurers can support Australia's healthcare system

Private Health Insurance (PHI) is an integral part of the Australian health system with 11 million Australians currently covered. Members are treated in private hospitals and can choose their specialist/surgeon and have more options on the timing of elective surgery. In addition, PHI offers "extras" cover for ancillary health services; like dental, physiotherapy and optical treatments. For Australia's health system, there are key benefits of a dual public/private system, enabled by PHI. When customers seek treatment through the private system, this reduces the supply pressure on the public health system. For example, total knee replacement surgery in a private setting will free up capacity and reduce waiting times for this surgery in the public system.

But, the PHI sector is under pressure. Premiums have increased by over 5% p.a. since 2010, much faster than the average income growth (1-1.5%). Customers are questioning the value and role of PHI. Younger people (who are typically low-claiming) are not becoming members, or downgrading/lapsing their memberships. Older people (who typically claim more) are maintaining their memberships. Overall, the PHI population coverage has stagnated, and the latest figures show a decline in overall coverage. Currently, 46% of Australians have PHI.

We believe that a sustainable private health insurance sector is an integral part of Australia's overall health ecosystem. If membership levels fall, the costs of care is met by a smaller number of members and the portfolio approach to risk management (that every insurance system depends upon) is undermined. In addition, more people must be treated in the public health system, increasing demand and pressure on this system. The rise of chronic conditions and the rising cost of classic healthcare (treating people in hospitals) will continue to drive higher and higher care costs, unless new models of care and earlier intervention can bend the health cost curve. We have seen challenges already in other countries with publicly funded universal access healthcare systems which are facing significant pressures on cost, access and quality.

> A sustainable private health insurance sector is an integral part of Australia's overall health ecosystem

The government health reforms support the future of healthcare

In this context, the federal government's recent announcements on Private Health Insurance reforms were welcome. As a quick snapshot, these covered multiple areas:

1. Encourage younger Australians to take up private health insurance by allowing insurers to discount hospital insurance premiums for 18 to 29 year olds by up to 10 per cent. The discount will phase out after people turn 40.
2. Allow people with hospital insurance that does not offer full cover for mental health treatment to upgrade their cover and access mental health services without a waiting period on a once-off basis. This will also enhance the value of private health insurance for young people.
3. To support Australians in regional and rural areas, insurers will be able to offer travel and accommodation benefits for people in regional and rural areas that need to travel for treatment.
4. Implement agreement with the Medical Technology Association of Australia to lower the price of implanted medical devices from 1 February next year. This will have benefits for consumers in the form of lower premiums from April 2018.
5. Allow customers to select a higher excess in exchange for lower premiums.
6. Simplify private health insurance by requiring insurers to categorise products as gold/silver/bronze/basic, and use standardised definitions for treatments to make it clear what is and isn't covered in their policies.
7. Upgrade the privatehealth.gov.au website to make it easier to compare insurance products, with insurers able to provide personalised information to consumers on their product every year.
8. Boost the powers of the Private Health Insurance Ombudsman and increasing its resources to ensure consumer complaints are resolved clearly and quickly.
9. Stop insurers from offering benefits for a range of therapies, where the evidence base for benefits is unclear, such as Bowen therapy or Rolfing.
10. Continue the second tier default benefit, providing a safety net for consumers attending non-contracted hospitals, but transfer the administration of eligibility to the Department of Health.
11. Continue to invest around $6 billion every year in the private health insurance rebate to help keep premiums affordable.
12. Continue through the Private Health Ministerial Advisory Committee to examine issues such as risk equalisation, and work with the medical profession on options to improve the transparency of medical out-of-pocket costs. Establish committees to review funding methodologies for rehabilitation care and day-only mental health care to ensure that insurers fund the most efficient models of care.

These reforms should be set against the broader context of reforming Australia's health and care system which requires a system-wide approach.

PwC has called out seven areas where we need to sustain focus in the reform journey

Consumer empowerment:

Identify and deliver on what consumers value most, putting the "patient at the centre". Use patient-reported outcomes to measure success and provide greater transparency to support better decisions.

Keeping people healthy:

Shift focus from treatment of illness to wellness and prevention (including social determinants of health). Increase health literacy and encourage Australians to take greater responsibility for their health.

Right care, place and time:

Implement new models of "integrated care" (e.g. prevention and care in the community). Increase quality and eliminate waste. Rethink business models, e.g. products to solutions, experience.

Digital and Analytics:

Leverage technology and integrated data to deliver more convenient, affordable and personalised prevention and quality care. Build cyber security capabilities to manage increased risks as we digitise the health system.

Reconfigure the workforce:

Build new capabilities for the future, e.g. digital and analytics, multi-disciplinary teams, leadership and change management. Consider how AI and robotics can complement human capital.

Outcomes-based funding:

Shift from volume to value to enable prevention, new care models and eliminate cost-shifting. Explore new models to drive innovation, e.g. social benefits bonds, PPPs. Integrate behavioural incentives into insurance.

Collaboration:

Public and private organisations, Commonwealth and State, new entrants and established players, even competitors can benefit by partnering to deliver consumer-centred health services.

Further details are available here

https://www.pwc.com.au/publications/ federal-budget-2017/health.html

We will examine the reform of the PHI system and for each of the levers, address three key questions:

Q1: What progress was made in the recently announced PHI government reform measures?

Our view is that some really strong government reform announcements were made to start the changes. Positive announcements included measures to empower and educate customers in making informed choices with greater transparency (e.g. gold/silver/bronze/basic rating system, and wider choices on products). In addition, a focus on earlier access to preventative care to treat and stop chronic mental health conditions is a welcome change.

Q2: What more needs to be done by government to reform PHI?

Our view is that more changes are needed by government to really transform the PHI system. Some specific examples include:

- Health insurers should be permitted to pay for more preventative/earlier intervention services
- Health insurers should be permitted to offer a broader range of evidence-based wellness and prevention products/offerings to their members. For example, a wellbeing offering, a healthy aging offering, and a chronic disease offering
- The models of care must evolve, informed by a clear link to outcomes. Chronic disease management must change from acute episodic care to more sustained 'looking after' care and PHIs could play a strong role

Q3: What can other key stakeholders in the PHI ecosystems do to drive reform?

Health reform can be driven by other stakeholders in the system, not just government.

Our view is that other stakeholders can play a much stronger role in leading the PHI reform agenda and they can start now:

Customers: Take greater responsibility for your own health. Take preventative measures to reduce the risk of chronic diseases and take the time to understand your health and care options. Ensure you understand your health insurance and make sure you are on the right level of cover for your needs.

Private health insurers: Help customers to improve their health literacy. Customers need support, guidance and "nudging" to focus more on prevention and early intervention. Make health insurance simpler to understand and make sure you explain different treatment options including the risk, cost and evidence base for the outcomes in order to support customers in their health and care decisions.

Health providers: Innovate to improve your model of care. Develop new models that improve patient outcomes and reduce their costs (enabled by digital, analytics and workforce) and pass these savings onto consumers.

We examine in detail what others could do; customers, providers, individual health insurers and the PHI industry in each of the areas of focus on the following pages.

Contents

Consumer empowerment, education and transparency

Encourage Australians to take greater responsibility for their own health by improving health education in schools, driving greater transparency, enabling consumer choice, and providing incentives to adopt healthier lifestyles.

Q1. What progress was made in the recently announced PHI government reform measures?

The recent government announcement included a range of measures that are designed to improve customer education, to empower customers to make informed decisions and to drive greater transparency across the industry. Specific measures included;

- Introduced gold/silver/bronze/basic products to help customers understand level of cover and treatment inclusions through the privatehealth.gov.au website
- Introduced standard clinical definitions to improve member understanding of policy inclusions and exclusions
- Boosted PHI Ombudsman's powers and increase resources to ensure consumer complaints are resolved clearly and quickly
- Established an advisory committee to examine out of pocket costs
- Announced to examine the arrangement for patients using insurance in public hospitals

In addition, there are measures to improve affordability of PHI and broaden access, in particular combatting the vicious circle of industry "adverse selection" with fewer healthy people and more unhealthy people:

- Reduced the price that PHI pay for prostheses and medical devices
- Discounted premiums by up to 10% for 18-29 year olds to attract younger members
- Increased the maximum excess for hospital admissions in return for lower premiums

Finally important "carrots and sticks" in the current model were retained, e.g. Medicare levy surcharge, Lifetime Health Cover and the (means-tested) rebate – as well as the core principle of community rating.

Taken together, these steps will improve consumer empowerment and access. These measures will enable customers to make more informed choices about the type and level of cover that they need and give them more flexibility in the product design. One of the criticisms of health insurance is that consumers find it hard to understand what they are covered (and not covered) for and how to compare policies. Introducing a rating system, as well as standard definitions will help customers.

In addition to these measures, the government will also review the use of private health insurance by patients in public hospitals, which adds to insurance costs by cost-shifting and blurs the customer value proposition.

Q2. What more needs to be done by government to reform PHI?

The government can continue to push for greater transparency in the health and care sector. The government should build on the momentum of the establishment of an advisory committee to examine out of pocket (OOP) costs to publish the data on this topic. The combination of performance data (e.g. safety and quality outcomes, OOP cost data for health providers) would enable consumers to make informed choices about their health and care.

Q3. What can other key stakeholders in the PHI ecosystems do to drive reform?

Customers: We urge customers to become more informed consumers. It is really important to understand private health insurance and what is covered and not covered in a policy. Today, it is complicated; with inclusions and exclusions, gaps and excesses. It is critical that customers work through the various options to identify appropriate cover for their individual circumstances.

Private health insurers: Insurers can play a key role in educating customers on PHI and our health system. They can help to simplify their product and explain the finer points of the product and our health system to customers. The philosophy of consumer rating should not be eroded by undue product complexity and de facto risk-rating. PHIs can also continue to look for efficiencies in their own organisations to reduce their management expenses and pass these savings onto customers, through lower premiums. PHIs can also drive greater transparency in health costs. They can up the ante and publish data on health system and health provider performance, medical gaps and user ratings systems. Some of these components exist today (e.g. Whitecoat), but if health insurers got behind and supported the right initiatives, working constructively with providers, it would drive a step change in transparency in the industry.

Health and care providers: Health and care providers can also play a bigger role in consumer empowerment, education and transparency. Many people are not health iterate. Taking the time to explain different treatment options including the risk, cost and evidence base for outcomes will support customers in their health and care decisions. Health providers can also continue to look at their cost base, and through a process of continuous improvement, look to reduce their costs and pass these savings onto consumers.

> It is critical that customers identify appropriate cover for their individual circumstances

Keeping people healthy

Place much greater emphasis on preventive approaches to slow the growth in demand for health services, and tap into areas such as predictive analytics to assist with prioritising interventions and catchment area planning. Focus on whole-person care – physical, social and mental wellbeing.

Q1. What progress was made in the recently announced PHI government reform measures?

Maintaining/strengthening our mental health is a huge societal challenge. With 45% of Australians experiencing a mental health condition in their lifetime, there has been increasing attention paid to promoting awareness, improving prevention through holistic wellbeing, and removing barriers to access to enable people to seek help and care from clinical service providers. The change to enable people to upgrade their cover and access mental health services without a waiting period supports this approach to keeping people healthy.

Q2. What more needs to be done by government to reform PHI?

This is an area where we believe that the government can introduce further reforms. For example, health insurers should be permitted to offer a broader range of evidence-based wellness and prevention offerings to their members. Examples might include;

- a wellbeing and prevention offering: where a PHI might pay up-front for evaluation, coaching and interventions designed to maintain health. For example an evidence-based weight loss program might be an inclusion for new joiners, given the growing health challenge of obesity. This could include positive incentives for healthy behaviours, leveraging behavioural economics theory.
- a chronic disease offering: when a customer has been diagnosed with a chronic condition, the PHI, in partnership with primary care is able to develop and execute a care plan. For example, proactive GP visits and foot care clinic, to prevent infections in a diabetic patient.
- a healthy aging offering: where members are offered an integrated combination of evaluation, coaching and interventions designed to prevent health issues from occurring and enabling healthy ageing. For example, a home visit to identify and manage potential slip/trip hazards and other safety measures e.g. smoke alarm in the bedroom, fire extinguisher in the kitchen.
- convergent offerings: with health insurance/life insurance/superannuation/accident insurance. For example, bundled offerings, where additional funds for programs/incentives for wellness/prevention measures might be available in a combined offering. “Long tail” insurers (such as life/income protection) have an inherent incentive to invest early to deliver better long term health and financial outcomes.

There is potential for insurers to play a much more active role in member wellbeing, prevention and in reducing the burden of chronic conditions. We would encourage these concepts to be explored fully. These programs, well executed, would serve several benefits; it would engage members in their health and care, and involve the insurer in these programs, thereby strengthening the PHI value proposition, which would reduce the overall health and care costs over the medium-term.

Q3. What can other key stakeholders in the PHI ecosystems do to drive reform?

Customers: Consumers themselves have the most to gain from wellbeing and prevention. Given the rise of so called "lifestyle diseases" (obesity, Type II diabetes, heart disease, stroke, preventable cancers, mental health conditions), there is no more important message than for consumers to take more responsibility for their own health and wellbeing. "You have the most to benefit from good health, so take care of yourself!."

Private health insurers: Even without regulatory change, insurers can do more to encourage health and wellbeing of their members. They have health claims information for all members and should do more to use this information to deliver personalised and relevant health care guidance, focused on wellbeing and prevention. For example they will know which members have claimed for dental services in any given year, and could do more to encourage members to engage with primary health for prevention (e.g. annual visits to the GP and dentist).

As a case in point: obesity. PwC's recent research on obesity, for example, indicates that if no further action is taken to curb the growth in obesity, there will be a total of $88b in additional direct and indirect costs to Australia accumulated across the 10 years to 2025. We know the interventions that make sense, from both an individual health perspective and a long term cost viewpoint. It is critical to act now to reduce the burden of chronic disease, both on the people who suffer from or will develop these health issues and also on the cost of caring for these people. Prevention is the best medicine. Obesity is a good place to start, with well researched and evidence-based intervention and prevention measures, across personal, education, environment and medical categories. Insurers could play a much broader role in working with target cohorts within their memberships to actively manage programs designed to reduce subsequent hospitalisations.

Health and care providers: Health and care providers, particularly in the primary care setting, can play a strong role in reinforcing wellbeing and prevention messages to the community. Today, many Australians are not regularly engaging with the health and care system with a prevention mindset. We should be encouraging all primary care providers (e,g. GP practice, dentist, pharmacist) to develop relationships with Australians to ensure they know how to access health and care resources.

Insurers could play a much broader role with their memberships to reduce hospitalisations

Right care, place and time

Many see integrated care as relating only to health care and being about joining up the now – what is currently done. Our focus here is about whole person care – addressing all the factors that keep Australians well, with an integrated system pursuing this outcome, rather than the disparate inputs or activity that current arrangements incentivise.

The system should therefore place greater emphasis on preventive approaches to slow the growth in demand for health services, and tap areas such as predictive analytics to assist with risk stratification and prioritising interventions and place based planning. In addition more can be done to shift care out of the hospital and into the community, as well as to integrate care in a true multi-disciplinary fashion that provides holistic patient-centric care.

Q1. What progress was made in the recently announced PHI government reform measures?

- Review mental health and rehabilitation models of care; treatment may be more effective out of hospital
- Offer travel and accommodation benefits as part of hospital cover for regional/rural members
- Medical devices: Agreement to bring new products to market sooner

All of these measures represent good first steps, but this lever to implement new models of care is absolutely critical to the ongoing sustainability of healthcare. Models of care today rely heavily on expensive in-patient care. We believe there is the real potential to develop new models of care that will deliver on the "quadruple aim" (i) an improvement in the patient experience, (ii) an improvement in the clinician experience, (iii) better outcomes and (iv) a lower cost.

An example would be challenges in caring for the elderly – both in the private sector as well as in the public sector. We know from consumer research that 70% people would like to be in their homes at the end of their lives, yet only 10% people are. This also drives significant cost in our healthcare system – and is a significant driver of the escalation of PHI costs and prices, which in turn has created challenges on affordability and sustainability of the sector. Clearly we need to start thinking now about better ways to deliver end-to-end support to this segment to deliver sustainable affordable quality care to individuals, their families and communities. Enabling positive ageing be a "win-win" for all.

Greater emphasis should be placed on preventive approaches and care outside the hospital

By 2040 in Australia there will be

over 5 million people aged 70+

And if we continue to operate as now, this will require an additional...

$57 billion in capital costs for aged care and hospitals

$30 billion in annual operating costs for aged care and hospitals

120,000 nurses (by 2030)

over 400,000 aged care workers

Q2. What more needs to be done by government to reform PHI?

We would recommend the government encourage and work with the sector to explore new models of care to deliver outcomes that matter to patients, and understanding enablers to scale these, e.g. reform of what can be covered under insurance (e.g. PHI, life) and outcomes-based funding models. This could include establishing advisory committees with relevant experts, in particular looking at known areas of opportunity and challenges in today's model.

As well as the Committees planned to review efficient models of care in mental health and rehabilitation, we would also recommend reviewing opportunities in aged care and chronic diseases such as obesity/diabetes. This could lead to running pilots to test the new models, with a view to making changes in regulation and policy to support scaling these. If successful, rapid adoption, testing and continuous improvement will build confidence in this approach. To really drive reform, it will be important to develop whole system of integrated health care pathways.

Q3. What can other key stakeholders in the PHI ecosystems do to drive reform?

Health insurers: Health insurance companies could develop a pooled information repository to develop new care pathways and to better segment and identify patient cohorts that would benefit from new models of care. This information could also be linked to other health data to improve the visibility and insights and present an integrated view of the patient. In addition, there could be secondary benefits, such as research uses and fraud detection. They could also pilot new models of care as part of a broader industry initiative.

Health and care providers: Providers can develop new models of care, by continuing to innovate and by bringing the best of evidence-based models to Australia. Australia has a proud tradition of innovating in healthcare and medical research. We must continue to develop and rapidly translate these to the care setting. Medical research and the promise of personalised medicine offer new hope, earlier detection and more targeted treatments. Many advances in integrated care will not require medical technology, but rather a coordinated, joined-up approach and earlier intervention to deliver care outside of the hospital. Providers could also pilot new models of care as part of a broader industry initiative.

Digital and Analytics

Support the staged roll-out of My Health Record, insist on national interoperability standards and mandate that meaningful patient information is populated to ensure benefits are delivered for both consumers and the health industry. Set up National Integrated Data Hub for health analytics.

Q1. What progress was made in the recently announced PHI government reform measures?

This theme was not covered as part of the PHI reforms, but the broader investments planned such as My Health Record would support better healthcare delivery.

Q2. What more needs to be done by government to reform PHI?

Health insurers can support this initiative by using the My Health Record as this is rolled out using an "opt-out" philosophy. It may also be possible to incentivise take-up, working with the private health insurers, e.g. as part of onboarding new customers.

With the My Health Record up and running, there will be an abundance of health data generated. The government should develop an integrated data hub for data analytics to turn the health data into health insights to support decision making – thereby capturing the full value of the My Health Record investment. Health insurers would benefit from this information and by adding their information on claims and other customer data, could develop additional insights that drive health outcomes and health system sustainability.

Q3. What can other key stakeholders in the PHI ecosystems do to drive reform?

Customers: Customers can adopt and start using the My Health Record. The more information that is in the record, the more valuable the insights can be and the more useful the record is in supporting clinical care decision making.

Health and care providers: Embrace My Health Record, so that it is fully adopted. Australia has invested heavily in My Health Record, but if only a small proportion of Australians have a medical record in the system, it is impossible for the system to produce improvements in our health outcomes. As more and more Australians are enrolled into the system, the network effect benefits start to kick in. Clinicians will turn to My Health Record for information, patient notes can be easily shared, and it becomes easier to track patients through the health system. The data can also be used for research and innovation and improvements in care.

An integrated data hub for data analytics could turn health data into health insights to support decision making

Reconfigure the workforce

Successful change and implementation has the potential to deliver real gains in consumer experience, as well as better health outcomes and lower total healthcare costs. But, the transition will have a massive impact on the health workforce; new skills and capabilities will be required – both to lead the change and to align with the broader system changes.

Q1. What progress was made in the recently announced PHI government reform measures?

This theme was not covered as part of the PHI reforms, but is on the federal government's broader agenda for Health.

Q2. What can other key stakeholders in the PHI ecosystems do to drive reform?

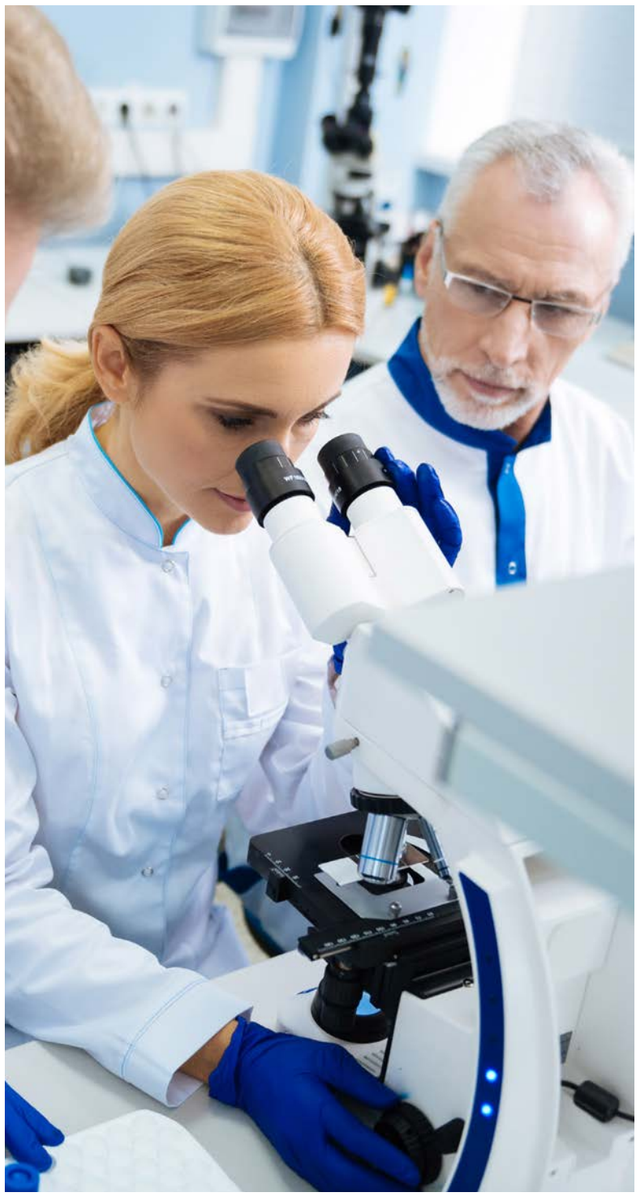
Health insurers and Health and care providers:
Understand the impact of potential changes on workforce: the change on the health and care systems planned and envisaged in this paper would have a profound impact on the workforce operating within it. These changes need to be forecast and understood; change will not happen without the support and buy-in from those working in the system.

This will need a program of development for existing workers and investment in learning through universities and TAFEs that reflects new, rather than traditional ways of working.

- New skills in data analytics and care coordination will be required to deliver integrated care models.
- Leadership skills in areas like digital and change management will be required.

Health and social care is already the #1 sector for employment in Australia, so this also brings a broader opportunity for job creation benefiting Australia more broadly.

New skills and capabilities will be required – both to lead the change and to align with the broader system changes.



Outcome-based funding

Move to a single or pooled source of government funding to incentivise a more whole-system cost and benefit perspective and eliminate cost shifting and duplication, combined with more private sector contributions and alignment to outcomes.

Q1. What progress was made in the recently announced PHI government reform measures?

Insurers will now be stopped from offering benefits for treatments without clear evidence base (e.g. homeopathy, tai-chi, Bowen therapy). This is an important first step that might signal a closer look at the evidence base for outcomes.

Q2. What more needs to be done by government to reform PHI?

The government should continue to evaluate and consider outcome-based funding. The next step is to finish the MBS review and implement the recommendations. Just like the PHI reform, treatments that are deemed ineffective or outdated should be delisted. Once complete, the government should consider pathway-based payment models, where there is a clear path from diagnosis to wellbeing, enabling outcome-based payments.

The government holds a key driver of health care pathways; the funding mechanism. We would encourage the government to continue to develop incentive systems to reward outcomes and not just activity. Health insurers should play a role, given that 46% of the population is covered by health insurance, and the health insurer is also a "payer", together with the government, in the care of a privately insured patient. Aligning payment mechanisms will be important for enabling new models of care (e.g. rehabilitation) and supporting moves to improve safety and quality (e.g. not paying for readmissions due to errors).

In addition, it would be good for the government to explore opportunities to simplify the regulatory framework across different classes of insurance – and the duration of insurance products. At the moment there are differences in what each of private health insurance, life insurance and accident insurers (workers compensation and Compulsory Third Party) can pay for to promote better health outcomes "end-to-end", from prevention through to treatment and return to health/work. Increasingly there is blurring of boundaries and sub-optimisation. Intrinsically "long-tail" insurers have more of an incentive to pay for early identification and interventions which pay-off over the long-term – whereas with a one year policy (typical in PHI) a consumer could switch to another provider, so the insurers loses the benefit of the intervention. In the future where there will be increasing challenges in providing consumer transparency for insurance (e.g. how do you determine liability for a "gig worker" who has PHI, life insurance and workers compensation insurance?) and optimising care pathways – hence it would be timely to conduct a thorough review of the right system-wide model for insurance.

Q3. What can other key stakeholders in the PHI ecosystems do to drive reform?

Health insurers: Health insurers can also develop an industry stance on outcomes based funding models. They have a role to play in being advocates for change, on behalf of their members, to innovate care pathways that meet the quadruple aim.

On the theme of advocating for their members, they should develop industry standards on processes for measuring health quality and safety and seek agreements with health providers that include meeting quality and safety based measures. Where possible if outcomes-based models can be consistent across insurers, this will help take cost and complexity out of the system, e.g. adopting a standard approach for measuring outcomes for providers.

Health and care providers: Across Australia and New Zealand, organisations responsible for workcover/ accident cover are already moving to outcome orientated fee structures, that pay for a 'return to health'/'return to work' outcome. These payment approaches send a message that the quality of the care that produces an outcome is what really matters, and encourages providers to innovate their models of care, working in a collaborative approach with payers to do what is best to drive better health outcomes and more sustainable costs.

We can see this shift in other healthcare systems (parts of Spain and Germany) so, we would encourage health care providers to prepare for this shift from activity to outcomes. It will require some new thinking and approaches; start with the outcomes and work backwards to co-derive services and other interventions that would secure these. Such services will almost always be multi disciplinary and require joint working by providers, old and new.

Funding needs to be aligned to deliver outcomes that matter, both clinically and for the patient experience.

Collaboration

Public and private organisations, Commonwealth and State, new entrants and established players, even competitors can benefit by partnering to deliver consumer-centred health services.

Q1. What progress was made in the recently announced PHI government reform measures?

The approach taken to the recent reforms was a good example of collaboration to drive change. There were multiple stakeholders (including insurers, private hospitals, medtech and the AMA) and several of the measures standalone could have been seen as a "win-lose" (e.g. compromises made on cuts to prices for medical devices). By bundling up the reforms and engaging actively with the industry, the announcements were welcomed as a good first step in supporting industry sustainability.

Q2. What more needs to be done by government to reform PHI?

For the next wave of reforms, it will be important to follow a similar collaborative approach across the sector.

Q3. What can other key stakeholders in the PHI ecosystems do to drive reform?

The industry should likewise engage in a collaborative way – both with each other and with the government – to drive change. Not all change requires regulatory or policy reform, some can be driven by players working together differently, for example the insurers working with the private hospitals to agree and adopt a consistent way to measure quality outcomes.

A collaborative approach across the sector is needed to drive better health outcomes and more sustainable costs

Final word

These reforms of the private health insurance sector are a good first step and have helped to rebuild confidence in the industry. We now need to build on this to tackle the more challenging areas required for long-term success of the private health sector – which plays a critical role in our balanced public-private health system. At stake is being able to deliver better health outcomes with sustainable affordable costs for all Australians – a worthy goal for the whole sector to work together collaboratively to achieve.

Success is being able to deliver better health outcomes with sustainable affordable costs for all Australians

Contacts

To find out more, please contact:

Sarah Butler

Partner, Australia and Asia/NZ Health Leader

Phone: +61 2 8266 5091
Mobile: +61 412 474 706
Email: sarah.m.butler@pwc.com

Dr. Damien Angus

Partner, Health Strategy&

Phone: +61 8603 0294
Mobile: +61 418 985 644
Email: damien.angus@pwc.com

Richard Royle

Partner, Digital Health and Private Sector Lead

Phone: +61 7 3257 5175
Mobile: +61 418 389 656
Email: richard.royle@pwc.com

www.pwc.com.au

127056820