

Outcome 9

## Private Health

**A viable private health industry to improve the choice of health services for Australians**

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### OUTCOME SUMMARY

Outcome 9 is focused on ensuring that Australians have a choice of health care services within a world-class health system, by supporting the private health sector to provide affordable, quality care, in conjunction with the public health sector. The Government is committed to ensuring a viable and cost-effective private health industry for Australian families.

All Australians are entitled to treatment as a public patient in a public hospital free of charge. The private health sector compliments the public system by providing services and facilities that may be used by people at their own expense. Private health insurance helps people with the cost of treatment as a private patient.

The Australian Government aims to ensure that Australians with private health insurance have access to quality care and innovative models of service delivery including chronic disease prevention and management programs, and hospital substitute care. The Australian Government is also committed to making private health insurance more affordable through private health insurance rebates.

Outcome 9 is the responsibility of the Acute Care Division.

### Key Strategic Directions

- Ensure consumers have access to affordable private health insurance.
- Empower consumers to make informed decisions about private health.
- Foster private health insurance arrangements to encourage innovative models of service delivery for the prevention and management of chronic diseases, and hospital substitute services.
- Enhance links between the private and public health care systems to improve service delivery for consumers.
- Increase consistency of performance reporting for private and public hospitals to enhance quality and safety in health care for consumers.

## **Major Activities**

### **Measures to Support Affordability**

The Australian Government is committed to making private health insurance more affordable by paying a rebate to all Australians who purchase appropriate cover. The Department will, together with the Private Health Insurance Administration Council<sup>1</sup> (PHIAC) support the Government's assessment of private health insurance premium applications to ensure that increases are the minimum needed to maintain insurer solvency requirements and that the insurers can meet their claim obligations to members.

The Department is implementing a process of continuous improvement for prostheses arrangements. In 2008-09, expert clinicians will complete grouping work – sorting similar prostheses into groups to inform benefit negotiations. The outcome will be a comprehensive framework that ensures similar benefits for products with the same clinical outcomes, and a less burdensome application and assessment process for manufacturers.

In 2008-09, the Australian Government will increase the Medicare Levy Surcharge thresholds to \$100,000 for individuals and \$150,000 for families. This measure will ensure that the Medicare Levy Surcharge is refocussed to avoid affecting low-income earners.

### **Better Decision-Making by Consumers**

During 2008-09, the Australian Government will focus on achieving a sustained improvement in the rate of informed financial consent for privately insured medical and hospital services for the benefit of consumers. Informed financial consent is the provision of cost information to patients, including notification of likely out-of-pocket expenses (gaps), by all relevant service providers, preferably in writing, prior to admission or treatment. A survey of consumers in 2007 showed that 83 per cent either gave informed financial consent for all the services involved in their treatment, or did not have a gap to pay. However, the remaining 17 per cent had a surprise gap. The Government is considering a range of options to ensure that informed financial consent is obtained whenever possible and will work with key stakeholders to achieve this.

### **Improved Cover for Prevention and Hospital Substitute Services**

The Australian Government promotes the growth of programs that prevent illness and reduce private health costs by encouraging insurers to develop products that cover services that substitute for, or prevent, hospitalisation. The Australian Government will also foster the development of relationships between private health insurers and service providers to facilitate this process.

The development of private health insurance products that prevent, or substitute for, hospitalisation will complement the range of programs available in the public sector. Providing coverage for services that can be delivered effectively outside the hospital setting gives people greater choice about the care that best suits their needs. Where appropriate, it can enable them to receive services in a more familiar, convenient and comfortable environment.

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<sup>1</sup> For further discussion on PHIAC, refer to the PHIAC chapter located later in these Portfolio Budget Statements.

Prevention services support people to maintain healthy lifestyles and assist those with chronic illness to manage their condition. Covering these services under private health insurance has the potential to improve individual health outcomes and reduce the burden on the health care system by alleviating demand and downstream costs.

During 2008-09, the Department will monitor the uptake of these products and services on private health insurance costs and on risk equalisation arrangements. This will be achieved through quantitative assessment of Hospitals Casemix Protocol data, as well as data collected by the PHIAC. Qualitative monitoring will also be conducted by the Department through consultation with the private health insurance industry.

### **Improved Service Delivery for Consumers**

The Australian Government will improve links between the private and public systems to ensure improved service delivery for private and public health consumers.

The Government will achieve this by working with State and Territory governments through the Australian Health Ministers' Conference and the Australian Health Ministers' Advisory Council to identify opportunities to foster relationships between public sector service delivery agencies and private health insurers.

The Australian Government will implement the Private Health Insurance (Accreditation) Rules that will require providers of privately insurable services to meet minimum requirements for hospital services. This will cover private and public hospitals to assist people to use their private health insurance to access hospital services. This will be undertaken in consultation with the Australian Commission on Safety and Quality in Health Care.

Following the introduction of the Rules on 1 July 2008, the Department will continue to work with private health insurers and providers of privately insurable services to assist compliance with the Rules.

### **Better Information Supporting Better Outcomes**

The Australian Government will work with the private health insurance industry and the states and territories to ensure quality, consistent and timely reporting across the whole hospital sector. This will include consultation with private health insurers, private hospitals and the Australian Commission on Quality and Safety in Health Care.

In 2008-09, the Department, on the Australian Government's behalf, will work closely with stakeholders to improve the availability of relevant and quality data. This initiative will aim to provide improved performance information regarding the private and public hospital sectors to ensure quality and safety in health care for consumers.

Funding for these major activities is sourced from Program 9.1 – Private Health Insurance.

## Outcome 9 Resourcing

Table 9.1 shows how the 2008-09 Budget appropriations translate to total resourcing for Outcome 9, including administered expenses, revenue from government (appropriations), revenue from other sources and the total price of outputs.

**Table 9.1: Total Resources for Outcome 9**

	2008-09 Total estimate of available resources \$'000	2007-08 Estimated actual \$'000
<b>Outcome 9 Administered and Departmental Output Resources</b>		
<b>Program 9.1: Private Health Insurance</b>		
<i>Administered Items</i>		
Annual Appropriation Bill 1 (Ordinary Annual Services)	13,104	10,839
Special Appropriations		
<i>Private Health Insurance Incentives Act 1998</i>	-	3,541,073
<i>Private Health Insurance Act 2007</i>	3,432,886	-
<i>Departmental Outputs</i>		
Annual Appropriation Bill 1 (Ordinary Annual Services)	10,567	10,655
Revenues from other sources (s.31) for goods and services	2,688	2,683
<b>Subtotal for Program 9.1</b>	<b>3,459,245</b>	<b>3,565,250</b>
<b>Total Resources for Outcome 9</b>	<b>3,459,245</b>	<b>3,565,250</b>
<b>Outcome 9 Resources by Departmental Output Group</b>		
<b>Department of Health and Ageing</b>		
Output Group 1: Policy Advice	10,816	10,884
Output Group 2: Program Management	2,439	2,454
<b>Total Departmental Resources</b>	<b>13,255</b>	<b>13,338</b>
	2008-09	2007-08
<b>Average Staffing Level (Number)</b>	<b>72.9</b>	<b>77.7</b>

## Measures Affecting Outcome 9

A summary of measures affecting this outcome is provided at Table 1.3.1, Section 1. Measure descriptions are published in full in *Budget Paper No. 2, Budget Measures 2008-09*, available on the Australian Government website at <<http://www.budget.gov.au>>.

## Contribution of Administered Programs

### Program 9.1 – Private Health Insurance

The Private Health Insurance Program works in conjunction with the support provided by the Australian Government for public health services, such as hospitals and dental to deliver high quality of care for all Australians. The Government provides funding for private health insurance rebates to individuals and families to reduce the cost of premiums and make private health insurance more affordable. The program also encourages consistent performance reporting to enhance quality and is focused on increasing the scope and proportion of chronic disease management programs and hospital-substitute episodes delivered to private patients.

The contribution to this outcome is measured by the number of people covered by private health insurance.

## Contribution of Departmental Outputs to Outcome 9

The Department describes its core activities in terms of two output groups: policy advice and program management. Outcome 9 reports on both output groups. Refer to Section 2.1 for more information on output groups.

## Performance Information for Outcome 9

Performance information for administered programs, individual outputs and output groups relating to Outcome 9 are summarised in Table 9.2.

**Table 9.2: Key Performance Information for Outcome 9**

### Performance Information for Administered Programs

Indicator	2008-09 Reference Point or Target
<b>Program 9.1 – Private Health Insurance</b>	
<ul style="list-style-type: none"> <li>Administered Items</li> </ul>	
Maintain the number of people covered by private health insurance – hospital treatment cover within government policy parameters.	9.3 million people or 44.4% of Australians had private hospital cover in December 2007, compared with 8.9 million or 43.2% in December 2006.

Indicator	2008-09 Reference Point or Target
<b>Program 9.1 – Private Health Insurance</b>	
<ul style="list-style-type: none"> <li>• Administered Items</li> </ul>	
Increase in the scope and proportion of chronic disease management programs and hospital substitute episodes delivered to private patients.	An increase in the scope and proportion of chronic disease management programs and hospital-substitute episodes delivered to private patients compared to 2007-08.
<ul style="list-style-type: none"> <li>• Departmental Outputs<sup>2</sup></li> </ul>	
<b>Resourcing: \$3,459.245m</b>	

### Performance Information for Departmental Outputs

In relation to the following program:

- 9.1: Private Health Insurance.

Indicator	2008-09 Reference Point or Target
<b>Output Group 1 – Policy Advice</b>	
Quality, relevant and timely advice for Australian Government decision-making measured by Ministerial satisfaction.	Ministerial satisfaction.
Production of relevant and timely evidence-based policy research.	Relevant evidence-based policy research produced in a timely manner.
<b>Output Group 1 Resourcing: \$10.816m</b>	

<sup>2</sup> The Department has four standard performance indicators for departmental output groups. See 'Performance Information for Departmental Outputs' for further information.

Indicator	2008-09 Reference Point or Target
<b>Output Group 2 – Program Management</b>	
Administered budget predictions are met and actual expenses vary less than 0.5% from budgeted expenses measured by comparison of actual expenses against budget.	0.5% variance from budgeted expenses.
Stakeholders participate in program development through a range of avenues, such as surveys, conferences, meetings and submissions on departmental discussion papers.	Stakeholders participate in program development.
<b>Output Group 2 Resourcing: \$2.439m</b>	

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