

Outcome 9

Private Health

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

Outcome | 09

OUTCOME SUMMARY

Outcome 9 is focused on providing Australians with access to cost-effective and high quality health care services, and improving choice in services covered by private health insurance. The Australian Government aims to achieve this by regulating the private health insurance sector and subsidising the cost of private health insurance premiums.

Outcome 9 is the responsibility of the Acute Care Division.

The Year Ahead

In 2007-08, the Australian Government will focus on private health industry compliance with new regulatory reforms and the quality of products they provide to the community.

The Government will continue to encourage Australians to take up private health insurance, and provide information to help them choose a product that best meets their needs. The Government will also promote dialogue on privately insured medical hospital charges between health funds, doctors, hospitals and patients.

Key Strategic Directions for 2007-08

During 2007-08, the Australian Government will:

- ensure industry compliance with the new legislation governing private health insurance;
- encourage insurers to develop products that offer broader health care services;
- ensure the safety and quality standards for privately insured services;
- improve consumer understanding of private health insurance;
- promote informed financial consent for privately insured medical and hospital services;
- enhance arrangements underpinning private health insurance funding of prostheses; and
- support new risk equalisation arrangements.

Major Activities

Regulatory Reform

On 1 April 2007, the Australian Government introduced new laws to better regulate the private health insurance industry. They also allow the development of products that reflect contemporary clinical practice.

During 2007-08, the Department will work with industry to ensure that the new laws are operating effectively. The Department will also help industry stakeholders understand and work within the new regulatory framework.

Broader Health Cover

In 2007-08, the Australian Government will continue to encourage insurers to develop new products that cover medical treatments provided out of hospital. These include programs that prevent and manage chronic disease, and treatments that can, in many instances, be safely provided in a patient's home, such as chemotherapy and dialysis.

The aim of broader health cover is to encourage the growth in programs that prevent illness and hospitalisation where possible, and to reduce private health insurance costs.

During 2007-08, the Department will work closely with private health insurers to ensure new product offerings comply with the new regulatory legislation. The Department will also develop arrangements for the collection of data with insurers and health care providers.

Furthermore, the Department will monitor the impact of broader health cover services on private health insurance costs and on risk equalisation arrangements, to ensure that the new arrangements are sustainable.

Safety and Quality

The Government is committed to ensuring that all services covered by private health insurance are of the highest quality and are delivered safely.

To achieve this, the Department will develop new rules setting out safety and quality standards. The rules will be consistent with the principles recommended by the Australian Commission on Safety and Quality in Health Care's Review of National Safety and Quality Accreditation Standards.

The standards are likely to draw on existing accreditation, qualification, licensing and registration arrangements and practices in the industry.

Consumer Awareness

The Australian Government aims to encourage Australians to take up private health insurance by increasing the choice and range of services available, and providing useful information to help people choose a product that best meets their needs.

During 2007-08, the Government will continue to focus on increasing consumer awareness of private health insurance and related reforms (such as changes to Lifetime Health Cover loadings) through the continuation of the private health insurance communication campaign that began in 2006-07.

The Department will provide ongoing support to the Private Health Insurance Ombudsman for the maintenance of the new private health insurance website¹, which provides standard information to allow consumers to compare private health insurance policies.

¹ Accessible at: <www.privatehealth.gov.au>.

Informed Financial Consent

The Australian Government actively encourages doctors to obtain patient consent for all privately insured medical and hospital services, after they have discussed their fees with the patient.

During 2007-08, the Government will continue to work closely with doctors, hospitals and health funds to promote informed financial consent for private services. The Government will also encourage consumers to ask doctors and others about charges, so that they will know how much their operation or procedure will cost before it occurs.

Prostheses

The Australian Government has established processes to ensure private insurance funding for prostheses is supported by effective clinical assessment and appropriate benefit arrangements. In 2007-08, the Department will support these processes to develop two Prostheses Lists. The Government will recover the administrative costs associated with developing the lists from industry, under new cost recovery legislation introduced in 2006-07. An independent review of the Prostheses List arrangements, including the clinical assessment processes, will commence at the beginning of 2007-08.

In 2007-08, the Government will continue to provide financial support to the National Joint Replacement Registry, to ensure that data for the comparative clinical assessment of hip and knee joint replacement prostheses is available and can be used effectively to improve outcomes for patients. The Government will also provide funding to allow the registry to expand to include the collection and analysis of data on ankle, wrist, shoulder and spinal disc replacement prostheses in 2007-08.

Risk Equalisation

In 2006-07, the Australian Government made reforms to risk equalisation arrangements to more appropriately pool risks across the private health insurance industry.

During 2007-08, the Department will work with the Private Health Insurance Administration Council and private health insurers to implement the reforms effectively and monitor the impact of the changes.

Outcome 9 Resourcing

Table 3.1.9 shows how the 2007-08 Budget appropriations translate to total resourcing for Outcome 9, including administered expenses, revenue from government (appropriation), revenue from other sources, and the total price of outputs.

Table 3.1.9: Total Resources for Outcome 9

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000
Administered appropriations		
Program 9.1: Private Health Insurance		
Appropriation Bill 1	7,865	11,840
<i>Private Health Insurance Incentives Act 1998</i>	3,328,826	3,464,250
Total Special Appropriations	3,328,826	3,464,250
	3,336,691	3,476,090
Total Administered Appropriations	3,336,691	3,476,090
Departmental appropriations		
Health and Ageing		
Output Group 1 - Policy Advice	7,882	7,251
Output Group 2 - Program Management	3,132	2,881
Total price from departmental outputs <i>(Total revenue from government and from other sources)</i>	11,014	10,132
Total revenue from government (appropriations) contributing to price of departmental outputs	10,039	8,197
Total revenue from other sources	975	1,935
Total price from departmental outputs <i>(Total revenue from government and from other sources)</i>	11,014	10,132
Total Price of Outputs for Outcome 9 <i>(Total Revenue from Government and from other sources)</i>	11,014	10,132
Total estimated resourcing for Outcome 9 <i>(Total price of outputs and administered appropriations)</i>	3,347,705	3,486,222
	2006-07	2007-08
Average Staffing Level (number)		
Department	69	65

Measures Affecting Outcome 9

A summary of measures affecting this outcome is provided at Table 2.2, Section 2. Measure descriptions are published in full in *Budget Paper No. 2, Budget Measures 2007-08*, available on the Australian Government website at: <www.budget.gov.au>.

Contribution of Administered Programs to Outcome 9

Program 9.1: Private Health Insurance

The Private Health Insurance program 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 rebates, along with other initiatives, such as the Medicare

Levy Surcharge and Lifetime Health Cover, help make private health insurance more affordable and encourage take-up of private health insurance. 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 3.1 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 3.2.9.

Table 3.2.9: Key Performance Information for Outcome 9

Performance Information for Administered Programs

Indicator	Measured by	Reference Point or Target
Administered Funding – Private Health Programs		
Maintain the number of people covered by private health insurance – hospital cover.	Percentage of people covered by health insurance remaining stable.	People covered (43.4% of Australians had private hospital cover in December 2006), compared to 43.0% in December 2005.
Increase in the proportion of in-hospital episodes delivered to private patients in public and private hospitals.	Proportion of episodes covered by health insurance increased from the previous financial year.	Increased proportion compared with 35% in 2004-05.
Cost: \$3,476.090m		

Performance Information for Departmental Outputs

Indicator	Measured by	Reference Point or Target
Output Group 1 – Policy Advice		
Quality, relevant and timely advice for Australian Government decision-making.	Ministerial satisfaction.	Maintain or increase from previous year.
Relevant and timely evidence-based policy research.	Production of relevant and timely evidence-based policy research.	Relevant evidence-based policy research produced in a timely manner.
Price: \$7.251m		

Budget Statements – Department of Health and Ageing

Indicator	Measured by	Reference Point or Target
Output Group 2 – Program Management		
Administered budget predictions are met and actual expenses vary less than 0.5% from budgeted expenses.	Percentage that actual expenses vary from budgeted expenses.	0.5% variance from budgeted expenses.
Stakeholders to participate in program development.	Opportunities for stakeholder participation through a range of avenues, such as surveys, conferences and meetings.	Stakeholders participated in program development through workshops, conferences and meetings with industry.
Price: \$2.881m		

Evaluations

The Department does not plan to undertake any evaluations under Outcome 9 in 2007-08.

Major Reviews

An independent review of the arrangements underpinning the development of the Prostheses List will be conducted between July and September 2007. The review will assess the effectiveness of arrangements introduced in October 2005 and recommend improvements. The review will examine specific issues, including the adequacy of the current informed financial consent arrangements, and the extent of out-of-pocket costs experienced by patients for clinically appropriate prostheses.