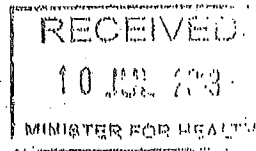


MIN to MIN
The Hon. Jack Snelling M.P.

Our ref: MHA001626

QMB-PI
TP-TPM
PII



Government of South Australia

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Minister for Mental Health and Substance Abuse
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4 July, 2013

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BT

Minister for Health	
11 JUL 2013	
Reply by	Action
<input type="checkbox"/> Minister	<input type="checkbox"/> Acknowledge
<input type="checkbox"/> Chief of Staff	<input type="checkbox"/> Response
<input type="checkbox"/> Adviser	<input type="checkbox"/> Phone Call
	<input type="checkbox"/> Information
<input type="checkbox"/> P/Sac for Min	<input type="checkbox"/> Urgent by
<input type="checkbox"/> Department	
Other	
<input type="checkbox"/> Invite	<input type="checkbox"/> Refer to
<input type="checkbox"/> Campaign	
<input type="checkbox"/> Constituent	
<input type="checkbox"/> Background Information Required	
Comments:	

Hon. T. Pflibersek M.P.
Minister for Health and Medical Research
Suite M1 24
Parliament House
CANBERRA A.C.T. 2600

Dear Minister *Tanya*

I bring to your attention difficulties faced by private hospitals in South Australia in seeking adequate payment from private health insurers for health services provided to their members.

Two large private health insurers, [redacted] and Medibank Private, share approximately 70 per cent of the private health insurance market in South Australia. This situation puts private hospitals in South Australia in a difficult bargaining position when negotiating contracts with those two insurers.

Even though private health insurance premiums in South Australia are the same as the national average, Private Health Insurance Administration Council data shows that private hospitals in South Australia receive lower private health insurance benefit revenue from health insurers compared to other States. Currently, South Australian private hospitals receive 14 per cent lower private health insurance payments than the national average. A Private Health Insurance Administration Council report also shows the percentage of health fund premiums paid out to private hospital in benefits for South Australia was only 82.1 per cent compared to a national average of 88.3 per cent. [redacted]

As you would be aware, second tier default benefits provide a safety net for hospitals that have low bargaining power and are unable to negotiate a fair outcome with health insurers. I understand that the South Australian private hospitals sector has concerns about the methodology for calculating second tier default benefits.

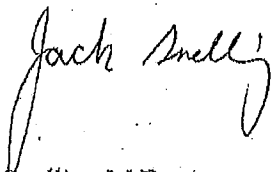
Second tier default benefits are calculated using comparable contracts on a state basis. In South Australia, this does not put private hospitals in a better position to negotiate with health insurers as the benefits payable to private hospitals are 14 per cent lower across the whole state. If second tier default benefits were calculated using comparable contracts on a national basis, this would assist private hospitals in South Australia in negotiating contracts with health insurers that bring South Australia into line with benefits provided to private hospitals in other states. Given the private health insurance market is a national market, governed by national

legislation, there is little evidence to suggest that the methodology for determining second tier default benefits should be state based.

I am aware that these concerns have been raised by South Australian private hospitals through the Private Health Insurance Administration Council. As the *Private Health Insurance Act 2007* is the responsibility of the Commonwealth, I would like to seek advice from you about how you propose to address these concerns. Specifically, I seek clarification on what basis the second tier default benefit should remain as calculated on a state basis versus moving to a national basis. [REDACTED]

I look forward to your response. In the meantime, if your staff would like to discuss the matter further please phone [REDACTED]
[REDACTED]

Yours sincerely



Jack Snelling M.P.
Minister for Health and Ageing