



Ministerial Correspondence Referral from PM&C. C13/59911  
[SEC=UNCLASSIFIED]

to: Doha.referrals

28/07/2013 17:12

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QMB - PH  
PM - TP (M)  
PHI  
RID to TP

The below correspondence addressed to the PM was received by PM&C and has been referred for your Minister's consideration. Thank you.

Reader: [REDACTED]  
Date of letter: 26 Jul 13 14:32:05  
PMC ID: C13/59911

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Hospital Funding Dispute in SA

Minister for Health	
29 JUL 2013	
<input checked="" type="checkbox"/> Reply by	<input type="checkbox"/> Action
<input checked="" type="checkbox"/> Minister	<input type="checkbox"/> Acknowledge
<input type="checkbox"/> Chief of Staff	<input type="checkbox"/> Response
<input type="checkbox"/> Advisor	<input type="checkbox"/> Phone Call
	<input type="checkbox"/> Information
<input type="checkbox"/> P/Sec for Min	<input type="checkbox"/> Urgent by
<input type="checkbox"/> Department	
Other	
<input type="checkbox"/> Invo	<input checked="" type="checkbox"/> Refer to
<input type="checkbox"/> Campaign	<input type="checkbox"/> [REDACTED]
<input type="checkbox"/> Constituent	
<input type="checkbox"/> Background	
<input type="checkbox"/> Information	
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Comments:	

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Subject - Hospital Funding Dispute in SA Message - Dear Prime Minister, Following is a copy of a communication to the Hon Kate Ellis, member for Adelaide. A similar communication has been forwarded to Sen Wong as sole shareholder of Medibank Private Limited.

"I represent Little Company of Mary Health Care Limited, a values based charitable organisation that has been providing hospital and community based services in South Australia for over 110 years, probably better known to you as Calvary. Along with a number of other South Australian charitable NFP private hospitals we have a number of issues with the conduct of the two dominant insurers, Medibank Private (MPL) and [REDACTED]."

Therefore I have taken the view that you are aware that some funding issues that exist for private hospitals in SA given the media attention the situation has received.

As an MP representing South Australia you would be aware this problem has been ongoing for a decade or more - indeed it was a key driver in the establishment of the Private Health Insurance Ombudsman by the Commonwealth and the 2nd tier default rate to protect the interests of SA private health consumers in 2003. The result of a bitter and protracted dispute between a funder and charitable hospitals... regrettably nothing has changed as any intervention requires a dispute.

Put simply, the problem is that MPL and [REDACTED] use their considerable market power (77%) to set prices that are in the region of 14-17% below the national average. That effectively removes any reasonable earnings for purpose driven charities to reinvest. This is in the context of these funds 'very healthy' gross margins, circa 20% on hospital treatment, nearly double the national average. This problem will not go away until some funding fairness is achieved, such as in the public sector where there is a National Efficient Price system. The immediate problem is that MPL wish to only increase funding at a level well below inflation that would see our hospitals go further back against the national average price and reduce the very slim margin that currently exists overall.

Our Board after years of very patient negotiation have now decided to terminate our contract with MPL effective 23rd August 2013. The gravity of this situation should not be underestimated, the approximately 40,000 MPL members we treat each year will be forced to find other contracted hospitals which will obviously be very disruptive for them, their treating doctors; the public hospital sector and of course Calvary hospitals where there will be redundancies and expenditure freezes.

We have started to inform the public, our visiting medical practitioners and staff. Given many of our

hospitals and those other hospitals that support our stand are in your electorate this group of hospitals intend to seek your response publicly on a number of matters. Particularly as MPL is owned and regulated by the Government and your colleague, Senator Wong is the sole shareholder.

It is our intention to put three questions to you publicly during the dispute:

- . Given that approximately \$68.6m in private hospital revenue is leaving South Australia each year, as an MP for SA and the Member in whose electorate most of these hospitals operate... What are you doing about this?
- . The 2012 PHAC Annual report shows that Medibank enjoys a hospital treatment profit margin in SA of 20.3% which is double Medibank's national rate. As the Federal Member for Adelaide... Do you think this is reasonable?
- . DoHA Private Hospital Data Bureau reports that Medibank's rates to our hospitals in SA are 16.5% below national average. As a representative of the people of South Australia ...Do you think this is fair?
- . Given your knowledge of the impending dispute and its likely impact on residents of SA and people and workers in your electorate... What have you done to fix the problem?

Please don't hesitate to contact me if you need to better understand any aspect of the questions.

Yours sincerely,

Mark Doran  
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