



Private Healthcare Australia

Better Cover. Better Access. Better Care.



**Submission to the Productivity Commission
Draft report on mental health**

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About PHA

Private Healthcare Australia (**PHA**) is the Australian private health insurance industry's peak representative body that currently has 24 registered health funds throughout Australia and collectively represents 96% of people covered by private health insurance. PHA member funds today provide healthcare benefits for over 13 million Australians.

Response to the draft report

Thank you for the opportunity to comment on the Productivity Commission's draft report on mental health, released on 31 October 2019. This submission should be read in conjunction with PHA's submission to the review (submission 222).¹

PHA notes the key findings and key recommendations of the draft report, and generally supports the proposals outlined by the Commission in the draft report.

In particular, PHA welcomes **recommendation 24.5**, that the government review the regulations that prevent private health insurers from funding community-based mental healthcare with a view to increasing the scope for private health insurers to fund programs that would prevent avoidable mental health-related hospital admissions. PHA and our member funds have already starting investing in a scoping review of such programs and will continue to work with the government and other stakeholders through 2020 to progress this work.

Comments on specific sections of the draft report follow.

¹ Available at https://www.pc.gov.au/data/assets/pdf_file/0004/240493/sub222-mental-health.pdf.

INFORMATION REQUEST 3.2 — OUT-OF-POCKET COSTS FOR MENTAL HEALTHCARE

PHA has examined the *Hospital Casemix Protocol Annual Report 2018-19* produced by the Department of Health (2020) to calculate the out of pocket costs for insured patients of private hospitals for mental health and alcohol and drug diagnostic groups.²

For combined hospital and medical costs, there were almost 200,000 separations. Overall charges were \$686.15 million, with health funds covering \$673.45 million of that amount. Out of pocket costs averaged slightly under \$65 per episode. Note that averages of out of pocket costs are often misleading – most patients did not have any out of pocket costs, and for those who did, there is wide variation. See appendix one for details.

Similar data are not available for insured patients treated in public hospitals. Overall, almost two in five private patients treated in public hospitals pay out of pocket costs;³ there are no specific mental health data available.

The Australian Government's private health insurance reforms in 2018 allows patients with basic or medium level hospital cover products to upgrade their cover and immediately access in-hospital mental health and drug and alcohol treatment services. From 1 April 2018 to 30 September 2019 6,320 people upgraded their insurance cover to access higher benefits for in-hospital psychiatric care treatment without serving a waiting period and claimed more than \$73 million in benefits.⁴

DRAFT RECOMMENDATION 7.1 — PLANNING REGIONAL HOSPITAL AND COMMUNITY MENTAL HEALTH SERVICES

PHA agrees that such planning is necessary and recommends that such planning is cognisant of the distribution of private hospitals offering psychiatric care. The distribution of private psychiatric hospitals does not match Australia's population distribution.⁵

DRAFT RECOMMENDATION 10.1 — CONSUMER ASSISTANCE PHONE LINES

DRAFT RECOMMENDATION 10.2 — ONLINE NAVIGATION PLATFORMS TO SUPPORT REFERRAL PATHWAYS

PHA supports greater integration linking consumers and services. Private health insurers are well placed to assist with integration. For example, several private health funds manage consumer assistance phone and web services that should be considered with recommendations 10.1 and 10.2. Private health insurers are also in an ideal position to provide information to their members about resources available.

² Available at <https://www1.health.gov.au/internet/main/publishing.nsf/Content/health-casemix-data-collections-publications-HCPAnnualReports>, Accessed 6 January 2020.

³ Department of Health 2020. *Hospital Casemix Protocol Annual Report 2018-19*. Available at <https://www1.health.gov.au/internet/main/publishing.nsf/Content/health-casemix-data-collections-publications-HCPAnnualReports>, Accessed 6 January 2020.

⁴ Available at <https://www.health.gov.au/resources/collections/private-health-insurance-reform-data-quarterly-reports>, Accessed 23 January 2020.

⁵ See the list of accredited private hospitals at <https://www1.health.gov.au/internet/main/publishing.nsf/Content/hospitals2.htm>. This list does not include major private hospitals that provide psychiatric services.

DRAFT RECOMMENDATION 24.4 — TOWARD MORE INNOVATIVE PAYMENT MODELS

DRAFT RECOMMENDATION 24.5 — PRIVATE HEALTH INSURANCE AND FUNDING OF COMMUNITY-BASED HEALTHCARE

Private Healthcare Australia has been consulting with members to consider options to improve the choices and quality of care of people living with mental health conditions, through better utilising private health insurance funding.

As identified in the draft report, the key issue is regulatory barriers that prohibit health funds from funding care in the community. To improve mental health care through private health insurance, it is imperative that these barriers be removed and enable cost-effective community initiatives and care packages to be provided at scale.

Several funds are running trials and preparing to improve models of care for people living with mental health conditions. Many of these programs show promise, but are limited by the *Private Health Insurance Act 2007* (the Act), the *Private Health Insurance (Complying Product) Rules 2015* (the Complying Product Rules), and the *Private Health Insurance (Health Insurance Business) Rules 2018* (the Business Rules).

Both the Act and the Rules place strict definitions on the type of care that may be covered by private health insurance, and most importantly, on the setting of care. The legislation should be agnostic towards the care setting, and not specify where care should be delivered. Health care should be less about real estate and more about health.

The definitions of hospital care and hospital-substitute treatment in the legislation are out of date and stifling innovation in mental health care. For example, the exclusion of general practice in chronic disease management programs (cl. 12, the Business Rules) is contrary to accepted medical practice in Australia.

Despite health funds currently being constrained by the legislative barriers, PHA is working with our members on an outline of a framework to provide services to Australians living with mental health conditions in the community. We would anticipate this framework being complete during 2020, following consultation with people living with mental health conditions, their carers and health professionals.

However, this work will not be able to proceed without the regulatory barriers being addressed. In the short term, removing the onerous definitions within the Rules would provide more flexibility to funds to undertake mental health programs.

The work we are doing on improving mental health care in the community is an absolute priority for PHA and our member funds.

INFORMATION REQUEST 25.1 — UNDER-UTILISED DATASETS

Many Australian health datasets are underutilised, including those held by the Australian Bureau of Statistics and the Australian Institute of Health and Welfare. Datasets regularly used by Private Healthcare Australia to examine mental health care include:

- [Australian Prudential Regulatory Authority private health insurance statistics](#)
- [Hospital Casemix Protocol Annual Report 2018-19](#)
- [Private Hospital Data Bureau Annual Report 2018-19](#)
- [Private Healthcare Australia Annual High Cost Claims Report 2019](#)

We have also utilised the following in our work:

- AIHW Health Expenditure database
- AIHW Medical Labour Force Surveys
- AIHW Nursing and Midwifery Labour Force Surveys
- AIHW Your Experience of Service survey
- Allied Psychological Services Minimum Dataset
- Australian Government Department of Health, National Survey of Mental Health Services Database
- BEACH survey of general practice activity (BEACH data)
- Commonwealth State/Territory Disability Agreement NMDS
- Department of Health (unpublished data) (Mental health specific payments to states and territories and Department of Veteran's Affairs)
- Department of Social Services Personal Helpers and Mentors (PHaMs)
- Disability Services NMDS
- Emergency Department data provided by state and territory health authorities
- Medicare Benefits Schedule data (Department of Health) (Medicare data)
- National Community Mental Health Care Database
- National Health Workforce Data Set: medical practitioners
- National Health Workforce Data Set: nurses and midwives
- National Health Workforce Data Set: psychologists
- National Hospital Morbidity Database
- National Mental Health Establishments Database
- National Mental Health Performance Framework 2020
- National Non-admitted Patient Emergency Department Care Database
- National Residential Mental Health Care Database
- National Seclusion and Restraint Database
- Private Health Establishments Collection (private psychiatric hospitals only)
- Specialist Homelessness Services Collection