



# Private Healthcare Australia

Better Cover. Better Access. Better Care.



## AusMedtech 2023

# What is value for private health fund members?

May 24, 2023.

Private Healthcare Australia (PHA) represents 21 registered health funds throughout Australia and collectively represents 98% of people covered by private health insurance.



## Workforce shortages, elective surgery blowouts, PL Reform dominate post-Covid headlines

### **'All a bit broken': Inside the overwhelmed emergency departments at Melbourne's busiest hospitals**

The Victorian health system was left critically injured by the pandemic and its recovery is expected to take years.

9News 24 April 2023

### **Vulnerable Aussies left in pain as elective surgery wait times blow out**

when COVID-19 came along, elective surgery was put on hold and now wait times have blown out.

9News, 26 March 2023

### **Australia grapples with major medicine shortage**

Australia's medicine shortage is impacting the wellbeing of thousands of people

9News 23 April 2023

### **Concerns Alice Springs health workforce crisis threatening Aboriginal life expectancy gains**

There are fears a severe shortage of nurses and doctors in Alice Springs could see life expectancy rates worsen among local Aboriginal communities.

ABC News 8 March 2023

### **Emergency departments have become a 'safety net' — and we're waiting in them longer than ever before**

The annual Report on Government Services shows Australians are spending longer on average in emergency departments when they visit

ABC News 2 February 2023

### **Specialist wait times blow out to greater than six years, sparking renewed calls for change**

Experts say being seen promptly compared to waiting a long time can be the difference between life and death.

ABC News 20 April 2023

### **Children on surgery waiting list grow sicker due to delays, doctors warn**

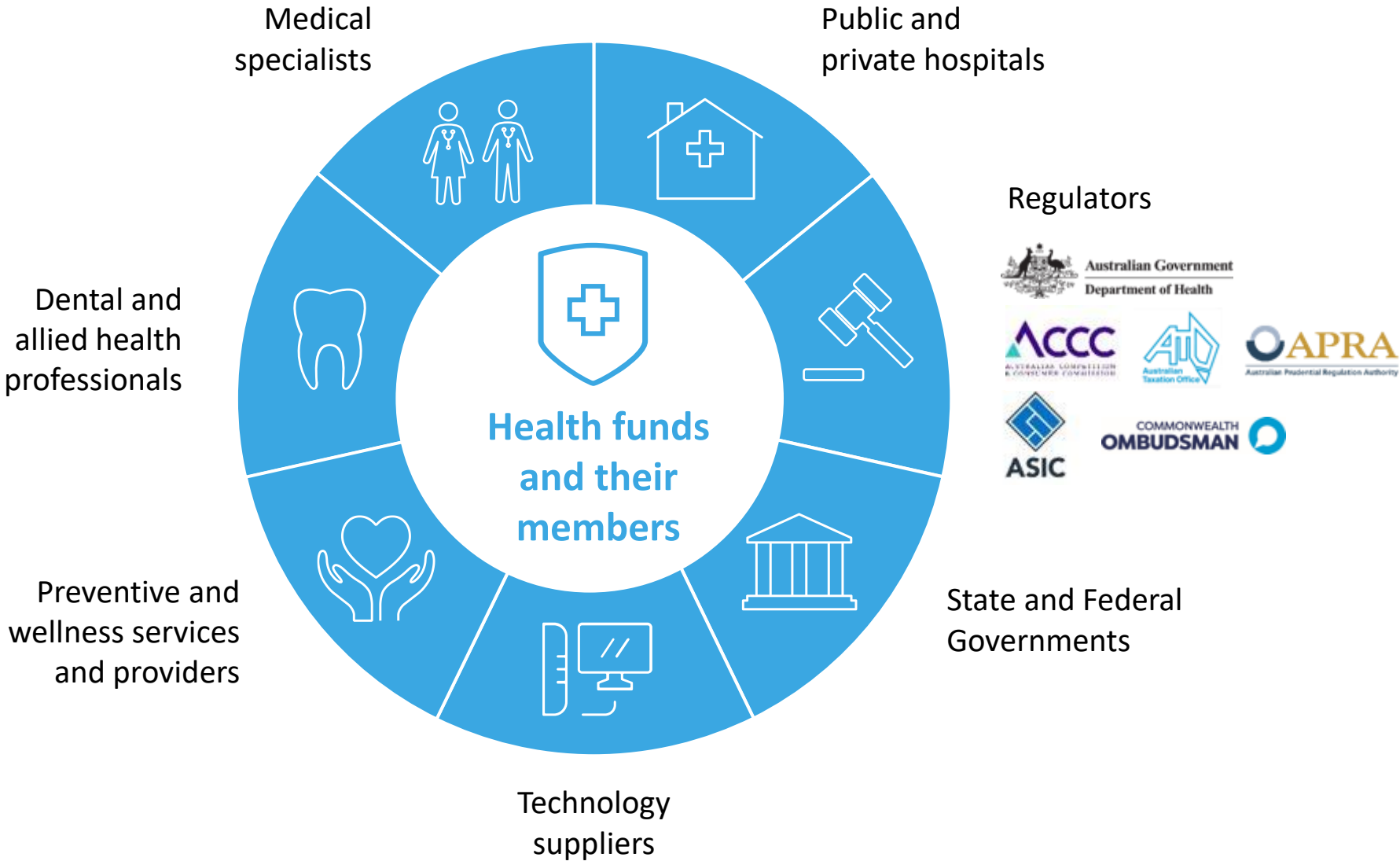
The health of children waiting for delayed operations is deteriorating as elective surgery waiting lists remain high, doctors in Victoria say.

The Age 14 February 2023

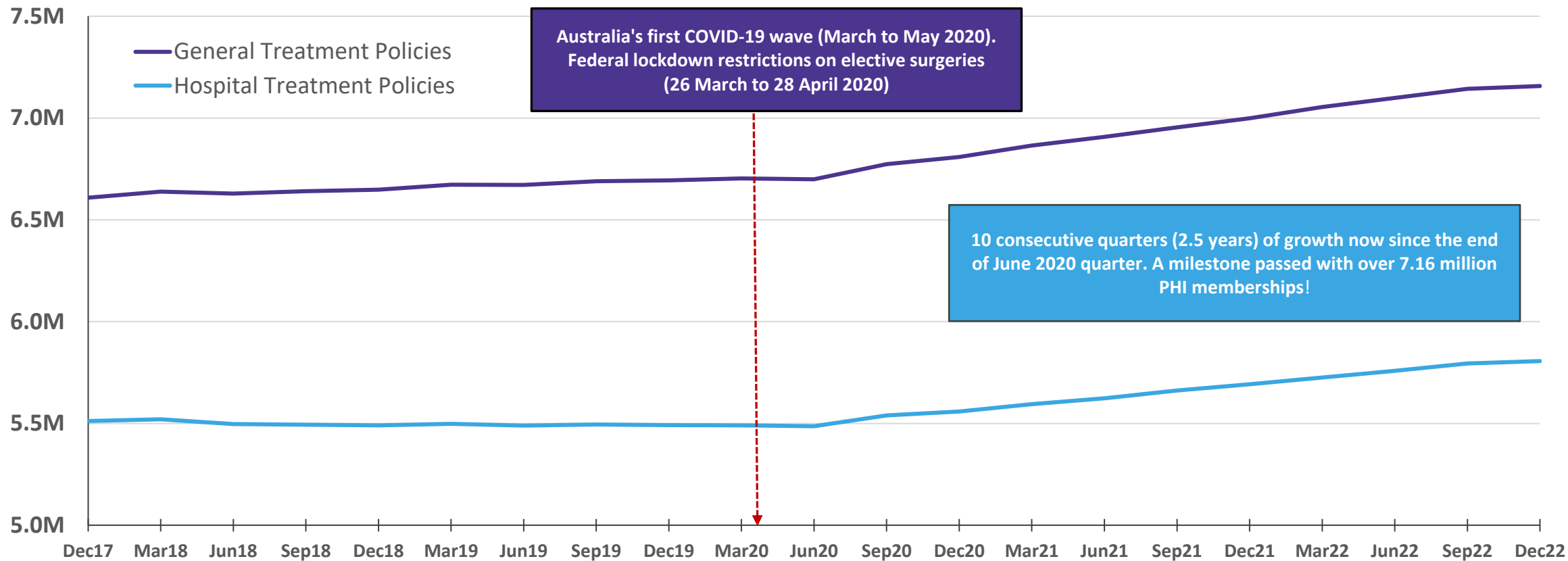
### **Queensland hospitals are in the grip of a major health workforce crisis. This 'exciting' news won't change that**

Queensland Premier announced the recruitment of more than 800 new intern doctors and 200 ambulance officers

ABC News 31 January 2023



## Private Health Insurance Membership Trends over the last 5 years



Source: APRA



Retirees



Millennial MLS avoiders and on family policies



Working mums



Aspirational migrants



NHS refugees

Expanding PHI's base requires deep understanding of demographic trends, including youth demand for mental health services...



1 in 10 claims for people under 30 are for mental health care

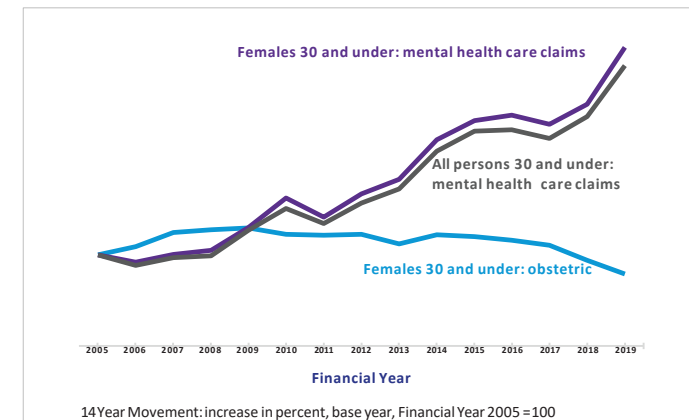


It is the most common reason women under 30 claim



Second most common reason men under 30 claim

Growth in obstetric versus mental health care hospital claims



## Key insights:



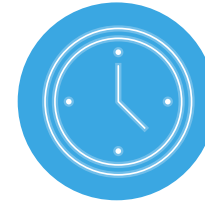
### New joiners

New joiners are more likely to be **male**, **aged 25-34**, in **full time work**. They are more likely to vote for progressive parties. **Greens** voters over-represented.



### Home-owners

New joiners tend to live in **higher income** households in **inner cities**. They are more likely to **own their own home**, but the number of renters is higher in this cohort than we have seen previously.



### Looking to reduce waiting times

Key reasons new joiners took out private cover were shorter **waiting times** (54%), greater certainty on **cost of treatment** (46%) and better **quality private care** (46%), as well as being able to **choose place of treatment**



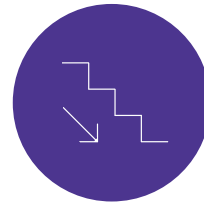
### Cost of living keeps new joiners away

**Cost of living** was the main **impediment** to taking out or retaining health cover



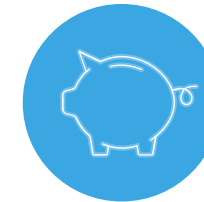
### Cover cancellations

The majority of new joiners will **keep their health cover**, however the small minority who intend to **cancel** are likely to be **younger and on low incomes**



### Considering vs taking out health cover

Of the group who **considered** taking out health cover since January 2020, just **under half** say they will **probably do so** in the next 12 months



### Price of PHI vs public health

The major barrier to taking up and maintaining private health insurance, according to respondents, is **the cost**. They believe that the premiums are **too expensive, continually increasing**, while **the public system remains free**



## Under 40s

Extras claims dominate,  
driven by dental.  
Hospital claims are first  
and foremost for  
mental health care



## 55+

Surprisingly private  
cancer care is surging as  
a driver in spite of out  
of pocket costs,  
orthopaedic surgery



## 80+

Cardiac care





1. Cost of living and premium affordability
2. Health cost inflation above historical levels –Highly contested funding pool.
3. The mental ill-health and addiction tsunami
4. Challenging demographics for community rating
5. Workforce constraints
6. Over-regulation constraining value
7. Sovereign risk and regulatory inconsistency



1. Premium increases over the last two years have been 2.7% & 2.9% respectively – well below inflation
2. Health funds promised not to profiteer from pandemic lockdowns and have paid over \$2.1 billion back to members, as well as most deferring planned premium increases
3. This will not last – workforce constraints, recruitment costs, power and food costs are impacting hospitals

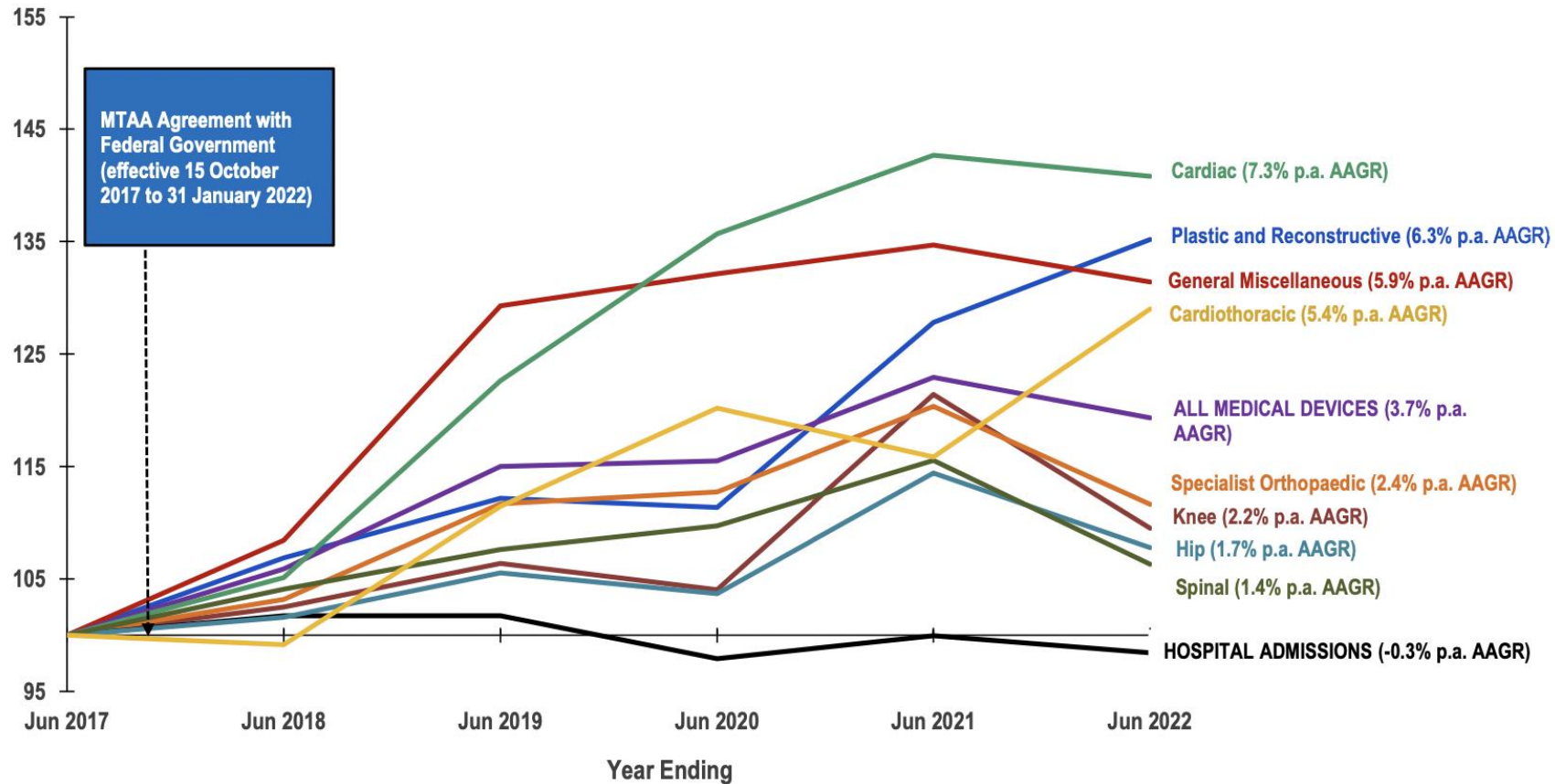


1. Members get fast access to care without joining a waiting list
2. Keep a lid on premium increases by removing unnecessary costs – fraud, waste, abuse, management expenses
3. Members get access to fully-trained health professionals who take full responsibility for their care
4. Advocate on behalf of members for best quality, convenience and value for money
5. Minimise out-of-pocket costs for members
6. Prevention and wellness

	<b>MN230 Dermabond Prineo Skin Glue</b>	<b>BX259/MN172 Floseal Surgiflo Haemostatic Spray</b>	<b>BX216 Tisseel Fibrin Sealant</b>	<b>FJ002/MC618 Oxiplex Adhesion Barrier Gel</b>
<b>PHI Price 2017</b>	<b>\$278</b>	<b>\$1,000</b>	<b>\$1,400</b>	<b>\$1,300</b>
PHI Price 2021 (MTAA deal with Hunt)	\$258	\$903	\$1,204	\$1,173
PHI Price 2022 IHPA Stage 1	\$180	\$745	\$1,188	\$1,173
<b>PHI Price 2023 IHPA Stage 2</b>	<b>\$128</b>	<b>\$640</b>	<b>\$1,177</b>	<b>\$1,173</b>
Comparator (one)	<b>\$99.50</b> VIC public tender	<b>\$350</b> Vic public tender	US299.83 = <b>\$453.94</b> US on-seller	R4581.56 = <b>\$377.66</b> Discovery (SA) pvte hospital
Comparator (two)	\$99.50 NSW public tender	€200 = \$334.20 Swedish public hospitals	US\$325.00 = \$492.05 US on-seller	£224.40 = \$423.67 NHS public price
Volume of units funded HCP1 21/22	51,383	28,376	10,393	3,300
Max P.A. incremental added PHI cost due to fixed PL \$	\$9.2M	\$18.4M	\$9.8M	\$3.0M

All items currently on PL Part D (general Use items) and exit July 1, 2023

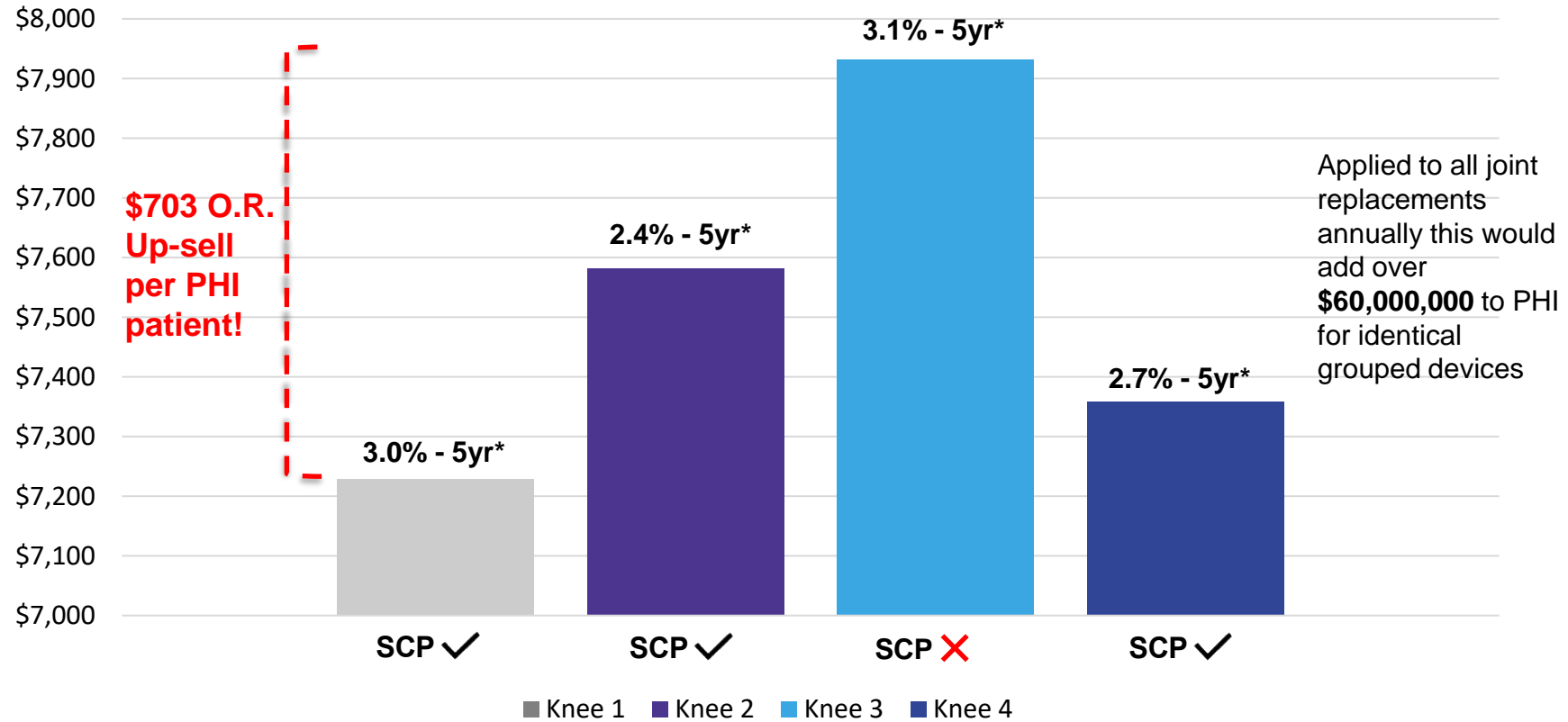
## Growth in Hospital Admissions versus Medical Device Utilisation by Category Funded by Private Health Insurance



5 Year Movement: increase in percent, base year, Financial Year 2017 = 100

Source: APRA

### PL spend for 4 identically PL priced CR primary knees



## Prospective Study on the Impact of the Use of Human Fibrin Sealant free of Clot-Stabilizing Agents in Total Knee Arthroplasty\*

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### Conclusions

We have concluded that human fibrin hemostatic agent free of clot-stabilizing agents was not effective in reducing the bleeding volume or blood transfusion requirements in TKA patients, and that its use was not able to interfere positively or negatively with the length of hospital stay, pain and ROM. Its use was not related to any complications.

#### Conflicts of interests

The authors have no conflicts of interests to declare.

The study was performed with Research Support from Ethicon, Inc (Somerville, NJ, USA) (USD 100,001–USD 1,000,000).

### Conclusions

The use of fibrinogen in TKA did not lead to a significant reduction of blood loss or transfusions in primary TKA for osteoarthritis. Given the lack of benefits and the costs this procedure adds to TKA, its routine use cannot be justified during primary TKA for osteoarthritis.

A review by a PHI fund, 90% of Evicel use of its largest size (MN204) was in **joint replacement**, where the sponsor knew it did not add HTA value having funded the research! Yet having a joint rep incentivized for promotion can make a difference when paying by PI code! Some patient received over \$12,000 in spray on haemostat.

#### INDICATIONS AND USAGE

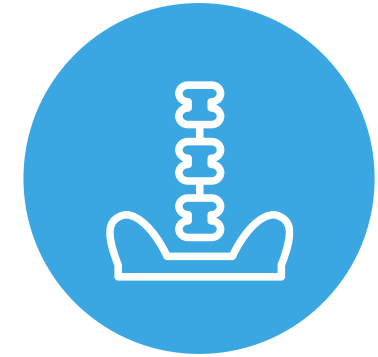
EVICEL® is a Fibrin Sealant (Human) indicated as an adjunct to hemostasis for use in patients undergoing surgery, when control of bleeding by standard surgical techniques (such as suture, ligature or cautery) is ineffective or impractical (1).



Hip arthroplasty – high value for money



Knee arthroplasty – value for money strongly dependent on optimal patient selection and perioperative care



Neuromodulation for low back pain – low value care where outcomes rarely better than placebo

Health funds obliged to fund all the above categories regardless.

Value-based healthcare is a continuous quality improvement process where disinvestment and reinvestment occur as we learn more.



Compare well with other insurance types

Driven by regulatory compliance costs, IT costs to update legacy systems attached to Medicare to smartphones and cybersecurity

## Comparison of Private Health Insurance Industry Management Expense Ratio compared with Other Types of Insurance

Types of Insurance	Industry-wide Average Management Expense Ratio (%)
Fire and ISR	32.41%
Public and product liability	26.74%
Houseowners/householders	26.67%
Commercial motor vehicle	22.89%
General Insurance	22.84%
Domestic motor vehicle	19.73%
Professional indemnity	14.19%
Employers' liability	13.07%
CTP motor vehicle	12.75%
<b>Private Health Insurance</b>	<b>10.21%</b>