



# **Response to Competition Policy Review Draft Report**

**November 2014**

## **Background**

**Australian Unity is a national healthcare, financial services and retirement living organisation providing services to more than three quarters of a million Australians including over 300,000 members nationwide. Australian Unity's history as an independent mutual organisation dates back almost 175 years.**

**Australian Unity is providing a response to the draft report of the Competition Policy Review's expert panel published in September 2014. The response is designed to address specific matters raised in the draft report.**

## **General**

### **Panel View:**

**“Competition policy should:**

- **make markets work in the long-term interests of consumers;**
- **foster diversity, choice and responsiveness in government services;**
- **encourage innovation, entrepreneurship and the entry of new players;**
- **promote efficient investment in and use of infrastructure and natural resources;**
- **establish competition laws and regulations that are clear, predictable and reliable; and**
- **secure necessary standards of access and equity.” (p4 draft report)**

**“Our ageing population will give rise to a wider array of needs and preferences among older Australians and their families. Extending competition in government provision of human services will help people meet their individual health and aged care needs by allowing them to choose among a diversity of providers.” (p4 draft report)**

### **Australian Unity view:**

**Australian Unity endorses the six broad goals the expert panel has proposed for competition policy. In particular, Australian Unity agrees that competition policy should: focus on the long term interests of consumers; ensure competition laws and regulations are clear, predictable and reliable; and foster diversity, choice and responsiveness in government services.**

**Australian Unity is encouraged by the panel’s explicit recognition of the particular needs of the growing number of older Australians, and the importance of extending competition in the provision of services to them.**

**In terms of the panel’s views contained in the draft report on areas of competition policy in which Australian Unity has specific interest, in particular health and aged care, further views are expressed below.**

## Health and aged care

### Panel view:

“Population ageing will substantially increase demands on the health and aged care systems. Today around a quarter of total Australian Government spending is directed to health, age related pensions and aged care. This is expected to rise to around half by 2049-50. Improving the efficiency and responsiveness of these sectors will be crucial to meeting the needs and preferences of older Australians with dignity.” (p14, draft report)

### Australian Unity view:

Without fundamental change to the health and aged care systems, the ageing of Australia’s population will mean a future of greater government-managed care and increased rationing of health services. Fundamental change must revolve around the greater adoption of market economy ideals including a focus on consumer, rather than producer, interests. Competition reform is a critical component.

Producer interest runs deep in the health care system, and has done so for more than 200 years. There is a vast chasm between the medical information available to clinician and patient. Public funding is arranged per activity, not outcome. Boundary management issues riddle the health sector. And the sector is predicated on treating acute and episodic conditions rather than managing a person’s overall health.

To achieve fundamental change in the health sector, the patient must be differently served, their needs met by a health care market less constrained by competitive restrictions. Less constrained but not laissez-faire. Health care is too complex and with too many intangibles for a completely free market. But a sector re-orientated around the patient will reduce waste and direct limited resources to where they can be most effective.

In terms of the impact of population ageing on the current aged care system, it is Australian Unity’s submission that the consumer must be positioned at the centre of the system, in a position to control the choices they make in the receipt of the aged care services and products they need.

## **Private Health Insurance – Price regulation**

### **Panel view:**

**“The National Commission of Audit report suggests there may be scope for ‘lighter touch’ regulation of the private health insurance sector, which could encourage innovation and wider product availability for consumers. In particular, price regulation of premiums could be replaced with a price monitoring scheme and health funds could be allowed to expand their coverage to primary care settings.”**  
**(p113 draft report)**

### **Australian Unity view:**

**Australian Unity endorses the recommendation for a price monitoring rather than a price setting scheme for private health insurance premiums.**

**In the draft report, Medibank Private is cited as noting “private health insurance is among the most heavily regulated industries in Australia, with the regulatory framework bearing on the scope of services covered, product design, pricing, discounts and capital requirements.” (p112 draft report)**

**Australian Unity agrees. Such regulation is not required in a market that is mature, and with sufficient providers to ensure strong competition.**

**Australian Unity notes there are complex and expensive flow-on consequences each time government intervenes in the private health insurance market. As an example, means-testing the PHI rebate added significant cost to Australian Unity’s bottom line as every category in every product offering, numbering in the tens of thousands, had to be recalibrated to reflect the new arrangements. Every new intervention creates burgeoning imposts.**

## **Private Health Insurance – Relationship with Primary Care**

### **Panel discussion:**

**“The recent National Commission of Audit ... suggested that insurers be allowed to offer a wider scope of products to consumers, in particular that insurers be allowed to cover care in out-of-hospital (primary care) settings to assist members in managing chronic conditions.”**

### **Australian Unity view:**

**Australian Unity considers that PHI providers and the primary care sector should be able to work more closely to ensure a patient’s health data is available to provide them with the best treatment options available, particularly if the patient has, or is prone to chronic disease.**

**Australian Unity is broadly supportive of the need for greater cooperation between the primary care sector and private health insurers to ensure a patient’s information can be best used for his or her long term interest. Ensuring the best possible care pathway for a patient should be the goal, using the full gamut of health care services available.**

**However too often private health insurers only learn of an insured’s (often preventable) health condition after a hospital claim, when an earlier understanding of their health status could have signalled the opportunity for support through a preventative health program.**

**The healthcare system would be greatly enhanced if primary care and insurers could partner, in particular to share relevant data, to:**

- actively manage and reduce patient risk factors;**
- actively manage chronic disease;**
- employ necessary interventions to substitute or reduce episodes of hospital treatment.**

While broadly in support of greater cooperation and data sharing, Australian Unity remains concerned any future expansion of private health insurance into primary care settings ensures the patient, not the provider, is positioned at the centre of the system. It is clear that a great deal of regulatory adjustment would be needed to make private health insurance an effective participant in primary care, but this is not a reason to discount the idea. This regulatory adjustment would need to address a number of long-term issues including information asymmetries between clinician and patient, poor hand-offs between clinicians and between care settings, and funding incentives for activity rather than outcomes.

Australian Unity submits that because private health insurance in Australia is community-rated (unlike the health care system in the United States), a properly regulated health plan responsible to consumers could indeed operate in their best interest and operate to foster materially improved levels of efficiency, quality and safety. Also, because private health insurers increasingly traverse much more of a patient's health system experience than any individual clinician along the patient's health journey and because they can be substantial corporations with sophisticated information and management systems—they can offer an appropriate coordination of patient services for the system while being an effective and relatively sophisticated purchasing and service support agent for the consumer.

## **Aged Care**

### **Panel view.**

“Allowing people greater choice over their aged care arrangements, where this is feasible, as well as encouraging more diversity among providers will improve the system's capacity to meet a widening array of needs and preferences among ageing Australians and their families. Competitive entry to aged care markets by innovative service providers will also help to place downward pressure on costs.” (p14)

“Consumer choice should continue to be implemented into Australian social service markets, beginning with markets where it can be identified that choice is most easily established.” (p155)

## **Australian Unity view.**

**Governments should consider extending the concept of consumer choice in aged care from the home care system into residential aged care, supporting providers who offer consumer choice in residential aged care settings.**

**Australian Unity supports greater consumer choice in social service markets, including aged care, where it is an active participant in the sector. This support includes both to the existing arrangements with regard to Home Care Packages, but also to the possibility of expanding the concept into residential aged care.**

**The residential aged care sector has traditionally been slow to put the consumer first. A typical example is at mealtime. Meals in aged care facilities are often served when the caterer is ready, not when the resident feels like eating.**

**After much research, Australian Unity is changing the way it delivers residential aged care to provide greater choice to residents across a range of services. For instance, aged care facilities are increasingly providing breakfast when the resident asks for it. Further, the built form of aged care is changing to connect more directly to care delivery. New facilities now look to incorporate cottage-style living arrangements with dedicated living and kitchen zones, reflecting the feeling of living at home. This is a significant change in direction from the traditional hospital-like aged care facility model of one main banquet hall a few living areas and rooms.**

**We believe government should support programs that provide greater consumer choice in residential aged care.**