Media Release

Australian **Private Hospitals** Association

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Healthscope dropping insurers 'a sign of things to come'

HEALTHSCOPE'S announcement today that it has been forced to tear up contracts with health insurance companies and charge patient gaps could simply be a sign of things to come, Australian Private Hospitals Association (APHA) CEO Brett Heffernan said today.

"For more than a year, private hospitals have been raising viability issues with the federal government. Many have taken the unprecedented measure of opening their books for federal government scrutiny, laying bare the parlous state of hospitals as a result of being underfunded by health insurance companies," Mr Heffernan said.

"The result of that protracted engagement is, yet another, round of CEO roundtable talks. Private hospitals are less than impressed, seeing it as a bid to kick critical issues into the long grass in the hope no-one notices.

"Over the last few years around 20 private hospitals have shut their doors entirely, while more than 70 services have closed in other hospitals. This has coincided with health insurance companies raking in billions in record profits.

"In 2021-22 health insurers racked up $1.1 billion in after tax profits. It doubled in 2022-23 to $2.2 billion. The latter was on the back of an average three percent premium hike. In just the first quarter of 2024 the insurers pocketed $800 million in profit. Now it is suggested some insurers may be seeking a 5-6 percent premium rise in 2025.

"But the benefits they paid to hospitals fell and runaway inflation has seen the gap widen. For instance, in 2015 the average payment hospitals received from health insurers for a hip replacement was $22,166. Despite almost a decade of growing costs and inflation, in 2023 the average payment was $20,548. Private hospitals performed 29,236 hip replacements last year (74 percent of all procedures), so the losses quickly add up. They are losing money across a raft of the procedures, treatments and services they provide.

"Private hospitals providing state-of-the-art technology, world-leading procedures and essential treatments across metropolitan, suburban and regional Australia at a financial loss, is clearly unsustainable."

Mr Heffernan said the private hospital sector provides essential services, accounting for 40 percent all hospital admissions and 70 percent of all surgery in Australia, including the majority of serious operations like hip and knee replacements, malignant breast cancer procedures, hysterectomies, eye surgeries and most of the treatments, like chemotherapy, people rely on every day.

"When something is crook with private hospitals providing the full gamut of surgical, medical, obstetrics, psychiatric and rehabilitation care, the risk is the public hospital system goes critical. Waiting lists get longer and deeper. Everyone is worse off.

"That private hospitals have closed and others are barely hanging on while insurance companies accumulated over $4 billion in profit in just over two years, is evidence the system is out-of-whack.

"Without a mechanism that ties premium increases to payments for care in private hospitals, any premium increase next year is just lining insurance company coffers. If there is nothing compelling insurers to meet the true costs of care, the experience is they simply won't do it.

"Structural reform of the relationship between funders and providers of private healthcare is needed, but it won't come quick. In the meantime, if health insurance companies can't be forced to meet the costs of their members in hospitals, then the government will have to fill the void with temporary co-payments to keep private hospital doors open and the healthcare system afloat.

“If not, more private hospitals will have no choice but to charge patient gap fees to meet the shortfall left by derelict health insurers.”

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