Purpose

The Royal Australian and New Zealand College of Psychiatrists (RANZCP) has developed this position statement to advocate for greater transparency in private health insurance to improve the ability of consumers\(^1\) to make informed choices about coverage in relation to psychiatric care. The position statement does not favour treatment in one sector or another.

Key messages

- By offering an alternative option to the public health system, the private health insurance industry fulfils a critical function in Australia’s health-care system.
- The RANZCP is concerned that many consumers have poor experiences in relation to accessing accurate and complete information about private health insurance policies.
- Consumers with private health insurance policies which include psychiatric care may still be liable for significant out-of-pocket expenses for their mental health treatment and care in private hospitals.
- There should be greater parity between private health insurers' treatment of consumers’ physical and mental health needs.
- Public education is essential to ensure consumers are well informed of the level of cover they may require.
- The RANZCP commends the Australian Government for undertaking a review of private health insurance and encourages serious consideration of insurance funds’ psychiatric cover.

Background

Mental health care and treatment offered in the private sector is an important part of the Australian mental health system. Currently, there are 62 private psychiatric hospitals across Australia, providing 2682 specialised mental health beds. In 2014-15, the Australian Government spent $443 million on specialised mental health services in private hospitals (AIHW, 2016).

Private health insurance affords consumers greater choices in relation to their health care, providing coverage for services not covered by Medicare and offering shorter waiting times for some services. By providing cover for private services, the private health insurance industry takes pressure off an over-burdened public system. A healthy private health insurance industry is therefore critical to the functioning of Australia’s broader health system.

\(^1\) In this position statement, the RANZCP has used the term ‘consumer’ to refer to people seeking to access the service product of private health insurance. Where appropriate, the term ‘patient’ is also used to refer to people utilising private or public hospital services for psychiatric care.
However, the RANZCP has concerns about the limited coverage for psychiatric care currently available under many private health insurance policies. There is also a lack of comparative information available about policies for psychiatric care which inhibits informed decision making by consumers. The RANZCP therefore supports efforts to increase consumer understanding of the content of health insurance products.

In particular, the RANZCP considers that there should be greater parity of care in terms of private health insurers’ treatment of consumers’ physical and mental health needs. Therefore, patients who are admitted to a private psychiatric hospital for treatment of a mental disorder should be able to have their coexisting physical health needs treated at the same time, where possible. Otherwise, patients can, and do, actively avoid care for their physical conditions due to the likelihood of significant out-of-pocket costs, increasing the overall health and economic burden on these individuals and society as a whole.

The RANZCP commends the Australian Government for undertaking a review of private health insurance and encourages serious consideration of insurance funds’ psychiatric cover with a view to improving transparency and understanding for consumers. This includes via the implementation of public education programs to ensure that consumers are well informed in order to determine the level of coverage they may require.

**Private health insurance policies and cover for mental health services**

In Australia, private health insurance is regulated by the *Private Health Insurance Act 2007* (Cth) (the Act). Under the Act, all private health insurance policies are ‘community rated’. This means that private health insurers are prohibited from charging a premium based on a consumer’s health status, age or claims history and, therefore, that consumers with a higher level of claims history are not disadvantaged through paying a higher premium.

The Act also indicates that consumers are only required to serve a two month waiting period for psychiatric services in order for them to be covered even if the condition is pre-existing.

Despite the community rating aspect of private health insurance policies, there are concerns about the cost and limited coverage of private health insurance policies, which may impact on consumers’ ability to obtain access to appropriate and timely psychiatric care (RANZCP, 2015).

The Act requires that all private health insurance policies that provide coverage for hospital treatment must include a ‘minimum benefit’ for psychiatric care. However, the ‘minimum benefit’ only provides limited coverage for private hospital accommodation costs and a portion of the medical fees for services provided as part of an inpatient hospital admission resulting in significant co-payments or ‘out-of-pocket’ costs.

Furthermore, less than half of all policies from the major insurers cover the cost of an admission to a private psychiatric hospital. Some insurers have also recently moved psychiatric treatment from full benefits to restricted benefits on some of their policies (APHA, 2015). It is therefore common for private health insurance policies for psychiatric care to not provide coverage for:

- the ‘gap’ on any medical services incurred when patients are admitted to hospital
- any excesses or co-payments
- outreach services such as ‘hospital in the home’ type programs
- ongoing outpatient treatment, including check-ups and psychiatric consultations.

The end result is that, even if consumers do have private health insurance policies which include psychiatric care, they may be liable for significant out-of-pocket expenses for their mental health treatment and care in private psychiatric hospitals. The amount of any out-of-pocket expenses consumers have to pay will be dependent on the level of cover they have with their private health insurance provider and the contract between the insurer, the relevant psychiatric hospital and the treating private psychiatrist.
Inadequate information about private health insurance policies for psychiatric care

Another major issue is the ongoing lack of information available to consumers about the extent of their coverage for psychiatric care under their private health insurance policies.

The RANZCP has received feedback from clinicians and consumers that many consumers have poor experiences in relation to accessing accurate and complete information about their private health insurance policies. Examples of this include:

- **Policy coverage:** In many cases, while consumers have private health insurance, they may not be aware that their insurance does not fully cover psychiatric admission when attending private mental health services. In such cases, when requiring admission, these patients are referred to the public system, which is already overstretched.

- **Policy exclusions:** Private health insurers may provide limited information about the exclusions in policies that do include psychiatric care. Most policies like these exclude payments for pathology and radiology treatments, multiple psychiatric admissions and limit the number of electroconvulsive treatments. This leads to situations where consumers face an unexpected bill for these services when they arrive home.

- **Policies for young people:** Consumers advise that private health insurance agents at times diminish the importance of the need for psychiatric care to young people seeking private health insurance and some policies are therefore offered to them that do not cover psychiatric care.

- **Waiting period for psychiatric services:** Some consumers have been informed that the waiting period for psychiatric services is 12 months when the Act states that the waiting period is two months, including for pre-existing conditions.

- **Day programs:** There is also consumer confusion about what kinds of day programs and the number of sessions that are covered by private health insurance policies. Furthermore, consumers are not always informed that they cannot access outreach and day programs simultaneously. Outreach is a service where a private psychiatric hospital sends a clinician to a patient’s home to monitor their mental state, assist in home-based therapies such as graded exposure therapy and link patients into community supports. Day programs are where a patient comes to a group program at the hospital but goes home at the end of the day. Both programs assist in patients’ transition from a hospital admission back to their homes, or to avoid hospitalisation, as well as keeping patients supported in the community. While many private health insurers cover both outreach and day programs, some insurers do not cover both and this is unclear to consumers.

Furthermore, there is no one information source where consumers can comprehensively compare currently available private psychiatric policies. While Privatehealth.gov.au does provide detailed information about individual health policies, it does not show everything a policy may or may not include and advises consumers to contact the relevant health fund for comprehensive information. This kind of information may also not be available on private health insurers’ websites, meaning the only way to do a true comparison is to look at each policy individually. Another information source for private health insurance is the Private Health Insurance Ombudsman where consumers can lodge a complaint.

On this basis, the RANZCP considers that there is:

- a clear need for better information and communication by private health insurance companies to consumers about whether they are covered for psychiatric care and the extent of inclusions and exclusions on their policies. This lack of communication leads to detrimental health and treatment outcomes for consumers who are seeking private hospital psychiatric services.

- insufficient transparency regarding the features of private health insurance policies for psychiatric care to enable consumers to make informed decisions about their health care. In particular, there is no one information source where a consumer can compare the different kinds of policies for psychiatric cover that might be available to them – a significant problem when many private health insurance providers only offer limited coverage to begin with.
Public hospital use by private patients

When patients with private health insurance are admitted to public hospitals, they may be offered benefits for using their private health cover, such as accommodation in a private room or their choice of doctor. However, the RANZCP is concerned by reports that some patients do not receive the benefits they expect. Within psychiatric facilities, where the majority of admissions are urgent and/or involuntary, the benefits of using one’s private health cover are likely to be even more limited.

Furthermore, there are concerning reports of practices within public hospitals that place pressure on patients to use their private health insurance (Tasker, 2016). Particularly concerning are reports from patients who said that information was not provided to them on request, or who did not feel they were capable of understanding information at the time (PMHCCN, 2015). These practices run the risk of devaluing private health insurance policies which will only aggravate the difficulties consumers face in securing adequate psychiatric cover with a private health insurer.

Physical health needs of people with mental illness

A related issue is the physical health needs of people with mental illness. There is extensive evidence that people with complex mental illness have higher rates of chronic physical illness than the general population. A person with a serious mental illness is two to three times more likely to have diabetes, six times more likely to die from cardiovascular disease, more likely to die from almost all key chronic conditions, and more likely to die within five years of diagnosis of a chronic condition (RANZCP, 2015).

The risk of a person with a mental illness developing a chronic illness may be heightened by the crucial pharmacotherapy they are prescribed to manage their mental illness. Antipsychotic medications are directly associated with the risk of severe physical illnesses such as heart disease and diabetes. Therefore, people who are already suffering from severe mental illness, and who need to take antipsychotic medication, may experience even more suffering from a decline in their physical health and, ultimately, their quality of life.

On this basis, the experience of consumers with private health insurance who have combined mental and physical health needs can be particularly detrimental. This is because many consumers are already in a situation where they experience significant gaps between what is covered by their private health insurance policy and what they must actually pay in terms of their mental health care. The problem and potential costs are even worse for younger Australians with comorbid mental and physical conditions and/or significant risk factors as their physical conditions may get progressively worse over time.

The RANZCP has received feedback from consumers and their families who have private health insurance policies that suggests that consumers with both physical and mental health needs may reconsider seeking medical assistance given the potential costs involved. This outcome may mean that consumers do not receive appropriate early intervention or treatment for both their physical and mental health needs and that some physical conditions are not discovered at all. Ultimately this places more economic, physical and social burdens on mental health consumers, their families and carers.

The RANZCP also understands that there is considerable variation in the practices of private health insurers when patients admitted to hospital with physical health conditions subsequently require psychiatric services. Where some insurers may accept the referral, others routinely question the need for, and validity of, psychiatric consultations in the private medical setting. This has the potential of restricting consumer access to psychiatric services in times of need.

The RANZCP believes that there should be greater parity between the treatment of consumers’ physical and mental health needs and it is, therefore, artificial and contradictory for private health insurers to separate the costs of care for both physical and mental health. The RANZCP considers that this situation is discriminatory for consumers with mental health conditions and reinforces the stigma that they can face on a daily basis.
Most importantly, this approach is detrimental to consumers and society as a whole if consumers actively avoid treatment for their physical health conditions due to the likelihood of significant out-of-pocket costs.

Therefore, the RANZCP considers that patients who are admitted to a private psychiatric hospital should not be prevented from having their comorbid/coexistent physical and mental health conditions treated simultaneously, wherever possible. This includes if their psychiatrist or delegate (e.g. GP) refers them to a specialist colleague for appropriate tests, including radiology or pathology.

**Recommendations**

To enhance the value of private health insurance for consumers, the RANZCP recommends that:

- the Australian Government considers private health funds’ psychiatric cover within the broader review of private health insurance with a view to improving transparency and understanding for consumers

- educational tools are developed for consumers, carers, psychiatrists and health fund providers to raise public awareness of the risk factors associated with mental illness and the physical health needs of consumers with mental illness

- patients who are admitted to a private psychiatric hospital for treatment of a mental disorder should have their coexisting physical health needs treated at the same time, where possible.

**References**


Australian Private Hospital Association (2014) *Admissions to private psychiatric hospitals: What you need to know before you are admitted to a private psychiatric hospital*. Canberra, Australia: Australian Private Hospital Association.


Disclaimer

This information is intended to provide general guidance to practitioners, and should not be relied on as a substitute for proper assessment with respect to the merits of each case and the needs of the patient. The RANZCP endeavours to ensure that information is accurate and current at the time of preparation, but takes no responsibility for matters arising from changed circumstances or information or material that may have become subsequently available.

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