Improving the mental health of communities
About the Royal Australian and New Zealand College of Psychiatrists

The Royal Australian and New Zealand College of Psychiatrists (RANZCP) is a membership organisation that prepares doctors to be medical specialists in the field of psychiatry, supports and enhances clinical practice, advocates for people affected by mental illness, and advises governments on mental health care. The RANZCP is the peak body representing psychiatrists in Australia and New Zealand and as a bi-national college has strong ties with associations in the Asia-Pacific region.

The RANZCP has more than 7700 members including over 5500 qualified psychiatrists and over 2100 members who are training to qualify as psychiatrists. Psychiatrists are clinical leaders in the provision of mental health care within private health care systems.

Introduction

At the Australian Medical Association (AMA) Private Health Insurance Summit on 30 June 2022, the AMA announced their discussion paper: A whole of system approach to reforming private health care – The role of a Private Health System Authority. This discussion paper proposed an independent Private Health System Authority which would be able to bring the private health sector together, to gather data, address the gaps in the current regulatory environment, oversee the private healthcare system, and to make recommendations to government on how to create a private health system that delivers for all Australians.

The RANZCP welcomes the opportunity to contribute to the AMA’s consultation on their discussion paper.

The recommendations contained within this submission are based on extensive consultation with the RANZCP Section of Private Practice Psychiatry Committee, Faculty of Psychotherapy, Aboriginal and Torres Strait Islander Mental Health Committee, Community Collaboration Committee, Committee for Professional Practice, Australian Capital Territory Branch Committee, New South Wales Branch Committee, Northern Territory Branch Committee, Queensland Branch Committee, South Australian Branch Committee, Tasmanian Branch Committee, Victorian Branch Committee, and Western Australian Branch Committee, which is made up of psychiatrists with direct experience in the private health system.

As such, the RANZCP is well positioned to provide assistance and advice about this issue due to the breadth of academic, clinical and service delivery expertise it represents. As the peak body representing psychiatrists in Australia and New Zealand, the RANZCP is in a unique position to provide feedback on policy reforms to Australia’s private health care system.

This document provides responses to sections of the discussion paper that are relevant to the RANZCP. The RANZCP’s submission document was uploaded to the AMA’s submission portal. The RANZCP welcomes further consultation with the AMA on regulatory frameworks for private health insurance.
RANZCP response to the AMA discussion paper

Overview

Private health insurance fulfils a critical function in Australia’s health care system. It provides patients with coverage for services not covered by Medicare, offers shorter waiting times for some services, and reduces pressure on an overburdened public health system.

The RANZCP recognises that while the private health system provides a range of benefits to Australian’s seeking expeditious access to high-quality health care, the private health system also contains shortcomings. The RANZCP strongly supports reforms to private health insurance for psychiatric care which increase accessibility, equity, and affordability of quality health services.

In addition to the feedback on elements of the proposed Private Health System Authority, the RANZCP would like to recommend the following principles which should be incorporated into any regulatory framework related to private health reform:

- Reforms should reflect the needs of vulnerable people including those with severe/chronic mental health conditions. They should reflect the juncture between physical and mental health and aim to be holistic in nature to ensure better health outcomes based on principles such as those mentioned in the Equally Well Consensus Statement.

- Reforms to private health insurance should work towards strengthening transparency to better understand features of private health insurance policies for psychiatric care to enable patients to make informed decisions about their health care.

- Reforms should endeavour to provide continuity of care for patients and honour existing therapeutic relationships. People-centred care should be a focus of service delivery.

- Reforms to private health insurance should actively promote flexible service arrangements. Inflexible application of private health insurance will be to the detriment of patients and providers, contributing to further decline in those holding private health insurance. Lack of transparency and flexibility around contracts between services and private health insurers can impact patient care. Rigid implementation of clinical guidelines by private health insurers also impacts on patient care.

- Reforms to health systems should be culturally safe for all peoples, and in particular, support the social and emotional wellbeing of Aboriginal and Torres Strait Islander peoples.

- Reforms to health systems should take steps to accommodate the needs and ensure the cultural safety of LGBTQ+ people.

- Reforms to health systems should involve input from consumers and carers. As highlighted by Lived Experience Australia, consumer and carer input are fundamental components to a consumer’s journey to recovery.

- Reforms to health systems must ensure that appropriate governance is established and enforced on any proposed regulatory body overseeing the private health sector.

- Reforms to health systems must address the fragmentation of the health system and utilise a ‘whole of ecosystem’ approach to improve co-ordination and integration between the private and public sectors. It is imperative that the public and private health systems work together to address the health need of patients.
The RANZCP has articulated significant concerns regarding the proposed introduction of managed care by private health insurers (PHIs) to Australia. In particular, the RANZCP has provided submissions to the Australian Competition and Consumer Commission’s (ACCC) and Australian Competition Tribunal to oppose the ACCC’s authorisation of the Honeysuckle Health (HH) and nib buying group. The RANZCP highlighted that the Broad Clinical Partners Program (BCPP) Medical Purchaser Provider Agreements (MPPA) offered by the HH and nib buying group would infringe upon the clinical autonomy of medical practitioners and adversely impact the health and welfare of patients in Australia.

It is the RANZCP’s view that clinical care should be tailored to a patient’s individual needs, taking into consideration their diagnosis, previous response to treatments, individual preference, and sociocultural circumstances. Patients attain better health outcomes when their treatment plan and the doctor-patient relationship is not infringed upon by PHIs. The patients treating medical practitioner is best positioned to work with them to develop a treatment plan that suits their immediate and long-term health requirements.

As outlined by the Grattan Institute’s report into out-of-pocket healthcare payments, private health insurance is unaffordable for vulnerable patients and families in greatest need. Unexpected, high out-of-pocket costs for low-income households can lead some patients to experiencing poverty. As a result, any proposed regulatory framework for private health insurance must ensure that health care is accessible, equitable, and affordable for patients. A regulatory framework for private health reform must also ensure that high-quality yet cost-effective mental health care is accessible to all patients that require care.

Considerations must also be made into the cost of any proposed private health insurance regulatory framework. It is imperative that the development and management of any regulatory framework is cost-effective and efficiently addresses targets outlined within its scope.

The RANZCP emphasises that there must also be consideration of the requirements of mental health in private health insurance reform. Psychiatric patients may require prolonged treatment within the health system and move between public and private systems. Any proposed regulatory framework for private health insurance must ensure continuity of care within and between health systems for psychiatric patients, with cohesive planning for prolonged psychiatric treatment.

It is of the RANZCP’s view that a private health insurance regulatory framework could assist in protecting the clinical autonomy of medical practitioners and ensure the delivery of accessible, equitable, and affordable health care.

Proposed short-term priorities of the Private Health System Authority

The RANZCP supports the short-term priority of supporting and building on existing reform work currently underway, particularly regarding expansion of mental health models of care.

The RANZCP also supports a private health insurance regulatory framework which delivers on outstanding improvements to the Medical Costs Finder website. The RANZCP has received feedback from clinicians and consumers regarding poor experiences in accessing accurate and complete information about private health insurance policies. Examples include the following:

- **Policy for young people**: Consumers advise that private health insurance agents diminish the importance of the need for psychiatric care to young people seeking private health insurance coverage, with some policies being offered to young people which do not cover psychiatric care.

- **Policy exclusions**: Limited information about exclusions in policies that include psychiatric care may be provided to consumers by PHIs. Policies may exclude payments for pathology and
radiology services and multiple psychiatric admissions. These exclusions lead to situations where patients face unexpected bills for services once discharged.

- **Policy coverage:** Consumers with private health insurance may not be aware that their insurance does not fully cover psychiatric admission when attending private mental health services. When patients require admission in these scenarios, they are referred to the public health system which is overburdened with rising demand. Patients may not be made aware of out-of-pocket costs involved until an invoice for services is received, depending on their level of cover and the agreement between the PHI, hospital, and provider.

**Proposed long-term enduring functions of the Private Health System Authority**

The RANZCP supports the long-term enduring function of supporting and overseeing whole-of-system reforms to improve the sustainability of the private healthcare sector. The RANZCP also supports the goal of a system which reviews and approves increases to private health insurance premiums and oversees the behaviour of all players in the sector, highlighting system issues to government.

It is the RANZCP’s opinion that a private health insurance regulatory framework should ensure there is a balance between the health and interests of patients and the interests of PHIs. The RANZCP notes that if the balance tips in favour of the PHIs, patient care may be negatively impacted as medical practitioner decisions will be hindered and influenced by PHIs. Allowing PHIs to mandate and discipline medical practitioners who recommend treatments to patients against the PHIs wishes will result in negative health outcomes for patients.

**Proposed out-of-scope functions of the Private Health System Authority**

The RANZCP recommends that a private health insurance regulatory framework should have the power to explore consumer and competition issues which relate to the private health industry.

In the RANZCP’s submission to the ACCC, the RANZCP expressed serious concerns with the proposed authorisation of the HH and nib buying group. The formation of the HH and nib buying group facilitates the concentration of market power of up to 60% of PHIs to enter into selective contracting with healthcare providers which reduces competition. The RANZCP argued that the concentration of power by the HH and nib buying group would exert asymmetric force upon providers who would have limited bargaining capacity in the event they decline a contract. This in turn would lead to the potential introduction of managed care to Australia, driving PHIs towards risk-based capitated care. The RANZCP expressed similar concerns in our submission to the Australian Competition Tribunal hearing on the HH and nib buying group authorisation.

While a settlement was reached in the Australian Competition Tribunal providing protections to medical practitioners and patients in addition to the ACCC’s conditions, there is a need for ongoing regulation and oversight of the private health system to ensure that the health and welfare of patients and clinical autonomy of medical practitioners are not infringed upon by PHIs.

**Conclusion**

The RANZCP supports a system such as a proposed Private Health System Authority which could build on existing reform work to expand mental health models of care, improve sustainability of the private healthcare sector, oversee all private health stakeholders, and explore PHI-related consumer and competition issues. It is of the RANZCP’s view that a system such as a Private Health System Authority
could assist in protecting the clinical autonomy of medical practitioners and ensure the delivery of accessible, equitable, and affordable high-quality health care in Australia.