



Optometry Australia submission to the Commonwealth's Private Health insurance Consultations

Optometry Australia welcomes the opportunity to input to the Commonwealth's review of Private Health Insurance. We note that the no terms of reference for the review have been publicly announced, so the input we offer is general in nature with relevance to specific aspects highlighted in the brief consultation documents. We would welcome the opportunity to provide specific comment on any alterations to the private health insurance system that may be considered in future.

Optometry Australia is the national peak body for the optometry profession, comprising a membership base of approximately 90% of optometrists registered in Australia. The optometry profession consists of a workforce of approximately 4,900 registered optometrists providing services through approximately 2,900 practices nationally; the majority of which are individual small business entities.

As the cornerstone of eye care in Australia, optometry plays a key role in the prevention, early detection and management of eye disease and vision loss. Most optometry practices provide a complementary mix of clinical services, many but not all are Medicare rebate-able; and retail of optical appliances – some of which are subject to a benefit under various private health insurance policies.

Optometry Australia recognises private health insurance as an important part of the Australian health care system, and that, for many patients, private health cover is an important part of their personal health care choices. Private health insurance also has a significant positive impact on the optometry/optical dispensing industry and on patients accessing of eye care. Optical items represent a significant proportion of benefits paid for patient claims for ancillary / non-hospital services across the private health care industry, second in volume only to dental services. Available evidence suggests people with ancillary (or general) health benefits are more likely to seek eye care than those without insurance. This likely relates to the optical appliance cover associated with such policies.

This submission highlights: our current concerns regarding private health insurance practices as they stand, particularly as the pertain to transparency in information and access and equity issues for those living in rural and remote areas; notable opportunities to strengthen how the private health insurance system works for consumers; and, provides comment against a number of reforms to the private health insurance system that have been mooted recently. These concerns have been raised by our organisation periodically to the ACCC and, subsequently, in the ACCC annual report to the Senate on private health insurance.



Concerns regarding current private health insurance practice

Transparency of information

Optometry Australia believes it is essential consumers are able to make informed decisions about their health care, including what is best for their eye health and who provides their optometric care. Currently, information provided to consumers by health funds can be difficult to understand and subsequently lead to misinformed health care decision-making – this is an issue the ACCC has previously acknowledged and described to the Senate.¹

We believe there is a lack of consistent, clear and transparent information provided to consumers by health funds regarding their optical entitlements, particularly in relation to preferred provider arrangements. Optometry Australia often hears complaints and concerns from optometrists and their patients regarding information that health funds provide to policy holders about their optical benefits. These complaints and concerns can be summarised under the following themes:

- Information that is misleading: Optometry Australia has significant concerns regarding the provision of information by health funds to consumers which could be considered misleading. We are aware of instances where health funds have encouraged policy holders to attend preferred provider optometry practices on the basis that they will 'only' receive benefits for optical appliances and/or specific eye health services if they attend such preferred providers. For example, health funds have in the past promoted 'exclusive' preferred provider clinical services to their policy holders, giving the inference that policy holders can only access these clinical investigations from preferred providers. This is considered misleading as in actual fact most optometrists provide a broad range of clinical services.
- Information that is inconsistent or inaccurate: Some health funds provide inconsistent and/or inaccurate information about the rebates policy holders are eligible to claim for some optical appliances. Consumers are frequently under the misapprehension that preferred provider schemes provide no-gap or known-gap optical products which is often not the case. These situations can increase the risk of unexpected costs and 'bill shock' for the consumer, and also place unnecessary pressure on optometrists to cover the 'gap' in order to maintain the consumer's immediate business..
- Information that explicitly directs choice of optometric provider: Optometry Australia has also received anecdotal accounts that some health funds are explicitly instructing their policy holders to avoid certain optometrists (which may be the policy holder's existing optometric provider) on the basis of not having a preferred provider arrangement in place. Further, another common complaint we receive is health funds directing patients to their preferred providers stating that patients will 'save money' – without any knowledge of what is being prescribed, how products compare or what is clinically appropriate for the patient. The role of health funds should not be to 'direct' access to health care in any manner, rather provide clear and accurate information to allow the policy holder to make an informed decision about their health care.

The provision of information in the manner described above only serves to distort fair competition in the optometry sector, resulting in market failure and inefficiency of the optometric sector. It is the responsibility of health funds to ensure prospective and existing policy holders



understand all terms and conditions of their health policy (including details of the optical component) and that all consumer information is easily accessible, including online. We also note that consumer complaints received by the PHI Ombudsman regarding 'information' contributed approximately 18% of total complaints for 2013-14 and increased substantially in the same period compared to the two previous financial years, demonstrating that information asymmetry between health funds and consumers continues to be a problem and that more needs to be done to rectify this issue.

Restricted opportunity to participate in Preferred Provider Schemes and impact in rural Australia

We have concerns about health funds which restrict the number of preferred providers, often to larger chains or affiliated practices and often where the majority of preferred providers are located in high population areas. This can disadvantage consumers and policy holders from rural/remote areas who pay the same premiums but may receive lower benefits for comparable optical appliances, resulting in greater out-of-pocket expenses and potentially providing an additional barrier to accessing health care. It also denies smaller optometry providers the opportunity to participate in preferred provider arrangements, compromising fair competition.

Optometry Australia believes patients should be able to choose their optometrist based upon a range of factors and not be forced to pay higher out-of-pocket costs because they choose a provider that does not have a preferred provider contractual arrangement with a health fund.

Insurance providers also offering services covered by insurance

Increasingly private health insurers are establishing their own networks of optometry practices and optical dispensers, who are treated in a similar way to preferred providers, in that accessing optical products via these practices is incentivised with higher rebates than for other providers, and often actively promoted to policy holders. Particularly given the concerns noted above regarding misinformation and lack of transparency, we have concerns about the impact of private health insurers acting as both the insurers and providers of health care services and health care products and insurers, on patient choice in health care and health care provider and on competitiveness within the health care market.

Opportunities to strengthen how private health insurance works for consumers

We believe there are opportunities to strengthen the way the private health insurance system works for consumers by addressing the issues raised above. In particular we recommend:

- Assurance of greater transparency in information provided to consumers regarding their policy, or policies they may be considering. We believe this requires clear standards for clear and accurate information to be met by insurers in policy statements, subsequent information regarding changes to policy cover, and written and verbal communications with policy holders. Optometry Australia would additionally support initiatives that support consumers to make meaningful comparisons between policies. However, we recommend that such approaches seek to provide comparative information that reflects service/product quality rather than only costs, in order to ensure that consumers are supported to make more fully informed decisions and that there are not perverse



incentives for insurers to drive approaches that may reduce costs at the risk of healthcare quality.

- Better monitoring of potential anti-competitive activity. Optometry Australia strongly recommends the ACCC commit to establishing strategies which improve monitoring of any potential anti-competitive activity, to ensure health funds are not breaching their regulatory requirements and subsequently disadvantaging consumers and some health care providers. In particular, we recommend the ACCC:
 - Monitor the flow and dissemination of information from health funds to policy holders, ensuring all information is accurate and easy to understand, including clear online information.
 - Develop guidelines/a code of practice that assists health funds to provide PHI information and advice to consumers and policy-holders in accordance with industry best practice.
 - Conduct periodic audits into the application of preferred provider arrangements to ensure health funds are not denying opportunities for some providers solely on the basis of their business footprint.
- Close examination of the implications of private health insurers acting as both the providers of health care services and health care products and insurers, on patient choice in health care and health care provider and on competitiveness within the health care market.

More generally, we believe there is opportunity to strengthen how private health insurance works for consumers, and supports overall health system efficiency, by supporting, and removing barriers to, health insurance cover of effective hospital avoidance and minimisation approaches.

Comment against mooted reforms

Recently there has been ongoing discussion of the potential for private health insurers to extend their scope to cover general practice services and/or the gap between Medicare rebates and the full fee charged for a primary care service. We note that Minister Ley has stated that the Government does not intend to support private cover of GP services. Irrespective of any potential future change to the scope of health funds with respect to primary care services, Optometry Australia supports a health care system which ensures equitable patient access to foundational primary health care services including optometry.

If the government wishes to provide further investment in primary health care, investment in Medicare patient rebates is a more equitable way to do this and benefits all patients, not just those with private health insurance. We believe that fundamental to equitable primary care access is ensuring fair Medicare rebates for all basic primary care services, including eye care.

We understand that the review is also considering the current approaches that provide financial incentives or support for consumers to purchase private health insurance cover, including the private health insurance rebate. Whilst acknowledging the necessity to review these approaches, we note many potential negative flow-on effects of changes that make private health insurance cover more costly for consumers, including reductions in patient access to



preventative care and hospital services. In particular, we note significant concerns about reformed approaches to the private health insurance system which we understand have been considered by COAG, which would replace the current consumer rebate for private health insurance with a system of direct payment to private hospitals for private hospital services. We have concerns that, if implemented singularly, such an approach, could dis-incentivise consumers taking out general services cover that provides cover relevant to hospital services and 'ancillary services' (which generally include a range of primary health care services) as it is effectively channelling the current rebate to subsidise hospital services cover only. Our concerns about this are multiple:

- We believe this could potentially incentivise insurers to focus on hospital services and dis-incentivise focus on prevention and hospital avoidance, which are known to offer benefits to patient health status, hospital capacity and overall health expenditure.
- We believe that if the result is that less people take-out general cover, there may be a reduction in people accessing health services and health products covered under such policies, which may negatively impact individual, and population, health status and lead to greater demand for more costly health interventions at a later point as a result of reduced access to preventative health care, early detection and early intervention. With regard to eye health, as noted above, there is an apparent correlation between holding a general cover policy and regularly accessing eye care. This supports regular assessment of eye health and early detection of eye conditions or disease.
- Currently, the primary eye care system relies, for sustainability, on cross subsidisation of clinical services by the sale of optical appliances. Whilst most optometry services attract a Medicare rebate, this rebate is well beneath the average real cost of providing clinical care. Whilst patients may be charged an additional fee, it is frequently unfeasible, in terms of supporting patient access, to charge patients the full gap between a recommended fair fee for the service, and the Medicare rebate. As patients with general policy cover are often more likely to purchase the prescription appliances they require, private health insurance cover of optical appliances has a significant impact not only on the sustainability of optical dispensing, but also of the provision of optometry clinical care. Further de-stabilisation of an already stretched industry, would likely result from any reforms that had the effect of reducing the number of general cover policies held. The ultimate risk here, is loss of patient access to primary eye care.

We also wish to particularly emphasise that we believe that any reforms to the private health insurance system must uphold a patient's right to choose their health care practitioner, and minimise the capacity of insurers to influence practitioner choice through preferred provider arrangements associated with clinical services.