

## **Optometry Australia response to ACCC consultation: Report to the Senate on Private Health Insurance 2015-16**

March 2017

### **Background**

Optometry Australia welcomes the opportunity to provide comment to help inform the ACCC's report to the Senate on private health insurance anti-competitive and other practices, with a particular focus on information provided to consumers, for the period of 1 July 2015 to 30 June 2016.

Optometry Australia is the national peak professional body for optometry, and represents the largest community of optometrists in Australia. There are currently over 5000 registered optometrists practicing in Australia providing services through approximately 2,900 practices nationally; the majority 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 rebatable; and retail of optical appliances - which are subject to a benefit under various private health insurance (PHI) policies.

It is essential consumers are able to make informed decisions about their health care, including what is best for their eye health, including choice of optometric provider. Information provided to consumers by health funds can be difficult to understand and subsequently lead to misinformed health care decision-making – an issue the ACCC has previously acknowledged and described to the Senate.<sup>1</sup>

On several previous occasions we have outlined to the ACCC our concerns regarding the lack of consistent, clear and transparent information provided to consumers by health funds regarding their optical entitlements, particularly in relation to preferred provider arrangements.<sup>2, 3, 4, 5</sup> These issues continue to persist within the optometry sector and therefore remain relevant to the period of this current review. Subsequently, this submission reiterates our concerns previously put forward to the ACCC.

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<sup>1</sup> ACCC annual report to the Senate on PHI 2012-13.

<sup>2</sup> Optometry Australia submission to the ACCC, 2003.

<sup>3</sup> Optometry Australia submission to the ACCC, 2004.

<sup>4</sup> Optometry Australia submission to the ACCC, 2011.

<sup>5</sup> Optometry Australia submission to the ACCC, 2015

## Information provided to consumers regarding optical entitlements

Optometry Australia often hears complaints and concerns from optometrists 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. Whilst we note that consumer complaints received by the PHI Ombudsman regarding 'information' issues has dropped by 2% over the last financial year, we also feel that almost 600 complaints in 2015-16 demonstrates the information asymmetry between health funds and consumers which continues to be a problem and that more needs to be done to rectify this issue.<sup>6</sup>

<sup>6</sup> [http://www.ombudsman.gov.au/\\_\\_data/assets/pdf\\_file/0022/41584/ombudsman-annual-report15-16.pdf](http://www.ombudsman.gov.au/__data/assets/pdf_file/0022/41584/ombudsman-annual-report15-16.pdf)

### **Restricted opportunity to participate in Preferred Provider Schemes**

Although not directly related to the provision of consumer information, we would like to reiterate 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, further 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.

To ensure optometry practices can compete fairly, Optometry Australia recommends stricter monitoring of Preferred Provider Scheme arrangements by the ACCC in relation to:

- Transparency, accuracy and relevance of information provided to policy holders by health funds, including the use of PPS arrangements to promote optometric services and benefits considered outside of the PPS agreement;
- Ensuring smaller practice entities have the same opportunity as larger entities to apply for entry into PPS agreements; and
- Ensuring health funds do not use PPS arrangements to foster exclusive dealing which weakens competition and breaches the Competition and Consumer Act 2010.

Based on equitable access to quality primary eye care and consumer choice, Optometry Australia is opposed to Preferred Provider Scheme arrangements which provide patients with different rebates for the same type of service or product, solely on the basis of membership of a PPS.

### **Better monitoring needed 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 PPS arrangements to ensure health funds are not denying opportunities for some providers solely on the basis of their business footprint.

Optometry Australia welcomes further consultation with the ACCC on any of these issues.