



Private Healthcare Australia

Better Cover. Better Access. Better Care.



Submission to ACCC: HCF application for authorisation
November 2017

Contact:

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About PHA

Private Healthcare Australia (PHA) welcomes the opportunity to respond to this consultation. PHA is the Australian private health insurance industry's peak body that currently represents 20 registered health funds throughout Australia and collectively represents 96% of people covered by private health insurance.

Public benefits of the proposed arrangements

PHA supports HCF's application for authorisation to allow it to open its own dental clinics in locations that may overlap with dentists who participate in HCF's 'More for Teeth' program. PHA submits that the proposed arrangements are likely to be pro-competitive, and to deliver public benefits including reduced out-of-pocket costs and improved access to dental care for consumers. The needs of consumers for a predictable standard of service and no or known out-of-pocket costs should take priority in consideration of HCF's proposal.

Private health insurance funds are one of the main funders of dental care in Australia, paying out more than \$2.6 billion per annum in dental benefits, which is more than Federal Government dental programs. One-in-two Australians claim for dental services through a health fund. The majority of adults with private health insurance have reported that their insurance paid some (77%) or all (9%) of the dental costs of their last visit. About 10% of insured adults paid all of their own dental expenses. Almost one-fifth of these insured adults (19%) who covered their own dental expenses said it caused a large financial burden.

Increasingly, health funds are contracting with dentists and vertically integrating with dental practices, thereby consolidating and creating economies of scale. This is driven largely by a need to standardise quality and reduce out-of-pocket costs for consumers. After premium affordability, out-of-pocket costs are the major area of concern for health fund members. By contracting with dentists, health funds have been able to reduce uncertainty about out-of-pocket costs, and have been able to provide preventive dental services with no gaps in many cases.

Preferred provider arrangements have delivered efficiencies, kept downward pressure on premiums, and resulted in no or known gaps for consumers. The ACCC has noted, in its annual reports on private health insurance, that preferred provider arrangements can deliver benefits to health fund members, most commonly in the form of a greater rebate, when they choose to have treatment at one of their health insurer's preferred providers.

HCF's 'More for Teeth' program has benefitted consumers by giving them price certainty and access to no gap diagnostic and preventive services. Under the proposed arrangements, HCF members attending the new dental clinics will also benefit from no gap fees for services subject to the 'More for Teeth' program.

By providing access to no-gap services at a wider range of locations, the proposed arrangements are likely to benefit an even greater number of consumers. Opening new clinics is likely to have a pro-competitive effect, and to give consumers more choice of dental providers. HCF will continue to be competitively constrained by other dental providers and private health funds with respect to service provision.

Expanding access to more affordable dental services is a public benefit, as the public health impact of regular preventive dental checks is significant. Poor dental health and decay are a cause of pain, poor nutrition and embarrassment. When appearance and speech are impaired by dental disease, opportunities for education, employment and social interactions are impacted. Poor oral health can also cause systemic health problems like heart infections, coronary heart disease, stroke, and poor outcomes in pregnancy and pneumonia.

Should you have any questions about this submission, please don't hesitate to contact me.

A handwritten signature in blue ink, appearing to read 'Rachel David', written in a cursive style.

Dr Rachel David
Chief Executive Officer