

## Day Hospitals Australia

### “AA1000542 – Honeysuckle Health – Submission”

Day Hospitals Australia, the peak industry body representing 70% of the day hospital sector, appreciates the opportunity to comment on the amended application received from Honeysuckle Health Pty Ltd.

It is understood that there has been significant opposition to this application for the establishment of a Honeysuckle Health and Nib buying group.

The amendments are noted, yet there is concern that they do not go far enough. The exclusion of the four major health insurers, Medibank, Bupa, HCF, and HBF in Western Australia to hospital contracting is welcomed. However, there is concern that these four health insurers can still participate in the Honeysuckle Health and Nib buying group in negotiating contracts with medical specialists for their services provided for in hospital care.

It is noted that no gap contracts with medical specialists initially will relate to arthroplasty surgery and there are several other no gap arrangements throughout the sector negotiated by at least one of the major four insurers. In fact, one such example of no gap specialist fees has occurred as a consequence of the specific insurers' contractual arrangements with day hospitals. In many cases this has had a negative impact on these hospitals, several of which have lost specialists to hospitals where this kind of arrangement is not in place.

The fact that the Honeysuckle Health and Nib buying group want authorisation to negotiate collectively raises competition concerns. The viability of the smaller funds would be under more pressure with this arrangement and likely result in their amalgamation with larger insurers or they would be forced out of business.

The smaller funds may see amalgamation as the only way that they can survive as they are more vulnerable to cost pressures than the larger insurers. This would not only be a negative situation for these insurers but could then in turn impact their policy holders.

Consumers living in rural Australia already have limited choice with healthcare options. This authorisation will impact all consumers of healthcare and particularly those residing in rural areas. The smaller funds tend to have niche markets with sound relationships with their local communities which is a significant benefit to their members.

Patient confidentiality may be an issue with the involvement of an overseas company, Cigna based in the US. What steps will be in place to protect patient confidentiality and in particular, will any data be held offshore?

Once consumers experience diminished choice, the perceived value of health insurance will fall further, with inevitable consequences that would not only impact the private sector but also the public care system.

It is difficult to see what the benefits of this authorisation will be to consumers. What are the indicators that this change will result in lower premiums? It would seem that this application is driven by the insurer's interests, as clear benefits for consumers have not been outlined.

Consumers will have reduced choice of medical specialist and as a consequence reduced choice of hospital. This situation could then result in a reduced choice of appropriate prostheses for the patient's clinical circumstances.

For rural consumers, due to restrictions on their choice of medical specialist there would be added costs such as travel and accommodation.

There is already a practice by insurers to exclude contractual arrangements with some hospitals and medical specialists. A reduction in contracts with medical specialists is only likely to increase with the additional buying group.

The opportunity for treatment to occur in the most appropriate setting to provide safe, quality cost effective care will be threatened. The day hospital sector offers safe, comprehensive, quality and cost-effective care for many surgical, diagnostic and medical conditions which has tended to be overlooked by some insurers.

## **Conclusion**

This is a complex issue, which warrants in depth consideration as the full ramifications may not be immediately apparent.

Australia has a healthcare system that is envied overseas and has an appropriate public/private ratio, which benefits both sectors. Any significant change may risk the balance of the healthcare system. Further, the reducing number of Australians with private health insurance is of concern and careful consideration needs to be given before making such major changes to the way health insurers contract with medical specialists.

The smaller insurers already have access to two buying groups, the Australian Health Service Alliance, and the Australian Regional Health Group.

As the other five major health insurers have considerable market share, including Nib with over 20%, then the need for this buying group to include the other four major players would seem excessive.

The complexity of the issue does not seem to have been considered. Day Hospitals Australia suggests that the ACCC has not gone far enough in reigning in the aggressive activities of Honeysuckle Health with the merger of the US company Cigna and Nib health.

The larger funds including Medibank, Bupa, HCF and HBF (WA) may be excluded from the Honeysuckle Health Hospital contracting process, however these four major insurers are not excluded from the contracting activity with medical specialists, which will result in reduced choice of doctor for patients and possible out-of-pocket costs.

Day Hospitals Australia recognises that patients want to maintain choice and access to an affordable and quality health care system.

This proposed authorisation threatens the value proposition of private health insurance giving significant power to the Honeysuckle Buying Group and threatens the viability of the smaller health insurers.



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