

30 August 2022

Prof Stephen Robson
Federal President
Australian Medical Association
Level 1, 39 Brisbane Avenue
Barton ACT 2600

Dear Prof Robson,

Thank you for providing the Australian Dental Association (ADA) the opportunity to participate in consultations about the Australian Medical Association (AMA) discussion paper: *A whole of system approach to reforming private healthcare - the role of a Private Health System Authority* (discussion paper).

The ADA is the peak representative body for dentists in Australia. Our 17,000 members include dentists who work across both the public and private sectors, across 14 specialty areas of practice, in education and research roles, operating more than 7,500 small businesses across Australia, as well as dentistry students currently completing their entry-to-practice qualification. The primary objective of the ADA is to increase the dental and general health of the Australian population.

Background

The discussion paper proposes a new authority, provisionally titled the 'Private Health System Authority' (the proposed Authority), be created by the Australian Government to oversee the private healthcare system.

The discussion paper notes the complexity of and challenges with current regulatory arrangements, as well as the consequences of having no 'independent mechanism to provide whole-of-system guidance and intervention' when required.

The AMA envisages the proposed Authority would oversee the private healthcare system and ensure its long-term sustainability. It would also be intended to provide a cohesive and holistic regulatory model by relieving the Department of Health and Aged Care of its role as both regulator and policy maker and incorporate new functions to fill the gaps in the current regulatory environment, while supporting regulatory and advisory functions currently performed by several other Australian Government authorities.

ADA's perspective – overview

The ADA believes the proposal appears to have substantial merit and expects its future presentation will warrant thorough consideration by the Australian Government.

However, it is not clear to us if the 'whole of system approach' described in the discussion paper, extends to non-hospital private healthcare – typically referred to as ancillary, extras, or general treatment policies (hereafter: ancillary).

This is a vital area to our members, given that dental care overwhelmingly falls within the ancillary category, which is not mentioned in the discussion paper.

Subsidisation of private hospital insurance

The whole private health system was subsidised by the Australian Government to the tune of around \$6.057 billion in the 2019-20 financial year.

Ancillary cover offered as an insurance product, enables cross-subsidisation between hospital and ancillary insurance. We understand that funds derived from ancillary insurance have been used to subsidise private healthcare to a considerable degree.

This is not ideal from our perspective. It also highlights the importance of considering ancillary private healthcare alongside hospital private healthcare, for budgetary (in addition to public health) reasons.

Health Savings Accounts

Encouraging consumers to save for future ancillary private healthcare needs could avoid several limitations of ancillary insurance policies, without undermining private hospital insurance.

The ADA engaged the Centre for International Economics (CIE) to prepare a detailed report on the feasibility of introducing HSAs. The CIE report: 'Saving for One's Care' demonstrates the viability and benefits to individuals that HSAs could allow.

Modelling described in the report indicates that a well-designed set of incentives would provide better value to consumers and taxpayers than they currently get from ancillary insurance premiums and associated private health insurance (PHI) premium tax rebates.

We understand claiming patterns for certain ancillary private healthcare items tend to peak close to the expiry of an eligibility period. This may suggest some level of over-servicing is sought to avoid the loss of entitlements.

We consider a savings vehicle more appropriate than an insurance vehicle for a range of reasons including the fact that entitlements do not lapse on arbitrary dates. Consumers will generally be better off obtaining healthcare if and when it is needed.

We consider it time for the Government to examine the merits of developing a HSA policy for ancillary healthcare.

Meeting Australians' private dental healthcare needs

Whilst poor oral health is a significant health concern in itself, there is a strong link between oral and general health and wellbeing. The impact, for example, of untreated dental disease in children on future caries risk, poor quality of life and associated morbidities is well recognised.

Around eighty-five per cent of all dentistry carried out in Australia is in the private sector. ADA members are concerned about a range of matters involving PHI, so far as it relates to dental care.

The detail of such concerns is likely to quickly exceed the scope of the discussion paper, so we instead offer to discuss these matters with the AMA separately, on request.

A key point to note is that if a proposed Authority were to exclude consideration of ancillary PHI within its scope, the opportunity for reform of several problematic areas might be delayed.

The ADA is happy to expand on any or all the comments provided. Should you have any questions, please do not hesitate to contact Mr Damian Mitsch, ADA Chief Executive Officer, on 02 8815 3333.

Yours sincerely,



Dr R Mark Hutton
President