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PRODUCTIVITY COMMISSION INQUIRY

Response to *Pillar 4: Delivering quality care more efficiently*

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Introduction

Bupa welcomes the opportunity to provide feedback on the Productivity Commission inquiry under *Pillar 4: Delivering quality care more efficiently*.

Bupa believes the private health system's role must be considered as part of the broader health and care system, including its interaction with public health, aged care and the disability sector. Reforms cannot happen in isolation, and some changes will support private hospitals' viability while other reforms would enhance consumer access to healthcare outside the hospital setting.

This submission proposes four key areas for productivity reforms to improve access to and delivery of quality care:

- *Out of pocket costs*; to protect consumers and improve access to healthcare
- *Prevention*; to enable people to stay healthier for longer
- *A Private Health System Commission*; to drive transparency and ongoing private health sector reform
- *Productivity in aged care*; through enabling innovation, and a focus on measuring outcomes

Enhancing the sustainability of Australia's healthcare system

Australia's mixed public-private health system has long been considered one of the best in the world, but the combination of our ageing population, increasing chronic and complex disease, and advances in clinical care has exposed its limitations. A robust and dynamic private health sector is essential for fortifying the healthcare system as a whole. Private health insurance (PHI) contributes \$61bn to the Australian economy each year and adds to economic wellbeing by helping people remain healthy and productive, and reducing pressure on public health expenditure. A strong and vibrant private health sector increases overall funding for healthcare, promotes equity, provides choice and ensures the public system can care for those in need.

Moreover, the fiscal challenges posed by an ageing population and a shrinking taxpayer base are significant concerns requiring immediate attention. As the population ages and demographics shift, the demand for healthcare services will increase, putting additional pressure on both the public and private sectors. Addressing these issues necessitates forward-looking reforms aimed at bolstering the sustainability of the overall healthcare system, ensuring it remain responsive, affordable, and accessible to meet the needs of future generations in Australia.

Reform must focus on driving productivity

Healthcare is a vital part of the economy, comprising 9.9% of total economic activity¹. Its significance extends beyond its size, affecting life outcomes, participation, productivity, and resilience in the economy as a whole. With little measured labour productivity growth in the care economy for 20 years², fostering dynamism and productivity growth in this sector

¹ AIHW *Health expenditure Australia 2022-23* available at: [Health expenditure - Australian Institute of Health and Welfare](#)

² e61 Institute, *What if we didn't care? Implications of growth in the care economy for the broader macroeconomy* available at [Care Economy-2.pdf](#)

presents a significant opportunity to put downward pressure on inflation, while increasing living standards and creating a healthier society.

Improving productivity in the health and care economy will need to address regulatory reform and changes to the underlying incentives that drive behaviours. It is essential to avoid prioritising sectoral interests and simplistic solutions that fail to address the root causes of issues, as such approaches may lead to unintended consequences, poor outcomes and compromise the sustainability of the health system.

Out-of-pocket costs

High out-of-pocket costs are a known barrier to timely healthcare, leading to poor health outcomes and potentially increasing the long-term burden on our healthcare system. Rapidly inflating costs to access care are a signal of reduced productivity.

Strong reforms to out-of-pocket costs are crucial to help Australians with improved transparency, affordability, and accessibility. It would enable earlier intervention, reduce avoidable hospitalisations, and support a more efficient allocation of resources.

From an economy-wide productivity standpoint, healthier individuals are more likely to participate in the workforce and contribute economically. Reducing financial barriers to care can help prevent prolonged illness and disability, particularly as we face the dual challenges of an ageing population and rising chronic disease.

Further reforms to out-of-pocket costs can restore confidence in the private health sector, improve system sustainability, and drive innovation through better data transparency. It will help ensure that Australians receive necessary care without financial hardship, promoting a more equitable and sustainable healthcare system for everyone.

Promoting affordable and accessible private healthcare

Reducing out-of-pocket costs is crucial to protect consumers and enhance the value of PHI. High out-of-pocket expenses can deter individuals from seeking necessary medical care, leading to worse health outcomes and increased long-term costs for the healthcare system.

A recent Patients Australia report of more than 5,000 Australians showed that 60% of patients surveyed admitted to private hospitals reported out-of-pocket costs, with 70% of these patients paying more than \$500³. Concerningly, it revealed that over a third of Australians surveyed (37%) experienced psychological distress due to out-of-pocket costs, with one in five patients foregoing specialist appointments or declining treatment due to cost⁴.

We recognise that specialists have a right to choose their own fees, supporting a competitive private healthcare market alongside a universal public system. However, free markets in Australia deliver the most efficient and optimal outcomes for everyone when consumers are well-protected and empowered.

A considerable power imbalance exists between patients and specialists. Patients and their families often seek care during their most vulnerable moments, are under time constraints, and may lack awareness of their consumer rights, especially concerning out-of-pocket expenses. Ensuring transparency in healthcare costs and eliminating unfair billing practices

³ Patients Australia, *Shock specialist bills and hidden fees: patients silently bear the burden*, available at [Shock specialist bills and hidden fees: patients silently bear the burden - Patients Australia](#)

⁴ Ibid.

are essential to enabling patients to access the care they need, enable choices to reduce financial burdens, and make informed decisions about their healthcare.

Impact of out-of-pocket costs on access to specialist consultations in private healthcare

Access to specialist consultations in private hospitals remains a significant challenge in Australia. In 2023-24, the ABS reported that 20.5% of people aged 15 years and over delayed or did not see a medical specialist when needed – of these, 707,000 Australians did not see a specialist at all⁵. This was 3.3% of the Australian population, compared to 2.2% in 2018-19 who did not see a specialist despite needing to. Additionally, cost is a significant barrier for patients accessing specialist consultations, with over 10% of people identifying it as a primary reason for delaying or not seeing a medical specialist.

Impact on private hospital activity

These consultations are a pivotal driver of private hospital activity, yet barriers such as cost transparency and affordability prevent equitable access for all Australians. Unknown or high out-of-pocket costs discourage patients from seeking specialist care and lower referral rates to private hospitals. Thus, out-of-pocket costs are a critical issue for both PHI members and private hospitals due to the financial burden, lack of transparency, and impact on healthcare decisions for members, and the financial viability and operational challenges for hospitals. Addressing these issues requires a collaborative effort between hospitals, insurers, and the government to improve transparency, affordability, and access to care.

Reforms to empower patients with transparent healthcare costs

We welcome the government's announcement on Medical Cost Finder aimed at improving transparency of medical specialist fees as a step in the right direction. However, we urge the government to consider further measures to achieve lower out-of-pocket costs, protect patients at their most vulnerable time and encourage greater utilisation of private healthcare services. This includes:

1. Implement "No Surprise Billing Legislation" that:
 - a. Bans the practice of split billing and legislates to ensure a single transaction for doctors to bill their patients that is visible to government, and
 - b. Prevents bill shock by tightening rules related to informed financial consent, including instituting limited liability for costs where informed financial consent is demonstrated not to have occurred.
 - c. Direct the Australian Health Practitioner Regulatory Agency to take regulatory action against doctors breaching the "No Surprise Billing" legislation, including mandatory notifications on the register of practitioners.
2. Direct the National Competition Taskforce through Treasury and the Department of Health to undertake a review of medical specialist pricing and trade practices every three years to determine alignment with best practice consumer protection.

These reforms aim to enhance consumer protections in the private health system by legislating and enforcing affordable and transparent pricing. By implementing these measures, the reforms will improve the affordability and accessibility of private healthcare, providing

⁵ Australian Bureau of Statistics, *Patient Experiences, 2023-24*, [Barriers to health service use](#)

substantial benefits for patients and enhancing the overall experience and sustainability of the whole private health system.

Prevention

Preventive health is the cornerstone of a sustainable and equitable healthcare system. As Australia faces increasing rates of chronic disease, obesity, mental health conditions, and out-of-pocket general practitioner (GP) costs, the need to shift from reactive to proactive care has never been more urgent. Prevention not only improves individual health outcomes but also reduces long-term healthcare costs and system strain.

We want to play a key role in the early detection of illness and to foster healthy habits, to help keep people healthier, earlier. Following the pandemic, many of our customers now place a higher priority on their health and wellbeing, leading them to engage in a range of positive behaviours (e.g. monitoring their health with wearable device or app, and using active forms of transportation like walking, running and cycling).

Bupa wants to support our customers in these efforts to live healthier lives and help reduce barriers to improving their health and wellbeing. When they require more acute support, we want them to have a seamless journey through the health system. We want the ability to offer care choices that align to their needs and preferences. These aspirations are particularly relevant to younger cohorts who are looking for greater relevance and value in PHI.

Private Health Insurers (PHIs) are a currently untapped resource, that, if empowered by the right reforms, could contribute significantly to mobilising a prevention system and achieving the vision, aims and goals of this strategy. PHIs have three distinct and unique attributes that could be harnessed to enhance and expand prevention across the health system, rebalancing the investment between treatment and prevention:

1. As single payors PHIs have inherent financial incentives in keeping members as healthy as possible for as long as possible. By contrast, in our present system neither primary care providers nor acute care hospitals benefit financially from avoided hospitalisations.
2. We are the only part of the health system with members. Many members are long standing and develop an active relationship with their health funds. This allows a greater level of more relevant, proactive communication, support and services to be offered, fostering greater health literacy and active self-management.
3. PHIs can productively channel and leverage the financial contributions of those who are willing and able to invest in their own health and wellbeing, in ways that enhance the positive spill over benefits to the whole prevention system.

Private health insurers are uniquely positioned to support this shift. With long-term member relationships, financial incentives aligned to keeping people well, and the ability to engage individuals in proactive health behaviours, PHIs are an underutilised asset in the prevention ecosystem. However, current legislation—particularly the *Private Health Insurance Act 2007* and associated rules—restricts PHIs to funding hospital-based care, limiting their ability to support community-based, preventive, and chronic disease management services.

Reorienting PHI regulation would be a significant prevention enabler

The demarcations between in and out-patient services are becoming increasingly blurred and less relevant, with negative consequences for chronic disease management and for PHIs who

want to offer connected, person-centred care. Removing the legislative barriers that only allows PHIs to pay for hospital-substitute care and expanding our ability to fund out of hospital care across the healthcare journey would significantly improve prevention in many areas, particularly:

- Enabling us to partner with providers in the community to lower the disease burden (e.g. chronic disease management);
- supporting healthy behaviours across the lifespan by attracting more young people; and
- mental health and resilience.

Refocusing PHI regulations and the health system toward prevention and integrated, person-centred care—delivered by a flexible, multidisciplinary workforce and supported by advanced technology—represents a pivotal step in providing cost-effective, high-quality care while improving health outcomes for Australians. Bupa is committed to initiatives that enhance access to preventive and primary care services, empowering customers to reduce barriers to better health and wellbeing, and fostering healthier lives.

Central to this effort is Bupa's growing digital health platform, Bluea, which offers telehealth consultations, medication delivery services, and a suite of online tools and resources. Complementing these digital services are our healthcare centres, accessible to all Australians, not just Bupa members. These centres provide a broad range of integrated services under one roof, including general practitioners, allied health professionals, pathology services, and more. Additionally, Bupa continues to expand its existing network of dental clinics, optical and hearing centres, aged care facilities, and a new network of mental health clinics, ensuring comprehensive care across different life stages.

Our approach is further bolstered through partnerships with hospitals, ancillary clinics, and providers offering in-home and community-based programs nationwide. By seamlessly integrating digital and in-person healthcare services, we aim to reduce fragmentation in care delivery, improve accessibility to top-quality services, and respond proactively to the evolving needs of both our customers and the broader community.

Bupa's overarching goal is to build a resilient, efficient, and equitable health system that delivers enduring health benefits for all Australians. Rather than relying on short-term measures, our focus remains firmly on fostering long-term health improvements and supporting a system capable of adapting to future challenges.

Private Health System Commission

Bupa supports the establishment of a Private Health System Commission to strengthen the regulatory framework governing Australia's private healthcare sector.

Recognising the critical role private health insurance plays in complementing the public system, Bupa sees value in an independent commission that can provide cohesive oversight, reduce regulatory fragmentation, and enhance transparency and accountability across the sector. Such a body would be well-positioned to address systemic challenges—such as rising out-of-pocket costs, data interoperability, and policy complexity—while fostering collaboration among stakeholders to deliver more sustainable, consumer-focused healthcare outcomes. Importantly, it must not result in another layer of bureaucracy but rather serve as a

central platform to advocate for long-term reforms that enhance productivity and innovation, creating a stronger and more equitable private health system fit for the future.

We are conscious that the creation of a new government entity is not usually seen as something which improves productivity, however a commission with a remit to drive private health sector reform could bring substantial productivity benefits.

Proposed functions of the new commission

1. Responsible for the collection of data and information on the state of the private health system, including hospitals.

Private health funds are subject to a high degree of transparency, however there is currently little transparency on costs and their drivers in the private system. Improved data transparency will allow for a true understanding of facts, correct misconceptions currently in the public domain, and assist the Federal Government in developing an effective response without unintended consequences. Data transparency to be prioritised includes:

- Restore accurate public data collection on hospital beds and facilities, to the level of detail as the ABS used to report up to 2017. The current data collections and reports conducted by the Private Hospital Data Bureau and Australian Institute of Health and Welfare are not comprehensive, lacking at a minimum any count of bed numbers in the private hospital system.
- All data collection for private hospitals should include measures of total revenue, healthcare expenditure, wages, property / rent, capital expenditure, margin, bed availability and utilisation. This hospital data should be published in a transparent and consistent way in line with APRA's reporting cycles for PHI funds at both sector-wide and individual entity and site level.
- Data transparency should be at a similar level to those provided by aged care providers through the Quarterly Financial Reports to the Department of Health, Disability and Ageing.

2. Review and approve increases to private health insurance premiums

Australia is among the few jurisdictions globally where government approval is required for private health insurance premium adjustments. By contrast, numerous Western economies adopt a hybrid approach to public and private health insurance that operates independently of direct government pricing intervention. For instance, in Germany, health insurance is compulsory for residents, with the majority opting for publicly-funded insurance through taxation and levies. Additionally, individuals have the option to procure private health insurance tailored to their specific requirements at market-regulated rates without governmental oversight.

We acknowledge the statutory role of the Minister for Health in the premium process. However, there is merit in having a Private Health System Commission oversee the premium round process for both industry and government. This would remove political influences and provide greater certainty, which aligns with the interests of the Australian community.

The current process lacks clarity and predictability, posing challenges for all stakeholders within the private health sector, including hospitals relying on sustainable funding, private health funds forecasting future healthcare demands, consumers managing household budgets, and medical professionals providing care in hospital settings. Establishing a transparent and standardised process and timeline—including the resubmission process and a compulsory deadline for public disclosure of premium rate approval—administered by an independent commission, would ensure greater predictability and impartiality. This would instil

greater confidence among consumers in the private health system while reducing the impact of political considerations.

3. Oversee the inclusion of medical devices, their benefits and pricing on the Prostheses List, and continue the reform process currently underway.

The Prostheses List sets prices for more than 11,000 medical devices, requiring private health funds to pay for the list price for items regardless of quality, efficacy, efficiency or safety⁶. To ensure a more transparent, efficient, and consumer-focused approach to medical device pricing, a Private Health System Commission should oversee the inclusion of medical devices, their benefits, and pricing on the Prostheses List.

Currently, Australian private patients often pay significantly higher prices for medical devices—up to 4.7 times more than peer countries—without seeing proportional improvements in clinical outcomes⁷. Medical devices used in hip, knee and shoulder surgeries for example, are 30-40% more expensive here than in New Zealand, the UK or France. The lack of competitive pricing mechanisms has led to inflated costs, contributing to rising private health insurance premiums and reducing affordability for consumers. These issues could be addressed by aligning pricing with international benchmarks and ensuring that decisions are made based on clinical outcomes and value for money. This would eliminate outdated agreements that favour industry over patients and ensure a fairer, more effective system.

Furthermore, accelerating the current reform process is crucial to modernising the Prostheses List and cutting unnecessary expenses. By prioritising value-driven funding models and patient outcomes, the commission could promote innovation within the medical device industry, improve overall system efficiency, and sustain the viability of private health insurance. This would ensure that Australians continue to receive high-quality care at an affordable cost.

4. Monitor labour costs within the private hospital sector, including the impact of EBAs and Fair Work Commission decisions on sustainability, advocating efficient wage settings on behalf of private health consumers.

Labour costs have become the largest operational expense for private hospitals, making up about 65% of their total costs. Recent enterprise bargaining agreements (EBAs) for nurses and allied health staff have resulted in annual wage increases of 4–5% over three-year terms. State governments, such as Victoria, have negotiated large increases, including a 28% rise over four years. This situation pressures private operators to offer comparable wage levels or face industrial action. These increases have permanently altered hospital cost structures, embedding them into the sector's financial baseline. As public sector wage outcomes often set the benchmark for private sector negotiations, it is essential to continuously monitor these developments to understand their impact on private hospital sustainability and private health insurance premiums.

Further, the FairWork Commission's review of several priority award areas on gender equality is expected to see the minimum wage increase across several support areas utilised in the service delivery within hospitals, including allied health roles. This will place further pressure on cost lines for operators. Without a mechanism to track and assess labour cost trends,

⁶ Private Healthcare Australia, *Prostheses Reform*, available at <https://privatehealthcareaustralia.org.au/about-us/advocacy/prostheses-reform/>

⁷ Private Healthcare Australia & Mandala, *Australia's Surgical Surcharge*, available at [230601-Australias-Surgical-Surcharge.pdf](https://www.privatehealthcareaustralia.org.au/230601-Australias-Surgical-Surcharge.pdf)

including the flow-on effects of public sector wage decisions, private hospitals financial viability is threatened, or private health insurers are left absorbing rising costs that ultimately translate into higher premiums for consumers. Efficient wage setting—aligned with productivity improvements and sustainable funding models—is essential to maintaining affordability for consumers and ensuring the long-term viability of the private health system. A coordinated, evidence-based approach to wage monitoring would support balanced outcomes for workers, providers, and patients alike.

5. Drive and oversee whole-of-system reforms to improve access to affordable healthcare and ensuring the sustainability of the private health sector, including developing an evidence-based framework for reform.

The private healthcare sector faces numerous challenges, including rising labour costs, outdated funding models, and declining participation among younger Australians. These pressures are driving up premiums and reducing participation and accessibility, while the system struggles to adapt to modern care delivery like preventative health, hospital-in-the-home, and digital care models of care.

Long-term reform and collaboration between insurers, hospitals, and medical professionals are essential for addressing these challenges. Without significant change, the system will continue to face affordability issues and sustainability risks. A whole-of-system reform agenda is urgently needed to modernise the private health sector and ensure it remains a viable, affordable option for Australians.

To lead this transformation, the government should the new commission is focused on reforming the private health sector. The commission would coordinate efforts, engage stakeholders, and develop evidence-based frameworks for aligning funding, pricing, and care delivery with contemporary health needs. It would also drive innovation in care models and support the creation of a more integrated and consumer-centric private healthcare system.

This proactive leadership role would ensure reforms that improve affordability, enhance access, and expand preventative care options, while relieving pressure on the public health system. By modernising care delivery and fostering collaboration, the private health sector can remain viable and accessible to Australians, meeting their expectations for quality healthcare. A dedicated commission is crucial for driving strategic reforms and innovation, ensuring the private system evolves to support prevention, improved access, and better value for consumers.

Productivity in residential aged care

Australia is experiencing a rapidly ageing population, with an additional one million older Australians (aged 80+) expected in the next 15 years. The Baby Boomer generation will soon require aged care services, including residential aged care, in unprecedented numbers. The government projects that demand for residential aged care will grow substantially – from an estimated 200,000 places to 400,000 by 2043. The aged care sector must grow its capacity to meet this demand, which requires innovation and investment to deliver better care outcomes for older Australians.

Telehealth-enabled Wellness Hubs

In the last twelve months, Bupa has launched Wellness Hubs across our aged care homes. These telehealth-enabled Wellness Hubs adopt a multidisciplinary, Nurse Practitioner-led model of care – the first of its kind in Australia – enabling quick coordinated access to health services and improving outcomes for residents and families. Each Hub covers 4 to 5 care homes and is led by one of our Nurse Practitioners, using telehealth and onsite support to provide residents with coordinated access to primary and allied healthcare. To date, we have seen this approach deliver:

- **Reduced falls** (down 17 per cent)
- **Faster wound healing** (down 38 per cent)
- **Reduced advanced pressure injuries** (down 71 per cent)
- **Healthier weight management** (unplanned weight loss down 11 per cent)
- **Reduced hospital admissions and emergency department presentations**
- **Shorter wait times and increased utilisation of clinicians**
- **Excellent feedback from GPs and hospitals**

Better productivity in the care sector is the best value path to its continued improvement in quality and expansion. This will support older people to ensure they have access to suitable care wherever and whenever they need it.

Regulatory barriers to productivity in aged care

To address this challenge, we need a system that enables and supports flexible, innovative care models like our Wellness Hubs, which can deliver better quality care in a more efficient and effective way. Current policy settings are a barrier to innovation, due to a misplaced focus on “inputs” of care rather than on “outcomes”, which are a much better measure of quality.

Aged care providers are required to comply with minimum “care minutes” requirements of 215 minutes per resident per day – most of which is provided by personal care workers - including 44 minutes of care provided by a registered nurse.

However, this focus on quantity rather than quality only provides a partial view of the holistic care and support given to residents. Our investment in Wellness Hubs has delivered major improvements to resident outcomes due to improved clinical capabilities, faster health interventions, and the care (delivered onsite and remotely via telehealth) provided by our Nurse Practitioners – which does not contribute to care minutes.

The current regulatory and funding settings inhibit investment in quality, forcing aged care providers to adopt a prescriptive, one-size-fits-all model of care to avoid the risk of non-compliance and the loss of funding, where they do not meet minimum care targets.

Not all care minutes are equal – and quantity does not necessarily equate to quality. The regulatory approach towards the aged care sector must focus on objective care outcomes instead of narrowly-defined inputs, which ignore many of the factors that improve the quality of life for aged care residents.

Unlocking innovation to deliver better quality care services

This can be achieved in several ways, with a combination of regulatory and funding levers to shift towards a person-centred, outcomes-focused system of care. Bupa acknowledges that care quality is difficult to measure, which contributes to the misplaced focus on inputs-based policy levers. Policy measures to achieve this include:

- 1. Regulation:** Direct the Aged Care Quality and Safety Commission to return to an outcomes-based regulatory approach, which focuses on the care outcomes for aged care residents.
- 2. Funding:** Reverse the punitive approach to funding if a home fails to meet its care minutes target, to enable providers to spend funding on other innovative care services. Over time, funding could be adjusted based on resident outcomes to incentivise improvements in care quality.
- 3. Definitions of care minutes:** Expand the roles and activities which can contribute towards care minutes to capture a holistic view of care provision. This should include telehealth provided by Nurse Practitioners, allied health time, and lifestyle activities.

Each of these solutions would ensure that funding continues to be directed towards care provision, while allowing flexibility in how funding is used to encourage investment in innovations which deliver better outcomes for aged care residents.