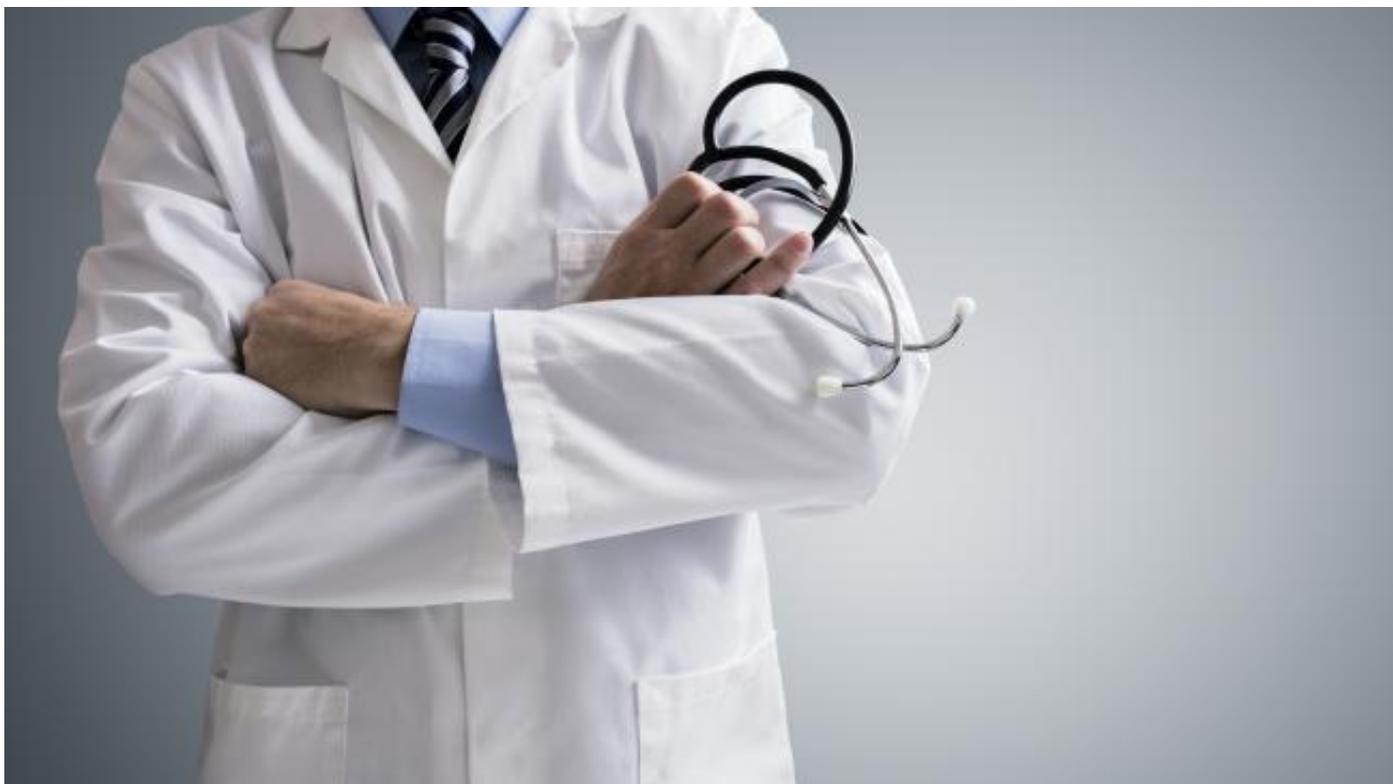


Budget 2016: healthcare waste costs \$20bn a year

ADAM CREIGHTON, SARAH-JANE TASKER THE AUSTRALIAN 12:00AM APRIL 23, 2016



Health insurance chiefs say improving health efficiency could knock 15 per cent off the \$150bn national health bill.

Australians are forking out at least \$20 billion a year in higher taxes and insurance premiums to cover entrenched waste and anti-competitive practices in the healthcare sector — equivalent to extending the GST to fresh food, health and education.

As the government and Labor debate proposals to increase tax to plug the \$38bn budget deficit, health insurance chiefs and the head of the government's Health Safety and Quality Commission, Debora Picone, have told *The Australian* improving health efficiency could knock 15 per cent off the \$150bn national health bill.

“Falling-off-a-log type reforms could save that amount every year with no reduction in actual outcomes,” said Australian Unity chief executive Rohan Mead, pointing to overservicing and lack of competition among hospitals and doctors.

Health insurer NIB chief Mark Fitzgibbon said attacking the “low hanging fruit” of waste in the system — ensuring prices for devices on the prostheses list is the same for private and public hospitals — would mean up to a 4.5 per cent drop in insurance premiums.

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many experts say taxpayers and insurance policyholders — who have endured annual premium rises of almost 6 per cent a year as insurers struggle to meet rising medical and hospital costs — could immediately save at least \$1.3bn a year from reforming the Medicare Benefits Schedule and the prostheses list alone.

“On its own, a fairer approach to the cost of prosthetics, such as pacemakers, hip and knee replacements, which currently cost private health patients as much as three times as they do in the public health system, would deliver \$800 million in savings,” said Medibank acting chief executive David Koczkar.

“What is really disappointing about the reaction of the medical device manufacturers is having enjoyed such excessive profits for so long, you would think they would cop this and say, ‘fair enough, it’s in the interest of the consumer’, but they are resisting it,” Mr Fitzgibbon said.

Michael Wooldridge, health minister in the Howard government for almost six years, said the prostheses list was “absurd”, and the health sector was being gamed and should be subject to a comprehensive review.

Analysis by *The Australian* also suggested the 21 per cent surge since 2006 in the number of medical specialists per capita in Australia — who now outnumber GPs — has potentially cost taxpayers, insurers and patients an extra \$2.8bn a year.

Ms Picone said doctor-induced overservicing was adding significantly to the cost of the health system, pointing to a variation in the incidence of procedures across Australia (some of dubious benefit) up to 30 times.

“When you see variation of this extent you have to realise some doctors are not following the guidelines,” she said.

A member of the government’s Medicare Benefits Schedule review, Sydney University professor Adam Elshaug, said rationalisation of the \$21bn-a-year schedule could save a further \$500m a year.

Dwayne Crombie, the head of Australia’s second-largest health insurer Bupa, said healthcare reform needed to be “turbo charged” and consolidated.

He said while there were six separate reviews of the healthcare system, a Productivity Commission review into how the public and private systems could collaborate effectively was needed.

The Coalition and previous Labor government have commissioned a variety of reviews into aspects of the health system but very limited structural reforms have been made. Industry insiders fear a “death spiral” if private health insurance

premiums continue to rise, prompting policyholders to drop out, putting greater pressure on the public system.

Mr Fitzgibbon, head of Australia's third largest insurer, said patients being in the hands of sellers of healthcare had led to overservicing, suggesting there were 600,000 highly avoidable hospital admissions each year.

“Once these sellers of healthcare goods sell a lot of widgets at whatever price they want to sell, it is hard to break that; the politics then become problematic,” he said.

Royal Australasian College of Surgeons president David Watters said there was not an oversupply of surgeons but supported reform of the Medicare schedule.

“It is a small proportion of surgeons who charge excessive fees. We want it to be made clear to the public there is no co-relation between the size of the fee charged and the quality of the surgery,” Professor Watters said.