Summary of the fourth meeting of the Private Health Ministerial Advisory Committee – Contracting and Default Benefits Working Group, 3 March 2017, Department of Health offices (Scarborough House), Canberra

Attendees

Members	*Secretariat*
Steve Somogyi, Chair	Charles Maskell-Knight, Secretariat
Darryl Goldman, Catholic Negotiating Alliance	Susan Azmi, Secretariat
Jane Griffiths, Day Hospitals Australia	Vanessa Sheehan, Secretariat
Jamie Reid, Finity Actuaries	
Jennifer Solitario, HBF	
Cindy Shay, HCF	
Jenny Patton, Healthe Care	
Scott Bell, Nexus Group	
Allan Boston, The Bays Healthcare Group Inc.	
Proxy	
Steven Fanner, Private Healthcare Australia	

Apologies

- Andrew Sando, Australian Health Service Alliance
- Luke Toy, Australian Medical Association
- Michael Roff, Australian Private Hospitals Association
- Matthew Koce, hirmaa
- Dr Rachel David, Private Healthcare Australia

1. Welcome, apologies and review action items

- The Chair opened the meeting. The Chair noted the apologies above for this meeting.
- The Chair welcomed Dr Rachel David's proxy, Mr Steven Fanner.

2. Declaration of Conflict

- Members did not declare any new conflicts of interest.

3. Hospital Peer Groups for Second-Tier default benefits

- Members considered how the Australian Institute of Health and Welfare Hospital (AIHW) peer groups could be consolidated into categories for the second-tier arrangements. Members agreed in-principle that there should be a defined list of hospitals by category to ensure consistency in the second-tier arrangements, but continued to question whether moving to groups based on the AIHW peer groups would provide commensurate benefits.

4. Member presentations of data

- Members presented:
    - initial analysis of de-identified aggregated Hospital Casemix Protocol data, provided to a member by the Secretariat, on the use of contracting and default benefits arrangements for day only procedures in the overnight and stand-alone day only hospital sectors;
    - data, based on information published by the Private Health Insurance Ombudsman, on the number of contracts each insurer has with hospitals and day hospitals; and
    - data on private hospital services, the level of benefits paid through the second-tier benefit arrangements and projected growth in the demand for hospital beds.

5. Contracting and Default Benefits Options paper

- The Secretariat presented a paper with options, based on the Working Group's previous deliberations, on health insurance/hospital contracting and Commonwealth second-tier and minimum basic default benefit arrangements.
- Members considered the merit of peak bodies negotiating a new industry led contracting code of practice.
- Members considered a number of options for the second-tier arrangements, should these arrangements continue. Members considered:
    - the benefit of streamlining the second-tier default benefit administrative arrangements, including possibly linking the second-tier eligibility approval to hospital accreditation cycles;
    - whether the second-tier default benefits should be restricted to particular segments of the private hospital/day hospital sector, and if so, how the segments would be defined and implications of restricting the benefit;
    - whether it was necessary to retain state based second-tier benefit schedules, and the implications of moving to a national benefit;
    - options to change the formula for calculating the second-tier default benefit schedules;
    - options to improve how second-tier benefits are billed by hospitals and paid by insurers to avoid consumers having up-front short term out-of-pocket costs;
    - options for improving the information available to consumers about hospitals' gaps under the second-tier arrangements;
    - long term options to remove the link between the second-tier benefit calculation and a health insurer's contracts by moving to a benefit based on the average cost of providing the service; and
    - whether the resources required to change the second-tier funding arrangements might outweigh the benefits given the small number of separations paid through default benefit arrangements.
- Members considered how the minimum basic default benefits are determined and acknowledged that these benefits are predominantly paid for private patients in public hospitals.

6. Private Health Insurance Ombudsman

- Mr David McGregor, Director of the Private Health Insurance Ombudsman, presented on the Ombudsman's role, in particular its possible mediation role during contract disputes between hospitals and health insurers.

7. Action Items

- The Chair will present the Working Group's deliberations to the Private Health Ministerial Advisory Committee at its meeting on 15 March 2017.
- The Chair will provide the Working Group's advice to the Private Health Ministerial Advisory Committee during March 2017.
- The Chair noted that this was the final scheduled meeting for the Working Group, and thanked members for their contributions.