

28 August 2013

Bruce Cooper  
General Manager  
Strategy, Intelligence, International and Advocacy Branch  
Australian Competition and Consumer Commission  
By email: [phireport@accc.gov.au](mailto:phireport@accc.gov.au)

Dear Mr Cooper

**Re: ACCC Report to the Senate on Private Health Insurance 2013**

Thank you for the invitation to make a submission in relation to the ACCC's annual PHI report.

Australian Society of Plastic Surgeons Inc (ASPS) is a membership body representing the interests of plastic surgeons in Australia. Our members work in public and private settings and undertake a scope of practice which includes reconstructive and cosmetic procedures. All members of ASPS have attained a Fellowship from the Royal Australasian College of Surgeons, whose surgical training is accredited by the Australian Medical Council. Our members are entitled to use the AHPRA protected title, 'Specialist Plastic Surgeon'.

We understand that this year the ACCC is examining the practice by some insurers of using end of financial-year "tax time" advertising as a tool to encourage consumers to sign up to a fund, or to transfer between funds. In our view this type of high pressure advertising is misleading in that there is no real disadvantage to the consumer in not signing by the 'tax time' date. Fundamentally, this type of advertising is not transparent.

The feedback we continually receive from our members in relation to private health insurance is almost entirely focused on the lack of disclosure and lack of transparency in relation to product exclusions. Having purchased, whether or not sales pressure of time-bound deals is applied or not, our patients are only fully aware of exclusions at the time of most need for comprehensive cover, that is, during a personal health crisis.

Provided the information offered by the provider is clear as to the details of product cover, the advertising push for 'end of year rush' is not a concern, in and of itself, that we hear expressed by our patients.

Many private health insurance companies offer products which exclude, or provide, reduced benefits for Plastic and Reconstructive Surgery. We have spoken to the health funds who believe that their level of disclosure is adequate and that their customers are adequately informed. In our experience, when queried, not even the sales staff in these funds is fully aware of the consequences of these exclusions.

Our comments therefore relate to two areas:

1. Health fund products with policy restrictions
2. Health fund hospital reimbursement for multiple procedures

### **Health fund products with policy restrictions**

In summary, health funds sell products which restrict access to certain item numbers from the MBS schedule. Restrictive policies which relate to obstetric services or cardiac services are readily understood, but those that relate to restrictions on Plastic and Reconstructive Surgery are less clear. This is largely due to confusion in the terms, plastic surgery and cosmetic surgery. In fact Cosmetic Surgery is part of the practice of Plastic Surgery. The result is that consumers unwittingly restrict themselves from services relating to, for example, cancer, burns, trauma amongst others. Our Society receives many complaints from patients and members regarding this. For example a patient who has a skin cancer removed is not covered by the health fund to have the defect reconstructed, or a patient who has had breast cancer is not covered by the health fund to have the breast reconstructed.

We have written to the Private Health Insurance Ombudsman about this matter and a fact sheet as to exclusions is available on the PHIO's website. However, the problem persists. Our members report that most patients do not know how to complain to the PHIO and simply accept what they are told by the fund. We believe the promotion and selling of a product without full disclosure severely restricts the options consumers have and leaves them significantly disadvantaged.

The Australian Society of Plastic Surgeons believes that products which exclude patients from treatment for trauma, burns and reconstruction after injury or cancer (i.e. unpredictable events) should, ideally, not be available for sale. If these products are available then the level of disclosure should leave no doubt in the consumer's mind as to what they are excluding.

A typical scenario is as follows: A consumer takes out health insurance cover and excludes certain aspects such as joint replacement, cardiac surgery, obstetrics. In these examples, even to the non-medical person, it is reasonable to assume the exclusion is clear. However, the exclusion of "Plastic and Reconstructive Surgery" is not clear. Patients tell us that they think they are excluding themselves from cosmetic surgery alone, as they do not know the range of services provided by Plastic Surgeons, or the item numbers listed in the Medicare Benefits Schedule under Plastic and Reconstructive Surgery, which the Private Health Insurers use to base their assessments. The Private Health Funds do not list these for the client.

The first time the client understands the exclusion is at the time of need for the service; and it is too late.

The sale of a product without first providing sufficient information to enable a clear assessment by the consumer (i.e. potential patient), including to inform the consumer of the consequences of the exclusions, is unconscionable. The exclusion of "plastic and reconstructive surgery" translates into 'no cover' for many conditions that, by any measure, are not cosmetic, including:

- Treatment of burns
- Skin grafts to burns and wounds if required
- Repair of blood vessels to save a finger or limb
- Replantation of a finger, arm or leg
- Treatment of extensive post traumatic scarring or burns scars
- Breast reconstruction after breast cancer
- Repair and possible salvage of an arm or leg or finger after injury
- Removal of certain tumours including blood vessel malformations
- Repair of the eye-socket after injury or accident
- Lifting of an eyelid which obscures vision
- Repair of defects after trauma, burns or cancer removal

- Repair or revision of cleft lip or palate
- Removal of tumours from the upper or lower jaw, or reconstruction of a jaw after injury or cancer removal

### **Health fund hospital reimbursements for multiple procedures**

Although reimbursement for hospitals is largely a matter for hospitals and health funds, some of our members are finding that they are unable to deliver care to certain classes of patient.

Theatre benefit reimbursement models that are commonly negotiated by health funds and hospitals potentially actively discourage private hospitals from undertaking surgery where multiple complex procedures are required to deliver optimal patient care. It is common for health funds to only reimburse private hospitals for one procedure and not multiple procedures performed at the one sitting. For example, for a patient who has ten skin cancers removed, the health fund would reimburse the hospital no more than a patient having one removed, or a patient having both breasts reconstructed after breast cancer (9 hours), the hospital would receive no more than if one were reconstructed (5 hours).

In effect these funder agreements penalise or discourage the hospital and potentially benefit the health fund by restricting exposure to the true cost of service delivery. Some hospitals are finding it uneconomic to have patients whose condition requires multiple procedures for optimal care and thus are restricting the admitting rights of surgeons who have such patients.

The restriction on the scope of surgical procedures performed in private hospitals has already happened in Victoria and Western Australia. We are informed that some surgeons have been asked to leave certain private hospitals to enable the hospital to focus on those procedures which yield a better economic return for the hospital.

This severely limits patient choice of doctor and hospital and disadvantages the patient. We acknowledge that private hospitals have the right to run a business as they deem effective, however, inequitable funding arrangements result in the health funds effectively skewing the delivery of health care.

Thank you again for the opportunity to comment and we look forward to your final report.

Yours sincerely



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President