



National Network of Private Psychiatric Sector Consumers and Carers

Mr. Richard Fitzpatrick,
Policy & Liaison Branch,
Australian Competition and Consumer Commission,
PO Box 1199
DICKSON ACT 2602

Dear Mr. Fitzpatrick,

A copy of your letter of 25 August, 2005 to the Chief Executive Officer, Royal Australian and New Zealand College of Psychiatrists (RANZCP) has been made available to us.

The National Network of Private Psychiatric Sector Consumers and Carers (National Network) represents Australians who contribute to private health insurance funds (Health Funds) and who receive treatment and care within the Australian private sector, for their mental illness or disorder. Since the beginning of 2002, the National Network has become an integral part of key policy and decision-making processes affecting many Australians, of which the RANZCP is a member. The National Network is the authoritative voice for consumers and carers concerning the policies and practices of provider and funder organisations within the private *mental health* sector.

People who access mental health services within the private sector do have to contend with issues different to those that public sector consumers face, such as the impact of private health insurance *legislation*. Of note, funding arrangements or *commercial negotiations* between private hospitals and Health Funds change from time-to-time and these can have a bearing on the accessibility of services. Additionally, the issue of *co-payments and out-of-pocket expenses*, together with *exclusionary health insurance products, 2nd tier benefit arrangement* and *limitations* do have implications for members who are in the receipt of care from private sector settings.

The National Network understands that there are some very complex legislative and regulatory arrangements, together with other economic issues that impact on the provision and funding of services within the private sector.

Legislation

The National Network has been active in its endeavours to have the portability issue between Health Funds acknowledged and rectified by the Minister for Health and Ageing, the Hon. Mr Tony Abbott MP. It is our understanding that this is intended to take place from 1 November, 2005.

Commercial negotiations

The commercial in confidence negotiations that take place between private hospitals and Health Funds concerning Hospital Purchaser Provider Agreements (HPPAs), can often breakdown. We have seen this happen during 2004 and 2005 and the ensuing disputes can cause great distress to consumers and their carers. In some cases, the consumer is forced to find a new treating doctor, because they do not have visiting rights to the private hospital that is the subject of the dispute. If Health Funds continue to be allowed to sidestep some of their prudential obligations, we hold concerns that over time consumers will terminate their private health insurance cover, putting even more pressure upon the public health system.

Co-payments and out-of-pocket expenses

The introduction of *co-payments* for persons attending Day Program activities has placed a large cost-burden upon the person with a chronic illness. This is not referring to the 'front end deductibles' such as known excesses on members' products, which they have chosen to purchase.

Exclusionary health insurance products

Health Funds are allowed by law to offer a product that excludes benefits being paid for certain types of procedures. Common ones include products targeted towards the young, which exclude certain cardiac procedures, or hip and knee replacements. The problem is that it is difficult, if not impossible, to accurately assess one's risk of contracting a particular condition or suffering a particular injury.

2nd tier benefit arrangement:

Health Funds are prohibited, by law, from excluding payment of benefits for mental health services. They are, however, allowed to pay only a basic rate for some services. The default rate can be \$150 to \$200 per day below the actual service cost.

Limitations:

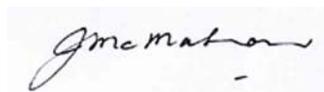
We are further concerned that Health Funds in the past, have also applied limitations to the number of occasions of service that they will fully fund in a calendar year. There is also the issue of capping the number of treatments for Electro Convulsive Therapy (ECT) to 12 per year.

The National Network welcomes the work of the Private Health Insurance Ombudsman and in particular, the report *The State of the Health Funds Report 2004*, which has assisted in informing the work that we do. We have felt this report contained vital information, which members of Health Funds should have access to. We would welcome the continuing publication of this information.

The National Network has made two very significant Submission this year, to the *Senate Select Committee on Mental Health* and the *House of Representatives Standing Committee on Health and Aging, Inquiry into Health Funding*. We have been called to appear before *both* of these important Parliamentary Inquiries later this month.

We would welcome the opportunity of working positively with the Australian Competition and Consumer Commission regarding any issues, which concern our members.

Yours faithfully,



Janne McMahon

Chair

National Network

C/- Secretariat,

Box 6090, KINGSTON. ACT. 2604

Telephone: 02 6270 5438