



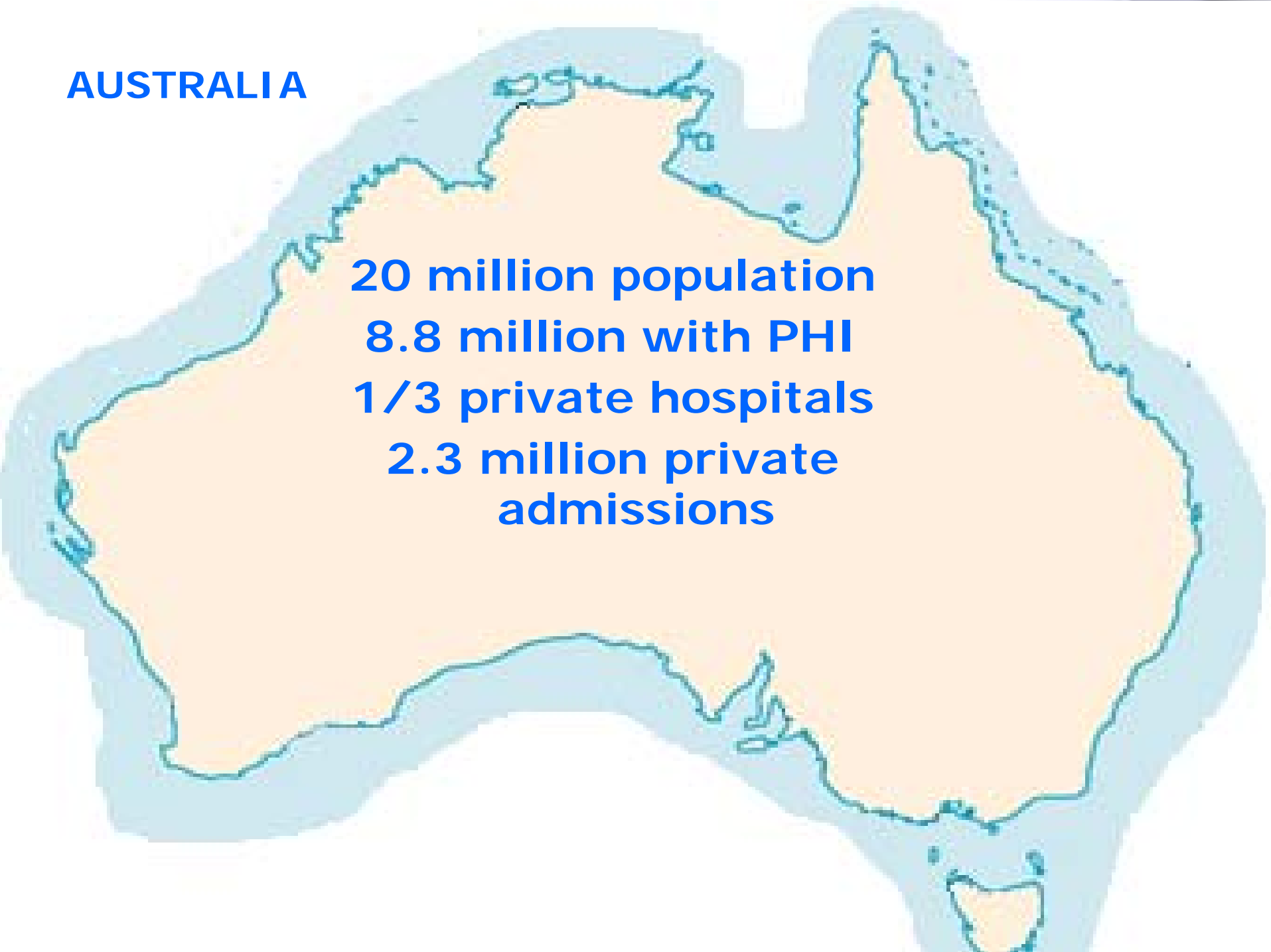
The Prescription for a Strong Australian Healthcare System

The Balance between
Public and Private

Patrick Grier
Managing Director

AUSTRALIA

20 million population
8.8 million with PHI
1/3 private hospitals
2.3 million private admissions





- Bipartisan Support for the Balanced Healthcare System

Coalition

- 30% Rebate
- Life Time Cover
- Increased rebate for + 65yr olds.

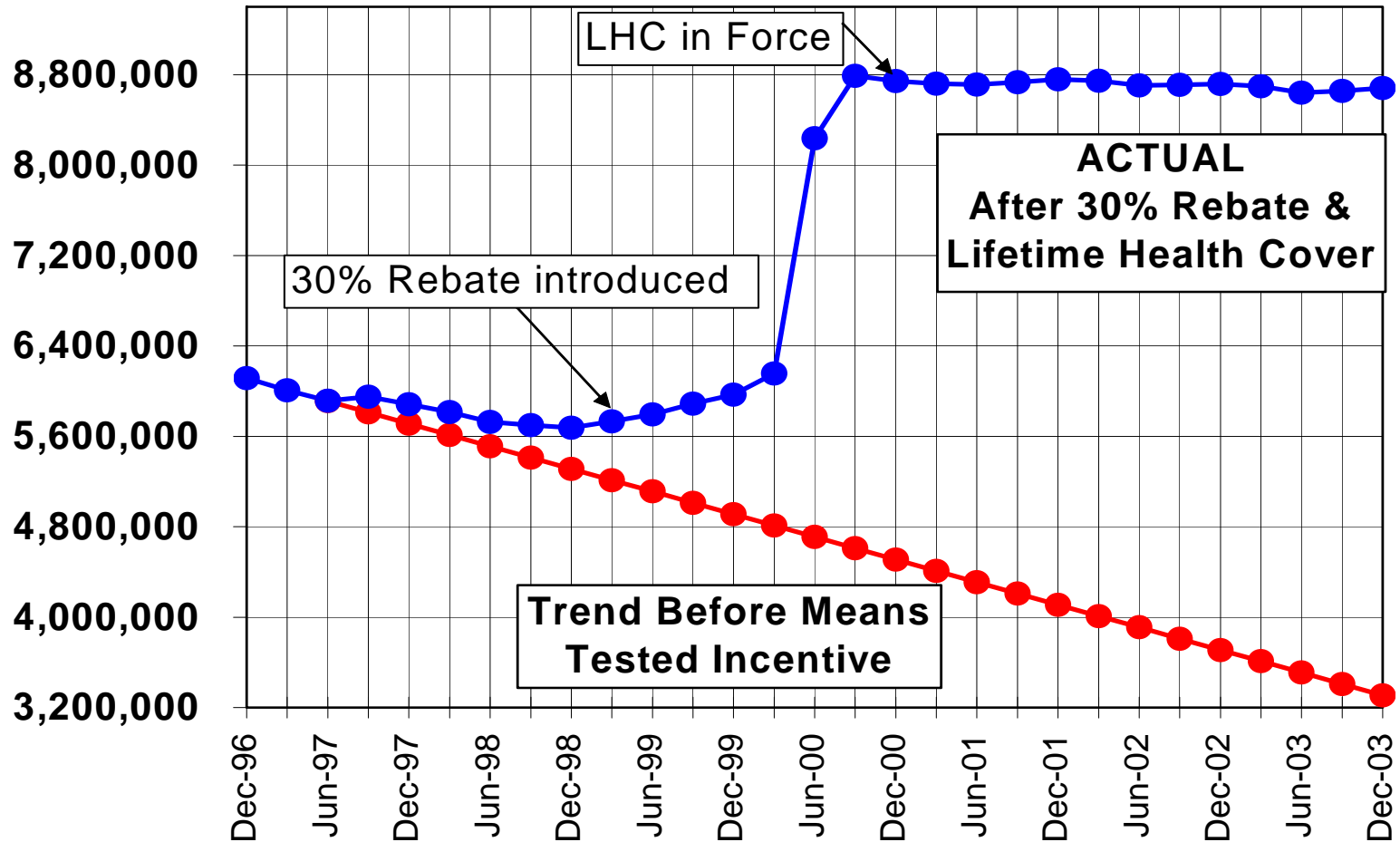
Labor

- 30% Rebate
- Medicare Gold – expanded role for private hospitals



Persons Covered by Health Insurance

Source: PHIAC, AHIA Estimates





- 32% of all hospital beds
- Treat 4 out of every 10 patients
- Private Hospitals perform 56% of surgery
- Fulltime staff have more than doubled
- Capital investment growing at approximately 5% every year



In the 4 years prior to 2004

- Private hospital admissions up 37%
- Public hospital admissions up 6%

In 2003 public hospital admissions were up 2.4%
But 50% of these were private patients

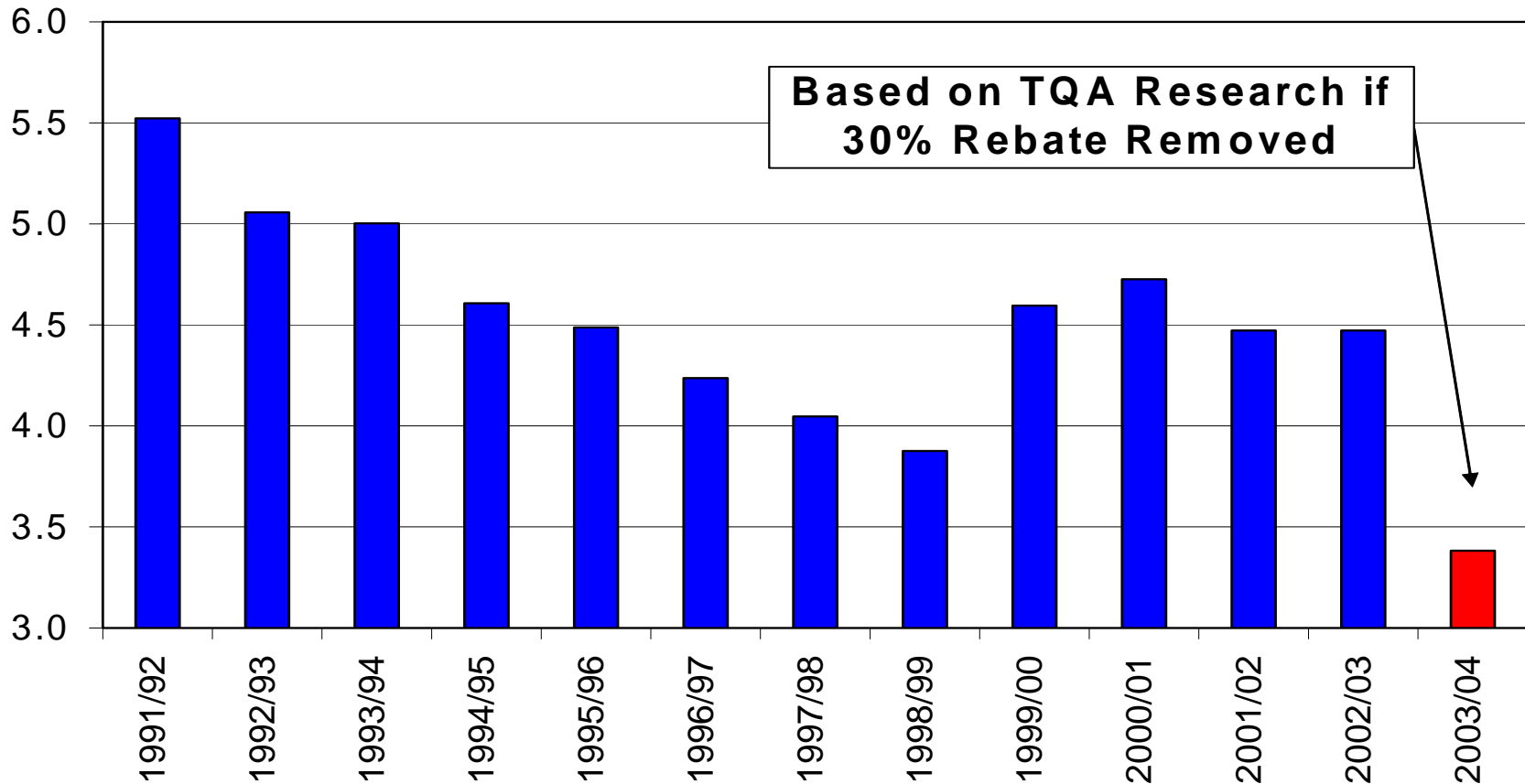


- Public hospitals admit approx 4 m patients receive \$15.2 bn of taxpayer funds
- Private hospitals admit approx 2.4 m patients receive \$1.6 bn of taxpayer funds
- Estimate private hospital procedures would cost the public hospitals \$4.5 bn
- The model is based upon encouraging user pays



Public Hospital Beds per 1,000 Uninsured Effect of 30% Rebate & its Removal

Data Source: AIHW, ABS, PHIAC, TQA, AHIA Estimates





Membership has gone from 30% to 45% and only dropped to 43% despite 3 years of average 7.5% premium increases

Actual numbers have remained static

If the Rebate is dropped it is estimated health insurance premiums would increase by approx 45%



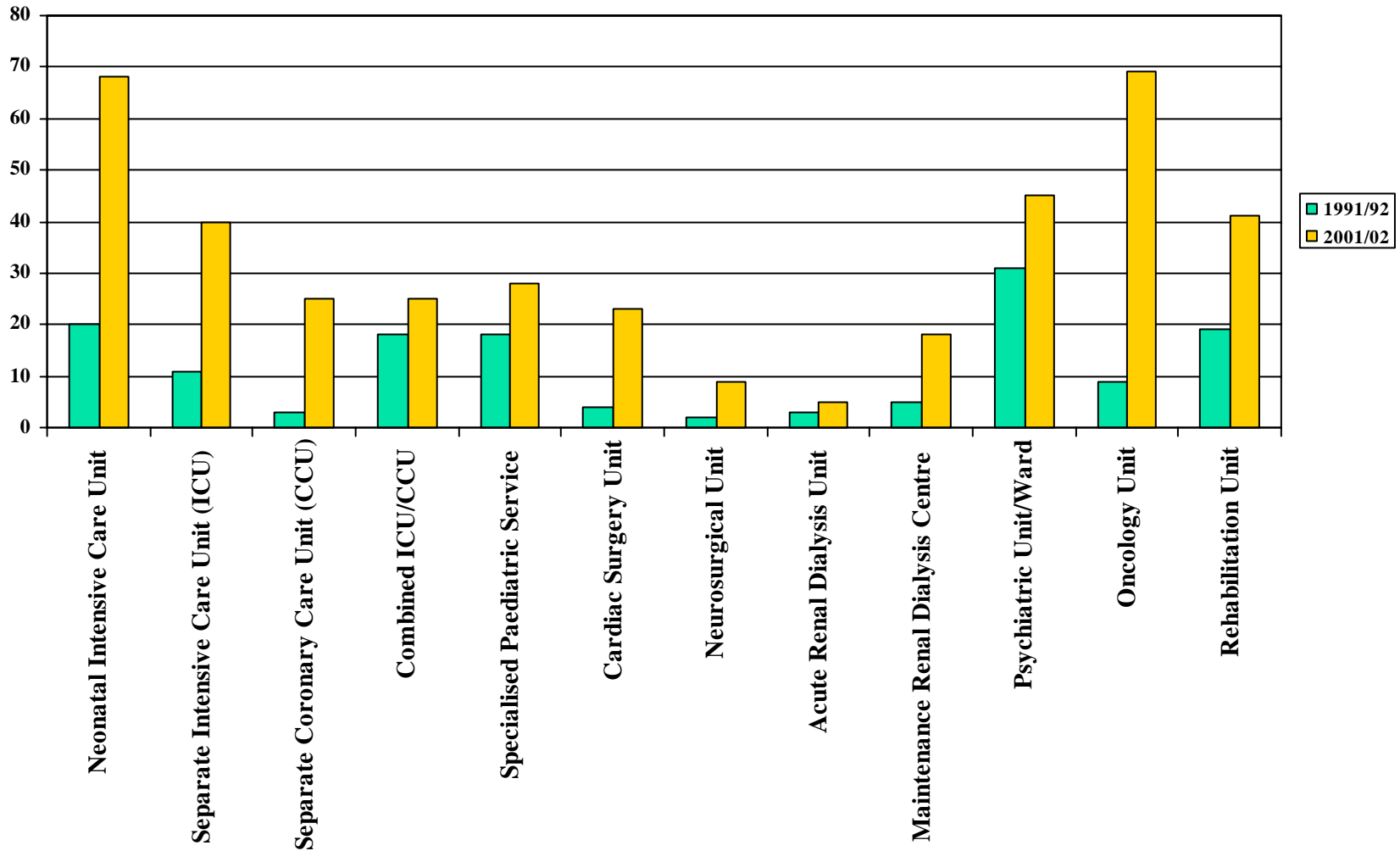
“Private Hospitals only treat minor procedures”

- Of the total 654 different procedures performed in Australian
 - Private hospitals perform 647
 - Exceptions include liver, organ, heart and lung transplants
- At the last count private hospitals treated over 500,000 accident and emergency cases



Private Hospitals – Increasing Levels of Sophistication

Data Source: Australian Bureau of Statistics



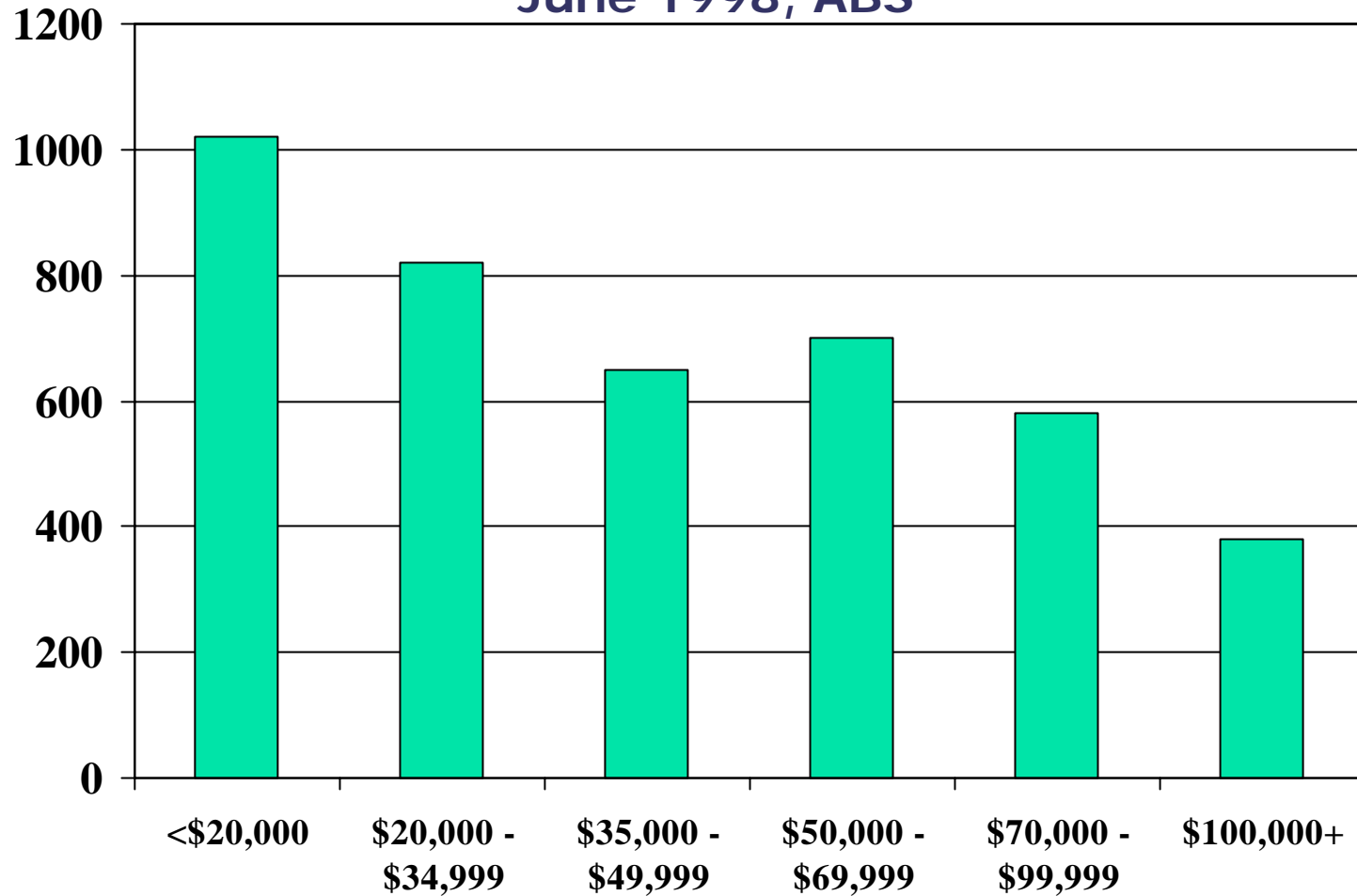


“Health Insurance is only for the rich”

- More Australians on low incomes have health insurance than those on high incomes
- 1.8 million on incomes less than \$35,000 are privately insured.
- A consumer driven reform



Income of Families with PHI June 1998, ABS





- In a recent poll 69% believe government is not delivering an improved health system
- It is a system in crisis – Blair intends lifting expenditure from 7.7% to 9% of GDP
- Since 1995
 - Senior managers increased by 48%
 - General management increased by 24%
 - While qualified nurses increased by 7.8%
- In September 2001
 - No. of management and support staff 270,000
 - No. of qualified nurses 266,000
- Today NHS has one million people on its waiting lists



- Blair's solution - increase participation by the private sector

- **Private Finance Initiatives (PFIs)**

- **"Concordat"** between public and private hospitals in UK and abroad
 - From 2000 - 2003 private hospitals treated 250,000 NHS funded patients per year

- **Independent Treatment Centres (IPSSs)**
 - Stand alone private facilities to service public patients



- Learn from the experiences of other OECD countries
- Continue to grow the private sector
 - Aim to have 50/50 balance
- Drive cost efficiencies
 - Including cost of technology
- Pay for quality performance – differentiation of private hospitals
- Greater partnership between public and private
 - Teaching and research
 - Workforce shortages



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