



# 'Out of pocket' expenses

'Out of pocket expenses' refer to the payments that consumers make directly for health and medical care which are not rebated by Medicare, private health insurance or other sources.

This includes:

- » the "gap" between the fee for a doctor's consultation and the amount rebated by Medicare;
- » the "gap" between the fee for a dental or allied health consultation and the amount rebated by a private health insurance fund (for someone with private health insurance)
- » the total cost of a dental or allied health consultation (for someone without private health insurance)
- » the cost of prescription medicines (after the subsidy for PBS-listed medicines has been applied)
- » the total cost of "over the counter" medicines, such as aspirin and cough syrup
- » the total cost of natural and complementary medicines, such as vitamins and nutritional supplements
- » the net cost of medical devices (after any subsidies and rebates are applied), such as prostheses, dental devices and syringes (Doggett, 2009).

Although 'out of pocket' expenses influence how consumers access health care and the services they access, the result is a 'system' of co-payments which:

- » is inequitable, discriminating against consumers with certain types of health care needs or who live in particular geographic areas
- » is complex, expensive to administer and confusing to both consumers and providers
- » creates barriers to accessing cost-effective health care, typically imposing the highest costs on consumers when they have the least ability to pay, and
- » results in perverse incentives in the use of health care (Doggett, 2009).

A significant increase in out-of-pocket expenditure for healthcare may deter those who need to see a medical practitioner, allowing their condition to deteriorate.

This may be detrimental not only to their health, but ultimately to the healthcare system if they present to hospital at a later date in a more serious or complex state requiring a more costly course of treatment.

Out-of-pocket healthcare costs in Australia have risen much faster rates most other countries, and has already placed a cost-barrier in the path of low-income groups.

Overall out-of-pocket costs amounted to 17.3% of total health expenditure in Australia in 2011-2012 (AIHW, 2013, p32).

Private health insurance (PHI).does not provide an adequate solution to these problems.

Fixed rebates combined with open ended co-payments do not provide consumers with 'insurance' in the sense of capping their risk. Rather they act as an expensive and inefficient budgeting measure to assist consumers with managing health care expenses.

PHHAMAQ recognises that PHI continues to be a pillar of the health system, providing cover to a large share of the population.

However, we do not support financial incentives to enhance the uptake of PHI.

There is no reason why the government should subsidise the PHI industry in a way that other insurers are not.

It is our view that the public monies currently expended on providing rebates to people to take out private health cover should more correctly be spent on ensuring a health system which provides access and equity to healthcare for all people in Australia.

The most equitable way for people who can afford to do so is to contribute more to the health system through our progressive taxation system.

This could involve increasing the Medicare levy, funding from other tax sources, or introducing other cost-saving measures to increase productivity and innovation and target areas of particular waste and duplication.

There are also significant benefits associated with implementing strategies to coordinate care more effectively and make the system genuinely more patient centred.

We note there has been recent speculation that private health insurance may be expanded into primary care.

PHHAMAQ does not support private health insurance offering coverage for primary healthcare without further modelling by Treasury on the impact of out-of-pocket expenses.

## References

Australian Institute of Health and Welfare (2013) Health Expenditure Australia 2011-2012, Health and Welfare Expenditure series no. 50, Cat. no. HWE 59, Canberra.

Doggett, J. (2009) Out of Pocket - Rethinking health co-payments, Centre For Policy Development, Occasional papers No. 9.