Members Health
FUND ALLIANCE

22 September 2025

Secretariat
Productivity Commission
GPO Box 1428
CANBERRA CITY ACT 2601

By email: 5pillars@pc.gov.au

Dear Secretariat,

Re: Productivity Commission Inquiry: Delivering quality care more efficiently

Members Health Fund Alliance (Members Health) welcomes the opportunity to provide a submission into the Productivity Commission's *Delivering quality care more efficiently* Public Inquiry. Members Health notes that the Productivity Commission (PC) plays an important role as the government's independent research and advisory body focused on economic, social, and environmental issues affecting the welfare of Australians.

Members Health shares the PC's vision for improving the efficiency and quality of the Australian care economy. We acknowledge the focus of this Inquiry is to provide recommendations to government which drive reform across key policy areas to support a more cohesive economy, embed collaboration and the integration of care services through a national framework focused on prevention.

Our submission will address the key draft recommendations in the PC's Interim report and seek to highlight the many terrific initiatives Australia's not-for-profit and member-owned health funds are already undertaking to ensure consumers receive the highest quality healthcare and to improve efficiency. The submission will highlight the need for the PC to include and recommend to government the further integration of public and private sector initiatives to help drive the reform process.

The core premise underlining our submission is Members Health's strong belief that an complementary public and private sector reform process is essential to delivering quality care more efficiently.

Members Health remains steadfast in its commitment to working in good faith with the PC and all stakeholders to pursue good policy outcomes than transcend across the public and private sectors, prioritising consumers health and wellbeing above all else. It is in this spirit that we provide our submission and welcome further discussion on these important matters.

Australia's unique and world leading healthcare system and the role of private health insurance

From the outset, it is important to establish that private health insurance (PHI) is central to Australia's uniquely mixed public and private healthcare system, supporting millions of people to live healthier and happier lives, enabling them to fully contribute to Australia's productivity.

Australia's health system operates as a balanced model that leverages both the public and private sectors to deliver comprehensive services. This dual system is a deliberate policy design, aimed at enhancing healthcare capacity, expanding patient choice, encouraging competitive tension and working towards long-term sustainability. Without the private system, the public hospital system would be unsustainable, and consumers would be denied the choice and greater control over their healthcare that comes with private health.

When benchmarked internationally, Australia's mixed public and private health system ranks best overall, best for equity and best for health outcomes. In contrast the UK, which

has a dominant public system, ranks third last for health outcomes. The US, which has a dominant private system, ranks worst for health outcomes.[1]

Health Care System Performance Rankings

	AUS	CAN	FRA	GER	NETH	NZ	SWE	SWIZ	UK	US
OVERALL RANKING	1	7	5	9	2	4	6	8	3	10
Access to Care	9	7	6	3	1	5	4	8	2	10
Care Process	5	4	7	9	3	1	10	6	8	2
Administrative Efficiency	2	5	4	8	6	3	7	10	1	9
Equity	1	7	6	2	3	8	–	4	5	9
Health Outcomes	1	4	5	9	7	3	6	2	8	10

Note: SWE overall ranking calculation does not include Equity domain. See "How We Conducted This Study" for more detail.

Data: Commonwealth Fund analysis.

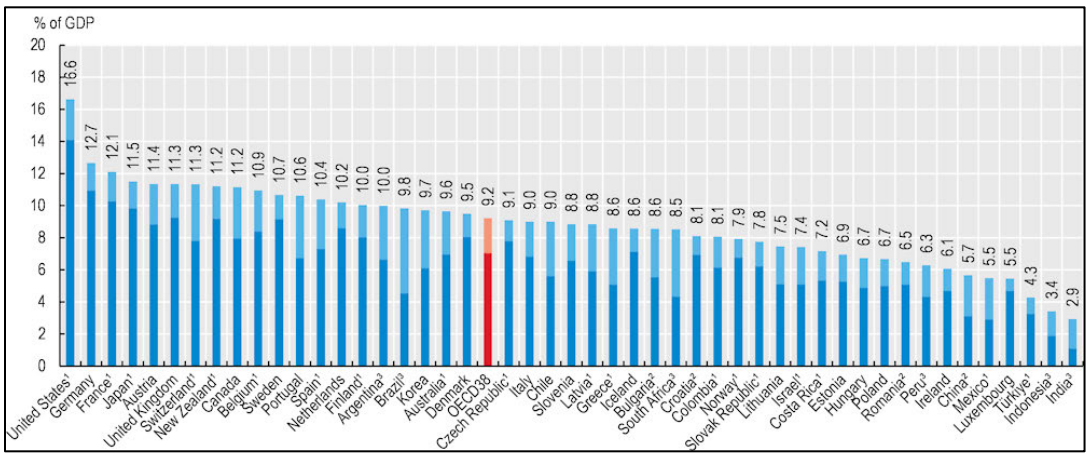
Current data shows that the private hospital system in Australia accounts for approximately 67 per cent of all elective inpatient procedures, handling 1.8 million procedures annually. During the 12 months to June 2025, private health insurers paid over $25.8 billion in health care benefits, significantly reducing strain on government taxpayer finances.

This demonstrates the critical role the private hospital sector plays in sustainably helping to provide fast access to high quality care and alleviate the strain on the overstretched public system. It allows public hospitals to place a greater focus on emergency services, complex medical cases, and professional training.

A growing 55% of the Australian population currently hold some form of private health insurance cover. With this context, PHI is a fundamental financial mechanism that makes private healthcare accessible to millions of Australians.

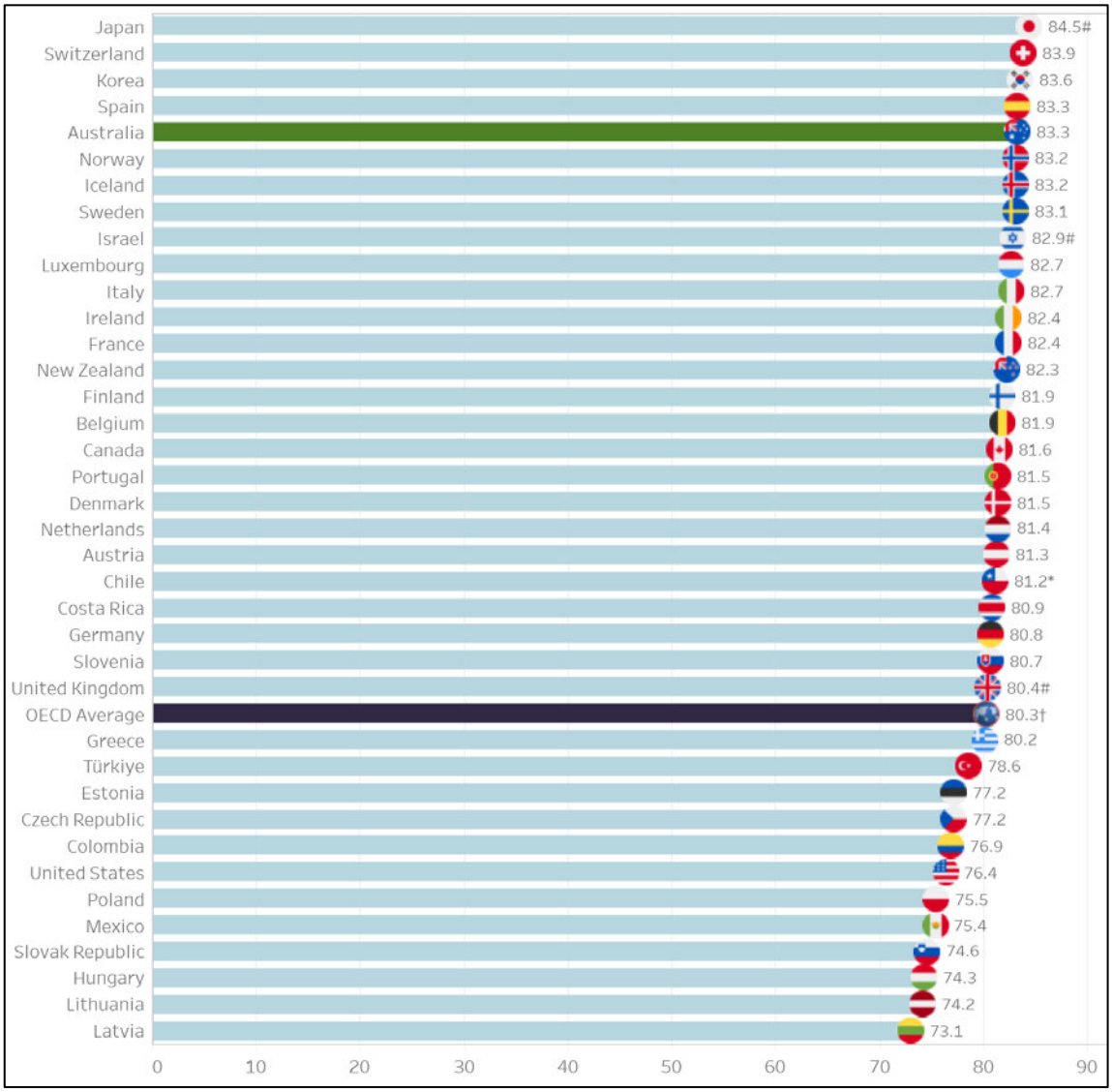
The mixed public and private health system has served Australians well, with expenditure at slightly above the OECD average but achieving much superior life expectancy. Prosperity of Australia's economy and society are directly tied to the effective functioning of the mixed public and private health system.

Per capita health expenditure by financing scheme, in USD PPPs, 2022 (or nearest year)[2]



[1] Mirror Mirror, The Commonwealth Fund, 2024.
[2] Health at a Glance 2023: OECD Indicators.

Life expectancy at birth, years, 2022 (or nearest year)[3]

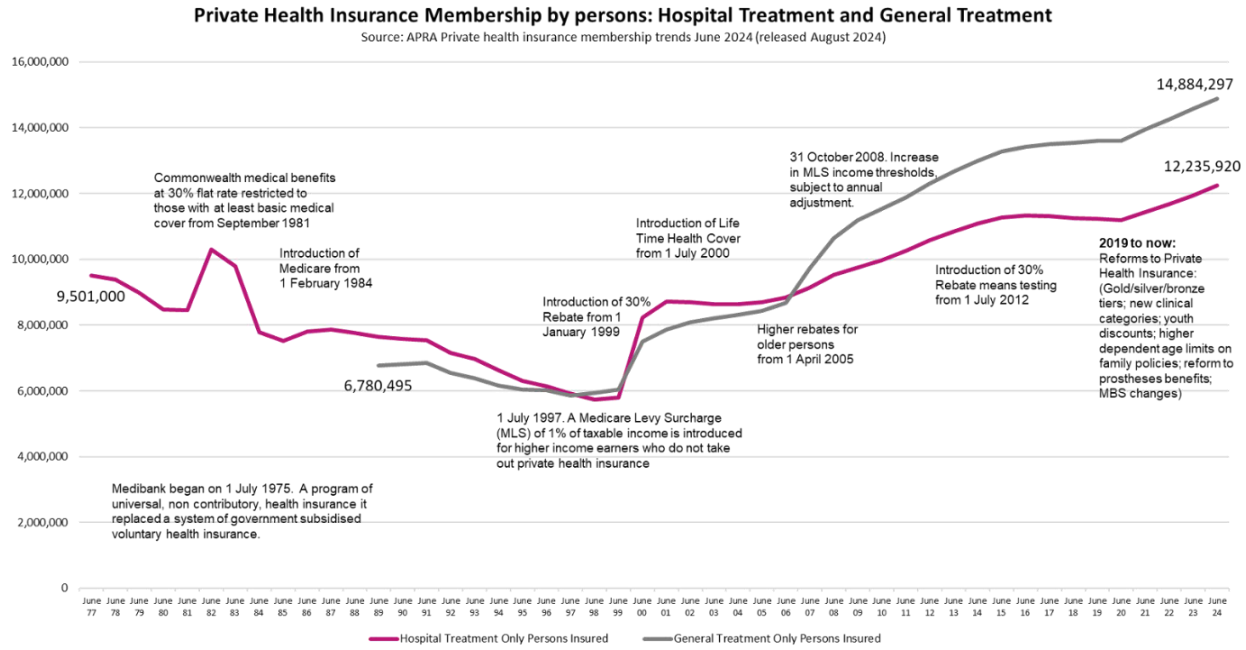


Participation in PHI is at a historic high, thanks in large part to the suite of financial support initiatives and policies put in place by government, including the Medicare Levy Surcharge (MLS), the Private Health Insurance Rebate (Rebate), and Lifetime Health Cover (LHC) loading.

The effectiveness of these three measures is demonstrated when looking at the growth of PHI membership over time. Together, these initiatives rapidly lifted private health insurance participation from a historical, low hovering at 30% of population covered for hospital treatment in 1996/1997, to well over 40% in July 2000. Participation has since remained stable at around 45% of population covered for hospital treatment.

Without these key reforms access to private hospital care would be restricted to only the very wealthy, which would significantly diminish the private sector's ability to support the broader healthcare system and undermine the dual system's core purpose of maximizing patient choice and system capacity.

[3] AIHW, Measures of health and health care for Australia and similar countries, 2 July 2024.



The private health insurance rebate costs Government approximately $6.7 billion PA but leverages over $25.8 billion in health care benefits. According to modelling by Finity Consulting and Avant Mutual/ DeltaPearl Partners, the rebate more than pays its way, delivering significant savings for government. Originally set at a base tier of 30%, the rebate has since been means tested, with the base tier cut to its present 24.608%.[4]

The rebate is projected to continue declining, impacting private health insurance affordability, a reform that so successfully helped turn around private health insurance participation in the 1990s and early 2000s.

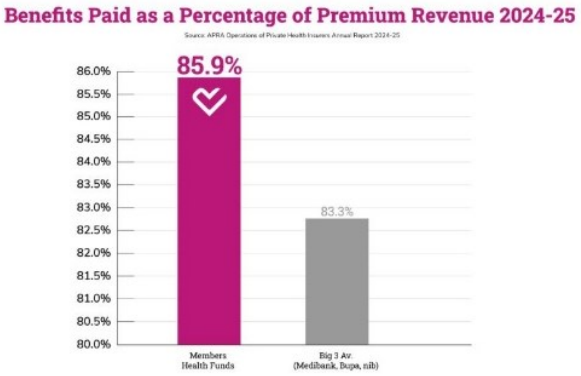
About Members Health – we're for people, not profit

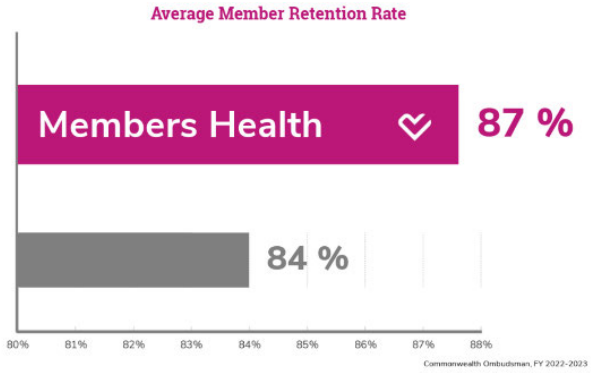
A diverse and competitive private health insurance market is essential for driving consumer choice and innovation within Australia's dual healthcare system. A Coles/Woolworths style duopoly in the Australian PHI market would be contrary to the public interest. It would inevitably drive up prices, stifle choice and harm innovation. In this context, not-for-profit and member-owned health funds play a critical role. By their very nature, they act as a strong competitive force, ensuring that the market remains focused on delivering value, transparency, and high-quality services for members, rather than solely on profit for shareholders.

Members Health is the national peak body for the not-for-profit, member-owned, regional, and community-based private health insurers. Collectively, around 80% of Australia's registered health funds are part of Members Health, covering a combined 5.4 million lives.

As mutual organisations, Members Health funds exist primarily to serve the interests of policyholders - as opposed to generating profits for shareholders or overseas investors. Running prudently on very narrow margins allows Members Health funds to return on average more of the premium dollar back to policyholders in healthcare benefits. Across Australia, Members Health funds are the success story of health insurance, offering highly competitive products, consistently achieving excellent customer service ratings and growing their membership year on year, with high policyholder retention rates.

[4] https://www.privatehealth.gov.au/health_insurance/surcharges_incentives/insurance_rebate.htm





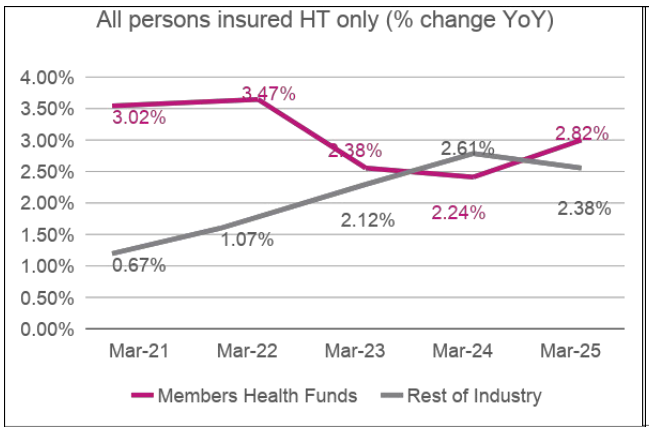
Members Health funds are leaders when it comes to customer satisfaction. A 2025 independently run Ipsos survey recorded an average overall satisfaction rate of 87% among 20,975 Members Health fund respondents.

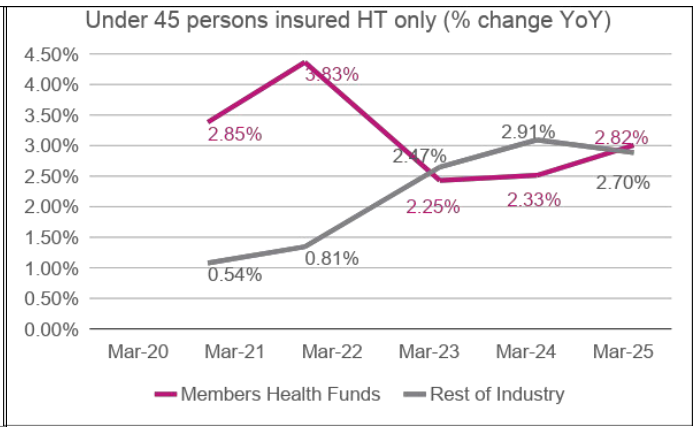
Overall Customer Satisfaction of Members Health funds	
Overall, how satisfied are you with your health fund membership?	2025: 87% satisfied, 20,975 responses received from members of participating funds.

Research conducted by Ipsos.

Ipsos advise that across both national and international benchmarks, there are very few organisations that could achieve such a high customer satisfaction score across so many respondents.

Members Health funds are close to their communities and have consistently experienced average policyholder growth that is competitive against the rest of the PHI industry. This growth is particularly evident in younger demographics, with the latest data showing a consistent rise in membership for those aged under 45 since 2018. Attracting younger and healthier policyholders is vital for maintaining a balanced risk pool, which helps place downward pressure on premiums for all members. If it were not for Members Health funds, participation in private health insurance across Australia would likely be much lower than it is today. This highlights the ongoing importance of the not-for-profit, member owned and community-based health sector to the sustainability of the private health system.





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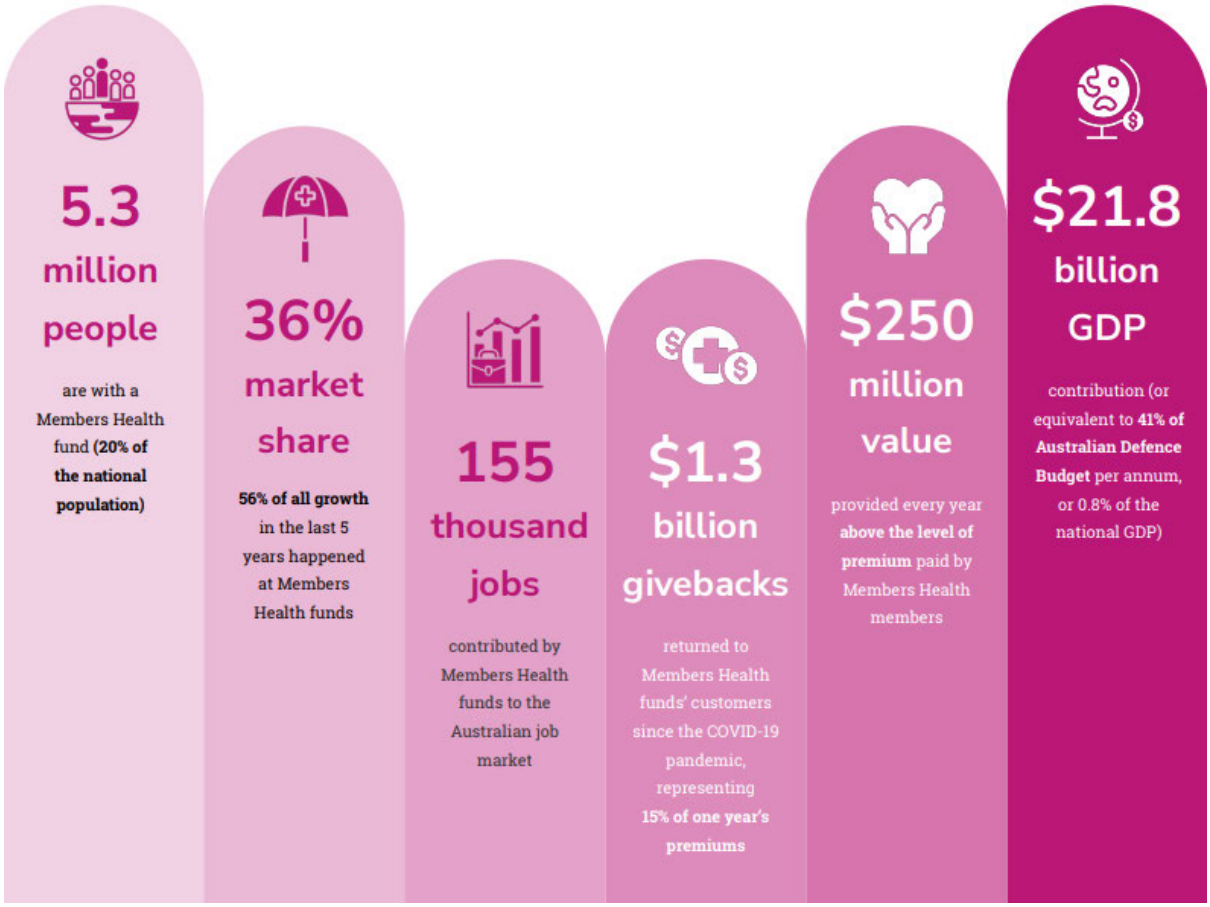
Our economic and social contribution to Australia

Members Health funds make a significant economic and social contribution to Australia. Members Health released its inaugural 'Economic and Social Impact of the Members Health funds of Australia', report released in October last year. The report highlights the important role that the not-for-profit, member owned and community-based PHI funds play and continue to play in contributing to Australia's productivity and growth. The report demonstrated that the Members Health insurers serve over 5.4 million Australian lives, including more than 1.1 million people living in regional and remote areas. Members Health



funds contribute over $21.8 billion per annum to Australia's GDP and provide over 155,000 direct and indirect jobs (including 28,000 direct and indirect jobs outside of the big cities). Members Health funds collectively ensure access to 6.4 million hospital bed days, 510,000 elective surgeries, and 37.8 million extras services each year.

Members Health funds have a significant and considerable presence across Australia. They are run by and for members who serve key industries, such as teachers, police, nurses and midwives, military, doctors and emergency services workers. There are Members Health funds headquartered in every state, in regional communities and the big cities. A number of Members Health funds are headquartered outside the major cities in locations such as Sunraysia, Illawarra, Latrobe Valley, Western NSW, Northern Queensland and Tasmania.

Many of the dental, optical and physio services available throughout rural and regional areas of Australia are dependent on the support of Members Health funds which help ensure that local people receive the care they need to sustain their health and wellbeing. In locations such as Sunraysia and Gippsland in Victoria, Members Health funds also provide access to vital healthcare services through the hospitals they own and run.

The true value of Members Health funds is perhaps best illustrated through the tangible, on-the-ground initiatives where our funds are directly addressing community health needs, as the following three case studies demonstrate.

Case study 1: Icon Cancer Centre (Mildura Health)

The Sunraysia region of north-west Victoria and south-west NSW has long experienced a higher-than-average rate of cancer incidence and mortality. To address this, Members Health fund, Mildura Health inclusive of the owned and operated Mildura Health Private Hospital, partnered with Icon to establish the Mildura Health Icon Cancer Centre (ICC).

Since April 2023, the ICC has provided both public and private patients with local access to advanced radiation oncology services, including a specialised radiation bunker.

Enabling local residents to access cutting-edge treatment closer to home, has dramatically decreased the financial, emotional, and social burden of traveling long distances for care, and empowered local people who might not have otherwise pursued treatment to prolong their lives. The centre is now treating over 300 patients per year, and there has been a 140% increase in private patients accessing radiation therapy locally. This has resulted in a dramatic improvement in the time from diagnosis to treatment, with outcomes on par with metro areas and, in some cases, exceeding the national average.

This strategic investment has also had a broader positive impact on the region's health capacity, attracting new providers to the area, including a tripling of oncology specialists. The ICC was also a key driver for the establishment of registered charity, the Mildura Health Foundation. Through community donations, the Foundation has raised more than $5 million to build patient accommodation for those traveling to Mildura for weeks of radiation treatment. The Dr. Julie Zrna Centre, comprising 10 apartments, opened in September 2025.

This project highlights a key benefit of PHI-led investment: it acts as a catalyst for broader community initiatives that build a more resilient and integrated local healthcare system.


Serving Mildura and district since 1920

Sunraysia Daily

Wednesday, June 21, 2023 www.sunraysiadaily.com.au $2.00

Centre offers a ray of sunshine

JUST months after giving birth to her second child, a brother for her toddler daughter, Mildura woman Alison Bateman was delivered the news that no one wants to hear – she had terminal cancer. Every minute of every day are now cherished memories that she shares with her husband Beau and children Indiana, 5, and Evan, 1. She has given thanks to the new Mildura Health Icon Cancer Centre, where she has been able to receive treatment close to home.

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Case study 2 –Shane Warne Legacy heart health screenings (Latrobe Health)

As a not-for-profit Members Health fund, Latrobe Health Services takes a proactive approach to health prevention, through supporting innovative models of care and preventative health programs, particularly for rural and regional Australians.

One standout initiative is its founding partnership of the Shane Warne Legacy which has delivered 340,000 free health checks across the country, raising awareness of cardiometabolic risks, and sparking long-term behaviour change.

These free, non-invasive checks assess key metrics including blood pressure, cholesterol, BMI, type 2 diabetes risk and body composition with instant results via the SiSU Health app. The program prioritises accessibility, especially in rural areas where healthcare services are limited

A recent Latrobe Health Services study of 1,200 Australians aged 18–65, in collaboration with IPSOS, revealed:

- 26% of participants believe the health check potentially saved their life
- 49% reported improved health outcomes
- 91% would recommend the check to others

Importantly, 41% improved their diet and 34% sustained increased physical activity up to 12 months post-check. Regional participants showed greater behavioural change than metro counterparts, highlighting the program's impact in underserved areas.

By removing cost barriers and embedding health checks into everyday settings, Latrobe Health Services is empowering Australians to take charge of their health - marking a new model for nationwide health intervention.

Case study 3 – Making TAS the healthiest island on the planet by 2050 (St Luke's Health)

St Luke's Health, a Members Health fund headquartered in Tasmania, is the largest health insurer in the state, supporting the wellbeing of over 90,000 Tasmanians. With a bold and inspiring vision to make Tasmania the healthiest island on the planet by 2050, St Luke's is taking a leadership role in transforming health outcomes across the state.

To realise this vision, St Luke's is collaborating across public, private, and community sectors to tackle Tasmania's most pressing health challenges. Central to this effort is a strategic focus on prevention, early detection, and timely intervention.

Over recent years, St Luke's has significantly increased its investment in innovative health programs designed to support both its members and the broader Tasmanian community. These initiatives span key areas such as nutrition, physical activity, social connection, and improved access to care—each contributing to a more holistic and proactive approach to health and wellbeing. These include:

- Health service activations including:
  - Hospital substitute programs for Osteoarthritis, pain, and private postnatal services in regional areas with market failure
  - Secondary prevention cardiac rehabilitation
  - Chronic Disease Management for an ageing member cohort
- Wellness Hubs focusing on primary prevention, focussing on movement, connection, and nutrition.
- A health navigation program to assist with navigating a complex health system.
- Public policy and advocacy including:
  - Research into primary and secondary preventative strategies
  - A community campaign leading to nation-leading vaping legislation for children
  - Working with Tas. Health to support its 20-year preventative health strategy
  - Advocating for health literacy programs in schools.

This commitment reflects St Luke's evolution beyond traditional health insurance, positioning the fund as a national leader in preventative health and a vital partner to government in building a healthier, more resilient Tasmania.

Response to PC Inquiry Draft Recommendations

Members Health is broadly supportive of the principles underpinning the Inquiry's draft recommendations.

Our position on all three draft recommendations is guided by our member funds commitment to providing more cohesive, integrated, and efficient care and rooted in our core mission to improve the quality and efficiency of healthcare for our members.

As the three case studies above demonstrate, Members Health's not-for-profit and member-owned funds are undertaking innovative and highly effective initiatives to deliver high-quality healthcare, improve care efficiency, and champion preventative health for their members. It is our strong contention that across all three reforms proposed, the final recommendations of this PC Inquiry must also include a mechanism for enhancing engagement with and leveraging the work of the private sector, including health insurers.

The following outlines Members Health specific feedback following extensive consultation with our member funds on each draft proposal contained in the interim report.

Draft recommendation 1.1: *The Australian Government should pursue greater alignment in quality and safety regulation of the care economy to improve efficiency and outcomes for care users*

Members Health supports in-principle the reform proposals outlined in Draft Recommendation 1.1, which propose greater alignment of quality and safety regulation across the 'care economy' to improve efficiency and outcomes for care users.

Members Health believe that a robust, transparent and streamlined regulatory framework which enhances consumer safety and confidence while reducing administrative complexity is essential for the high-quality care economy.

We note that this recommendation is aimed at the 'care economy' - specifically the Aged Care, National Disability Insurance Scheme (NDIS), and Veterans' care sectors as opposed to the broader healthcare sector including PHI. Members Health is supportive of greater alignment of quality and safety regulations across the 'care economy' which, to the extent that is capable of delivering a positive flow-on impact to Australia's broader healthcare system. We are supportive of reform that helps free up healthcare resources to the benefit of all healthcare consumers.

Drawing on the experiences of our member funds, Members Health believes that an effective approach to these reforms should consider incorporating the following key principles for care economy providers:

- A Unified, National System: A regulatory process that is streamlined into a single national registration and screening system for all care sectors. This would provide a consolidated view of a care worker's credentials and compliance, ensuring consistency and reducing duplication. For healthcare workers, it would remove the burden of navigating multiple application processes, reducing time, cost, and confusion while also strengthening public trust and regulatory oversight.

- A Shift to Supportive Regulation: Regulators should transition from a compliance-policing model to a support-first model. The current fragmented approach creates significant risks and costs for care economy organisations, particularly smaller not-

for-profits, who are focused on maximising their limited resources for the benefit of policyholders and are governed by voluntary boards who are part of the community served by the health fund. A supportive approach should focus on building capability and resilience, while minimising unnecessary regulatory impost. We are encouraging of regulation that is accessible, proportional to risk and paired with practical education and guidance.

- Standardised and Linked Data: Data submission requirements should be standardised through a consistent suite of metrics linked directly to funding from all sectors. A nationally consistent framework would replace the current patchwork of siloed reporting, enabling meaningful comparison across the care economy. Standardisation would also significantly improve efficiency by reducing duplication for providers, who often prepare multiple versions of essentially the same data for different authorities.

- Consistent Quality through Funding: Access to funding should be linked to mandatory alignment with the regulatory framework, ensuring consistency and quality across the care economy. This would establish a uniform baseline, giving clients confidence that safeguards and expectations are the same wherever care is delivered. It would also prevent the delivery of services under less stringent frameworks and drive cultural change toward continuous improvement.

Draft recommendation 2.1: *Governments should embed collaborative commissioning, with an initial focus on reducing fragmentation in health care to foster innovation, improve care outcomes and generate savings*

Members Health supports in-principle the reform proposals outlined in Draft Recommendation 2.1 which focus on providing funding to local health networks (LHNs) and primary health networks (PHNs) to embed collaborative commissioning.

While this specific recommendation does not directly involve private health insurers, we support any initiative that promotes collaboration and a data-driven approach to improving the efficiency and quality of Australia's healthcare system. The focus on reducing potentially preventable hospitalisations and linking funding to clearly defined, shared outcomes represent a sound approach.

Members Health see merit in the examination of collaborative commissioning and the integration of care services. We call on the PC to also include PHI providers as key partners in any collaborative commissioning model. Alongside LHNs, PHNs, and ACCHOs, PHI funds are among the few entities with the scale, infrastructure, and community trust to deliver meaningful solutions.

Under Community Rating[5], health insurers are legally bound to provide the same health cover, at the same price, regardless of age, sex, race, health status or claims history. Whereas healthcare providers are involved in specific episodes of care, it is the health insurer that maintains a long-term relationship with the consumer throughout their life and is most incentivised to safeguard their health.

As our case studies demonstrate, Members Health funds are already actively engaged in community partnerships to foster innovation and deliver efficient and affordable access to care that delivers the best possible health outcomes. It is incumbent on policymakers to work in partnership with industry to maximise the potential of the private health insurance

[5] Australian Department of Health, Disability and Ageing, About private health insurance.

industry. Members Health believes that a truly effective collaborative commissioning model must:

- Include PHI funds as a key partner: the PHI sector must be considered as a key partner in any collaborative commissioning model, alongside LHNs, PHNs, and ACCHOs.

- Reflect True Place-Based Representation in Governance: For collaborative commissioning to succeed, governance must reflect true place-based representation. In some parts of Australia, limited PHN operationality can lead to a risk of over-centralisation, where decisions are dominated by metropolitan perspectives. Additional regional representation is crucial to ensure commissioning decisions are informed by the distinct needs of diverse communities, particularly in states with smaller populations and thin service markets. We note that rural and regional Australians generally experience much poorer health outcomes and shorter life expectancy than their city cousins, therefore addressing this cohort should be a national priority.[6]

- Allocate Funding Based on Need as Well as Scale: Funding should be allocated not only on the scale of a population but also on the intensity of population need. Current funding formulas often rely on headcounts, which can disadvantage smaller regional or rural communities that face disproportionately high levels of chronic disease and other barriers to care. Prioritising need alongside population scale would ensure that scarce health dollars are invested where they will deliver the greatest impact.

- Focus Government's Role on Governance and Oversight: The role of government should be focused on governance, compliance oversight, and outcomes measurement, leaving the delivery of services to capable providers. This ensures that governments retain clear public accountability without micro-managing program delivery, which can create inefficiencies and stifle innovation. By empowering providers who are closer to communities, the system can deliver higher quality and more responsive care.

Draft recommendation 3.1: Establish a National Prevention Investment Framework to support investment in prevention, improving outcomes and slowing the escalating growth in government care expenditure

Members Health broadly supports the intent of this recommendation, and acknowledges the inherent value of a structured, evidence-based approach to health prevention. Members Health funds have a strong incentive to invest in preventative health, as it improves the long-term health and wellbeing of fund members, leading to a more sustainable healthcare system for everyone.

However, the key shortcoming of the draft recommendation is its focus exclusively on government-led prevention without due acknowledgement of the significant and growing role of the private health sector, including PHI funds.

As we have outlined, Members Health strongly believes that a truly effective national framework must be inclusive and collaborative, breaking down the public/private divide to maximise impact and benefit for Australian healthcare consumers. If a National Prevention

[6] AIHW, Rural and remote health, 30 Apr 2024.

Investment Framework is to be established, it will only be meaningful and effective if it takes a fully integrated outlook, incorporating the efforts of both the public and private sectors.

Members Health believe that in order for a National Prevention Investment Framework to work effectively, it must be based on the following key principles:

- Long-Term approach: Prevention requires sustained investment over years, not short-term funding cycles. A dedicated National Prevention Investment Future Fund with a long-term horizon is essential to deliver meaningful returns, shifting from reactive spending on acute care to proactive investment in health prevention.

- Mandatory co-investment for shared accountability: Co-investment from both Commonwealth and state/territory governments must be mandatory, removing the politics from health funding cycles. This ensures a nationally consistent approach that addresses health inequity and signals a shared commitment across government to improving population health outcomes.

- Prioritising outcomes over activity: Funding should be tied directly to measurable results such as reduced preventable hospitalisations, increased life expectancy, and improved community wellbeing, rather than just service volumes. This approach creates powerful incentives for innovation and rewards providers who deliver tangible, measurable value.

- Separating oversight from service delivery: Governments should focus on strategic oversight, governance, and return on investment, while empowering the private and community sectors to lead service delivery. This separation of roles ensures accountability and prevents inefficiencies, allowing providers who are closer to communities to innovate and adapt services to local needs.

Delivering quality care more efficiently in Australia's healthcare system

While acknowledging that an examination of Australia's broader healthcare system is peripheral to the focus and scope of this Inquiry, these proposed reforms cannot exist in a vacuum. As our feedback demonstrates, there are significant impacts on the Australian healthcare system more broadly.

While Australia's mixed public-private health system is unique and world leading, it is important that industry and government work to identify opportunities for continual improvement that enhance patient outcomes and drive improved efficiency.

Members Health agree with the Business Council of Australia (BCA) and others who have called for significant investment in digital technologies. We note that the BCA has recently released a report, authored by Members Health member fund Australian Unity's outgoing CEO, Rohan Mead, which warns that without urgent reform, Australia's healthcare system will consume more than 10 per cent of national GDP by 2062-63, with hospital expenditure alone rising 3 per cent in real terms as demands increase. Faced with an aging population, we support the BCA's core argument in their report that a more coordinated approach is needed between government and the private sector.

We also agree with recent analysis from Avant Mutual, suggesting that the care economy, requires genuine collaboration. For too long, policy and funding decisions have largely occurred in silos, leading to duplication and fragmented care. The benefits of greater collaboration are clear: by leveraging the extensive data and on-the-ground insights of private health insurers, governments can better understand community health needs, identify service gaps, and co-design solutions that are more effective and efficient. This

partnership is essential for moving from a reactive, illness-focused system to a proactive, prevention-first model.

Other reform proposals for improving care delivery and efficiency in the Australian healthcare system

Members Health funds are key contributors to the operation of the Australian health system, including in regional and rural areas. Members Health funds directly and indirectly support a range of healthcare services across both metropolitan and regional Australia, such as dental, optical and physiotherapy services. These healthcare services help ensure that local people receive timely access to care. These investments prevent minor health issues from escalating into more serious conditions requiring hospitalisation.

Unfortunately, current regulatory frameworks in healthcare can act as a barrier to further innovation. Members Health has been steadfast in our advocacy to government to update policies and programs to better enable PHI funds to offer a wider range of preventative and community-based programs.

By creating a more flexible policy environment, governments can unlock the full potential of private health insurers to invest in new, evidence-based programs that improve member wellbeing, reduce long-term healthcare costs, and contribute to a more resilient and sustainable health system.

Another important consideration for government is the need to maintain a framework that maintains competition in the PHI sector. Competition between public and private and between insurers and hospitals helps to drive innovation and leads to better performance and outcomes, including faster access to high quality care.

Members Health advocates for the following government reforms to help improve the quality of care and efficiency of our healthcare system:

- Medicare Levy Surcharge
    - Members Health strongly supports the ongoing retention of the Medicare Levy Surcharge (MLS). Together with the Private Health Insurance Rebate (Rebate), and Lifetime Health Cover (LHC), the MLS incentivises private health participation, providing improved access to healthcare services for millions of Australians. It also generates income for Medicare for those that choose not to take out health insurance and can afford to do so.

    - The MLS is a progressive tax with the latest ATO statistics released in June showing 768,537 Australians have paid the Medicare Levy Surcharge, an increase of more than 150,000 on the previous year. Government should re-assess if the current MLS settings are optimal and consider lifting the MLS, to ensure that higher income earners, who choose not to not take out health insurance, are paying their fair share towards sustainability of the Australian healthcare system.

- Private Health Insurance Rebate
    - The private health insurance rebate delivers a substantial return on investment for Government and is firmly in the public interest.

    - Members Health supports an end to rebate's indexation, for it to be restored i.e. back to its original fixed 30 per cent Base Tier. At a minimum, the rebate should be maintained at the existing rate with a pathway set for its gradual

return back to its original 30% base tier. 2023 modelling by Finity Actuaries and a 2025 report by Avant Mutual shows the PHI rebate represents a highly cost-effective investment in the Australian healthcare system. Without the rebate, modelling suggests that over a decade, an additional $74.3 billion in healthcare costs would be passed to the public healthcare system. Any further reduction in the annual value of the rebate would cost government more than it saves. Conversely, increasing the value of the rebate would provide system wide benefits.

- Lifetime Health Cover Loading
  - Members Health supports the current LHC arrangements.
  - LHC is central to the ongoing sustainability of the community rated PHI system and an important and effective incentive for attracting younger and healthier PHI policyholders, placing downward pressure on premiums.
- Deregulation of the PHI Premium round
  - Members Health strongly supports deregulation of PHI Premium Price Setting, which would encourage more competition between health funds, fostering innovation and competitive pricing for consumers.
  - Currently, health insurers can only lift premiums once per year with Ministerial and APRA approval. However, for health insurers, it is difficult to project accurately 12-18 months ahead at a time. If insurers could adjust premiums throughout the year, they would have greater flexibility to keep premiums lower - knowing they can increase them if needed.
- Increased Transparency of Medical Specialist fees and performance
  - Members Health believes that Australian healthcare consumers should be at the centre of health care decision making and should not be kept in the dark about the prices charged by different clinicians and specialists.
  - We support efforts by government and other industry stakeholders to help improve access to granular clinician pricing information for consumers, enabling them and their GP to make informed and empowered decisions about which specialist they choose and out-of-pocket expenses to expect.
  - Members Health strongly supports upgrades to the government's Medical Cost Finder website to display the average fee charged by every eligible specialist across all non-GP specialities. The findings of a recent Grattan Institute's report show that Australians are missing out on tens of thousands of vital appointments each year because of rising costs, low bulk-billing specialist options and growing out-of-pocket fees.
- Phasing out of Second Tier Default Benefits
  - Members Health has strongly advocated for the phasing out of second-tier default benefits, except in rural and regional areas where there is limited competition and choice.
  - Second Tier Default Benefits were designed for a different time when PHI participation was significantly lower. Second Tier Default Benefits effectively forces health insurers to 'contract' with all hospitals, distorting competition and innovation and rewarding under performance by setting a regulated price floor. Other than in rural and regional settings, second-tier default benefits

are anti-competitive and have a negative impact on affordability for consumers so should be eliminated.

- Prostheses reform
  - Members Health were disappointed that last year the Commonwealth stepped away from the removal of general-use items from the Prescribed List of Medical Devices and Human Tissue (PL).
  - The current regulatory system allows large multinational companies to charge Australians exorbitant prices for common medical supplies, even when they sell the same products elsewhere for less.
  - It also incentivises the use of medical products at higher volumes through the use of secretive rebates. These higher costs are inevitably passed on to consumers through premium price hikes.
  - Prostheses reform is required to help restore public confidence in prostheses/medically implanted devices by delivering on commitments to uplift regulatory oversight and accountability; transparency, and value for money for consumers. To deliver tangible savings to consumers and establish a fairer system.
  - Members Health has called on the government to implement three critical prostheses reforms:
    - Establish Continuous Price Benchmarking: Implement an ongoing process of comparing domestic and international prostheses prices, commencing with France. This benchmarking should extend to comparisons between Australian private and public hospitals, as well as international comparisons.
    - Legislate Mandatory Price Transparency: Enact legislation mandating price transparency for prostheses, mirroring the successful model used for PBS-listed pharmaceuticals, to ensure public confidence in fair pricing.
    - Ban Under-the-Table Payments: Explicitly prohibit and impose severe penalties for any under-the-table rebates, financial incentives, and kickbacks between device manufacturers and third parties, including hospitals and clinicians.
- Removal of FBT/allow PHI to be salary sacrificed
  - This will make it easier for employers to offer health insurance as part of a salary package, making it more affordable for working Australians to access private health care and the many benefits that comes with it.
  - This reform would have a direct, positive impact on national productivity. The ability to access fast, scheduled care for both elective and non-elective treatments ensures employees can return to work quicker, minimising lost hours and reducing the financial burden on employers. Furthermore, by attracting younger and healthier people into the private health insurance risk pool, this measure would naturally lead to lower premiums for everyone, making PHI more accessible and affordable in the long term.

- Reduced regulatory impost on health insurers to drive down costs
  - A more bespoke regulatory approach is needed for PHI that is better tailored to the prudential risk profile of health insurance, particularly those that are not classified as significant financial entities (SFIs).
  - Health insurers are a much lower prudential risk thank other APRA regulated industries:
    - A risk equalised system, do not carry catastrophic risk like general insurers.
    - At most health insurers hold 12-18 months of a member's premium, so only carry a short tail risk.
    - Full portability to switch insurers without having to re-serve waiting periods and a collapsed insurer levy are enshrined in legislation.
  - The impost of regulation adds to the cost of health insurance and carries significant opportunity costs for the health fund business, which is increasingly focused on compliance rather than innovation, growth and member care.
  - Members Health has strongly encouraged efforts to reduce the prudential regulatory impost on insurers, particularly, non-significant financial institutions. This could be achieved through the introduction of a more tiered regulatory approach and a greater onus on regulatory impact statements by the regulator when developing or reviewing standards.
- Data sharing between private health insurers and Medicare on fraud
  - When provider fraud involving Medicare and a privately insured patient is identified by Medicare, it is currently not reported to the insurer. This has led to instances where Medicare has resolved a fraud, but the health fund is unaware.
  - It is estimated that many hundreds of millions of dollars in fraud occurs and data sharing between Medicare and insurers could help deliver significant savings.
  - Data sharing takes place in the financial services sector with Government agencies. With cyber fraud a growing threat, the case for establishing a legal framework for Medicare and private health insurers to share data and expertise is very strong.
  - Government ought to develop legislation to facilitate the two-way sharing of data between Medicare and health insurers where a fraud has occurred.
- Workforce and migration reforms
  - Workforce issues remain a major concern for the entire health industry. This is particularly apparent in maternity and mental health as well as nursing and General Practice.

- **Nursing:** The baseline projections across all sectors show an undersupply of 70,707 FTE by 2035 with around 79,473 nurses needed to fill the gap.

- **General Practitioners:** Australia is critically short of GPs – and the shortfall is growing, predicted to be 8,600 GPs by 2048. Addressing this should be a national priority of government.

- To address workforce shortages government should look to reform of immigration policies to reduce barriers to international recruitment. Members Health supports immigration policies that prioritise overseas healthcare placements, particularly in rural and regional communities where workforce challenges are greatest.

- Government should also look to establish more medical training positions, including in rural and regional Australia. Additional rural training places for clinicians, such as in Northern Queensland and the Sunraysia, will increase the likelihood of clinicians establishing social and economic networks in those communities and remaining in the are.

Conclusion

Members Health is grateful for the opportunity to provide a submission to this Inquiry. We would further welcome the opportunity to contribute to future PC Inquiry that is more directly focused on current challenges facing the Australian healthcare system and a comprehensive examination of reform options to the Australian healthcare system to improve current care practices and remove inefficiencies.

As our submission demonstrates, Australia's not-for-profit and member-owned PHI health funds are not just payers of claims; we are proactive investors in the health of our communities. We are already delivering high-quality, efficient, and innovative care programs in the community, from regional cancer centres to nationwide preventative screening programs. The full potential of these initiatives can only be realised if policy is reformed to enable and encourage genuine public-private collaboration.

Therefore, we urge the PC to include a clear mechanism for engaging with and leveraging the work of private health insurers in its final report, the success of this vital reform depends on an inclusive, fully integrated approach that acknowledges and leverages the significant and ongoing contributions of the private sector. This is not about a single recommendation but about a fundamental principle, that the best outcomes for Australians will be delivered when all parts of the healthcare ecosystem work together seamlessly.

Members Health remains committed to working collaboratively with the PC, government and all stakeholders to deliver a healthcare framework that is truly effective, sustainable, and capable of building a healthier future for all Australians.

Yours sincerely

[redacted]

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