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ADA NSW FACT SHEET ON PRIVATE HEALTH INSURERS

Background

Private Health Insurers (PHIs) exist within the Australian healthcare system which can be divided into private and public sectors. Government-funded Medicare funds primary healthcare for Australian citizens and permanent residents who rely entirely or partially on public healthcare. Approximately half of Australians have some level of private healthcare. PHIs offer benefits to their members to offset the cost of private healthcare.

Private health insurance (PHI) is promoted and assisted by the Australian government as it encourages the private component of the healthcare system and reduces the strain on the public system. Tax incentives are available for consumers who choose private health insurance. Approximately 51% of Australians take out some level of private health insurance with 55% of this group also taking extras cover (also known as general treatment or ancillary cover). Extras cover is described as the part not covered by hospital cover and represents around 25% of the total benefits paid out.

There are 37 PHIs operating in Australia[1]. Benefits for dentistry is the key reason for private health fund members taking out extras cover. The PHIs significantly impact dental practitioners working in the private sector in a number of ways:

- PHIs offer a benefit for the cost of most dental services. The benefit paid depends on the level of cover taken out by the PHI member (the patient) and the PHI benefit formula. The benefit paid for dental services is generally below 50% of the cost.
- PHIs audit dentists to protect the integrity of the benefits payment system. Audits are carried out to ensure that the benefits paid were for treatment that was provided and clinically necessary. PHIs seek to uncover fraudulent activity from their member, their staff member or the dental practitioner (or the dental practitioner's staff). The various PHIs operate differently with regard to audits with some not conducting audits at all.
- Some PHIs operate their own dental clinics where the benefit for dental treatment to the PHI member is higher than if they attend a private dental practice. This creates a competitive environment between some PHIs and some dental practitioner-owed clinics, and may discourage a long-term dentist/patient relationship when PHI members attend PHI clinics and are not able to see the same practitioner at each visit.
- Other PHIs create a network of preferred providers (PPs), where the benefit to the PHI member is more advantageous if they attend a PP than a non-PP practitioner. This has the effect of limiting the choice of dental practitioners for those members who are seeking the highest benefit.
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1. **Facts**

- Extras cover (also known as general treatment cover or ancillary cover)
- The value derived from extras cover depends on patient's individual circumstances and the PHI chosen
- Family policies essentially provide cover for children at no additional cost
- Patients who require frequent or extensive treatment may benefit financially from extras cover but those who do not require or seek regular or complex treatment are more likely to be financially disadvantaged by the high cost of extras cover. This is particularly relevant to individual rather than family cover
- Patients who do not choose extras cover may find themselves in financial difficulty or unable to afford the preventive care and treatment recommended by their dental practitioner at the time.
- Research shows that patients who hold extras cover are more likely to attend for regular dental treatment[2] either in an effort to extract value from their policies or because of raised awareness of the need for regular preventive care or both.

2. **Preferred Providers (PPs)**

Although PPs may be less expensive for consumers, they have the following disadvantages:

- Restricting the choice of dentist to those who are PPs of the member's PHI
- Disadvantaging patients who choose to go to their chosen non-PP dentist due to differential benefits compared with PP benefits paid by some PHIs for the same services.

The advantage PP arrangements for dentists is to increase patient visits to their dental practice. This model requires PPs to adopt the stringent conditions and limitations set by the PHIs. The disadvantages of PP agreements for dentists include:

- entering into a contractual arrangement with a PHI
- accepting regulation of fees by the PHI
- potentially being exposed to intrusive or bullying behaviour from PHI
- encouraging members to attend PPs rather than other non-PP dental practitioners via the differential pricing used by some PHIs in providing higher benefits for services to those attending PPs despite equivalent policies and premiums
- imposing limitations on practice policies by the PHI
- facilitating coercion to sign up all practitioners within a practice as PPs
- enabling direct communication between the PHI and consumers, which may have negative impacts on the practice particularly on termination of the PP arrangement by either party
- influencing fees charged for patients outside the PP scheme (uninsured or with a non-PP PHI) in order to provide uniform fees to all patients within a practice.

3. Audits

- PHIs have a legitimate right and a responsibility to their members ensure that fraudulent claims are identified and managed appropriately
- Dentists are required to provide consumer's clinical and billing records to a PHI on demand. This does not breach Australian Privacy Principles as consumers give consent both when they join the PHI and again at the time of making a claim (unless the consent has been subsequently withdrawn by the consumer)
- Consumers, PHI staff and dental practitioners can all be the target of PHI audits against fraudulent claims
- PHIs may attempt to use the HICAPS Agreement to enforce their rights in their demand for records
- Only a small proportion of audits result in evidence of spurious claims by dental practitioners, their staff or the consumer for services not provided
- Some audits are the result of a misunderstanding in the interpretation of the ADA Schedule and Glossary's[3] item numbers by either a dentist or the PHI
- Dental practitioners who are not PPs or PHI employees are not subject to PHI's 'Terms and Conditions' or other similar document unless they have specifically agreed to it
- Dentists who are found on audit to have made a spurious claim/s will usually be requested to repay the benefit back to the PHI
- Approximately half of the 37 PHIs appear to have the capacity to conduct audits internally while some others outsource this task
- ADA NSW Advisory Services offers assistance to its members undergoing PHI audits.

4. Ownership of dental clinics by PHIs

- A small number of PHIs both own and operate dental clinics. These clinics are operated 'for profit' and compete with other private dental practices for their patients
- PHI ownership of dental clinics may discourage the development of a long-term dentist/patient relationship when consumers attend PHI-owned clinics and are unable to see the same dental practitioner at each visit
- PHI ownership of dental clinics creates a potential conflict of interest to the relationship between PHIs, their members and dental practitioners
- Ownership/operation of dental clinics by those other than registered dental practitioners can create issues for the employed/contracted dentists within the clinic. This is because the regulatory consequences of inappropriate practice apply to dental practitioners even where they have limited/no control over the actions of the practice owners.

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5. **Use of member data**
   - PHIs have the potential to use member's data for commercial gain
   - Member data should only be used by PHIs in accordance with the stated purpose at the time of collection.

6. **Benefits for dental practitioners treating family members**
   - A number of PHIs refuse to pay benefits for treatment that is provided by a dentist who is a family member. This is discriminatory as no adjustment to private health insurance premiums is made to compensate for this incongruity.

References

1. https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1718/Quick_Guides/PrivateHealthInsurance
2. A John Spencer and Jane Harford. Dental care. *In:* Slade GD, Spencer AJ, Roberts-Thomson KF (Editors). Australia's dental generations: the National Survey of Adult Oral Health 2004–06. AIHW cat. no. DEN 165. Canberra: Australian Institute of Health and Welfare (Dental Statistics and Research Series No. 34). 2007. Chapter 6 pp 143-72.
3. The Australian Schedule of Dental Services and Glossary Australian Dental Association Twelfth Edition Published by the Australian Dental Association, 2017