Australian Society of Anaesthetists™

ASA PS24

ASA Position Statement on US style Managed Care in Australia

Preamble

Australians enjoy a very high standard of healthcare.

The Australian healthcare system is characterised by patient choice and the independence of doctors. These characteristics result in highly individualised care.

Central to Australia's healthcare system is the doctor-patient relationship. Patients form partnerships with doctors of their choice. Together, patients and doctors make therapeutic decisions, including the timing and location of any inpatient treatment.

The Australian Government supports individualised patient care via Medicare. Through the Medicare Benefits Schedule, rebates are available to patients receiving recognised treatments from accredited providers.

Clinical and Financial Independence

Australian doctors in private practice have an independent clinical and financial relationship with their patients.

This relationship is underwritten by Medicare.

Patients can see any doctor and receive the same universal Medicare rebate which is listed in the Medicare Benefits Schedule. This arrangement ensures that Australian patients have uniform assisted access to the total pool of doctors.

Health Insurance

"Hospital Cover" provides rebates to patients who receive treatment as private inpatients in hospitals. This is the primary purpose of private health insurance in Australia.

In recent years, private health insurance has also assisted patients with other expenses including an additional contribution to doctors' fees. This is achieved by supplementing Medicare rebates for doctors' fees incurred while patients are receiving hospital treatment as a private inpatient.

Payers vs Providers

Under existing fee-for-service arrangements, patients are responsible for the payment of the care they receive. Payers including Medicare and third parties such as health insurers assist patients by providing rebates.

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Under a “Managed Care” system, the roles of payer and provider are less distinct. Health insurers expand their role beyond the provision of rebates to patients. Insurers assume the role of healthcare providers, allowing them to direct treatment.

The evolution of third-party payers to providers is facilitated by:

- Entering into contractual arrangements with doctors
- The creation of “preferred provider networks”
- Vertical integration (whereby multiple steps in a process are controlled by a single entity, such as ownership of hospitals by insurers)

When third-party payers assume the role of provider, the doctor-patient partnership no longer leads the therapeutic journey. Patient choice and the independence of doctors are threatened. This threatens the quality of patient care.

US-style Managed Care

Over recent decades the American healthcare system has moved away from an independent, fee-for-service model, towards an insurer-dominated industry characterised by:

- Preferred provider networks whereby rebates to patients are higher for contracted doctors
- Complicated insurer-specific funding models increasing administrative costs
- Increasing intervention by insurers with respect to which therapies will attract a rebate

Such a system is fundamentally at odds with the universal healthcare arrangements underwritten by Medicare in Australia.

Managed Care Funding Models

Managed care funding models are characterised by efforts to undermine independent, fee-for-service arrangements.

Models including “Value-based-payments”, “Pay-for-performance” and “bundled care” are vehicles for unilateral control by third party payers. They work against the universal nature of Medicare by creating numerous insurer specific payment mechanisms.

When the financial independence of doctors is lost, the influence of insurers on all aspects of care is greatly expanded, but clinical responsibility for outcomes remains with the treating doctor.

Publicly Traded Insurers

The majority of Australian Health insurance policies are now provided by publicly traded companies. The fiduciary duty of these companies is to generate financial returns to shareholders.

If insurers are allowed to become both payers and providers, the influence gained over healthcare must then be used to improve profitability. This is the purpose of a publicly listed company.

A conflict of interest between patient care (company expenditure) and company profits arises when payers become providers.

Private Hospital Independence

Contractual arrangements between private hospitals and insurers have existed for decades. However, under managed care arrangements, the bargaining power of private hospitals is diminished.

Payers controlling preferred provider networks can threaten to divert patients away from hospitals not complying with insurer directives.

Further, when insurers own hospitals, there is a strong incentive for insurers to direct treatment to their own facilities. This element of "vertical integration" also further erodes the position of independent private hospitals because work can be directed to facilities owned by insurers.

The three pillars of Australian Healthcare

Australian private healthcare rests upon three pillars:

- Doctors/healthcare providers
- Private hospitals
- Payers/Insurers

US style Managed Care facilitates control of both doctors and hospitals by insurers.

For managed care to be resisted, the strength and independence of doctors and hospitals is of paramount importance.

Essential features of the Australian Private Healthcare System

The ASA holds the position that US style Managed Care is contrary to the best interests of Australian patients.

It is recognised that several private health insurers are engaging in strategies likely to lead to a managed care system.

In order to protect the Australian healthcare system from a transition to managed care, the following principles are suggested:

- Preservation of simple fee-for-service remuneration for doctors
- Preservation of a universal Benefit Schedule under Medicare
- Avoidance of contracts between doctors and third-party payers
- Avoidance of preferred provider networks
- Prohibition of vertical integration in healthcare
- Prohibition of insurer coercion of private hospitals
- Recognition of the inherent conflict of interest held by publicly traded and for-profit health insurance companies.

The ASA has developed this Position Statement based on current evidence and may be subject to change as more information becomes available. It is intended for anaesthetists in Australia (promulgated 5/10/2021). For the latest version, please visit https://asa.org.au/position-statements/

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