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Reform Opportunities and Committee Support Section
Private Health Strategy
Department of Health, Disability and Ageing
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Dear Reform Opportunities and Committee Support Section

The National Rural Health Alliance (the Alliance) welcomes the opportunity to provide feedback on the Department of Health, Disability and Ageing's *Private Health Sector Reform Consultation Paper 1* setting out proposed private health reforms for implementation.

The Alliance represents organisations and individuals committed to improving the health and wellbeing of people living in rural, regional and remote Australia (hereafter rural Australia). The Alliance comprises [57 member organisations](#) which include healthcare, disability and ageing professionals, service providers, health and medical educators and trainers, researchers, medical and health practitioner students, the Aboriginal / Torres Strait Islander health sector and organisations that deliver care for rural and remote Australians.

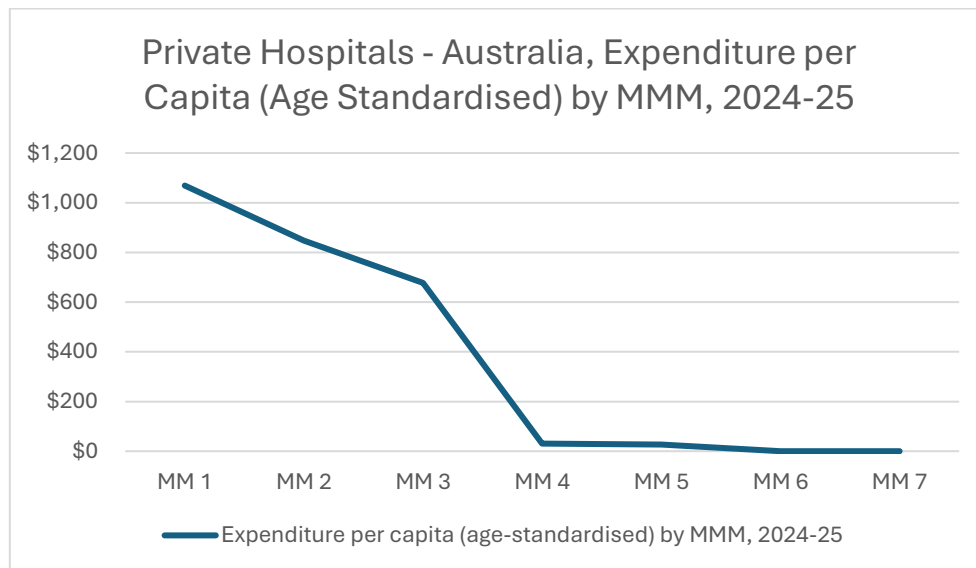
Rural Australians experience poorer health outcomes, shorter life expectancy, higher rates of preventable illness and reduced access to healthcare services compared with their metropolitan counterparts. Private hospitals play an important role in sustaining health service availability, workforce attraction and local care pathways in many regional communities. Consequently, reforms affecting the private health sector have significant implications for rural health equity.

The Alliance supports the Government's focus on improving access to regional private hospitals, and notes that successful implementation will require explicit rural safeguards, targeted incentives and ongoing monitoring against rural access and equity objectives. Private hospitals are concentrated in metropolitan areas. There is a large and obvious scale imbalance. This structural imbalance reflects the fact that remote markets are not commercially viable at scale for private operators. This is reflected in the table below using the Alliance's analysis.

Private Hospitals - service locations and weighted separations (useful to look at overall access and infrastructure)				
MMM	Number of private hospitals	Total weighted separations	Avg. weighted separations per hospitals	Weighted separations per 100,000 people
MM 1	503	650,422	1,293	3,315
MM 2	56	72,663	1,298	2,887
MM 3	37	42,949	1,161	2,547
MM 4	3	1,232	411	122

Private Hospitals - service locations and weighted separations (useful to look at overall access and infrastructure)				
MMM	Number of private hospitals	Total weighted separations	Avg. weighted separations per hospitals	Weighted separations per 100,000 people
MM 5	4	2,040	510	110
MM 6	-	-	-	-
MM 7	-	-	-	-

The graph below reflects the declining expenditure per capita by remoteness.



These numbers need to change. Rural Australians deserve to have access to a thriving public and private health system.

I would like to make the following comments based on selected key issues outlined in the discussion paper.

1. Prioritising Contemporary Models of Care

1.1 Mental Health Care

The Alliance supports reforms that encourage patient-centred mental health care. Mental health service access remains a significant challenge across rural Australia. Workforce shortages, long travel distances, cost barriers and limited treatment options contribute to poorer access and delayed care.

The table below represents the distribution of the specialist mental health workforce:

Specialist workers – mental health, rate (number per 100,000 population), by remoteness, 2022-23						
Remoteness	Psychologist	Psychiatrist	Mental Health Nurse	Mental Health Occupational Therapist	Accredited Mental Health Social Worker	TOTAL
Major Cities	886	112	638	71	65	1,772
Inner Regional	487	38	486	36	84	1,131
Outer Regional	395	40	394	36	76	941
Remote	202	22	207	31	21	483
Very Remote	47	6	157	0	8	218

The discussion paper outlines a proposal to apply targeted exemptions to the Medicare moratorium to enable overseas-trained psychiatrists to deliver admitted patient care in private hospitals that are not located in a District of Workforce Shortage (DWS). The Alliance is concerned that further watering down of policy measures that are designed to attract and retain the overseas trained doctor workforce to rural areas will continue to worsen the existing workforce shortages in rural Australia.

We note that the consultation paper proposes several guardrail measures to mitigate potential workforce distribution impacts. However, we remain concerned that these measures may not be sufficient to ensure rural communities are prioritised when workforce distribution decisions are made. The Alliance continues to advocate for greater investment in rural training pathways for Australian-trained psychiatrists, enabling them to complete their training and establish their careers in rural and regional hospitals.

At the same time, overseas-trained psychiatrists will continue to play an important role in meeting workforce needs in rural areas. To maximise their contribution, they require appropriate mentoring, supervision, professional development opportunities, and support for their families and community integration.

While it is difficult to predict the impact of each guardrail option on rural access to psychiatry services, it is essential that any measures strengthen, rather than undermine, psychiatric services in private regional hospitals. We are concerned that some exemptions could inadvertently create incentives for overseas-trained psychiatrists to relocate their private practice to metropolitan areas, further reducing specialist mental health services in rural and regional communities.

The Alliance supports the proposals to amend MBS items for case conferences by Consultant Psychiatrists allowing for multiple case conferencing services to be funded during a patient's admission to hospital for mental health treatment.

The Alliance also supports the reconvening of the Private Mental Health Alliance (PMHA) with the request that there be significant representation from rural mental health professionals on the PMHA. The issues experienced by rural health professionals and consumers can be very different to the issues experienced by professionals and consumers in metropolitan locations, and the PMHA must be representative of the geographic diversity of our country.

1.2 Maternity Care

The Alliance strongly supports maternity models that enable women to access safe, high-quality care closer to home. Many rural communities have experienced the loss of local maternity services over recent decades. Maternity closures in rural Australia across public and the private system have had major impacts, in some cases catastrophic impacts for rural families. This has increased the number of women required to travel significant distances for antenatal, birthing and postnatal care.

The ability to give birth safely and as close to home as possible is so important for women and their families. The increasing cases of 'born before arrival' and the inability to adequately reduce the stillbirth rates in Australia is a disgrace.

We support private health reforms that support collaborative models involving obstetricians, GP/Rural Generalist obstetricians and midwives. We believe that the private health system should support multidisciplinary team-based care that provides ongoing care for rural women and their babies. We need to support the workforce that is already working rurally and build in incentives to grow this workforce and support health practitioners working in maternity to work to their full scope of practice.

The following table reflects where the key maternity workforce is located.

	MM 1	MM 2	MM 3	MM 4	MM 5	MM 6	MM 7
Obstetricians and Gynaecologists	9.8	9.0	8.0	1.9	0.4	4.9	3.1
Midwives	56.9	61.6	72.4	61.2	18.4	76.9	64.2

Table: *Obstetricians and Midwives Full-Time Equivalent (FTE) per 100,000 population by 2023 Modified Monash Model, 2024.*

In considering reforms to private maternity care, reference must be given to the 2nd Edition National Consensus Framework for Rural Maternity Services. This document contains 11 key signatories involved in rural maternity and it will provide you with the framework to match any private health amendments.

The document is located on the Department's website for easy reference: [Release of the 2nd Edition National Consensus Framework for Rural Maternity Services | Australian Government Department of Health, Disability and Ageing](#). It will be helpful for Initiative 1: Sector Education and informing Initiative 2: Increased access and choice to different models of maternity care.

In relation to Initiative 3: Shorter private health insurance waiting periods for pregnancy and birth and Initiative 4: Review of the product tier structure, any reforms must ensure that rural women have genuine access to private maternity services. With private maternity units continuing to close across regional and rural Australia, the value of private health insurance for rural consumers is often significantly less than for those living in metropolitan areas, where a wider range of private maternity services is available.

We therefore urge the Government to support and sustain obstetric and maternity services in rural communities so that private maternity cover remains a meaningful and viable option for rural women who want to have babies and not have to wait for excessive time until they have private health cover for their pregnancy.

We do note concerns raised by the regional private hospital sector in our membership that:

“Under the current proposal (initiative 3) this could encourage people to take out a Gold cover policy shortly before incurring significant claims and then downgrade their cover once those services are no longer needed. This means that the high costs are then borne by other Gold policyholders, the majority of whom are older Australians. This initiative also does not address the systemic issues with maternity – the high and sometimes unexpected out-of-pocket costs, the high resourcing costs for hospitals to run a maternity service, and the lack of access to alternative models of care within the private system.

It has also been noted that adding the ‘Pregnancy and birth’ clinical category to a product tier other than Gold (initiative 4) could have significant negative effects on the affordability of private health insurance. Younger people, who do want maternity cover, will select lower bands of products. Older Australians, who claim more - and for more expensive procedures - will be left on Gold products. Insurers will be forced to increase the price of Gold products to cover the higher claims costs.

In addition, high-cost maternity claims will then be added to the risk pools of lower tiers, causing premiums to increase. People who do not want to pay for maternity cover will simply lower or drop their cover, without necessarily being cognisant of what else they are dropping.”

Further work is required to assess the impacts that initiatives 3 and 4 might have on rural access and affordability. In relation to Initiative 5: Review of risk equalisation arrangements, our membership has identified that maternity utilisation is largely driven by the demographic profile of a fund’s membership and should not necessarily be socialised across all funds through Risk Equalisation. Alternative mechanisms outside the Risk Equalisation framework may be more appropriate to address maternity-related costs.

The Alliance is supportive of Initiative 6: Review of MBS items for paediatricians. We note a suggested change to allow MBS arrangements so that attendance by a paediatrician can enable MBS benefits at a level that does not require out-of-pocket costs to the patient. We note that the discussion paper highlights that this would also assist with the supply of paediatric specialists, particularly in rural and remote locations.

1.3 Hospital in the Home (HITH)

The Alliance supports expanded HITH arrangements where clinically appropriate.

HITH has particular value for rural Australians because it can:

- reduce travel burdens;
- minimise disruption to family, employment and education;
- support culturally safe care for Aboriginal and Torres Strait Islander peoples;
- reduce pressure on hospital capacity; and
- improve patient experience.

However, we note that implementation requires:

- reliable digital connectivity;
- adequate community nursing and other health professional capacity;
- clear clinical governance arrangements; and
- funding models that recognise additional rural delivery costs.

2. Delivering better value for consumers

2.1 Improving Access to Regional Private Hospitals

The NRHA strongly welcomes the consultation's specific focus on improving access to regional private hospitals. Regional private hospitals contribute significantly to:

- local healthcare access;
- specialist service availability;
- workforce attraction and retention;
- procedural capacity;
- emergency response resilience; and
- local economic development.

Many regional private hospitals operate within challenging environments characterised by smaller patient volumes; workforce shortages and difficulties recruiting specialists and trainee specialists; and higher operating costs.

Rural Australians need access to the full spectrum of health services. Private regional hospitals play an important role in supporting local service availability, specialist access, workforce recruitment and training. Their sustainability is important because the loss of a private hospital in a regional community can further reduce healthcare choice and increase pressure on already stretched public services.

Training capacity is critical. The Alliance highlights the need for more rural specialist training posts and accreditation opportunities outside metropolitan centres. Regional hospitals including private hospitals are part of the infrastructure needed to expand rural training pathways.

To help support regional private hospitals, we support the proposed reform to increase the second-tier benefits from 85% to 100% for established regional private hospitals.

2.2 Risk Equalisation

In addition to comments already made about risk equalisation reform, the Alliance argues that any reforms should be assessed against their impact on:

- rural consumers;
- regional providers; and
- insurer participation in rural markets.

The Government should undertake detailed modelling of rural impacts before implementing substantive changes to risk equalisation arrangements.

Thank you for the opportunity to make this submission. Please do not hesitate to contact me if you would require further clarification of any of the issues raised in this submission.

Yours sincerely,



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