

MEDIA RELEASE:

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Managed Care risk to Australia's healthcare system

Australia's peak not for profit health fund group has accused major for-profit insurers of risking the "Americanisation" of the nation's medical system.

The CEO of Members Health Fund Alliance*, Matthew Koce, said recent actions and plans by Medibank and nib have the potential to create a 'managed care' model in Australia.

"There is a real and present threat to the ability of patients to choose their hospital, their doctor and for interference in clinical care," he said.

"What we're seeing is healthcare being driven by organisations operating in the interests of shareholders and investors, rather than members and patient outcomes.

"For-profit health insurance companies buying up GP clinics and partnering with controversial US managed care experts like Cigna Corporation to set up 'healthcare data and services' entities in Australia, should be ringing alarm bells with politicians, regulators, medical associations and patients."

Mr Koce said he was in discussions with a range of organisations, including the ACCC, to express serious concerns with recent developments in the health sector.

"What we're seeing mirrors the path our banks went down in the 1990s and we know where that ended – with the Hayne Royal Commission, its damning findings of conflicts of interest and consumers being ripped off," he said.

"It beggars belief that some of our major listed health companies, like Medibank and nib, are now going down this same track with initiatives potentially placing GPs and private hospitals in incredibly compromised positions, with the strong possibility for trade-offs between financial returns and patient wellbeing.

"These decisions are being made by for-profit companies seeking to bolster returns to shareholders, and it's very hard to see how patients and fund members will benefit in the long term."

Mr Koce said changes were happening by stealth, and the risks to patient care should not be underestimated.

"We need a transparent debate about what Medibank and nib are doing before it's too late to stop the slow 'Americanisation' of our health system, a slide into managed care, and all the dangers that means for the health and wellbeing of Australian families," he said.

Mr Koce said the culture of Medibank and nib as reflected in their recent moves was arguably one of the drivers behind the consistent and long term growth in membership experienced by Members Health funds.

"Our philosophy and demonstrable actions of putting people before profits has meant we've continued to consistently grow our membership year in year out, including increasing the number of members aged under 40 years," he said.

Members Health is the peak industry body for an alliance of 26 health funds that are not-for-profit or part of a member-owned group, regional or community based. They all share the common ethic of putting their members' health before profit. Our funds represent the interests of more than 3.7 million Australians.

Putting members' health before profit

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BACKGROUND

Medibank

- Recently purchased a 33.4% (**\$63 m**) stake in the **Myhealth Medical Group**
 - 86 GP clinics and 2.5 million patient consultations a year.

NIB

- Late 2019, established a 'healthcare data and services company', **Honeysuckle Health**, in a JV with US owned **Cigna Global Health Benefits**
- October 2020, NIB appointed Honeysuckle Health as its agent for hospital contracting: *"To deliver better health outcomes for customers and communities through the effective, evidence-based, delivery of healthcare."*
- NIB is currently seeking ACCC approval to encourage other health funds to contract with Honeysuckle
- COVID-19 has challenged NIB's diversified business model (eg losses from acquisition of QBE Travel Insurance business just prior to COVID)
- **Who is Cigna Global Health Benefits**
 - Cigna Global Health Benefits (CGHB) is a business unit within Cigna, headquartered in Delaware, USA¹
 - Offers health plans typically including medical, dental, behavioural and disability, as well as business travel and life components
 - CGHB maintains its own, in-house international claims platform, and offers a network of physicians and hospitals for its members (including 550,000 in the U.S. and more than 141,000 outside the U.S.)
 - **December 2007**, Cigna was criticized after refusing to pay for a liver transplant of a California teenager, on the grounds the procedure was experimental, even though there was a liver ready and waiting to be transplanted and doctors estimated she had a 65% chance of surviving at least six months. Cigna ultimately reversed its decision. The girl died awaiting the transplant.²
 - **2011**, the California Nurses Association determined that Cigna denies roughly 39.6% of all claims (compared to competitors such as Aetna who denied about 5.9% of all claims in the same time frame).³
 - **February 2020**, Cigna reached a confidential settlement in a lawsuit alleging Cigna (and others) breached the US *Racketeer Influenced and Corrupt Organisations Act* by paying members of the Infectious Diseases Society of

¹ Wikipedia entry: "Cigna". https://en.wikipedia.org/wiki/Cigna#cite_note-35

² The New York Times: *When Insurers Put Profits Between Doctor and Patient*, 6 January 2011: <https://www.nytimes.com/2011/01/06/health/views/06chen.html>

³ National Nurses United: *California Insurers Deny 26% of All Claims, State's 7 Largest Rejected 67.5 Million Since '02*, 31 January 2011: <https://www.nationalnursesunited.org/press/california-insurers-deny-26-all-claims-states-7-largest-rejected-675-million-02>

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America to develop clinical guidelines to not treat chronic Lyme disease, effectively colluding to deny treatment to patients.⁴

- **August 2020**, a lawsuit was filed against Cigna for \$1.4 billion in false and fraudulent risk adjustment claims between 2012 and 2017. Cigna is defending the matter.⁵

Further Information

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⁴ Courthouse News: *Insurers Accused of Conspiring to Deny Lyme Disease Coverage*, 14 November 2017 -

<https://www.courthousenews.com/insurers-accused-conspiring-deny-lyme-disease-coverage/>

Lymedisease.org: *Cigna is third insurer to reach settlement in Lyme disease lawsuit*, 5 February 2020

<https://www.lymedisease.org/cigna-settles-torrey-v-idsa/>

See *ibid*: *All 8 insurance companies settle in Lyme patient lawsuit against IDSA*, 20 November 2020.

<https://www.lymedisease.org/torrey-idsa-insurance-settlement/>

⁵ Healthcare Finance News: *DOJ brings lawsuit against Cigna for allegedly submitting \$1.4 billion in false Medicare Advantage claims*, 6 August 2020. <https://www.healthcarefinancenews.com/news/doj-brings-lawsuit-against-cigna-allegedly-submitting-14-billion-false-medicare-advantage>

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