

MEDIA RELEASE:

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Private hospitals are evolving

Please see below Members Health Fund Alliance's Opinion Piece that was published in *The Australian Financial Review* on Tuesday 18 June and is available online [here](#).

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Are private hospitals in Australia systemically on the brink of collapse? As reported in the Australian Financial Review (13 June 2024), The Federal Government has launched a “financial health check” of Australia’s \$22 billion private hospital system to explore the validity of recent claims being made by some large multi-million private hospital providers. Members Health, the voice of not-for-profit health insurers, believes the situation is more complex than a simple cliffhanger.

Undeniably, the private hospital sector faces challenges. Rising costs for everything from medical supplies to staff put a strain on their bottom line. Workforce shortages, for doctors and nurses, add another layer of stress, especially in regional areas. Competition between hospitals for patients is fierce, especially in metropolitan cities.

However, rather than addressing systemic issues, some hospital administrators under financial pressure have taken the lazy approach of pointing the finger at health insurers and crying poor, whilst ignoring significant countervailing factors at play.

Let's consider some facts missing from the public debate to date.

Firstly, the supposed "mass closures" of private hospitals don't paint the whole picture. While some facilities have closed, others have opened their doors. Just recently we've seen a major private hospital provider submit an application for a new \$24.6 million day surgery hospital in WA. In fact, we estimate there have been at least 31 new hospital and day surgeries open across Australia over the past 24 months compared to 16 reported closures. On top of that, many hospitals have continued to expand, with more beds and surgical theatres.

This suggests a dynamic market, not a system on the verge of disappearing.

Secondly, major hospital groups like Ramsay Health have reported improved financials and significant investments for the future. This hardly screams "financial crisis."

So, why are some hospitals closing then? A fulsome and independent examination will likely identify a multitude of operational factors. Factors such as building new facilities where there is insufficient demand or over supply, a failure to attract admitting doctors or selling hospitals for vast sums of money and then leasing them back under rigid long term lease arrangements that are uneconomic.

The COVID-19 pandemic threw another curveball, it led to rapid and unprecedented innovation that is here to stay. The rise of telehealth, out of hospital care and the pivot away

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from overnight acute hospitals to day hospitals for many elective procedures all demand adaptation to remain viable. Those providers that cling to old models might find themselves left behind, struggling to attract clinicians and patients.

A lack of transparency on the part of private hospitals means we don't fully know why some private hospitals appear to be struggling and others thriving.

Private health insurers are legislatively required to provide granular health fund business data to the public through APRA. In contrast, private hospitals operate with minimal reporting of their business operations, the performance of their investments or what their gross and net margins are. However, like health insurers, hospitals and clinicians benefit from taxpayer funding. The government's "financial health check" throws down the gauntlet to private hospital providers to hand over detailed data to address this disparity but a longer-term fix is needed. The alliance of not-for-profit health insurers, Members Health, is calling for government to put in place equivalent measures for private hospitals of mandatory public reporting of their financial performance and operational efficiency.

Here's the bottom line: the private hospital landscape is evolving, not collapsing. Some facilities might need to adapt or face closure. This reallocation of resources, though potentially painful for some, is ultimately leading to a more efficient and competitive healthcare system that is evolving and adapting to meet best practice.

The "financial health check" review should kickstart this conversation. Public funding shouldn't be used to subsidise inefficiency. Instead, let's focus on fostering innovation in healthcare. Do we want Australia's healthcare system to be stuck in a bygone era, or one that embraces change and prioritises the health of all Australians?

Let's demand a transparent and adaptable system that works for everyone, not just the bottom line.

Matthew Koce is CEO of Members Health Fund Alliance, an alliance of 24 health funds that are not-for-profit or part of a member-owned group, regional or community based and represent the interests of more than 5.3 million Australians.

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