



26 November 2013

Mr Tony Shepherd AO
Chairman
National Commission of Audit

By email: submissions@ncoa.gov.au

Dear Mr Shepherd

Bupa welcomes the Government's appointment of a National Commission of Audit as one of its first initiatives since forming government. Health and care are heavily regulated industries which represent a significant amount of government expenditure in Australia. It is Bupa's view that it is timely to review both the role of government as well as the level of regulation in these areas, in order to ensure that government expenditure is both efficient and effective.

About Bupa Australia and New Zealand

Bupa Australia and New Zealand's purpose is *longer, healthier, happier lives*.

Bupa is Australia's largest privately managed health insurer, covering around 3.5 million people. Our products and services include hospital cover, medical, ancillary and ambulance services; as well as access to travel, car and home insurance.

Bupa's private health insurance business is regarded as an industry leader in the promotion of preventive health and wellness via health phone coaching (Bupa Health Dialog), corporate health services (Bupa Wellness), eye care (Bupa Optical) and dental (Dental Corporation).

Bupa is also a leading private operator of residential aged care facilities in Australia. Our employees provide care and services to more than 5600 residents across 61 homes; and we offer respite, low, high and dementia care, enabling residents to age respectfully and in peace.

Further, we are also the leading private residential aged care provider in New Zealand with 55 care homes as well as 22 retirement villages. In addition, we operate a post traumatic brain injury rehabilitation service and have 11,500 personal medical alarm customers.

Bupa focuses on providing sustainable healthcare solutions that represent real value. Bupa's Australian and New Zealand businesses are part of the international Bupa Group, which cares for more than 14 million people in over 190 countries.

Private investment in healthcare in Australia

Now more than ever, health and care systems around the world are facing significant challenges, including in maintaining quality while retaining affordability and equitable access to care. These challenges are set against a backdrop of increasing health and care costs, a fragile economic landscape and increasing competition for a limited funding pool.

In this context, governments around the world are finding it increasingly difficult to single-handedly manage the financial burden of health and care provision. Progressively more governments are looking to the private sector as a way to share the risk and costs of health and care provision, without jeopardising quality.

Bupa is focused on tackling the big challenges in health and care and is committed to making a material contribution to each health and care system within which we operate. In some cases this can take the form of a public private partnership (PPP) with government.

- **Public private partnerships**

Within the health and care sector, the PPP model has been found to bring many benefits to the systems in which they operate. In some cases, the introduction of PPPs has been shown to improve health outcomes by successfully encouraging the integration and coordination of patient care.

In particular, PPPs can enhance the sustainability of health and care systems. This is largely through contributing to health and care expenditure predictability and cost containment, provision of high quality health and care, intense focus on the patient and delivering integrated care, increasing efficiency, generating innovation and transferring know-how and best practices to the system.

Importantly, this model can provide health and care expenditure predictability, cost containment and access to private financing. For example, PPP models can enable the fees payable by government to the private partner to be set from the beginning. This ensures the government liability is known up front and their health expenditure is not at risk of *blowing out*. This predictability of health expenditure allows more informed and confident forward planning to take place as financial liabilities are better understood and capped. An example of this would be a PPP with a 15 year agreement under which the demand risk is transferred to the private operator. The public funder in this agreement would have shifted the risk of cost variation from themselves onto their private partner.

A further advantage of a PPP is that it can enable governments to access private financing for the design and construction of major health infrastructure such as hospitals. This both removes the immediate and significant cash expenditure from governments' responsibility but also, importantly, distances governments from the construction phase of the infrastructure project. The alternative, to construct and directly manage the project, is a direct cash expenditure to government with little or no likely return in the short to medium term, with the additional responsibility of all facets of the construction cycle.

Bupa has considerable experience in partnering with governments around the world in developing PPPs, such as major infrastructure projects as well as smaller scale initiatives. We would welcome the opportunity to share with the Commission our experiences in order to contribute to the informed discussion around the development of an appropriate approach for Australia in the health and care sectors.

De-regulation of the health and care sectors

Bupa is very supportive of the Government's strong commitment to reducing the regulatory burden for businesses in order to help deliver a stronger, more productive and diverse economy. We are committed to working with government to reduce unnecessary regulatory burdens that are currently placed on providers in the health and aged care sectors. We are confident that such efforts will help both sectors to operate more efficiently, ensuring in turn that government expenditure is used most effectively.

Currently, both the Australian private health insurance and aged care sectors are subject to a significant amount of unnecessary and in some cases duplicative 'red tape' which delivers no tangible benefit, impedes industry efficiency and competition and is often detrimental to our customers.

- **Cutting red tape in health insurance**

To deliver a more competitive and sustainable health insurance industry, Bupa believes insurers must be empowered to move away from their historical position as passive payers.

Looking at health reforms globally, many of the opportunities for more effective and efficient health systems are likely to come from better integration of providers and especially the integration of consumer's health information and systems which promote care at the most appropriate setting or level. For example, ambulatory rather than inpatient as long as clinically safe, or community based rather than institutional.

We look forward to an environment in which we can deliver the right care, in the right place and at the right time along a customer's entire health and care journey.

We see a number of options for regulatory reform of the health insurance sector that would aid in the delivery of this environment. Of these, the most pressing is the current regulation of the pricing process.

Bupa believes the current pricing regulation and process is having a detrimental impact on both consumers and on industry, producing a number of unintended consequences including removing incentives for insurers to operate more efficiently. As such, moving to a price monitoring model for the sector is essential and we believe this should occur by 2016. Such a change would enable the industry to become more competitive and would encourage more efficient operations, thus ensuring the most efficient use of the Government's rebate contribution towards

premiums. It should also deliver more competitive pricing for consumers than the current regulatory regime.

Further, Bupa believes that, in addition to pricing deregulation, product coverage reform, including review of the approach to regulation of benefits such as second tier hospital default benefits, would introduce more choice and flexibility for both customers and insurers. It would deliver both sustainable long-term pricing through increased competition in the sector as well as additional innovation which could deliver models of care which are more cost effective for the system as a whole.

Other areas of focus for deregulation include the compliance and administration costs associated with the health insurance rebate, the provision of tax statements, discounting and standard information statements. Reform in these areas would have a cost neutral impact on government but would reduce compliance costs for insurers and would result in less confusion for customers.

Bupa would be happy to share with the Commission full details of the potential areas for reform referred to above.

- **Cutting red tape in aged care**

The aged care industry is also subject to a significant amount of regulation. While a majority of the regulation is undoubtedly necessary given the vulnerable people that are under the care of aged care providers, Bupa is concerned that some of the current regulation provides no tangible benefit to our residents. This is a particular concern for an area such as aged care where any unnecessary regulatory burdens take staff away from their important role of providing high quality care to residents.

We believe that there are a number of scenarios where regulations 'double up' both at the Federal level but also between the national requirements and the requirements of States and Territories, resulting in providers being subject to a number of seemingly similar checks from a range of parties.

Bupa has reviewed the regulatory requirements that our aged care business is currently subject to in order to identify those that appear to be duplicative and could be streamlined. We would be happy to share these findings with the Commission and the Government. We would be grateful for the opportunity to work with the Government to review options to reduce the current regulatory requirements, particularly for those circumstances in which current regulatory burdens are having no positive effects on residents and their removal would have no adverse impacts.

In this context, Bupa believes there is a need for a review of the interaction and roles of the various agencies and the Department of Social Services (the Department) in relation to aged care. This would be undertaken with a view to potentially being able to consolidate or streamline some of the approaches to deliver a more holistic approach to regulation of aged care.

As the Government is aware, one example of the issues that are currently faced is the interaction between a home and the different bodies of the Accreditation Agency and the Aged Care Complaints Scheme. Further, there are also Federal, State and

Territory agencies that potentially have overlapping jurisdiction for aged care complaints. For example, the Health Care Complaints Commission in NSW, the Health Services Commissioner in Victoria and the Health Quality and Complaints Commission in Queensland are responsible for managing complaints related to providers of health services, which could overlap with the national Aged Care Complaints Scheme. Bupa is supportive of transitioning to one body that leads to a streamlining of information provision by providers and a reduction in the time taken to resolve or finalise investigations by the Department.

Finally, Bupa is concerned about the fact that although a provider or a facility may be found by the Accreditation Agency to not meet the required standards, this information generally has no impact on the status of the relevant bed licences provided in an area, therefore the provider commonly retains the licences. This situation provides little opportunity for other providers to step in and deliver better quality places in the area because the ratio of bed licences has already been met although the quality may be poor.

If you have any questions or require further information, please do not hesitate to contact me on [REDACTED].

Yours sincerely,

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Head of Government, Policy and Regulatory Affairs
Bupa Australia