

**Australian Government  
Department of Health**

***Private health insurance reforms – second wave***

Occupational Therapy Australia submission

February 2021

## Introduction

Occupational Therapy Australia (OTA) welcomes the opportunity to make this submission to the Department of Health's inquiry into the second wave of private health insurance (PHI) reforms.

OTA is the professional association and peak representative body for occupational therapists in Australia. As of 30 September 2020, there were approximately 23,500 registered occupational therapists working across the government, non-government, private and community sectors in Australia. Occupational therapists are allied health professionals whose role is to enable their clients to participate in meaningful and productive activities.

Occupational therapists provide services such as physical and mental health therapy, vocational rehabilitation, chronic disease management, assessments for assistive technology and home modifications, and key disability supports and services.

## The value of occupational therapy

At a time when the resourcing of our health and aged care system is challenged by the demands of an ageing population, and when all levels of government are endeavouring to work more closely in order to achieve better coordinated care – a phenomenon reflected in the development of Primary Health Networks – it is time to encourage PHI funds to focus on the preservation of wellness as well as on the cost-effective treatment of illness and injury.

OTA raised this issue with the Commonwealth Department of Health in late 2017, however the response we received did not provide any reassurance to our members. We were advised that most health insurers provide general treatment benefits for a wide range of services, however they usually find it necessary to limit these benefits in order to keep the cost of policies affordable.

We renew our call for private health insurers to devote more resources to preventative care when undertaking product design. While we recognise that many insurers offer customers benefits, such as discounted gym membership, that encourage healthy lifestyles, it is fair to say that there still exists a general belief that health insurance only 'kicks in' once someone is sick or injured.

In the case of elderly customers, for example, the health system and the private health funds would generate substantial savings by making even a modest investment in assistive technology (AT) and home modifications.

A report released on 6 December 2017 by the Australian Institute of Health and Welfare (AIHW) found that private health insurance funded public hospital admissions grew from 8.2% of all admissions in 2006-07 to 13.9% in 2015-16. This represents a significant and growing burden on our public hospital system and a growing cost to the private funds. The same report found that a substantial proportion of these hospitalisations involved people

aged over 75 years. It is timely therefore to remind all concerned parties that at least some of these hospitalisations are eminently avoidable.

As OTA noted in its 2018-19 pre-Budget submission to Treasury:

*But for the presence of an inexpensive grab rail or rubber shower mat, an elderly person would not be occupying an expensive public hospital bed, recovering from a broken hip and running the risk of contracting pneumonia or a superbug infection.*

This observation is equally applicable to an elderly person with private health insurance who is hospitalised as the result of a fall.

There is ample evidence to support the assertion that every dollar invested in falls prevention by a private health fund will save that fund multiple dollars:

- Hip fracture rates are showing some reduction worldwide yet hospitalisation rates for falls are not abating with significant increases over the past decade [1];
- These national increases are for both men and women and the highest (2.1%) are for those aged 85 years and over;
- The mean cost of health care for an injurious fall, a common occurrence, was estimated, in 2008, to be between \$6,600 and \$18,600 for those admitted to hospital [2];
- One in every ten days spent in hospital by a person aged 65 and older in 2009-10 was directly attributable to an injurious fall (1.3 million patient days over the year), and the average total length of stay per fall injury case was estimated to be 15.5 days [3];
- A meta-analysis of randomised trials of environmental interventions [4] found a significant reduction in the risk of falling of 21% for all six trials (n=3,298) RR=0.79 (CI: 65 to 0.97). Highest effects were with a sub group of people at high risk of falls (RR = 0.61 CI: 0.47 to 0.79);
- Most effective interventions were led by occupational therapists [4];
- Home modifications to prevent falls are cost effective [5,6]; and
- Compared to other falls prevention interventions, home modifications are the most cost effective [7].

OTA believes that PHI funds which subsidised appropriate home modifications as part of their packages would soon experience a decline in payouts related to hospitalisations resulting from falls among this cohort. This would be good for the funds, good for their customers and good for the Australian health system.

Alternatively, funds could offer a deduction in premiums to those policyholders aged over 65 who undertake a home safety screening, and basic home modifications such as a grab rail or non-slip, visibility strips on steps, at their own expense.

Occupational therapy is also central to the recovery process, enabling people to resume their productive role in the community more quickly than would otherwise be possible. This, in turn, decreases costs to other parts of the health system.

OTA believes it is critical that private health insurers are made aware of the efficacy of occupational therapy and are encouraged to incorporate its services in their basic packages. This would enable policy holders to access therapeutic services of proven value if and when the need arises.

Regrettably, evidence to date indicates that the PHI funds seriously undervalue the role of occupational therapy in this area of care.

Data from the Australian Prudential Regulation Authority (APRA) reveal that in the 2019-20 financial year, PHI General Treatment fund benefits were dominated by payments for dental care. Once ambulance costs were also removed from the equation, almost 80% of the remaining pay outs were for optical, physiotherapy, chiropractic and natural therapies. The last of these is particularly problematic; in the 2019-20 financial year, therapies that have at best a highly questionable basis in science, received \$15.96 from private health insurance funds for every one dollar invested in occupational therapy.

In all, in 2019-20, occupational therapy accounted for \$11.2 million, out of General Treatment benefits totalling \$4.96 billion. That is less than a quarter of one percent of General Treatment benefits. (*Operations of Private Health Insurers Annual Report 2019-20*, Australian Prudential Regulation Authority).

This is because many of the more expensive packages offered by PHI funds relegate occupational therapy to the status of an optional extra. Some cheaper packages exclude occupational therapy altogether, while including most other AHPRA-registered allied health services.

OTA believes, and the scientific evidence supports this belief, that occupational therapists, with their accredited training in both physical and mental health care, have a valuable role to play in the support and recovery of policyholders.

To put this assertion in context, multimorbidity is one of the conundrums currently facing health services, as it is an established driver of higher healthcare costs. A report by the Commonwealth Fund found that the healthcare expenditure of people with three or more chronic diseases and functional limitations was three times higher than that of people with three or more chronic diseases and no functional limitations [8].

A key contribution that occupational therapy brings to healthcare is an understanding of how an individual's health conditions affect their everyday life. Occupational therapists work with people, in their home, work or other relevant environments, not only to manage their symptoms, but also to address functional limitations. Occupational therapists acknowledge people's strengths and focus on further developing the person's skills, adapting their activities, or modifying their environment, to support participation. Occupational therapy is therefore central to the recovery process, enabling people to resume their productive role in the community more quickly than would otherwise be possible. For instance, a six-week occupational therapy program for people with multimorbidity was effective in improving activity participation and quality of life [9].

Occupational therapists also have an important role to play in mental health care. They work across the spectrum of mental illness, providing services to people with mild, moderate and severe mental health conditions. They deliver services to people with relatively common conditions such as anxiety disorders, as well as more severe conditions that require targeted interventions, such as psychosis and trauma-related disorders. Occupational therapists provide strengths-based, behaviourally-oriented and goal-directed services to improve mental health and wellbeing, and to help a person access personally relevant and valued roles in life.

For instance, a randomised control trial of a group-based intervention for adults with bipolar disorder, funded by a private health insurance company and delivered by occupational therapists, significantly reduced the number and duration of relapses of any type [10]. One client described how knowledge and skills from the program enabled him to recognise early warning signs and contact his doctor for treatment, which meant that he kept his job. This, in turn, decreases costs to other parts of the health system. It is therefore of real benefit to both the individual and the broader community. This program has since been delivered by occupational therapists at the Geelong and Melbourne clinics with day patients, but could be provided more cost-effectively by occupational therapists in private practice.

### **Consultation Three: Private Health Insurance – Expanding funding to at home and community based mental health care**

OTA notes that among the proposed reforms under consideration by the Department are several pertaining to Out of Hospital Mental Health Services, including one which would allow private health insurers to directly fund the mental health services of a wider range of allied health professionals as part of the Chronic Disease Management Program (CDMP).

While OTA welcomes initiatives aimed at facilitating the delivery of mental health care outside of the hospital setting, it is imperative that the quality of such care in no way be compromised. It is of concern, therefore, that such a significant workforce reform be treated as just one small part of a sweeping review of the private health insurance industry.

Accordingly, OTA recommends that the Australian Government conduct a separate review of the CDMP, as part of which mental healthcare undergoes dedicated scrutiny.

### **Conclusion**

If the twentieth century was all about identifying, addressing and defeating illness, the twenty-first appears likely to be about the preservation of wellness. This should not just be rhetoric on the part of governments. In Australia it has become a macroeconomic imperative, as our population ages and the cost of treating their illnesses becomes increasingly prohibitive.

Occupational therapy is uniquely suited to these times. A growing body of research evidence supports the cost-effectiveness of occupational therapy interventions, and it is OTA's

assertion that occupational therapists can and should play a much greater role in the services offered to PHI policyholders.

Every dollar the PHI funds invest in preventative care broadly, and in occupational therapy more particularly, will save the funds multiple dollars, while enhancing the quality of life of their policyholders. And every dollar spent on occupational therapy after an accident or illness, will facilitate and expedite the recovery process.

It is time that private health insurers joined Australian governments in a genuinely coordinated effort to improve the health and wellbeing of individual Australians and relieve the mounting pressure on our health system.

OTA thanks the Commonwealth Department of Health for the opportunity to participate in its consultation process.

## Recommendations

***The Australian Government should encourage the private health insurance industry to play a more proactive role in the delivery of preventative healthcare and, in particular, falls prevention among elderly policyholders.***

***The Australian Government should conduct a separate review of the Chronic Disease Management Program, as part of which mental healthcare undergoes dedicated scrutiny.***

## References

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