



The Hon Mark Butler MP
Minister for Health and Aged Care

Ref No: MC25-002412

Ms Susan Templeman MP
Chair
Standing Committee on Petitions
petitions.committee.reps@aph.gov.au

Dear Chair *Susan*

Thank you for your correspondence of 10 February 2025 concerning petition number EN6877 requesting the establishment of an Independent Private Health Commission (Commission). I understand the petitioners are proposing the establishment of this Commission in response to viability pressures facing the private hospital sector.

The Australian Government recognises the private health sector is an important part of the health system, providing patients with choice, taking pressure off our public system and providing a complementary workforce for public hospitals. In May 2024, in recognition of reports about the sustainability of some private hospitals, I asked the Department of Health and Aged Care to undertake a Private Hospital Financial Health Check (Health Check) to provide a robust analysis of the challenges faced by the private hospital sector.

In November 2024, the department released a public summary of the Health Check. The Health Check showed that while parts of the sector have remained strong, there has been a reduction in profitability over time as costs have risen faster than revenue. Data assessed by the Health Check showed the private hospital sector has faced a number of shocks including the COVID-19 pandemic and it continues to experience a degree of volatility, due to inflationary pressures and workforce challenges which are working through the system. The Health Check noted there were some positive signs of growth in admissions, and more recently indications that a number of private health insurers have offered additional funding to some private hospitals.

The Health Check concluded there is substantial work for private health insurers and private hospitals to do to ensure the sector's long-term viability. Primary responsibility for addressing any immediate pressures in the system belong with the private hospital operators and insurers, and these groups must work together in a way that serves patient interests as well as their own commercial interests.

The Government has acted to facilitate collaboration between the key players to find solutions for the benefit of patients and our health system. In December 2024, I announced the establishment of the Private Health Chief Executive Officer (CEO) Forum (CEO Forum) to develop potential reform options for government consideration and to commence work on long term reforms to strengthen the sector's financial viability.

The CEO Forum includes decision makers from a broad mix of for-profit and not-for-profit private health businesses, including insurers and hospital operators in both regional and metropolitan locations, plus health sector leaders representing consumers, doctors, nurses, state health departments, and independent experts. Further information on the CEO Forum and membership is available at www.health.gov.au/committees-and-groups/private-health-chief-executive-officer-forum.

As an important first step, I have asked the CEO Forum to examine a series of short-term reform options to support the viability of private hospitals, while making the entire system fairer for patients. Public consultation on the potential options was recently undertaken by the department, and further consultation will be occurring through 2025 on longer term reforms to strengthen the sustainability of private health services. More information on the consultation process is available at consultations.health.gov.au using the search term 'Consultation on Private Health Reform Options - January 2025'.

To ensure reforms are designed to improve the sustainability of the private health sector and benefits can be measured, it is critical that the financial performance of sector is regularly monitored. In addition to the proposals referred above, the department is also engaging with the sector to build on the Health Check and improve the collection of key financial and operational performance data to support regular monitoring of the sustainability of the sector.

I note the request of the petitioners to establish an Independent Private Health Commission to oversee the operation of the private health sector. There are a range of government agencies involved in the regulation, administration and oversight of the sector including the department, the Commonwealth Ombudsman (in its role as the Private Health Insurance Ombudsman), the Australian Prudential Regulation Authority and Australian Competition and Consumer Commission. The Government will have regard to the broad range of views contributed through the ongoing consultations and engagement with the CEO Forum regarding the optimal regulatory, administrative and oversight settings for the private health sector.

Thank you for writing on this matter.

Yours/sincerely ,

Mark Butler

24/03 / 2025