

# Australia: Call for choice between Medicare or private health cover

October 16 2008

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Australians should be able to choose either private health cover or Medicare to ensure a more efficient and fair system and help reduce public waiting lists, a health care economist from The Australian National University has proposed.

Dr Francesco Paolucci – a Research Fellow at the Australian Centre for Economic Research on Health (ACERH) at ANU – says the current public/private mix in health care financing leads to duplication, high-transaction costs, and long waiting times in the public health sector.

"Although the policy goals of subsidising private health insurance in Australia are, among others, to decrease the pressure on the public system, increase choice and affordability of health coverage to Australians – the current arrangements have led to some perverse incentives and undesirable effects" Dr Paolucci said.

"Giving consumers a choice between Medicare and private health insurance (PHI), combined with a system of risk-adjusted subsidies, would improve incentives for efficiency and increase stability in the PHI market."

Dr Paolucci says Australia should explore introducing consumers' choice of health plan and leave Medicare and the private insurers to compete with each other to be a 'prudent buyer of care'.

"The crucial element of this approach is that it removes duplication of

coverage by allowing individuals to choose to be enrolled in one plan or the other. Private health insurers would have to cover all types of services and pay all health care expenses, which is not the case now.

"An essential component of the 'Medicare/PHI choice' would be that as compensation for covering all health care costs, PHI holders or funds receive a risk-adjusted subsidy. In the long run, both PHI and Medicare might receive the same risk-adjusted subsidy from the Government who collects the funds, and manages the risk equalisation fund."

Source: Research Australia

Citation: Australia: Call for choice between Medicare or private health cover (2008, October 16) retrieved 19 April 2024 from

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