

Letters

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The healthcare cost crunch

Taming runaway healthcare costs is essential. Chanticleer's "Can insurers heal healthcare" touches on the four puzzle pieces needed for a solution – politics, regulation, competition and innovation – but it doesn't explain why they aren't yet fitting together.

The insurers rightly claim they compete vigorously – but the system encourages the competition mainly over "small ticket" costs such as insurers' own administration and marketing. Three aspects of the regulatory system discourage competition over "big ticket" items such as preventative health, early detection and implantable devices.

An anti-discrimination rule prevents insurers from making technologies and targeted services to at-risk groups. A blunt mechanism to equalise risk means that if one insurer is successful in reducing its members' propensity to need high-cost procedures, the fund's more sluggish rivals benefit.

Ministerial price fixing removes any ability for insurers to compete over the



cost of implantable devices. No wonder competition is failing to control costs. This leads to another "band aid": twice a year the minister and the funds argy bargo over premium hikes.

These rules are reactions to political imperatives. Voters won't tolerate charging high-risk patients more and won't tolerate reductions in the choice of devices free of gap payments. It does

not have to be this way. Better designed "performance-based" regulation could equalise premiums but incentivise cost reductions, thus meeting the political imperatives and encourage insurers to compete over "big ticket" innovations.

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