Catholic Health Australia

2025

OUR POSITION
Insurer vertical control

BACKGROUND

Catholic Health Australia (CHA) is Australia's largest non-government, not-for-profit group of health, community, and aged care providers. Our members operate over 80 hospitals in each Australian state and in the Australian Capital Territory, providing around 30 per cent of private hospital care and 5 per cent of public hospital care, in addition to extensive community and residential aged care. CHA Members also provide approximately 12 per cent of all aged care facilities across Australia, in addition to around 20 per cent of home care services.

CHA not-for-profit health, community and aged care providers are a dedicated voice for the disadvantaged which advocates for an equitable, compassionate, best practice and secure health system that is person-centred in its delivery of care. CHA champions reforms aligned with the healing ministry of Christ and the work of Catholic congregations around the country.

The aim of our position statements is to outline CHA's policy and advocacy priorities on key issues that are essential to the mission and values of its members.

A more in-depth analysis of our policy positions is available through our government submissions.

POSITION

Vertical integration in healthcare is when a single entity (in this case a private health insurer) controls multiple parts of the healthcare supply chain. In addition to funding healthcare, the private health insurer is also involved in healthcare delivery by owning clinics, hospitals, and pharmacies.

In theory, vertical control can result in more efficient healthcare delivery and provide more convenient, cost-effective, and streamlined services. However, it also raises significant concerns regarding patient choice and access, quality of care, market competition, potential increased costs to patients, reduced earnings of doctors, lack of innovation, and lack of clinical autonomy.

Vertical control is frequently viewed as an enabler of managed care, a healthcare delivery model that has gained prominence, particularly in the United States (US). Managed care operates by controlling access to healthcare services, primarily through the restriction of coverage to a network of pre-approved providers. Under managed care, health insurers hold significant control over treatment decisions, requiring individuals to use providers within the network, therefore increasing profits for the insurer while reducing choice and control for the consumer.

What is the impact of vertical control on competition?

Vertical integration in the private health insurance sector can significantly impact competition by allowing insurers to control multiple stages of the healthcare supply chain, from funding to service delivery. This consolidation leads to reduced market competition as insurers favor their own networks, directing patients to affiliated providers while disadvantaging independent hospitals and clinicians. By leveraging their market power, vertically integrated insurers can negotiate lower prices with suppliers and service providers, but these cost savings may not always be passed on to consumers.

Additionally, restricted provider choice and the potential for differential reimbursement rates between owned and non-owned facilities creates an uneven playing field, limiting competition and patient access to diverse healthcare options.

What is the impact of reduced competition?

Evidence indicates that a lack of competition severely harms the quality of care patients receive. Insurers facing less competition have been shown to charge higher premiums and pay lower prices to providers.[1] This scenario has been observed in the United States, where over 30 years of consolidation in healthcare has failed to deliver lower costs, improved coordination of care, or enhanced quality. Instead, consolidation among hospitals, physician practices, and insurers has reduced competition, led to higher prices, and harmed quality.[2] Reduced competition also makes it difficult for new firms to enter the market and succeed, leading to excessive rigidity and resistance to change.[3]

Research by McKinsey advocates for encouraging competition between healthcare providers outside of hospital settings. They suggest increasing data availability to help introduce competition by enabling patients to compare the quality of services.[4]

What is the impact on patient care?

In a comparison of 11 high-income countries, including the United Kingdom, Canada, Australia, Norway, and the Netherlands, United States doctors are the most likely to encounter difficulties in obtaining necessary medications or treatments for their patients due to insurance coverage restrictions.[5]

Over 25 years ago, a study found that managed care[6] in the United States restricted patients' choice of doctors, limited access to specialists, reduced doctors' professional autonomy and earnings, shifted power from not-for-profit to for-profit sectors, and raised issues about the future structuring and financing of medical education and research, as well as practice ethics.[7]

Further studies have found managed care in the United States may adversely affect the health of vulnerable subpopulations, with enrolees experiencing more problems accessing specialised services. Older, poorer, and sicker individuals were less satisfied with their health plans, even after adjusting for the type of health plan.[8,9]

Research on other types of vertical control indicates negative consequences for patient outcomes and costs. A literature review of hospital-to-physician vertical control in the United States found that while increased efficiencies may be possible, it poses a threat to the affordability of health services and warrants special attention from policymakers and antitrust authorities.[10]

A large study[11] analysing six million Medicare patient visits across 5,488 physicians found that:

- physicians significantly alter their care process after vertical control, leading to a substantial increase in patients' post-procedure complications
- the financial incentive structure of integrated practices discourages the allocation of expensive resources to relatively unprofitable procedures.
- integration negatively affects quality and overall spending.

Does vertical control exist in Australia?

Several major insurers (see Appendix A) have expanded beyond their traditional role as funders to directly owning or operating healthcare services such as medical clinics, allied health providers, and even hospital partnerships. This integration is allowing private health insurers in Australia to exert greater influence over patient pathways and provider reimbursements. Concerns regarding patient choice, clinical autonomy, and competition have also been raised.

What is the solution?

A well-functioning private system should prioritise patient choice, clinical autonomy, and fair competition among providers while ensuring appropriate government oversight to align with policy intent. To achieve true contestability, patients must be able to select from a diverse range of providers under their doctor's guidance, with insurers funding care in a way that does not limit choice or undermine clinical decision-making. A robust regulatory framework is needed to ensure insurers do not steer patients toward owned or preferred providers at the expense of competition, and that funding models are transparent, equitable, and responsive to patient needs. Government oversight should track whether policy settings are delivering contestability, ensuring providers are not excluded unfairly and that patient outcomes remain the primary focus. By fostering a system where competition is driven by quality and accessibility rather than restrictive insurer arrangements, patients will have greater agency in their care, and clinicians will retain the ability to recommend the most appropriate treatment pathways without undue financial influence.

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[2] Gaynor (2020). What to do about health-care markets? Policies to make health-care markets work. Retrieved 05/11/2024 from: https://www.brookings.edu/wp-content/uploads/2020/03/Gaynor_PP_FINAL.pdf
[3] Gaynor (2020). What to do about health-care markets? Policies to make health-care markets work. Retrieved 05/11/2024 from: https://www.brookings.edu/wp-content/uploads/2020/03/Gaynor_PP_FINAL.pdf
[4] Dash, P & Meredith D (2010). When and how provider competition can improve health care delivery. Retrieved 05/11/2024 from: https://www.mckinsey.com/industries/healthcare/our-insights/when-and-how-provider-competition-can-improve-health-care-delivery
[5] Commonwealth fund (2021). Mirror, Mirror 2021. Reflecting Poorly: Health Care in the U.S. Compared to Other High-Income Countries. Retrieved 05/11/2024 from: https://www.commonwealthfund.org/sites/default/files/2021-08/Schneider_Mirror_Mirror_2021.pdf
[6] Defined as prepaid health plans that furnish care through a network of providers under a fixed budget and managed costs.
[7] Fairfield, G., David, J. H., Mechanic, D., & Rosleff, F. (1997). Managed care: implications of managed care for health systems, clinicians, and patients. Bmj, 314(7098), 1895. Doi: 10.1136/bmj.314.7098.1895
[8] Hellinger, F. J. (1998). The effect of managed care on quality: a review of recent evidence. Archives of Internal Medicine, 158(8), 833-841. Doi: 10.1001/archinte.158.8.833
[9] Shi, L., Politzer, R. M., Regan, J., Lewis-Idema, D., & Falik, M. (2001). The impact of managed care on the mix of vulnerable populations served by community health centers. The Journal of ambulatory care management, 24(1), 51-66.
[10] Post, B., Buchmueller, T., & Ryan, A. M. (2018). Vertical integration of hospitals and physicians: economic theory and empirical evidence on spending and quality. Medical Care Research and Review, 75(4), 399-433. Doi: 10.1177/1077558717727783
[11] Saghafian, S., Song, L., Newhouse, J., Landrum, M. B., & Hsu, J. (2023). The impact of vertical integration on physician behavior and healthcare delivery: Evidence from gastroenterology practices. Management Science, 69(12), 7158-7179. Doi: 10.1287/mnsc.2023.4886

Appendix A: Examples of private health insurer vertical control

Medibank and Amplar Health

Medibank, a major Australian private health insurer, has been expanding its role beyond traditional insurance by acquiring healthcare delivery services. Its subsidiary, Amplar Health (a business of Medibank Health Solutions), plays a key role in this vertical integration strategy. Amplar focuses on providing healthcare services across a range of areas, including primary health care (including a 90 per cent shareholding in Myhealth Medical Group), prevention and chronic disease management, mental health (including multiple mental health hospitals as part of joint ventures), acute care (including multiple acute care day surgeries), and 'virtual' hospitals.

Medibank's Amplar health and in-home care: Amplar provides in-home care services, including allied health and nursing support. Medibank has integrated these services into its insurance offering, which allows it to better control costs by managing the care of patients in a home setting, reducing the reliance on hospital stays. This is particularly relevant for aged care and chronic disease management. Patient outcomes are also monitored carefully, ensuring they receive care in a less costly environment. While this program may reduce costs for patients, it also limits choice, as Medibank often doesn't fund hospital-in-the-home services provided by private hospitals. Additionally, Amplar seeks subcontracting opportunities with providers for certain home care services that are considered competitors in the market, as opposed to providing funding via existing private hospital agreements.

Amplar's mental health and telehealth services: Amplar delivers mental health services, including telehealth consultations. Medibank has used this model to offer mental health support directly to its members. This integration helps the insurer lower costs by addressing mental health issues early, potentially avoiding expensive hospital admissions for mental health crises. Telehealth has proven particularly useful for reaching members in rural and remote areas, where access to mental health services is often limited. While this program may improve access, there is also a risk that it further fragments care by separating mental health services from a patient's usual healthcare providers. Additionally, private hospitals are not funded to deliver virtual mental health programs and are therefore forced to provide higher cost face-to-face services, even when virtual care may be more appropriate and/or cost effective.

Medibank's investment in primary care clinics: Medibank has invested in primary care through partnerships and clinics, allowing it to directly provide care to its members. By owning or managing these clinics, Medibank gains greater control over patient referral and care pathways. This vertical integration enables Medibank to guide patients through preventative care. This program however may undermine the universality of Medicare and create a two-tiered system where those without private health insurance have less access to primary care.

CareComplete programs: Medibank's CareComplete programs, which aim to support people with, or at risk of, chronic and complex health conditions or injuries, include services like hospital avoidance and post-discharge care, directly managed by Medibank. By integrating these services into its offering, Medibank not only funds care but also manages its delivery, further influencing patient outcomes and cost efficiency. This creates issues for clinical governance and may create confusion for patients, particularly when the services are not aligned to a patient's existing treatment plan. It also limits the client's choice of provider and potentially encourages patients to take up services that cost them more money (noting that the coaching/management/referral service is free).

Bupa

Bupa dental: Bupa owns and operates a large network of dental clinics across Australia under the Bupa Dental brand. By directly providing dental care to its members, Bupa can control the quality of services and manage costs more effectively. Patients with Bupa health insurance receive benefits and can access these clinics with reduced out-of-pocket costs, providing a seamless experience between insurer and provider. This program however impedes dental practices from competing in a fair market.

Bupa aged care: Bupa is one of Australia's largest private providers of residential aged care services. Through its ownership and management of aged care facilities, Bupa directly offers services to older Australians, many of whom are also Bupa health insurance members. This integration allows Bupa to manage aged care services more comprehensively, ensuring continuity between healthcare and long-term care, while also controlling costs across both domains. However, there have been multiple reports of substandard care in Bupa's aged care facilities, including inadequate staffing levels, poor hygiene, and insufficient training for staff.[12,13]

Bupa medical clinics: Bupa operates a network of medical clinics across Australia, providing general practice services and health assessments. This model integrates primary care services with Bupa's insurance products, encouraging members to use these clinics by offering incentives like reduced fees or exclusive benefits. The clinics allow Bupa to offer preventive care and manage chronic conditions early on, reducing the need for more expensive hospital treatments. This program however may undermine the universality of Medicare and create a two-tiered system where those without private health insurance have less access to primary care.

Bupa optical and hearing: Bupa runs optical and hearing clinics through its partner Amplifon, where members can access a range of services, including eye tests and hearing assessments. By controlling the provision of these services, Bupa ensures that its members are encouraged to use in-house clinics, while also standardising care quality. This vertical integration allows Bupa to manage costs for essential health services like glasses, contact lenses, and hearing aids, however Bupa's clients have less choice in relation to these products.

Bupa telehealth: Bupa is offering three general practice telehealth appointments per year to members, with no out-of-pocket costs. These appointments can be accessed 24 hours a day, seven days a week, and can include general medical advice, repeat prescriptions, or referrals. This program however may undermine the universality of Medicare and create a two-tiered system where those without private health insurance have less access to primary care. This program also has the potential to incentivise overservicing to maximise profit.

[12] Wakatama, G (2022, August 11). Bupa's Waratah facility has funding frozen after Aged Care Quality and Safety Commission report. ABC. Retrieved 06/11/2024 from: https://www.abc.net.au/news/2022-08-11/bupa-waratah-facility-funding-freeze-after-aged-care-audit/101319596

[13] Hermant, N (2022, March 24). One year after the aged care royal commission, families say 'nothing's changed' at a nursing home in Melbourne. ABC. Retrieved 06/11/2024 from: https://www.abc.net.au/news/2022-03-24/family-concerns-about-bupa-aged-care-templestowe-melbourne/100932390

nib

nib's digital health initiatives: nib has focused on integrating digital health services into its offering. Through its partnership with hub.health, nib provides members with access to virtual clinician consultations, online prescriptions, and healthcare advice. This service is aimed at improving accessibility, especially in remote or underserved areas. By integrating telehealth into its insurance products, nib can control costs, enhance convenience, and reduce the strain on physical healthcare facilities. While this program may improve access, there is also a risk that it further fragments care by separating services from a patient's usual healthcare providers. There is also a risk that this program undermines the universality of Medicare and create a two-tiered system where those without private health insurance have less access to primary care. Finally, this program has the potential to incentivise overservicing to maximise profit.

nib's joint venture with Pacific Smiles: nib has invested in dental health through its joint venture with Pacific Smiles, which operates a network of dental clinics across Australia. This partnership allows nib members to access dental services directly through affiliated clinics, often at reduced costs. The vertical integration of dental services enables nib to streamline dental care for its members and provide a more cost-effective, seamless experience between insurance and service delivery. Pacific Smiles also has relationships with all the major health funds which allows private health insurance patients with extras or ancillary cover to gain benefits. This program however impedes dental practices from competing in a fair market.

GreenPass subscription service: nib launched GreenPass, a non-insurance subscription service providing members with discounts and access to a range of health services, such as e-scripts, medications delivered to the client, free health tools and recommendations, and telehealth. GreenPass integrates various aspects of healthcare into a single platform, promoting preventative care and early intervention, while providing nib with a direct connection to healthcare service delivery. This subscription model helps nib diversify its role beyond traditional health insurance and attract customers seeking a more flexible and integrated healthcare solution that is focussed on health and wellness. While this program may improve access, there is also a risk that it further fragments care by separating services from a patient's usual healthcare providers. There is also a risk that this program undermines the universality of Medicare and create a two-tiered system where those without private health insurance have less access to primary care.

nib's expansion into travel and international health services: nib has expanded its services beyond domestic health insurance through partnerships and acquisitions in the travel health insurance space and international student insurance. By offering health management services directly to international customers, nib controls both the funding and provision of care, particularly for international students and workers in Australia. The company's vertical integration in this area enables it to offer tailored health solutions while managing costs for these specific populations.

nib's digital health partners (wellbeing and chronic disease management): Honeysuckle Health is a joint venture between nib and Cigna Corporation, a global health company, further expanding nib's ability to deliver integrated health management services to its members. nib has partnered with Honeysuckle Health offering mental health and wellbeing and chronic disease rehabilitation services to nib members, and also has agreements with Bupa to provide the chronic disease rehabilitation services. Through this partnership, nib can offer services to support mental health wellbeing and chronic disease management and preventative health programs, utilising data and analytics to better understand patient needs and deliver tailored services. This approach enables nib to maintain control over both insurance and the delivery of care for chronic disease patients, which may fragment care by separating services from a patient's usual healthcare providers. There is also a risk that this program undermines the universality of Medicare and create a two-tiered system where those without private health insurance have less access to primary care. Finally, using data to analyse patient populations and direct services may undermine community rating, which is a key principle of private health insurance in Australia.

nib Thrive: nib Thrive is a registered National Disability Insurance Scheme (NDIS) plan management provider. They help NDIS participants manage their budgets, handle invoice payments, and keep track of funding. This type of program may reduce participants' ability to choose their own plan managers and support coordinators, which undermines the core values of the NDIS. Additionally, consolidation of multiple roles (such as plan management, support coordination, and service provision) may result in a conflict of interest, which could impact the quality of services provided.

HCF

HCF dental clinics: HCF owns and operates a network of HCF dental centres across New South Wales, Victoria, the Australian Capital Territory and Queensland which offer a range of dental services, including general check-ups, preventive care, and orthodontics. This vertical integration allows HCF to provide members with more affordable dental services by reducing out-of-pocket costs. Members receive higher rebates when they use these in-house clinics, which is part of HCF's strategy to keep dental care within its ecosystem, ensuring quality and cost control. This program however impedes dental practices from competing in a fair market.

"More for You" programs: HCF's "More for You" programs provide additional health services with minimal or no out-of-pocket costs to members in areas like dental, optical, physiotherapy, podiatry, osteopath and chiropractic care. HCF partners with select healthcare providers, which allows it to influence the quality and pricing of services available to its members. By partnering with providers, HCF maintains some control over healthcare delivery without directly owning these practices, thus integrating care in a more network-based model. These programs however impede providers from competing in a fair market.

Chronic disease and health management programs: HCF offers a range of chronic disease management and wellness programs, including programs for osteoarthritis, family health such as breastfeeding, and mental health. These programs are delivered in collaboration with healthcare providers and sometimes involve digital tools for monitoring and managing patient health. By integrating these programs into its insurance offerings, HCF can help members better manage their health, reduce hospital admissions, and lower overall costs. While this program may improve access, there is also a risk that it further fragments care by separating services from a patient's usual healthcare providers. There is also a risk that this program undermines the universality of Medicare and create a two-tiered system where those without private health insurance have less access to primary care.

Telehealth and digital health initiatives: HCF has also embraced telehealth as part of its broader push into integrated health services. Through partnerships with telehealth providers, HCF members can access virtual consultations, health advice, and mental health support, which reduces the need for in-person visits. Telehealth has been particularly useful for HCF in reaching members in rural and remote areas, offering a more comprehensive and integrated service delivery model. HCF has a partnership with GP2U, an online video GP service, makes it easier for eligible members to access telehealth services. All HCF members with health cover can access a standard GP consultation (up to 10 minutes) for a fee of $50. HCF also has a partnership with mental health provider Psych2U to provide telehealth appointments with psychologists and psychiatrists. While this program may improve access, there is also a risk that it further fragments care by separating services from a patient's usual healthcare providers. There is also a risk that this program undermines the universality of Medicare and create a two-tiered system where those without private health insurance have less access to primary care.

HBF

HBF dental and eyecare partnerships: While HBF does not directly own dental or optical clinics, it has established partnerships with select providers in these fields in WA, offering members rebates and discounted services. This partnership-based model allows HBF to exert some control over pricing and quality without fully integrating dental or optical services into its operations. Members are encouraged to use preferred providers, which helps HBF manage costs and ensure consistent care. These programs however impede providers from competing in a fair market.

HBF's 'Member Plus' provider network: HBF operates the 'Member Plus' program, a network of preferred healthcare providers nationally, including hospitals, medical providers, dental clinics, optical providers and allied health services. Through this network, HBF offers members reduced out-of-pocket costs for various health services. By integrating care through this network, HBF can influence service delivery and pricing, creating a more cohesive experience for its members. This network also allows HBF to improve efficiencies in managing claims and healthcare costs. While this program may improve access, there is also a risk that it further fragments care by separating services from a patient's usual healthcare providers. There is also a risk that this program undermines the universality of Medicare and create a two-tiered system where those without private health insurance have less access to primary care. This program also impedes providers from competing in a fair market.

Chronic disease and health management programs: HBF has launched initiatives focused on chronic disease management, helping members manage conditions like diabetes and heart disease. These programs are designed to integrate healthcare delivery, offering members tailored plans that focus on early intervention and ongoing management. By providing these services, HBF ensures better health outcomes while controlling long-term healthcare costs associated with chronic conditions. While this program may improve access, there is also a risk that it further fragments care by separating services from a patient's usual healthcare providers. There is also a risk that this program undermines the universality of Medicare and create a two-tiered system where those without private health insurance have less access to primary care.

Telehealth and digital health integration: Similar to other insurers, HBF has expanded its telehealth offerings, allowing members to access mental health support, and health advice through virtual platforms. These services are integrated into HBF's insurance plans, providing convenient and affordable access to care. This digital approach helps HBF manage costs, particularly for rural and remote members who may face barriers to in-person healthcare services. While this program may improve access, there is also a risk that it further fragments care by separating services from a patient's usual healthcare providers. There is also a risk that this program undermines the universality of Medicare and create a two-tiered system where those without private health insurance have less access to primary care.

Australian Health Services Alliance

The Australian Health Services Alliance (AHSA) negotiates and manages contracts with healthcare providers on behalf of its member funds (23 private health insurers). Despite operating without formal authorisation from the Australian Competition and Consumer Commission (ACCC), AHSA can influence which services will be funded under hospital agreements. Many in-home services provided by private hospitals are not funded by any of the ASHA member funds, as many of these insurers deliver their own in-home services.