

The Role of Private Hospitals in Australia's Universal Health Care System

by Mackenzie Moir and Bacchus Barua

In the wake of the COVID-19 pandemic, provincial governments across Canada relied on private clinics in order to deliver a limited number of publicly funded surgeries in a bid to clear unprecedented surgical backlogs. Subsequently, surveys indicated that 78% of Canadians support allowing more surgeries and tests performed in private clinics while 40% only support this policy to clear the surgical backlog. While a majority of Canadians are either supportive (or at the very least curious) about these arrangements, the use of private clinics continues to be controversial and raise questions around their compatibility with the provision of universal care.

The reality is that private hospitals play a key role in delivering care to patients in other countries with universal health care. Canada is only one of 30 high-income countries with universal care and many of these countries involve the private-sector in their health-care systems to a wide extent while performing better than Canada. Australia is one of these countries and routinely outperforms Canada on key indicators of health-care performance while spending at a similar or lower level. Like Canada, Australia ranked in the top ten for health-care spending (as a percentage of GDP and per capita) in 2020. However, after adjusting for the age of the population, it outperforms Canada on 33 (of 36) measures of performance. Importantly, Australia outperformed Canada on a number of key measures such as the availability of physicians, nurses, hospital beds, CT scanners, and MRI machines. Australia also outperformed Canada on every indicator of timely access to care, including ease of access to after-hours care, same-day primary care appointments, and, crucially, timely access to elective surgical care and specialist appointments.

Australia's universal system is also characterized by a deep integration between the public and private sectors

in the financing and delivery of care. Universal health-insurance coverage is provided through its public system known as Medicare. However, Australia also has a large private health-care sector that also finances and delivers medical services. Around half of the Australian population (55.2% in 2021/22) benefit from private health-insurance coverage provided by 33 registered not-for-profit and for-profit private insurance companies.

Private hospitals (for profit and not for profit) made up nearly half (48.5%) of all Australian hospitals in 2016 and contain a third of all care beds. These hospitals are a major partner in the delivery of care in Australia. For example, in 2021/22 41% of all recorded episodes of hospital care occurred in private hospitals. While delivering a small minority of emergency care (8.2%), private hospitals delivered the majority of recorded elective care (58.6%) and 70.3% of elective admissions involving surgery.

Private hospitals primarily deliver care to fully funded public patients in two ways. The first is contracted care, either through *ad hoc* inter-hospital contracts or formal programs. Fully publicly funded episodes of care

occurring in private hospitals made up 6.4% of all care in private hospitals, while representing 2.6% of all recorded care. The second way is privately delivered care paid for through the Department of Veterans' Affairs. A full 73.5% of care paid for by the Department of Veterans' Affairs occurred in private hospitals.

It would be easy, however, to underestimate the significance of this public-private partnership by examining only the delivery of care that is fully publicly funded. Privately insured care is also partially subsidized by the government, at a rate of 75% of the public fee. Therefore, in order to understand the full extent of publicly funded or subsidized care in private hospitals, it is helpful to examine private hospital expenditures by the source of funds. In 2019/20, 32.8% of private hospital expenditures came from government sources, 18.2% of which came from private health-insurance rebates. This means that a full third of private hospital expenditure comes from a range of public sources, including the federal government.

Overall, private hospitals are important partners in the delivery of care within the Australian universal health-care system. The Australian system outranks Canada's on a range of performance indicators, while spending less as a percentage of GDP. Further, the integration of private hospitals into the delivery of care, including public care, occurs while maintaining universal access for residents.



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Australia delivers universal health care differently than Canada, and they have **much better results**

Less spending

More doctors

Shorter wait times for specialists

Private hospitals deliver majority of non-emergency surgical care

Hospital Type	Percentage
Private Hospitals	70%
Public Hospitals	30%