



# OUR POSITION

## National Private Price

### 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

Private hospitals are an essential part of the Australian healthcare system. There are around 650 private hospitals in Australia, ranging from large metropolitan hospitals providing a full range of tertiary services through to small, day-only facilities that specialise in only a handful of procedures. Most elective surgeries performed in Australia are undertaken in private hospitals. The private sector also provides specialist mental health care to patients who would otherwise not be able to find care in the public system.

The private hospital system plays an important role in the broader health system — it relieves pressure from the public system and increasingly provides services to public patients on behalf of states and territories. The private hospital system also provides choice of doctor, shorter waiting times and additional amenities such as a private room in most cases.

The funding model for Australia's private health sector is widely regarded as outdated and in need of comprehensive reform. An ageing population with increased chronic and complex disease demands a shift towards innovative, cost-effective models of care, yet existing legislation fails to support these necessary changes. Additionally, funding from insurers has not kept pace with the growing costs of delivering patient care. Without reform, the sector risks becoming unsustainable, limiting access to high-quality private healthcare for Australians.

The introduction of a National Private Price, similar to the National Efficient Price used in the public system, and a transition to activity-based funding would address this challenge. This would ensure funding more accurately reflects the cost of care, promoting efficiency and sustainability while encouraging innovation in service delivery. By aligning payments with the actual cost of providing care, private hospitals would be better equipped to meet the needs of an ageing population and deliver high-quality, patient-centred services.

## What is activity-based funding?

Activity-based funding is where a single payment is made for the entire episode of care (for example an admission). The level of payment is based on the reason for the patient's admission (their diagnosis), plus any complicating factors (additional diagnoses) the patient may have.

Activity-based funding provides strong incentives for technical efficiency — in most cases hospitals receive the same amount of funding for an admission regardless of length of stay, and so are incentivised to discharge patients as soon as is appropriate to do so.

## What technical requirements are needed for activity-based funding?

Activity-based funding systems require significant investment in data systems. In Australia these systems already exist, although they have not been uniformly implemented across the private sector. Data on costs will be needed to support a move to activity-based funding, and it is likely investment in the Independent Health and Aged Care Pricing Authority will be needed to support this to ensure the same level of rigour, assurance, and confidence in private hospital cost data that is now generally found in public hospitals.

## What would the price cover?

In the public system, the [National Efficient Price](#) covers all costs incurred in providing services to patients, with exception of those that are reimbursed by other means (for example blood products and pharmaceutical products covered by the Pharmaceutical Benefits Scheme). It is proposed that this is also the case for the private system — the costs of providing all services required for a patient's episode of care should be covered by a National Private Price.

## What about the cost of buildings, equipment, and upgrades?

In public hospitals, capital costs — new buildings, upgraded equipment, and other infrastructure — are covered by state and territory governments, so the National Efficient Price does not include these expenses. However, private hospitals must fund these costs themselves — whether it's upgrading medical technology, expanding facilities, or replacing aging infrastructure. These investments directly improve patient care, ensuring hospitals can offer modern, high-quality services. To keep private hospitals sustainable and able to invest in better care, capital costs should be factored into the National Private Price.

## How would the National Private Price work?

A National Private Price would serve as a benchmark floor price, ensuring that hospitals receive a minimum level of funding that reflects the actual cost of delivering care while preventing unsustainably low reimbursements from private insurers. This baseline would provide financial stability and transparency across the sector, particularly for hospitals in regional and high-cost areas. Importantly, hospitals that demonstrate superior clinical outcomes, efficiency, and patient satisfaction could negotiate higher prices with insurers, incentivising quality care and innovation. This approach would balance cost containment with rewarding excellence, fostering a more sustainable and value-driven private health system.

## How does this mean for patients?

A National Private Price would have direct benefits for patients, ensuring continued access to high-quality private healthcare while addressing the financial sustainability of private hospitals. By aligning funding with the actual cost of delivering care, this reform would help maintain the affordability and viability of private healthcare, ensuring patients can continue to benefit from the choice the private health system offers.

Additionally, a funding model that better reflects the cost of care will enable private hospitals to have the financial stability to invest in new medical technologies, better facilities, and innovative models of care, leading to improved patient outcomes and experiences.

