



OUR POSITION

Bridging the gap: strengthening private mental health care in Australia

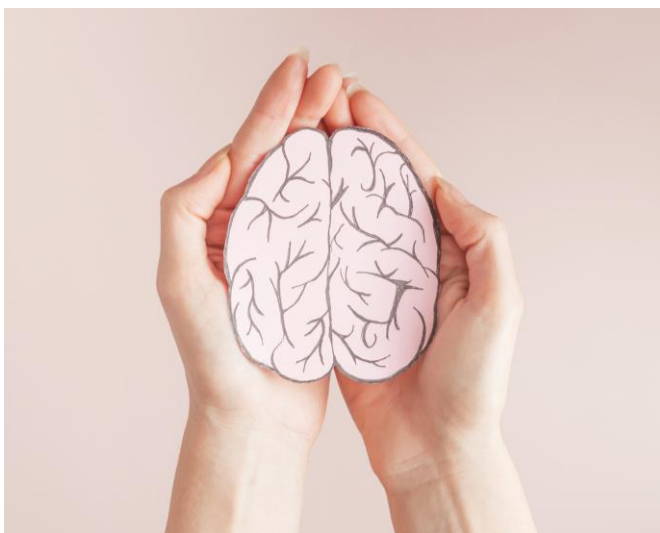
BACKGROUND

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

Mental health is a fundamental aspect of an individual's overall health and wellbeing. It is influenced by a variety of factors, including personal attributes, as well as a range of cultural, economic, political, and environmental elements.

Addressing these factors necessitates a comprehensive, whole-of-government approach encompassing awareness, prevention, treatment, and recovery. Notably, mental health is closely linked with physical health, as individuals with mental illnesses are more susceptible to developing physical ailments and often have reduced life expectancy compared to those without mental health conditions.

In Australia, mental health services are structured to provide varying levels of support based on individual needs, following a 'stepped care' model. This approach ensures that the intensity of care is matched to the severity of the individual's condition, promoting early intervention and efficient resource allocation.

The goal is to provide the least intensive and least intrusive intervention appropriate to the person's needs, stepping up to more intensive services only as required.

Private hospitals play an important role in this stepped care model, providing specialised inpatient and outpatient services that complement community-based and public mental health care.

Private mental health services, however, are facing significant viability concerns due to funding constraints, workforce shortages, and increasing demand.

Addressing these challenges is crucial to ensuring continued access to high-quality mental health care, reducing pressure on the public system, and supporting patient choice in treatment options.

Why are private hospitals important in the stepped care model for mental health?

The stepped care model is designed to provide mental health services in a structured and scalable manner, matching the intensity of care to the severity of an individual's condition. The model consists of multiple tiers, ranging from low-intensity interventions such as self-help resources and primary care consultations to high-intensity treatments like specialised inpatient care. The goal is to ensure that individuals receive the least restrictive and most cost-effective intervention necessary while allowing for escalation to more intensive services when required.

Private hospitals offer a range of mental health services, including inpatient psychiatric care, day programs, and outpatient services that complement community-based and public mental health care. These facilities provide treatment for severe and complex mental illnesses such as schizophrenia, bipolar disorder, and major depressive disorders that require structured interventions beyond what general practitioners or community mental health services can provide.

In addition, public mental health services in Australia face significant strain due to increasing demand, long wait times, and limited bed availability. Private hospitals help alleviate this burden by offering additional capacity, allowing individuals to receive timely care and reducing the risk of prolonged deterioration due to delayed treatment.¹

Private hospitals also provide individuals with greater choice in their treatment pathways. This flexibility allows patients to select preferred clinicians, access specific treatment programs, and benefit from a personalised approach to care.²

Finally, many private hospitals lead in the development and implementation of innovative mental health programs,³ including cognitive behavioural therapy (CBT) workshops, group therapy sessions, and targeted interventions for conditions such as post-traumatic stress disorder (PTSD) or eating disorders. These programs contribute to a more diverse and responsive mental health care landscape.

What happens when a patient is unable to access private mental health services?

When patients cannot access private mental health services, they often turn to the public system.⁴ Public mental health facilities frequently face long wait times, limited availability of inpatient beds, and overburdened community mental health services.

The latest Australia Institute of Health and Welfare (AIHW) data demonstrates public hospitals do not have the capacity to deal with mental health patients, who are waiting anywhere from 12 hours (Queensland) to 28 hours (Tasmania) for care in an emergency department.⁵

What challenges are private mental health services currently facing?

Public hospitals are also not suitable for many mental health patients, as they lack the therapeutic environments and continuity of care required for effective treatment.⁶ This ultimately results in delayed treatment, exacerbating a patient's condition and increasing the likelihood of crisis situations requiring emergency interventions.

Additionally, private hospitals and clinics offer structured programs that support long-term recovery, including inpatient stays, day therapy programs, and tailored outpatient care. Patients who are unable to access these services may struggle to receive consistent treatment, leading to fragmented care and difficulties in maintaining stability in their mental health management.

Private mental health services currently face several changes, including:

- **Workforce shortages:** in recent years there has been an increase in financial incentives for outpatient psychiatrists/healthcare providers to focus on diagnoses that are more easily managed through outpatient care and telehealth as opposed to intensive inpatient care. Specifically, psychiatrists in an outpatient setting can earn higher incomes (an estimate of four to six times those working in an inpatient setting) by accessing funding through the National Disability Insurance Scheme (NDIS) and the MBS. They can also charge patients higher out-of-pocket costs due to increased demand for their services. Due to these financial and lifestyle incentives, many psychiatrists are choosing to focus primarily on outpatient services instead of inpatient care, leading to a shortage of psychiatrists in inpatient facilities. It is estimated that up to 17,000 people are unable to be admitted to private hospitals due to workforce shortages.⁷
- **Funding challenges:** private health insurance rebates for psychiatric care have not kept pace with rising operational costs, creating financial pressures on hospitals
- **Regulatory and policy challenges:** the regulatory framework governing private mental health services can be complex, with varying requirements for accreditation and reporting. These requirements vary significantly across jurisdictions, which makes it challenging for private providers to maintain consistent standards of care. The accreditation process is often cumbersome, requiring providers to navigate multiple standards and guidelines set by different accrediting bodies. Reporting requirements add to the regulatory load, with providers required to maintain detailed records and submit data to various government agencies and accreditation bodies.

How can workforce settings be changed to help Australians access more mental health services?

Mental health workforce policy settings can be reformed in the following ways support improved access:

- Under the current 10-year Moratorium, overseas-trained doctors are required to work in regional, rural, or remote areas before being eligible for unrestricted practice. A policy change allowing overseas-trained psychiatrists to be linked to private hospitals for inpatient admissions and restricted outpatient consults — without the need for full compliance with the Moratorium — would alleviate workforce shortages. Additionally, permitting these professionals to share capacity across public and private sectors on a part-time basis would further enhance service availability and reduce delays in care. This could reduce wait times for patients and provide more timely interventions, which are crucial for effective mental health treatment.
- The ability for psychiatrists to diagnose and prescribe via telehealth needs to be reviewed to ensure there is a balance between ensuring patients can access psychiatric care while also aligning to the government's directive that telehealth should complement, not replace, face-to-face services. Additionally, the guidelines on accessing NDIS funding need to be strengthened, and limits on the out-of-pocket costs psychiatrists can charge for (including but not limited to ADHD and ASD diagnoses) could be implemented.
- Acknowledging the trend of psychiatrists doing telehealth diagnoses instead of inpatient care, to incentivise clinicians to do more inpatient care the MBS rebate for inpatient psychiatry services in private hospitals should be lifted from 75% to 100% of the schedule fee. This reform would reduce inpatient mental health workforce shortages and significantly reduce gap fees for patients.
- There are opportunities to increase the scope of practice for general practitioners with mental health qualifications, nurse practitioners, and psychologists to support the diagnosis and treatment of low complexity mental health disorders, as well as admit patients to day programs and inpatient services, under the clinical governance of psychiatrists.

How can private health insurance products be changed to allow more access to services?

Private Health Insurance products can be changed to allow more access to patients in the following ways:

- Removing all waiting periods for individuals 30 years of age or younger would facilitate early intervention and prevent the escalation of mental health conditions. This policy adjustment would particularly benefit young Australians experiencing acute mental health crises, reducing the burden on the public system.

- To address funding challenges and improve affordability, private health insurance products should be required to include community-based mental health care provided by or on behalf of a hospital. This can be achieved through an extension of default benefit arrangements, ensuring that patients can receive care in the most appropriate and cost-effective settings. By integrating outpatient and day program services into hospital-based private health insurance coverage, patients would have greater flexibility in accessing care, while hospitals could optimise resource utilisation.
- The current health insurance guidelines for private mental health care require patients to be admitted under the care of a hospital credentialed psychiatrist to access mental health day programs. While this requirement aims to ensure high standards of care and patient safety, it also limits access to mental health day programs resulting in treatment delays, particularly in regions with a shortage of hospital credentialed psychiatrists. Changes should be made to these guidelines to allow patients to be assessed for mental health day program suitability by an appropriately trained and qualified health professional. Robust regulatory and oversight mechanisms will also need to be implemented to ensure these alternative healthcare professionals maintain high standards of care.
- Risk equalisation measures and a review of private health insurance product design can significantly improve access to mental health services in Australia by addressing financial barriers. Currently, private health insurers charge policyholders similar premiums under the community rating system, but the existing risk equalisation regulations do not account for pregnancy-related or mental health service claim costs. A well-implemented risk equalisation system helps redistribute funds from insurers paying lower-than-average benefits to those paying higher-than-average benefits, reducing premiums and making health insurance more affordable. This is particularly beneficial for insurers covering younger people who claim for pregnancy or mental health treatment, as suggested by the recent Finity review commissioned by the Department of Health and Aged Care. The report recommends a hybrid risk equalisation system that better reflects age and sex-related differences in claim costs, which could improve the affordability and accessibility of maternity services.

What can be changed to ensure the viability of mental health services?

The following policy changes would improve the viability of mental health services:

- A review of the funding model for private mental health services is crucial to align costs with revenue and ensure financial sustainability. This review should examine the operational dynamics, regulatory burden, costs, and relationships between government funding, private insurance, and out-of-pocket expenses. Incorporating activity-based funding principles and transitioning to a National Private Price would better match funding with the true cost of delivering care, improving transparency and efficiency. The 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.
- When patients cannot access private mental health services, they often turn to the public system, where they face long wait times and facilities that may not be suited to their clinical needs. To improve access to private mental health care, stronger collaboration between the public and private systems is essential to ensure patients receive high-quality care. Governments should fund private hospitals to treat public patients, maximising the capacity of both sectors. The Department of Veterans' Affairs already has agreements with most private hospitals and standardised medical rates with doctors, enabling veterans to access private care. These existing frameworks could be immediately extended to patients who would otherwise be unable to access private services. In the long term, tailored agreements should be developed to sustainably leverage private hospital capacity.
- Streamlining the regulatory framework to reduce complexity of varying requirements across jurisdictions. This could be achieved by implementing a set of national accreditation standards and establishing a centralised reporting system that consolidates data requirements.

¹ Looi, J. C., Bastiampillai, T., Pring, W., Kisely, S. R., & Allison, S. (2022). Private psychiatric hospital care in Australia: a descriptive analysis of casemix and outcomes. *Australasian Psychiatry*, 30(2), 174-178.

² Rana, R. H., Alam, K., & Gow, J. (2020). Selection of private or public hospital care: examining the care-seeking behaviour of patients with private health insurance. *BMC health services research*, 20(1), 380.

³ Dawson, L., River, J., McCloughen, A., & Buus, N. (2021). 'Should it fit? Yes. Does it fit? No': Exploring the organisational processes of introducing a recovery-oriented approach to mental health in Australian private health care. *Health*, 25(3), 376-394.

⁴ Kavanagh, B. E., Corney, K. B., Beks, H., Williams, L. J., Quirk, S. E., & Versace, V. L. (2023). A scoping review of the barriers and facilitators to accessing and utilising mental health services across regional, rural, and remote Australia. *BMC Health Services Research*, 23(1), 1060.

⁵ Australian Institute of Health and Welfare (2024). *Mental health, emergency departments*. Retrieved 07/04/2025 from: <https://www.aihw.gov.au/mental-health/topic-areas/emergency-departments>

⁶ Duggan M, Harris B, Chislett WK & Calder R. 2020. *Nowhere else to go: Why Australia's health system results in people with mental illness getting 'stuck' in emergency departments*. Mitchell Institute Commissioned report 2020, Victoria University. Retrieved 07/04/2025 from: https://www.vu.edu.au/sites/default/files/nowhere-else-to-go-people-mental-illness-stuck-emergency-departments-report-mitchell-institute.pdf?utm_source=chatgpt.com

⁷ Schultz, H (2023). Cost of ADHD diagnosis is a professional scandal. *Medical Republic*. Retrieved 07/04/2025 from: https://www.medicalrepublic.com.au/cost-of-adhd-diagnosis-is-a-professional-scandal/17304?utm_source=chatgpt.com