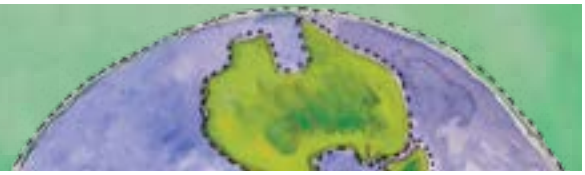
8.11 The rise of private hospitals



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Private hospitals are a long-standing and important part of Australia's health-care delivery arrangements. In 2011–12, the 592 private hospitals in Australia accounted for 44% of Australia's 1,345 hospitals and 33% of all available hospital beds (ABS 2013; AIHW 2013). More than 40% of all hospitalisations occurred in private hospitals, including 2 out of every 3 hospitalisations involving elective surgery.

The volume of private hospital hospitalisations increased over the 10 years to 2011–12 by 47%—a faster rate than public hospitals (35%). The shift toward same-day hospital care contributed to this, with same-day hospitalisations accounting for 69% of private hospital hospitalisations in 2011–12, compared with 60% 10 years previously.

The growing role for private hospitals in Australia's health system has been supported by the Australian Government through measures such as the Private Health Insurance Rebate, and reflected in the inclusion of private hospitals in national performance monitoring initiatives such as those of the National Healthcare Agreement, and in the Performance and Accountability Framework of the National Health Reform Agreement (COAG 2012; NHPA 2013).

This article highlights the role that private hospitals play in the provision of hospital services in Australia and recent changes in the nature of the services that they deliver.

Structure of the private hospital industry

Private hospitals are generally grouped into those hospitals that provide services on a day-only basis (free-standing day hospital facilities, or 'day hospitals') and those that provide overnight care (referred to here as 'overnight hospitals'). This distinction reflects that, under state and territory regulatory arrangements, overnight care requires the provision of 24-hour qualified nursing care that permits a broader range of medical and surgical procedures to be undertaken. Some hospitals offering overnight care also provide same-day services.

Private hospital ownership

Private hospitals are those that are owned and managed by private organisations, whether for-profit or not-for-profit. They exclude privately owned hospitals contracted by governments to provide public hospital services (11 hospitals in 2011–12). Private hospitals generally fall into 5 main 'ownership' types:

- for-profit group (that is a group of hospitals owned and/or operated by 1 company)
- for-profit independent
- not-for-profit religious/charitable group
- not-for-profit religious/charitable independent
- other not-for-profit hospitals (comprising bush nursing, community, and memorial hospitals).

Not-for-profit hospitals are those that qualify as non-profit organisations with either the Australian Taxation Office or the Australian Securities and Investments Commission.

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Nearly 60% of private overnight hospitals in Australia in 2011–12 operated on a for-profit basis. A further 30% were religious or charitable not-for-profit hospitals, with the remainder considered other not-for-profit hospitals (ABS 2013).

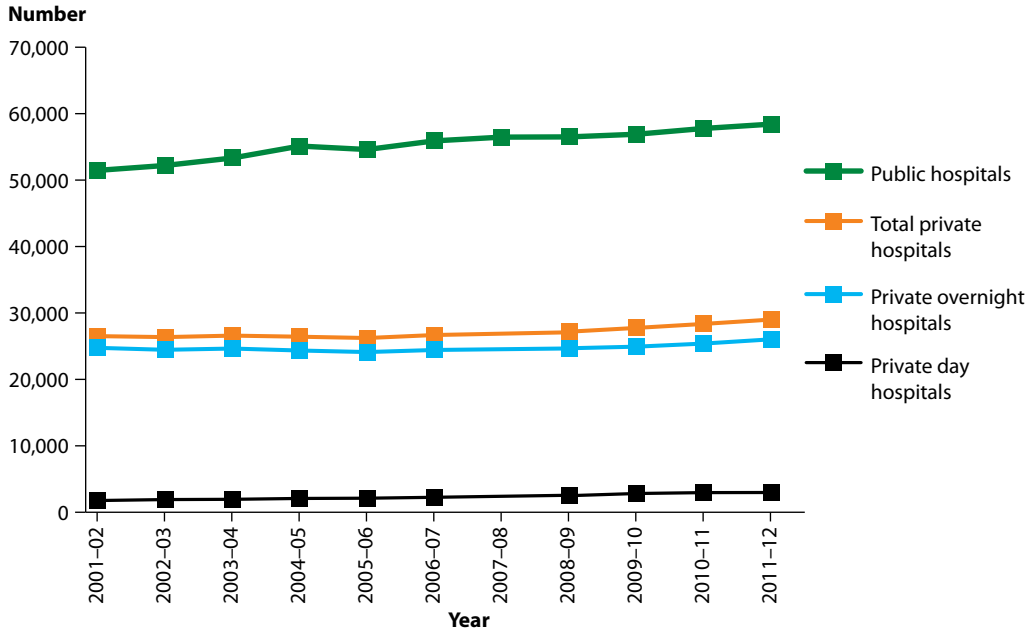
Numbers of private hospitals and beds

The number of private day hospitals increased from 236 to 311 between 2001–02 and 2011–12, a 32% increase. There were 2,973 beds or chairs available in private day hospitals in 2011–12, up 69% from 2001–02 (Figure 8.19).

In 2011–12, there were 281 private overnight hospitals operating in Australia, 7% fewer than the 301 hospitals reported for 2001–02 (ABS 2013). However, the number of available beds or chairs in private overnight hospitals rose by 5% over this period, from 24,748 to 26,031.

As a point of comparison, the number of public hospitals rose by 1% and the number of public hospital beds rose by about 14% over the same decade.

Figure 8.19



Note: Data on private hospitals are not available for 2007–08, and have been estimated. Small numbers of hospitals may be re-categorised as public or private between or within years.

Sources: ABS 2003, 2004, 2005, 2006, 2007, 2009, 2010, 2011, 2012, 2013.

Numbers of private and public hospital beds, 2001–02 to 2011–12

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Private hospital size

On average, day hospitals had about 10 beds and chairs in 2011–12 and overnight hospitals, 93 beds. For day hospitals, 35% had 5 or fewer beds and chairs and 41% had 9 or more beds and chairs. About 18% of overnight hospitals had 25 or fewer beds and 10% had over 200 beds (ABS 2013).

Specialist facilities provided by private hospitals

Over recent years, there have been shifts in the patterns of specialised services and facilities offered at both day hospitals and overnight hospitals.

In 2011–12, there were 198 overnight hospitals with operating theatres, similar to the 201 in 2001–02. However, these hospitals had a total of 1,051 operating theatres, 268 more than in 2001–02 (ABS 2003, ABS 2013).

The profile of the specialised services provided by private hospitals has changed markedly in the last decade. Among the most commonly reported specialist services in 2011–12, the following had risen in number since 2001–02:

- rehabilitation units (82 units compared with 42 reported in 2001–02)
- sleep centres (96 compared with 49 reported in 2001–02)
- specialised paediatric services (70 compared with 28 reported in 2001–02)
- residential aged care services (65 compared with 7 reported in 2001–02)
- high dependency units (59 compared with 53 reported in 2001–02).

The following decreased in number:

- dedicated day surgery units (126, compared with 139 reported in 2001–02)
- labour wards (69 compared with 89 reported in 2001–02)
- neonatal intensive care units (57 compared with 67 reported in 2001–02)
- emergency departments (23 compared with 28 in 2001–02).

Private day hospitals often specialise in a select group of procedures to a greater extent than overnight hospitals (Productivity Commission 2009). In 2011–12, specialised day hospitals included:

- 11 chemotherapy clinics
- 14 dialysis clinics
- 39 eye surgery hospitals
- 22 plastic and reconstructive surgery hospitals
- 51 endoscopy clinics
- 8 fertility clinics
- 10 oral and maxillofacial surgery hospitals (AIHW forthcoming).

In line with the 69% increase in day hospital beds between 2001–02 and 2011–12, the number of operating theatres in day hospitals increased by 49% to 321. In the same period the number of procedure rooms increased by 45% to 260 rooms.

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Private hospital care

Private hospitals—both day hospitals and overnight hospitals—mainly provide care to admitted patients. Some overnight private hospitals also provide emergency department and outpatient services.

Admitted patient care

In 2011-12, there were 3.7 million hospitalisations in private hospitals (AIHW 2013). As mentioned earlier, the volume of private hospital hospitalisations increased in Australia between 2001–02 and 2011–12 by 47%, which was a faster rate than the increase in hospitalisations in public hospitals (35%). The proportion of all hospitalisations provided by private hospitals rose 2 percentage points to 40% between 2001–02 and 2011–12 (AIHW 2007, 2013).

Same-day hospitalisations are accounting for an increasing proportion of private hospital activity. As mentioned earlier, in 2011–12, same-day hospitalisations accounted for 69% of private hospital hospitalisations, compared with 60% in 2001–02 (Figure 8.20).

In 2011–12, private hospitals provided more than 30% of all days of patient care for admitted patients in hospital, with a 4% increase in the number of days provided from 2001–02 (compared with an increase of 3% for public hospitals). So, even though the number of private hospitalisations rose markedly between 2001–02 and 2011–12 (by 47%), the total number of days of patient care did not rise to the same extent, reflecting the increasing proportion of same-day hospitalisations in private hospital activity.

Principal diagnoses

For each hospitalisation, a principal diagnosis is reported. This describes the chief reason for the patient's hospitalisation and is usually a disease, injury or poisoning. The most common principal diagnoses for private hospital hospitalisations related to *Factors influencing health status and contact with health services*, which includes care involving dialysis and chemotherapy (around a million hospitalisations), *Diseases of the digestive system* (around 500,000 hospitalisations) and *Neoplasms* (malignant or benign tumours) (around 320,000 hospitalisations).

Compared with public hospitals, a greater proportion of hospitalisations in private hospitals were for *Neoplasms* (8% of all hospitalisations in private hospitals compared with 5% of all hospitalisations in public hospitals), *Diseases of the eye and adnexa* (6% and 2% respectively), *Diseases of the digestive system* (13% and 8% respectively) and *Diseases of the musculoskeletal system and connective tissue* (8% and 3% respectively).

Between 2007–08 and 2011–12, the largest increases in the numbers of hospitalisations in private hospitals were for chemotherapy (by 32% to 217,246 hospitalisations) and haemodialysis (by 29% to 226,998 hospitalisations).

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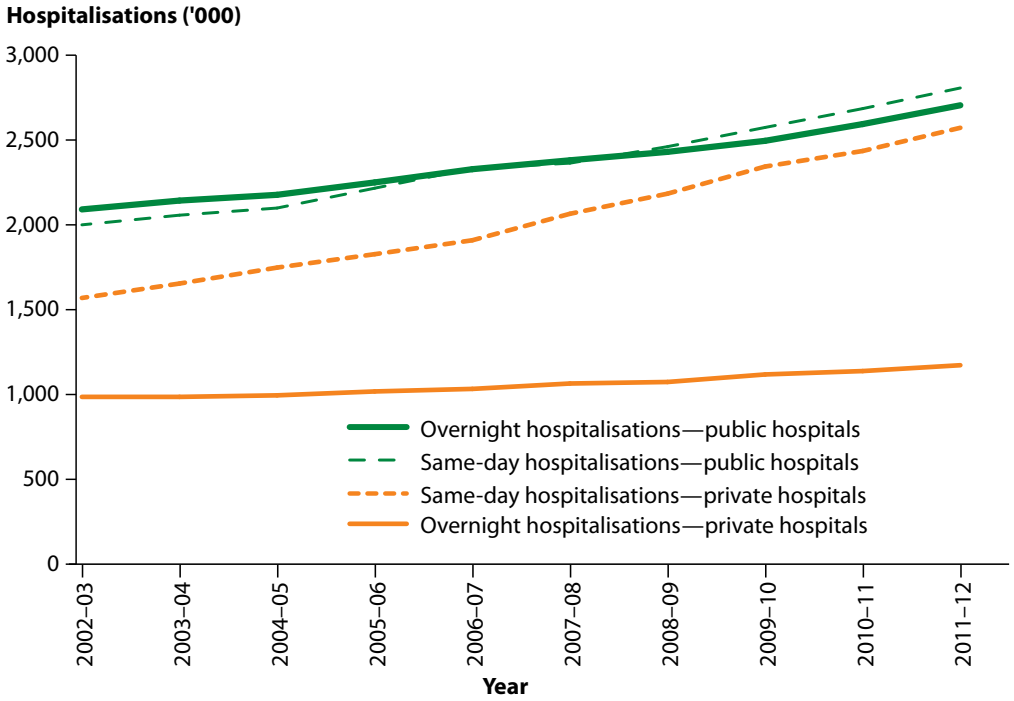
Figure 8.20



Note: Not all private hospitalisations are included in the National Hospital Morbidity Database across this time period, so counts presented here may be under-estimates.

Sources: AIHW 2008, 2013.

Same-day and overnight hospitalisations ('000), public and private hospitals, 2002–03 to 2011–12

Care provided

In 2011–12, more than one-third of hospitalisations (37%) were reported as *Medical* (did not involve an operating room procedure), more than one-third (37%) were *Surgical* (involved an operating room procedure) and about 20% were *Other* care (involved a non-operating room procedure, such as endoscopy). *Childbirth* admissions accounted for 2% of hospitalisations and *Specialist mental health* for 4%.

A larger proportion of private hospital admissions involved *Surgical* care than in public hospitals (37% compared with 21%), and a smaller proportion involved *Medical* care (37% compared with 77%). Private hospitals accounted for 1 out of every 4 admissions for childbirth. They also provided 61% of same-day hospitalisations for chemotherapy (AIHW 2013).

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The complexity of hospital care provided to admitted patients can be estimated using average *cost weights*. The cost weight for a hospital is the ratio of the average cost of its hospitalisations compared with the average cost for all acute hospitalisations. Where a hospital has a cost weight above 1.0, on average its hospitalisations have an above-average cost, and the hospital is likely to provide more complex care than average.

In 2011–12, public hospitals and private overnight hospitals had similar average cost weights (0.99 and 1.01 respectively). Private day hospitals had a much lower average cost weight (0.47), suggesting that private day hospitals generally provide less complex care (AIHW 2013).

Sub-acute and non-acute care

Between 2007–08 and 2011–12, private hospital admissions for sub-acute and non-acute care rose by an average of 17% per year, from about 130,000 admissions to about 242,000. In 2011–12, almost 6% of private hospital admissions were for sub-acute and non-acute care compared with 3% for public hospitals.

Of the different types of sub-acute and non-acute care, private hospitals provided about:

- 227,000 hospitalisations for rehabilitation care (70% of all such hospitalisations)
- 6,200 hospitalisations for psychogeriatric care (72%)
- 5,900 hospitalisations for palliative care (16%)
- 2,700 hospitalisations for maintenance care (11%)
- 100 hospitalisations for geriatric evaluation and management (<1%) (AIHW 2013).

More information on these types of care is in Chapter 8 'Sub-acute and non-acute hospital care'.

Elective care

Hospitalisations can be categorised as *Emergency* (required within 24 hours), or *Elective* (required at some stage beyond 24 hours). Some hospitalisations, for example obstetric care and planned care such as dialysis, are not assigned an emergency/elective status. In 2011–12, 5% of private hospital hospitalisations were *Emergency* admissions, whereas, for public hospitals, 40% were *Emergency* admissions. In 2011–12, 89% of private hospital hospitalisations were *Elective* (or other planned care), rising from 86% in 2001–02 (AIHW 2013).

Private hospitals accounted for 2 out of every 3 elective hospitalisations involving surgery, with lens procedures being the most common procedure (144,300 private hospital admissions).

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Length of hospital stay

The average length of hospital stay (including same-day hospitalisations) was longer in public hospitals, at 3.4 days, than in private hospitals, at 2.3 days in 2011–12. Excluding same-day hospitalisations (so overnight patients only), the average length of stay was 6.0 days in public hospitals and 5.3 days for private hospitals (AIHW 2013). The average length of stay for overnight patients in private hospitals remained stable over the 5 years to 2011–12.

Relative stay indexes (RSIs) summarise the length of stay for admitted patients, with adjustments for casemix (the types of patient treated and the type of treatment provided). An RSI greater than 1.0 indicates that an average patient's length of stay is higher than expected, given the casemix for the hospital. Conversely, an RSI less than 1.0 indicates that the length of stay was less than expected. The directly standardised RSI for private hospitals was 1.1 compared with 1.0 for public hospitals in 2011–12, indicating comparatively slightly longer lengths of stay for the private sector overall. There were relatively longer lengths of stay for medical admissions in private hospitals (RSI of 1.24 compared with 0.96 in public hospitals), and relatively shorter lengths of stay for surgical admissions in private hospitals (RSI of 0.98 compared with 1.04 in public hospitals) (AIHW 2013).

Non-admitted patient care

There were 2.1 million non-admitted patient occasions of service in overnight hospitals in 2011–12, an increase of 18% from 2001–02. The main driver of this increase was allied health services, which rose by 47% from 2001–02, to 602,300 occasions of service in 2011–12.

The other most commonly provided non-admitted patient services were accident and emergency (530,600 in 2011–12, an increase of 11% from 2001–02), and pathology (249,800, an increase of 24% from 2001–02) (ABS 2013).

Who uses private hospitals?

There is no national information on patient characteristics for people receiving emergency department and outpatient care from private hospitals. However, this information is available for people admitted to private hospitals.

In 2011–12, females accounted for 55% of all private hospital admissions. By age group, the highest proportion of female admissions was for those aged 55–64 (18%) (Figure 8.21). There were more female patients than male patients in almost all age groups, with the differences being most marked where women were of child-bearing age.

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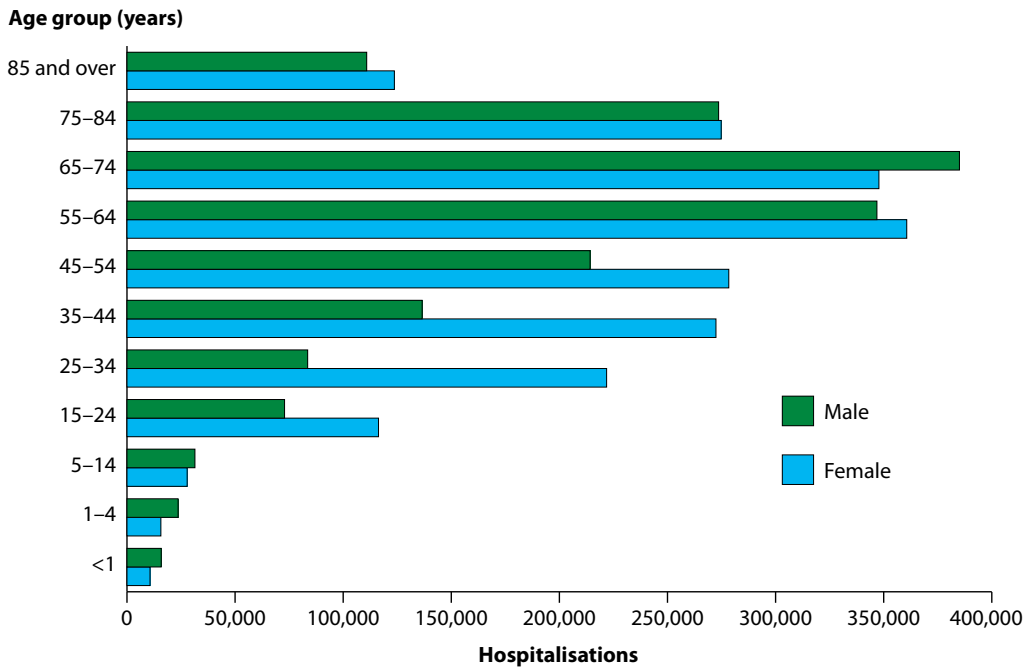
Figure 8.21



Source: AIHW 2013.

Hospitalisations, by age and sex, private hospitals, Australia, 2011–12

In 2011–12, more than 1.5 million admissions in private hospitals were for patients aged 65 and over, representing 41% of all private hospital admissions (AIHW 2013). The proportion of private hospitalisations for patients aged 65 and over rose steadily between 2006–07 and 2011–12, from 36% to 41% (Figure 8.22). The proportion for patients aged 85 and over rose from 5% to 6%.

Private hospitalisation rates vary across remoteness areas and socioeconomic groups. Access to private hospital care is highest for those living in *Major cities* (175 hospitalisations per 1,000 population, compared with 70 hospitalisations per 1,000 in *Very remote* areas). People living in areas of least socioeconomic disadvantage are much more likely to use private hospitals than those living in areas of most socioeconomic disadvantage (227 hospitalisations per 1,000 compared with 103) (AIHW 2013).

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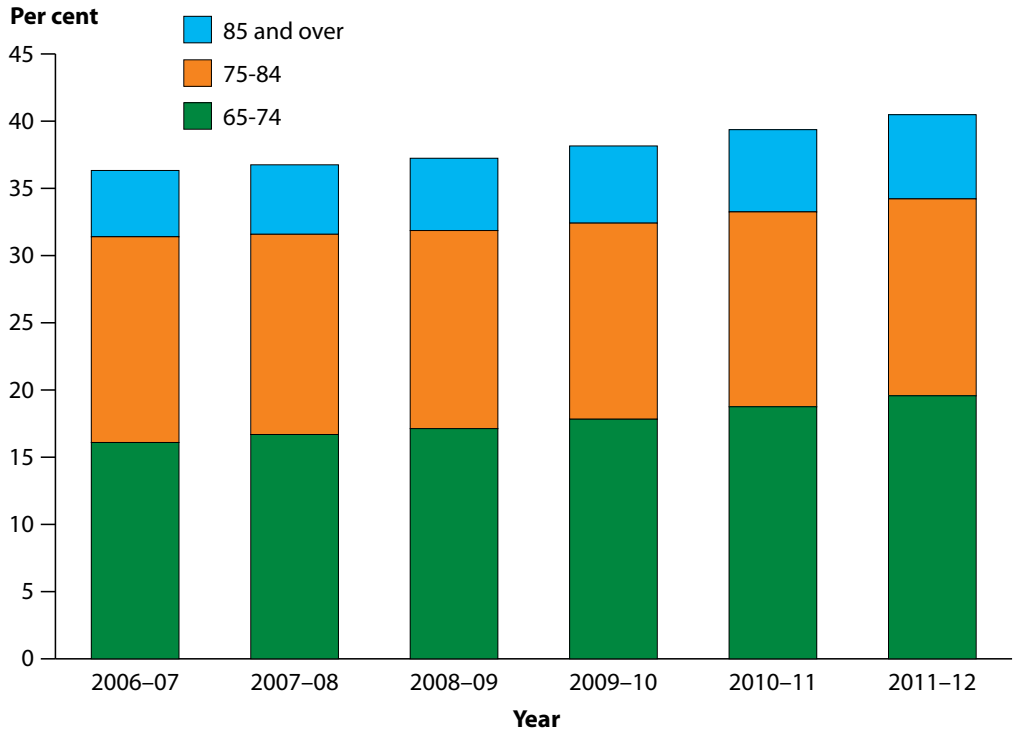
Figure 8.22



Source: AIHW 2013.

Proportion of private hospitalisations for patients aged 65 and over, by age group, 2006–07 to 2011–12

Private hospital income and funding

In 2011–12, total income for private hospitals was estimated to be $11.2 billion, with day hospitals accounting for $876 million (8%) and overnight hospitals accounting for $10.4 billion (92%) (ABS 2013). When income is adjusted to remove the effects of price changes, the average annual increase over the 5 years from 2006–07 was 11% for day hospitals and 5% for overnight hospitals, reflecting the relative growth in activity of the 2 hospital types (ABS 2008, 2013).

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Private hospitals are mainly funded by private health insurance and compensation schemes. More than three-quarters of private hospitalisations were funded by private health insurance, with most of the rest funded by the Department of Veterans' Affairs or under compensation scheme arrangements, with a small proportion self-funded. Between 2001–02 and 2011–12, the proportion of hospitalisations covered by private health insurance increased from 63% to 67% for private day hospitals and from 80% to 87% for overnight hospitals (ABS 2003, 2013).

Private hospitals provided care for 84% of hospitalisations funded by private health insurance and 80% of self-funded hospitalisations in 2011–12. They also provided care for 63% of hospitalisations for Department of Veterans' Affairs patients (AIHW 2013).

Relationships with public hospitals

In many instances, public and private hospitals do not operate in isolation from each other, but instead provide health-care services in a coordinated manner. Interactions between public and private hospitals include contracted care arrangements, co-location and resource sharing, and private sector involvement in hospital infrastructure development for public patients. More details on these arrangements are provided below.

Contracted admitted patient care

In some circumstances, hospitals provide care to admitted patients through inter-hospital contracted care arrangements, in which the care is organised and paid for by 1 hospital but provided by another. In 2011–12, about 62,000 hospitalisations were contracted by public hospitals to private hospitals—that is, the public hospitals paid for the care and the private hospitals provided the care. This represented 78% of all inter-hospital contracted patients, up from 66% (33,500 hospitalisations) in 2007–08 (AIHW 2009, 2013).

The remaining contracts were either between public hospitals, or by private hospitals to public hospitals.

Co-location and resource sharing

Co-locating a private hospital with a public hospital allows for the sharing of facilities, equipment and staff, provides greater convenience for doctors, and enhances patient choice, allowing them access to a wider range of services. In 2011–12 there were 9 private day hospitals and 41 overnight hospitals co-located with public hospitals in Australia (ABS 2013).

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Hospital infrastructure development

Another form of public–private relationship is 'build, own, operate and transfer' arrangements. Under these arrangements, the private sector finances and builds new hospital facilities to treat public patients in return for the right to operate the facilities and receive funding from state and territory governments. In 2011–12, there were 11 hospitals that were privately owned and/or operated that provided public hospital services predominantly or substantially funded by state governments (AIHW 2013).

What is missing from the picture?

Private hospital data are collected, analysed and disseminated through multiple reporting pathways including the Australian Bureau of Statistics' Private Health Establishments Collection, the Australian Government Department of Health's Private Hospital Data Bureau and the Hospital Casemix Protocol, and the AIHW's National Hospital Morbidity Database. This diversity of data sources creates the risk that private hospital data could be inconsistent across the various collections and possibly inconsistent with data for public hospitals. Because data on financial and establishment characteristics are collected separately from hospital activity data, it can be difficult to link the data and so analyse relationships between financial and activity trends. That type of analysis would be important for the improved assessment of the relative performance of public and private hospitals that is a priority reform area identified in the National Healthcare Agreement.

As with public hospitals, work is under way to improve the measurement and public reporting of private hospital safety and quality indicators.

Where do I go for more information?

More information on private hospital activity in Australia is available on the AIHW and ABS websites at www.aihw.gov.au/australias-hospitals-at-a-glance-2011-12/ and www.abs.gov.au, respectively. Other AIHW publications on hospitals are at www.aihw.gov.au/hospitals-publications/.

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