

Private Health Insurance

Australia allows two types of private health insurance (PHI):

- general treatment policies for ancillary treatments, such as dental and physiotherapy
- hospital policies to cover in-hospital treatments when treated as a private patient

Some health insurance policies have exclusions or restrictions, which mean particular services are not covered by those policies.

As at March 2016, 47.2% of the population had hospital cover and 55.8% had general treatment cover.

Australians have expressed concerns about the complexity of PHI products and the lack of information provided by insurers.

As at June 2015 there were approximately 25,219 PHI products open for new policy holders.

The Australian Competition and Consumer Commission's 2015 report on anti-competitive and other practices by health insurers and providers observes that PHI policies are complex and do not readily support comparisons, accurate assessments of costs and, in some cases, may include possible misrepresentations of products and their value.

Three major Commonwealth Government incentives encourage take-up of PHI:

- means-tested Private Health Insurance Rebate to assist people meet the cost of private health insurance
- Medicare Levy Surcharge to encourage higher income earners to have private hospital cover
- Lifetime Health Cover loadings to encourage Australians to take-up private hospital insurance earlier in life and to maintain their cover

AHHA POSITION:

- ✧ PHI arrangements must support equity, accessibility and sustainability of the broader Australian health system to benefit the whole community.
- ✧ PHI reform is needed to ensure:
 - simpler products
 - better communication with policy holders
 - removal or better application of the PHI Rebate to safe and effective evidence-based treatments
 - policies which meet consumer need
 - better business practices
 - equity and accessibility assurance for the non-insured
- ✧ In 2014–15 the Commonwealth spent \$5.8 billion on the PHI Rebate, meant to assist Australians meet the cost of PHI policies. These funds should be reallocated to parts of the healthcare system in greater need. Any savings from the abolition or scaling back of the PHI rebate must be redirected to public health system funding, including broadening the list of items covered by the Medicare Benefits Schedule.
- ✧ In 2015 the Australian Government undertook a PHI consultation process, including an online consumer survey completed by more than 40,000 people. The Australian Government should publicly release the findings of this consultation process.
- ✧ Budget 2016–17 announced the establishment of a Private Health Sector Reform Committee with funding for three years to provide advice on the design and implementation of PHI reforms. The lack of action on PHI reform until 2019 is a lost opportunity.

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