

Private Health Insurance

Australia has a mixed public-private health system, with public and private service providers and funding sources, including private health insurance. Foundation principles of our universal health care system include that clinicians are free to provide their services as private providers; and that patient choice is available, both for services from clinicians and from hospitals.

Private health insurance (PHI) includes:

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

As at December 2016, 46.6% of the population had hospital cover and 55.4% had general treatment cover. There were approximately 27,281 PHI products available for new policy holders in January 2017. Some products have exclusions or restrictions, which means particular services are not covered by those policies.

Concerns have been expressed about the complexity of PHI products and the quality of information provided by insurers. The Australian Competition and Consumer Commission's 2015 report on anti-competitive and other practices by health insurers and providers observed 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 hospital cover
- Lifetime Health Cover loadings to encourage Australians to take-up private hospital insurance earlier in life and to maintain their cover

In September 2016 the Private Health Ministerial Advisory Committee (PHMAC) was established to examine all aspects of PHI and provide advice to government on PHI reforms.

AHHA POSITION:

- ✦ PHI arrangements must support equity, accessibility and sustainability of the broader Australian health system to benefit the whole community, particularly noting PHI is subsidised by the Commonwealth Government by approximately \$6 billion per annum through the PHI rebate.
- ✦ The PHI rebate is intended to assist Australians meet the cost of PHI policies. As the Council of Australian Governments considers options for post-2020 health funding, review of the PHI rebate is required. Any savings from the abolition or scaling back of the PHI rebate should be transparently redirected to public health system funding, including broadening the list of items covered by the Medicare Benefits Schedule.
- ✦ PHI reform is needed to ensure:
 - simpler products that meet consumer need
 - better communication with policy holders
 - application of the PHI rebate (if it remains in place) is limited to safe and effective evidence-based treatments
 - accessibility for the non-insured
 - PHI business practices, such as use of preferred health service providers or provision of health services, do not limit patient choice
- ✦ The Commonwealth Government should report on the Private Health Ministerial Advisory Committee as per the PHMAC work plan as a matter of priority.
- ✦ Data submission should be a requirement of private health insurers whose products are subsidised by the Commonwealth Government.

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