

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; and
- hospital policies to cover in-hospital treatments when treated as a private patient.

As at December 2018, 44.6% of the population had hospital cover and 53.9% 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. In response to these concerns, the Australian Government introduced new rules on April 1, 2019 to make insurance products easier to understand. From 1 April 2020, all hospital insurance policies will be classified as Gold, Silver, Bronze or Basic. Additional coverage above the minimum requirements is also permissible.

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; and
- Lifetime Health Cover loadings to encourage Australians to take-up private hospital insurance earlier in life and to maintain their cover.

The Commonwealth Government subsidises private health insurance at a cost of \$6.5 billion per annum (2018).

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 \$6.5 billion per annum through the PHI rebate.
- ✦ Given the significant government expenditure involved to subsidise products used by less than half of all Australians, a Productivity Commission review should be undertaken to consider the value of this subsidy to Australian taxpayers. Any savings from the abolition or scaling back of the PHI rebate should be transparently redirected to public health system funding.
- ✦ Ongoing 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; and
 - PHI business practices, such as use of preferred health service providers or provision of health services, do not limit patient choice.
- ✦ Data submission should be a requirement of private health insurers whose products are subsidised by the Commonwealth Government.

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