

Private Health Insurance

Preserving Consumer Choices Without Sacrificing the Principles of Universal Health Care

Summary Statement

Private health insurance is a critical component of the Australian health care system. With almost half of all Australians covered by a private health insurance policy, it is vital that consumers have the confidence that their policies are robust and will afford them access to critical treatments should the need arise.

However, many insurance packages lack adequate coverage for even basic needs, and yet consumers continue to pay high-and-rising premiums on these policies with misplaced confidence that they will be covered. And yet despite offering no promise of improved health care, premiums continue to rise on junk products that many consumers feel obliged to purchase in order to avoid punitive measures, such as the Medicare Levy Surcharge and Lifetime Health Cover.

Although the Rebate is in place to help consumers afford health insurance, it is unclear what effect this spending has effecting better health outcomes for consumers.

Evidence has mounted in recent years that private health insurance has failed to deliver on one of its fundamental goals: taking pressure of the public system to preserve the fundamentals of universal access. Instead, the Government now spends \$6 billion per year to, in effect, subsidise a private industry *at the expense* of those funds being available in some form to shore up the public health system. This has had the effect of eroding the mixed public-private health care system in favour of private hospitals and insurers.

These forces have come together to place Australia is at risk of stratifying consumers into the “haves” and “have-nots” in health care. If left unchecked, this stratification would spell the end to the principles of universal access to health care that is the bedrock of the Australian health system.

CHF Position

The Consumers Health Forum accepts that there is a role for private health insurance in the Australian health care system, but that it must deliver tangible value to consumers. At the very foundation of value for coverage, consumers require:

- Easy to access and understand information about what their policy will and won't cover, and the associated fees, and;

- Clear communications about changes their policies, and what these practically mean for them.

A system that is too difficult for consumers to navigate in order to make a decision about the value of their policies is not a system worth the government's support. There are tens of thousands of possible health insurance packages for consumers to choose from, and there are very few tools available to consumers to help them navigate this complicated market.

The Australian Competition and Consumer Commission (ACCC) has, through its Senate mandate, repeatedly reported about the information imbalance that exists between health funds and consumers.

CHF calls on the government to mandate health funds make readily available, and in plain language, the costs and coverage of all their insurance packages. CHF recognises that many health funds do this voluntarily; but as consumers are entitled to this information, it ought to be mandated so that no health fund may avoid their responsibility to consumers.

Another major reform CHF calls for in this space is **for the development of a basic, nationally standardised health insurance package.** This package should be defined in legislation, and should be a required policy of every private health insurer. CHF holds that such a package should be the basis for the Rebate, with other policies that do not meet its minimum criteria being ineligible.

In tandem with these reforms, CHF remains very concerned about the lack of transparency about health funds' gap fee coverage, as participation in "no gap" plans are largely at the discretion of GPs and specialists and the individual fees they set. Consumers may be led to assume that their insurance covers these fees when undergoing a procedure, only to face high out of pocket costs thereafter. **CHF calls for a mandated informed financial consent process to ensure consumers are clear about costs they may incur in both the public and private system.**

On the affordability of health insurance overall, **CHF does not believe that the Rebate should be abolished.** However, the Rebate has had questionable value to the success of keeping private health insurance affordable and reducing pressure on the public health system. As such, **CHF believes the government ought to restrict and better target Rebate eligibility to certain, proven policies, and reinvest savings into the public health system.**

Additionally, **the Rebate should not be eligible for policies that cover non-evidence-based or outdated procedures.** Australia's taxpayers should not be expected to float coverage for policies that allow procedures neither supported by evidence nor widely used by medical practitioners due to advances in care delivery. Again, savings realised from terminating subsidies for these policies ought to be reinvested in the public system.



CHF opposes any move from the current community rating system to a risk rated system, as this would increase premiums for people with complex and chronic needs. Although we believe that the current rating system was designed primarily as a “stick” measure to push younger Australians into purchasing health insurance, revising it to target chronic conditions based on risk would be overly punitive for many Australians.

Furthermore, **CHF opposes any effort to expanding the role of private health insurance to cover GP or primary care services.** Although CHF supports health funds in promoting healthy lifestyle programs and rewarding fund holders who maintain good health, there should be no perverse business incentive for health funds or GPs to stratify Australians’ access to good primary care based on their coverage.

Regarding the overall private health insurance market, CHF is very strongly concerned that there is, as yet, no way of measuring whether private health insurance is delivering “value” to either consumers or the health system. Given the price of premiums to Australia’s households and the cost to government to subsidise the market – which is, in many ways, another cost to Australians – it is inexcusable to have no way to measure whether private health insurance, at large or individual policies, are providing real value against what they promise.

Previously, the performance of health insurance funds was subject to review by the independent Private Health Insurance Administration Council (PHIAC). Despite a review by the Australian National Audit Office that PHIAC was competent in its functions, from 1 July 2015, PHIAC ceased to be an independent entity.

CHF calls on the government to reinstate PHIAC as an independent entity, and to expand its mandate to track the performance of health funds against legislated standards and values of private health insurance. These should define:

- The justification for government assistance to the industry, and the industry’s performance against the government’s interests
- Expected health outcomes for persons with private health insurance
- Expected reductions of burden on the public health system

The point of these reforms out to be providing consumers with the confidence that the policies they purchase will provide them with real value. This confidence would be driven by transparency of information and clear measures of performance. A system that delivers any less is not worth sustaining.

Consumers Health Forum of Australia Ltd
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The Consumers Health Forum of Australia (CHF) is the national peak body representing the interests of Australian healthcare consumers. CHF works to achieve safe, quality, timely healthcare for all Australians, supported by accessible health information and systems.

CHF does this by:

1. advocating for appropriate and equitable healthcare
2. undertaking consumer-based research and developing a strong consumer knowledge base
3. identifying key issues in safety and quality of health services for consumers
4. raising the health literacy of consumers, health professionals and stakeholders
5. providing a strong national voice for health consumers and supporting consumer participation in health policy and program decision making

CHF values:

- our members' knowledge, experience and involvement
- development of an integrated healthcare system that values the consumer experience
- prevention and early intervention
- collaborative integrated healthcare
- working in partnership

CHF member organisations reach thousands of Australian health consumers across a wide range of health interests and health system experiences. CHF policy is developed through consultation with members, ensuring that CHF maintains a broad, representative, health consumer perspective.

CHF is committed to being an active advocate in the ongoing development of Australian health policy and practice.