



Private Healthcare Australia
Better Cover. Better Access. Better Care.



Overseas Student Health Cover– response to Issues Paper

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Contact:

Ben Harris – Director Policy and Research

0418 110 863

ben.harris@pha.org.au

About Private Healthcare Australia

Private Healthcare Australia (PHA) is the Australian private health insurance industry's peak representative body. We have 24 registered health funds throughout Australia as members and collectively represent 98% of people covered by private health insurance. PHA member funds provide healthcare benefits for over 14 million Australians.

Overseas students' health cover

Overseas students' health cover (OSHC) provides astonishingly strong value, ensuring overseas students have access to Australia's world class health system at a fraction of the cost paid by Australian residents through taxes and additional Private Health Insurance. This cover provides support to overseas students, supports Australia's reputation as a high-quality destination for study and helps safeguard a large export industry.

While currently great value, the deed governing OSHC can, and should, be improved. The pressure on healthcare costs generally is growing, and changing demographics within the student population is putting further pressure on premiums. There are instances of predatory pricing in the industry (including from state governments) which also threaten stability and viability.

As highlighted in the Department's OSHC Reforms Issues Paper, insurers are currently losing money in providing OSHC. This must change to ensure insurers continue to have an incentive to operate in this space. Better value does not necessarily mean cheaper.

We need a fairer system which works for students, balancing premium affordability with students' need for greater access to health care. A system which ensures that people are paying their fair share, where predators are discouraged and high-quality care is the norm.

PHA recommends that the OSHC Deed be amended to:

- Allow the introduction of limited risk rating; and
- Introduce maximum hospital charges to address inequitable pricing policies.

Current situation

The insured overseas student population in Australia is changing. Overseas students are older on average, and more likely to be partnered or have a family in Australia. This change in stage of life is having a significant impact on insurance, with both increased claiming and different patterns of claiming. There are also changes to countries of origin, and for a range of reasons, overseas students from some countries are much more likely to claim on their insurance than others.

There are substantial differences in provider charges for overseas students. Some providers are clearly overcharging students, including some public hospitals. There is wide variation not only between hospitals, but also between different classes of Medicare-ineligible patients in the same hospital. International students are regularly being charged more than others for the same care. There are also large differences in fees levied in the private system, but the patterns of inequity are fewer.

Students living in some states and territories have consistently higher costs than in other states – often due to the charging practices of public hospitals. This is contributing to cost-shifting, where some states 'freeload' on the premiums paid by students in other jurisdictions. There is no reason why overseas students in one state should be subsidising the care of students in another.

Overall, overseas students pay less for their health care than Australian residents. Whether through Medicare or through private health insurance, Australian taxpayers support healthcare costs throughout life with a progressive taxation system and community rating. Overseas students have access to one of the best health systems in the world at a fraction of the cost borne by citizens.

Overall, health costs are rising, and most experts expect the pressure on costs to intensify. Public hospitals are struggling with a 6.5% p.a. cap on funding from the Commonwealth, and MBS/PBS expenditure has been rising rapidly. The pandemic has led to staff burnout, which combined with limits to migration, has put excessive pressure on wages for many professional and support staff groups.

Risk rating

PHA recommends the Australian Government gradually introduce risk rating for OSHC, starting with age brackets, state of residence and country of origin.

The demographic changes in the overseas student cohort, with younger students currently subsidising the older students, needs to be urgently addressed. Allowing funds to set differing premiums for overseas students under 30, aged 31-49 and aged over 50 years will provide a fairer system and reduce costs for younger students.

Differing premiums for state of residence are also important to reduce cross subsidies and 'freeloading' by high-charging state governments. This will send a price signal to state governments that their actions in charging large fees will result in their state being less attractive for overseas students. Conversely, states with lower costs will find it easier to attract students.

Overseas students' use of health services in Australia correlates to their country of origin. The reasons for this are not fully understood, but may include the quality and differences of health services in their home countries together with their ability to understand and navigate the healthcare system. Allowing insurers to levy different premiums on people from different countries will reduce costs for the majority of students, and provide a fairer approach related to the use of services.

PHA does not recommend risk rating based on other factors at this time, but does not rule it out in future.

Hospital charges

PHA recommends that the Commonwealth impose a cap on the amount public hospitals can charge for insured patients, as is done currently for nursing home type patients and patients covered by private health insurance. This will reduce cross subsidies and assist in addressing inequitable pricing policies.

These maximum public benefits will also provide a benchmark price for private hospitals, which will allow overseas students needing non-emergency care to have greater choice on where they are treated.

Benefits for medical services should be capped at the AMA schedule fee level. Doctor charges are a matter for the medical practitioner, but doctors should be required to disclose if they are going to charge more than the AMA Schedule fee to allow overseas students greater choice and provide for pricing equity.

Summary

OSHC is a vital service propping up a large export industry for Australia. It provides great value but is struggling under the pressure of a small number of design flaws.

The two recommended changes will relieve pressure on the system, but as the market changes, more action may be needed to ensure that students continue to receive great value, that this export market is supported, and providers remain viable.