



Private Healthcare Australia
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Consultation Paper – Improving the Overseas Student Health Cover Program

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About Private Healthcare Australia (PHA)

Private Healthcare Australia (PHA) is the Australian private health insurance industry's peak representative body. We have 22 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 14.8 million Australians.

Introduction

Overseas students' health cover (OSHC) offers excellent value. It gives overseas students and their families access to one of the best health systems in the world at a fraction of the cost borne by citizens through taxes and additional private health insurance. This in turn bolsters Australia's reputation as a high-quality destination for education and helps protect one of Australia's largest export industries.

However, the deed governing OSHC is outdated and needs to be improved. Pressure on healthcare costs is growing rapidly, and changing demographics within the student population is putting further pressure on premiums. In addition, there are instances of predatory pricing in the industry (including from state governments) which threaten stability and viability.

As outlined in the Department's OSHC Reforms Issues Paper published in 2022, health funds are losing money in providing OSHC. This must change to ensure health funds have an incentive to operate in this space. We need a fairer system that works for students and balances premium affordability with 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.

Response

In response to the Department's 2024 Issues Paper, PHA:

- Supports publication of product information on the privatehealth.gov.au website using templates similar to Private Health Insurance Statements to allow consumers to more easily compare coverage. However, health funds should be given at least a years' notice for implementation, and they should only have to provide Private Health Information Statements once for each product, not every year as required under the PHI Act for complying health insurance products. This will help health funds reduce administrative costs that impact premiums.
- Supports caps on payments by insurers to third party agents for non-healthcare services as this may reduce the cost of these services to consumers. However, again, health funds require at least one years' notice for implementation.

Waiting periods for pregnancy related care

PHA supports access to safe, reproductive healthcare for everybody. However, the proposal to remove or reduce waiting periods for pregnancy related care will dramatically alter the risk profile of OSHC consumers and increase costs. Modelling by some PHA member health funds predicts this will increase premiums by at least 10%.

Measures that will help health funds manage these additional risks and cost of claims include:

- An approach that allows waiting periods to be reduced for policies with a duration of two or more years to help health funds manage risk and spread the cost over a longer period.
- Introduction of limited risk rating.
- Introduction of 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, 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.

Health costs are rising, and most experts expect the pressure on costs to intensify. Public hospitals are struggling with unprecedented waiting lists 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 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.

Conclusion

OSHC is a vital service supporting a large export industry for Australia. It provides great value to hundreds of thousands of people choosing to study in Australia each year, but it is struggling under the pressure of design flaws. The proposed changes to waiting periods for pregnancy related care will require a combination of measures to relieve pressure on the entire system. These changes will be critical to the viability of the OSHC program and the people and industry it supports.