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

Implementing new regulation of private health insurance premiums

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About Private Healthcare Australia

Private Healthcare Australia (PHA) is the Australian private health insurance industry's peak representative body. We have more than 20 registered health funds throughout Australia as members and collectively represent 99% of people covered by private health insurance. PHA member funds provide healthcare benefits for more than 15 million Australians.

Introduction

Private Healthcare Australia welcomes the opportunity to provide feedback for the proposed Rules supporting the Health Legislation Amendment (Improving Choice and Transparency for Private Health Consumers) Bill 2026 (the Bill).

Our feedback is predicated on the Bill passing as introduced to Parliament in February. PHA has recommended to Members and Senators that the Bill be passed without amendment.

The proposed Rules are highly significant for private health funds. If designed well, they will ensure the new legislative requirements protect consumers while enabling funds to bring new products to market quickly and efficiently, supporting affordability and promoting competition. However, if the Rules are overly onerous, both health funds and the Department risk becoming mired in complex approval processes that increase costs for consumers, stifle innovation, and undermine consumer confidence. There is also a risk that, if it's too hard to difficult to make necessary changes to products, funds may be inadvertently incentivised to withdraw products from the market. As such, these changes carry considerable risk for both health funds and the Department.

PHA welcomes the Department's collaborative approach and will work constructively to ensure the Department and health funds remain cognisant of the key issues, administrative pathways, and the potential costs and benefits of the various proposals. Ongoing engagement – including meetings, phone discussions, email correspondence, and other consultation between the Department, PHA and member health funds – has already strengthened mutual understanding. We look forward to this collaborative approach continuing as the Rules are further developed.

Background

The Bill has been introduced by the government to support Australians to make more informed decisions about their health care and private health insurance. It aims to provide greater transparency around individual medical practitioner fees and out-of-pocket costs, and to address a loophole that allowed private health insurers to close a product and re-open an identical one at a higher price or reduce the value of a product without appropriate ministerial scrutiny.

The proposed Rules go to the second part of the Bill, which further regulate private health insurance premiums. The amended Act will require private health insurers to apply to the Minister for Health, Disability and Ageing (the Minister) for approval of the premiums for new products and certain changes to existing products ('designated changes').

This is in addition to existing requirements for approval of premium changes to existing products.

Response

PHA broadly supports the Department's proposed direction that the Rules adopt a 'light touch' regulatory approach while safeguarding consumer interests. We set out a number of recommendations and suggestions below to help operationalise this intent.

In developing these recommendations, PHA has applied a strong consumer lens, representing more than 15 million Australians with private health insurance. In some instances, this may require a degree of flexibility from both the Department and health funds to ensure consumers' interests remain paramount.

The designated changes

PHA supports the proposed list of designated changes and supports the exclusions from the proposed list as per Attachment C of the consultation paper. There are some additional points we ask the Department to consider.

Thresholds

Public interest is not served by assessing minor changes that do not meet a threshold of materiality. PHA recommends the Rules define designated changes as changes that would appear on a Private Health Information Statement (PHIS). The PHIS is the established, legislated mechanism for identifying changes that are material to consumers' understanding of coverage, cost and comparability. Insurers already have mature compliance processes for PHIS changes, providing clarity, consistency and consumer protection through disclosure and notification obligations. Aligning designated changes with PHIS reportable changes ensures Ministerial oversight is targeted, proportionate and focused on matters that genuinely affect consumers.

Changes to schedules

With changes to benefits payable for extras (11 and 12), there are occasionally changes to treatment schedules which may necessitate changes to benefits. PHA has been systematically working with allied health and dental organisations to modernise these schedules – many have not been reviewed or updated in many years. The Department has been supportive of these revision programs.

General treatment benefit schedules are owned by Private Healthcare Australia, however the largest and most complex schedule is owned and operated by the Australian Dental Association (ADA). The ADA schedule is due to be amended over coming months and will include changes that will necessitate changes to benefits or claims limits. The volume and substance of changes recommended by the ADA is likely to require some benefits to be reduced or claims limits introduced – for example, the ADA is proposing that some items no longer be able to be claimed together.

PHA recommends the Department consider how these changes can be accommodated within the proposed Rules, or if the proposed Rules may need to be amended to allow for changes to schedules.

Changes to linked government policies

Many health insurance rebates for medicines and immunisations include copayments linked to government thresholds. When governments change these thresholds, health funds do the same to ensure consumers have consistency between the government-funded and privately insured schemes. There are other areas where government actions may result in changes to benefits and/or claims limits, such as amendments to the Prescribed List of Medical Devices and Human Tissue Products (the PL).

When government makes changes to the copayment thresholds or the coverage required by health funds, most health funds will be required to seek approval for subsequent changes under the proposed Rules for hundreds of insurance products.

Reasonability Rules

Health funds have provided examples where they have invoked reasonability rules that have resulted in services limits being introduced (14). Generally, these changes have been made to address fraud or abuse. PHA asks the Department to consider if invoking reasonability rules may trigger applications for changes outside of Premium Round. If so, this may significantly increase the risk to health funds and their customers of fraud.

PHA recommends funds be allowed to introduce service limits in response to suspected fraud and/or abuse under that fund's reasonability rules. To ensure accountability, PHA recommends any fund doing so should write to the Department to advise of this action, allowing the Department to seek an amendment application if they feel the fund's actions are unreasonable and need to be assessed under the proposed Rules.

Implementation dates

The Rules envisage changes to health insurance products will predominantly be made with effect from 1 April in each year, in line with premium changes. While this approach has the benefits of simplicity and consistency, it has the risk of disadvantaging consumers in two respects.

For extras benefits, there are often rollover provisions on either 1 January or 1 July each year. Many health funds seek to make any changes to extras products on these dates. This ensures consumers receive fewer communications from their health fund and reduces confusion around cover limits. Changes to cover limits that are not linked to benefit rollovers have the potential to provide confusion as to which limits apply.

In addition, every change to cover – good, bad or indifferent – generates a level of queries from customers to their health fund. Requiring every product change to occur on the same date will put undue and unnecessary pressure on health funds' customer response teams and may lead to consumers waiting longer on hold for a staff member to address their query. Alternatively, insurers will be required to resource for peak activity rather than normal customer contact levels. Recruiting and training staff for short-lived peaks is costly and inefficient. Allowing different implementation dates for new products assessed during Premium Round will mitigate these risks.

PHA recommends the Rules allow for product changes assessed during Premium Round to be launched at any time during the year, as nominated by the health fund. We note this would require

funds to project benefit changes up to 14 months in advance, which may be unrealistic for some health funds and result in out-of-round assessments.

Date of effect and notice periods

The Bill does not provide health insurers with clarity on approval timeframes, nor does the proposed Rules. PHA recommends the Department provide a target timeframe in the Rules for insurers to better plan implementation (including modelling, system changes, customer communications and staff training) in an efficient and cost-effective way. PHA also recommends the Department regularly report its response time to the industry through the weekly email, along with commentary on the volume and quality of applications submitted.

While insurers may propose an effective date of a designated change, any delay in Ministerial approval will compress the amount of notice consumers are given prior to the effective date. This creates tension with the Private Health Insurance Act requirement to provide reasonable notice of detrimental changes, and the PHA Code of Conduct, which recommends 60 days' notice for significant detrimental changes.

The proposed Rules will not allow for 60 days' notice, so PHA will need to amend its Code of Conduct to maintain consistency with the legislation.

Restricted (bespoke) products

Health funds often tailor specific, small scale, restricted products for corporate customers to offer to their employees. These products are bespoke and not offered for general sale. The timing of these corporate deals is not predictable.

These restricted, bespoke products are not considered in the consultation paper. They are a small, but significant, section of the market that the Department will need to consider for assessment outside of the Premium Round process.

Ensuring transparency

The Department seeks significant transparency from health funds and should be willing to meet similar standards. PHA recommends the Department provide target response times for applications. PHA also recommends the Department regularly report to the industry through the weekly email regarding the response times, along with commentary on the volume and quality of applications.

As health funds and the Department gain experience with these new requirements, the industry would benefit from clear, overarching guidance from the Department on how public interest is being assessed outside of Premium Round. This would help improve the quality of applications and assist funds in determining how best to apply.

Changes that will affect many products across many funds

Where there is a change that is likely to apply to many funds or many products, PHA recommends the Rules allow the industry body to notify the change to the Department. The examples highlighted above, including changes to schedules or linked copayments, would fit this category. If necessary,

the Department could ask for individual funds to provide a schedule with the detailed changes, rather than requiring every fund to make an application for each affected product.

Reducing administrative complexity

The processes to introduce or amend a health insurance product requires extensive work with multiple assurance activities. The Regulatory Impact Assessment statement suggests that funds dedicate 20 hours per application. This is a significant underestimate for many funds' applications. Further, several smaller funds do not have an internal actuary or actuarial team and need to invest in external actuarial support.

PHA recognises the Department has sought to minimise the number of designated changes requiring approval outside of the premium round. Some of the designated changes are significant for consumers, but fairly simple. In these cases, the Department may not require health funds to go to the expense of providing an actuarial report as part of the application process.

The Department's consultation paper notes insurers need to include a succinct statement explaining the reasoning behind the changes to a product (and its sub-groups) and the overall benefit and value of the changed product(s). PHA recommends the Department not require a full actuarial opinion where this succinct statement adequately explains the reasoning for the proposed change, while reserving the right to ask for actuarial opinion if required.

The proposed out-of-round application requirements would benefit from being more proportionate to the scale and risk of the change being requested. Streamlining forms and limiting portfolio-wide analysis to cases where it is relevant would reduce cost and admin burden on all sides. PHA member funds will be able to provide further advice on the content of the proposed forms to reduce administrative complexity.

Conclusion

PHA has been pleased with the Department's approach to consultation on these Rules, noting this Bill envisages new regulatory territory for government. We look forward to continuing to work with member funds to provide advice on the proposed Rules. We ask to be consulted further if the Department is considering introducing new designated changes, including those identified as not currently being proposed as a designated change in Attachment C. As these Rules provide significant risk for the industry and for government, we also ask for an opportunity to consider the drafting instructions for the Rules, and the draft Rules, prior to gazetting to providing further advice to government.