



PHI Reform delivers value to Australians young and old

Australian health funds have demonstrated their commitment to improving the affordability and value of private health insurance for their members. Health funds have worked together with the Federal Government and private health stakeholders for close to two years to deliver a package of reforms aimed at putting downward pressure on premiums, and making it easier for consumers to choose and use their health insurance.

Prostheses List benefits reductions \$300m over two years

PHA Chief Executive, Dr Rachel David said the Government's decision to further reform Prostheses List pricing arrangements guaranteed consumers would benefit. Health funds have pledged all savings made by reducing inflated prostheses list benefits will be passed on to consumers in the next premium rounds announced April 2018 and April 2019. This process started last year, with an average premium increase of 4.8%, the lowest in a decade. PL reform is the most effective short term measure to achieve downward pressure on premiums.

"Current 'Prostheses List' regulations have forced health funds to pay benefits for medical devices 2-5 times higher than the price charged for the same device to public patients, and in equivalent countries around the world. This has put direct upward pressure on health fund premiums, as the cost of this area has been growing exponentially. For example, a PHA member fund recently reported that the insertion of a cardiac defibrillator (without complication) in a private hospital setting cost \$55,000 for the prostheses component while an identical procedure (without complication) in a public hospital setting cost \$15,000 using the same prostheses," she said.

"Addressing market failures in the medical device supply chain has been a major priority for health funds on behalf of their members. The Federal Government should be commended for tackling the corruption, rorts and kickbacks that over time became a feature of this system, leading to poor outcomes for consumers in terms of both cost and safety."

Lifetime Health Cover discount

Dr David said the Government's agreement to adopt a "reverse Lifetime Health Cover" policy would be a major factor in addressing membership rates, and improving participation and affordability.

"Health funds want to offer customers discounted premiums as an incentive to take out cover in their 20s. Premiums will be reduced by 2 per cent a year, capped at 10 per cent after five years. Health funds need to do more to attract younger members and offering discounts to young Australians would be acceptable to the broader community. Young, healthy Australians who have lower cost claims often cross subsidise the sick and elderly who make claims more frequently. Under our system of community rating, this helps to keep premiums lower for everyone and can also reduce pressure on the public health system.

"Market research undertaken in September 2017 (IPSOS n= 1700) has shown there is pent-up demand for private health insurance in people aged under 30, however this is also the age group most likely to be dealing with housing affordability, education and energy costs at the same time. The LHC discount will help put private health cover in the reach of younger people. People aged under 30 are particularly conscious of the need for preventative dental care, treatment of sports injuries and cover for mental health problems treated in hospital. These are all things which are difficult to access without private health insurance," said Dr David.



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Gold/Silver/Bronze/Basic + mental health safety net, standardised clinical terminology, PHIO website

“Health funds have invested a considerable amount of time and money in ensuring new policies are effective in helping people choose and use their health insurance. PHA has worked with the Government on its product classification to ‘Gold/Silver/Bronze/Basic’ with a focus on reducing complexity and simplifying consumer choice, and keep pressure off premiums.

“The retention of the ‘Basic’ level of cover recognises there has always been a group of people who have selected this affordable level of cover because they have a particular specialist who treats them for a chronic condition in a public hospital. It would be unfair and inappropriate to expect these people to pay at least 16% more for services and treatments they will never use. There is also a younger group of people who are at low risk of hospital care, who select low-cost products as an entry-level option to avoid the Medicare Levy Surcharge and the Lifetime Health Cover loading which starts after age 30. Most of these people upgrade their cover when their personal circumstances change, and it would also be unfair to force them to pay for more services than they need.

“The most important thing is consumers know what they are buying, and that their policy of choice is not only affordable, but meets their health and life stage needs. This is the core objective of this PHI reform package.

“In recognition of the fact many people find it difficult to assess their own risk of developing a mental health problem, health funds will introduce a mental health safety net for people with low-cost policies who are unexpectedly admitted to hospital for a serious mental health condition. This will give them a one-off opportunity to upgrade their cover, and have their hospital stay fully covered without a waiting period on lower benefits.

“PHA supports the introduction of standard clinical terminology so consumers can compare ‘apples with apples’ and better navigate the system at the point of purchasing a health insurance policy. We also welcome the proposed upgrade of the Private Health Insurance Ombudsman’s website www.privatehealth.gov.au to provide consumers with an independent source of advice about choosing an appropriate policy.”

Dr David said other reform measures including the introduction of a “**rural health product**” permitting health funds to offer travel and accommodation benefits under hospital cover would enhance the value proposition of private health insurance for people living in rural and remote areas. Likewise, policy measures to **lift the cap on the excess** available from \$500/\$1000 to \$750/\$1500 and recognise more mainstream **natural therapies** in general treatment policies will enhance consumer choice and improve value for money.

She said health funds recognised that complexities had developed in the sector over time and have been committed to working with government and stakeholders through the PHI reform process to improve the customer experience.

“Today’s announcement is a major step in ensuring the sustainability of Australia’s highly regarded mixed private-public health system, by improving the value proposition for people at all stages of life. 84% of Australians with private health insurance value the product and want to keep it, however their main concern is affordability.



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“There are 13.5 million Australians with private health insurance and almost half of them have an annual income of less than \$50 000. The measures announced by the Government with cooperation from industry and other stakeholders will go a long way towards addressing consumer concerns. Other central policy measures such as the PHI rebate allow a greater proportion of the population to access private health care, which benefits the wider community by reducing waiting times in public hospitals, which would be significantly higher without it.

“Keeping private health sustainable and premiums affordable ultimately benefits all Australians by keeping pressure off the public hospital system,” said Dr David.

Private Healthcare Australia is the peak representative body for Australia’s private health insurance industry. PHA represents 20 Australian health funds with a combined membership of 12.9 million Australians, or 96% of the sector on membership. Promoting the value of private health insurance to consumers in the Australian economy and keeping premiums affordable for our members is the number one priority of PHA members. PHA’s CEO Dr Rachel David is available for interview.

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