

## **Barton Deakin Brief: Private Health Insurance Reform**

16 October 2017

On Friday, the Minister for Health, the Honourable Greg Hunt MP announced a series of reforms that will affect Australia's private health industry. The reforms will simplify access to private health insurance and are designed to ease cost pressures on health insurers and consumers.

This Barton Deakin Brief will explain the reform package and its implications for industry.

### **Discount Hospital Insurance Premiums**

The Government has announced that it will allow insurers to discount hospital insurance premiums for 18 to 29 year olds by up to 10 per cent. Insurers will be able to offer premium discounts on hospital cover of up to two per cent for each year that a person is aged under 30. These discounts will be gradually phased out once a policy holder turns 40.

### **Medical Devices**

The Government has entered into an agreement with the Medical Technology Association of Australia to lower the price of implanted medical devices from 1 February 2018, with an eye to lowering the cost pressures that are imputed in the premiums passed onto consumers.

The 2018 round of benefit reductions is estimated to save private health insurers \$188 million on prostheses expenditure in the 2018 premium year, and further reductions to some devices' benefits will also occur on 1 February 2019 and 1 February 2020.

This reform comes after extensive consultation with the medical device industry, with a compact to support sponsors and suppliers of medical devices by committing to maintain Prostheses List benefits for a period of four years and implementing process improvements. These include:

- Improving time to market by reducing the evidence requirements for some devices and increasing listings on the Prostheses List from two to three times a year;
- Assessing the expansion of the Prostheses List to include non-implantable devices such as high-cost cardiac catheters;
- Continuing the reforms under the [Prostheses List Advisory Committee's](#) (PLAC) reform work with major reforms to commence from 1 February 2022; and
- Establishing a \$30 million med-tech and biotech grants program for small to medium size enterprises (SMEs) and researchers who partner with SMEs for activities that support the development of new and innovative device technologies, clinical trials and associated registries, researcher exchanges and workforce development.

To view the revised Prothesis List, click [here](#).



## **Higher Excesses in Exchange for Lower Premiums**

The Government has also reformed the policy setting that will allow an increase to the maximum excess consumers can choose under their health insurance policies. Maximum permitted excesses for private hospital insurance will be increased from \$500 to \$750 for singles and from \$1,000 to \$1,500 for couples/families. Private health insurers will be permitted to offer products with the new higher excesses from 1 April 2019.

## **Health Insurance Product Categorisation & Standardised Clinical Definitions**

The Government has pledged to provide \$2.5m in funding over three years support the development of a program to “simplify private health insurance by requiring insurers to categorise products as gold/silver/bronze/basic”. This will be aided by using standardised definitions for treatments in order to provide greater clarification for consumers taking out health insurance policies. This arrangement will take effect from 1 April 2019 and the minimum requirements for each category of cover will be finalised during 2017–18 in consultation with industry and the [Private Health Ministerial Advisory Committee](#).

## **Private Hospitals**

The Government will continue to support private hospitals by transferring the administration of the second tier default benefit, which provides a safety net for consumers attending non-contracted hospitals, to the Department of Health.

The Government is consulting with the community on options to better support patient access to public hospitals. Options related to privately insured patients in public hospitals will be discussed with jurisdictions as part of the negotiations for the next National Health Agreement.

## **Removing Coverage for Natural Therapies**

Following a [review](#) undertaken by the former Commonwealth Chief Medical Officer, the reforms will also remove coverage for some natural therapies including the Alexander technique, aromatherapy, Bowen therapy, Buteyko, Feldenkrais, herbalism, homeopathy, iridology, kinesiology, naturopathy, Pilates, reflexology, Rolfing, shiatsu, tai chi, and yoga. Consumers can still choose to access these services, but they will not be able to claim benefits from their insurer.

## **Expert Committee on Addressing Low Value Care**

Later in 2017, the Government will establish an Expert Committee on Addressing Low Value Care to advise on options to eliminate or replace admitted mental health and rehabilitation services which deliver low value or inefficient care. The Committee will comprise consumers, clinical experts and representatives from the health insurance and private hospital sectors

## **Oversight**

The Government will enhance the powers of the [Private Health Insurance Ombudsman](#) and increasing its resources to ensure consumer complaints are resolved faster. The Ombudsman will be



able to conduct inspections and audits of private health insurers to ensure they meet their regulatory obligations in relation to private health consumers.

### **Mental Health Treatment**

Existing customers with hospital insurance not covering mental health treatment will be able to upgrade their cover and access mental health services without a waiting period on a once-off basis and will remove 'benefit limitation periods' included in some mental health cover policies.

Further to this, the Government has announced that a committee will be established to review funding methodologies for rehabilitation care and day-only mental health care for the purposes of encouraging efficient operating models in the insurance industry.

### **Timetable of Reform Implementation**

| <b>Date</b>                      | <b>Action</b>   |
|----------------------------------|---|
| <b>October 2017</b>              | Prostheses Rules made reducing benefits by \$188 million annually from 2018 and further \$115 million in 2020.  |
| <b>November to December 2017</b> | Establish advisory committees on: <ul style="list-style-type: none"><li>• Mental health care and rehabilitation care</li><li>• Transparency of out-of-pocket costs.</li></ul> Mental health waiting period Rules made.  |
| <b>February 2018</b>             | Reduced prostheses benefits come into effect.   |
| <b>March 2018</b>                | Legislation introduced to Parliament to support: <ul style="list-style-type: none"><li>• Regional and rural travel and accommodation benefits</li><li>• Discounts for young people</li><li>• Increased excesses</li><li>• Increased PHIO powers</li><li>• Changes to standard information provision</li><li>• Cost recovery for second tier eligibility.</li></ul>    |
| <b>April 2018</b>                | Mental health waiting period Rules come into effect.  |
| <b>June 2018</b>                 | Legislation passed.<br>Rules made to: <ul style="list-style-type: none"><li>• Give effect to Gold/Silver/Bronze/Basic and standardised clinical definitions</li><li>• Remove benefits for natural therapies</li><li>• Set detailed framework for second tier eligibility</li><li>• Increase Complaints Levy funding the Private Health Insurance Ombudsman.</li></ul> |
| <b>October to December 2018</b>  | Advice to government from advisory committees on mental health care and rehabilitation care and transparency of out-of-pocket costs received.   |
| <b>January 2019</b>              | New second tier administrative arrangements begin.  |
| <b>April 2019</b>                | Upgraded privatehealth.gov.au begins.   |



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|----------------------|--|
|                      | Gold/Silver/Bronze/Basic and standardised clinical definitions begin to operate.<br>Insurers can offer: <ul style="list-style-type: none"><li>• Discounts for young people</li><li>• Increased excesses</li><li>• But can no longer offer benefits for natural therapies</li></ul> |
| <b>February 2020</b> | Second tranche of reduced prostheses benefits come into effect.<br>Establish clinical definitions review committee.  |

### Further Information

To read Minister Greg Hunt's press release, click [here](#).

To read the Department of Health's fact sheet on the Private Health Insurance reforms, click [here](#).

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