

Outcome 6

PRIVATE HEALTH

Improved choice in health services by supporting affordable quality private health care, including through private health insurance rebates and a regulatory framework

Outcome Strategy

The Australian Government, through Outcome 6, aims to promote affordable quality private health insurance, and provide more choices for consumers. This will help improve the sustainability of the health system as a whole.

The Government is committed to ensuring that Australians can access private health insurance through a viable and cost-effective private health industry. The Government will encourage and support individuals and families to purchase private health insurance and is committed to restoring the Australian Government Rebate on private health insurance when fiscal circumstances allow. In line with the Government's approach to fiscal responsibility and sustainability, the income tier thresholds applying to the rebate will remain at 2014-15 levels until 1 July 2018.

The Government will implement reforms to cut regulatory red tape, including for prostheses sponsors, and ensure a fair reimbursement framework for surgically implanted prostheses remains in place.

In line with its commitment to reducing red tape, the Australian Government will review the private health insurance regulatory framework to ensure it does not place an unnecessary regulatory burden on providers, while ensuring consumer and health system needs are protected. To remove duplication and reduce impost on industry, the functions of the Private Health Insurance Administration Council (PHIAC) will be transferred to the Australian Prudential Regulation Authority (APRA) and the Department of Health by 1 July 2015, with a view to closing the agency. Further information can be found within the PHIAC chapter of these Portfolio Budget Statements. Similarly, the responsibilities of the Private Health Insurance Ombudsman (PHIO) will be transferred to the Office of the Commonwealth Ombudsman by 1 July 2015. Further information can be found in the PHIO chapter of these Portfolio Budget Statements.

Outcome 6 is the responsibility of Medical Benefits Division.

Programmes Contributing to Outcome 6

Programme 6.1: Private Health Insurance

Outcome 6 Budgeted Expenses and Resources

Table 6.1 provides an overview of the total expenses for Outcome 6 by Programme.

Table 6.1: Budgeted Expenses and Resources for Outcome 6

	2013-14 Estimated actual \$'000	2014-15 Estimated expenses \$'000
Programme 6.1: Private health insurance		
Administered expenses		
Ordinary annual services (Appropriation Bill No. 1)	5,247	2,247
Special appropriations		
<i>Private Health Insurance Act 2007</i>		
- private health insurance rebate	5,529,862	5,788,508
- risk equalisation trust fund	455,241	504,376
- council administration levy	6,590	6,768
Departmental expenses		
Departmental appropriation ¹	13,169	13,683
Expenses not requiring appropriation in the budget year ²	887	870
Total for Programme 6.1	6,010,996	6,316,452
Outcome 6 totals by appropriation type:		
Administered expenses		
Ordinary annual services (Appropriation Bill No. 1)	5,247	2,247
Special appropriations	5,991,693	6,299,652
Departmental expenses		
Departmental appropriation ¹	13,169	13,683
Expenses not requiring appropriation in the budget year ²	887	870
Total expenses for Outcome 6	6,010,996	6,316,452
	2013-14	2014-15
Average staffing level (number)	75	77

- 1 Departmental appropriation combines "Ordinary annual services (Appropriation Bill No 1)" and "Revenue from independent sources (s31)".
- 2 Expenses not requiring appropriation in the Budget year is made up of depreciation expense, amortisation expense, make good expense and audit fees.

Programme 6.1: Private Health Insurance

Programme Objectives

The private health insurance rebate

The private health insurance rebate helps make private health insurance more affordable, provides greater choice and accessibility for Australians to access private health care options, and reduces pressure on the public hospital system.

Promote an affordable and sustainable private health insurance sector

An efficient, competitive private health insurance industry is vital to supporting consumer choice. The Australian Government will develop options for improvements to premium setting to drive competition and deliver strong consumer protections. The Department publishes information about the premium approval process annually¹, including average premium increases for individual insurers.

Improve access to surgically implanted prostheses through private health insurance

The Government will revise the prostheses reimbursement framework to ensure private health insurance expenditure is directed to clinically appropriate and cost-effective prostheses. The evidence-based processes for listing new prostheses and for reviewing listed prostheses will be refined to enhance public confidence in the process and improve outcomes. The Department is developing an online system for submitting and processing applications to list prostheses and will consult with stakeholders on ways to improve prostheses list arrangements to achieve cost-effective and clinically appropriate outcomes.

Ensure the Australian Government rebate on private health insurance covers clinically proven treatments

The review of natural therapies is due for completion in 2014-15. The review, overseen by the Chief Medical Officer, is examining the evidence of the clinical efficacy, cost-effectiveness, safety and quality of in scope therapies that currently attract the Australian Government rebate on private health insurance. The Department is working with the National Health and Medical Research Council and the Natural Therapies Review Advisory Committee to complete a full evidence-based review.

¹ Further information available at: [Department of Health website](#)

Programme 6.1 is linked as follows:

- The Department of Human Services (Services to the Community – Programme 1.2) to administer Lifetime Health Cover mail out and the private health insurance rebate.

Programme 6.1: Expenses

Table 6.2: Programme Expenses

	2013-14 Estimated actual \$'000	2014-15 Budget \$'000	2015-16 Forward Year 1 \$'000	2016-17 Forward Year 2 \$'000	2017-18 Forward Year 3 \$'000
Annual administered expenses					
Ordinary annual services	5,247	2,247	2,247	2,247	2,247
Special appropriations					
<i>Private Health Insurance Act 2007</i>					
- private health insurance rebate	5,529,862	5,788,508	5,999,198	6,250,290	6,504,143
- risk equalisation trust fund	455,241	504,376	557,080	613,372	673,240
- council administration levy	6,590	6,768	6,974	7,186	7,404
Programme support	14,056	14,553	13,846	13,624	13,881
Total Programme 6.1 expenses	6,010,996	6,316,452	6,579,345	6,886,719	7,200,915

Programme 6.1: Deliverables

Qualitative Deliverables for Programme 6.1

The private health insurance rebate

Qualitative Deliverable	2014-15 Reference Point or Target
Consultation with stakeholders on ways to ensure that the private health insurance rebate is communicated and delivered through private health insurance products	Ongoing stakeholder discussions to assist in the timeliness and streamlining of processes to enable consistent advice to consumers

Improve access to surgically implanted prostheses through private health insurance

Qualitative Deliverable	2014-15 Reference Point or Target
Ensure consumers have access to cost-effective surgically implanted prostheses under the prostheses list	Prostheses listing arrangements are streamlined for all stakeholders and consumers have access to clinically appropriate and cost-effective surgically implanted prostheses with a group benefit ²

Quantitative Deliverables for Programme 6.1

The private health insurance rebate

Quantitative Deliverable	2013-14 Revised Budget	2014-15 Budget Target	2015-16 Forward Year 1	2016-17 Forward Year 2	2017-18 Forward Year 3
Percentage of insurers' average premium increases publicly released in a timely manner	100%	100%	100%	100%	100%

² Group benefit is the reimbursement price (benefit) paid for all products listed in a specific group on the Prostheses List.

Programme 6.1: Key Performance Indicators

Quantitative Key Performance Indicators for Programme 6.1

Promote an affordable and sustainable private health insurance sector

Quantitative Indicator	2013-14 Revised Budget	2014-15 Budget Target	2015-16 Forward Year 1	2016-17 Forward Year 2	2017-18 Forward Year 3
Increase the number of people covered by private health insurance hospital treatment cover	10.3m	10.5m	10.7m	10.9m	11.1m

Improve access to surgically implanted prostheses through private health insurance

Quantitative Indicator	2013-14 Revised Budget	2014-15 Budget Target	2015-16 Forward Year 1	2016-17 Forward Year 2	2017-18 Forward Year 3
Percentage of applications to list devices on the Prostheses List completed ³ within 22 weeks	N/A	85%	86%	87%	88%

³ 'Completed' to be interpreted as a decision taken to: 1) recommend to list, or 2) recommend not to list, or 3) recommend to be deferred.