

Outcome 9

Private Health

A viable private health industry to improve the choice of health services for Australians

OUTCOME SUMMARY – THE YEAR AHEAD

Under this outcome, the Government aims to provide Australians with access to cost-effective and high quality health care services by regulating and subsidising the private health insurance sector.

Key Strategic Directions for 2006-07

During 2006-07, the Australian Government will:

- in consultation with stakeholders, implement options to improve the value and sustainability of private health insurance, including new risk equalisation arrangements;
- introduce requirements for health funds to provide standard product information to address the confusion consumers often experience when trying to compare private health insurance products. This action will be supported by the provision of funding to the Private Health Insurance Ombudsman for the creation of a website that will enable consumers to make better product comparisons;
- undertake legislative reform the aim of which is to ensure that the regulation governing private health insurance arrangements is the minimum necessary to achieve the Government's objectives and protect the public interest;
- conduct at least one further Consumer Survey to assess the degree to which the incidence of the provision of informed financial consent has improved since the last survey conducted in late 2004;
- examine measures to address the incidence and amount of medical gaps; and
- consider the recommendations of the review of the operation of the 35 per cent and 40 per cent rebates for older Australians.

Major Activities

Options to improve the value and sustainability of private health insurance

The Department will be working closely with stakeholders on the implementation of a number of changes aimed at encouraging greater private health insurance industry efficiency, competitiveness and responsiveness to consumer needs. This includes the preparation of legislation to support the introduction of a broadened health insurance product to allow funds to pay benefits for preventive services and services provided in the community that substitute, are part of, or prevent hospital treatment. Another change that will form part of the legislative package will be amendments to remove Lifetime Health Cover loadings for those people who have held private health insurance with a loading for ten years continuously.

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The Department will also work with the new Commission of Safety and Quality to develop uniform safety and quality standards to ensure all privately insured services are provided by suitably qualified health professionals and/or accredited facilities.

Following a review in 2005-06, the Government agreed to implement changes to the risk equalisation arrangements. Risk equalisation protects community rating by sharing financial risk between funds. The new arrangements will improve risk sharing and protect small funds from catastrophic claims. Under the new arrangements single parent families will be treated as single equivalent units. They are currently classified the same way as two parent families.

Consumer Awareness

The Department will work with industry and consumer representatives and the Private Health Insurance Ombudsman to develop and then market test standard product information and an industry based website that will allow consumers to directly compare private health insurance products.

A direct mailing by Medicare Australia of information to consumers about to incur a Lifetime Health Cover loading will begin in April 2007. The Department will work with Medicare Australia to develop this material. To assist consumers to better understand the benefits of private health insurance and the changes to be introduced, a general communication campaign will be undertaken in 2007.

Legislative changes

The Government is committed to providing greater choice in health care options for all Australians via an effective and efficient private health insurance industry. To ensure that the regulation of the private health insurance industry is the minimum necessary to achieve Government objectives, the Government will implement changes to the regulatory regime governing the operation of health insurance businesses in Australia. The changes will involve updating and streamlining the legislation. In particular, the legislation will be amended to focus on the regulation of products and will facilitate the introduction of an industry wide safety and quality regime where all privately insured services are offered by accredited facilities and/or suitably qualified practitioners.

The legislative changes are expected to benefit industry by increasing clarity, and reducing the compliance burden and so sovereign risk. Consumers will benefit from a more efficient industry that should be able to provide products more suited to their needs. Finally the Government should benefit from a more efficient sector and more effectively protected consumers.

Informed Financial Consent

The Government is committed to eliminating surprise gaps for people with private health insurance. In 2006-07, the Department will be working with the private health industry to improve the incidence of informed financial consent (IFC) through a range of measures principally aimed at educating medical specialists and patients.

A survey of consumers in late 2004 indicated that there was a lack of IFC and an associated gap for medical fees in 19 per cent of privately insured hospital episodes. This survey will be repeated at least once during 2006-07. If the survey does not show a substantial improvement since 2004, then the Government has indicated that it is willing to legislate to ensure that patients are informed of their likely costs in advance wherever possible, or face sanctions.

Higher Rebates for Older Australians

The Private Health Insurance Rebates improve affordability for Australians who purchase private health insurance. From 1 April 2005 the Private Health Insurance Rebate increased from 30 per cent to 35 per cent for people aged 65 to 69 years and to 40 per cent for people aged 70 years and over. The Department commenced a review of the operation of the higher rebates in early 2006. The review looked at a number of issues, including the legislative framework that supports the higher rebates, the number of people and policies affected by the higher rebates and whether the delivery of the higher rebates can be improved. The results of the review will be used in 2006-07 to assist the Department to monitor the impact of the higher rebates on older Australians.

Prostheses

A fundamental element of the evidence based arrangements for private health insurance funding of prostheses is a centralised benefit negotiation process. This process ensures that the rate of increase in expenditure on prostheses by health funds is contained, which in turn ensures that health insurance remains affordable. A new Prostheses List will be released in August 2006 with a further two Prostheses Lists to be released in 2007, providing privately insured patients with access to new products and devices. During the year, benefit levels for all products that were grandfathered onto the Prostheses List on 31 October 2005 will be renegotiated for inclusion in the August 2006 Prostheses List. In addition, reviews of spinal, vascular, urogenital and cardio-thoracic prostheses to determine their relative clinical effectiveness will be undertaken by Clinical Advisory Groups and benefits will be renegotiated for these products.

Preparation will also commence for the review of the arrangements to be undertaken after 1 July 2007.

Outcome 9 Resourcing

Table 3.1.9 shows how the 2006-07 Budget appropriations translate to total resourcing for Outcome 9, including administered expenses, revenue from government (appropriation), revenue from other sources, and the total price of outputs.

Table 3.1.9: Total resources for Outcome 9

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000
Administered appropriations		
Program 9.1: Private Health Insurance		
Appropriation Bill 1	-	8,065
<i>Private Health Insurance Incentives Act 1998</i>	3,022,659	3,161,026
Total Special Appropriations	3,022,659	3,161,026
	3,022,659	3,169,091
Total Administered Appropriations	3,022,659	3,169,091
Departmental appropriations		
Health and Ageing		
Output Group 1 - Policy Advice	4,026	5,050
Output Group 2 - Program Management	7,814	9,804
Total price from departmental outputs <i>(Total revenue from government and from other sources)</i>	11,840	14,854
Total revenue from government (appropriations) contributing to price of departmental outputs	10,662	13,559
Total revenue from other sources	1,178	1,295
Total price from departmental outputs <i>(Total revenue from government and from other sources)</i>	11,840	14,854
Total Price of Outputs for Outcome 9 <i>(Total Revenue from Government and from other sources)</i>	11,840	14,854
Total estimated resourcing for Outcome 9 <i>(Total price of outputs and administered appropriations)</i>	3,034,499	3,183,945
	2005-06	2006-07
Average staffing level (number)		
Department	62	79

Measures Affecting Outcome 9

A summary of measures affecting this outcome is provided at Table 2.2, Section 2. Measure descriptions are published in full in Budget Paper No. 2, *Budget Measures 2006-07*, available on the Australian Government website at <<http://www.budget.gov.au>>.

Contribution of Administered Programs to Outcome 9

Program 9.1: Private Health Insurance

The private health insurance rebates provide funding to individuals and families to make private health insurance more affordable by directly reducing the costs of premiums. All Australians are eligible to claim the rebates if they have an appropriate health insurance policy that provides hospital, ancillary or combined cover, and where each person covered by the policy is eligible to claim Medicare benefits. The rebates, along with other initiatives such as the Medicare Levy Surcharge and Lifetime Health Cover, help to make private health insurance more affordable and to encourage take-up of private health insurance. The contribution of the rebates to this outcome is measured by the number of people covered by private health insurance.

Contribution of Departmental Outputs to Outcome 9

The Department describes its core activities in terms of three output groups: policy advice, program management and agency-specific service delivery. Outcome 9 reports on policy advice and program management. Refer to Section 3.1 for more information on output groups.

Performance Information for Outcome 9

Performance information for administered programs, individual outputs and output groups relating to Outcome 9 are summarised in Table 3.2.9.

Table 3.2.9: Key Performance Information for Outcome 9

Performance Information for Administered Programs

Indicator	Measured by	Reference Point or Target
Administered Funding – Private Health Programs		
Maintain number of people covered by private health insurance.	Percentage change from previous year.	Maintain number of people covered (43.1% or 8.8 million people in December 2005).
Increase in the proportion of in-hospital episodes delivered to private patients in public and private hospitals.	Percentage change from previous year.	Increased proportion compared with 34% in 2003-04.
Cost: \$3,169.091m		

Performance Information for Departmental Outputs

Indicator	Measured by	Reference Point or Target
Output Group 1 – Policy Advice		
Quality, relevant and timely advice for Australian Government decision-making.	Ministerial satisfaction.	Maintain or increase from previous year.
Relevant and timely evidence-based policy research.	Production of relevant and timely evidence-based policy research.	Relevant evidence-based policy research produced in a timely manner.
Price: \$5.050m		

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Indicator	Measured by	Reference Point or Target
Output Group 2 – Program Management		
Administered budget predictions are met and actual expenses vary less than 0.5% from budgeted expenses.	Percentage that actual expenses vary from budgeted expenses.	0.5% variance from budgeted expenses.
Stakeholders to participate in program development.	Opportunities for stakeholder participation through a range of avenues, such as surveys, conferences and meetings.	Stakeholders participated in program development through (eg. surveys, conferences and meetings).
Price: \$9.804m		

Evaluations

There are no evaluations planned to be undertaken in 2006-07.

Major Reviews

Review of Prostheses Arrangements

An independent review of the prostheses arrangements will be undertaken after 1 July 2007. This review will assess the arrangements implemented from 31 October 2005, including adequacy of the current informed financial consent arrangements and the extent of out-of-pocket costs experienced by patients for clinically appropriate prostheses. The report of the review is required to be tabled in the Parliament in October 2007.

Review of Health Fund Performance Indicators

In 2004, the Government implemented a new regulatory regime for the private health insurance industry and the development of a new performance monitoring framework to report on the new system. The Department will evaluate and review the performance indicators which are used by the Minister in monitoring the operations of health funds. The purpose of the evaluation and review is to assess the operation and effectiveness of the current performance indicators and to identify and implement new performance indicators should they be required.

It is expected that this evaluation and review will be completed by the end of the 2006-07 financial year.

Increased powers for the Private Health Insurance Ombudsman

The Private Health Insurance Ombudsman (PHIO) independently investigates and resolves complaints by members about private health insurance funds. Currently the PHIO can inquire into the actions of health funds but not providers.

During 2006-07, the PHIO will be provided with additional powers to enable the effective investigation and resolution of consumer complaints about the services they receive through their private health insurance, including issues about providers. The PHIO will not intervene in

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matters of clinical care, which will remain the province of registration boards and state health care complaints commissioners. In the future, the PHIO will be able to require parties to undertake/attend mediation in consumers' interests. This will provide additional protection for consumers.

Performance Improvement Initiatives

There are no performance improvement initiatives reported under Outcome 9.

