

Outcome 9

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 | 09

Outcome Strategy

The Australian Government, through Outcome 9, aims to promote the sustainability of private health insurance and support consumer choice in health care. The Government is committed to ensuring that Australians have access to private health insurance through a viable and cost-effective private health industry. With incentives such as the private health insurance rebate, the Medicare levy surcharge and Lifetime Health Cover, the Government will continue to encourage and support individuals and families to purchase private health insurance.

The Australian Government will maintain the regulatory framework that includes obligations around community rating¹, default hospital benefit payments, maximum waiting periods, and portability.² The Government will ensure health providers benefiting from private health insurance payments meet quality requirements, including accreditation.

The Department will assess private health insurance premium applications made by private health insurers to ensure that increases are kept to the minimum necessary to meet prudential standards, and facilitate the affordability and attractiveness of private health insurance.

Outcome 9 is the responsibility of Medical Benefits Division.

Program Contributing to Outcome 9

Program 9.1: Private health insurance

¹ Community rating means that all consumers pay the same premiums for the same policy, regardless of factors including age or health status.

² Portability means that consumers have the right to transfer to a comparable level of cover for hospital treatment with another health insurer without having to re-serve waiting periods.

Outcome 9 Budgeted Expenses and Resources

Table 9.1: Budgeted Expenses and Resources for Outcome 9

	2011-12 Estimated actual \$'000	2012-13 Estimated expenses \$'000
Program 9.1: Private health insurance		
Administered expenses		
Ordinary annual services (Appropriation Bill No. 1)	3,913	2,591
Special appropriations		
<i>Private Health Insurance Act 2007</i>	4,950,581	4,158,297
<i>Private Health Insurance Act 2007 - risk equalisation trust fund</i>	345,000	360,000
<i>Private Health Insurance Act 2007 - council administration levy</i>	5,366	6,226
Departmental expenses		
Departmental appropriation ¹	10,284	9,875
Expenses not requiring appropriation in the budget year ²	445	310
Total for Program 9.1	5,315,589	4,537,299
Outcome 9 totals by appropriation type		
Administered expenses		
Ordinary annual services (Appropriation Bill No. 1)	3,913	2,591
Special appropriations	5,300,947	4,524,523
Departmental expenses		
Departmental appropriation ¹	10,284	9,875
Expenses not requiring appropriation in the budget year ²	445	310
Total expenses for Outcome 9	5,315,589	4,537,299
	2011-12	2012-13
Average staffing level (number)	63	56

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, makegood expense and audit fees. This estimate also includes approved operating losses - please refer to the departmental financial statements in section 3 for further information.

Program 9.1: Private health insurance

Program Objectives

Ensure the sustainability of the private health insurance rebate

The Australian Government aims to make expenditure on the private health insurance rebate sustainable through the introduction of income testing of recipients, while ensuring that it continues to provide assistance to those who need it most. The Department will work with the Australian Taxation Office, the Department of Human Services and private health insurers to inform consumers and implement the changes.

Promote an affordable and sustainable private health insurance sector

The Australian Government will continue to ensure that private health insurance premium increases are kept to the minimum necessary. In 2012-13, the Department will provide advice to support the Minister to exercise powers to approve premium increases.³ The Department will continue to publish information about the premium approval process including average premium increases for individual insurers.⁴

Improve access to prostheses through private health insurance

The Australian Government is implementing a fair and equitable prostheses reimbursement framework to ensure private health insurance expenditure is directed to clinically and cost-effective prostheses with minimal co-payments for patients. During 2012-13, the Department will implement the final part of recommendations from the *Review of Health Technology Assessment in Australia* (HTA Review) (December 2009), improving prostheses listing arrangements, increasing patient choice and ensuring value for money and patient safety. It will build on work in 2011-12 where 90 per cent of prostheses items were listed on a no-gap arrangement. In 2012-13, the Department will also consult with stakeholders regarding the appropriate process for identifying prostheses with unacceptably high revision rates for removal from the Prostheses List.

Improve information for consumers

The Government requires all private health insurers to prepare a Standard Information Statement (SIS) providing details on premiums, waiting periods, exclusions and limitations, excesses and co-payments and hospital and medical gaps, to allow consumers to compare policies. In 2012-13, the Department, in collaboration with the Private Health Insurance Ombudsman (PHIO), will continue to ensure SISs provide consumers with the information necessary to make informed choices regarding private health insurance products.

The Department will conduct the annual Lifetime Health Cover (LHC) mail-out about LHC loadings on private health insurance premiums to people turning 31 years of age and new migrants. This aims to reduce the risk of people being disadvantaged through lack of awareness of the LHC legislation.

³ These powers are provided by Section 66-10 of the Private Health Insurance Act 2007.

⁴ Available at: <www.health.gov.au/internet/main/publishing.nsf/Content/private-1>.

Ensure private health insurance covers clinically proven treatments

During 2012-13, the Department will review ‘natural therapies’ to identify services that are not underpinned by a robust evidence base and for which the private health insurance rebate should be withdrawn.

Program 9.1 is linked as follows:

- The Department of Human Services (Medicare Australia – Program 1.1) to administer Lifetime Health Cover mail-out and the private health insurance rebate.

Program 9.1 Expenses

Table 9.2: Program Expenses

	2011-12 Estimated actual \$'000	2012-13 Budget \$'000	2013-14 Forward year 1 \$'000	2014-15 Forward year 2 \$'000	2015-16 Forward year 3 \$'000
Annual administered expenses					
Ordinary annual services	3,913	2,591	1,807	1,807	1,807
Special appropriations					
<i>Private Health Insurance Act 2007</i>	4,950,581	4,158,297	4,145,184	4,142,348	4,142,211
<i>Private Health Insurance Act 2007 - risk equalisation trust fund</i>	345,000	360,000	385,000	410,000	445,000
<i>Private Health Insurance Act 2007 - council administration levy</i>	5,366	6,226	6,370	6,687	6,820
Program support	10,729	10,185	10,114	9,900	9,972
Total Program 9.1 expenses	5,315,589	4,537,299	4,548,475	4,570,742	4,605,810

Program 9.1: Deliverables⁵**Table 9.3: Qualitative Deliverables for Program 9.1**

Qualitative Deliverables	2012-13 Reference Point or Target
Ensure the sustainability of the private health insurance rebate	
Insurers affected by changes to the private health insurance rebate are adequately informed of these changes	Stakeholder discussions will be undertaken to convey the relevant information
Improve access to prostheses through private health insurance	
Recommendations of HTA Review are implemented to ensure consumers have access to no gap prostheses arrangements under the prostheses schedule	Grouping and benefit assignment process is finalised during 2012-13 Prostheses Listing arrangements are streamlined for all stakeholders and consumers have access to clinically effective prostheses with a group benefit and no gap payments
Improve information for consumers	
New migrants and 31 year olds are informed appropriately about Lifetime Health Cover and how it affects them	Information is provided to new migrants within 12 months of when they register with Medicare and to individuals who are approaching their 31 st birthday
Publish information on private hospital performance against national hospital performance indicators	Information published on the <i>My Hospitals</i> website in a timely manner
Ensure private health insurance covers clinically proven treatments	
Remove private health insurance rebate from 'natural therapies' that do not have an established evidence base	A review of the clinical efficacy of natural therapies will be conducted in 2012-13 and stakeholder discussions will be undertaken to identify and convey the findings

⁵ In 2012-13, all deliverables and key performance indicators have been reviewed and updated to ensure targeted performance reporting.

Table 9.4: Quantitative Deliverables for Program 9.1

Quantitative Deliverables	2011-12 Revised Budget	2012-13 Budget Target	2013-14 Forward Year 1	2014-15 Forward Year 2	2015-16 Forward Year 3
Promote an affordable and sustainable private health insurance sector					
Percentage of insurers' average premium increases publicly released	100%	100%	100%	100%	100%

Program 9.1: Key Performance Indicators

Table 9.5: Qualitative Key Performance Indicators for Program 9.1

Qualitative Indicators	2012-13 Reference Point or Target
Promote an affordable and sustainable private health insurance sector	
Applications for private health insurance premium increases are assessed in an efficient, effective and transparent way	Consumer and industry feedback will be used to assess the effectiveness of the premium increase process and the Department's communication of its outcomes

Table 9.6: Quantitative Key Performance Indicators for Program 9.1

Quantitative Indicators	2011-12 Revised Budget	2012-13 Budget Target	2013-14 Forward Year 1	2014-15 Forward Year 2	2015-16 Forward Year 3
Promote an affordable and sustainable private health insurance sector					
Maintain the number of people covered by private health insurance hospital treatment cover ⁶	10.0m	10.3m	10.3m	10.3m	10.3m

⁶ Estimates have been revised since 2011-12 Portfolio Budget Statements.