

## FACT SHEET

### **GREATER CHOICE IN PRIVATE HEALTH INSURANCE PRODUCTS**

#### **More choice in health insurance**

From April 2007, private health funds will be able to offer broader health insurance.

This means funds will be able to pay benefits for a wider range of services effectively removing the current boundary between “hospital” and “ancillary” insurance. The change is not expected to have an impact on the premiums people have to pay.

These changes will be supported by allowing Outreach Hospital in the Home services to be covered by the broader health cover; the introduction of a uniform quality and safety regime for all privately insured services; and new risk equalisation arrangements.

As a result, the needs of Australians will be better met – and private health insurance cover will be able to reflect current clinical practice.

#### **Broader health insurance: how the new choices will affect people**

Broader health insurance means that health funds will for the first time, be able to design and offer products for a:

- person with a chronic disease, such as diabetes that covers specific programs aimed at assisting them manage their own health needs;
- person with cancer that will enable them to have chemotherapy in or out of hospital and still be covered by their private health insurance.

The introduction of broader health cover should allow the best care to be provided in the most suitable location for the member.

So that people can be confident that these services are provided by qualified providers, there will be an increased focus on ensuring high quality and safety requirements for all privately insured services. This will involve the Department working with the private health industry and the Australian Commission on Safety and Quality in Health Care to develop safety and quality standards so that privately insured services are provided by suitably qualified providers in accredited facilities.

## **What has been restricting health insurance choices?**

Currently, private health care must be performed in-hospital if members are to receive a benefit from their health fund hospital tables with ancillary insurance only able to covers other kinds of health services.

As a result, many patients seek in-hospital treatment in order to use their private health insurance when safe and suitable out-of-hospital services may exist at less cost for that particular treatment.

Health funds have been prevented from covering preventive treatments and services that are provided as a substitute for in-hospital care. Currently these need to be approved by the Australian Government.

The Government's changes will mean health funds will be free to design and sell products that offer people greater choice so that they may be able to purchase cover that better suits their individual health needs.

## **Insuring for self-management of health care**

The changes mean that health funds will be able to offer products that provide payment of benefits for services which do not require admission to hospital.

Insurance programs that encourage members to manage their own health care, and therefore prevent hospitalisation, will also be able to be covered.

## **When the changes will be made**

From April 2007, health funds will be able to offer products that pay benefits for services that are part of, prevent, or substitute for hospital services. This will remove the current boundary that exists between "hospital" and "ancillary" insurance.

From April 2007, Outreach Hospital in the Home services will be able to be included in a broader health cover product without needing to be approved by the Government.

From July 2008, only suitably qualified and accredited health service providers will be able to offer privately insured services. This will give people confidence in the safety and quality of the services being covered by their health insurance.

From April 2007, new risk equalisation arrangements that support community rating under broader health cover will be introduced. Under these arrangements, single parent families will no longer be treated in the same way as a couple with dependents.

Health funds will continue to be prevented from covering out-of-hospital services offered by GPs.

Commonly asked questions about the changes are addressed in the attachment.

## **GREATER CHOICE IN PRIVATE HEALTH INSURANCE PRODUCTS QUESTIONS & ANSWERS**

### **How will greater choice in products improve private health insurance?**

It will be possible for health funds to offer private health insurance products that pay benefits on traditional hospital services that can now be delivered safely outside of a hospital (e.g. dialysis, chemotherapy).

Health funds will now be able to design products that cover services that can help people with chronic diseases, such as asthma and diabetes, better manage their health.

### **What will change for members?**

Health funds will be able to tailor their products to better align a member's expectations with current clinical practice.

Members will benefit by having a greater choice of private health insurance products and services when purchasing a private health insurance product. (This greater choice will be supported by "Better information on Private Health Insurance" initiatives being introduced simultaneously).

For example, at present, cancer patients can find themselves with large out-of-pocket expenses if their treatment is delivered outside the hospital setting. This will change under the new arrangements.

Health funds will be allowed to offer a product that covers cancer care delivered outside of a hospital setting and that provides benefits commensurate with what they would have received if they had been treated in hospital.

A cancer patient who currently only receives benefits from their health fund if they are treated in a hospital (if they have hospital cover) may in the future be able to buy a product that covers their care if it is delivered in a community setting.

### **Will health funds be able to cover out-of-hospital GP and specialist consultations?**

No. Currently, health funds are not permitted to pay benefits for out-of-hospital GP and specialist consultations that attract a Medicare Benefits Schedule rebate. This restriction will remain.

The Government currently supports access by patients to GP and specialist services through Medicare.

Services that do not attract a Medicare Benefits Schedule rebate may be considered for inclusion in broader health cover.

**What will be the impact on my premiums?**

If you keep your current private health insurance cover, the changes should have no impact on your premiums.

You should discuss with your health fund the type of products they have available and what premiums will apply to broader health cover (should your fund offer it).

If you choose to purchase broader health cover, you may pay a different premium as you will have access to a different range of services.

**What will be the impact upon the private health insurance rebates?**

There should be no impact upon the private health insurance rebates.

The private health insurance rebates will continue to apply regardless of the type of private health insurance cover people have (e.g. ancillary, hospital, broader health cover).

**What will be the impact upon community rating?**

Private health insurance in Australia is community rated.

This means that the premiums charged by health funds for particular products must be the same for all members regardless of their age, gender or health status. This means that you pay the same price for the same product regardless of your age or health status.

Community rating will not be affected by the new arrangements.

In fact, the new risk equalisation arrangements are designed to provide greater support for community rating by allowing health funds to better spread their risk.

**What will be the impact on waiting periods?**

The rules applying to waiting periods will not change under the new arrangements.

**What will happen to my existing product (i.e. hospital only, ancillary only, hospital and ancillary)?**

As is currently the case, health funds will change product offerings from time to time. There is no requirement for your health fund to offer a broader health product.

Health funds will be able to continue to offer you their existing products and you will be able to keep your current product if you wish to do so.

**Will I still be able to buy ancillary only cover?**

It will be up to health funds to determine the content of their products. However, they will still be able to offer ancillary only cover if they want to.

## **BROADER HEALTH COVER**

### **What is broader health cover?**

Broader health cover is a type of private health insurance that covers services that prevent, are part of, or substitute for hospitalisation. Broader health cover is the same as a broader health product.

It will not be mandatory for health funds to offer broader health products. However, the changes being made will allow them to do so.

The Government expects however that this type of cover will become the principal form of private health insurance product.

### **Why is broader health cover being introduced?**

The Government understands that clinical practices and peoples' needs have changed over time.

However, the regulatory regime under which health funds currently operate has prevented them from effectively responding to these changing circumstances and needs.

Currently, a person must receive in-hospital treatment in order to make a claim on their private health insurance (if the person has hospital cover), even where treatment can be, or is provided safely, in a community setting.

To date, health funds have been prevented from paying hospital benefits for services that help members to manage their own health where this occurs outside the hospital.

This situation will change under the new broader health products.

In the future, health funds will be able to offer their members cover for clinical services delivered in safe, out of hospital environments. They will also be able to offer cover for preventative services that help people better manage their health.

### **Will the introduction of broader health cover increase premiums?**

No. The Department of Health and Ageing commissioned Access Economics in 2005 to model the likely impact on premiums of the introduction of a broader health product.

This research found that broader health cover would not lead to higher premiums because health funds would have more flexibility in how they covered services.

In offering broader health cover, a health fund may include a wider range of services than are currently available. The newly available services will not necessarily be more expensive.

In some circumstances, these services may be more suitable and safer for members and more cost-effective. Health funds may also offer to cover preventive services, which in helping people to better manage their health, may place downward pressure on premiums over the longer term.

### **How will it be decided which types of services can be included in broader health cover?**

The broad criteria to apply will be those services that prevent, are part of, or substitute for hospitalisation.

Services that fall into these criteria will be able to be covered under a broader health product that attracts the private health insurance rebates.

### **What guidelines will be in place for broader health cover?**

It will be up to health funds to determine what is covered by their products.

Guidelines will be developed in consultation with industry and consumer representatives about which services are accepted as being part of an episode of hospital care, or substitute or prevent hospitalisation. The guidelines are still to be settled but they are expected to set out:

- the types of services for which benefits can be paid; and
- how existing private health insurance arrangements may apply to accredited services products (eg. second tier and other default arrangements).

### **What specific services will be included in broader health cover?**

Individual funds will have to decide what services they include in the individual private health insurance product. Some services likely to be included are:

- dental and optical services;
- dialysis;
- diabetes prevention and management programs;
- chemotherapy at out-patient clinics or in the home; and
- existing ancillary services such as community/home/district nursing, dieticians, domestic assistance, ambulance, hearing services, theatre fees, physiotherapy and podiatry.

### **How do I know if my health fund is offering a service that attracts the rebates?**

Health funds will determine what services their products cover and they will be able to tell members what these are.

### **Will all health funds have to offer broader health cover?**

The Government expects that this type of cover will become the principal form of private health insurance product.

However, it will not be mandatory for health funds to offer their members broader health cover.

Individual funds will continue to determine the services that are included in any private health insurance product.

**Will I have to purchase broader health cover?**

No. You will continue to be able to choose which private health insurance product you wish to purchase.

**When will the changes take effect?**

Legislation facilitating the introduction of broader insurance products will be introduced by early 2007 and the changes are expected to come into effect in April 2007.

**OUTREACH HOSPITAL IN THE HOME SERVICES****What will happen to the Outreach Hospital in the Home program?**

The Outreach Hospital in the Home program will continue unchanged for now.

In the future however, services that substitute for in-hospital treatment under the Outreach Hospital in the Home Program will be included in broader health cover.

It will be up to individual funds to decide whether or not they offer outreach services as part of broader health cover.

**UNIFORM SAFETY & QUALITY STANDARDS****How will safety and quality standards be strengthened?**

It is proposed that legislation will be introduced to require uniform safety and quality standards for facilities and providers offering privately insured services from July 2008.

**What will be the aim of the proposed safety and quality standards?**

To ensure that all privately insured services are provided by accredited facilities and/or suitably qualified service providers.

**Who will accredit facilities?**

The Government has taken an in-principle decision to require facilities offering privately insured services to be accredited. Details of the accreditation requirements will be developed in consultation with industry.

It is intended that any requirements placed on facilities will align with the work of the Australian Commission on Safety and Quality in Health Care.

### **Who will decide if a health care professional is suitably qualified?**

The Government has decided in-principle to require all providers offering privately insured services to be suitably qualified. Details of the arrangements will be developed in consultation with industry.

It is intended that any requirements placed on providers will align with the work of the Australian Commission on Safety and Quality in Health Care.

### **What is the Australian Commission on Safety and Quality in Health Care?**

This new body will underpin the provision of safe, effective and responsive health care for people. It will focus on improving the safety of hospitals, and quality improvement in primary health care and the private sector.

It succeeds the Australian Council for Safety and Quality in Health Care.

### **When will the standards take effect?**

Legislation facilitating the introduction of industry-wide uniform private health insurance safety and quality standards will be in place by April 2007.

From 1 July 2008, all private health insurance services will only be able to be provided by suitably accredited facilities and qualified health service providers.

## **CHANGES TO RISK EQUALISATION & SINGLE PARENT POLICIES**

### **I am a single parent, how will the new risk equalisation arrangements affect me?**

Currently, single parent families with private health insurance are treated the same as families with two adults on the policy or as two single equivalent units (SEUs).

Under the new arrangements, single parent families with private health insurance will now be counted as 1 SEU (or a single adult policy).

This means health funds will be better able to support single parent families.

### **What does it mean for me if my partner is in the Defence Force?**

Families where one member is in the Defence Force will benefit as health funds will be able to offer them more affordable cover for the other family member/s.

Your health fund should now be able to offer you cover that recognises that the Defence Force meets the cost of your spouse or partner's cover.

If your health fund does not offer you single partner cover it will pay to shop around to find one that does.

### **Will single parents be able to obtain cheaper cover as a result of the new arrangements?**



Health funds may choose to price private health insurance products for single parents so that these products reflect their treatment under the new risk equalisation arrangements.

This may result in savings to single parents. However, people should discuss this matter with their fund.

The Government anticipates that health funds will embrace this change and introduce products that might health insurance cheaper for single parent families.

**Will health funds benefit?**

This change will mean health funds are better able to afford to offer competitively priced products for single parent families.

Health funds will need to decide whether they offer cover tailored to the needs of single parents.

The Government hopes that most will decide to do so.

Those health funds that choose to offer cover for single parents may well gain a commercial advantage over their competitors if they do not offer this type of cover.

Single parent families should shop around to make sure that have health insurance that best meets their needs.

**Will health funds be consulted about the changes?**

Yes. The final detail and form of the new risk equalisation arrangements will be settled in consultation with health funds and the Private Health Insurance Administration Council that administers the risk equalisation arrangements.

It is anticipated that the new arrangements will be settled in time for health funds to factor the changes into their new round of pricing decisions.

**When will the changes take effect?**

The new risk equalisation arrangements will take effect from 1 April 2007.