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**Minister for Health and Ageing**

**Senator the Hon Nick Minchin**  
**Minister for Finance and Administration**

## **MEDIA RELEASE**

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### **More innovation, greater choice in private health**

We are pleased to announce important changes to health insurance legislation that will mean more competition and improved services to patients. The Government has also decided to introduce legislation to permit the sale of Medibank Private.

These will be the first big changes to health insurance legislation since the early 1990s and should allow insurers to provide policies that reflect contemporary clinical practice and greater convenience for patients.

Under the new arrangements, hospital cover will expand to cover outpatient and out-of-hospital services as well as chronic care management for conditions such as diabetes and asthma. Insurers will also be able to cover disease prevention measures. In future, Australians will be able to insure not only for hospital admissions but also for services to prevent future hospitalisation that can safely be delivered ‘out of the hospital gate’.

These policies will continue to be fully covered by the Government’s private health insurance rebate. Ancillary-only cover will continue to qualify for the private health insurance rebate.

There will also be some important consumer information initiatives. Insurers will be required to provide standard product information to help people compare policies and to understand their entitlements under their policies. This will help not only when shopping around for cover, but when people actually need to use their cover.

The Private Health Insurance Ombudsman will also develop a comparative product website to help consumers make the best choices for their family’s needs.

Fund members who have retained their private health insurance continuously for more than ten years will no longer be subject to Lifetime Health Cover penalties.

The requirement of ministerial approval for premium increases will remain but there will be clear criteria against which applications for increases will be considered.

The Government is also continuing to work with the AMA, insurers and hospitals to improve rates of Informed Financial Consent for private medical and hospital services. Further announcements on this will be made shortly.

In a competitive private health insurance sector, with 38 competing funds, there is no policy reason for the Government to continue to own a health fund. Selling Medibank Private will allow the Government to remove its conflict of interest and to focus on its role as regulator.

The current board, CEO and management of Medibank Private have done an excellent job turning around the company's finances and putting it in a position where there is significant interest from potential buyers.

The industry generally will benefit from the largest health fund being privately owned and competing on a level playing field. Competition for members between funds is the best way to limit premium increases.

A study by Carnegie Wylie also concluded that a privately-owned fund would be able to be more efficient, through lower management expenses and through scope for expansion into new business areas. These greater efficiencies mean a privately-owned fund does not put upward pressure on premiums. There are already five 'for profit' private health insurance funds and there is no evidence that these 'for profit' insurers charge higher premiums than other health funds.

As a result of the sale of Medibank Private, the Government has also decided to increase funding for medical research. Further details will be announced in the budget as part of the government's response to the Grant Review recommendations on health and medical research funding.

The Government has yet to decide whether Medibank Private will be sold through share market float or trade sale. In part, this will depend on whether the Government proceeds with the sale of Telstra in 2006. The Government will shortly call for tenders for advisers to the sale, although of course the sale cannot take place until the Parliament passes the sale legislation, which will be introduced in the Winter Sitting.

Recognising the continued loyalty of Medibank Private's customers and staff, the Government's sale objectives commit to considering the interests of staff and members during the sale of the company.

There will be further consultation with the private health industry before the introduction of the wider private health insurance reform legislation. The Government is open to practical proposals that may emerge from these consultations consistent with today's announcement.

Together these initiatives should add choice, certainty and value in private health care, and ensure that the private health sector continues its vital partnership with the public sector.

Full details of the PHI industry reforms are at <http://www.health.gov.au/phi>  
The Government's sale objectives are at <http://www.finance.gov.au>

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