

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 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 private health insurance rebates, the Medicare Levy Surcharge and Lifetime Health Cover, the Government will encourage and support individuals and families to purchase private health insurance.

The Australian Government will maintain the regulatory framework for private health insurance and ensure compliance with the legislation. This includes regulatory obligations around community rating (which ensures that all consumers pay the same premiums as others for the same policy, regardless of factors including age or health status), default hospital benefit payments, maximum waiting periods, and portability (which ensures 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). The Government will also ensure providers receiving private health insurance benefits meet their obligations, including accreditation and data reporting requirements.

The Department will assess private health insurance premium applications made by private health insurers to ensure that increases are kept to the minimum necessary. This will take into consideration insurer solvency requirements, forecast benefit payments and prudential requirements, while also ensuring the affordability and value of private health insurance as a product.

Outcome 9 is the responsibility of the Acute Care Division.

Programs Contributing to Outcome 9

Program 9.1: Private health insurance

Outcome 9 Budgeted Expenses and Resources

Table 9.1 provides an overview of the total expenses for Outcome 9 by Program.

Table 9.1: Budgeted Expenses and Resources for Outcome 9

	2009-10	2010-11
	Estimated actual \$'000	Estimated expenses \$'000
Program 9.1: Private health insurance		
Administered expenses		
Ordinary annual services (Appropriation Bill No. 1)	1,747	14,624
Special appropriations		
<i>Private Health Insurance Act 2007</i>	4,310,420	4,426,001
Departmental expenses		
Ordinary annual services (Appropriation Bill No. 1)	12,658	11,346
Revenues from other sources (s31)	4,513	4,524
Unfunded depreciation expense	-	272
Total for Program 9.1	4,329,338	4,456,767
Outcome 9 totals by appropriation type		
Administered expenses		
Ordinary annual services (Appropriation Bill No. 1)	1,747	14,624
Special appropriations	4,310,420	4,426,001
Departmental expenses		
Ordinary annual services (Appropriation Bill No. 1)	12,658	11,346
Revenues from other sources (s31)	4,513	4,524
Unfunded depreciation expense	-	272
Total expenses for Outcome 9	4,329,338	4,456,767
	2009-10	2010-11
Average staffing level (number)	97	89

Contributions to Outcome 9

Program 9.1: Private health insurance

Program Objective

Through this Program, the Australian Government aims to:

- support the sustainability of the private health insurance rebate by ensuring that payments by the Government are targeted at those people who need them most;
- promote the affordability of private health insurance and the sustainability of the private health insurance sector by ensuring that premiums maintain insurer solvency and prudential requirements, support benefit payments and provide affordable value products for consumers;
- encourage insurers and providers of private health services to provide better value for money to consumers, through improvements in the regulatory framework; and
- improve information for consumers of private health services, enabling informed decision-making and encouraging a high quality private health industry.

Major Activities

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 means testing for recipients of the private health insurance rebates. Private health insurance rebate funding is the fastest growing component of Australian Government health expenditure. Means testing the rebate will help rebalance the affordability of private health insurance to the Government. In 2010-11, the Department will support the Government to implement means testing.

Promote an affordable and sustainable private health insurance sector

In 2010-11, the Australian Government will continue to scrutinise applications from insurers to increase premiums so that increases are kept to the minimum necessary whilst maintaining insurer solvency requirements, supporting insurer benefit payments, ensuring insurers meet prudential requirements and ensuring the affordability and value of private health insurance as a product. To support the Minister for Health and Ageing exercise powers under Section 66-10 of the *Private Health Insurance Act 2007* to approve premium increases, the Department will provide advice based on information received from insurers, the Private Health Insurance Administration Council¹ and the Australian Government Actuary.

The Government will improve transparency of the premium-setting process by providing consumers with a better understanding of the Government's role in assessing and approving proposed premium increases. To improve transparency, the Department will provide consumers with information about the premium assessment process and average increases for individual insurers. This information will be published on the Department's website.²

¹ For further discussion relating to the Council, refer to the Private Health Insurance Administration Council (PHIAC) chapter in these Portfolio Budget Statements.

² Accessible at: www.health.gov.au

In 2010-11, the Government will monitor and review the impact on public hospitals of the 2008 increase to the income thresholds for the Medicare Levy Surcharge. As required under the legislation, the Department will arrange for an independent review of the impact of the changes (if any) on public hospitals, and review the regulatory impact of the changes to the legislation.

Improve the regulatory framework

The Australian Government aims to develop a fair and equitable prostheses reimbursement framework to ensure private health insurance expenditure is directed to clinically and cost effective prostheses. In 2010-11, the Government will work with stakeholders from the private health insurance industry, prostheses manufacturers and suppliers, consumers, surgeons and private hospitals, to implement recommendations of the publicly available *Review of Commonwealth Health Technology Assessment*.³ Working with these stakeholders will ensure a consistent approach to health technology assessment (HTA) across different HTA processes managed by the Department, and streamline prostheses listing processes for private health insurance benefits. The Department will continue to administer cost recovery of the prostheses arrangements and will also administer cost recovery arrangements for the National Joint Replacement Registry.

Improve information for consumers

The Department will continue to collect and publish information from private health insurers on average charges for commonly used private dental services. The information will be published on the private health website⁴, to ensure that consumers are better informed to make decisions about whether and when to use their private health insurance, and to improve choice for consumers in health services.

In 2010-11, the Department will introduce fee-for-service charges for the annual Lifetime Health Cover (LHC) mail-out. The annual mail-out is undertaken by the Department with the assistance of Medicare Australia. It provides information about LHC loadings on private health insurance premiums to people turning 31 years of age and new migrants, and aims to reduce the risk of people being disadvantaged through lack of awareness of the LHC legislation. Individual insurers will be charged for the costs of the mail-out based on their membership market share. This will ensure the mail-out continues into the future, and provides vital information to people who are about to incur a LHC loading.

Program 9.1 is linked to the following:

- Medicare Australia (Department of Human Services) to administer Lifetime Health Cover mail-out and 30% Rebate on Private Health Insurance, under Delivery of Medical Benefits and Services (Program 1.1).

³ Accessible at: www.health.gov.au/htareview

⁴ Accessible at: www.privatehealth.gov.au

Program 9.1: Expenses

Table 9.2: Program expenses

	2009-10 Estimated actual \$'000	2010-11 Budget \$'000	2011-12 Forward year 1 \$'000	2012-13 Forward year 2 \$'000	2013-14 Forward year 3 \$'000
Annual administered expenses					
Ordinary annual services	1,747	14,624	10,895	1,807	1,807
Special appropriations					
<i>Private Health Insurance Act 2007</i>	4,310,420	4,426,001	3,487,522	3,554,964	3,554,964
Program support	17,171	16,142	15,486	15,082	15,443
Total Program expenses	4,329,338	4,456,767	3,513,903	3,571,853	3,572,214

Program 9.1: Deliverables

The Department will produce the following 'Deliverables' to achieve the Program Objective.

Table 9.3: Qualitative Deliverables for Program 9.1

Qualitative Deliverables	2010-11 Reference Point or Target
Produce relevant and timely evidence-based policy research	Relevant evidence-based policy research produced in a timely manner
Stakeholders participate in program development through a range of avenues	Stakeholders participated in program development through avenues such as regular consultative committees, stakeholder engagement forums, surveys, submissions on departmental discussion papers and meetings
Promote an affordable and sustainable private health insurance sector	
Provide consumers with information regarding the premium assessment process and average premium increases	Relevant and timely information is made available on the Department's website
Produce relevant and timely advice on legislative amendments to improve the private health regulatory framework	Relevant evidence-based policy research produced in a timely manner
Improve the regulatory framework	
Implementation of the recommendations of the <i>Review of Commonwealth Health Technology Assessment</i> relating to the prostheses listing arrangements	The <i>Review of Commonwealth Health Technology Assessment</i> recommendations actioned within agreed timeframes

Qualitative Deliverables	2010-11 Reference Point or Target
Regulatory changes and amendments are timely and effective	Timely and effective regulatory changes and amendments are implemented within agreed timeframes
Improve information for consumers	
Publish information on private hospital performance against national hospital performance indicators	Information published in a timely manner
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

Table 9.4: Quantitative Deliverables for Program 9.1

Quantitative Deliverables	2009-10 Revised Budget	2010-11 Budget	2011-12 Forward Year 1	2012-13 Forward Year 2	2013-14 Forward Year 3
Percentage of variance between actual and budgeted expenses	≤0.5%	≤0.5%	≤0.5%	≤0.5%	≤0.5%
Improve the regulatory framework					
Percentage of regulatory amendments implemented within agreed timeframes	100%	100%	100%	100%	100%
Improve information for consumers					
Percentage of private hospitals participating in national hospital reporting arrangements	75%	90%	100%	100%	100%
Percentage of private health insurers participating in average dental charges reporting arrangements	100%	100%	100%	100%	100%

Program 9.1: Key Performance Indicators

The following ‘Key Performance Indicators’ measure the impact of the Program.

Table 9.5: Qualitative Key Performance Indicators for Program 9.1

Qualitative Indicators	2010-11 Reference Point or Target
Promote an affordable and sustainable private health insurance sector	
Private health insurance rebates are delivered in an efficient, effective and transparent way	Private health insurance rebates are delivered to agreed standards of efficiency, effectiveness and transparency
Improve the regulatory framework	
Regulatory changes and amendments are timely and effective	Timely and effective regulatory changes and amendments are implemented within agreed timeframes
Improve information for consumers	
Consumers are informed about the average dental charges	Average dental charges are made publicly available by June 2011

Outcome | 09

Table 9.6: Quantitative Key Performance Indicators for Program 9.1

Quantitative Indicator	2009-10 Revised Budget	2010-11 Budget Target	2011-12 Forward Year 1	2012-13 Forward Year 2	2013-14 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 ⁵	9.8m	9.8m	9.8m	9.8m	9.8m

⁵ The estimate in the 2009-10 Portfolio Budget Statements was 9.7 million. This figure has been increased to reflect the increased number of Australians covered by private health insurance.

