



Private health insurance reforms: Low priced private health insurance products

The Government will maintain the current minimum product standards for private health insurance to ensure affordable basic category products are available for consumers.

- Low priced products have an important part to play in our community-rated private health insurance system.
 - They can be important for people on fixed incomes, people living in rural and regional areas, and people who want to access private services in public hospitals.
 - Younger people responding to Lifetime Health Cover may purchase low priced products to avoid paying the loading, and retain the option to upgrade their cover at a later date.
- Importantly, all private hospital insurance contributes to the Risk Equalisation Pool, which supports community rating and helps to keep private health insurance affordable for all policyholders.
- The Private Health Ministerial Advisory Committee considered the role of low priced products, and Deloitte was engaged to model the impact that removing low priced products would have on premiums and the number of people purchasing private health insurance.
 - Deloitte found that removing low priced products would increase premiums and reduce the number of people covered by private health insurance. The table below shows Deloitte's estimates of how much premiums for low priced products would increase if the standards were changed.
- Affordability is a major consideration for consumers. The Government is committed to keeping premiums as low as possible. The Government considered how consumers would respond if coverage for certain treatment types was mandated and this led to significant increases in premiums. Large premium increases due to changing regulation would be unacceptable, so the Government has decided to maintain the current minimum product standards.

Why is this important?

- Many people value the cover provided by low priced private health insurance products.

Who will benefit?

Consumers who purchase low priced products will not be forced to pay higher premiums due to changed product standards.

Selected product design options – impacts on premiums and membership in 2019-20

	Option 1	Option 2	Option 3
“Bronze” Premium per single member	\$1,660	\$1,710	\$1,729
Premium change attributable to option (\$)¹	\$84	\$134	\$153
“Bronze” premium change (%)²	11.1%	14.5%	15.7%
Overall Premium Change²	8.3%	8.8%	9.6%
Membership change³	-34,698	-116,991	-49,066

Note: The labels (Gold, Silver, Bronze) as used in these tables refer to specific options modelled; these options do not reflect the final package being introduced.

Notes on table of selected product design options

1: Amount by which annual premiums change because of the new product design (not including normal premium increases - see note 2).

2: All premium increases incorporate normal premium increases of approximately 5.5% (historical average).

3: Membership change refers to the difference in persons covered compared with the current industry membership forecasts of private health insurers.

Option 1 – coverage based on services included

“Bronze”	Unrestricted cover for the following services only: brain surgery, chemotherapy/radiotherapy and brachytherapy/therapeutic nuclear medicine, ear nose and throat surgery, palliative care, other procedures with MBS codes.
“Silver”	All services in Bronze plus unrestricted cover for the following services only: dental surgery, endoscopy, gynaecology, heart related surgery and services, non-cosmetic plastic surgery, other joint surgery (replacement), psychiatric care, spine surgery.
“Gold”	Comprehensive – all services covered.

Variations

Option 2	As per Option 1 except: <ul style="list-style-type: none"> • Unrestricted benefits for psychiatric care in every level of cover; • Bronze and Silver do not include rehabilitation; Gold includes unrestricted rehabilitation cover.
Option 3	As per Option 1 except: <ul style="list-style-type: none"> • Unrestricted benefits for rehabilitation in every level of cover; • Bronze does not include psychiatric care; Silver and Gold include unrestricted psychiatric care.