



Private Health Insurance – Improving affordability and sustainability of private health insurance

The Australian Government is investing \$8.7 million over 4 years to continue to make private health insurance simpler and more affordable for Australians, through the following measures:

- extension of the current policy setting with respect to the Medicare Levy Surcharge (MLS) and Private Health Insurance (PHI) Rebate income tiers for a further 2 years, while a study examines the effectiveness of the current regulatory settings
- specialist modelling and data analytics experts to review and enhance the Government's PHI Rebate Model. This will take the current modelling beyond tax-based drivers of participation in PHI, to incorporate other aspects of health policy that impact PHI, such as product value, the broader health system, public hospital and Medicare Benefits Schedule (MBS)
- an independent study to investigate private hospital default benefit arrangements, which require insurers to pay a minimum benefit towards hospital accommodation and care for hospital treatment where there is no agreement between a patient's insurer and a particular hospital, and
- improvements to the certification process for admitting patients to hospital for procedures normally provided out of hospital. This will ensure that patients, their doctors, hospitals and insurers have greater confidence about cover for admission and that patients are treated in the most appropriate care setting.

Why is this important?

Income tier settings for the MLS and the PHI Rebate impacts the Australian Government's expenditure on the private health system, as well as Australians taking out PHI. It also provides an incentive for higher income earners to contribute towards their own private health care and the sustainability of Australia's strong hybrid public and private health system.

The pause on the indexation of income tiers on the MLS has been in effect since 2014–15 and will continue to ensure continuity of current arrangements.

A range of studies being funded through this Budget will produce advice and insights which can be used to better formulate policy surrounding MLS settings, the PHI Rebate and hospital benefits, in the future.

The Australian Government will work with Australia's medical colleges and other stakeholders to establish specific guidance around when hospitalisation is clinically required. While most doctors and private hospitals act appropriately, it is important that the Australian Government's Professional Standards Review Agency be allowed to review inappropriate practices around certifications by doctors or associated hospitals to ensure the integrity of the current arrangements that safeguard patients' access to treatments needed to be delivered in hospital.

Who will benefit?

At the end of 2020, there were 11.3 million Australians with hospital cover and 13.8 million people with general treatment cover. All Australians with PHI will benefit from the continuation of the current PHI Rebate settings. The PHI Rebate is currently worth around \$6.7 billion in 2021–22, growing to \$7.1 billion in 2024–25.

The Australian Government will use better modelling to improve its policy development and budget estimate outputs, to ensure future PHI policy decisions benefit more Australians.

Improved understanding of the effectiveness of private hospital default benefit arrangements may support out-of-hospital care for more Australian patients and improve access to care for those living in rural and regional areas.

Australians with PHI will have greater confidence they are being treated in the most appropriate care setting and have greater certainty of cover.

How much will this cost?

The Australian Government is investing \$8.7 million over 4 years, from 2021–22.