

Private Health Ministerial Advisory Committee
Risk Equalisation Working Group

AGENDA

MEETING #3 Monday 6 November 2017

Venue: Conference Room 3

Scarborough House, Woden

Time: 9.30am to 3.00pm

Agenda Item	Lead	Time
1. Welcome, apologies, proxies and declarations of conflicts of interest	Secretariat/ Chair	
2. Meeting Objectives	Chair	5 min
<ul style="list-style-type: none"> The Chair proposes that this meeting consolidate members' positions against the Working Group's Terms of Reference as agreed by PHMAC. 		
3. Presentation of data/evidence to support positions from meeting 1 and 2	Chair	60 mins
<ul style="list-style-type: none"> The Secretariat has asked Working Group members to provide any material for presentation at the meeting to the Secretariat by 5pm, Wednesday 1 November 2017. 		
4. Finalise objectives of Risk Equalisation	Chair	30 min
<ul style="list-style-type: none"> At meeting 1 the Working Group agreed draft objectives of risk equalisation: <ul style="list-style-type: none"> To maintain a competitive private health insurance model with incentives for insurers to compete, in a way that Does not encourage insurers to discriminate against consumers based on risk; and Does not put well managed insurers at prudential risk. The Working Group also agreed the following draft supporting principles: <ul style="list-style-type: none"> Minimise adverse incentives: risk equalisation should not minimise the incentive for insurers to invest in the management of their membership's claim costs; Minimise impact on participation: risk equalisation should not adversely impact on consumer participation in private health insurance, particularly of low risk individuals, including by reducing consumer choice; Low transaction costs: the system needs to be practical with low transaction costs, including implementation and ongoing management costs; and Predictability: the financial outcome should be relatively predictable. 		
Morning Tea		15 mins (11.00-11.15)

COMMITTEE-IN-CONFIDENCE

5. Positive and negative aspects of the current risk equalisation arrangements	Chair	30 mins
<ul style="list-style-type: none"> The Working Group has discussed how the current risk equalisation arrangements operate, implications for incentivising particular behaviours, and potential impacts of the risk equalisation pool growing faster than total claims costs. There has also been general agreement that changes to the risk equalisation arrangements are not critical for the industry, but that there may be opportunities for improvement. To inform its advice to PHMAC, is the Working Group able to agree a statement on: <ul style="list-style-type: none"> the aspects of the current arrangements that should be protected; and the aspects that should be improved? 		
6. Options for possible change to risk equalisation, for example replacing the current risk equalisation system with a proportional or prospective arrangement	Chair	30
<ul style="list-style-type: none"> The Working Group has not advocated strongly for further consideration of prospective or proportional risk equalisation. <ul style="list-style-type: none"> Can the Working Group agree a statement to inform its advice to PHMAC on prospective and proportional risk equalisation? Consideration of possible changes to the current arrangements will be discussed under item 8. 		
7. Links between risk equalisation and other private health insurance reforms	Chair	45 mins
<ul style="list-style-type: none"> From 1 April 2019 health insurers will be able to offer travel and accommodation benefits under hospital cover instead of general treatment cover. Benefits paid for travel and accommodation under hospital cover will be able to be included in the risk equalisation calculation, if applicable (i.e. age-based or high cost claims pool). From 1 April 2019 health insurers will be able to offer hospital cover products with aged-based discounts for 18-29 year olds, which will phase out after a person turns 40. Under the announced policy, regardless of any discount offered, the insurer would make the full contribution to the risk equalisation pool per Standard Equivalent Unit (SEU). With a view to advising PHMAC about the links between risk equalisation and other private health insurance reforms, the group should consider: <ul style="list-style-type: none"> Implementation of travel and accommodation benefits under hospital cover; How the risk equalisation arrangements may impact on aged-based discounts, including implications of contributing the full annual risk equalisation contribution for aged-based discounted policies to the risk equalisation pool; The pros and cons of industry sharing the risk/benefit of a voluntary initiative; and The current risk equalisation arrangements for other allowable premium discounts offered to policy holders, and for Lifetime Health Cover loadings. 		
Lunch		30 mins (1.00-1.30)

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8. Current risk equalisation – Further discussion	Chair	1 hour 15 mins
<ul style="list-style-type: none">• Chronic Disease Management Programs• Age Cohorts – age thresholds and percentage of claims equalised for each group.• High Costs Claims Pool threshold• Services that should/should not be included in Risk Equalisation• Any other factors		
9. Agree actions and advise next meeting date	Chair	15 minutes
Meeting Close		3.00pm

Note: please arrive 15 minutes early to ensure security requirements are met in time for the meeting to start.

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