

**Parliamentary Joint Committee on Corporations and Financial Services Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**HEALTH PORTFOLIO**

**Inquiry into Options for greater involvement by private sector life insurers in worker rehabilitation**

19 June 2018

**Question no: 2**

**Type of Question:** Written Question on Notice

**Senator:** O'Neill

**Question:**

- (a) What consumer protections should be put in place if the FSC proposal is implemented?
- (b) Does the Department have any comments on the concerns raised by other submitters and in any answers to questions on notice?
- (c) Should the restrictions also be removed from health insurers?
- (d) The FSC has indicated that life insurers currently routinely provide rehabilitation services to help claimants get back to wellness (Financial Services Council, Submission 1.1, p. 4).
  - i. Is the Department aware of this?
- (e) For the legislative restrictions that the FSC is proposing be removed, which agency is responsible for administering those laws and has that agency examined whether those laws have been complied with by life insurers to date?

**Answer:**

- (a) Insurance for health services in Australia is community rated, rather than risk rated to ensure that consumers do not face discrimination in access to insurance based on their health risk or health status. If the FSC proposal was to be implemented, the same consumer protections that apply to private hospital insurance under the community rating provisions of the *Private Health Insurance Act 2007* (PHIA) may need to be considered if a level playing field between insurers is to be established.
- (b) The Department agrees with the concerns raised in the submissions and responses to questions on notice regarding the need to:
  - protect consumers from discrimination in access to insurance for health services;
  - provide early access to appropriate health services in a way that ensures all Australians can access health services according to the urgency of that clinical need; and
  - consider all funding arrangements for rehabilitation.

- (c) The Department assumes this question relates to the general prohibition on any insurance arrangement providing benefits for professional services for which a Medicare benefit is payable (under Section 126 of the *Health Insurance Act 1973* (HIA)). Under subsection 126 (5A) of the HIA this prohibition does not apply to private health insurance in respect of cover for hospital treatment and hospital-substitute treatment. Removal of this prohibition would enable private health insurers to cover Medicare eligible services that are not hospital treatments. This would raise fundamental issues about the operation of universal access to health care through Medicare. These issues would appear to be outside the terms of reference of this committee.

Subsection 126 (5A) is designed to ensure that people are not given preferential access to primary medical care because they hold private health insurance **or other forms of insurance**.

- (d) Apart from the evidence provided to the Inquiry, the Department is not aware of rehabilitation services being provided by life insurers. Many rehabilitation services can be provided by allied health or other health providers, in a way that does not overlap with Medicare.
- (e) The Department of Health is responsible for administering the HIA, the PHIA and relevant subordinate legislation.

The Department has not specifically examined whether life insurers have complied with the relevant legislative restrictions.

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**Question no: 3**

**Type of Question:** Written Question on Notice

**Senator:** O'Neill

**Question:**

The committee heard evidence that many Australians experience a gap in their health coverage when seeking medical treatment that would enable them to return to work. The Financial Services Council's proposal seeks to enable life insurers to fill this gap, at the insurer's discretion. Noting the economic modelling cited by the Financial Services Council in its supplementary submission (Submission 1.1, pages 2 and 10):

- (a) How many people experience this gap and are unable to return to work as a result?  
What is the average dollar value of the gap for these people?
- (b) Would the Financial Services Council's proposal help to fill this gap in an effective way?
- (c) Do you have any other comments about this gap?

**Answer:**

- (a) The Department of Health has no data concerning so-called 'gaps' in the delivery of services that may prevent people returning to work.

Australia has a mixed model of private and public health services. All Australians are entitled to free hospital services under Medicare and have a choice about whether to purchase private health insurance and when to use the private system, according to their own circumstances.

- (b) See response to part (a).

Australia's health system, while a mixed model of private and public insurance for health services, respects clinical independence whereby access to services is not "at the insurer's discretion". Introducing discretionary insurer-determined health services into the system would need to be carefully considered to ensure clinical independence is maintained.

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**Question no: 4**

**Type of Question:** Written Question on Notice

**Senator:** O'Neill

**Question:**

The Financial Services Council gave an example of how life insurers might have greater involvement in worker rehabilitation:

*For example, a consumer who is off work and on an income protection claim because of a knee injury, may need an operation. This consumer may wait more than 13 months on a public hospital waiting list. In this case where the entitlement to the operation is not immediately available, it might make financial sense for the life insurer to pay for it to help the consumer back to wellness.* (Financial Services Council, answers to questions on notice, 18 July 2018 (received 27 July 2018), p. 1)

- (a) How likely is it that, at the moment, a person who is unable to work due to a knee injury would need to wait 13 months on a public hospital waiting list for surgery that would enable them to return to work?
- (b) How common are these cases, or other similar cases?

**Answer:**

- (a) In 2016-17, the proportion of patients who waited for more than 365 days was 6.1 per cent<sup>1</sup>. Patients in public hospitals receive surgery based on an assessment of the urgency of their clinical need. Patients are able to take out private health insurance which also provides the option of treatment in a private hospital for insured services.

The Department is unable to provide comment or statistics on persons who are unable to work due to a knee injury and/or whether receiving surgery would enable them to return to work.

- (b) The Department cannot comment on how common the above cases are.

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<sup>1</sup> Elective surgery waiting times 2016–17: Australian hospital statistics - Australian Institute of Welfare.

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**Question no: 5**

**Type of Question:** Written Question on Notice

**Senator:** O'Neill

**Question:**

Evidence from Private Healthcare Australia implies that the proposal from the Financial Services Council would enable life insurers to provide benefits for medical services for which private health insurers are not able to provide benefits—namely, medical services that are provided out-of-hospital and are covered by Medicare (see Private Healthcare Australia, answers to questions on notice, 18 July 2018 (received 27 July 2018), p. 2).

- (a) For what medical services are private health insurers currently unable to provide benefits?
- (b) Would the Financial Services Council's proposal enable life insurers to provide benefits for medical services for which private health insurers are not able to provide benefits?

**Answer:**

- (a) Private health insurers are only permitted to provide benefits for good or services that meet the definition of 'hospital treatment' and 'general treatment' at sections 121-5 and 121-10, respectively of the *Private Health Insurance Act 2007*. The example outlined in the question relating to out-of-hospital services is an exclusion under section 126 of the *Health Insurance Act 1973*, which means that private health insurers are not allowed to pay for these services. Examples of excluded services include consultations with a general practitioner, or referred specialist consultations that occur out of hospital.
- (b) It appears that the proposal would allow life insurers to provide benefits that private health insurers are not able to provide.