



**Private Healthcare Australia**

Better Cover. Better Access. Better Care.



Submission to Parliamentary Joint Committee on Corporations and  
Financial Services

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

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## About PHA

Private Healthcare Australia (**PHA**) welcomes the opportunity to respond to this inquiry. PHA is the Australian private health insurance industry's peak body that currently represents 20 registered health funds throughout Australia and collectively represents 96% of people covered by private health insurance.

## Interaction of Income Protection and Total and Permanent Disability insurance with private health insurance

Private health insurance and overseas visitors health cover are the only permitted forms of medical insurance under section 126 of the *Health Insurance Act 1973*. Under current legislation, only a private health insurer registered under the *Private Health Insurance (Prudential Supervision) Act 2015* may carry on a health insurance business. These Acts, together with the *Private Health Insurance Act 2007* (**PHI Act 2007**) and associated subordinate legislation, impose a stringent regulatory framework on the operation of a health insurance business that includes:

- Approval of premium increases by the Federal Minister for Health.
- A requirement to offer “complying health insurance products” as defined in the PHI Act 2007.
- A requirement that the insurance must be community-rated, which prevents private health insurers from setting premiums based on a person's risk profile, or from otherwise discriminating between people on the basis of their health or any other reason described in the PHI Act 2007.
- A requirement to pay minimum benefits for certain treatment.
- Requirements relating to waiting periods, portability and information provision.
- Oversight by the Department of Health, Private Health Insurance Ombudsman and prudential oversight by the Australian Prudential Regulation Authority (**APRA**).

The current regulatory framework, which has been in place for more than a decade, protects consumers of health insurance products by imposing additional regulatory requirements on private health insurers that are not imposed on other types of insurers (eg. life insurers).

## Options for greater involvement by private sector life insurers in worker rehabilitation

Allowing a life insurance company to cover medical treatment costs falls squarely within the definition of a “health insurance business” under the PHI Act 2007. It is possible that excluding this kind of insurance from the definition will enable life insurers to offer medical insurance that would otherwise be prohibited by the *Health Insurance Act 1973*, and circumvent the regulatory requirements that are designed to protect consumers of health insurance. In particular, PHA notes that:

- Life insurance is not community-rated and, if permitted to cover medical treatment costs, life insurers would not be subject to the same community-rating requirements as private health insurers. Community rating enables all Australians to have equal access and use of private health insurance no matter what their health, sexual, religious or other specified status may be. Community rating differentiates private health insurance from most other

types of insurance by not allowing risk rating to occur. If life insurers are permitted to cover medical treatment, consumers could be charged different premiums for their medical cover based on their risk profile, which is contrary to the foundational principles of Australia's private health system. Circumventing community rating threatens to undermine equity of access to healthcare.

- Premium increases by life insurers are not subject to approval by the Minister for Health.
- If life insurers were permitted to offer medical insurance this would not be subject to other requirements of the PHI Act 2007 including those relating to complying health insurance products, minimum benefits, waiting periods, portability, and information provision to consumers.
- Life insurers are not subject to oversight by the Department of Health and Private Health Insurance Ombudsman. Although APRA is responsible for prudential oversight of life insurers, it applies a different regulatory framework from that applied to private health insurers.

Permitting life insurers to cover medical treatment costs may create an uneven playing field with respect to the provision of health insurance, and give life insurers an unfair competitive advantage through the absence of regulatory constraints that are imposed on private health insurers. PHA is concerned that allowing the provision of health insurance without the existing regulatory protections may be detrimental to consumers. In addition, giving life insurers the authority to determine whether medical treatment will assist in the rehabilitation of a claimant may impinge on clinical autonomy which is a central feature of Australia's health system.

PHA is concerned that allowing life insurers to cover medical treatment costs may create a precedent for other types of insurers to provide health insurance while circumventing the regulatory framework for health insurance businesses.

**PHA is concerned that allowing life insurers to cover medical treatment costs may have adverse impacts. PHA would want to be satisfied that these concerns have been addressed before we could support amending current private health insurance legislation to allow life insurers to cover medical treatment costs.**

## Other recommendations

PHA is concerned that the lack of transparency around income protection and total permanent disability compensation is leading to cost shifting or double dipping with private health insurance. For example, private health insurers may cover ongoing treatment costs for an injury or condition if IP or TPD compensation has been exhausted; or private health insurers may cover all treatment costs for an injury or condition if the IP or TPD compensation is not disclosed.

Currently, private health insurers rely on members to disclose whether they have received compensation from another source for an injury or condition. Information sharing between life insurers and private health insurers, subject to the member's consent, would enhance transparency of funding and help to prevent cost shifting and double dipping.

**PHA recommends that life insurers and private health insurers be permitted to share information about compensation settlements, subject to the member's consent.**