

30 January 2013

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Senate Standing Committee on Community Affairs
PO Box 6100
Canberra ACT 2600

Via email: community.affairs.sen@aph.gov.au

To the Senate Standing Committee on Community Affairs

Re: Private Health Insurance Amendment (Lifetime Health Cover Loading and Other Measures) Bill (2012)

Thank you for the opportunity to comment on the *Private Health Insurance Amendment (Lifetime Health Cover Loading and Other Measures) Bill (2012)* ("the Bill").

The Australian Physiotherapy Association (APA) advocates that private health insurance should be affordable to all Australians.

Removal of PHI incentive benefit from Lifetime Health Cover Loading

The Bill amends the *Private Health Insurance Act (2007)* to remove the private health insurance incentive benefit (the rebate) from the Lifetime Health Cover (LHC) loading component of private health insurance premiums.

The underlying argument is that if the Australian government continues to subsidise a portion of the LHC loading, the incentive to take out private hospital cover on the LHC base day, or early in life, is diminished. This is seen as unfair to people who take out and maintain private hospital cover early in life.

The APA certainly supports increased uptake of private health insurance, particularly for evidence-based treatments. Where there is evidence of the efficacy and cost-effectiveness of a particular treatment intervention, the APA advocates that health funds should recognise such treatment services and offer higher rebates.

The APA questions however whether removing the rebate from the LHC loading would incentivise people to take out private health insurance earlier in life and maintain cover to avoid the LHC loading.

The APA is concerned that a person may well choose to take out only hospital cover and downgrade or drop their ancillary cover (often referred to as general treatment or extras cover). This is of great concern to the APA as ancillary cover pays rebates for attendance to physiotherapists and other general providers such as dentists and podiatrists. The APA's research shows that approximately half of all private physiotherapy patients make a claim on private health insurance policy. Affordable ancillary cover is vital to the continued viability of the private physiotherapy industry in Australia.

Any reduction in the number of Australians holding ancillary cover will reduce access to physiotherapy services – services that are largely not covered under the Medicare Benefits Scheme (MBS). This is because Medicare-funded access to physiotherapy is limited to people with complex and chronic diseases. A small proportion of the population choosing to drop ancillary cover could have a dramatic impact on thousands of physiotherapy private practices around the country where profit margins are currently extremely tight.

Incentive Payments Scheme (IPS)

The Bill proposes to remove the Incentive Payments Scheme (IPS) option for claiming a private health insurance rebate. This will mean that an insured person can claim a rebate as a direct payment from the Department of Human Services Service Centre (DHS Service Centre). Given the IPS option is seldom used with little known benefit, the APA believes that removing IPS is a low-cost option to reduce the administrative burden on insurers, the DHS and the Australian Taxation Office (ATO).

Yours faithfully,

Marcus Dripps
President