



METLIFE SUBMISSION TO PARLIAMENTARY INQUIRY INTO WORKER REHABILITATION

About MetLife

Our Profile

MetLife Insurance Limited is an entity regulated by the Australian Prudential Regulatory Authority (**APRA**) that carries on life insurance business within the meaning of the *Life Insurance Act 1995*. It also holds an Australian financial services licence issued in accordance with the *Corporations Act 2001* by the Australian Securities and Investments Commission (**ASIC**).

MetLife first entered the Australian life insurance market in 2005 through the acquisition of Citigroup's life insurance business. We are the 10th largest life insurance provider in Australia¹ with headquarters in New South Wales and an office in Victoria. MetLife employs over 300 highly skilled professionals.

MetLife is ultimately owned by MetLife, Inc., which is listed on the New York Stock Exchange. MetLife, Inc., through its subsidiaries and affiliates, is one of the world's leading financial services companies. Founded in 1868, MetLife, Inc. has operations in more than 40 countries and holds leading market positions in the United States, Japan, Latin America, Asia, Europe and the Middle East.

Our Services and Products

MetLife's primary business in Australia is group insurance. We are the third largest provider of group insurance in the Australian market². We provide the default life insurance coverage that members receive through their superannuation funds, or act as an insurer for corporates that provide their employees with protection such as salary continuance insurance.

We are proud of our ability to support Australians whose lives are disrupted by death or disability, and our success in this area speaks for itself. Last year, we disbursed approximately \$485 million in claims and provided protection to approximately 2.6 million Australians.

Over the last five years, we paid over 95% of all finalised group insurance claims.

Life Insurance Products

Life insurers offer the following benefits to their customers:

- Life insurance – pays a benefit on the death of the life insured;
- Terminal illness benefit – provides a benefit when the life insured is terminally ill;
- Total and permanent disability (TPD) – pays a benefit when the life insured is unlikely to return to work due to an injury or illness;
- Income Protection (IP) – provides a replacement income stream when a life insured is temporarily disabled from performing their usual role due injury or illness;

¹ Strategic Insight, June 2017

² Strategic Insight, June 2017

- Trauma or critical illness – provides a benefit on the occurrence of specified events, usually a serious illness such as cancer or a heart attack. Trauma insurance is permitted to be provided through a superannuation fund.

TPD and IP benefits account for most of the benefits paid by life insurers. Both these benefit types are focussed on illness and injury which prevents the insured from carrying out their usual work.

Terms of reference

Our submission concentrates on the following terms of reference:

Options for greater involvement by private sector life insurers in worker rehabilitation, including support after return to work, with particular reference to the following:

“(a) the interaction of Income Protection (IP) insurance and Total and Permanent Disability (TPD) insurance with ...legislative and regulatory frameworks including Medicare...and private health insurance; and

(c) how benefits available under continuous disability policies, such as TPD, could be utilised to provide assistance and incentives to people returning to work, such as covering the cost of professional nursing care and other rehabilitation related expenses, including whether there are any legal impediments to this.”

At present, there are legislative barriers which mean that it is not generally permitted to provide support for rehabilitation-related expenses, such as professional nursing care, under continuous disability policies. This explained further in our submission.

The terms of reference for this inquiry refer to “worker rehabilitation”. This term is usually associated with worker’s compensation schemes in states and territories and often refers to occupational and vocational rehabilitation following a workplace injury. In this submission, we have used the term “early intervention” strategies, as this is a broader term which could cover targeted medical intervention or assistance from an allied health professional.

Legislative barriers

In recent years, life insurers such as MetLife have increased their investment in supporting customers return to health, and ultimately return to work. There are however legislative restrictions which generally prevent a life insurance company from offering primary medical benefits, or payments that fall within the definition of private health insurance.

This means that the support that life insurers can offer is generally restricted to rehabilitation services that are not primary medical benefits or private health insurance-type benefits. Diagram 1 illustrates this:

Diagram 1: Benefits which are permitted and restricted to be paid by life insurer

Permitted benefits	Benefits that are not generally permitted*
Lump sum for TPD	Physiotherapy
Income replacement payments	Psychiatric treatment
Vocational guidance	Psychological counselling
Occupational rehabilitation	Funding for surgery
Training support	Any treatment that may be a Medicare benefit
Referral to support services (eg community based services)	

* These benefits may be provided as part of a trauma policy where the insured amount exceeds \$10,000.

The relevant legislative provisions are outlined in the Appendix.

If these restrictions were amended, life insurers would be able to offer critical support in the following situations which may not be supported as part of the current system:

- A Medicare benefit may be available, however, there are long waiting lists in the public system. This situation arises where a customer or member does not hold private health insurance and cannot afford the relevant medical treatment. A typical example is surgery for a musculoskeletal condition that would assist the customer or member to return to health and work.
- A Medicare benefit is available, however, the gap between the Medicare fee schedule and that charged by the doctor is not affordable by the customer or member. A typical example is psychiatric care for mental health conditions.
- A private health insurance benefit may be theoretically available, however the customer does not hold private health insurance, the gap between the benefit amount and the cost is too great, or the private health insurance member has exhausted their lifetime cover. There are many examples in this category, which includes physiotherapy, counselling by a psychologist, pain therapy, treatment for addiction and nursing care.
- A pharmaceutical benefits scheme (PBS) benefit is potentially payable, however, the medication is still not affordable for the customer, or the medication is not listed on the PBS. Typical examples are medication for mental health conditions, such as medications to treat anxiety, depression and insomnia, and new cancer treatments.

Being able to offer assistance in the situations outlined above has the potential to help more of our customers return to health and to a productive life.

Due to the current prohibitions, there is little data available on the number of people that could be better supported by the recommended reforms. MetLife however estimates that it may be able to provide better support for about 3000 customers each year. MetLife is co-sponsoring a research project aimed at assessing the economic benefits of more flexible regulation in this area.

Mental health conditions

The prevalence of mental health conditions is increasing in the community. It is estimated that one in two Australians will suffer a mental health condition in their lifetime³. The World Health Organisation has estimated that depression will become the leading cause of the global health burden by 2030⁴.

In the period from 2010-2013, claims for mental health conditions were the third most common kind of claim in the group insurance market, the most common being neoplasms/cancer and musculoskeletal conditions⁵. For MetLife, about 15% of our claims in 2017 related to mental health conditions.

Furthermore, secondary psychological issues arising from illness or injury are common.

Treatment for mental health conditions can be difficult for some people to obtain. Treatment is usually obtained from:

- General practitioners - often in the form of prescribed medication;
- Psychiatrists - however, the gap between the Medicare schedule fee and the consultation fee is often prohibitive;
- Psychologists - from whom patients can obtain up to 10 Medicare supported counselling sessions if their general practitioner deems the patient eligible for a mental health plan; or
- In-house psychiatric treatment – short-term treatment for acute psychiatric episodes may be available in the public health system. Longer term treatment may be partially covered by private health insurance but is often not affordable by the patient

Currently, life insurers are not generally permitted to provide funding for specialist services from a psychiatrist or psychologist. There are some people with mental health conditions who are falling between the cracks as they are unable to afford the treatment that would be best able to support their condition. Access to primary health and specialist services is especially difficult for people in remote or regional areas⁶.

MetLife believes that, if life insurers could offer funding for treatment to people with primary or secondary mental health conditions, society would see better outcomes in terms of return to health and a productive life. The goal of funding for treatment would be to get people back to health, and potentially back to work.

Case study

The following case study illustrates the difficulties that people with longer term mental health conditions can have in obtaining appropriate treatment.

³ Australian Bureau of Statistics 2008, *National Survey of Mental Health and Wellbeing: Summary of Results*, 4326.0, ABS, Canberra

⁴ World Health Organisation, 2008, *Global Burden of Disease*

⁵ Rice Warner 2016, *Group Life and Disability Insurance Claims*

⁶ Centre of Research Excellence in Rural and Remote Primary Health Care, 2016, *Overcoming access and equity problems relating to primary health care services in rural and remote Australia*

Case Study

Peter⁷ is a 30 year old man who is a member of a superannuation fund through which insurance is available from MetLife. Following a traumatic childhood in a war-torn country, he immigrated to Australia. He now resides with his elderly mother for whom he provides care.

Peter's occupation was as an interpreter but resigned from that role in late 2015 after developing psychological symptoms, resulting in a diagnosis of depression, anxiety and chronic adjustment disorder. Peter's treatment plan currently consists of GP consultation on a fortnightly basis, as well as medication. He was finding psychological counselling helpful, but is no longer seeing a psychologist for treatment due to exhausting his Medicare Mental Health Care Plan entitlements and not being able to fund psychological counselling independently.

Peter lodged his income protection claim with MetLife in May 2016 and is still not working. MetLife has funded training in real estate to facilitate Peter's return to work, however he has not been successful in obtaining employment in this occupation due to his psychopathology. If MetLife were able to fund ongoing trauma-focused counselling and/or review by a psychiatrist, it may be that Peter's long term prognosis would improve as well as his prospects of returning to work.

How is MetLife currently assisting customers?

MetLife has put in place a number of initiatives designed to assist our customers return to health. Due to the prevalence of customers presenting with mental health conditions, or with secondary psychological conditions, much of our focus has been on supporting people with mental health conditions. These initiatives include:

- Providing quarterly training on mental health issues to all our customer-facing staff including our claims managers;
- Health Connect, which provides referrals to government-based, or community services that can be obtained at low or no cost;
- Nourish, a MetLife designed program that provides access to evidence-based, best practice interventions to achieve measurable functional outcomes and resolve psychosocial barriers to recovery. These interventions may include psychoeducation, self-help, support groups and community integration, skills training, activity scheduling and capacity support, goal setting as well as suicide and relapse prevention case management.

While these programs are providing positive outcomes within current regulatory constraints, we would be able to assist our customers and members more effectively if we could provide funding for targeted treatment.

Recommendation

In MetLife's view, the current prohibitions outlined in the Appendix are artificial, and prevent life insurers from providing support for targeted treatment at a critical juncture in people's lives.

⁷ Not his real name

We therefore recommend that these legislative barriers be modified to the extent needed to allow life insurers to offer targeted interventions to claimants where it is reasonable and necessary for the claimants' return to health, such as the examples outlined on page 4 of this submission.

As we have described, providing insurers with this flexibility would enable us to collaborate with existing providers and supplement the services already available, for the benefit of our customers and the broader society. It is not intended that life insurers would be in competition with existing providers in the health system.

We would be happy to expand on the above comments or meet with the Committee.

Appendix – Relevant Legislative Provisions

Health insurance legislation

- **“Health insurance business”** broadly means the business of undertaking liability by way of insurance in relation to treatment that is intended to manage or prevent a disease, injury or condition (s 121-1 of the Private Health Insurance Act 2007). Worker rehabilitation benefits would fall within this definition if they are payable on account of health treatment services being provided (e.g. medical, surgical, physiotherapy and psychological treatment).
- Life insurers are prohibited from carrying on “health insurance business” under the following legislative provisions:
 - A life insurer cannot intentionally carry on any insurance business other than life insurance business (s 234 of the Life Insurance Act). Health insurance business is specifically disqualified from the definition of life insurance business (s 9A(7)) and APRA does not have the power to grant a special exemption (ss 12A, 12B).
 - An insurer must be a registered private health insurer in order to carry on “health insurance business” (s 10 of the Private Health Insurance (Prudential Supervision) Act 2015).
 - An insurer cannot advertise, offer or issue an insurance policy that is health insurance business unless the policy meets the mandatory requirements for a health insurance policy (s 84-1 of the Private Health Insurance Act 2007). A life insurance policy plainly would not satisfy these requirements (e.g. the community rating principle).
 - A life insurer cannot enter into an insurance policy which pays a benefit in the event that the policyholder incurs a liability to pay certain medical expenses for which a Medicare benefit is payable (s 126 of the Health Insurance Act 1973).
- Workers compensation insurers and motor vehicle accident insurers can make payments for treatment related expenses as they are exempt from private health insurance legislation (s 121-25 of the Private Health Insurance Act 2007).
- However, a life insurer would only be exempt where the total benefit payable for each treatment related event is at least \$10,000 (clause 16(1)(f) of the Private Health Insurance (Health Insurance Business) Rules 2017). In practical terms, life insurers are only able to rely upon this exception when providing benefits for trauma or critical illness events (e.g. major heart surgery) as the benefit amount is fixed. The exception would not be appropriate for rehabilitation related expenses which often do not reach \$10,000.

Superannuation legislation

In addition to the above, the following restrictions would apply where the life insurance policy is issued to a superannuation fund trustee:

- The trustee can only provide insured benefits where the insured event is consistent with a specified condition of release, being death, terminal medical condition, permanent incapacity or temporary incapacity (Reg 4.07D of the Superannuation Industry (Supervision) Regulations 1994).
- However, in order to achieve the objectives of “early intervention”, the rehabilitation benefits may need to be provided before a member satisfies one of these events. There would be some utility in providing treatment benefits for “temporary incapacity” although this condition still requires the member to have already ceased gainful employment.
- Similarly, the sole purpose test prevents superannuation trustees from providing benefits for ill-health before the member has ceased gainful employment (s 62 of the Superannuation Industry (Supervision) Act 1993).
- Even if a member has ceased gainful employment, the benefit can only be cashed in the form specified in the “cashing restrictions” (Reg 6.18 of the Superannuation Industry (Supervision) Regulations 1994). In relation to “temporary incapacity”, this means the benefit must be paid on at least a monthly basis where the amount paid during a 12 month period cannot vary by more than 5% or the consumer price index. A payment for rehabilitation expenses would not meet this requirement as it would be paid as a lump sum.