



692/1123



**The Hon Tanya Plibersek MP
Minister for Health**

The Hon John Murphy MP
Chair
Standing Committee on Petitions
Parliament House
CANBERRA ACT 2600

Dear Mr Murphy

Thank you for your letter of 20 August 2012 regarding a petition from [redacted] in which Ms [redacted] requests that private health insurers be required to provide full health insurance cover with no co-payments and no 'gap' payments for patients.

Private health insurers often enter into 'gap cover arrangements' with health providers. Under such arrangements, a patient will either have no gap to pay, or they will be informed in advance about any gap. As at the end of the June 2012 quarter, 88.3% of privately insured medical services in Australia were delivered with no gap for the patient to pay, but such arrangements are optional. Policies that provide access to gap cover arrangements can be more expensive due to the higher benefit levels private health insurers are required to pay.

Private health insurers also offer policies with set co-payments. Consumers can agree to pay a limited amount for each day they are in hospital, usually for a lower premium compared to policies that do not include co-payments. Consumers are able to choose policies with or without co-payments according to their own personal circumstances.

Policy conditions vary between private health insurers and each health insurer offers a variety of policies. That is why I encourage people to be as informed as possible before taking out private health insurance cover and when changing from their existing cover.

The Private Health Insurance Ombudsman hosted website, www.privatehealth.gov.au, has a search engine that enables consumers to browse Standard Information Statements for each private health insurance product available in Australia. Each Standard Information Statement shows important price and benefit information on each private health insurance product, such as gap cover options and co-payments, so that consumers can compare and make informed choices about their private health insurance cover.

The Australian Government ensures a minimum level of cover for insured hospital treatment, by regulating the minimum benefits private health insurers must pay. However, the Government has no authority to regulate fees charged by hospitals and health practitioners. Practitioners and hospitals are encouraged to consider the personal circumstances of their patients when determining their fees. The Government must rely on the goodwill and cooperation of individual practitioners to ensure that patients receive adequate medical care without undue financial hardship. Therefore, it is important for people experiencing financial hardship to discuss their personal situation with their practitioner.

However, if as Ms [redacted] suggests the Government were to require private health insurers to meet all medical costs and to prohibit policies that allow co-payments, private health insurers would experience significantly higher outlays. Such an approach creates an environment in which there is likely to be an increase in medical and other fees. This would lead to private health insurers having to significantly increase the cost of private health insurance in order to safeguard the viability of their business and to protect their members. Any significant rise in the cost of purchasing private health insurance is of concern to the Government because this would put private health insurance out of reach of many people.

The Australian Government greatly appreciates the efforts made by people who make provision for their own health care needs through private health insurance and also recognises that unforeseen out-of-pocket expenses can add to the distress of those who suffer illness and injury.

To assist, the Government maintains the Extended Medicare Safety Net that provides additional Medicare benefits for Australian families and singles who have out-of-pocket costs for Medicare eligible out-of-hospital services once an annual threshold of out-of-pocket costs has been met. In 2012, the annual threshold for Commonwealth Concession Card holders, including those with a Pensioner Concession Card, a Health Care Card or a Commonwealth Seniors Card, and people who receive Family Tax Benefits (Part A) is \$598.80. For all other singles and families the annual threshold is \$1,198.

The Government also provides taxation assistance for the costs of some health expenditure that is not covered by Medicare through the net medical expenses tax offset (NMETO). For information regarding the NMETO, patients can contact the Australian Taxation Office's Personal Tax Enquiries Line on 13 28 61.

Once again, thank you for writing.

Yours sincerely

Tanya Plibersek

18.9.12