

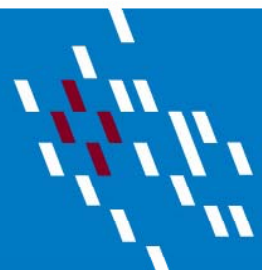
HIRMAA Submission

to the

**Community Affairs Legislation
Committee**

***Inquiry into the Private Health
Insurance Legislation Amendment Bill
2009***

June 2009



HIRMAA is pleased to lodge a brief submission regarding certain provisions of the *Private Health Insurance Legislation Amendment Bill 2009* (the Bill).

HIRMAA is the peak industry body representing all thirteen restricted private health insurers and four open regional insurers (Attachment A). In summary, HIRMAA funds exist because of their unique historical and contemporary links to various professions, trades, industries, unions, employers and geographic regions. They are *not-for-profit* organisations with over 430,000 contributors providing private health insurance (PHI) coverage for approximately one million Australians.

Since its formation in 1978, HIRMAA has advocated for the preservation of competition, believing it to be fundamental to Australians having access to the best value health care services. HIRMAA has done this by:

- promoting legislation, regulations, policies and practices which increase the capacity of its member organisations to deliver best value health care services; and,
- vigorously resisting the efforts of those who seek to gain by concentrating the provision of private health insurance into the hands of a few large organisations.

A number of characteristics distinguish the HIRMAA member funds. They:

- are value-based as opposed to being profit-based;
- continue to offer various levels of insurance at highly competitive premiums;
- optimize benefit entitlements and premiums;
- continue to tangibly grow their membership numbers in a greater proportion from the overall industry;
- in the case of restricted funds, they have had their unique nature acknowledged in the *National Health Act 1953* and now in the *Private Health Insurance Act 2007*.

Concurrently, the HIRMAA organisation :

- founded and provides the majority membership of the Australian Health Service Alliance. This organization is recognized as a highly effective negotiator of hospital and medical arrangements and the developer of the most comprehensive database in the country;
- shares critical performance and operational information to promote enhanced efficiency and capability throughout its total membership;
- founded and provides the majority membership of HAMB Systems, the software provider and developer for 23 registered funds;
- provides objective input and underlying support to government and industry initiatives;
- provides an educational forum for all member funds and their staff; and,
- works cohesively and positively with the regulator, Ombudsman, Government and other relevant parties.

Private Health Insurance Legislation Amendment Bill 2009

The Bill contains amendments that will allow private health insurers to permanently offer extended family policies to cover ‘dependent child non-students’.

At a quarterly meeting of HIRMAA funds in 2008, the issue of *Extended Dependent Coverage* for persons aged between 18 and 25 was discussed and it was resolved that HIRMAA should write to the Minister for Health and Ageing regarding this matter. In a letter to the Minister dated 30 September 2008, the following issues were detailed.

“Under the previous Act governing private health insurance, insurers were able to offer Extended Dependent Coverage, allowing dependents to stay on their family’s coverage until age 25 (for a modest extra charge) even though the terminal age for a dependent (under the “Rules”) was normally 18 or 21. However, due to current interpretation of the new legislation by the Department of Health and Ageing (DoHA) the ability of health insurers to continue offering Extended Dependent Coverage is now only permitted as a transitional measure to cease on 31 December 2008.

It is our understanding that the intent of the previous Government when it introduced the Private Health Insurance Act 2007 to consolidate the regulation of private health insurance into a single Act but not to radically change the way health insurers were conducting business. It appears therefore that the cessation of the availability of Extended Dependent Coverage was an unintended consequence or misinterpretation, and we hope that the Minister for Health and Ageing will ensure that this valuable coverage is permitted to continue on a permanent basis.

Extended Dependent Coverage is offered by Medibank Private, MBF, BUPA, HCF, and a number of the smaller health insurers. If Extended Dependent Coverage is prohibited after 31 December 2008, it will cause significant disruption and discontent to many who are insured under this category, and may result in many people in the 18 to 25 age group cease being covered by private health insurance.”

HIRMAA notes that the *Private Health Insurance Legislation Amendment Bill 2009* amends certain community rating provisions to specify that insurers can offer policies covering children up to 25 (who do not have partners and are not students) at an increased premium.

HIRMAA welcomes the proposed amendments.

Attachment A

ACA Health Benefits Fund Ltd

CBHS Health Fund Ltd

Defence Health Ltd

Health Care Insurance Ltd

Health Partners Ltd*

Lysaght Peoplecare Ltd*

Navy Health Ltd

Phoenix Health Fund Ltd

Queensland Country Health Ltd*

Queensland Teachers' Union Health Fund Ltd

Railway and Transport Health Fund Ltd

Reserve Bank Health Society Ltd

South Australian Police Employees' Health Fund Inc

Teachers Federation Health Ltd

The Doctors' Health Fund Ltd

Transport Health Pty Ltd

Westfund Ltd*

* denotes regional open fund