

Direct the Productivity Commission to conduct a full review of the private health insurance system, with an emphasis on identifying ways to improve its value proposition to policy holders in general and older policy holders in particular.

Overview

- In 2018, Federal Labor's policy in Opposition was for the Productivity Commission to conduct a full review of the private health insurance system.
- The Productivity Commission (through its precursor, The Industry Commission) last undertook a full review of private health insurance in 1998.¹⁶ There have been several government and industry reviews and processes since, including:
 - The ACCC's annual reports to the Australian Senate over 25 years analysing key competition and consumer developments and trends in the private health insurance industry that may have affected consumers' health cover and out-of-pocket expenses;
 - Reports of the Private Health Insurance Ombudsman; and
 - The Private Health Ministerial Advisory Committee (2016 – 2018), charged with reviewing all aspects of private health insurance and providing advice to government on reform.
- Despite these and many more oversight and regulatory processes involving the Department of Health and Aged Care and the Australian Prudential Regulation Authority (APRA), private health insurance holders continue to face a never-ending cycle of premium increases, product limitations and soaring out-of-pocket costs.
- In this complex system, calls for specific measures in one part of the system to address these problems often provoke unintended consequences in another aspect of the system leading to inertia.
- It is time for government to undertake a systemic review with the view to redesign the private health care system with fit-for-purpose policy settings.

WHAT ARE WE CALLING FOR?

- A reference to the Productivity Commission to undertake an in-depth inquiry into private health insurance with a particular focus on the:
 - growth of private health insurance premiums and out-of-pocket expenses;
 - value and scope of product offerings covered by private health insurance;
 - reforms needed to minimise premiums and out-of-pocket costs.

Why is the policy needed?

- There is repeated public and media discourse about the growing unaffordability and poor value proposition of private health insurance for all segments of the Australian population.
- NSA members and supporters have told us the cost-of-living pressures are placing great stress on them. Many have identified the cost of private health insurance and out-of-pocket health costs as key concerns.¹⁷

- A recent survey of 6,500 older people conducted by NSA found the issue of private health was the second most important concern behind cost-of-living more generally.
- NSA research has found anecdotally that some older people may be reducing their spending on other areas to try to hold onto private health insurance.
- People tell us they struggle with excess out-of-pocket costs when having to utilise private health care.
- Evidence suggests it is in the interest of the public purse to support older people to maintain private health insurance through levers such as the Private Health Insurance Rebate, as this reduces costs on the public system.¹⁸
- However, there are other aspects of the system that are beyond government control (such as product offerings) or are subject to intense political pressure (such as annual premium increases).
- Only a whole-of-system analysis and redesign will address the full range of problems facing policy holders.

Budget Impact

- In 2022-23, the Productivity Commission completed seven inquiries and other government-commissioned projects. The cost of these inquiries and projects ranged from \$1.3m to \$5.3m.¹⁹
- As we are recommending a full and comprehensive inquiry, into what is a complex system, it is likely the cost to government would be towards the upper end of previous inquiry costs.

