

ANSWERS TO ESTIMATES QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

Budget Estimates 2011-2012, 30/31 May 2011

Question: E11- 139

OUTCOME 9: Private Health Insurance

Topic: PRIVATE HEALTH INSURANCE INDUSTRY

Written Question on Notice

Senator Adams asked:

What steps has the Department taken in the last year to ensure the sustainability of the Private health insurance industry?

Answer:

The Department has continued to scrutinise private health insurance applications from insurers to ensure that increases are kept to the minimum necessary to maintain the affordability and value of private health insurance as a product whilst maintaining insurer solvency requirements, support benefit outlays and to meet prudential standards.

In January 2011, the Department enhanced the transparency of the private health insurance premium-setting process by providing consumers with more information about the Government's role in assessing and approving proposed premium increases with the publicly available document '*2011 Private Health Insurance Premium Round - Outline of process and reasons for premium increases*'. This is in addition to publishing average premium increase for each insurer in February 2011. The Department also continues to work closely with the Private Health Insurance Administration Council to ensure the Capital Adequacy and Solvency Standards for insurers are met.

The Department has also supported the Government to ensure the sustainability of the private health insurance rebate through the proposed introduction of means testing for recipients. This is due to the private health insurance rebate funding being the fastest growing component of Australian Government health expenditure<sup>1</sup>. Means testing the rebate will help support the sustainability of private health insurance rebates while continuing to provide assistance to those who need it most.

The Department has also continued to administer the Lifetime Health Cover (LHC) annual mail-out, which provides information about LHC loadings on private health insurance premiums to people turning 31 years of age and new migrants. This aims to reduce the risk of people being disadvantaged through lack of awareness of the legislation governing LHC and also encourages people to take out hospital insurance earlier in life. This then lowers the community risk profile for insurers, and also encourages people to maintain their cover.

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<sup>1</sup> Pg.53, Intergenerational Report 2010 – *Australia to 2050: future challenges*

As of 1 July 2010, the costs of the mail-out are charged to individual insurers based on their membership market share. This budget measure makes the mail-out more sustainable, having insurers financially contribute as they are the main beneficiaries of the uptake of new members.