**Consultation Paper – Private Health Insurance (PHI) Incentives and Hospital Default Benefits Studies**

**Background**

Independent studies were announced in the 2020-21 and 2021-22 Budgets and covered the following:

1. The effectiveness of the regulatory settings for the [Medicare Levy Surcharge (MLS), Rebate](https://consultations.health.gov.au/medical-benefits-division/consultation-on-phi-studies/supporting_documents/Finity%20Consulting%20MLS%20and%20PHI%20Rebate%20Final%20Report.pdf), and [Lifetime Health Cover (LHC)](https://consultations.health.gov.au/medical-benefits-division/consultation-on-phi-studies/supporting_documents/Finity%20Consulting%20LHC%20Final%20Report.pdf) (collectively referred to as the PHI Incentives); and
2. [Hospital Default Benefits](https://consultations.health.gov.au/medical-benefits-division/consultation-on-phi-studies/supporting_documents/Ernst%20and%20Young%20Hospital%20Default%20Benefits%20Final%20Report.pdf).

The regulatory settings for the PHI incentives and Hospital Default Benefits have been largely unchanged for 20 years. Given the amount of healthcare funded through PHI and the impact of the incentives on consumer behaviour, optimal PHI regulatory settings are important:

1. for consumers, the regulatory arrangements impact the affordability of premiums, the value of insurance products including consumers healthcare choices and out of pocket costs; and
2. for the health system, the regulatory arrangements facilitate additional funding for the delivery of healthcare and can take pressure off public hospitals.

Finity Consulting (Finity) undertook the review of the PHI Incentives and Ernst and Young (EY) undertook the review of the Hospital Default Benefit arrangements. For both companies, their actuaries with PHI expertise were engaged for the respective studies.

**Consultation**

During 2021 and 2022, Finity and EY held several stakeholder forums, workshops and interviews to contribute to the development of their respective studies.

The Department of Health and Aged Care thanks all parties that contributed to the development of the studies, and now invites all interested parties to review and provide feedback on the final reports to assist Government’s consideration of the findings and recommendations.

Feedback is requested by **3pm Tuesday 15 August 2023** via email to [PHIconsultation@health.gov.au](mailto:PHIconsultation@health.gov.au)   
To continue to support stakeholder engagement the Department intends to publish responses. Respondents are asked to clearly identify any sensitive or commercial-in-confidence material that is not to be published.

**Guidance**

For **each** Study feedback is sought on the following focus areas:

1. The validity of the studies’ findings and how they relate to: (i) current and future outcomes for policyholders; and (ii) current and future performance of Australia’s private healthcare system.
2. The merits of the studies’ recommendations and how they relate to: (i) possible outcomes for policyholders; and (ii) the future performance of Australia’s private healthcare system.
3. The implementation issues (including transition timing) that would need to be taken into account as part of Government’s considerations of the recommendations.

Taking the Studies **as a package**, feedback is sought on:

1. The relative priorities and inter-dependencies of the recommendations. In responding, consideration of the recommendations of [Finity’s Risk Equalisation report](https://consultations.health.gov.au/medical-benefits-division/consultation-on-the-private-health-insurance-phi-a/) (September 2022) is welcome.
2. Additional policy and regulatory issues, not canvassed in the Studies that may need to be taken into account as part of Government’s considerations of the recommendations.
3. The readiness of participants in the private health sector to work constructively together to the benefit of policyholders and the performance of Australia’s private healthcare system, and whole of sector mechanisms that can facilitate this outcome.