



## Private Health Insurance – actuarial studies of incentives

The Government is implementing the most significant reforms to private health insurance (PHI) in over a decade, which is making PHI simpler and more affordable.

The Government will fund external actuarial studies of two key pillars of Australia's PHI system, to inform the next wave of reforms. The Government's recent reforms are making PHI simpler and more affordable for Australian consumers and these studies will ensure they remain appropriate.

The studies will look at:

- Lifetime Health Cover, which provides a financial incentive for people to take out private hospital cover before the age of 31 years.
- Risk equalisation, which supports community rating by sharing the cost of certain claims between insurers, however may not adequately incentivise private health insurers to provide access to new preventive health measures.

### Why is this important?

These actuarial studies will highlight whether any changes to these policy settings could improve value and effectiveness for consumers. Changes to risk equalisation could also incentivise insurers to provide better preventive health benefits to help prevent illness and hospitalisations.

### Who will benefit?

All Australians with PHI benefit from affordable policies that provide value for money.

### How much will this cost?

The Government will invest \$2.4 million over 2020–21 and 2021–22.