National Disability Services

Private Health Insurance Reforms – Impact on People with Disability

Introduction

National Disability Service (NDS) is Australia's national disability peak body, representing more than over 1100 non-government organisations which support people with all forms of disability. We welcome the opportunity to make this submission to the Australian Government on the development and implementation of policy decisions for the proposed reforms outlined in the Department of Health (DOH) Private Health Insurance (PHI) Reforms Consultation Paper.

These reforms, announced on 6 October 2020 by the Australian Government [Budget Paper No.2 - Budget Measure: Supporting Our Hospitals — simpler and more affordable private health cover for all Australians] potentially have implications for disability service providers and people with disability.

The reforms aim to improve the affordability, value, and attractiveness of private health insurance, including for young Australians with disability. DOH is seeking more information about factors such as private health insurance (PHI) coverage and premiums.

We note the Consultation Paper seeks feedback on three key questions on:

- increasing the maximum age of dependents from 24 to 31 years of age and removing the age requirements for a dependent with a disability;
- making home and community care more accessible through private health insurance, commencing with mental health and rehabilitation; and
- policy options for applying greater rigour to certifications for hospital admissions.

General comments

The 2020–21 Federal Budget outlined the second wave of significant reform to: Increase flexibility for families and people with disabilities by increasing the age of dependents on family policies, to encourage people up to 31, and people with a disability (no age limit) to maintain private health insurance.

NDS supports reforms designed to make private health insurance more affordable, simpler to understand and attractive for all Australians with disability. NDS notes that despite a sizeable literature published on health insurance, there is a dearth of good quality evidence, especially on equity and the inclusion of specific vulnerable groups in health coverage. Evidence should be strengthened within health care reform to achieve this, by redefining and assessing vulnerability as a multidimensional process and in the investigation of mechanisms that are more

context specific for those marginalised in our community, including people with disability.

The World Health Organization (WHO) and other international actors consider the implementation and expansion of health insurance as being central to achieving better health care. Across most scheme types, existing evidence underscores the importance of health insurance as a tool to enhance health care - enrolment had a positive impact on reducing out-of-pocket spending, while also increasing utilization of health services. However, while evidence suggests health insurance schemes can improve health care utilization and financial protection for their members, they can also risk compromising equity by excluding high-risk and/or vulnerable individuals in society. For example, disadvantaged groups such as people with disability or people living in poverty may not be able to access private health insurance if they cannot afford contributions or are not exempted from paying, leading to inequity in enrolment among the most vulnerable in society. Similarly, certain groups, such as people with disability, older adults and people with chronic illness are less likely to participate in social protection programs or may have health service needs that are not covered in standard benefit packages.

NDS provides our comments below on the PHI Reforms Consultation Paper in the above context.

Consultation 1: Increasing the age of dependents to encourage people with disability to maintain private health insurance

Definition of disability

NDS welcomes the Federal Government's decision to raise the maximum age of a dependant for a private health policy to 31 from 1 April this year, but most importantly, the decision to scrap the age limit for dependents with a disability altogether.

Allowing dependents with disability to remain on the family policy progresses the social and economic inclusion of this vulnerable cohort of people and potentially provides long term financial benefit. This allows people with disability to remain on the family policy beyond 25 as is currently the case - not only would they have the potential for better health care but could continue to receive other benefits such as ambulance cover and gym membership (with some policies).

An important first consideration is defining the scope and coverage of the reforms and in particular setting a suitable definition of disability and who might be eligible.

The Consultation Paper identifies options to using existing definitions of disability – for example, that used by the National Disability Insurance Scheme or the Australian Bureau of Statistics (ABS).

DS supports an approach that provides a standardised definition of disability, and therefore eligibility, for all private health insurers rather than that being determined by individual insurers. This will better ensure portability when people with disability switch insurers and also provides simplicity for consumers.

We highlight that the NDIS definition of disability is based on need for reasonable and necessary formal supports for potentially up to 500,000 eligible people with disability. Australian Governments are providing services to many people who fall outside this definition but unquestionably have a disability.

NDS supports the policy intentions of the proposed private health insurance reform to open up participation by people with disability as wide as possible but have fairness and administrative ease. Therefore, to align with the policy intent of the reforms - to increase the participation of young people with disability in private health insurance - it is suggested that a broader definition of disability be used.

While alignment with the ABS definition is desirable, there may be inhibiting cost factors (ultimately reflected in higher consumer premiums) in opening up the scheme to such an extent. The ABS broad definition of disability includes about 4.4 million people of various levels of disability with nearly 1 in 3 (32%) people with disability—about 1.4 million or 5.7% of the Australian population—have severe or profound disability. This means sometimes or always needing help with daily self-care, mobility or communication activities. Almost one-quarter (23.2%) of all people with disability reported a mental or behavioural disorder as their main condition.[1]

Alternatively, the definition utilised by Services Australia for eligibility for the Disability Services Pension may be more suitable. It provides a much larger pool of potential participants with disability than that used by the NDIS – estimated at around 746,000 people aged 16 and over received DSP at 28 June 2019 (3.7% of the Australian population in this age group[2]

Type of dependent

The Consultation Paper puts forward three options to allow people with a disability to be covered under their parent's/s' policy beyond the current age limits for child dependents are to create a:

- new category of child dependent which is limited to people with a disability and who are over 17 years old;
- category of adult dependent which is limited to people with a disability and who are over 17 years old and create two new insured groups which contain at least one adult dependent; or
- category of adult dependent which is limited to people with a disability and who are over 31 years old and create two new insured groups which contain at least one adult dependent.

The primary consideration for people with disability and their families should be that coverage is both fair and equitable in terms of services provided and the cost of those insurance services. A policy objective should be to ensure that PHI products become more affordable for families with a dependent family member. However, NDS notes that the adult dependent options allow insurers to charge a different premium price, which potentially may be higher. In addition, we also note that under all these options the dependent with a disability may have a partner who will not be covered.

[1] https://www.aihw.gov.au/reports/disability/people-with-disability-in-australia/contents/people-with-disability/prevalence-of-disability

[2] https://www.aihw.gov.au/reports/disability/people-with-disability-in-australia/contents/income-and-finance/income-support.

Consideration should be given to people who are currently classified as non-dependent but can go back to being dependent if this decision is confirmed and how premiums will be recalculated (i.e. from the date of the decision to be equitable rather than from the renewal date).

In addition, NDS seeks clarification whether:

- the definition of dependent requires the person with disability to continue living in the same residence as family members. If so, this may mean that those being supported to live independently are disadvantaged from those who stay more tethered to informal supports; and
- if having an income precludes the person with disability from being considered dependant and if this would Disability Services Pension.

Insurer product coverage

The Consultation Paper highlights that it will be voluntary for insurers to provide products supporting the proposal to remove the age limit for dependents with a disability. Consideration should be given to ensuring that families and people with disability have sufficient and affordable cover options so that they are able to access private health insurance on the same basis as any other member of the broader community. The insurer market may not necessarily step up and choose to provide a diverse range of products and services to this cohort due to profitability considerations. For example, in the case of eligible people with disability living in regional, rural and remote parts of Australia – will they be afforded the same coverage and products offered to those living in urban localities?

Consultation 2: Expanding home and community based rehabilitation care

The Consultation Paper puts forward a proposal to improve the process for identifying the most appropriate rehabilitation arrangements for a patient, including the most appropriate setting for those services with a view to expand home and community based rehabilitation care.

Surgeons, and in some cases, general practitioners (GPs), currently have a responsibility to provide aftercare to patients in the recovery period after surgery, which includes all postoperative treatment rendered by medical specialists and consultant physicians. However, rehabilitation is a clinical category, and mandatory for all tiers, under the Under the Hospital Treatment Product Tiers – Gold, Silver, Bronze and Basic. This outlines the requirements for insurers to provide cover for all hospital treatments within the scope of cover for a clinical category.

A key component of the Consultation Paper proposal is the requirement for development of a rehabilitation plan for patients that includes out of care hospital care, with payment of PHI benefits dependents on an appropriate plan. While NDS supports more flexibility around rehabilitation settings for people with disability and agrees that there may be potential recovery benefits in more appropriate home settings, more work needs to be done around how the PHI reforms might incentivise providers and insurers to expand the range of models of care for people with disability and tailor services to patient needs, particularly for those with complex needs.

NDS also highlights the following issues:

- Who will determine the contents of the rehabilitation plan, compliance arrangements and its approval? Clinicians? Consumers? Providers? Will funders have a say about the contents of the Plan?
- How will the proposal work in regional, rural and remote parts of Australia where there may be a limited number of providers for out of hospital care rehabilitation?
- The move to provide appropriate care in home settings should also aim to improve the affordability of PHI to disability participants – new care models should not be more expensive. Regulatory burden and cost should be minimised.
- The need for development of KPIs around home care services for people with disability.

Consultation 3: Out of hospital mental health services

NDS supports the intent of the Consultation Paper proposal to allow private health insurers to pay benefits for more mental health services provided to patients at home or in a community setting to reduce hospital admissions, readmissions, and reduce the length of hospital stay for some patients. It is suggested that DoH work with all service providers, including those also delivering disability services, to develop a workable model that provides incentives for disability consumers and improves the value proposition of PHI through increased access to additional services such as increased choice of mental health benefits from PHI, and more appropriate and more targeted care that is focussed on community support and preventive mental health care.

Consultation 4: Applying greater rigour to Type B and C certificates for private hospital care

The Consultation Paper outlines a proposal to remedy inappropriate certification of Type B and C procedures by establishing a self-regulating industry mediation panel to resolve hospital certification disputes.

Type B procedures are those performed in hospital but do not include part of an overnight stay (lower accommodation benefits) while Type C procedures do not normally requiring hospital treatment and therefore hospital accommodation benefits are not payable (no accommodation benefits). However, the Rules allow hospital accommodation benefits to be paid for Type C procedures if the medical practitioner providing the professional service certifies that because of the medical condition of the patient or because of the special circumstances specified, it would be contrary to accepted medical practice to provide the procedure to the patient except in a hospital. Certificates can also occur for Type B procedures to have overnight accommodation benefits certification is provided.

DoH highlights that the main issues raised include the confusion and lack of awareness of certification requirements resulting in a lack of detail or incorrect information provided by hospitals and medical practitioners to insurers; and rejection of the medical conditions or special circumstances outlined in the certification documentation by insurers. Disputes result in uncertainty for patients about coverage and delays in payment.

The Consultation Paper indicates that the issues around inappropriate certification relate mainly to a small number of providers but does not specify the materiality of consequence. From an efficiency perspective, it would make sense to implement a policy response that is commensurate with the significance of the issue. Particular attention should be focussed around ensuring people with disability are not adversely impacted by this reform given this cohort has poorer health interactions and outcomes, including with hospitals than the general population.

While the proposed industry mediation panel may assist to resolve certification disputes, as will standard forms for certificates for better consistency and quality for information, its composition should include representation from all stakeholders including from the disability sector and consumers with disability.

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National Disability Services is the peak industry body for non-government disability services. It represents service providers across Australia in their work to deliver high-quality supports and life opportunities for people with disability. Its Australia-wide membership includes over 1100 non-government organisations which support people with all forms of disability. Its members collectively provide the full range of disability services—from accommodation support, respite and therapy to community access and employment. NDS provides information and networking opportunities to its members and policy advice to State, Territory and Federal governments.