



**Australian Government**  

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**Department of Health**

**ISSUES PAPER:  
OVERSEAS STUDENT  
HEALTH COVER**  
February 2022

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## Executive Summary

Overseas Student Health Cover (OSHC) is health insurance specifically available to overseas students and their dependants to assist with the costs of health care. This type of health insurance is a mandatory requirement under the Department of Home Affairs' Student Visa conditions whilst the student is in Australia. This is to minimise the risk of students incurring significant health-related expenses during their onshore studies. Additionally, this minimises the cost to Australian health system and community.

The Department of Health administers the [Deed for the Provision of Overseas Student Health Cover](#). This is a signed agreement between Australian-registered private health insurers and the Commonwealth which sets out the conditions that insurers must comply with in offering OSHC products and services. Consultations with stakeholders and consumers indicate aspects of the current OSHC program, including the Deed, is not reflective of modern health service arrangements and practices. Therefore, to maintain OSHC as an important complement to overseas students' education whilst in Australia, the Department is undertaking an assessment of the Overseas Student Health Cover program. This will consider issues regarding affordability, transparency, and scope and level of cover.

This Issues Paper presents change options to the OSHC program based on feedback by stakeholders and the Department's experience in administering the Deed. The Paper includes options to improve the clarity of Deed clauses and the OSHC benefit structure. In conjunction with seeking stakeholder responses to the Issues Paper, the Department has also contracted [Lonergan Research Pty Ltd](#) to undertake market research and international student engagement. They will be carrying out focus groups and an online survey to better understand international students' experience with OSHC.

## Background

International education is a valuable component of the Australian economy which has helped build capacity and networks for national and international businesses and industries. In the 2019-20 financial year, international education was Australia's largest services export<sup>1</sup> with a reported contribution of \$37.5 billion to the economy<sup>2</sup>.

Prior to 2020, overall international student numbers in Australian have consistently grown year on year despite the increased competition in the global market for international education. The Covid-19 pandemic has had an unprecedented effect on the international education sector in Australia due to travel restrictions, border closures, and public health directives. In 2021, there were 563,071 international students in Australia and a total of 697,341 international student enrolments<sup>3</sup> in the Higher Education, Vocational Education and Training (VET), Schools, English Language Intensive Courses for Overseas Students (ELICOS) and Non-award sectors<sup>4</sup>. These figures are comparatively lower than the 736,158 total number of international students in Australia enrolling in 912,448 courses in 2019<sup>4</sup>.

Along with access to world class education, it is equally important that high quality and affordable health care is available to international students and their dependents whilst they are in Australia. Overseas Student Health Cover (OSHC) is health insurance specifically for overseas students and their dependents to assist with the costs of medical and hospital care. Ambulance cover and limited pharmaceutical items are also included in this coverage. OSHC is a mandatory condition of the Student Visa (subclass 500) as per the [Migration Regulations 1994 - Schedule 2](#), made under the [Migration Act 1958](#).

To meet criteria 500.215 of the Regulations, Home Affairs requires international students (and their dependents) to meet Visa Condition 8501: "*maintain adequate arrangements for health insurance while the holder is in Australia*". For international visitors applying for a Student Visa, OSHC is the only type of health insurance that meets the adequate health insurance requirement. OSHC is administered by the Department of Health through the [Deed for the Provision of Overseas Student Health Cover](#) (the Deed). The Deed outlines the conditions in

<sup>1</sup> [Trade and investment at a glance 2020 | Australian Government Department of Foreign Affairs and Trade \(p.19\)](#)

<sup>2</sup> [Export Income 2019-20 Country Infographic](#)

<sup>3</sup> International students can enrol in multiple courses during their stay.

<sup>4</sup> [International Student Data - Austrade](#)

which registered Australian private health insurers (signed to the Deed) must comply with to offer OSHC products and policies. This contract is required under Rule 18 of the [Private Health Insurance \(Health Insurance Business\) Rules 2018](#).

The in-force variation of the Deed commenced in 2017 and is signed by six insurers. However, the active arrangements for Overseas Student Health Cover set out in the Deed has been in place since 2000 without any substantive amendments. However, the current Deed is set to expire on 30 June 2022. The Department is taking this opportunity to assess potential changes to OSHC so that it better reflects modern health arrangements; continues to be sustainable for all stakeholders; and meets the criteria for “[adequate health insurance for visa holders](#)” whilst prioritising international students’ health and well-being.

For Australian businesses, the Covid-19 pandemic has had a significant effect on operations and profitability. Since 2020, private health insurers offering OSHC products have indicated that there are decreasing new policy purchases; an increase in benefit outlays, particularly for high-cost medical admissions and out of hospital services; and higher claims frequency and health service utilisation. In addition to this, there were more policy suspensions, deferrals, and refund requests by students unable to commence onshore studies since early 2020.

In previous years, the OSHC portfolio has shown strong growth for insurers. However, as shown in graph below, OSHC revenue has now been surpassed by year-on-year expenditure increases. Current OSHC operations require international students to purchase policies for the entirety of their Visa period. Therefore, OSHC insurers are unable to re-price a product once it has been sold. Any premium changes are not applicable to the existing member base and only apply to new policy purchases and extensions.

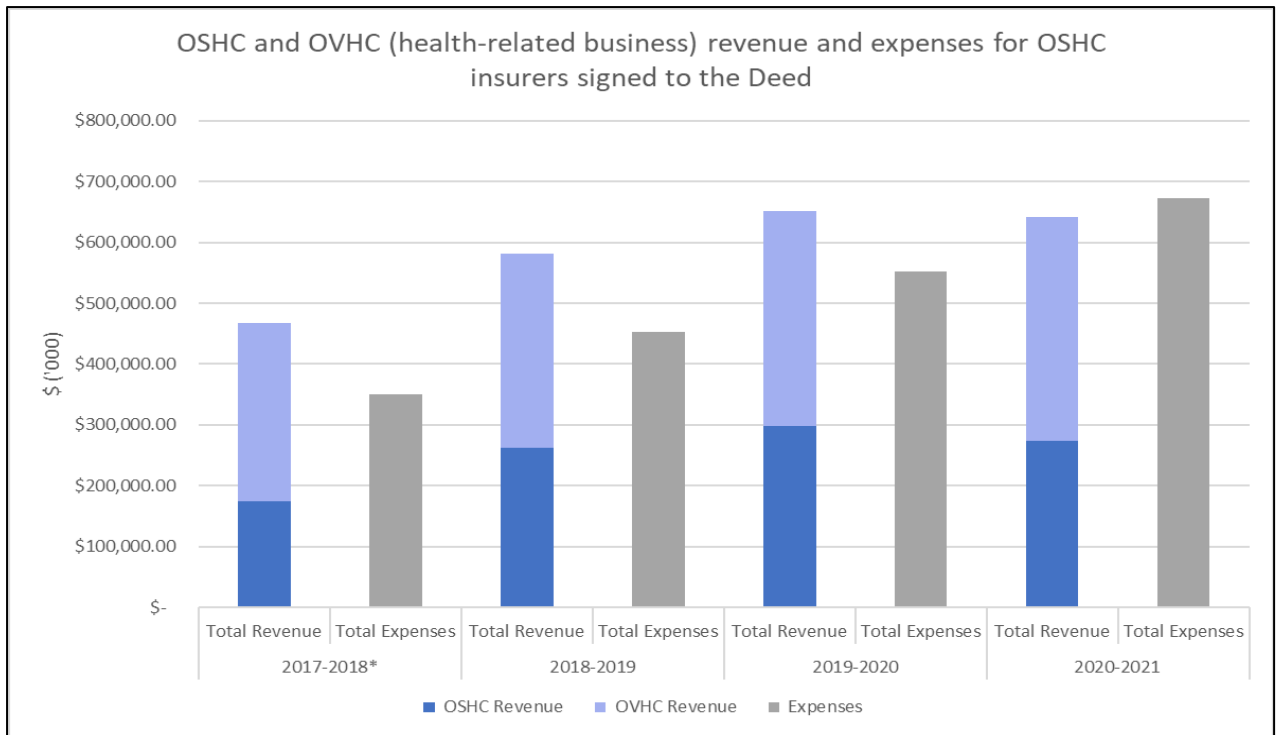


Figure 1. Comparison of OSHC and OVHC (Overseas Visitor Health Cover) expenses and revenue for OSHC insurers signed to the Deed since 2017. \*Only four insurers were signed to the Deed in 2017-2018 FY. Five insurers offered OSHC in the 2018-2019 FY. Source: [APRA Operations of Private Health Insurers Annual Report 2020-2021](#) and historical APRA Operations of Private Health Insurers Annual Report from 2017-2020 available from [Trove](#).

Key areas of Commonwealth, state, and territory governments are focused on supporting growth in the international education sector in Australia. Government initiatives such as the Department of Education, Skills, and Employment’s [Australian Strategy for International Education 2021-2030](#) and the work of the [Council for International Education](#) ensure continuous progress of Australia’s international education sector. The consideration of the potential changes to the OSHC program, as a way of improving its value and coverage requirements, will further support these initiatives by ensuring international students and their dependents are covered by a product that is affordable and sustainable into the future.

## Overview of Consultation Sections

The Consultation Sections of this paper are based on issues and options identified by the Department and various stakeholders. The options focus on clarifying the administrative requirements of the Deed; improving product transparency and benefit coverage; and increasing affordability and equitable health care access for international students and their dependents.

Consistent with the approach to the private health insurance reforms for the domestic market<sup>5</sup>, the options to improve OSHC will also be considered in terms of achieving value, sustainability, and health care accessibility. The Consultation Sections are:

1. Revise the clauses of the Deed for the Provision of Overseas Student Health Cover
  - Clarify the Deed clauses and ensure that it is clear and consistent in setting out the requirements of OSHC insurers signed to the Deed.
2. Increase product transparency and redefine benefit coverage
  - Adopt the terminology and definitions of the established clinical categories for hospital treatment to simplify and improve understanding of OSHC benefit coverage for consumers and health care providers.

The options could be implemented using a staged and coordinated approach.

<sup>5</sup> [Consultation paper: Private Health Insurance Reforms – Second Wave - December 2020 - Department of Health](#)

## Consultation Section 1 – Revise the clauses of the Deed for the Provision of Overseas Student Health Cover

### Background

For domestically offered Complying Health Insurance Products (CHIPs), the [Private Health Insurance Act](#) (the Act), Private Health Insurance Rules, and other private health related legislation are the main governing laws that sets out the requirements for PHI and health insurers. However, under the Act, health insurance for temporary visitors to Australia (students and/or otherwise) is not considered “*health insurance business*”. Instead, health insurance offered to international visitors falls under “*health-related business*” as set out in the [Private Health Insurance \(Health Insurance Business\) Rules 2018](#) (the Rules). This means that products such as OSHC and OVHC are not considered CHIPs. Therefore, they are not subject to the same level of regulation as domestic health insurance products offered to Australian residents and citizens. For the OSHC program, the Deed sets out the requirements for health insurers in offering OSHC products and services.

In addition to the Act and other PHI legislation, the [National Health Reform Agreement](#) (NHRA) between the Commonwealth and each of the state and territory governments ensures equitable public hospital access for Medicare-eligible Australians regardless of their financial or insurance status. All Australian residents, irrespective of whether they hold private health insurance or not, are eligible to be treated free of charge as public patients under Medicare.

However, in relation to international visitors and students, the NHRA states that “*private patients, compensable patients and ineligible persons may be charged an amount for public hospital services as determined by the State*”. International visitors and students are not considered eligible for Medicare and are not similarly protected under the NHRA unless they are covered by a [Reciprocal Health Cover Agreement](#). As such, consumers and insurers have raised concerns regarding some of the public health care costs and administrative arrangements for international students and their dependents, including students being charged substantially higher fees in relation to Covid-19 pathology testing and vaccine administration.



The cost of treatment and type of private health insurance cover held should not preclude or disincentivise international students from accessing high-quality health care services, particularly where OSHC is intended to provide coverage for these services. Additionally, some stakeholders have indicated that OSHC does not have a satisfactory scope and level of cover for services such as pharmaceuticals, mental health, and some out of hospital or hospital substitute services. Overall, the proposed amendments to the Deed outlined below aim to improve health care access and affordability for international students. At the same time, these proposals ensure that the Deed enables health care providers and insurers to effectively support the health and well-being of students.

## Proposed Changes to the Deed

The following table outlines specific items in the Deed and identified concerns. Feedback is sought on the issues and proposals.

Proposed amendment	Deed clause	Description
1. Provide clarity around the definition of ‘insured group’.	Clause 1	<p>The Deed utilises the definitions of ‘insured groups’ as set out in the <i>Private Health Insurance (Complying Product) Rules 2015</i> (subsection 5). In practice, OSHC policies require less categories and are more closely aligned with the Home Affairs’ visa application classification<sup>6</sup>.</p> <p>To simplify the ‘insured groups’ categories and to better reflect current practices, it is proposed that the Deed adopts the following definitions:</p> <ul style="list-style-type: none"> <li>• Only the main Student Visa applicant (Single);</li> <li>• Two adults (Couple);</li> <li>• Two or more people, one of whom is an adult (Single parent family); and</li> <li>• Three or more people, two of whom are adults (Family).</li> </ul>
2. Further define the applications of the Medicare Benefits Schedule (as prescribed under sections 4, 4AA and 4A of the <a href="#">Health Insurance Act 1973</a> ) on OSHC products. Specify	Clause 1, 7, and 8	For CHIPs, billing practices by health care providers are consistent with the classifications of hospital treatment and out of hospital treatment. For OSHC, the Deed does not specify the application of the Medicare benefit amounts (75%, 85%, or 100%) for out of hospital services.

<sup>6</sup> [Subclass 500 Student visa \(homeaffairs.gov.au\)](http://www.homeaffairs.gov.au/subclass-500-student-visa)

Proposed amendment	Deed clause	Description
<p>the requirements for service limitations and benefits payable.</p>		<p>Services Australia administers the MBS item claiming requirements for Medicare-eligible patients. However, although the MBS is the standard fee schedule for OSHC policy holders, it is not administered by Services Australia. Consequently, there is inconsistency in the application of MBS item referral and claiming requirements.</p> <p>It is proposed that the Deed is amended to clarify that MBS item claiming requirements, as set out in each item description, must be adhered to. Additionally, the benefit for out of hospital services should be at least 85% of the Medicare Schedule Fee except for General Practitioner (GP) consultation items. It is proposed that these items are to be paid at 100% of the Medicare Schedule Fee. The specific MBS regulations, which outline the MBS item numbers, descriptors, and other rules, could also be detailed in the clause for clarity and certainty.</p>
<p>3. Review the requirements for community rating for OSHC.</p>	<p>Clause 4</p>	<p>Currently, insurers must apply community rating for OSHC products as per the <a href="#">Private Health Insurance (Health Benefits Fund Policy) Rules 2015</a> (subsection 9). This protects international students and their dependents from being disadvantaged based on characteristics such as health conditions, location, and gender, etc.</p> <p>In contrast, Overseas Visitor Health Cover is risk rated. This allows insurers to consider factors such as age or likelihood to claim. It is noted that applying risk rating to OSHC may create inequities in the premiums paid by students with a higher health risk who may need more health care and students with a perceived lower risk of requiring health care.</p>

Proposed amendment	Deed clause	Description
		<p>Feedback is sought on allowing insurers to apply risk rating to OSHC on a limited basis (e.g. insurers cannot use health status or claims history as a determinant). It is important to note that insurers will still be required to offer an OSHC policy to any Student Visa applicant wishing to purchase an OSHC product.</p>
<p>4. Revise the requirement for OSHC insurers to provide a membership card to the policy holder within 4 weeks of policy purchase.</p>	<p>Clause 5</p>	<p>Insurers have raised concerns regarding the practicality of providing offshore international students with physical membership cards due to postage and other administrative challenges. Some students are also unable to provide an Australian address for insurers to send the membership cards to, especially prior to their arrival. Consequently, in certain circumstances, students are unable to provide proof of a valid OSHC policy when presenting at health care facilities. This issue can be further exacerbated if the health care provider is unfamiliar with OSHC and its scope of cover. This often necessitates upfront payments for students to receive medical treatment and/or subjects students to treatment delays.</p> <p>To alleviate these issues, some insurers have introduced alternatives to physical membership cards. It is proposed that this clause be amended to reflect current practices.</p> <p>Insurers will be required to provide international students with virtual membership cards or proof of OSHC that detail the benefit entitlements of the student. Additionally, feedback is sought on the necessity of physical membership cards and, if so, the period in which the insurer must provide the physical card to the student from their arrival in Australia.</p>

Proposed amendment	Deed clause	Description
5. Introduction of excesses to the OSHC product suite.	<i>Inclusion in Clause 6</i>	<p>Compared to domestic private health insurance, OSHC products are not permitted to include excesses for hospital stays. The application of capped excesses may decrease premium prices.</p> <p>While affordability is a major concern for international students, the introduction of excesses can potentially add more financial burden or act as a barrier to accessing hospital care, particularly for unexpected admissions.</p> <p>It is proposed that the Deed can have the option for hospital excesses. This will be in line with the current maximum excess payable for CHIPs, which is \$750 for singles policies and \$1,500 for family policies in any 12-month period, as set out in Section 45-1 of the Act.</p>
6. Define the requirements of promotional/campaign discounts.	<i>Inclusion in Clause 6</i>	<p>The Deed does not specify if insurers can offer discounts on premiums. A clause can be included that enables insurers to provide discounts and promotions for their OSHC product offerings. Conditions can mirror existing regulations for domestic health insurance as set out in the <a href="#">Private Health Insurance (Complying Product) Rules 2015</a> (subsection 6). Insurers will not be permitted to utilise factors such as non-claiming or health status as a discount condition.</p>
7. Allow for currency fluctuations in offering OSHC product to other countries.	<i>Inclusion in Clause 6</i>	<p>The Deed is currently silent on the matter of currency fluctuations. OSHC premium changes are subject to Department approval and applications are made under Australian currency. However, this does not consider the regulations and additional costs of selling OSHC products in different countries.</p>

Proposed amendment	Deed clause	Description
		<p>It is proposed that insurers are allowed to adjust premiums to reflect currency conversion fluctuations in the respective currencies of a target marketplace. Any changes are not proposed to impact the annual premium setting process and outcomes.</p>
<p>8. Amend the premium change requirements.</p>	<p>Clause 6</p>	<p>Due to the requirement for international students to purchase policies for the duration of their intended stay in Australia, insurers currently only reprice products for new policy purchases.</p> <p>To promote flexibility in pricing, it is proposed that insurers should apply for the proposed maximum premium prices for the following financial year. Insurers will have the flexibility to offer a premium up to the approved amount. However, insurers will still be required to notify the Department of the details of their premium change implementation processes.</p>
<p>9. Review the criteria for a subsequent premium change within the same financial year.</p>	<p>Clause 6.7</p>	<p>For any subsequent or out of cycle premium changes within the same financial year, insurers are required to demonstrate that the state of their Reserves preclude them from meeting the requirements of the Deed.</p> <p>It is proposed that references to insurer Reserves are removed. Instead, the clause will require financial information, an insurer and consumer impact assessment, and other supporting materials that substantiates an out of cycle or additional premium change.</p>
<p>10. Review the conditions for a premium refund and include allowances for</p>	<p>Clause 6.8</p>	<p>Although it is not specified in the Deed, insurers have offered students and their dependents various policy change options, such as refunds, suspensions, and start</p>

Proposed amendment	Deed clause	Description
policy suspensions and deferrals.		<p>date deferrals in response to extenuating circumstances, most recently relating to the Covid-19 pandemic.</p> <p>It is proposed that the Deed allow an insurer, at its discretion, to provide certain arrangements so that students can have the opportunity to change their OSHC policy, if necessary.</p>
11. Review the requirements of reporting fraudulent activity.	Clause 6.10 and 6.11	<p>The Deed requires insurers to provide student contact details to Home Affairs following a premium refund or policy cancellation request. However, the OSHC reporting and compliance processes between insurers and the relevant Government agencies need to be revised for clarity.</p> <p>Feedback is sought on the scenarios in which information should be reported, the frequency at which it is reported, and, if required, an appropriate data-sharing mechanism between government agencies and OSHC insurers.</p>
12. Allow for supplementary preventative, hospital substitute, and/or rehabilitation program offerings.	<i>Inclusion in Clause 7</i>	<p>The Deed is prescriptive on the base requirements of each OSHC product. Insurers could be encouraged to be more innovative in supplementary program offerings, in conjunction with the benefit requirements listed in Clause 7. This can include preventative health services or health management programs.</p> <p>Any supplementary benefits, programs, or offerings should be optional to a student's OSHC product. Each insurer's OSHC product range should still include a standalone product that meets the basic requirements of the Deed, as per subclause 7.8.</p>

Proposed amendment	Deed clause	Description
<p>13. Clarify current benefit inclusions for out of hospital services.</p>	<p>Clause 7.1 (a)</p>	<p>Insurers are only required to cover out of hospital services that have a corresponding MBS item number. Consumers have indicated that their benefit entitlements for out of hospital services are ambiguous and unclear. This includes treatments for mental health and allied health (under a valid GP Management Plan and with a corresponding MBS item number) and cover for <a href="#">Child Dental Benefits Schedule</a> items 88011-88943 (as included in the regularly published MBS files). Consequently, students and their dependents are often required to pay for their treatment upfront.</p> <p>It is proposed that the Deed further elaborate on the coverage and benefits payable for out of hospital services.</p>
<p>14. Facilitate a mutually beneficial agreement and claiming process between public health facilities and OSHC insurers that prioritises international student health and safety.</p>	<p>Clause 7.1 (c)</p>	<p>The Deed states that individuals that hold OSHC are to be charged at “<i>the rate determined by State and Territory health authorities for services charged to a patient who is not an Australian resident</i>”. This has resulted in a wide range of charges for medical services and hospital accommodation, including between hospitals in the same State; a lack of transparency regarding the benefits to be paid by the insurer; and high out of pocket costs for students. Additionally, this has imposed significant administrative cost on public health facilities that cannot apply the same eligibility checking and billing processes utilised for Medicare-eligible patients.</p> <p>Feedback is sought on the preferred approach that mitigates financial disadvantage to students, guarantees public hospitals receive an appropriate level of payment for their services, promotes pricing transparency, and contributes to the affordability of the product.</p>



Proposed amendment	Deed clause	Description
15. Increase the pharmaceutical benefits threshold.	Clause 7.1 (f)	<p>The Deed specifies that the benefits for pharmaceutical items are payable if the charge exceeds the current <a href="#">Pharmaceutical Benefits Scheme</a> co-payment amount for general beneficiaries. Insurers can provide a benefit up to \$50 per item “with a maximum benefit of \$300 per calendar year per single membership and \$600 per family membership”. This is significantly lower than the average PBS benefits paid per patient by the Australian Government. In the 2020-21 financial year, this amount was approximately \$1,500.</p> <p>Consumers and health care providers have indicated that this is not sufficient for students’ health care needs. As international students are not covered by the PBS, students that need ongoing, high-cost medication often reach this limit quickly and must then pay out of pocket.</p> <p>Given the above considerations, feedback is sought on the appropriate pharmaceutical benefit levels for OSHC and if the Deed should specify a minimum or maximum benefit entitlement.</p>
16. Capped benefits	<i>Inclusion in Clause 8</i>	<p>Imposition of a cap on benefits can allow insurers to sell products in certain countries that have internal regulations on uncapped health insurance products. However, a benefit cap can potentially limit health care access for students. A capped or reduced level of benefits may have a detrimental effect on international students. This is further compounded by international students’ unfamiliarity with medical costs in Australia. There are also concerns that a cap on benefits has the potential to impact state and territory health authorities in relation to “bad debt” and affect OSHC premiums.</p>

Proposed amendment	Deed clause	Description
<p>17. Revise the process of agreement between a medical practitioner and the insurer regarding the application of ‘Emergency Treatment’.</p>	<p>Clause 8.1</p>	<p>The definition of ‘Emergency Treatment’ in the Deed (clause 1) outlines the circumstances in which insurers can provide a benefit whilst a student is serving the applicable waiting periods. Stakeholders indicate it has caused unnecessary administrative burden and has disadvantaged students medically and financially.</p> <p>It is proposed that Clause 8.1 (d, e, f, and g) are amended to clarify the process between an insurer and medical practitioner in relation to determining an exclusion from the benefit waiting periods and what constitutes as ‘Emergency Treatment’. This proposed amendment will better align with the pre-existing condition determination process for CHIPs. It will also prioritise a medical practitioner’s clinical assessment and certification of ‘Emergency Treatment’.</p>
<p>18. Reduce the waiting period for benefits to be paid for GP consultations</p>	<p>Clause 8.1 (d)</p>	<p>The Deed states that insurers are not required to pay benefits for treatment rendered to a student in the first twelve months of their arrival. Only treatment classified as ‘Emergency Treatment’ is exempt. This would require students and health care providers to prove that the treatment was not for a pre-existing condition.</p> <p>It is proposed that GP consultation items will only require a maximum waiting period of two months. This is similar to the applicable two-month waiting periods for psychiatric treatment as specified in Clause 8.1 (e). This ensures that international students and their dependents can claim a benefit for primary and preventative health care that GPs provide.</p>

Proposed amendment	Deed clause	Description
19. Repatriation cover	Clause 8.1 (h)	The Deed currently prohibits insurers from providing benefits for “ <i>transportation of an Overseas Student or a Dependant of the Overseas Student into or out of Australia in any circumstance</i> ”. It is proposed that the Deed allow for insurers to provide or offer financial assistance to students wishing to return to their home countries.
20. Allow insurers to introduce regular premium payment options.	Clause 9	<p>Students are required to pay the full cost of their OSHC product for the duration of their Visa period at time of purchase. Amending this requirement allows for regular instalment payment options. This can improve affordability of appropriate health cover to students.</p> <p>It is proposed that insurers are allowed to offer regular payment options for new policy purchases (e.g. monthly; annual). However, in line with Student Visa requirements, this clause amendment will require students to enter into a contract with an insurer for the duration of their Visa period.</p>

## Anticipated stakeholder impact

International students (the consumer):

- Students can have greater clarity on their health care coverage, benefit entitlements, and privileges under the Deed.
- Students will have more out of hospital benefit coverage and increased policy and pricing flexibility.

Private health insurers:

- Insurer requirements, particularly for the premium change process, will be clarified and be more consistent.
- Insurers may have to amend existing product offerings and communication materials.

Health care providers:

- Increasing the focus on coverage for primary health care, preventative services, and out of hospital services can reduce Emergency Department presentations.
- Health care providers can have better visibility and understanding of OSHC policy coverage.

Commonwealth Government:

- If the risk rating option is pursued, the Department must seek approval to amend the [\*Private Health Insurance \(Health Benefits Fund Policy\) Rules 2015\*](#) to remove insurers' obligation to not discriminate between OSHC policy holders in offering, providing coverage to, and pricing OSHC products.

## **Regulatory Burden Estimate**

It is expected that there will be costs for businesses, community organisations, and individuals through the preliminary changes to the Deed, particularly for any changes to the scope and level of cover. There may be a reduced regulatory burden if there is increased clarity and affordability. Regulatory costs will be quantified using feedback from this consultation.

## **Alternative options considered**

### **Status Quo – No changes**

### **Anticipated stakeholder impact**

International students (the consumer):

- Students will continue to purchase a product to satisfy their Visa conditions. Comprehension and understanding of their benefit entitlements will not be improved.
- Given the increasing availability of out of hospital or hospital-substitute treatment and its absence in the Deed's benefit requirements, students may be prevented from accessing or affording these services.

Private health insurers:

- They will continue to seek guidance from the Department around the intent of certain clause set out in the Deed. Inconsistencies in the marketplace will continue to exist.
- As the clauses of the Deed do not reflect contemporary health care and policy arrangements, insurers will continue to be limited to the stipulations of the Deed.

Health care providers:

- There will continue to be variability and lack of transparency in hospital admission costs particularly for non-contracted facilities and health care providers.

## Questions for stakeholders

1. Are the current settings for administering OSHC appropriate and effective?
2. In relation to the definitions of 'insured groups', should the Deed specify that international students and their dependents must purchase a policy (Single, Couple, Family, etc.) equivalent to their approved Student Visa?
3. Should out of hospital services all be paid at 85% or 100% of the MBS Fee?
4. In relation to community rating, should OSHC insurers be allowed to risk rate? To what extent should risk rating be permitted and what other conditions should this clause include to ensure students are not disadvantaged?
5. How do insurers address fraudulent behaviours and non-compliance? What are the alternatives to existing arrangements?
6. Which out of hospital or hospital-substitute services (that are currently not covered) should be part of the minimum benefit requirements of the Deed?
7. Should emergency or medically necessary out of hospital dental treatment be covered under OSHC?
8. What are the alternatives to existing public hospital benefit payment arrangements?
9. Should there be waiting periods for GP services?
10. If insurers are allowed to offer repatriation cover, should the conditions be specified in the Deed or should it be at the insurer's discretion?
11. In addition to the proposed Deed amendments identified, are there any other changes to the Deed that should be considered?
12. For non-OSHC insurers, which aspects of the Deed prevent you from offering OSHC? How can the Deed be more accessible for new OSHC market entrants?
13. Given the necessity of OSHC for international students and the Australian health system, are there any other suitable arrangements in providing international students and their dependents with adequate health coverage?

The following questions can be used as guidance for each of the proposed options:

14. Will clarifying the requirements of the Deed improve or further hinder the operation of OSHC for your organisation?
15. What transition arrangements and timeframe would be appropriate to implement this change?
16. For your organisation, what is the regulatory effect of introducing and maintaining this change? What are the internal and external factors or influences that can hinder this change?
17. What is the anticipated impact on premiums?

## **Consultation Section 2 – Increase product transparency and clarity of benefit coverage**

### **Background**

OSHC products offered by each of the insurer signatories must cover the services outlined by subclause 7 of the Deed. This includes cover for out-of-hospital and in-hospital medical services that are listed in the Medicare Benefits Schedule; hospital accommodation; prostheses listed in the Prostheses Rules; pharmaceuticals; and ambulance services. Furthermore, the Deed specifies some of the benefit levels that insurers must pay for each of these services. On the other hand, subclause 8 states the types of medical services that insurers are not required to provide a benefit for and the conditions that must be met for benefits to be provided. This outlines the waiting period requirements, assessment for a potential pre-existing condition, and exclusion for services such as non-medically necessary cosmetic surgery and assisted reproductive programs.

Overall, the Deed prescribes a wide range of services that international students and their dependents must be covered for whilst they are in Australia. However, discussions with stakeholders have indicated that the language of the Deed in setting out eligible services and the level of benefits payable is limited and ambiguous. As such, the Department is investigating areas of improvement in the scope of cover and how to effectively communicate this coverage to health care providers and consumers.

In Australia, the universal health care scheme Medicare guarantees Australian citizens and other eligible individuals with free health and emergency services through the public system. However, international students and their dependents are not eligible for Medicare. This often causes miscommunication regarding their insurance coverage when students require medical treatment. Moreover, the processes and systems to confirm service eligibility for domestic private patients differ to the eligibility checking processes for international students and their dependents. This results in treatment delays and/or requests for deposits or upfront payments prior to treatment whilst health care providers establish insurance status and service eligibility.



**Proposed Change: Adopt the standard clinical category definitions for the in-hospital component of the OSHC benefit requirements.**

It is proposed that OSHC formally utilise the established [clinical categories](#) to simplify what is and what is not covered under hospital treatment, and when a benefit may be payable. However, it is not recommended that OSHC products are named according to the domestic hospital product tiers (Basic, Bronze, Silver, or Gold) due to the differences in funding sources and regulations. The Department's market research and engagement with stakeholders will consider the most appropriate language and terminology that caters to international students, their dependents, and health care providers.

OSHC also includes out-of-hospital services that are listed in the MBS such as visits to the doctor and some allied health services. Consideration would need to be given as to how to express this information in a more transparent and understandable way.

## **Anticipated Stakeholder Impact**

International students (the consumer):

- This will assist students in better understanding their coverage information using the established clinical categories.
- This may reduce risk for delayed treatment, upfront payments, and/or higher out of pocket costs if students are more aware of their OSHC entitlements.
- Alignment of OSHC to the clinical categories (to provide a comparable level of clinical cover) may assist international students if they transition from OSHC to CHIPs as permanent residents or Australian citizens. The intuitive understanding of CHIPs, through the application of clinical categories to OSHC, should enhance understanding of private health insurance and product choices.

Hospitals and health care providers:

- Public and private hospitals are already familiar with clinical categories for domestic health insurance and the associated application of relevant MBS item numbers under the scope of cover concept.
- Employing established frameworks within OSHC should have minimal impact and can also assist with streamlining eligibility-checking and billing processes.

Private health insurers:

- This will assist insurers in better communicating OSHC product coverage and inclusions as it will be standardised with domestic CHIPs.

## **Regulatory burden estimate**

There may be some costs for private health insurers and health care providers in adopting the clinical categories for OSHC billing into their existing processes and systems. These changes may also require private health insurers to re-design product information. However, this would reduce the burden for international students and health care providers in determining the benefit eligibility of health care services. Regulatory costs will be quantified using feedback from this consultation.

## **Alternative options considered**

### **Status Quo – Do Nothing**

A continuation of current arrangements where there is no required consistency for product coverage.

### **Anticipated stakeholder impact**

International Students (the consumer):

- Lack of coverage understanding may prevent students from seeking appropriate medical treatment. Students may also be unaware of the services that they can receive a rebate for.

Hospitals and Health care Providers:

- It is expected that some patients will continue to be required to pay for services upfront or otherwise be denied or delayed service if an active policy or service eligibility cannot be established.

Private health insurers:

- Most OSHC insurers have already adapted product materials according to the clinical categories. However, as it is not a formal requirement, it is unclear if the application of the clinical categories nomenclature is compliant with regulatory guidelines and is consistent across all insurers.

## Questions for stakeholders

1. What are the factors driving misconceptions of OSHC in the Australian health care system?
2. What is the effect of formalising the use of clinical categories on existing insurer/health care provider administration of OSHC?
3. Will linking OSHC products to that of a product tier improve or change health care outcomes for international students?
4. Consider the factors that may be required of private health insurers in relation to re-defining the minimum benefits for out of hospital treatment offered under OSHC and the potential changes to the Deed.
5. How could information about out of hospital services be more transparent?
6. Are there alternative options that could improve transparency and understanding for consumers and health care providers?
7. What is the anticipated impact on premiums of this proposal?
8. What transition arrangements and timeframe would be appropriate to implement this proposal?
9. What are appropriate metrics for measuring the impact of this proposal?
10. For your organisation, what is the regulatory burden associated with this proposal?

## How to lodge a submission

This Issues Paper is not a Regulatory Impact Statement. It is intended to solicit information for the development and implementation of policy decisions to improve the OSHC product offering. Genuine and timely consultation is an Australian Government requirement contained in Principle 4 of the [Australian Government Guide to Regulatory Impact Analysis](#).

Feedback on this paper is requested by Friday, 1 April 2022 by email to the Overseas Students Health Cover mailbox: [OSHC@health.gov.au](mailto:OSHC@health.gov.au). Feedback received after this date may not receive detailed consideration.

The Department is seeking information and comment on any issues that respondents consider relevant to the proposed reforms. Respondents are free to comment on issues in addition to the specific matters raised in this paper. The Department welcomes all feedback, including additional measures to address issues detailed in this paper.

Submissions may range from a brief comment or short letter outlining your views on a particular topic to a much more substantial document covering a range of issues. Where possible, respondents should support their submission with evidence.

Each submission and comment, except where supplied in confidence, will be considered for publication on the Department's website, and if published, remain indefinitely as a public document.

If respondents would like their feedback to remain confidential, please mark it as such, or indicate which sections should be confidential, and which are appropriate for publication. It is important to be aware that confidential feedback may still be subject to access under [freedom of information laws](#). The freedom of information process usually includes consultation with the respondents prior to a decision about the release of information.

## Appendix 1: Legislation and Governance

The [Private Health Insurance Act 2007](#) is the primary legislation which sets out the requirements for health insurance business and private health insurers in Australia. The [Private Health Insurance Business Rules](#) sit under this legislation and govern the provision of health-related-business products (such as OSHC and OVHC) and the private health insurers which offer these products. These instruments are administered by the Commonwealth Department of Health with prudential oversight provided by the [Australian Prudential Regulation Authority \(APRA\)](#). Consumer complaints are handled by the [Private Health Insurance Ombudsman](#), which sits within the Office of the Commonwealth Ombudsman. Migration law is administered by the Commonwealth Department of Home Affairs in accordance with the [Migration Act](#) and [Migration Regulations 1994](#).

### REGULATIONS FOR HEALTH-RELATED BUSINESS

Reference	Key Rules	Link to Regulation
18. Overseas students and specified temporary visa holders	<p>1) For section 121-30 of the Act, the business of undertaking liability, by way of insurance, with respect to a matter referred to in subsection 121-1 (2) of the Act is not health insurance business if:</p> <p>(a) the liability is undertaken by a private health insurer under:</p> <ul style="list-style-type: none"> <li>(i) an overseas student health insurance contract; or</li> <li>(ii) a specified temporary visa holder health insurance contract; and</li> </ul> <p>(b) the insurer includes the business in a health benefits fund conducted by the insurer.</p> <p>2) In this rule: overseas student means:</p> <p>(a) a person who is the holder of a student visa; or</p> <p>(b) a person who:</p> <ul style="list-style-type: none"> <li>(i) is an applicant for a student visa; and</li> <li>(ii) is the holder of a bridging visa; and</li> <li>(iii) was, immediately before being granted the bridging visa, the holder of a student visa.</li> </ul>	<p><a href="#">Private Health Insurance (Health Insurance Business) Rules 2018</a></p> <p>Part 4, Health Insurance Business, Rule 18</p>

**REGULATIONS FOR HEALTH-RELATED BUSINESS THROUGH HEALTH BENEFITS FUNDS**

Reference	Key Rules	Link to Regulation
<p>9. Operation of health-related businesses through health benefits funds</p>	<ol style="list-style-type: none"> <li>1) This section applies if a private health insurer has a health benefits fund in respect of its health insurance business and some or all of its health-related businesses.</li> <li>2) For section 131-25 of the Act, requirements are specified in subrule (3) relating to how the insurer must conduct that health-related business.</li> <li>3) The private health insurer must not:               <ol style="list-style-type: none"> <li>(a) take or fail to take any action; or</li> <li>(b) in making a decision, have regard to or fail to have regard to any matter; that would result in the insurer discriminating between people who are, or wish to be, insured under an overseas student health insurance contract or specified temporary visa holder health insurance contract of the insurer.</li> </ol> </li> <li>4) In this rule, <i>discriminating</i> relates to:               <ol style="list-style-type: none"> <li>(a) the suffering by a person from a chronic disease, illness or other medical condition or from a disease, illness or medical condition of a particular kind; or</li> <li>(b) the gender, race, sexual orientation or religious belief of a person; or</li> <li>(c) the age of a person; or</li> <li>(d) where a person lives; or</li> <li>(e) any other characteristic of a person (including but not just matters such as occupation or leisure pursuits) that is likely to result in an increased need for hospital treatment or general treatment; or</li> <li>(f) the frequency with which a person needs hospital treatment or general treatment; or</li> <li>(g) the amount or extent of the benefits to which a person becomes entitled during a period under an overseas student health insurance contract or a specified temporary visa holder health insurance contract, as the case may be, except to the extent allowed by the written agreement, between the private health insurer and the Commonwealth, referred to in the definition of overseas student health insurance contract and specified temporary visa holder health insurance contract in the <i>Private Health Insurance (Health Insurance Business) Rules 2007</i>.</li> </ol> </li> </ol>	<p><a href="#"><i>Private Health Insurance (Health Benefits Fund Policy) Rules 2015</i></a></p> <p>Part 4, Operation of health-related businesses through health benefits funds, Rule 9</p>

## REGULATIONS FOR HEALTH INSURANCE BUSINESS

Reference	Key Rules	Link to Regulation
121-30 Exception: insurance business excluded by the Private Health Insurance (Health Insurance Business) Rules	Despite section 121-1, health insurance business does not include a business of a kind that the <i>Private Health Insurance (Health Insurance Business) Rules</i> state not to be a health insurance business.	<a href="#">Private Health Insurance Act 2007</a>  Division 121, What is Health Insurance Business
131-15 Meaning of health-related business	A business of undertaking liability, by way of insurance, to indemnify people who are *ineligible for Medicare for costs associated with providing treatment, goods, or services that: <ul style="list-style-type: none"> <li>(i) are provided to those people in Australia; and</li> <li>(ii) are provided to manage or prevent diseases, injuries, or conditions.</li> </ul>	<a href="#">Private Health Insurance Act 2007</a>  Division 131-15, Meaning if health-related business



## REGULATIONS FOR MIGRATION

Reference	Key Rules	Link to Regulation
Division 1.2 Interpretation	<p>Adequate arrangements for health insurance means arrangements to be covered by health insurance:</p> <p>that meet the requirements for health insurance specified in an instrument under regulation 1.15L for the purposes of this paragraph; or</p> <p>if no such requirements are specified—that are adequate in the circumstances.</p>	<p><a href="#">Migration Regulations 1994 - Volume 1</a>, as made under the <a href="#">Migration Act 1958</a></p>
Division 1.2 Interpretation	<p>Student visa means any of the following subclasses of visa:</p> <p>(aa) a Subclass 500 (Student) visa;</p> <p>a Subclass 570 (Independent ELICOS Sector) visa;</p> <p>a Subclass 571 (Schools Sector) visa;</p> <p>a Subclass 572 (Vocational Education and Training Sector) visa;</p> <p>a Subclass 573 (Higher Education Sector) visa;</p> <p>a Subclass 574 (Postgraduate Research Sector) visa;</p> <p>a Subclass 575 (Non-Award Sector) visa;</p> <p>a Subclass 576 (Foreign Affairs or Defence Sector) visa.</p>	<p><a href="#">Migration Regulations 1994 - Volume 1</a>, as made under the <a href="#">Migration Act 1958</a></p>
1.15L Adequate arrangements for health insurance	<p>The Minister may, by legislative instrument, specify the following for the purposes of paragraph (a) of the definition of adequate arrangements for health insurance in regulation 1.03:</p> <p>requirements for health insurance for a specified class or classes of visa;</p> <p>requirements for health insurance for a specified class or classes of person.</p> <p>Without limiting subregulation (1), the Minister may specify different requirements for different classes of visa or person.</p>	<p><a href="#">Migration Regulations 1994 - Volume 1</a>, as made under the <a href="#">Migration Act 1958</a></p>
41	<p>The regulations may provide that visas, or visas of a specified class, are subject to specified conditions.</p>	<p><a href="#">Migration Act 1958, Volume 1</a> (pages 83-85)</p>