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Response to the Department of Health Issues Paper on Overseas Student Health Cover

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1. Publication of OSHC product information on privatehealth.gov.au

1. Is the proposal supported?

Yes

2. What is the likely impact on:

- Premiums

Minimal impact to premiums.

- Purchasing behaviour

May improve because of clearer information about benefits being provided in a consistent format.

3. What are appropriate metrics for measuring the impact?

Visitation to privatehealth.gov.au and the awareness level of OSHC and its benefits within the student sector and the industry.

4. What is the anticipated:

- Regulatory burden

Nil.

- Implementation timeframe

Immediately.

5. Are there differences between OSHC and CHIPs which must be considered?

Yes, product benefits under OSHC are not covered under CHIPs. A new template will need to be developed and provided to insurers to reflect the product structure and benefits provided under OSHC.

2. Caps on certain payments by insurers to third-party agents

1. Is the proposal supported?

Yes. It is proposed that caps on commissions be included in the Deed for commissions paid to education providers (CRICOS registered providers). These caps should be inclusive of all payments and financial incentives provided to the education provider (i.e. scholarships, research grants, etc.).

Secondly, commissions paid to third party agents who are not CRICOS registered providers should be banned.

This will ensure students are recommended products based on their best interest, not based on the commission the agent or education provider is receiving for the referral. It will also put pressure on insurers to compete on product and service differentiation instead of just paying the highest commission.

This change is in the best interests of the students and will help reduce premiums.

Commission payments have become out of control. What started at a level of 6% in 2002 after the market was deregulated to help cover the cost of administration processes for education providers. This 6% was only paid on the first 12 months premium and in those days, not every international student was covered. The 6% has now blown out considerably with some reports of health insurers packaging up to 35% on visa length cover and for all student visa holders. Universities and agents are currently receiving commissions and payments worth millions of dollars for minimal work. Students are paying higher premiums to fund these excessive commissions.

It is our opinion that education agents should never receive commission on OSHC as the education provider already goes through a tender process to appoint the best OSHC provider for that institution based on services relevant to that institution and its students. It is better for the student if all education providers had a single OSHC provider as this improves communication on products and services. A student who attends an institution with the wrong OSHC insurer will have difficulty in understanding why they cannot access the services and benefits provided on and near campus.

2. What is the likely impact on:

- Premiums

Premiums will decrease as the excessive commissions are no longer costs being paid by the insurers and insurers will be forced to compete on factors such as price.

- Purchasing behaviour

Insurers will need to compete in the market based on price, product benefits for students and services provided to education providers and their international students.

Education providers will need to choose preferred OSHC providers based on student benefits and services provided to students, not how much money they will make for themselves.

3. What are appropriate metrics for measuring the impact?

Premium reduction.

Level playing field for competing OSHC providers and better products and services for international students.

Increased competition around price, product differentiation and service provision.

4. What is the anticipated:

- Regulatory burden

Minimal. Existing contracts will need to be reviewed and amended.

- Implementation timeframe

Immediately.

5. Regarding third party agents:

- How should agents be defined?

Third party agents should be defined as CRICOS registered and their appointment should only be for students attending their institution.

Those parties who are not CRICOS registered are not education providers and therefore should be prevented from receiving commissions for health insurance sales.

- How should types of payments be defined?

The capped commission (recommended 10%) should include direct commission payment as well as any other financial payment made to the third party as part of the agreement or connected to the agreement in effect for recommending an insurance provider. This

includes commissions, sponsorships, scholarships, travel, conferences, research grants, etc.

- What is an appropriate maximum amount or percentage that could be applied to the payment?

10% of gross premiums collected.

- **What issues should be considered to take account for differences in the marketing and/or business acquisition strategies between insurers?**

No issues should be considered from an insurer acquisition strategy perspective. The only consideration should be from the student perspective. The insurer will have to make sure they are competitive in securing institution agreements which should be no longer than 5 years in duration.

- What transition period should be applied?

12 months

3. Waiting periods for pregnancy-related care

1. Is the proposal supported?

We support to recommendation to remove waiting periods for pregnancy and pregnancy related care under OSHC for students who fall pregnant after arrival in Australia.

We support the use of clinical category definitions, as applied to CHIPs, to be used to define pregnancy related care and miscarriage and termination of pregnancy.

However, no pregnancy or pregnancy related care benefits should be payable under OSHC where students or their family members are already pregnant upon arrival in Australia. In this context, students who arrive in Australia pregnant, would be subject to the waiting period for pre-existing conditions before any benefits would be payable.

2. What is the likely impact on:

- Premiums

Medium. Pregnancy related costs have a low frequency but very high severity in relation to overall claims costs. Removing the waiting period entirely will have a material impact on premiums. However, this increase in cost to premiums would be offset by the capping of commissions at 10%. The net impact to premiums would be minimal.

- Purchasing behaviour

The primary risk is anti-selection if the same rules are not equally applied across all insurers.

If the rule is applied equally to all products and all insurers, there would be no impact on purchasing behaviour.

3. What are appropriate metrics for measuring the impact?

Increase in claims costs for pregnancy and pregnancy related conditions in the first 12 months of policy.

4. What is the anticipated:

- Regulatory burden

Minimal

- Implementation timeframe

6 months.

5. Regarding pregnancy-related care:

- How should pregnancy-related care be defined?

The definitions as per the clinical categories for CHIPs is appropriate and provides consistency for insurers in the application of rules. This aligns to existing processes for CHIPs and fits within existing systems.

- What has been the previous experience when there was no waiting period for pregnancy related care?

Previous experience shows that it is a small number of policy holders claiming this benefit which has an extremely high cost. This high cost impacts all policy holders via increased premiums.

Family policy holders and those on sponsored visas (AusAID, Government sponsors, etc) are the primary segment of customers claiming these benefits in the first 12 months of their policy.

There are several products available today through University partnerships that have no waiting period for pregnancy and pregnancy-related care.

- How should waiting periods be applied to newborns?

The Deed should clearly articulate there is no waiting period for newborns.

As with PHI, there should be no waiting periods applied to newborns, newborns should be covered from birth. As part of the minimum standards under the OSHC Deed, there should be a 60 day grace period post date of birth for parents to either add their newborn to their policy or upgrade their policy and add their newborn as a member. If this condition is met, newborns are covered from birth with no waiting periods. This rule should be clearly stated for consistent application across insurers.

- **Should there be a differentiation of waiting period based on product duration or type?**

No, there should not be differentiation of waiting period based on product duration or type. This could lead to discrimination or force students to purchase and pay for coverage that they are unable to access (i.e. paying for a family policy for only 1 person).

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