HAMBS

21 June 2024

Alastair Wilson
Private Health Strategy Branch, Department of Health
Email: OSHC@health.gov.au

Dear Alastair,

Department consultation on Issues Paper: Overseas Student Health Cover

Thank you for the opportunity to provide feedback to the Departments proposed changes to the Deed for the Provision of Overseas Student Health Cover as outlined in the Overseas Student Health Cover Issues Paper.

In reviewing our response, please take into consideration that most questions are health insurer specific. Our feedback provided is in relation to the proposed changes to the OSHC deed from a private health insurance system vendor and general industry perspective.

Please refer to the following for our feedback:

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

1. **Is the proposal supported?**
   HAMBS supports the publishing of Overseas Student Health Cover information on privatehealth.gov.au and agree that it would provide a simple and easy way for consumers to understand the scope of coverage and compare products.

2. **What is the likely impact on:**
   a. *Premiums*
      There could be more competition with regards to pricing - as base premiums would be displayed allowing for consumers to easily compare coverage based on the price point.
   b. *Purchasing behaviour*
      Improved transparency would likely see an increase in purchasing OSHC cover direct from an insurer compared to a third-party agent.

3. **What are appropriate metrics for measuring the impact?**
   Reporting on the transferring of members across Health Insurers who offer OSHC policies would be the most accurate way to measure the impacts of this change. This would require updates to the current regulatory reporting standards to include non-CHIP products. For example, this could include reports such as APRA Private Health Insurance Reform Data Collection (HRS605) and Reporting Standard HRS601 Statistical Data by State.

   Alternatively, a new reporting requirement could be introduced for Health Funds who offer Overseas Student Health Cover. However, organisations that offer Overseas Student Cover who are not private

Level 4, 169 Pirie Street,
Adelaide South Australia 5000
www.hambs.com.au
ABN: 44 053 315 772
P: (08) 8334 0300
E: admin@hambs.com.au

health insurers will also need to be catered for and included within these requirements.

4. **What is the anticipated:**
    a. *Regulatory burden*
    Regulatory reports would need to be updated and consulted on by industry. Significant implementation time would also be required to ensure Health Fund software vendors have adequate time to consult, develop and test with any appropriate regulatory bodies such as the Department or APRA.

    Additionally, as OSHC policies can be purchased for years in advance. Any changes to a policy would need to be communicated to consumers within the regulated timeframes. Allowances would need to be made for this in any proposed timelines.

    b. *Implementation timeframe*:
    The implementation period would be ideal to align with the period of new pricing for products which would occur by 30 June 2025, following approval in the 2024-25 premium round in September 2024. However, with the recent consultation from the Department of Health and Aged Care on the premium round process, any implementation timeframes would need to be considered with the outcome of this proposal in mind. Further, changes and efforts required to implement this will also differ depending on the health fund vendors system.

5. **Are there differences between OSHC and CHIPs which must be considered?**
    - Some Health Funds choose to offer consumers higher benefits on some items depending on their cover. For example: one policy may pay 100% of the MBS fee, whereas a higher policy may pay 150% of the MBS fee. Some health funds may also pay benefits toward other Medicare services such as eye tests.
    - Inpatient vs Outpatient:
    With CHIP products, medical outpatient service benefits are paid by Medicare, whereas OSHC products the Health Fund covers these items. For example, GP services are considered outpatient services and are therefore not covered by CHIP products but are for OSHC products. There are some clinical categories which this applies to, such as pregnancy. There would need to be separation of outpatient pregnancy services such as radiology and pathology, and inpatient pregnancy related services such as childbirth.
    - Emergency department fees: some public hospitals do not charge OSHC policy holders administration fees.
    - There are different regulatory requirements between the two, for example Health Insurance Business and Health Related Business are determined under the Private Health Insurance Act 2007 (Cth) (PHI Act) applies to CHIP, while health provided for Overseas Students with Overseas Student Health Cover is determined under a Deed with the Commonwealth of Australia (as represented by the Department of Health and Aged Care).The nuances between the two need to be considered and aligned where appropriate. In addition, Health Insurers business rules may be different between CHIP and OSHC products.

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

1. **Is the proposal supported?**
   HAMBS is supportive of capping certain payments such as commissions by third-party agents. This would provide a consumer with greater assurance that they're being recommended a product that best suits their needs, compared to a product or specific insurer policy that may allow an agent to receive greater commission payments.

2. **What is the likely impact on:**
   a. *Premiums*
      This could see an impact to premiums whereby the health insurer is able to reduce the budget for commission payments to agents in their administrative costs when completing premium round submissions.

   b. *Purchasing behaviour*
      Similar to our comments above, there could be an increase in consumers buying directly from a health fund compared to using a third-party provider. By purchasing through a health fund directly, teams of people who are trained in private health insurance will be able to discuss appropriate levels of cover with the consumer. This will in turn, increase understanding and potentially impact/reduce complaints received from the Private Health Insurance Ombudsman and increase customer satisfaction rates.

3. **What is the anticipated:**
   b. Implementation timeframe
   Considerations would need to be made for any existing contracts between a health fund and third-party agent. A transition period may need to be applied.

   Regarding third party agents:

   e. What transition period should be applied? As above, considerations would need to be made for any existing contracts between a health fund and third-party agent. A transition period may need to be applied.

Change 3: Waiting periods for pregnancy-related care

1. **Is the proposal supported?**
   From an Industry perspective, defining OSHC definitions of Pregnancy and Pregnancy related services including miscarriage and termination with the current CHIP Clinical Categories is supported in principle.

   In relation to reducing or removing waiting periods for Pregnancy and Pregnancy related services, this is not supported. It is HAMBS view that OSHC waiting periods remain aligned with current CHIP waiting periods. Below we have outlined why HAMBS are not in support of the proposal to reduce or remove waiting periods for Pregnancy and Pregnancy related services.

2. **What is the likely impact on:**
   a. *Premiums:*

Reducing or eliminating the waiting periods on Pregnancy and Childbirth for Overseas Students would likely have a substantial impact on claims for health funds. This in turn would increase the cost of these policies for overseas students studying in Australia.

Overseas Student Health Cover is designed to be more cost effective for students, in line with the fact that their primary purpose in coming to Australia is to study. This is reflected in conditions such as the maximum hours that a person can work to ensure the focus is on study; therefore, pricing of student policies reflects this fact.

Additionally, in the absence of Medicare eligibility, all visitors to Australia are strongly recommended to make their own arrangements for private health insurance (regardless of whether it is a visa condition) to ensure they are fully covered for any *unplanned* medical and or hospital care they may need while in Australia. Essentially, as they do not have access to Medicare here in Australia, their health fund acts as Medicare for them.

b. *Purchasing behaviour:*
We suspect that there would be in increase in purchasing behaviour for health funds who offer lesser waiting periods for Pregnancy and pregnancy related services. Likewise, an increase in transferring of members between Health Funds.

There could also be an increase to the amount of student visas applied for compared to working or visitor visas in Australia. With Overseas Student cover being substantially cheaper than visitors covers, especially those which cover pregnancy. You may see a higher intake of people applying for a student visa, in turn impacting the volume and processing times of visa applications and limiting the amount of visiting and working visas applied for.

3. **What are appropriate metrics for measuring the impact?**
Reporting would need to be monitored/created to include non-CHIP products including policies sold, and movement of persons. A baseline of pregnancy and pregnancy related claims and associated benefits paid would need to be established then continuously reported on to see the impact of removing or reducing waiting periods on consumer claiming habits.

4. **What is the anticipated:**
   a. *Regulatory burden*
   All appropriate documentations including any legislation and the Deed for the Provision of Overseas Student Health cover would need to be approved and updated, with significant time factored in to implement any change.
   b. *Implementation timeframe*
   To ensure that accurate reporting is in place and to allow time for health fund software vendors to develop their systems to allow for these new and/or amended reporting standards; substantial lead time would be required and need to be in consultation with software providers.

5. **Regarding pregnancy-related care:**
   a. How should pregnancy related care be defined?

Aligning this with current CHIP clinical categories is supported.

b. *How should waiting periods be applied to newborns?*
It should remain as per Health Funds Rules and in line with current legislation. For example: a fund rule could be that newborns, born under an existing policy do not have waiting periods when added onto the policy within 60 days of birth.

c. *Should there be a differentiation of waiting period based on product duration or type?*
No, there should be consistency across products as this would help avoid confusion and inappropriate product switching.

We would like to again thank the Department for this opportunity and look forward to your reply.

Kind regards

Daniella Poschl
Manager, PHI Advice and Advocacy