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CONSULTATION RESPONSE

IMPROVING THE OVERSEAS STUDENT HEALTH COVER PROGRAM

June 2024

28 June 2024

Overseas Students Health Cover Consultation
Private Health Strategy Branch
Benefits Integrity Division
Australian Government Department of Health and Aged Care
PO Box 9848 CANBERRA ACT 2601

Via email: OSHC@health.gov.au

To the consultation manager,

Thank you for the opportunity to respond to the Department of Health and Ageing's consultation paper on Improving the Overseas Student Health Cover Program. While HCF is not a signatory to the Deed for the Provision of Overseas Student Health Cover, we have an interest in ensuring that this market segment is well served by Australian health funds.

HCF is Australia's largest not for profit private health insurer which provides solutions for members across private health insurance, life insurance, overseas visitors health cover, and other partner products.

As a values driven, member based organisation, we believe in providing transparency and as such no part of this submission is confidential or should be withheld from being published on the Department's website, other than individual contact details.

We have responded to the questions posed in the Department's consultation paper and have adopted the same headings for ease of reference.

Overall, HCF is broadly supportive of the proposed changes, except for changing waiting periods for pregnancy and related care which is discussed under the relevant section.

Should you have any questions in relation to this submission, please contact Josh Edwards, Acting General Manager of International Business via email at jmedwards@hcf.com.au.

Sincerely,

Lorraine Thomas
Chief Operating Officer
HCF

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

1. Is the proposal supported?

HCF is supportive of the proposal to publish product information for overseas student health cover (OSHC) products on the privatehealth.gov.au website. The proposal would provide OSHC consumers with the same level of transparency as consumers wishing to compare Australian residents' private health insurance products.

2. What is the likely impact on:

- Premiums
- Purchasing behaviour

The proposal is unlikely to have a material impact on premiums for private health insurers, so long as the templates are sufficiently like those used for residents' products, and the process to provide them to privatehealth.gov.au is unchanged.

The ability of consumers to compare available products will alter purchasing behaviour to the extent that the service is utilised. We would encourage the Department to continue investing in the promotion of the privatehealth.gov.au resource to all consumers and extend this promotion to prospective and current OSHC consumers.

3. What are appropriate metrics for measuring the impact?

Metrics for measuring the impact of this change the Department could consider may include total downloads of OSHC information statements, data on the source country of use of privatehealth.gov.au and market research on appropriateness of information statements for students.

4. What is the anticipated:

- Regulatory burden
- Implementation timeframe

No Government-mandated change is free from regulatory burden but given private health insurers are already providing PHISs to privatehealth.gov.au, the additional regulatory burden is likely to be manageable.

An implementation timeline that is well known in advance, provides sufficient time for planning and execution and is collaborative would be welcomed.. The 1 July 2025 go live appears reasonable so long as the OSHC PHIS template is agreed upon in advance.

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

HCF does not have a view on differences between OSHC products and complying health insurance products (CHIPs) that must be considered at this time for the purposes of producing product information statements.

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

1. Is the proposal supported?

HCF is supportive of the proposal to introduce caps on payments to third party agents for non-healthcare services. While agents, brokers and referrers play a role in assisting consumers to select products or services to meet their needs, capping and making transparent these commissions are often necessary to reduce adverse consumer outcomes.

2. What is the likely impact on:

- Premiums
- Purchasing behaviour

In the OSHC market, where prospective students can be reliant on education agents for services and advice to better access Australian educational institutions, the Department is correct in identifying that capping commissions paid by insurers to agents could reduce the cost to students, assist retention, and promote more impartiality in recommendations of suitable value for money products.

A reduction in the commissions paid will in the short term reduce premiums by the commensurate reduction. Purchasing behaviour may not alter significantly due to the limited options or alternative pathways available to prospective students.

3. What are appropriate metrics for measuring the impact?

Metrics for measuring the impact would need to be developed once the proposal is further defined, as HCF notes the consultation proposal is limited in detail and will need to be carefully defined to payments to non-healthcare providers may still be possible (i.e. educational institutions).

4. What is the anticipated:

- Regulatory burden
- Implementation timeframe

Regulatory burden may be significant for those insurers who have entered into contractual arrangements with agents which do not meet the revised caps, requiring re-contracting and negotiation. Depending on the Department's reporting requirements, there may be a further burden placed on insurers.

5. Regarding third party agents:

- How should agents be defined?
- How should types of payments be defined?
- What is an appropriate maximum amount or percentage that could be applied to the payment?
- What issues should be considered to take account for differences in the marketing and/or business acquisition strategies between insurers?
- What transition period should be applied?

The Department should consider limiting the definition of an education agent that is able to receive a commission payment for arranging health insurance to Educational Institutions

registered with the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS), administered by the Department of Education. This would give effect to limiting the market of agents, and insurers could respond to tender processes directly with institutions. Alternatively, relevant educational peak bodies may also assist in providing a clearer definition of an agent.

HCF is supportive in principle of introducing a maximum percentage or amount for payments, but would like to understand the methodology that would be used to set a cap. As this is a compulsory product with similar benefits from all providers, having a lower cap that would not create perverse incentives, but still sufficient to cover the agents' cost in arranging the insurance should be considered. The rules should be carefully drafted to ensure that payments to institutions to fund healthcare services are not captured.

PROPOSED CHANGE 3: Waiting periods for pregnancy-related care

1. Is the proposal supported?

HCF notes that the current maximum allowable waiting period of 12 month for pregnancy-related care for OSHC products matches that of the maximum allowable waiting period under Australian resident CHIP products. Reducing or removing the waiting period for pregnancy related care may be problematic for insurers and encourage adverse selection.

HCF is not supportive of changing waiting periods for pregnancy-related care from the current 12-month allowable maximum.

2. What is the likely impact on:

- Premiums
- Purchasing behaviour

Any change to reduce or remove waiting periods for pregnancy related care will detrimentally impact premiums, making OSHC products less affordable to those who require it as a part of their visa obligations and do not intend to use this benefit.

As OSHC products are mandatory for student visa holders, the purchasing behaviour is unlikely to materially change overall should waiting periods be changed. However, the purchasing behaviour of consumers between insurers may vary more materially depending on how individual insurers price for this increased claim risk in the short to medium term.

3. What are appropriate metrics for measuring the impact?

HCF does not have a view on appropriate metrics for measuring impact. However, should the Department proceed with this change, claiming data for pregnancy and related care should be analysed.

4. What is the anticipated:

- Regulatory burden
- Implementation timeframe

Regulatory burden for any change to waiting periods would require amendments to fund rules, collateral, training and agreements and the cost is likely to similar to a routine product or benefit change.

5. Regarding pregnancy-related care:

- How should pregnancy related care be defined?
- What has been the previous experience when there was no waiting period for pregnancy related care?
- How should waiting periods be applied to newborns?
- Should there be a differentiation of waiting period based on product duration or type?

The clinical category 'Pregnancy and birth' as applied to CHIPs would be an appropriate definition for pregnancy related care, and for the avoidance of doubt, could be adopted at terminology within the Deed.

Previous industry experience when pregnancy waiting periods have been reduced by some insurers have resulted in adverse selection, leading to unsustainable product underwriting losses and revisions to benefits and coverage. Any consideration of changes should be cognizant of these previous examples.

HCF is supportive of the proposal that the revised Deed should have no waiting period for newborns.

Contact Persons

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