Medibank Private Limited submission – OSHC Issues Paper

Submission to the Consultation on the Issues Paper: Overseas Student Health Cover – June 2024

Medibank Private Limited

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COMMERCIAL IN CONFIDENCE

About Medibank Private Limited

We're a health company working to create Better Health for Better Lives by providing the best health and wellbeing experience for people across Australia. Building upon our 46-year history as one of Australia's leading health insurers, our Medibank and ahm brands now support millions of customers to manage their health and wellbeing through personalised products and services. We're investing in preventative health and reimagining healthcare to give people greater choice, better access, and more control over their care. We're partnering with doctors, hospitals and governments to deliver care in new ways – and growing and developing new health services through our Amplar Health business. We're also working together to drive the change within Australia's healthcare system to help ensure it can support our generation and those to come.

Response to Consultation on the Issues Paper: Overseas Student Health Cover

Medibank Private Limited (Medibank) welcomes the opportunity to provide input to the Consultation on the Issues Paper: Overseas Student Health Cover (OSHC) published on 9 May 2024 by the Department of Health and Aged Care (the Department). We have provided our feedback on the potential changes to the OSHC Deed below.

This is a **Commercial-in-Confidence Submission** from Medibank due to the confidentiality of the data and analysis we have included to support our comments. As an ASX-listed company, Medibank is mindful of confidentiality with respect to our listing obligations. If any aspects of our submission are required to be shared with anyone beyond the Department, please let us know and we can discuss that.

General comments

Medibank is committed to ensuring that international students in Australia have access to comprehensive and affordable health coverage. Our feedback on the potential changes to the OSHC Deed is guided by the following principles. Medibank supports the proposed changes, provided these principles are upheld and the specific comments in the next sections are considered:

- Student-Centric Approach: All changes should prioritise the needs and wellbeing of genuine international students studying in Australia, while continuing to keep OSHC affordable.
- Maintaining the Integrity and Sustainability of OSHC: All changes should align with the development and implementation of policies that discourage non-genuine students from exploiting the system, thereby protecting the interests of genuine students, and ensuring the long-term viability of the OSHC program.
- Minimise Regulatory Burden: Any new regulatory requirements should be designed to minimise the effort and cost for insurers to deliver changes and adhere to ongoing compliance obligations, in order to maintain affordability for students while still achieving the desired transparency and consumer protection outcomes. It is important to have an adequate transition period for insurers to implement the changes without excessive strain on resources.

Specific Comments on potential changes

Medibank has specific comments on the potential changes to the OSHC Deed as outlined below.

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

Medibank supports the publication of product details for OSHC on privatehealth.gov.au using the Private Health Information Statement (PHIS) template, which would empower students to make informed choices about their health coverage.

We have identified the following key considerations which should be considered when assessing this proposal:

- **Consistency of Clinical Categories with Complying Health Insurance Products (CHIPs):** Adopting standardised clinical categories for hospital treatment that are consistent with those used for CHIPs will help facilitate comparisons between OSHC products, streamline the experience for students who purchase CHIPs in the future, and reduce complexity for health care providers. Medibank adopted clinical categories for OSHC in 2020.

- **Template for OSHC PHIS to Include Additional Information**: The development of a standardised PHIS template for OSHC will enhance transparency and aid comparison. To fully achieve this purpose, it is important that the PHIS includes information on value-added product benefits that are not regulated under the OSHC Deed, such as medical or mortal remains repatriation, in-hospital family boarder fee benefits, and privately-billed psychology and counselling services.

- **Provision of OSHC PHIS to Policyholders**: Medibank's strong preference is for the PHIS to be provided only once at the commencement of each policy. The requirement under the *Private Health Insurance Act 2007* that applies to CHIPs for a PHIS to be provided to a customer at least once every 12 months should not be extended to OSHC. This is to minimise additional administrative burden and the associated costs and impact on OSHC premiums, noting there are currently no other requirements or processes for sending regular communications to all OSHC policyholders (given the absence of premium and benefit changes [redacted]

- **Extensive Educational Campaign:** It is imperative that the Department and industry stakeholders undertake an extensive educational campaign to build consumer, education agent and institution awareness of the website's functionalities and benefits. [redacted]

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

Medibank endorses, in principle, the Department's proposal to cap commissions for third-party agents, which would mitigate conflicts of interest and ensure students receive impartial advice and recommendations on OSHC products. Such measures would help reduce overall costs for students while maintaining the integrity of the OSHC program.

Key Considerations:

- [redacted]
  - [redacted]
    - [redacted]
    - [redacted]
- [redacted]
- **Make Commission Disclosures Mandatory:** To enhance transparency and build consumer trust, third-party agents should be required to disclose commission arrangements and obtain the student's informed consent before accepting a commission. This will ensure students are fully informed about the financial incentives influencing the recommendations they receive, promoting fairness and trust in the OSHC market**.**

Change 3: Waiting periods for pregnancy-related care

In general, Medibank supports changes to benefit requirements that enhance access to necessary healthcare for genuine students, provided these changes do not materially adversely impact premium affordability or the sustainability and fairness of the OSHC program.

We have concerns, however, that the proposed removal or reduction of the waiting period for pregnancy-related care will make OSHC less affordable, particularly for couples and families, and expose the industry to the risk of funding medical tourism at the expense of genuine students. The benefits of improved access to healthcare need to be weighed against these adverse impacts and risks. Additionally, if the proposal is implemented, it is essential to ensure careful and consistent application across all OSHC products and lengths of cover to protect individual insurers or products from significant adverse selection, thereby maintaining competition in the industry and providing choice to customers.

Key Considerations:

- **Impact to OSHC Premiums:** Medibank estimates that removing the waiting period for pregnancy-related care could increase [redacted] (compared to where a 12-month waiting period is consistently applied, and on top of normal increases due to inflation). This increase is necessary to cover the additional costs associated with providing immediate pregnancy-related benefits, including outpatient medical services, post-pregnancy care, and neonatal care.
- **Medical Tourism Concerns:** [redacted]. This risk is significant due to the high quality of healthcare in Australia and the comprehensive coverage provided by OSHC (with minimal out-of-pocket costs for pregnancy-related services in public hospitals, which account for the majority of pregnancy-related OSHC claims). Increased instances of medical tourism would leave genuine students bearing the costs of higher pregnancy-related claims. [redacted]

- **Insured Group Policy Compliance:** An ongoing issue is couples and families incorrectly purchasing separate single or single parent policies because they are cheaper. There is a concern that single students may cross-subsidise couples and families without proper enforcement of students and third-party agents purchasing the correct Insured Group of OSHC policy in line with their visa applicant type. Ensuring compliance with Insured Group is crucial to maintaining fairness and sustainability. [redacted]
- **Primary Role of Students:** The primary role of international students is to study. Any changes should ensure that OSHC remains affordable and focused on supporting students in their academic pursuits. Careful consideration is needed to avoid encouraging non-study-related migration drivers.
- **Definition of Pregnancy-Related Care:** Medibank agrees that the clinical category definition of 'Pregnancy and birth' should be used to define pregnancy-related services, along with 'Miscarriage and termination of pregnancy' to define miscarriage and termination.
- **Newborn Coverage:** Current Medibank Fund Rules allow a newborn to be added to an existing membership without serving additional waiting periods if the application is received within 2 months of birth and the membership is upgraded to single parent or family coverage in line with their visa applicant type. If added later, coverage starts from the application date with waiting periods. Maintaining this approach ensures appropriate coverage and risk management. Eliminating waiting periods for newborns would likely lead to parents delaying the addition of their newborn to avoid paying the required difference in premiums to upgrade to a family or single parent family policy until they need immediate coverage. This would result in higher claims costs without corresponding premiums.
- **Consistency of Maximum Waiting Periods:** Any changes to maximum waiting periods should be consistent across all OSHC products and lengths of cover. This consistency is crucial to prevent adverse selection, whereby individuals who anticipate needing specific high-cost services, such as pregnancy care, would likely choose certain covers which include those services. Without consistent application, this could lead to cost blowouts for those specific products, undermining their sustainability and potentially resulting in some insurers withdrawing product offerings. Ensuring uniformity across all products and lengths of cover helps distribute risk more evenly and maintain the financial viability of all OSHC offerings.

Other Considerations

Implementation Timeframe: Medibank recommends a lead time of 12 months from announcement to implementation of any changes. This period will allow for comprehensive internal preparations, including coordination among various internal teams, as well as engagement with external stakeholders. This preparatory period is essential to ensure a smooth and efficient transition, minimising disruptions to students and ensuring all processes are aligned with the new requirements. Additionally, this timeframe will enable Medibank to manage any changes that impact premiums effectively, helping to control costs for students and maintain the affordability of OSHC coverage.

Conclusion

Medibank appreciates the opportunity to provide detailed feedback on the potential changes to the OSHC Deed. We are happy to discuss any aspect of our submission with the Department and are also happy to be engaged on any further proposed enhancements to the OSHC Deed.

Medibank looks forward to working collaboratively with the Department and other stakeholders to support the finalisation and effective implementation of these changes, thereby ensuring a smooth transition that benefits both students and the broader industry.