

Consultation Paper – Improving the Overseas Student Health Cover Program

Submission by the Commonwealth Ombudsman, Iain Anderson

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Introduction and summary

The Office of the Commonwealth Ombudsman (the Office), in its role as the Private Health Insurance Ombudsman, protects the interests of private health insurance consumers. We do this in many ways, including:

- assisting health insurance consumers to resolve complaints through our independent complaint handling service
- identifying underlying problems with private health insurers or health care providers
- reporting and providing advice and recommendations to industry and government about private health insurance, including the performance of the sector and the nature of complaints
- facilitating mediation between insurers and private health care providers in cases of contract disputes that affect consumers
- managing PrivateHealth.gov.au, a comprehensive source of independent information about private health insurance for consumers.

As the Private Health Insurance Ombudsman (PHIO), we welcome the opportunity to provide comments to the Department of Health and Aged Care (the department) regarding the proposed changes to the Deed for the Provision of Overseas Student Health Cover.

While this submission is primarily in our capacity as Private Health Insurance Ombudsman, the Office is also the Overseas Students Ombudsman (OSO). OSO is the independent, external complaints and appeals body for international students studying with private education providers.

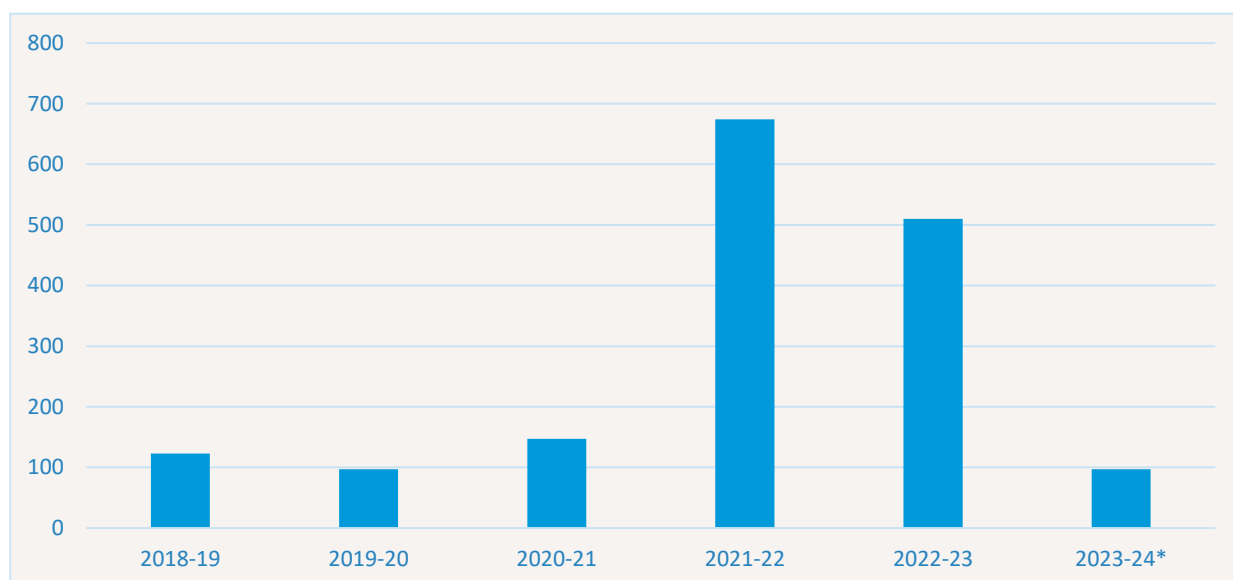
Background

Figure 1 shows complaints this Office has received about Overseas Student Health Cover (OSHC) over the past 6 financial years, including the current financial year to 31 May 2024. We usually receive around 125 OSHC-related complaints per year, except for 2021-22 and 2022-23 when we received a very large number of complaints. This was mainly caused by students experiencing difficulties cancelling their OSHC covers with a particular insurer, and some tightening and relaxing of travel restrictions due to COVID-19.



The data for the year to date suggests a return to pre-pandemic complaint numbers. However, this data is interim and subject to change.

Figure 1: Total number of OSHC complaints received per financial year



**Interim data to 31 May 2024*

Response to terms of reference

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

Q1: Is the proposal supported? / Q5: Are there differences between OSHC and CHIPs which must be considered?

The Office supports the publication of OSHC information on [Privatehealth.gov.au](https://privatehealth.gov.au), consistent to how current Complying Health Insurance Products (CHIPs) are listed on the website.

The Office manages the [Privatehealth.gov.au](https://privatehealth.gov.au) website. Insurers are required to provide the Office with policy information for all CHIPs.

The details of each policy are presented in a standardised format: the Private Health Information Statement (PHIS). The PHIS details the clinical categories and/or general treatment services that are covered under each policy, as well as any other additional benefits or limits attached to the policy.

For hospital policies, the PHIS states if the policy fits into the Gold, Silver, Bronze or Basic tier. The requirements of the PHIS are set out in the *Private Health Insurance (Complying Product Rules) 2015*.

Unlike CHIP hospital policies, most OSHC hospital policies are quite similar to each other. The OSHC deed mandates inclusions of almost all categories and there are no differentiation points regarding overall procedure coverage against other OSHC policies. Although the policies are generally similar, there is still value in presenting OSHC policies in a format similar to the PHIS and explicitly stating what services are included in each policy.

Even for items that must be included, there can be differing levels of benefits that should be included in the PHIS. For example, the maximum payable benefits for purchasing PBS-listed pharmaceuticals can be capped at different amounts on different policies, or can be covered in full after a co-payment on another policy. These distinctions within each item should be included for comparison purposes, similar to differences in general treatment policy limits and benefits.

International students may not be aware of what precisely they are covered for under their OSHC policies or be aware that other policies may offer some different benefits. As a cohort, there may be vulnerabilities or barriers to understanding due to language and cultural differences. We would be in favour of any steps that can be taken to reduce these barriers and accommodate these vulnerabilities.

In setting out the inclusions of each policy, international students would be able to access a standardised document for each OSHC policy and understand their cover. If they compare their policies to others, the standardised format would enable students to compare additional benefits that differ between policies, helping them make more informed purchasing decisions. Additional items that are not mandated in the Deed may include medical repatriation and general treatment benefits.

This proposal could also provide an opportunity to further explain how OSHC policies work. While the deed requires that OSHC policies cover 85% or 100% of the Medicare Benefits Schedule (MBS) fee for out-of-hospital or in-hospital medical services, international students are unlikely to understand that doctors can charge more than the MBS rate. As such, we would recommend including explanation about MBS gap fees into the OSHC PHIS.

Q2: What is the likely impact on premiums [and] purchasing behaviour?

As this Office does not have access to information relating to OSHC sales or market share, we cannot comment in detail on this question.

However, we expect that better access to information would enable international students to make more informed choices about value for money for their needs. For example, students may want to seek general treatment benefits or a policy that covers medical repatriation. Conversely, a student may not see the value in these additional benefits, so could choose a cheaper policy with the understanding that the core benefits across all OSHC policies remain the same.

Q4: What is the anticipated regulatory burden [and] implementation timeframe?

As part of the existing system for updating CHIPs on our website, insurers can access a content management system (CMS) to make updates to their PHISs for CHIPs as required. We envision that this CMS could be expanded to OSHC products. We expect the process of updating or adding any OSHC products to Privatehealth.gov.au would be similar to the current system and would have a similar regulatory burden on insurers.

While most insurers will align their waiting periods with the maximum allowed by the deed, some insurers may choose to waive or reduce some waiting periods as a feature of certain policies. We suggest the OSHC PHIS allow insurers to provide information about applicable waiting periods, whether equal to or lower than the maximum, both to distinguish policies where an insurer has waived or reduced waiting periods on certain items, as well as to clearly demonstrate applicable waiting periods.

For OSHC policies that include general treatment benefits as part of the policy, we suggest that the OSHC PHIS implements a similar structure to the already-existing PHIS for general treatment policies and adapt these as needed.

Impact on the Office

The previous CHIP PHIS changes which came into effect in 2019 took over 9 months for the Office to develop and implement. To prepare for this change, we request that the department provide us with as much notice and information as possible, including access to the proposed requirements applying to the OSHC PHIS. The Office will then design and consult with stakeholders on a new OSHC PHIS format; ensure its

compliance with regulations; build, test and publish a new Compare Policies feature; roll out the changes; and provide training and support to insurers.

We suggest the Department consider the *Private Health Insurance (Complying Product Rules) 2015* which stipulate the requirements and wording of the CHIP PHIS and follow the same wording where possible. This will ensure consistency between the CHIP and OSHC PHISs, and in turn reducing the regulatory burden and development time required.

We note our Office may require additional resources to adapt the www.privatehealth.gov.au website to include a new search and compare feature for OSHC policies. Indicative estimates of the additional resources required would be between \$70,000–\$100,000 to ensure services can be purchased to support the implementation of the proposed functionality on the website.

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

The Office has little involvement with third-party agents. We understand that these are usually education providers who arrange OSHC for international students and receive some benefit from the insurer. We are broadly in support of proposals that would increase transparency for consumers about their premiums and fees, and in favour of any changes that support the affordability of cover.

In relation to third parties and commissions more generally, we understand there has been some discussion in OSHC working groups chaired by the department about the benefits that education providers themselves bring to the private health insurance space.

For example, some insurers observed that universities and tertiary institutions provide health services directly to students on-campus, such as access to bulk-billed general practitioners, subsidised mental health services, or other types of subsidised medical services and this can help reduce costs for insurers in preventing more expensive treatments at later times.

It should be noted that while larger tertiary institutions appear to support and/or subsidise these services, it would be rare for Vocational Education and Training (VET) or English Language Intensive Courses for Overseas Students (ELICOS) providers, which are generally much smaller, to offer any of these services. VET and ELICOS make up just under half of all international student enrolments.

Figure 2 is data published by the Department of Education on the number of international student enrolments by sector as at March 2024.¹

Figure 2: Total number of international student enrolments by sector, Year-to-date as at March 2024

Enrolments by Sector	Number of International Students	Proportion of International Students
Higher Education	391,986	53%
VET	235,920	32%
Schools	15,326	2%
ELICOS	77,459	10%
Non-Award	20,533	3%
Total	741,224	100%

Non-higher education students are not likely to have access to the kinds of third-party support as suggested during these discussions, and this should be taken into consideration when determining what caps to impose.

We also note that these discussions have considered the role of universities and the views of students attending these institutions, which may indicate a gap in consultation regarding the views of other international students outside of tertiary education who are similarly required to purchase OSHC while in Australia. This is a proportion of students as large as those attending higher education institutions. We strongly recommend broad consultation, including the non-higher education sectors, to ensure that all international students are taken into consideration through this process.

Change 3: Waiting periods for pregnancy-related care

Q1: Is the proposal supported? / Q2: What is the likely impact on premiums [and] purchasing behaviour?

The Office supports the proposal to reduce or remove the waiting period for pregnancy related care. The Senate Standing Committee on Community Affairs recommended the Australian Government work with providers to abolish pregnancy care related wait

¹ [International student monthly summary and data tables - Department of Education, Australian Government](#) (accessed 31 May 2024).

periods. This Office supports this recommendation in the interests of providing consumers and international students with earlier access to pregnancy treatment and related services and access to services more broadly.

We acknowledge that an increase in access to more services will result in a likely increase in premiums to offset the cost of providing these services. However, any such increase in premiums should be reasonably proportional to the costs incurred.

Q3: What are appropriate metrics for measuring the impact?

In the past 3 financial years, we received 10 complaints about obstetric waiting periods imposed on OSHC covers.

If waiting periods are removed or reduced, we may receive other complaints relating to pregnancy-related care, and there may even be a slight increase if more students are accessing pregnancy-related care. If the change is implemented, we will monitor complaints closely for any problems in the roll-out and to see what issues students are encountering when trying to access the pregnancy-related care to which they are entitled.

One proposal in the issues paper is to link the length of the waiting period to the length of the policy, for example, a person purchasing OSHC for a 24 month visa could have the waiting period fully waived while a person purchasing OSHC for 12 months may only have a partial waiver.

This would need to be carefully regulated to ensure students can transfer between insurers without losing their waiting periods and are not discouraged from changing OSHC providers partway through their visa period for fear of no longer being able to access pregnancy-related care.

Noting that a student's waiting periods would be directly linked to the length of a student's visa, students (particularly in the VET jurisdiction) may be incentivised to select long course packages to access shortened waiting periods tied to longer-stay visas.

International students cannot transfer to a new education provider until they have completed at least 6 months of their principal course (generally their 'highest level' or last course in a package) except in special circumstances. The offer of shorter or waived waiting periods for longer durations of up-front cover (on longer visas) may

push a student towards a further commitment to 'lock-in' a long series of courses for the shorter waiting period.

We have been made aware of some discussions relating to the capacity for the healthcare system to undertake pregnancy care for international students and the difficulty some students have reported in accessing care, especially in public hospitals. Although this falls outside the scope of the proposed changes of this deed, we suggest the department considers other barriers of access to pregnancy care, outside of waiting periods, which may otherwise affect access to pregnancy-related services, such as availability of these services.