

Value for money – time to rethink private health insurance

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The latest report from the Grattan Institute highlights the urgent need for a comprehensive independent review of private health insurance.

“We welcome the report from the Grattan Institute as an important contribution to policy debate about how to ensure private health insurance could remain viable” the CEO of the Consumers Health Forum, Leanne Wells said today.

“Whilst we do not agree with all the recommendations we see this as a conversation starter to begin an examination of all aspects of the private health insurance industry.”

“We have already had one wave of reforms that introduced measures such as the gold-silver-bronze categorisation to make private health insurance easier to understand however data continues to show the downward trend in the number of Australians with insurance.”:

“It is clear we have not fixed the problem. This has been recognised by Minister Hunt in recent weeks when he rejected 2020 premiums rises proposed by the insurers.” said Ms Wells.

“The value and affordability problems plaguing private health insurance is are not going to be fixed by tinkering at the edges. We need a radical rethink of the product, what it offers consumers and how it can survive in a rapidly changing health landscape.”

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“It is clear younger consumers who have grown up with Medicare, see little or no reason to have private health insurance for hospital access. Unlike other forms of insurance they know there is a public backup if they need hospital care.”

“The current community rating system has priced younger people out of the market – to them it is a discretionary not essential product. Whilst we do not endorse the abolition of community rating, it needs a rethink as it is clearly not working in bringing younger healthier people into the pool. Its effectiveness is declining as healthier people of all ages drop out or drop their level of cover, pushing up premiums for those that remain.”

“The current system of multiple levels of cover encourages people to do their own risk rating. They choose lower levels of cover and higher excesses to reduce the costs, betting on their own good health and the existence of the public system.”

“The current carrot and stick approach to push people into private health insurance is clearly not working. They don’t see value in the product and so don’t want to buy it.”

“The private health industry needs to be encouraged to be more innovative to offer consumers what they want and offer a product which is more appealing.”

“A thorough independent review would look at what could be covered, how it should be structured and the best way to fund it. Our system is reliant on affordable care options in the private health sector to take the pressure off the public system. If we want a viable private health system into the future we need to take the time and effort to get private health insurance working effectively. It is in the system and patient’s interest that we do so” said Ms Wells.

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