



## Our Purpose



Lead and shape Australia's health and aged care system and sporting outcomes through evidence-based policy, well targeted programs, and best practice regulation



**In 2015-16, we undertook activities which contributed to achieving Our Purpose, including under Outcome 6**

## Outcome 6 Private Health



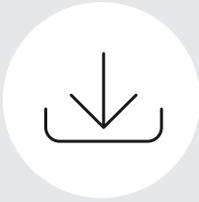
Improved choice in health services by supporting affordable quality private health care, including through private health insurance rebates and a regulatory framework

### Analysis of performance – **Outcome 6** Private Health

In 2015-16, the Government continued to improve choice and reduce the pressure on the public health system by providing the private health insurance rebate to support affordable private health care. The number of people covered by private health hospital insurance continues to rise steadily.

These activities have contributed to the Department's achievement of objectives under Outcome 6 and Our Purpose.

## Key community benefits for **Outcome 6** in 2015-16



### **Reduced pressure on the public hospital system**

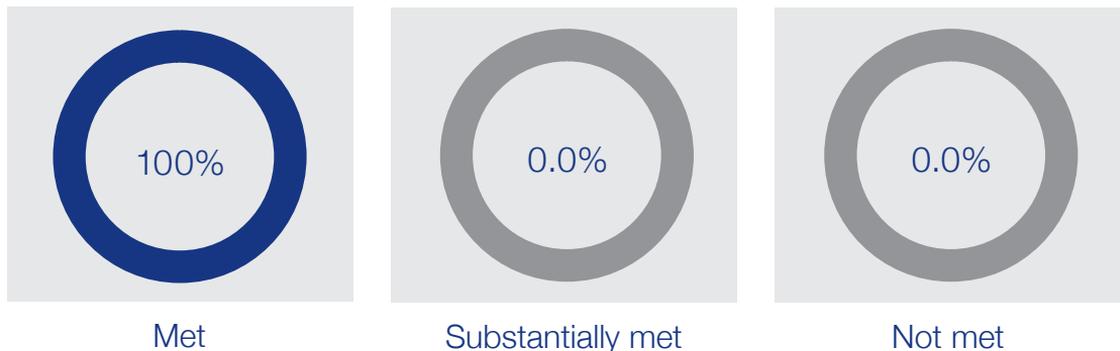
The Government has reduced the pressure on the public hospital system by supporting individuals to purchase private health insurance. Rebates make private health insurance more affordable and provide greater choice.



### **Ensured access to high quality prostheses**

Privately insured Australians are assured of having continuing access to high quality prostheses through regular revisions to the Prostheses List.

## Summary of performance criteria results for **Outcome 6**



## Looking ahead

- The Australian Government has announced the establishment of the Private Health Ministerial Advisory Committee to provide technical and specialist advice on designing and implementing reforms to private health insurance. The Committee will consider a range of issues including value for money, complexity and transparency of private health insurance products.
- Public confidence in the process for reviewing listed prostheses will be increased by the reconstitution of the Prostheses List Advisory Committee. The Committee will provide revitalised expertise and be able to further develop and advise on changes to the prostheses listing process.

## Programs and program objectives contributing to Outcome 6

### Program 6.1: Private Health Insurance

- Support the affordability of private health insurance through the private health insurance rebate
- Ensure access to safe and effective medical devices through the Prostheses List
- Promote a viable, sustainable and cost-effective private health insurance sector

## Analysis of performance – Program 6.1: Private Health Insurance

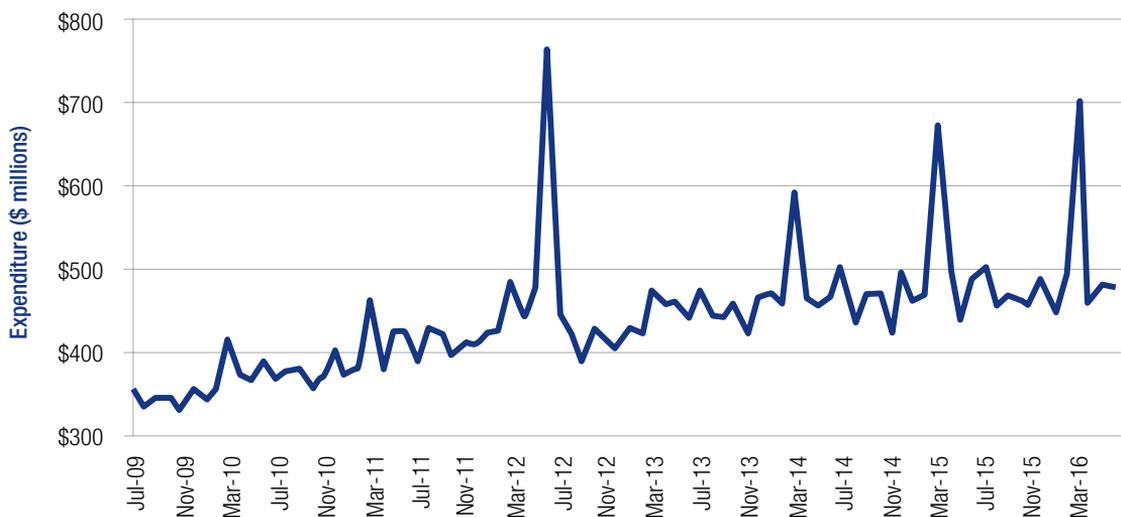
The Department met all performance targets under Program 6.1: Private Health Insurance. Insurers and peak bodies were consulted through individual discussions and forums.

The Department also ensured clinically appropriate and cost-effective prostheses are available to privately insured Australians through the regular revision of the Prostheses List.

The Department undertook a significant consultation process in late 2015. Over 40,000 people completed an online survey, over 100 stakeholders attended eight consultation roundtables, and the Department received over 180 written submissions. The consultations showed that consumers are focussed on value for money, and are concerned about the complexity and transparency of private health insurance products.

Government spending on the private health insurance rebate is being maintained below \$6 billion. The number of people with hospital treatment policies has increased by 102,250 from March 2015 to March 2016. Almost half the Australian population is covered by private health insurance. Figure 6.1 below shows private health insurance rebate expenditure from 2009-10 to 2015-16.

**Figure 6.1: Private health insurance rebate expenditure, 2009-10 to 2015-16<sup>52</sup>**



<sup>52</sup> March increases attributed to annual premium increase at 1 April and reflects some individuals and families choosing to pay in advance.

## Support the affordability of private health insurance through the private health insurance rebate

### Consultation with stakeholders on ways to ensure that the private health insurance rebate is communicated to policy holders and delivered through private health insurance products.

Source: 2015-16 Health Portfolio Budget Statements, p. 111

2015-16 Target	2015-16 Result
Ongoing stakeholder discussions (a minimum of two stakeholder consultation forums) to assist in the timeliness and streamlining of processes to enable consistent advice to consumers.	Individual discussion and forums in six capital cities were undertaken with insurers and peak bodies to ensure that consistent advice was delivered to all stakeholders, to assist in the timeliness of notifications to consumers. The Department's consultations on private health insurance also covered the appropriate provision of information to consumers. This was in addition to circulars, email advice and clarification.  <b>Result: Met</b> ✓

Insurers were able to notify policy holders of variations to their private health insurance rebate within acceptable timeframes, before changes were implemented.

### Percentage of insurers' average premium increases publicly released in a timely manner.

Source: 2015-16 Health Portfolio Budget Statements, p. 111

2015-16 Target	2015-16 Result	2014-15	2013-14	2012-13	2011-12
100%	100%	100%	100%	100%	100%
	<b>Result: Met</b> ✓				

The Department announced the weighted average premium increase for 2016 premiums on 2 March 2016. The average premium increase was 5.6%.

### The number of people covered by private health insurance hospital treatment cover.

Source: 2015-16 Health Portfolio Budget Statements, p. 112 & 2015-16 Corporate Plan, p. 15

2015-16 Target	2015-16 Result	2014-15	2013-14	2012-13	2011-12
10.7m	11.3m	11.2m	11.1m	10.8m	10.6m
	<b>Result: Met</b> ✓				

Private health insurance participation rates within the population remained steady over the 12 month period. The uptake of policies with hospital treatment during the same period has increased gradually.

The number of people with hospital treatment policies has increased by 102,250 from March 2015 to March 2016. Almost half the Australian population is covered as a result. Participation rates can be found in the *Australian Prudential Regulation Authority Private Health Insurance Quarterly Statistics March 2016*.<sup>53</sup>

<sup>53</sup> Available at: [www.apra.gov.au/PHI/Publications/Pages/Quarterly-Statistics.aspx](http://www.apra.gov.au/PHI/Publications/Pages/Quarterly-Statistics.aspx)

## Ensure access to safe and effective medical devices through the Prosthesis List

### Ensure consumers have access to safe and effective surgically implanted prostheses under the Prosthesis List.

Source: 2015-16 Health Portfolio Budget Statements, p. 111

2015-16 Target	2015-16 Result
Consumers have access to clinically appropriate and cost-effective surgically implanted prostheses.	Consumers continue to have access to clinically appropriate and cost-effective surgically implanted prostheses. <b>Result: Met</b> ✓

There are over 10,000 items on the Prosthesis List, providing surgeons with choice to select the most appropriate prosthesis for their patients.

Application processes continue to ensure that new medical devices are assessed as being, at minimum, as clinically effective as prostheses already listed on the Prosthesis List or other available health care options.

### Percentage of applications to list devices on the Prosthesis List completed<sup>54</sup> within 22 weeks.

Source: 2015-16 Health Portfolio Budget Statements, p. 112

2015-16 Target	2015-16 Result	2014-15	2013-14	2012-13	2011-12
86.0%	89.7% <b>Result: Met</b> ✓	88.89%	N/A	N/A	N/A

The Department continues to review and refine its processes to ensure that as many applications as possible are completed within 22 weeks and listed on the next Prosthesis List.

## Promote a viable, sustainable and cost-effective private health insurance sector

### Ensure that all health funds complete due diligence when assessing the increase in annual premiums.

Source: 2015-16 Health Portfolio Budget Statements, p. 111

2015-16 Target	2015-16 Result
Premium round applications demonstrate sufficient capital adequacy, solvency and prudential viability.	All premium round applications demonstrated sufficient capital adequacy, solvency and prudential viability. <b>Result: Met</b> ✓

In 2015-16, the Australian Prudential Regulation Authority (APRA) assumed the regulatory oversight role that was previously undertaken by the Private Health Insurance Administration Council.

The APRA confirmed that all private health insurance insurers met their prudential obligations.

<sup>54</sup> 'Completed' to be interpreted as a decision taken to: 1) recommend to list, or 2) recommend not to list, or 3) recommend to be deferred.

## Outcome 6 – Budgeted expenses and resources

	Budget Estimate <sup>1</sup> 2015-16 \$'000 (A)	Actual 2015-16 \$'000 (B)	Variation \$'000 (B) - (A)
<b>Program 6.1: Private Health Insurance</b>			
<i>Administered expenses</i>			
Ordinary annual services (Appropriation Act No. 1)	2,328	2,310	(18)
Special appropriations			
<i>Private Health Insurance Act 2007</i> - incentive payments and rebate	5,953,427	5,887,067	(66,360)
<i>Departmental expenses</i>			
Departmental appropriation <sup>2</sup>	9,069	8,615	(454)
Expenses not requiring appropriation in the budget year <sup>3</sup>	181	449	268
<b>Total for Program 6.1</b>	<b>5,965,005</b>	<b>5,898,441</b>	<b>(66,564)</b>
<b>Outcome 6 Totals by appropriation type</b>			
<i>Administered expenses</i>			
Ordinary annual services (Appropriation Act No. 1)	2,328	2,310	(18)
Special appropriations	5,953,427	5,887,067	(66,360)
<i>Departmental expenses</i>			
Departmental appropriation <sup>2</sup>	9,069	8,615	(454)
Expenses not requiring appropriation in the budget year <sup>3</sup>	181	449	268
<b>Total expenses for Outcome 6</b>	<b>5,965,005</b>	<b>5,898,441</b>	<b>(66,564)</b>
<b>Average staffing level (number)</b>	<b>43</b>	<b>42</b>	<b>(1)</b>

<sup>1</sup> Budgeted appropriation taken from the 2016-17 Health Portfolio Budget Statements and re-aligned to the 2015-16 outcome structure.

<sup>2</sup> Departmental appropriation combines 'Ordinary annual services (Appropriation Act No. 1)' and 'Revenue from independent sources (s74)'.  
<sup>3</sup> 'Expenses not requiring appropriation in the budget year' is made up of depreciation expense, amortisation, make good expense, operating losses and audit fees.