HEALTH

Recommendation 5:

Direct the Productivity Commission to conduct a full review of the private health insurance system, with an emphasis on identifying ways to improve its value proposition to policy holders in general and older policy holders in particular.

Overview

- In 2018, Federal Labor's policy in Opposition was for the Productivity Commission to conduct a full review of the private health insurance system.
- The Productivity Commission (through its precursor, The Industry Commission) last undertook a full review of private health insurance in 1998.[16] There have been several government and industry reviews and processes since, including:
  - The ACCC's annual reports to the Australian Senate over 25 years analysing key competition and consumer developments and trends in the private health insurance industry that may have affected consumers' health cover and out-of-pocket expenses;
  - Reports of the Private Health Insurance Ombudsman; and
  - The Private Health Ministerial Advisory Committee (2016 – 2018), charged with reviewing all aspects of private health insurance and providing advice to government on reform.
- Despite these and many more oversight and regulatory processes involving the Department of Health and Aged Care and the Australian Prudential Regulation Authority (APRA), private health insurance holders continue to face a never-ending cycle of premium increases, product limitations and soaring out-of-pocket costs.
- In this complex system, calls for specific measures in one part of the system to address these problems often provoke unintended consequences in another aspect of the system leading to inertia.
- It is time for government to undertake a systemic review with the view to redesign the private health care system with fit-for-purpose policy settings.

WHAT ARE WE CALLING FOR?

- A reference to the Productivity Commission to undertake an in-depth inquiry into private health insurance with a particular focus on the:
  - growth of private health insurance premiums and out-of-pocket expenses;
  - value and scope of product offerings covered by private health insurance;
  - reforms needed to minimise premiums and out-of-pocket costs.

Why is the policy needed?

- There is repeated public and media discourse about the growing unaffordability and poor value proposition of private health insurance for all segments of the Australian population.
- NSA members and supporters have told us the cost-of-living pressures are placing great stress on them. Many have identified the cost of private health insurance and out-of-pocket health costs as key concerns.[17]

  - A recent survey of 6,500 older people conducted by NSA found the issue of private health was the second most important concern behind cost-of-living more generally.
  - NSA research has found anecdotally that some older people may be reducing their spending on other areas to try to hold onto private health insurance.
  - People tell us they struggle with excess out-of-pocket costs when having to utilise private health care.
- Evidence suggests it is in the interest of the public purse to support older people to maintain private health insurance through levers such as the Private Health Insurance Rebate, as this reduces costs on the public system.[18]
- However, there are other aspects of the system that are beyond government control (such as product offerings) or are subject to intense political pressure (such as annual premium increases).
- Only a whole-of-system analysis and redesign will address the full range of problems facing policy holders.

Budget Impact

- In 2022-23, the Productivity Commission completed seven inquiries and other government-commissioned projects. The cost of these inquiries and projects ranged from $1.3m to $5.3m.[19]
- As we are recommending a full and comprehensive inquiry, into what is a complex system, it is likely the cost to government would be towards the upper end of previous inquiry costs.

Recommendation 6:

Increase and maintain the value of the Private Health Insurance Rebate for people on lower incomes.

Overview

- Older people on lower incomes are struggling to meet rising living costs in fundamental areas of expenditure, such as groceries, energy and health care.[20]
- Our research with older people shows many stretch to their financial limits to hold on to Private Health Insurance (PHI). They largely do this to avoid public hospital waiting lists for procedures commonly required by older people and so they can choose their own doctors.[21]
- However, relinquishing PHI is one of the few ways available to some older people to reduce expenditure and manage financially in later life.
- The indexation freeze on rebate income thresholds and the ongoing reduction in the rebate amount via the Rebate Adjustment Factor over the past ten years has eroded the level of government financial support for people on lower incomes to maintain PHI.

WHAT ARE WE CALLING FOR?

- Increase the PHI Rebate for people on lower incomes, including older people, to ensure those most likely to vacate PHI are maintained within the system and to boost membership among those most likely to take it up.
- Ensure the formulas used to calculate the rebate amount for people on lower incomes, supports maintenance of PHI cover into the future.

Why is the policy needed?

- Research shows the PHI Rebate for seniors provides the greatest value for money among all groups, as average claim costs of treatment for seniors materially exceed the rebate. It would be more expensive for the government to provide treatment to this group of people if they moved out of the private health system into the public health system.[22]
- People on lower incomes have the most marginal attachment among seniors to PHI due to cost pressures and capacity to pay.
- It makes financial sense for the government to support this group to maintain PHI and the most direct way to do this is to increase the rebate available.
- The government supports and enables the continuation of a mixed public/private health system and a community rating system in PHI. Therefore, it is crucial for the viability of the private health system that younger people are also supported to take up PHI.
- Increasing and maintaining the value of the rebate for all lower-income, privately insured people is an investment in the current system.
- This will support access to PHI and the private hospital system for individuals across the life course and at each life stage.

Budget Impact

- The budget impact of increasing and indexing PHI Rebates for people on lower incomes will depend on the PHI Rebate available to specific income groups.
- Expert modelling and advice should be sought to calibrate the PHI Rebate amount for lower-income groups to:
  - maximise the positive impact on those under the most intense cost-of-living pressure;
  - maximise the return on investment for government; and
  - reduce the cost to the public health system.

Recommendation 7:

Create a targeted Seniors Dental Benefits Scheme similar to the Child Dental Benefit Scheme to provide seniors with assistance to meet dental costs.

Overview

- Older people are more likely to have poor oral health,[23] especially those with low socioeconomic status and those living in residential aged care settings.[24]
- Older people who cannot afford private dental care must rely on public dental services, which can involve being placed on lengthy wait lists.
- As people get older and increasingly frail, the ability to adhere to good oral health practices can decline dramatically.
- According to the final report of the Royal Commission into Aged Care Quality and Safety, poor oral health has many adverse consequences and interrelations:[25] It can:
  - affect a person's ability to speak, eat and socialise.
  - contribute to social isolation, functional impairment, pain and discomfort, ill health and even death.
  - contribute to health conditions, and is linked with other chronic conditions, such as diabetes, respiratory diseases and cerebrovascular diseases.

WHAT ARE WE CALLING FOR?

- Establish a Seniors Dental Benefit Scheme to provide $500 per year towards interventions to improve oral health outcomes among older people.
- The scheme would be administered in a similar fashion to the existing Child Dental Benefit Scheme (CDBS).
- Initially, it would be available to older people with limited means and to aged care residents before being expanded to include other groups.
- Initial eligibility could be set using the proposed PCC+ (see recommendation 3) or other suitable means testing arrangement and then expanded over time.
- An alternative to targeting would be to provide the scheme in a graduated form, so those most in need get access to a higher subsidy amount (see Budget impact below for details).

Why is the policy needed?

- One-third of adults have untreated tooth decay.[26]
- Dental conditions rank as the second highest reason for acute potentially preventable hospitalisations.[27] In 2019-20, 66,809 people were admitted for acute potentially preventable hospitalisations.[28]
- Poor oral health outcomes are often linked to income and are exacerbated within specific populations.
- People living in rural and remote Australia experience higher rates of oral diseases, primarily due to a lack of dental practitioners. They face higher costs in accessing care or rely on hospitals for treatment.

- Access to dental care in residential care settings was identified in the Royal Commission into Aged Care Quality and Safety as problematic and resulted in the recommendation to establish a Senior Dental Benefit Scheme to address issues with oral care among older people.[29]
- Addressing oral health problems early will have positive impacts on the overall health and wellbeing of older people. It will also have positive impacts on the health system by reducing the incidence and cost of acute health conditions related to oral health.
- People without health insurance are twice as likely to avoid dental treatment due to cost.[30]
- NSA surveys show that avoiding treatment due to cost is more likely for dental than almost all other treatment types (except mental health appointments) · 24% of older people were prevented from dental treatment due to cost,[31] rising to 46% for people whose sole income was the Age Pension.[32]

Budget Impact

- Given the scheme offers a maximum of $500 per eligible person per year, it is relatively easy to estimate the cost to government once eligibility parameters are set.
- If eligibility was provided to all Age Pension Pensioner Concession Card holders and Commonwealth Seniors Health Card holders (as was recommended by the Aged Care Royal Commission) the cost to government would total $1.54b.
- If eligibility was restricted to all Pensioner Concession Card holders the annual cost would be $1.25b.
- If eligibility was restricted to a subset of pensioners on low means using the proposed PCC+ and approx. 500,000 pensioners were eligible for the new card, the cost to government would be only $250m per year.[33]
- Alternatively, by using concession cards to differentiate payment, government could expand the coverage of the scheme. For example, providing: $500 per year to PCC+ holders would cost $250m; $150 per year to the remaining PCC holders would cost $300m; and $100 per year to CSHC holders would cost $50m. Therefore, the total cost would be $500m covering three million pensioners and low-income self-funded retirees.
- Note: these estimates are based on full take-up of the scheme. It is likely the take up is less as is the case with the CDBS.
- Supporting low-income pensioners to access private dental to improve their oral health could help to ease pressure on the public dental system and on other parts of the hospital and health system, reducing government costs.