HEALTH

QUESTION

Background

In September 2016, the Australian Minister for Health and Aged Care announced the establishment of the Private Health Ministerial Advisory Committee to advise on the implementation of Government reforms to private health insurance. The Minister's media release mentioned two areas of reform:

- The development of easy-to-understand categories of health insurance, so that consumers understand what their policies will and will not cover; and
- Developing a private health insurance product designed specifically for Australians living in rural and remote areas.

(see www.health.gov.au/internet/ministers/publishing.nsf/Content/DA73008CE0EB94FFCA25802800009F80/$File/SL056.pdf)

The committee has recently commenced its work, confirming its Terms of Reference, developing a work plan, conducting several meetings and a workshop, and publishing minutes. Information about the committee can be found at www.health.gov.au/internet/main/publishing.nsf/Content/phmac.

PART A – PRIVATE HEALTH INSURANCE PRODUCT CATEGORIES

The Private Health Ministerial Advisory Committee has commenced consideration of different product design and categorisation approaches to assist consumers understand what their policies do and do not cover. Following discussions at its recent meetings, the committee has agreed that actuarial support is required to identify and assess the impact of different product design and categorisation approaches.

You are an actuary managing the health practice of an actuarial consulting firm which has just been awarded this actuarial consulting assignment by the committee. You have been asked to prepare a report identifying two different product categorisation approaches, the way in which they could be used in the private health insurance market, pros and cons of each approach identified for various stakeholders, potential impacts on premiums and private health insurance membership, and justification for your recommended approach. At this stage your report does not need to include detailed numerical analysis, however any actuarial analysis that you think should be carried out should be identified.

Prepare your report for the Private Health Ministerial Advisory Committee.

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PART B – PRIVATE HEALTH INSURANCE FOR RURAL AND REMOTE AUSTRALIANS

Following completion of your report, you attended a meeting of the Private Health Ministerial Advisory Committee where you presented your advice on the merits of two product categorisation approaches. Following your presentation and discussion, the committee asked you to stay for the next agenda item which was a review and discussion of a recent workshop that was organised by the committee on improving the value of private health for rural and remote consumers. The minutes of this recent workshop (www.health.gov.au/internet/main/publishing.nsf/Content/phmac-rural-private-health-workshop-summary) were discussed, focussing on the options that were identified during the workshop to (a) improve product design, (b) directly address affordability, and (c) improve access to health care services.

During the discussion, you were asked to prepare a short (2-3 pages) note for consideration at next month's committee meeting on what actuarial analysis and modelling could be carried out to support the committee's consideration of the options it identified in the minutes of the workshop to improve the value of private health insurance for Australians living in rural and remote areas.

Prepare your note for next month's Private Health Ministerial Advisory Committee meeting.

RESOURCES

While this assignment covers private health insurance in Australia, students are not expected to have an in-depth, comprehensive knowledge of the Australian private health insurance market.

Links to a number of resources providing relevant background material on the operation of private health insurance in Australia have been provided to assist those unfamiliar with this market.

Information about the Private Health Ministerial Advisory Committee is available on the Department of Health and Aged Care website www.health.gov.au/internet/main/publishing.nsf/Content/phmac.

Other information that may assist you as background information for the case study is listed below:

- Private Health Insurance industry quarterly membership trends: www.apra.gov.au/PHI/Publications/Documents/1611-TrendsMem-20160930.xlsx

- Government private health insurance policy comparison website: www.privatehealth.gov.au
  - Including summary of private health insurance policy coverage: www.privatehealth.gov.au/healthinsurance/howitworks/default.htm

- Private Health Insurance Ombudsman website and reports: www.ombudsman.gov.au/about/private-health-insurance

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The following links provide further background information on the operation of private health insurance in Australia:

www.privatehealth.gov.au/healthinsurance/

www.ombudsman.gov.au/about/private-health-insurance/private-health-insurance-publications

www.health.gov.au/internet/main/publishing.nsf/Content/health-privatehealth-whatisPHI

www.abc.net.au/health/consumerguides/stories/2006/04/17/1837457.htm

END OF QUESTION

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