Australian Government
Department of Health

# Private Health Insurance Update

Private Health Insurance Branch
Medical Benefits Division
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**PHI 21/20**
**23 MARCH 2020**

## CORONAVIRUS (COVID-19)

### Premium Waivers

Consistent with arrangements made following previous natural disasters (PHI05/11 and PHI71/13), the Department has consistently taken the view that health insurers can make ex-gratia payments to affected customers for a specified period, and that ex-gratia payments are not captured in the discounting rules.

The Department continues to hold this position regarding ex-gratia payments to customers affected by the COVID-19 pandemic.

However, it is recognised that the size of this pandemic is significantly broader than previous natural disasters and its implications on claiming behaviour are more uncertain. It is not known how long the current pandemic will continue.

Key issues for health insurers are:

1. articulating which customers are eligible for assistance and ensuring that eligibility aligns with the principle of community rating which prevents discrimination based on the suffering by a person from a medical condition or any other characteristic that is likely to result in an increased need for hospital or general treatment; and

2. communicating with customers the basis for the eligibility decision (including for those not considered eligible), the nature of the relief being provided and its duration, terms and cessation of the relief (including review periods).

If health insurers intend to offer relief to customers, they are requested to inform both the Department and the Australian Prudential Regulation Authority before the relief is implemented. Health insurers are requested to provide a short assessment of the estimated financial and other implications of the proposed relief. This should include an assessment of the estimated financial implications of the relief such as compliance with regulatory capital and capital targets, sensitivity analysis of the expected take up, the terms and triggers for the cessation of the relief, any controls to monitor experience, and so on.

## Premium/Membership Suspensions

Insurers are able to offer premium/membership suspensions as per the conditions within their Rules, and ensuring that the terms of the suspension align with the principle of community rating which prevents discrimination based on the suffering by a person from a medical condition or any other characteristic that is likely to result in an increased need for hospital or general treatment.

## Discounts

Under the *Private Health Insurance Act 2007* health insurers are able to offer discounts to customers. The *Private Health Insurance (Complying Product) Rules 2015* (the Rules) permit customers on an existing policy to be offered a 12% discount/premium reduction each year.

Similarly, the Rules permit customers moving to a new policy to be offered a 24% premium reduction in the first year (with 12% each following year):

1. as a discount, a 12% premium reduction over the first 12 months; and
2. as a promotion, a 12% premium reduction over the first 12 months.

Accordingly, it would be open to health insurers to offer customers a 12% reduction per year in the form of a discount.

If the customer were already with a health insurer, they may need to be moved onto a new policy to be eligible for the additional 12% promotional discount. Promotional offers may only be offered within the first year of the person purchasing the policy.

## Policy Coverage

The new clinical categories are simple groupings of hospital treatment such as 'Heart and vascular' and 'Digestive system'. Each category defines which treatments are covered and provide a list of MBS items that are also covered. The list of MBS items are not exclusive. Hospital treatments that do not have an MBS item must also be covered if they fall within the scope of cover of the category.

Treatment for COVID-19 is largely supportive, including treatment for respiratory symptoms such as pneumonia and in-hospital specialist consultations.

Under the new clinical categories, it is expected that most hospital treatments for COVID-19 would be covered by the appropriate clinical categories, for example, 'Lung and chest', or for patients presenting with renal complications of COVID-19, the 'Kidney and bladder' and/or the 'Dialysis for chronic kidney failure' categories. This is not an exhaustive list of clinical categories which may be relevant. The clinical intent of the treatment provided in the context of an admission for COVID-19 must be considered.

We expect that health insurers would generally pay a benefit under the relevant item numbers for the presenting condition: such as pneumonia, rather than expect a new MBS item number.