



Private health insurance reforms: Impact of removing restrictions

Private health insurers will be permitted to apply restrictions in Basic products

- About 25% of people with private hospital insurance purchase cover with restrictions applied to a clinical category other than hospital psychiatric care, rehabilitation and palliative care.
- Proposals were considered to no longer allow private health insurers to offer products with restricted cover for clinical categories except hospital psychiatric care, rehabilitation and palliative care.
- Deloitte modelled the impact that removing restrictions would have on premiums and the number of people purchasing private health insurance. The resulting change would be an increase to premiums and a reduction in the number of people covered by private health insurance.
- Deloitte's modelling shows that removing restrictions would increase the drawing rate of mid-level products by about 10%, and this would flow through to premiums.
- The Private Health Insurance Ombudsman has advised that removing restrictions would be a detrimental product change as it would remove access to choice of doctor and prostheses benefits for consumers who currently hold these products.

Why is this important?

- Many people with private health insurance, particularly people in rural areas where access to private hospitals may be more limited, value the cover provided by restricted products.
- Retaining restrictions for hospital psychiatric care, rehabilitation and palliative care in Silver, Bronze, and Basic tiers, and for all other clinical categories for the Basic product tier would protect consumers from large premium increases.

Who will benefit?

- Consumers will be protected from detrimental product changes and large premium increases.