

**PHIA Industry Forum**  
**AON Level 51, 80 Collins Street, Melbourne**  
**25<sup>th</sup> May 2016,**  
**8.30am – 2.00pm**

**SUMMARY OF POINTS RAISED**

**(Note that comments are not attributed to named participants)**

PHIA CEO David Wright outlined the purpose of the Forum and introduced Ken Ramsey – Independent Chair of the Code of Conduct Committee for PHIA and welcomed the participants. With over 50 attendees from Health Funds, DOHA and industry bodies, it was most encouraging the level of interest in the Forum.

Participating organisations were asked to commit to the principles of transparency in communications and coordination with each other during the forum to ensure an open debate.

N. Swan was introduced as the facilitator and commenced proceedings by acknowledging the traditional owners of the land.

N. Swan referred to the Federal Government's recent Private Health Insurance Consultations 2015-16 and the forthcoming Federal Election likely to have key impacts upon the relationship between government regulators, insurers and intermediaries.

As the Government is currently in caretaker mode, representatives from the Commonwealth attended the forum as observers only, which was disappointing however understandable. DOHA representatives had planned to give an update on consumer feedback on PHI.

**PHA Perspective - *What are the key issues facing PHI?***

- The range of products being offered by health funds - a cause of confusion
- Affordability of health insurance
- The negative publicity surrounding policy exclusions and restrictions
- The decline of a market environment based on transparency over the past 10 years
- Preference by people for admission to public hospitals rather than private hospitals, reversing a trend of 10 years ago
- Changing demographic of new to industry health fund members who are now predominantly retirees with an income of 50K or less, or people with limited liquid assets.
- Prevalence of confusion about insurance versus reimbursement
- Dental care – an ongoing issue for Governments – more work needed
- Cost pressures that are not within the control of health funds

**Challenges for health funds:**

- The belief that health funds increase premiums because they want to make more money – this pervasive belief reflects a level of naiveté which supports the need to educate people about the system
- Worst case scenario for funds: if all members leave
- Industry net margins are declining on average

- Does every dollar of the premium need to be tied to hospitalisation?

Currently funds are absorbing the pain. However attempts to keep premiums down could risk adverse impacts at customer level.

- Regulation can create perverse incentives and over-regulation creates toxicity over time
- How can consumers be helped to navigate out-of-pocket costs?
- How can consumers with poor health literacy be helped to try to make sense of this information?
- How can general practitioners be also assisted to assist consumers in this respect?

Detailed analysis is required – there is a need to ensure that consumers connect with products that are appropriate to them. Health fund affordability, transparency and sector sustainability are key issues.

Other issues include:

- Multiple products with exclusions and the types of treatments that are being excluded
- The need to attract people in to balance risk
- Confusion over the array of products

## **Consumer Research**

***What is the research telling us about Intermediaries? What do consumers really think?***

- People do not understand when the Medicare Levy surcharge takes effect
- There is significant confusion about health fund policies
- With respect to switching policies, people who made serious inquiries about private health insurance often do not proceed to change
- It is harder than ever to convince new people to enter the market to buy private insurance
- Complexity represents a significant barrier to entry to the market and keeps people locked in to the one fund
- Health means more to people than car insurance

There are real challenges ahead, with comparators likely to play an increasingly important role in:

- Convincing new-to-markets to buy
- Helping switchers find appropriate cover they can afford

## **Health Fund Perspective**

Points of positive tension between intermediaries (also referred to as aggregators) and health funds were listed as follows:

- The power of supply – those who send leads or customers in the direction of health funds

- The presence of strategic risk to funds if too much of this activity is happening outside fund borders – the challenge for the larger funds is one of control
- The risk to funds posed by over-reliance on aggregators
- Needs assessments – how these are conducted, how needs are matched to the product and how to decide the best fit require consideration
- Expectation management is now a critical factor for the health insurer
- Aggregators do a good job in sorting out adverse selection
- The way that leads are understood and products are matched is not known
- Regulation is a point of natural positive tension – who carries the impost?
- Health funds are highly regulated – aggregators not as much. Regulation impacts upon the acquisition costs of health funds which could become unsustainable over time
- Health fund shortcomings provide aggregators with opportunities
- Aggregators have a role - both funds and aggregators need to make sure that value is shared
- Funds need to hold on to customers for over 2 years to which is why any form of churn has an impact.
- While comparators can cannibalise business, on balance, funds benefit

**Other points/questions raised – general**

- In an environment of complexity, what are the industry's responsibilities to consumers?
- The existence of an aggregators market potentially does not encourage the simplification of models
- More people would take out private health insurance if information was less complex
- Over-regulation shuts down competition
- Fixing terminology used to define restrictions and exclusions and the way in which this is communicated to consumers is a shared responsibility
- How can funds be incentivised to come together to manage chronic disease using Primary Health Networks with general practitioners at the centre?
- The role of the medical component with the impact of specialist fees and the gap
- Financial consent requirements are not universally complied with, suggesting a greater possible role for Government