



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

HEALTH LEGISLATION
AMENDMENT (PRIVATE HEALTH
INSURANCE REFORM) BILL 2003

Second Reading

SPEECH

Wednesday, 11 February 2004

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

Date Wednesday, 11 February 2004
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Questioner
Speaker Gillard, Julia, MP

Source House
Proof No
Responder
Question No.

Ms GILLARD (Lalor) (10.51 am)—Mr Deputy Speaker Mossfield, as you may recall, on the final Friday of the last sitting before we adjourned for the Christmas period, I was in the highly envied position of speaking on the Health Legislation Amendment (Private Health Insurance Reform) Bill 2003. My contribution to the debate was adjourned to enable the House to finalise matters coming back from the Senate and to actually finally call a day a day, or a week a week, or a session a session. Having started the contribution so long back, I will recap briefly on the points I made, and then outline a second reading amendment which I will be moving to this bill on behalf of the opposition.

As I indicated in the debate late last year, Labor does support this bill, in the interests of good management of the private health insurance sector by government, the fair treatment of consumers and the creation of better mechanisms for investigating and acting on any problems in the private health insurance industry. This bill seeks to amend the National Health Act 1953 and the Private Health Insurance Incentives Act 1998. We may recall that on 11 September 2002 the then Minister for Health and Ageing, Senator Patterson, announced a package of reforms designed to streamline the regulation of the private health insurance industry and provide consumers with better value for money for their private health insurance. This bill gives effect to some of those measures.

At present, registered health benefits organisations are required to submit details of all rule changes that they make—no matter how insignificant—to the government for approval. Obviously, this creates a high administrative burden on the health benefits industry for little gain, in a regulatory sense, in terms of government being able to monitor what is happening in the industry. Part 1 of schedule 1 of this bill amends the National Health Act and the Private Health Insurance Incentives Act by removing this onerous rule change assessment process and replacing it with a far more streamlined system of monitoring and compliance. This will remove the inefficiencies associated with the existing process and allow registered health benefits organisations to be more responsive to the needs of their members. Obviously, when there is a high administrative burden to have rule changes ticked off, it is less likely that registered health benefits organisations will make timely rule changes. This bill rectifies that problem.

To make sure that the government—in the absence of having each and every rule changed filed with it—can effectively monitor the performance of registered health benefits organisations, part 1 of schedule 1 of the bill also establishes a sets of indicators for monitoring the performance of registered health benefits organisations. These indicators will be used to identify organisations that breach the National Health Act and to alert the Minister for Health and Ageing to practices that may be contrary to national health policy. They will be particularly important for monitoring whether or not registered health benefits organisations continue to fulfil their community rating obligations, which are designed to ensure that private health insurance is affordable for all Australians. The bill also establishes a broader range of investigatory powers and administrative sanctions that the minister may use when a registered health benefits organisation is found to be in breach of the National Health Act or is failing to meet government objectives.

Part 2 of schedule 1 of the bill will amend the National Health Act to increase consumer protection within the private health insurance industry. The bill provides the Private Health Insurance Ombudsman with increased powers to investigate and resolve disputes and complaints. Registered health benefits organisations will now have to respond to a request for information or a recommendation from the ombudsman within a specified time frame. The ombudsman will also have the power to report the outcomes of an investigation to the minister and make recommendations on ways of dealing with specific issues arising from an investigation.

Part 3 of schedule 1 of the bill provides for the production of an annual 'state of the health funds' report by the ombudsman. That report obviously will be key information in the public domain, enabling members of the public, members of health funds and those in the health sector who are interested in the policy debate to be able to assess whether their fund is performing well or badly and whether or not they are getting value for money for the decisions that they have made about their private health insurance. Registered health benefits organisations

will obviously be required to make information about this report available to members so that they are aware of its existence.

Lastly, part 4 of schedule 1 of this bill will amend the National Health Act to make a number of minor improvements to the Lifetime Health Cover regulations. These include establishing the equivalent of the 'horses' birthday' that we have in the racing industry; so instead of individual birth dates being of relevance, there will be a notional annual birth date of 1 July for the purposes of Lifetime Health Cover. That will streamline the system. There are also changes to ensure that there is recognition of the cover provided by the Department of Veterans' Affairs gold card as counting towards hospital cover for the purposes of calculating a Lifetime Health Cover loading. There are arrangements to provide new migrants who are over the age of 30 with a period of 12 months to take out the relevant hospital cover without being penalised under the Lifetime Health Cover system. Obviously when people first migrate, they need some time to establish themselves and establish the new rules and regulations applying to them and to comply with them. There is also a 12-month period of grace extended to Australian citizens who are overseas on their notional 31st birthday and there is a provision ensuring that Australian citizens who have hospital cover and go overseas for periods greater than 12 months will not have that time overseas counted towards any potential Lifetime Health Cover loading.

As I said at the outset, and indeed at the end of last year, Labor does support these changes, as necessary streamlining of the health insurance system. Having said that—and I will at the end of my contribution be moving a second reading amendment dealing with the issue—whilst the issue of private health insurance is before this parliament we ask that it be noted that what the government has promised to do on a series of occasions about the question of value for money for private health insurance holders remains undone.

In 1996 John Howard said—and I think his words were very clear:

What I can give is an absolute guarantee that any change—

in private health insurance premiums—

in future will be as a result of a decision taken at a political level in a way and in circumstances where we are satisfied that the rise is completely justified.

He went on talking about private health insurance, particularly in the 2001 election campaign. So we have his 1996 statement and we obviously have a more recent commitment in the 2001 election campaign, where the Prime Minister committed himself and his government to a strategy that they said would put downward pressure on premiums so that the holding of private health insurance would be more affordable and attractive to consumers. The Prime Minister also said that the Howard government's policies would lead to reduced premiums.

Against these statements I think we need to engage in a bit of a reality check, because, for every promise and guarantee that the Prime Minister made, we now know that there is a broken promise and a shattered guarantee lying on the ground. The reality is that the cost of private health insurance continues to escalate. As we saw very clearly at the start of this year, the present Minister for Health and Ageing has a laissez-faire attitude to applications for private health insurance premium increases. His attitude, when questioned about the most recent applications for premium increases—which are generally understood to be in the order of seven or eight per cent—was: 'C'est la vie; such is life. That is what happens. Prices go up.'

On this side of the House, we think that that approach is completely negligent of the duties that the health minister and, indeed, the government overall ought to be undertaking in relation to the private health insurance industry. After all, we have a system where private health insurers are required to submit their bids for premium increases above CPI. We have that system for a reason. The reason we have that system is that the government—most particularly, the minister for health—is supposed to use the opportunity when applications come in to vigorously assess whether or not the applications are justified. That is what the Prime Minister promised to do in 1996 and that is what the whole system is designed for. If you are not going to exercise that kind of rigorous scrutiny, why have a system where private health insurers have to come to the government and make applications for premium rises? If you are not going to exercise any scrutiny about those premium rises, why not have a system where they can just put up premiums whenever they take it into their heads to do so, without any form of government scrutiny or regulation? We have the system because the government is supposed to focus on and analyse whether or not claimed premium rises are justifiable.

What we know, from the period between the adjournment of the last parliament and the commencement of this session of parliament—that is, the Christmas-New Year period—is that the current minister for health has

made it crystal clear that, in relation to the forthcoming round of premium increases, the last thing in the world he intends to do is scrutinise them. The last thing in the world he intends to do is bring a critical assessment as to whether or not they are justified. He is just going to watch them come into his in-tray with a shrug of his shoulders—'C'est la vie; such is life'—and he is going to sign them off and put them in the out-tray. That was the clear import of what he said to the media when applications were filed. When Australian private health insurance consumers—people who have private health insurance and who spend hard-earned dollars on their private health insurance—are asked later this year, in April, to start spending even more of those hard-earned dollars on private health insurance, they might want to reflect at that point on whether they think the current minister for health is doing a satisfactory job when he has not even taken the opportunity to be critical, searching and questioning about whether or not those increases are justified.

On the topic of the government's relations with private health insurance, from much of the rhetoric that comes from the government we would think that they are the biggest defenders of private health insurance. Indeed, it is often put that it is the one thing that the government care about in the health sector. They do not care much about Medicare and we know they do not care about the public hospital system, because they were prepared to take \$1 billion out of public hospitals in the recent health care agreement rounds. The vaunted claim of this government is: 'We are supporters of private health insurance.' Private health insurance is at the core of their health strategy—it is the absolute bedrock and the thing they say they believe in. Yet, against that rhetoric, what do we find? We find that, behind closed doors in the health department and the minister's office, this government—the government of private health insurance, the government that says it stands for private health insurance—is actually undermining the value of people's private health insurance in a series of ways. Because these ways are technical and involve mind-numbing government regulation, I think they often slip through in the public debate. People, particularly private health insurance holders, might not quite understand what has happened with changes in the value for money of the private health insurance product.

I can say that there is a series of changes that the government is contemplating or actively supporting which do undermine the value of private health insurance. The first, of course, involves the central reason that people have private health insurance. Why do people pay all of that money to have private health insurance? They pay all of that money because they want the reassurance that, if they are unwell, they will be able to go to a hospital of their choosing and have the doctor of their choice. That is the central, core reason that people have private health insurance. Through a series of technical arrangements known as changes to the second tier default benefit, the government—the government that stands its whole health policy on the bedrock of private health insurance—is actually ensuring that that central promise of private health insurance will no longer be true. The system as designed by this government will be that, if you are a private health insurance holder, you will be able to go only to the hospitals that your private health insurance company has a contract with. There will be some minor changes to that in regional areas, but that will be true for the vast majority of private health insurance holders in Australia.

If at the moment you are sitting in your home in a suburb of Melbourne, Sydney, Brisbane, Perth, Adelaide, Hobart or Darwin—though you probably would not be looking for a private hospital in Darwin—thinking, 'If something happens to me and I get sick, I will be able to go the private hospital down the road and see Dr Fred or Dr Suzie who I have seen all my life,' well, think again. Because of the changes to the second tier default benefit arrangement, if you hold a private health insurance product with a company that does not have a contract with that hospital, then you will not be able to go there. That is happening because of regulatory changes entered into; a scheme designed by this government—the government that has founded its whole health strategy on private health insurance.

There is undermining of the value for money of private health insurance because we have a laissez-faire minister who says, 'Where do I sign?' When a private health insurer puts in a premium increase the only question he asks is: 'Where do I sign?' And there are regulatory changes—changes that this government is committed to—which mean the central promise of private health insurance that you are able to go to a hospital of your choosing and a doctor of your choice will no longer be the case over time.

In addition, as the opposition indicated in question time towards the end of last year, there is a series of arrangements being contemplated between private health insurers and the government to deal with the cost of medical devices—artificial hips, artificial knees and the sorts of medical devices that are implanted to help people overcome illnesses and injuries. There is a scheme in contemplation by this government which the opposition helped bring into the public domain. Until we did so, it was all happening behind closed doors, because the Howard government would not want Australian voters knowing the truth about what it is doing with private

health insurance. Those closed-door negotiations were about limiting the range of devices of which the full cost would be covered by private health insurance.

I do not want to be heard to say that there is no issue about the cost of medical devices in our health sector; there is an issue about the cost of medical devices in our health sector—I accept that. In terms of containing costs in our health sector it is an issue that needs to be addressed. But what I object to is a government which says, ‘Our whole health policy is about private health insurance. Our whole pitch to the community about health is: get on board; get private health insurance; we believe in private health insurance; we are supporting private health insurance; we love private health insurance.’ I object to a government that has that mantra making changes, along with the private health insurance industry, behind closed doors which could affect the nature of a medical device that someone has access to—or at least has access to fully paid for by their private health insurer. If the government is going to do that, it should do that with private health insurance consumers at the centre of the decision-making process; it should not lock them out on the other side of the door. It should be honest with Australians who hold private health insurance that that is what it is doing. We have not seen that level of disclosure from the government.

I conclude by saying that the bill before the House does deal with a series of technical changes which the opposition are prepared to support. But we believe that in the private health insurance area there is so much more that needs to be done if this government is to pass the standard it set for itself—not the standard we set for it, but the standard it set for itself. In 1996 the Prime Minister set that standard when he said that this government would always be scrutinising, putting pressure on and trying to make sure that there were not premium increases. In the 2001 election campaign the Prime Minister set that standard when he said that the government would ensure that there was downward pressure on premiums. So I am asking that this government clears the high-jump bar it set for itself in the private health insurance area by living up to the promises it made to the Australian community, because we know that those promises are not being lived up to at this point. At this point I move the second reading amendment that stands in my name, namely:

That all words after “That” be omitted with a view to substituting the following words:

“whilst not declining to give the bill a second reading, the House condemns the Government for:

(1) repeatedly claiming during the last federal election that there would be ‘downward pressure’ on premiums and that private health insurance would be ‘more affordable and attractive’ to consumers’;

(2) saying that the Howard Government’s policies would ‘lead to reduced premiums’;

(3) allowing private health insurance funds to increase their premiums by the CPI without the need to seek Government approval; and

(4) allowing such increases to be instituted without legislative scrutiny”.

The DEPUTY SPEAKER (Mr Mossfield)—Is the amendment seconded?

Ms Livermore—I second the amendment and reserve my right to speak.