



hirmaa response to consultation draft Health Insurance Levies Regulation 2017 and Regulatory Impact Statement

Background summary

The Draft Regulation eliminates the ability of holders of private health insurance from utilising non-emergency ambulance transport without charge.

Currently, this service does not come at the public expense, and is covered by a levy as per the *Health Insurance Levies Act 1982* that is paid by private health insurers to the NSW Government in accordance with a formula set out in the Act.

In 2012 the NSW Government released the *Ambulance Reform Plan*, which included the new strategic direction of using of private providers for existing and future non-emergency transportation. To allow this, a subsequent alteration to the Ambulance Services Act, to remove non-emergency ambulance services from the definition of an ambulance service.

The proposed pretext for the change is to ensure “a level playing field” between HealthShare NSW (which will continue to provide non-emergency patient transport services on behalf of the NSW Government) and private sector, which is not able to offer a free service to holders of private health insurance.

In effect, private health insurers will continue paying a levy to cover a service that will no longer be provided by the NSW Government, while those seeking coverage for non-emergency services are left without.

Key concerns and observations

hirmaa strongly opposes efforts by the government of New South Wales (NSW) to remove services currently provided to holders of private health insurance through long standing arrangements between insurers and the NSW Government.

Inadequate consultation

The apparent determination of the NSW Government to rush through changes that are of direct financial consequence to an industry, as well as significant portion of the NSW population is of concern to hirmaa.

The NSW Government has not worked with the private health industry in order to better ascertain the impact of the proposed amendment or the precise value of the lost service.

In addition to this, neither the consultation process or the proposed implementation timetable are reasonable.

- Private Health Insurers and industry participants were made aware of the consultation round on 10 January 2017 with responses due 10 February 2017.

Four weeks over a key holiday period, at a time where insurers were managing the 2017 Health Insurance Premium round process, is a wholly inadequate window in which to fully analyze the proposed change.

- The proposed implementation on 1 April 2017, just 49 days after the close of the consultation period, places even greater pressure on the sector to ascertain the impact of the change.

These short timeframes pose significant challenges for private health insurers, notably in the areas of policy development and communicating changes:

Policy options

The rapid adjustment of a key and longstanding service offered to holders of private health insurance will cause significant angst to those members who have deliberately factored in the need for non-emergency ambulance cover.

hirmaa acknowledges that a number of exemptions apply, as well as the fact that a process exists to have the Secretary for Health waive fees, however, for those not eligible for exemptions the mere possibility of having a fee waived is likely to be an inadequate comfort.

The requirement that patients pay twice for a non-emergency ambulance services (i.e. via their private health insurance which is still paying the levy, as well as the direct out of pocket expense) will serve as a significant burden for patients requiring movement between health providers such hospital transfers (including inter-hospital transfers), rehabilitation services and specialist services for which current service might be available.

The unfortunate reality is that this proposed generates a significant service gap for which no coverage exists. The immediate implementation date of 1 April 2017 will leave a significant number of NSW residents flat footed and suddenly without cover for non-emergency ambulance services and no option to address this.

Further, over the period that the NSW Government has been developing the draft regulation and consultation documents, private health insurers have been managing the 2017 Private Health Premium round with the Commonwealth Government.

This process requires insurers to fully outlay costs, projections and a significant array of data to the Commonwealth that informs premiums for the coming year.

Due to the timing of the exercise, there was no ability for funds to incorporate any financial impact stemming from the proposed regulation change into their premium proposals, this will hamper efforts of insurers looking at this newly created issue.

Communicating changes

Private Health Insurers are required to provide timely written advice to policy holders informing them of any detrimental changes to their policies.

For significant detrimental changes to ancillary benefits Section 2.2 of the Private Health Insurance Code of Conduct prescribes that the affected policy holder should receive 30 days' written notice.

The implementation of the regulation on 1 April 2017 will require health funds to prepare written correspondence for all affected policy holders by no later than 1 March 2017. This is likely to create a significant administrative burden.

Further, with consultations closing on 10 February 2017 we are concerned that there is limited time to properly consider industry submissions.

hirmaa also notes that the reality of this regulation change is that it is the NSW Government initiating this detrimental change to the holders of private health insurance.

Council of Australian Governments considerations

At the April 2016 meeting of Council of Australian Government (COAG) Health Ministers, the issue of ambulance services across state lines was referred to the Australian Health Ministers Advisory Council for formal consideration.

This matter had been raised by hirmaa via a position and research paper entitled "Reform of ambulance service provision across Australia". In this submission, hirmaa noted that:

The highly fragmented nature of the ambulance scheme should be addressed through reforms that give effect to a nationally-coordinated scheme... While hirmaa sees a nationally coordinated scheme as the ultimate long-term solution, in the short term, hirmaa suggests COAG work to enhance reciprocal arrangements across the States and Territories.

hirmaa contends that the harmonization of ambulance services nationally would facilitate a number of key benefits including:

- Improved clarity for patients over liability for funding;
- Reduced out of pocket expenses for patients; and
- Reduced red-tape and administrative costs for private health insurers, including those NSW based not-for-profit, member owned and community based health funds.

The proposed regulation moves away from efforts that have been actively considered by the COAG Health Council to explore greater national harmonization for ambulance services. This is a short sighted approach that will create additional confusion and fragmentation that is not consistent with the COAG efforts.

Review of levy arrangements

As noted earlier in this submission the Health Insurance Levies Act 1982 requires private health insurers operating in NSW pay a levy to the NSW Government in accordance with a formula set out in the Act. This is based on the number of members of the fund resident in NSW who hold hospital cover and removes the administrative burden and red tape that existed prior to the levy system.

The Regulatory Impact Statement noted that the Levies Act defines "ambulance service" to mean "a service related to the work of rendering first aid to, and the transport of, sick and injured persons, but does not include a service of a class prescribed for the purposes of this definition".

As such, the levies paid by private health insurers operating in NSW have been designed to cover the costs of both emergency and non-emergency ambulance services.

The removal of non-emergency ambulance services from this definition, as proposed in the draft regulation, means that the current levy placed on insurers needs to be revised to reflect the fact that non-emergency transports will no longer be covered. Given that in 2014-15 financial year around 194,000 non-emergency patient transports were provided by HealthShare NSW this will likely require a significant reduction in the levy required of private health insurers.

The reduced levy charged to private health funds should fully reflect the reduced service now being offered by the NSW Government and should be implemented prior to the implementation of the new regulation.

Recommendations and conclusion

hirmaa strongly opposed the proposed regulation changes which seek to remove a significant service from a cohort of people.

Many of those individuals at risk of losing this key service are likely to have specifically chosen to have coverage for non-emergency ambulance services and will be left exposed as a result of the proposal. Further, the proposed change will result in fragmentation and confusion at a time when the COAG Health Council is considering ambulance harmonization.

The current system is available via a longstanding arrangement between private health insured and the NSW Government that ensured that NSW residents without private health insurance were not required to pick up the bill for this service.

As such, the current arrangement given residents of NSW the option of being covered for non-emergency ambulance service that is not otherwise available. By removing this option, the NSW Government is leaving those seeking cover for this area exposed and without another option.

hirmaa notes that the consultation timetable offered by the NSW Government has not been adequate in this instance. The allocation of just one month does not provide the industry with enough time to undertake full and comprehensive data analyses, or to work with the government to ensure that all impacts are fully understood.

As such we believe that, at a minimum, the consultation period should be extended in order

to allow private health insurers and the NSW Government to fully gauge the financial consequence of the proposed regulation change. We further believe that the stated implementation date should be delayed pending the outcome of this extended consultation phase.

In the event that the proposed regulatory change are progressed as proposed, the Levy rate outlined in the *Health Insurance Levies Act 1982* should be **urgently reviewed to reflect the reduced services offered by the State** to holders of private health insurers. This should be completed prior to the implementation of the change in order to ensure that the decision does not unnecessarily flow into premiums.

Further, in the event that the proposed regulatory change are progressed as proposed, the implementation date should be delayed in order to provide private health insurers with a greater opportunity to communicate changes with their members, and those individuals set to loose coverage for non-emergency ambulance services an opportunity to better assess their individual circumstances and exposure.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'MATTHEW KOCE', with a long horizontal stroke extending to the right.

MATTHEW KOCE
Chief Executive Officer, hirmaa