National Seniors AUSTRALIA

Australian Government Department of Health, Disability and Ageing,
GPO Box 9848
CANBERRA ACT 2601
Australia

Private Health Reforms - Consultation Paper 1

Thank you for the opportunity to make a submission on proposed changes to Private Health Insurance (PHI) in the first Private Health Sector Reform consultation paper.

NSA is the peak consumer body representing the interests of advocacy organisation for older Australians, comprising a community of over 300,000 individuals. Through our research and advocacy activities, NSA works to improve the wellbeing of all older Australians, including self-funded retirees, pensioners, part-pensioners, veterans, and carers.

PHI is greatly valued by older Australians, but affordability is an increasing concern as premiums and out-of-pocket costs rise. Any reform to PHI emanating from this consultation should be judged by whether it improves access, affordability, continuity and quality of care for consumers, including older people with higher and more complex health care needs.

NSA supports reforms that modernise private health care and improve consumer value. However, reforms should not be assessed solely by whether they improve insurer or private hospital sustainability. They should also be assessed by whether they improve access to safe, clinically appropriate care without shifting additional costs, risks or care responsibilities onto older people, families, careers, the public hospital system or aged care services.

The proposed reforms should also be considered alongside the Government's announced removal of the age-based uplift to the PHI rebate from 1 April 2027. For older policyholders, the interaction between rebate changes, premium increases, product design and out-of-pocket costs is central to the affordability and value of PHI. Currently, multiple factors are placing pressure on consumers: premiums are up, out-of-pocket costs are up, insurer profits are up, payout-ratios are down, rebates are down. What is needed is a full Productivity Commission inquiry into the private health system.

Yours sincerely
Dr Brendon Radford
Director Policy and Research

Suite 19A, 160 Ann St Brisbane QLD 4000
GPO Box 1450 Brisbane QLD 4001
P 07 3233 9100 F 07 3211 9339
E general@nationalseniors.com.au
nationalseniors.com.au
National Seniors Australia Limited ABN 89 050 523 003

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Delivering better value for consumers - PHI product simplification

We are concerned by several of the options raised to simplify the range of PHI products, in particular the suggestion of removing the option for insurers to offer 'plus products'.

Rather than being part of the problem, Plus plans, particularly Silver-plus, can allow people to obtain selected higher-tier clinical categories without purchasing all inclusions required under Gold cover. Removing Plus products could therefore reduce useful consumer choice and may require some consumers to purchase more expensive cover to retain access to particular services.

NSA agrees that PHI can be difficult for consumers to navigate. However, simplification should focus on reducing unnecessary complexity and improving comparability, rather than removing useful product flexibility. The objective should be products that consumers can readily understand and compare, with clear information about inclusions, exclusions, excesses, co-payments and likely out of pocket costs.

While we strongly agree that the PHI system "can be difficult to navigate", this is primarily because of the huge range of different plans from a large range of insurers with similar but slightly different names – not simply because of the plus products as the consultation paper suggests.

However, it is concerning to us that insurers offer multiple levels of Silver-Plus plans, no standard silver and apply naming that is unhelpful to consumers. For instance, Medibank has:

- Medibank Silver Plus Core
- Medibank Silver Plus Support
- Medibank Silver Plus Secure

When this is amplified across multiple insurers it becomes quite a difficult mental process for consumers.

According to the PrivateHealth.gov.au data[1], in August 2026 there were almost 70,000 different open hospital, combined, and general treatment PHI plans available nationwide.[2] This doesn't include the plans which are closed to new consumers, but does include plans with different numbers of people, access requirements, cover, excesses, and premiums.

How are consumers meant to navigate such a range of plans?

We are supportive of choice where it enhances consumer options, but not where it means overwhelming range of near-identical options. Psychological research suggests that a wider range of

[1] PrivateHealth.gov.au - Dataset | Data.gov.au
[2] Hospital: 30,495, Combined: 26,180, General Treatment: 13,024, Total: 69,699.

choices can increase browsing while a lower number of options increases purchases.[3] This 'choice overload' effect is subject to the context, but is exacerbated by the difficulty, complexity, and uncertainty of the comparison.[4] All of these factors apply to consumers trying to compare current PHI plans, which was part of the intent behind the introduction of the Basic/Bronze/Silver/Gold naming system.

NSA supports simplifying the PHI product range provided this does not create unintended consequences for policy holders, with the impact of reforms considered across the private health system rather than in isolation.

Rec 1: NSA recommends undertaking consumer testing, including with older Australians, before implementing product simplification reforms. Testing should assess whether consumers can identify treatments covered and excluded, likely out of pocket costs, differences between comparable products, and the consequences of changing or downgrading cover.

Rec 2: Rather than abolishing Plus products as a first response, the Government should consider stronger standardisation of product naming, disclosure and comparison requirements and consider introducing measures to restrict the proliferation of near identical products.

While we are doubtful of the effectiveness of the advice for consumers to 'shop around' in the current environment based largely on the points made above about the proliferation of incomparable products. Rather than being helpful advice, this seems to put the blame on consumers for not being able to navigate complicated systems designed to extract extra revenue.

Rec 3: Before making changes to the options, the government should conduct research into the actual switching behaviour of consumers in the PHI market.

Based on the 2023/24 figures from APRA, the Australia Institute said the three big insurers were making "extreme profits".[5] In the following year, some of the profits have increased substantially (see Fig 1 below)

Such profit margins do not reflect a competitive market, but likely one with a few insurers with considerable market power, which they can use to extract higher prices from consumers, and lower rates from private hospitals.

On the other hand, given that Australia has 28 different registered private health insurers[6] it could be argued that having more insurers doesn't necessarily create a competitive market.

[3] When Choice is Demotivating: Can One Desire Too Much of a Good Thing? | Iyengar & Lepper, 2000
[4] Choice overload: A conceptual review and meta-analysis | Chernev, Böckenholt & Goodman 2015
[5] Big private health insurers make huge profits... but they want you to pay more - The Australia Institute
[6] List of registered private health insurers | APRA

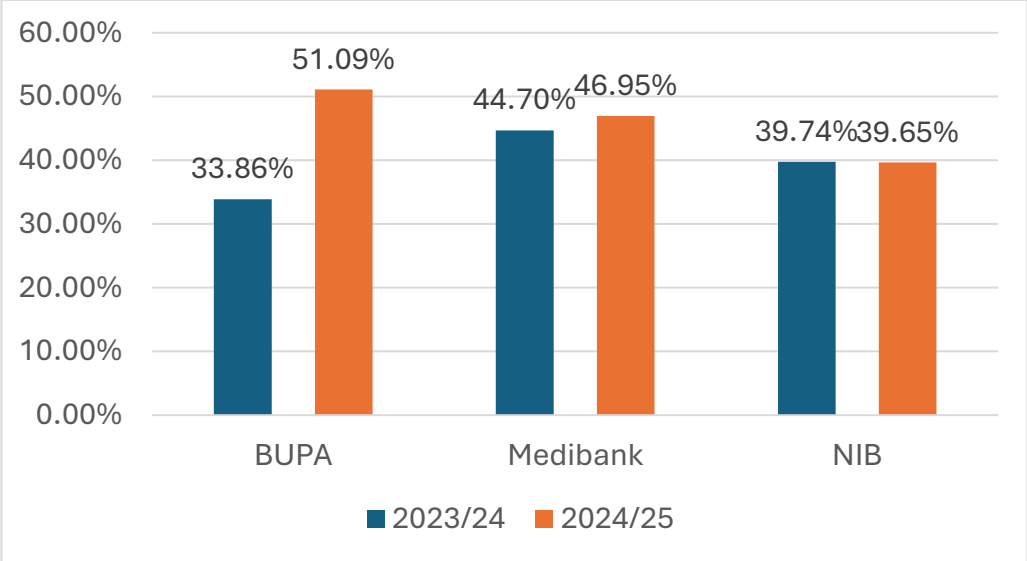

Figure 1: Comparison of major insurer profit margins (return on equity) Data source: APRA Annual private health insurance performance statistics[7,8]

There are also questions about the efficiency and value of private health insurance that requires attention.

For 2024/25 the payout ratio of hospital treatment claims versus hospital treatment premiums was 84.4%.[9] The Australian Medical Association believes this to be low and has called for a minimum 90% payout ratio.[10]

There is also a question about administration costs. While public data is limited, there has been a marked increase in administration costs by private health insurers over recent years.

AIHW data shows that between 2014/15 and 2023/24, insurers more than doubled their spending on administration from $1.23 billion to $2.55 billion, which was the largest increase in any of their areas of spending, with spending on hospitals only increasing by 44.18%.[11] If these administration costs represent marketing costs associated the promotion of shopping around, is this providing value to consumers.

At the same time as administration spending, profits, and premiums are going up, the gap payments patients are expected to pay is increasing. This is highest for where there is no agreement on gap fees

[7] Annual private health insurance statistics | APRA
[8] *Note: equity calculated as difference between Total Assets and Total Liabilities, profit figure is before-tax for consistency with Australia Institute figures. If calculated on a post-tax basis, the results would be Bupa: 22.96% & 35.91%, Medibank: 31.42% & 33.86%, NIB: 28.01% & 27.76%.*
[9] Annual private health insurance statistics | APRA
[10] AMA Private Health Insurance Report Card 2025 | Australian Medical Association
[11] Health expenditure Australia 2023–24 , Data | AIHW

but the biggest change has been where there is a 'known gap agreement' – with insurers paying less and patients paying more (see Fig 3 and 4).

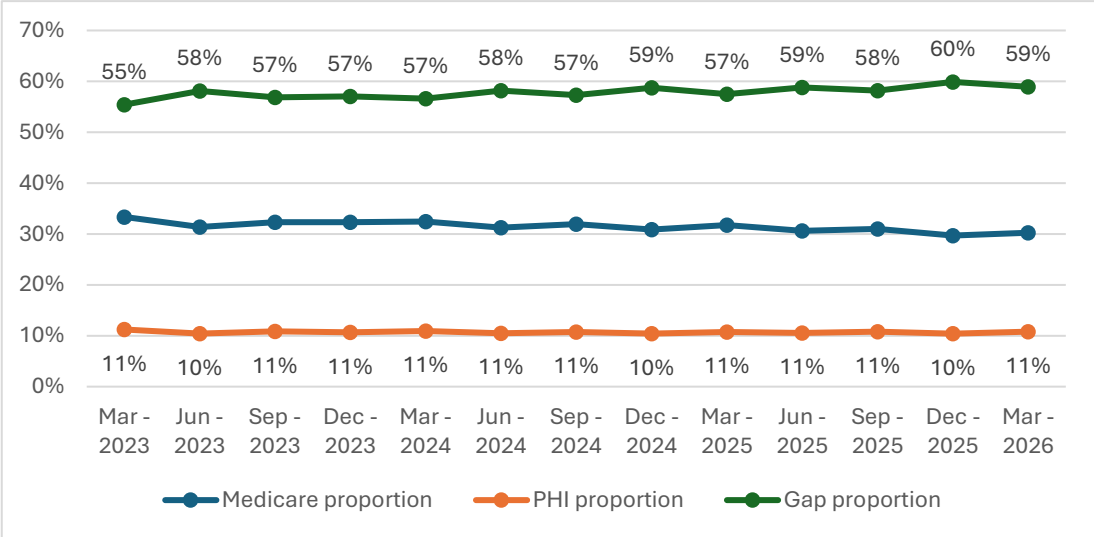

Figure 2: Payment split of 'no agreement' procedures, Data source: Private health insurance medical services March 2026[12]

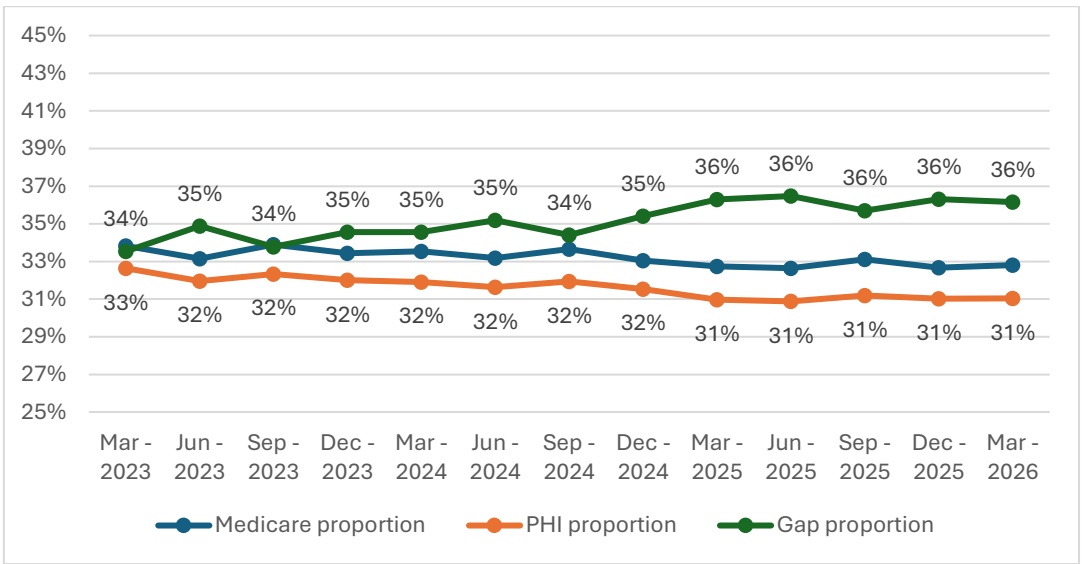

Figure 3: Payment split of 'known gap agreement' procedures Data source: Private health insurance medical services March 2026[13]

[12] Quarterly private health insurance statistics | APRA
[13] Quarterly private health insurance statistics | APRA

While we agree with the consultation paper that complexity and exclusions can result in "bill shock and a reliance on the public health system, further reducing the perceived value of private health insurance", we would also argue that increasing premiums and reducing the higher PHI rebate for over 65s will have a similar effect.

The consultation paper acknowledges that Australian Government PHI incentives influence insurer product design and consumer choice. NSA considers it important that these reforms are assessed alongside the Government's announced removal of the age-based uplift to the PHI rebate from 1 April 2027.

The combined effect of rebate changes, future premium movements and product reforms should be transparently modelled for older people before implementation.

Rec 4: NSA continues to call for a broader Productivity Commission inquiry into the private health system with a particular focus on affordability and value for money for policy holders including older Australians.[14]

Prioritising contemporary models of care

Mental Health Care

NSA supports measures that improve access to private mental health services, including contemporary multidisciplinary care and appropriate care conferencing. The consultation proposes an exemption under section 19 AB(3) of the Health Insurance Act 1973 to allow eligible overseas-trained psychiatrists to practice in private hospitals, amendments to MBS case-conferencing arrangements, and reconvening the Private Mental Health Alliance. NSA supports measures that improve patient access, but any workforce reform should be monitored for unintended impacts on public, regional and rural mental health services, where workforce shortages may also be significant.

Maternity care

NSA recognises the importance of maintaining access to private maternity services. However, reforms directed at the affordability of maternity cover should not overlook other Gold-tier services that are particularly relevant to older Australians, including joint replacements, cataracts and rehabilitation. This reinforces the need to preserve appropriately designed product flexibility where it enables consumers to purchase cover suited to their needs without necessarily moving to a more comprehensive and expensive product.

Hospital in the Home

NSA supports expansion of Hospital in the Home (HITH) where it is clinically appropriate, safe and chosen by the patient. The consultation proposes minimum hospital benefits for an initial tranche of HITH treatment services and requires participating hospitals to retain responsibility for safety, quality and clinical governance. For older Australians, HITH may provide an alternative to hospital admission

[14] Private Health Review Recommendation | NSA

or support earlier discharge, but it must not transfer hospital-level costs or responsibilities to patients, families or unpaid carers.

Eligibility and discharge planning should take account of whether a person has a safe home environment and access to the clinical, primary care, aged care and community supports required to remain safely at home. Implementation should be evaluated against patients' outcomes, readmissions, consumer experience, out of pocket costs and impacts on carers.

Type C certification requirements

NSA supports the proposed exemption from Type C certification requirements where a patient is aged 75 years or older. The consultation paper proposes this exemption, together with an exemption where a procedure is conducted under general anaesthesia, regional anaesthesia or IV sedation, to reduce administration burden associated with certification of Type C procedures. For older Australians, reducing unnecessary administration requirements is appropriate where it does not weaken clinical safeguards or create uncertainty about benefit eligibility.

NSA recommends post implementation monitoring of whether the exemption reduces administrative burden, treatment delays and benefit disputes, and whether any unintended impacts on patient safety, claiming or out of pocket costs emerge.

Delivering better value for consumers – improving access to regional private hospitals

NSA supports the principal of Risk Equalisation as an important community rated PHI. Under the current arrangements, Risk Equalisation redistributes funds between insurers to partially compensate insurers with higher risk demographics, including through the aged-based pool for eligible claims of people 55 years and older and the high-cost claims pool.

The consultation proposes Risk Equalisation pool arrangements for maternity and mental health and possible recalibration of existing mechanisms for younger Gold-tier members. NSA does not take a position on the technical calibration of these mechanisms at this stage. However, any reform must preserve community rating and should not create incentives for insurers to avoid older or higher need consumers, reduce access to services predominately used by older people, or shift costs onto older policyholders.

Before implementation, the Government should publish transparent modelling of distributional impacts of age cohort, product tier and insurer, including expected impacts on premiums, benefits and product availability. This is particularly important because the paper itself notes the impacts are likely to vary materially by insurer, product tier and age cohort.

As with any policy change, change should be done slowly to avoid large unintended consequences.

Conclusion

NSA supports private health reform where it makes care more accessible, affordable, understandable and clinically appropriate for consumers. Contemporary models such as HITH can provide meaningful benefits when accompanied by strong clinical governance and consumer protections, while the proposed Type C exemption for people aged 75 years and older is a practical opportunity to reduce unnecessary administration burden.

Similarly, regional hospital reforms should be judged by whether they preserve real access to services, product simplification should remove unnecessary complexity rather than useful choice, and Risk Equalisation reform must continue to support community rating and protect older and higher need consumers.

These reforms should not be considered separately from broader PHI affordability. The Government should transparently access the combined effects of changes to the PHI rebate, premiums, product design and Risk Equalisation on older Australians and on demand across the private and public health systems.

NSA supports targeted reforms that demonstrably improve consumer outcomes and long-term sustainability of private health insurance. The best way to achieve a consumer-focused simplification of the private health sector, which considers the broad implications, is through a detailed inquiry.

Suite 19A, 160 Ann St Brisbane QLD 4000
GPO Box 1450 Brisbane QLD 4001
P 07 3233 9100 F 07 3211 9339
E general@nationalseniors.com.au
nationalseniors.com.au
National Seniors Australia Limited ABN 89 050 523 003