



HEALTH INSURANCE LEVIES AMENDMENT BILL 2024 STATEMENT OF PUBLIC INTEREST

Need: Why is the policy needed based on factual evidence and stakeholder input?

Since 2019, many health insurers have not paid the full single room rate charged by NSW public hospitals (currently gazetted at \$928 per night). These insurers that have not been paying the single room rate make up the majority of revenue that NSW Health receive from health insurers. Instead, many insurers only pay the federally legislated minimum benefit for accommodation (currently \$436 per night) and in some cases, add a nominal 'top-up' payment for single room accommodation.

NSW Health has estimated the revenue loss from health insurers, not paying the full single room rate, at around \$140 million a year. This loss of revenue has a financial impact on the public health system and has implications for the sustainability of public health system costs.

Since the 2024-25 Budget, the NSW Ministry of Health has been negotiating with health insurers to resume paying the NSW gazetted single room rate. Some insurers, representing a large proportion of NSW health fund policy holders, have not agreed to resume paying the full single room rate. This includes the largest health insurers.

Objectives: What is the policy's objective couched in terms of the public interest?

The proposed increase to the Health Insurance Levy (HIL) is to ensure that health insurers pay the right rate to hospitals to meet the costs of providing single room accommodation to privately insured patients in public hospitals.

Options: What alternative policies and mechanisms were considered in advance of the bill?

Since the 2024-25 NSW Budget, the NSW Government, including the Ministry of Health, has been in negotiations with health funds, seeking their agreement to pay the full gazetted single room rate. To date, 44 of the 53 private health insurers including their subsidiaries pay the right rate but nine health funds including the largest funds do not pay the right rate.

Various tax increases on health insurers, including the proposed change to the *Health Insurance Levies Act 1982*, and alternative rates of increase to the Health Insurance Levy, were also considered.

Another option considered was to charge privately insured patients the difference (out-of-pocket) between the full single room rate and the payment from their insurance, when a private patient is accommodated in a single room.

Analysis: What were the pros/cons and benefits/costs of each option considered?

The existing Health Insurance Levy is the most direct way of recovering lost revenue from insurers, as it utilises an existing mechanism for the taxation of health insurers by the

NSW Government. This reduces the impact of additional regulatory burden on insurers and the government's tax collection system.

Charging private patients for those single room costs that are not covered by their health insurer was also considered. This was considered likely to remove the incentive for patients to nominate their health cover when being treated in public hospitals, which may lead to greater cost pressures on the public health system.

The government continues to negotiate with health insurers. The amendments to the *Health Insurance Levies Act 1982* have been drafted so that the increased base rate need not be commenced, or can be reversed by Regulation before 1 April 2025, should health insurers agree to pay the full single room rate.

Pathway: What are the timetable and steps for the policy's rollout and who will administer it?

The new HIL base rate of \$3.27 will apply on a date to be appointed by proclamation, if it is commenced. Revenue NSW will administer and communicate the HIL rate increase, if required.

The proposed amendments also provide a regulation making power to further adjust the HIL base rate by no later than 1 April 2025. If the proposed increased Health Insurance Levy rate is commenced by proclamation, this provision may be used to reduce that rate back to the \$1.77 prescribed rate in the event that insurers agree to pay public hospitals full single room rates, as they did in 2013.

Revenue NSW has been consulted with respect to the administration of a potential change to the Health Insurance Levy. They have advised that they are able to communicate the increase in the levy rate to insurers.

Consultation: Were the views of affected stakeholders sought and considered in making the policy?

The NSW Government, including the Ministry of Health, has been in negotiations with peak health insurance bodies and individual health funds since the 2024-25 NSW Budget.