
Understanding health insurance

Summary

- Medicare pays for the bulk of healthcare costs in Australia.
- Taking out a private health insurance plan will give you more choice in your healthcare.
- Most health insurers offer hospital and general health cover, as well as combination healthcare plans.
- You can decide which combination of health insurance cover is right for you.
- The Australian Government may provide you with a tax rebate if you sign up for private health cover.
- If you are visiting from overseas, private health insurance will cover the cost of your healthcare while you are here.

Medicare pays for the bulk of the healthcare costs of people in Australia. However, if you take out private health insurance, you may be able to have more control over the medical treatment you receive and also get assistance with costs not covered by Medicare. Insurance brokers and various health insurance comparison websites can help you choose which private health cover is right for you.

Benefits of private health insurance

Although you will receive quality medical treatment as a public patient in the public system, private hospital cover gives you the choice to be treated in a private or public hospital, request a private room and choose your own doctor.

Some private health insurers also incorporate 'lifestyle' items into their plans, which include things like complementary medicine, massage or even gym membership.

To reduce the strain on the public hospital system, the Australian Government also provides tax advantages for people who take out private health insurance.

While particular health insurance policies differ, some of the common benefits of private health insurance include:

- your choice of hospital
- your choice of doctor or specialist
- shorter waiting periods for elective surgery (in some circumstances)
- physiotherapy
- dental cover
- ambulance cover.

The costs that are covered by your health insurance depend on the type of healthcare plan you have. Some people choose comprehensive cover, while some just want extras cover to supplement their Medicare cover, and others choose a combination of the two.

How private health insurance works

There are two main types of private health insurance – hospital cover and general (or extras) cover. Hospital cover refers to the payment of any costs incurred through an emergency or planned hospital stay, while general healthcare plans cover you for extras, such as dental and physiotherapy.

There are many health insurance providers on the market and they offer a wide variety of healthcare plans. Most

health insurers offer hospital and general cover, as well as combination healthcare plans.

Health insurance providers often feature a 'pick and mix' approach. This tailored option allows you to put together the most appropriate health cover for you and your family, taking into account your lifestyle, family history and other factors. For example, if you are a keen runner, you will probably want to make sure you are covered for sports injuries.

Bundling your services together as a family is another great way to save on healthcare. All health insurance providers offer family, couples and singles packages.

Private Health Insurance Rebate

The Private Health Insurance Rebate helps you cover the cost of health insurance premiums. The rebate is means tested, so what you receive depends on your income and your family situation. Low-income earners receive the maximum rebate, while those on higher incomes receive a smaller percentage of their insurance premiums.

Lifetime Health Cover

To encourage people to take out health insurance at an early age, the Australian Government introduced rules for Lifetime Health Cover (LHC). The Lifetime Health Cover loading is an extra fee charged on top of your hospital cover premium. If you are over 30 years of age when you first take out hospital cover, the fee is calculated at a rate of two per cent for every year over 30. For example, if you take out hospital cover at 35 years of age, your LHC fee will be 10 per cent. The maximum fee is 70 per cent.

Medicare Levy Surcharge

If you earn over a certain amount of money and you have not taken out private hospital cover, you may be required to pay the Medicare Levy Surcharge (MLS). The MLS was introduced with the aim of reducing Medicare costs by encouraging those who could afford it to take out private health insurance.

Hospital cover

Hospital insurance plans cover your chosen doctor's fees and hospital expenses, such as accommodation and theatre fees, whether you are in a private hospital or being treated as a private patient in a public hospital. Private hospital insurance covers the majority of medical services listed on the Medicare Benefits Schedule (MBS).

You can choose what kind of healthcare plan best suits your lifestyle, your income and your ongoing healthcare needs. However, there are government guidelines that require certain areas to be covered by particular plans.

Hospital cover is categorised into four basic types, being:

- top – all services listed on the MBS
- medium – all basic cover items and excludes or restricts one or more of: pregnancy and birth services, eye lens or cataract procedures, assisted reproductive services, joint replacement, dialysis for chronic renal failure and sterilisation
- basic – excludes or restricts one or more of: cardiac and cardiac-related services, non-cosmetic plastic surgery, rehabilitation, psychiatric services, palliative care
- public – treatment as a private patient in a public hospital only.

General (extras) cover

General cover, also known as extras or ancillary, refers to insurance policies that cover a wide range of medical and allied health services. What you are insured for depends on the policy you have.

General cover in your health insurance plan may include:

- dental
- home nursing
- hearing aids
- chiropractic
- osteopathy
- remedial massage

- physiotherapy
- occupational
- speech pathology
- glasses and contact lenses
- prostheses.

General cover can be broken into three basic categories, being:

- comprehensive – must include cover for general and major dental, endodontic, orthodontic, non-PBS pharmaceuticals, optical, psychology, physiotherapy and podiatry
- medium – must include dental, endodontic and any five of: orthodontic, optical, non-PBS pharmaceuticals, physiotherapy, chiropractic, podiatry, psychology, hearing aids
- basic– all other policies.

Choosing a health insurance provider

When you are faced with the task of choosing a health insurance provider, it can be difficult to know where to start. There is a lot of useful information available on Victorian Government websites, health insurance broker websites and health insurance provider websites. However, always check that the information provided is up to date and be wary of advice that directly advertises a company's products.

When you are doing your research, some important things to keep in mind include:

- Lower premiums generally mean you will receive a lower refund.
- There are often waiting periods before you can claim, such as pregnancy or dental services.
- There is often a gap between what your medical fees are and what your insurance company will pay you.
- Find out about the Medicare levy and the Medicare levy surcharge and whether you are required to pay it.
- Ask about the health insurance provider's list of preferred health professionals (those they provide cover for) as there may be restrictions on the doctors or hospitals you can choose.

Overseas visitors and health insurance

Overseas visitors are advised to take out private health insurance for the duration of their stay, unless they are covered by one of Australia's Reciprocal Health Care Agreements. Overseas Student Health Cover (OSHC) is required as part of the visa process for international students and is available from a range of health insurers.

International workers are also required to take out private health insurance before their work visas will be approved. Visit the [**Private Health Insurance Ombudsman website**](#) for information on OSHC, tips for buying health insurance and visa insurance requirements.

Where to get help

- Your doctor
- Pharmacist
- Health insurance provider
- Medicare

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Department of Health and Human Services

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