



Australian Government
Private Health Insurance
Administration Council

CORPORATE PLAN

2012–2014



■ Commissioner's Message



This corporate plan sets PHIAC's direction as it enters its 22nd year.

Since it was established in 1989, PHIAC has worked diligently to become an effective industry regulator and trusted adviser to government. In so doing, it has ensured that no consumers of private health insurance in Australia have been disadvantaged or left out-of-pocket because of the prudential failure of a private health insurer.

In this corporate plan, PHIAC aims to build upon on this record by ensuring that its work promotes improving standards of business conduct and prudential safety in the PHI sector. PHIAC also aims to assist Australian taxpayers, who support the industry through the private health insurance rebate, by ensuring that the industry is conducted efficiently and at the minimum necessary cost.

The last three years have witnessed significant change in the private health insurance industry. A larger proportion of insurers have elected to operate on a 'for-profit' basis and several significant mergers have occurred, resulting in an increased concentration of market share in the hands of fewer insurers. In addition, the nature and extent of government support for the industry has been adjusted and further changes are proposed.

To continue to be effective, PHIAC must anticipate industry changes and adapt its regulatory behaviour to address new challenges and risks as they arise. In part, as this plan makes clear, PHIAC will address that objective by continuing to establish a range of whole-of-industry regulatory settings – primarily in the form of new or updated prudential standards – to ensure that the rules that govern conduct are best practice and foster a financially sound industry.

And, of course, allied to this PHIAC must continue to effectively monitor and enforce compliance with those standards – by maintaining a strong presence across the industry and, in particular, with those insurers who have chosen to engage in practices which pose greater risk.

Our overriding aim is to ensure that consumers of private health insurance have a positive and effective experience in what is often a life-long relationship with the industry.

I commend this corporate plan to all who take an interest in this dynamic and important industry and welcome any commentary or feedback.

Lynn Ralph

Commissioner

18 November 2011

■ PHIA Corporate Plan 2012-2014

What is PHIA?

PHIA is the prudential regulator of Australia's private health insurance industry. It is a statutory corporation of the Commonwealth. It was first established, in 1989, under the *National Health Act 1953*.

PHIA's statutory objectives are described in the *Private Health Insurance Act 2007* (PHI Act). Section 264-5 instructs PHIA, in performing its role, to "take all reasonable steps" to strike an "appropriate balance" between three objectives:

- a) fostering an efficient and competitive health insurance industry;
- b) protecting the interests of consumers; and
- c) ensuring the prudential safety of individual private health insurers.

PHIA's central responsibility, therefore, is to protect consumers by ensuring that the private health insurance industry is competitive and prudentially sound.

Our Vision

Reflecting our statutory objectives, PHIA has adopted as its strategic vision:

Protecting consumers of private health insurance by ensuring an industry which is competitive, efficient and financially sound.

Our Goals

Our vision will be delivered by PHIA focusing on 5 key goals:

1. Ensuring that PHIA's supervision of the industry promotes its efficiency and prudential soundness
2. Safeguarding both public and consumer interests through our supervision of the industry
3. Be a trusted and valued adviser to ministers, government and the Parliament
4. Be a collector, repository and publisher of useful information
5. Perform our role efficiently, ethically and lawfully – reflecting at all times the values of the Australian Public Service.

What this means

Goal 1: Ensuring that PHIAC's supervision of the industry promotes its efficiency and prudential soundness

The PHI Act provides PHIAC with a range of powers which it can use to supervise the PHI industry's efficiency and soundness. For example, it empowers PHIAC to set prudential standards which apply to the registered health insurers. One category of standards requires the funds to retain sufficient capital to ensure their business remains sustainable in the interests of both the insurer and its contributors. Another category allows PHIAC to set binding rules in areas such as corporate governance to ensure that affairs are conducted "with integrity, prudence and professional skill".

Where insurers breach standards established by PHIAC, the Council can intervene. Generally, this is done cooperatively once PHIAC's concerns have been identified. Where more direct action is required, however, the PHI Act gives the Council a range of powers to deal with the issue promptly and effectively.

PHIAC also exercises a decision-making role where an insurer wishes to merge with another insurer or wants to convert to "for profit" status. When considering whether to grant an application the Council's primary responsibility is to ensure that the interests of members of the insurer are not unfairly impacted.

This goal aims to ensure that PHIAC's use of its powers is always focused on promoting an Australian PHI industry that is in solid prudential condition supported by good standards which work in the interests of both consumers and the broader public.

Goal 2: Safeguarding both public and consumer interests through our supervision of the industry

The many Australians who purchase private health insurance look to PHIAC, among other agencies, to be a guardian of their interests, both as taxpayers and as consumers of PHI products. PHIAC will seek ways to ensure that consumers are:

- well informed about products available in the market;
- aware of options that are available to them if they wish to vary their cover (including by changing insurer); and
- conversant with and can access the complaint mechanisms provided by the Private Health Insurance Ombudsman if they are dissatisfied or wish to air a grievance about their insurer.

One principal way in which PHIAC seeks to perform this role is the publication of the consumer information guide *Insure? Not sure?* – which has been regularly updated since it was first issued over 10 years ago. PHIAC also actively promotes the consumer website www.privatehealth.gov.au, which is an excellent resource for consumer information about the PHI industry.

Goal 3: Be a trusted and valued adviser to ministers, government and the Parliament

PHIAC works closely with the Australian Government and the Parliament to achieve its objectives.

As an agency of the Health and Ageing portfolio, PHIAC works with both the Minister and the Department to ensure that its activities align effectively with the policy settings of the Government. To do this, PHIAC meets regularly with the Department to ensure that there is good understanding between the officers of each agency and that work is being conducted effectively and efficiently.

In addition, PHIAC plays an important role in advising the Minister in the annual PHI premium round. The work that PHIAC does at this time – analysing and modelling pricing submissions – is a valuable resource to the Minister as the important decisions about pricing in the industry are taken each year. In undertaking this role, PHIAC must balance its responsibility to protect consumers while ensuring the prudential safety of the industry.

PHIAC also seeks to assist the parliament at all times with information requests and other assistance as required, including through attendances at Senate Estimates hearings and by providing submissions and other data as appropriate.

Goal 4: Be a collector, repository and publisher of useful information

PHIAC plays a leading role as a collector and disseminator of information about the private health insurance industry.

PHIAC considers that the information it gathers should be employed in one of two ways:

- to assist PHIAC to discharge its regulatory functions (e.g. by informing decisions PHIAC may need to make); or
- to assist the industry, government and consumers (including potential consumers) to know more about the PHI industry.

PHIAC will continue to rigorously assess whether the information gathered serves one or other (or both) of these ends.

A related element in this goal is the role of education and training. PHIAC is committed to delivering training on a range of relevant issues to directors and senior managers of funds as the need arises.

Goal 5: Perform our role efficiently, ethically and lawfully – reflecting at all times the values of the Australian Public Service

PHIAC understands that, as an industry regulator, it must set a good example in how it conducts its own affairs. To this end, PHIAC embraces high standards of accountability and good governance while seeking to operate as efficiently as possible. In particular, as an agency of the government of Australia, PHIAC is committed to doing its work in a way which is consistent with the highest standards of the Australian Public Service (APS).

This means that in our dealings with our stakeholders and commercial partners, we ensure that we observe the ethics, values and behaviours of the APS including:

- maintaining a commitment to professionalism and, as far as operationally possible, transparency in our dealings;
- providing as much information as we can about how we propose to exercise (and have exercised) our powers;
- being accountable for our decisions including to the courts, tribunals and the Parliament;
- implementing a model of leadership and governance which sets a good example both to the industry and the broader Australian Government sector;
- proactively engaging with and assisting PHIAC's responsible minister to enable her/him to discharge their executive and statutory duties within the structures of responsible government;
- respecting diversity and being open to difference;
- dealing with the industry and the public in a way which is courteous and respectful of their time; and
- maintaining a commitment to constant improvement and quality in everything that we do.

We also respect and acknowledge the culture of Australia's Indigenous forbears and seek, where possible, to promote the process of reconciliation and Indigenous improvement.

Key Priorities

In order to achieve our corporate objectives, in 2012-2014 PHIAC will focus on the following key work projects and initiatives:

Setting Standards	PHIAC strongly believes that appropriate prudential standards play a key role in promoting and maintaining good practices within the industry. Accordingly, PHIAC will continue its work in drafting and disseminating prudential standards in a range of areas to better ensure that funds conduct their affairs “with integrity, prudence and professional skill”.
Oversighting Insurer Operations and Compliance	PHIAC will continue its program of reviewing the operations of the health insurers to ensure that they are compliant with the legislation and are well run. PHIAC will seek to achieve a higher level of oversight of the operating environment of funds.
Working Transparently	PHIAC will continue its work in developing a variety of policies and standard operating procedures which outline how it proposes to administer the PHI Act.
Being Prepared and Responsive	PHIAC will ensure that it is as ready as it can be to deal with any crisis or emerging issue in the PHI industry. In particular, PHIAC will seek to absorb the lessons of recent regulatory incidents to ensure that it is capable and prepared for such eventualities.
Prudential Information	PHIAC will continue to proactively monitor the information that is provided to it by the industry. PHIAC will give particular attention to information in the area of investments and risk assessment.
Engaging with the PHI Sector	PHIAC will continue to actively engage with the sector, to ensure that we identify trends, issues, and conduct relevant to our supervision of the industry; that our policies and standards have appropriate input from all stakeholders and that industry participants are fully aware of their compliance obligations.
Transactional Activity	PHIAC recognises that the industry is likely to continue to restructure through mergers and acquisitions. PHIAC will provide information to the industry which will assist those funds that may be considering such moves to better appreciate their regulatory obligation.

PROTECTING CONSUMERS OF PRIVATE HEALTH INSURANCE
BY ENSURING AN INDUSTRY WHICH IS COMPETITIVE, EFFICIENT
AND FINANCIALLY SOUND.

■ Contacting PHIAC

Members of the public or industry stakeholders are invited to contact PHIAC at any time in connection with this corporate plan.

Contact details are as follows:

Address: Level 2, 10-12 Brisbane Avenue, BARTON, ACT, 2600, AUSTRALIA

Postal Address: PO Box 4549, KINGSTON ACT, 2604, AUSTRALIA

Telephone: + 61 2 6215 7900

Web: www.phiac.gov.au

Email: phiac@phiac.gov.au

CEO Contact: PHIAC's Chief Executive Officer is Mr Shaun Gath.
He may be contacted on shaun.gath@phiac.gov.au.