



**Australian Government**  
**Department of Health and Ageing**

FILE No:
DOC:
MAN/PRISM:

Dr Richard Chadwick  
General Manager Officer  
Adjudication Branch  
Australian Competition and Consumer Commission  
GPO Box 3131  
CANBERRA ACT 2601



Dear Dr Chadwick

Thank you for your correspondence of 13 May 2011 concerning Reserve Bank Health Society Ltd's (RBHS) application for authorisation concerning services to be provided by Lysaght Peoplecare Ltd.

The Department of Health and Ageing does not consider that there will be a public detriment arising from Peoplecare providing RBHS with the special services outlined. If there is a public detriment, this should be outweighed by the public benefit, providing that the RBHS Board and actuarial services remain independent of Peoplecare. The arrangements between Peoplecare and RBHS should assist in increased efficiencies in the operations of RBHS. If efficiencies arise, there is scope for these efficiency savings to be passed onto consumers.

Under Section 66-10 of the *Private Health Insurance Act 2007* (the Act), private health insurers must apply to the Minister for Health and Ageing for approval of premium changes. The Minister must approve premium increases unless it is not in the public interest. The Minister considers premium increases not to be in the public interest unless they are the minimum necessary, taking into consideration insurer solvency requirements, forecast benefit payments and prudential requirements, while also ensuring the affordability and value of private health insurance as a product. As part of the decision about whether or not to approve premium increases, consideration is given to an insurer's management expenses. If increased efficiencies result from the arrangements, this may be reflected in a lower management expense ratio, which will be taken into account as part of the premium approval process to ensure an appropriate level of the efficiency savings are passed onto consumers.

Peoplecare currently provides its policy holders with access to a range of health promotion and disease prevention services. It is anticipated that the arrangements between Peoplecare and RBHS should assist in providing RBHS policy holders with greater access to such services than is currently the case. In addition, Peoplecare currently provides some of these services to a private health insurer (National Health Benefits Australia Pty Limited). These arrangements are considered satisfactory.

Yours sincerely,

Peter Woodley  
Assistant Secretary  
Private Health Insurance Branch

1 June 2011