



Why You Should Prioritise Health Insurance Cover as an Employee Benefit

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As an employer, you have the power to offer a range of benefits to your employees.

Which benefits you offer shouldn't be based simply on which are easiest to administrate, or even on what employees may think they want most. Rather, your benefits package should be designed to offer employees what they really need while simultaneously benefiting your organisation.

When looked at through this lens, it becomes immediately apparent what benefit should be prioritised when you are building your employee benefits package. In this guide, we'll make the case for prioritising private health insurance as your top employee benefits and explain the different options available to employers.



PRIVATE HEALTH COVER:

A Vital Factor in Australia's Healthcare Mix

Australia has one of the best healthcare systems in the world, with the task of maintaining the health and wellbeing of Australia's growing population shared almost evenly between the public and private sectors. A 2018 global healthcare league table funded by the [Bill and Melinda Gates Foundation](#) ranked Australia 5th, behind only Iceland, Norway, the Netherlands and Luxembourg.

Medicare, Australia's universal health service, is open to all citizens and permanent residents. It is funded by the government, through general taxation and the Medicare Levy. However, close to half of Australians have private health insurance. [Australian Prudential Regulation Authority](#) (APRA) figures for 2019 show 44% held cover for hospital treatment, while 54% held out-of-hospital insurance, typically referred to as "extras cover".

Private cover is encouraged by the Australian government, which provides incentives for Australians who purchase private health insurance and penalties for those who don't take advantage of private hospital cover by age 30. Continuous cover in the private system over a period of ten years can eventually phase such "loading fees" for [Lifetime Health Cover](#) (LHC) out completely.

Australians with private health cover can often access medical care more quickly, especially mental health care. Patients have more access to the doctors, specialists, and hospitals of their choice, a major factor when treating rare or chronic conditions.

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Australian employers and private health insurance

Private health insurance is an opportunity for employers to make a real, positive difference in the lives of their employees. A happier, healthier workforce means a better company culture, stronger retention and improved performance.

With private health insurance playing such an important role in Australia's healthcare system there is a good case for more employers to offer it as a benefit. However, a [survey by the insurer, Metlife](#), revealed that only 7.1 per cent of Australian employers pay private health insurance premiums for their staff.

One reason for this disparity could be the common misconception among Australian firms is that private health insurance is prohibitively expensive. This leads many employers to look for less expensive (and ultimately less valuable) benefits to offer employees instead.

In reality, while small or growing businesses might be unable to pay the full premiums for their entire payroll, a range of options are available to fit your organisation's budget. Private health cover can still be on the table even if it's not fully funded by the employer.

OPTIONS FOR EMPLOYER PROVIDED PRIVATE HEALTH COVER:

FULL COVER	SUBSIDISED COVER	VOLUNTARY COVER
<p>The employer pays the health insurance premium in full.</p> <p>Employee benefits may be limited by seniority or tenure.</p>	<p>The employer pays a portion of the insurance premium.</p> <p>Employees who opt-in pay the balance of the premium.</p>	<p>The employer provides access to private insurance.</p> <p>Employees who opt-in pay discounted premiums.</p>

In all cases, employees may have to pay the excess on any claim, or for additional coverage.

Voluntary schemes are becoming increasingly popular for organisations that can't afford to offer full or even subsidised cover; according to Metlife, access to private health insurance through a voluntary, employer-run scheme has increased 24% since 2014.

With the government encouraging Australians to get private health insurance, a voluntary scheme makes

access to private cover easier for employees, and makes their premiums cheaper without any cost to the employer.

If you would like to know more about how to set up a voluntary health insurance scheme for your employees, [speak to HICA today](#).



For help designing a corporate health insurance plan to suit your employees, speak to [one of our experts](#).

The “war for talent”

Australia is an attractive destination for skilled migrants and benefits from an innovative, entrepreneurial working culture and a world class health system. Australians also enjoy very strong employment protections and entitlements, making it a great place to build a career.

This can make it a challenge to attract and retain the right talent for your organisation. Skilled workers will usually have good options available if they decide to leave a position, causing a higher risk of staff turnover. Recruiting, onboarding and training new employees can be costly, so Australian employers are constantly looking for new ideas and initiatives for improving loyalty and retention.

This war for talent has created its own industry: employee benefits. Finding the right incentives and perks can be fundamental in the success or failure of a company’s recruitment and retention strategy. There is no shortage of options; companies can offer a myriad of perks for remaining with the company.

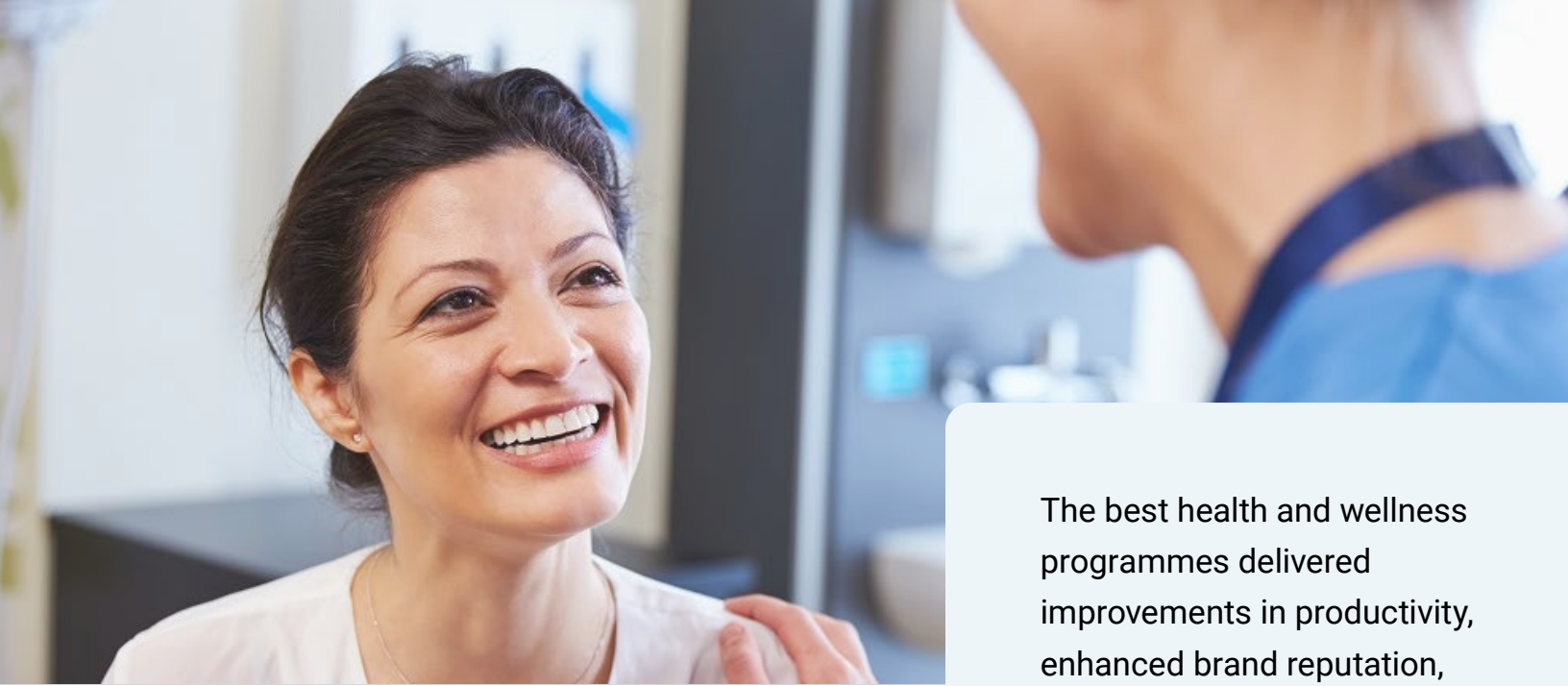
A [separate Metlife study](#) highlighted a major challenge with employee benefits: employers are keen to make their workplaces more appealing, but feel restricted by their budgets, resources and time. As a

result, employees often have limited options when it comes to selecting or customising benefits.

Many employers opt for low touch benefits that are cheaper upfront for their organisation, such as flex time, remote work opportunities, and income protection. While these benefits can improve employee satisfaction, they don’t provide other tangible benefits to the company itself.

A [survey commissioned by SunSuper](#) revealed that 60 per cent of Australian employees believed their productivity would improve if they were having a great experience at work. Health benefits regularly make the top five suggestions for creating that great experience. However, the Metlife study found that only 33% of employees were happy with their company’s wellness programmes, and 35% felt medical benefits could be better.

This leaves clear room for improvement when it comes to offering private health cover. Of all options, access to high quality health insurance options remains the single most valuable benefit that can be offered. It not only benefits employees but provides a significant return on investment for employers beyond retention.



The best health and wellness programmes delivered improvements in productivity, enhanced brand reputation, better staff engagement, loyalty and retention.

Making the case for prioritising private health cover as an employee benefit

According to Comcare, the government agency responsible for improving wellness at work, sick leave can be reduced by more than 25 per cent with the right mix of employee benefits.

The best health and wellness programmes delivered improvements in productivity; enhanced brand reputation; better staff engagement, loyalty and retention; and a cut in disability management costs of up to 24 per cent, Comcare said.

Chronic illness can slowly manifest before an employee even realizes they are ill, decreasing productivity and leading to presenteeism. Access to private health cover can provide for a quicker diagnosis and adequate treatment. This can prevent the loss of a key member of the team and be one way to create a supportive environment for hard to find talent.

Untreated mental health issues can prompt unexpected absenteeism, low productivity at work, and even loss of an employee if stress, anxiety, and depression become too much. A corporate wellness program, a company culture focused on employee health, and access to private health insurance can lead to better management of mental health conditions, higher levels of employee retention, and increased productivity.

There are significant opportunities in the area of private cover for employers to help their staff live healthier lives. Private health insurance can be part of a wellbeing package that encourages healthy living and ensures swift, effective treatment for illness and injury.



According to the [Australian Public Service Commission](#), employee health and wellbeing has its most obvious effect on organisational productivity, due to the following:

- » Unexpected employee absence on sick or compensation leave
- » Productivity losses sustained when employees attend work while ill or injured (presenteeism)
- » Productivity and efficiency losses sustained through reduced employee engagement levels

The costs of providing private health cover can in many cases be defrayed or accounted for in improved employee health, higher productivity and decreased employee attrition.

Introducing a new generation to private health insurance

In our introduction, we outlined the mixed nature of Australia's healthcare system. Public and private work together to support the health and wellbeing of a growing population.

By offering private health insurance to their staff, companies can play a significant role in helping to get more Australians covered by the private sector.

For large enterprises, making the move to provide full cover may be in the best interest of both employer and employee. For mid-sized companies, subsidising

part of the cover and allowing employees to pick and choose their level of cover can deliver similar results. For small businesses, merely making voluntary cover accessible with associated discounts in premium may be the best path forward to retaining employee talent and improving wellbeing in the workplace.

For the private sector to continue offering good value it cannot just insure old, sick people. Like any insurance product, risk needs to be spread across a large, diverse pool of policyholders for the whole thing to work.

Employers that offer a health insurance scheme can remove some of the hassle factor that prevents young people getting cover. Organisations can help them understand the options and make sure they select the best policy for their circumstances, and help with the cost.

With the cost of healthcare continuing to rise, a viable, competitive private sector is in the best interests of all Australians as it relieves the burden on the taxpayer. This is likely to mean better government support in the future for businesses that truly take care of their people, an additional positive factor for employers who choose to prioritise private health cover on their list of employee benefits.



About HICA

Health Insurance Consultants Australia (HICA) has more than 30 years experience of developing, implementing and monitoring health insurance plans for companies of all sizes.

If you would like to learn more about how your company can benefit from offering private health insurance to your employees or if you need help selling the idea internally, then speak to one of our experts.

[Contact us](#) for a no-obligation consultation.

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