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PRIME MINISTER

**PRODUCTIVITY COMMISSION INQUIRY INTO
PRIVATE HEALTH INSURANCE INDUSTRY**

The Productivity Commission will inquire into the structure and conduct of the private health insurance industry.

The inquiry will be conducted against the background of the Coalition's core election commitments to retain Medicare, bulk billing and community rating, and to provide financial incentives for families and individuals with private health insurance.

The inquiry, which will report by 28 February 1997, will examine the following issues:

- a) The current state of the private health insurance industry;
- b) The cost pressures upon the industry, particularly the impact of declining membership levels and increasing health care costs;
- c) The most effective means of ensuring that contributors receive the benefit of the Government's private health insurance incentives;
- d) A regulatory regime that encourages the emergence of competitive products which cater for the varying needs of consumers whilst adhering to the community rating principle; and
- e) An appropriate policy for setting fund reserves.

The details of the terms of reference for the inquiry and the composition of the inquiry panel will be announced by the Treasurer in the next fortnight after consultation with myself and the Minister for Health and Family Services.

I have discussed the proposed inquiry with the Minister for Health and Family Services, who is currently overseas. He supports the proposal in full.

As announced yesterday, all future applications by health funds for increases in premiums will be subject to rigorous scrutiny by the Minister for Health and Family Services in consultation with myself and the Treasurer.

30 August 1996