

## SYNOPSIS

### **Risk Equalisation – Time to Think Differently?**

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**Key words:** Health funding, private health insurance, financial sustainability

**Purpose of your paper:** To examine how thinking differently about risk equalisation will help create a more sustainable private health insurance industry.

**Synopsis:** As health costs increase due to a range of demographic and other reasons, is Australia's current private health insurance (PHI) system sustainable?

Over 40% of hospital and medical costs pass through risk equalisation, making it central to the sustainability of PHI. Ongoing growth in the risk equalisation pool reduces the incentive for insurers to control claim costs, and makes PHI less attractive for people in good health.

The paper will:

- Estimate the size of the risk equalisation pool in 2030, identifying the drivers of change.
- Comment on the future impact of the risk equalisation pool on the sustainability of the Australian private health insurance model.
- Investigate whether alternative risk equalisation arrangements may be more sustainable.