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MEDIA RELEASE: Early intervention reforms a win, win, win for consumers, government and insurers

Proposed reforms to allow life insurers to enable costs to be covered for prevention and rehabilitation would provide better social and economic outcomes for individuals, government and life insurers, according to new research by Cadence Economics.

Current rules mean life insurers are prevented from providing payments for treatment for Australians at risk of long-term incapacity where they are not covered by private health insurance or are languishing on public healthcare waiting lists.

Recognising that certain constraints in the current system are leading to negative outcomes for some vulnerable Australians, a Parliamentary Joint Committee is currently considering whether to allow life insurers the ability to provide targeted rehabilitation payments for Australians in need.

Quality of life benefits

According to new research by Cadence Economics for the Financial Services Council, which was co-sponsored by BT and Metlife, the reforms could provide benefits to a pool of up to 10,118 people per year. Of this pool, conservative estimates by Cadence indicate there are 1,379 for whom early intervention would be beneficial and cost effective, potentially rising to 3,600 under the researcher's high-side scenario.

In addition, the proposed reforms mean an estimated 87 people per year could be prevented from becoming totally and permanently disabled as a result of receiving additional healthcare intervention paid for by life insurers.

Numerous research reports show returning to work can play a hugely important role in a person's recovery. Analysis undertaken by the Australian Faculty of Occupational and Environmental Medicine in 2011 showed if a person is off work for 20 days, the likelihood of them returning to work is 70 per cent. If they are off work for 70 days, this likelihood falls to 35 per cent.

Therefore Cadence Economics also scenario tested how allowing the restricted treatment would benefit individuals in returning to work.

The report estimates early intervention by life insurers could improve return to work times by an estimated five weeks, from 18 to 13 weeks.

Economic benefits

Aside from the dramatic improvements to the quality of life of some vulnerable Australians, conservative estimates suggest allowing insurers to participate in early intervention could also save the government $1.12 billion in healthcare costs over the next two decades.

The benefit to GDP arising from there being more people in the workforce amounts to $405.7 million by 2040 (or approximately $169,000 in real GDP per additional full time equivalent worker), according to Cadence estimates.

Taking the projected benefits of reform to allow early intervention over this period, Australian real GDP is expected to benefit by $1.56 billion in today's dollars over the period to 2040. Under Cadence's high-side scenario, the overall benefit rises to $4.06 billion.

FSC CEO Sally Loane said: "The research clearly shows that allowing life insurers to enable the provision of health treatment earlier has the potential to increase the quality of life for individuals and will provide a better chance to return to wellness. In some cases, it may even reduce the likelihood of someone becoming permanently disabled.

"By removing the existing barriers, which do not exist in other markets, these early interventions have the potential to allow customers to return to work five weeks earlier and will deliver significant short, medium and long term benefits to the Australian economy.

"This research clearly demonstrates to policymakers that the changes proposed by the Financial Services Council would deliver better outcomes for all Australians with a simple reform to existing legislation."

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About the Financial Services Council
The Financial Services Council (FSC) has over 100 members representing Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks and licensed trustee companies. The industry is responsible for investing almost $3 trillion on behalf of more than 14.8 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is the fourth largest pool of managed funds in the world. The FSC promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.