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April 2024

## WHAT IS OVHC?

Australia receives many thousands of immigrants each year who seek education and working opportunities and therefore often stay in the country for several years. With numbers increasing year on year, the demand for OVHC is expected to also increase.

This article discusses the OVHC product, including who is covered, why they are covered, the benefits included, and challenges associated with it.

Most temporary migrants do not have access to Australia's national universal health care system (Medicare) which is only available to citizens and permanent residents.

OVHC is designed to cover the medical and hospital costs of people living in Australia temporarily who do not qualify for Medicare. This tends to include -

- People transitioning from student visas to working visas,
- Working holiday makers and temporary workers addressing shortages in industries such as farming and construction, and
- Professionals working in Australia on a short-term or contract basis.

At 30 June 2023, there were 2.4 million people in Australia on a temporary visa – up from 1.9 million a year before. 730,000 of these were on visas that typically require OVHC, more than double the 320,000 for the prior year.

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# WHAT IS OVERSEAS VISITORS HEALTH COVER (OVHC)?

## WHO IS THE TARGETMARKET AND WHY?

The target market consists of people who have the Visa Condition 8501 as part of their obligations whilst in Australia. Some of the visa types included are -

- 188 Business Innovation and Investment
- 403 Temporary Work International Relations
- 407 Training
- 408 Temporary Work Activity
- 482 Temporary Skill Shortage (replaced 457 Temporary Work (Skilled))
- 485 Temporary Graduate (all streams)
- 870 Sponsored Parent

Other visas may also require a form of overseas health cover, including -

- 417 Working Holiday
- 462 Work and Holiday

One of the main reasons the Australian Government includes this mandatory condition for the above visas is to protect the Australian taxpayer from the potential costs of healthcare relating to temporary visitors. Visitors to Australia from certain countries (such as the UK and New Zealand) may have reciprocal healthcare arrangements which allow them to access Medicare, so they would not need OVHC.

## WHAT DOES OVHC COVER?

There are a lot of OVHC products available on the market, with a wide range of coverages. This can make the comparisons tricky for those deciding which product may be the best option for them.

OVHC products are designed to be a combination of Medicare and PHI benefits available to Australian residents. OVHC provides coverage for services received both in hospital and out of hospital.

The indicative minimum requirements to comply with visa condition 8501 are listed below, as well as services covered by Medicare.

Service / Benefit	Medicare	OVHC Minimum
In-patient medical and hospital charges	✓	✓
Emergency department fees	✓	✓
Admitted patient care and post-operative services (public hospital)	✓	✓
Surgically implanted prostheses	✓	✓
Pharmacy – prescription drugs	✓	✓
100% of MBS fee for in-patient services	✓	✓
Out-patient services e.g. GP	✓	Covered for most policies Excluded for compliance-only policies
Ambulance Services	Not covered by Medicare. Some states (e.g., QLD, TAS) have costs covered by state governments	✓

Common exclusions for OVHC policies include –

- Assisted reproductive treatments (e.g., IVF)
- Elective cosmetic treatments
- Bone marrow and organ transplants

There may also be waiting periods imposed for pregnancy related conditions (12 months), pre-existing conditions (12 months) and psychiatric, rehabilitation and palliative care (2 months).



## WHICH INSURERS OFFER OVHC?

Due to the range of visa types that OVHC caters to (including working, sponsored parent and working holiday), there is a large market for these types of products, as well as a broader range of available products. Twelve Private Health Insurers offer OVHC products in Australia. The top five players in this market being –

- BUPA
- Medibank
- NIB
- HCF
- HBF

When Australian citizens and permanent residents purchase private health insurance (PHI), they are able to choose between four tiers (Basic, Bronze, Silver and Gold), as introduced by the Australian Federal Government in 2019. This allows consumers to compare like products across insurers with confidence that they all include the same base coverages, and without the added complexity of different naming practices for different insurers.

For OVHC products, most insurers who offer these kinds of policies tend to offer a 'basic' or 'budget' option as well as a 'top' or 'advantage' option. The diversity of coverages makes it more difficult to compare competitors.

## HOW MUCH DOES OVHC COST?

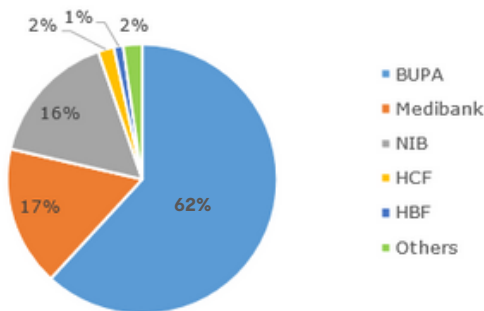
Indicative Price (Monthly)	OVHC		Australian Private Health Care	
	Basic Cover	Top Cover	Basic Cover	Comprehensive (Gold) Cover
Single	\$110	\$445	\$90	\$250
Couples	\$220	\$895	\$175	\$175
Family (2 adults, 2 children)	\$300	\$945	\$175	\$495

OVHC products vary more in coverage and price than Australian PHI, as OVHC Top cover includes the base cover intended to approximate Medicare, as well as extra coverage, similar to Gold cover under PHI.

## MARKET PROFILE AND SIZE?

For the FY 2022-23, OVHC business is about \$636 million, with BUPA being the largest player in the market. This is partly due to its government contract to provide health examinations and health undertakings required under many temporary visa applications and partly due to its large market share of the Corporate PHI channel.

OVHC Industry size 2022 -23

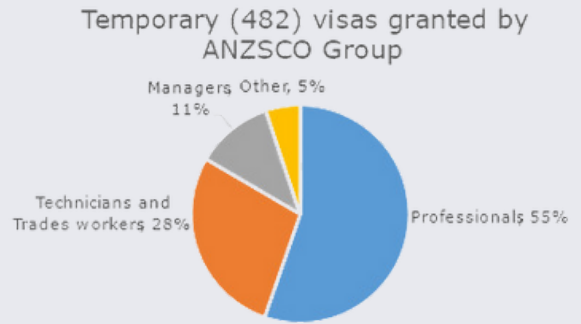


The top three countries of people on Temporary visas are as follows -

- India
- Philippines
- The UK

India and the Philippines in particular have different health care systems in place compared with Australia.

As an example one of the main visa classes – 482 Temporary Skill Shortage is granted to the following main occupation classifications:



Both the type of visa that customers hold, and their home country may provide the insurer with further information on the risk profile of their portfolios.

## HOW LONG CAN YOU BUY OVHC FOR?

OVHC is usually more similar to regular PHI in that it can be paid weekly, fortnightly, and monthly, which allows customers to shop around. Insurers have the option to change the Premiums for a policyholder by giving 'sufficient' notice, typically around two weeks.

## HOW IS OVHC DISTRIBUTED?

- Online – direct B2C
- Brokers – Insurance & Migration agents
- Transition from student cover to working cover
- Purchased by employer







## CHALLENGES WITH OVHC

### Medical tourism

Some visitor visa holders may come to Australia specifically for treatment, or take the opportunity while visiting friends and family to get a check-up in the Australian medical system which may then lead to previously unknown diagnoses.

### High cost claims

Working visa holders are likely to be the ages or life stages that result in:

- Pregnancy and birth related costs from policyholders starting a family,
- Chronic or serious health conditions which require ongoing treatment.

### Visa holders unfamiliar with Australian healthcare system

Different customs in different countries mean that policyholders may go to Emergency Departments instead of a General Practitioner with minor issues, driving up costs.

### BUPA government contract

Allows BUPA to provide health examination services for visa applicants leading to a large market share which makes it difficult to enter the market.

### Concentration risk of policyholders from source countries

Policyholders from certain countries may be predisposed to particular health conditions.

## ABOUT PFS

PFS Consulting is an actuarial and risk consultancy. It provides insight, foresight and oversight and always seeks to leave its clients better placed after engagement than they were before. One of the keys to PFS's success is that its approach embodies some of the core actuarial perspectives and attributes outlined above.

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