



Lowest average premium increase in 18 years

The Government's Private Health Insurance Reforms have had a positive impact on the affordability of Private Health Insurance (PHI), with the announcement of the lowest average premium increase in 18 years for Australian consumers.

The average premium increase of 3.25% comes into effect on 1 April 2019 and reflects the fact that health funds are paying for more healthcare. Our aging population, rising healthcare costs including advancements in medical technology, all contribute to health inflation which at 4.1% per annum, is significantly higher than CPI.

Private Healthcare Australia Chief Executive Dr Rachel David said increasing healthcare costs and increasing utilisation of healthcare services, all contributed to health fund and consumer concerns about affordability and the subsequent PHI reform process.

"The reforms were developed over a two-year period by Government, health funds, private hospitals, medical specialists and allied health groups. Passed by the Parliament in September, the package of reforms is already starting to deliver results with this year's premium increase lower than it would otherwise be," said Dr David.

"No-one likes a premium increase, but it is necessary to ensure health funds remain financially viable, meet statutory prudential requirements and most importantly, continue to be in a position to provide members with access to quality healthcare."

"Affordability is an issue across the health system. Public hospitals were guaranteed an annual 6.5% capped funding increase until 2025 through the COAG process, in contrast to the average increase for PHI of 3.25%."

It is a fact that health funds are paying for more healthcare for their members.

- In the year to September 2018 benefits paid by health funds on behalf of their members increased by 3.62% to reach a record \$20.43 billion. Health funds are consistently paying 86c in the premium dollar back to members as benefits. This compares with 63c for general insurance.
- In the September quarter, total benefits paid increased by 3.62% while premium revenue increased by 3.31%. Net margin has decreased from 5.52% to 5.18% and net profit for the year to September 2018 was \$1.41 billion, down 1.4% compared to same period last year.

Increasingly younger people are turning to health funds to ensure they are covered for mental health treatment. PHI pays for 67% of all same day mental health treatment and 51% of all mental health care admissions. In the few months since July this year, 1000 people were unexpectedly admitted to a private hospital needing urgent mental health treatment and received immediate access to care under the private health mental health safety net.



Press Release

“This year’s premium increase demonstrates that health funds are committed to keeping PHI affordable for members. More than 13.5 million Australians hold PHI and over half of those have disposable incomes under \$50,000 per annum. Many of these are full pensioners and superannuants who are making considerable sacrifices to maintain their health insurance.

“We know more than 80% of people with PHI believe they get value for money and in addition to the timing of medical treatment they cite choice of specialist for continuity of care and choice of hospital as the main reasons.

“The private sector plays a crucial key role in Australia’s health system, performing nearly two-thirds of non-emergency surgery in Australia. 60% of all surgical procedures carried out in Australia are performed in private hospitals each year. PHI pays for 57% of all joint replacements and 57% of all chemotherapy treatments in Australian hospitals. 85% of retinal procedures take place in the private sector.

“In addition, health funds last year paid out over \$2.7 billion for dental care, more than the Federal Government. Last year alone, health funds subsidised over 41.7 million dental services.

“Health funds are committed to keeping premiums affordable for members and recognise the importance of working with hospitals, specialist health professionals and medical suppliers to establish premiums at a level which ensures members’ care can be funded if and when it is needed.

Private health funds are forecast to inject an additional \$500 million into Australia’s health care system in 2018-19, bringing total expenditure on private health treatments to more than \$20.9 billion.

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PHA’s CEO Dr Rachel David is available for interview

Private Healthcare Australia is the peak representative body for Australia’s private health insurance industry. PHA represents 20 Australian health funds with a combined membership of 12.9 million Australians, or 96% of the sector on membership. Promoting the value of private health insurance to consumers in the Australian economy and keeping premiums affordable for our members is the number one priority of PHA members.