



The decline in PHI hospital cover participation threatens Australia's world class health system – the reform process must address this.

Private Healthcare Australia Chief Executive Dr Rachel David has warned that further collaborative reforms to address rising healthcare costs are urgently needed or PHI participation could fall to 30% by 2030-2035.

The latest PHI statistics released by the Australian Prudential Regulatory Authority (APRA) support the industry's claim that healthcare stakeholders must work collaboratively to reduce costs and reduce waste to maintain the balance between the public and the private systems. Promoting the benefits of the system like better access to mental health and dental services to younger people is also required.

"APRA's December quarterly data shows a decrease in hospital treatment membership of 12,370 people compared with the September 2018 quarter, with the largest movement among people aged between 25-29. At the same time, there was an increase of 3,471 people in general treatment (extras) membership compared with the September quarter. This suggests there is a pent-up demand for PHI among young people who are choosing extras cover as an affordable alternative," said Dr David.

"The introduction of Lifetime Health Cover discounts for people aged 18-29 which comes into effect on 1 April this year will help put health cover in reach of younger people, however further reforms are needed to improve the affordability of PHI for young Australians and increase their access to private hospital services. As members drop their hospital cover, the balance between the public and private sectors will alter with wait times for public hospitals getting longer, resulting in a shortage of beds for the people who need them most.

"For example, a recent analysis by HBF has found that West Australians are waiting on average eight months longer to see a specialist for surgery in the public hospital system compared with those who go private. The report shows that the total wait time (from the date of referral to see a specialist) for private patients is two to three weeks while public patients wait on average almost nine months.

"PHA research consistently shows that more than 80% of members value their PHI and want to keep it but affordability is their main concern. The only reason premiums increase is because input costs are rising, and health funds are paying for more healthcare as our population ages.

"Health funds are committed to delivering value for their members but there is no pot of gold. The APRA data also shows an increase in benefits paid during the December quarter for both hospital cover (3.4% or \$3.96b compared to the September quarter) and general treatment cover (9.5% or \$1.35b with dental comprising more than 50% of expenditure). Further, for the year ending December 2018 net profit after tax for health funds was down by 16%," Dr David said.

PHA has proposed a number of key reforms to both the Government and the Opposition that will address the rising costs of healthcare and stem the movement of members to an already overburdened public health system.

Healthcare costs are rising by five percent annually, and these reforms could reduce spending in the short term and halve healthcare inflation to just 2 to 3 percent pa over the long term. Not only will these reforms make private health more affordable for members, but they could also deliver savings for areas of the Medicare system as well.

Key reforms include:

- the restoration of the PHI rebate to 30% for low and middle-income earners, or at a minimum, arrest the decline to maintain it at current levels;
- ensuring patients are provided with the “right care”, that is, providing services when they are needed to an appropriate standard – right patient, right setting, right time;
- Continued reform of the overpriced medical device sector;
- a more affordable and accessible dental health system through contracting with dentists and vertically integrating with dental practices, private health funds have been able to deliver cost relief to consumers through reduced out-of-pocket costs.

“The healthcare sector has already demonstrated that by working together we can influence affordability through sensible policy change. The Government’s PHI reforms introduced in 2018 meant this year’s premium increase of 3.25% was much lower than it would otherwise have been and the lowest recorded for almost two decades.

“Stakeholders from across the health system including health funds, medical professionals, hospitals and consumers groups need to repeat this successful collaborative effort,” Dr David said.

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About Private Healthcare Australia

Private Healthcare Australia is the peak representative body for Australia’s private health insurance industry. PHA represents 22 Australian health funds with a combined membership of 13 million Australians, or 97% 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.