



APRA confirms PHI capital reserves not responsible for premium increases

Premiums have increased because more claims are being paid, not because of retained capital or excess profits

Private Healthcare Australia's Chief Executive Dr Rachel David said APRA's review of capital standards for private health insurers was designed to ensure health funds retained sufficient capital to protect their members.

APRA has emphasised that capital levels in the industry are appropriate and do not need to be reduced and that "any changes to the capital framework are unlikely to materially affect premiums; claims costs, rather than capital levels, have been the primary driver of health insurance premium rises over recent years." (Geoff Summerhayes, APRA).

Dr David said put simply, this means premiums have increased because health funds are paying for more healthcare. This supports the private health insurance industry's position and dispels the myth that health funds are "continuing to rake in bumper profits." (Catherine King 15/11/18)

"Health funds are required by law to retain sufficient capital to ensure they can pay for members' healthcare if and when they need it. According to the latest APRA data health funds are paying out record benefits (\$20.4b in the year to Sept 2018) on behalf of 13.5 million members and have consistently returned 86c in the premium dollar back to members in healthcare payments.

"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 time in the previous year.

"More than half of the Australian population has private health insurance and the industry is committed to keeping premiums affordable and maintaining the value of health cover for its members.

"APRA's review aims to ensure health funds will be able to continue to fund the healthcare needs of their members into the future. Keeping private health insurance sustainable is crucial for Australia's mixed public private healthcare system as PHI reduces pressure on public hospitals," said Dr David.

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.

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