

Australian health funds subsidise a record 100 million health services in the last 12 months

APRA data released today confirms the commitment from Australian health funds to improve affordability and provide value for members.

For the first time, health funds have subsidised more than 100 million services over the year to September 2019. Fewer than 3% of these medical services had unknown out of pocket costs.

In addition, health funds paid record benefits on behalf of members of more than \$21.4 billion over the same period. This represents an annual increase in benefits paid of 3.6%.

In contrast, the 2019 premium increase of 3.25% was the lowest in 18 years. This is far below the growth in costs of other health services - COAG has guaranteed public hospitals a 6.5% funding increase to 2025. Health funds are currently working with government and health sector providers to keep downward pressure on premiums.

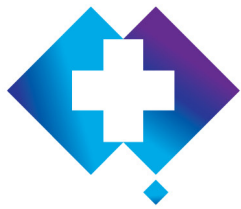
PHA CEO Dr Rachel David said, “the government’s private health insurance reforms have already delivered positive outcomes for consumers and the next wave of reform is underway, however, to ensure the sustainability of our mixed private/public health system into the future, all providers and suppliers must be committed to the process.

“Unfortunately for consumers, the \$250m savings promised as part of the government’s agreement with multinational medical device companies did not eventuate over the past year.

“The latest APRA report reveals the growth in claims for medical devices is skyrocketing compared with growth in hospital admissions. In the year to September 2019 Prostheses List item funded by PHI was up by 8.3% compared with hospital claims at 0.6%. *(See attached graph)*

“While there was a unit price level reduction for items identified in the MTAA Agreement, there has been a massive increase in the growth of the volume of devices used for a similar number of patients. Multinational medical device companies are continuing to drive more volume per patient, to make up financial ground.

“The government has recognised this and is taking steps to address it with a further review into the General and Miscellaneous categories on the Prostheses List. In the interests of keeping premiums low for health fund members the government should expedite this review, remove those items which have no place on the Prostheses List and move to bring medical device pricing in the private health system into line with international benchmarks.



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“Today’s APRA report also revealed that out of pocket costs for hospital treatment increased by less than 1% and almost nine out of ten (89.4%) private medical services covered by PHI had no out of pocket costs.

“Health funds understand that affordability and out-of-pocket costs are a major concern for consumers.

“The average net margin for health funds has reduced from 5.2% to 4.2% over the last 12 months. Management expenses have remained stable at 9.1% which compares favourably with general insurance which has management expenses of 25%.

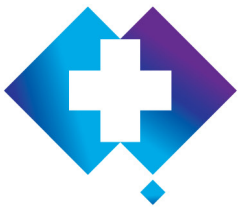
“PHA will continue to advocate for reforms that reduce the costs of healthcare. In addition to holding multinational medical device companies to account by bringing down the cost of inflated medical devices, key reforms that will improve affordability and quality of care include:

- Cutting red tape to allow funds to cover treatments outside the hospital, particularly in mental health care; and
- Reinstating the rebate to 30% for low- and middle-income earners.

“More than 13.6 million Australians hold PHI and over half of them 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.

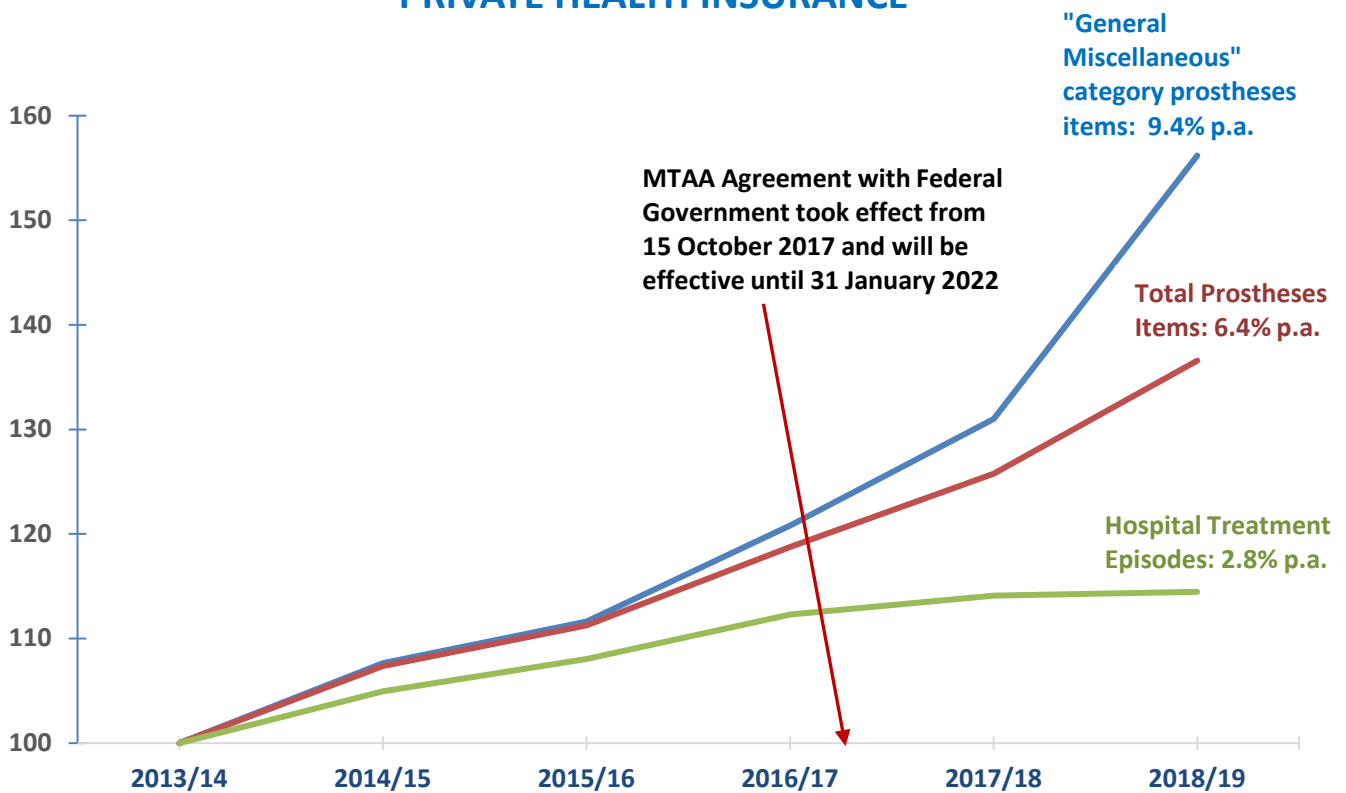
“Research shows that they value their PHI because it gives them choice of specialist and the timing of their procedure. Private cover also means avoiding long public hospital wait lists, which are increasing across the country for elective surgery.

“Health funds are committed to providing value to their members and ensuring Australia’s successful mixed public/private health system is sustainable well into the future.



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GROWTH IN EPISODES/SERVICES UTILISATION FUNDED BY PRIVATE HEALTH INSURANCE



5 Year Movement: increase in percent, base year 2013-14 = 100%

Source: APRA

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 over 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.

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