

## Press Release

4 February 2018

### **Capping premiums won't fix rising health costs**

“The Opposition Leader’s policy to fix premiums at 2% for the first two years of a Labor Government won’t fix the challenges facing Australia’s health system and will undo years of reform which is just starting to deliver real dividends to Australian consumers,” said Private Healthcare Australia CEO, Dr Rachel David.

“There is only one reason premiums increase and that is because health funds are paying for more healthcare. The introduction of a capped premium model will do nothing to address increasing utilisation of private and public health services. The key driver of premium growth is increases in input costs such as the cost of medical devices, hospital accommodation, and provider fees charged by medical specialists and allied health providers. Health funds are strongly committed to continuing to provide these services to members.

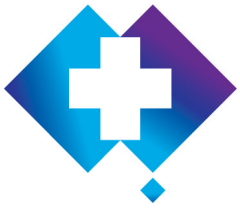
“Labor’s plan makes absolutely no economic sense and the longer-term impact on Australians and our health system could be disastrous. With hospital cost inflation at 5.2% for the private sector and 7% for public hospitals, the PHI industry regulator APRA could be forced to agree to double digit premium increases after a two year freeze. If this is the way of the future, spending on hospitals and other services will have to be capped too, meaning people will miss out or need to wait for treatment even in private hospitals.

“The premium capping policy is also inconsistent with Labor’s explicit election policy of eliminating lower cost policies with exclusions. Deloitte modelling undertaken by the Department of Health in 2017 has shown this in itself is likely to *increase* premiums by 16%.

“An enforced premium pathway will immediately put at risk a number of small, employee-based and regional mutual health funds who are already close to breaching prudential reserves. These health funds have been serving their local communities for decades and this election-focused policy will directly threaten their future and competition in the sector. With this level of interference bankruptcies will occur. Further, the Opposition Leader should explain how Labor intends to override APRA’s strict prudential requirements.

“Clearly another reactive pre election thought bubble, this policy will spark serious concerns throughout the entire business community in Australia. Where will this end? Will a Labor Government enforce price fixing and wage fixing across any sector it chooses to target, based on the latest poll?

“There has been no industry consultation. The private health insurance industry will strongly oppose this flawed policy in the interests of their members. There are 13.5 million Australians with private health insurance and research shows that while they are concerned about affordability, 80% value their PHI and want to keep it. This is because it gives them access to a greater range of medical treatments, at a time of their choosing, and with continuity of care from a fully trained medical specialist.”



## Press Release

Dr David said Labor's plan to have a Productivity Commission review into PHI would no doubt reveal the same as every other PHI review that has been held in recent years – that premiums are rising at the same rate as growth in health care utilisation. There is no conspiracy about what causes health costs to rise. The economic effects of an ageing population living with chronic conditions, and the emergence of newer and better medical treatments have been well documented throughout the world. All countries and health systems are battling with rising costs as a result.

“Health fund margins have remained stable at 4.5-6% over the last decade with funds consistently paying 86 cents in the premium dollar back to members to fund their healthcare. There's no pot of gold hidden in Australian health funds.

“We welcome the opportunity to work with Labor and health sector stakeholders to address the economic challenge of rising health costs, but this should be done in a considered way, using the best available data and evidence rather than on the fly,” 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. PHA's CEO Dr Rachel David is available for interview.*

Media contact: Jen Eddy 0439240755