

Media Release

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Private Healthcare Australia
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Consumers downgrade private health insurance as cost-of-living pressure bites

In the face of ongoing cost-of-living pressures, Australians wanting to retain their private health insurance are downgrading or dropping their cover, new data suggests.

Data from the Australian Prudential Regulation Authority (APRA) has shown that while private health insurance membership and coverage has increased steadily throughout 2024, health fund premium revenue has decreased by \$52 million in the first half of 2024. This decrease in premium revenue suggests policy holders are downgrading or dropping their cover as cost-of-living pressures continue to bite.

APRA's data is backed by findings from Private Healthcare Australia (PHA), the peak body representing 98 percent of Australia's private health insurance sector, which found more than 216,000 policies were downgraded in the first half of 2024. 14.9 million Australians currently hold some type of health insurance (55% of the population).

However, even amid the persistent cost-of-living challenges, private health insurance continues to deliver value for consumers, with APRA reporting that during the June 2024 quarter, health funds returned on average 88 cents per premium dollar, an increase from the previous quarter. This is the highest rate of return for any insurance type.

PHA CEO Dr Rachel David said the data showed the impact of Australia's ongoing cost-of-living pressures.

"In the face of persistent inflation pressure, Australians continue to rely on their private health cover, with health insurance claims expenditure increasing by \$2.16 billion – or 9.6% in 2023-24 compared to the previous year."

"In contrast, revenue from premiums increased by \$2.04 billion in 2023-24 - a 7.5% increase compared to the previous financial year.

"The average amount returned to policy holders has also increased during the June 2024 quarter, with funds currently returning 88 cents of every premium dollar to their members. This flies in the face of recent commentary that health funds are sitting on 'pots of gold' in profits."

Over the past 12 months to June 2024, claims expenditure growth (9.6% increase) has outstripped premiums revenue growth (7.5% increase).

At the beginning of the COVID-19 pandemic, health insurers committed to not profit from the pandemic, and since 2020 have returned more than \$4.4 billion in COVID-19 'giveback' relief packages to their members. In some cases these givebacks have continued into the 2023-24 financial year.

Dr David said: "There is a belief amongst some that health funds can be tapped as 'rivers of gold' to plug budget deficits and cover government and provider financial mismanagement. The evidence shows this is simply not true. Like the rest of the economy, funds are facing inflation pressures, and even in the face of these headwinds, continue to provide significant value to their members, and play a crucial role in Australia's health system."

Private Healthcare Australia is the peak representative body for Australia's private health insurance industry. PHA represents 22 Australian health funds. 14.9 million Australians (55% of the population) have private health insurance.

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“The trend of policies being dropped or downgraded is very concerning,” Dr David said. “The fact consumers are cutting back their health cover shows just how deep the cost-of-living crisis is biting. For 14.9 million Australians, private health insurance is essential, and the smallest increase on their budget – be that an increase in rent or utility costs, can have a profound impact on their access to healthcare, and in turn our health system.”

The findings come as the NSW Government threatens to increase a tax on 4 million people with health insurance in NSW to the tune of \$490 million. This would add \$114 to the cost of an average health insurance policy per person from next year. NSW is the only state in Australia that taxes health insurance.

“The NSW Government should review APRA’s findings closely,” Dr David said. “The smallest increase to consumer costs can have dire, far-reaching consequences that could ultimately impact all residents of NSW seeking timely, affordable and accessible healthcare.”

“Their revenue target will not be reached as a consequence of people downgrading or dropping their cover.”

“NSW is the only state wanting to tax people contributing to their own healthcare in a cost-of-living crisis. This tax will make NSW the most expensive state in the country to hold health insurance.”

Visit PHA’s [“Stop the health tax” campaign here](#).

Download APRA’s quarterly private health insurance performance statistics for June 2024 [here](#).

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