



## Press Release

9<sup>th</sup> November 2016

### Health Funds Committed to Affordable Premiums

APRA's 2015-16 Private Health Insurance Annual Report demonstrates that Health Funds are operating successfully and efficiently and the industry is in good shape.

"This is crucial for the sustainability of Australia's health system as more than 13.5 million people have private health insurance, half of them have an annual income of less than \$50,000 and they rely on their health cover to choose when and where they have medical care," said Private Healthcare CEO Dr Rachel David.

"Australian Health Funds are committed to keeping private health insurance premiums affordable for members and recognise the importance of long term planning to set premiums at a level which ensures members' care can be funded if and when it is needed.

"The APRA report reflects an unusual slow down in hospital admissions over the past twelve months leading to reduced claims, however this statistical variation can be misleading. Seasonal variations influence claiming patterns and it is ill-advised to over analyse a short term snap shot of the PHI industry as predicting healthcare expenditure is extremely complex.

"The premium setting process involves months of detailed research and analysis by Health Funds and Government. Health costs are rising at rates above inflation, which is a problem for both the public and private health sectors. Health funds need to hold sufficient funds to pay out on claims made by members, now and in the future.

"Health funds are consistently paying out the highest percentage of the premium back to customers of all insurance types – an average of 86c in the dollar. This compares with 67c for property insurance and 62c for general insurance."

Dr David said the financial performance of Health Funds fluctuates over time and can vary from quarter to quarter.

"Whether run as a for-profit or a not-for-profit, health funds must operate as successful businesses to be able to deliver benefits for their members. The worst outcome for consumers is a badly operated fund that falls over.

"PHA market research shows that while more than 80% of people are satisfied with their private health insurance and want to keep it, premium affordability is a major issue for health fund members. Health Funds are committed to keeping premiums affordable for their members and will continue to improve efficiencies to ensure their members have access to the best possible healthcare.

"PHA has made a significant investment towards implementing the consumer transparency policies announced by the Government and is working with Government and other stakeholders to deliver consumer-focused outcomes from the current PHI Review.

"Health funds have committed to pass on any savings from regulatory reform back to members through lower premiums including those from the Government's recent decision to start the reform of medical device pricing. Keeping health insurance sustainable benefits all Australians by keeping the pressure off the public hospital system."

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