



Health Funds Committed to Affordable Premiums as lowest increase in a decade delivered

Australian Health Funds remain fully committed to working with the Coalition Government to improve the sustainability and affordability of the private health sector and to continue to reduce upward pressure on premiums.

CEO of Private Healthcare Australia, Dr Rachel David, said today's premium announcement, an average of 4.84%, the lowest increase in a decade, reflected the commitment of the industry and Coalition Government to delivering affordable healthcare.

"By starting to address outdated regulations pushing up prices, particularly for medical devices, and focussing on better value care through the MBS Review, for the first time in years the premium increase is less than overall 'health' inflation, but there is much more to be done," she said.

Dr David said no one liked to see premiums go up but stressed that health fund members continue to get value for their investment. The 4.84% average increase is necessary to ensure health funds stay ahead of rising health costs and have adequate capital and income to pay for what they will be expected to fund in the next twelve months. Funds paid a record \$19 billion in benefits in 2015-16 which will increase to \$20 billion in 2016-17. 86.1c in every dollar of premium income is returned to members as benefits. This compares favourably to all other forms of insurance. *

"Health sector costs are rising faster than CPI inflation and key components of health inflation such as the cost of medical devices are beyond the control of health funds. Health funds, other private sector stakeholders like hospitals and medical specialists need to work with Australian Governments to keep input cost down and bend the relentless upward curve of health inflation," said Dr David.

"The Government has taken an important first step in addressing outdated medical device pricing regulations, but more needs to be done to ensure Australians are no longer paying up to five times more than international consumers, and Australian public hospitals. Health funds guaranteed that every cent saved from the Government's prostheses reform would be passed on to consumers by way of lower health insurance premiums. This means that the premium increase due to take effect from 1 April 2017 is lower than it would otherwise have been.

"The cooperation between Government and the PHI industry has delivered real results for consumers and this is just the beginning. The ongoing work of the Private Health Ministerial Advisory Council and the Medicare Benefits Schedule Review for example will continue the reform process and the PHI industry has agreed to pass on any savings from reform to consumers."

More than 13.5 million Australians have private health insurance and almost half of them have an annual income of less than \$50,000. They are hard-working Australians who value their private health cover and their right to choose when and where they have medical care. 84% of Australians with private health insurance value the product, want to keep it and make considerable sacrifices to do so but they are concerned about affordability. (IPSOS)

Private health insurance is a critical element of Australia's health care system. PHI pays for close to two thirds of non-emergency surgery in Australia, 90% of day admissions for mental health care and 50% of all mental health admissions, 70% of joint replacements, 60% of chemotherapy and 88% of retinal procedures take place in the private health sector. In addition, under ancillary (extras) cover, health funds pay out more than \$2.5 billion for dental care, more than the Federal Government. 90% of dental health services provided to low and middle income earners are subsidised by health funds.



Press Release

Dr David said Australians can wait for up to one year for some hip and knee procedures in the public health system.

“Consumers questioning the value of PHI should ask themselves – could I afford over \$20 000 for hip or knee surgery, or would I be able to spend almost a year in pain on a public waiting list? These are common procedures health funds help their members access every day, and the reason why PHI members value the security and peace of mind they get from knowing they can have surgery when they need it,” said Dr David.

“The Coalition Government has demonstrated its commitment to delivering an improved PHI sector by establishing the PHI Review process and the industry is committed to working with Government and stakeholders to identify reforms that will reduce costs and make it easier for Australians to use their PHI.

Keeping private health insurance sustainable and premiums affordable ultimately benefits all Australians by keeping pressure off the public hospital system.”

2015-16 Common Private Hospital Procedures	2015-16 Average Private Hospital Charge (\$)	2015-16 Elective Surgery Waiting Times in Public Hospitals		
		Median Waiting time (days)	Days waited at 90th percentile (days)	Proportion of patients who waited for more than 365 days (%)
Total Knee Replacement	\$23,561	188	361	7.50%
Vein Ligation and Stripping (removal of damaged vein)	\$5,464	104	348	5.00%
Total Hip Replacement	\$27,523	114	348	4.80%
Tonsillectomy and/or Adenoidectomy	\$2,987	120	350	4.30%
Cataract Extraction	\$4,134	93	334	2.50%
Hernia (bulges in groin area)	\$5,073	52	233	1.80%
Hysterectomy (operation to remove uterus or womb)	\$9,623	52	216	1.80%
Myringotomy (drainage of pus from middle ear)	\$2,067	57	196	1%
Prostatectomy (surgical removal of all or part of the prostate gland)	\$7,078	42	125	0.90%
Cholecystectomy (surgical removal of the gall bladder)	\$7,114	42	139	0.70%

Source: Private Healthcare Australia, AIHW

Media contact: Jen Eddy 0439 240 755

**Health funds are consistently paying out the highest percentage of the premium back to customers of all insurance types – an average of 86.1c in the dollar. This compares with 67c for property insurance and 62c for general insurance*