



Press Release

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Health Funds Increase Efficiency

Health Funds have become increasingly efficient with both management expense ratios and net margins reducing significantly in recent years.

The Private Health Insurance Industry's MER has been dropping progressively since 2008 from 10.5% to 8.5% in 2014. Similarly, the Industry's net margin has dropped from 5.6% in 2007 to 4.1% in 2014.

Private Healthcare Australia Chief Executive, Dr Rachel David said the financial performance of Private health funds fluctuates over time and can vary from quarter to quarter.

"While APRA's most recent December quarterly statistics show an increase in premium revenue of 6.9% with benefit payments up by 6.0%, the financial performance of Funds during the March, June and September quarters of 2014, demonstrate improved efficiencies despite the increasing cost of health services and utilisation rates", said Dr David.

For example:

- Revenues were up 7.0% for the year while total fund benefits increased by 10.1%, reflecting the increasing cost of health services and growing utilisation rates. (APRA March Quarterly Statistics)
- Health Insurance Business premium revenue was up 7.5% for the year to June 2014, while total fund benefits increased by 8.1%. (June Quarterly Statistics)
- Health Insurance Business premium revenue was up 7.5% for the year to September 2014, while total fund benefits increased by 7.2%. (September Quarterly Statistics)

In March 2014, the Government changed regulations reducing the minimum levels of capital health funds are required to hold in reserve. Current analysis may indicate additional capital holdings by some health funds according to the new, lower standards, however data shows that since March 2014, total assets held by all health funds has remained relatively static.

"Private 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," said Dr David.

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