

Media Release

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Health funds keep premium rise under health inflation but rising costs remain a challenge

Private health insurance premiums will increase by an average of 3.73% this year. The increase, announced by Federal Health Minister Mark Butler today, is still below health inflation and will be passed on to health insurance members on April 1.

A record 15 million Australians have health insurance and rely on it for timely access to hospital care, and allied health services in the community.

Private Healthcare Australia CEO Rachel David said the premium increase was necessary for health funds to meet the rising cost of healthcare and ensure private hospitals and other providers were adequately funded.

“Every premium increase is carefully calculated and regulated. We know people with health insurance are impacted by cost-of-living pressures, so health funds are doing everything possible to ensure health insurance remains affordable and accessible for Australians,” Dr David said.

“Health funds have gone back to regulators three or more times this year to reach the lowest increase possible. But to remain viable, funds have to charge more because inflation is driving up the cost of everything health insurers pay for.

“We also need to ensure hospitals are adequately funded so they can manage the significant challenges they have experienced due to the pandemic, and the subsequent inflationary economy.”

Health inflation rose by [4% in 2024](#), with medical and hospital services being the main contributor at a time when the healthcare system was experiencing complex challenges. Health funds paid 8% more for hospital claims last year compared to the year before.

“The increase of 3.73%, agreed with federal regulators, is as low as the health funds can go without seriously squeezing private hospitals and other providers,” Dr David said.

“In addition to costs rising, health insurers are also facing unprecedented pressure from the private hospital sector for additional funding.

“We had multiple demands for out of contract cycle payments last year and public campaigns were launched by multiple private hospital operators for extra funding. The NSW Government is also targeting health funds to raise an extra \$140 million a year in an opportunistic cash grab to help solve its budget problems.”

The NSW Government’s revenue grab accounts for approximately 1% of this years’ premium increase.

Private Healthcare Australia is the peak representative body for Australia’s private health insurance industry. PHA represents 22 Australian health funds. 14.8 million Australians (55% of the population) have private health insurance.

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In the year to September, health funds paid a record \$24.8 billion to customers for more than five million hospital episodes and over 105 million ancillary services such as dental and physiotherapy treatments. This confirms claims have returned to pre-pandemic levels.

Dr David said health insurance continued to provide more value for consumers than any other type of insurance, with 88 cents of every premium dollar paid returned to members.

ABS data shows annual increases for other insurance types have surged by up to 11%. The average health insurance premium rise falls well short of other rising household costs for a typical family, which have increased by the following over the past twelve months in 2024:

- Home and contents, and car insurance – up 11%
- Education fees – up 6.5%
- Rent – up 6.2%
- Maintenance & repair of vehicle – up 4.1%
- Hairdressing & personal grooming – up 5.6%
- Property rates and charges – up 5.0%
- Fruit and vegetables – up 4.5%
- Childcare – up 4.2%
- Gas and other household fuels – up 4.0%
- Food and non-alcoholic beverages – up 2.7%.

“We know Australians are doing it tough and that many of our members are not wealthy. Forty percent have a taxable income of \$50,000 per year or less and 10 percent of these people are on the aged pension as their only income. These people are choosing to contribute to the cost of their own health care, which in turn takes pressure off our stretched public hospitals,” she said.

“Health funds will continue doing everything possible to avoid driving up members’ health insurance bills unnecessarily, while still providing value for money.

“We are committed to continuing to do everything we can to help reduce costs for consumers, but we need everyone in the sector pulling in the same direction. For example, we need to bring the government-regulated cost of generic medical implants and surgical supplies back in line with global market prices.

“Australians pay between 30 to 100% more than people in New Zealand, the United Kingdom, France, and South Africa for commonly used generic medical devices due to an outdated price setting arrangement with multinational medical technology companies,” she said.

“We’re also championing reforms like transparent billing and criminalising hidden fees to ensure patients no longer face unexpected costs and are committed to continuing to call for the removal of low value care, fraud and waste.

“Fixing the healthcare system requires collaboration. We’re working with hospitals, doctors and all governments to ensure the system benefits all Australians. Together, we want to make healthcare better, more affordable, more accessible, and more transparent for everyone.”

Radio and video grabs of Dr David are available [here](#).

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