



Press Release

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Health funds pay almost \$20 billion in benefits

APRA's 2016-17 Private Health Insurance Annual Report confirms that health funds are delivering value for 13.5 million Australian consumers.

Funds paid a record \$19.83 billion in benefits on behalf of their members (\$14.75 billion for hospital treatment, \$4.87 billion for general treatment and \$220 million for State levies) in 2016-17. Health fund premium revenue increased by 4.6% in 2016-17 while fund benefits increased by 4.5%, demonstrating that the PHI claims ratio continues to outstrip comparable industries.

PHA Chief Executive Dr Rachel David said 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 (it has been above 85% for 15 years). This compares with 67c for property insurance and 62c for general insurance (2016).

“The APRA Report demonstrates that health funds are operating successfully and efficiently and the industry is in good shape. 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.

“Health fund profit margins have remained stable over the last decade running between 4.5 and 6%. This is a modest return when compared with other forms of insurance. It is also significantly below the returns made by private hospital groups and medical specialist practices. Net investment income increased from \$290 million in 2015-16 to \$544 million in 2016-17 and health funds net margin (profit margin) has gone down -0.27% from 5.45% in 2015-16 to 5.18% in 2016-17.

“There is no pot of gold hidden in health funds, and the majority of premium income is passed back to members. Health funds are committed to keeping private health insurance premiums affordable for members and recognise the importance of working with hospitals, specialist health professionals and medical suppliers to establish premiums at a level which ensures members' care can be funded if and when it is needed.

“PHA market research shows that while more than 84% of people are satisfied with their private health insurance and want to keep it, premium affordability is a major issue for health fund members. This is due to input costs, utilisation and health inflation.

“Private health insurance is embedded in Australian culture and is an indispensable part of our health system. PHI pays for close to two thirds of non-emergency surgery; 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 Extras cover, health funds pay out more than \$2.59 billion for dental care per year, which is more than dental care expenditure by the Federal Government. Keeping health insurance sustainable benefits all Australians by keeping the pressure off the public hospital system,” said Dr David.

Private Healthcare Australia is the peak representative body for Australia's private health insurance industry. PHA represents 20 Australian health funds with a combined membership of 12.9 million Australians, or 96% of the sector on membership. Promoting the value of private health insurance to consumers in the Australian economy and keeping premiums affordable for our members is the number one priority of PHA members. PHA's CEO Dr Rachel David is available for interview.

Media contact: Jen Eddy 0439 240 755