

Media Release

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Health insurers lift payments to private hospitals to help them through a difficult period

Health insurers are delivering hundreds of millions of dollars in additional payments to private hospitals to help them through a challenging period of rising costs and a shift towards more technology driven out-of-hospital care.

Following a request from Health Minister Mark Butler for health insurers to lift payments to private hospitals, the most recent Australian Prudential Regulation Authority data shows health insurance payments to private hospitals jumped 7.7% in the year to March 2025. During the same period, health insurers paid private hospitals 4.2% more per episode of treatment.

This jump in payments to hospitals comes after health insurers paid more than \$5 billion back to health fund members due to lower claims during the pandemic.

CEO of Private Healthcare Australia, Dr Rachel David, said health insurers were acting on Minister Butler's concerns about the private hospital sector by cutting their own costs and lifting payments to hospitals for the care they deliver.

"Health insurers need private hospitals to survive. We want our 12 million members investing in hospital cover to receive rapid access to high quality hospital treatment where and when they need it. With this in mind, we are paying hospitals more to help them meet rising costs for care, including higher staff wages," Dr David said.

"The health insurance sector is listening and acting. We will continue to work with hospitals, doctors and the government on ways to improve our private health system and help modernise it so it can meet the needs of our population demanding more affordable, convenient and connected care."

Dr David said health insurers were examining their own costs to maximise their own efficiency and striking more innovative contracts with hospital groups to deliver members more options for care.

"We have seen some great collaboration between private hospitals and health insurers recently to contract for more out of hospital services such as chemotherapy, rehabilitation, wound care and mental health treatment. This reduces costs for hospitals, insurers and patients while delivering better health outcomes. This is the way of the future."

She said health insurers were also continuing to offer potential solutions to overcome specific challenges facing private maternity care. This includes a proposal for insurers to pay more towards private obstetrics if women were given more choice about who provided their care in the private system before a private hospital birth.

"We have a good supply of private hospital services across most parts of the country, so we are confident people with hospital cover will retain access to high quality services near their homes. We are continuing to work on ways to improve maternity care and mental health care so we can create a stronger sector.

Private Healthcare Australia is the peak representative body for Australia's private health insurance industry. PHA represents 22 Australian health funds. 15 million Australians (55% of the population) have private health insurance.

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“We also know that the high cost to see some specialist doctors in the community is causing many Australians to forego care and not use private hospitals. This will continue to dampen demand for private hospitals and must be addressed as part of the bigger picture. We will continue to work with the government and doctors on this.”

Health insurers continue to be among the most highly scrutinised businesses in the Australian economy, Dr David said.

“Health insurers’ financial data is published quarterly by the prudential regulator. Both the Australian Prudential Regulation Authority and the Department of Health review this thoroughly during the annual premium setting process, and the Commonwealth Ombudsman and the Australian Competition and Consumer Commission report on the sector’s performance under consumer law yearly.

“There is no need for additional regulation in a sector where pricing and performance is controlled this tightly by the government. Instead, we are advocating for private sector reform to bring data collection and transparency for hospitals and other providers up to the same standard.”

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