



Press Release

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LATEST PRIVATE HEALTH DATA SHOWS RECORD BENEFITS PAID AS OUT OF CONTROL MEDICAL DEVICE COSTS CONTINUE TO CANNIBALISE BENEFITS AND VALUE

APRA data released today shows prostheses benefits have risen 6.6% in just three months and up 5.1% in the year to December 2019, wildly out of proportion to the number of surgical procedures performed. Hospital treatment episodes only grew by 0.1% over the year to December 2019. The Quarterly Statistics Report highlights costs are rising at an unsustainable level in the healthcare system.

Private Healthcare Australia Chief Executive, Dr Rachel David, said the data should demonstrate to all stakeholders across the private healthcare sector that it is time to get serious about tackling inflated prices and waste in the system.

“Yet again the APRA data shows that the growth in claims cost for medical devices (prostheses) continues to be a major issue impacting affordability in the private health sector. Incredibly prostheses benefits seem to be on track to overtake medical benefits in the next few years. Benefits paid for medical services are down 1.3%, while prostheses benefits are up 6.6% for the quarter,” said Dr David.

Medical device companies are continuing to drive up the volume of sales of their products to offset Government measures to reduce inflated prices. Medical devices funded by PHI have increased by 8.3% in the year to December 2019 compared to hospital utilisation which only increased by 0.1% over the 12 months. In the past five years, medical devices in the General Miscellaneous category (for items such as sponges and skin glues) has gone from 29.6% to 34.7% of total medical devices funded by insurers.

Despite this, Australian health funds paid a record \$21.6 billion in benefits in the year to December 2019 (4% annual increase) and delivered the lowest premium increase in 19 years, by creating efficiencies and using retained capital. The average 2.92% will come into effect on 1 April 2020. This compares with a 6.5% annual funding increase guaranteed to public hospitals until 2025 through the COAG process.

Dr David said health funds were committed to keeping premiums down and improving value for customers:

“As our population lives longer, and consumer expectations increase, so too does the cost of health care, leading to higher premiums and unexpected out-of-pocket costs. The younger generation is feeling financially squeezed as health funds are paying record claims for hospital procedures in people aged over 55.

“The result – the proportion of Australians with hospital cover has fallen to the lowest level in 12.5 years, and by 2030-2035 could drop to 30%. This will have significant flow-on effects to the public system – blowing out wait lists, reducing choice and access and greater demand for public health spend.

“Every day Australian health funds are working to reduce costs to the consumer and improve the value they get for their money. The funds cannot do this alone. Red tape from regulation that is past its use-by date is forcing up premium costs. More needs to be done and it requires whole of sector cooperation and action.



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Key reforms that will go a long way to improving affordability and quality of care include:

- Holding multinational medical device companies to account by bringing down the cost of inflated medical devices
- Cutting red tape to allow funds to cover some treatments outside the hospital, particularly in mental health care. This was also recommended by the Productivity Commission's Draft Report into Mental Health; and
- Reinstating the rebate to 30% for low- and middle-income earners.

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Private Healthcare Australia is the peak representative body for Australia's private health insurance industry. PHA represents 25 Australian health funds with a combined membership of over 13 million Australians, or 97% of the sector on membership.

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