

Press Release

7 Dec 2019

Lowest premium increase in 19 years

Australian health funds have delivered the lowest premium increase in 19 years, by creating efficiencies and using retained capital. The average premium increase of 2.92% will come into effect on 1 April 2020. This demonstrates that health funds are committed to providing value to their members and ensuring Australia's successful mixed public/private health system is sustainable well into the future.

Premiums increase because funds are paying for more healthcare. 88% of the premium increases over the last decade are driven by claims expenditure growth. In terms of health expenditure, real growth averaged 3.9% per year in the decade to 2017-18. This is above general inflation, which currently sits at 1.7%. It is also worth noting that premiums do not increase because of profits. PHA represents for-profit and not-for-profit members. APRA confirmed that profits are not the primary drivers of rising premiums¹.

"Health funds don't want to increase premiums by a single dollar, but it is necessary to ensure health funds remain financially viable, meet statutory prudential requirements and most importantly, continue to be in a position to provide members with access to quality and timely healthcare," said PHA Chief Executive Dr Rachel David.

"Affordability is an issue across the health system. Public hospitals were guaranteed a 6.5% funding increase until 2025 through the COAG process, in contrast the average increase for PHI is 2.92%.

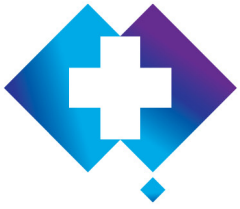
"Health funds understand that affordability and out-of-pocket costs are a major concern for consumers. The Government's next phase of private health insurance reforms is underway. We will work with government and the health industry to advocate for changes that reduce the costs of healthcare, for the benefit of the 13.6 million Australians who have private health insurance."

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 Health²; and
- Reinstating the rebate to 30% for low- and middle-income earners.

¹ <https://www.afr.com/wealth/personal-finance/costs-not-profits-are-driving-health-premiums-apra-20180207-h0vakp>

² <https://www.pc.gov.au/inquiries/current/mental-health/draft>



Private Healthcare Australia
Better Cover. Better Access. Better Care.

Press Release








“Having private health insurance means your choice of specialist and the timing of your procedure. You will have continuity of care with the same specialist throughout your treatment cycle. Private cover also means avoiding long public hospital wait lists, which are increasing across the country for elective surgery.









“More than 13.6 million Australians hold PHI and over half of them have disposable incomes under \$50,000 per annum. Many of these are full pensioners and superannuants who are making considerable sacrifices to maintain their health insurance,” Dr David said.

Private Healthcare Australia is the peak representative body for Australia’s private health insurance industry. PHA represents 24 Australian health funds with a combined membership of over 13 million Australians, or 97% 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.

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Private Health Insurance pays for life-saving treatments, births and treatments that improve and extend your quality of life.

SELECTED HOSPITAL PROCEDURES		HOSPITAL TREATMENTS FUNDED BY PRIVATE HEALTH INSURANCE	OVERALL PROPORTION DONE IN PRIVATE HOSPITALS (%)
Colonoscopies		204,236 ↑ 6,295	68%
Inpatient rehabilitation		353,318 ↑ 25,303	80%
Chemotherapy		274,080 ↑ 708	54%
Renal dialysis		219,334 ↑ 15,603	19%
Gastrosopies		92,369 ↑ 3,660	65%
Lens and glaucoma procedures		136,404 ↑ 9,674	70%
Same day mental health treatment		128,879 ↑ 3,252	76%

SELECTED HOSPITAL PROCEDURES		HOSPITAL TREATMENTS FUNDED BY PRIVATE HEALTH INSURANCE	OVERALL PROPORTION DONE IN PRIVATE HOSPITALS (%)
Retinal procedures		78,315 ↑ 8,623	84%
Invasive cardiac investigative procedures		51,916 ↑ 1,920	52%
Knee replacements		30,977 ↑ 714	73%
Stroke		15,721 ↑ 693	39%
Hip replacements		22,573 ↑ 766	62%
Weight loss surgery		20,922 ↑ 1,519	94%
Pacemaker implant or replacement (total system)		7,780 ↑ 454	51%
Cochlear implant		843 ↑ 72	59%

Note: Increases in table above are based on Financial Year 2018 figures (latest data available) compared to the previous year.

Did you know that every year in hospitals,
Private Health Insurance pays for:



74% of all treatments for sleep apnoea, a potentially serious sleep disorder in which breathing repeatedly stops and starts

(82% in private sector)

75% of all retinal procedures

(84% in private sector)



76% of all musculoskeletal injury, bone disease and post-surgery rehabilitation

(80% in private sector)

65% of all in-hospital dental extractions and restorations

(83% in private sector)



53% of all gastroscopies, an examination of the interior of the stomach

(65% in private sector)



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64% of all sinus and complex middle ear procedures
(71% in private sector)

62% of all ear grommets for treating middle ear infections
(67% in private sector)



68% of all knee replacements
(73% in private sector)

60% of all hip replacements
(62% in private sector)



44% of all gynaecological procedures (excluding births/deliveries)
(56% in private sector)

52% of all tonsils and/or adenoids removals
(60% in private sector)



PRIVATE HEALTH INSURANCE: PREMIUM INCREASES EXPLAINED

WHY DO PREMIUMS INCREASE?



From April 1, premiums will increase by an average of 2.92%



This is the lowest premium increase in 19 years



Premiums rise because healthcare costs and utilisation is increasing



Health inflation is 3.9%¹ per annum, well above underlying inflation of 1.7%²

WHY ARE HEALTHCARE COSTS RISING?



An ageing population: baby boomers reaching peak surgery



New technologies



Inflated medical device prices



Increasing life expectancy: consumer demand for more healthcare services

HEALTHCARE INFLATION, NOT PROFITS, CAUSE PREMIUMS TO RISE

"APRA does not consider industry profits or capital levels to be the primary drivers of rising premiums. The underlying cost of Australia's health system is the ailment; rising insurance premiums are just a symptom."

- Geoff Summerhayes, Executive Board Member of APRA (AFR, 2018)³

HOW CAN PREMIUMS BE MADE MORE AFFORDABLE?



- Restore rebate to 30% for low- and middle-income earners
- Medical device reform to bring prices in line with international standards
- Cut red tape to allow insurers to fund more out-of-hospital care. E.g. chemotherapy at home
- Stop State hospitals revenue raising through pressuring consumers to use PHI in public hospitals
- Reduce waste in the health system

Without further reforms to address rising healthcare costs, people will be forced into the public system. This means longer public hospital waiting times & a shortage of beds for the people who need them most.

