

# Media Release

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Private Healthcare Australia  
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## Medical device surcharge forcing up PHI premiums

Australian health funds are calling on the Albanese Government to reverse a last minute pre-election deal done by the former Government on medical device pricing (prostheses) that locked in prices for medical devices in the private system 7-20 per cent higher than public prices.

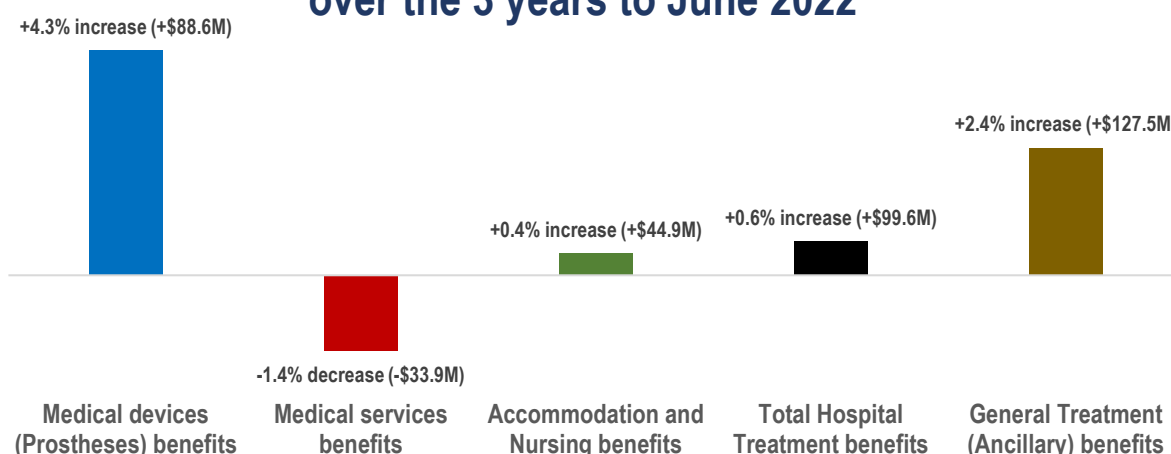
Private Healthcare Australia CEO Dr Rachel David said the latest APRA data confirmed overpriced medical devices are forcing Australian families to pay higher premiums than they should.

An analysis of APRA data over the past three years shows there has been a 1.4 percent decrease in health fund benefits paid for in-hospital medical (MBS) services and a 2.6 percent reduction in hospital episodes over the period, however there has been a 4.3 per cent increase in benefits paid for medical devices (prostheses) over the same period. This is in spite of the slowdown in surgery performed due to the COVID-19 pandemic over this time.

“Disappointingly and despite repeated efforts to bring about change, the cost of generic medical devices (prostheses) has been the largest healthcare claims expenditure growth area for health funds and the main driver of PHI premium increases and rising Australian healthcare costs,” said Dr David.

“The fact that medical device claims consistently continued to grow out of proportion to the number of procedures performed in hospitals during the COVID pandemic is evidence the pricing of medical devices in Australia’s private health sector is the single largest contributor to increasing PHI premiums.

### Medical devices benefits growth versus other PHI component benefits growth over the 3 years to June 2022



Year ending June 2019 has been used as the base comparison year, being the most recent pre-pandemic annual period.

**In the year to June 2022 compared to the year to June 2019 (pre-pandemic), benefits expenditure for medical devices (prostheses) increased by 4.3% compared to a 1.4% decrease in benefits expenditure for in-hospital MBS medical services and only a 0.4% increase in benefits expenditure for hospital accommodation and nursing.**

Source: APRA

“The previous Government began the process of slowly reducing private prices to the equivalent public hospital prices over several years in the 2021 Federal Budget, however, just before the 2022 election was called, the former Health Minister signed a deal with the big international MedTech companies that put a surcharge of 7-20 per cent for private patients on top of the often-inflated public prices.

“The deal will transfer an estimated \$250-\$400 million from Australians with private health insurance to large international medical device companies over the next four years.

“Cost of living pressures, coupled with rising interest rates are hurting Australian families and without premium relief, some members will be forced to drop their private cover and our public hospitals will be overwhelmed. The Albanese Government must prioritise medical device pricing reform in the upcoming Federal Budget so health funds can begin to offer premium relief to Australian families as soon as possible.

“Every single dollar saved by private health funds as the price of devices becomes fairer between the public and private systems will be sent back to members in the form of lower premiums. It will also save the Budget around \$100 million over the next four years.

“We cannot simply barrel down the path of the US health system which is facing 10 percent premium growth due to out-of-control health inflation, as forecast recently by Stanford University Professor and US health policy expert Dr Robert Pearl,” said Dr David.

Australians continued to realise the value of PHI during the COVID pandemic with the latest APRA showing two years or eight consecutive quarters of membership growth in both hospital and general treatment (extras) cover. There are now a record 14.27 million Australians with PHI.

In the year to June 2022, there has been an increase of 2.1 percent in the number of Australians with hospital cover (up 235,699 to 11.678 million) while general treatment coverage increased by 2.2 percent (up 308,486 to up to 14.261 million).

Health funds paid \$22.1 billion in benefits (claims) on behalf of their members in the year to June 2022 (an increase of 0.6 percent on the previous year).

In addition, since the start of the COVID pandemic health funds have returned \$2 billion to members through delayed premiums increases or giving cash back to members. Health funds are continuing to return savings accumulated as a consequence of pandemic lockdowns to members.

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*Private Healthcare Australia is the peak representative body for Australia's private health insurance industry. PHA represents 23 Australian health funds with a combined membership of over 13 million Australians, or 97% of the sector on membership.*

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