

Media Release

11 May 2021



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

Morrison Government reform will lead to lower PHI premiums

The Morrison Government's commitment to fast-track change to the current medical device pricing regime in Australia will reduce premiums for consumers and keep our world class health system sustainable, while ensuring doctors are able to use the best devices for their patients with no out of pocket costs.

Private Health Australia CEO Dr Rachel David said the Government's decision would help guarantee the affordability of top (gold) hospital cover for the millions of Australians who rely on Private Health Insurance (PHI) for quality of life and peace of mind.

"Health funds have committed to lower health insurance premiums, while keeping the same range of medical devices accessible to members. We have committed to work with hospitals on short-term transition arrangements to avoid any funding uncertainty resulting from the reform process.

"The current Federal Government regulatory system which determines the price private payors must pay for commonly used medical devices is broken. The fee-per-item system of over 11,000 items is unwieldy, has no controls on volume, and is highly inflationary. High fixed prices for commonly used, generic technologies have enabled transfer pricing, secret rebates and kickbacks, and upcoding to the extent price has become totally uncoupled from the value of these items.

"It is now urgent that changes to the current pricing regime be made well in advance of next year's premium round to ensure the 14 million Australians who rely on PHI will benefit from this measure. Without change, more people will give up private health insurance as premiums rise, putting extra pressure on our public hospital system.

"The cost of medical devices is one of the largest drivers of premium increases in Australia. Currently, the price of medical devices in Australia is at least 30% higher than in countries such as New Zealand, France and the UK. For example, the exact same stem item used in hip replacements costs more than \$4,000 in Australia, whilst in New Zealand and the UK it costs just \$1,800. In some cases, such as cardiac stents, private health insurers pay up to 5 times as much for the exact same medical device.

"Australia shouldn't have to pay 30 percent more than other countries for the same medical devices. The current medical device regime keeps premiums high and ensures that big multinational medical device companies make much larger profits in Australia compared to other countries.

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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“PHA also welcomes additional Budget measures aimed at improving health care affordability and accountability, including changes to hospital certification procedures. The government’s decision to review the current policy setting for the Medicare Levy surcharge, the PHI Rebate and default benefits signals further commitment to improving the affordability of private health care. PHA has long argued for the restoration of the PHI rebate to 30% – it has been eroded to less than 25% - for low and middle income Australians to make premiums more affordable for people who are paying for the cost of their own healthcare.

“Australia’s healthcare system is something that we can all be proud of. A strong private healthcare system will reduce pressure on public hospitals so they can provide the level of care needed for those without health insurance. These measures will ensure the sustainability of our health system by keeping private healthcare affordable.”

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