

PHI reforms delivering record benefits for health fund members, as soaring medical device volumes again threaten premiums

Australian health funds have paid a record \$21.1 billion in benefits on behalf of their members in the 12 months to June 2019, according to the latest APRA statistics. This again confirms the fact private health insurance delivers value for money, particularly for those who commit to it for the long haul.

“This data confirms that the Government is on the right path by committing to private health insurance which is the major funder of essential planned surgery and inpatient mental health care in Australia,” said Private Healthcare Australia Chief Executive Dr Rachel David.

“Last week the Minister announced the second wave of reforms and the industry is committed to ensuring this wave is as successful as the last, which delivered the lowest premium increase in almost two decades.

“Rising healthcare costs are fueled by an ageing population, increased use of health services and the rising cost of medical technology. PHI premiums increase because these costs increase. Without further reforms to address rising healthcare costs, people will be forced into the public system. This will result in longer hospital waiting times, and a shortage of beds for the people who need them most.

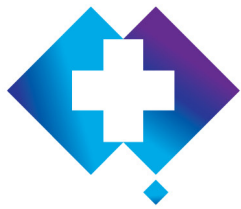
“The standout feature of the data is growth in claims cost for medical devices (prostheses) continues to be a major issue impacting affordability in the private health sector.

“In spite of the Federal Government taking steps to reduce some of the highly inflated costs of medical devices, it appears the device companies have responded by driving sales volumes to make up the difference. Growth this year has been 8.6%, which given hospital claims are stable at 0.3% needs an explanation. This is again threatening the sustainability of the sector and is not in the spirit of the agreed reforms.

“Inflated prices for established medical technologies must come down in line with the rest of the world if the private health sector in Australia is to continue its excellent track record in funding innovation. One of the most commonly used implants – cardiac stents, are five times the price in Australia as they are in New Zealand,” said Dr David.

Other significant APRA statistics in the year to June 2019, which demonstrate the impact of the Government’s PHI reforms include:

- Hospital admissions funded by PHI has increased by 0.3% (14,356 more admissions)
- General treatment (ancillary) services has increased by 1% (990,753 more services)
- Dental services funded by PHI has increased by 3.3% (1.36 million more services)
- Management expenses remained stable at 9% in spite of the health funds implementing the government reforms
- Profit (net) margin has decreased from 5.2% to 4.9%



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Dr David said there was only one way to bring down costs and that was by addressing waste in the system and regulated inflated prices.

“In addition to tackling the inflated pricing of medical devices, removing red tape to allow insurers to fund more care out of hospital will also reduce costs. In-hospital treatment doesn’t have to be the default method of care as some patients prefer to be treated at home if suitable, (for example post-operative rehabilitation and chemotherapy in the home,” she said.

“Also of concern is the increase in out-of-pocket medical costs for hospital episodes for the June 2019 quarter, up 1.9% compared with the 2018 quarter.

“We know that out of pocket costs are a major issue for consumers and that greater transparency on cost is needed. Heath funds are working with government and stakeholders to enable consumers to identify and select suitable providers at the time of referral. Doctors should list their fees and charge on the government’s website. Paying more, doesn’t mean you’ll get a better outcome.

“The private healthcare system is critical to a strong public system for those who need it. Research shows that people with PHI value it because it gives them choice of specialist for continuity of care, choice of hospital. Two thirds of planned surgery is performed in the private sector which reduces hospital wait times in the public sector for those who need it most. Maintaining the balance between our private and public systems is vital,” said Dr David.

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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