



Reduction in inflated medical device benefits drives lowest premium increase in 17 years

Australian health funds have demonstrated their commitment to improving the affordability and value of private health insurance for their members by delivering the lowest average premium increase in 17 years. This result has been made possible because of the Federal Government intervening to reduce grossly inflated medical device benefits on the Commonwealth Prostheses List, to be more consistent with real market value.

“For the past two years health funds have worked with the Federal Government and private health stakeholders to put downward pressure on premiums with positive results”, said PHA Chief Executive Dr Rachel David.

“The key driver of premium growth is increases in input costs such as the cost of medical devices, hospital accommodation, and provider fees charged by specialists and allied health providers. Private health insurers have limited control over these input costs, which limits their ability to constrain premium increases. The Health Minister’s action to reign in medical device costs has been essential in helping keep premiums affordable.

“The PHI reforms announced recently by the Government, in particular reducing inflated Prostheses List benefits, have had a positive impact on the cost of premiums and delivered real benefits for consumers.

“The process started 12 months ago when health funds pledged that all savings from PL reform would be passed on to consumers via premiums that would be lower than expected. Last year the average premium increase of 4.8% was the lowest in a decade. Health funds have again guaranteed that all savings from PHI reform would be passed back to consumers and once again have delivered on that commitment.

“This year’s average increase of 3.95% is necessary to ensure health funds remain financially viable, meet statutory prudential requirements and, most importantly, continue to provide members with access to quality health care, as the population ages and people use health services more frequently.”

Private health funds are forecast to inject an additional \$900 million into Australia’s health care system in 2017-18, bringing total expenditure on private health treatments to more than \$20.7 billion.

The private sector continues to play a key role in Australia’s health system, performing about two-thirds of non-emergency surgery in Australia. 60% of all surgical procedures carried out in Australia are performed in private hospitals each year, including:

- 1 86% of retinal procedures
- 2 82% of other shoulder procedures
- 3 72% of knee reconstructions
- 4 71% of sinus and complex middle ear procedures
- 5 70% of lens procedures
- 6 66% of glaucoma and complex cataract procedures
- 7 66% of prostatectomies
- 8 65% of knee replacements

(Source: AIHW 2017)



Press Release

The benefits paid out on behalf of their members by private health funds during 2016-17 totalled \$19.834 billion, which was an increase of 4.5% on the previous 12 months. During 2016-17 the benefits paid on behalf of members included:

- \$14.634 billion in hospital treatment – up 4.9 % on the previous year
 - \$2.091 billion in payments for medical devices – up 4.8% on the previous year
 - \$2.257 billion payments for medical specialists – up 4.2% on the previous year
- \$4.922 billion in general treatment – up 4.1% on the previous year
 - \$2.6 billion for dental treatment services – up 4.9% on previous year

“Health funds are consistently paying out the highest percentage of the premium back to customers of all insurance types – an average of 86c in the dollar (it has been above 85% for 15 years). This compares with 67c for property insurance and 64c for general insurance,” said Dr David.

“Profit margins have remained stable over the last decade running between 4.5 and 6%. This is a modest return when compared with other forms of insurance and significantly below the returns made by private hospital groups and medical specialist practices. Net investment income increased from \$290 million in 2015-16 to \$544 million in 2016-17 and health funds net margin (profit margin) has gone down -0.27% from 5.45% in 2015-16 to 5.18% in 2016-17.

“Health funds are not hiding a pot of gold, they are committed to keeping premiums affordable for members and recognise the importance of working with hospitals, specialist health professionals and medical suppliers to establish premiums at a level which ensures members’ care can be funded if and when it is needed.









“More than 13.5 million Australians hold PHI and over half of those 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.










“Over 80% of people believe that they get value for money from their private health insurance and cite peace of mind, choice of specialist for continuity of care, choice of hospital, and timing of medical treatment as the main reasons. Keeping health insurance affordable benefits all Australians by keeping the pressure off the public hospital system.”

Private Healthcare Australia is the peak representative body for Australia’s private health insurance industry. PHA represents 20 Australian health funds with a combined membership of 12.9 million Australians, or 96% 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. PHA’s CEO Dr Rachel David is available for interview.

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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 (%)
Chemotherapy		296,408 ↑ 22,755	59%
Renal dialysis		285,729 ↑ 18,601	18%
Colonoscopies		323,965 ↑ 7,925	72%
Lens and glaucoma procedures		138,242 ↑ 4,400	70%
Same day mental health treatment		108,169 ↑ 4,594	76%
Births (deliveries)		90,409 ↑ 1,471	25%
Invasive cardiac investigative procedures		52,327 ↑ 877	55%
Hernia		35,865 ↑ 593	53%

SELECTED HOSPITAL PROCEDURES		HOSPITAL TREATMENTS FUNDED BY PRIVATE HEALTH INSURANCE	OVERALL PROPORTION DONE IN PRIVATE HOSPITALS (%)
Other Shoulder procedures		25,371 ↑ 61	82%
Stroke		24,010 ↑ 13,497	21%
Cholecystectomy		21,911 ↑ 557	39%
Weight loss surgery		18,248 ↑ 1,519	92%
Prostatectomy		14,002 ↑ 416	66%
Knee reconstruction		11,204 ↑ 1,420	72%
Pacemaker implant or replacement		8,167 ↑ 308	52%
Heart bypass		4,499 ↑ 95	43%
Cochlear implant		808 ↑ 67	56%

Note: Increases in table above are based on 2015-16 figures (latest) compared to the previous year



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

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



75% of all treatments for sleep apnoea, a potentially serious sleep disorder in which breathing repeatedly stops and starts
(85% in private sector)

74% of all retinal procedures
(86% in private sector)



67% of all musculoskeletal injury, bone disease and post-surgery rehabilitation
(70% in private sector)

66% of all dental extractions and restorations
(81% in private sector)



66% of all same day treatment for alcohol disorders
(68% in private sector)

64% of all gastroscopies, an examination of the interior of the stomach
(73% in private sector)





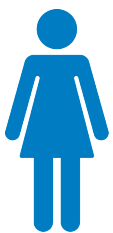
64% of all sinus and complex middle ear procedures
(71% in private sector)

61% of all ear grommets for treating middle ear infections
(69% in private sector)



60% of all knee replacements
(65% in private sector)

55% of all hip replacements
(55% in private sector)



55% of all gynaecological procedures (excluding births/deliveries)
(62% in private sector)

55% of all tonsils and/or adenoids removals
(62% in private sector)

