



# Press Release

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## **Remove wasteful costs and cut red tape to reduce premiums**

Private Healthcare Australia's CEO Dr Rachel David says prompt government action to reign in escalating medical device industry costs could reduce premiums for 13.6 million Australian with private health insurance. Despite the COVID-19 lockdown, the volume and cost of medical devices continued to grow in 2019-20.

"Health funds don't want to increase premiums by a single dollar but it is necessary to ensure they remain financially viable as health costs increase, and most importantly, continue to be in a position to provide members with access to quality and timely healthcare," she said.

"Many people do not realise the Federal Government, not health funds, determines what claims health insurers must pay, and therefore how much premiums need to rise. This is why the private sector needs to work with the government to address outdated regulations which are driving wasteful care and forcing premiums up.

"This year's postponed premium increase which comes into effect on 1 October is the lowest average increase in 19 years and is in proportion to health inflation, which has been unaffected by the COVID-19 pandemic.

"Recent APRA data has revealed that health funds have not profited from COVID-19. In fact, the impact of the pandemic has seen the net margin of Australia's health funds fall to a low of 2.8%. This compares with 4.9% in the twelve months to June 2019 and represents a 42% decline in profitability.

"Health funds have already returned over \$500 million to members through postponing the April 1 premium increase for six months, some funds cancelled the increase altogether or have decided to provide further targeted relief for members on Jobkeeper and Jobseeker. Others are providing members with cash backs and rolling over of services to the next calendar year.

"The COVID-19 restrictions did not mean the treatment for other illnesses stops. Health funds continued to cover many procedures during the six week shut-down, including emergency surgeries, pregnancies and in-hospital mental health treatment. Health funds also fast-tracked members' access to telehealth for physiotherapy, psychology and exercise physiology."

"Affordability is an issue right across the health system, but with estimated wait times in the public system likely to exceed 1.5 years for common elective procedures, the value of private health insurance has never been greater. The only way to contain rising premiums is to remove wasteful costs and inappropriate red tape from the system:

- Holding multinational medical device companies to account for charging Australians inflated prices for prostheses, and for promoting the overuse of prostheses. A common heart stent costs five times more in Australia than NZ.
- Removing red tape to allow funds to cover out-of-hospital care on a broad scale. We saw how successful this was during the pandemic when people could be treated in their own home.

"Many Australians are suffering financially. Health funds are committed to looking after their members so if you are under financial stress as a result of COVID-19, contact your health fund to discuss your options." Dr David said.

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