



Restoring the means-tested PHI rebate to 30% will ensure the sustainability of Australia's mixed healthcare system

Private Healthcare Australia's CEO, Dr Rachel David, said APRA's September quarter data confirmed that the restoration of the private health insurance (PHI) rebate to 30% is necessary to protect the future of Australia's world class health system.

Dr David said restoring the means-tested rebate to 30% - it has been eroded to less than 25% for low- and middle-income earners - is the cheapest, most effective way the Government can provide surgery and other hospital treatments to Australians.

APRA data released today shows the claims ratio for private health insurance has climbed again to 89 cents in the dollar paid back to members. There is a risk however the benefits being paid by health funds on behalf of their members will overtake premium income at the current trajectory, which as the cost of health care increases, will drive up premiums. The only alternative is to aggressively drive structural reform that will drive down wasteful costs.

The APRA data shows that more Australians are recognising the value of PHI. 13.74 million Australians now rely on private health insurance and about 93% (ATO) benefit from the PHI rebate.

"Almost half of the 13.74 million Australians with PHI have disposable incomes under \$50,000. Restoring the rebate to 30% for low- and middle-income Australians will make premiums more affordable for people who are paying for the cost of their own healthcare, as well as reducing pressure on our public hospitals," said Dr David.

"The importance of our mixed private and public health system has been clearly demonstrated during the COVID-19 pandemic. It showed our capability to provide extra surge capacity while maintaining high quality and delivering a critical safety net for Australian governments as they navigated the response.

"However, as a result of the pandemic and the needs of a large baby boom population coinciding, public wait times for essential non-emergency surgery are blowing out around Australia, with estimates that elective surgery wait times could exceed 1.5 years for common elective procedures and some media reports suggesting a staggering '10 year wait' for some common procedures in the public sector. This is driving new membership.

"Demand for inpatient mental health services, which is a major part of the PHI value proposition for young people, is also rapidly increasing. Australia will be facing a tsunami of demand for mental health beds if calls to mental health hotlines and increased ED attendances for mental health issues translate into hospital admissions, as anticipated.

"Without restoring the rebate, Australian governments will need to spend billions more of taxpayers' money to clear the backlog of elective surgery and provide essential medical care in public hospitals, because they will be paying the full cost of treatment," Dr David said.

The October Budget removed \$710 million out of the forward estimates for private health insurance while increasing spending on public hospitals, medical benefits and pharmaceutical benefits. \$710 million could fund 60,000 additional procedures without a wait time or deliver a one-off premium reduction of 3%.



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APRA data throughout 2020 has consistently shown there is no 'windfall gain' for Australian health funds as a result of COVID-19 restrictions. Health funds responded quickly and effectively to support their members during the COVID-19 pandemic and have either returned any savings to consumers already or are using them to fund the backlog of elective surgery. Given the elective surgery shutdown, the private health sector has done an outstanding job to keep surgeries over the year to September at 93% of the rate of the previous twelve months.

Organisations like the Australia Institute which predicted huge windfall profits for health funds as a result of the pandemic have been proven seriously wrong. Health fund Industry profits have halved in just one year, and at a net margin of 2.14% are the lowest in 16 years. No industry is immune from the headwinds of the COVID-19 pandemic.

"There are many calls on the public purse, but helping struggling individuals and families who are prepared to pay something towards their own health care is not only good for those families but good public policy that will ensure our health system remains world class and sustainable – both public and private," said Dr David.

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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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