



## Press Release

19 December 2017

### **Senate Committee Report confirms Federal Government is on the right track with private health reform**

Private Healthcare Australia's CEO Dr Rachel David says the recommendations of the *Senate Committee Report into the value and affordability of private health insurance and out-of-pocket-costs*, are consistent with the reforms already being implemented under the Federal Government's private health insurance (PHI) reform agenda.

"It is encouraging to see that decision makers across the political spectrum have a genuine understanding of the importance of PHI in the Australian healthcare system and acknowledge that rising input costs, over which health funds have limited control, are the key drivers affecting affordability of premiums and out-of-pocket medical costs," said Dr David.

"Health funds also welcome the recommendations seeking greater transparency across the private health sector of both the drivers of consumer out-of-pocket costs, and input costs driving up health fund premiums".

"PHA member funds have already informed the Senate they support calls for greater transparency on executive remuneration and benefits across the private health supply chain."

"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."

"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. 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."

"Premium affordability is the main reason deterring people from PHI and premium increases the main driver behind dropouts and downgrades. Health funds take the responsibility of keeping premiums affordable very seriously. Our research shows there is concern among Australians about the issue of health system sustainability and costs, driven by the fact that the inflation of health input costs has risen at a rate much higher than CPI and household wages."

"While the transparency measures outlined in the Senate recommendations are welcomed in principle, it is critical implementation does not introduce additional red tape which in itself will increase health fund input costs and put upward pressure on premiums".



## Press Release

“A detailed legislative and regulatory framework, overseen by at least five regulators, governs private health insurance. There is simply no need to introduce any more.”

“The introduction of a simpler product classification to ‘Gold/Silver/Bronze/Basic’ will reduce complexity and simplify consumer choice. It is vital that consumers know what they are buying, what they are not buying, and that their policy of choice is not only affordable, but meets their health and life-stage needs. There has always been a ‘basic table’ health fund product range, which is both affordable, and permits patients living in regional areas and with special health needs requiring treatment in a public hospital, to access their choice of doctor and continuity of care. We strongly recommend this tier be retained to avoid unfairly penalising these consumers.”

“Under Australian law health funds are unable to control what doctors charge, and furthermore, are restricted from covering out-of-pocket costs for services provided out-of-hospital where a Medicare benefit is also payable. Unexpected medical costs can cause serious pain to consumers who are already dealing with the burden of illness. Of the services provided in hospital, only 12-15% attract a gap, but these gaps are growing at 4% per annum, which is above CPI.”

“Health funds recognise the urgent need for consumers and their GPs to have easy access to information enabling them to compare medical specialist skills and costs, including the costs of anaesthetists and assistant surgeons. The health sector is lagging behind other sectors in the economy as a result of its inability to achieve this level of transparency for consumers, and health funds are investing in new ways to make this easier.”

“Government support is needed however to ensure a number of regulatory barriers to achieving an appropriate level of consumer information are addressed. There is also the need for health system regulators to consider sanctions against providers who repeatedly fail to give consumers informed financial consent in advance of medical treatment, who have charged excessive or inappropriate fees.”

“Health fund members have also expressed concern about out-of-pocket costs in Extras cover and funds have responded. Vertical integration into dental care by health funds and preferential rebates for contracted dentists has been driven entirely by consumer demand for access to high quality and affordable dental care. Many consumers fail to access preventive dental care because of uncertainty about wildly variable out-of-pocket costs, and end up presenting with serious dental problems as a result. Differential rebates are used across all specialist health providers to ensure those who enter into contracts with health funds to cover the gap are appropriately remunerated.”

“Health funds strongly support the continuation of differential rebates, as undermining this approach risks dramatically increasing consumer out-of-pocket costs for essential services like dental care.”

“PHI is an integral part of Australia’s mixed public-private health system.”



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“Consumer research shows that more than 80% of members 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.”

“Private Healthcare Australia remains fully committed to working with stakeholders and the Parliament to improve affordability, participation and value in the private health sector. PHA welcomes this Senate Committee report and hopes it will have a long term positive impact on Australia’s healthcare system. Keeping private health insurance sustainable and premiums affordable ultimately benefits all Australians by keeping pressure off the public hospital system, particularly in elective surgery and mental health,” said Dr David.

*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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