

Media Release

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Private Healthcare Australia
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Stop the waste: medical device claims increase out of proportion to all other health services

Australian health funds are calling on the Federal Government to fast-track reforms to take pressure off premiums, as more Australians recognise the value of private health insurance in the current pandemic environment.

The latest APRA data shows in the 12 months to June 2021 growth in membership in both hospital and general treatment policies has stabilised.

Medical device claims are however continuing to grow out of proportion to the number and type of procedures performed. Without the changes to the current medical device pricing regime foreshadowed in the 2021 Federal Budget, people will give up their private health insurance as premiums rise, putting extra pressure on our public hospital system at the worst possible time.

In the year to June 2021, there has been an increase of 2.2 per cent in the number of Australians with hospital cover (up 245K to 11.44 million) while general treatment coverage increased by 2.6 per cent (up 352K to 13.95 million). Almost 14 million Australians now have some form of private health insurance.

Private Healthcare Australia CEO Dr Rachel David said members were also using their PHI at pre-COVID-19 levels. Health funds paid \$22 billion in benefits on behalf of their members in the year to June 2021.

“After a hit to profits in 2019-20, including support for people economically affected by COVID and delaying premium increases, profits in 2020-21 returned to similar levels as the two years prior to the pandemic (2017-18 and 2018-19). Health funds will need to take a prudent approach to ongoing financial management in the current environment as there will be further fluctuations in claims as a result of the postponement of surgery and other treatments as a consequence of the current Delta outbreak.

“There are multiple factors that will put upward pressure on premiums as Australia moves out of the pandemic. These include increased demand for inpatient mental health services, increased demand for elective surgery due to a blowout in public wait times, and people presenting to health services with more advanced disease as a consequence of lockdowns preventing access to routine health checks and making a healthy lifestyle more challenging.

“There is little doubt claims for mental health treatment will continue to rise over the next 12 months. Increasing demand for mental health treatment during the pandemic is highlighted in the PHA’s recent High Claims Report (claims exceeding \$10,000) with an increase of 4.8% in high claims for mental health treatment for members under 30 years of age. One in five hospital claims for PHI members under 30 was for the care of patients with psychiatric, mental, addiction or behavioural disorders.

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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“While membership levels are increasing, so too is the cost of health care which impacts premiums. In the current pandemic it is critical healthcare stakeholders do everything possible to keep private health insurance affordable and available to as many Australians as possible.

“It is not acceptable to see another quarter of medical device claims rising at a greater rate than all other health services when the Australian health system is under increasing pressure due to the COVID-19.”

Dr David said the benefits growth in medical device (prostheses) claims at 12.3 percent had again outstripped claims for medical services at 6.9 percent and hospital treatment benefits at 9.8 percent in the June 2021 quarter. In the year to June 2021 compared to the year to June 2019 (pre-pandemic), benefits expenditure for medical devices increased by 7.4% compared to 3.8% for medical services.

“The Morrison Government announced Budget measures to fast-track changes to medical device pricing, one of the largest drivers of premium increases. Currently, the price of medical devices in Australia is around 30% higher than in countries such as New Zealand, France and the UK. Approximately \$5.5 million is spent on medical devices in Australia every day. Around \$2 million every day is shipped offshore in supernormal profits for Big MedTech companies.

“The latest APRA data confirms that taking urgent action to reform the way medical devices are priced is the key to delivering savings to Australian consumers and protecting the future of our mixed healthcare system. Without a strong private healthcare system, our public hospitals will be overwhelmed and could not provide the same level of care to those who need it most. We must prioritise medical device pricing reform so health funds can begin to offer premium relief to Australian families as soon as possible,” said Dr David.

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