

# Media Release

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Private Healthcare Australia  
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## Health Funds are committed to easing cost of living pressures on Australian families

Australian health funds are committed to easing cost of living pressures on families and have delivered the lowest increase in 21 years. The average premium increase of 2.7% will officially come into effect on 1 April 2022, although some funds have frozen premiums for a further period due to the impacts of COVID-19.

Private Healthcare Australia CEO Dr Rachel David said, “in an ideal world health funds would not increase premiums by a single dollar. This year, funds have proposed the lowest possible rise necessary to ensure they remain financially viable and can continue to provide members with access to quality and timely healthcare, which is critical as we move out of the pandemic.”

Dr David said private health insurance premiums were increasing at half the rate of public hospital funding at 6.5% and about a quarter of the rate of Commonwealth spending on the Medicare Benefits Schedule (MBS) at 11.3%.

“It’s been another challenging year for consumers, the health sector and the Government. Despite the COVID-19 restrictions, for the 12 months to September 2021, health funds paid \$21.8 billion in benefits on behalf of members. Claims for elective surgery have been extremely volatile, with large spikes in claims for procedural medical care following the lockdowns in NSW and Victoria.

“The cost of health care will continue to rise putting upward pressure on premiums. There are multiple factors that contribute to this, including increased demand for inpatient mental health services, increased demand for elective surgery due to a blowout in public wait times, and the underlying demographic challenge created by the ageing ‘baby boomer’ population.

“The largest factor increasing premiums for Australian families however is the inflated price of medical devices. A government committee sets the price health funds must pay for more than 11,000 medical devices on the Prostheses List, which means the cost of medical devices in Australia are around 30% higher than in countries such as New Zealand, the United Kingdom, France and South Africa. In some cases, Australians with private health insurance are paying up to five times more for the same generic medical device.

“According to the latest APRA data, benefits claimed for generic medical devices are rising faster than any other hospital costs, rising at 2.5 times inflation, and out of proportion to the number of procedures performed, including during COVID-19 lockdowns. As these costs keep rising, they impact premiums.

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The Federal Government has committed to reform of medical device pricing as promised in the last Federal Budget. This is critical to keeping premiums affordable in future and avoid the risk of Australians dropping their private health insurance. A further decline in private health insurance participation would place further pressure on our already struggling public hospitals as they deal with COVID-19 outbreaks now and into the future.

“While PHA and its member health funds have campaigned tirelessly for reform of the Commonwealth Prostheses List, some vested interests like the big medical device companies have done everything in their power to slow down and hinder reform. Health funds are acutely aware that affordability remains a key issue for members and will continue to campaign to bring down these inflated costs and reduce waste, which will, in turn, reduce pressure on premiums.

“The value of our mixed private and public health system was clearly demonstrated during the COVID-19 pandemic. With increasing pressure on the public health sector and blowouts in wait lists for surgery around Australia, private health insurance has become more sought after than ever before, and more than 14 million Australians now have some form of private health insurance.

“From the beginning of the COVID-19 pandemic, all health funds provided financial and social support to members. Initiatives included suspending premiums for six months in 2020, offering financial relief to members impacted by COVID, extending mental health support, funding telehealth and giving cash back to members. Health funds are continuing to return savings accumulated as a consequence of pandemic lockdowns to members.”

- ENDS -

*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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