



Press Release

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Health Funds deliver record benefits to members

Today's APRA Quarterly Report confirms that health funds are delivering value for their members and returning the highest percentage of the premium back to members of all insurance types.

"Health fund profit margins were 5.16% in the 12 months to December 2017 and health fund profits have remained stable over the last decade running between 4.5 and 6%, significantly below the returns made by private hospital groups and medical specialist practices," said Private Healthcare Australia CEO, Dr Rachel David.

"This report by PHI industry regulator APRA should leave no doubt that there is no pot of gold hidden in health funds, and put an end to misleading statements that "some of the biggest health insurance providers pocket a return of over 20 per cent". (*Opposition Leader Bill Shorten, NPC, 30 Jan 2018*)

"PHA member funds operate using a variety of business models including not-for profit, private for-profit, publicly listed for-profit and combinations of the above. Regardless of the business model, health funds must be run successfully, manage risk appropriately, and abide by regulatory guidance on prudential standards. Net profit margins calculated by the industry regulator APRA confirm that margins have remained stable below 6% in recent years.

"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.

"Health funds are committed to keeping private health insurance premiums affordable for members. There is only one reason premiums increase and that is because health funds are paying for more healthcare. The key driver of premium growth is increases in input costs such as the cost of medical devices, hospital accommodation, and provider fees charged by medical specialists and allied health providers.

"Public hospitals have just been guaranteed a 6.5% funding increase through the COAG process while in contrast this year's average increase for PHI is 3.95%. This is necessary to ensure health funds remain financially viable, meet statutory prudential requirements and, most importantly, continue to provide members with access to quality health care, as the population ages and people use health services more frequently."

Health funds paid a record \$20 billion in benefits on behalf of their members in the 12 months to December 2017 which was an increase of 4.15% on the previous 12 months. This included:

- \$14.86 billion in hospital treatment – up 4.0 % on the previous year
- \$2.092 billion in payments for medical devices – up 1.9% on the previous year
- \$2.297 billion payments for medical specialists – up 4.0% on the previous year
- \$5.039 billion in general treatment – up 4.5% on the previous year
- \$2.659 billion for dental treatment services – up 4.7% on previous year



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Dr David said health fund benefits paid out for dental care has been increasing every year and despite consistent demands for more money from the Australian Dental Association there is no evidence of a downward trend in dental benefits.

“In fact, the proportion of total expenditure on dental services by health funds has increased from 14.0% in 2009-10 to 18.1% in 2015-16. According to APRA health funds are paying \$1 billion more in benefits for dental care than they were in 2010 (\$2.66 billion in 2017 up from \$1.6 billion in 2010).

“In contrast, the proportion of total expenditure on dental services by the Australian Government has decreased from 16.3% in 2009-10 to 15.9% in 2015-16. The proportion of total expenditure on dental services by State and Local Governments have decreased from 8.2% in 2009-10 to 7.7% in 2015-16; and, the proportion of total expenditure on dental services by Individuals has decreased from 61.1% in 2009-10 to 58.0% in 2015-16.”

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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