



Press Release

3 November 2020

Health funds increase claims paid to members, despite the financial impact of COVID-19

Australian health funds' average claims ratio (the benefits paid on behalf of members) increased to 88% in the year to June 2020 from 86% in FY 2019. For every premium dollar, health funds have on average returned 88 cents to consumers in the form of healthcare benefits payments or claims reimbursements, according to APRA's *Operations of private health insurers annual report 2019-20*.

CEO of Private Healthcare Australia, Dr Rachel David, said the increase in the average claims ratio demonstrated the commitment of health funds to their members. The APRA annual report also confirmed that the private health insurance industry has not been immune to the impact of the COVID-19 pandemic.

In the twelve months to June 2020, the net margin of Australian health funds fell to a low of 2.7%, a decline of 44% compared with 4.9% in the year to June 2019. While premium revenue was up 1.4% for the year to June 2020, benefits (claims) paid by health funds on behalf of members increased by 3.8%; from \$20.9 billion to \$21.7 billion* (includes \$1.4b deferred claims liability) for the year ending June 2020. Net investment income decreased by 68%, from \$465 million in the year ending June 2019 to \$150 million in the year ending June 2020.

"Australian health funds were quick to respond to the needs of members during the COVID-19 pandemic. Funds have already returned over \$500 million to members, including more than \$150 million in hardship provisions for members; through postponing the April 1 premium increase for six months, some funds cancelled the increase altogether or have decided to provide further targeted relief for members on Jobkeeper and Jobseeker. Others are providing members with cash backs and rolling over of services to the next calendar year.

"APRA's annual data shows the impact COVID-19 has had on savings were modest and, in fact, health funds have either returned any savings to consumers already or are using them to fund the backlog of elective surgery. Surgeries were postponed, not cancelled and APRA made it clear that health funds must retain enough capital to fund the backlog of elective surgeries, a program which is now well underway in all States and Territories, Dr David said.

The latest data from Private Healthcare Australia confirms Australians are using their private health insurance for general treatment/ancillary health services at pre COVID-19 levels:

- For the year to date, dental rebates are at 88% compared to 2019.
- Optical services have also rebounded strongly despite the Victorian lockdown. For the year to date, optical rebates are at 89% compared to 2019.
- Physiotherapy services have also been curtailed in Victoria, however for the year to date, physiotherapy rebates are at 91% compared to 2019.

"Never before has the balance of our private/public healthcare system been so crucial. 13.6 million Australians choose to have private health insurance for the choice and peace of mind it provides. This is especially true now as public hospital wait lists blow out to over 1.5 years for common elective procedures." Dr David said.

Many Australians are suffering financially as a result of COVID-19 and members should contact their health fund if they are under financial stress to discuss their options.

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