



Press Release

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Medical devices companies continue to drive up premiums for consumers

Private Healthcare Australia Chief Executive Dr Rachel David said medical device companies are driving up the volume of sales of their products to offset Government measures to reduce inflated prices and bring premiums down.

“The Australian Prudential Regulation Authority (APRA) revealed an 8.6 per cent growth in the claims cost for medical devices over the last year, while hospital claims were stable at 0.3 per cent. The growth rate in devices sales volumes continues to skyrocket out of proportion with hospital admissions,” she said.

“The Medical Technology Association of Australia (MTAA) signed an agreement with the Australian Government to lower the cost of items on the Prostheses List. The savings promised as a result of the MTAA agreement have not eventuated. Consumers were promised savings from medical devices of at least \$250m over the last 12 months to put downward pressure on premiums. However, as the MTAA stated in its own media release, savings have totaled a mere \$13m.

“While we have seen a unit price level reduction for those items, there is an accompanying massive increase in the growth of the volume of devices used for a similar number of patients. It comes as no surprise that marketing divisions of the medical device companies are using their sales force to drive more volume per patient, to make up financial ground.

“This is again threatening the sustainability of the sector and is not in the spirit of the agreed reforms. Health funds gave a rock-solid commitment to return all savings from medical device reform to consumers and this year delivered the lowest premium increase in almost two decades, 3.25%. At the same time Government funding to the public hospital sector is increasing by more than 6% per year.

“Today the MTAA, representing the multinational medical device sector, released a report into private health insurance as a distraction from the deeply embarrassing data on rising medical device sales released by APRA earlier this week.

“Health funds paid a record \$21.1b on behalf of members in the 12 months to June 2019. What have the multinational medical device companies delivered, other than a spike in sales with no demonstrable benefit for patients?

“Health fund premiums increase for one reason only – because health funds are paying for more healthcare, including medical devices. Benefits paid to members have risen directly in proportion to premiums with a claims ratio of 86c in the dollar paid back to members. This is much greater than all other forms of insurance, with general insurance coming in second at 67c. APRA has consistently stated health fund profits are not a driver of premium increases.



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“The average net margin for health funds has reduced from 5.2% to 4.9% over the last 12 months. Management expenses have remained stable at 9% as has net profit after tax remaining stable at \$1.38 billion for the year ended June 2019 when compared with the previous 12 months. This compares extremely favourably with general insurance which has management expenses of 25%. This is even more remarkable given health funds have had to absorb the significant cost of implementing the government’s PHI reform program.

The Morrison Government’s PHI reforms, the most significant in over a decade, are already delivering for consumers. Some of the main success stories include:

- 4,850 people have upgraded their existing insurance policies due to our reforms to waive the waiting period to access in-hospital mental health services and claimed \$56.8 million in benefits
- over 360,000 people have received an age-based discount to their policy of up to 10%

“Health funds have delivered for consumers but without the same commitment from medical device companies, Australia’s private health sector will struggle to realise the benefits of the Government’s PHI reforms,” said Dr David.

Private Healthcare Australia is the peak representative body for Australia’s private health insurance industry. PHA represents 24 Australian health funds with a combined membership of over 13 million Australians, or 97% 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.

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