



# The facts about private health insurance.



Putting members'  
health before profit

August 2020

**FACT:**

**The rebate on private health insurance reduces pressure on public health spending.**

Private healthcare is funded through a combination of private health insurance benefits, the personal contributions of patients and the Government rebate on private health insurance.

The Government rebate goes to the policyholder and directly impacts the price they pay for private health insurance.

Healthcare expenditure, estimated at \$185.4 billion in 2017-18<sup>1</sup> represents around 10% of Commonwealth expenditure<sup>2</sup>. In 2018-19, private health insurers paid over \$21 billion in benefits for hospital treatment and extras<sup>3</sup>.

This is \$21 billion that would otherwise be picked up by the Commonwealth and States.

In real terms, health expenditure in Australia has grown from \$4,593 per person in 2002-03 to \$7,485 in 2017-18<sup>4</sup>.

New medical technologies, an aging population and longer life expectancies means that health expenditure will continue to grow.

The private system reduces pressure on public hospitals and public finances by helping those that can afford it to take personal responsibility for their health, freeing up places in the public system for those that need it most.



## The Facts:

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- Australian governments pay around 91% of the cost of treatment in the public system<sup>5</sup>. Australian governments also pay around 36% of the cost of treatment in the private system (inclusive of the Government rebate on private health insurance)<sup>6</sup>.
- Health insurers paid over \$21 billion in benefits in 2018-19.
- 44% of Australians hold hospital treatment insurance and around 53% of the population hold extras insurance for things like dental, physio, optical and ambulance services<sup>7</sup>.
- Private hospitals account for around 50% of Australia's hospitals and provide around 34,000 hospital beds and chairs nationally<sup>8</sup>.
- In 2018-19, around 40% of all hospital procedures occurred in private hospitals. More than 66% of all elective surgery procedures were conducted in private hospitals<sup>9</sup>.



**FACT:**

**The private health system  
delivers value.**

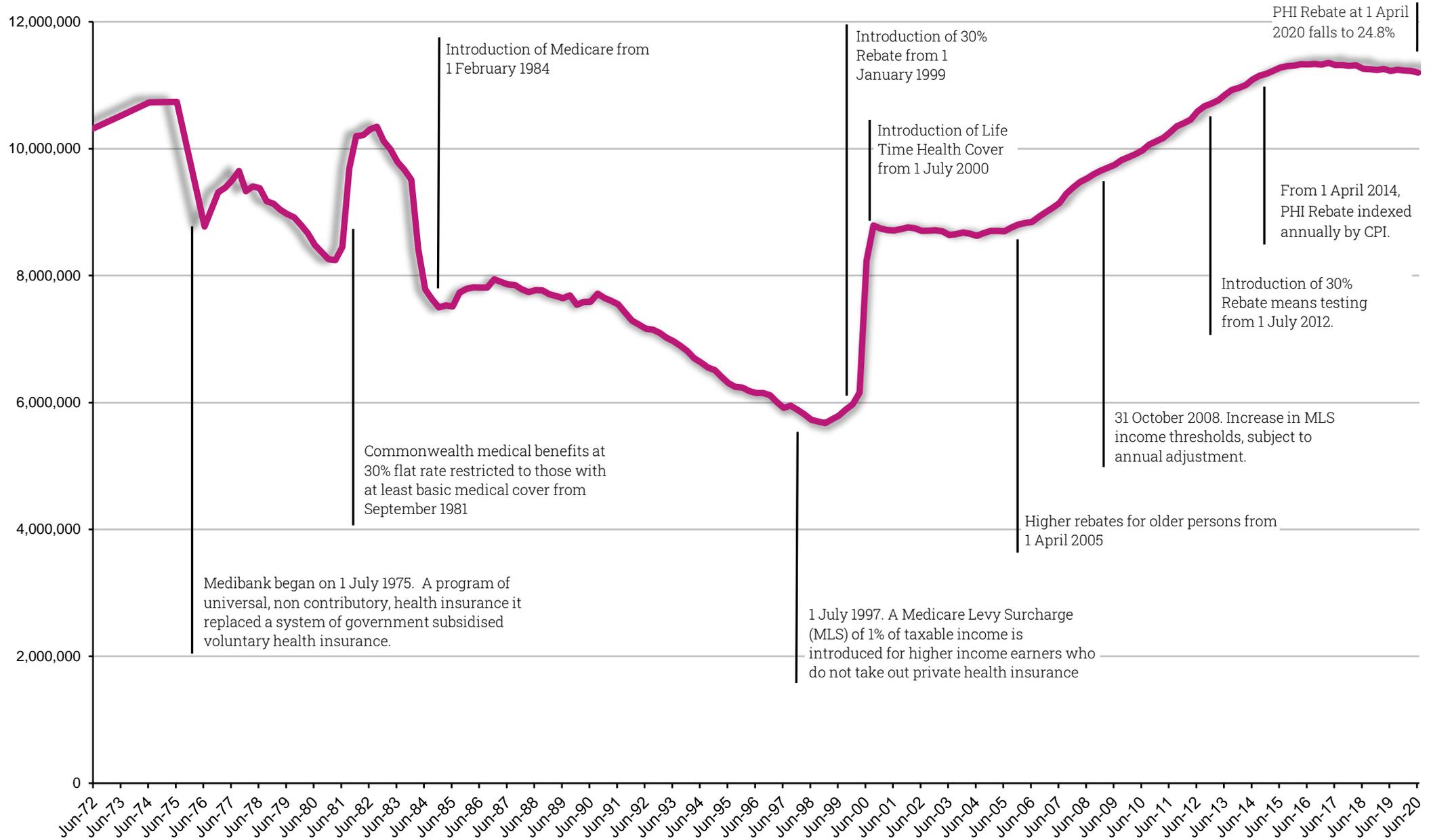
In 1999, private health insurance coverage was at an historical low of 30.5% and total benefits paid were \$13.8 billion less than they are today, in real terms<sup>10</sup>.

## **The Facts:**

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- The Medicare Levy Surcharge, the government rebate and the Lifetime Health Cover loading policies have been extremely successful, increasing private health insurance coverage and reducing pressure on public hospitals and public finances.
- The Government rebate on private health insurance provides value for money. Through the rebate on private health insurance, Australian governments pay around 30% of the cost of treatment in the private system, whereas governments pay more than 90% of the cost of treatment in the public system.
- Excluding private health from the GST has allowed it to remain competitive with the public health system. Applying taxes to private health would place it at a competitive disadvantage to the public system and shift cost pressures back to government finances.

# Hospital Treatment Coverage by insured persons<sup>11</sup>





**FACT:**

**Private health insurance  
is for all Australians**

Affordability and accessibility are cornerstones of private health insurance in Australia, an important product for over 13.6 million Australians nation-wide<sup>12</sup>.

**The Facts:**

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- Private health insurance in Australia has been 'community-rated' since 1953, meaning consumers pay the same premium for a product, regardless of their age, gender or health condition.
- Private health insurance provides peace of mind to Australian families who know that they can have greater control over where and when they are treated. Private health insurance provides Australians the choice of their own doctor in hospital, it allows them to avoid public hospital waiting lists and in doing so, takes strain off of the public system.
- Private health insurance not only helps in hospital, but with numerous extras products on offer, insurance can be provided for many services not covered by Medicare, including ambulance services and dental, optical, chiropractic and physiotherapy treatments.



**FACT:**

**Private health insurance products are valued by consumers**

Independent surveying of participating Members Health Fund Alliance members has consistently demonstrated that on average around 94% of customers are satisfied with their health fund<sup>13</sup>.

**The Facts:**

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- Insurers on average pay around 86% of premium revenue back to members in benefits<sup>14</sup>.
- In the 12 months to June 2020, \$39.5 million was spent on Chronic Disease Management Program benefits nation-wide<sup>15</sup>.
- In the June 2020 quarter, more than 90% of all in-hospital medical services were undertaken with no gap charged to the patient<sup>16</sup>.
- In the June 2020 quarter, the average gap paid by patients for in-hospital medical services was \$187.96, where an out-of-pocket payment was payable<sup>17</sup>.

## **FACT:**

# **The private health insurance market is competitive and efficient**

A competitive market provides choice, driving improved customer service, efficiency, lower prices and innovation.

## **The Facts:**

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- Private health insurers can be for-profit or not-for-profit and open or restricted.
- The private health insurance market has full portability, meaning consumers can freely switch between funds without having to re-serve waiting periods on hospital treatments.
- In 2018-19, the industry paid 86% of premium revenue back to members in benefits.
- In 2018-19, the industry management expense ratio (administration costs) was just 9% of total revenue<sup>18</sup>.
- Premium rises are calculated each year under intense actuarial and regulatory scrutiny. They are raised in order to ensure health insurers remain solvent. Healthcare costs rise as medical technologies improve and as utilisation by the growing and ageing population inevitably increases.



1. Australian Institute of Health and Welfare, Health Expenditure Australia, 2017-18
2. Ibid
3. Australian Prudential Regulation Authority (APRA), The Operations of Private Health Insurers Annual Report, 2018-2019
4. Australian Institute of Health and Welfare, Health Expenditure Australia, 2017-18
5. Australian Institute of Health and Welfare, Australia's Hospitals, 2018-19
6. Ibid
7. APRA Private Health Insurance Quarterly Statistics, June 2020
8. Australian Bureau of Statistics – Private Hospitals, Australia, 2016-17
9. Australian Institute of Health and Welfare, Admitted patient care, 2018-19
10. APRA Operations of Private Health Insurers Annual Report 1998-1999 and 2018-19
11. Derived from APRA Statistical Trends in Membership and Benefits Data Tables, June 2020.
12. APRA Private Health Insurance Quarterly Statistics, June 2020.
13. Discovery Research member satisfaction survey, 2020
14. APRA Operations of Private Health Insurers Annual Report data, 2018-19
15. APRA Private Health Insurance Quarterly Statistics, June 2020
16. Ibid
17. Ibid
18. APRA Operations of Private Health Insurers Annual Report data, 2018-19



# Members Health FUND ALLIANCE



All funds within the Members Health Fund Alliance share one or more of the following traits, being: not-for-profit or part of a member owned group. They exist to serve their members, not to make profits for shareholders and overseas investors. This helps explain why we are leaders, especially when it comes to customer satisfaction, policyholder growth, value for money and member retention. Together, we cover more than 3.7 million Australian lives and average growth of around two times the industry average.

 **Satisfaction**

Our participating health funds consistently record an average of 94% or better customer satisfaction score.

 **Growth**

As a group, Members Health funds are growing up to two times as fast as the industry average.

 **Benefits**

On average, our health funds return almost 90% of all premiums back to policyholders as benefits. The big for-profit insurers only return on average around 84%.

 **Retention**

Customer retention rates among Member Health funds are much higher than the industry average.

\* Note: Territory Health Fund and Emergency Services Health are Associate Members.

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