

Health funds not meeting expectations

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Quarterly private health insurance data from the Australian Prudential Regulation Authority (APRA) reveal that health funds have increased profits while benefits paid to members have dipped and out-of-pocket costs have grown significantly in the past 12 months.

The Consumers Health Forum has today released the results of its Australia's Health Panel [survey into health insurance](#) which shows that a majority surveyed - even of those with insurance - did not believe that private health insurance was value for money.

This comes as the latest APRA data show that many health funds have experienced a 5.4% lift in profits to \$26 billion but have paid out 0.8% less in benefits to members in the 12 months to September.

The Australia's Health Panel survey indicates that many are unsatisfied with the actions of insurers regarding the COVID-19 pandemic. Many were unaware of the promises to 'give back' as a result of savings health funds accrued during the surgery hiatus.

The survey found that 64% of panellists (64%) reported that their health fund had not offered nor paid any reimbursement. Those that did receive a reimbursement found it inadequate.

The CEO of the Consumers Health Forum, Leanne Wells, said that Australia's Health Panel survey results and now the APRA figures provided yet more reason for a thorough Productivity Commission inquiry into private health insurance. The survey found that 77% of respondents supported an inquiry into private health insurance.

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“Health insurance funds were established over many years in Australia with the prime aim of protecting their members against the costs of medical care. That was a key reason they originally earned government subsidisation.

“Now, however, the for-profit funds are legally obligated to operate with the prime aim of protecting their shareholders’ interests.

“When the survey panellists were asked if they believed that health insurance was affordable, only 18% of panellists believed it was, with an additional 37% reporting that it was maybe affordable. Similarly, only a small minority (14%) believed that they were getting value for money from their PHI and a majority (51%) believed it was definitely not value for money.

“40% of panellists said subsidies currently totalling at least \$6 billion a year should not be payable to for profit health funds.

“Fundamental and systematic restructuring of the funding and costs of the private health insurance system is required, in particular for those with reduced access including rural Australians or increased need such as elderly Australians.

A surprise outcome of the survey was that the Lifetime Health Cover (LHC) loading was found to be a *disincentive* to joining rather than an *incentive*. Given the factors affecting young people in particular, such as the housing crisis, it would appear that the age limit of 31 is set too low and should be raised. People are unable to afford to get PHI when they turn 31 and the LHC then keeps them out of the system.

“These sorts of anomalies in the current system should convince the Government that an independent Productivity Commission review is urgently needed and should be conducted before any further big changes to the system,” Ms Wells said.

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