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MEDIA RELEASE

HEALTH FUND PREMIUMS

For the second year in a row the average annual increase in contribution rates for private health insurance policies has fallen, according to figures released today by the Private Health Insurance Administration Council (PHIAC).

The average rise this year will be 4.52 % compared with 5.68 % last year. The actual increase will vary from fund to fund, product to product and between states. The new rates will apply from April or May 2007 depending on the fund and the policy.

Private Health Insurance Administration Council (PHIAC) Chief Executive Officer Gayle Ginnane said the lower increase reflected the continuing positive economic environment which had provided strong investment returns and continuing steady growth in membership during the past 12 months.

18 of the 37 health funds had a rate increase at or below the Consumer Price Index while 31 of 37 were below the Health Group of the CPI.

Mrs. Ginnane said that there were considerable challenges with continuing growth in health costs caused by an ageing population and increased costs such as technology and pharmaceuticals.

“Funds must find a balance between ensuring ongoing financial viability and the interests of their contributors,” she said.

“All funds applied for rate adjustments and the applications were supported, where appropriate, by actuarial advice.

“The applications were closely scrutinised by PHIAC and the Department of Health and Ageing to ensure each was justifiable.”

During this process, there were adjustments made to the rate increase applications by a small number of funds. PHIAC also sought the advice of the Australian Government Actuary in relation to some funds.

Mrs. Ginnane commented that it was in contributors’ interest to shop around for the right products and services to suit their needs. This ensures they get the most appropriate product as well as enhancing competition between funds.

“Contributors have very specific legislated portability rights,” she said.

“They can change private health funds and do not have to serve a second waiting period provided they transfer to a comparable product at another fund – doing your homework is the key.”

Membership in private health funds has increased so that at December 2006, hospital coverage was 8.999 million (43.4% of the population) and ancillary coverage was 8.874million (42.8%). Over the last year 2005-06, total benefits paid increased by 6.2%. Private health insurance paid \$6.35 billion in hospital benefits, an increase of 8.2% over the previous year, and almost \$2.415 billion in ancillary benefits and ambulance and state levies, an increase of 1.6% over the previous year.

While medical gap cover provided a significant benefit to members, it remained a significant cost driver for health funds. The cost of benefits paid for services in excess of the Medical Benefits Schedule Fee increased by 11.9% over the previous year.

Management expenses had declined from 11% of contributions in 2004-05 to 9.4% of contributions in 2005-06.

“Over the past few years, PHIAC has been encouraging funds to reduce their management costs and we are starting to see some good results,” said Mrs. Ginnane.

Health fund costs also varied nationally which was reflected in different price policies between states, she said.

Contributors will shortly receive letters from their fund identifying the rate changes affecting them. A list of the health funds operating in each state can be obtained from PHIAC’s website at www.phiac.gov.au, and more information relating to rights of consumers can be obtained from the Private Health Insurance Ombudsman at www.phio.org.au.

About PHIAC

The Private Health Insurance Administration Council (PHIAC) is an independent statutory authority that regulates the private health insurance industry.

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