



**Embargo Time:**  
2:00 pm Friday  
24 February 2006

## **MEDIA RELEASE**

### **Health Fund Premiums**

For the first time since 2001, the average annual increase in contribution rates for private health insurance policies has fallen below 6 per cent.

The average rise will be 5.68 per cent. The actual increase will vary from fund to fund, product to product and between states. The new rates will apply from April or May 2006 depending on the fund and the policy.

Private Health Insurance Administration Council (PHIAC) Chief Executive Gayle Ginnane said the lower level of increase reflected a more favourable financial outcome for the Australian private health industry which had been buoyed by a small increase in membership numbers and strong investment returns during the past 12 months.

Ms Ginnane said that despite facing considerable challenges with continuing growth in health costs exerting pressure on premium rates, funds had achieved a balance between ensuring ongoing financial viability and the interests of their contributors.

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

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

PHIAC also sought the advice of the Australian Government Actuary in relation to some funds.

During this process, there were adjustments made to the rate increase applications by a small number of funds.

Mrs Ginnane commented that it was in contributors’ interest to shop around for the right products and services to suit their needs. This enhances competition between funds.

“Contributors have the right to change private health funds and do not have to re-serve a waiting period provided they transfer to a comparable product at another fund – doing your homework is the key,” she said.

Membership in private health funds has increased so that at December 2005, hospital coverage was 8.805 million (43.1 per cent of the population) and ancillary coverage was 8.574 million (41.9 per cent).

In financial year 2004-05, private health insurance paid almost \$5.9 billion in hospital benefits, an increase of 8.1 per cent over the previous year, and almost \$2.3 billion in ancillary benefits, an increase of 2.9 per cent.

Prostheses remained an area of continuing growth with an increase of 20 per cent in benefit outlays over the past year. Government has introduced a set of reforms which should slow this growth in prostheses costs.

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 per cent over the previous year.

Mrs Ginnane said the private health industry operated on very tight margins with approximately 88 cents in every contribution dollar being paid out again in benefits.

She said health fund costs also varied from state to state, which was why the prices of policies were different in each state.

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](http://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](http://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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