



Quarterly Statistics

September 2011



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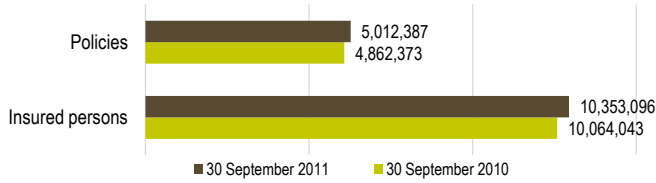
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Snapshot of the industry

Hospital treatment membership



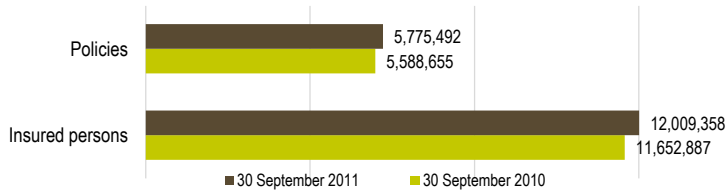
Hospital treatment membership

45.6% of population at 30 September 2011
 ↑ 0.3% percentage points from 30 June 2011
 ↑ 97,421 insured persons over the quarter

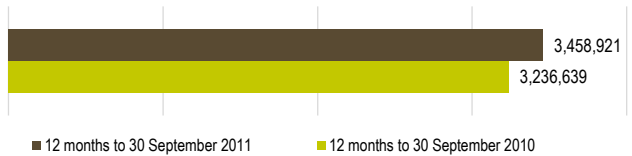
General treatment membership

52.9% of population at 30 September 2011
 ↑ 0.4% percentage points from 30 June 2011
 ↑ 121,161 insured persons over the quarter

General treatment membership



Hospital treatment episodes



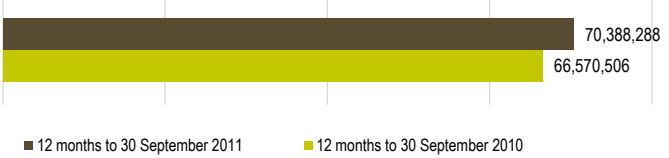
Hospital treatment episodes

↑ 6.9% over the 12 months to September 2011
 ↑ 3.8% over the quarter

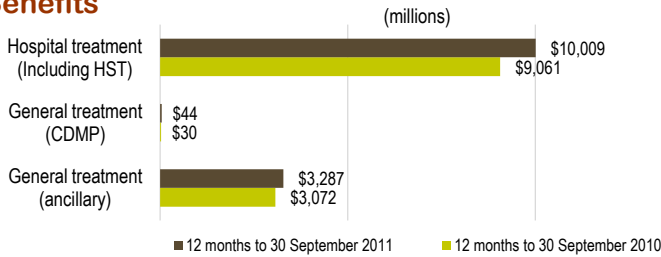
General treatment services

↑ 5.7% over the 12 months to September 2011
 ↓ -0.8% over the quarter

General treatment services (ancillary)



Benefits



Hospital treatment benefits

↑ 10.5% over the 12 months to September 2011
 ↑ 5.1% over the quarter

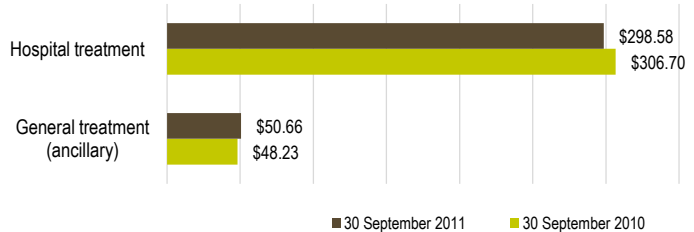
General treatment (ancillary) benefits

↑ 7.0% over the 12 months to September 2011
 ↓ -0.3% over the quarter

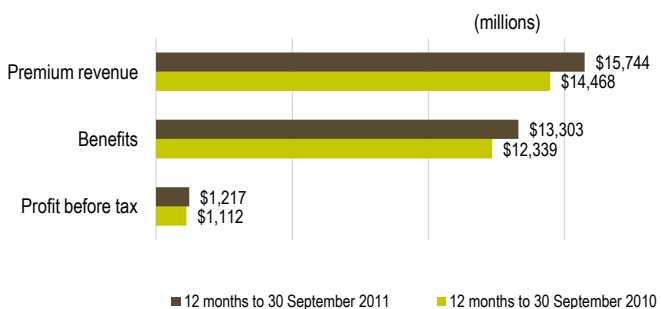
Hospital treatment out-of-pocket
 \$ 298.58

General treatment (ancillary) out-of-pocket
 \$ 50.66

Out-of-pocket per episode/service



Financial



Premium revenue

↑ 8.8% over the 12 months to September 2011

Profit before tax

↑ 9.4% over the 12 months to September 2011

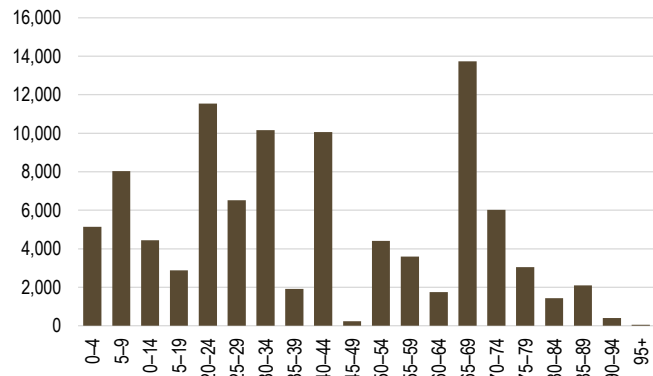
Hospital Treatment

At 30 September 2011, 10,353,096 people, or 45.6% of the population, were covered by hospital treatment cover. This was a 0.3 percentage point increase in the population covered compared to the June 2011 quarter.

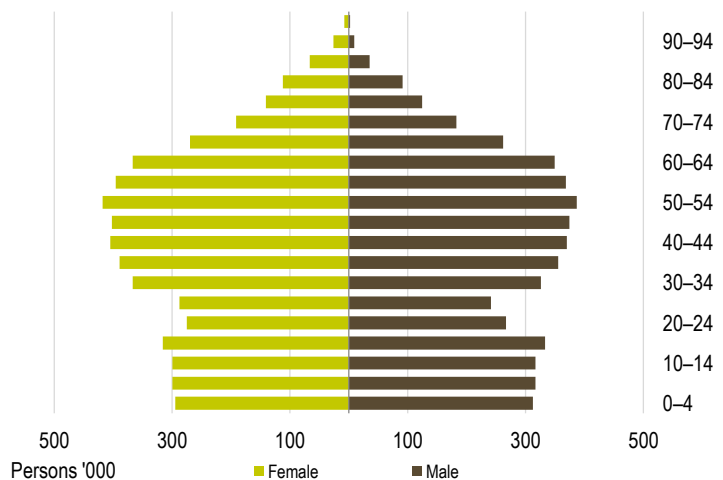
There was an increase in coverage of 97,421 insured people in the September 2011 quarter. Single policies rose by 22,726 and family policies by 22,269 during the quarter. This resulted in an overall increase of 44,995 hospital policies. For the 12 months to 30 September 2011, the number of insured people with hospital treatment cover has increased by 289,053 and 150,014 policies.

The most notable increase in coverage during the quarter was 13,738 for people aged between 65 and 69, while the smallest increase in coverage was just 49 for people aged 95 and over.

Net quarterly change in insured persons



Number of persons insured by age



Lifetime health cover

The majority of adults with hospital cover (86.9%) have a certified age of entry of 30, with no penalty loading. Despite this, the proportion of adults with hospital cover who pay a loading has continued to increase each quarter since the introduction of Lifetime Health Cover.

At the end of the September 2011 quarter, there were 977,117 people with a certified age of entry of more than 30 and subject to a Lifetime Health Cover loading; a net increase in people paying a penalty over the preceding 12 months of 100,851. There was a net increase in people with a certified age of entry of 30 (with no penalty) over the year of 112,952. This includes 33,312 people who had their loading removed during the year, after ten years of paying a loading.

Hospital treatment tables

State/Territory	Insured persons (%)	Non insured persons (%)	Total insured persons	Total non insured persons	Single policies (%)	Family policies (%)
Aust.	45.6%	54.4%	5,022,458	5,330,638	48.2%	51.8%
NSW	46.2%	53.8%	1,646,925	1,742,723	48.0%	52.0%
Vic.	43.7%	56.3%	1,188,769	1,277,159	51.5%	48.5%
Qld	43.3%	56.7%	966,604	1,029,347	45.6%	54.4%
SA	45.0%	55.0%	360,223	388,136	48.5%	51.5%
WA	52.6%	47.4%	611,984	625,772	45.9%	54.1%
Tas.	43.7%	56.3%	106,901	116,637	48.5%	51.5%
ACT	56.4%	43.6%	99,254	107,546	50.2%	49.8%
NT	36.8%	63.2%	41,798	43,318	45.4%	54.6%

General Treatment

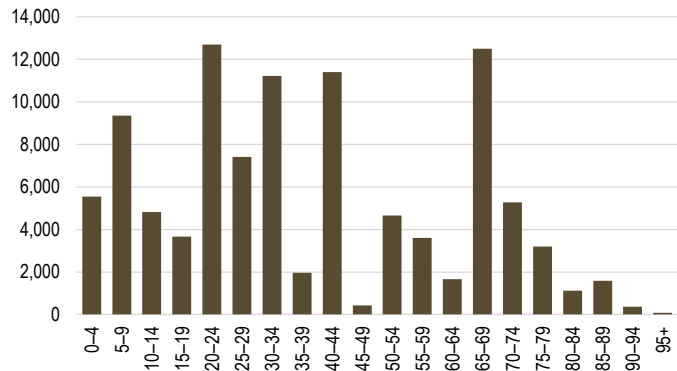
At 30 September 2011, 12,009,358 people or 52.9% of the population had some form of general treatment cover. This resulted in a 0.4 percentage point increase (or an increase of 121,161 people) compared to the June 2011 quarter.

The increase in single policies was 28,395 and family policies increased by 27,318 during the quarter. The overall increase was 55,713 general treatment policies. For the 12 months to 30 September 2011, the number of insured persons with general treatment cover has increased by 356,471 and general treatment policies increased by 186,837.

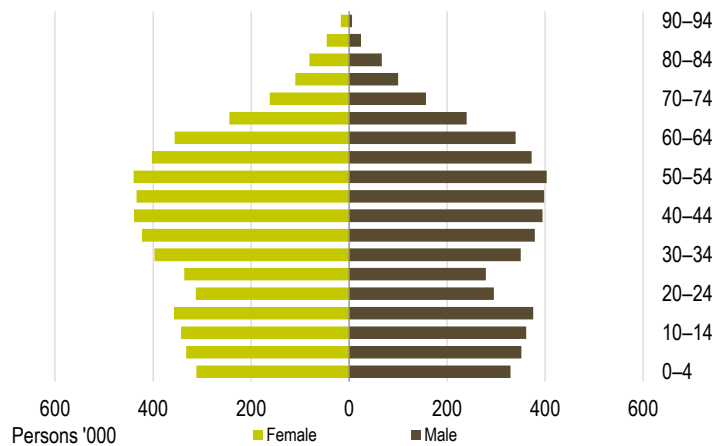
The general treatment (ancillary) by age charts and data in this report show data for those people that have general treatment policies only covering ancillary services. This excludes those general treatment policies that do not cover ancillary treatment.

There was an increase of 102,504 people with general treatment (ancillary) coverage in the September 2011 quarter. The largest increase in coverage was 12,688 for people in the 20 to 24 age group, while the lowest increase was for those in the 95 and over age group which grew by 77 people.

Net quarterly change in insured persons (ancillary)



Number of persons insured by age (ancillary)



General treatment tables (ancillary)

State/Territory	Insured persons (%)	Not insured persons (%)	Total insured persons	Total not insured persons	Single policies (%)	Family policies (%)
Aust.	52.9%	47.1%	5,229,094	5,546,806	48.2%	51.8%
NSW	54.7%	45.3%	1,756,587	1,849,546	47.3%	52.7%
Vic.	48.7%	51.3%	1,086,569	1,160,632	51.2%	48.8%
Qld	47.4%	52.6%	970,439	1,039,142	46.2%	53.8%
SA	56.5%	43.5%	421,437	456,375	48.5%	51.5%
WA	65.6%	34.4%	738,808	764,154	47.0%	53.0%
Tas.	49.7%	50.3%	112,929	124,104	49.1%	50.9%
ACT	65.1%	34.9%	100,391	108,930	50.1%	49.9%
NT	39.2%	60.8%	41,934	43,923	45.9%	54.1%

Benefits Paid

Hospital treatment

Benefits per episode/service

	September 2011	Change from June 2011
Hospital Treatment		
Acute	\$2,052.41	1.3%
Medical	\$57.20	1.1%
Prostheses	\$771.98	-1.7%
Cardiac	\$6,267.44	0.3%
Hips	\$2,309.23	-8.9%
Knees	\$2,170.69	-1.1%
Lens	\$483.97	1.7%
Total benefits and growth rate		
Hospital	\$2,630,907,491	5.1%
General	\$827,445,466	-0.3%

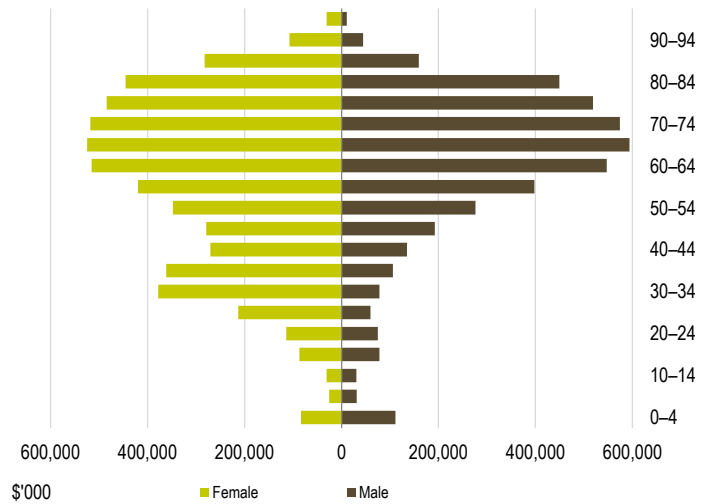
During the September 2011 quarter, insurers paid \$2,631 million in hospital treatment benefits, an increase of 5.1% compared to the June 2011 quarter. Hospital treatment benefits were comprised of:

- ◇ \$1,829 million for hospital services such as accommodation and nursing
- ◇ \$429 million for medical services
- ◇ \$370 million for prostheses items
- ◇ \$2.3 million for nursing home type patients

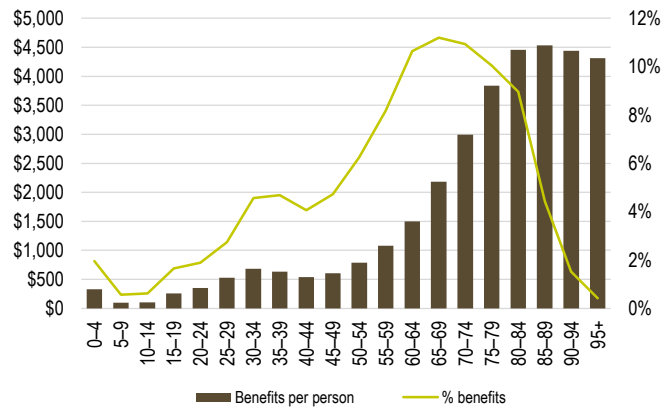
The age group for which most hospital benefits are paid is between 60 and 79 (top chart). Total benefits by age group is affected by the benefits paid per person (displayed in the second chart) and the number of people in each age group. The older age groups have a higher claiming rate. The rise in benefits in the 20–39 age cohorts is due to increases in female benefits associated with child bearing.

For the 12 month period, hospital treatment benefits per person increased from \$899.90 to \$964.49. The largest amount of benefits per person was spent on hospital accommodation and nursing, followed by medical and prostheses benefits.

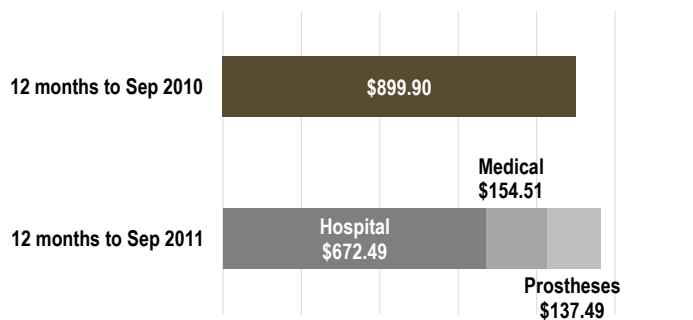
Hospital treatment benefits paid by age 12 months to 30 September 2011



Hospital treatment benefits per person and percentage of benefits paid by age cohort



Hospital treatment benefits per person



General treatment

Benefits per service

	September 2011	Change from June 2011
Dental	\$56.53	-0.7%
Chiropractic	\$25.48	-0.2%
Physiotherapy	\$29.53	1.3%
Optical	\$64.52	3.1%

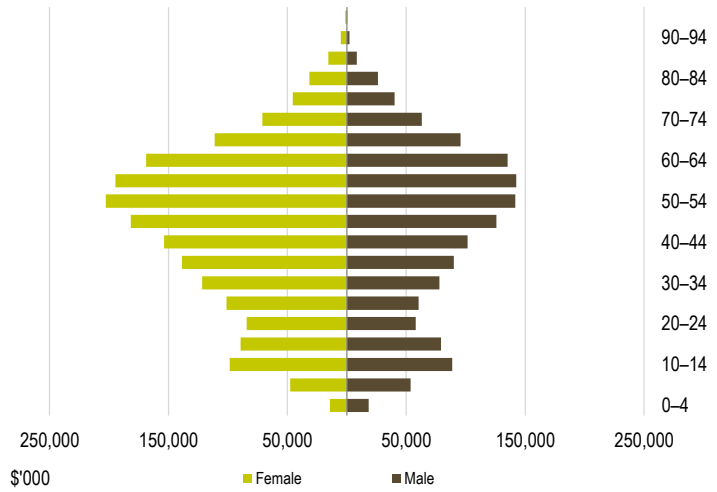
During the September 2011 quarter, insurers paid \$827 million in general treatment (ancillary) benefits. This was a decrease of 0.3% compared to the June 2011 quarter. Ancillary benefits for the September quarter included the major categories of:

- ◇ Dental \$432 million
- ◇ Optical \$131 million
- ◇ Physiotherapy \$70 million
- ◇ Chiropractic \$60 million.

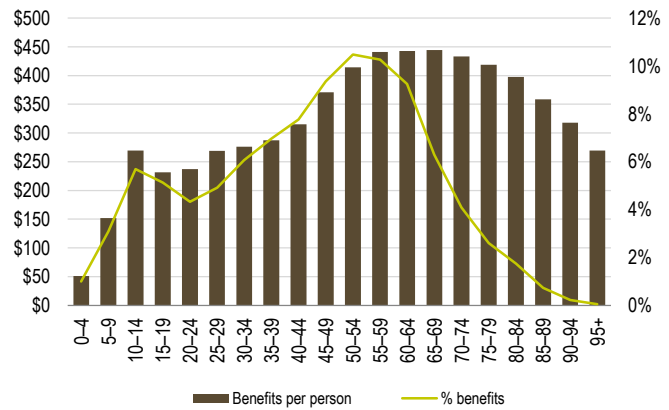
There is a marked difference between the distribution of benefits over age groups between hospital benefits and ancillary benefits. The major difference is the higher claiming rate in older age groups for hospital benefits while benefits per person for ancillary benefits are more evenly spread over the age groups.

General treatment (ancillary) benefits per person during the year to September 2011 were \$305.03, increasing from \$295.35 for the year to September 2010. The largest component of ancillary benefits is dental, for which \$156.28 was paid per insured.

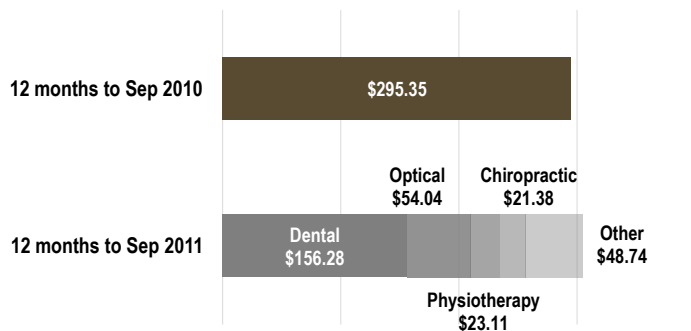
General treatment benefits paid by age 12 months to 30 September 2011 (ancillary)



General treatment benefits per person and percentage of benefits paid by age cohort (ancillary)



General treatment benefits per person (ancillary)



Medical benefits

Total benefits for medical services increased 6.5% during the quarter with the amount of benefits paid per service increasing by 1.1%.

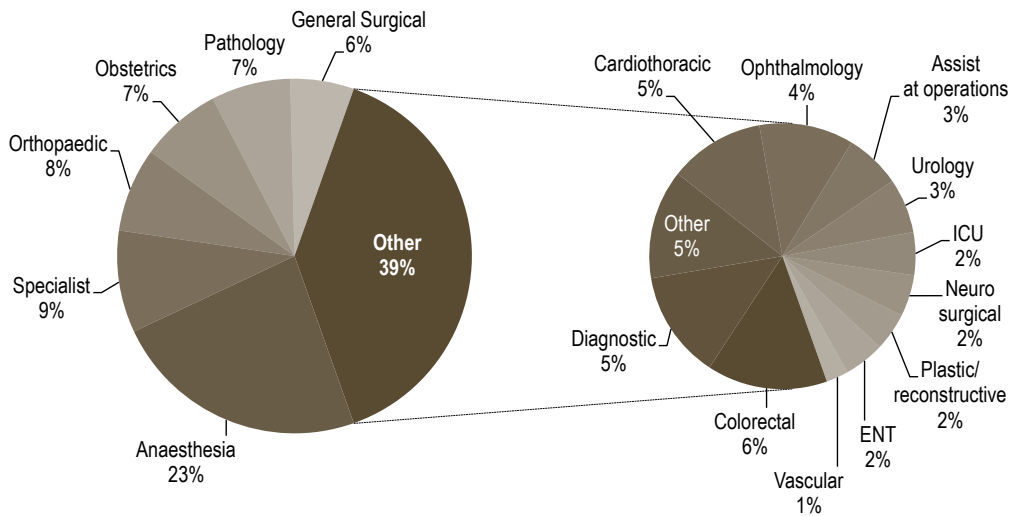
The change in medical benefits per service was calculated over a range of medical services and does not mean medical services overall increased in cost. The change in average benefits paid may reflect a change in the type of medical services utilised during the quarter. The medical service for which the greatest amount of benefits was paid was anaesthetics, comprising 23% of all medical benefits and totalling \$100 million.

Prostheses benefits

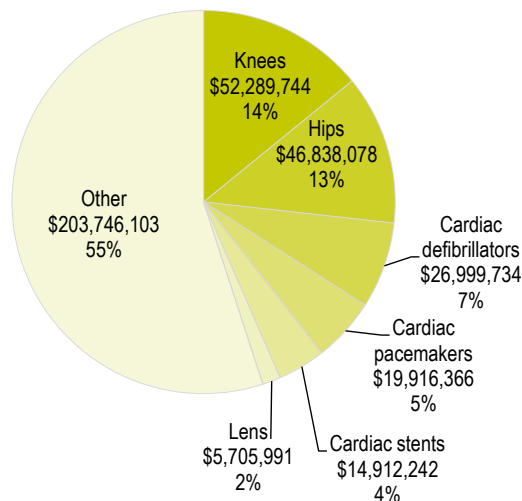
Total benefits paid for prostheses increased by 3.2% compared to the June 2011 quarter.

Similar to medical services, the change in benefits paid for prostheses was calculated over a range of prosthetics (see chart) and does not mean prostheses overall changed in cost. The change in benefits paid may reflect a change in the type of prosthetics utilised, or a change in the overall utilisation of prosthetics. The prosthetic groups for which the greatest amount of benefits were paid were "knees", comprising 14% of all prosthetic benefits and totalling \$52 million. The combined cardiac group comprised 17% of all prosthetics and totalled \$62 million over the quarter.

Medical benefits by Speciality group



Benefits paid for prostheses



Service utilisation

Episodes/Services by type

	September 2011	Change from June
Hospital Episodes	891,241	3.8%
Hospital Days	2,436,245	5.1%
Medical Services	7,501,099	5.4%
Prostheses Items	479,818	4.9%
Cardiac	9,865	2.2%
Hips	20,283	7.8%
Knees	24,089	-1.4%
Lens	11,790	-0.8%
General	17,731,305	-0.8%
Dental	7,640,982	2.0%
Chiropractic	2,340,907	-1.4%
Physiotherapy	2,379,226	0.4%
Optical	2,024,922	-8.3%

Hospital utilisation is distributed over four categories of hospital—public, private, day only facilities and hospital-substitute. During the September 2011 quarter, hospital episodes were distributed as follows:

- ◇ public hospitals 135,207 episodes
- ◇ private hospitals 605,319 episodes
- ◇ day hospital facilities 128,697 episodes
- ◇ hospital substitute 22,018 episodes

For the September 2011 quarter, hospital utilisation increased by 3.8% in episodes. Utilisation was up for all hospital settings of care over the quarter, with the highest growth in public hospitals of 10.1%. All categories increased in utilisation over the year, with hospital-substitute settings increasing significantly.

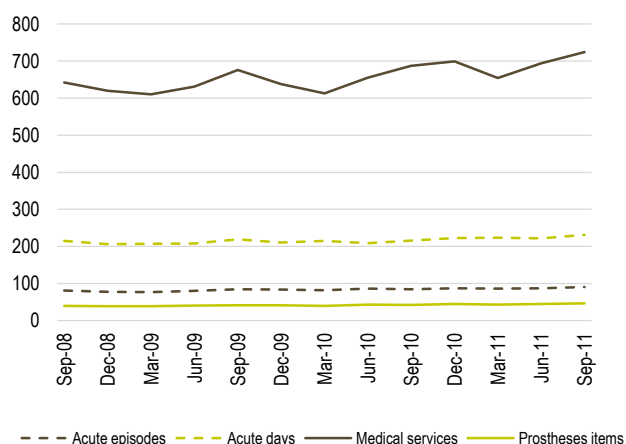
During the September 2011 quarter, insurers paid benefits for 2.4 million days in hospital, arising from 891,241 hospital episodes of care.

The average length of stay was 2.7 days; an increase of 0.04 days compared to the June 2011 quarter.

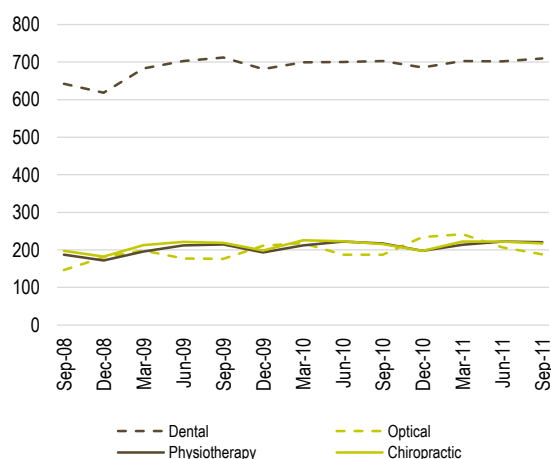
	Quarter change	Year change
◇ public hospitals	↑ 10.1%	↑ 10.8%
◇ private hospitals	↑ 3.0%	↑ 2.8%
◇ day hospital facilities	↑ 1.6%	↑ 8.1%
◇ hospital-substitute	↑ 2.0%	↑ 406.6%

Day-only episodes in the four categories of hospital totaled 564,484, an increase of 3.6% compared to the June 2011 quarter.

Hospital treatment services per 1,000 insured persons



General treatment services (ancillary) per 1,000 insured persons



Out-of-pocket payments

Average out-of-pocket per episode/service

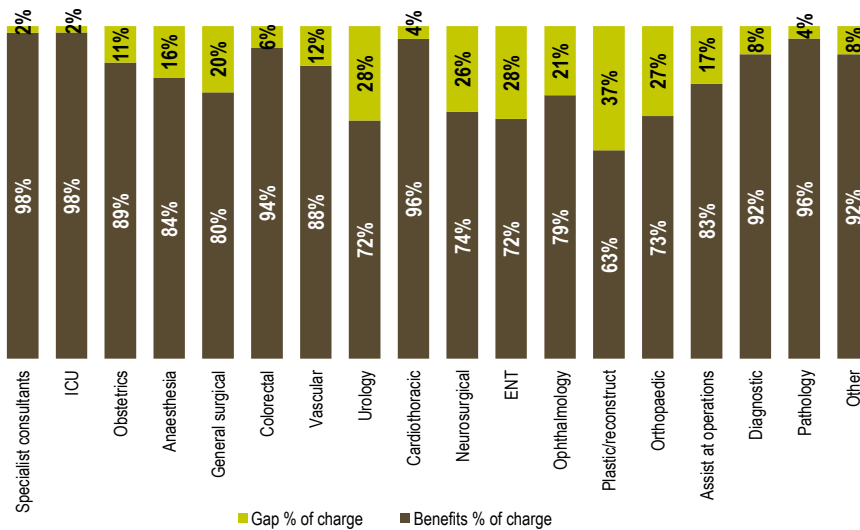
	September 2011	Change from June	Change from Sep 10
Hospital treatment	\$298.58	-4.4%	-2.6%
Hospital-substitute treatment	\$1.78	-27.9%	-63.5%
General treatment	\$50.66	5.5%	5.0%
Prostheses where gap was paid	\$56.22	-9.6%	22.1%
Medical gap where gap was paid	\$192.78	-2.8%	9.9%

The average out-of-pocket (gap) payment for a hospital episode was \$298.58 in the September 2011 quarter. This included out-of-pocket payments for medical services, some prostheses in addition to any excess or co-payment amounts relating to hospital accommodation.

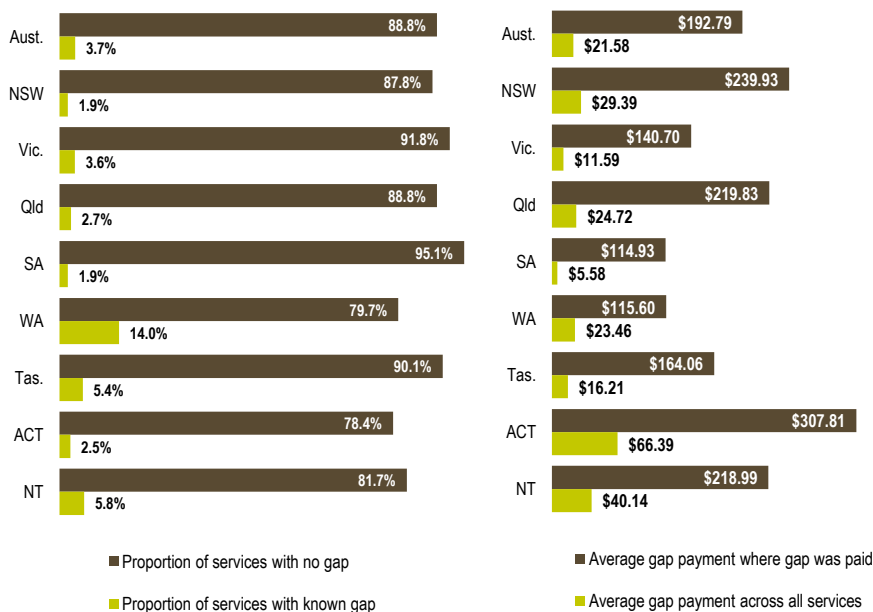
The out-of-pocket payments for hospital episodes decreased by 2.6% compared to the same quarter for the previous year.

Out-of-pocket payments for medical services were \$192.78 where an out-of-pocket payment was payable. The amount of gap for medical services varies depending on the speciality group. The speciality group with the largest out of pocket payment was plastic/reconstructive with an average gap of \$359.41, followed by orthopaedic with an average gap per service of \$341.89. Gap incurred for the various medical services is displayed in the first chart. Medical gap also varies by state and territory and these differences are shown in the bottom chart.

Medical benefits and out-of-pocket by speciality group



Proportion of services and average out-of-pocket payments



Financial information

Financial Performance

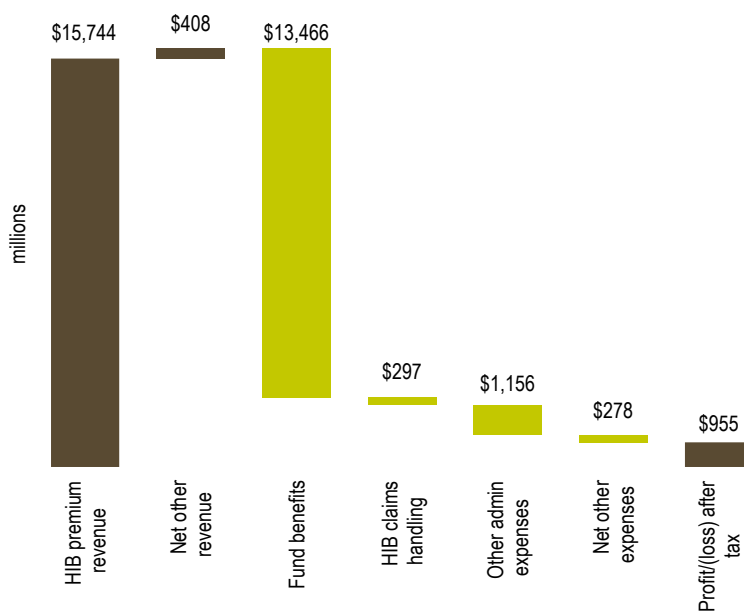
All Figures \$'000	12 months to September 2011	12 months to September 2010
Revenue		
HIB premium revenue	15,743,693	14,467,545
Net HRB and other revenue	407,713	476,990
Total revenue	16,151,407	14,944,535
Benefits		
Fund benefits	13,303,478	12,338,744
State ambulance levies	162,058	156,791
Total fund benefits	13,465,535	12,495,535
Expenses		
HIB expenses	1,155,764	1,024,126
HIB claims handling	297,328	284,123
Other expenses	15,707	28,659
Total expenses	1,468,799	1,336,908
Profit		
Profit/(loss) before tax	1,217,072	1,112,092
Taxation expense	262,069	246,415
Profit/(loss) after tax	955,003	865,677
Non HBF related profit/(loss)	4,779	15,117
Profit/(loss) of the industry	959,782	880,794
Margins		
Gross margin	14.47%	13.63%
HIB expenses	9.23%	9.04%
Net margin	5.24%	4.59%

Profitability in the private health insurance industry remains strong. Profit before tax increased to \$1.22 billion for the year ended 30 September 2011 compared to \$1.11 billion in the previous 12 months.

The improvement in profitability has been primarily due to benefits being more subdued than what had been projected by the industry. On a quarter-by-quarter analysis, there was a considerable drop in gross margin between the June and September 2011 quarters - decreasing from 16.1% to 12.6%. The sharp reduction in gross margin is due more to the strong performance in June rather than the poor performance in September with the 12.6% being more in line with historical averages for the September quarter.

Investment returns in the nine months to 30 June 2011 in growth assets - being equity and property - were effectively wiped out in the September 2011 quarter. This reflects the turmoil in Europe and general volatility inherent in growth assets. Overall, the industry recorded a loss of \$21 million from investments in the September quarter, reducing the total investment gain over the past 12 months to \$359 million. This figure is included in 'Net HRB and other revenue' in the financial performance table.

Health Benefits Fund Profit After Tax Breakdown for 12 months to September 2011



Prudential Position

All Figures \$'000	September 2011	September 2010
Health benefits fund financial assets		
Cash	584,625	486,639
Investments		
Equities	842,593	824,251
Bonds & other fixed interest securities	5,981,220	5,709,999
Property	498,397	477,817
Subsidiary and associated entities	439,949	672,716
Loans	31,597	98,891
Premiums receivable	72,539	80,157
Intangibles DAC and FITBS	185,872	93,557
Prepayments	23,050	20,243
Other*	843,707	789,403
Total assets	9,503,549	9,253,675
Health Insurance Liabilities		
Unearned premium liabilities	1,703,849	1,587,693
Unpresented & outstanding claims	1,446,900	1,544,888
Other fund liabilities	128,917	123,823
Interest bearing liabilities	27,618	29,898
Payables, provisions & other liabilities	848,682	681,850
Total liabilities	4,155,966	3,968,151
Health benefits fund capital	5,372,583	5,310,523
Solvency Requirement	5,838,306	5,691,910
Capital Adequacy Requirement	6,111,374	5,984,628

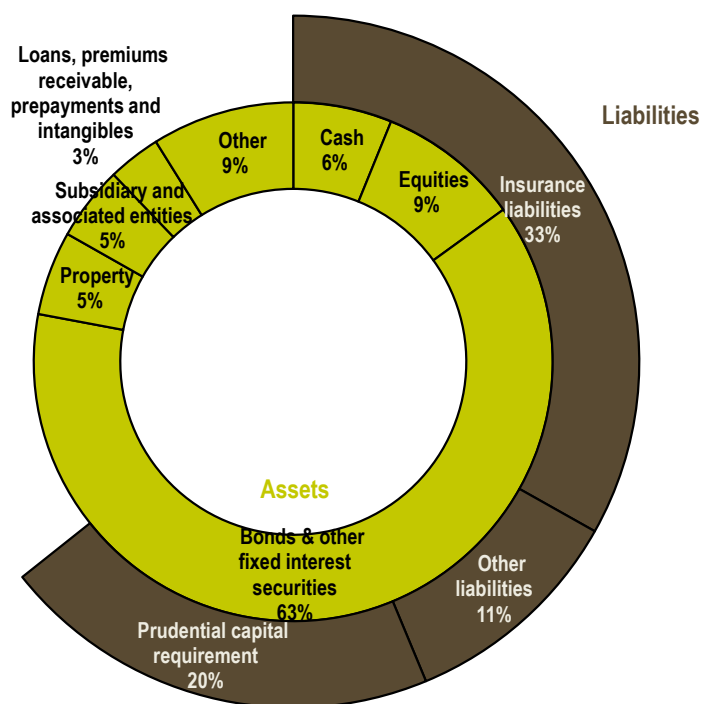
* includes health insurance equipment and other assets

All private health insurers remained compliant with the solvency and capital adequacy standards. As at 30 September 2011, the industry had \$3.4 billion in excess of the capital adequacy requirement.

As noted earlier, investment in equities suffered heavy losses in the September 2011 quarter with equities market around the globe losing between 10-20% in value. Whilst the industry as a whole has reduced its proportion of growth assets since 2008, there is still \$843 million invested in equities as at 30 September 2011. Offsetting the loss in equities is the fact that the majority of the industry's investments are held in bonds and fixed interest securities. Income from these instruments have been relatively stable and is expected to continue in the foreseeable future.

Losses in the equities exposure are unlikely to impact on the industry's ability to comply with the minimum capital adequacy requirements.

Health Benefits Fund Assets vs Liabilities as at 30 September 2011



Notes on statistics

The population figures used to calculate coverage are derived from:
Australian Bureau of Statistics, Australian Demographic Statistics,
ABS cat no. 3101.0, ABS, Canberra, 2009.

ACT data is collected and reported separately to NSW for the first time in the quarterly data collection for December 2009.

Lifetime Health Cover is a financial loading (LHC loading) that can be payable in addition to the premium for your private health insurance hospital cover (hospital cover). LHC loadings apply only to hospital cover. The loading is 2% above the base rate for each year over the age of 30 in which the policy holder did not have private health insurance hospital cover. After ten years of paying the loading the loading is removed.

Starting from 1 April 2007 general treatment policies replaced ancillary policies. General treatment policies cover treatment similar to that previously known as ancillary (eg. dental) but can also cover hospital-substitute treatment and Chronic Disease Management Programs.

Definitions and abbreviations

CDMP	Chronic Disease Management Program: intended to ◇ reduce complications in a person with a diagnosed chronic ◇ prevent or delay the onset of chronic disease for a person with identified multiple risk factors for chronic disease
DAC	Deferred Acquisition Costs
Episode	The period of admitted patient care between an admission and separation (eg. discharge) characterised by only one care type.
Family policy	A policy under which more than one person is insured including: two parents and children; single parent and children; two or more children and no adults; three or more adults.
FITBS	Future Income Tax Benefits
General treatment	Treatment that is intended to manage or prevent a disease, injury or condition and is not hospital treatment.*
General treatment services	Ancillary services such as dental and optical.
Gross margin	The difference between total premium revenue and total cost of benefits (inclusive of state levies) expressed as a percentage of premium revenue.
HIB	Health Insurance Business: the business of undertaking liability, by way of insurance or an employee health benefits scheme, that relates to hospital treatment and general treatment.*
Hospital treatment	Treatment that is intended to manage a disease, injury or condition provided to a person at a hospital or arranged with the direct involvement of a hospital.* Hospital treatment includes hospital substitute treatment in this report, unless stated otherwise.
Hospital-substitute treatment (HST)	General treatment that substitutes for an episode of hospital treatment.*
HRB	Health Related Business* includes one or more of: <ul style="list-style-type: none"> • Providing goods and/or services to manage or prevent disease, injuries or conditions (may include dental or optical centres) • Undertaking liability, by way of insurance, to indemnify people who are ineligible for Medicare • Providing a financial service to assist people meet the costs associated with treatment, goods or services that are provided to manage or prevent diseases, injuries or conditions.
Medical service	Medical specialist services such as the anaesthetist or obstetrician. A hospital episode may involve several medical services.
Net margin	Gross margin less management expenses expressed as a percentage of premium revenue.
Out-of-pocket	Refers to the amount paid by the policy holder for a service after private health insurance benefits and medicare benefits are paid. Out-of-pocket includes medical gap, excess or copayments for hospital or hospital-substitute episodes, and copayments for ancillary services.
Persons	Refer to the number of persons covered by private health insurance policies.
Policies	Refer to the number of private health insurance policies referable to private health insurance funds. Each policy may cover one or more persons.*
Single policy	A policy under which only one person is insured.
State ambulance levy	Amounts payable to the New South Wales and Australian Capital Territory governments in respect of levies on policy holders of insurers with hospital treatment cover, for ambulance cover.

Related Publications

Quarterly publications

PHIAC produces a number of quarterly publications that are available from www.phiac.gov.au/for-industry/industry-statistics/

These include:

[Membership Statistics](#)

A publication which details by State the number of insured persons for hospital treatment and general treatment and the proportion of the population these persons represent. The tables are shown on both a quarterly and an annual basis and include hospital treatment by age cohort.

[Medical Gap Information](#)

A publication on in-hospital medical services. The proportion of services for which there was no gap or known gap and the average gap payment are shown for each state.

[PHIAC A Report](#)

A publication detailing by State, the membership and benefits paid by private health insurers for the period. These State reports are available both in PDF format and Excel.

[PHIAC 3 Report](#)

A report providing data on prosthetic benefits paid by private health insurers by major prosthetic category

[PHIAC 4 Report](#)

A report providing data on services, benefits paid and gap payments by MBS Speciality Block Groupings for medical services paid by private health insurers.

[Statistical Trends - Quarterly Statistical trends in membership and benefits paid](#)

These are two separate publications detailing trends since September 1997 in the number of insured persons and benefits paid for hospital and general treatment.

Annual publications

PHIAC is also required to produce a Annual Report on the Operations of the Private Health Insurance Industry. This report contains an industry overview and tables of statistics by individual fund. Current and historical versions are available at: www.phiac.gov.au/for-industry/industry-statistics/operations-of-the-private-health-insurers-annual-report/

About PHIAC

PHIAC was established in 1989 under section 82B of the *National Health Act 1953* as the prudential regulator for Australia's private health insurance industry. PHIAC continues in existence by force of section 264–1 of the *Private Health Insurance Act 2007* (Act), subject to the provisions of the Act.

PHIAC is an independent statutory authority that reports to the minister. It works closely with other regulatory bodies including the Private Health Insurance Ombudsman (PHIO) to ensure that consumers have access to a well-run and competitive private health insurance industry.

In carrying out its regulatory and supervisory functions, PHIAC is required by section 264–5 of the Act to achieve an appropriate balance between three objectives:

- ◇ fostering an efficient and competitive private health insurance
- ◇ protecting the interests of consumers
- ◇ ensuring the prudential safety of individual private health

Full details concerning the operations of PHIAC are contained in the *Private Health Insurance Administration Council Annual Reports*. These reports are required under section 9 of the *Commonwealth Authorities and Companies Act 1997* and can be obtained from the PHIAC office or are available at: www.phiac.gov.au.