



Australian Government

Private Health Insurance Administration Council

Quarterly Statistics

June 2010

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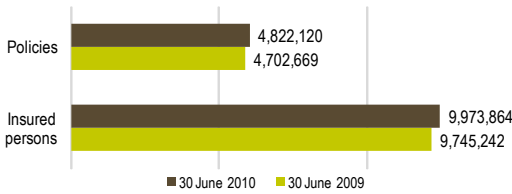
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Snapshot of the industry

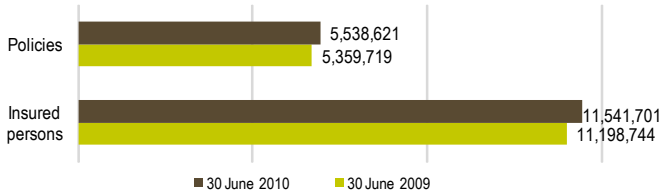
Hospital treatment membership



Hospital treatment membership
 44.6% of population at 30 June 2010
 ↑ 0.1% points from 31 March 2010
 ↑ 60,977 insured persons over the quarter

General treatment membership
 51.6% of population at 30 June 2010
 ↑ 0.2% points from 31 March 2010
 ↑ 91,751 insured persons over the quarter

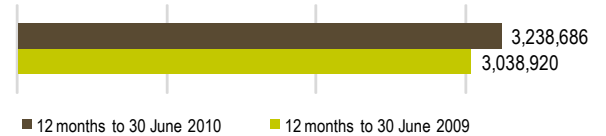
General treatment membership



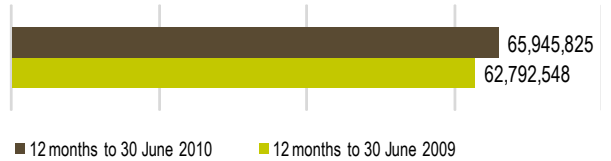
Hospital treatment episodes
 ↑ 6.6% over the 12 months to June 2010
 ↑ 6.8% over the quarter

General treatment services (ancillary)
 ↑ 5.0% over the 12 months to June 2010
 ↑ 4.2% over the quarter

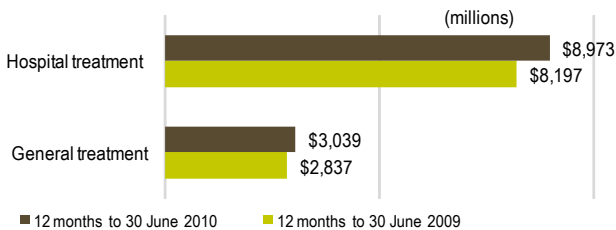
Hospital treatment episodes



General treatment services (ancillary)



Benefits



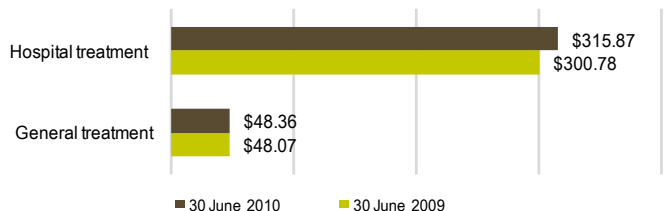
Hospital treatment benefits
 ↑ 9.5% over the 12 months to June 2010
 ↑ 11.3% over the quarter

General treatment (ancillary) benefits
 ↑ 7.1% over the 12 months to June 2010
 ↑ 6.1% over the quarter

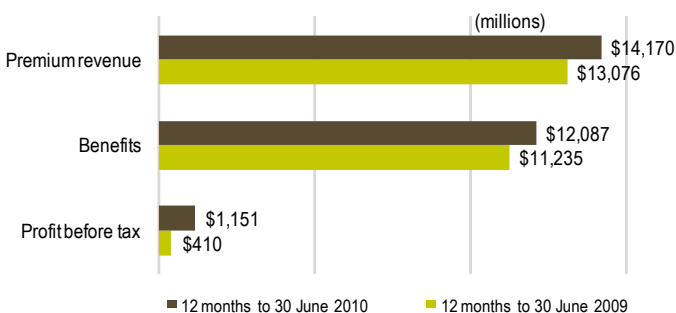
Hospital treatment out-of-pocket
 \$315.87

General treatment out-of-pocket
 \$48.36

Out-of-pocket per episode/service



Financial



Premium revenue
 ↑ 8.3% over the 12 months to June 2010

Profit before tax
 ↑ 184.6% over the 12 months to June 2010

Hospital treatment

At 30 June 2010, 9,973,864 people, or 44.6% of the population, were covered by hospital treatment cover. There was a 0.1 percentage point increase in the percentage of the population covered compared to the March 2010 quarter.

There was an increase in coverage of 60,977 insured people in the June 2010 quarter. Single policies rose by 22,431 and family policies by 19,443 during the quarter. This resulted in an overall increase of 41,874 hospital policies. For the 12 months to 30 June 2010, the number of insured people with hospital treatment cover has increased by 228,622 and 119,451 policies.

The most notable increase in coverage during the quarter was for people aged between 30 and 34.

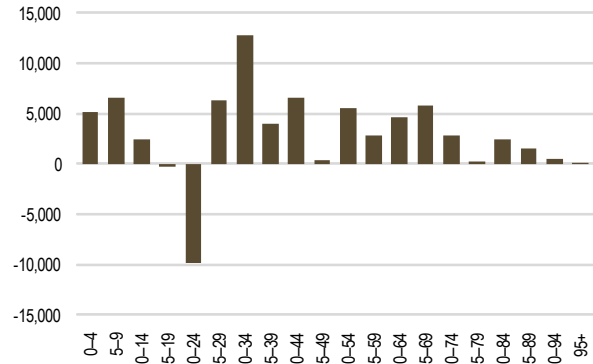
Notable decreases in coverage were seen for people aged 20 to 24.

Lifetime health cover

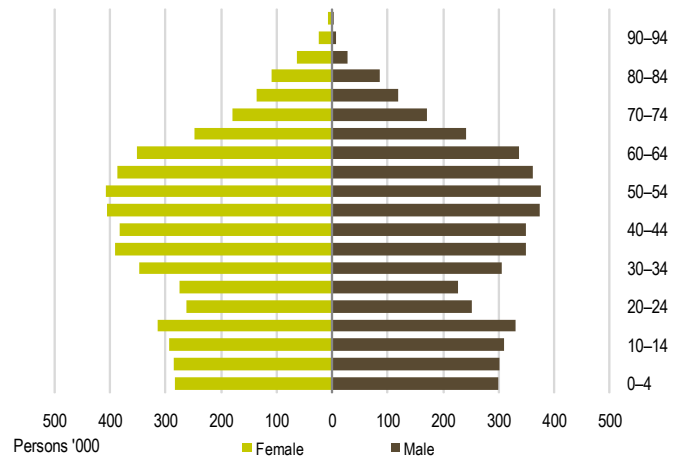
The majority of adults with hospital cover (88.2%) have a certified age of entry of 30, with no penalty loading. Despite this, the proportion of adults with hospital cover who pay a loading has continued to increase each quarter since the introduction of Lifetime Health Cover.

At the end of the June 2010 quarter, there were 853,630 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 year of 97,426. There was a net increase in people with a certified age of entry of 30 (with no penalty) over the year of 74,202.

Net quarterly change in insured persons



Number of persons insured by age



Hospital treatment tables

| State/Territory | Insured persons (%) | Non insured persons (%) | Total Insured (Male) | Total Insured (Female) | Single policies (%) | Family policies (%) |
|-----------------|---------------------|-------------------------|----------------------|------------------------|---------------------|---------------------|
| Aust. | 44.6% | 55.4% | 4,829,334 | 5,144,530 | 48.2% | 51.8% |
| NSW | 45.2% | 54.8% | 1,590,895 | 1,686,496 | 47.8% | 52.2% |
| Vic. | 43.0% | 57.0% | 1,148,032 | 1,237,365 | 51.7% | 48.3% |
| Qld | 42.3% | 57.7% | 924,691 | 989,305 | 45.5% | 54.5% |
| SA | 44.7% | 55.3% | 353,212 | 381,725 | 48.5% | 51.5% |
| WA | 50.6% | 49.4% | 573,351 | 590,604 | 45.4% | 54.6% |
| Tas. | 43.3% | 56.7% | 104,917 | 114,664 | 48.6% | 51.4% |
| ACT | 55.3% | 44.7% | 94,871 | 103,097 | 50.3% | 49.7% |
| NT | 35.0% | 65.0% | 39,365 | 41,274 | 45.1% | 54.9% |

General treatment

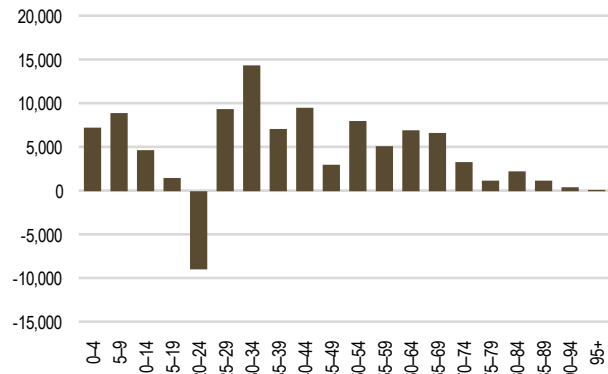
At 30 June 2010, 11,541,701 people or 51.6% of the population had some form of general treatment cover. This resulted in a 0.2 percentage point increase (or an increase of 91,751 people) compared to the March 2010 quarter.

The increase in single policies was 33,314 and family policies increased by 28,170 during the quarter. The overall increase was 61,484 general treatment policies. For the 12 months to 30 June 2010, the number of insured persons with general treatment cover has increased by 342,957 and general treatment policies increased by 178,902.

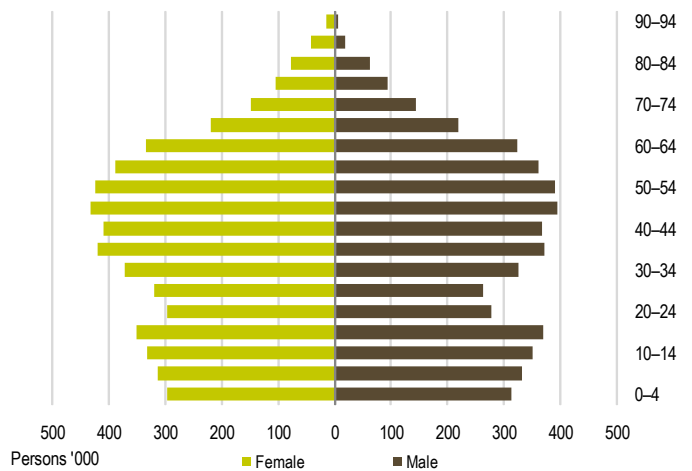
The general treatment (ancillary) by age charts and data in this report contain data for those people that have general treatment policies only covering ancillary services. This includes dental treatment, however excludes those general treatment policies that do not cover ancillary treatment.

There was an increase of 92,420 people with general treatment (ancillary) coverage in the June 2010 quarter. The largest increase in coverage was for people in the 30 to 34 age group. There was a notable decrease in coverage in the 20 to 24 age group.

Net quarterly change in insured persons (ancillary)



Number of persons insured by age (ancillary)



General treatment tables

| State/Territory | Insured persons (%) | Not insured persons (%) |
|-----------------|---------------------|-------------------------|
| Aust. | 51.0% | 49.0% |
| NSW | 53.5% | 46.5% |
| Vic. | 47.7% | 52.3% |
| Qld | 46.0% | 54.0% |
| SA | 55.7% | 44.3% |
| WA | 62.9% | 37.1% |
| Tas. | 49.1% | 50.9% |
| ACT | 45.3% | 54.7% |
| NT | 24.0% | 76.0% |

■ Insured persons ■ Not insured persons

Includes all general treatment persons

| State/Territory | Male | Female |
|-----------------|-----------|-----------|
| Aust. | 4,988,344 | 5,301,463 |
| NSW | 1,699,457 | 1,789,656 |
| Vic. | 1,023,812 | 1,095,902 |
| Qld | 920,137 | 987,596 |
| SA | 409,258 | 443,919 |
| WA | 690,368 | 717,134 |
| Tas. | 110,366 | 121,602 |
| ACT | 95,491 | 103,884 |
| NT | 39,455 | 41,770 |

■ Male ■ Female

Includes all ancillary persons only

| State/Territory | Single policies (%) | Family policies (%) |
|-----------------|---------------------|---------------------|
| Aust. | 48.0% | 52.0% |
| NSW | 47.2% | 52.8% |
| Vic. | 51.3% | 48.7% |
| Qld | 46.1% | 53.9% |
| SA | 48.5% | 51.5% |
| WA | 46.3% | 53.7% |
| Tas. | 49.2% | 50.8% |
| ACT | 50.0% | 50.0% |
| NT | 45.6% | 54.4% |

■ Single policies ■ Family policies

Includes all general treatment persons

Benefits paid

Hospital treatment

Benefits per episode/service

| | June 2010 | Change From March 2010 |
|--------------------------------|---------------|------------------------|
| | \$ | % |
| Hospital Treatment | | |
| Acute | 1,978.92 | 1.0 |
| Medical | 55.50 | 2.6 |
| Prostheses | 793.11 | -0.1 |
| Cardiac | 5,977.91 | 1.4 |
| Hips | 2,538.79 | -1.5 |
| Knees | 2,205.51 | -0.6 |
| Lens | 429.86 | -1.6 |
| Total benefits and growth rate | | |
| Hospital | 2,339,072,494 | 7.2 |
| General | 780,185,490 | -2.7 |

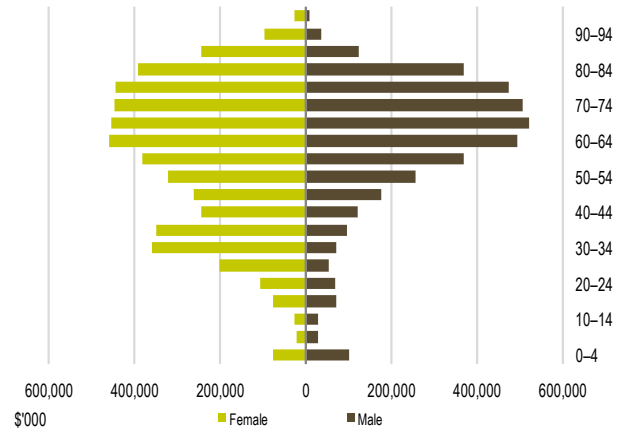
During the June 2010 quarter, insurers paid \$2,339 million in hospital treatment benefits, an increase of 7.2% compared to the March 2010 quarter. Hospital treatment benefits were comprised of:

- ◇ \$1,636 million for hospital services such as accommodation and nursing
- ◇ \$363 million for medical services
- ◇ \$338 million for prostheses items
- ◇ \$2.4 million for nursing home type patients.

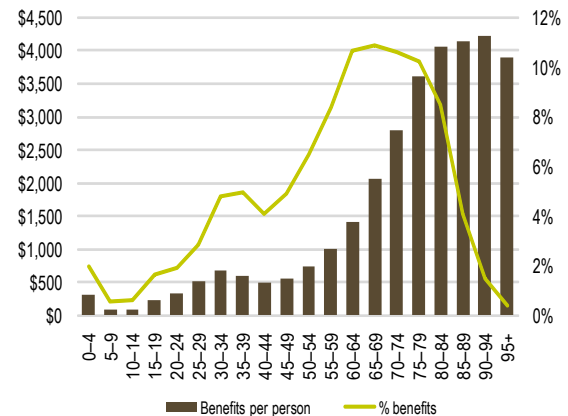
The first chart displays total benefits paid for hospital treatment by age and gender. The age group for which most hospital benefits are paid is between 60 and 79. Total benefits by age group is affected by the benefits paid per person (displayed in the second chart) and the number of people in each 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.

Hospital treatment benefits per person during the year increased from \$840.77 to \$899.29. The largest amount of benefits per person was spent on hospital accommodation and nursing, followed by medical and prostheses benefits.

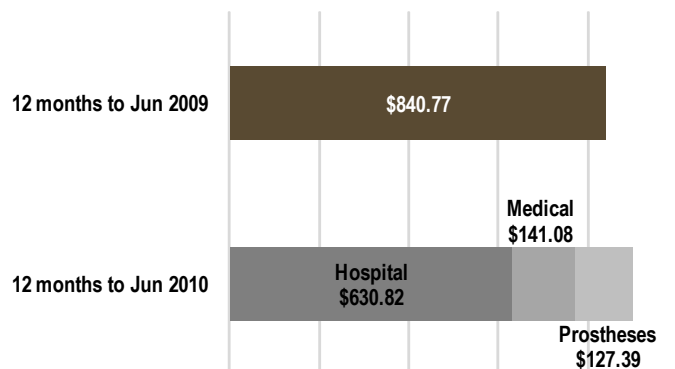
Hospital treatment benefits paid by age 12 months to 30 June 2010



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



Hospital treatment benefits per person



General treatment

Benefits per service

| | June 2010 | Change From March 2010 |
|-------------------|-----------|------------------------|
| | \$ | % |
| General Treatment | | |
| Dental | 55.84 | -2.3 |
| Chiropractic | 24.97 | -2.5 |
| Physiotherapy | 28.57 | -2.5 |
| Optical | 66.06 | -1.6 |

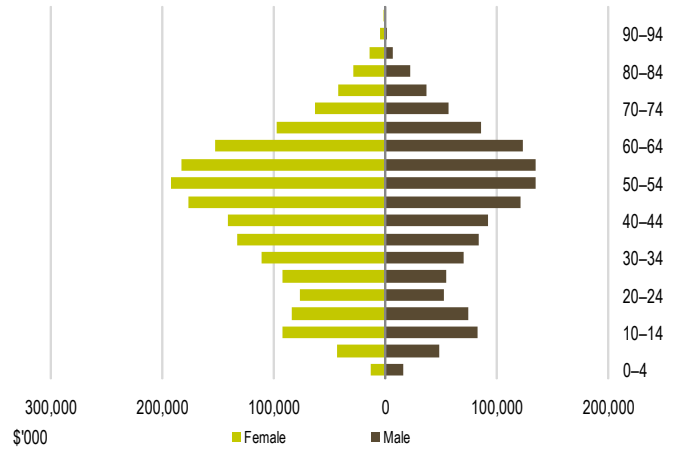
During the June 2010 quarter, insurers paid \$780 million in general treatment (ancillary) benefits. This was a decrease of 2.7% compared to the March 2010 quarter. Ancillary benefits for the June quarter included the major categories of:

- ◇ Dental \$402 million
- ◇ Optical \$127 million
- ◇ Physiotherapy \$65 million
- ◇ Chiropractic \$57 million.

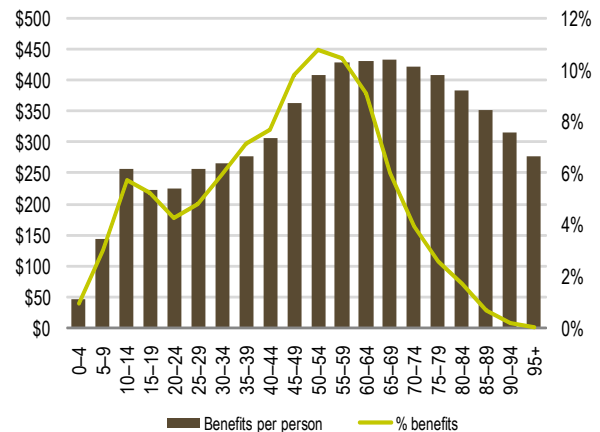
There is a marked difference between the distribution of benefits over age groups between hospital benefits and ancillary benefits. The major difference is the higher claiming rate in older age groups for hospital benefits while benefits per person for ancillary benefits are more evenly spread over the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

General treatment (ancillary) benefits per person during the year to June 2010 were \$295.29, increasing from \$285.60 for the year to June 2009. The largest component of ancillary benefits is dental, for which \$152.70 was paid per person.

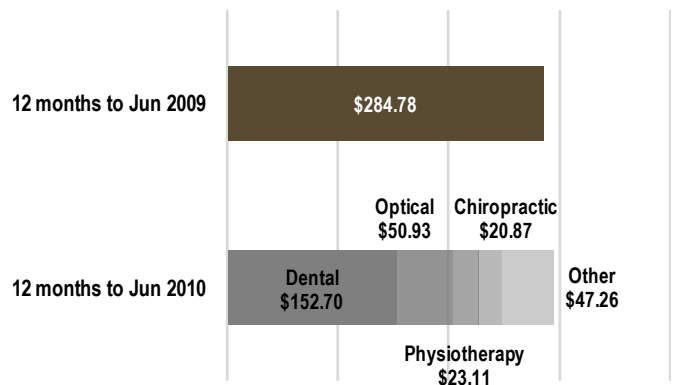
General treatment benefits paid by age 12 months to 30 June 2010 (ancillary)



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



General treatment benefits per person (ancillary)



Medical benefits

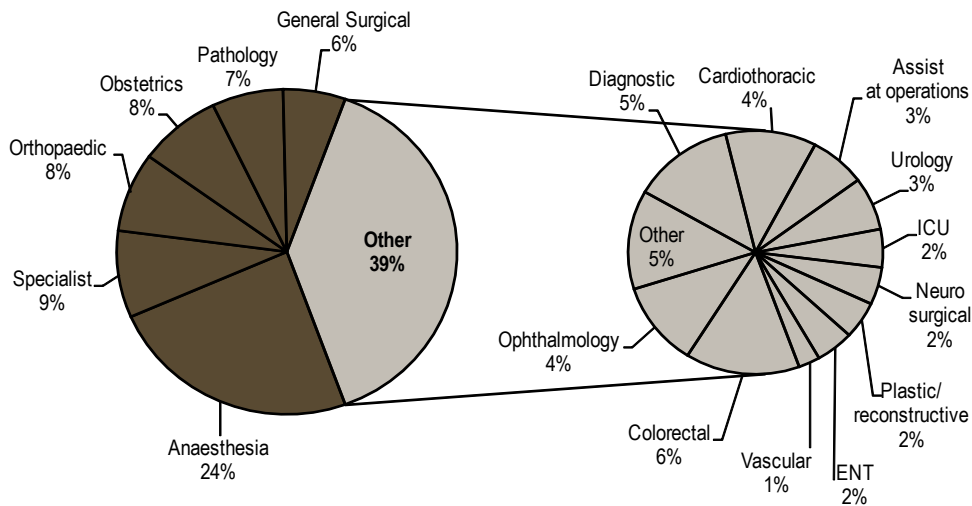
Total benefits for medical services increased 10.3% during the quarter with the amount of benefits paid per service increasing by 2.6%.

The decrease in medical benefits per service was calculated over a range of medical services and does not mean medical services overall decreased in cost. The decrease 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 24% of all medical benefits and totalling \$87 million.

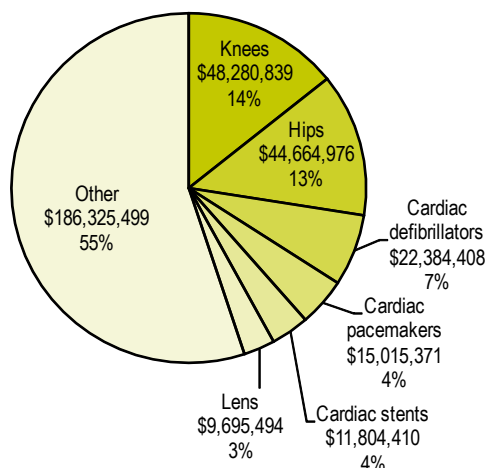
Prostheses benefits

Total benefits paid for prostheses increased 9.4% compared to the March quarter. Benefits paid per prosthetic decreased 0.1% per item during the 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 "hips" and "knees", comprising 27% of all prosthetic benefits and totalling \$93 million. The combined cardiac group comprised 15% of all prosthetics and totalled \$49 million over the quarter.

Medical benefits paid by speciality group



Benefits paid for prostheses



Service utilisation

Episodes/Services by type

| By Type | June 2010 | Change from March 2010 % |
|----------------------------|------------|--------------------------|
| Hospital Episodes | 826,597 | 5.0 |
| Hospital Days | 2,109,064 | -2.5 |
| Medical Services | 6,535,370 | 7.5 |
| Prostheses Items | 426,387 | 9.6 |
| Cardiac | 8,231 | -10.4 |
| Hips | 17,593 | 5.1 |
| Knees | 21,891 | 5.6 |
| Lens | 22,555 | 25.4 |
| General Treatment Services | 16,884,538 | 0.4 |
| Dental | 7,200,380 | 0.9 |
| Chiropractic | 2,292,032 | -0.5 |
| Physiotherapy | 2,290,024 | 5.8 |
| Optical | 1,924,821 | -13.3 |

During the June 2010 quarter, insurers paid benefits for 2.1 million days in hospital, arising from 826,597 hospital episodes of care.

The average length of stay was 2.6 days; a decrease of 7.1% compared to the March 2010 quarter.

Hospital utilisation is distributed over four categories of hospital—public, private, day only facilities and hospital-substitute. During the June 2010 quarter, hospital episodes were distributed as follows:

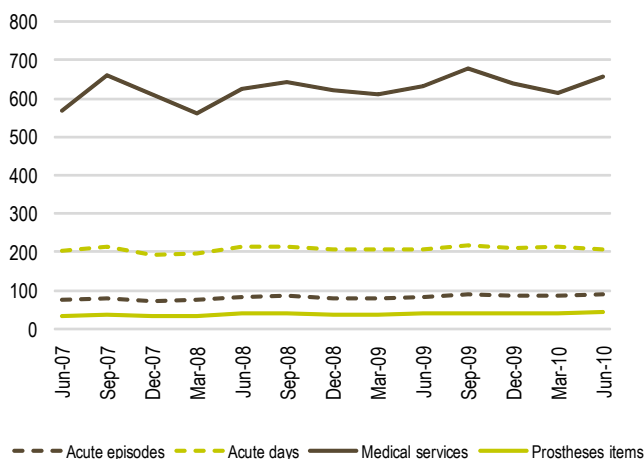
- ◇ public hospitals 118,116 episodes
- ◇ private hospitals 583,271 episodes
- ◇ day hospital facilities 121,518 episodes
- ◇ hospital-substitute 3,692 episodes.

For the June 2010 quarter, hospital utilisation increased by 5.0% in episodes. Utilisation increased in all categories of hospital over the quarter and over the year.

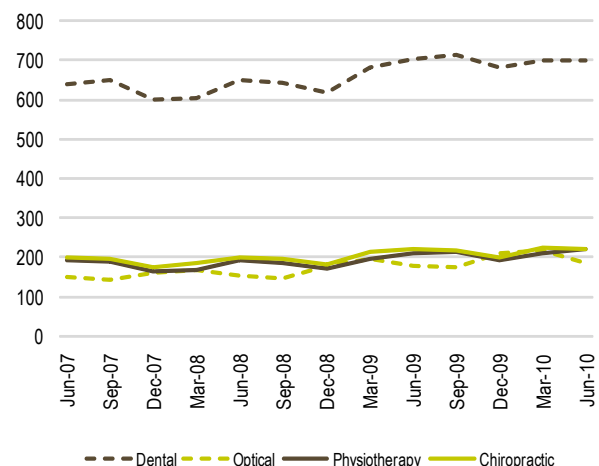
| | Quarter change % | Year change % |
|---------------------------|------------------|---------------|
| ◇ public hospitals | ↑ 1.7 | ↑ 8.2 |
| ◇ private hospitals | ↑ 5.2 | ↑ 5.3 |
| ◇ day hospital facilities | ↑ 7.4 | ↑ 11.6 |
| ◇ hospital-substitute | ↑ 0.3 | ↑ 6.1 |

Day-only episodes in the four categories of hospital totaled 528,456, an increase of 8.1% compared to the March 2010 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

| | June 2010 | Change from March 2010 | Change from June 2009 |
|--------------------------------|-----------|------------------------|-----------------------|
| | \$ | % | % |
| Hospital treatment | 315.87 | 0.7 | 5.0 |
| Hospital-substitute treatment | 3.29 | -8.9 | 157.0 |
| General treatment | 48.36 | 0.8 | 0.6 |
| Prostheses where gap was paid | 29.82 | -3.3 | 1.4 |
| Medical gap where gap was paid | 161.39 | 12.3 | 11.0 |

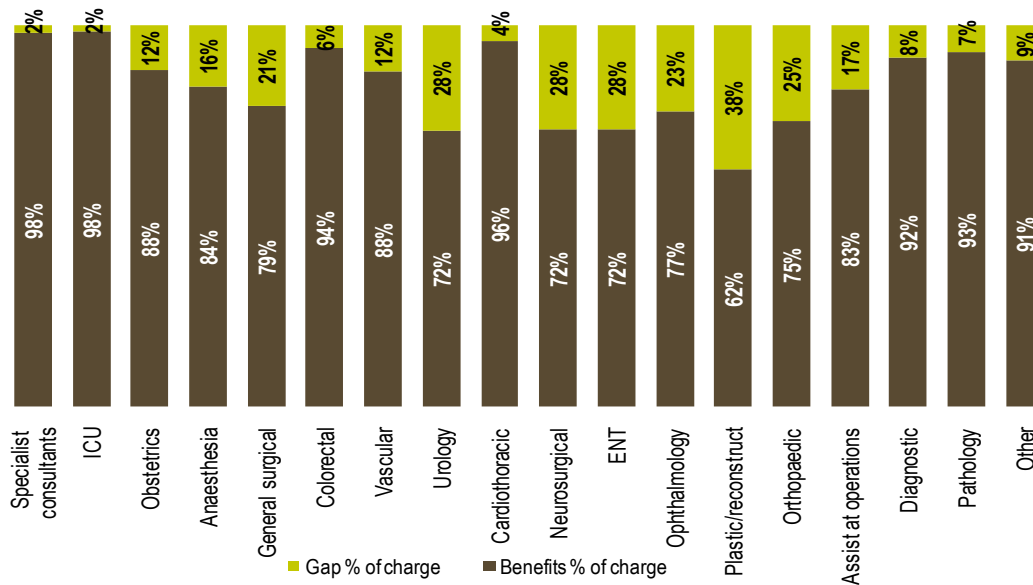
The average out-of-pocket (gap) payment for a hospital episode was \$315.87 in the June 2010 quarter. This included out-of-pocket payments for medical services, some prostheses in addition to any excess or

co payment amounts relating to hospital accommodation.

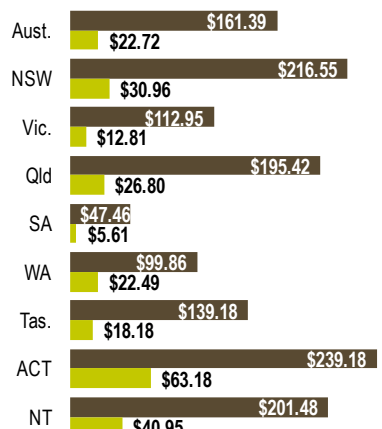
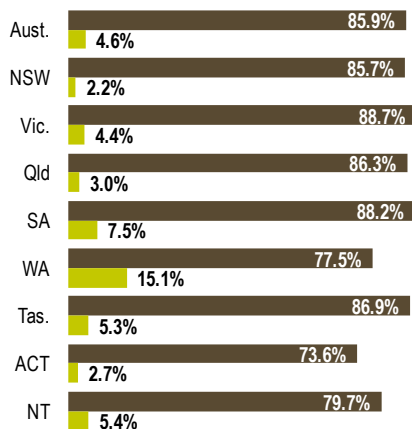
The out-of-pocket payments for hospital episodes increased by 5.0% compared to the same quarter for the previous year.

Out-of-pocket payments for medical services were \$161.39 where an out-of-pocket payment was payable. The amount of gap for medical services varies depending on the specialty group. The specialty group with the largest out of pocket payment was plastic/reconstructive with an average gap of \$371.92, followed by orthopaedic with an average gap per service of \$299.68. Gap incurred for the various medical services are 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 June 2010* | 12 months to June 2009 |
|-------------------------------------|----------------------------|---------------------------|
| Revenue | | |
| HIB premium revenue | 14,169,573 | 13,078,133 |
| Net HRB and other revenue | 553,592 | -8,759 |
| Total revenue | 14,723,165 | 13,069,374 |
| Benefits | | |
| Fund benefits | 12,087,361 | 11,203,083 |
| State ambulance levies | 159,606 | 146,029 |
| Total fund benefits | 12,246,967 | 11,349,113 |
| Expenses | | |
| HIB expenses | 1,023,598 | 1,046,616 |
| HIB claims handling | 272,721 | 264,436 |
| Other expenses | 28,462 | 4,576 |
| Total expenses | 1,324,780 | 1,315,629 |
| Profit | | |
| Profit/(loss) before tax | 1,151,418 | 404,632 |
| Taxation expense | 218,994 | 81,009 |
| Profit/(loss) after tax | 932,424 | 323,624 |
| Non HBF related profit/(loss) | 10,705 | 3,927 |
| Profit/(loss) of the insurer | 943,129 | 327,551 |
| Margins | | |
| Gross margin | 13.57% | 13.22% |
| HIB expenses | 9.15% | 10.02% |
| Net margin | 4.42% | 3.20% |

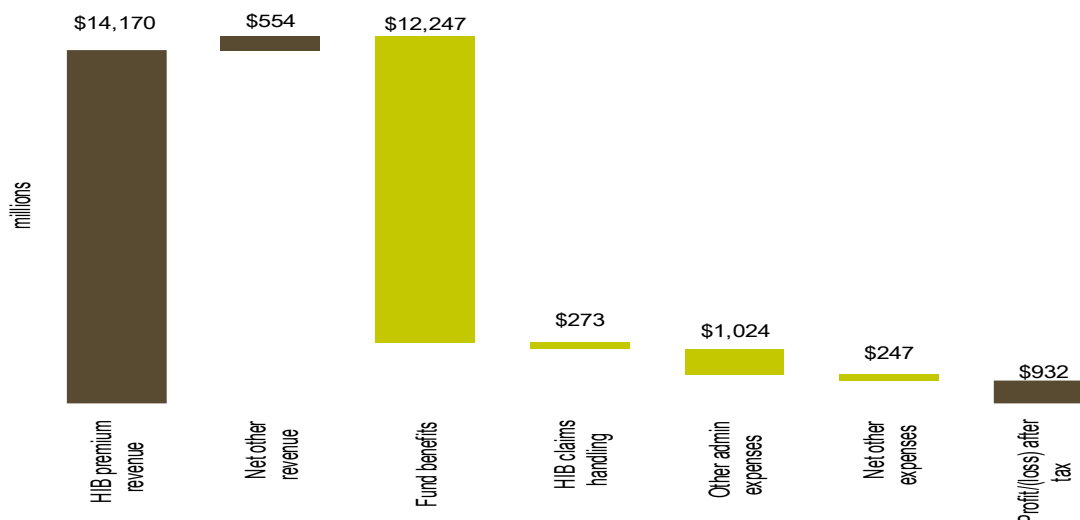
* June 2010 figures are unaudited

The gross margin for the industry over the year to June 2010 was 13.6%, a marginal improvement from 13.2% for the previous year. Total revenue increased \$1.65 billion whilst benefits increased by \$898 million for the period.

As a result of the improved gross margin and lower expenses, the industry reported a stronger net margin of 4.4% for the year to June 2010 (June 2009: 3.2%).

The financial market recovered strongly in the first three quarters of the 2010 financial year, bringing the industry's investment income back to the positive territory. However in the fourth quarter, the investment markets experienced a downturn, thus dragging the industry's investment income down to its lowest level since March 2009. Investment losses were reported by seven insurers in the June 2010 quarter. Looking forward, as the market is still experiencing significant volatility, the industry's investment income is likely to remain subdued.

Health Benefits Fund Profit After Tax Breakdown for 12 months to 30 June 2010



Prudential position

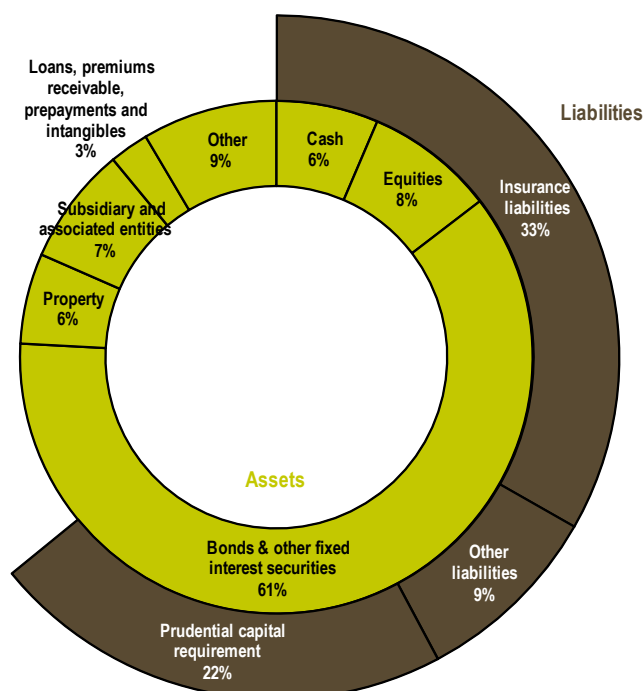
| All Figures \$'000 | June 2010** | June 2009 |
|--|------------------|------------------|
| Health benefits fund financial assets | | |
| Cash | 578,444 | 543,671 |
| Investments | | |
| Equities | 732,949 | 621,486 |
| Bonds & other fixed interest securities | 5,514,227 | 4,846,005 |
| Property | 514,352 | 402,993 |
| Subsidiary and associated entities | 670,831 | 764,323 |
| Loans | 78,899 | 141,370 |
| Premiums receivable | 68,429 | 80,536 |
| Intangibles DAC and FITBS | 60,069 | 68,329 |
| Prepayments | 15,480 | 15,067 |
| Other* | 764,644 | 884,680 |
| Total assets | 8,998,323 | 8,368,461 |
| Health Insurance Liabilities | | |
| Unearned premium liabilities | 1,605,963 | 1,539,264 |
| Unpresented & outstanding claims | 1,386,162 | 1,412,954 |
| Other fund liabilities | 123,360 | 112,116 |
| Interest bearing liabilities | 29,599 | 25,921 |
| Payables, provisions & other liabilities | 653,179 | 559,611 |
| Total liabilities | 3,798,264 | 3,649,866 |
| Health benefits fund capital | 5,225,059 | 4,718,595 |
| Solvency Requirement | 5,474,057 | 5,410,682 |
| Capital Adequacy Requirement | 5,767,539 | 5,669,010 |

As a result of the strong profitability over the 2010 financial year, the total capital held by private health insurers increased by 10.7% over the past 12 months to \$5.23 billion.

All private health insurers remained compliant with the solvency and capital adequacy standards. As at 30 June 2010, the industry as a whole had \$3.52 billion in excess of its solvency requirement, up from \$2.96 billion as at 30 June 2009.

** June 2010 figures are unaudited * includes health insurance equipment and other assets

Health Benefits Fund Assets vs Liabilities as at 30 June 2010



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.

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

| | |
|--------------------------------------|--|
| <i>DAC</i> | Deferred Acquisition Costs |
| <i>Episode</i> | The period of admitted patient care between an admission and separation (eg. discharge) characterised by only one care type. |
| <i>Family policy</i> | 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. |
| <i>FITBS</i> | Future Income Tax Benefits |
| <i>General treatment</i> | Treatment that is intended to manage or prevent a disease, injury or condition and is not hospital treatment.* |
| <i>General treatment services</i> | Ancillary services such as dental and optical. |
| <i>Gross margin</i> | The difference between total premium revenue and total cost of benefits (inclusive of state levies) expressed as a percentage of premium revenue. |
| <i>HIB</i> | 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.* |
| <i>Hospital treatment</i> | 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.* |
| <i>Hospital-substitute treatment</i> | General treatment that substitutes for an episode of hospital treatment.* |
| <i>HRB</i> | 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. |
| <i>Medical service</i> | Medical specialist services such as the anaesthetist or obstetrician. A hospital episode may involve several medical services. |
| <i>Net margin</i> | Gross margin less management expenses expressed as a percentage of premium revenue. |
| <i>Out-of-pocket</i> | 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. |
| <i>Persons</i> | Refer to the number of persons covered by private health insurance policies. |
| <i>Policies</i> | Refer to the number of private health insurance policies referable to private health insurance funds. Each policy may cover one or more persons.* |
| <i>Single policy</i> | A policy under which only one person is insured. |
| <i>State ambulance levy</i> | 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 industry
- ◇ protecting the interests of consumers
- ◇ ensuring the prudential safety of individual private health insurers.

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>.