



Media Release

Health Fund Contribution Rate Increase 2004

Contribution rates for private health insurance policies will increase by an average of 7.58% in 2004.

The actual increase will vary from fund to fund and from product to product and between States. Depending on the fund and the policy, rates will change from April or May 2004.

All funds applied for rate adjustments. These applications were required to be endorsed by an independent actuary. They have been closely scrutinised by PHIAC and the Department of Health and Ageing to ensure that they are the minimum justifiable in terms of the financial position of each fund.

PHIAC referred one application to the Australian Government Actuary for additional advice to ensure that the rate increase applied for was necessary.

In 2002-03, private health insurance paid total benefits of \$6.953 billion. The industry had an underwriting surplus of just \$1.1 million. The overall surplus for the industry of \$196 million was almost entirely due to investment income.

The contribution rate changes are a result of considerable cost increases over the last year. Hospital benefits payments increased by 8.9%. Gap payments to doctors increased by 33.3% over the last year and benefits paid for prosthetics (such as cardiac pacemakers and joint replacements) increased by 28%. Ancillary costs increased by a more modest 2.4%.

These costs also vary from State to State, which affects the prices of policies in each State.

Generally, the entire industry is operating on very tight margins – 90 cents in every contribution dollar goes out again in benefits.

Estimated benefits paid for contributors will exceed \$7.5 billion this year. Increases in contribution rates are necessary to meet these increased benefits in a mainly not-for-profit market. The 30% rebate provides support in meeting the costs of contributions.

PHIAC and the Department of Health and Ageing are also focusing on funds with significantly higher than average management expenses. These funds will be required to report to PHIAC on their efforts to reduce those costs over the next year to make them more consistent with the industry average.

Contributors will shortly receive letters from their fund identifying the rate changes affecting them. Contributors who are unhappy with their health fund product, have considerable rights under the *National Health Act*. These include the right to transfer to another health fund without loss of waiting period provided that the new product they buy offers comparable cover.

All health fund members should check that they have the right level of cover for them and shop around the health funds. 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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