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CATHOLIC HEALTH AUSTRALIA CALLS FOR INCREASED PAYOUTS FROM INSURERS

Many of Australia's biggest health insurance companies are failing to provide good value for customers, keeping too much of their premium revenue for themselves instead of paying it out to patients.

Analysis of APRA data by Catholic Health Australia finds all of the major funds are failing to meet the widely recognised gold standard of returning 90 per cent of premiums to their members.

In 2022, the industry as a whole only returned 83 per cent of its \$26.6 billion premium revenue to members, meaning a total of \$4 billion went to management expenses and profits instead of patients.

Premium revenues went up 3.5 per cent from 2021 but fund benefits only increased 0.6 per cent.

NIB provided the worst value, returning a measly 75 per cent of premiums to members. Back in 2005, NIB claimed it was one of the best funds because it returned 90 per cent of premiums in benefits.

Among the other major funds, BUPA returned only 82 per cent of premiums to members and Medibank was only slightly better on 84 per cent.

Unsurprisingly, the big non-for-profit funds were among those which provided the best value. HCF returned 87 per cent while HBF returned 88 per cent of revenue to members.

CBHS also returned 88 per cent and several smaller funds including CBHSCH and Police and also did relatively well, returning 87 per cent of premiums.

It comes after CHA analysis revealed insurers have increased their management expenses by 18 per cent since 2019 and are sitting on a \$2 billion mountain of cash due to reduced claims during Covid-19 lockdowns.

CHA Health Policy Director Caitlin O'Dea said it was pleasing that some insurers were nearing the 90 per cent mark but insisted others should be trying harder to give members good value for money.

"The insurers themselves have said 90 cents out of every \$1 in premiums should go back to policyholders - but they are failing to meet that target," she said.

"The viability of the private hospital system depends on insurers providing good value to their customers.

"If insurers don't provide good value, more people will simply go without insurance, which would heap extra pressure on public hospitals further lengthening hospital waiting times.

"With our costs surging and funding failing to keep up, we're simply not sure how long we can remain sustainable."



In a 2018 senate submission the Members Health Fund Alliance, which represents 26 health insurers, admitted that insurers should ‘return on average around 90 per cent of all premiums paid, back to policyholders, as benefits’.

This year insurer Teachers Health Group said it aimed to achieve this target by keeping management expenses low.

Best value funds	Premium revenue	Benefits paid	Benefits relative to premiums
1. HBF	\$1.7 billion	\$1.5 billion	88%
2. CBHS	\$498 million	\$437 million	88%
3. CBHSCH	\$5.1 million	\$4.5 million	87%
4. HCF	\$3.5 billion	\$3 billion	87%
5. Police	\$192 million	\$167 million	87%
Worst value funds	Premium revenue	Benefits paid	Benefits relative to premiums
1. NIB	\$2.3 billion	\$1.7 billion	75%
2. HCI	\$27.2 million	\$20.5 million	75%
3. NHBA	\$38.5 million	\$29.2 million	76%
4. RBHS	\$17.7 million	\$13.5 million	76%
5. CDH	\$13.6 million	\$10.4 million	77%

Notes to editors: Catholic Health Australia (CHA) is Australia’s largest non-government grouping of health and aged care services accounting for approximately 10 per cent of hospital-based healthcare in Australia. Our members also provide around 25 percent of private hospital care, 5 percent of public hospital care, 12 percent of aged care facilities, and 20 percent of home care and support for the elderly.