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Value of private health insurance must be addressed

Private health insurance ended 2019 on a low note with continued deterioration in participation, while private hospital episodes grew over the year, as Australians took advantage of the high quality care private hospitals offer, says Australian Private Hospitals Association (APHA) CEO Michael Roff.

The release of the December quarter Australian Prudential Regulation Authority (APRA) data on private health insurance showed participation in private health insurance dropped by 0.2 percentage points this quarter, now accounting for 44 percent of Australians.

Mr Roff said those who have private health insurance enjoy peace of mind knowing they can access private hospital care when they need it. Private hospital sector episodes of care grew 0.7 percent during the year.

“Australians do not have any difficulty identifying where they see value in their private health insurance – it’s the ability to use private hospital care.

“With public hospital waiting lists growing at a significant rate, Australians with private health insurance can rest easy that they have fast access to high quality care, with the doctor of their choice at a private hospital,” he said.

Mr Roff said the data was released with a warning from the regulator that ‘the industry continues to face risks associated with affordability and the associated value proposition of private health insurance products’ – and he agrees.

“More needs to be done to make private health insurance affordable and to attract young people.

“We have a situation in Australia where the incentives used to encourage people into private health insurance are starting to show cracks. APHA is encouraging the Federal Government to restore the private health insurance rebate to 30 percent for those in the lowest income tier.

“Low-income Australian households face a double whammy of increased premiums and reduced rebates. Every year the value of their rebate goes down, while their private health premiums increase.

“For example, in 2019, a high-income earner who did not receive the rebate would have experienced a premium increase of 3.25 percent. However, low-income earners would have experienced a real premium increase of 3.74 percent.

“This isn’t fair, and it’s a relatively easy fix for government,” he said.

“The entry age and penalty levels under Lifetime Health Cover should be adjusted to ensure they are not acting as a deterrent and more needs to be done to publicise the youth discounts that are now available.

“Similarly, the Medicare Levy Surcharge settings are out of date and should be increased to incentivise higher income earners to take out private cover,” Mr Roff said.

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Australian
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The Australian Private Hospitals Association (APHA) is the peak industry body representing the private hospital and day surgery sector. The private hospital sector treats 3.69 million patients a year, including treatment of more than a third of chemotherapy, 60 percent of all surgery, 74 percent of all elective musculoskeletal surgery and 79 percent of rehabilitation.