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Private health insurance affordability issue: new APRA data

Private health insurance participation has continued to decline, the latest data shows, making a further case for reform of health insurance policy settings, says Australian Private Hospitals Association (APHA) CEO Michael Roff.

The Australian Prudential Regulation Authority (APRA) June quarter data released today shows the percentage of Australians with private health insurance has declined again to 43.6 percent, down from 47.3 percent just five years ago.

Mr Roff said the Federal Government should consider a range of measures in the upcoming Budget to address the significant affordability issues of private health insurance.

“There has been a further decline in membership and with increasing pressure on personal finances from increasing unemployment, particularly for young people and women, the Government needs to act to address affordability concerns so people can continue to access private hospitals when they need them,” he said.

“APHA proposes restoring the health insurance rebate to the original 30 percent for low income families. This income group includes many elderly Australians who rely on access to private hospitals to avoid lengthy public hospital wait times. If they exit private health insurance, public hospital capacity will be quickly overwhelmed.”

Mr Roff said consideration should also be given to extending the amount of time young people can stay on their parents’ private health insurance cover and adjusting the Lifetime Health Cover settings.

“We know young people have been particularly hit by the pandemic, through job losses and likely future loss of opportunity. A small extension in the amount of time they can be covered on their parents’ health insurance will mean fewer are lost to the system overall.

“The Lifetime Health Cover loading is also overdue for review. The loading is applied to premiums for every year a person fails to take up insurance after their 31st birthday. Rather than encouraging take up, it is now deterring Australians from investing in insurance past that milestone birthday.

“While this is a complex area to reform, APHA thinks options including adjusting the age the loading takes effect, adjusting the penalty level or allowing an amnesty period are all possible changes that could have a positive effect on this policy,” he said.

Whatever measures are taken to improve affordability in private health insurance, Mr Roff said they need to be considered as a matter of urgency as a tidal wave of elective surgery waiting lists is about to hit public hospitals.

“Today’s data shows there were more than 230,000 private patient episodes put on hold due to the pandemic, on top of deferred public patient care – an indication of how much the health sector will have to make up in the near future.



“There are estimates the backlog in elective surgery resulting from COVID-19 surgical restrictions could take years to clear, even with the full capacity of the public and private systems. We need to urgently address private health insurance affordability to ensure Australians can continue to access private hospital services because the waiting times in public hospitals will just be too long,” he said.

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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 3.73 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.