



THE HON NICOLA ROXON MP
Minister for Health and Ageing

MEDIA RELEASE

2 March 2009

Private Health Insurance Premiums Rise

Private health insurance premiums will increase by an average of 6.02 per cent from 1 April 2009.

Any increase puts pressure on families. However, the Government was determined to restrict increases to the minimum necessary to meet legal requirements, including maintaining the solvency of insurers.

The Minister wrote back to several funds after their initial applications, challenging their requests for larger premium increases. Without that close scrutiny, premium rises would have been higher for up to 8 million Australians.

This year's increase is the result of increased benefits paid to patients, rising health service costs, and investment losses from the global financial crisis.

Premium increases will vary across individual insurers with policyholders experiencing larger or smaller increases, depending on their product.

In the last five years of the Howard Government, premiums rose by an average of 6.63 per cent.

Joe Hockey predicted in September last year that premiums would rise by 12 per cent as a result of the Government's changes to the Medicare Levy Surcharge.

A 6.02 per cent increase would on average raise the cost of a combined hospital and general treatment policy ('ancillary' or 'extras') for a family by about \$3 a week, after allowing for the 30 per cent rebate. Peoples' rates will differ according to their policy.

The Government has scrutinised all applications to ensure the premium increases are the minimum needed to maintain insurer solvency requirements and that the insurers can meet their claims obligations to members. The six largest private health insurers' applications, covering eight out of 10 members, were assessed by the Australian Government Actuary.

In scrutinising applications, the Government was conscious that its actions should not drive reductions in benefits. In 2007-08, private health insurers paid more than \$10 billion in benefits to members, an increase of 10.5 per cent compared with the previous year (\$9 billion). Benefits paid to members are around 85 per cent of total premiums paid. Many insurers are also improving the benefits they offer.

Despite facing challenges, the health insurance industry has sound balance sheets and this means the industry is in a strong position to weather the economic situation and continue to meet minimum capital requirements.

The date for lodging applications for the 2010 premium round will be brought forward to 20 November 2009.

This will allow more time for the Government to analyse and assess applications to ensure that the increases sought by insurers are necessary. It will also allow more time for negotiations with insurers, if required, and still ensure sufficient notice is able to be given to policyholders of any changes.

For all media inquiries, please contact the Minister's Office on 02 6277 7220.