



Private Health Insurance Premium Application Form 2024

Submissions

Please direct queries regarding the premium application form to phi@health.gov.au.

Applications should be submitted via **SecureDoc**, a cloud-based Australian Prudential Regulation Authority (APRA) owned file transfer system by **3pm, 15 November 2023**. SecureDoc access will be provided to the premium round primary and secondary contacts. If access is required for additional contacts in order to submit applications, please provide details to phi@health.gov.au by 13 October 2023.

Confidentiality and Publication

The submitted premium application forms will be treated as **protected information** as defined by the *Private Health Insurance Act 2007*.

The Department of Health and Aged Care (the Department) intends to publish on its website each insurer's average premium price change and the industry average premium price change.

Only highly aggregated or non-identifiable information will be made public, such as average premium changes in jurisdictions or by insured groups.



The Premium Application Form

Section 66-10 of the *Private Health Insurance Act 2007* (the Act) provides that a private health insurer that proposes to change the premiums charged for a complying health insurance product must apply to the Minister for approval of the change:

- a. in the approved form; and
- b. at least 60 days before the day on which the insurer proposes the change to take effect.

A written report and 4 templates (Template A, Template B, Template C and Template D) are collectively referred to as the premium application form. Optional covering letters will also be considered as part of the premium application form.

Template A details the premium changes for each complying health insurance product. For the purposes of s66-10 of the Act, the changes to the premiums in Template A are the changes for consideration by the Minister. The approved changes are the individual changed amounts for each product or product sub-group in Template A.

The premium application form will be assessed by the Department and APRA.

In submitting the premium application form, please note:

- New products which have been introduced between 1 April 2023 and 30 September 2023 should be included.
- All information should be provided as instructed in this document.
- Data should align with information provided to APRA under the reporting standards.
- Pages should be numbered in the written report.
- The premium application form should **not** be submitted in PDF format.
- Only information that is relevant to the health insurance business is required.¹

Health/APRA will contact insurers to discuss applications that do not comply with the guidelines and requirements set out in this document.

2024 Average premium increase

The 2024 average premium increase will be calculated from the premium as approved by the Minister for Health and Aged Care in the 2023 premium round, regardless of whether this premium has been applied or not.

The written report

Applications for premium changes should include all information outlined below.

As a guide, an application which is consistent with the insurer's pricing targets and capital targets is expected to be no more than 20 pages and no more than 10 pages for the Actuarial opinion.

¹ Other than Template B where data is collected at a Health Benefits Fund level.



Questions

Reference	Question	Guidance
1	Insurer name	Provide the name of the insurer as registered with APRA as at the premium application date.
2	Date(s) of premium change effect	Provide the date(s) on which the premium change(s) are to take effect. It is preferable for insurers to implement a date of effect of 1 April.
3	Summary statement	Option to answer this question by way of a covering letter OR as part of the written report. Summarise how the key drivers have resulted in the prices applied for and highlight any significant issues or key changes associated with the pricing or implementation approach.
4	Consistency with pricing targets	<p>Outline whether the premium application is consistent with the insurer's approach to managing insurance risks.</p> <p>This should detail products that are currently, or expected to be, outside of targets and any remedial action planned over the forecast period.</p> <p>Insurers are expected to <u>demonstrate</u> whether or not <u>products</u> and the <u>fund as a whole</u> are aligned to the pricing targets.</p>
5	Consistency with capital targets	Outline whether the capital projections outlined in Template B are consistent with the insurer's capital targets. This should detail any remedial action planned over the forecast period should the projections be below the targets.
6	Benefit growth	<p>Outline the approach to forecasting benefits over the projection period. Commentary should provide an understanding of how benefits were forecast and why they are considered reasonable.</p> <p>Commentary should specifically cover the insurer's view on:</p> <ul style="list-style-type: none">• Underlying benefit growth since COVID-19 started.• Future underlying benefit growth over the projection period compared to pre COVID-19 claiming rates.• Impacts of COVID-19 uncertainty on the forecast period.• Whether the use of medical services or policyholder behaviour has changed over COVID-19.



Reference	Question	Guidance
		<ul style="list-style-type: none">How the underlying future benefits have been affected by Government reforms including:<ul style="list-style-type: none">Medicare Benefits Schedule changes.Prostheses List Reforms. Include commentary on how current year projections of savings differ to prior projections of savings for the same period, if applicable. For example, projections may have changed due to new information. Also outline how any projected savings will be passed on to policyholders.Dependents reforms (including how the insurer is implementing the reform, the maximum age of dependants and expected increase in participation).
7	Out-of-pocket costs	<p>Provide commentary on excesses, copayments and medical out-of-pockets expected to be paid by policyholders.</p> <p>Commentary should cover the insurer's view on:</p> <ul style="list-style-type: none">Arrangements to limit medical out-of-pockets; andThe impact of co-payments and excesses on premiums. <p>To the extent possible, quantify these contributions by reference to recent data for a defined period (for example, the 12 months from 1 April 2022 to 31 March 2023).</p>
8	Pricing	<p>Outline any other drivers that have contributed to the prices applied for. This may include the impact of cost drivers such as hospital and medical specialist contract indexation, out of hospital care initiatives, or other programs aimed at reducing costs, other strategies or material risks. Specifically, insurers are asked to comment on how COVID-19 affects the prices applied for.</p> <p>Outline the approach to factoring Risk Equalisation (RE) payments into premium pricing, by product tier. This may include detailing what percentage of the price is attributable to RE payments and providing commentary on impacts on each product tier.</p>
9	Consistency with Act and Rules	<p>Provide a declaration that the premium changes are consistent with the <i>Private Health Insurance Act 2007</i> and <i>Private Health Insurance (Prudential Supervision) Act 2015</i>, and the associated Rules, as at the date submitted.</p>
10	Actuarial opinion	<p>Provide an opinion (and commentary where relevant) from the Appointed Actuary regarding whether the assumptions and</p>



Reference	Question	Guidance
		<p>forecasts are reasonable. The Appointed Actuary should specifically comment on assumptions on future drawing rate growth given the uncertainties on claiming rates as a result of COVID-19.</p> <p>Provide a comment on the reasonableness of the conversion factor values provided by the insurer in Template C and the assumptions used to estimate the impact of the dependants reform in Template D.</p> <p>The Appointed Actuary may also comment on any matter he/she deems relevant to the premium application process.</p>
11	Contact person	<p>Provide the contact details of a primary contact person, and an alternative contact person. This should include:</p> <ul style="list-style-type: none">• name• position title• landline telephone number• mobile phone number• E-mail address.



Template A (Products)

- All products should be reported regardless of whether a change in premium is sought.
- Template A should be completed for all products currently available and all new products expected to commence on or prior to **1 April 2024**.
- All products should reflect the name, excesses, and premiums as they will appear in the PHIS and Fund Rules from **1 April 2024**.
- Ambulance Only policies should be included where they are complying health insurance products, and included in HRF601.
- Information should be provided for all products, even if some products have the same price (i.e. information should be provided for couple policies even if they are priced the same as family policies).
- Do not include Overseas Visitors Health Cover or Overseas Student Health Cover products.
- Do not create new categories as a substitute for drop down list options – select only options in the drop-down menu.
- Template A “number of policies” and “insured people” should be consistent with HRF601 for the **September 2023** quarter.
- Products listed in all templates should be identified with a unique ‘Product Code’ identifier. This should be the PHIS ID.
- If an insurer plans to terminate products from **1 April 2024**, the 2024 price should be identical to the 2023 price.
- **ANNUAL CO_PAYMENTS** (column J) to be entered as a dollar amount or as “no cap”. A dollar amount should report the **maximum** allowable **annual total** co-payment amount (this is an amount separate to ANNUAL EXCESS).
- **2023 MONTHLY PREMIUM (\$)** is the approved 1 April 2023 price, regardless of whether this price has been applied or not. The 2024 average premium increase will be calculated from the base price as agreed by the Minister for Health and Aged Care in the 2023 premium round, regardless of whether this price has been applied or not.
- The age-based discount conversion factor at Column O should be identical to that identified in the 2023 premium round. If the discount did not apply to the product, the factor will be 100 per cent.
- The age-based discount conversion factor at Column P of Template A is only relevant to products where the aged-based discount will be applied.
 - If the discount does not apply to the product, the factor will be 100 per cent.
 - If 100 people are on a product, and 10 people are eligible for a 2 per cent aged-based discount, the difference in monthly income when the discount is applied is 0.2 per cent, therefore, the aged-based discount conversion factor is 99.8 per cent.
- The age-based discount conversion factor at Column Q of Template A will calculate the change in the age-based discount. The figures in Column Q flow through to the insurer average premium change figure in Template C.



Field Descriptions

Field	Data Entry Guidelines	Example
Insurer	Name of insurer.	
State	Select from the drop down list the State/Territory in which the product is available. This should be consistent with the risk equalisation jurisdiction for APRA reporting. Each State/Territory should be recorded separately (i.e. if the same product is available in multiple states, record in individual rows).	Drop down list: <ul style="list-style-type: none">• NSW / ACT• NT• QLD• SA• TAS• VIC• WA
Product code PHIS ID	Enter in full the unique product identification code for the product, exactly as generated in the PHIS by privatehealth.gov.au (i.e. do not truncate by omitting insurer identifier component of code). This includes products that are closed, or have zero policies/people.	
Product name as at 1 April 2024	Enter the product name. If the name is duplicated across products, do not leave any rows blank, but instead enter the identical name for each product. This should be consistent with the information recorded in the PHIS for the product.	Gold Hospital Cover
Product status as at 1 April 2024	Select from the drop down list whether the product is: <ul style="list-style-type: none">• Open and is a New Product to the market.• Open already Existing product.• Closed – Closing, if the insurer plans to close the product anytime between 1 April 2023 to 31 Mar 2024.	Drop down list: <ul style="list-style-type: none">• Open – New Product• Open – Existing• Closed – Closing• Closed – Existing• Terminating



Field	Data Entry Guidelines	Example
	<ul style="list-style-type: none"> • Closed prior to 1 April 2023 – Existing. • Terminating, if planning to terminate the product prior to 1 April 2024 with customers being migrated to alternative products. 	
Product Coverage	Select only from the drop down list.	Drop down list: <ul style="list-style-type: none"> • Hospital = Hospital treatment only • General = General treatment only • Combined = Combined hospital and general treatment • General - Ambulance = Ambulance only
Hospital category as at 1 April 2024	Select only from the drop down list. This should be consistent with the information recorded in the PHIS for the product with that particular unique product identification code. Leave blank for general products.	Drop down list: <ul style="list-style-type: none"> • Gold • Silver Plus • Silver • Bronze Plus • Bronze • Basic Plus • Basic
Insured Group	Select only from the drop down list. Enter information for each product subgroup separately even if different insured groups have the same price (e.g. include couples information in a separate row from family's information even if they have the same prices, if they have different PHIS's).	Drop down list: <ul style="list-style-type: none"> • ChildrenOnly • Couple • ExtendedFamily • ExtendedSingleParentFamily • Family • Single • SingleParentFamily
Annual excess as at 1 April 2024	Enter the amount of the excess for the product as at 1 April 2024. This	\$500



Field	Data Entry Guidelines	Example
	is the maximum annual excess for the policy. For example, \$500 should be entered if the excess is \$250 per admission per person but limited to a maximum of \$500 per year. This should be consistent with the information recorded in the PHIS for the product with that particular unique product identification code.	
Annual co-payment as at 1 April 2024	Enter the maximum annual total co-payment amount for the product as at 1 April 2024. For example, enter \$500 if the co-payment is \$50 per admission for every admission up to a maximum of \$500 per year. If no cap exists, enter "no cap".	\$500 or "no cap"
2023 Monthly premium (\$)	<p>Enter the approved 1 April 2023 price, regardless of whether this price has been applied or not.</p> <p>Enter the price of all products introduced between 1 April 2023 and 30 September 2023.</p> <p>This price should reflect the full price and exclude the rebate, LHC loadings, and discounts.</p> <p>For new products commencing on 1 April 2024, please leave blank.</p>	\$100.07
2024 Monthly premium (\$) as at 1 April 2024 - for all products (new and existing)	<p>Enter the proposed new price per month for the product as at 1 April 2024, including for new products. This price should reflect the full price and exclude the rebate, LHC loadings, and discounts.</p> <p>For products terminating by 1 April 2024, please enter the 2023 price.</p>	\$101.67



Field	Data Entry Guidelines	Example
Total number of people covered by this product as at 30 September 2023	Enter the total number of people covered by the policies comprising the insured group for the particular product as at 30 September 2023 (e.g. number of people covered by family policies for the product). Do not record SEUs. Please leave blank for new products commencing on 1 April 2024.	2,000
Total number of policies covered by this product as at 30 September 2023	Enter the total number of policies comprising the insured group for the particular product as at 30 September 2023 (e.g. number of couple's policies for the product). Do not record SEUs. Please leave blank for new products commencing on 1 April 2024.	1,000
Average age-based discount conversion factor 2023	The average age-based discount conversion factor applied in the 2023 premium round should be applied. 100% should be applied to products that did not have an age-based discount in 2023.	
Average age-based discount conversion factor 2024	The average age-based discount conversion factor applied to all policies on this product. 100% should be applied to products that do not have age-based discounts or for all new products.	
Average age-based discount conversion factor net change	This is an automated field that calculates the 2023 age-based factor less the 2024 age-based factor. This provides a net factor for 2024 calculations.	
Monthly income from product	This is an automated field that calculates the 2023 monthly	



Field	Data Entry Guidelines	Example
	income from all policies on the product based on 2023 monthly premium in column K multiplied by the total number of policies covered by this product as at 30 September 2023 in column N. Because there will be zero policies in column N for a proposed new product, this field will be zero for all new products.	
2024 premium increase (\$)	This is an automated field that calculates the dollar value of the premium change between the 2024 monthly premium price and the 2023 premium price. For new products this field will be automatically flagged as a 'new' product. For terminating products this field will be automatically flagged as "terminating".	
2024 Premium increase (%)	This is an automated field that calculates the percentage change of the premium change between the 2024 monthly premium price and the 2023 premium price. For new products this field will be automatically flagged as a 'new' product. For terminating products this field will be automatically flagged as "terminating".	
2024 Monthly income from product	This is an automated field that calculates the 2024 monthly income for all policies on the product based on the 2024 monthly premium multiplied by the total number of policies covered by this product as at 30 September 2023. Because there will be zero policies for a proposed new product, this	



Field	Data Entry Guidelines	Example
	field will be zero for all new products.	
Estimated migration of people due to dependent reform over the 12 months from 1 April 2024	<p>Estimate the number of people included in “TOTAL NUMBER OF PEOPLE COVERED BY THIS PRODUCT as at 30 September 2023 (Leave blank for new products commencing on 1 April 2024)” that will migrate as a result of the dependents reform.</p> <p>This number should reflect a movement for either part or all of the forecast contribution income 12 month period, therefore this may be a non-integer.</p> <p>For example:</p> <ul style="list-style-type: none">• One person migrating for 12 months: -1 / +1• One person migrating for six months: -0.5 / +0.5 <p>Enter zero where there are no movements.</p> <p>If impacts were reported last year, do not double-count in this year’s application.</p>	-100 +100 0
Estimated migration of policies due to dependents reform over the 12 months from 1 April 2024	<p>Estimate the number of policies included in “TOTAL NUMBER OF POLICIES COVERED BY THIS PRODUCT as at 30 September 2023” that will migrate as a result of the dependents reform</p> <p>This number should reflect a movement for either part or all of the forecast contribution income 12</p>	-100 0



Field	Data Entry Guidelines	Example
	<p>month period, therefore this may be a non-integer. For example:</p> <ul style="list-style-type: none">• One person migrating for 12 months: -1• One person migrating for six months: -0.5 <p>Enter zero where there are no movements.</p> <p>If impacts were reported last year, do not double-count in this year's application.</p>	
Estimated 2024 monthly premium (\$) adjustment due to dependents reform migration	<p>This is an automated field that estimates the 2024 monthly premium adjustment due to dependents reform migration.</p>	



Template B (Financials)

- Template B has been updated to reflect the revised APRA capital and reporting framework effective as of 1 July 2023. For definitions of the data items within the updated Template B, refer to the definitions outlined within the new reporting standards.
- The tables below explain how each of the data items within Template B aligns with the data items reported under the reporting standards. Insurers must provide the respective actual data items for the September 2023 month (and the October 2023 month where possible), and the respective forecast data items for each month of the period October 2023 to March 2026. Where applicable, the data items must be aggregated across categories to calculate the amount for a Health Benefits Fund.
- Items highlighted in ***bold and italics*** within the tables below are defined within the APRA reporting standards.
- For items relating to balance sheet (APRA basis), HPS 340 insurance liabilities, prescribed capital amount and capital base / target capital, insurers are only required to complete the forecasts on a quarterly basis.
- Data must be entered as thousands of dollars (\$'000).
- Data must be reported at a Health Benefits Fund level.
- Insurers are only required to complete the white cells. Grey cells will automatically calculate.

Items under insurance performance and balance sheet – APRA basis

Data item	Definition
Contributions	This item aligns with <i>accrued premium</i> reported under <i>Reporting Standard HRS 101.0 Regulatory Income Statement – Supplementary Information</i> (HRS 101.0).
Claims incurred	This item aligns with <i>claims incurred amount</i> reported under HRS 101.0.
Net Risk Equalisation Special Account Amount	This item aligns with <i>net RETF amount</i> reported under HRS 101.0.
State Ambulance Levies	This item aligns with <i>state ambulance levies</i> reported under HRS 101.0.
Management expenses – HIB	This item aligns with the sum of <i>other business expenses amount</i> and <i>claims handling expenses amount</i> for health insurance business (HIB) reported under HRS 101.0.



Data item	Definition
Net accrued premium amount – HRIB	This item aligns with the amount calculated after deducting reinsurance premiums ceded amount from gross accrued premium for health-related insurance business (HRIB) reported under HRS 101.0
Net claims incurred amount – HRIB	This item aligns with the amount calculated after deducting reinsurance recoveries amount from gross claims incurred amount for health-related insurance business reported under HRS 101.0
Management expenses – HRIB	This item aligns with the sum of other business expenses amount and claims handling expenses amount for health-related insurance business reported under HRS 101.0.
Net Other Operational Revenue (Include Health-Related Business Non-Insurance)	<p>This item aligns with the amount calculated after deducting other business expenses amount for health-related business non-insurance from the sum of health-related business non-insurance revenue amount and net other operational revenue amount.</p> <p>The relevant data items are reported under HRS 101.0.</p>
Investment Income Amount	This item aligns with investment income amount reported under HRS 101.0.
Gains/Losses On Investments Amount	This item aligns with gains/losses on investments amount reported under HRS 101.0.
Hospital SEUs (at months end)	This item aligns with Single Equivalent Units (fund) count reported under <i>Reporting Standard HRS 115.0 Insurance Risk Charge</i> (HRS 115.0).
Total Assets (Excluding DTAs, Total Intangible Assets And Goodwill, And AASB 17 Insurance And Reinsurance Contracts Asset)	<p>This item aligns with the amount calculated after deducting the following items from total assets:</p> <ul style="list-style-type: none"> • Total deferred tax assets; • Total intangible assets and goodwill; • Insurance contract assets; and • Reinsurance contract assets. <p>The relevant data items are reported under <i>Reporting Standard HRS 300.0 Statement of Financial Position</i> (HRS 300.0).</p>



Items under capital standards

Data item	Definition
Outstanding Claims Liability At 75th Probability Of Adequacy	This item aligns with OCL at 75th probability of adequacy calculated under HRS 115.0.
Premiums Liability At 75th Probability Of Adequacy (HIB)	This item aligns with PL at 75th probability of adequacy calculated under HRS 115.0 for health insurance business.
Premiums Liability At 75th Probability Of Adequacy (HRIB)	This item aligns with PL at 75th probability of adequacy calculated under HRS 115.0 for health-related insurance business.
Risk Equalisation Transfers At 75th Probability Of Adequacy	<p>This item aligns with the amount calculated after deducting unbilled gross deficit amount from the sum of the following items.</p> <ul style="list-style-type: none">• Unbilled calculated deficit amount;• Billed risk equalisation special account liability amount;and• Risk margin at 75th POA – risk equalisation transfers amount. <p>The relevant data items are reported under HRS 115.0.</p>
Individual Other Insurance Liability At 75th Probability Of Adequacy	This item aligns with individual other insurance liability at 75th POA amount reported under HRS 115.0.
Deferred Claims Liability At 75th Probability Of Adequacy	This item aligns with DCL at 75th probability of adequacy (POA) amount reported under HRS 115.0
Outstanding Claims Liabilities Risk Charge	This item aligns with Outstanding Claims Liabilities Risk Charge reported under <i>Reporting Standard HRS 110.0 Prescribed Capital Amount</i> (HRS 110.0).
Premiums Liabilities Risk Charge	This item aligns with Premiums Liabilities Risk Charge reported under HRS 110.0.



Data item	Definition
Risk Equalisation Risk Charge	This item aligns with Risk Equalisation Risk Charge reported under HRS 110.0.
Other Insurance Liabilities Risk Charge	This item aligns with Other Insurance Liabilities Risk Charge reported under HRS 110.0.
Future Exposure Risk Charge (HIB)	This item aligns with Future Exposure Risk Charge (HIB) reported under HRS 110.0.
Future Exposure Risk Charge (HRIB)	This item aligns with Future Exposure Risk Charge (HRIB) reported under HRS 110.0.
Deferred Claims Liability Risk Charge	This item aligns with Deferred Claims Liability Risk Charge reported under HRS 110.0.
Asset Risk Charge	This item aligns with Asset Risk Charge reported under HRS 110.0.
Asset Concentration Risk Charge	This item aligns with Asset Concentration Risk Charge reported under HRS 110.0.
Operational Risk Charge	This item aligns with Operational Risk Charge reported under HRS 110.0.
Aggregation Benefit	This item aligns with aggregation benefit reported under HRS 110.0.
Tax Benefits	This item aligns with tax benefits reported under HRS 110.0.
Adjustments To Prescribed Capital Amount As Approved By APRA	<p>This item aligns with adjustments to prescribed capital amount as approved by APRA reported under HRS 110.0.</p> <p>Insurers electing to participate in the transitional arrangements described in HPS 110 Attachment A should report the adjustment to the prescribed capital amount under this item.</p>
Capital Base	<p>This item aligns with capital base calculated under <i>Reporting Standard HRS 112.0 Determination of Capital Base</i>.</p> <p>Insurers electing to participate in the transitional arrangements described in HPS 112 Attachment G should report the capital base after applying the transitional adjustment.</p>



Data item	Definition
Dividends Declared Or Paid	<p>This item aligns with <i>dividends declared or paid</i> reported under HRS 101.0.</p> <p>Report this item as a positive value.</p>
Retained Earnings Movements Other Than Profit / Loss After Tax And Dividends Declared Or Paid	<p>This item is all movements in retained earnings movement within the Health Benefits Fund excluding movements due to the following items reported under HRS 101.0.</p> <ul style="list-style-type: none"> • <i>Profit / loss after income tax attributable to members of the company</i>; and • <i>Dividends declared or paid</i>. <p>Please only report those movements that impact the capital base.</p> <p>Report this as a positive value where it would result in an increase in retained earnings.</p> <p>Report this as a negative value where it would result in a decrease in retained earnings.</p>
Share Capital Injections	<p>This item is any share capital injections made into the Health Benefits Fund (e.g. from the parent).</p> <p>Report this item as a positive value.</p>
Share Capital Movements Other Than Share Capital Injections	<p>This item is all movements in share capital movement within the Health Benefits Fund other than share capital injections (e.g. share capital reductions).</p> <p>Please only report those movements that impact the capital base.</p> <p>Report this as a positive value where it would result in an increase in share capital.</p> <p>Report this as a negative value where it would result in a decrease in share capital.</p>
Target Capital	<p>This item aligns with <i>target capital amount</i> reported under <i>Reporting Standard HRS 104.0 Forecasts and Targets</i>.</p>



Template C (Snapshot)

- Insurers are only required to complete the white cells. Grey cells will automatically calculate.
- Rate Protection Conversion Factor (%) will convert Excluding Rate Protection (%) into Including Rate Protection (%). To be calculated as per prior years.
- Proposed changes to benefits, should include an estimated cost or saving as a percentage of total contribution income. Savings should be stated as a negative amount as a percentage of Total Contribution Income. For changes to benefits due to product changes, details should be included in the Product Changes section of the table. Product changes may be grouped as the insurer sees fit.
- The Department intends to publish the insurer average premium rate change including age based discount, rate protection and the dependents reform adjustment.
- Terminology relating to 'prostheses' has been updated to 'Medical Devices and Human Tissue Products' to reflect current terms used in legislation. 'Prostheses Reforms' is now 'Prostheses List Reforms'.
- Forward estimates of Prostheses List Reforms savings are on a best endeavours basis.

Template D (Other)

Hospital Product Margins

Insurers are asked to provide actual and forecast margins by product tier for the years commencing 1 April 2022 (actual), 1 April 2023, 1 April 2024 and 1 April 2025, based on past and proposed price increases. Risk equalisation should include gross deficit and calculated deficit. All relevant allocations should be done on a best endeavours basis. Margins are limited to the hospital component of the product if the product is a combined product. Insurers are asked to outline in the submission any assumptions on product and membership mix underpinning the forecasts.

Migration impact

Where insurers plan to migrate policyholders between products, insurers are asked to report the expected Gross Margin (\$) impact of the movement. The calculation should reflect both changes in premium received, relative to 2024 Monthly Premium reported in Template A, and changes in claims net of risk equalisation to reflect changes in coverage between products. Where possible, migration impacts should also consider policyholder terminations. The amount should be aggregated for all planned migrations.

Dependents reform

"Net overall impact of implementing dependents reforms \$'000" – insurers are asked to report the expected Gross Margin (\$) impact of implementing the dependents reforms. This should reflect all impacts including price changes. Insurers may also provide a description.



Grey cells have been linked to Templates A and C. The information in the grey cells for Apr 24 will be used to adjust the forecast contribution income calculated in Template C. Insurers are asked to estimate net overall impact and the migration of policies for Apr 25.

Products below targets

Insurers are asked to identify products that achieved below the product's gross margin target percent. This can be performance in the last financial year or in the 12 months to 30 September. The table asks for the contribution income for all these products divided by total contribution income for the insurer.

Insurers are asked to consider grouping products across different states, co-payments and insured groups (eg family, single) as one product for this purpose. However, products with different coverage, name and excesses should be considered a different product.

For example: Gold \$500 excess single Victoria, would be combined with Gold \$500 excess couple NSW. However, Gold \$250 excess and Gold \$500 excess would be separate products. Similarly, if an insurer has multiple Gold products at \$500 excess they should be considered different products. For example, Gold product A \$500 and Gold product B \$500 are to be considered different products.

Insurers that do not have targets at a product level are asked to apply the fund's overall gross margin target percent as the gross margin target percent for each product.

Insurers that do not have a gross margin target percent at a fund level are asked to identify products with a net margin below 0% i.e. loss-making products.

Insurers are asked to confirm whether the insurer has a gross margin target percent for the fund and at a product level in the application.

Largest products below target – by contribution income

Insurers are asked to identify the 10 largest products by contribution income that have achieved below gross margin target percent in the last financial year, or in the 12 months to 30 September 2023.

The forecast GM 2024 and GM 2025 represents the forecast gross margin for the year commencing 1 April 2024 and 1 April 2025 respectively, with the dates designed to align with the table on Hospital Product Margins described above.

Guidance for interpreting products and for insurers that do not have targets at a product or fund level can be found under 'Products below target' above.



Avoiding Data Issues and Resubmissions

Each year a number of insurers are asked to resubmit applications due to incorrectly completing the approved form or for data issues. To avoid these in the coming round, insurers are asked to be particularly vigilant of data issues that have historically resulted in insurers being asked to resubmit.

To ensure each application does not contain data issues it is requested insurers check the following before submitting:

- No additional columns or rows are inserted into Template B.
- Actual data submitted under Template B are consistent with actual data submitted under the APRA reporting standards. In particular, insurers must note the following differences:
 - Template B requests monthly data whereas the APRA reporting standards request quarterly data.
 - Data are submitted in thousands of dollars (\$'000) under Template B whereas data are submitted in whole dollars under the APRA reporting standards via APRA Connect.
- The Excel spreadsheet does not contain links to other files.
- Cells surrounding the template are blank. Cells outside of the requested fields do not have checking or verification calculations.
- Changes to benefits in Template C that result in savings are expressed as a negative.
- Cells requesting a number have a number inserted and not text. Similarly cells with a number have not been formatted to 'text'.
- Cells in Template B without a value have a '0' inserted and are not left blank.
- The formula cells have not been edited by the insurer.
- Data entered by the insurer should be values and not include calculations.
- Compliance checks are routinely carried out to ensure premiums approved by the Minister in the premium round process reflect the corresponding PHIS. Please ensure that accurate PHIS Product ID's are provided along with the new premium price requested for each product.