

## PRIVATE HEALTH INSURANCE PREMIUM CHANGE FORMULAS

### Average insurer premium change

The **Average insurer premium change** is calculated according to the following formula.

$$\frac{(\text{FCI with premium changes} - \text{FCI without premium changes})}{\text{FCI without premium changes}} \times 100$$

Where FCI is the forecast contribution income for the insurer for the 12 month period following the implementation of the changes, excluding forecast changes in membership, and including rate protection. FCI is calculated by Monthly Premium \* Total **number of policies**.

For example:

An insurer has two products and has one customer per product:

Product A – ambulance product price change from \$50 to \$55 (10% increase)

Product B – combined product price change from \$3,000 to \$3,060 (2% increase)

The average insurer premium increase in this example is around 2% (as the cheap ambulance product has almost no weighting).

### Average industry premium change

The **Average industry premium change** is the average change in premiums for each product (the percentage change) offered by every private health insurer, weighted according to the **number of people** covered. It also includes rate protection (pre-payment of premium in advance of new approved increase commencing) and the age-based discount<sup>1</sup> (available to people aged 18-29 years) and therefore understates the increase that will be experienced by some policyholders.

This is the formula as set out in Section 5A of the *Private Health Insurance (Incentives) Rules 2012 (No. 2)*. The rationale for this methodology is that this is the increase the Minister is agreeing to as part of the premium process which feeds into the rebate adjustment factor, which adjusts the rebate percentages to ensure that the overall Rebate expenditure does not increase at a higher rate than the Consumer Price Index.

For example:

An insurer has two products and has one customer per product:

Product A – ambulance product price change from \$50 to \$55 (10% increase)

Product B – combined product price change from \$3,000 to \$3,060 (2% increase)

The average premium increase in this example using the above methodology is 6%.

<sup>1</sup> [Age-based Discount \(privatehealth.gov.au\)](http://privatehealth.gov.au)

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THE FREEDOM OF INFORMATION ACT 1982 (CTH)  
BY THE DEPARTMENT OF HEALTH AND AGED CARE



**The Hon Mark Butler MP**  
**Minister for Health and Aged Care**

Ref No: MS24-000053

«Prefix»«First\_Name»«Last\_Name»  
 «Position»  
 «Insurer»  
 «Email»  
 Cc:

Dear «Prefix»«Last\_Name»

Thank you for your application for the 2024 Private Health Insurance Premium Round to request approval of proposed premium changes for complying health insurance products offered by «Insurer».

As the Minister for Health and Aged Care, and acting under subsection 66-10 (3) of the *Private Health Insurance Act 2007*, I approve the proposed changed amounts for the complying health insurance products which «Insurer» has applied for in Template A of the application received in \*November 2023/January 2024\*. I note that your average premium increase is «Average\_percent» per cent. This will be the figure which is displayed on the department's website. As many of your customers will experience different price changes, it is your responsibility to clearly explain to each customer the specific change to their premium, the reasons why you have made this decision and their options.

As communicated by the Department of Health and Aged Care, premium deferrals are no longer permitted, and this approval is subject to the premium change being implemented on 1 April 2024.

It is important you note that in approving the proposed premium price changes, I have not necessarily endorsed all the approaches that have been undertaken or foreshadowed to support policyholders. The department, working closely with the Australian Prudential Regulation Authority and the Australian Competition and Consumer Commission, will continue to actively monitor the performance of the sector and commitments made to support policyholders.

I thank you for your cooperation with my Office, the department and Australian Prudential Regulation Authority during this premium approval process.

Yours sincerely

Mark Butler

/ /2024

## **An outline of the concept of the public interest and its application to the approval of private health insurance premium increases**

Subsection 66-10(3) of the *Private Health Insurance Act 2007* (PHI Act) provides that:

“The Minister must, by written instrument, approve the proposed changed amount or amounts, unless the Minister is satisfied that a change that would increase the amount or amounts would be contrary to the ‘public interest’.”

In making a decision to approve or refuse a premium increase for a complying health insurance product, the Minister must assess each application upon its individual merits, and make a decision as to whether to approve the particular insurer’s proposed increase:

- in relation to particular products offered by the insurer that are the subject of the application made under section 66-10 of the PHI Act; or
- in relation to all the products offered by the insurer that are the subject of the application made under section 66-10 of the PHI Act.

The PHI Act does not define public interest nor set out matters to be taken into account in determining what is in the public interest for the purposes of subsection 66-10(3). Where no such definition is provided in the statute, judicial authority indicates that the scope of the term public interest is indicative of a broad discretion, but must also be determined within the context of the relevant statutory scheme.

The public interest is not merely the interest of an individual or group. Determining the public interest involves a discretionary value judgment, confined by the subject matter, scope and purpose of the PHI Act.<sup>1</sup> Decisions relating to the public interest for the purposes of subsection 66-10 (3) may take into account different factual matters presented by the applicant in support of an increase in premium amount or amounts. However, the Minister may also take into account other matters that are relevant to the decision being made, such as the potential impact of the increases on fund members, the overall impact on Australia’s fund members, and the public at large. Section 66-10 does not appear to limit the kinds and sources of information that the Minister can consider in making his decision. Where the public interest lies in a particular decision making will depend on a balancing of interests.

Broader policy considerations may also be relevant to the exercise of power under subsection 66-10(3).

The impact of the refusal is relevant to the extent that any refusal may affect members of the public, including the policy holders of that particular insurer.

There is a legal risk with any decision to refuse approval because the private health insurer may challenge that decision in court. Ultimately it is a matter for the Minister whether he or she considers it would be contrary to the public interest to approve the increase.

In addition, if the Minister refuses to approve the proposed changed amount or amounts, the Minister must table the reasons for refusal in each House of the Parliament, no later than 15 sitting days of that House after the refusal decision is made.

<sup>1</sup> *O’Sullivan v Farrer* (1989) 168 CLR 210. Judgment of majority at 13.

**Attachment A**

Dates of the media release announcing approval of the premium increases since 2000.

<b>Year</b>	<b>Date of Media Release Announcing Approval</b>
2000 - 2001	16 February 2000
2001 - 2002	8 March 2001
2002 - 2003	25 February 2002
2003 - 2004	14 March 2003
2004 - 2005	27 February 2004
2005 - 2006	2 March 2005
2006 - 2007	24 February 2006
2007 - 2008	23 February 2007
2008 - 2009	6 March 2008
2009 -2010	2 March 2009
2010 -2011	23 February 2010
2011 -2012	25 February 2011
2012 -2013	28 February 2012
2013 - 2014	8 February 2013
2014 - 2015	24 December 2013
2015 - 2016	27 February 2015
2016 - 2017	2 March 2016
2017 - 2018	10 February 2017
2018 -2019	25 January 2018
2019 -2020	19 December 2018
2020 - 2021	7 December 2019
2021-2022	23 December 2020
2022-2023	23 December 2021
2023-2024	6 February 2023