The Hon Mark Butler MP
Minister for Health and Ageing
Minister for Disability and the National Disability Insurance Scheme

STATEMENT OF EXPECTATIONS FOR THE 2027 PRIVATE HEALTH INSURANCE PREMIUM ROUND

Context

The Australian Government believes that a mixed model of public and private health services is integral to ensuring universal access to high quality, affordable health care services for all Australians. A financially viable private health sector, which prioritises the consumer, is essential to the sustainability of this model.

All Australians deserve access to affordable treatments and the devices they need to stay healthy and live full and productive lives. Private health insurers must ensure their members are getting value for their money. I intend to continue to use the annual private health insurance Premium Round process to ensure value for consumers. With household budgets under pressure, it is important to make sure that any increases are adequately justified and as low as possible.

I will also use this process to support balanced market power and equitable funding arrangements across the private healthcare industry. Doing so complements the Australian Government's investment in the private health sector, including

- $7.9 billion for the private health insurance rebate in 2026-27,
- $3.9 billion in Medicare benefits equal to 75% of the Medicare Benefits Schedule fee for medical services delivered to private patients admitted to hospital in 2025-26, and
- $10.7 billion in Medicare benefits for referred medical services delivered out of hospital in 2025-26.

A financially sustainable private hospital sector supports patient access to Medicare-funded specialist services and eases pressure on public hospitals. I acknowledge the cost and revenue pressures affecting parts of the private hospital sector. Private hospital profitability declined as costs rose faster than revenue, with the sector's profit margin falling from 1.3 per cent in 2022–23 to -3.1 per cent in 2024–25. More recent results from some operators show positive trends in 2025–26, although parts of the sector remain under significant margin pressure.

Recent data on the hospital benefits ratio, which measures the share of hospital treatment premium revenue insurers pay as benefits, show improvement. The industry hospital benefits ratio increased from 83.0 per cent in 2022–23 to 86.8 per cent in 2025–26. Growth in hospital accommodation benefits per episode increased by 6.1 per cent in 2025–26 and contributed to this result, indicating improved contracting arrangements between hospitals and insurers. However, the private health insurance industry has more work to do to improve the hospital benefits ratio and the value proposition of private health insurance for consumers.

Greater efforts by insurers will support the long-term viability of the private hospital system and promote more equitable funding outcomes for private healthcare providers. I also expect that insurers will consider maintaining comparable funding arrangements when negotiating with private hospitals following a change of ownership. This will support the ongoing delivery of patient care and services and contribute to workforce stability in the health system.

My department is consulting on reforms to improve access to private health services, deliver better value for consumers, alongside practical measures to enhance access to affordable specialist care[1]. I encourage private hospitals and insurers to engage with these processes in the best interests of consumers. Subject to government decisions, and where reforms are implemented through amendments to Commonwealth legislation or regulations, the Government expects insurers to implement those reforms promptly and in

[1] Department of Health Disability and Ageing, *Private Health Reforms - Consultation Paper 1* and *Fee Transparency in Health Care: Examining Informed Financial Consent and Split Billing Practices*, available at www.consultations.health.gov.au.

accordance with their legislative obligations. This will ensure the private health sector continues adapting and innovating to deliver efficient, contemporary health care into the future and take pressure off public hospitals.

Private health legislative changes

The passage of the Health Legislation Amendment (Improving Choice and Transparency for Private Health Consumers) Bill ensures ministerial scrutiny of all private health insurance premiums. It delivers the Government's commitment to close the product phoenixing loophole. I acknowledge the increased regulatory burden on insurers and encourage them to continue working with the department to minimise the impact on consumers.

The requirement for ministerial premium approval for designated changes will apply from 2 April 2027 and will not form part of the 2027 Premium Round. However, the benefits provided under a product remain relevant to the assessment of a proposed premium for that product.

As at 18 September 2026, the proposed changes to the Private Health Insurance Rebate (Rebate) are before Parliament. The Private Health Insurance Amendment (Modernising the Private Health Insurance Rebate) Bill 2026 amends the Rebate for people aged 65 years and over from 1 April 2027. Insurers should take the proposed Rebate changes into account when preparing their 2027 Premium Round applications. Departmental modelling indicates that the changes would have a small effect on private health insurance participation[2]. Were there to be material changes to the Amendment Bill by the Parliament after applications are due, insurers will have an opportunity to review and revise their applications.

Expectations for premium applications

I acknowledge the private health sector's continuing calls for greater certainty and transparency about how I assess premium applications against the public interest test. I consider each application on its merits and retain broad discretion to consider any relevant matter. Each insurer is responsible for justifying its application and providing information relevant to the public interest test. I encourage the private healthcare industry to continue working with my department to improve this process. This will help ensure the private healthcare system delivers high-quality care and complements the public system. Better collection and analysis of key operational and financial performance information from private hospitals would also help the department work with the sector to improve outcomes across the health system.

For the 2027 Premium Round, I intend to include consideration of the matters below when assessing whether an application would be contrary to the public interest. I advise insurers to address these matters.

1. **Consumer value and market integrity:** How the application supports value for consumers and contributes to a fair, transparent and competitive private health insurance market. This includes, but is not limited to, keeping premiums as low as possible and promoting a product offering that provides meaningful consumer choice without unnecessary complexity. I also intend to consider the extent to which proposed premium increases for existing members are attributable to discounts and promotional activities.
2. **Private hospital sector viability:** How the application supports the financial viability of the private hospital sector, including a continuing increase in the industry hospital benefits ratio during the 2027 and 2028 premium years (where relevant). This includes how the insurer's funding models incentivise hospitals to deliver innovative and cost-efficient models of care.
3. **Balance of consumer value and sector viability**: Whether the application appropriately balances consumer value, the financial viability of the private hospital sector and the insurer's ability to meet its obligations to members. I will consider the insurer's historical and projected financial performance, with particular attention to benefits paid, business expenses, net margins, investment income, profits, capital levels and dividend payouts (where applicable).

[2] For more details see the *Modernising the Private Health Insurance Rebate Impact Analysis*, available at www.oia.pmc.gov.au and the department's submission to the Senate Standing Committee on Community Affairs on the Private Health Insurance Amendment (Modernising the Private Health Insurance Rebate) Bill 2026, available at https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs/PvteHealthIns.

4. **Accuracy of previous projections**: Whether the financial projections used to justify previously approved premiums differed materially from actual outcomes, and whether the application adequately accounts for those differences. For example, where actual benefits growth was lower than forecasted, the application should explain how the insurer has treated the resulting additional margin. In particular, whether additional margin has been used to support members through lower premium requests, to support the viability of private hospitals or retained as profit.

These matters are also relevant to my consideration of premium applications made outside the annual Premium Round. For these applications, I also intend to consider:

- the potential for consumer confusion when changes to premiums, the benefits available under a product, and product availability occur outside the usual timeframes
- whether the timing of the application would undermine the objectives of the annual Premium Round, including maintaining value for consumers and supporting appropriate market and funding arrangements across the private healthcare industry.

Issued by:
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