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Private health insurers with big profits and high management expenses fail value for members test

Private health insurer profits are up on the back of increased member numbers and reduced elective surgeries, with management expenses for executive salaries also on the rise, the Australian Medical Association's Private Health Insurance Report card has found.

The 2022 report card showed a continued two-year upward trend in members with 45.2 per cent (up 0.7 of a percentage point from June 2021) of people with hospital treatment insurance, AMA President Professor Stephen Robson said.

Professor Robson said the challenge for private health insurers now was to deliver better value for money to their policyholders — including the 235,699 new members with hospital cover, to try and ensure the membership uptick is not a flash in the pan.

"Insurers' profitability rose in recent years not only because of growth in new members, but also elective surgery cutbacks during the pandemic," Professor Robson said.

"With insurers' expenditure on management expenses and profit margins remaining generously high we want to see the money that patients pay in premiums funds their health care — not increased profits for insurers. Value for money is critical now more than ever, with consumers being hit with high cost of living rises."

The report card found the amount insurers paid in management expenses varied considerably with some insurers paying more than 15 per cent of their premium income as management expenses compared to the industry average of 11.7 per cent.

"When management expenses are gobbling up premiums, there is less money for members' claims for hospital treatments. Fund members want to see a fair return on their premiums and high management expenses is a marker of a low value health insurance product."

The AMA's report card continues to show a huge variation in what private health insurers are paying in benefits to patients undergoing the same procedures in the same hospitals with a \$700 variation in some procedures.

"One of the main reasons we produce this report card is to help consumers navigate the complex private health system by helping them to understand fees and the factors that cause out-of-pocket costs. It's difficult for consumers to work out the best insurance product for them and to understand the balance between lower premiums and reduced rebates and higher out-of-pocket expenses when they make a claim.

"The fact that there are big differences in amounts paid for the same doctor performing the same procedure is frustrating for consumers."

The report shows the benefits paid by insurers to patients for the uncomplicated delivery of a baby differed by \$550 or 34 per cent from the lowest to the highest. For femoral or inguinal hernia surgery there is an \$300 or 45 per cent difference.

“These differences contribute to patients’ out-of-pocket expenses, and they are a good reason for consumers to look beyond just the price of annual premium levels to ensure they get value for money,” Professor Robson said.

“This variation in out-of-pocket expenses is one of the reasons the AMA has called for an independent regulator — a Private Health System Authority — to oversee private health insurance to ensure policyholders are getting fair value for money through a mandated minimum amount that every insurer is required to return to patient care.”

[Read the AMA Private Health Insurance Report Card](#)

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