

## MEDIA RELEASE

### **hirmaa funds prove best case for PHI affordability**

hirmaa, the peak body for 18 not-for-profit and community-based private health insurers, commends its member funds for representing best-practice health insurance coverage and value for money for consumers.

hirmaa member-funds are not-for-profit and member-owned\*, meaning that 90 per cent of all premiums paid go back into improving benefits for members instead of lining the pockets of shareholders.

hirmaa funds consistently outperform the larger market players with annual premium increases below the industry average. Our funds' premiums increased an average of 5.14 per cent over the past five years, compared to almost six per cent for the for-profit insurers.

Morgan Stanley's latest assessment of Medibank Private's FY15 results illustrates how premium increases among the biggest players, including Bupa and NIB, have led to above average margin expansions compared to the rest of the industry.

Bupa's gross-margin was more than 15 per cent, with a net-margin of 7.4 per cent and NIB posted a gross-margin over 12 per cent, with a net-margin of 4.2 per cent. This is consistent with the latest available industry-wide statistics, which show that in 2013-14, Medibank Private gross-margins were over 13 per cent, with a net-margin of 4.4 per cent.

Conversely, the latest available figures show hirmaa funds posted a combined surplus after tax of \$100 million in 2013/14 at an average net-margin of just 1.5 per cent.

"hirmaa members' mutuals business model clearly favours the the consumer and represents excellent value for money," Mr Koce said.

"The smaller not-for-profit, member owned and community based health insurers work hard to keep premium increases low and deliver a high quality service that is very different to the big for-profits."

The PHI industry as a whole is also facing significant upward cost pressures from medical services and device costs. The latest data from the Australian Prudential Regulatory Authority shows benefits payouts rising well above the industry's premium increase.

Hospital benefits increased 8.4 per cent from 2013/14 to 2014/15 while prostheses benefits, which are one of the biggest costs to the PHI industry, increased a whopping 11.42 per cent – double the average premium increase of hirmaa funds.

Recent hirmaa analysis additionally reveals just how dire the situation has become with prostheses manufacturers clearly exploiting the Australian PHI market on common items such as pacemakers and hip replacements.

Some prostheses sell for more than twice or even three times the price here in Australia, compared to countries in Europe.

"Our funds are facing cost-issues from both sides of the supply and demand spectrum," Mr Koce said.

“On one hand, you have the cost of medical fees and practitioners increasing well beyond inflation rates, which in turn has an impact on annual policy prices, all the while consumers are calling for cheaper premiums.”

*hirmaa is the peak industry body for eighteen private health insurers which are member-owned and not-for-profit. In all, the hirmaa funds provide private health insurance for over one million Australians.*

A complete list of hirmaa funds is available at [http://hirmaa.com.au/member\\_funds](http://hirmaa.com.au/member_funds).

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\*One hirmaa insurer is a for-profit fund, wholly owned by a mutual, nor for profit parent company.