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Members Health calls on APRA to restore confidence in private health insurance

Inflammatory and ill-informed comments made by the Australian Prudential Regulation Authority (APRA) this week significantly damaged public confidence in private health insurance and shows how misguided the regulator is about the industry.

Members Health, the peak body for 27 health funds that are not-for-profit or part of a not-for-profit group, wholeheartedly rejects the remarks and modelling presented by APRA executive board member Geoff Summerhayes at its Directors' Professional Development Program on February 4.

"APRA makes a flawed assumption that does not take into account the not-for-profit business model," said Members Health CEO Matthew Koce.

The regulator's modelling is predicated on the notion that a net margin of less than 1 per cent is unviable. However, many Members Health funds deliberately target their margins at that level, because they want to deliver more to members – something they have done for many, many years. They do not have to deliver profits to shareholders.

"Such inflammatory statements by one of the country's most senior regulators has rarely been seen before. They have done significant damage to confidence in the private health insurance sector, especially the community-based funds that are so vital to regional Australia."

"APRA needs to restore confidence in the industry and not pursue its blatant, self-serving agenda of 'consolidation at all costs'."

All of Australia's health insurers have long faced the challenges of an ageing population and rising health care costs and claims, but have diligently worked hand-in-hand with government and regulators to tackle those headwinds.

"Many of the country's smaller, not-for-profit and member-owned health funds have been around for more than 100 years, faced all those challenges, and are still here today – stronger and more successful than ever."

"They are not only stable and prudentially run, they are also more than adequately capitalised and growing faster than the rest of the industry, meaning their futures are bright and their members are in safe hands."

With many smaller health funds based in important regional towns – including Townsville, Mildura, Newcastle, Lithgow, Wollongong, the Latrobe Valley, Burnie and Launceston – APRA's comments risk the very livelihoods of the communities they support, Mr Koce said.

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“APRA’s credibility must come under question in light of these assertions.” Said Mr Koce.

Members Health is a firm supporter of competition and consumer choice in the private health insurance sector, believing it to be vital to ensuring all Australians get the best value from their cover.

The Association is also a staunch supporter of the equitable government policies of community rating and risk equalisation, both of which ensure all Australians receive fair and non-discriminatory access to health cover.

“For a regulator to blatantly overstep its mandate and make public recommendations on government policy such as community rating, premium increases and risk equalisation, is outrageous,” Mr Koce said.

“APRA clearly has a vision for a much smaller private health insurance industry made up only of funds from the ‘big end of town’.

“APRA appears to want a smaller marketplace to regulate, disregarding the impact that such a scenario would have on Australian consumers.”

“Do the Australian people want another ‘big-four scenario’ in the health insurance sector, whereby a small group of large for-profit corporates have all the power and consumers have none? I think not.”

Members Health is the peak industry body for an alliance of 27 health funds that are not-for-profit or part of a not-for-profit group, member owned, regional and community based. They represent the interests of more than 3 million Australians.

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