



Members Health
FUND ALLIANCE



We're For People, Not For Profits

The Economic and Social Impact
of the Members Health Funds of Australia



Putting members' health before profit

A. 601 Canterbury Road, Surrey Hills, VIC 3127.

Mail to PO Box 172, Box Hill, VIC 3128

T. (03) 8831 3372 **E.** info@membershealth.com.au

W. membershealth.com.au **ABN.** 43 358 871 550



Practical insights. Innovative products. Infinite possibility.

Chair's Foreword

Australia has one of the best, if not the best, healthcare systems in the world. Our healthcare facilities and technology are cutting edge, our research is groundbreaking, our medical practitioners and healthcare workers are of the highest calibre and our patient outcomes are globally leading.

Helping us through almost every stage of our lives, our health services are the foundation upon which our prosperity and quality of life depend. Our healthcare system keeps us well, active, productive and able to enjoy healthier and more fulfilling lives for longer. Today, Australians have one of the highest life expectancies in the world, averaging 83.3 years.

Australians are fortunate to have choice between public and private healthcare. According to international benchmarking, Australia's uniquely mixed public and private health system consistently delivers the best health outcomes in the world, while keeping healthcare expenditure close to the OECD average.

The more than 14 million Australians who have chosen to take out private health insurance benefit from greater control over when, where and how they receive treatment. Through health insurance comes peace of mind around timely access to high quality care, with doctor and facility of choice. Importantly, the use of private hospitals alleviates pressure on the public system by freeing up desperately needed beds for those most in need.

Private healthcare is integral to Australia's world class health system. Private hospitals are responsible for 32% of ICU separations, 61% of all surgical services, more than 80% of all in-patient rehabilitation separations, 45% of all acute adult psychiatric beds and 54% of all chemotherapy services.

Outside of the hospital, private healthcare supports and empowers people to improve their general well-being, prevent ill health and access faster diagnoses. It does this by providing fast and reliable access to more than 100 million General Treatment, or "Extras" services every year, including dental, optical, physio, acupuncture, chiro and psychology consultations.

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RON WILSON

Chair of Board of Directors,
Members Health Fund
Alliance
CEO, Navy Health Fund

Underpinning the financial viability and sustainability of the entire private health system, sits the health insurance funds of Australia. Private health insurers have operated in Australia since before Federation and without them, the entire private health system would cease.

Australians have a can-do attitude and for more than a century, they have banded together through mutual member owned not-for-profits to help take care of their health and that of their loved ones. The not-for-profit and member owned health insurers – the Members Health funds – are the heart and soul of this movement, empowering a growing 5.3 million Australians from all corners of the country to maintain and improve their quality of life by taking charge of their well-being.

Run solely for their members, the Members Health funds sit close to those that they serve and share an unwavering commitment towards their care. As member owned organisations, they are not conflicted by having to send profits to shareholders or overseas investors. That means they can give more back to members than would otherwise be the case.

Together, the Members Health funds form a key pillar of society. They specialise in meeting the healthcare needs of their members and the communities they serve, provide rewarding jobs for thousands of Australians who go home each night knowing they are doing a public good, and they contribute to communities through charitable initiatives and a range of investments that include regional hospital expansions and new dental and optical clinics.

This report highlights the enormous value and contribution that the alliance of 24 [Members Health funds](#) provide to the Australian economy and society, and sets the agenda for how we can continue to support the health and wellbeing of current and future generations to come and do even better.

RON WILSON

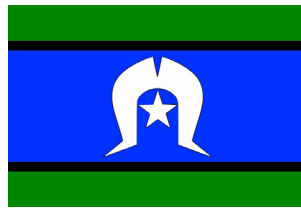
Chair, Members Health Fund Alliance



Acknowledgment of Country

Members Health acknowledges the Traditional Custodians of Country throughout Australia and their connections to land, sea and community.

We pay our respect to their Elders past and present, and extend that respect to all Aboriginal and Torres Strait Islander peoples today.



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A Note From Our Chief Executive

Private health insurance is central to Australia's uniquely mixed public and private healthcare system, supporting millions of people to live healthier lives and to participate in the nation's productivity and growth.

Of the 30 registered private health insurers, 24 (or 80%) are part of the [Members Health Fund Alliance](#). For over a century, these not-for-profit and member owned organisations have underpinned the growth and development of Australia's healthcare system. Today, a growing 5.3 million Australians rely on Members Health funds to access important health and well-being services.

No matter where you live or what your profession, there is a Members Health fund for everyone. There are Members Health funds headquartered in every state, in regional communities and the big cities, and serving professions such as teachers, nurses, doctors, police, emergency services and paramedics.

Run by members for members, the Members Health funds provide exceptional care and support for Australians during what can be harrowing times. The expertise, dedication and willingness to go above and beyond for their members is what sets the Members Health funds apart from the rest. That commitment to put members above everything else shines through in customer satisfaction, member retention and growth through word of mouth. The mutuality business model shared by all the Members Health funds drives an unwavering focus on member service as opposed to profit for shareholders and overseas investors and it is this that makes all the difference.

Together the alliance of Members Health funds is one of the nation's largest national employers, generating thousands of rewarding jobs around the country. They are pillars of essential industry, supporters of communities, promoters of population health and advocates for consumer choice.

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MATTHEW KOCE

CEO, Members Health Fund Alliance

In this report, we examine Members Health funds' economic and social contribution to Australia, their history and success, and the value that they bring. Through real data, quantitative and qualitative analysis, this report finds:

Members Health funds are key contributors to the Australian economy.

Over 20% of the Australian population is with a Members Health fund, making them a significant contributor to regional, state and national economies. Through their private health insurance operations, funds provide health services via benefits and co-payments. Through direct and indirect investment, Members Health funds contribute more than \$21.8 billion to Australia's national GDP.

Members Health funds ensure access to our world-class health sector.

In 2023, Members Health funds paid \$8.8 billion back to members for healthcare claims. This helped cover the cost of 6.4 million hospital bed days, 510,000 elective surgeries, and 37.8 million episodes of extras services such as dental, optical, physiotherapy and psychology. Long, uncertain and painful waits in the public system can extend into the years. Choice is important and the Members Health funds play a crucial role in delivering fast and dependable access to high quality care in private facilities, which helps take pressure off our overburdened public hospitals.

Members Health funds are pillars of regional communities.

People in regional Australia are more likely to experience shorter than average life expectancy and poorer population health outcomes than their city cousins. The not-for-profit and member owned health funds are valued by regional communities. They directly and indirectly facilitate the employment of an estimated 155,000 people. Around 15% of all direct employment and 21% of indirect employment generated by Members Health funds are outside of metro areas, helping contribute and sustain regional communities across Australia. Whether it be a hospital or general treatment clinics, or via charitable donation, the not-for-profit health fund sector is actively investing in services and jobs and healthcare outside metro areas for the benefit of regional and rural communities.

Members Health funds help care for Australians serving in key professions.

Several of the Members Health funds were established to serve and help care for the needs of key professions, industries and organisations. This includes police and emergency services, nurses and midwives, doctors, teachers, university staff, defence forces and navy to name just a few. Run by members for members, the tight knit industry-based health funds maintain very close relationships with their policyholders and have a sound understanding of their healthcare needs and expectations.

The community of Members Health funds are trusted and are growing.

Members Health funds have earned a reputation among their policyholders for being among Australia's most trusted brands and people are flocking to join.

Since 2017, more than 650,000 people have joined a Members Health fund, taking the number of lives covered from 4.7 million to well over 5.3 million in 2023. A growing 36% of all people with private cover have chosen to be with a Members Health fund, equating to approximately 20% of the entire Australian population.

Members Health funds stand with their members through adversity.

Members Health funds are leaders when it comes to supporting people from every walk of life, whatever the challenges or hardships they face. In times of crisis, such as COVID-19, they actively support their members with hardship and premium relief. As a group, the Members Health funds have returned over \$1.3 billion to their members through COVID-19 premium givebacks, deferrals and hardship relief.

Applying these findings to Australia's economic goals, it becomes evident that for national productivity to remain strong, so too must private health insurance membership.

Australia's uniquely mixed public and private health system is a critical enabler of economic participation. Private services account for almost half of all hospital admissions, the majority of elective surgeries, and a significant share of dental and allied health, leading to faster diagnosis and treatment, swifter recovery, better patient experiences and outcomes, and greater engagement in broader wellbeing programs. These benefits help millions of people remain healthy and capable during their working years, strengthening productivity, quality of life and the competitiveness of Australia's economy globally.

Individual choice and consumer empowerment underpin the success and balance of our mixed system. But more can always be done to make it even better – especially during periods of intense economic hardship and cost-of-living pressures. With these considerations front of mind, Members Health seeks government **reform to:**

- **Return the government rebate on private health insurance premiums back from under 25% to 30%.** To help cut premium prices, so more Australians can afford the benefits of private health care.
- **Mandate greater transparency of pricing and performance for hospitals and clinicians.** To help empower consumer choice in selecting the right medical practitioner and hospital for them.
- **End the government ban on health funds helping to cover patient out-of-pockets for GP visits.** Helping cover GP out-of-pocket costs will make primary care more accessible, delivering better health outcomes and reducing hospitalisations.
- **Exempt private health insurance premiums from the Fringe Benefits Tax.** Providing employees with fast access to high quality care that can be scheduled, will help make Australia's economy more productive.

Looking ahead, the large, vibrant and growing not-for-profit and member owned health insurance sector will continue to play a vital role in the lives and health of millions of Australians, and in the economic progress of our nation. For people of all walks of life - from our major cities to rural communities; from our emergency services to our primary industries – these organisations are an enduring part of the very fabric of our society and healthcare system.

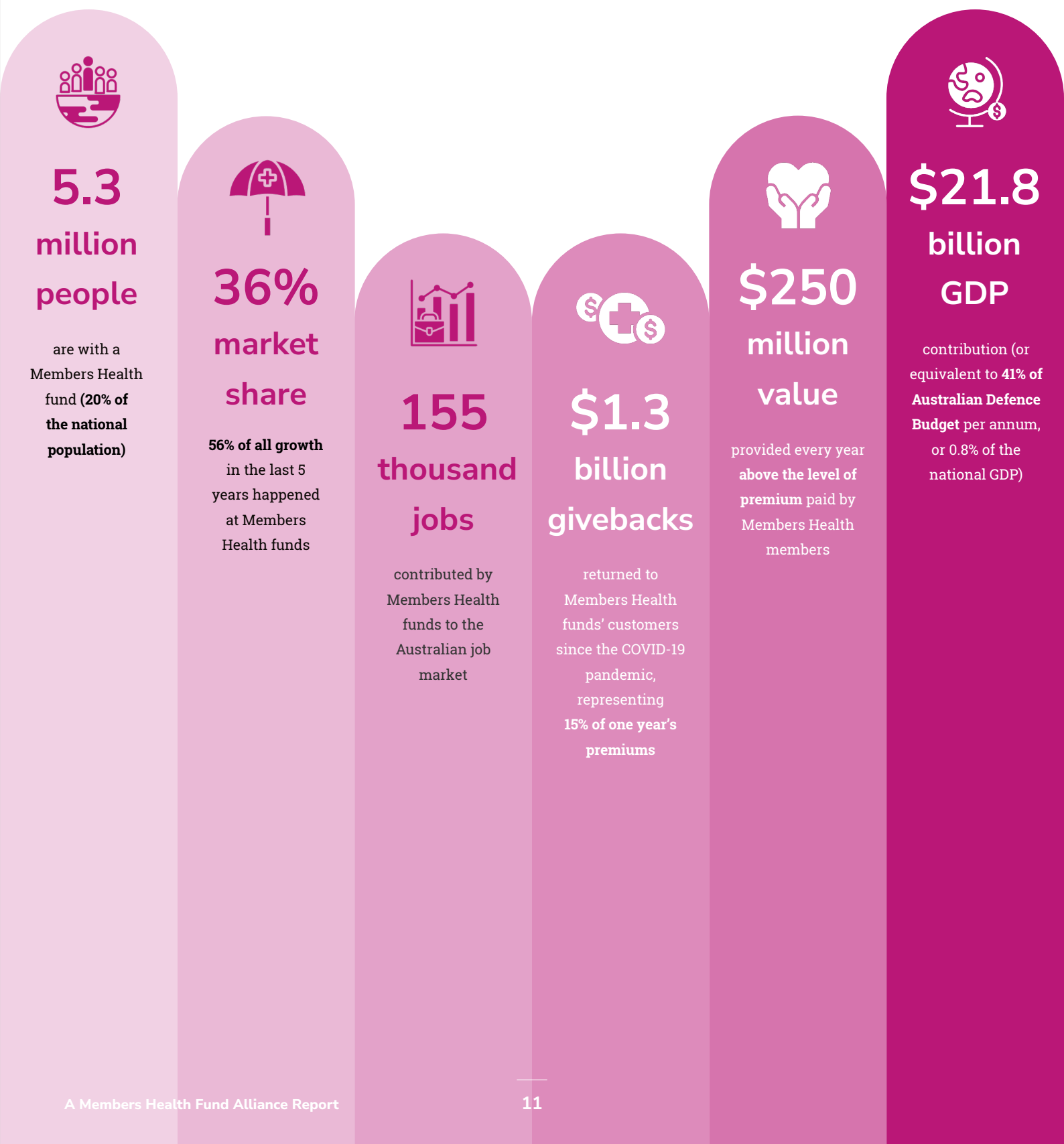
MATTHEW KOCE

CEO, Members Health Fund Alliance



Summary of Findings

Figure 0.1





Introduction and Background

About this project

Members Health is the national peak body for 24 health insurers that operate under the not-for-profit and member owned mutuality ethos, meaning they are owned by and for members. As such, they do not have to generate profits for shareholders or overseas investors, allowing them to give back more in benefits to members and maintain an unwavering consumer focus.

Members Health funds provide a growing 5.3 million Australians with timely access to high quality care, when and where they need it with a doctor of choice.

This report, commissioned by Members Health on behalf of its constituent insurers and prepared with Finity Actuaries, details the historic, social and economic contribution of the sector to the Australian economy and community.

Private health insurance was born out of the not-for-profit and member owned health funds

From the 1800s to today, not-for-profits have grown with Australians to become some of our most trusted institutions. They bring Australians together to improve their quality of life, equitably and sustainably. There are an estimated 1,848 mutual and not-for-profit enterprises that employ more than 76,000 people and provide goods and services to a combined membership of 33.3 million.

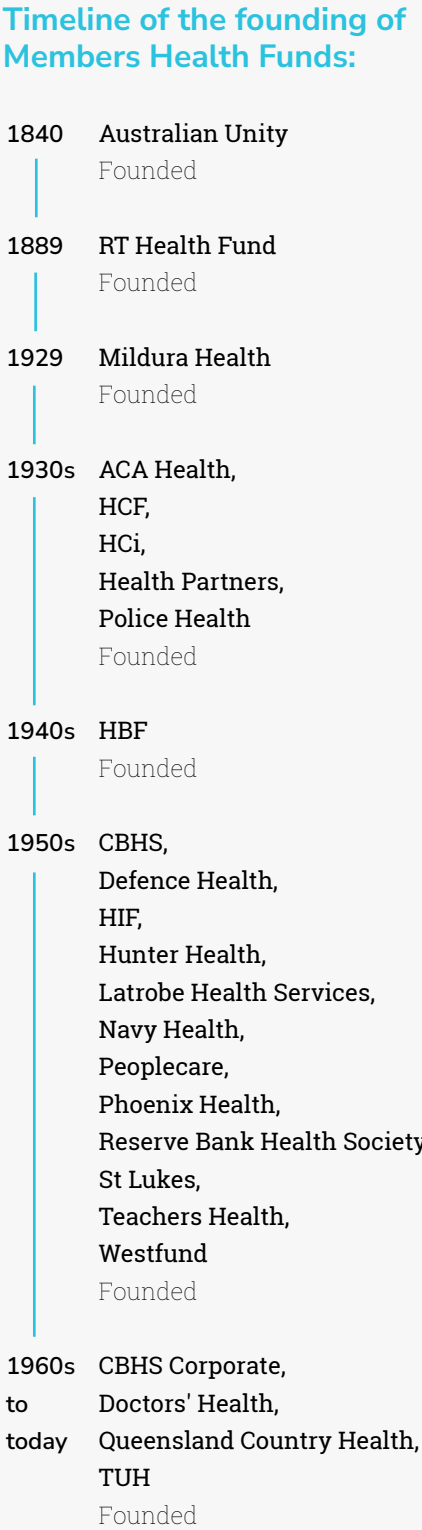
During times of hardship or prosperity, not-for-profit and member owned businesses have helped the Australian community persevere, evolve and succeed across essential industries – whether that be agriculture, finance, building, community services or healthcare. In agriculture, farmers have collaborated to get a fairer go at the supermarket checkout. In building and infrastructure, communities have banded together to provide housing and neighbourhood services. And when it comes to protecting against disaster, entire industries have helped individuals, families and households insure against misfortune.¹

For almost a century, the country’s not-for-profit and member owned health funds have formed the very fabric of our private healthcare system, helping millions of Australians across generations to look after their well-being, access care when they need it and improve their quality of life.

Members Health funds account for more than 80% of all currently registered health insurers in the Australian market. Unlike the for-profit business model, which by nature requires organisations to serve the interests of shareholders and investors, including generating higher margins to pay dividends out of the business, not-for-profit businesses inherently put the benefit and interests of their members first.

Where else, therefore, in business and in life does the member owned ethos ring truer than in healthcare.

Figure 0.2
History of Members Health Funds



Note: Timeline does not include subsidiary health fund brands
Emergency Services Health, Union Health, Uni Health,
Territory Health and Nurses and Midwives Health

¹ BCCM National Mutual Economy Report 2024 - <https://bccm.coop/wp-content/uploads/2024/06/2024-NME-Report-web-version.pdf>



The Members Health Funds

Some of the Members Health funds rank among the country's largest health insurers, while others serve small tightknit communities, are vital employers, investors and providers of health services in regional centres.

Like all health insurers, Members Health funds must meet strict APRA, Australian Department of Health and Commonwealth Ombudsman regulations. All Members Health funds hold capital in line with APRA requirements and meet the very highest standards for corporate governance and performance.

The 24 health insurance funds with Members Health are not-for-profit or part of a member owned group, regional or community based. All share an unwavering commitment to the not-for-profit and member owned ethos of putting people before profits.

While many are open – with membership available to anyone – others are restricted to cover key professions, industries and organisations, such as Police, Emergency Services and Paramedics, Doctors, Nurses, Teachers, and Military personnel and their families.

+5.3 million

Australians are with a
Members Health Fund

80%

Or 24 of 30 registered health
funds are Members Health

\$8.8 billion

Combined benefits paid by
Members Health funds 2023

100+

Years of delivering
positive health outcomes

Figure 0.3

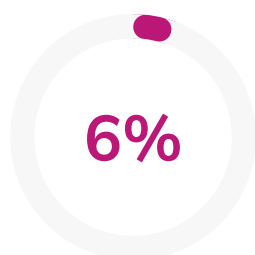
Members Health fund headquarters across Australia

The advantages of being with a Members Health fund is reflected in the quality of health services and advice provided. This includes the benefits paid out for claims, the quality and breadth of national healthcare provider networks across the entire country and the expertise, compassion and sensitive care delivered to members during what can be extremely challenging and difficult times.



Figure 0.4

Members Health funds reputation for trust, reliability, quality, and service



Members Health funds' average net margin, compared to 8.8% across rest of industry

By delivering higher benefits and operating on lower margins.

On average, Members Health funds operate on narrower margins, to maximise healthcare benefits for members.²



Percent of Members Health funds premiums paid back as benefits. 2.6% or \$290 million more than rest of industry

By living the not-for-profit ethos and giving more of every premium dollar back to members.

As a group Members Health funds return more of the premium dollar back to policyholders in health benefits, providing customers better value and confidence in their coverage.³



Overall customer satisfaction rating for Members Health funds in 2023 across 15,003 responses

By communicating with their customers and supporting them in times of need.

Across almost every measure and study, Members Health fund customers report exceedingly high satisfaction with their insurer. For service, communications and claims experience.⁴



Customer trust rating for Members Health funds is above other leading Australian brands

By being trusted to provide expert advice and fast access to high quality care.

Customers of Members Health funds consistently rate very high levels of trust for their insurer, compared to other trusted Australian brands, such as Australia Post, Bunnings, Telstra or Qantas.⁵



Avg. member retention rate for the Members Health funds, is higher than for the rest of industry

By retaining their customers and building lifelong partnerships in health.

For Australian consumers, shopping around can make sense. But for those who choose a Members Health funds, high levels of trust, service and value mean they are more likely to stick with their insurer.⁶

^{2,3}APRA Data

⁴ Ipsos Research Annual Member Satisfaction Survey 2023. 15,003 responses received across participating funds. Media Release: IPSOS survey awards 91 per cent customer satisfaction for Members Health insurance funds. Members Health Fund Alliance, 24 March 2024

⁵ Media Release: Australians put their trust in Members Health insurance funds. Members Health Fund Alliance, 30/11/2022 <https://tinyurl.com/ytp733bt>

⁶ Private Health Insurance Ombudsman report State of the Health Funds 2023



Putting members first = loyal members

Members Health funds are known for their loyal members and high levels of retention. For example, over 200 of the founding members of **TUH** from 1972 are still members today. **HCI** celebrates the tradition of passing down accounts through the generations. "Account 1" is still active with a new generation of the same family, carrying on the legacy of their founding member. **Phoenix Health** member Averil notes "I have been a continuous member of Phoenix Health for 65 years and my daughter joined when she turned 21 years of age. She is still a member now covering her family members for 32 years." These examples highlight how Members Health funds truly do put members first.



Empowering members with information

Putting members at the heart of what you do includes empowering members with information. At **ACA Health Benefits Fund (ACA)** building an understanding of healthy habits starts young with their partnership with Avondale University to create resources on health and wellbeing that are distributed annually to Adventist primary schools across Australia. ACA Health believes that this information will lead to healthy and fulfilling lives.

Peoplecare Health Insurance is a firm believer in empowering their members to advocate for their own health. They achieve this through their Member Advocacy program that provides members with informative resources and guidance at all stages of their health journey.



Innovations for excellent member experiences

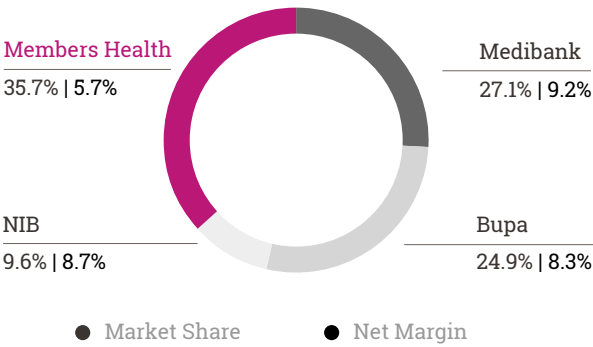
Members Health funds stay at the cutting edge of innovation as they are always looking to better member experience. **HCF** have created a "Dr Gap" tool to help members keep money in their pockets and avoid unexpected costs. The tool makes out-of-pocket costs more transparent for members.

Health Partners innovative "Your Health Navigator" tailors a personalised experience for member's post-hospitalisation and provides access to home-based allied healthcare services. During FY23, Your Health Navigator supported 2,652 members with specialised home care for rehabilitation and chemotherapy, Diabetes support and balance and falls management.

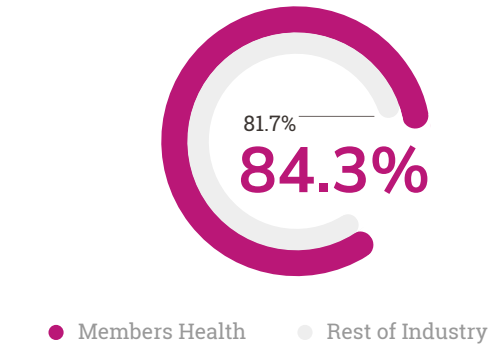
Delivering value to members

The mutuality business model allows funds to operate on lower margins and give more back in healthcare benefits than would otherwise be the case if they served shareholders and overseas investors.

Value delivered to members as a percentage of industry



Benefits paid as a percentage of premium revenue 2022-23



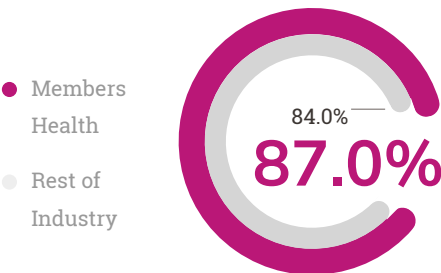
High satisfaction and retention

Members Health funds consistently average customer satisfaction scores of 90% or higher and their policyholders are more likely to stick with them.

Overall customer satisfaction

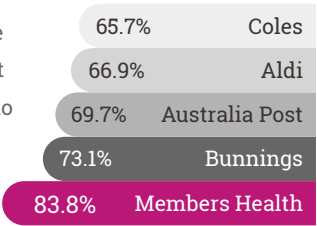


Average member retention rate



Trust

Health fund members were asked how much they trust their health fund, relative to their trust in other leading Australian companies and brands.



The benefits of private health insurance

Private health insurance offers peace of mind around fast access to high quality care in a private hospital with doctor of choice.



Fast access

Get access to care whenever you need it



Skip the wait

Avoid long public hospital waiting lists



Choose your doctor

Your choice of doctor



Continuous care

Long lasting care from fully trained specialists



Free up the public health system

Leaving it for those who need it most

Members Health Funds' Economic Impact: Key Findings

Figure 0.5

National economic contribution



5.3 million

Australians are with a Members Health fund, 20% of total population



36%

Members Health funds cover 36% of the private health insurance market in Australia



\$21.8 billion

Members Health funds contributed \$21.8 billion to Australian GDP in FY23, composed of \$8.8b direct and \$13.5b economy wide contribution



155,000 jobs

Members Health funds contributed over 155,000 job opportunities to the Australian job market in FY23, composed of 85,580 direct jobs and 69,570 indirect jobs

The quantification of economic activity attributable to the operation of Members Health funds is based on the direct effects of both the operation of the funds themselves as well as the impacts of the follow-on impact of fund operations.

Our approach to economic contribution quantification assesses measures such as contribution to output, GDP and employment associated with the Members Health funds portion of the private health insurance industry.

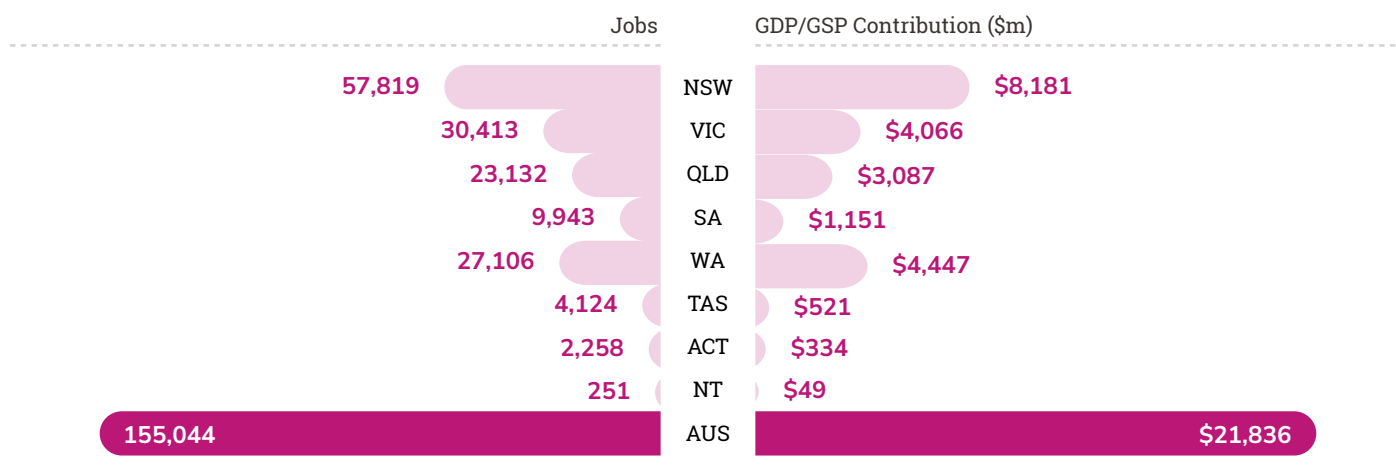
Economic contribution is a measure of the value of production by a firm, groups of firms or industry.

On a national level, Members Health Funds make significant economic contribution to GDP and support a large portion of jobs in both private health insurance and private healthcare sectors, as shown in the below.

Figure 0.6

Overall economic contribution resulting from activities of private health insurance (total impact)

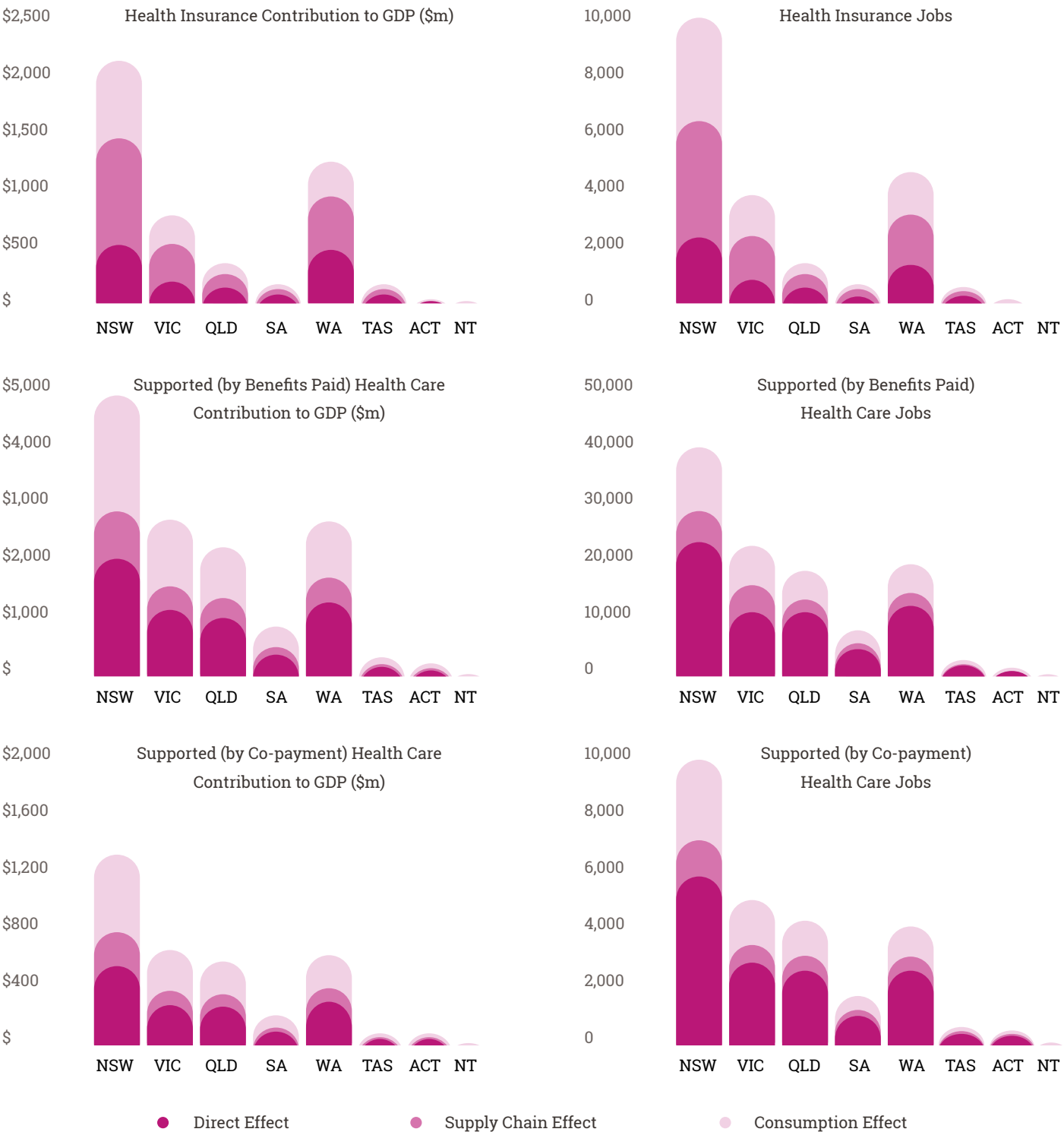
Source: ABS, APRA, Members Health Fund Alliance, IbisWorld, Finity Calculation



By examining the direct and indirect factors of the various factors contributing to Members Health funds' economic impact, we can observe the crucial, knock-on effects of their operations on jobs, livelihoods and consumption.

Figure 0.7
Members Health funds economic contribution detailed breakdown

Source: APRA, Members Health Fund Alliance, and Finity Calculation



Providing Dependable Access to World-Class Healthcare

Hospital Treatment: Returning more back in benefits to members to ensure fast reliable access to care

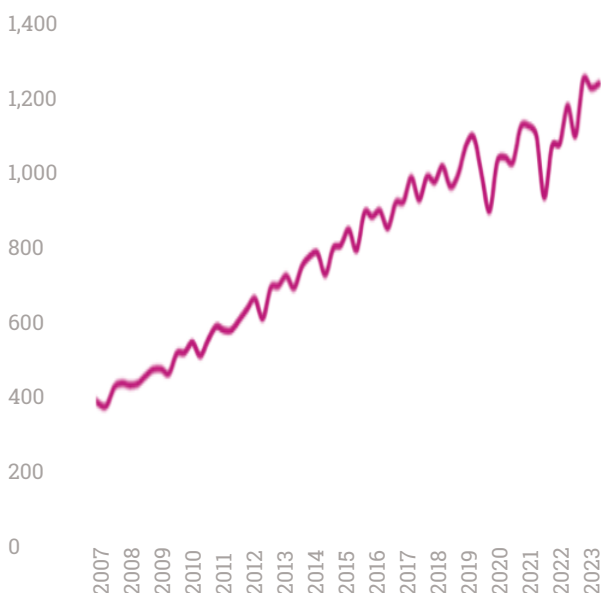
Australians are living longer with more years in full health and with this, comes lower fertility rates and an ageing population increasingly dependent on hospital services. The number of people aged 65 and over will more than double and the number aged 85 and over will more than triple over the next 40 years.⁷

Evidence of increased demand is apparent. Benefits paid to private hospitals are the largest single benefit outlay item for all private health insurers, making health funds indispensable to the ongoing viability of the Australian health system.

Figure 0.8

Total hospital benefit paid by Members Health funds (per year)

Benefit Outlay (\$AUD m)



Benefits paid per consumer by Members Health funds has increased by

91%

to help maintain hospital viability and ensuring high standards of care.

⁷ <https://treasury.gov.au/sites/default/files/2023-08/p2023-435150.pdf>

Over the last 14 years, hospital benefits have grown, as demand, inflation and the number of persons insured has increased. Removing the impact of growth in membership, **benefits paid per 1,000 consumers has increased by 91% over the observed period (compounding at 4.0% per annum). This is an increase of \$220,000 per quarter over the 14 years.**

The chief cause of increased benefit payments is hospital cost inflation: Two thirds of the overall increase is due to the increase in the average cost per hospital stay. Increases in the number of hospitalisations (in other words, the utilisation component) explains the rest of the increase.

Cost of living pressures are impacting everyone. Members Health funds put people first and are advocating on their behalf with hospitals and clinicians to maintain affordability and value for money. Health insurers are required to publish their financial and performance data. To help better inform Australians, hospitals and clinicians should have an equal responsibility to make their financial and performance data public. A more transparent and accountable health system benefits everyone by helping ensure appropriate funding and delivery of expected clinical outcomes for patients.

Hospitals supporting regional communities

Regionally focused health funds have a unique understanding of the communities they serve and often step in to provide desperately needed health services. **Mildura Health Fund** built a lifesaving \$12 million Cancer Centre in partnership with Icon as part of an upgrade to Mildura Health Private Hospital. "There are countless cases of local patients previously having compromised on their radiation treatment if they could not receive it locally," said Mildura Health Chair Terry Hill.

Similarly, **Latrobe Health Services** built Maryvale Private Hospital in the early 1990s after recognising that Gippsland had limited access to private hospital services. The hospital remains Gippsland's only acute medical and surgical hospital and in 2022, Latrobe Health Services funded a \$16m redevelopment of the hospital, doubling its surgical throughput capacity.

Extras cover: Returning more back in benefits to members to help maintain good health

“Extras” or general treatment helps with the cost of healthcare services not covered by Medicare. General treatment services include dental, optical, physiotherapy, chiropractic, psychology, dieticians, remedial massage and acupuncture.

Health care services funded through general treatment help maintain good health and provide care pathways that can help avoid the need for hospitalisation. For example, a weight loss program combined with physio can help avoid the need for painful joint replacement surgery. Regular dental check-ups and cleans can help avoid the need for major dental work. A visit to the optometrist can help protect eyes and assist with early detection of underlying health conditions, so treatment can take place before it becomes a major issue.

By utilising extras to speed up recovery, to reduce or even avoid the need for hospitalisation, Australians can quickly get back to healthy living. Less time spent ill and in pain adds to quality of life for everyone directly and indirectly impacted. It means more quality time with loved ones and contributes to broader economy prosperity and social wellbeing through increased activity – whether through work or play.

Some 2.3 million Australians skip or delay necessary dental care each year.



Member experience, Max Blaik, Emergency Services Health Member

“Before joining Emergency Services Health, I never understood how health insurance worked. But now, I realise it can be preventative. I’ve been able to use my Extras cover for chiropractic, remedial massage, psychology, and dental.”

“Mental health being just as important as physical health is a big message in my brigade. I prioritise weekly remedial massages for my mental wellbeing – it gives me an hour to not think about anything and shut my brain off.”



There can be very long waits for dental care in the public system and 2.3 million Australians are skipping or delaying necessary dental care because of cost each year. As a result, an estimated 80,000 of hospital visits every year are for preventable dental conditions. This impacts quality of life and carries an economic cost arising out of missed work and lost productivity estimated at half a billion dollars a year.⁸

Removing Fringe Benefits Tax from Health Insurance

To help lift productivity and address cost-of-living pressures, FBT must be removed from health insurance premiums. This will make it easier for employers to offer health insurance as part of a salary package, making it more affordable for working Australians to access private health care and the many benefits that comes with it – such as affordable dental cover.

Allow Health Funds to Cover Primary Care

It is getting harder to find a GP who Bulk Bills and does not charge an out-of-pocket fee – especially in the country. Primary care is fundamental to good population health, but many Australians are avoiding a trip to the doctors due to cost, putting themselves and their loved ones at risk. Many health insurers want to help cover out-of-pocket GP costs but can't, due to outdated Government regulation.

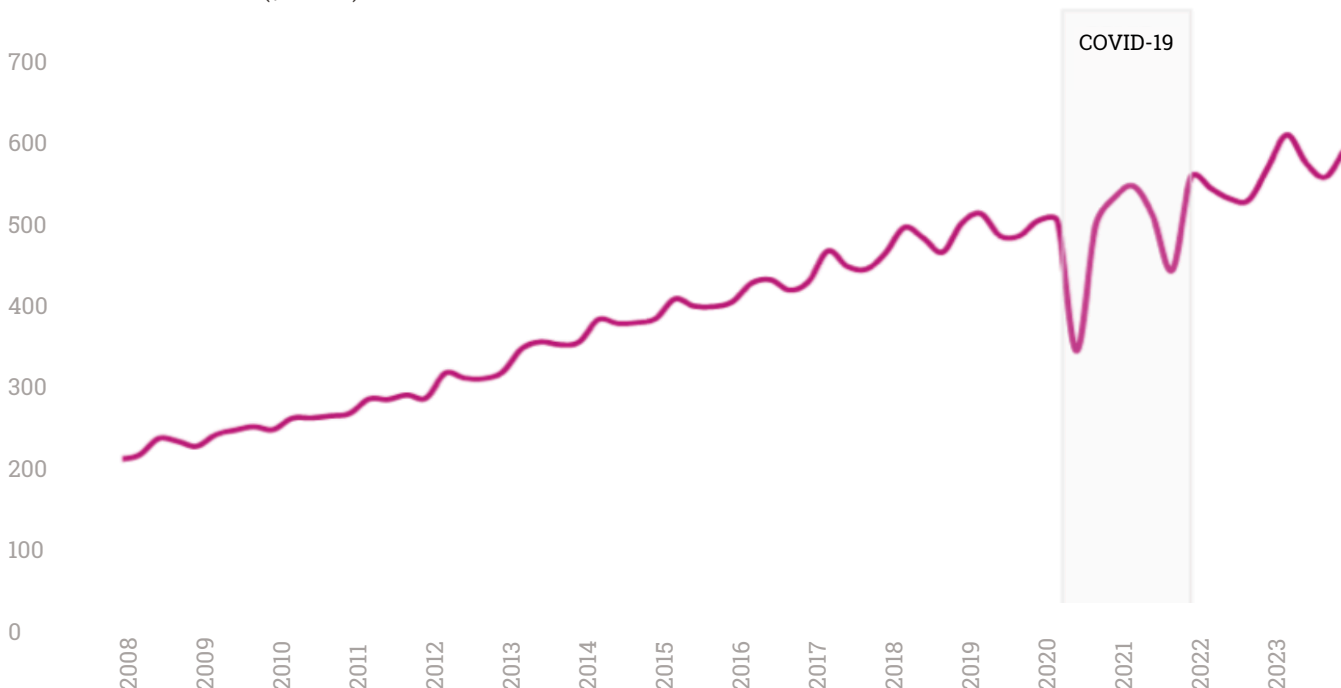
Members Health would like to see the ban on health funds helping cover GP consultations removed. It makes no sense that health funds can help cover a trip to the dentist, optometrist or physio but not a GP consultation.

Figure 0.9

Total general treatment/extras benefit paid by Members Health funds (per year)

Source: APRA, PHIAC 1 data, and Finity Calculation

General Treatment Costs (\$AUD m)



⁸Grattan Institute. Reform delay causes dental decay, Peter Breadon, Anika Stobart. 30.11.2023 <https://grattan.edu.au/news/reform-delay-causes-dental-decay/>

Healthcare services provided by Members Health funds contribute to economic and social wellbeing

Members Health funds have national arrangements in place with hospitals and allied health care providers to ensure that policyholders have choice and certainty over access to care, wherever they may be.

Members Health funds also operate their own healthcare facilities. Facilities owned by Members Health funds operate under the same not-for-profit and member owned mutuality ethos as the health insurer and have proven extremely popular with policyholders.

Healthcare facilities run by Members Health funds includes hospitals in the communities of Mildura and Maryvale in regional Victoria.

Dental clinics are owned and operated by Members Health funds in locations including Lithgow and Wollongong in NSW, and in Mackay, Mount Isa, and Townsville in Queensland.

By establishing their own healthcare facilities, built on the not-for-profit and member owned mutuality principal, Members Health funds are able to provide convenient and affordable access to high quality care - where it may otherwise not be available or be in short supply, particularly in rural and regional areas.

Delivering high quality healthcare facilities that operate as part of a not-for-profit and member owned service offering further enhances value for Australian families and adds to the tangible economic and social contribution delivered by the alliance of Members Health funds.

Providing services that promote wellbeing

Members Health funds have long sought to improve member well-being and reduce dependency on hospital beds by facilitating better access to coordinated well-being, ancillary and out-of-hospital services. **St Lukes**, for example are on a mission to make Tasmania the healthiest island on the planet and to achieve this, they see illness prevention as vital.

To make their vision a reality the fund has created “wellness hubs” in Launceston and Hobart that host a range of wellness events and programs. Similarly, **CBHS Health Hubs** have been promoting better health & wellbeing for CommBank staff since 2016. Located on-site at CommBank’s offices, they enable staff to conveniently check, understand, monitor and improve their health.

Figure 1.0

Healthcare facilities owned and run by Members Health funds

	Metro	Regional
Dental clinics	34	7
Optometry clinics	34	7
Physiotherapy clinics	24	1
Hospitals	-	2

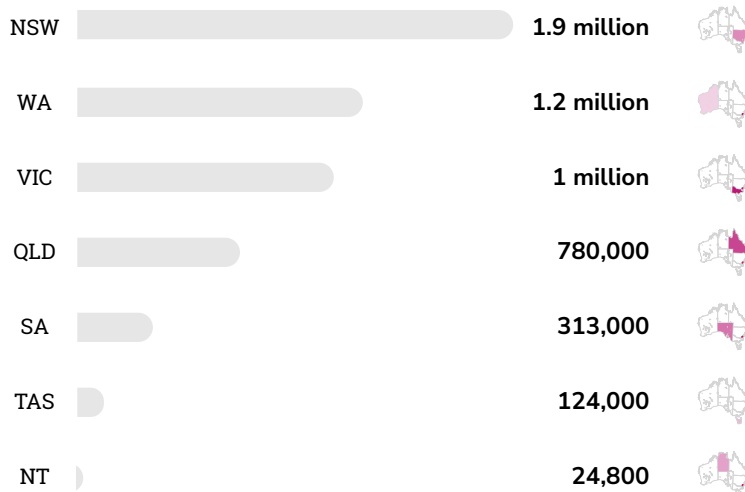
Importance to Community, Health, and Economic Prosperity

Irrespective of if they are headquartered in regional Australia, a big city, a specific State, or serve a particular profession or industry, all the Members Health funds have extensive national arrangements in place with thousands of healthcare providers and hundreds of hospitals around the country, assuring fast access to high quality care when and where it is needed.

Figure 1.1

Members Health Fund membership by State

5.3 million



Valuing social impact

Members Health funds put people before profits and value the social and economic impact they make to the communities they serve. To measure their social impact, **Australian Unity** partnered with Social Ventures Australia to develop a Community & Social Value framework.

The framework assesses Australian Unity's impact against key outcomes, including better access to healthcare, improved health outcomes, building financial resilience, opportunities through employment, leading social innovation, and supporting living in place, for its members, customers, employees and community.

A strong presence in regional and rural Australia

Almost three quarters of Australia's population lives in major cities. The rest are spread across regional, remote and very remote areas.⁹ The population divide creates a specific set of health-related challenges for those in regional and remote areas, compared to their metro counterparts.

People in regional and rural Australia have higher rates of chronic disease, including some types of cancer. A higher burden of disease is exacerbated by the fact that people in regional and rural areas are, generally, more likely to engage in risky health and lifestyle behaviours, such as smoking or excess alcohol consumption. This health equity gap is made even worse by heightened barriers to care and treatment, such as lower average incomes, long travel distances and scarcity or limited availability of healthcare services.¹⁰

Our national economy depends on rural and regional communities. They account for an estimated 40% of the country's economic output. This includes major export-oriented industries such as agriculture, forestry, fishing, and mining.¹¹

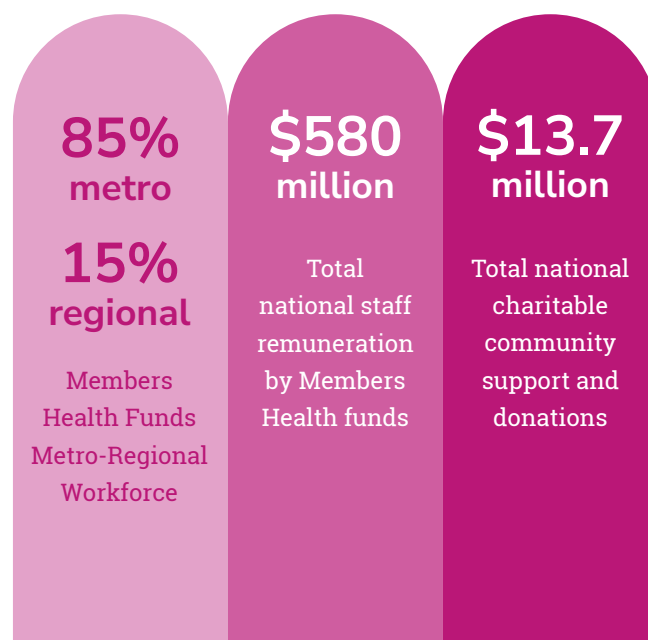
Nine of Australia's top 10 exports are commodities produced from our regions, making them the engine rooms of economic growth. Rural and regional Australia makes an enormous contribution to the Australian economy and national prosperity and this is not being equitably reflected in healthcare outcomes.

Members Health funds have a strong presence in regional and rural centres. This includes but is not limited to Members Health funds headquartered outside the big cities, such as Queensland Country Health in Northern Queensland, Mildura Health in the Sunraysia, Hunter Health in the Hunter Valley, Latrobe Health Services in Gippsland, Westfund in Central West NSW and the Central and Northern Queensland regions, Peoplecare in the Illawarra, Phoenix Health in Newcastle, HCl and St Lukes in Northern Tasmania.

As of 30 June 2023, 32.9% of Australians live outside of the major metropolitan areas. Members Health funds' membership has a higher proportion of lives covered in regional and rural areas with 39.1% of their policyholders living outside the big cities.

Figure 1.2

Members Health fund operations



⁹ Australian Institute of Health and Welfare. (2024). Rural and remote health. Retrieved from <https://www.aihw.gov.au/reports/rural-remote-australians/rural-and-remote-health>

¹⁰ See *ibid*

¹¹ Regional Australia Institute. (2021) A Decade of Achievement. Retrieved from <https://regionalaustralia.org.au/common/Uploaded%20files/Files/Regional%20Job%20Updates/Regional-Australia-Institute-A-Decade-of-Achievement.pdf>

The presence of Members Health funds directly improves the well-being and livelihoods of regional and rural communities across key indicators, such as:

- **Through direct operations**, they contribute to the local economy by creating rewarding jobs ranging from clinical positions to administrative roles within the healthcare and insurance sectors.
- **Through the ownership of private hospitals and clinics** (See Figure 1.0 on page 25), they support development, ensure access to important healthcare services and alleviate barriers to treatment, such as travel or long waits in the public system.
- **Through direct charitable donations** that help support and strengthen the communities they serve.

Advancing Health in Regional Communities

Members Health funds in regional areas have extraordinary impacts on the lives of locals. Dr Mark Bennett, **Westfund** Dental Care Dentist notes “The availability of advanced dental technology in Lithgow represents a transformative moment for our community. It elevates the standard of care we deliver while making it more accessible and affordable. This development holds significant value for regional communities like Lithgow and its neighbouring towns, improving access to specialised dental treatments and services locally, eliminating the need to travel to distant clinics.”

Hunter Health Insurance, meanwhile, partners with Little Wings, a not-for-profit that provides free air and ground transport service for seriously ill and injured children in regional and rural Australia.



Serving people and their families who are connected to a profession, industry or organisation – Australia's not-for-profit restricted membership funds

There are 13 not-for-profit and member owned health insurance brands that are restricted to serving people and their families connected to specific industries, organisations or professions. The restricted access insurers cover a combined 1,159,381 lives.

Restricted membership funds help provide care for our teachers, nurses, midwives, doctors, police, emergency services, paramedics and military members and their families - to name just a few.

Restricted membership funds help foster a sense of community, camaraderie and shared identity. They also help keep their members in the workforce for longer by providing access to the care and practical support they need.



Support tailored to the needs of a specific community

Restricted access insurers have a deep and personal understanding of the needs and expectations of the professions, industries and organisations they serve and can tailor coverage and support to meet their requirements.

Defence Health has identified that while all parents face many challenges when starting or growing a family, this can be compounded for military families who face pressures from frequent relocations, deployments, changing schedules and isolation from extended family and friends. Tailoring their support to these needs, Defence Health offers the MyBaby program to take some of the stress off new parents.

For more than a decade **Teachers Health** has supported the education community through partnering with organisations like the Public Education Foundation (PEF) to award scholarships for further education to members.

This partnership demonstrates the funds' commitment to creating educational opportunities for teachers, and more recently nurses and midwives, to provide support early in their professional careers.

Navy Health supports the broader ADF community by administering the ADF Family Health Program. The program recognises the service and sacrifices of ADF members and their families and the difficulties many ADF families experience accessing affordable healthcare when relocating. The Program allows dependents to claim a benefit for a variety of health services including Allied Health, General Practitioner, Specialist and Diagnostic & Radiology services.

These examples provide a quick glimpse of how restricted access insurance funds provide amazing support to their communities and why they are considered so important to their members.

An Efficient and Effective Private Health Care System That Cares for Millions of Australians

Valued by millions of Australians, private health insurance is a central tenet of Australia's healthcare system. More Australians are members of a private health insurance fund today than at any other time in history, with over 14.7 million people choosing to be with a health fund.

The graph below shows overall industry membership growth, by the number of people covered in Australia. Data includes hospital and general treatment policies and distinguishes between Members Health funds and the rest of the industry. Growth across Members Health funds has been consistent, while the rest of industry (shown in grey) has experienced greater volatility, their membership contracting over the 2 year period proceeding the COVID-19 pandemic.

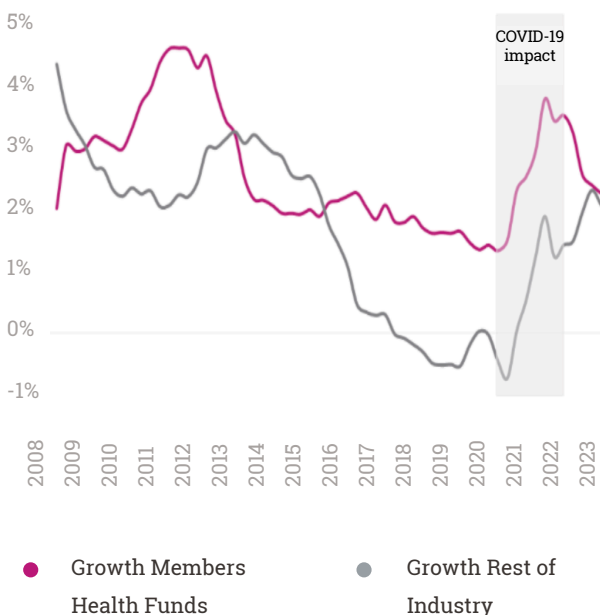
Over the last five years, 573,609 new members have joined a Members Health fund and more are signing up every day.

Figure 1.3

Health insurance membership growth trends

Source: APRA data with Finity calculation

Growth in lives (%)



573,609

new members joined a
Members Health fund
over the last five years.

Private hospitals are responsible for:

32%

of ICU separations



61%

of all surgical services

54%

of all chemotherapy
services

45%

of all acute adult
psychiatric beds

+80%

of all in-patient rehabilitation
separations

Participation in private health insurance increased significantly during COVID-19 as Australians became more health conscious and awareness of long waits in the public health system grew. As participation in private health insurance grows, it is expected to relieve pressure on struggling public hospitals, freeing up public beds for those most in need.

Over the last 5 years, Members Health funds have captured 56%¹² of the growth in hospital policies. Members Health funds now provide care for 36% of the privately insured population, when calculated across all policies.

¹² APRA Data





Returning More Than \$1.3 Billion to Members in COVID-19 Support

The COVID-19 global pandemic is estimated to have caused a cumulative \$158 billion GDP loss to the Australian economy, when compared to the pre-pandemic trajectory.¹³

Immediately upon the emergence of COVID-19, Members Health funds stepped up to put in place support measures to help their members, including:

- premium increase deferrals
- premium givebacks to policyholders
- extras limits rollovers
- automatic cover for all COVID-19 care, irrespective of level of hospital cover
- facilitated telehealth, such as for mental health
- hardship relief for those who could not afford to pay their premiums.

Since the COVID-19 pandemic, Members Health funds have returned more than \$1.3 billion back to their members, representing 15% of one year's premiums.

As not-for-profit and member owned organisations, it only makes sense that all savings are returned to policyholders.

¹³ Australian Bureau of Statistics (7 September 2022), Economic gains and losses over the COVID-19 pandemic, ABS Website, accessed 22 July 2024.

Advocating for a Healthier Australia

This paper has demonstrated that the not-for-profit and member owned health funds are important contributors to the nation's economy, social wellbeing and to the health of millions of Australians.

Members Health believes that all Australians deserve choice and access to the best possible care when it comes to their health. Without a doubt, Australia has one of, if not the best health systems in the world, but by working together we can make it even better. Members Health is advocating on behalf of Australians for new government policies to help further reduce cost, improve access to high quality care and enhance consumer empowerment.

Supporting the economic participation of all Australians through private healthcare

Return the government rebate on private health insurance premiums back from under 25% to 30%.

The Australian Government has made health insurance premiums more expensive by cutting the rebate on private health insurance premiums from 30% to under 25%. The rebate goes directly to consumers to reduce premiums and is means tested, so goes to those that need it most. Restoring the rebate will help make health insurance more affordable, helping get people off long public hospital waiting lists and into private hospitals.

Mandate transparency of pricing and performance for hospitals and clinicians.

There is more available information to compare whitegoods on price and performance than for something as important as selecting a clinician or hospital. Mandating more data be available to help empower consumers and their GPs in selecting the right clinician and hospital for them is long overdue.

Health insurers are required to publish their financial and performance data through APRA and the Ombudsman but that is where transparency begins and ends. To help better inform Australians, hospitals and clinicians must be compelled to make their financial and performance data public. A more transparent and accountable health system benefits everyone by helping ensure it is appropriately funded and delivering expected clinical outcomes for patients.

End the government ban on health funds helping to cover patient out-of-pockets for GP visits.

Helping cover GP out-of-pocket costs will make primary care more accessible, delivering better health outcomes and reducing hospitalisations. Currently private health insurers are banned from funding GP services where there is a Medicare payment. However, primary care services across Australia are facing a funding crisis, bulk billing rates are at a historical low, the cost per consultation is rising and cost of living pressures are biting. It makes no sense that health funds can help with seeing a dentist, optometrist and physio but not a GP. Allowing health funds the option to help cover some GP out-of-pockets, under extras, would benefit the whole health system by boosting access to primary care and helping GPs.

Exempt private health insurance premiums from Fringe Benefits Tax.

It makes no sense the employees can salary package a car but not health insurance. Allowing employers to offer private health insurance as part of an FBT exempt salary package would help more Australians get fast access to high quality care that can be scheduled. Helping Australians in the workforce get back to their jobs sooner and boosting national productivity.

Appendices I

Major State-based Contribution from Operations

NSW and ACT Economic Contribution

1.9 million

1.9 million Australians are with a Members Health fund, 22% of total population in NSW and ACT

\$8.5 billion

Members Health funds contributed \$8.5 billion to NSW and ACT GSP in FY23, composed of \$3.3b direct and \$5.2b economy-wide contribution

40%

of all hospital treatment PHI customers in NSW and ACT are members of a Members Health fund

60,100 jobs

Members Health funds contributed 60,100 job opportunities to the NSW/ACT job market in FY23, composed of 31,800 direct jobs and 28,300 indirect jobs

Queensland Economic Contribution

780,000

780,000 Australians are with a Members Health fund, 14% of total population in QLD

\$3.1 billion

Members Health funds contributed \$3.1 billion to QLD's GSP in FY23, composed of \$1.4b direct and \$1.7b economy-wide contribution

32%

of all hospital treatment PHI customers in Queensland are members of a Members Health fund

23,100 jobs

Members Health funds contributed 23,100 job opportunities to QLD's job market in FY23, composed of 13,600 direct jobs and 9,500 indirect jobs

Victoria Economic Contribution

1 million

1 million Australians are with a Members Health fund, 14.7% of total population in VIC

\$4.1 billion

Members Health funds contributed \$4.1 billion to VIC's GSP in FY23, composed of \$1.55b direct and \$2.55b state-wide contribution

31%

of all hospital treatment PHI customers in Victoria are members of a Members Health fund

30,400 jobs

Members Health funds contributed 30,400 job opportunities to VIC's job market in FY23, composed of 16,000 direct jobs and 14,400 indirect jobs

South Australia Economic Contribution

313,000

0.3 million Australians are with a Members Health fund, 17% of total population in SA

\$1.2 billion

Members Health funds contributed \$1.2 billion to SA's GSP in FY23, composed of \$0.5b direct and \$0.7b state-wide contribution

31%

of all hospital treatment PHI customers in South Australia are members of a Members Health fund

9,900 jobs

Members Health funds contributed 9,900 job opportunities to SA's job market in FY23, composed of 5,800 direct jobs and 4,100 indirect jobs

Western Australia Economic Contribution

1.2 million

1.17m million Australians are with a Members Health fund, 40.7% of total population in WA

\$4.4 billion

Members Health funds contributed \$4.4 billion to WA's GSP in FY23, composed of \$2.0b direct and \$2.4b state-wide contribution

60%

of all hospital treatment PHI customers in WA are members of a Members Health fund

27,100 jobs

Members Health funds contributed 27,100 job opportunities to WA's job market in FY23, composed of 15,500 direct jobs and 11,600 indirect jobs

Tasmania Economic Contribution

124,000

0.12 million Australians are with a Members Health fund, 22% of total population in TAS

\$0.5 billion

Members Health funds contributed \$0.5 billion to TAS's GSP in FY23, composed of \$0.2b direct and \$0.3b state-wide contribution

45%

of all hospital treatment PHI customers in Tasmania are members of a Members Health fund

4,100 jobs

Members Health funds contributed 4,100 job opportunities to TAS' job market in FY23, composed of 2,500 direct jobs and 1,600 indirect jobs

Northern Territory Economic Contribution

25,000

24,800 Australians are with a Members Health fund, 10% of total population in NT

\$49 million

Members Health funds contributed \$49 million to NT's GSP in FY23, composed of \$28m direct and \$21m state-wide contribution

23%

of all hospital treatment PHI customers in NT are members of a Members Health fund

250 jobs

Members Health funds contributed 250 job opportunities to NT's job market in FY23, composed of 180 direct jobs and 70 indirect jobs

Appendices II

Methodology for Assessing Members Health Funds' Economic Impact

The widely used Input-Output (I-O)¹⁴ model was used to identify the economic impact of the Members Health funds. This model estimates organisational contribution to the performance of the private health insurance industry, the economy and connection to overall state and national economic outcomes.

Input-Output (I-O) captures the inter-relationships of industries in our economy. It measures and formalises how different industries interact and the intensity with which they rely on each other to produce their outputs. More specifically, it follows the sources of goods and services purchased by Members Health funds to 1) deliver their products and services to the market, and: 2) how those products are used in the wider economy.

Based on an economic database provided by Australian Bureau of Statistics (ABS) through the Input-Output tables capturing the flows of goods and services in the Australian economy, it was possible to quantify Members Health members' contribution to the performance of the private health industry and the economy overall.

This methodology allows for quantification of demand for private health insurance as well as the inputs in terms of goods, services and workforce to deliver these services to Australian consumers. These are obtained through computations of industry specific multipliers representing the use of inputs (hospital contracts, offices, claims costs and other business processes) to deliver demanded outputs (health insurance products) as captured in the Input-Output table.

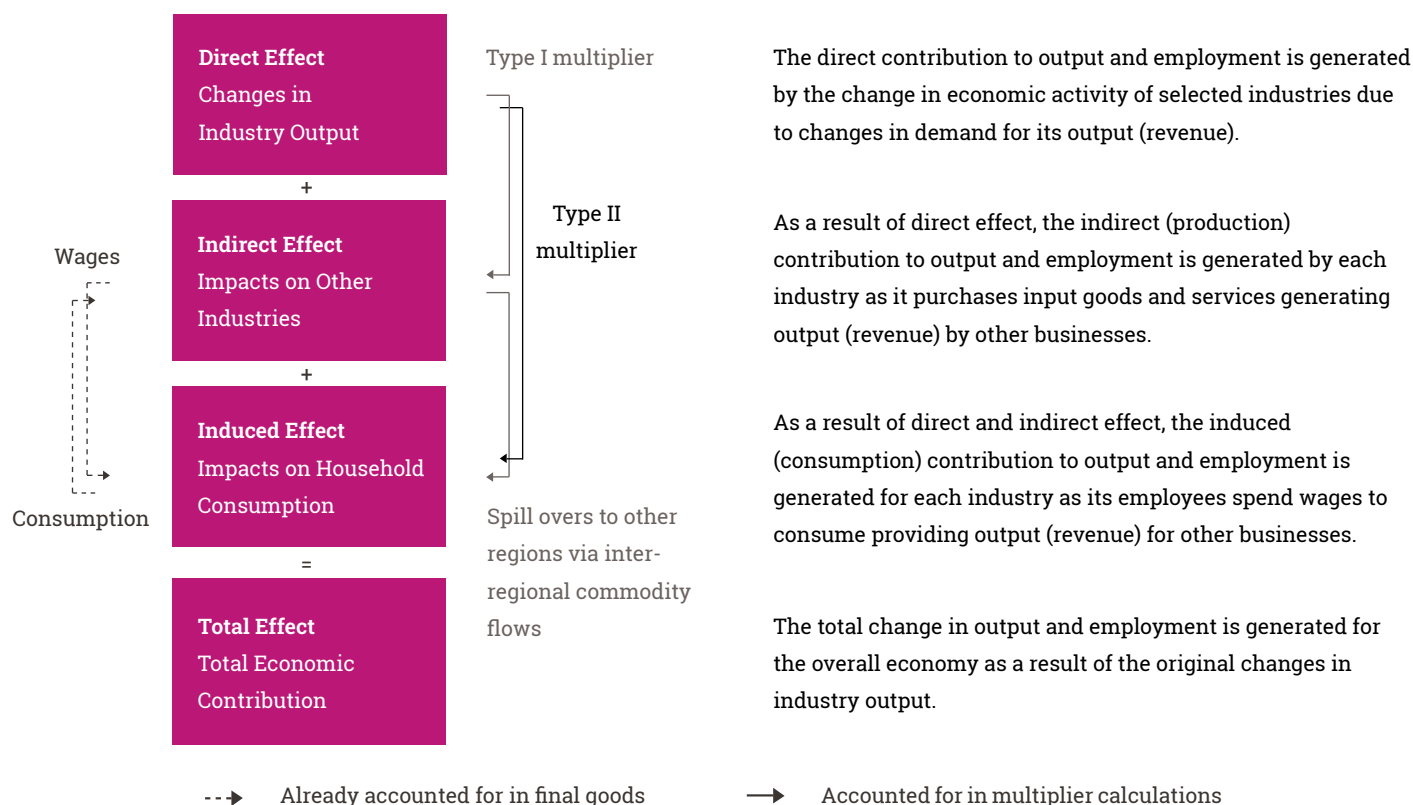
The contribution and impacts of economic changes are estimated using input-output multipliers which separate the analysis into direct (production) and induced (income effect of consumption) related activities adding up to the total impact to output of each industry on economic activity and employment across all industries.

¹⁴Leontief, Wassily W. (1986) Input-Output Economics. 2nd ed., New York: Oxford University Press.
More detailed information on IO model is available from https://en.wikipedia.org/wiki/Input%E2%80%93output_model



Figure 1.4

Input-output methodology framework



Direct contribution represents the premiums paid to the private health insurance industry, specifically to Members Health funds, directly supporting the functioning of those businesses. This contribution represents the value of services provided by Members Health funds' usual business activities, as a measure of revenues paid by policyholders.

Indirect contribution includes benefits paid by Members Health funds to the health industry, supporting broader economic activity. This includes supporting private hospitals and other hospital facilities, allied healthcare specialists (dentists, optometrists, physiotherapists and associated industries including pathology, imaging and pharmacy). These indirect contributions represent the sum of economic activity generating demand for (intermediate) goods and services provided along the industry supply chain focusing on down-stream and upstream industries (Type I multiplier).

Induced contribution includes the broader economic activity of household consumption spending supported by incomes (wages) of workers in the health insurance industry, healthcare industry and associated industries within the economy (Type II multiplier).

The total economic contribution is the sum of the direct, indirect and induced impacts.

The below list provides a high-level summary of the variables, steps and procedures involved in Input-Output economic modelling research.

- Impact on current economic output (Gross Domestic Product / Gross State Product)
- Impact on current industrial output (revenue) by ANZSIC up to 2/3-digit level 114 industries
- Impact on current employment by Industry (Jobs and Full Time Equivalent Employment)
- By regional level: National and State
- Impacts are separated by different effects on the current economy.

The economic benefit delivered by Members Health members can therefore be considered as emerging from two sources:

- Directly, via the value of activity of this group of private health insurers in the economy through their day-to-day operations.
- Indirectly, via the broader economic activity, which may originate from direct activities, but ripples throughout the rest of the economy. These values include operations of a professional business delivering sophisticated products and services to Australian consumers, the support systems, technological systems and solutions, efficient business processes that adhere to regulation and intellectual property that have been developed over time. The broader economic contributions also include purchasing goods and services from the rest of the economy to operate and deliver services as well as payments on claims made by clients.

Both direct and indirect sources of economic contributions deliver the additional element of jobs supported.

Members Health members directly employ a significant number of workers and indirectly support employment in business they purchase goods and services from. In addition, the total wage bill (increasing with wage rises) for all direct employees and indirect jobs add to the overall consumption in the economy according to the consumption requirements of workers' households in turn supporting the full functioning of the Australian economy.

We utilise the number of workers that are employed by each member private health fund to calibrate the direct output of each Members Health fund. We then used this direct output to recover the indirect and spill over financial amounts from other upstream (suppliers of inputs such as office and equipment costs, strategic management and system processing costs) firms along the industrial supply chain.

To specify Members Health funds' gross output, we sum the overall output along the supply industry chains which represents the total value of the goods and services supplied by all firms to and by the Members Health Fund insurers provided to customers. Therefore, this measure also includes the value of intermediate inputs used by the entity that flow from value added generated by other entities in addition to direct economic effects to output of each industry on economic activity and employment across all industries.

