



**AMA**

PRIVATE HEALTH INSURANCE  
REPORT CARD 2020

# AMA PRIVATE HEALTH INSURANCE REPORT CARD 2020

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## INTRODUCTION

For some time the AMA has been highlighting the pressure facing the private health insurance system in Australia – this isn't improving, it is getting worse. Every quarter the Australian Prudential Regulation Authority (APRA) publishes their private health insurance statistics and for 20 quarters (or five years) there has been nothing but a decline in membership.

But worse than this, younger people continue to drop their private hospital insurance, while people over 65 years are taking it up in increasing numbers. The greater the mix of older Australians in the insured pool, the greater the claims and the greater the premiums. As premiums increase, they price out of the market those least able to afford it – including large numbers of younger Australians, and families.

This situation cannot continue. The Australian health system is a unique balance between public and private health care provision – if we lose a key component in this equation how long will our system stay in equilibrium? The AMA supports a health system where the public and private sectors work side by side to provide high quality hospital services for all Australians. To do this we must fix the equation, fix the decline in private health insurance and rebalance the ratio of younger and older members.

In our last report card, we explained the suite of reforms brought in by the Commonwealth Government from April 2019. The full force of these reforms have been in action since March 2020 – they haven't reversed the trend, they haven't changed the underlying numbers.

The AMA believes that it is time for more reform. It is time for the Government to stop underfunding the public and private health systems, time to stop making 'savings' at the expense of health care and focus on fixing the system. The AMA recently released a detailed economic analysis of the state of private health insurance, focusing on the policy settings put in place by the Government – the *AMA Prescription for Private Health Insurance* (<https://ama.com.au/article/ama-prescription-private-health>).

The AMA understands that private health insurance is one of the single largest and most complex purchases Australian households make each year. As people's incomes have been hit by the impact of the COVID 19 pandemic, this choice is even harder for many Australians. Private health insurance is a significant financial commitment, and therefore achieving value for money is extremely important and something the Government must strive to improve.

## The AMA Private Health Insurance Report Card 2020

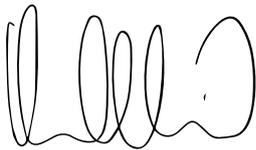
This is the fifth Report Card on private health insurance in the AMA's annual series. It is designed to assist patients/consumers by highlighting the differences in private health insurance policies and the operations of funds.

The Report Card provides consumers with indicators to help choose the right cover, noting that the most important features of a health insurance product will differ for each individual or family <sup>1</sup>.

This year's Report Card provides: the latest comparison of the proportion of hospital and medical costs covered by each fund, and examples of common procedures where insurers pay different levels of benefits. These differences can have a significant impact on the support a patient might experience from their health fund when they undergo treatment. The AMA believes that highlighting these features can help consumers understand their likelihood of facing out-of-pocket costs across different insurance providers and products.

This Report Card compiles information from a range of sources and is not tailored for individual circumstances. As with any insurance policy, consumers should consider carefully which product is right for them and seek professional advice where necessary. This Report Card is not intended as a substitute for professional advice.

We hope the Report Card encourages people to review their private health insurance policy to ensure it meets their needs.



**Dr Omar Khorshid**  
President  
26 September 2020

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<sup>1</sup> The information in the figures in this report is current as at 30 August 2020 and is based on a detailed review of the policies offered by private health insurers, benefit schedules published by private health insurers, and information reported annually by the Private Health Insurance Ombudsman at [www.phio.gov.au](http://www.phio.gov.au) and the Australian Prudential Regulation Authority [www.apra.gov.au](http://www.apra.gov.au). These reports are updated throughout the year and the date of the publication is noted in the citation.

# PRIVATE HEALTH INSURANCE IN AUSTRALIA

## How health care is funded

Working out the right private health insurance for individuals and families can be a difficult task. The Commonwealth Government implemented key reforms to the system, which began to take effect on 1 April 2019 but were finalised on 1 April 2020. While these reforms make it easier to understand an insurance product, the private health insurance system in Australia is still complex and hard to navigate.

There are three key funders of private health care in Australia:

1. The Commonwealth Government, through the Medicare Benefits Schedule (MBS);
2. Private health insurers; and
3. The patient (through out-of-pocket costs).

Commonwealth, State, and Territory Governments fund public hospitals, which provide free admitted services to public patients.

To avoid surprises when it comes to settling medical bills, it is useful to understand which parts of medical fees are covered by each of the three key funders.

If patients are treated by a doctor outside of hospital as a non-admitted patient, whether by a general practitioner or another specialist, health insurance policies cannot be used to cover these costs.

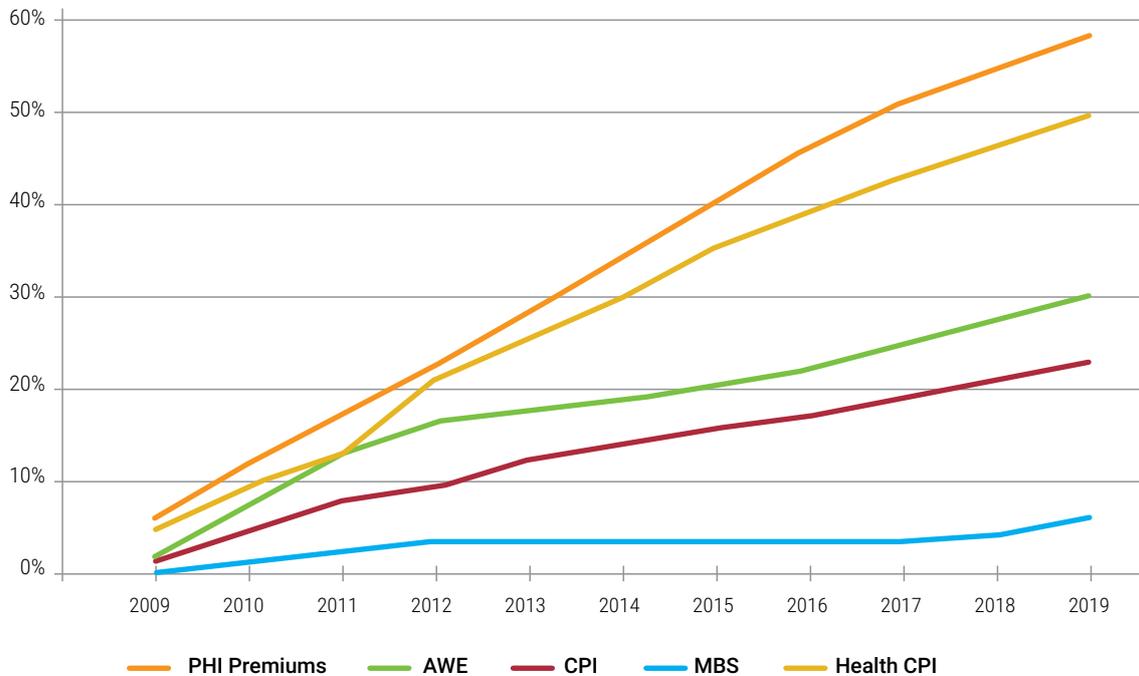
There are three aspects of private health insurance for hospital treatment that are most commonly misunderstood:

1. Not all private health insurance policies cover every medical treatment;
2. Insurers can change what is covered by a purchased policy, but they must tell you; and
3. Patients will sometimes have out-of-pocket costs even when their policy covers the medical treatment they need.

## Premiums

A 'premium' is the amount consumers pay for their insurance coverage. Premiums are an income source for insurers, which helps pay for their business costs including benefit payments for hospital admissions. Once a premium is received from a consumer, the insurer is liable for providing coverage for claims according to the terms and conditions of their insurance policy. Each year, private health insurance premiums are adjusted to meet the increasing costs of providing health care, which are usually higher than other costs. The Commonwealth Government must approve the rate before it comes into effect.

**Figure 1: Increasing health costs; private health insurance premiums, health consumer price index and medical benefit schedule increase versus average weekly earnings and general consumer price index.<sup>2</sup>**



## Cover

Doctors working in the private health system sometimes see patients who think they are covered for treatment under their private health insurance policies, only to find out they are not.

This is understandable – people often assume, based on the significant premiums they pay, that they must be covered for everything. However, the term ‘cover’ does not always mean fully insured for all costs associated with a particular treatment or medical service.

For services delivered to privately insured patients admitted to hospital, private health insurance covers some, or all, of the cost difference between a doctor’s fee and 75 per cent of the MBS fee (rebate) paid by the Commonwealth Government.

When a patient is treated as a private patient, either in a public or private hospital, each of the doctors who is involved with their care can charge a fee for their services. In addition, the hospital will also charge a fee for the hospital accommodation and any other services they provide.

<sup>2</sup> Private health insurance (PHI) increase – increase in premiums: [https://www1.health.gov.au/internet/main/publishing.nsf/Content/0B815BFEB8EDECA7CA257BF000195929/\\$File/Premium-Round-Individual-Insurer-Average-Premium-Increases%E2%80%93to-2020.pdf](https://www1.health.gov.au/internet/main/publishing.nsf/Content/0B815BFEB8EDECA7CA257BF000195929/$File/Premium-Round-Individual-Insurer-Average-Premium-Increases%E2%80%93to-2020.pdf)  
 AWE – Average Weekly Earnings: 6302.0 - Average Weekly Earnings, Australia 2009-2019  
 MBS – Medical Benefit Schedule: <https://feelist.ama.com.au/resources-ama-gaps-poster>  
 CPI – Consumer Price Index and Health CPI – Health Consumer Price Index: ABS data 2009 - 2019 6401.0 - Consumer Price Index, Australia

## Excesses and co-payments for hospital admissions

Most health funds will offer the option of nominating an 'excess' or 'co-payment' on your hospital policy in return for reduced premiums. If you nominate a high excess or co-payment, then you may have a lower premium than someone with no excess.

The excess is an amount a patient will pay for hospital-related costs and is separate from any gap payment made for the doctor's treatment or services. Most policies now include excesses or co-payments.

**An excess is a lump sum you pay towards your hospital admission before the health fund will pay its benefits.**

## Private health insurer contracts

As the financial position for health insurers becomes tighter, they continue to look for ways to reduce their costs. Some insurers are looking at ways they can improve the health of their customers (by promoting preventive health strategies), thereby potentially reducing the need for hospital treatments. Other insurers are looking at providing health care more flexibly by offering some services through 'hospital in the home'. These programs allow patients to remain at home during all, or some part, of their treatment.

There has also been a marked change in the last decade regarding the composition of private health insurance companies. In 1995, only 4 per cent of the 49 insurers operated on a for-profit basis. Private health insurers have moved from primarily not-for-profit organisations, to the current situation where almost 70 per cent of the insured population are now covered by for-profit funds (although we are seeing a small drift away from the larger for profits funds in recent times)<sup>3,4</sup>.

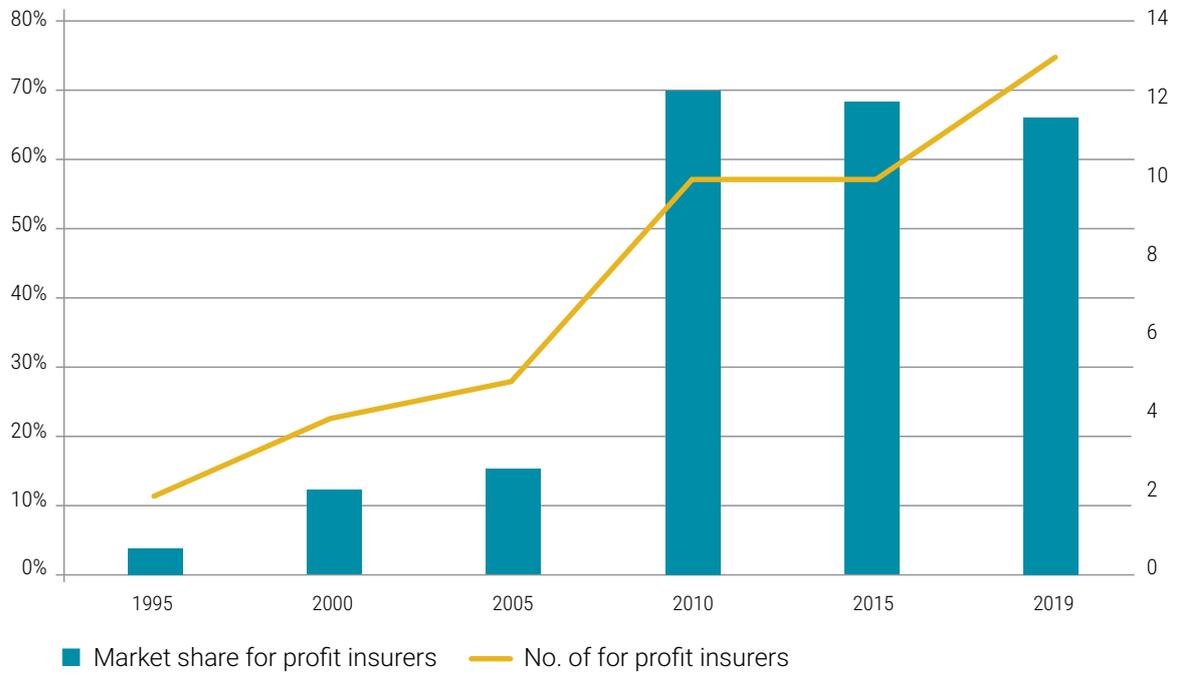
With this increased number of for-profit insurers, and with the top for-profit insurers having a significant market share each, these big insurers are making increased use of selective contracting. Use of contracting arrangements enables insurers to influence, even dictate, the health care pathways available to their customers who are trying to reduce their out-of-pocket gaps.

This shift to larger for-profit insurers has been accompanied by a move from funds acting as passive payers to 'active funders' – in some cases as reported in the media, producing sizable profits from the sector for shareholders and large executive remuneration.

3 <https://patch.austliancentre.muhosting.com.au/publication/private-health-insurance-in-australia-policy-reform-approaches-towards-greater-competition-and-efficiency-to-improve-health-system-performance-2/> Table 3

4 <https://www.apra.gov.au/operations-of-private-health-insurers-annual-report>

Figure 2: Changes in market share of for-profit health insurance funds – 1995 to 2019.<sup>5,6</sup>



5 <https://patch.australiancentre.muhosting.com.au/publication/private-health-insurance-in-australia-policy-reform-approaches-towards-greater-competition-and-efficiency-to-improve-health-system-performance-2/> Table 3

6 <https://www.apra.gov.au/operations-of-private-health-insurers-annual-report>

# PAYING FOR MEDICAL CARE

## Out-of-pocket costs

Consumers are very concerned that they may face out-of-pocket costs for doctors' fees for their treatment – even when they have the top level of private health insurance coverage.

Doctors who treat patients will send them a bill for their services (a fee). Doctors, like other highly trained professionals, are free to set their fees at a level they believe is fair and reasonable. These fees take into account the cost of running a practice, including professional indemnity and other insurance, wages, rent, consumables, and other equipment costs.

If you are a patient admitted to hospital (public or private), and choose to be treated as a private patient, Medicare will pay for 75 per cent of the MBS fee for each service provided by a hospital doctor.

**The out-of-pocket cost is the difference between the fees charged by the doctor and the combined MBS benefit and private health insurance benefit.**

By law, private health insurers must top up the Medicare payment by at least 25 per cent of the relevant MBS fee. Insurers can pay a higher level of benefit than this in particular circumstances. These circumstances are explained under the heading 'no gap and known gap' on page 9.

## Medicare freeze and private health insurance rebate rises

The MBS is a list of the medical services (known as MBS items) for which the Commonwealth Government will pay a Medicare rebate, to provide patients with financial assistance towards the costs of their medical services.

Generally, Medicare pays a percentage of the MBS fee depending on the service provided:

- 100 per cent for consultations provided by a general practitioner (GP);
- 85 per cent for all other services provided by a medical practitioner in the community; and
- 75 per cent for all services that are provided by a medical practitioner during an episode of hospital treatment when the patient is admitted as a private patient.

The MBS was not designed to cover the full cost of medical services. MBS items have not been fully indexed (increased) for a number of years.

Any 'gap' between the MBS rebate and the doctor's fee and any hospital fees end up being paid by other funders such as private health insurers or the patient. This gap a patient pays is known as an out-of-pocket cost, as the patient is required to make up the difference out of their own pocket.

Under an indexing process, the MBS rebates are raised according to the Commonwealth Government's Wage Cost Index, a combination of indices relating to wage levels and the Consumer Price Index (CPI). This indexation has been considerably less than CPI rates, let alone health CPI<sup>7</sup>.

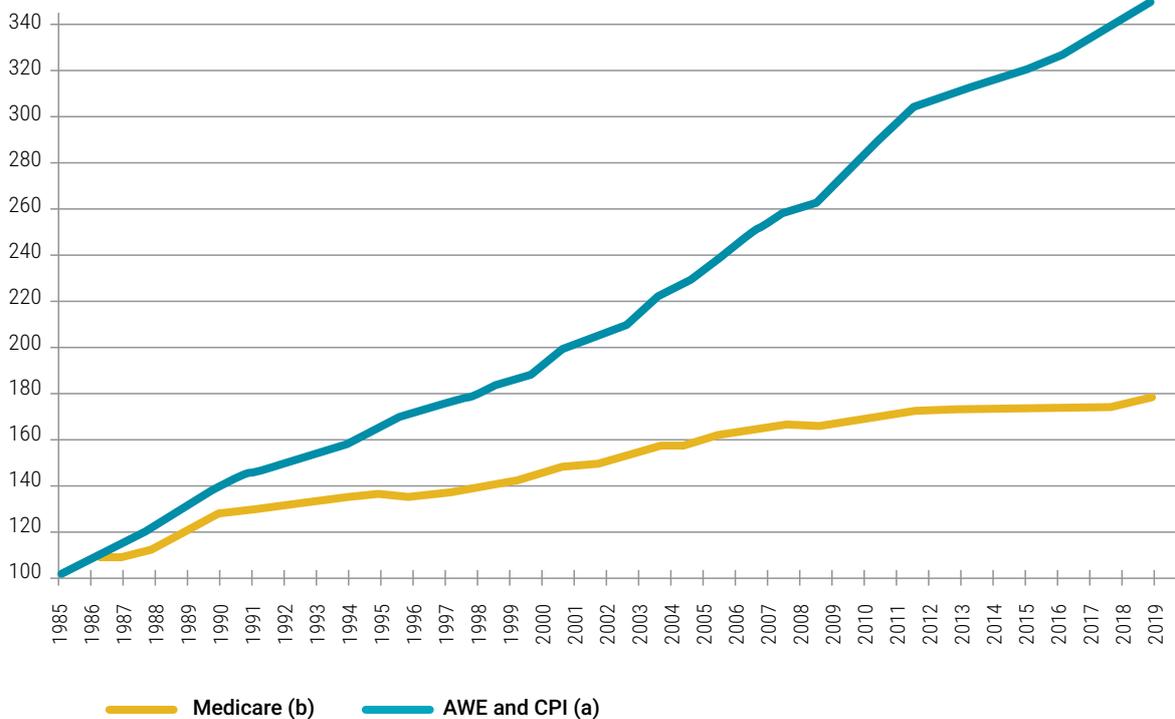
<sup>7</sup> In the five years from 2015-2019, CPI rose 8.1 per cent, CPI for health alone rose 19.0 per cent but the MBS index only rose 1.6%. ABS statistics from : <https://www.abs.gov.au/AUSSTATS/abs@.nsf/second+level+view?ReadForm&prodno=6401.0&viewtitle=Consumer%20Price%20Index,%20Australia~Jun%202017~Latest~26/07/2017&&tabname=Past%20Future%20Issues&prodno=6401.0&issue=Jun%202017&num=&view=&>  
MBS indexation from: <http://www.mbsonline.gov.au/internet/mbsonline/publishing.nsf/Content/downloads>

In 2013, the Commonwealth Government froze the rebate, meaning that MBS rebates remained stagnant for more than five years, despite inflation and the rising costs of delivering health care. The freeze was lifted (but not for all items) in 2019. Additionally, most private health insurers rebate schemes are linked in some way to the MBS. In fact, a number of insurers have a direct link to the MBS rate – meaning that their rebates were frozen for the same period.

Medical fees need to cover income, staff wages, medical indemnity insurance, practice costs (including rent, medical supplies, equipment). All these costs have risen year on year, even if rebates haven't. This has contributed to a growing gap between the MBS rebate and the actual costs of providing health care in Australia, as shown in Figure 3.

**Figure 3: Why is there a gap?<sup>8</sup>**

- (a) Index comprising of Average Weekly Earnings and Consumer Price Index (70:30).
- (b) Index of MBS rebates as determined by the Commonwealth Government.



<sup>8</sup> <https://feelist.ama.com.au/resources-ama-gaps-poster>

## No gap and known gap arrangements

Consumers should check whether or not a health insurer pays more than the minimum 25 per cent of the MBS fee required by law. It should be clearly and explicitly explained in every policy holder's health insurance policy brochure.

### No gap arrangement

Most private health insurers offer 'no gap' arrangements, when the doctor agrees with the insurer to charge the exact same amount that the insurer has agreed to pay for that medical service. In many cases, doctors provide the service at 'no gap'<sup>9</sup> and patients will not incur an out-of-pocket cost for this medical service. The agreed no gap fee is generally higher than the MBS rebate.

### Known gap arrangement

Many insurers will pay a benefit that includes a 'known gap'. This is where the insurer will still pay a higher benefit (than the minimum required by law) towards the doctor's fee if:

- The doctor has an agreement with the insurer, and
- The doctor's fee does not result in a patient out-of-pocket cost that is greater than the 'known gap' amount (which is usually \$500).

The patient pays an out-of-pocket amount up to the 'known gap' rate for the medical service.

### No arrangement

When there is no arrangement between a doctor and an insurer, or the doctor charges more than the known gap, the difference between the MBS rebate and the doctor's fee is made up by the patient's out-of-pocket costs, which can increase significantly. This is because the insurer in this situation will only pay the minimum benefit amount required – 25 per cent of the MBS fee.

Lower benefits paid by the insurer usually mean higher out-of-pocket costs. This can be confusing for patients, especially if not communicated early. It also means any increase in the doctor's fee above the no gap or known gap rates (depending on the insurer), no matter how small, results in a significant drop in payment from the insurer, and a far greater increase in the patient's out-of-pocket cost, as demonstrated in Figure 4 below.

Using a total hip replacement (MBS item 49318) as an example, Figure 4 demonstrates the three billing and payment scenarios, where the private health insurer has set a medical benefit of \$2,162.30 and a 'known gap' amount of \$500.00.

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9 <https://www.apra.gov.au/sites/default/files/2020-08/Quarterly%20Private%20health%20insurance%20statistics%20June%202020.pdf>

**Figure 4: Private health insurer billing scenarios and out-of-pocket costs for a total hip replacement**

**MBS 49318 Fee:** \$1,359.00    **Benefit:** 75% = \$1,019.25

	Doctor's fee	MBS Benefit	Insurance medical benefit	Out-of-pocket costs
Doctor accepts insurers medical benefit amount	\$2,162.30	\$1,019.25	\$1,143.05	\$0.00
Doctor accepts insurers known gap arrangement	\$2,662.30	\$1,019.25	\$1,143.05	\$500.00
The benefit amount does not cover the doctor's fees	\$2,675.00	\$1,019.25	\$339.75	\$1,316.00

## Agreement hospitals

The insurance benefits paid for hospital and even medical services depend not only on the type of cover you purchase, or the fees charged by your treating doctors, but whether your insurer has an agreement in place with the hospital in which you are treated.

If your insurer has entered into a contract with your choice of private hospital, you will have either no out-of-pocket hospital expenses or you will be provided with details of your costs. All major health funds have agreements with a significant number of private hospitals, but it is recommended that you check before deciding which hospital to be treated in.

This is important especially if you have a particular hospital in mind prior to treatment, or if you live in a rural area where the nearest agreement private hospital may be a distance away, or you want to ensure you can choose your doctor and, that your doctor can access your insurers' gap arrangements at that hospital.

Public hospitals don't have agreements with specific insurers, but most insurers treat them as though they are agreement hospitals.

As with your medical treatment, you are entitled to and should always ask your hospital or health insurer for an estimate in advance of the costs of your treatment, in both private and public hospitals.

**To find out which private hospitals near you have agreements with your health insurance fund, you can contact your insurer or use the tool provided at:**

**<https://privatehealth.gov.au/dynamic/agreementhospitals/fund/aca>**

## Informed Financial Consent

Navigating the health system is difficult for most people, but even harder when you are sick or disadvantaged.

Medical practitioners know how important it is to ensure their patients understand their treatment options, and the need to support them in understanding the fees and costs associated with that care.

The AMA has worked with a range of key medical organisations to create a comprehensive resource that supports a collaboration between doctors and their patients.

This guide supports patients to be more engaged in conversations with their doctors, with their health fund and with their choice of hospital. It assists in creating a dialogue that will improve transparency about treatment options, charges and expected out-of-pocket costs.

The guide is designed to empower patients with important information to help them understand medical costs and give them confidence to discuss and question fees with their doctors.

The Informed Financial Consent guide includes:

- an Informed Financial Consent Form for doctors and patients to use together;
- information on fees and medical gaps; and
- questions for patients to ask their doctors about costs<sup>10</sup>.

## Publishing doctors' fees

Throughout the last few years, the publication of doctors' fees has been an area of ongoing media and public scrutiny.

On 30 December 2019, the Minister for Health launched the Medical Costs Finder to help Australians understand the cost of common medical procedures provided by specialist medical professionals<sup>11</sup>.

This tool can be used to:

- see how much people have paid out-of-pocket for a medical service; and
- compare the costs estimated by your specialists and other health providers for a service with the typical costs for the same service.

This helps you better understand what is typically paid, but it does not provide you with specific information about your procedure which will vary depending on your age, risk factors and any complicating issues. Nor does the website show what patients can expect back from their private health insurance fund.

The AMA is strongly committed to information sharing between a doctor and a patient to create an agreed treatment plan and understand its associated costs. But a more accurate way to fully understand your likely out-of-pocket costs is not a website, but quality, informed financial consent undertaken with your medical practitioner.

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<sup>10</sup> Links to the AMA resources on Informed Financial Consent can be found on page 26

<sup>11</sup> <https://www.greghunt.com.au/new-website-to-improve-consumer-understanding-of-medical-costs/>

To that end, the AMA publishes extensive information on Informed Financial Consent, Billing Practices, guides, and suggested questions for patients to ask their doctor, so they fully understand their individual situation.

A patient's out-of-pocket costs are determined by numerous factors, including:

- which MBS item number is used for their particular procedure;
- whether they are actually covered under their policy for that procedure;
- whether the patient has served their waiting periods;
- whether the doctor has an agreement with the health fund;
- what other doctors and tests are involved;
- whether the hospital has an agreement with the health fund;
- the benefit rate set by the fund; and
- the State the patient lives in.

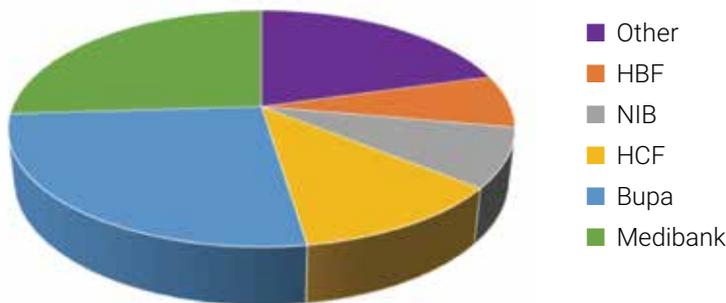
A patient's out-of-pocket cost comes from the doctor's fee and by the benefit paid by a fund. These rates are not uniform across insurers, procedures, States, and hospital setting.

To ensure their patients can access the wide number of no gap or known gap schemes from the full range of insurers (and reduce their out-of-pocket costs), medical practitioners must have multiple fee schedules (sometimes up to 17 different rates) for the same procedure, simply to comply with the different rebates paid by health funds to meet their no gap or known gap requirements for that one procedure.

A general practitioner who has an ongoing relationship with their patient is best placed to refer for appropriate specialist care. A doctor should be prepared to outline their estimated costs when contacted by patients, particularly for standard treatments or initial consultations.

# WHAT YOUR PREMIUMS GIVE BACK

Figure 5: Insurer market share 2018–19<sup>12</sup>



The five largest health insurers have a combined market share of almost 79.5 per cent and contributed to almost 77.5 per cent of total health fund benefits paid in 2018–19<sup>13</sup>. This market share also gives the large insurers significant power to negotiate contracts with private hospitals and medical practitioners.

## Benefits paid by health insurers

Each insurer has its own schedule of benefits it pays for admitted medical services (those carried out in day or night stay hospital).

For admitted hospital treatments, the level of benefits paid by the insurer will depend on the insurer, the particular insurance policy, and the insurer's arrangements with the treating doctor, and the treating hospital.

Private health insurers will generally aim to set premium levels to cover the expected costs of benefits plus the insurer's management costs. However, the benefit that an insurer may agree to pay varies by insurer, policy and procedure.

When there is a difference between the doctor's fee and the insurance benefit, out-of-pocket costs can occur. It is a common misunderstanding that the doctor's fee is the reason for an out-of-pocket cost. As Figure 6 reveals, there can be a large difference in the amount an insurer will pay towards a medical service, and it varies from fund to fund and procedure to procedure. As Figure 7 shows, it also varies from State to State.

<sup>12</sup> APRA, Statistics: <https://www.apra.gov.au/operations-of-private-health-insurers-annual-report>

<sup>13</sup> APRA, Statistics: <https://www.apra.gov.au/operations-of-private-health-insurers-annual-report>, table 3

Figure 6 demonstrates the different benefit amounts paid by insurers for a select range of common procedures. Red indicates the lower level of benefits paid, and blue shows which insurers pay a higher level of benefits. The scale is relative to the other benefits paid for the same procedure across the listed insurers.

It is important to note that the table does not represent the entire industry. These payments relate to the relevant item and insurer description, and as such there may be additional items used for any particular procedure or service (i.e. pathology, diagnostic imagery, anaesthetics) or for any other doctors involved.

**Generally speaking, the greater the benefits, the less likelihood of out-of-pocket costs.**

**Figure 6: Benefits paid for select admitted medical services by different private health insurers as at 30 July 2020**

MBS Item	MBS Description	MBS Fee	Bupa	HCF no gap rate	AHM/ Medibank Private	NIB	AHSA <sup>1</sup>	HBF no gap rate	Variation
12203	Overnight Investigation for sleep apnoea	\$606.35	\$721.80	\$722.85	\$733.55	\$735.25	\$705.20	\$766.00	\$60.80 8.62%
13918	Cytotoxic Chemotherapy	\$101.00	\$121.10	\$128.30	\$123.15	\$114.85	\$111.40	\$131.05	\$19.65 18%
16519	Uncomplicated Delivery (of baby)	\$715.65	\$2068.15	\$2058.95	\$1945.95	\$1599.45	\$1654.80	\$2172.05	\$572.60 36%
16522	Complicated Delivery (of baby)	\$1680.25	\$2432.70	\$2408.00	\$2267.20	\$2371.30	\$2181.40	\$2700.05	\$518.65 24%
30445	Cholecystectomy	\$762.45	\$1089.35	\$1083.15	\$1085.25	\$1032.50	\$1132.30	\$1047.10	\$99.80 10%
30572	Appendicectomy	\$459.35	\$656.30	\$652.50	\$662.85	\$620.85	\$655.20	\$630.95	\$42.00 7%
30609	Femoral or Inguinal Hernia	\$479.05	\$684.40	\$680.50	\$685.80	\$647.45	\$946.00	\$657.80	\$298.55 46%
31500	Breast, benign lesion surgical biopsy or excision	\$268.15	\$393.00	\$380.95	\$395.40	\$362.40	\$369.10	\$364.70	\$33.00 9%
32139	Haemorrhoidectomy	\$379.25	\$534.55	\$520.35	\$539.80	\$490.75	\$625.90	\$515.75	\$135.15 28%
35657	Vaginal Hysterectomy	\$695.80	\$1112.80	\$1129.45	\$1139.60	\$1048.90	\$1106.50	\$1273.95	\$225.05 21%
37623	Vasectomy	\$237.05	\$364.55	\$360.85	\$384.00	\$362.05	\$356.60	\$325.70	\$58.30 18%
38306	Stent for coronary artery	\$786.15	\$1134.75	\$1111.75	\$1155.35	\$1060.20	\$1307.20	\$1181.05	\$247.00 23%
38500	Coronary Artery Bypass	\$2268.75	\$3395.35	\$3432.00	\$3531.30	\$3187.10	\$3929.50	\$3733.95	\$742.40 23%
39331	Carpal Tunnel Release	\$285.45	\$468.45	\$469.20	\$478.25	\$432.75	\$456.80	\$470.40	\$45.50 11%
39709	Craniotomy	\$1636.35	\$2682.30	\$2689.55	\$2525.05	\$2480.85	\$2511.20	\$2697.05	\$216.20 9%
41789	Tonsils or Tonsils and Adenoids	\$304.95	\$496.50	\$561.85	\$503.35	\$457.40	\$533.90	\$534.70	\$104.45 23%
42702	Cataract Surgery	\$784.40	\$1222.85	\$1213.30	\$1161.40	\$1186.55	\$1286.90	\$1266.00	\$125.50 11%
49318	Hip Replacement	\$1359.00	\$2162.30	\$2145.00	\$2063.30	\$2087.55	\$2299.60	\$2200.40	\$236.30 11%
49518	Knee Replacement	\$1359.00	\$2162.30	\$2145.00	\$2063.30	\$2087.55	\$2665.50	\$2200.40	\$602.20 29%

Highest benefit paid				Lowest benefit paid			
1	2	3	4	5	6	7	8

1. AHSA administers a medical gap cover scheme for their participating funds <https://www.ahsa.com.au/web>

Figure 7: Benefits paid for select medical service by BUPA in 2020, by State/Territory

MBS Item	MBS Description	MBS Fee	NSW/ ACT	VIC	WA	QLD	SA	TAS	NT	Variation
12203	Overnight Investigation for sleep apnoea	\$606.35	\$721.80	\$851.75	\$722.85	\$720.60	\$840.05	\$720.60	\$720.60	\$131.15 18%
13918	Cytotoxic Chemotherapy	\$101.00	\$121.10	\$141.80	\$121.30	\$107.55	\$139.85	\$107.50	\$107.55	\$34.30 32%
16519	Uncomplicated Delivery (of baby)	\$715.65	\$2068.15	\$2194.20	\$2104.30	\$2064.20	\$2271.05	\$2057.55	\$2101.55	\$213.50 10%
16522	Complicated Delivery (of baby)	\$1680.25	\$2432.70	\$2484.80	\$2286.65	\$2283.60	\$2547.35	\$2280.50	\$2285.35	\$266.85 12%
30445	Cholecystectomy	\$762.45	\$1089.35	\$1227.75	\$1089.35	\$1089.35	\$1227.75	\$1089.35	\$1184.75	\$138.40 13%
30572	Appendicectomy	\$459.35	\$656.30	\$746.65	\$656.30	\$656.30	\$746.65	\$656.30	\$713.75	\$90.35 14%
30609	Femoral or Inguinal Hernia	\$479.05	\$684.40	\$778.20	\$684.40	\$684.40	\$778.20	\$684.40	\$744.30	\$93.80 14%
31500	Breast, benign lesion surgical biopsy or excision	\$268.15	\$393.00	\$435.85	\$393.00	\$383.10	\$435.85	\$383.10	\$412.30	\$52.75 14%
32139	Haemorrhoidectomy	\$379.25	\$534.55	\$596.25	\$534.55	\$534.55	\$590.15	\$534.55	\$534.55	\$61.70 12%
35657	Vaginal Hysterectomy	\$695.80	\$1112.80	\$1128.90	\$1112.80	\$1065.95	\$1128.90	\$1065.95	\$1065.95	\$62.95 6%
37623	Vasectomy	\$237.05	\$364.55	\$400.35	\$364.55	\$383.55	\$339.80	\$364.55	\$364.55	\$60.55 18%
38306	Stent for coronary artery	\$786.15	\$1134.75	\$1381.90	\$1167.75	\$1145.30	\$1346.10	\$1158.35	\$1191.85	\$247.15 22%
38500	Coronary Artery Bypass	\$2268.75	\$3395.35	\$3700.00	\$3395.35	\$3395.35	\$3454.50	\$3395.35	\$3395.35	\$304.65 9%
39331	Carpal Tunnel Release	\$285.45	\$468.45	\$468.45	\$468.45	\$454.20	\$516.45	\$538.00	\$494.75	\$83.80 18%
39709	Craniotomy	\$1636.35	\$2682.30	\$2682.30	\$2682.30	\$2603.60	\$2960.70	\$3085.45	\$2806.95	\$481.85 19%
41789	Tonsils or Tonsils and Adenoids	\$304.95	\$496.50	\$536.70	\$496.50	\$496.50	\$479.20	\$496.50	\$496.50	\$57.50 12%
42702	Cataract Surgery	\$784.40	\$1222.85	\$1424.80	\$1226.30	\$1275.35	\$1257.20	\$1207.20	\$1206.35	\$218.45 18%
49318	Hip Replacement	\$1359.00	\$2162.30	\$2510.05	\$2162.30	\$2162.30	\$2470.00	\$2430.65	\$2162.30	\$347.75 16%
49518	Knee Replacement	\$1359.00	\$2162.30	\$2510.05	\$2162.30	\$2162.30	\$2470.00	\$2430.65	\$2162.30	\$347.75 16%

Highest benefit paid

Lowest benefit paid



## Even with the same insurer – where you are in Australia matters

As Figure 7 shows, there is up to 32 per cent variation for MBS Item 13918, cytotoxic chemotherapy, in the amount paid by the one insurer (Bupa) for the same medical service provided in different parts of Australia. Additionally, Bupa currently pays a benefit amount of \$3085.45 for a craniotomy (MBS 39709) performed in Tasmania, which is \$481.85 more than the \$2603.60 paid for the same surgery performed in Queensland. The same insurer pays \$1381.90 in Victoria for a stent for a coronary artery (MBS 38306), which is \$247.15 more than the \$1134.75 paid across the border in New South Wales.

## State-based comparison of gaps

In addition to varying the benefit paid, insurers can have a higher percentage of medical and hospital services covered at no gap compared with another insurer (in the same State or Territory). This is a signal that the first insurer has a more effective rebate scheme in that State, and that policy holders are less likely to have an out-of-pocket cost after their medical service. Overall, the best private health insurer for consumers may depend on where they live.<sup>14</sup>

There are two different measures of insurance benefits:

- The percentage of hospital-related charges covered (this includes accommodation at the hospital, provision of nursing care, and the cost of any prostheses) (see Figures 8 and 9).
- The percentage of medical services provided at no gap. This is the percentage of the doctor's fees paid by that insurer that are provided with no gap (see Figures 10 and 11).

This variation is evident in the following figures which break down this information for the key health insurers on a State basis. The value of some insurers' gap schemes and benefits schedules can differ between States and these differences are not apparent in the national figures.

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<sup>14</sup> Doctors are free to decide whether to participate in a particular fund's gap cover arrangements. A number of factors can affect the acceptance of the scheme by doctors, including: whether a fund has a substantial share in the health insurance market of a particular State, the level of funds paid under the gap arrangements compared with the doctor's chosen fee, and the details of the insurer's gap cover arrangements, including any administrative arrangements.

**Figure 8: Percentage of hospital-related charges covered by State – open membership funds**

	ACT	NSW	VIC	QLD	SA	WA	TAS	NT
Australian Unity	83.9%	87.4%	91.4%	87.4%	89.8%	88.4%	90.7%	81.0%
Bupa	83.6%	89.6%	93.3%	91.4%	95.3%	89.1%	94.3%	90.7%
CBHS Corporate	80.7%	82.8%	70.0%	85.0%	91.3%	93.0%	80.9%	n/a
CDH	71.6%	95.8%	85.5%	94.9%	96.7%	90.9%	89.9%	n/a
CUA Health	81.4%	89.3%	90.6%	92.3%	89.4%	89.4%	89.6%	82.5%
GMHBA	69.8%	81.2%	90.1%	84.3%	88.6%	87.8%	89.2%	75.7%
GU Health Corporate	85.9%	85.6%	89.1%	87.5%	89.4%	88.0%	92.5%	85.6%
HBF	83.5%	89.5%	93.1%	92.3%	93.7%	95.2%	95.0%	90.6%
HCF	87.7%	93.2%	93.4%	92.3%	94.6%	89.3%	93.6%	90.8%
HCI	88.5%	90.7%	93.9%	92.4%	94.4%	95.8%	96.1%	n/a
Health.com.au	74.8%	81.5%	83.2%	83.5%	84.9%	82.9%	87.2%	79.3%
Health partners	75.1%	89.7%	89.7%	90.3%	95.4%	86.1%	92.0%	93.6%
HIF	78.7%	87.7%	91.6%	90.7%	92.2%	92.3%	92.4%	81.9%
Latrobe	79.1%	90.0%	92.0%	91.0%	92.2%	88.4%	89.2%	93.5%
MDHF	78.7%	93.4%	93.8%	90.6%	92.0%	95.6%	95.0%	74.9%
Medibank	84.2%	90.0%	92.9%	90.5%	93.7%	90.3%	93.9%	89.8%
MO Health	78.1%	80.6%	86.8%	85.4%	85.8%	87.8%	83.1%	87.1%
NIB	76.3%	87.6%	85.9%	84.3%	89.8%	85.6%	90.9%	85.4%
Onemedifund	89.8%	92.7%	94.9%	94.0%	95.1%	95.7%	95.7%	n/a
Peoplecare	82.2%	91.8%	92.6%	91.1%	93.6%	91.0%	88.3%	93.8%
Phoenix	65.9%	93.9%	92.3%	93.1%	95.8%	92.8%	90.9%	90.1%
QCH	81.0%	91.1%	91.7%	89.4%	94.8%	93.7%	91.2%	85.2%
St Lukes	84.0%	89.6%	91.7%	90.1%	93.9%	93.7%	93.8%	92.0%
Transport Health	87.4%	87.9%	93.5%	91.2%	85.6%	90.9%	86.4%	n/a
Westfund	94.2%	94.1%	95.4%	92.4%	96.1%	93.1%	95.3%	93.8%

Source: Private Health Insurance Ombudsman (PHIO): State of the Health Funds Report 2019. Table 3

**Figure 9: Percentage of hospital-related charges covered by State – restricted membership funds**

	ACT	NSW	VIC	QLD	SA	WA	TAS	NT
ACA	93.8%	94.4%	96.8%	95.1%	94.2%	97.1%	97.4%	n/a
CBHS	86.1%	90.4%	93.9%	92.8%	95.9%	93.2%	94.6%	82.9%
Defence Health	83.7%	88.6%	93.0%	91.5%	93.9%	90.4%	93.4%	91.1%
Doctors' Health	90.1%	91.2%	93.1%	92.4%	92.5%	91.3%	88.0%	86.5%
Emergency Services	82.7%	95.9%	95.8%	91.2%	96.5%	95.3%	100.0%	88.7%
Navy Health	86.2%	91.5%	94.0%	91.6%	94.3%	92.0%	93.3%	90.9%
Nurses and Midwives	81.4%	90.7%	90.7%	89.1%	92.9%	87.9%	87.7%	84.1%
Police Health	74.0%	92.0%	94.2%	92.9%	96.9%	92.0%	95.7%	92.3%
Reserve Bank	86.1%	91.8%	97.1%	95.2%	98.1%	96.6%	97.8%	n/a
RT Health Fund	86.3%	93.8%	92.9%	93.2%	95.3%	92.7%	93.9%	88.4%
Teachers' Health	86.4%	91.5%	92.6%	93.3%	93.4%	90.9%	93.3%	90.8%
TUH	84.9%	91.8%	92.1%	92.1%	93.3%	92.5%	96.4%	93.8%

Source: Private Health Insurance Ombudsman (PHIO): State of the Health Funds Report 2019. Table 3

Open member funds provide policies to the general public; restricted member funds offer policies only to specific groups. 'n/a' signifies no activity in that state. 100 per cent is likely to indicate small numbers (e.g. only 1 episode).

**Figure 10: Percentage of medical services with no gap – open member funds**

	ACT	NSW	VIC	QLD	SA	WA	TAS	NT
Australian Unity	83.9%	91.2%	91.7%	91.7%	92.0%	87.3%	91.9%	85.8%
Bupa	81.3%	87.0%	86.1%	87.9%	86.1%	83.1%	86.7%	84.0%
CBHS Corporate	83.3%	85.0%	88.0%	86.3%	87.0%	85.9%	66.0%	n/a
CDH	57.1%	87.9%	75.6%	74.4%	66.7%	50.0%	42.3%	n/a
CUA Health	81.2%	91.5%	90.6%	94.5%	86.7%	86.6%	93.2%	89.8%
GMHBA	47.7%	72.9%	79.5%	81.0%	80.8%	72.3%	75.7%	74.4%
GU Health Corporate	85.3%	78.8%	82.4%	84.0%	87.6%	78.8%	93.5%	88.6%
HBF	73.4%	76.8%	66.7%	70.0%	67.7%	91.8%	79.7%	72.7%
HCF	81.3%	91.1%	89.1%	91.2%	87.9%	86.9%	90.5%	84.7%
HCI	82.9%	89.6%	90.8%	91.9%	79.4%	90.3%	91.7%	n/a
Health.com.au	70.1%	86.1%	85.3%	88.2%	84.4%	83.5%	86.0%	94.7%
Health partners	74.7%	88.1%	86.8%	92.4%	93.0%	86.5%	91.5%	93.8%
HIF	65.7%	86.7%	88.9%	89.4%	87.2%	87.3%	88.6%	67.7%
Latrobe	60.4%	77.7%	76.7%	83.5%	88.9%	68.9%	72.8%	74.2%
MDHF	45.2%	85.1%	80.9%	79.7%	82.0%	74.4%	75.5%	58.8%
Medibank	78.3%	87.7%	84.6%	87.1%	86.7%	73.7%	91.1%	84.9%
MO Health	68.6%	82.2%	86.0%	87.9%	79.6%	81.0%	72.0%	70.6%
NIB	66.0%	92.8%	91.5%	87.3%	93.3%	87.2%	83.9%	78.7%
Onemedifund	89.1%	89.3%	90.4%	93.6%	90.9%	86.5%	88.0%	n/a
Peoplecare	80.4%	93.0%	90.5%	92.0%	89.2%	83.5%	89.9%	92.1%
Phoenix	63.4%	92.0%	89.7%	92.7%	92.3%	88.0%	91.9%	85.7%
QCH	64.4%	93.9%	91.3%	91.7%	95.7%	87.3%	88.3%	84.9%
St Lukes	80.4%	86.0%	82.1%	78.0%	90.3%	69.5%	89.6%	82.4%
Transport Health	87.3%	88.6%	92.5%	92.4%	77.1%	77.5%	80.0%	n/a
Westfund	73.5%	92.4%	90.0%	90.1%	89.2%	79.4%	85.4%	75.0%

Source: Private Health Insurance Ombudsman (PHIO): State of the Health Funds Report 2019. Table 4A

**Figure 11: Percentage of medical services with no gap – restricted member funds**

	ACT	NSW	VIC	QLD	SA	WA	TAS	NT
ACA	86.8%	92.1%	93.3%	92.9%	90.0%	90.9%	93.1%	n/a
CBHS	82.4%	89.4%	90.2%	92.4%	91.1%	86.7%	91.0%	81.2%
Defence Health	80.3%	89.6%	90.6%	92.6%	90.8%	85.7%	91.3%	86.5%
Doctors' Health	90.4%	92.0%	92.5%	93.5%	91.9%	88.2%	87.6%	86.1%
Emergency Services	76.7%	90.7%	87.5%	88.7%	91.8%	80.8%	100.0%	62.1%
Navy Health	80.3%	90.4%	91.0%	92.3%	91.5%	88.2%	91.9%	89.3%
Nurses & Midwives	78.4%	90.4%	84.9%	91.6%	90.9%	83.3%	77.7%	96.8%
Police Health	71.3%	87.6%	85.0%	89.1%	89.8%	82.8%	88.1%	87.6%
Reserve Bank	87.5%	90.2%	92.8%	94.2%	96.4%	93.9%	89.2%	n/a
RT Health Fund	83.4%	93.8%	91.6%	93.4%	92.0%	87.0%	91.2%	82.3%
Teachers' Health	83.4%	90.5%	90.1%	93.2%	90.1%	85.0%	91.1%	92.2%
TUH	81.9%	91.2%	91.5%	93.0%	93.8%	91.0%	96.1%	92.8%

Source: Private Health Insurance Ombudsman (PHIO): State of the Health Funds Report 2019. Table 4A

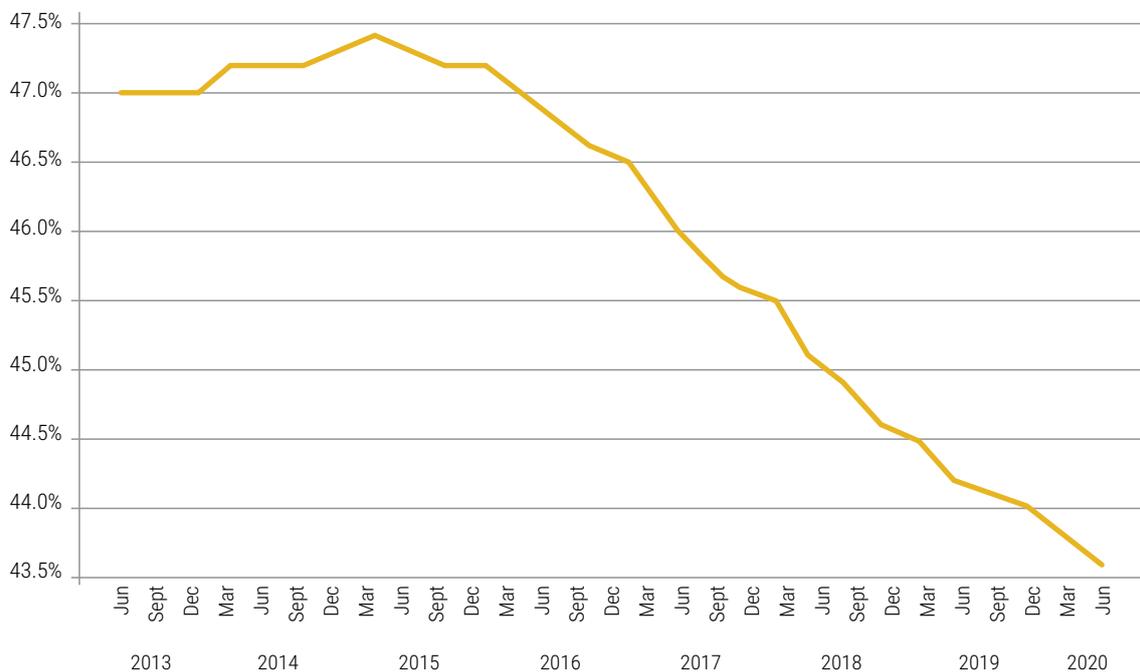
Open member funds provide policies to the general public; restricted member funds offer policies only to specific groups. 'n/a' signifies no activity in that state. 100 per cent is likely to indicate small numbers (e.g. only 1 episode).

# TRENDS IN PRIVATE HEALTH INSURANCE

## Private health insurance under pressure

Since our 2019 report card there are 30,714 fewer people with hospital treatment insurance, a decline of 0.6% in the last 12 months.

**Figure 12: Private Health Insurance - proportion of population with hospital treatment cover<sup>15</sup>**



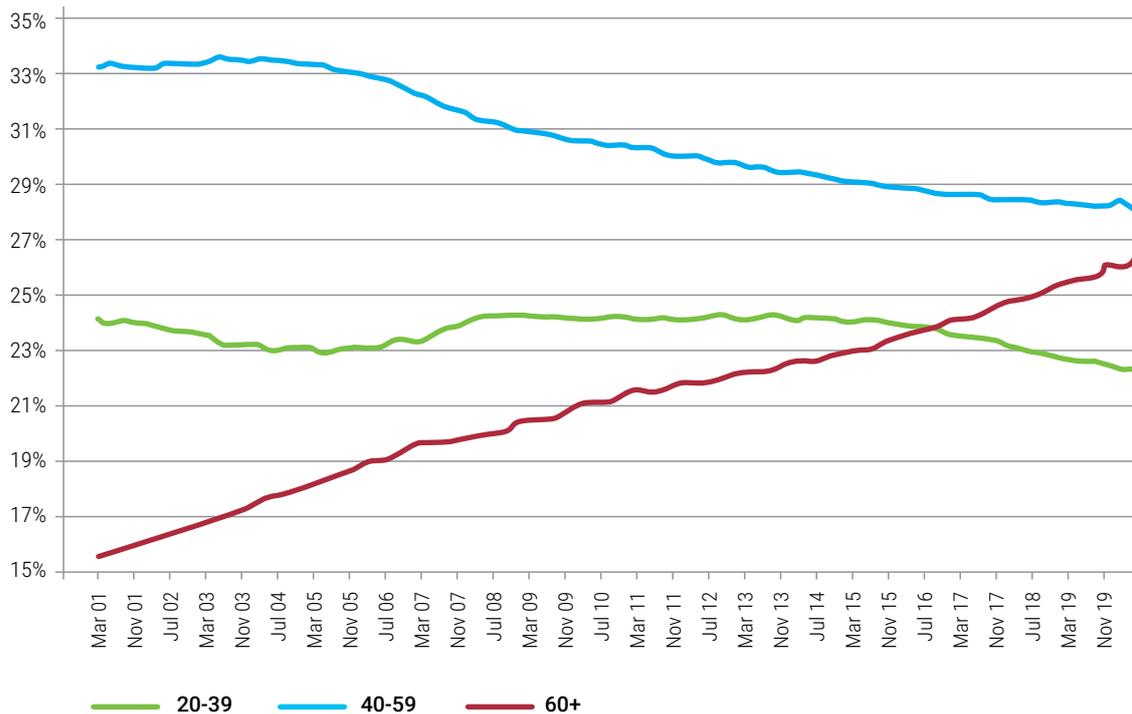
Although the above graph shows a steep drop in overall private hospital insurance between the second half of 2015 to 2020, not all age cohorts are dropping private health insurance at the same rate. Between June 2019 to June 2020 the number of people aged over 65 with hospital treatment policies increased by 71,496 or 0.71%. Analysis completed for the AMA indicates in the year to December 2018, Australians aged 55-64 received around 88 per cent of the overall insured person average benefits, while those aged 65-74 received around 160 per cent of the average. The figures at this point then increase dramatically – those aged 75-84 received 260 per cent, while those who have insurance and are 85 years or older received a staggering 310 per cent of the average benefits<sup>16</sup>.

<sup>15</sup> APRA Statistics Quarterly private health insurance statistics 2013-2020

<sup>16</sup> APRA, <https://www.apra.gov.au/quarterly-private-health-insurance-statistics>, private\_health\_insurance\_membership\_and\_benefits\_statistics\_december\_2018.xlsx, "AUSTRALIA" worksheet, Page 2, "Hospital Treatment and General Treatment Combined"

Figure 13 shows that the over 60 insured aged cohort overtook the 20-39 year-old cohort almost 4 years ago. On current trends the 60+ age group will overtake the 40-59 year-olds in the foreseeable future to become the largest insured age cohort.

**Figure 13: Demographics of the insured population (percentage of age groups with hospital treatment insurance)<sup>17</sup>.**



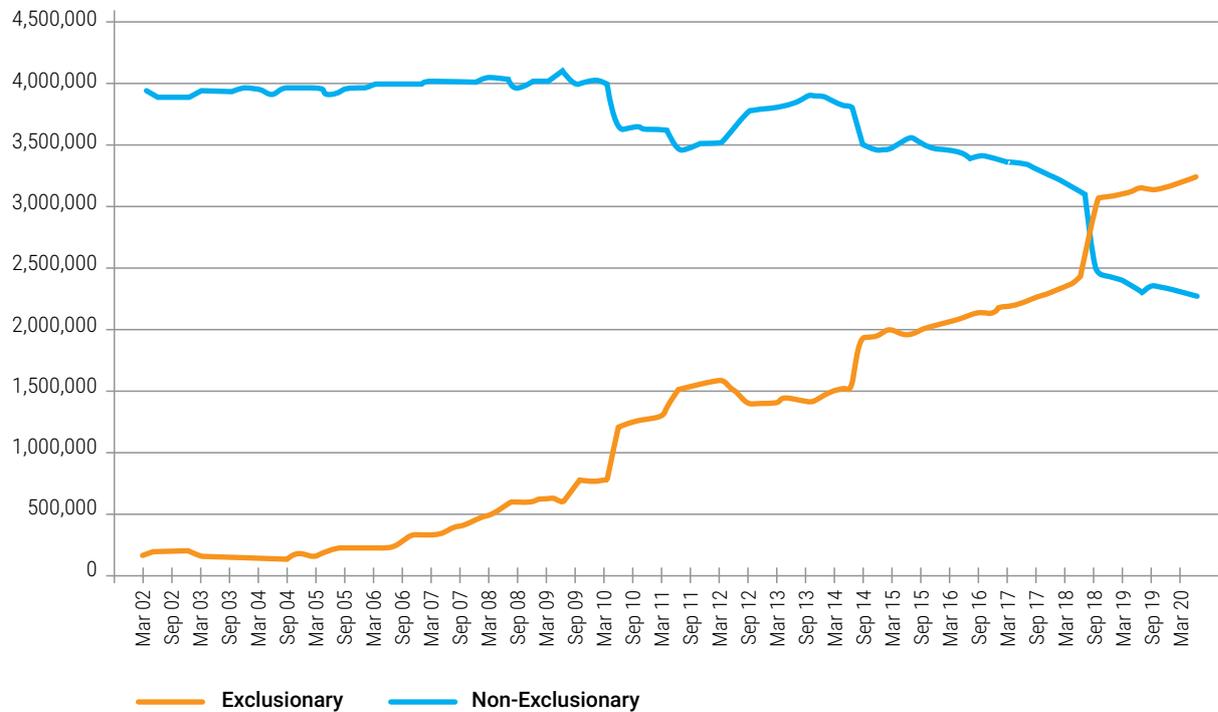
## Change in exclusions

Another useful measure for consumers to understand the value of private health insurance is examining whether their policy contains exclusions.

As Figure 14 shows, virtually no policies had exclusions only 15 years ago. In 2018, for the first time, a majority of policies contain exclusions and this trend has continued from this point.

**An exclusion for a particular condition means a policy holder is not insured for treatment as a private patient in a private or public hospital for the particular conditions excluded. Over time, the number of policies containing exclusions has grown significantly. In 2018, the number of policies with exclusions overtook the number without. (Figure 14)**

**Figure 14: Change in private health insurance exclusionary and non-exclusionary policies (2001-2020)<sup>18</sup>**



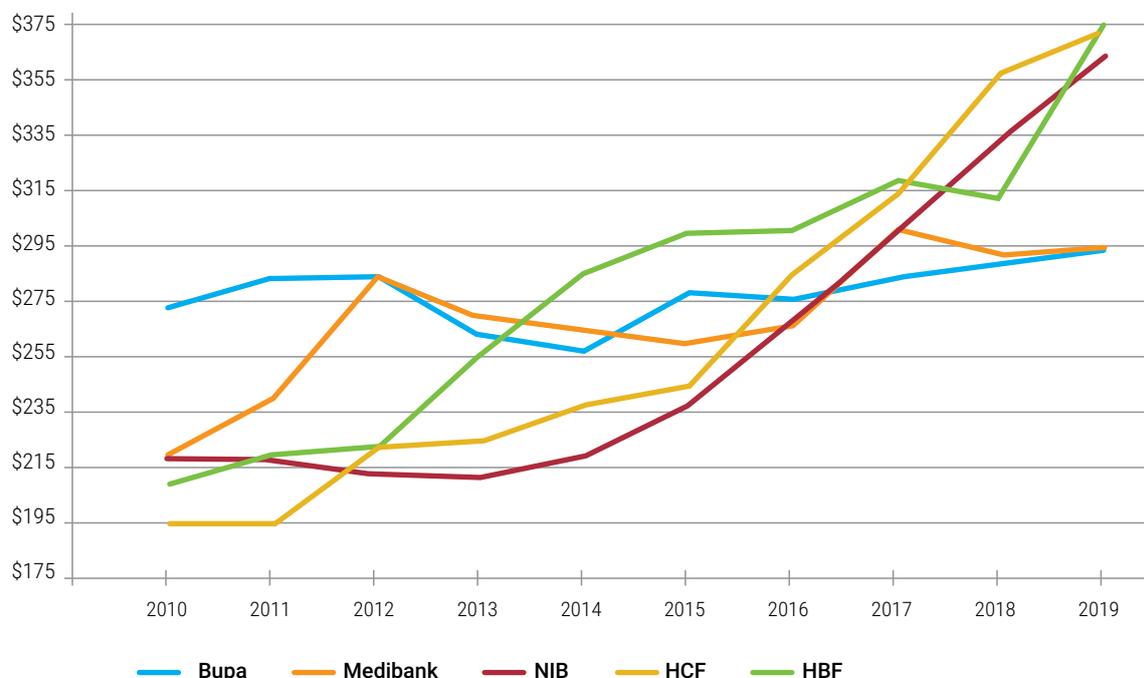
## Private health insurer expenses

Private health insurers will generally aim to set premium levels to cover the expected costs of benefits (that is, payments made on behalf of insured members for admitted hospital costs and doctors' fees), plus the fund's management costs. Management expenses comprise the amount of premiums per policy that are used to manage the business of the fund. All funds have management expenses and depending on their position in the market and whether they are "for-profit", they can have varying marketing costs, staff salaries, overheads and profit margins that need to be built into these expenses.

As a result, if management expenses as a proportion of payments are higher, a smaller proportion of premiums is being spent on members claims for admitted hospital treatments. Naturally, such calculations are complex, but it is likely that a greater proportion of premiums being paid towards benefits is one indicator of value and return on investment.

<sup>18</sup> APRA Statistics - Private Health Insurance Membership and Benefits - Part 1 Policies and Insured Persons 2001 – 2020.

**Figure 15: Change in management expenses per average policy for the largest five private health insurers (by marketshare)<sup>19</sup>**



*Note – the expenses are as reported in the Private Health Insurance Ombudsman State of the Health Fund Reports and are not adjusted for inflation.*

## Change in complaints

The Private Health Insurance Ombudsman (PHIO), which is part of the Commonwealth Ombudsman's Office, provides private health insurance members with an independent service for health insurance complaints and enquiries.

As part of the reforms announced in 2018, PHIO received additional resources to investigate complaints and other issues, and the Commonwealth Government announced significant improvements to the information statements provided by insurers – the Private Health Insurance Statement (called a PHIS – see page 25 for details).

In spite of fluctuations in total numbers, the greatest level of problems that consumers experience continues to be across a small number of constant issues (see Figure 16). The highest number of complaints have centred on benefits (non-payment or delayed payment, gaps paid); premium increases; membership issues; waiting periods for pre-existing conditions; and service, including information provided that doesn't meet consumer needs.

Incorrect or unhelpful information can lead to people misunderstanding what they are covered for, and result in insured patients facing unexpected out-of-pocket costs. This can be particularly problematic when the advice from an insurer is provided verbally or in-person.

Moreover, online detail about a policy or in brochures can be challenging to understand for the majority of consumers.

<sup>19</sup> Private Health Insurance Ombudsman State of the Health Funds Reports 2010-2019

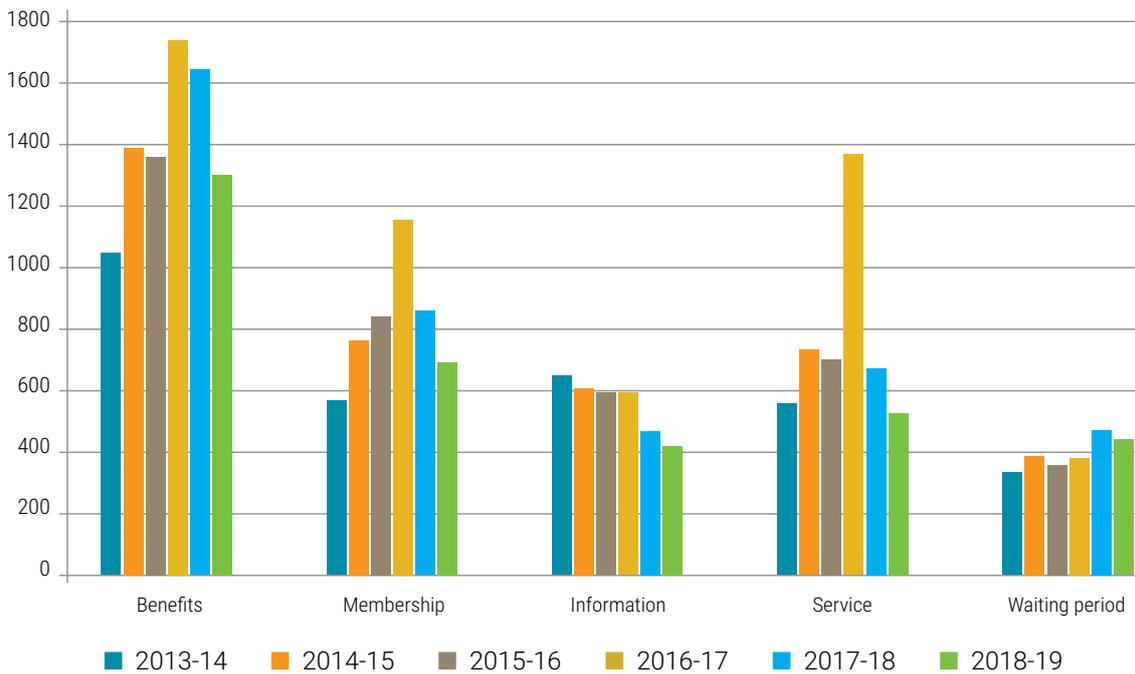
The AMA recommends that consumers with queries about their private health insurance speak to their insurer in the first instance. The AMA suggests you always ask health insurers to confirm their advice in writing. This way you can double check your understanding with the PHIO if you are unsure of your benefit eligibility or entitlements under your policy. If you have a planned admission, always obtain written confirmation of your benefit entitlements from your insurer well before you are admitted to hospital.

If a consumer requires further assistance, or wants to lodge a complaint about a private health insurer, they can contact PHIO directly on 1300 362 072 or at [phio.info@ombudsman.gov.au](mailto:phio.info@ombudsman.gov.au).

The PHIO protects the interests of people covered by private health insurance. It carries out this role in a number of ways, including through an independent complaint handling service. The PHIO provides information on complaints about insurers and how they are resolved, particularly through its annual report.

In the recent reforms, the PHIO was given new powers to investigate complaints and other issues. It was also given funding to upgrade and enhance its website [privatehealth.gov.au](http://privatehealth.gov.au), and has released a simple comparison tool to help compare health insurance products.

**Figure 16: PHIO complaints, by issue, 2013–14 to 2018–19<sup>20</sup>**



<sup>20</sup> Private Health Insurance Ombudsman State of the Health Funds Reports and Commonwealth Ombudsman Annual Report additional Private Health Insurance Information) 2014-2019.

## Private Health Information Statement (PHIS)

A key aspect of the reforms has been an increase in transparency. Health insurers are now required to send members an annual statement summarising what their policy does and does not cover, and again each time their policy changes.

Policy information for new Gold, Silver, Bronze, or Basic hospitals and new general treatment policies are required to be sent to members in the form of a PHIS that includes information about what is and is not covered, based on the new tiers and clinical categories of treatment. From 1 April 2020, all policies have been required to be summarised in a PHIS document.

A PHIS provides a summary of the key product features. It allows you to see if your broad needs are covered and where products differ in both price and features. To get the full details for the insurance policy you should still contact the insurer.

People can search for and compare a PHIS from every available policy in Australia on the Government website [www.privatehealth.gov.au](http://www.privatehealth.gov.au).

# MORE INFORMATION ABOUT PRIVATE HEALTH INSURERS AND THEIR PRODUCTS

## AMA Resources

The AMA has a number of public position statements and resources relevant to medical fees:

- Setting Medical Fees and Billing Practices (2017) <https://ama.com.au/position-statement/setting-medical-fees-and-billing-practices-2017>
- Informed Financial Consent position statement (2015) <https://ama.com.au/position-statement/informed-financial-consent-2015>
- Informed Financial Consent - a collaboration between doctors and patients. Assisting patients to understand their health care and its costs <https://ama.com.au/article/ama-informed-financial-consent>

## Commonwealth Government information

The Commonwealth Government hosts a website that provides:

- more detailed information about how private health insurance works;
- a tool for comparing the features of policies; and
- the Private Health Information Statements for every policy.

[www.privatehealth.gov.au](http://www.privatehealth.gov.au)

The Commonwealth Government has developed an online tool which covers the costs of common services in and out of hospital that patients want to know more about. The tool's results are based on the most recent publicly available Government data about what people have paid for medical services.

<https://www.health.gov.au/resources/apps-and-tools/medical-costs-finder#what-the-medical-costs-finder-is>

## Private Health Insurance Ombudsman – PHIO

The Private Health Insurance Ombudsman (PHIO) protects the interests of people covered by private health insurance. It carries out this role in a number of ways, including an independent complaint handling service.

If a consumer requires further assistance, or wants to lodge a complaint about a private health insurer, they can contact PHIO directly on 1300 362 072 or through the website at <http://www.ombudsman.gov.au/How-we-can-help/private-health-insurance>

## MBS Online

The Medicare Benefits Schedule (MBS) Online contains a listing of the Medicare services subsidised by the Commonwealth Government. Search the MBS for all the latest fees and information at <http://www.mbsonline.gov.au>.

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