AUSTRALIAN DENTAL ASSOCIATION INC.

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Another leg up for private health insurers – are members the victims

In the immediate lead up to Christmas 2013 the Federal Health Minister, the Honourable Peter Dutton MP approved premium increases for Private Health Insurers (PHI). The weighted average annual permitted increase in private health insurance premiums for the 2014 premium year was 6.2 per cent. It was said that during the 2013 premium year the PHI industry experienced a higher than expected level of claims with the overall cost of benefits going up by 8 per cent, increasing the pressures on insurers. Mr Dutton said the premium increase would assist the industry to absorb those costs and move into another year of effectively assisting their members. He said he was confident that the continued growth in competitive pressures in the industry would play a key role in ensuring that premium increases were kept as low as possible.

Such annual increases are seen year after year but when it comes to the returns paid to PHI members for ancillary care (dental, physiotherapy, optometry, etc.) rebates paid remain static year after year. There is no correlation between premium increases and rebates paid to members with ancillary cover. The gap that exists between cost of services and rebates paid is ever increasing. Dental fees over the last decade increased at rates below CPI and the Health Index. PHIs received premium increases annually twice that of CPI but there has been no corresponding rebate level increase.

In 2014, the Australian Dental Association (ADA) called on Government to bring PHIs to account for their products, and introduce an effective private health insurance scheme that does what it should – provide 'insurance' so patients have the health care they need. The ADA sees the recent activities of PHIs, particularly their push for premium increases with no matching increase in benefits, as a measure to return benefits to shareholders rather than to return insurance benefits to members to improve their health outcomes.

Examination of recent PHI conduct demonstrates their focus on the bottom line for shareholders and not on their members. They:

- Fail to openly disclose levels of benefits that are payable under policies, including imposing self-created limits on benefits or exclusions for certain services;
- Fail to keep parity between rebate levels and premiums;
- The introduction of 'preferred provider' schemes which set limits on charges for certain treatments,

The two tables printed below demonstrate what the ADA sees as exploitation of PHI members:

Year	Ancillary Income	Ancillary payout	Surplus	Percentage
2000/01	$ 1,920,519,000.00	$ 1,533,122,000.00	$ 387,397,000.00	20.17%
2001/02	$ 2,121,529,000.00	$ 1,900,328,000.00	$ 221,201,000.00	10.43%
2002/03	$ 2,371,360,000.00	$ 2,043,440,000.00	$ 327,920,000.00	13.83%
2003/04	$ 2,556,786,000.00	$ 2,117,299,000.00	$ 439,487,000.00	17.19%
2004/05	$ 2,724,385,000.00	$ 2,239,925,000.00	$ 484,460,000.00	17.78%
2005/06	$ 2,857,096,000.00	$ 2,276,743,000.00	$ 580,353,000.00	20.31%
2006/07	$ 3,049,798,000.00	$ 2,454,356,000.00	$ 595,442,000.00	19.52%
2007/08	$ 3,433,908,000.00	$ 2,656,255,000.00	$ 777,653,000.00	22.65%
2008/09	$ 3,696,018,000.00	$ 2,869,540,000.00	$ 826,478,000.00	22.36%
2009/10	$ 3,996,818,000.00	$ 3,052,757,000.00	$ 944,061,000.00	23.62%
2010/11	$ 4,309,168,000.00	$ 3,209,104,000.00	$ 1,100,064,000.00	25.53%
2011/12	$ 4,675,200,000.00	$ 3,536,925,000.00	$ 1,138,275,000.00	24.35%
Total	**$35,792,066,000.00**	**$28,356,672,000.00**	**$7,435,394,000**	**20.77%**

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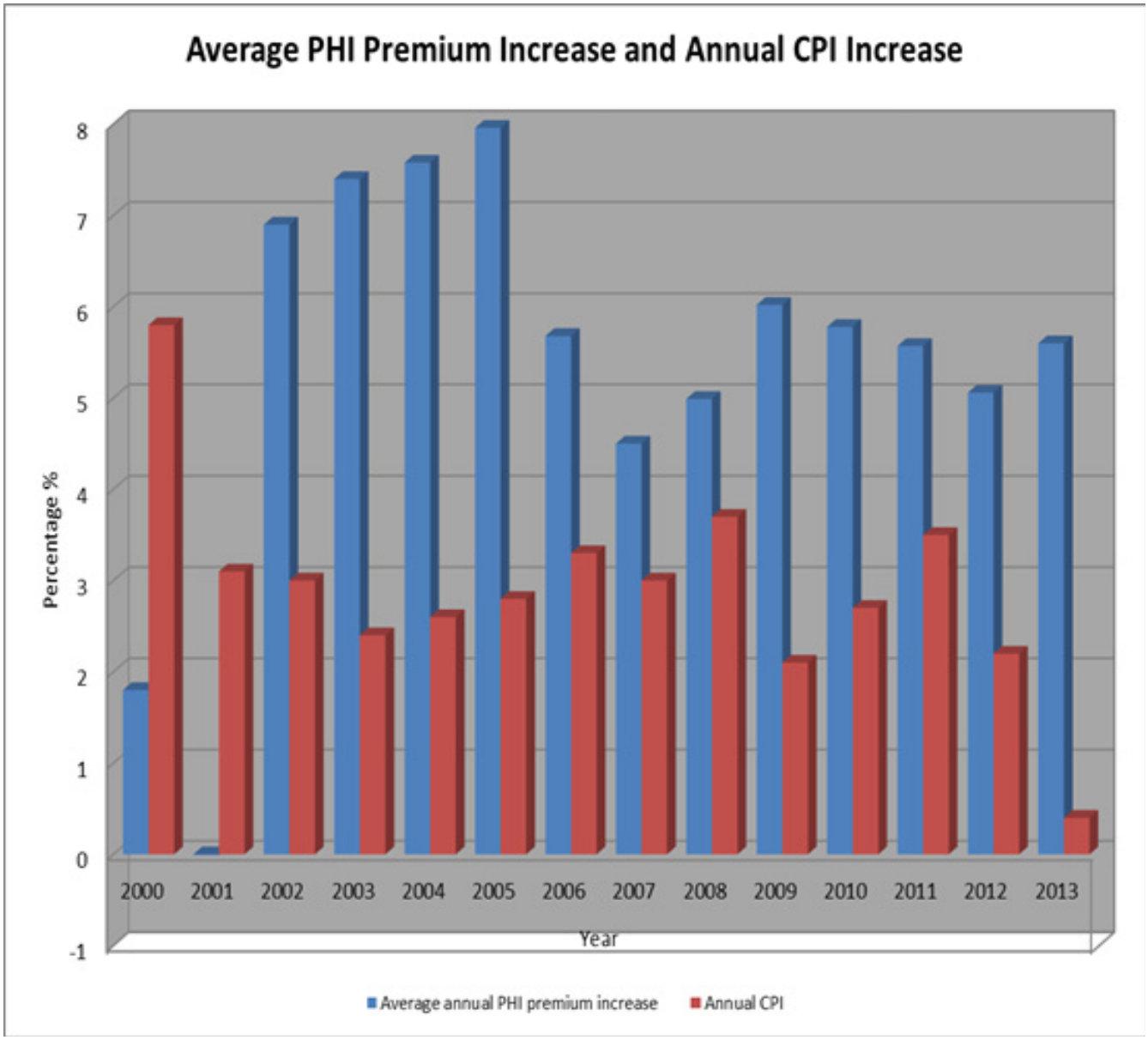

establishing treatment centres and employing practitioners so that the PHI is both insurer and provider – a clear conflict; by applying different rebates to consumers the PHI actually influences which provider is chosen. This is eroding choice of provider. Availability of choice is an underlying philosophy of having private health insurance.

- Promote the idea of members obtaining health services overseas so that no fee or rebate is incurred for what would otherwise be a service eligible for a rebate.

The ADA calls on authorities to introduce legislative and administrative arrangements that:

- Force PHIs to provide full disclosure of levels of cover, restrictions and rebates to allow consumers to make informed choices;
- Improve rebate arrangements generally but especially for dental services;
- Prevent PHIs from applying punitive disincentives for patients who attend non-contracted providers, and
- Increase rebate levels annually in line with the health CPI.

With discussion occurring around the potential sale of some PHIs and a series of mergers/take–overs of insurers, the focus on the PHI bottom line is stronger than ever. PHIs have a privileged position in the health market that is being exploited by them for the benefit of shareholders. Authorities must return the focus of PHIs to their members – the Australian public-and not vested interests.