



Australian Government

Private Health Insurance Ombudsman

Health Insurance Premium Increases

The reasons and processes behind premium increases, and your options if you're considering changing your health insurance policy.

Reasons for Premium Increases

The benefits paid by health insurers can increase when hospital, medical or other health related costs rise, and if their members have an increase in the use of health services. Factors leading to cost increases can include wages for nurses and hospital staff, doctors' charges, the cost of medical equipment and technology and more complex and costly procedures being available through private hospitals.

While all insurers maintain reserves to cover unexpected increases in benefit costs, this can only assist temporarily. If insurers experience or expect an ongoing increase in the cost of benefits they must increase their contribution income by increasing premiums in order to stay financially viable.

In the five years preceding 2009, health insurance premiums have increased on average by 6.1% each year. Over the same period benefits have increased, on average, by 8.0% per year. Part of the difference has been met through investment returns. However, lower investment returns in 2007-8 and ongoing market uncertainty means that insurers are placing more focus on premiums to meet increases in benefit payments.

Approval of Premium Increases

The Private Health Insurance Act 2007 requires health insurers to submit details of proposed premium increases to the Commonwealth Minister for Health and Ageing before they can increase premiums on any of their policies. In their submissions, insurers must provide detailed financial information and cost and benefit projections to justify any increases they seek. An accredited professional actuary must have certified this information.

The proposed increases are examined by the Department of Health and Ageing and by the Private Health Insurance Administration Council (PHIAC).

PHIAC is the independent health insurance financial regulator. PHIAC has the power to require insurers to report on their finances and operations and can independently audit insurers' finances.

Health insurers must obtain approval from the Minister before applying a rate increase. If the insurers cannot provide sufficient information to demonstrate to the Minister that an increase would be necessary to meet their obligations to pay benefits to eligible contributors, then there is no change to the premium.





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Your Options

If you consider that you cannot afford the increased premium, there are still a number of options for you to maintain private health insurance. (You may need to maintain hospital cover if you wish to preserve your Lifetime Health Cover status.)

Your current health insurer or another insurer may be able to offer you a cheaper alternative private health insurance policy that still meets your needs. Check what benefits your existing policy offers and consider whether you do need that level and type of coverage.

For hospital cover, most insurers can offer cheaper options if you are prepared to make a higher initial payment (an excess or co-payment) towards the cost of any hospital admission. You might also decide to opt for reduced benefits for some ancillary services.

However, you should take care to understand the range of benefits and any conditions or restrictions before choosing a cheaper cover. In general, we would recommend that you give priority to maintaining a good quality hospital cover, to protect you against the risk of large hospital bills.

More information

Our brochure "Choosing a Health Insurance Policy" provides information about the questions you can ask and the factors you should consider when selecting a policy. "Ten Golden Rules" provides useful information to help you avoid problems with your health insurance. "The Right to Change" gives you advice on what to consider when changing your health fund policy or switching insurers. The brochures are available on our website www.phio.org.au and we can also send copies by mail.

The consumer website www.privatehealth.gov.au, managed by the PHIO, is a free and independent source of information about all aspects of private health insurance, including a database of all the policies available in Australia. You can use the website to compare your current health insurance policy with other policies available for purchase, to check whether your policy still provides the most appropriate cover and the best value for you.

For more information on private health insurance, contact our office:

Websites: www.phio.org.au and www.privatehealth.gov.au

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