



Monday 24 October 2022

CATHOLIC HEALTH AUSTRALIA POINTS TO WORRYING TREND IN HEALTH INSURER EXTRAVAGANCE WHILE SPENDING ON POLICY HOLDERS LANGUISHES

Private health insurance firms have dramatically increased their spending on management expenses while pulling the handbrake on paying benefits to their members over the past four years, sparking calls from Catholic Health Australia for greater oversight of the industry.

In the 2022 financial year, the funds collectively poured an extra \$389 million into management expenses compared with 2019 - an increase of 17.43 per cent, according to an analysis of APRA data.

Meanwhile, insurer spending on benefits for members increased by only 4.64 per cent, meaning health insurers' management expenses increased at well over 3.5 times the rate of benefits to members.

Peak advocacy body for 75 not-for-profit hospitals, Catholic Health Australia, said increasing management expenses at a faster rate than member benefits is unacceptable.

CHA's Health Policy Director Caitlin O'Dea said in the current environment where health insurers are advocating for the removal of consumer protections via mandatory default benefits and won't commit to continue to fund critical medical devices used in surgery, it is appropriate there is closer oversight of the amount of consumer dollars insurers are spending on themselves.

"When insurers receive \$26 billion a year from everyday Australians, including \$7 billion in government subsidies, there should be some oversight on how that money is spent," she said.

"It is totally indefensible that during Covid the money spent on executive salaries, plush offices and perks by some funds is growing at a faster rate than the money they are spending on treatment and care for their members. This is a very worrying trend."

Ms O'Dea said greater funding from insurers for their members' care was essential to assist hospitals in their treatment of patients amid soaring costs due to inflation.

"Hospitals are facing extraordinary inflation pressures - with costs for PPE rising at a staggering 600 per cent - and yet health funds are able to ratchet up their management expenses while simultaneously pulling back on hospital treatment," she said.

CHA is also concerned that insurers have built up excessive reserves of cash due to a reduction in claims during Covid-19. There is currently over \$1.8 billion in unclaimed funds sitting on the health insurer's balance sheets.



The organisation wants insurers to be more transparent with their members about how they calculated these figures and the circumstances and timeline by which they plan to pay it back.

“Insurers are sitting on a mountain of cash from deferred claims with a promise to pay it back in the never never,” Ms O’Dea said.

“Australians need to have the confidence that their health fund will pay for their treatment when they need it, not when it suits the insurer.”

Notes to editors: Catholic Health Australia (CHA) is Australia’s largest non-government grouping of health and aged care services accounting for approximately 10 per cent of hospital-based healthcare in Australia. Our members also provide around 25 percent of private hospital care, 5 percent of public hospital care, 12 percent of aged care facilities, and 20 percent of home care and support for the elderly.