

Actuaries Summit

Think Differently



**Actuaries
Institute**

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Is private health insurance affordable in Australia?

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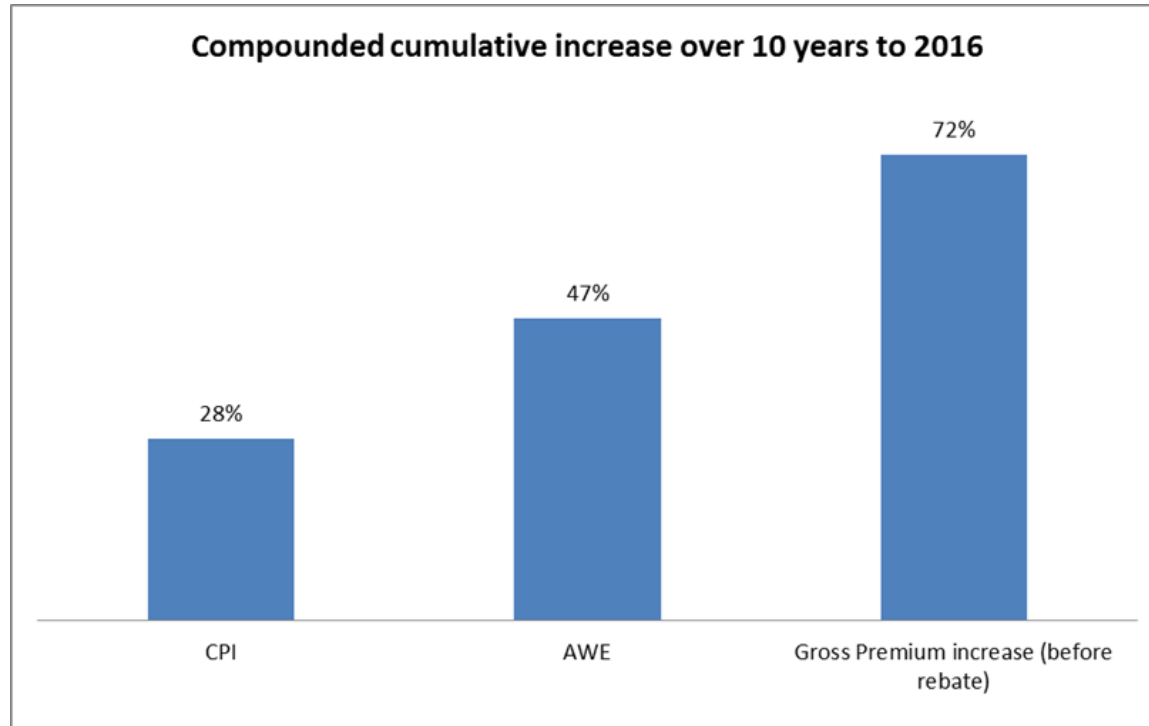
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Agenda

- Defining affordability
- PHI Affordability index
- Looking into the future
- Further research



Why should we talk about PHI affordability?



Defining affordability

- Price vs utility
- Utility – Motive behind the purchase and is that satisfied?
- “Price” considerations
 - Wide variety of products available with different coverage
 - Difficult to define a “standard” policy
 - Impact of the private health insurance rebate and its complexity

PHI Affordability Index

- Stage 1 – Product classification
 - Privatehealth.gov.au
- Stage 2 – Methodology
 - Two different existing affordability index methodology as reference
 - Data requirements
- Stage 3 - Calculation

PHI Affordability Index

$$AI = NP / E$$

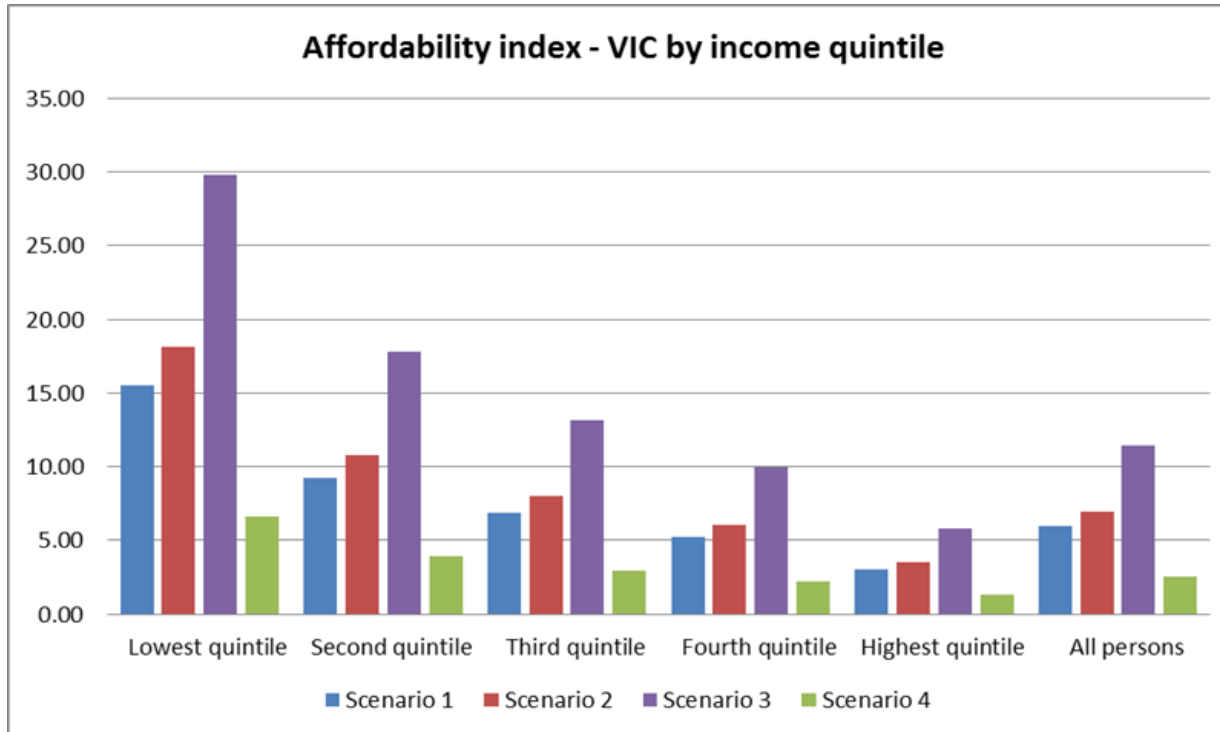
AI = PHI affordability index

NP = Net premium of health insurance policy (i.e. after the private health insurance rebate)

E = Equivalised disposable household income

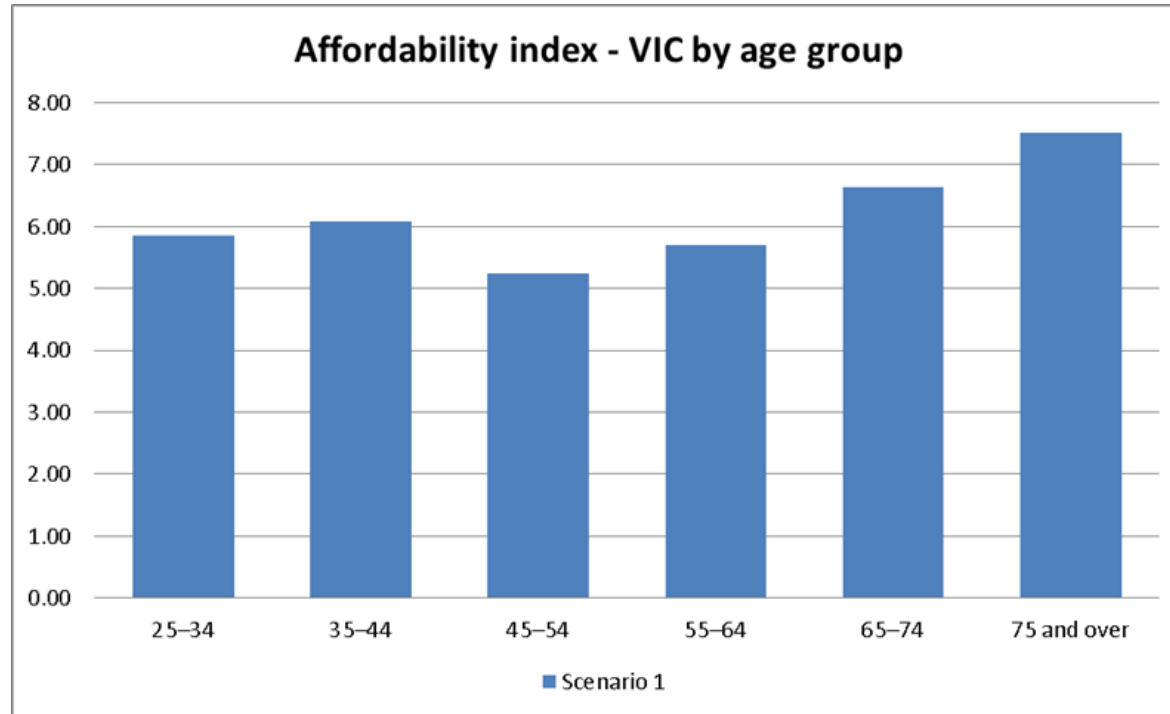


PHI Affordability index - current

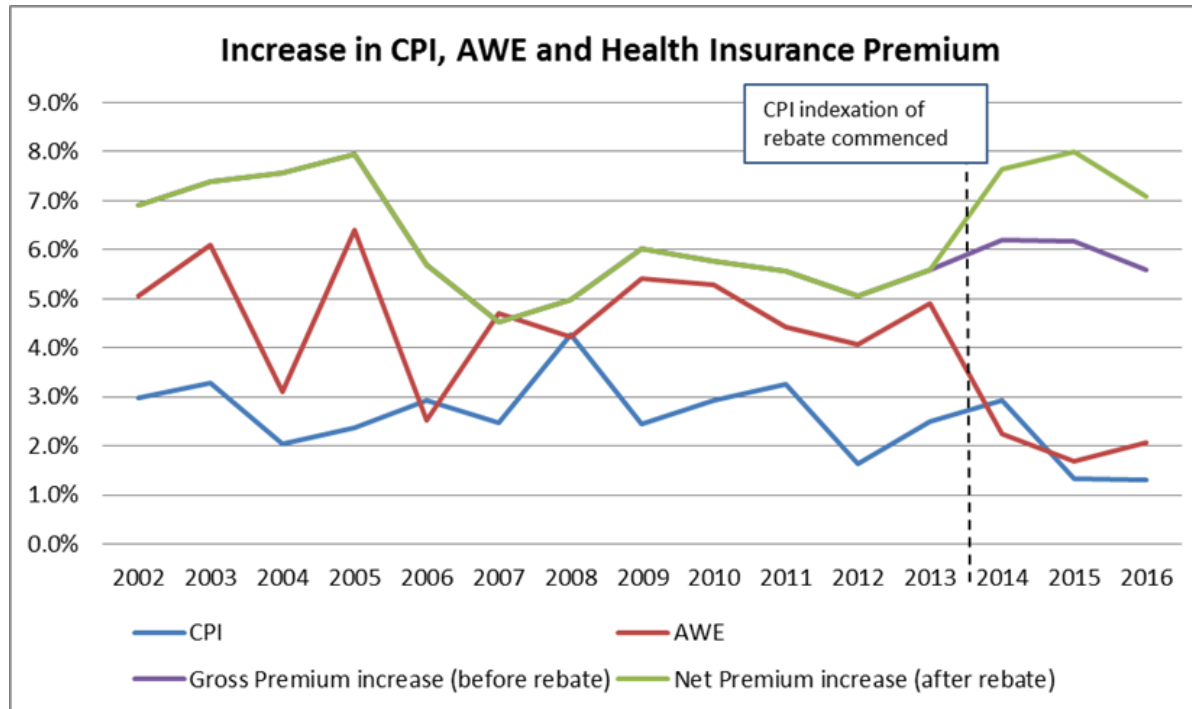




PHI Affordability index - current

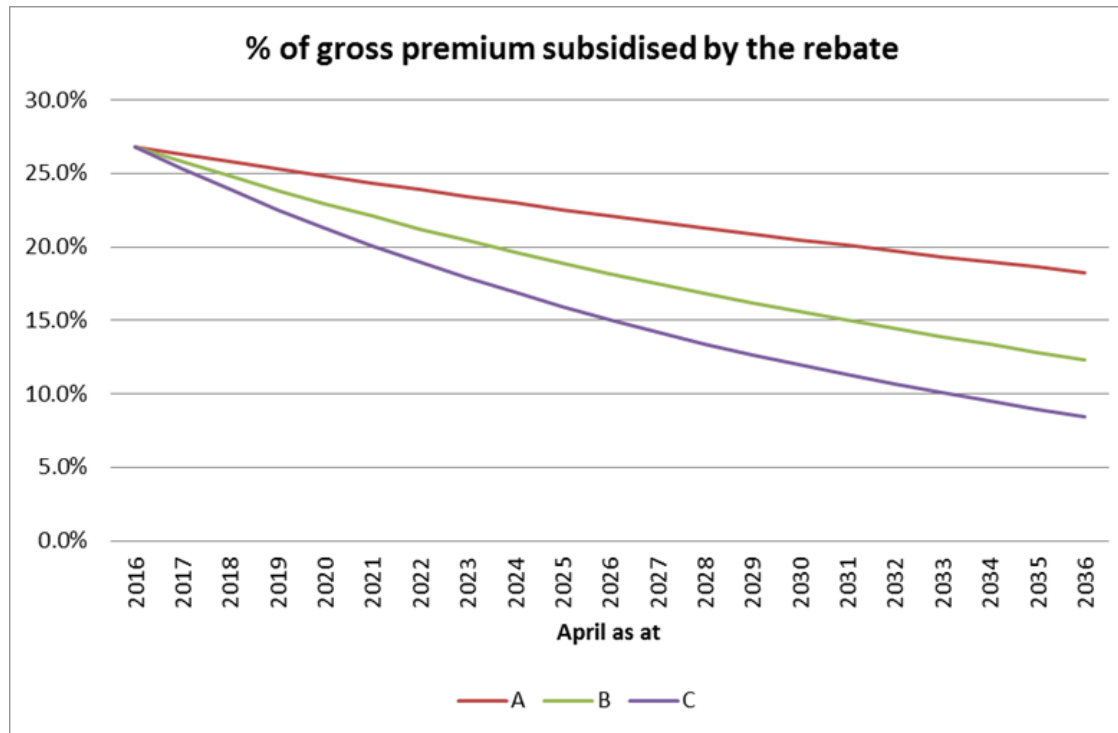


PHI Affordability index - current



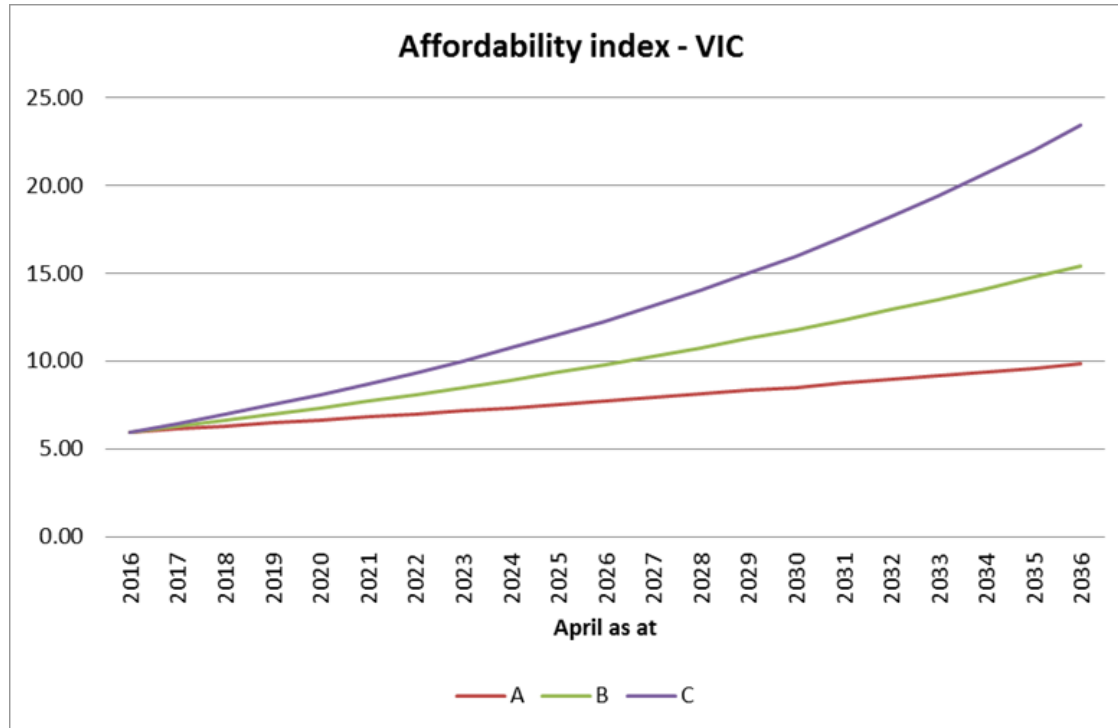


Looking into the future





Looking into the future





PHI sustainability

- Growth in net premium continues to exceed growth in household income
- Higher % of income used to pay for PHI
- Affordability in question
- Future of PHI if the current trajectory continues?



Further research possibilities

- State by state analysis of the affordability index
- Impact of excess and co-payments on affordability
- Impact of out of pocket expenses incurred during treatment on affordability
- Tracking of the affordability index over time
- Inclusion of household wealth in the affordability calculation
- Testing the threshold that a household will be under PHI “stress” using the index
- Analysis of the relationship between the affordability index and PHI participation
- Analysis of the causes of health insurance premium increase