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Editor's Note

If you have any suggestions, corrections or contributions for the next Newsletter, please do not hesitate to contact [Nick Stolk](#).

Disclaimer

The [Actuaries Institute](#) wishes it to be understood that any opinions put forward in this publication are not necessarily those of the Institute.

This newsletter has been prepared using information to 13 September 2013.

Glossary

The [Glossary](#) contains a list of common acronyms used in this newsletter and links to legislation and websites of registered benefits organisations and other entities (corporations).

Non-Member Subscription

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PHI in the News

Medibank Contracting with Ramsay Healthcare

- ▶ Medibank included a [full page ad](#) in the Australian and AFR promoting its work in keeping costs down and PHI affordable.
- ▶ The APHA issued a [media release](#), [rebuttal ad](#) and [letter to the editor](#) rejecting Medibank's advertising about hospital costs.
- ▶ Medibank issued a [media release](#) stating they were not able to reach an agreement with Ramsay.
- ▶ Ramsay issued an [ASX announcement](#) stating that negotiations with Medibank had stalled as Ramsay would not accept pricing that threatened patient care quality. Ramsay also suggested patients transfer to another insurer under the portability legislation to ensure hospital choice is not compromised by Medibank's actions. The respective positions were summarised in a [Fairfax article](#).
- ▶ Ramsay was reportedly looking to PHIO for mediation in contracting with Medibank; [Life+Health insurancenews.com.au](#).
- ▶ [SMH](#) reported the end of the Medibank Ramsay "feud over costs" after [Medibank](#) and [RHC](#) issued media releases.

Other PHI News

- ▶ A recent [SMH article](#) suggested the incoming Government's sale of Medibank Private won't take place until late 2014.
- ▶ Defence Health CFO urged health insurers to work with regulators at the Risk and Regulation Update; [Life+Health insurancenews.com.au](#).
- ▶ NIB's [FY13 results](#) have been released; [Presentation](#), [ASX Announcement](#), [Preliminary Final Report](#) and [Release](#).
- ▶ NIB's results generated media attention; [Fairfax](#), [The Herald](#), [Life+Health insurancenews.com.au](#).
- ▶ AU released their FY13 results – net profit was up 31.7% to \$29.4m; [Release](#), [Life+Health insurancenews.com.au](#).
- ▶ A recent Choice report on [insurance comparison sites](#) finds that comparison websites aren't so simple and compares PHI and other insurance offerings across Canstar, Choosi, Comparethemarket.com.au and iSelect for accuracy, impartiality and transparency.
- ▶ Westfund urged reform to GP cover as part of wider efficiency reforms ([Life+Health insurancenews.com.au](#)) and called for shared funding ([Life+Health insurancenews.com.au](#)).
- ▶ Health Department opposed insurance for GP consultations – leaked advice discloses large potential cost of \$3.4 b, after Dutton indicated he is amenable to the proposal (it is currently illegal to offer cover outside hospital); AFR August 15, p.7.

- ▶ health.com.au founder and CEO Andy Sheats has aggressive plans for the business with a view to an IPO in 2015; [The Australian](#).
- ▶ health.com.au won start-up of the year at Telstra Australian Business Awards; [The Australian](#).
- ▶ Superannuation fund members would be prepared to make extra contributions if given the option to buy PHI; [Life+Health insurancenews.com.au](#).
- ▶ Major-General Gerard Fogarty has been appointed as the new CEO of Defence Health; [Life+Health insurancenews.com.au](#).
- ▶ Andrew Matthews, Medibank's Appointed Actuary, featured in [Under the Spotlight](#) in the August edition of Actuaries.
- ▶ Private health patients are reportedly 'clogging up public hospitals'; [Cairns.com.au](#).
- ▶ iSelect announced their FY13 profit result – profit was up 3.4% on FY12; [Life+Health insurancenews.com.au](#).
- ▶ ASIC will review the accounts of iSelect after questions were raised about profit forecasts included in its prospectus; [SMH](#). iSelect issued a statement that its reported profit results complied with reporting requirements; AFR September 4, p.19.
- ▶ Southern Cross (NZ) released FY13 results and calls for tax relief on premiums; [Fairfax NZ News](#), [FY13 Annual Report](#).



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- ▶ PHI [55/13](#) informed industry that a new version of the Prosthesis List has been brought into effect and will be effective from 31 August 2013.
- ▶ PHI [56/13](#) advised the declaration of two new private (same day) hospital facilities.
- ▶ PHIAC [13/20](#) initiated a round of stakeholder consultation for PHIAC's fifth Standard Operating Procedure: [Appointment of an External Manager](#).
- ▶ PHIAC [13/21](#) advised that on September 6 2013 PHIAC made changes to the Solvency and Capital Adequacy Standards, completing its review of minimum capital requirements for private health insurers:
 - [Private Health Insurance \(Health Benefits Fund Administration\) Amendment Rule 2013 \(No. 1\)](#)
 - [Private Health Insurance \(Insurer Obligations\) Amendment Rule 2013 \(No. 1\)](#)



[PHIAC June 2013 Quarter Statistics](#)

[PHIAC](#) released its [PHI industry statistics](#) for the June 2013 quarter on 15 August 2013. The hospital insurance participation rate was 47.0% (Mar: 46.8%); coverage was up by 87,045. Another 7.9% of the population had some form of general treatment coverage with a private health insurer (Mar: 7.8%). Of the adult beneficiaries, 14.3% carried a LHC loading (Mar: 14.1%).

The key percentages for hospital business are: contributors with FED/co-pay was 78.1% (Mar: 77.9%); 48.1% of total hospital policies were single policies (families 26.5%, single parents 2.7%, couples 22.7%); persons aged 65 & over were 15.5% (Mar: 15.5%). Of the in-hospital medical services paid in the quarter, 89.0% had 'no gap' with a further 3.5% having a 'known gap' (Mar: 88.4% and 3.8%). From the statistics for benefit payments: \$2,032m was paid for acute patient hospital services (73.2% of the days were in the private sector; 64.0% of admissions were same-day; overnight admissions' average length of stay was 5.53 days); \$7.0m was paid for hospital substitute treatment;

\$15.3m was paid for CDMPs; \$479m was paid for medical services; \$413m was paid for prostheses; and \$1,040m was paid for general treatment ancillary benefits.

The industry net margin for the four quarters to 30 June 2013 was 4.21% (unaudited figures) on HIB premium revenue of \$17.971bn. Total industry assets at 30 June 2013 are \$10.719bn, liabilities \$4.925bn and capital adequacy requirement \$7.081bn (industry average capital adequacy risk multiple: 2.70; Mar: 2.92).



Forthcoming Health Events

11 Oct 2013	Melbourne	PHA Claims Leakage and Fraud Workshop 2013
27-29 Nov 2013	Hobart	PHA Conference 2013: Delivering value for your money?
May 2014	Madrid	International Federation of Health Plans

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