



STATISTICS

Quarterly private health insurance statistics - highlights

September 2020 (released 17 November 2020)

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Private Health Insurance Industry Quarterly Highlights

COVID-19 and the associated economic impacts continued to influence PHI performance during the quarter as the rates of hospital and general treatment utilisation increased with a flow-on increase in the claims paid by the industry. The COVID-19 postponement of premium increases by most of the industry continued to impact premium growth and investment income remained volatile.

Premium revenue increased by 1.5 per cent to \$6.2 billion in the September quarter 2020 (Table 1) (increase in September 2019 was 0.9 per cent) due to an increase in membership of 104,106 persons across a broad range of age cohorts and reduced lapses. It is unclear if this is a one-off increase or whether it will continue in coming quarters and impact the concerning longer-term trend of falling PHI membership among younger people. Benefit claims¹ increased 1.8 per cent to \$5.6 billion in the quarter driven by relaxation of restrictions and a rebound in utilisation from the previous quarter². Gross margins contracted during the quarter as the gap between premiums and claims narrowed (Chart 1). However, net margins improved to 0.8 per cent, helped in part by a seasonal 13.0 per cent fall in management expenses.

Investment income continued to be volatile, falling 58.5 per cent over the quarter to \$99.3 million, with both interest income and equities earnings falling, however equities earnings fell significantly in September 2020. Declining investment income was the main driver of the decline in quarterly industry profits (Chart 2).

Table 1. Key performance data/metrics for the quarter at a glance

	Jun-2020 Quarter	Sep-2020 Quarter	Quarterly Change
Premium revenue	\$6.1 bn	\$6.2 bn	1.46%
Fund benefits (claims)	\$5.4 bn	\$5.6 bn	1.82%
Gross Margin	10.20%	9.88%	-0.3pp
Management expenses	\$650.1 m	\$565.4 m	-13.03%
Net Margin	-0.43%	0.77%	1.2pp
Net investment income	\$239.0 m	\$99.3 m	-58.45%
Net profits after tax	\$158.3 m	\$111.9 m	-29.30%

In the year to September 2020, net margins fell to 2.1 per cent, with this being the result of premium growth not keeping up with the rising costs of claims (Table 2). This weaker insurance performance coupled with falls in investment earnings resulted in a 52.6 per cent decline in industry net profits after tax to \$587.4 million in the year to September 2020.

¹ This refers to benefits reported in financial statements in accordance with the relevant accounting standards, including claims incurred but not reported and claims that are processed but not yet paid which are on an accrual basis. Other benefits statistics in the Membership and Benefits, and Benefits Trends sections of this publication refer to benefits paid and reported on a cash basis.

² Deferred claims liability increased by \$300 million to \$1.7 billion in the September quarter.

Table 2. Key performance data/metrics for the year to date at a glance

	Year to September 2019	Year to September 2020	Yearly Change
Premium revenue	\$24.7 bn	\$24.8 bn	0.52%
Fund benefits (claims)	\$21.4 bn	\$22.0 bn	2.69%
Gross Margin	13.30%	11.44%	-1.9pp
Management expenses	\$2.3 bn	\$2.3 bn	2.19%
Net Margin	4.16%	2.14%	-2.0pp
Net investment income	\$447.4 m	\$131.9 m	-70.52%
Net profits after tax	\$1.2 bn	\$587.4 m	-52.60%

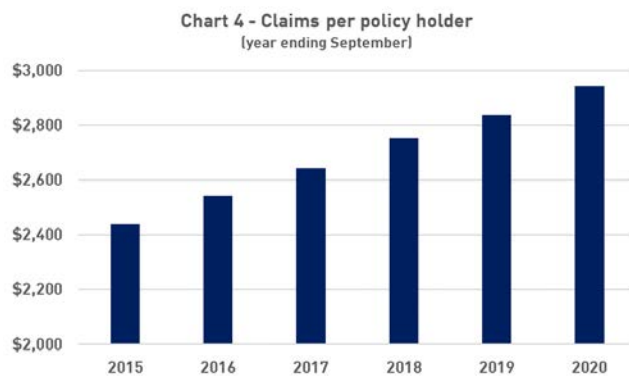
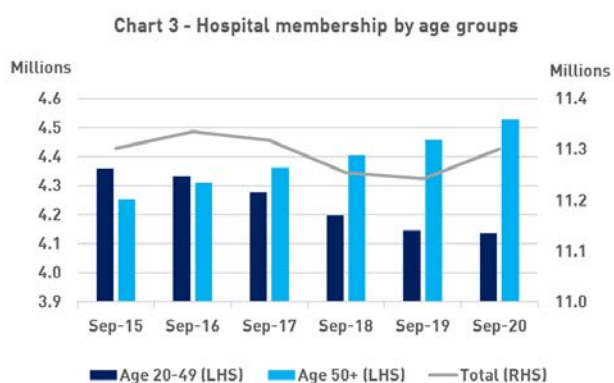
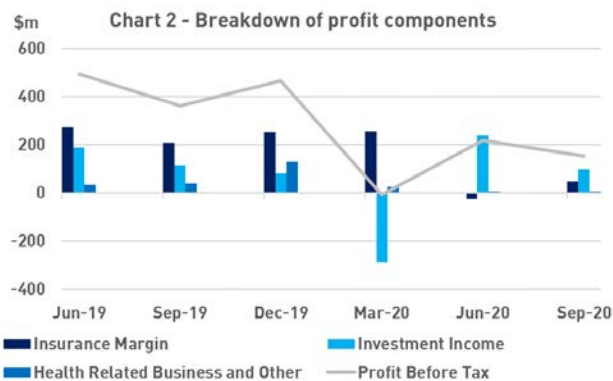
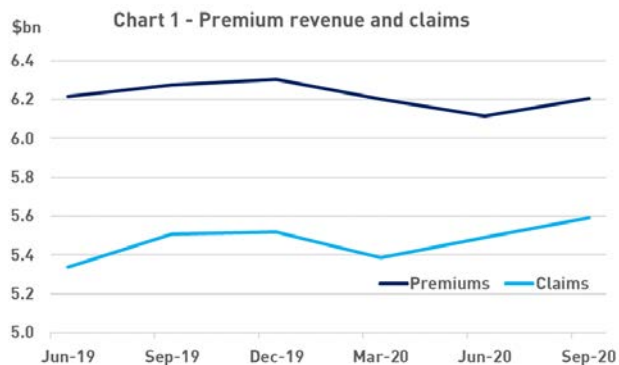
In the year to September 2020, hospital treatment membership increased by 58,775. Older Australians taking out hospital membership was consistent with this longer-term industry trend, with membership in the 50+ age group increasing by 70,589 persons in the year to September 2020 (Chart 3).³ However, the concerning fall in membership among younger people (aged 20 to 49) continues, declining by 9,318 persons in the year to September 2020. Despite the membership increase, hospital coverage as a share of the population fell to 43.8 per cent (44.2 per cent at September 2019), continuing a longer-term decline.

These underlying ageing demographic trends have contributed to increasing average claims trends as older age groups generally claim more than the younger population. In the year ending September 2020, claims per policy⁴ rose 3.7 per cent, further exacerbating the affordability issue in the industry (Chart 4).

³ Some of the membership increases may reflect policy suspensions being reinstated.

⁴ A standardised measure of policy (Single Equivalent Unit) is used for the calculation to capture different policy types (i.e. single, family)

Historical performance trends





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