



STATISTICS

Quarterly private health insurance statistics - highlights

December 2020 (released 23 February 2021)

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Highlights for the year ended 31 December 2020

The COVID-19 driven operating environment had a material effect on the industry's performance in the year ending December 2020, with negligible premium growth and weaker investment earnings leading to a decline in profitability. Net margins fell (down 2.0 percentage points to 1.9 per cent) in the year to December 2020, driven by the deferral of the April 2020 premium increases and other concessions provided to policyholders during the year (Table 1). Investment earnings were also significantly weaker than in the previous 12 months reflecting the negative impacts of the COVID-19 driven market volatility in the earlier part of the year. The weaker insurance and investment earnings resulted in a 61.2 per cent decline in industry net profits after tax to \$558.2 million in the year to December 2020.

In the year to December 2020, hospital treatment membership increased by 103,179 persons. Older Australians taking out hospital membership was consistent with this longer-term industry trend, with membership in the 50+ age group increasing by 78,200 persons (Chart 3).¹ Increased membership among younger people (aged 20 to 49) was more subdued over the period, rising by 14,639 persons in the year to December 2020. Hospital coverage as a share of the population was 43.9 per cent at December 2020 (44.0 per cent at December 2019).

The underlying ageing demographic trends have been contributing to increasing average claims trends as older age groups generally claim more than the younger population. In the year ending December 2020, claims per policy² rose 3.0 per cent³ (Chart 4).

Table 1. Key performance data/metrics for the year to date

	Year to December 2019	Year to December 2020	Yearly Change
Premium revenue	\$24.8 bn	\$25.0 bn	0.5%
Fund benefits (claims)	\$21.6 bn	\$22.1 bn	2.4%
Gross Margin	12.96%	11.33%	-1.6pp
Management expenses	\$2.3 bn	\$2.4 bn	4.4%
Net Margin	3.86%	1.88%	-2.0pp
Net investment income	\$635.4 m	\$269.4 m	-57.6%
Net profits after tax	\$1.4 bn	\$0.6 bn	-61.2%

¹ Some of the membership increases may reflect policy suspensions being reinstated.

² A standardised measure of policy (Single Equivalent Unit) is used for the calculation to capture different policy types (i.e. single, family)

³ Claims growth in the year ended December 2020 was also impacted by the establishment of DCL.

Highlights for the quarter ended 31 December 2020

The COVID-19 driven operating environment continued to impact private health insurers in the December 2020 quarter, with hospital utilisation remaining below pre-COVID levels. Meanwhile, an increase in premium revenue following the October 2020 price increase and stronger investment earnings led to an increase in profits during the quarter.

Industry premium revenue increased by 4.0 per cent to \$6.5 billion (Table 2) in the December quarter 2020, driven mainly by the 1 October 2020 premium increases. The industry also reported a small increase in membership levels, with hospital membership growing by 34,801 persons after increasing by 104,106 persons in the previous quarter. Ongoing membership growth is likely to be challenged by the concerns with value and affordability of private health insurance for younger people.

General treatments experienced a rebound in the December quarter 2020, with the number of ancillary services increasing 12.0 per cent to slightly above the pre-COVID levels. However, hospital treatments funded by PHIs remained flat with the number of hospital episodes declining slightly (down 0.7 per cent) in the quarter. Overall benefit claims⁴ increased at a slower pace (up 1.6 per cent to \$5.7 billion) than premium revenue in the quarter⁵, resulting in an improvement in gross margins. While net margins also improved in the quarter, with management expenses growing broadly in line with premiums, they remained below pre-COVID levels.

Investment earnings also improved in the December quarter 2020 (to \$219.8 million) due to a stronger performance by equities investments (Chart 2).

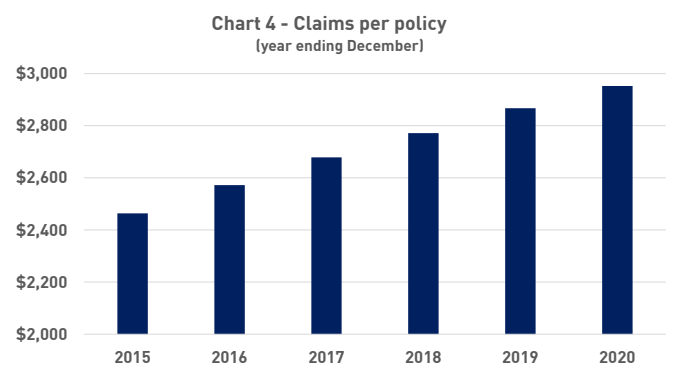
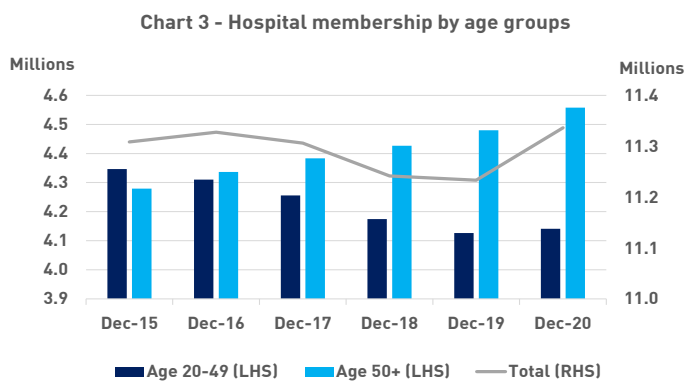
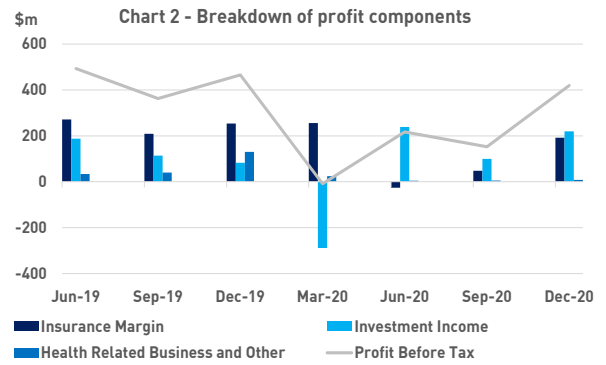
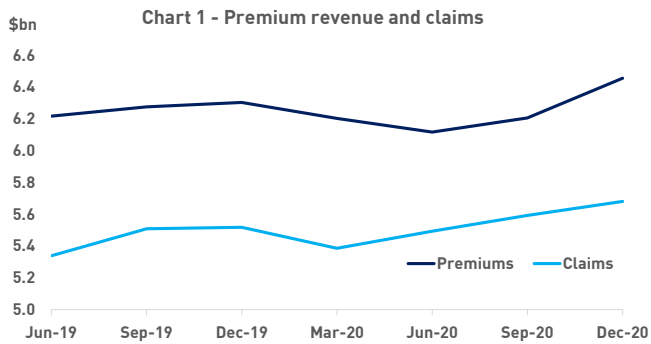
Table 2. Key performance data/metrics for the quarter

	Sep-2020 Quarter	Dec-2020 Quarter	Quarterly Change
Premium revenue	\$6.2 bn	\$6.5 bn	4.0%
Fund benefits (claims)	\$5.6 bn	\$5.7 bn	1.6%
Gross Margin	9.88%	12.01%	2.1pp
Management expenses	\$565.4 m	\$583.2 m	3.2%
Net Margin	0.77%	2.97%	2.2pp
Net investment income	\$99.3 m	\$219.8 m	121.3%
Net profits after tax	\$111.9 m	\$341.9 m	205.4%

⁴ 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.

⁵ Deferred claims liability (DCL) increased by about \$100 million to \$1.8 billion in the December quarter 2020. In the absence of any further COVID-19 driven restrictions on health services, the DCL is expected to reduce over 2021.

Historical performance trends





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