



STATISTICS

Quarterly private health insurance statistics - highlights

December 2022 (released 1 March 2023)

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Highlights for the year ended 31 December 2022

For the year ended 31 December 2022, the industry reported a net profit after tax of \$1.2 billion, down 33.6% from the prior year's result of \$1.8 billion (Table 1, Chart 1). The decrease in net profit was primarily driven by a fall in investment income. Gross margins remained relatively stable, however, net margins declined by 0.6 percentage points reflecting increases in management expenses over the year (Chart 2).

Premium revenue grew by 1.8 per cent over the year to December 2022, reflecting membership growth and annual premium increases. Fund benefits (claims) increased by 1.6 per cent, reflecting the easing of COVID-19 restrictions in private hospitals throughout the year. Management expenses increased by 9.2 per cent throughout the year, driven by an increase in operational and administration expenses¹. This reflects increased expenditure in areas such as IT and computing, communications, accounting audit and other professional fees.

The industry reported an investment loss of \$207.1 million for the year ended 31 December 2022 which is a decrease from the prior year's result. The investment loss was primarily driven by declines in the values of equities investments reflecting increased volatility in equity markets. Further, bond yield increases throughout the year led to declines in the values of interest-bearing investments which also had an impact on the result.

Hospital treatment membership increased by 2.2 per cent or 250,311 persons during the year (Chart 3). Hospital coverage continued to increase over the year, taking total membership to 45.1 per cent of the population (December 2021: 44.9 per cent).

The growth in membership was broad-based, with membership in the 50+ age group increasing by 2.4 per cent or 111,906 persons and membership among the younger population (insured persons aged 20 to 49) increasing by 2.2 per cent or 92,799 persons.

Table 1: Key performance data/metrics for the year at a glance

	Year ended 31 December 2021	Year ended 31 December 2022	Yearly Change
Premium revenue	\$26.4 bn	\$26.9 bn	1.8%
Fund benefits (claims)	\$21.9 bn	\$22.2 bn	1.6%
Gross Margin	17.2%	17.3%	+0.1pp
Management expenses	\$2.5 bn	\$2.7 bn	9.2%
Net Margin	7.7%	7.1%	-0.6pp
Net investment income	\$448.6 m	-\$207.1 m	-
Net profit after tax	\$1.8 bn	\$1.2 bn	-33.6%

¹ As referenced in Health Reporting Form 602.0 (HRF 602.0), operational and administration expenses relate to areas such as IT and computing, communications, accounting audit and other professional fees.

Highlights for the quarter ended 31 December 2022

For the December 2022 quarter, the industry reported a net profit after tax of \$654.0 million. This was an increase compared to the September quarter and was driven by stronger insurance margins in addition to a recovery in investment income (Chart 4).

Despite membership growing throughout the December quarter, premium revenue fell, reflecting the impacts of givebacks² to policyholders as part of private health insurers' meeting commitments not to profit from COVID-19 (Chart 5). Although utilisation increased, fund benefits (claims) fell slightly throughout the quarter reflecting movements in insurers' Deferred Claims Liabilities (DCL³) in the December quarter. Hospital episodes increased by 6.3 per cent in the December quarter and ancillary service utilisation increased by 6.5 per cent (Chart 6). The increase in ancillary service utilisation can be attributed to the seasonal effect of many health funds resetting benefit limits prompting policyholders to use their extras cover before the end of the year.

Gross margins and net margins increased by 2.1 percentage points and 1.8 percentage points respectively in the December 2022 quarter. Management expenses remained relatively stable in comparison to the September quarter.

The industry reported investment income of \$250.6 million in the December quarter due to realised and unrealised gains in equities investments and interest-bearing investments. This represented a recovery from the investment loss of \$0.5 million recorded in the September quarter.

Table 2: Key performance data/metrics for the quarter at a glance

	September Quarter 2022	December Quarter 2022	Quarterly Change
Premium revenue	\$6.9 bn	\$6.8 bn	-1.0%
Fund benefits (claims)	\$5.8 bn	\$5.6 bn	-3.6%
Gross Margin	16.4%	18.5%	2.1pp
Management expenses	\$675.1 m	\$687.1 m	1.8%
Net Margin	6.6%	8.4%	1.8pp
Net investment income	-\$0.5 m	\$250.6 m	-
Net profit after tax (NPAT)	\$359.7 m	\$654.0 m	81.8%

² PHIs have generally accounted for future giveback provisions as either delayed premiums or higher claims in their financial performance reporting.

³ Claims are 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. The DCL was raised by insurers to meet the expected cost of procedures deferred during the pandemic.

Historical performance trends

Chart 1: Breakdown of profit components (Year ending)

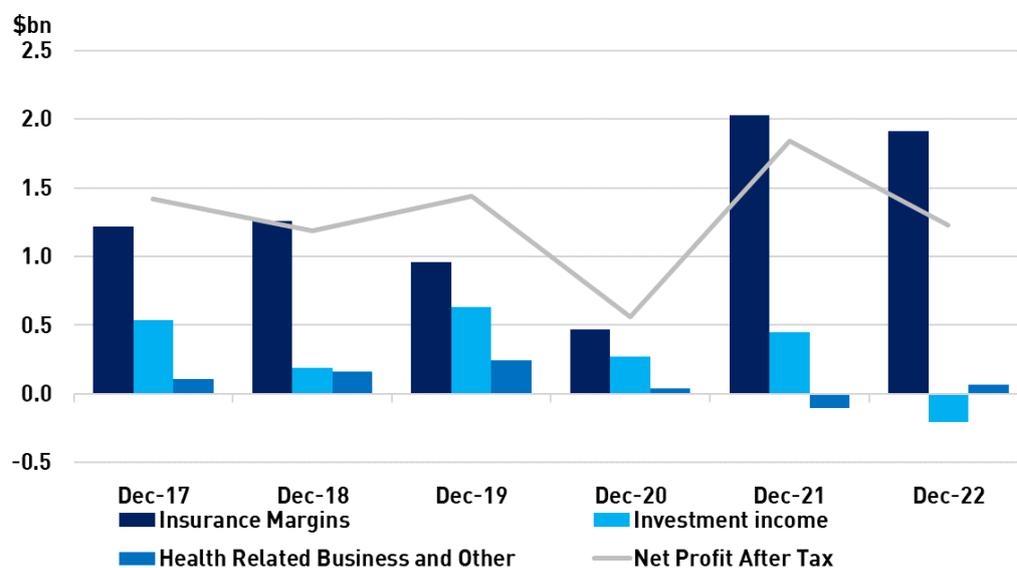


Chart 2: Gross and net margins (Year ending)

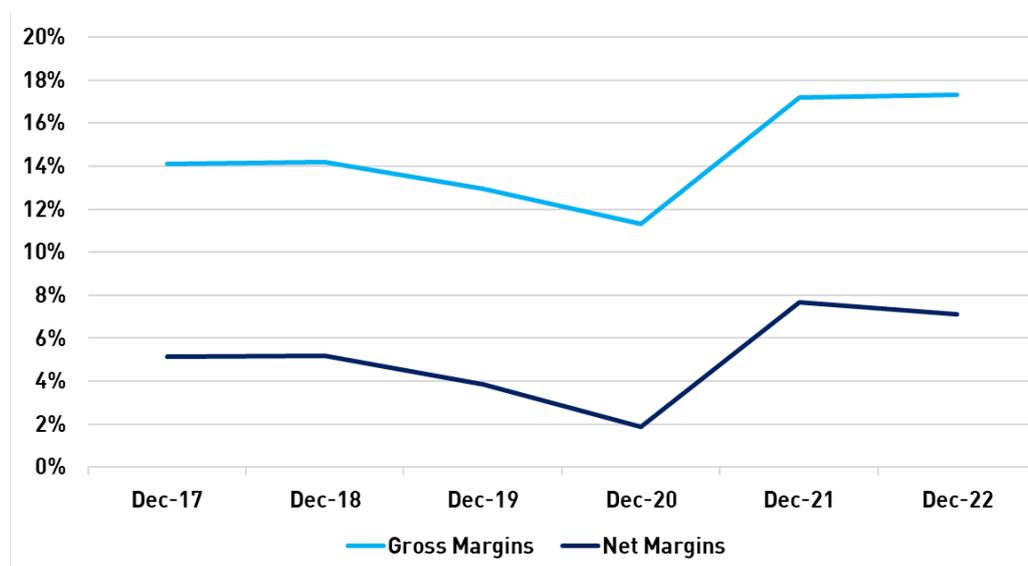


Chart 3: Hospital treatment membership by age groups

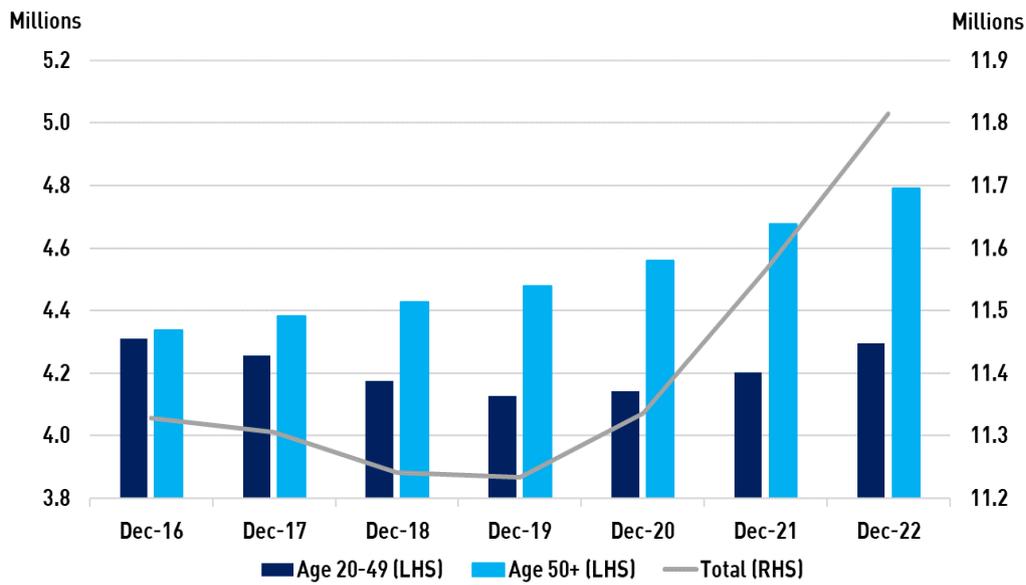


Chart 4: Contributions to quarterly growth in profits

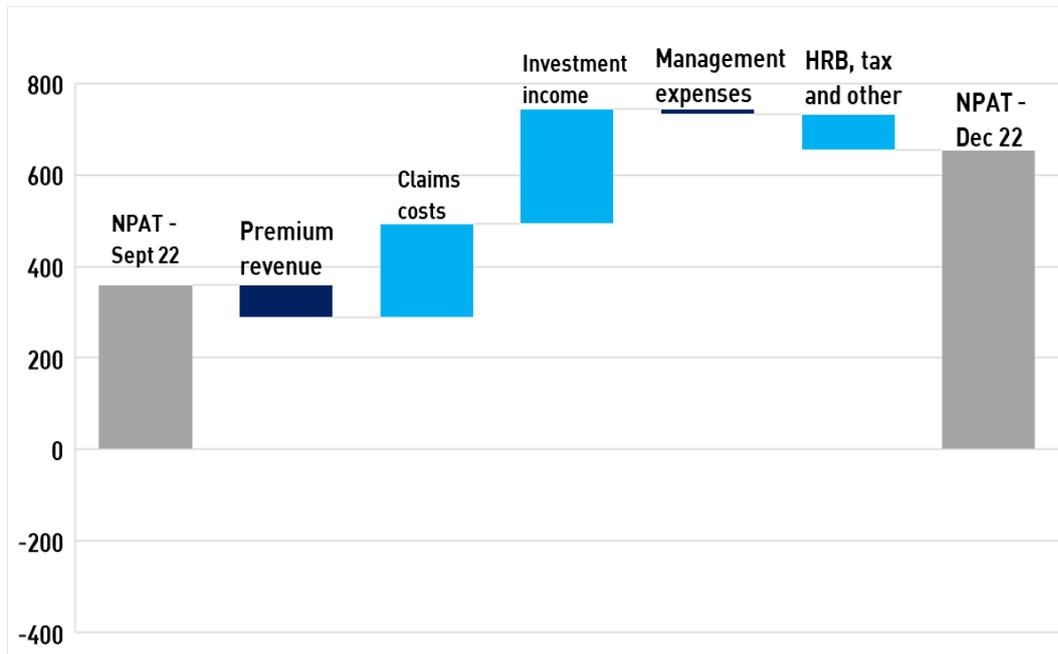


Chart 5: Premium revenue and claim costs

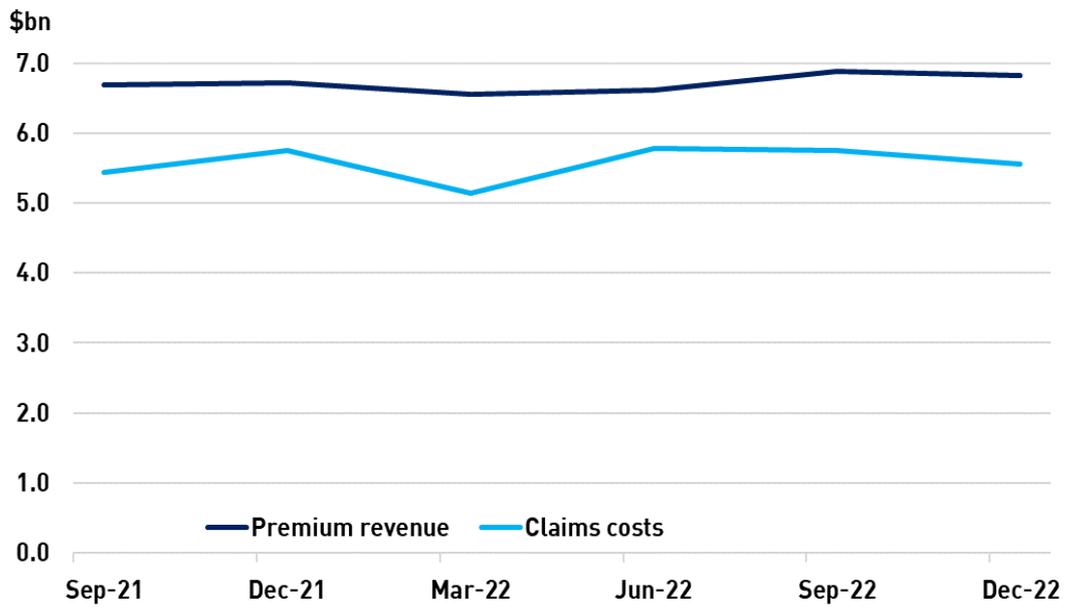
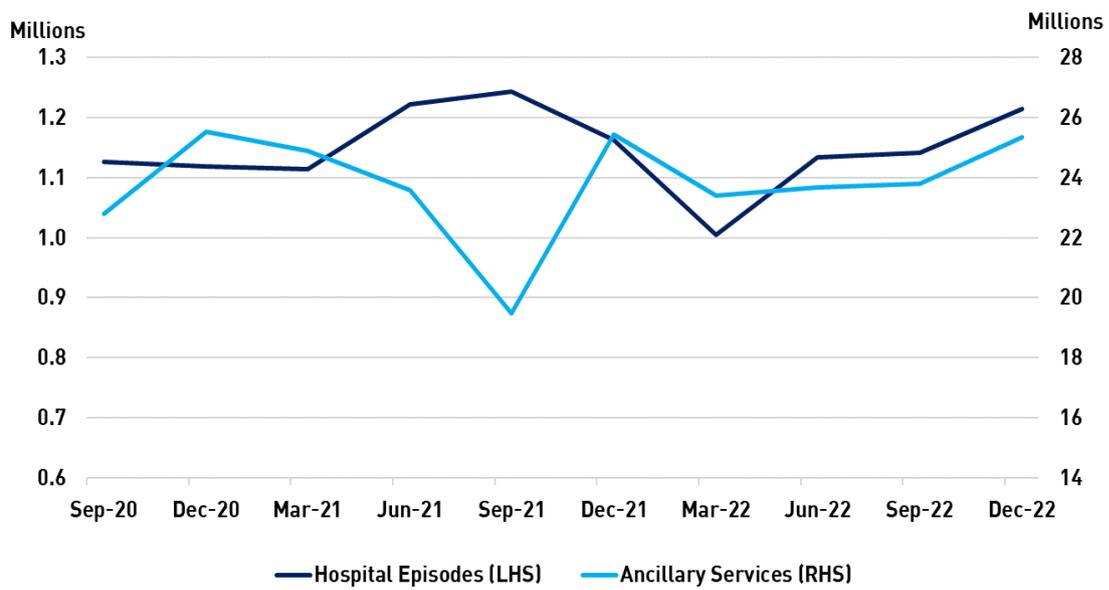


Chart 6: Hospital episodes and ancillary service





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