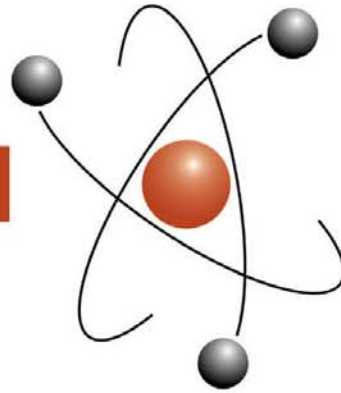


S U S T A I N



A B I L I T Y

ACTUARIES AND THE FUTURE

Contemporary Issues in Private Health Insurance

**Andrew Gale
Ben Ooi
David Watson**

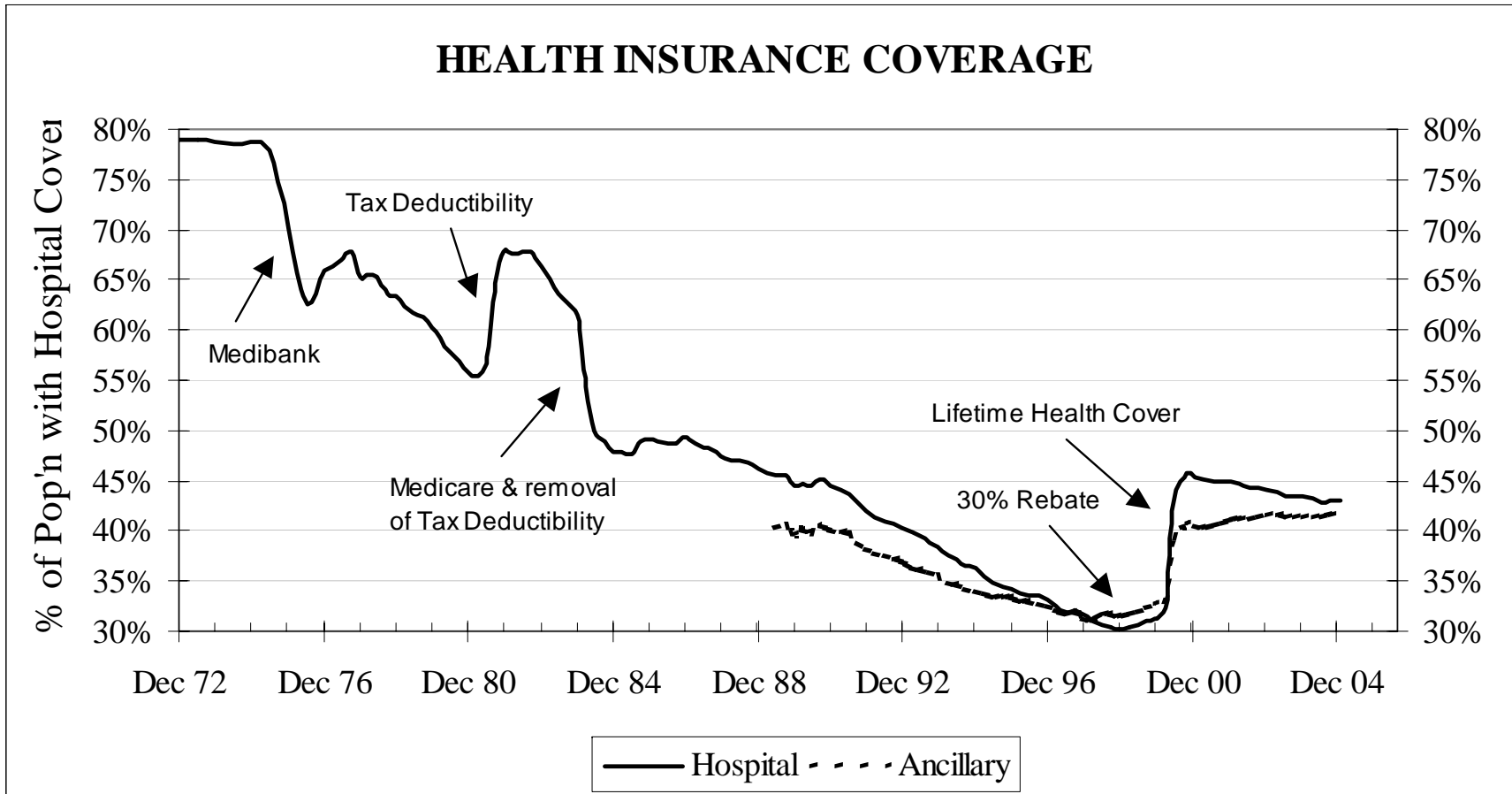


Institute of Actuaries of Australia

Outline

- **Membership trends, financial results & price increases**
- **Reports & inquiries into health financing and costs**
- **Cost pressures on health and health insurance**
- **Political influences**
- **PHIO state of the health funds report**
- **PHI stakeholders**
- **ACCC activities**
- **PHIAC activities**
- **Appointed Actuary in PHI**
- **Topical issues in PHI**
- **Reinsurance Reform**
- **Questions**

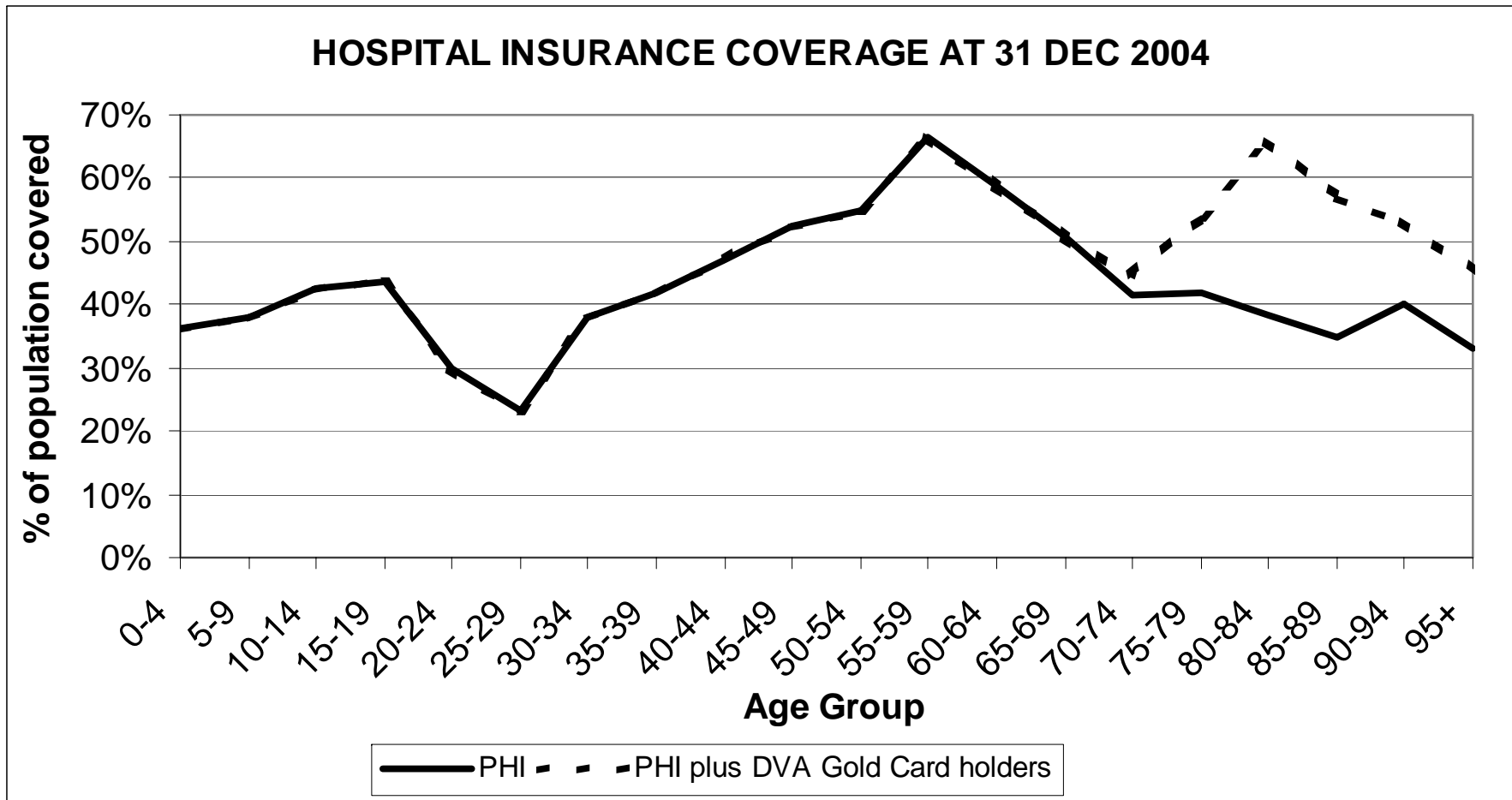
Membership trends



stable in absolute numbers, falling as % of population

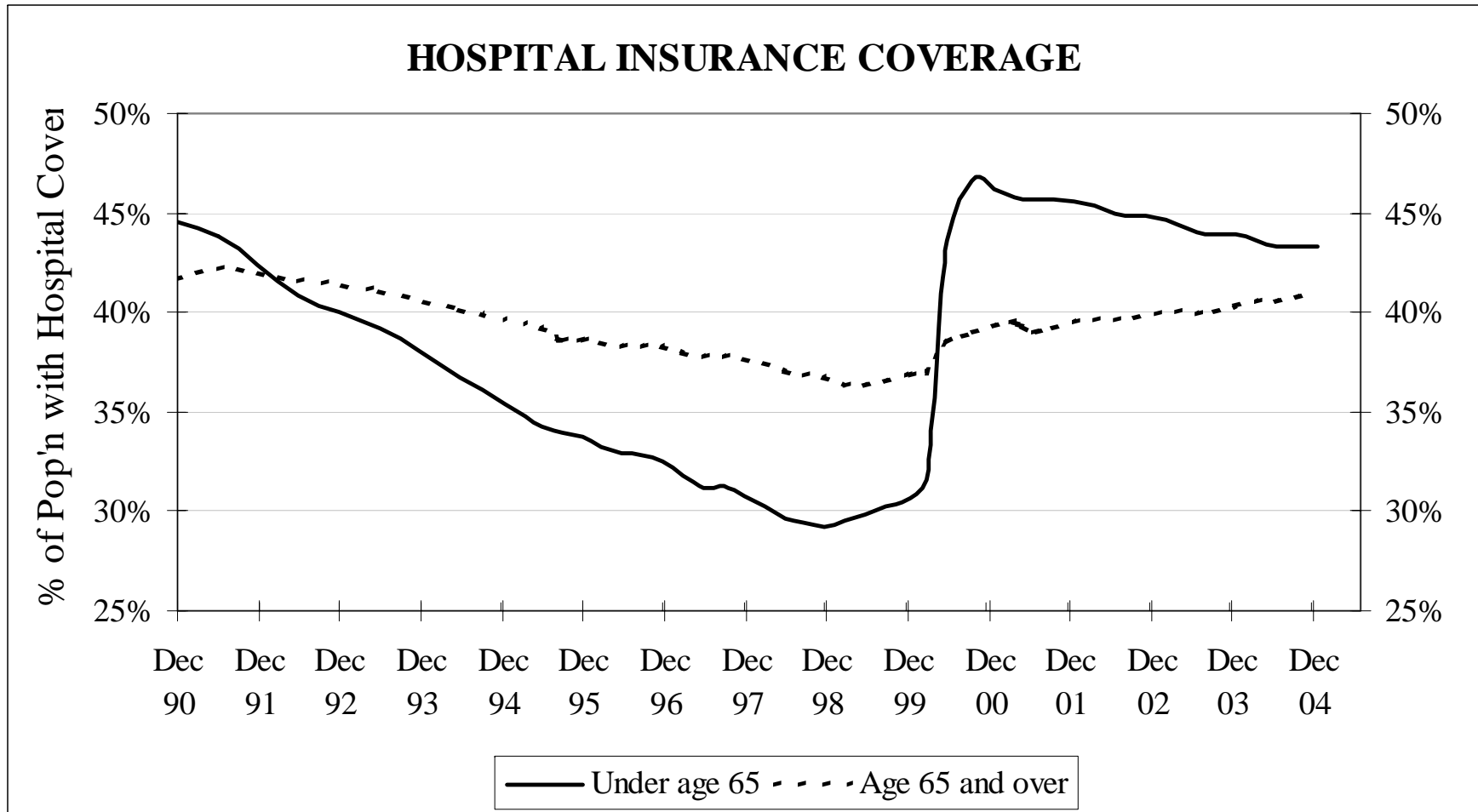


Membership trends



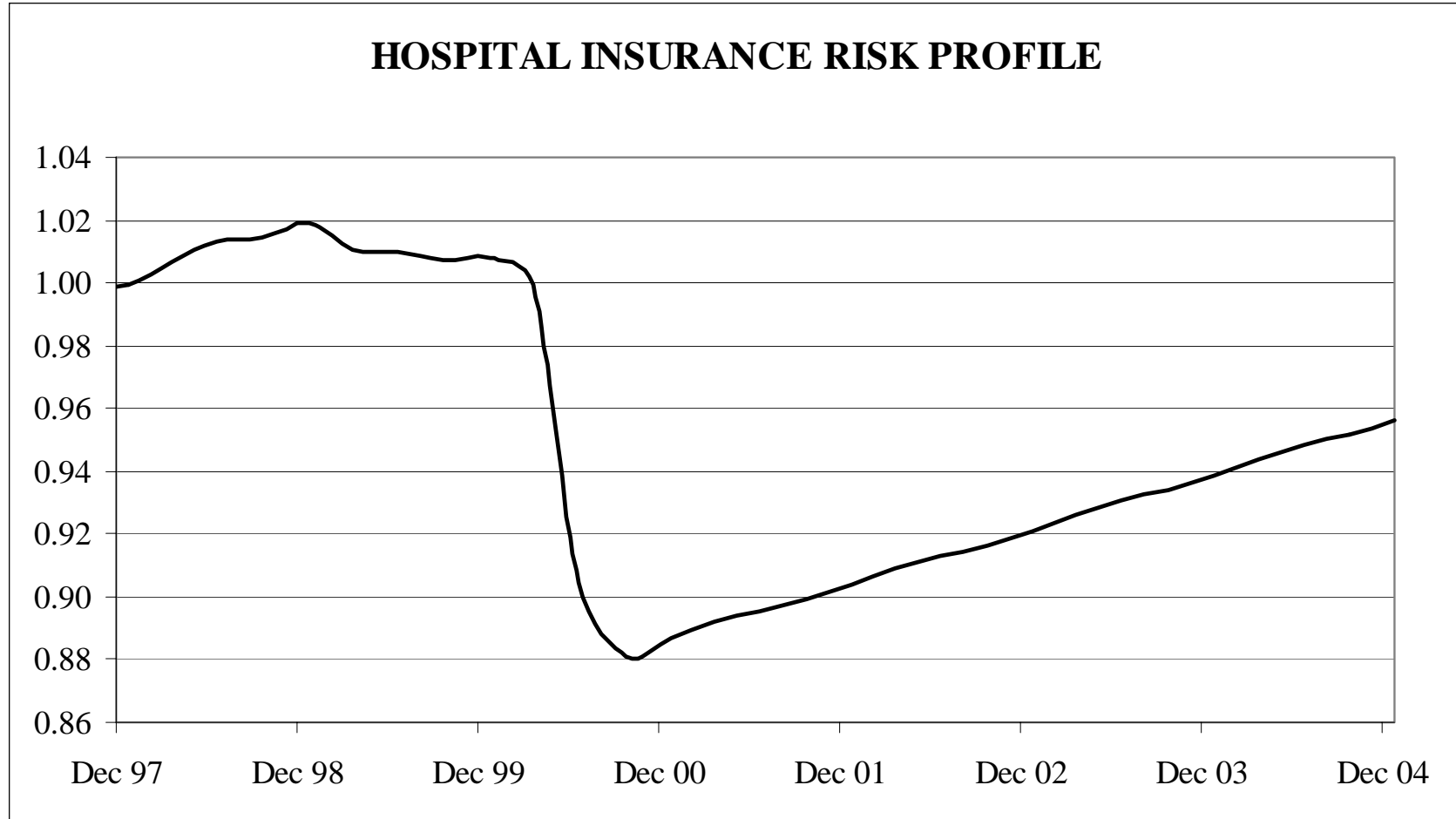


Membership trends





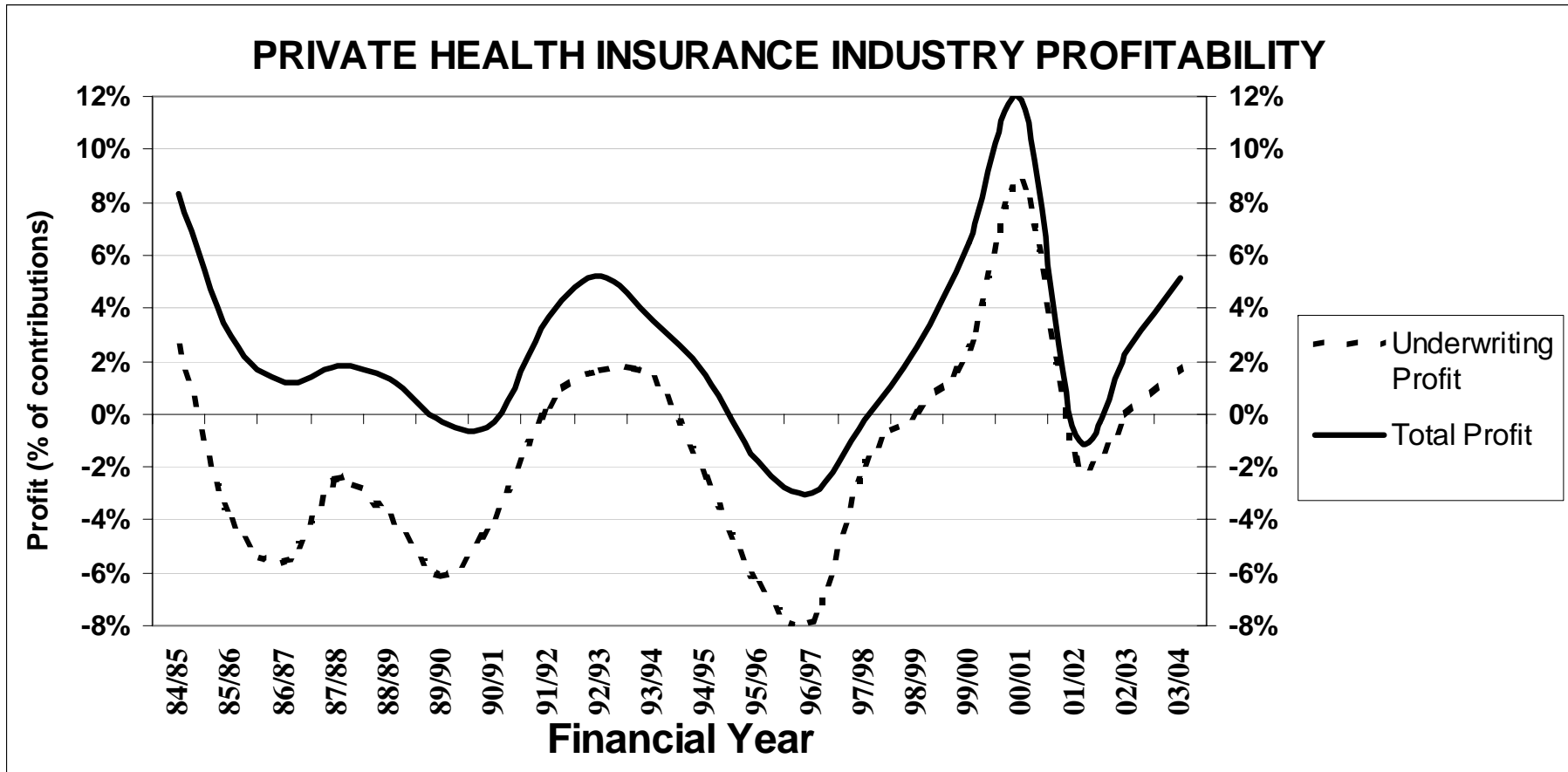
Membership trends



insured population continues to age post LHC

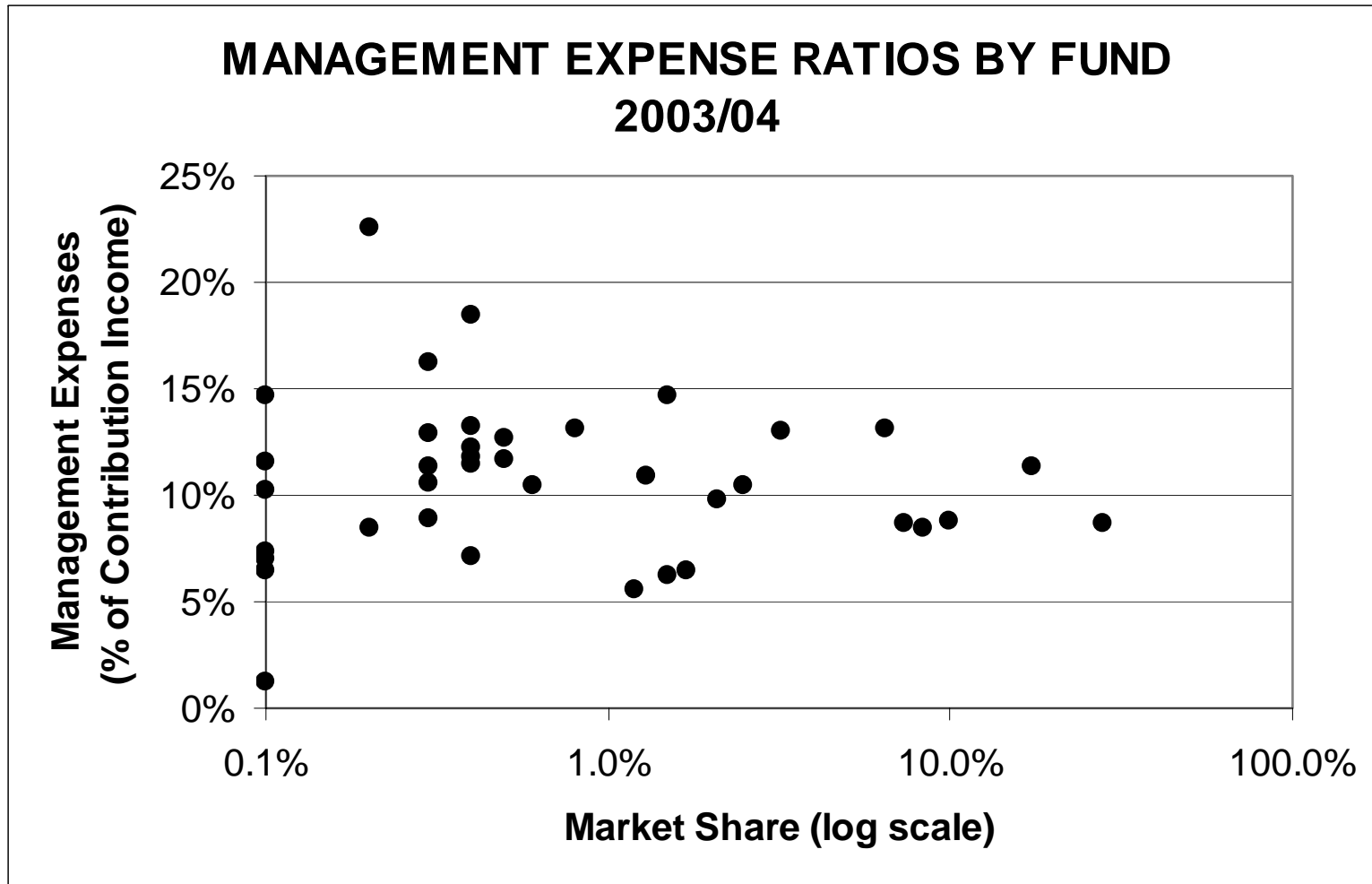


Financial results



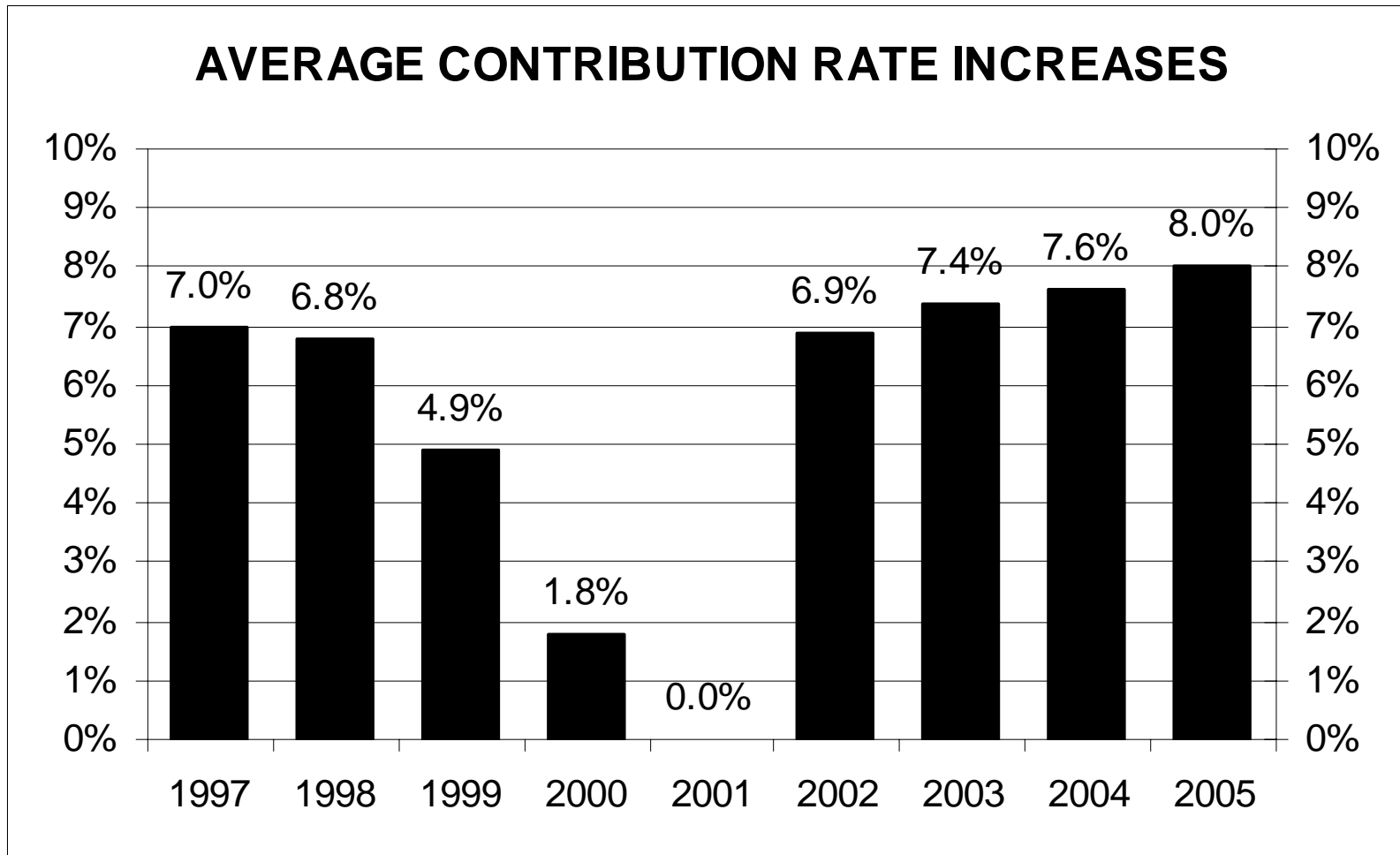


Management Expenses





PHI price increases





Reports & inquiries into health financing and costs

- **Productivity Commission**
 - **Economic Implications of Ageing Australia**
 - **Medical Technology**
 - **Health Workforce**
- **House of Reps Standing Committee on Health**
 - **Health funding**
 - **(previously) long-term strategies for health/ageing**
- **Senate Community Affairs Legislation Committee**
 - **Rebate reform legislation**
 - **Prostheses legislation**



Cost pressures on health and health insurance

- Health spending is 9.5% of GDP
- Technology advances
 - Prostheses and other devices
 - Pharmaceuticals
 - Medical procedures and treatment techniques
- Benefits for medical services
 - Growth in utilisation
 - Expansion in no-gap benefits
 - Growth in use of contracts
- Private hospital contracting
- Ageing population
- Consumer education & expectation
- Table drift



Political influences

- **30% rebate increased to 35% for 65-69, 40% for 70+**
- **Medicare Levy 1% Surcharge**
- **PHIO's SOHF Reports**
- **NSW inquiry into Ambulance Service finances**
- **Oct 2004 election promises**
 - **Medicare Safety Net - sustainability**
 - **Medicare Gold**
- **Lifetime Health Cover – horses' birthday**
- **Prostheses reform**
- **Prospects of a sale of Medibank Private**



PHIO state of the health funds report

- **NHA requires PHIO to produce a yearly report providing comparative information on the performance and service delivery of registered organisations**
- **First published Feb 2005 for FY04 – revised Apr 2005**
- **40 page national report + 22 page report for each state**
- **Reports on**
 - **service delivery – offices, phone, website**
 - **service performance – m/ship and complaints**
 - **finances and costs – surplus, expenses, S&P**
 - **hospital market share, concentration, coverage, price**
 - **ancillary market share, concentration, benefits, processing**
- **Uses ratings A-D, that are really rankings**



PHI Stakeholders

- **DoHA, PHIAC and PHIO**
- **ACCC**
- **Privacy Commissioner**
- **Standard & Poors**
- **Global Reviews**
- **Institute of Actuaries of Australia**
 - **Employment in PHI**
 - **Nov 2003 IAAHS colloquium on health financing**
- **Private hospitals**
- **Doctors and other providers**



ACCC activities

- **Reports on stakeholder activities affecting competition in PHI are now 12-monthly**
- **Concern about merger between hospital groups**
 - **Queensland church based hospitals**
 - **Ramsay Health Care acquiring Affinity Health**
- **Interest in health insurers**
- **Interest in health providers – claims for health gains**



PHIAC activities

- **On-site visits**
- **Management expense sensitivity**
- **Administrator appointed to TUH (Jun 03 to Oct 04)**
- **Administrator appointed to Federation (Dec 04)**
- **IFRS Changes and impact on Prudential Standards**
- **Increasing attention on Risk Management and Corporate Governance**
- **Appointed Actuary**



Appointed Actuary in PHI

Required involvement from July 2004

- **Financial Condition Report (GN 670)**
- **Rate change financial projections (GN 660)**
- **New product consultation**
- **CapAd margin advice for Prudential Requirements**
- **Risk margin in OSC (AASB 1023)**

Implied involvement

- **Experience analysis**
- **Reserving (GN 650)**
- **Accounting standards and reinsurance reform**



Topical Issues in PHI

- **FBT concessions for employer-paid PHI**
- **Cover for services outside hospital that substitute for hospital services**
- **Portability between funds in the face of hospital contracting difficulties**
- **Pricing for single parents**
- **AHIA advertorials – www.privatehealth.com.au**
- **Industry mergers – IOOF, IOR, GU, Federation**
- **Fund associates – Healthguard, MBF Health**



Reinsurance reform

- **Current benefit equalisation scheme**
- **Risk based capitation model**
- **Reform issues**
- **Implementation timetable**



Question Time