“Our latest premium increase is $17/month. We can't afford this – but we can't afford NOT to have health cover, either.”

– Mellissa, Qld

“Health Minister Tanya Plibersek strongly endorsed the Big Health Insurance Switch campaign. 'I think that it is terrific for people to have a look at whether they are getting the best value for money with their private health insurance,' Ms Plibersek said."

- The Herald Sun, March 7, 2013

“Shadow Health Minister Peter Dutton said he supported the Big Health Insurance Switch. 'If it’s going to help consumers with their premiums and if it’s going to promote private health insurance then it’s a great campaign," he said.”

- The Daily Telegraph, March 8, 2013
Contents

Executive Summary

Foreword
Christopher Zinn, One Big Switch Director of Campaigns

Part 1: The Cost
How premium rises are forcing many onto lower or no cover

Part 2: The Confusion
The impact of product complexity and regulation

Part 3: The Need
Why Australians still want private health insurance

Part 4: The Comments
What Australians said about their experiences

Appendix A: Who joined the campaign

Appendix B: Health Insurance in Australia by Numbers
Executive summary

The story of Australians and their private health insurance is one of cover they can barely afford, but can’t afford to do without.

We asked registrants for the Big Health Insurance Switch to tell us about their relationship with health insurance and the three themes that resonated loudest were despair at the creeping cost and confusion about how it works, but also the vital sense of security it brings.

The Cost

Annual price rises at twice the rate of inflation have doubled premiums in just 12 years, so that the average family who joined the campaign is now paying $3096 each year, while the average single pays $1493. Residents in Queensland, South Australia and Tasmania pay more than those in other states and territories, particularly Western Australia and the Northern Territory.

The cost explains why the standout reason for those who don’t have health insurance is “Too expensive” (65%).

The Confusion

There was evidence of widespread confusion due to complicated and changing government regulation, with 1 in 4 people (25%) who had health insurance saying they didn’t know if they received a government rebate, 13% unsure what their premium was and 14% unsure if they were already receiving a discount.

Of those under 65, 20% selected the wrong rebate for their income bracket, suggesting many also do not know that their rebate has changed since means-testing changes in 2012 and could face a surprise tax bill this year.

Cover for the unexpected

“Peace of mind” was far and away the main priority for both existing policyholders (73%) and those without health insurance who were considering it (62%), showing the vital role it plays in Australians’ sense of physical, financial and emotional security.

“Minimise taxes and penalties” came in a distant second as a reason for purchasing (10% of policyholders and 15% of uninsured registrants).
Foreword

Data gives people power too

People power can deliver discounts, but thanks to many thousands of people sharing their experience and views of health insurance, it also produces data.

More information might not seem as exciting as money off a premium to most Australians, but it has a real value.

One person’s monthly bill, their type of cover and reasons for seeking cover might be of limited interest. But when more than 50,000 come together and pool this information it can become a powerful resource - as in the report you’re now reading.

It aggregates many families’ and individuals’ stories to tell us something more than the sum of the parts.

One of our aims at One Big Switch is to get consumers better access to their own data - usually around their usage of electricity or financial services.

Imagine for private health if you could see your history of payments and claims over the life of your policy. And then if, online, you could automatically use this data to help you find a better offer.

These kind of initiatives are happening in other countries such as the UK and USA in energy and other industries.

We want to make sure they happen here too, in any sector where consumers can benefit from clearer information about what they’ve used, in order to find what they need.

In the meantime, find out more about yourself by finding out what more than 58,000 people who joined the Big Health Insurance Switch said about themselves.

Christopher Zinn
Director of campaigns, One Big Switch
Part 1: The Cost

The cost of private health insurance has more than doubled in 12 years, meaning an average family hospital and extras policy that cost $2063 in 2001 will cost $4376 after premiums rise on April 1. (Average policy cost based on Deloitte Access Economics estimate, and does not include government rebate.)

Australians who registered for the Big Health Insurance Switch are now spending (exclusive of the Australian government rebate) an average of $1493 for a singles policy, $3049 for a couple policy, $2049 for a single parent family policy and $3096 for a family policy.

Tasmanians spend more on couples and family cover than any other state, at an average of $3139 and $3240 respectively.

South Australians spend more on singles cover than any other state, at an average of $1595.

Queenslanders pay more for family and couples cover than any other mainland state, at an average of $3230 and $3134 respectively.

In NSW and Victoria, the average premium spend is close to the national average, whereas in Western Australia and the NT, they are cheaper.
Rising costs mean 41% are thinking about downgrading their cover.

Are you considering downgrading your cover to cut the cost?

Yes 41%
No 59%

And the cost is locking many out, with 65% of those who have no health insurance saying the cost is the biggest barrier.

Reason for not having health insurance:
- Too expensive 65%
- Because I was not starting a family before now 1%
- Because of my income level I don't have to pay penalties for not having health insurance 4%
- Don't understand it 5%
- I am opposed to the idea of Private Health Insurance 3%
- I just haven't got around to it 11%
- None of the above 11%
Part 2: The Confusion

Because of complex regulation, some of which changed with the introduction of means-testing in 2012, confusion about health insurance is common, with 1 in 4 policyholders (25%) saying they do not know if they receive a government rebate on their premiums.

Also, 13% policyholders are unsure what their premium is and 14% don’t know if they are already receiving a discount.

Do you currently receive a Government rebate?

- Yes 64%
- No 11%
- Don’t know 25%

How much do you currently spend on your Health Insurance?

- Don’t know 13%

Do you receive a Discount?

- I don’t know
- No
- Yes (unsure how much)
- Yes 1%
- Yes 2%
- Yes 3%
- Yes 4%
- Yes 5%
- Yes 6%
- Yes 7%
- Yes 8%
- Yes 9%
- Yes 10%

Discount received
There was also evidence that some who believe they know their rebate could be mistaken. Of those under 65, 20% selected the wrong rebate for their income bracket, suggesting they could be up for a surprise tax bill at the end of this financial year.

In the second income bracket below, 42% of people nominated an incorrect rebate.

Also worrying was that 1,696 people with Basic or Medium cover said their main priority in buying health insurance is “starting a family” or “having more children”, which may mean they are under-insured. (Most pregnancy cover has a 12-month waiting period.)
Part 3: The Need

Cost and confusion are becoming serious barriers to buying private health insurance, but Australians still have a strong desire for the peace of mind it offers, which trumps other reasons for buying such as avoiding government penalties and taxes.

The desire for peace of mind is spread across all age groups. 50-somethings were the most likely to register for the campaign, with 40-somethings and 60-somethings also common. Our youngest registrant was 16 – too young to buy health insurance – and our oldest was 97.
Most respondents have policies with a high or medium level of cover.

The vast majority have combined hospital and extras policies.

And singles, couples, single parents and families were all well represented.
Part 4: The Comments

Consumers have so far left more than 3,000 comments in our health insurance forum at www.BigHealthInsuranceSwitch.com

There are several themes dominating the discussion. They are:

- The desire for peace of mind
- Increasing unaffordability
- Inflexibility of plans
- The predicament of pensioners
- The growth in gap payments
- Unfair policy outcomes

Peace of mind

Despite a system of government sticks and carrots to encourage people to buy private health insurance, it is a sense of security that makes the product attractive to most consumers. Some distrust the public system, especially in Queensland, but many just want their families to be prepared for whatever comes their way.

“Our latest premium increase is $17/month. We can't afford this – but we can't afford NOT to have health cover, either.” – *Mellissa, Qld*

“I pay the premium for peace of mind, have not used it extensively in over 30 years of membership so get a little frustrated that I still have out of pocket expenses when I do need to use a service. ... Having said that I am lucky that I haven't needed to use it regularly.” – *Pam, NSW*

“I'm a single mum with two kids. Currently we have private health insurance due to the excessive waiting times in the public system. I'm sick and tired of paying more each year for less cover. My big concern is that people like me who have a fixed income have to cut back on something and yeah it's private health. In the long term it isn't good sense for anyone to cut back on something so important!” – *Helen, Tas*

“Health insurance is way too expensive. My adult children want it but cannot afford it. One needs microsurgery and has to go on a huge waiting list. This is affecting his work and day to day life. We need to make it more affordable so we can take the burden off the public system. The public system is stuffed (sorry about the language).” – *Kym, Qld*

“So unfair: we pay and pay and pay again. Sick of it. But living on the Gold Coast the public hospital system is a disgrace so you really have to have private health insurance.” – *Karen, Qld*
Unaffordability

Price rises of 5-10% year-on-year have doubled the cost since 2001, forcing many to despair and some to downgrade or drop their cover.

“I am about to drop my cover after 22 years as I can no longer afford it as a single mum of 8 years. I dropped my 3 kids off early last year and am having to reduce expenses again so it will be one that has to go. Good timing for something to happen as I really would like to stay in it.” – Julie, NSW

“With a taxable income of say $100k, and top cover, not only do you pay $1,500 in Medicare, another $3,000 in Insurance and could spend up to another $2,000 on medical costs without any further relief, this equates to $6,000 of after tax dollars, which works out you need to work for 2.5 months of the year just to prop up the health sector. This truly stinks.” – Grant, NSW

“I can remember when, if you had the highest hospital cover but went into an intermediate room you were given a cash rebate by your insurer ... and they STILL made a profit.” – Greta, Vic

“I hope something can be done, the public health system is clogged. We have had private insurance for over 30 years but the continuous increasing premiums and the gap payable by us on claims has us wondering if we can reduce our cover and still keep our security blanket.” – Sonia, Qld

“If our government realised how important private health insurance is to reduce waiting lists on public hospitals, they would prioritise it. They can’t see that far in front of them. The more people that drop out, the more pressure on the public system. But it is getting to the point of we won’t have a choice because it will be far too expensive for the average family.” – Andrew, Qld

“My premium in April 2011 was $239.50 per month. It has now risen to $311.25, a rise of $71.75 which equates to a 30% increase. I can no longer afford this. We are 2 persons yet pay the same as a large family. I hope collectively we can reduce the premiums, otherwise we will have to drop out and resort to the public health system.” – Arthur, NSW

“I cannot afford private hospital cover and basically cannot use it anyway where I live on the far south coast of NSW. I am about to cut my extras only cover as well (reducing to ambulance only) because I can’t cope with electricity and rate hikes on top of all the other mandatory insurances needed. The cost of living generally has increased massively in the last few years but my income hasn’t.” – Jennifer, NSW

Inflexibility

The difficulty of tailoring a plan to each individual’s needs is also a bugbear among policyholders, who feel they are being up-sold to cover they don’t need.

“I have found it hard to get top hospital cover without cover for maternity, which at my age is pointless.” – Barbara, NSW

“Tell me why the health insurance puts pregnancy and birth related cover together
with say hip and knee replacement cover. I would associate one with younger people and the other with older people. This really does need to be sorted. People should be able to pick what cover they need. Say a dollar value for each thing they are insured for with a cap if you take the lot.” – Janet, NSW

“My children left home but my premiums remained the same. Not fair.” – Gillian, NSW

“It would be good if we can transfer allowances from different sections i.e. we don't use our Physio but always run out of Chiro,” – Emma, SA

“I'm 64 and my wife is 54. We have confinement, orthodontic, such as braces (the only braces I need at my age are to hold my trousers up), gym membership, which we don't want, and a discount for such things as tennis racquets (we both hate tennis). If I went into a restaurant and they told me "It doesn't matter what you want to have, you have to have what we give you", we wouldn't put up with it, but we have no choice with health insurance.” – Frank, Vic

“Why isn't a discount offered to those you don't or haven't claimed much?” – Marina

Pensioners

Pensioners who have hardly claimed in many years of membership now feel priced out of the market as premiums rise and their income drops.

“As a couple who are approaching retirement, (I am retired, my wife will be this year), we are concerned at the constant increases for private health cover, and our ability to continue to afford being a part of this process, at a time when we may are most likely to need assistance. I don't believe (having been in health schemes all our working lives) that we are receiving value for money under the present scheme(s). It would appear that it is, however, a necessary evil.” – Geoff, Vic

“As I slide into retirement, with little superannuation, one of the first "luxuries" I have to let go of will be health insurance. Need to eat, have electricity, pay the rates... not enough money to cover private health, like so many others in this situation. Public system particularly in Queensland is scary.” – Gayle, Qld

“As a pensioner I’d love to be able to afford private health insurance but for obvious reasons am unable to. Why can't there be a special one for pensioners with health care cards? I've just had surgery that I've had to wait months and months for on the public system and suffered so much pain whilst waiting. Then something went wrong due to 'technical difficulties' and I'm back on strong medication again.” – Sonia, NSW

“Being on a part disability pension, I have to go without many things just to pay for a high level of Health Insurance. I get no consideration from either the federal government or the health fund in this regard. Over a third of my allowance is for the health fund payment. However, I can't afford to be without it. And gap payments compound the problem. Do you pay the health fund to live, or live to pay the health fund?” – Robin, SA
Growing gaps

Consumers were repeatedly dismayed at the gaps they had to pay after private treatment, despite paying thousands each year in premiums.

“I think specialist gaps should have a ceiling of maximum fees - we had a $1,000 gap for an operation which had to be paid up front! ... Also rebates should be consistent from one state to another - South Australians are subsidising the Eastern states.” – Eleonore, SA

“Dental is ridiculously expensive even if you are with a dentist who acknowledges as a provider. I am also furious with these huge gaps - if something is not done to reduce my health insurance I am going to have to take my young children off.” – Anne-Louise, Qld

“The system of gap payments is actually increasing the insurance annual premium and needs reviewing as it flies in the face of having Health Insurance in the first place. Companies should reward clients by way of an annual rebate when no claim is made in a 12-month period.” – Murray, Qld

“Just had a spine operation, paid the Doctor $9000. Health fund gave a rebate of $360. Not bad for my $5884.80 I pay per year to the fund.” – Martina, NSW

“I recently had an emergency appendectomy carried out on a Saturday and was charged $2,400 by the surgeon and the anaesthetist combined. My fund refunded around $250 of this. I am absolutely fuming.” – Rob, NT

“There is no value in using private health insurance for any emergency surgery as I learnt recently being out pocket over $1000 when my son broke his arm, when I pay $4500 per year in private health cover. Doctors can charge whatever they like over the scheduled fee in an emergency and signing a consent form when you are under such emotional circumstances puts parents at a disadvantage to make an informed choice.” – Mary, Qld

Unfair outcomes

The complex system of regulation surrounding health insurance also creates a lot of losers, as demonstrated by the following tales of unfairness and hard luck.

“Have been associated with corporate PHI for 15 years and another 5 as a corporate broker. The need for the public, and small, medium enterprises to have access to discounted premiums has long been an inequity in which employees of some companies, organisations, associated have enjoyed, but the general public and mum/dad businesses have been neglected.” – Gail, Vic

“Stop the penalty for people joining later in life as in most cases you could not afford it previously but now can. The penalty payment in many cases stops people joining as it’s out of their reach to pay the extra put onto the normal cost but they could pay without the penalty. Feel very strongly about this as I work in the medical profession and 90% of older patients I talk to say exactly the above.” – Janne, NSW
"My husband and I have been in private health for over 20 years. When we first started out we had the highest level of cover, but never used it. As the years went by and the costs spiralled we had to drop the level of cover from gold to silver, and of course the costs kept going up so we are still paying more and more for less and less cover ... My husband will need a hip and knee replacement soon. We were in the highest cover when this was diagnosed 15 years ago, but they would not do any surgery until he turned 50. Is he still covered for this because we have dropped out of the highest cover and will go back into it before he is able to have the surgery? Or is this another loophole they will use to wheedle their way out of paying?" – Julie, Qld

"I am 66 & have paid health insurance all my adult life. I have been advised by my specialist to have a kidney examination under anaesthetic. I have been advised I cannot have the procedure in a public hospital; because I have private cover my out of pocket expenses would be $1300 an amount I cannot afford. I have been told because I have private cover I cannot have the procedure done in the public system, so why am I paying for private coverage?" – Rosemary, NSW

"I have full cover but this year I was diagnosed with breast cancer; the out of pockets were amazing, I actually became a public patient for my radiotherapy as it was too costly claiming through my health insurance - all the ladies without cover had no out-of-pockets." – Adean, Vic

"I am currently paying a 14% penalty because I joined after a certain age and now have to wait 10 years for it to be removed! I only joined to minimise tax. I have not utilised the private health system as I proactively and consciously look after my health and I should be rewarded." – Sherif, NSW
Appendix A: Who joined the campaign?

At the time this report was prepared, **58,103** people had registered for the Big Health Insurance Switch in one-and-a-half weeks.

Of these, **51,966** said they had health insurance and **4,141** said they did not.

Just over half of registrants were **women**, who are statistically more likely to use health insurance.

Consumers from all states and territories joined, with NSW and Victoria providing the most people but Queensland and South Australia proportionally over-represented.
Appendix B: Health insurance in Australia by the numbers

**12.3 million**
The number of people with a policy (Private Health Insurance Administration Council)

**36**
The number of insurers (PHIAC)

**25,700**
The number of products (PHIAC)

**11%**
The proportion of health bills paid by PHI (PHIAC)

**$2072**
The average single hospital and extras policy in 2012 (Deloitte Access Economics)

**$4144**
The average family hospital and extras policy in 2012 (Deloitte Access Economics)

**5.6%**
The average premium increase due April 1, 2013

**112%**
The cumulative effect of premium rises in past 12 years

**$18.6 billion**
The annual industry revenue 2012-2013 (IBISWorld)

**$1.1 billion**
The industry profit 2012-2013 (IBISWorld)
About this report

This report on Australians and health insurance is based on de-identified data provided by the first 58,103 registrants of the Big Health Insurance Switch.

The Big Health Insurance Switch is a campaign to unlock discounted health insurance for all Australians – not just the lucky few who have qualified for “contribution group” discounts in the past.

As part of the registration process, consumers answered a series of optional questions to assist One Big Switch in its attempt to negotiate a collective discount.

In this report, we have tried to digest, analyse and present our members’ data to them so that they can see as simply as possible how they compare to others on cost, level of coverage and knowledge of health insurance.

About One Big Switch

One Big Switch, which is behind the Big Health Insurance Switch, is a consumer network established to build real consumer power and help members save on their household bills.

One Big Switch launched in 2011 with the Choice Big Bank Switch, a world-first campaign to cut the cost of mortgages using the power of group switching. 40,000 Australian consumers took part.

In 2012 One Big Switch launched the Big Electricity Switch. Over 250,000 Australian households joined to make it one of the largest consumer campaigns ever.

Tens of thousands of our members have now saved on their household bills by switching to discounted home loans, electricity, gas, solar panels and broadband. They have also taken part in campaigns to help ensure the consumer voice is heard by policymakers and service providers.

The Big Health Insurance Switch launched on February 24, 2013 and registration closes at midnight on March 22.

To register, or for more information, go to www.BigHealthInsuranceSwitch.com

Creative Commons Licence

The contents of this publication are released under a Creative Commons licence. Extracts, summaries or the whole paper may be reproduced provided One Big Switch is attributed, with a link to the website at http://www.onebigswitch.com.au

For more details on the Creative Commons Attribution 3.0 Australia licence that applies to this document see http://creativecommons.org.au/learn-more/ licences