



IS ANCILLARY COVER WORTH IT FOR DENTISTRY?

Debate about private health cover tends to focus on private hospital cover, largely ignoring the role of private ancillary cover. This edition of the National Dental Update examines the performance of ancillary cover, particularly in light of rising private health premiums, growing demand for ancillary services and a decline in benefits paid to patients as a proportion of the cost of care.

Growing membership

The number of people with private health cover has grown considerably in recent years. In March 2000, 32.2% of the Australian population held private health insurance. Following the introduction of Lifetime Health Cover – a policy that penalises people over 30 years without private health insurance – this figure rose to 43%. Today, 43.1% of the population hold private hospital cover and 40% hold ancillary cover.¹ Expenditure by the Federal Government through the 30% rebate – which subsidises the cost of private health insurance – was \$2.5 billion in 2003-04.²

Rising cost of private health insurance

An ageing population, the cost of medical technology and growing demand is adding to the cost of private health cover. The Private Health Insurance Ombudsman³ has noted that there is now an expectation by consumers that premiums will continue to rise. The Ombudsman has added:

"Annual insurance premium increases at levels significantly above the growth in average family incomes are likely to undermine the perception of the value of private health insurance, with many more consumers likely to reach a critical decision point (whether to opt out of private health insurance) in three to four years."

Private health insurance – benefit paid as a percentage of the cost of service – all ancillaries and dental ancillaries, December 1996 to December 2005

	Year	Number of services	Average cost of service	Average benefit paid to patient	Benefit paid as % of cost of service
All ancillary services	1996	30,736,566	218	71	32.6%
	2005	52,810,870	319	98	30.7%
Dental ancillaries	1996	15,003,015	68	40	58.8%
	2005	23,297,702	98	48	49.0%

Source: Private Health Insurance Administration Council (PHIAC) 'Statistical Trends in Membership and Benefits'. Accessed from <http://www.phiac.gov.au/statistics/trends/index.htm> on 3 March 2006

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References

1. Private Health Insurance Administration Council (PHIAC) <http://www.phiac.gov.au/statistics/membershipcoverage/hosquar.htm>
Accessed on 8 March 2006.
2. Australian Institute of Health and Welfare (2005) *Health Expenditure Australia 2003-04*, Health and Welfare Expenditure Series Number 25, AIHW Cat. No. HWE 32, p. 96.
3. Private Health Insurance Ombudsman (2006) *State of the Health Funds Report 2005 (Relating to the Financial Year 2004-05)*, Canberra.
4. In July 2000, the then Health Minister Michael Wooldridge said: "Because we've got so many extra people in, that'll keep real downward pressure on premiums". This view was supported in the same year by the Australian Health Insurance Association which claimed that the 30% rebate for private health insurance and Lifetime Health Cover and the subsequent increase in the number of people with private health insurance would lead to ... long term premium stability."
5. Abbott T (2006) *2006-07 Private Health Premiums*, Media Release, 24 February, Minister for Health and Ageing, Canberra.
6. Private Health Insurance Ombudsman (2006) *State of the Health Funds Report 2005 (Relating to the Financial Year 2004-05)*, Canberra.