

30 November 2018

## **Calls by peak bodies for PC inquiry into private health insurance must not be ignored**

The Australian Dental Association (ADA) has joined ranks with *Choice*, the National Rural Health Alliance and other key groups in calling for a Productivity Commission inquiry into private health insurance.

The letter issued today to all members of parliament confirms that 70% of consumers believe that the policies they hold are poor value for money. This finding repeats concerns made on numerous occasions by the ADA that health insurance policies which provide extras cover are simply not delivering value for money for consumers, and in some cases, are disadvantaging many policyholders who want to see the practitioner of their choice.

Newly appointed ADA President, Dr Carmelo Bonanno, stated that insurers need to stop blaming health practitioners for the rising cost of policies and poor rebates.

“Our surveys show that the fees charged by dentists are not the problem. Health insurance premiums have increased at three times the rate of dental fees and nearly 2.5 times wage growth. Recent figures from the Australian Prudential Regulatory Authority’s *Operations of Private Health Insurers Annual Report 2017-18* clearly demonstrate the profits that are being made by some health funds.”

The ADA’s analysis of the APRA report shows that returns for health insurers are high compared to most other companies. The industry-wide data indicates a return on equity (ROE) of 16.6% - higher than even the major banks who average around 12%.<sup>1</sup>

“These returns are being driven by the big 3 ‘for-profit’ health funds with the APRA data showing returns of around 30% for Medibank Private and nib and over 60% for BUPA”, added Dr Bonanno.

*Figure 1: Health fund ROE summary*

<b>\$000</b>	<b>Surplus After Tax Reported by APRA</b>	<b>Health Benefits Fund Capital Reported by APRA</b>	<b>Return on Equity</b>
All Health Insurers	1,364,805	8,212,300	16.6%
BUPA	409,489	644,106	63.6%
Medibank Private	459,736	1,499,976	30.6%
NIB	115,477	322,164	35.8%

Data Source: APRA Operations of Private Health Insurers Annual Report 2017-18'

<sup>1</sup> For the year ended 30 September 2018: ANZ = 12%; NAB = 11.4%; and Westpac = 12.9%. Source: Wall Street Journal <https://quotes.wsj.com>

The ADA is also calling on the federal government to prohibit differential rebates, a call echoed by the Senate Committee’s Inquiry into the value and affordability of private health insurance and recently by Senator Connie Bonaros in the SA Legislative Assembly. Dental rebates represent more than 50% of all rebates paid under extras policies, yet the ADA has not been invited to participate in any of the machinations around private health insurance reforms. It hopes that an independent inquiry may redress this gap.

“Private health insurance is sold as allowing consumers choice, but in reality, the current system offers differential rebates based on who provides that service, reducing choice by inserting a monetary incentive to attend a specific provider into a patient’s decision about their healthcare. If you hold an extras policy with a health fund, then you should get exactly the same rebate as anyone else who holds that policy regardless of where you live or which dentist provides the treatment.”

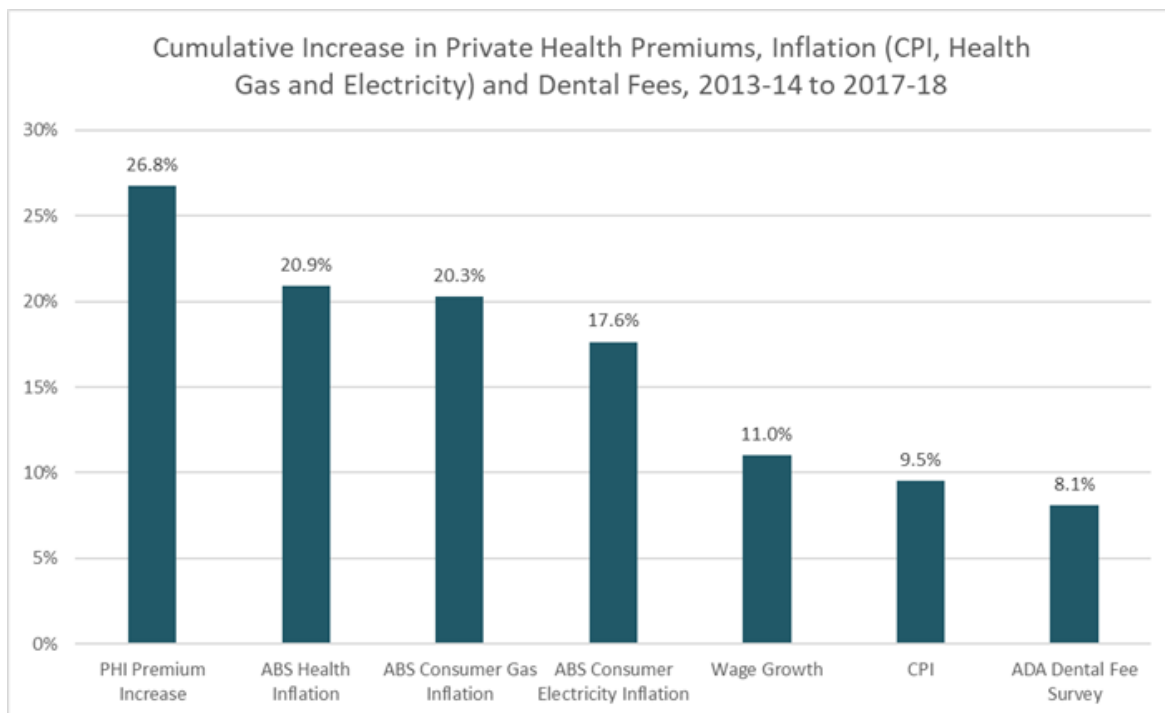
Dr Bonanno concluded by saying “health funds exist to do exactly what their name suggests – fund health. It’s time for them to focus on this instead of their profits.”

### Interviews available with: Dr Carmelo Bonanno, ADA President

- [www.facebook.com/AustralianDentalAssociation](https://www.facebook.com/AustralianDentalAssociation)
- [www.facebook.com/HealthyTeethAustralia](https://www.facebook.com/HealthyTeethAustralia)
- [@Aus\\_Dental](https://twitter.com/Aus_Dental)

### Supporting Facts and Figures

Figure 2: Summary of Cumulative Increases



Source: ADA collation of ADA, ABS & Commonwealth Dept of Health Data

Figure 3: Average Fees for 13 most common dental procedures

	2014	2015	2016	2017	2018
011 Oral Exam Comprehensive	\$ 65.00	\$ 65.00	\$ 66.29	\$ 67.85	\$ 68.02
022 X-Ray-Per Film	\$ 43.00	\$ 44.00	\$ 44.60	\$ 45.67	\$ 45.51
114 Calculus Removal	\$ 115.00	\$ 116.00	\$ 118.42	\$ 122.12	\$ 122.05
161 Fissure Sealing-Per Tooth	\$ 57.00	\$ 56.00	\$ 59.07	\$ 59.80	\$ 59.93
311 Removal of Tooth or	\$ 181.00	\$ 179.00	\$ 184.76	\$ 191.82	\$ 190.50
415 Chemo-Prep-1Canal	\$ 271.00	\$ 274.00	\$ 278.34	\$ 291.10	\$ 291.70
416 Chemo-Prep Additional	\$ 131.00	\$ 133.00	\$ 136.33	\$ 142.76	\$ 144.10
521 Adhesive-1 Surface	\$ 149.00	\$ 149.00	\$ 153.23	\$ 158.11	\$ 158.37
522 Adhesive-2 Surfaces	\$ 179.00	\$ 178.00	\$ 181.64	\$ 187.60	\$ 189.04
531 Adhesive-1 Surface	\$ 157.00	\$ 158.00	\$ 162.73	\$ 167.98	\$ 169.26
532 Adhesive-2 Surfaces	\$ 194.00	\$ 197.00	\$ 201.60	\$ 209.51	\$ 209.23
615 Full Crown-Veneered	\$ 1,546.00	\$1,543.00	\$1,557.50	\$1,603.73	\$1,601.71
711 Denture	\$ 1,279.00	\$1,275.00	\$1,297.79	\$1,341.02	\$1,340.65
Average Mean Fee	\$ 335.92	\$ 335.92	\$ 341.72	\$ 353.01	\$ 353.08
Annual Increase		0.0%	1.7%	3.3%	0.02%

Source: ADA Dental Fee Surveys