

**2 March 2016**

## **Health insurers cashing in on poor value extras cover**

### **CHOICE says it's time to stop insurers cashing in on your premium pain**

Following the announcement of this year's 5.59% private health insurance average price increase, CHOICE is encouraging consumers to consider dropping their extras insurance unless they are confident of receiving more in benefits than they are paying in premiums.

CHOICE's analysis of extras cover shows low average payout rates and savings of up to 45% available to consumers who drop it.

The Federal Government's decision to sign off on a 5.59% average premium increase will see consumers slugged with a 48.3% cumulative increase since 2009 and comes two weeks after MediBank announced a 58% jump in net profit.[\[1\]](#)

"While we welcome the Federal Health Minister's initial decision to push back on the insurers' requests for yet another annual price hike, this increase will hurt a lot of consumers," says CHOICE Head of Media Tom Godfrey.

"In the wake of the price hike, you should also ask yourself why you have private health insurance. Is it for tax purposes or planned hospital visits, emergencies or dental and optical expenses? Knowing what you want from your cover can save you a lot of money.

"If dropping extras insurance is an option for you, you could save thousands of dollars a year on your health insurance premium," Mr Godfrey says.

CHOICE found that only around \$370 on average was paid out in extras benefits per person in 2013/14.[\[2\]](#) It also found that of top cover health insurance from the two largest health insurance funds, Bupa and Medibank Private, you can save between 30% and 45% of your health insurance premium by dropping extras insurance.

"You need to find out if you're paying more to your health insurance fund than you're getting back in benefits for extras services such as going to the dentist. So get your insurer on the phone and ask for a claims statement," says Mr Godfrey.

"If the statement shows you paid more in premiums than you received in benefits, you can save a lot of money by dropping extras cover and paying the full cost of a massage or a visit to the dentist or optometrist yourself.

"Extras insurance should act like a budgeting tool. It's meant to help with smaller ongoing costs, such as a dental check-up, pharmacy costs, physiotherapy, going to the osteopath or getting a new pair of spectacles. If the budget is in the red, it's time to cut your cover.

"While families and people over the age of 55 typically get value out of extras insurance, other consumers are often short changed.

"It's also important to know that the government's Medicare Levy Surcharge (MLS) and the Lifetime Health Cover (LHC) loading only apply if you don't have private hospital insurance – you don't need extras also to avoid the charges," Mr Godfrey says.

The price hike comes following consecutive CHOICE Consumer Pulse surveys that found health and medical costs are one of the top cost-of-living concerns for Australian consumers.[\[3\]](#)

“If you are looking to save it’s also worth checking to see if your industry offers a restricted membership fund as their full-cover policies can be substantially cheaper than open funds. Families and former employees are also eligible,” says Mr Godfrey.

#### **Health insurance saving tips:**

- Consider increasing your excess level to \$1000 per year for a family. With many funds and policies the premium discount is so large that even if you needed go to hospital once every three years, you'd still come out on top.
- Pay by direct debit to save up to 4%
- Pay the annual premium up front to save up to 4%
- Ask yourself if you really need [extras cover](#)
- Check to see if you can join a [restricted membership health fund](#)
- Pay your premium in March to avoid the April 1 price hike

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#### **About CHOICE**

Set up by consumers for consumers, CHOICE is the consumer advocate that provides Australians with information and advice, free from commercial bias. As vital today as when we were founded in 1959, CHOICE continues to fight for consumers and uncover the truth. By mobilising Australia’s largest and loudest consumer movement, CHOICE fights to hold industry and government accountable and achieve real change on the issues that matter most.

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[1] [https://www.medibank.com.au/content/about/investor-centre/results-reports/jcr%3Acontent/mainContentArea/download\\_6/file.res/1H16%20ASX%20Media%20Release%20FINAL.pdf](https://www.medibank.com.au/content/about/investor-centre/results-reports/jcr%3Acontent/mainContentArea/download_6/file.res/1H16%20ASX%20Media%20Release%20FINAL.pdf)

[2] <http://www.apra.gov.au/PHI/PHIAC-Archive/Documents/Operations-of-PHI-Annual-Report-2013-141.pdf>, p32

[3] CHOICE Consumer Pulse, October 2015, < <https://www.choice.com.au/money/budget/cost-of-living/articles/consumer-pulse-shows-economic-pessimism-211015>