

Private Health Insurance and Older Australians: ‘Damned if you do, damned if you don’t’

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Complex, inequitable and unaffordable *but* utterly important. New [research](#) by National Seniors Australia (NSA) reveals a myriad of issues with Private Health Insurance (PHI) and seniors’ reluctance to drop it.

The National Seniors Social Survey of 4,500 people aged 50+ explored older Australian’s experience with PHI – reasons for having or not having it, problems with it and what needs to change.

Significantly, the results revealed:

- 96% of respondents who had PHI said it is important to them, 76% said it was very important
- 95% said they would maintain their current level of cover over the next 12 months
- 53% needed cost-saving strategies to help maintain cover. Of these 37% chose shopping around for better deals as the main strategy. 22% said they would reduce other spending
- 45% of full pensioners had no PHI, compared to only 16% of respondents with other income
- 35% of respondents with a mortgage or renting had no PHI, compared to 14% of homeowners with no mortgage
- People with poorer health are less likely to have PHI

The main reasons for having insurance ranged from covering major private hospital costs and reducing waiting times for elective surgery to emotional benefits such as peace of mind and stress reduction.

“My wife was recently hospitalised for some weeks, incurring costs of some \$80,000. We simply could not have coped without private health insurance.”

Seventy-two per cent of respondents who don’t have current PHI used to have it but let it go. Of these, the reasons for not keeping it included: unaffordability (63%); lack of value (40%); costs adequately covered by the public system (23%), did not adequately cover specialist costs (9%) and procedures (9%).

“Once I stopped working full time and became a pensioner private health insurance became unaffordable.”

NSA Chief Executive Officer Mr Chris Grice said the results shed light on a system that’s under pressure and risks failing a key market, reinforcing NSA’s call for a full review of the private health system.

“Our research reveals that while most older people want and need private health insurance, the rising cost of premiums and out-of-pocket costs for private health undermine its value. Those who do have it, are paying more for less and make sacrifices in other areas to hold onto it,” Mr Grice said.

“If older people drop out of private health, it will lower premiums, However, this will impact the public system as it will require more funding and taxes to support the influx of older sicker patients. It’s good for those remaining in private, bad for public.

“The growing discourse about the unaffordability of private health must be addressed to preserve private health as an option for older people facing ever rising living costs. As such, NSA is calling for the Productivity Commission to conduct an independent inquiry into the private health system.

“Despite several reviews, nothing has changed. Private health insurance holders continue to face premium increases, product limitations, and soaring out-of-pocket costs. The inquiry should identify ways to improve its value proposition to policy holders in general and older policy holders in particular.

“NSA is also calling for an increase in the Private Health Insurance Rebate for people on lower incomes to help them maintain cover. Increasing the PHI rebate for lower income households will help those most at risk of dropping PHI to hold onto it and the benefits it provides.”

Case study

76-year-old Mrs Diane Bunworth has been in private health since she was 16. After 60 years, she is considering letting it go as cost-of-living pressures continue to build and compete.

“Our current monthly premium is \$462, that’s a big dent in our Age Pension. If we drop a tier and pay a lower premium, we risk losing cover for procedures often needed for people at our stage of life such as joint replacements and cataracts treatment, as well as our choice of doctor and specialists.

“Letting go of private health and losing the security it provides isn’t a decision we would take lightly but it is a decision we reluctantly may be forced to make.”

Mr Grice said experiences like Diane’s and NSA’s research reinforce the need for NSA’s recommendations while highlighting the fragility of the health system and the sustainability of private health moving forward.

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