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HCF flags modest premium increase to maintain superior benefits in the face of rising healthcare costs

Australia's largest not-for-profit health insurer, HCF, today announced an average premium increase of 5.9% to take effect from 1 April 2010.

HCF's increase is well below the 10% increase in total HCF member claims to \$1.04 billion in 2008-09, and corresponds to an increase of \$1.10 per week (after the private health insurance rebate) on HCF's popular packages – the Hospital Advanced Savings combined with General Extras Plus policy for singles, with a \$450 excess.

Chief Executive Officer of HCF, Terry Smith, said HCF, like all other health insurers, had to respond to rising healthcare costs and claims by increasing premiums. At the same time HCF undertook tight cost control over management expenses and claims costs to ensure the rate increase was the minimum necessary to meet legal requirements such as those ensuring solvency of insurers.

"HCF is one of the most efficient funds in the industry. We operate with low management expenses, and consistently return a higher percentage of premium income to members as benefits than other funds," Mr Smith said.

"Any decision to increase premiums is not taken lightly, and is only ever driven by the need to manage rising claims so we can continue to offer superior benefits," he said.

"However, given the continued impact of health inflation and member take-up of benefits, the responsible course is to apply a modest increase to premiums now, so that our members can continue to access high quality private health care over the coming year."

In 2008-09 HCF returned 89.4% of premium income earned to members as benefits, compared to an industry average of 86.8%. HCF also recorded one of the lowest management expense ratios – 7.8% - of all private health insurers over the same period.

HCF's focus on value for members resulted in the fund receiving the highest possible five-star rating for "Outstanding Value" in Australian health insurance from the independent financial ratings agency CANSTAR-CANNEX.

With a clear value-for-money proposition underpinned by a not-for-profit model, HCF continues to record above-average membership growth rates. The latest industry data show HCF grew its share of the national private health insurance market to 10.13% by the end of December 2009, following a 4.7% increase in membership over the previous 12 months, more than twice the industry growth rate of 2.1%. In 2009 HCF grew market share by 2.9% in NSW/ACT, 10.3% in Victoria and 10.6% in Queensland.

Last August, HCF announced a significant investment in *My Health Guardian*, a phone and Web-based health management program in which members can access personalised advice leading to improved wellbeing, and chronically ill members receive disease management support from qualified nurses by phone.

Based on international experience, HCF expects *My Health Guardian* to help improve member's health status, reducing incidences of hospitalisation and putting downward pressure on premiums in future. Already, close to 20,000 HCF members have signed onto *My Health Guardian*.

Mr Smith said: "HCF is committed to ensuring our products offer value for money, and are affordable for average families. Strong membership growth shows we have a competitive offering and we are determined to keep it that way. *My Health Guardian* is one example of the long-term thinking and innovation we have adopted to address the problem of ever-increasing health costs."

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