



MEDIA RELEASE
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CASHED UP INSURERS SHOULD HAND BACK PROFITS

The latest data from the Australian Prudential Regulation Authority (APRA) highlights the need for insurance companies to hand back their COVID profits to members, according to the Medical Technology Association of Australia (MTAA).

“We now have proof that last year’s health service shutdown delivered insurers record profits by enabling them to collect contributions from members for services they could not access,” Ian Burgess, MTAA CEO, said today.

“These profits are in stark contrast to the financial difficulties experienced by many of their members during this period. If insurers are serious about lowering the cost of insurance, they should immediately put 100% of their COVID bonuses into premium reductions.

“MTAA does not support members’ hard-earned premiums being used to deliver increased profits for insurers’ big shareholders.

“We believe that these profits belong to their members and should be handed back,” Mr Burgess said.

APRA reported that in the 2020-21 financial year, the insurers’ total revenue grew to \$26.4 billion with a total surplus of \$1.5 billion.

The two giants of the corporate insurance sector, Medibank Private and BUPA both reported revenues of almost \$7 billion and assets of \$3.5 billion (Medibank) and \$3.0 billion (BUPA).

Overall APRA determined that the sector has \$17.7 billion in assets and \$8.2 billion in liabilities, leaving overall capitalisation of \$9.5 billion.

“MTAA is disappointed to see that insurers have actually increased their spending on ‘management expenses’, despite the significant drop in claims over the last year,” Mr Burgess said.

“Management expenses are now an average of 9.5% across the sector, with one insurer reporting using a staggering 23.5% of its revenue for management expenses.

“Unless insurers are forced to return their COVID windfall to members, MTAA is concerned that these shareholder payouts and management fees will continue to grow.

“We are also disappointed that the corporate insurers continue to blame prostheses for their premium increases. Prostheses are the only part of our health system that have not been steadily increasing in price over the past two decades.

“In fact, since 2005, on average, benefits for prostheses have decreased. For example, the price for Australia’s most commonly used hip prostheses has fallen 29.5 per cent since 2015.

“Given that prostheses costs comprise only around 10% of total benefit payments by private health insurance funds, the insurers need to look elsewhere if they want to reduce premiums for their members. Reducing their rising management expenses would be a great place to start.

“MTAA understands that the pause in elective surgery last year was necessary but we don’t think that insurers should profit from this difficult decision. The APRA data clearly shows that insurers have means to return their profits to members and we are calling on the government to ensure they do so,” Mr Burgess said.

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APRA’s Operations of Private Health Insurers Annual Report for the financial year 2020-2021 report is available at: <https://www.apra.gov.au/news-and-publications/apra-releases-operations-of-private-health-insurers-annual-report-0>

Did you know?

1. During COVID-19 the Medical technology industry provided 7,500 ventilators, tens of millions of COVID-19 testing kits, and countless items of PPE including masks and gowns.
2. The medical technology industry currently employs more than 19,000 people.
3. The industry is highly skilled with over 52% of employees having a tertiary qualification, and 25% having a postgraduate qualification.
4. More than half of Australian medical device companies have grown from start-ups. 40% of all medical device businesses have been established since 2000.
5. In 2013-14, Australia exported medical devices to 167 different countries around the world for a total value of \$2.1 billion.
6. Medical technology (7.76%) is second only to Civil Engineering (8.5%) and pharmaceuticals in third (6.3%) when it comes to filing patents for innovative technology.

About MTAA

The Medical Technology Association of Australia (MTAA) is the national association representing companies in the medical technology industry. MTAA aims to ensure the benefits of modern, innovative and reliable medical technology are delivered effectively to provide better health outcomes to the Australian community.

MTAA represents manufacturers and suppliers of medical technology used in the diagnosis, prevention, treatment and management of disease and disability. The range of medical technology is diverse with products ranging from familiar items such as syringes and wound dressings, through to high-technology implanted devices such as pacemakers, defibrillators, hip and other orthopaedic implants. Products also include hospital and diagnostic imaging equipment such as ultrasounds and magnetic resonance imaging machines.

MTAA members distribute the majority of the non-pharmaceutical products used in the diagnosis and treatment of disease and disability in Australia. Our member companies also play a vital role in providing healthcare professionals with essential education and training to ensure safe and effective use of medical technology.