Media Release

Date:	5 March 2004
Subject	Advances and age push health care costs

A report on the impact of intergenerational change released last year by the Commonwealth Government provided some startling predictions about Australian society and future Government spending on health care.

The report anticipates that within the next 40 years, spending on health will double from about 4.7% of GDP to 9.9%. The most significant drivers of this increased expenditure are an ageing population and advances in medical technology and pharmaceuticals. It is generally accepted that individual health costs double after the age of 55. And while wonderful technological and pharmaceutical breakthroughs are improving the quality of life for many; they invariably come at an enormous cost. For example a single cardiac pacemaker implant can cost over $100,000.

Given that Australians will spend around $64billion on health care during 2004, the report raises justifiable questions about the sustainability of health funding in the future.

Approximately 70% of the present health spend comes from Commonwealth and, to a lesser extent, State Government budgets. However you count it, taxpayers fund this. Tax receipts cannot possibly fund a doubling of health care expenditure.

Inevitably, the private sector (and thereby consumers rather than the taxpayer) is going to have to absorb much of this pressure and cost shifting. This places health funds at the coalface of a significant transition in the delivery of health care across Australia.

It is within this context that health fund rate contributions need to be considered.

The majority of funds, including NIB, are not-for-profit companies that essentially allow their members to take greater responsibility for their healthcare by pooling resources and creating buying power. We are, by and large, an intermediary for our members to access world-class medical and allied care.

Keeping up with increased demand has become one of our greatest challenges.

In the 2003 financial year, NIB paid out more than $915,000 a day on behalf of our members - an increase of 10.7% over the previous financial year. At the same time, member contributions rose by just 6%.

Probably the most telling example of this pressure can be found in the area of prosthetic devices (i.e. an artificial device to replace a missing or damaged body part such as a knee). During the past 12 months, our spending on prosthetic devices was $21 million. This was once the domain of older members but an examination of our claims history for this period shows that younger members are needing prosthetic devices, such as cochlear implants, as well as much older members who are needing devices such as cardiac pacemakers.

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Health Funds

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The Commonwealth Government has introduced a number of very sensible measures to encourage Australians to take more responsibility for their own health care by taking out private health cover. The most-debated aspect of Commonwealth Government initiatives is the 30% health insurance rebate.

The reality is that this rebate is avoiding more Government dollars having to be spent on public hospitals and ensuring Australia has a viable private heath sector.

A report on the 30% rebate published last year by Professor Ian Harper, of the Melbourne Business School, found that taxpayers would face an additional $4.4 billion a year if public hospitals were to take on the work of private hospitals. He concluded that the 30% rebate, at $2.3billion a year, realised a saving of $2.1billion for the public purse.

And of course, a viable private sector does not mean the demise of Medicare.

There will always be a need for Government to finance the basic health and medical needs of ordinary Australians. It is the responsibility of the private sector to provide the products and services that complement these basics, and to provide this health care at affordable prices.

A healthy private sector then produces a mixed economy in which people have a real choice and the capacity to satisfy their health needs.

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* Appeared in the Newcastle Herald's opinion & analysis page (05/03/04)

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