



Steve Fielding Family First Senator for Victoria

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FAMILY FIRST Senator for Victoria

Adjournment: Private health insurance

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NIB Health Funds is set to become the first private health insurer in the country to list on the Australian Stock Exchange. It is the first of the traditional mutual or not-for-profit health funds to choose the share market over the needs of its members.

Economists believe this move will permanently change the private health insurance industry, with other private health funds expected to follow the share market trend. But Family First believes this trend was triggered by the federal government when last year it voted to sell off Medibank Private. Family First believes selling off Medibank Private is selling out Australian families.

I warned during a speech in the Senate last December that the government's decision would open the way for other health funds to opt for the profit-driven model. I quoted NIB CEO's admission that the Medibank sale would cause a 'tsunami' of change in the industry and result in 'fewer and larger players'. Now, less than 12 months down the track, we are beginning to see that change.

Despite NIB's sweetener of free shares to some policyholders and promises that premiums would not rise, its listing on the stock market means only one thing for the thousands of families who have put their faith in private health insurance: profits will now come before families. Private health insurance is another huge cost to many Australian families. More than one in two adults has made the financial sacrifice to take out insurance, with the highest take-up rates among couples with children.

Families with private health insurance are depending on the guarantee that they will have access to quality hospitals at affordable prices. This has been put in

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danger by health insurers opting for a business model that puts profits before members. As not-for-profit companies, Medibank Private's and NIB's tax-free status helped keep the price of premiums low, as has competition within the industry and the simple fact that these companies had no pressure to make profits. They were there to serve their members, not their shareholders. But policyholders will soon be at the mercy of the stock market.

Demutualisation means that Australian families can no longer trust private health funds to put their needs first. Medibank Private's and NIB's focus will now be coming up with money they never had to find before to satisfy the Australian Taxation Office and shareholders. They will each need to earn 30 per cent more just to cover the loss of their tax-exempt status. Then they will need to make profits above and beyond that to provide a return to shareholders.

Family First believes this will, without a doubt, lead to higher premiums and reduced services for Australian families. NIB's enticement of free shares to policyholders is merely a sweetener. It will be counteracted by rising premiums later on. NIB management say that they 'remain confident' the move will not push up the price of premiums, but even a financial assessment commissioned by the NIB states clearly that 'premium rates might be affected' as a result of demutualisation.

The National Roads and Motorists Association, or NRMA, tried a similar trick when it was demutualised in 2000, but free shares could not compensate for skyrocketing premiums. By 2003, NRMA members with basic care road service were faced with a 23 per cent rise in their bills, jumping by \$12.50 to \$67.50. Premium care customers faced a 33 per cent increase, with premiums rising to \$140.

It is a shame that NIB has chosen to put profits first. But Family First's greatest disappointment is in the government for setting this trend by moving to list Medibank Private on the stock market. Who will benefit from the sale of Medibank Private? Not the families who hold health insurance policies. It is the government that will benefit by flogging off another asset. Investors may benefit. Those who have some extra cash to buy the shares might make a profit, but everyday Australian families will miss out on the spoils and instead be faced with higher costs and reduced benefits.

Family First believes it is the government's job to put the needs of families before profits. The government encourages families to take up private health insurance by penalising them if they do not. Then they take advantage of them once they have their membership. The government turned its back on families by putting forward the Medibank Private Sale Bill 2006 to sell Australia's largest health insurer to make Medibank a for-profit company listed on the share market.

The government had the option of making Medibank Private a mutual, which would have lessened the impact of the sale. This would have allowed Medibank to remain a not-for-profit company, keeping its focus on the needs of members rather than on the needs of shareholders. This profit-driven sell-off is yet another example of the government's so-called 'family friendly' policies being nothing more than market friendly.

Family First has a fundamental disagreement with the government over the aims of Medibank Private. The objectives of Medibank should be to provide a service to its members at the best possible price, not to make as much profit as it can. As health insurance has become an essential service to many Australian families, there is a legitimate role for government to provide these services to satisfy members rather than profits. If the government is serious when it claims to care about Australian families, it should ditch its plans to sell Medibank Private.

Family First believes the government should retain ownership of Medibank Private for the public good, to ensure affordable health insurance and quality services for Australian families. Family First therefore calls on the government to scrap the Medibank Private Sale Bill and help reverse the trend of private health funds around the country choosing profits over families.