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OVER A MILLION AUSSIES STUNG BY 'MYSTERY' PRIVATE HEALTH COST

Aussies paying up to 70% more due to extra burden of LHC loading

Many Australians are already struggling with the rising cost of private health insurance, with average premiums rising significantly in recent years. But for more than a million Australians the **'mystery cost' of Lifetime Health Cover (LHC) loading is making private cover even more costly.**

LHC is a government initiative designed to encourage younger Australians to take out private cover earlier in life. Australians without hospital cover on 1 July following their 31st birthday who decide to take it out later in life **pay a two per cent LHC loading on top of their premium** for every year they were without cover over the age of 30 (up to a maximum 70 per cent loading) and must pay the loading for 10 years.

A national Ipsos Australia Research study commissioned by health insurance experts [iSelect](#)¹ revealed a worrying lack of awareness of LHC, which is currently paid by 1.05 million Australians². The Ipsos study found that **over a quarter (28%)** of Australians surveyed who had private health insurance didn't know whether or not they were paying an LHC loading on their own policy.

Laura Crowden, spokesperson for iSelect, said the survey revealed high levels of confusion even among those paying an LHC loading on their policy, suggesting that it is a 'hidden cost' for many Australians.

"Ipsos estimates that **almost half (44%)** of those paying LHC couldn't correctly identify what per cent loading they were paying, with respondents tending to underestimate how much extra they were paying."

"It is equally concerning that **42 per cent** of Australians paying the LHC don't know how many years they have left to pay and that **41 per cent** of policy holders under 31 think they are or could be paying LHC – even though this is technically impossible!" said Laura.

Ipsos also said that seven per cent of policy holders who think they are paying LHC in fact aren't, while 11 per cent who don't believe they are paying LHC actually are.

Last year, **over a quarter (27%)** of iSelect customers aged 31 and over had an LHC loading applied to the hospital component of their policy, paying an average loading amount of **29 per cent** which works out to around **extra \$700 a year** on an average policy³.

Laura said many privately insured Australians are paying hundreds of dollars a year more due to LHC, adding thousands of dollars extra over the 10 year period they are required to pay the loading.

"For example, our data shows that a couple who waited till they were 40 to take out cover could be paying on average **\$500 a year** more for their combined family policy due to 20 per cent LHC loading, pushing their average annual premium well over \$4000, and adding up to \$5000 extra over a decade⁴," Laura explained.

The impact on a couple who waited until 55 to take out hospital cover for the first time is even more dramatic, with the 50 per cent loading adding around **\$1500 a year extra** to an average premium⁵.

¹ In May 2017 iSelect commissioned a nationally representative consumer research study with Ipsos Australia to assess the attitudes of over 1,500 Australian adults towards private health insurance and Lifetime Health Cover (LHC) loading.

² Private Health Insurance Quarterly Statistics, APRA, March 2017, pg. 4: <http://www.apra.gov.au/PHI/Publications/Documents/1705-QPHIS-20170331.pdf>

³ Based on the average 29 per cent LHC loading applied to the hospital component of iSelect's average policy cost during FY17 of \$2,523.

⁴ Based on cost of iSelect's top selling family policies 1 Jan – 22 May, with a 20% LHC loading added to hospital cover component only.

⁵ Based on cost of iSelect's top selling couples policies 1 Jan – 22 May, with a 50% LHC loading added to hospital cover component only.

“There are almost 130,000 Australians aged over 55 currently paying an LHC loading of at least 50 per cent⁶. Over ten years, a 50 per cent loading could result in an average iSelect customer paying an extra \$15,000 more for their policy!”

Laura said it was important that policy holders understand whether they are paying an LHC, how much they are paying and how many years they have left to pay.

“Because LHC loading is a percentage, the higher your hospital premium, the more LHC you pay,” Laura explained.

“Australians currently struggling with the additional cost of LHC should take the time to review their current cover and see if they can reduce their LHC burden.”

The study found awareness of LHC is even lower among Australians without private health insurance, with **two-thirds** (68%) of uninsured Australians unaware of LHC.

With this in mind, Laura said it was particularly important that younger Australians understand how LHC works.

“Because LHC compounds, the longer you wait to take out private cover, the more unaffordable it can become later in life. For example, if you take out hospital cover for the first time at age 40, you’ll need to pay an additional 20% loading on top of your premium (and pay that for another ten years) whereas someone taking out cover for the first time at 65 will pay 70% more for their premiums!”

This May, the Federal Department of Health sent a courtesy letter to more than 280,000 Australians registered with Medicare who are approaching the LHC deadline⁷.

Laura said young people need to make an informed decision on whether or not to take out private cover.

“With premiums rising year on year, the last thing we want is young Australians to be priced out of the industry due to a lack of awareness about the cost-saving benefits of taking cover out earlier in life.”

“Take the time to speak with a private health insurance specialist who can explain how LHC impacts you and depending on your age, see if they can help you avoid or reduce the LHC burden,” said Laura.

iSelect's guide to understanding Lifetime Health Cover (LHC) Loading	
1. LHC only applies to hospital cover	– LHC loading only applies to hospital cover, not extras. If you take out private cover after 31 you only pay the additional loading on the hospital component of your premium and will pay the same for your extras as someone who took out extras before 31.
2. 31 years old? June 30 is important	– If you will be 31 on June 30, then you only have until June 30 to take out hospital cover and avoid paying a minimum 2% LHC loading. If you miss the deadline – even by just one day – you will have to pay LHC if you take out hospital cover later on.
3. The longer you wait, the more you pay	– You pay an additional 2% loading for every year you were without hospital cover, up to a maximum of 70%. This means the older you are when you take out hospital cover, the higher your LHC loading.
4. You only pay for 10 years	– Once you pay LHC loading on your hospital cover for 10 consecutive years, your loading is removed and you’ll pay the same as someone who took out cover before 30.

⁶ Private Health Insurance Membership & Coverage, APRA, March 2017, pg. 11:
<http://www.apra.gov.au/PHI/Publications/Documents/1705-MemCov-20170331.pdf>

⁷ Department of Health 2017: <http://www.health.gov.au/internet/main/publishing.nsf/Content/health-phicircular2017-27>

5. Speak to an expert – LHC is very confusing so it's well worth speaking to a private health insurance expert who can help explain how LHC works and let you know whether or not you'll need to pay it, and if so, how much extra it will cost you.

ENDS

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