

# Call for investigation as private health funds 'spend up big on executive salaries and perks'

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**EXCLUSIVE**

By **JESS MALCOLM**, MAX MADDISON

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Private health insurers have been accused of “totally indefensible” spending on salaries, bonuses and management costs that has increased at three times the rate of expenditure on member benefits, leading to calls for an “urgent investigation”.

Analysis of Australian Prudential Regulation Authority data has revealed that spending by private health insurance companies on management expenses has increased by nearly 18 per cent over the past four years.

In the same period, insurers' spending on benefits for members increased by only 4.7 per cent.

Research conducted by Catholic Health Australia found the funds collectively poured an extra \$389m into management expenses compared with 2019. The peak body – which represents 75 not-for-profit hospitals – said the increased spend on salaries and admin was “totally indefensible”.

CHA's health policy director Caitlin O'Dea called on the private health insurance industry to be more transparent about its expenditure. “When insurers receive \$26bn a year from everyday Australians, including \$7bn in government subsidies, there should be some oversight on how that money is spent,” she said. “It is totally indefensible that during Covid, the money spent on executive salaries, plush offices and perks by some funds is growing at a faster rate than the money they are spending on treatment and care for their members. This is a very worrying trend.”

Ms O'Dea said insurance companies had built up “excessive reserves of cash” because of a reduction in claims during Covid-19, with more than \$1.8bn in unclaimed funds sitting on health

insurers' balance sheets.

Private Healthcare Australia chief executive Rachel David said the uptick in management costs was driven by IT upgrades.

Dr David said the industry was highly regulated by the Department of Health, the Australian Competition & Consumer Commission and APRA. She assured members that funds were determined to keeping premiums at an affordable price.

“There is absolutely no truth in it; health funds are not profiteering from the pandemic,” Dr David said. “It’s not anything to do with executive salaries or bonuses, it is completely and utterly wrong.”

“Management expenses includes IT upgrades, and there are regulatory standards that health funds have to meet. There is no pot of gold hidden in health funds – we are incredibly transparent in how we disclose expenses through APRA. Every dollar that could possibly be spent is spent to ensure premiums stay low.”

Opposition health spokeswoman Anne Ruston said the analysis deserved “urgent investigation” to ensure health insurance remained affordable and accessible for all Australians.

“The Coalition always fought to keep private health insurance low and affordable for Australians who rely on it, and we maintained an expectation that insurance companies should act in the best interests of their customers and the wider health system,” she said.

“The analysis into the recent APRA data deserves an urgent investigation to ensure customers are at the forefront of insurer’s decision-making.”

Health Minister Mark Butler said all Australians deserved affordable treatments and devices. “The former government promised to make healthcare more affordable but all they did was make it more profitable for big insurers.”

**JESS MALCOLM, REPORTER**

Jess Malcolm is a political reporter in The Australian’s Canberra bureau, where she covers a range of rounds including agriculture, infrastructure and regional affairs. She won the Student Journalist of the Year... [Read more](#)