

# Are health insurers using loopholes to increase premiums? Review of Choice Magazine's analysis about health insurers

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Private health insurers can apply once a year to raise the premiums for their private health insurance policies. Each premium rise must be approved by the Minister for Health <sup>1</sup>.

In February 2024, Choice Magazine [reported](#)<sup>2</sup> that some insurers were increasing premiums by far more than was expected, after the average premium increases for 2023 had been announced. Choice reported that during the past three years, some insurers closed cheaper Gold-tier policies to new customers and released very similar Gold policies for new customers that were much more expensive. The report indicated some insurers may be introducing new policies as a way to circumvent the annual premium approval process applicable to existing policies.

In response to this article, my Office reviewed these allegations against data we hold. I note that insurers who may be engaging in this behaviour are not breaching health regulations: insurers do not require approval from the Minister to introduce new policies or to close off policies to new customers. It is a matter for government whether they amend the regulations to stop this practice.

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<sup>1</sup> See [Apply to increase private health insurance premiums | Australian Government Department of Health and Aged Care](#) for further details on how the Minister approves premiums.

<sup>2</sup> [Health insurers are increasing their top-level policy prices by over 30% | CHOICE](#) (accessed 5/12/2024)

We analysed our complaint data about premiums and policy closures over the last three years, including for data subsequent to Choice's report. Similar to Choice Magazine, our data indicates that some insurers have been closing and then opening almost identical private health insurance policies - and we found that this behaviour has continued after Choice published its report. We found that several 'new' Gold policies had been introduced by insurers in the same year as very similar Gold policies were closed by that insurer to new customers. The effect of this practice is that if a new customer wants to buy a Gold policy from that insurer, or an existing customer wants to upgrade their policy to Gold level, they will pay a significantly higher premium compared with policy holders on the very similar old policy (which had a premium increase approved by the Minister).

We compared the average premium across all states/territories for closed Gold policies and new Gold policies. For example, at one insurer, in 2023 the average premium of the new policy was 21 per cent higher than the average premium of the closed policy. In 2024, the average premium of the new policy was 14 per cent higher than the average premium of the closed policy.

These practices may be circumventing premium approval processes, but they are also restricting consumer choice - because any new Gold policy a consumer may want to move to will have a much higher price than their existing Gold policy. Also, consumers who may otherwise be unhappy with their insurer may feel compelled to keep their existing policy because of the significant cost of change - even if the policy that they would like to move to is actually very similar.

As the Private Health Insurance Ombudsman, I have a role in raising concerns about the fairness of practices and procedures in the health insurance industry, even when no law has been breached. I have therefore raised my concerns with the Hon Mark Butler MP, Minister for Health and Aged Care, and his department.

I also encourage insurers and stakeholders to act on my concerns, as this practice does not appear to be in the long-term interests of consumers. I make this statement to provide assurance to the public that my Office is monitoring this issue.

## Advice for consumers

My Office's website [privatehealth.gov.au](https://privatehealth.gov.au) allows users to compare policies and premiums from every insurer in Australia.

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The website also includes general advice about policies and health insurers, government rules, incentives and penalties such as the Medicare Levy Surcharge.

I encourage consumers who are comparing private health insurance policies to use the website as a starting point. I suggest consumers should compare quotes from a range of insurers before deciding which policy best suits their health needs.

**Iain Anderson**  
**Commonwealth Ombudsman**