

Monday, 25 March 2019

## Declining importance of private health insurance to fund members

Only just over half (55.4%) of private health insurance fund members currently agree that 'it is essential to have private health insurance'. This continues a declining trend seen each year since December 2014 when it was at a much higher level of 65.0%. This is a critical measure to monitor if private health insurance membership levels are to be maintained and grow. It is likely that if current members don't think health insurance is essential, it is most unlikely that new members will think it worthwhile to take it up.

These are some of the latest findings from Roy Morgan's Single Source Survey (Australia) which is based on in-depth personal interviews conducted face-to-face with over 50,000 Australians per annum in their own homes, including over 8,000 interviews with members of private health insurance funds. The latest data in this release is for the 12 months ended December 2018.

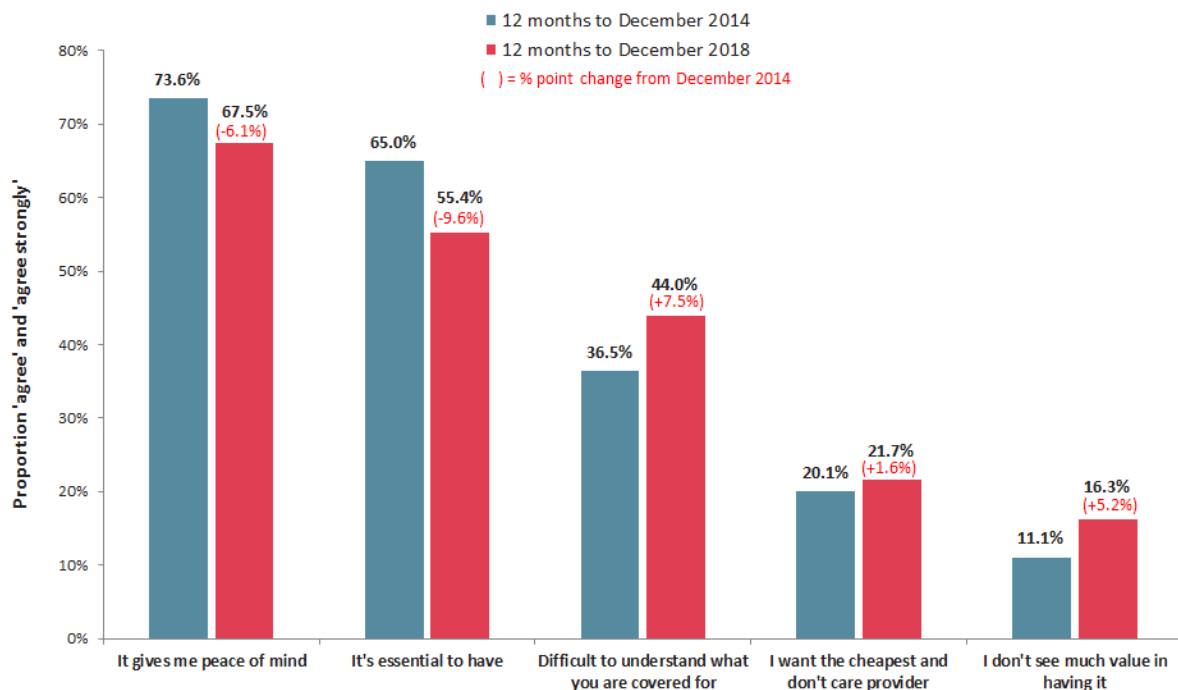
### Attitudes towards private health insurance facing problems

Over many years Roy Morgan has been measuring the attitudes of health fund members to a number of key statements that are focused on how they feel towards having health insurance. Since 2014, there has been an adverse trend across the major metrics as shown in the following chart.

Although the majority of fund members (67.5%) still agree that 'it gives me peace of mind', this has fallen from 73.6% in 2014. Another major level of agreement was for 'it's essential to have' with 55.4% but this has shown the largest decline from the 65.0% recorded in 2014.

Other declining attitudes among members over the last four years include the increasing concern that it is 'difficult to understand what you are covered for', which had an increase of 7.5% points (to 44.0%), an increase of 5.2% points in 'I don't see much value in having it' (to 16.3%) and an increase of 1.6% points for 'I want the cheapest and don't care provider' (to 21.7%).

### Member Attitudes to Private Health Insurance



Source: Roy Morgan Single Source (Australia). 12 months to December 2014, n=51,969; 12 months to December 2018, n=50,853.

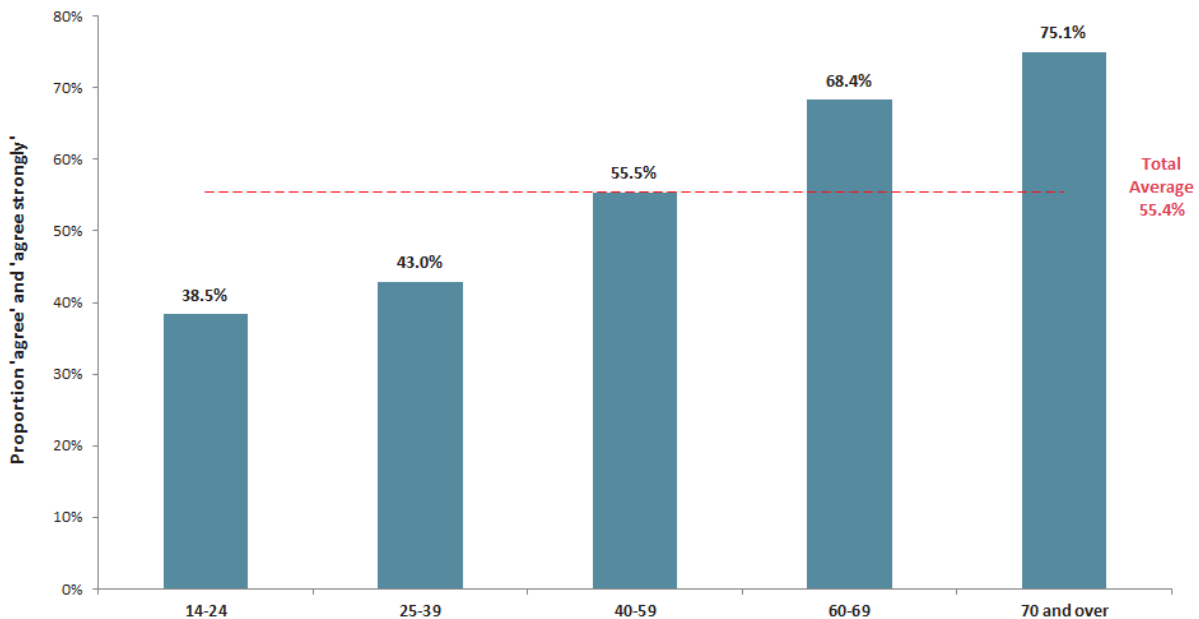
Base: Australians 14+ with private health insurance. 12 months to December 2014, n=8,084; 12 months to December 2018, n=8,183

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## The under 40's not convinced on need for private health insurance

There are major age differences in attitudes towards private health insurance that must be taken into account when marketing to this very diverse group. An example of this is the fact that members aged under 40 (Gen Z and Millennials) have the lowest levels of agreement with 'it is essential to have private health insurance'. Among members aged 14 to 24 only 38.5% agree that it is essential and even those aged 25 to 39 the agreement remains below average with only 43.0%. These low levels are in stark contrast to the 70 and over (Pre-Boomers) members where 75.1% consider it essential to have private health insurance.

### Member Agreement with "It is essential to have private health insurance" by Age



Source: Roy Morgan Single Source (Australia). 12 months to December 2018, n=50,853.

Base: Australians 14+ with private health insurance. 12 months to December 2018, n=8,183.

Other differences in attitudes among age groups that need to be understood include the 25 to 39 segment that have major growth potential as they enter the life-stage where they have increased responsibilities with families and mortgages. This is reflected in the fact they are well above average in concerns that relate to the cost of health insurance such as ; 'I want the cheapest and don't care the provider'; 'only reason to have it is to avoid paying extra tax'; and 'I don't see much value in having it.'

Fund members who are aged 14 to 24 (Gen Z) are the least engaged in private health insurance and are more likely to simply 'rely on recommendations from friends and family in choosing a fund.'

### 'NEO-Millennials' have different attitudes to health insurance

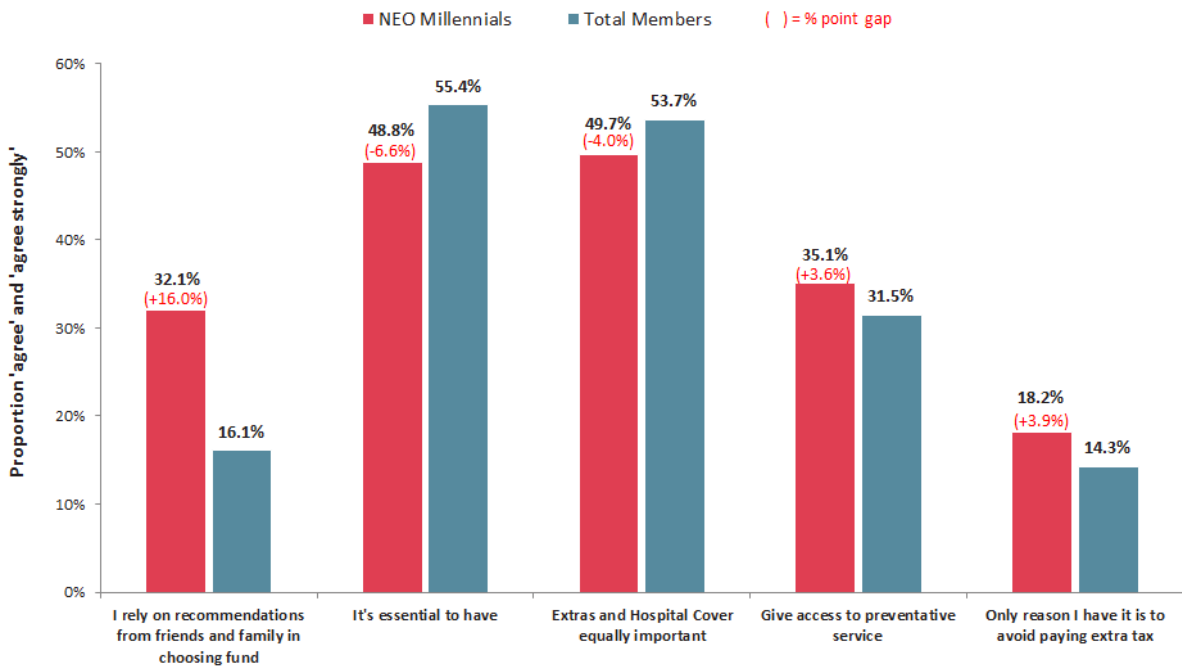
Roy Morgan has developed a segmentation based on the highest value big spending young consumers aged between 14 and 36. These 'NEO-Millennials' are an important potential market for private health insurance as there are just over two million of them, with only around half (54.4%) currently covered by health insurance.

The following chart shows that 'NEO-Millennials' with health insurance have a number of differences in attitudes to their insurance compared to overall fund members. The biggest difference is that nearly a third (32.1%) of them agree that they 'rely on recommendations from friends and family in choosing a fund' compared to only 16.1% for all fund members. They are also more interested in having 'access to preventative services' and have higher agreement with the fact that the 'only reason I have it (private health insurance) is to avoid paying extra tax.'

They have a below average agreement with 'it's essential to have' and have less interest in 'extras and hospital cover being equally important.'



**Difference in Member Attitudes to Private Health Insurance: All Members v NEO Millennial Members**



Source: Roy Morgan Single Source (Australia). 12 months to December 2018, n=50,853.  
 Base: Australians 14+ with private health insurance. 12 months to December 2018, n=8,183

**Norman Morris, Industry Communications Director, Roy Morgan says:**

*“With the impending increase in private health insurance premiums set for April, it is a concern that over the last four years we have already seen an adverse trend in attitudes which is likely to be exacerbated with any new fee increase. Any further decrease in attitude towards health insurance that may result should be of major concern to health funds and government. For both State and Federal governments, it is vital that they and the health funds continue to promote the benefits of health insurance, as any further decline in membership will lead to more pressure on the public system and as a result increased government funding.*

*“The major declines in attitudes that we have seen among fund members relate to the fact that only around half now see it as being essential and an increase in the belief that it is difficult to understand what you are covered for. These are important concerns to overcome as they will likely lead to the perception of poor value and member drop out.*

*“To engage fund members and the general population more in health insurance, this analysis has shown that there is a need to understand what motivates different age groups to take out and stay in health insurance, as the cannot be treated as a single homogeneous group. This includes understanding a new key segment, the ‘NEO-Millennials’, who are not only in the age group that is becoming more likely to take out health insurance but have the financial means to do so.*

*“It is important to note that these findings only cover the attitudes of private health fund members and so it is likely that people without it will be even more adversely predisposed towards health insurance. This makes it an even bigger challenge to attract new members as well as retaining existing ones.*

*“The data highlighted here is only a small part of what is available on the full database that covers private health insurance in-depth and trended over many years. With a great deal of competition in this industry, it is important to understand the relative strengths and weaknesses of all the major brands. The results presented in this release can be produced at the individual fund level, enabling unique competitive insights. To find out more ask Roy Morgan.”*

**To learn more about Roy Morgan’s Private Health Insurance data, call (+61) (3) 9224 5309 or email [askroymorgan@roymorgan.com](mailto:askroymorgan@roymorgan.com).**

Please click on this link to the [Roy Morgan Online Store](#).

**About Roy Morgan**

Roy Morgan is the largest independent Australian research company, with offices in each state of Australia, as well as in the United States and the United Kingdom. A full service research organisation specialising in omnibus and syndicated data, Roy Morgan has over 70 years' experience in collecting objective, independent information on consumers.

**Margin of Error**

The margin of error to be allowed for in any estimate depends mainly on the number of interviews on which it is based. Margin of error gives indications of the likely range within which estimates would be 95% likely to fall, expressed as the number of percentage points above or below the actual estimate. Allowance for design effects (such as stratification and weighting) should be made as appropriate.

Sample Size	Percentage Estimate			
	40%-60%	25% or 75%	10% or 90%	5% or 95%
5,000	±1.4	±1.2	±0.8	±0.6
10,000	±1.0	±0.9	±0.6	±0.4
20,000	±0.7	±0.6	±0.4	±0.3
50,000	±0.4	±0.4	±0.3	±0.2

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