NEO-Millennials provide hope to health funds

It’s official, private health insurance is in serious decline. At 31 March the proportion of Australians with hospital coverage (44%) was the lowest since 2007.¹

Economists and commentators blame an exodus of young Australians for the decline in membership. However, health insurance data just released by the Roy Morgan Research Institute paints a different picture.

Focused on Millennials, the data reveals two very different economic profiles – one with high levels of health cover, and another with low levels.

“Clearly not all Millennials are created equal,” said Roy Morgan CEO Michele Levine. “We have uncovered two very distinct versions of the Millennial generation. This dramatically changes how economists and fund managers should view younger Australians.”

According to the data 42% of Millennials pay for hospital cover – just less than the population. However, that leaps to a staggering 57% of new economic order (NEO) Millennials. And plummets to just 27% for traditional Millennials.

“What is revealed is a tale of two planets. On one planet 1.6 million NEO-Millennials are 29% more likely than the average Australian to have hospital cover. While on the other planet 1.9 million traditional Millennials are 39% less likely to have coverage,” she said.

“And yet to the analysts and commentators all younger Australians look the same.” she said.

What new data shows is that they are not the same. For example, NEO-Millennials spend more, are highly educated and early adopters of technology. And they like to be well insured. Almost all (91%) of NEO-Millennials have some kind of insurance,² compared to just 76% of Traditional Millennials.

Conversely, traditional Millennials – who give younger Australians a bad name in health insurance – are less educated, unable or unwilling to spend, and technology laggards.

“Both are Millennials, but the two consumer types are completely different – particularly when it comes to health insurance,” she said.

¹ Roy Morgan Single Source, Apr 2015 to Mar 2020, n=251,834. The APRA number for the same period is 43.8%.
² Excluding Compulsory Third Party insurance (motor vehicle).
“Australia’s NEO-Millennials plus the remaining 1.6 million ‘aspiring’ NEO-Millennials, who share the NEO mindset but not the full buying power, are, for example, more likely to take-out and keep private health insurance.

“Conversely, Traditional Millennials are price-sensitive switchers – more likely to cherry pick coverage through online aggregators when they need it, and then drop out when they don’t. In an actuarial sense this makes them very expensive to a health fund.

“It’s untrue, therefore, that all young Australians are deserting private health insurance. The fund managers simply need a new economic value lens to see who’s saving them from real disaster,” she said.

These findings are from the Roy Morgan Single Source survey, derived from in-depth interviews with over 1,000 Australians each week and around 50,000 Australians per year.

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To find out more about the work done on NEO-Millennials and their impact on the PHI sector by Roy Morgan in conjunction with Dr Ross Honeywill of the Centre for Social Economics, or about Roy Morgan’s extensive data on the Private Health Insurance industry, email askroymorgan@roymorgan.com.

About Roy Morgan

Roy Morgan is the source of the most comprehensive data on Australians’ behaviour and attitudes, surveying 1,000 people in a continuous cycle that has been running for two decades. The company has more than 75 years’ experience collecting objective, independent information. To go deeper on this or any other subject, ask Roy Morgan.