

Cabinet-in-Confidence

INDEXING THE AUSTRALIAN GOVERNMENT REBATE ON PRIVATE HEALTH INSURANCE BY THE CONSUMER PRICE INDEX

Background

- Individual rebates on private health insurance will be indexed by the lesser of the Consumer Price Index (CPI) or the premium increase, assuming there is no change in the type of policy.

- Individual rebates will be adjusted accordingly if people upgrade or downgrade their policies, and the rebates will be transferable between insurers as per current arrangements.

Before the measure is implemented

- Over recent years, there has been substantial growth in private health insurance membership and therefore rebate expenditure.
- The rate of new membership in private health insurance continues to outstrip population growth, with more Australians now covered by private health insurance than at any other time in the past 37 years.
- As at 30 June 2012, more than 10.6 million people, or 46.8 per cent of the population had private hospital cover.

After the measure is implemented

- This proposal is estimated to create savings of \$816 million over five years, through reduced private health insurance rebate spending.