

PRIVATE HEALTH INSURANCE

ISSUE

2009-10 Federal Budget measures concerning private health insurance: means testing; transparent premium setting;

KEY TALKING POINTS

- The Government's changes will make support for private health insurance fairer so that we can deliver for people who need support the most.

Private Health Insurance Incentive Tiers

- GFC means tough decisions – Government has to make the hard decision about what's right for Australia in the long term.
 - rebalancing private health insurance support so that those who have a greater capacity to provide for their own private health insurance do so.
- These changes will result in a saving to Government expenditure of \$1.9 billion over four years. These savings will be used to support high priority initiatives for those who need them most.
- These changes represent a rebalancing of the current mix of private health insurance incentives so that higher income earners receive less 'carrot' and more 'stick' encouragement to be insured.
- Across our tax and payments system the largest benefits are provided to those on lower incomes – except for private health insurance. These changes are consistent with the principle underpinning the tax and transfer systems – the largest benefits payments should be provided to those on lower incomes.
- For low and middle-income earners, the existing 30, 35 and 40 per cent private health insurance rebates will remain in place.
- People in the various income ranges will be affected as follows:

Private Health Insurance Rebate

Singles	\$75,000 or less	\$75,001-\$90,000	\$90,001-\$120,000	\$120,001 or more
Couples	\$150,000 or less	\$150,001-\$180,000	\$180,001-\$240,000	\$240,001 or more
Age under 65	30%	20%	10%	0%
Age 65-69	35%	25%	15%	0%
Age 70+	40%	30%	20%	0%

Private Health Insurance Surcharge

Singles	\$75,000 or less	\$75,001-\$90,000	\$90,001-\$120,000	\$120,001 or more
Couples	\$150,000 or less	\$150,001-\$180,000	\$180,001-\$240,000	\$240,001 or more

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All ages	0.0%	1.0%	1.25%	1.5%
<ul style="list-style-type: none">• The most effective component of the existing incentive structure, Lifetime Health Cover, will remain in place.• It is estimated that around 25,000 people will drop their private hospital insurance as a result of these changes. However, these changes will not have a significant impact on participation, as it is estimated 99.7 per cent of hospital policyholders will keep their private health insurance.• The changes to the Private Health Insurance Surcharge will affect around 130,000 Australians who currently do not have private health insurance.• Despite receiving less of a rebate subsidy, people affected by these changes will remain better off as a result of the tax cuts in July 2009 and July 2010.• The small number of people who do drop out of private health insurance will not result in a significant additional burden on public hospitals. The increase in public patients would be around 0.1% of the usual public hospital workload.• In November 2008, the Government provided an additional \$22 billion in funding for public hospitals to cover the costs of an additional 350,000 Emergency Department presentations and an additional 370,000 hospital admissions over four years.				

FURTHER TALKING POINTS (if required)

Government Support for Public Hospitals

- At the Council of Australian Governments' (COAG) meeting in November 2008, the Commonwealth agreed to provide \$64.4 billion over five years to the states and territories for state health systems and national partnerships. These funds will improve health outcomes, ensuring Australians receive high-quality hospital and hospital-related care.
- This package includes \$750 million in 2008-09 to relieve pressure on public hospital emergency departments, \$500 million for sub-acute care, and a \$1.1 billion workforce package, among other measures.
- In addition to our other commitments to health and hospitals, the Government is investing up to \$600 million to clear elective surgery waiting lists, and \$275 million for 31 GP Super Clinics. The establishment of the Health and Hospitals Fund further demonstrates the Government's commitment, in partnership with state and territory governments, to equipping Australia's health and hospital system for the future.

