

Health Chief Executives' Forum OR Health Ministers' Meeting– Day Date 2026 –Back Pocket Briefing

ITEM	Private Health Insurance (PHI) Rebate changes
LEAD JURISDICTION / SPONSOR	Commonwealth
PRIORITY	HIGH – Critical, urgent or high-risk issues
<i>Format</i>	Back Pocket Briefing
<i>Paper prepared by</i>	Commonwealth
<i>Responsible Deputy Secretary</i>	Celia Street

Desired Commonwealth Outcome

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Talking points

- On 22 April 2025, the Minister announced changes to the private health insurance Rebate from 1 April 2027. The rebate for older Australians will align with the level paid for the general population. Eligibility for the Rebate will be determined only by income, making it simpler and more equitable. This money will be redirected to fund important Aged Care services.
- My department's modelling indicates the average increase in costs for affected individuals—of less than \$1 per day—is likely to have a minimal impact on private health insurance participation. Overall the number of people with private health insurance is expected to continue growing.

Jurisdictional and Stakeholder Positions

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Supporting Analysis

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¹ Liu, J., & Zhang, Y. (2023). Elderly responses to private health insurance incentives: Evidence from Australia. Health Economics, 32(12), 2730–2744. <https://doi.org/10.1002/hec.4751>.

Critical Background

- Private health insurance in Australia is community rated, not risk-rated like other forms of insurance. This prevents private health insurers from charging higher premiums for people who are more likely to claim on their insurance, such as the elderly. If health insurance was risk-rated, health insurance would be unaffordable for many people in these high claiming groups. Community rating means the premiums paid by healthier (typically younger) people, cross-subsidise the claims made by sicker (typically older) people.
- The study commissioned by the previous government and developed by a third party (Finity) uses different assumptions and data, including about participation, claims values, and rebate expenditure. Where relevant, the findings of and feedback to the study have been considered in the development of these changes.
- The impact on the insured population in 2028-29 was chosen to ensure the effect of the Rebate change had fully flowed through to consumer PHI decisions in the modelling.

Previous Engagement

- Consultation with stakeholders about PHI incentives, including Rebate settings, was undertaken in 2022 and 2023 and included insurers, healthcare providers, hospitals, consumers and other interested parties.
- The department has not consulted on the specific proposed changes to the Rebate due to the sensitivities involved.
- Feedback reflected through the 2022-2023 independent study and subsequent public consultation was considered.

Attachments

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Australian Government
**Department of Health,
 Disability and Ageing**

Talking Points

<PDR No>

Click or tap to enter a date.

Subject: Aged Care Early Budget Announcements 2026-27

Key Points:

- On Wednesday 22 April 2026, Minister for Health and Ageing, the Hon Mark Butler MP announced a new \$3 billion Government aged care investment as part of 2026-27 Budget.
- This investment will deliver further changes to support older people receiving aged care at home and in residential services.
- For residential aged care these changes are expected to create an additional 5,000 residential aged care beds per year by incentivising aged care providers to build new homes and accept lower means residents through:
 - two new targeted capital subsidies (from 1 January 2027) and
 - an increase in the accommodation supplement (1 March 2027).
- The changes:
 - will decrease the number of people currently faced with delayed discharge from hospital, due to lack of access to residential aged care facilities and lack of support services for high need residents and
 - form part of the Government's initial response to the independent Residential Aged Care Accommodation Pricing Review.
- For Support at Home:
 - Older people will no longer be required pay for showers from 1 October 2026
 - Government is investing \$1 billion to cover the costs of personal care including showering and non-clinical continence management.
- The Private Health Insurance rebate for over 65s is being changed so they receive the same level of Government support as other Australians with funding to be rediverted in to aged care.

Residential Aged Care investments

- As part of the **\$3 billion**, the changes to residential aged care focus on delivering more beds for older Australians.
- Lack of supply of aged care beds is putting pressure on the hospital system, as some older Australians who are clinically ready for discharge are unable to find an available residential aged care bed.
- The package will support the construction of an additional **5,000 residential aged care beds each year**, to keep up with the rapidly increasing ageing population and help alleviate pressure on the health system.

OFFICIAL*Targeted Capital Subsidies*

- From 1 January 2027 new targeted capital subsidies will be available for residential care providers (not already receiving Aged Care Capital Assistance Program (ACCAP) funding for the relevant project) to fund:
 - o new homes with an additional \$30 per supported resident per day (for up to 25 years) and
 - o expanding existing homes with an additional \$15 per supported resident per day for homes that increase their bed numbers by at least 40% (for up to 15 years)

Accommodation Supplement changes

- From 1 March 2027, the base value of the accommodation supplement will increase by up to \$5 per resident per day and remove the current bottom two tiers of the accommodation supplement system.
- The Government will also increase the higher accommodation supplement (HAS) by \$5 per resident per day and introduce a new HAS tier system for homes with 0-29%, 30-39%, and 40+% supported resident ratios.
- From 1 March 2028, a top up payment supplement will be payable for services that have supported resident ratios of 60% or higher, to encourage them to accommodate those who don't have the means to pay for their care.

Specialist Dementia Care

- Older people living with dementia, particularly those with more complex care needs, will be more able to access suitable care, reducing delays in discharge from hospital with \$200m to allocated to:
 - o Hospital to Aged Care Dementia Support Program which supports patients to transition out of hospital into residential aged care, or back into the community with appropriate aged care support and
 - o Specialist Dementia Care Program funds dedicated units for people with very severe symptoms who cannot be cared for within mainstream residential aged care settings.

Support at Home changes

- From 1 October 2026, older people will no longer be required pay for showers.
- **\$1 billion** is also being provided to change the treatment of showering, continence management and dressing through the Support at Home program.
- This will improve dignity and ensure older people get the personal care they need.
- Older people will be eligible provided they have access to personal care services as outlined in their care and available Support at Home funding.
- These items will move from the 'independence' contribution category to the 'clinical supports' contribution category in the Support at Home program.

Private Health Insurance rebate

- The Minister also announced there would be changes to Private Health Insurance subsidies for consumers over the aged of 65.
- For people over 65 who are currently receiving a higher government rebate on their Private Health Insurance, will start to receive the same government rebates as all other Australian's accessing Private Health Insurance as of 1 July 2026.

Private health cameos

What is a cameo?

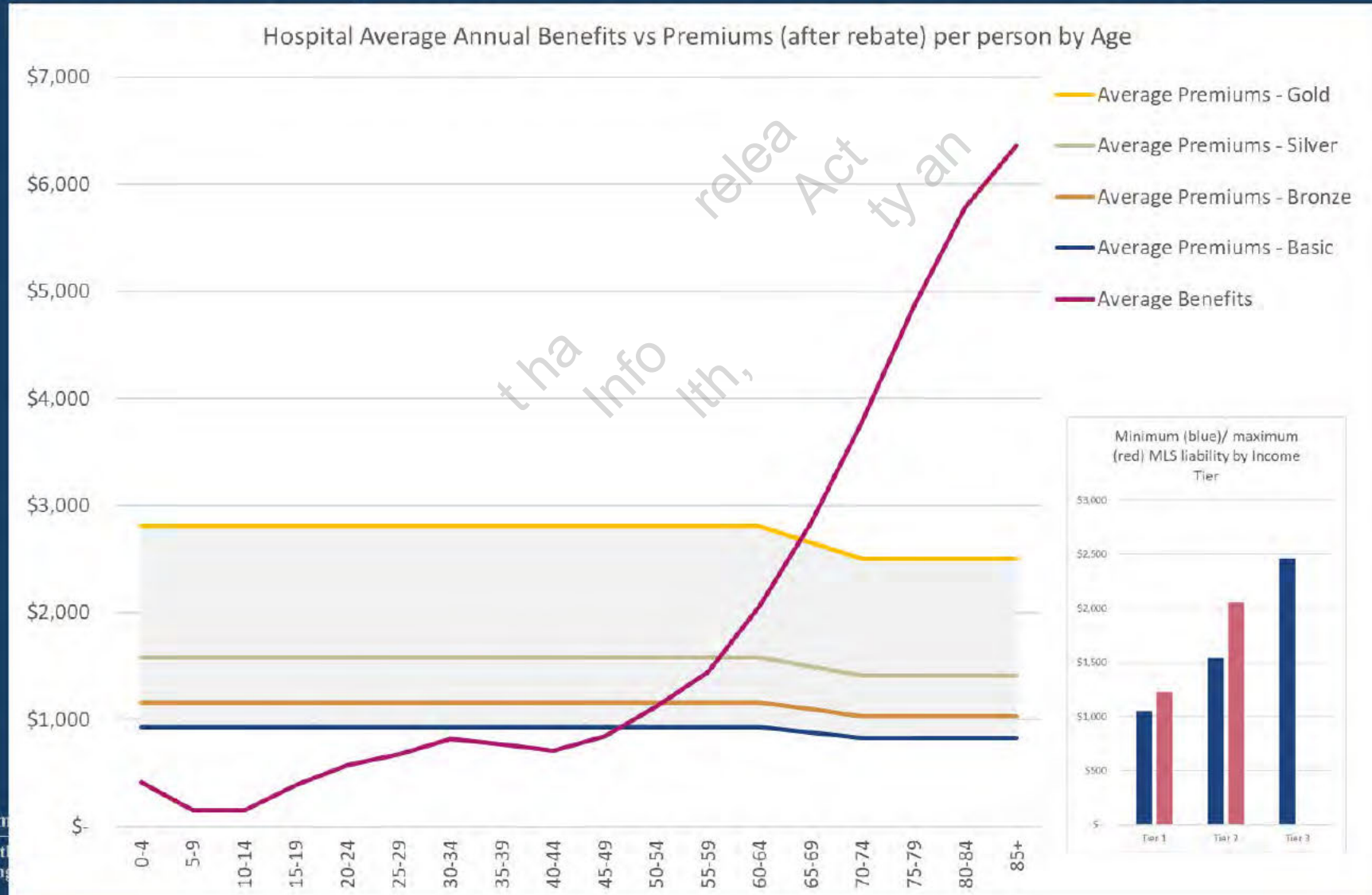
- Cameos are brief representations of consumers that outline how policy options impact fictionalised people or providers.
- They help translate complex analysis into tangible impacts, support side-by-side comparison of options, and humanise decisions for stakeholders and decision-makers.

Current rebate settings:

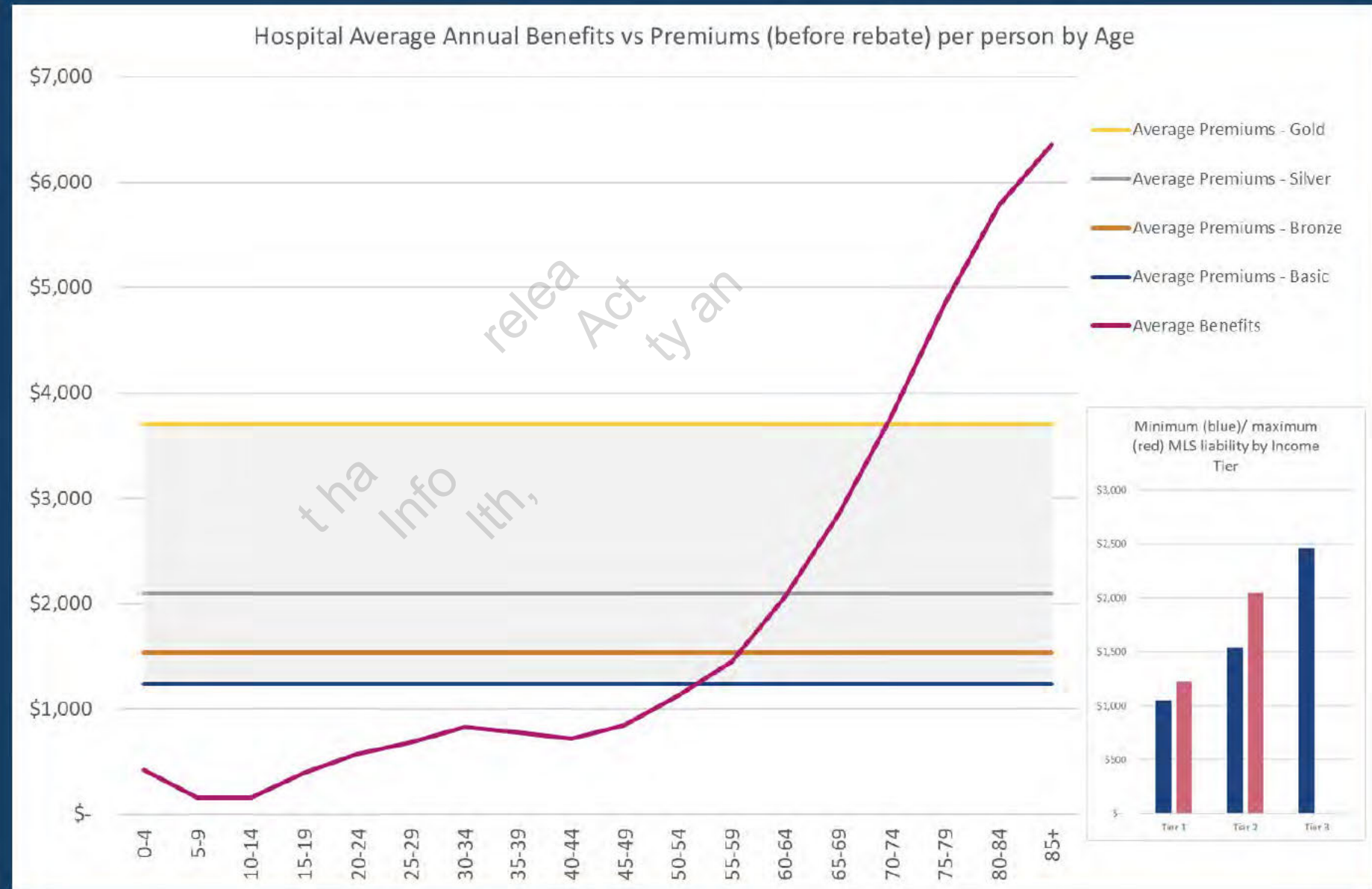
- Older people have a higher rebate than younger at the same income
- Higher income Australians likely to take out PHI regardless of rebate
- MLS liability increases as rebate reduces

	PHI Rebate %			
Singles Tier threshold	≤ \$105,000	\$105,001-123,000	\$123,001-164,000	≥\$164,001
Families Tier threshold	≤ \$210,000	\$210,001-246,000	\$246,001-328,000	≥\$328,001
	Base Tier	Tier 1	Tier 2	Tier 3
Age <65	24.118%	16.079%	8.038%	0%
Age 65-69	28.139%	20.098%	12.058%	0%
Age 70+	32.158%	24.118%	16.079%	0%
MLS	0%	1%	1.25%	1.5%

Higher premium rebates are given to older people who receive much higher benefits (shown for Base income tier)



- All Tier 2 and most Tier 1 income earners can save money by purchasing basic hospital coverage rather than paying the MLS (even without the Rebate).
- Purchasing more comprehensive coverage is an individual decision based on financial circumstances and health needs



Option 1: Flat Base (24.118%), T1 and T2 Rebate (preferred)

	PHI Rebate %			
Singles Tier threshold	≤ \$105,000	\$105,001-123,000	\$123,001-164,000	≥ \$164,001
Families Tier threshold	≤ \$210,000	\$210,001-246,000	\$246,001-328,000	≥ \$328,001
	Base Tier	Tier 1	Tier 2	Tier 3
Age <65	24.118%	16.079%	8.038%	0%
Age 65-69	28.139% 24.118%	20.098% 16.079%	12.058% 8.038%	0%
Age 70+	32.158% 24.118%	24.118% 16.079%	16.079% 8.038%	0%
MLS	0%	1%	1.25%	1.5%

The impact on the number of people insured and the average rebate per person:

Change in number of people insured in 2028-29 by age and income tier (not including dependents) compared with current settings		
	18-64 years	65+ years
Base Tier	1,809	-42,001
Tier 1	118	-835
Tier 2	97	-1,477
Tier 3	-4	-11

Change in average rebate per person in 2028-29 by age and income tier (not including dependents) compared with current settings		
	18-64 years	65+ years
Base Tier	\$7	-\$255
Tier 1	\$5	-\$226
Tier 2	\$3	-\$230
Tier 3	\$0	\$0

- Older Australians receive more value in PHI than they pay in premiums
- Younger Australians are typically incentivised through the MLS and LHC to support the sustainability of the system
- Individuals will choose the cover that suits their financial circumstances and health needs

Key statistics, single person aged under 65 years			
	Average Basic Hospital Premium (2025 premium year) after Rebate	Average benefit paid by insurers (12 months to Mar-25)	MLS payable if no PHI (range), 2026-27
Base Tier	\$935	\$806	\$0
Tier 1	\$1,034		\$1,050-\$1,230
Tier 2	\$1,133		\$1,538-\$2,050
Tier 3	\$1,232		\$2,460+

Key statistics, single person aged 65 years and over			
	Average Basic Hospital Premium (2025 premium year) after Rebate	Average benefit paid by insurers (12 months to Mar-25)	MLS payable if no PHI (range), 2026-27
Base Tier	\$935	\$4,506	\$0
Tier 1	\$1,034		\$1,050-\$1,230
Tier 2	\$1,133		\$1,538-\$2,050
Tier 3	\$1,232		\$2,460+





Barbara and Joe are a couple in their 70s living in Launceston, who rely on the age pension (around \$47,000 pa). They have held comprehensive Gold coverage for most of their lives for peace of mind. It's important to them that they can access healthcare without financial strain or confusion. While they are both in relatively good health, they are aware that they may need to access healthcare in the future.

REBATE CURRENT AND FUTURE STATE

CURRENT STATE

PRIVATE
HEALTH
REBATES

- Annual PHI premium of \$3,706
- Currently receives a rebate of \$1,192
- Paying the remaining \$2,514 towards their PHI
- Average benefits paid by insurers for a 75-79 year old: \$4,848
- Barbara and Joe are not liable for the MLS

REFORM OPTION: FLAT BASE TIER, T1 AND T2 REBATE

- ↓ Barbara and Joe's rebate would **reduce** to \$894
- ↑ They will have to pay an **extra** \$298 per year to keep the same cover
- ↑ The cost of their PHI would **increase** to \$2,812
- Barbara and Joe would continue to not be liable for the MLS

POTENTIAL
IMPACTS

- They reevaluate holding PHI after the changes but decide to continue to pay for comprehensive PHI for peace of mind and perceive the private healthcare system as higher quality
- In order to pay for the increased PHI, on top of increasing cost of living, they have to cut back with other expenses.



Patty is a single person in her 80s, living in Darwin, who has \$65,000 a year to spend (non-taxed super and part pension). She holds Silver hospital cover. Patty’s doctor has flagged that she will need a hysterectomy. She will need to travel to Adelaide for the surgery due to the lack of private gynaecology services available in Darwin.

REBATE CURRENT AND FUTURE STATE

CURRENT STATE

PRIVATE
HEALTH
REBATES

- Annual PHI premium of \$2,094
- Currently receives a Rebate of \$673
- Paying the remaining \$1,421 towards their PHI
- Average benefits paid by insurers for 80-84 year olds: \$5,777
- Patty is not liable for the MLS

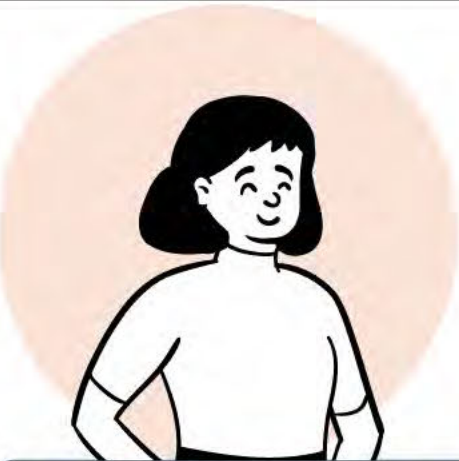
REFORM OPTION: FLAT BASE TIER, T1 AND T2 REBATE

- ↓ Patty’s rebate would **reduce** to \$505
- ↑ She will have to pay an extra \$168
- ↑ The cost of her PHI would **increase** to \$1,589
- Patty would continue to not be liable for the MLS

POTENTIAL
IMPACTS

- She is able to comfortably absorb the additional increase
- She continues to hold cover that suits their needs at this stage in life

FICTIONAL PERSONA



Donna is a 42 year old single mum of three children living in Melbourne. She has bronze private health insurance coverage and has an annual income of \$230,000. She wants to access high-quality medical treatment for her chronic condition without compromising her financial stability or her responsibilities as a single mother.

REBATE CURRENT AND FUTURE STATE

CURRENT STATE

PRIVATE
HEALTH
REBATES

- Annual PHI premium of \$3761
- Currently receives a rebate of \$605
- Paying the remaining \$3156 towards her PHI
- Holding PHI means Dona is exempt from paying MLS of \$2,300 per year

REFORM OPTION: FLAT BASE TIER, T1 AND T2 REBATE

Donna's rebate would **be unchanged**

The cost of her PHI would **be unchanged**

Annual MLS payable if not holding PHI hospital cover remains \$2,300

POTENTIAL
IMPACTS

- Donna's rebate and cost of PHI is unchanged.
- She maintains her coverage for her chronic condition.



Heather is a retiree in her late 70’s living in Geelong. She holds Silver (Hospital) cover and relies on the age pension with an annual income of around \$30,000. Heather needs to get a hip replacement but has put it off so she can save for the high cost of surgery and rehabilitative care.

REBATE CURRENT AND FUTURE STATE

CURRENT STATE

PRIVATE
HEALTH
REBATES

- Annual PHI premium of \$2333
- Currently receives a rebate of \$750
- Paying the remaining \$1583 towards her PHI
- Average benefits paid by insurers for 75-79 year olds: \$4848
- Heather is not liable for the MLS

REFORM OPTION: FLAT BASE TIER, T1 AND T2 REBATE

- ↓ Heather’s rebate would **reduce** to \$583
- ↑ The cost of her PHI would **increase** by \$167 per year
- ↑ This would **increase** Heather’s PHI cost to \$1750 per year
- Heather would continue to not be liable for the MLS

POTENTIAL
IMPACTS

- Places additional, unexpected costs on.
- Heather realises that in addition to struggling with the additional cost of her premium, she cannot afford the out-of-pocket costs of having her hip replacement in the private system.
- She chooses to drop her PHI cover and rely on the public system for her hip replacement and other future health needs.



Eugene is a 41-year-old living alone in Gold Coast. He currently holds silver (hospital) PHI coverage and has an annual income of \$125,000. Eugene prioritises his health and wellbeing, eats well, exercises regularly and has not needed to use his PHI since taking it out at age 30. On the advice of his parents, he took out PHI coverage to avoid lifetime health cover (LHC) loading.



Frank is a 75-year-old living alone in Brisbane. He currently holds silver (hospital) PHI coverage and has an annual income of \$125,000. He owns his home and enjoys playing bridge and spending time with his grandkids. Without lifestyle change, Frank's doctors have warned him that he is at risk of developing type 2 diabetes and the health complications that come with that.

REBATE CURRENT AND FUTURE STATE

CURRENT
STATE

- Annual PHI premium of \$2183
- Current rebate of \$175
- Pays the remaining \$2008 towards his PHI
- Average benefits paid by insurers for 40-44 year old: \$714
- By holding PHI, Eugene is **exempt** from paying MLS of \$1,563/year

FUTURE
STATE

- Rebate and cost of PHI are **unchanged**
- The cost of his PHI (\$2008) would continue to be **higher** than the average benefits paid for a 40-44 year old (\$714), and **higher** than his MLS liability
- Chooses to retain PHI to avoid LHC and MLS as he considers the annual premium increase to be insubstantial.

CURRENT
STATE

- Annual PHI premium of \$2183
- Current rebate of \$351
- Pays the remaining \$1832 towards his PHI
- Average benefits paid by insurers for 75-79 year old: \$4848
- By holding PHI, Frank is **exempt** from paying MLS of \$1,563/year

FUTURE
STATE

- Rebate **reduces** and cost of PHI **increases** by \$176
- The cost of his PHI (\$2008) would continue to be **lower** than the average benefits paid for a 75-79 year old (\$4848) and **higher** than his MLS liability
- Chooses to retain his PHI for peace of mind due to his increasing care needs

Private Health Insurance: Pre-Budget Announcement Q&A

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1. Modernising the Private Health Insurance (PHI) Rebate

Question	Answer
What is changing	• This Budget the Government will return the rebate for older Australians back to the level paid for everyone else. • The government is simplifying the PHI rebate for all income tiers (Base tier and Tiers 1 and 2) with the Rebate entitlement to be determined only by income. The Government will remove all age-based rebate uplifts that currently apply to those aged 65yrs and over.
Why has the government only reduced the PHI rebate for older people	• This measure makes PHI more equitable by ensuring that people's income (ability to pay) determines what level of support they receive from the government to subsidise their PHI, not their age. • People over the age of 65 years receive a greater level of assistance than younger people on similar incomes. • Those under age 65, on average, pay more on premiums than what they receive in benefits. Strong PHI participation amongst the young and healthy, facilitated in part through the PHI rebate, is critical for PHI to be affordable and sustainable, especially given increasing demographic pressures. • There's no policy rationale for paying a higher government subsidy to the age cohort for whom it will have the least behavioural impact. • And it's simply not the best way to spend precious taxpayers dollars on behalf of older Australians when we need to do so much heavy lifting in Aged Care.
When will these changes come into effect? How long will the sector have to adjust?	• The changes will apply from 1 April 2027, with the start date coinciding with the start of the PHI premium year. • The sector will be able to factor in necessary adjustments into their 2027 premium round applications and consumers will have time to compare insurer offers before April 2027 premium changes take effect.
Is this fair on older Australians	• There's no policy rationale for paying a higher government subsidy to the age cohort for whom it will have the least behavioural impact. On equity grounds, there's no justification for paying different rebates to two households with exactly the same income, simply based on age. • Those aged over 65 will on average continue to receive higher benefits than what they pay in premiums and be cross-subsidised by the premiums paid by younger people. • The current model is simply not the best way to spend taxpayer's dollars on behalf of older Australians when there is a significant need to improve access to Aged Care services. • The change will re-establish intergenerational equality in the PHI rebate system and boost funding to provide more dignity and care to older Australians.

Question	Answer
Don't older Australian have higher costs as they age, if so how is removing this subsidy justified	• They do, but even after the proposed change, older Australians will still on average continue to receive more in benefits than what they pay in PHI premiums. For younger Australians, that is not the case. • Younger Australians don't incur the same level of health costs as older Australians and they receive less in PHI benefits than what they pay in PHI premiums. They may also have other costs pressures like childcare, HECS debts, and mortgages. • This Government has been clear that changes made in this budget need to have a substantial focus on intergenerational responsibilities.
How many people will be impacted	• Approximately 3.2m older Australians
How many older Australians will cancel their PHI in response to these changes	• It is not possible to know the exact number of how many will cancel their policy in response to these changes. • The Department's modelling shows a projected estimate of 0.4% of the insured population potentially dropping their PHI within two full years of the change (2028-29). Note: the 2nd full year was chosen to ensure a credible reflection of consumer choice. • We understand this won't be a welcome decision for many older Australians, but it is the right decision. It re-establishes intergenerational equality in the rebate system.
What are the benefits for Older Australians to keep their PHI?	• PHI is a choice made by individuals based on their personal financial circumstances and health needs. • Older Australian will continue to be supported through the multiple PHI incentives - PHI Rebate, Medicare Levy Surcharge and Lifetime Health Cover. • People over 65 years of age receive more in benefits than they what they pay in premiums or would be charged in Medicare Levy Surcharge if they didn't have PHI, so there are still strong financial incentives to remain in PHI. <i>Example: 65+ years:</i> ▪ Benefits received = avg \$4,500pa ▪ Premiums paid = approx. \$1,600pa (silver cover, including Rebate) ▪ Medicare Levy Surcharge if no PHI = approx. \$1,100pa

Question	Answer
How much will this cost an average PHI holder who is impacted by this measure	- The average impact on those 65yrs and older is less than a dollar a day. - For internal use only: s47C
How much will this save	Details will be published in the budget papers as is the usual process.
Can you guarantee these saving will be ring fenced for Aged care	- Yes. - The government has made the hard decision that revenue raised from this measure would be better spent on ensuring older Australian have the aged care support they need, building new homes to meet rising demand. - We understand this won't be a welcome decision for many older Australians, but it is the right decision. - It re-establishes equality in the rebate system and frees up funding to provide more dignity and care to older Australians.

Question	Answer
The private hospital sector is struggling, surely this is a step in the wrong direction for the sector?	• It is expected that the measure will have a minor impact on participation in PHI. • The Department's modelling shows less than half a percent are expected to drop out by the end of 2028/29. This is a relatively small number when compared with the historical rate of annual take up of private health insurance, and the overall number of insured people is expected to continue to increase: ◦ Notes: 12 months to December 2025 = over 316,000 more people insured (2% increase). • Through the private hospital viability check conducted by my department in late 2024 and the subsequent Private Health CEO forum, it has become clear that there are a series of challenges facing the private health system. • The government will engage with the sector on over the coming months on a range of options to address these challenges: ◦ improving patient access to contemporary and more efficient models of care, including maternity care, mental health care, Hospital in the Home, and preventative care ◦ improving the transparency and value of private health insurance to consumers by addressing the range and complexity of insurance products insurers offer consumers ◦ improving the monitoring and transparency of the sectors performance, safety and quality, including the streamlining of data collections. • Maintaining inequitable and poorly designed rebate subsidies isn't the right direction for the sector's long-term sustainability
Isn't this just going to increase elective surgery wait times in public hospitals?	• A free public hospital system is a key foundation of Medicare and why we have a world class health care system. It will always be there for those that need it, and Labor will always defend Medicare. • And the Australian Government is delivering record funding to state and territory hospitals to support them in delivering health services like elective surgery. • This includes \$24.4 billion in additional projected NHRA funding over five years to 2030-31. • In total, this will provide almost \$220 billion in projected Australian Government public hospital funding over five years – the largest amount of public hospital funding ever committed. • Reinvesting these funds from the Rebate in aged care capacity will the expansion of access to Specialist Dementia Units and the Hospital to Aged Care Dementia Support program to address delayed discharge and relieve pressure on the public system.

Question	Answer
What are you doing on specialists? Isn't this just going to make it harder and more expensive to see a specialist?	• I recognise that the rising costs of specialist health care services remain a significant issue for many Australians. • We've started work to turn this around, by fixing the Medical Costs Finder so patients and their GPs know in advance what their specialists might charge them. • We are committed to making sure specialist care and private health is better and fairer for all Australians, by improving access and affordability. • In late 2025, I attended a roundtable on specialist affordability with a range of stakeholders including patients with lived experience that experience further highlighted the need for change. I've said that all options are on the table. • I have asked my Department to consider all options for reform in this area and have also referred the issue to the House of Representatives Standing Committee on Health, Aged Care and Disability for Enquiry. The Committee is seeking submissions by October 2026. • The Government will also consult on a range of options to address this issue with the sector over the coming months: ○ Regulating informed financial consent so that consumers understand the full cost of the specialist care upfront ○ Improving specialist referral processes and pathways so patients have greater choice on which specialist best meet their needs, and reduce unnecessary cost ○ Getting excessive and egregious fees under control
What will the Government be doing in addition to reducing the PHI Rebate, to ensure PHI is value for money?	• The Government is considering a range of reform options that the sector has identified. Government intends to engage with the sector on these reforms options in the coming months. • While the Government can play a role in assisting the private health insurance and private hospital sectors, it is primarily their responsibility to work collaboratively together, in the interests of consumers, to put in place arrangements that enable consumers access to high quality value for money services and ensure the sector remains financially sustainable.
Who have you consulted on this change?	• Consultation with stakeholders about PHI incentives, including Rebate settings, was undertaken in 2022 and 2023 and included insurers, healthcare providers, hospitals, consumers and other interested parties. • The department has not consulted on the specific proposed changes to the Rebate due to the sensitivities involved. • Feedback reflected through the 2022-2023 independent study and subsequent public consultation was considered.



Australian Government
Department of Finance

2026-27 Budget STANDARD COSTING AGREEMENT

Portfolio Name: Health, Disability and Ageing
Agency Name: Department of Health, Disability and Ageing
Costing Title: Modernising the Private Health Insurance Rebate – Savings (B26-27-568)
NPP Reference: s34(2) **Category:** Payment
Legislation Required: Yes **Gateway:** s47C
Are the legislative authority and constitutional support requirements addressed in the NPP? Yes
Funding Type: Ongoing **Start Date:** 01/07/2026 **End Date:** Ongoing
Submission: s34(2) **Authority:** s34(2)

Proposed Appropriation Source: Special Appropriation – *Private Health Insurance Act 2007* – incentive payments and rebate
Proposed CBMS Program(s): 8674 – Private Health Insurance
Brief Description: This costing is to achieve savings of \$3.0 billion over four years from 2026-27 s47C by removing the age-based determinant of the private health insurance (PHI) Rebate (the Rebate) and making income the sole determinant.

The proposal would change the Rebate for the Base Tier, Tier 1 and Tier 2 to 24.118 per cent, 16.079 per cent and 8.038 per cent respectively, bringing the 65 years and older cohort in line with the under 65 years old cohort. This would enable a more equitable distribution and better targeting of the private the Rebate to address intergenerational inequity.

Costing Assumptions:

Private Health Insurance Rebate

The Rebate is paid as a percentage of premiums to encourage Australians to purchase PHI. Other incentives include the Medicare Levy Surcharge (MLS) and Lifetime Health Cover (LHC). No changes to the MLS or LHC are currently proposed.

The Minister for Health and Ageing, Disability and the National Disability Insurance Scheme has advised that the Rebate is currently inequitable and poorly targeted. The Rebate provides higher subsidises to older Australians compared with younger Australians on equivalent incomes.

Removing Age-Based Determinant of the Rebate

Removing the age-based determinant of the Rebate would start from 1 April 2027.

Savings will be achieved from the reduced Rebates for PHI holders in the age groups, 65 to 69 and 70 years and above in the Base Tier, Tier 1 and Tier 2.

There will be an increased cost of PHI, for approximately 3.2 million people (not including their dependents).

Current PHI Rebate Estimates				
	2026-27	2027-28	2028-29	2029-30
Projected Rebate (\$m)	7,794	7,953	8,054	8,148

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Source: PHI Rebate Model

New PHI Rebate Estimates				
	2026-27	2027-28	2028-29	2029-30
Projected Rebate (\$m)	7,588	7,083	7,123	7,160

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Source: PHI Rebate Model

Remove Age-Based Determinant - savings				
	2026-27	2027-28	2028-29	2029-30
Change in Projected Rebate (\$m)	-206	-870	-931	-987

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Source: PHI Rebate Model

Table 1 - Existing Rebate Rates

PHI Rebate % - 2025-26 Income Tiers				
Singles	≤ \$105k	\$105k-\$123k	\$123k-\$164k	≥ \$164k
Families	≤ \$210k	\$210k-\$246k	\$246k-\$328k	≥ \$328k
Age Group	Base Tier	Tier 1	Tier 2	Tier 3
Under 65	24.118%	16.079%	8.038%	0%
65-69	28.139%	20.098%	12.058%	0%
70+	32.158%	24.118%	16.079%	0%

Table 2 - New Rebate Rates from 1 April 2027

PHI Rebate % - 2025-26 Income Tiers				
Singles	≤ \$105k	\$105k-\$123k	\$123k-\$164k	≥ \$164k
Families	≤ \$210k	\$210k-\$246k	\$246k-\$328k	≥ \$328k
Age Group	Base Tier	Tier 1	Tier 2	Tier 3
Under 65	24.118%	16.079%	8.038%	0%
65-69	24.118%	16.079%	8.038%	0%
70+	24.118%	16.079%	8.038%	0%

s47C

ASL

The following ASL and costs are to be met from within existing resources of the Department of Health, Disability and Ageing:

	2025-26	2026-27	2027-28	2028-29
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s47C

ASL is to conduct the implementation of Rebate reforms, including legislative changes.

Indexation Method:

Income tiers will continue to be subject to annual indexation on 1 July based on changes in Average Weekly Earnings. The reset Rebate rates will be subject to annual indexation through the Rebate Adjustment Factor on 1 April 2028 and subsequent

years based on the difference between Consumer Price Index and the industry weighted average premium increase.

Financial Impact Beyond s47C

Forward Estimates:

This program is demand driven.

Related Savings /Expense: N/A

Note: This Costing Agreement does not constitute policy support for the proposal. If the substance of this proposal changes or a significant period of time elapses, a revised costing should be submitted to Finance for agreement.

The Department of Finance agrees to the estimates of the costs stated below:

	2025-26 (\$m)	2026-27 (\$m)	2027-28 (\$m)	2028-29 (\$m)	2029-30 (\$m)	5 year Total (\$m)	s47C
Total Financial Impacts							
Impact on Underlying Cash Balance	0.000	205.962	870.312	930.989	987.398	2,994.661	
UCB Payments	0.000	205.962	870.312	930.989	987.398	2,994.661	
UCB Receipts (Non-Tax)	0.000	0.000	0.000	0.000	0.000	0.000	
UCB Receipts (Tax)	0.000	0.000	0.000	0.000	0.000	0.000	
Impact on Fiscal Balance	0.000	205.962	870.312	930.989	987.398	2,994.661	
FB Expenses	0.000	205.962	870.312	930.989	987.398	2,994.661	
FB Capital	0.000	0.000	0.000	0.000	0.000	0.000	
FB Revenue (Non-Tax)	0.000	0.000	0.000	0.000	0.000	0.000	
FB Revenue (Tax)	0.000	0.000	0.000	0.000	0.000	0.000	
Total Contractors	0.0	0.0	0.0	0.0	0.0		
Net ASL impact	0.0	0.0	0.0	0.0	0.0		

	2025-26 (\$m)	2026-27 (\$m)	2027-28 (\$m)	2028-29 (\$m)	2029-30 (\$m)	5 year Total (\$m)	s47C
Total Resourcing							
Resourcing	0.000	-205.962	-870.312	-930.989	-987.398	-2,994.661	
<i>Special Appropriation – Private Insurance Act 2007 – incentive payments and rebate</i>	0.000	-205.962	-870.312	-930.989	-987.398	-2,994.661	

Costing Officer	Director
s47E(c), s47F Digitally signed by s47E(c), s47F Date: 2026.04.20 15:26:32 +10'00'	s47E(c), s47F Digitally signed by s47E(c), s47F Date: 2026.04.20 15:29:16 +10'00'

Program Specific Agreement
8674 – Private Health Insurance
Admin

	2025-26 (\$m)	2026-27 (\$m)	2027-28 (\$m)	2028-29 (\$m)	2029-30 (\$m)	5 year Total (\$m)	S47C
Financial Impacts							
Impact on Underlying Cash Balance	0.000	205.962	870.312	930.989	987.398	2,994.661	
UCB Payments	0.000	205.962	870.312	930.989	987.398	2,994.661	
UCB Receipts (Non-Tax)	0.000	0.000	0.000	0.000	0.000	0.000	
UCB Receipts (Tax)	0.000	0.000	0.000	0.000	0.000	0.000	
Impact on Fiscal Balance	0.000	205.962	870.312	930.989	987.398	2,994.661	
FB Expenses	0.000	205.962	870.312	930.989	987.398	2,994.661	
FB Capital	0.000	0.000	0.000	0.000	0.000	0.000	
FB Revenue (Non-Tax)	0.000	0.000	0.000	0.000	0.000	0.000	
FB Revenue (Tax)	0.000	0.000	0.000	0.000	0.000	0.000	
Depreciation	0.000	0.000	0.000	0.000	0.000	0.000	



From: MCBRIDE, Paul <Paul.McBride@Protected.Health.gov.au>
Sent on: Wednesday, April 29, 2026 7:07:38 AM
To: s11C [REDACTED] health.gov.au>
CC: s47E(c), s47F [REDACTED] @Protected.Health.gov.au>
Subject: FW: avg rebate change figures [SEC=PROTECTED]

Hi s11C [REDACTED]

You asked for a single average \$ figure for the reduction in rebate for 65+yrs, rather than a \$ average figure by tier
 That number below
 Cheers
 Paul

From: s47E(c), s47F [REDACTED]
Sent: Wednesday, April 29, 2026 4:20 PM
To: MCBRIDE, Paul
Subject: avg rebate change figures [SEC=PROTECTED]

s47C [REDACTED]

Average decrease in rebate per person for those aged 65+ years in the 3 affected income tiers (Base, 1 and 2) is \$252

s47E(c), s47F [REDACTED]

**Director ? Financing Section
 Private Health Strategy Branch**

Portfolio Strategy Division | Systems Strategy Group
 Australian Government Department of Health, Disability and Ageing
 T: 02 5132 s47E(c), s47F [REDACTED] [@protected.health.gov.au](mailto:s47E(c),s47F@protected.health.gov.au)

This email comes to you from Ngunnawal country

Location: Yaradhang Building

PO Box 9848, Canberra ACT 2601, Australia

The Department of Health, Disability and Ageing acknowledges First Nations peoples as the Traditional Owners of Country throughout Australia, and their continuing connection to land, sea and community. We pay our respects to them and their cultures, and to all Elders both past and present.

OFFICIAL

Overview

Assumptions

Execute

Reports

Save

Advanced

Release 8

Scenario Name:

Budget Baseline/Status Quo (Option 1)

Date:

2026-27 Budget

Purpose:

Budget model for 2026-27 with no changes to PHI rebate

Method:**Notes:**

Next

OFFICIAL

Economic

Economic

- RAF
- Premium
- Income Tiers
- MLS
- Rebate

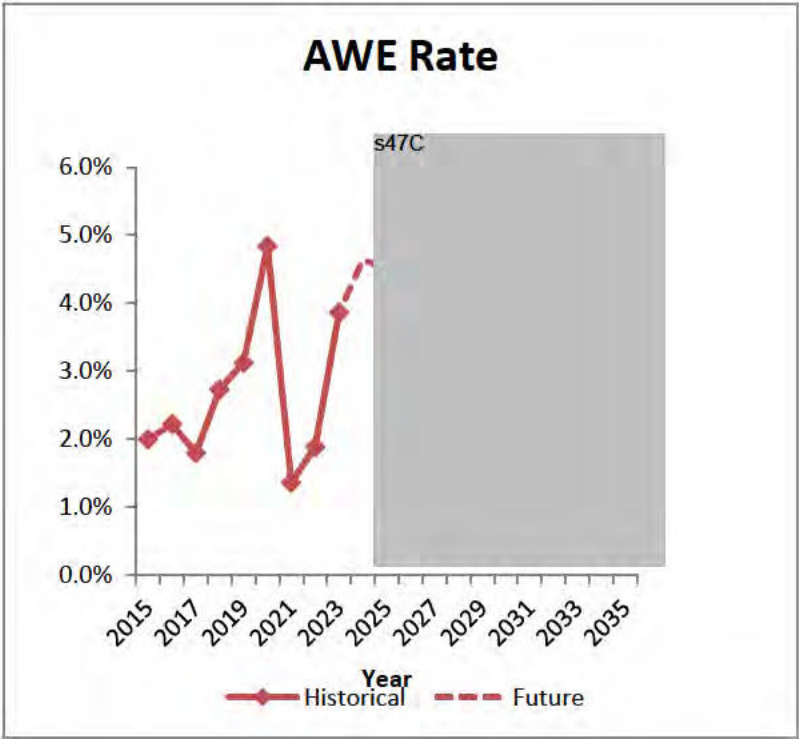
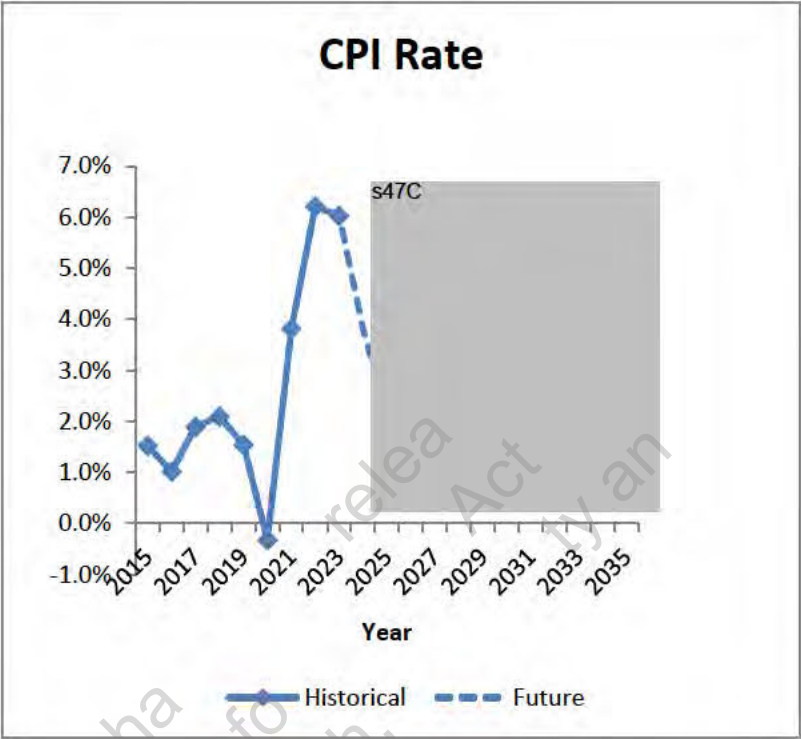
Historical and Adopted Future Inflation Rates

Year ending 30 June	CPI Rate	AWE Rate
2015	1.5%	2.0%
2016	1.0%	2.2%
2017	1.9%	1.8%
2018	2.1%	2.7%
2019	1.5%	3.1%
2020	-0.3%	4.8%
2021	3.8%	1.4%
2022	6.2%	1.9%
2023	6.0%	3.9%
2024	3.8%	4.6%
2025	2.1%	4.5%

s47C



Next



CPI: Use series "Headline consumer price index - Percentage change over year to June qtr"
AWE: Use series "Average weekly earnings (survey basis) - Percentage change over year to June qtr"

Rebate Adjustment Factor

Economic

RAF

Premium

Income Tiers

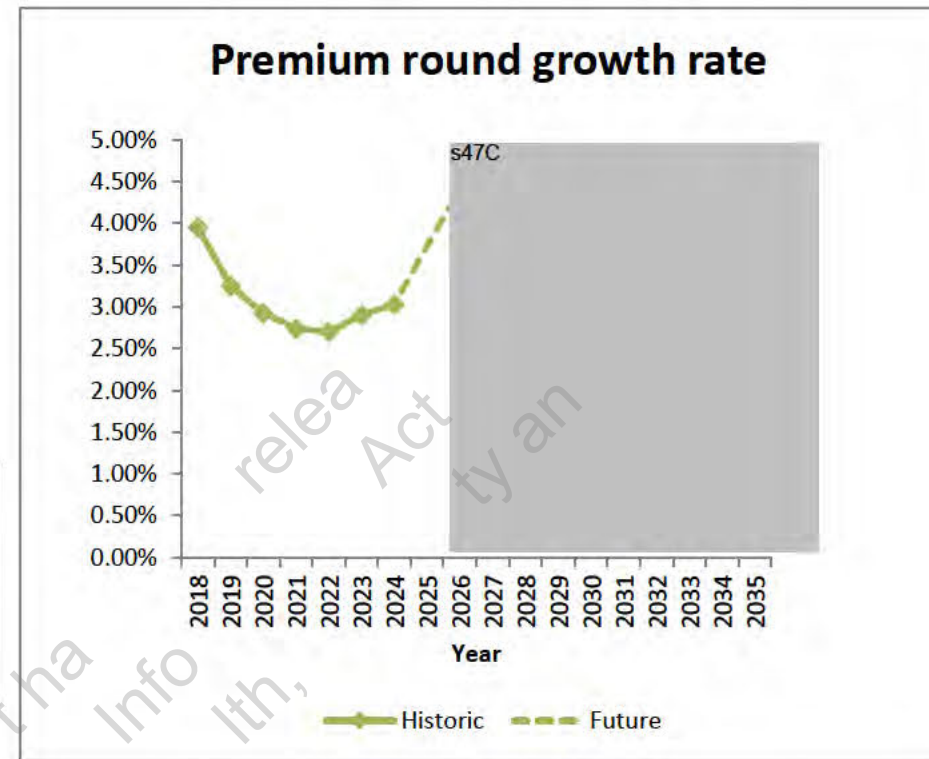
MLS

Rebate

Premium round growth rates used to calculate RAF during projection.

Year ending 30 June	Premium round growth rate
2015	6.18%
2016	5.59%
2017	4.84%
2018	3.95%
2019	3.25%
2020	2.92%
2021	2.74%
2022	2.70%
2023	2.90%
2024	3.03%
2025	3.73%
2026	4.41%

eighted RAF



These values are the published weighted average premium growth published by the Department at the end of the Premium Round.

Next

RAF = 1	YEAR
Start 1 APRIL	2099
END	2099

2021