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MEDIA RELEASE

Means-testing affects entire Australian health system.

A new Report into the impact of the Government's policy to means-test the 30% Rebate on Private Health Insurance has concluded that the policy will have a negative impact across the entire Australian health system.

The Report, which is based on ANOP/Newspoll research of 2000 Australian households and compiled by Deloitte, estimates the economic impacts of means-testing the 30% Rebate and it determines how privately insured Australians will respond to the proposed changes.

The report rejects the Australian Treasury's projections that only 25,000 people will drop their private health cover, instead estimating that 175,000 Australians will drop their cover in the first year alone, and it warns that the cost of servicing the increased demand for public hospitals will outweigh the savings to government from means-testing the 30% Rebate.

The Report concludes that:

- Significant numbers of consumers will withdraw from their private hospital cover (1.6 million consumers over five years) or downgrade to lower levels of private health cover (4.3 million consumers over five years) following the proposed policy change;
- Significant numbers of consumers will also withdraw from their general treatment cover (2.8 million consumers over five years) or downgrade to lower levels of private health cover (5.7 million consumers over five years) following the proposed policy change;
- Private health insurance premiums will rise 10 per cent above what would otherwise be expected. As premiums rise, private health cover will become less affordable for all consumers, that is, not just for those who are in the tiers;
- As people withdraw from private health insurance, the burden on publicly provided healthcare rises. The findings indicate that the costs of treating consumers in the public hospital system are expected to rise substantially above what is currently anticipated by Government (Deloitte estimates that additional operating costs over five years will be \$3.8 billion); and,
- The Report concludes that another 845,000 admissions to public hospitals will be required over the next five years.



The Chief Executive of the Australian Health Insurance Association who commissioned the Report, Dr Michael Armitage, said the Report confirmed the concerns of the Industry and Australia's private health sector.

“From the outset the Private Health Insurance Industry has maintained that means-testing the 30% Rebate would force Australians out of the private health system and into the public sector; that it would put increased pressure on the public hospital system; and, force premiums to increase, disadvantaging lower income earners who remain in private health insurance.

“Of the 11.6 million privately insured Australians, 5.6 million have an annual household income less than \$50,000 and of those, 3.4 million have an annual household income of less than \$35,000. This is an issue which affects every Australian requiring health care.

“The Deloitte Report confirms what many in Australia's health system had predicted. The Government has underestimated the impact of this policy. In an attempt to find savings, the Government has developed a policy which will demand a greater financial injection than it saves in order to repair the health system,” said Dr Armitage.

Full report available at www.ahia.org.au

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