



**Means Testing the Private Health
Insurance Rebate**

**The Impact on Private Health Insurance
Membership in Australia**

Report on the 2011 ANOP Survey for the AHIA

Prepared for:

The Australian Health Insurance Association (AHIA)

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1 INTRODUCTION



ANOP Research Services Pty Ltd was commissioned by the Australian Health Insurance Association (AHIA) to conduct a detailed survey of the private health insurance (PHI) population regarding the federal government's plans to means test the private health insurance rebate and associated policy changes. The AHIA wanted a reliable indication of the likely impact of the planned changes on private health insurance membership and levels of cover. The survey was also intended, in part, to supply data to assist an economic modelling exercise undertaken by Deloitte.

1.1 The Survey Method

The survey was conducted among 2000 households with private health insurance. Those interviewed were the decision makers regarding private health insurance in the household and were aged between 18 – 64 years.

The survey was designed and interpreted by Rod Cameron and Margaret Gibbs of ANOP Research Services Pty Ltd. Interviewing and sampling was undertaken by Newspoll and was conducted in late February and early March 2011.

The sample was sourced from databases of Newspoll and Australia Post's First Direct Solutions. Interviews were conducted by telephone by Newspoll's fully trained and personally briefed interviewers. To ensure the sample included mobile telephone users and those who spend more time away from home, a system of call backs and appointments was incorporated. The survey was carried out in compliance with ISO 20252 – Market, Social and Opinion Research.

1.2 Focus of the Survey

The focus of the survey was on those directly impacted by the federal government's planned means testing of the private health insurance rebate. These people ("Tiers" – see below) were over-sampled so as to provide reliable numbers for robust modelling of the data. The sample was restricted to those under 65, because of the relatively low incidence of over 65s with sufficiently high taxable incomes to be directly affected by the planned means testing. A smaller sample of "Non-Tiers" was interviewed to assess the flow-on effect of the planned changes and to measure a range of attitudes held by the broader privately insured population.

The sample comprised 1296 "Tiers" and 704 "Non-Tiers". The results were weighted using latest ABS and NHS statistics to a formula devised by Deloitte. The basic sampling unit for the study was households, so the weighting statistics were based on numbers of *policies* held (as opposed to the number of *people* covered by PHI). Variables used in the weighting were *type of cover* (hospital only, "extras" only, both), *type of policy* (single, sole parent, couple,

family), and *state of residence*. Tiers and Non-Tiers were also aligned to population statistics (25%:75% respectively).

1.3 Definition of Tiers

Tiers were defined as those with single or sole parent cover with annual (2011) taxable incomes of \$80,000 or more, or those with couple or family cover with annual joint taxable incomes of \$160,000 or more.

Tier One:	Singles/Sole parent cover:	taxable income \$80,000 - \$94,000
	Couple/Family cover:	taxable income \$160,000 - \$184,000
Tier Two:	Singles/Sole parent cover:	taxable income \$95,000 - \$124,000
	Couple/Family cover:	taxable income \$185,000 - \$249,000
Tier Three:	Singles/Sole parent cover:	taxable income \$125,000 and over
	Couple/Family cover:	taxable income \$250,000 and over
Non-Tiers	are those with private health insurance earning below \$80,000 (single/sole parent cover) or below \$160,000 (couple/family cover).	

1.4 Areas of Investigation

The federal government's planned means testing of the private health insurance rebate is a complex topic, not only in the way Tiers are defined but also in the way the planned means testing will apply.

To enable classification of those interviewed into the various Tier levels, the survey ascertained the type of policy held in the household (single, sole parent, couple, family); and taxable income levels (personal taxable income for those with single/sole parent policies, joint taxable income for couple/family policies). The survey also collected information about type of cover (hospital only, "extras" only, both), level of hospital cover (basic, intermediate, top), level of general treatment cover (standard, comprehensive "extras") and whether a hospital claim had been made in the last 2 years (as an indication of "health").

The planned means testing will impact on the three Tiers in the following way:

	Change to PHI Rebate	Change to MLS
Tier One:	Reduction from 30% to 20%	Unchanged at 1%
Tier Two:	Reduction from 30% to 10%	Increased from 1% to 1¼%
Tier Three:	Reduction from 30% to zero	Increased from 1% to 1½%

Note: The above changes to the PHI rebate apply to the privately insured covered by this study - those aged under 65s. Their current rebate is 30% (whereas the PHI rebate is higher for the over 65s and the planned changes differ accordingly).

In order to assess the privately insured population's understanding of the PHI rebate and the federal government's planned changes to it, and to identify the

likely impact that the changes will have, the following issues were investigated in the survey:

- Awareness of the fundamentals: the PHI rebate, the Medicare Levy Surcharge Levy (MLS) and Lifetime Health Cover (LHC)
- The planned policy changes: awareness and the likely impact of the changes on levels of hospital and general treatment (“extras”) cover among Tiers
- Price sensitivity: budgeting for health insurance, and the reaction to various premium increase scenarios among Tiers and Non-Tiers
- The importance of the MLS as a driver of hospital cover
- The perceived impact of the changes on public hospital usage.

These complex issues were translated into straightforward, factual language in the survey questionnaire. In assessing price sensitivity, dollar values were assigned to the premium increase scenarios according to each policy holder’s own type and level of cover. The questionnaire was designed so that survey respondents could readily understand the changes as they applied to their own situation, yet it collected a complex array of data required to assess the impact on PHI membership of the federal government’s planned means testing of the rebate.

1.5 The Report

This report consists of five sections:

1. This introduction
2. An executive summary of key findings and conclusions
3. A more detailed analysis and interpretation of results
4. A set of summary tables of results
5. An appendix containing the survey questions

Detailed computer printouts of all results - with analysis of Tiers, Non-Tiers and the total privately insured population - have been provided to the AHIA in three separate volumes.

2 EXECUTIVE SUMMARY



This executive summary draws together the key findings of the study, and presents ANOP's main conclusions about the impact of the federal government's planned means testing of the PHI rebate.

Awareness of the rebate, its perceived importance and the Medicare Levy Surcharge (MLS)

- The overwhelming majority of privately insureds¹ (91%) are aware of the 30% federal government rebate on the cost of their private health insurance. Importantly, awareness increases with age and it is higher (94%) among Tiers.
- The rebate is considered "very important" by 7 in 10 (71%) and "quite important" by a further 2 in 10 (22%). This 93% importance rating (higher among lower income earners) is a high figure in survey terms and it indicates the considerable reliance placed on the rebate by the privately insureds.
- Prompted awareness of the MLS is also at a very high level (83%), with the better off Tiers showing 9 in 10 awareness figures (89%).

Awareness of the government's planned changes

- In contrast, a very low awareness (23%) is measured regarding the government's plans to means test the rebate. Awareness rises to only 3 in 10 (29%) among those who will be directly impacted (i.e. the Tiers). Thus, the privately insured population is not well informed about or prepared for this significant policy change.

Impact of the government's planned means testing of the rebate among Tiers

- Tiers were firstly informed about how the rebate and the MLS would change for their particular income group². They were then asked what they would do about their hospital cover and extras/ancillary cover.
- For those with **hospital** cover, around 1 in 10 (11%) would drop hospital cover entirely and an additional 1 in 4 (24%) would downgrade. Thus, over one-third (35%) are likely to reduce their level of hospital cover.

¹ The sample was under 65 year old household decision makers for private health insurance.

² Tier One: Rebate reduced from 30% to 20%; MLS unchanged
 Tier Two: Rebate reduced from 30% to 10%; MLS increased from 1% to 1¼%
 Tier Three: Rebate reduced from 30% to zero; MLS increased from 1% to 1½%

- And for those with **extras** cover, the impact is even greater. Nearly 1 in 5 (18%) would drop their extras cover altogether, with a further 1 in 3 (34%) likely to downgrade. Thus over half (52%) would potentially cut back on extras cover.
- “Healthier” Tiers are more likely than their “less healthy” counterparts to drop or downgrade their hospital cover (*drop/downgrade hospital* 36%: 32%) and their “extras” cover (*drop/downgrade extras* 55%: 48%).
- The impact of the government’s planned changes will be significant in hospital cover dropout but will be even greater in the downgrading of coverage. Importantly, this study reveals that the most severe impact will occur in the general treatment sector (dental, optical, physiotherapy etc.).

Price Sensitivity

- In another measure of the effect of the government’s planned changes to the rebate, Tiers were asked what they would be likely to do if the cost of their private health insurance went up by 15%, 30%, and 45%. These premium increases reflect the impact of the planned rebate changes within individual Tiers³. When the results relevant to each Tier are combined (reaction to premium increase of 15% for Tier One, 30% for Tier Two and 45% for Tier Three), a similar impact of the planned means testing is revealed:
 - Over 1 in 10 (13%) would drop **hospital** cover entirely, and an additional 1 in 3 (33%) would downgrade hospital cover.
 - And for those with **extras** cover, the impact is greater. 1 in 5 (21%) would drop their extras cover altogether, with a further 1 in 3 (36%) likely to downgrade.
- Over half (56%) of privately insureds have a certain amount that they are prepared to pay each year for their private health insurance. This price sensitivity is naturally more pronounced among Non-Tiers (59%) than Tiers (47%), but nonetheless it is noteworthy that nearly half of the Tiers have a limit on what they are prepared to outlay on health insurance. These price sensitive policy holders are the ones most likely to downgrade or drop hospital and extras cover when the cost of their private health insurance increases under the planned changes to the rebate.

³ The planned means testing will result in the following premium increases:

Tier One: the rebate reduction from 30% to 20% is equivalent to about a 15% premium increase

Tier Two: the rebate reduction from 30% to 10% is equivalent to about a 30% premium increase

Tier Three: the loss of the 30% rebate is equivalent to about a 45% premium increase

Potential disincentives to dropping hospital cover

- The Medicare Levy Surcharge (MLS) is a weak deterrent against dropping hospital cover:
 - Only 1 in 5 (19%) of Tiers with hospital cover report that avoiding the MLS is the main reason for having hospital cover.
 - Among the 87% keeping some form of hospital cover after being informed of the planned changes, only 17% linked avoiding the MLS to this decision.
 - Of the 11% intending to drop hospital cover under the planned changes, only 1 in 4 (27%) of those aware of the MLS would reconsider their decision when specifically reminded that it would result in their paying the MLS.

Impact of the changes on public hospital system usage

- Among those Tiers who would drop their hospital cover regardless of the MLS, 9 in 10 (92%) believe that they would be more likely to use the public hospital system as a result.
- And among the Tiers downgrading their hospital cover, nearly 2 in 3 (62%) indicate a greater likelihood of using the public hospital system.
- A three quarters majority (75%) of all privately insureds surveyed were of the view that some people will use the public hospital system more under the government's planned changes. And 31% thought this would be "a lot" of extra people using public hospitals. These figures are higher among the Tiers.

* * * * *

Summary

There are five significant implications of the results of this study for the private health insurance industry and for the federal government:

- The privately insured population who will be directly affected by the government's planned changes to the private health insurance rebate is ill prepared for, and unaware of, the changes to a system it regards as vitally important.
- There is likely to be a significant drop-out from private health insurance – up to 13% in hospital cover and up to a larger 18-21% in general treatment cover, to the extent that ancillary service providers (dentists, optometrists, physiotherapists etc.) will be severely impacted.

- There will be an even bigger impact on the private health insurance industry as a result of the numbers who will downgrade their level of cover – at least 24% in hospital cover and at least 34% in general treatment cover.
- Drop-outs and downgrades are likely to be higher among the healthier groups, leaving a pool of less healthy members in the privately insured population.
- The public hospital system will be likely to feel the impact of the potential consumer drop out, with the Medicare Levy Surcharge not a strong driver to remain in private hospital insurance.

* * * * *

3 ANALYSIS AND INTERPRETATION OF RESULTS

This section provides a more detailed analysis of the results of the study. It is divided into five sub-sections:

1. Awareness of the fundamentals: the PHI rebate, the Medicare Levy Surcharge Levy (MLS) and Lifetime Health Cover (LHC)
2. The planned policy changes: awareness and the likely impact of the changes on levels of hospital and general treatment cover among Tiers
3. Price sensitivity: budgeting for health insurance, and the reaction to various premium increase scenarios among Tiers and Non-Tiers
4. The importance of the MLS as a driver of hospital cover
5. The perceived impact of the changes on public hospital usage.

3.1 Awareness of the Fundamentals

- **The Private Health Insurance Rebate**

Before identifying the private health insurance population's awareness of the federal government's planned means testing of the rebate (reported in the following Section 3.2), the survey investigated awareness and importance of the rebate itself.

All privately insureds were asked a simple prompted awareness question about the rebate – *"People with private health insurance receive a 30% rebate from the federal government on the cost of their private health insurance. Were you aware of this 30% rebate before now, or not?"* (Note that the sample was under 65 year old household decision makers for PHI. The rebate for under 65s is 30%, whereas it is 35% for 65-69 years, and 40% for 70 years+.)

The results indicate an extremely high level of awareness of the rebate: 9 in 10 (91%) are aware of the 30% rebate on the cost of their health insurance.

	Aware of Rebate	Unaware
All privately insured	91%	9%
Tiers	94%	6%
Non-Tiers	90%	10%
18 - 34 years	78%	22%
35 - 45 years	91%	9%
45 - 54 years	93%	7%
55 - 64 years	95%	5%

Awareness of the PHI rebate increases with age, and is higher among those who will be impacted by the government's planned changes – the Tiers.

A further explanation of the rebate was given to the small minority unaware of the rebate - *"The private health insurance rebate is where the federal government subsidises 30% of the cost of private health insurance membership. This rebate reduces the cost of premiums by 30 cents in every dollar spent on private health cover"* – and all privately insured were then asked how important the rebate was to them.

The results show that a very high level of importance is attached to the rebate: 7 in 10 (71%) rate the rebate as being "very important" to them, and a further 2 in 10 (22%) as "quite important" – resulting in a 9 in 10 (93%) importance rating. Not unexpectedly, the importance rating is higher among the less well-off Non-Tiers (95%), but nonetheless the great majority of Tiers (88%) regard the rebate as important.

	Very Important	Quite Important	Total Important
All privately insured	71%	22%	93%
Tiers	61%	27%	88%
Non-Tiers	75%	20%	95%

Thus, the study shows that **the PHI rebate has both extremely high awareness and adjudged importance**. These are not new findings. ANOP conducted a study for the AHIA in early 2009 among privately insured Labor voters in 10 key Labor marginal seats. In similar questions, this 2009 marginal seats survey found that nearly 9 in 10 (86%) Labor voters were aware of the rebate, and just over 9 in 10 (92%) indicated that the rebate was important to them (74% extremely/very important, 18% quite important). Of note is that this reliance on the rebate translated into voting implications: in 2009, over one-third (36%) of the Labor voters in marginal seats would have been less likely to vote Labor again in the event of the rebate being abolished.

- **The Medicare Levy Surcharge (MLS)**

The other key policy inextricably linked to the rebate is the Medicare Levy Surcharge (MLS). Awareness of the MLS was established by giving all privately insureds a factual explanation of the MLS - *"People on higher incomes who don't have hospital cover as part of their private health insurance have to pay an additional 1% on top of their Medicare tax levy. This is known as the Medicare Levy Surcharge"* - then asking them if they were aware of *"this additional 1% levy for those people without hospital cover"*. The results reveal a **very high level of awareness for a tax**, with over 8 in 10 (83%) having heard of the MLS. And awareness rises to nearly 9 in 10 (89%) among the better off Tiers at whom the MLS is aimed. (Note that this high awareness does

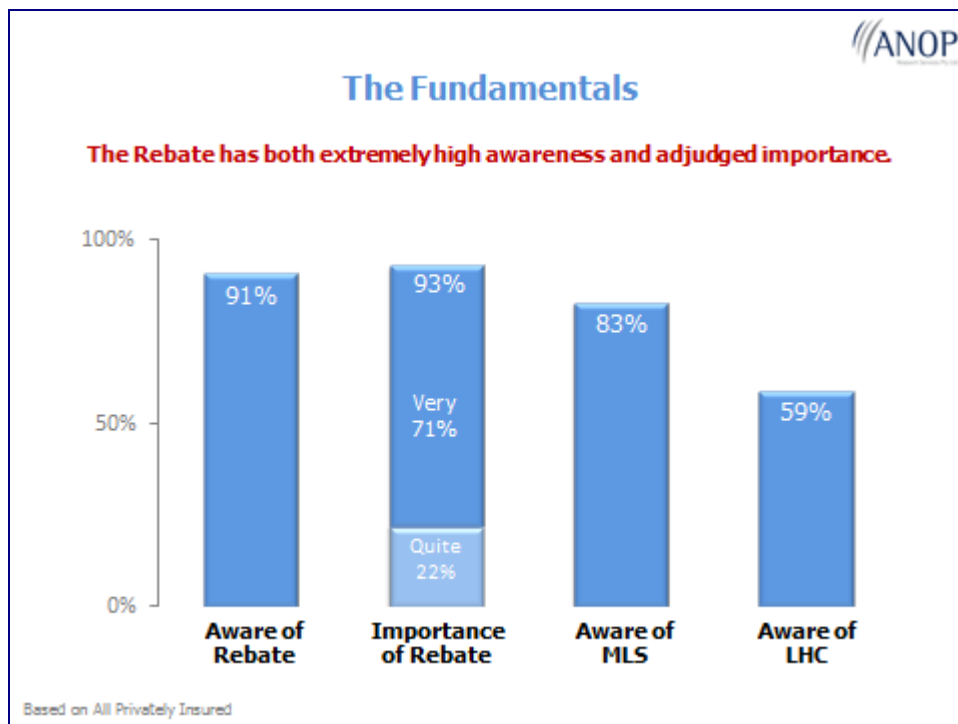
not mean the MLS is a primary driver of taking out hospital cover – as will be revealed in Section 3.4).

	Aware of MLS	Unaware
All privately insured	83%	9%
Tiers	89%	11%
Non-Tiers	81%	19%

Establishing awareness of the MLS and the rebate in this straightforward and factual way was important not only to establish privately insureds' knowledge of key elements of the system, but also to prepare interviewees for subsequent questions about the federal government's planned changes to the rebate and MLS.

- **Lifetime Health Cover (LHC)**

Towards the end of the survey (after the questions relating to the planned means testing), all privately insureds were asked their awareness of Lifetime Health Cover (LHC). The results are presented in this section to enable a ready comparison of awareness levels of key planks of Australia's PHI system, as illustrated in the following chart:



The explanation of the LHC given to all privately insureds was - *"Under the current private health insurance system, if people aged 31 or more drop their hospital cover and they want to rejoin later, they have to pay an additional 2% on their premium for every year they've been without private insurance."* Compared to the rebate and MLS, awareness of the LHC is at a modest 6 in 10 (59%) level. It is higher among the Tiers, but even in this key group, it is only slightly above 6 in 10 (64%).

	Aware of LHC	Unaware
All privately insured	59%	41%
Tiers	64%	36%
Non-Tiers	58%	42%

These results reveal that **the LHC is a less significant element than the MLS** in the minds of the privately insured - a finding which will be reiterated in the discussion of potential disincentives to the dropping of hospital cover (in Section 3.4). On a technical note, however, the lower awareness results for the LHC (together with the much lower awareness results presented in the next section) show that those interviewed readily admitted what they knew and what they did not – thus, validating the significance of the high awareness levels associated with the rebate and MLS.

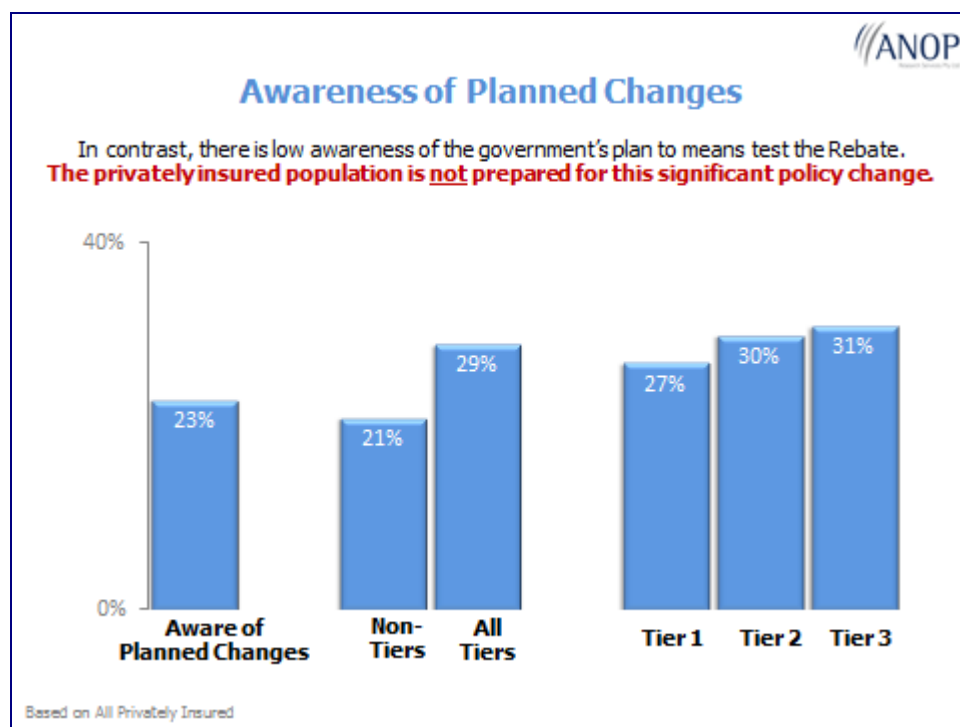
3.2 Awareness and Likely Impact of the Planned Changes

- **Awareness of the Planned Means Testing**

The survey questions about the federal government's planned means testing followed the awareness questions about the rebate and the MLS. This question flow allowed those interviewed to consider the information in a straightforward and factual context, and through this step-by-step approach facilitated an informed response to the planned changes. The policy changes are complex in both their targeting and the way they apply to the targeted groups.

The planned changes were introduced in the following way - *"As I mentioned before, everyone with private health insurance currently receives a 30% rebate, but people on higher incomes who **don't** have hospital cover, have to pay an additional 1% levy. The federal government is planning to reduce the rebate, or eliminate it altogether, for higher income groups, and also to increase the levy for some groups."*

The results clearly show that **the privately insured population is not well informed about or prepared for this significant policy change**. In contrast to the very high levels of awareness of the rebate and the MLS, there is low awareness of the government's planned changes, with only just over 2 in 10 (23%) aware. Awareness rises to barely 3 in 10 (29%) among those who will be directly impacted – the Tiers. The following chart highlights these findings.



• **Reaction to the Planned Means Testing among Tiers**

To measure the impact of the planned changes on the PHI cover held by Tiers - the target of the means testing - they were informed about how the rebate and the MLS would change for their *particular* income group. They were informed that - "These plans mean that for people in your income bracket, the private health insurance rebate will be reduced from ..., and the additional Medicare Levy Surcharge, if you dropped your hospital cover, would ...". Each Tier was given the following information that applied specifically to them:

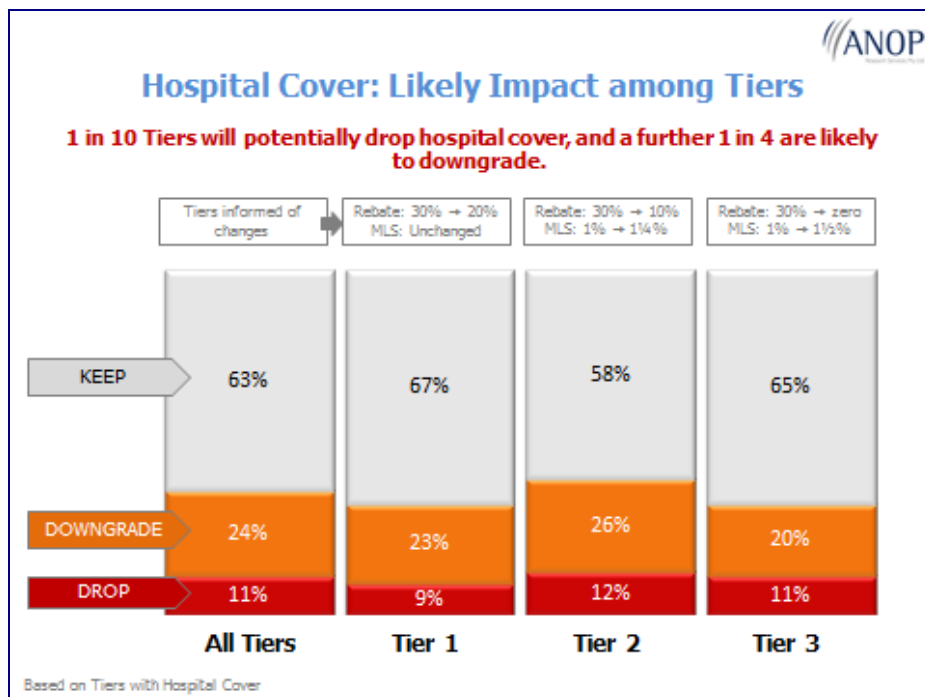
Information given to...	Rebate will be reduced from...	MLS would...
Tier One:	30% to 20%	remain at 1%
Tier Two:	30% to 10%	increase from 1% to 1¼%
Tier Three:	30% to zero	increase from 1% to 1½%

Depending on the type of cover held by the particular survey respondent (hospital only, "extras" only, both hospital and "extras" cover), they were then asked what they would do with their hospital cover and/or their "extras" cover:

- whether they would keep their level of cover as is;
- whether they would downgrade their cover; or
- whether they would drop it altogether.

• **Likely Impact on Hospital Cover among Tiers**

For those with **hospital cover** (hospital only or both hospital & extras), around 1 in 10 (11%) would drop hospital cover entirely and an additional 1 in 4 (24%) would downgrade. Thus, over one-third (35%) are likely to reduce their level of hospital cover.

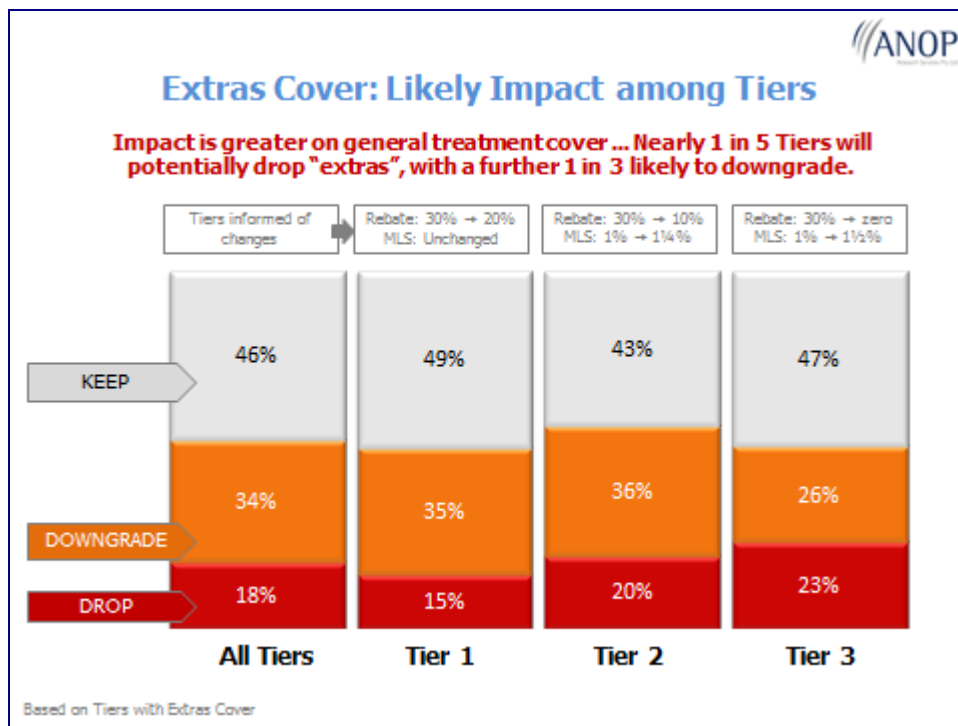


Thus, the study indicates that **the government's planned changes will result in a significant drop-out and even greater downgrading of hospital cover.**

As shown in the chart, the likely impact is most pronounced in Tier Two (38% drop/downgrade). The survey shows that Tier Two is only slightly more price sensitive than Tier One (as discussed in the following Section 3.3) but they receive a "double whammy" with the planned means testing – their rebate reduces by 20%, compared to 10% for Tier One.

- **Likely Impact on "Extras" Cover among Tiers**

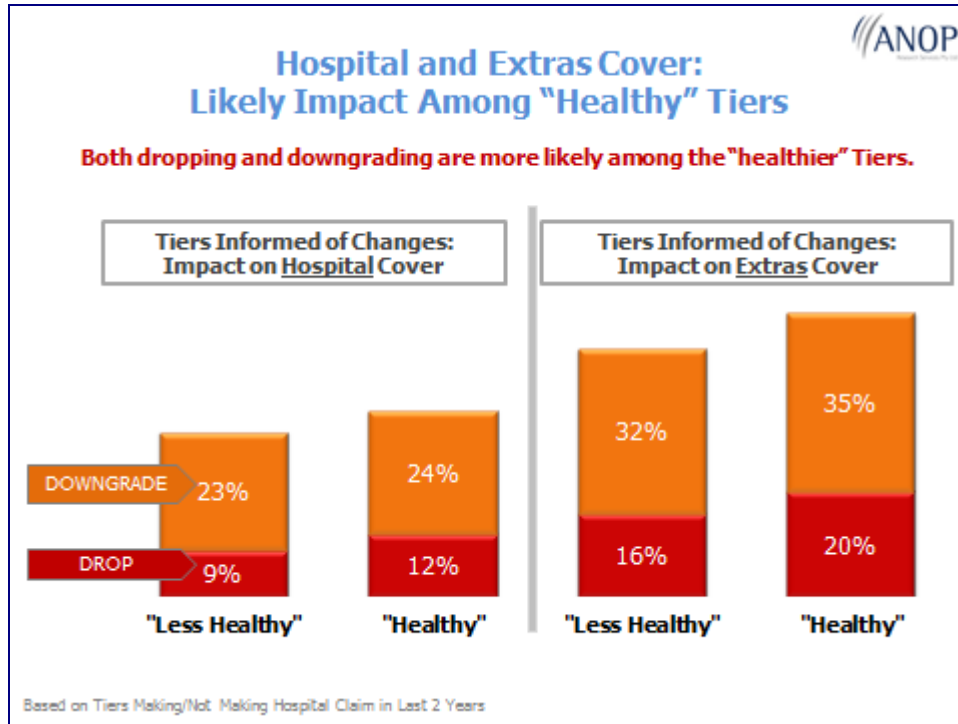
For those with **extras cover** (extras only or both hospital & extras), the impact of the planned changes is even greater. Nearly 1 in 5 (18%) would drop their extras cover altogether, with a further 1 in 3 (34%) likely to downgrade. In total, over half (52%) of all Tiers would potentially cut back on extras cover. Again the impact is greatest among Tier Two (56% drop/downgrade).



Thus, **this study reveals that the most severe impact will occur in the general treatment sector** (dental, optical, physiotherapy etc.), with even bigger numbers likely to drop or downgrade their "extras" cover.

- **Likely Loss of "Healthy" Tiers**

The results were also analysed by whether a hospital claim had been made on the policy in the last two years ("less healthy" Tiers - 43% of Tiers) or whether no claim had been made ("healthier" Tiers – 57% of Tiers). As mentioned, this simple question is a handy indication of the "health" of the household.



This analysis reveals that "healthier" Tiers are more likely to drop or downgrade their hospital cover (drop/downgrade hospital 36%, compared to 32% among "less healthy" Tiers) and their "extras" cover (drop/downgrade extras 55%: 48%). Thus, **the planned means testing not only will reduce PHI membership and levels of cover among Tiers but also will result in a remaining pool of less healthy members.**

3.3 Price Sensitivity and Reactions to Premium Increases

In addition to assessing awareness and direct reactions to the federal government's planned means testing of the PHI rebate, the study collected information about the **price sensitivity** of the PHI population:

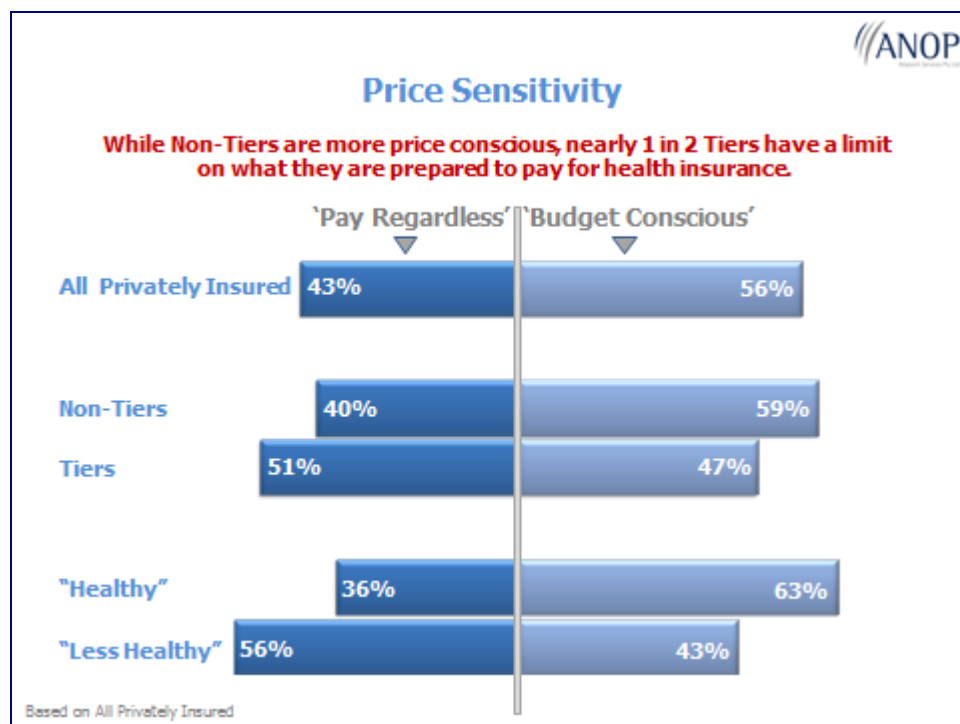
- whether they have a limit on what they are prepared to pay for PHI
- their reaction to various premium increase scenarios.

This price sensitivity information was obtained *before* the questions about the rebate and the planned changes were asked, so that the information related solely to price, and the rebate and the MLS were not taken into consideration. The data collected about reactions to various price increases underpinned the price elasticity modelling undertaken by Deloitte.

- **Preparedness to Pay**

To assess whether the privately insureds have a limit on what they are prepared to pay for their PHI, they were asked a straightforward question about the cost of their private health insurance - "*Which one of the following statements best describes your attitude to your private health insurance – you are prepared to pay only a certain amount each year for your cover; or you are prepared to pay whatever it costs to get the level of cover you want?*"

This question neatly divides the PHI population into two groups – the "budget conscious" (56%) and the "pay regardless" (43%). The finding that over one-half (56%) has a limit on what they are prepared to pay, is **an important indication of significant hip-pocket sensitivity to the cost of PHI.**



Price sensitivity is naturally more pronounced among Non-Tiers (59% “budget conscious”) than Tiers, but nonetheless it is noteworthy that nearly half of the Tiers (47% “budget conscious”) have a limit on what they are prepared to outlay on their health insurance. As alluded to in Section 3.2, there is little difference between Tier One and Tier Two in response to this price sensitivity question (47% Tier One & 48% Tier Two are “budget conscious”) – and as would be expected, those more likely to “pay regardless” are the better-off Tier Three segment (55% “pay regardless”).

“Healthier” PHI members are more likely to have a limit on what they are prepared to pay for health insurance (63% “budget conscious”, compared to 43% of the “less healthy”), as are younger segments of the PHI population.

A further analysis of the results reported in Section 3.2 shows again that price sensitive policy holders are the ones most likely to downgrade or drop hospital and extras cover under the planned changes to the rebate.

Impact of Planned Changes:	Drop Altogether	Downgrade
All Tiers with Hospital Cover	11%	24%
Budget conscious	14%	30%
Pay regardless	7%	18%
All Tiers with Extras Cover	18%	34%
Budget conscious	24%	37%
Pay regardless	13%	32%

This table shows Tiers’ responses to the direct question about the planned means testing (reported in Section 3.2) analysed by whether they are “budget conscious” or “pay regardless”.

- **Likely Impact of Premium Increases across Tiers**

The government’s planned changes will result in premium increases for Tiers - from around 15% to 45% depending on the particular Tier:

Tier One:	The reduction in the rebate from 30% to 20% is equivalent to about a 15% premium increase .
Tier Two:	The reduction in the rebate from 30% to 10% is equivalent to about a 30% premium increase .
Tier Three:	The loss of the 30% rebate is equivalent to about a 45% premium increase .

All Tiers were asked what they would be likely to do if the cost of their private insurance went up by 15%, 30% and 45%. An important feature of the survey was that each survey respondent was *informed of the \$ equivalent of these % increases* for their total premium, based on *their particular type*

and level of private health insurance. Deloitte prepared a 44 cell grid of the average premiums for different types and levels of cover⁴, and a grid was then prepared for each % increase. The questionnaire was programmed (using CATI) so that the \$ equivalent relevant to each respondent was inserted in the question for each % increase.

Depending on the type of cover held by the particular survey respondent (hospital only, "extras" only, both hospital & "extras" cover), they were asked what they would do with their hospital cover and/or their "extras" cover at each of the three price points (15%, 30% and 45% increase in total premium):

- whether they would keep their level of cover as is;
- whether they would downgrade their cover; or
- whether they would drop it altogether.

Those saying they would drop their cover at a particular level (15% and 30%) were not asked about the subsequent levels, and this has been taken into account in the results; for example, the % dropping their cover at 45% is the cumulative result of those dropping at 15%, 30% and 45%.

The results show significant dropping-out and downgrading among Tiers with the escalating premium increases.

	15% INCREASE	30% INCREASE	45% INCREASE
TIERS WITH HOSPITAL COVER	%	%	%
Keep hospital cover as is	73	42	26
Downgrade hospital cover	21	40	40
Drop hospital cover	5	16	32
Unsure	1	2	2
	15% INCREASE	30% INCREASE	45% INCREASE
TIERS WITH "EXTRAS" COVER	%	%	%
Keep extras cover as is	63	32	17
Downgrade extras cover	28	40	35
Drop extras cover	8	26	47
Unsure	1	1	1

⁴ The grid consisted 4 x 11 cells:

- **type of policy** (4: single, sole parent, couple, family) x
- **type & level of cover** (11: Hospital only-basic hospital, Hospital only- intermediate hospital, Hospital only-top hospital, Extras only-standard extras, Extras only-comprehensive extras, Both-basic hospital & standard extras, Both-basic hospital & comprehensive extras, Both-intermediate hospital & standard extras, Both-intermediate hospital & comprehensive extras, Both-top hospital & standard extras, Both-top hospital & comprehensive extras.)

Importantly, **this information allows for a second calculation of likely reactions to the government’s planned means testing to be made**, based on the *premium increases* that will occur as a direct consequence of the planned changes to the PHI rebate, rather than on specific knowledge of the changes.

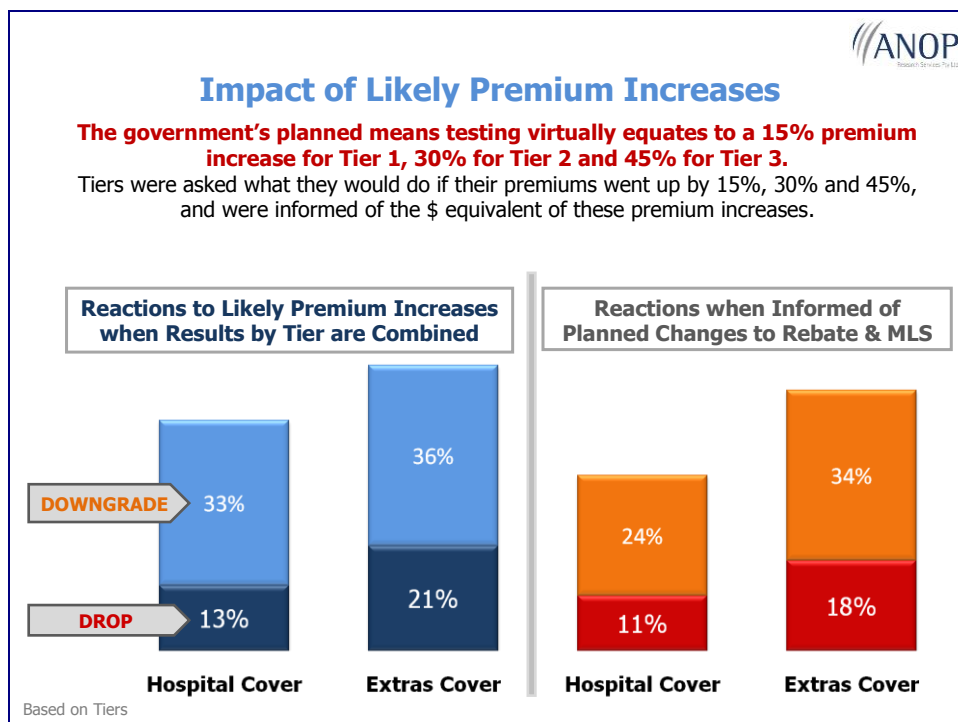
Combining the results relevant to each particular Tier

The combination of results for a 15% premium increase in Tier One; a 30% premium increase in Tier Two; and a 45% premium increase in Tier Three **provides a second measure of the impact of the planned means testing of the PHI rebate.**

When the results relevant to each Tier are combined in this way, the likely impact of the planned means testing is revealed to be:

- Over 1 in 10 (13%) would drop **hospital** cover entirely, and an additional 1 in 3 (33%) would downgrade hospital cover.
- And for those with **extras** cover, the impact is greater. 1 in 5 (21%) would drop their extras cover altogether, with a further 1 in 3 (36%) likely to downgrade.

The following chart compares these results (based on the relevant premium increases within particular Tiers) with the reactions obtained to the direct question about the government’s planned changes (outlined in Section 3.2). The comparison shows a **similar impact of the planned means testing** – using these two independent measures.



The similarity of the two measures is an important finding, and **adds weight to the projected impact of the planned changes**. It would be expected that the results based on premium increases would be slightly higher than those based on the direct question because the size of the premium increase will be greater than the % reduction in the rebate (for example, the Tier One reduction in rebate from 30% to 20% virtually equates to a 15% increase in premium).

The key implications of these two sets of results are:

- There is likely to be a significant **drop-out** from the private health insurance system – between 11% and 13% in hospital cover; and a larger 18% to 21% in general treatment cover.
- The extent of **downgrading** of cover is likely to be even more significant – between 24% and 33% in hospital cover; and an even larger 34% to 36% in general treatment cover.

More detailed analysis of the impact of the various premium increase scenarios (contained in the Section 4 summary tables and in the detailed printouts provided separately) shows that those most likely to drop-out and downgrade are the “budget conscious” and “healthier” Tiers, again reinforcing earlier results.

- **Likely Impact of Premium Increases across Non-Tiers**

An important aspect of modelling by Deloitte was to assess the **likely flow-on effect to Non-Tier premiums** as a result of drop-outs and downgrading among Tiers. To provide this data for the modelling, Non-Tiers were asked what they would be likely to do if the cost of their private insurance went up by 5%, 10% and 15%. As occurred for Tiers, each survey respondent was informed of the \$ equivalent of these % increases for their total premium, based on their particular type and level of private health insurance.

The less well-off Non-Tiers are naturally more sensitive to premium increases than their wealthier counterparts, with their propensity to drop or downgrade their PHI cover occurring at lower price points than for Tiers.

	5% INCREASE	10% INCREASE	15% INCREASE
NON-TIERS WITH HOSPITAL COVER	%	%	%
Keep hospital cover as is	73	44	30
Downgrade hospital cover	21	39	36
Drop hospital cover	6	16	32
Unsure	-	1	2

	5% INCREASE	10% INCREASE	15% INCREASE
NON-TIERS WITH "EXTRAS" COVER	%	%	%
Keep extras cover as is	72	43	22
Downgrade extras cover	21	37	37
Drop extras cover	7	20	39
Unsure	-	1	1

More detailed analysis of the impact of the various premium increase scenarios (contained in the Section 4 tables and in the detailed printouts provided separately) shows that those most likely to drop-out and downgrade are the "budget conscious" and "healthier" Non-Tiers, as found among Tiers.

3.4 Potential Disincentives to Dropping Hospital Cover

The federal government has argued that the Medicare Levy Surcharge (MLS) and Lifetime Health Cover (LHC) will be strong deterrents to Tiers' dropping their hospital cover under its planned means testing, particularly in Tier Two and Three. The ANOP study for the AHIA investigated the importance of the MLS as a driver of hospital cover, and also the strength of the MLS and LHC as disincentives to dropping hospital cover among Tiers.

- **Importance of MLS as a Driver of Hospital Cover among Tiers**

Immediately after the awareness question about the MLS (these awareness results are reported in Section 3.1), all Tiers with hospital cover who were aware of the MLS were asked –*"Which one of these two reasons for having hospital cover is more important to you: to avoid paying the additional 1% levy surcharge; or to have superior hospital insurance or treatment?"* The reasons were rotated to avoid any response bias, and the % unaware of the MLS was added to the "unsure" response in the analysis of results.

Reason for having hospital cover:	Superior treatment	Avoid the MLS	Unsure/Not aware of MLS
Tiers with hospital cover	69%	19%	12%
Tier One	72%	15%	13%
Tier Two	68%	21%	11%
Tier Three	67%	21%	12%

The results clearly show that avoiding the MLS is very much a secondary reason for having hospital cover: **only 1 in 5 (19%) of Tiers with hospital cover report that avoiding the MLS is the main reason for having hospital cover.** While the MLS is a slightly weaker driver among Tier One, it is a driver for only 1 in 5 in both Tiers Two and Three (both 21%).

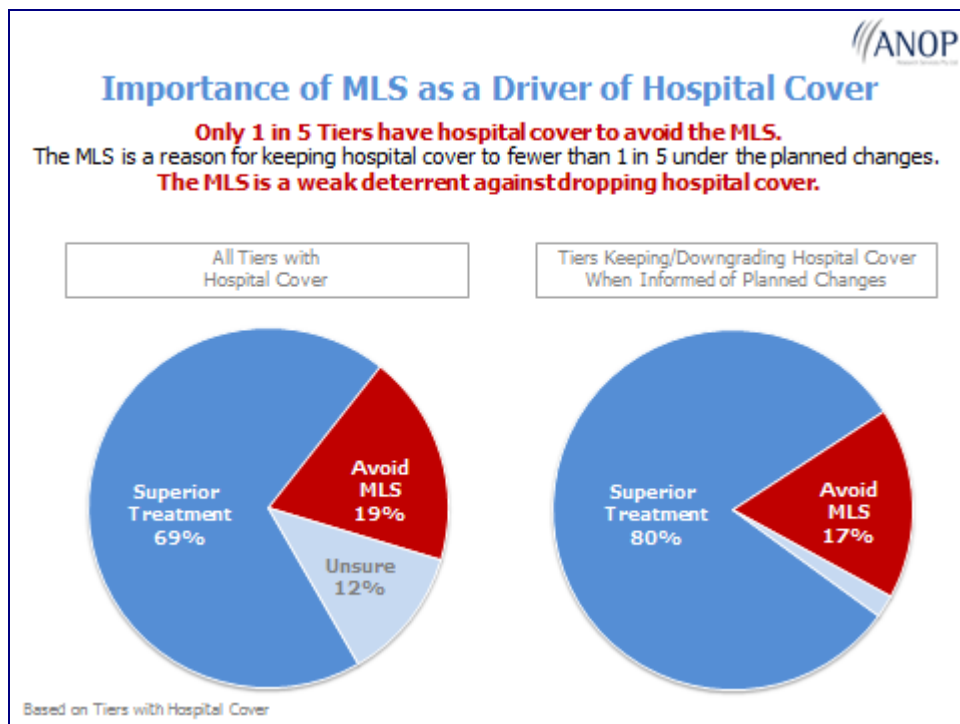
A similar question was asked of the 87% of Tiers who will keep some form of hospital cover - either as is (63%) or downgraded (24%) - after being informed of the government's planned changes (results reported in Section 3.2). The question asked this time - *"Which one of these two reasons best describes why you would still keep your hospital cover: so you won't have to pay the additional Medicare Levy Surcharge; or so you can have superior hospital treatment?"*

Significantly, the study shows that **among those keeping some form of hospital cover after being informed of the planned changes, only 17% linked avoiding the MLS to this decision.** Again the MLS is a slightly weaker driver among Tier One, but it is a driver for only 1 in 5 in both Tiers Two and Three (20% and 19% respectively).

Reason for keeping hospital cover:	Superior treatment	Avoid the MLS	Unsure
Tiers keeping hospital cover when informed of changes	80%	17%	2%
Tier One	84%	13%	2%
Tier Two	77%	20%	3%
Tier Three	77%	19%	4%

Further analysis (contained in Table 11 in Section 4) does show that the MLS is a more potent driver among those with basic hospital cover, but its strength as a driver diminishes rapidly among those with intermediate and top hospital cover. This is an expected finding because it is logical to have only a basic level of hospital cover if the purpose is to avoid the MLS. However, the study shows that most Tiers do not have basic hospital cover but instead have intermediate or top cover (82% of Tiers), in line with their upper socio-economic status.

Thus, these findings collectively show that **the MLS is not a major driver of having hospital cover for the large majority of Tiers.**



- **The impact of the MLS and LHC as disincentives to dropping hospital cover among Tiers**

After being informed of the government's planned changes, the minority of Tiers who indicated they would drop their hospital cover altogether (the 11% of Tiers identified in Section 3.2) were explicitly told they would have to pay the MLS if they dropped their hospital cover altogether. They were asked whether having to pay the MLS would make them reconsider. Those still planning to drop their hospital cover were then asked if they would reconsider because of Lifetime Health Cover (where it would cost more to rejoin after dropping out).

The key findings among **Tiers planning to drop hospital cover when reminded firstly of the MLS and secondly of the LHC** are:

- Among those aware of the MLS, only 1 in 4 (27%) would have second thoughts about their dropping hospital cover because of the MLS.
- Among those aware of LHC, fewer than 1 in 5 (17%) of those still planning to drop their hospital cover (after being reminded of the MLS) would reconsider because of LHC.

In a further analysis, those respondents who reconsidered dropping out after being warned of the consequences in terms of the MLS and LHC were re-coded as likely to downgrade their hospital cover rather than as drop-outs. The results of this analysis are shown below:

ALL TIERS WITH HOSPITAL COVER	Drop Altogether	Downgrade
Initial reaction to planned changes	11%	24%
Those dropping out were reminded of MLS:		
Adjusted reaction after reminded of MLS	8%	26%
Those still dropping were then reminded of LHC:		
Adjusted reaction after reminded of LHC	7%	27%

Thus, these explicit reminders about the consequences of the MLS and LHC have only a very modest impact on likely behaviour: just slightly fewer than 1 in 10 (7%) is likely to drop hospital cover altogether after being reminded about the MLS and the LHC, while nearly 3 in 10 will downgrade their cover. These results illustrate again that **the MLS is a weak deterrent against dropping hospital cover, and the LHC is even less potent**. As mentioned in Section 3.1, awareness of the LHC is significantly lower than that of the MLS (64% of Tiers are aware of LHC vs. 89% aware of MLS), indicating that the LHC is a less salient factor than the MLS in the minds of the privately insured.

To assess the potential impact of the MLS on another set of key findings, the results pertaining to Tiers' likely reaction to premium increases of 15%, 30% and 45% (reported in Section 3.3) were re-visited. As discussed in Section 3.3, the government's planned means testing virtually equates to a 15% premium increase for Tier One, 30% for Tier Two, and 45% for Tier Three. An important second measure of the impact of the planned changes to the PHI rebate is obtained by combining the results relevant to each Tier. The additional analysis presented below adjusts these findings to take account of the potential impact of the MLS as a deterrent to dropping hospital cover.

It can be argued that it would not be *economically rational* for Tier Three to drop hospital cover altogether because they would then incur the MLS and be taxed an additional 1½%; and that some of the Tier Two's intending to drop their hospital cover would be similarly deterred by the prospect of paying an additional 1¼% in tax. The following conservative adjustments were thus applied to the results:

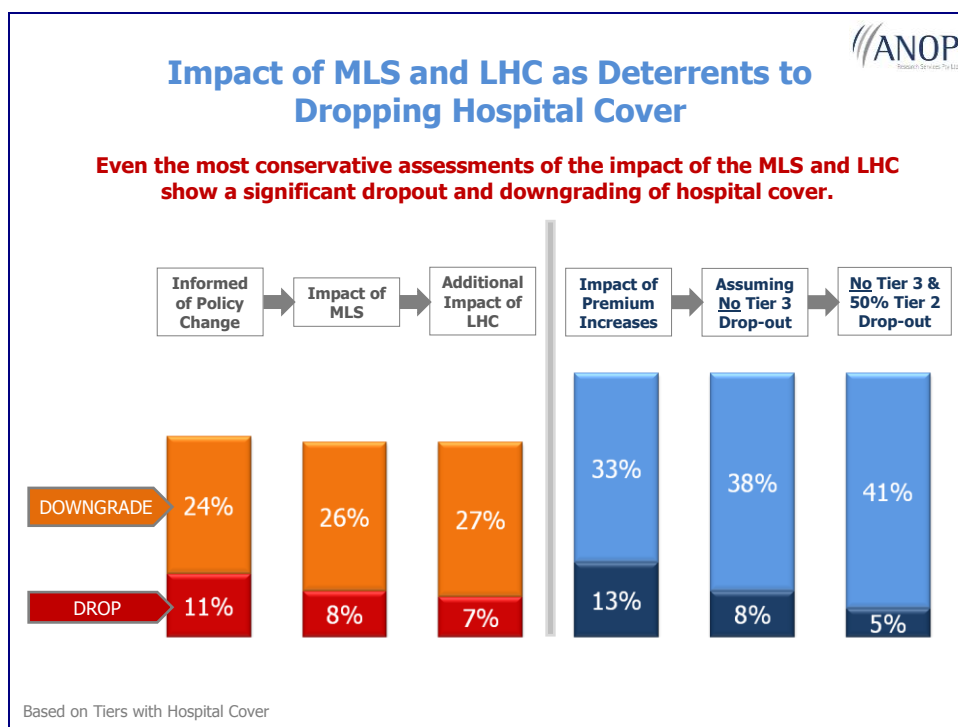
- All Tier Threes who said they would drop their hospital cover altogether if their premium went up by 45% were re-coded as likely to downgrade instead ... thus, this assumes no Tier Three drop-outs.
- Half of the Tier Twos who said they would drop their hospital cover altogether if their premium went up by 30% were re-coded as likely to downgrade instead ... thus, this reduces the intending Tier Two drop-outs by 50%.

The results of this reclassification of Tier Three and Tier Two responses are as follows:

ALL TIERS WITH HOSPITAL COVER	Drop Altogether	Downgrade
Impact of premium increases on Tiers*	13%	33%
Reclassification of all Tier 3 drop-outs at 45%:		
Assuming <u>no</u> Tier 3 drop-out	8%	38%
Reclassification of all Tier 3 drop-outs at 45% <u>and</u> 50% of Tier 2 drop-outs at 30%:		
Assuming <u>no</u> Tier 3 & 50% Tier 2 drop-out	5%	41%
* Combined results of impact on hospital cover of a 15% premium increase in Tier 1; a 30% premium increase in Tier 2; and a 45% increase in Tier 3.		

Thus, these conservative assumptions about the potential impact of the MLS reduce hospital cover drop-outs to between 5% and 8%. However, this assumes that Tiers Three and Two would fully understand the financial consequences of dropping their hospital cover and would behave in a completely economically rational way... a rare occurrence in actual consumer behaviour.

The results from these additional analyses are illustrated in the following chart:



Importantly, a reduction in drop-outs because of the MLS or LHC would lead to an increase in likely downgrading of hospital cover - up to 4 in 10 on these calculations. As mentioned previously, **the potential level of downgrading of hospital cover among Tiers would have a serious impact on the private health insurance industry**, with flow-on effects in premiums which would in turn impact on the even more price sensitive Non-Tiers.

3.5 Perceived Impact of the Changes on Public Hospital Usage

The survey examined the *perceptions* of the privately health insured community as to the likely effect of rebate means testing on public hospital usage. As reported in previous sections, significant dropping-out and downgrading of hospital cover is likely under the federal government's planned changes. As well as having a flow-on effect on PHI premiums, a decline in private hospital insurance is likely to impact on use of the public hospital system.

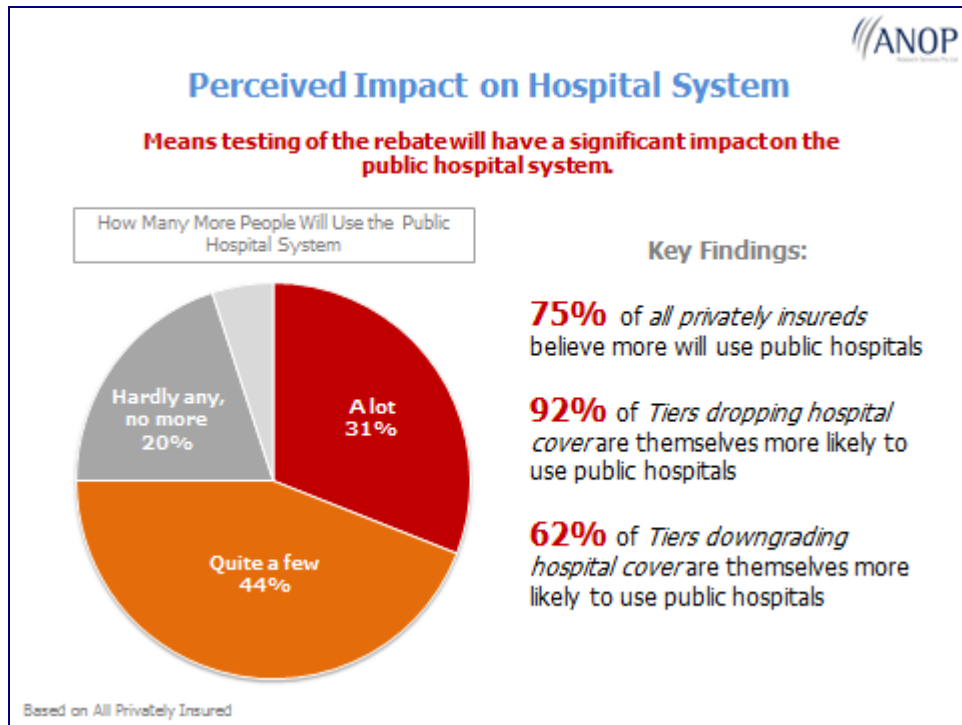
To explore the perceived impact on public hospital usage, all privately insureds were first asked, if the health insurance rebate for higher income groups is reduced, whether or not some people will reduce their hospital cover and use the public hospital more – and if so, how many (a lot, quite a few, hardly any).

The results are clear cut. Just on 3 in 4 (75%) are of the view that either a lot (31%) or quite a few (44%) would use the public hospital system more. This view is strongest among the Tiers themselves (82%) and among those with family or couple cover (77%).

Public hospital usage under planned changes:	A lot more	Quite a few more	A lot+ quite a few
All privately insured	31%	44%	75%
Tiers	38%	44%	82%
Non-Tiers	29%	44%	73%
Single/Sole parent	30%	43%	73%
Couple/family	32%	45%	77%

Perhaps of more significance is that the perception of greater public hospital use is more pronounced among the groups who would be *most directly affected* by the planned changes:

- Of those Tiers who would drop their hospital cover altogether under the government's planned changes (the 11% of Tiers identified in Section 3.2), more than 9 in 10 (92%) are themselves more likely to use the public hospital system, should they need to go to hospital.
- And tellingly, among that larger group of Tiers who would downgrade rather than drop their hospital cover (the 24 % of Tiers identified in Section 3.2), more than 6 in 10 (62%) consider that they are more likely to use the public hospital system, should the need for hospitalisation arise.



These results – whether assessed likelihood of one’s own behaviour, or perceptions of what others would do – all point in the same direction: **means testing of the PHI rebate is likely to have a significant impact on the public hospital system.**

4 SUMMARY TABLES

This section provides a set of 13 tables that draw together key survey results in the main areas of investigation:

Awareness of the Fundamentals

1. Awareness of the rebate and its importance
2. Awareness of the Medicare Levy Surcharge (MLS)
3. Awareness of Lifetime Health Cover (LHC)

Impact of the Planned Means Testing of the Rebate on Tiers

4. Awareness of the government's planned changes
5. Likely impact of planned changes on hospital cover and extras cover among Tiers
6. Likely impact of planned changes among key Tier segments

Price Sensitivity and Reactions to Premium Increases

7. Price sensitivity
8. Likely impact of premium increases across Tiers
9. Sensitivity to premium increases across Tiers
10. Sensitivity to premium increases across Non-Tiers

Potential Disincentives to Dropping Hospital Cover

11. Importance of MLS as driver of hospital cover among Tiers

Impact on the Public Hospital System

12. Impact of changes on public hospital system usage

Profiling Information

13. Profile of Tiers

Detailed computer printouts of all results - with analysis of Tiers, Non-Tiers and the total privately insured population - have been provided to the AHIA in three separate volumes.

1. Awareness of the Rebate and its Perceived Importance

Awareness of the Rebate					
All privately insureds were told that "people with private health insurance receive a 30% rebate from the federal government on the cost of their private health insurance" and were asked whether they were aware of this or not.					
	All Privately Insured	All Tiers	All Non Tiers	Single Sole Parent Cover	Couple Family Cover
	%	%	%	%	%
Aware	91	94	90	91	91
Not aware	9	6	10	9	9
91% Awareness Highest: Top Hospital Cover (93%); Comprehensive Extras Cover (93%); Women (94%); Aged 55-64 (95%); 3+ Kids (96%)					
<i>Based on Total Sample n=2000. Percentages are rounded.</i>					

Importance of the Rebate					
All privately insureds were asked "how important (very, quite, not very, not at all) the 30% rebate on private health insurance was to you".					
	All Privately Insured	All Tiers	All Non Tiers	Single Sole Parent Cover	Couple Family Cover
	%	%	%	%	%
Very important	71	61	75	68	74
Quite important	22	27	20	25	19
Not very, not at all	7	12	5	7	7
Very + quite important	93	88	95	93	93
71% Very Important Highest: Low income families (85%); Standard Extras Cover (79%); 3+ Kids (77%)					
<i>Based on Total Sample n=2000. Percentages are rounded.</i>					

2. Awareness of the Medicare Levy Surcharge

Awareness of the Medicare Levy Surcharge					
All privately insureds were told that "people on higher incomes who don't have hospital cover as part of their private health insurance have to pay an additional 1% on top of their Medicare tax levy". They were then asked whether they were aware or not of this Medicare Levy Surcharge.					
	All Privately Insured	All Tiers	All Non Tiers	Single Sole Parent Cover	Couple Family Cover
	%	%	%	%	%
Aware	83	89	81	86	81
Not aware	17	11	19	14	19
<i>Based on Total Sample n=2000. Percentages are rounded.</i>					

Awareness of MLS among Tiers		
This table profiles the results for Tiers in more detail.		
	Aware	Not Aware
	%	%
All Tiers	89	11
Tier Level		
Tier One	88	12
Tier Two	90	10
Tier Three	90	10
Type of Policy		
Single/Sole parent	91	9
Couple/ Family	87	13
Type of Cover		
Hospital only	91	9
Extras only	89	11
Both hospital and extras	89	11
Hospital Cover		
Basic hospital cover	87	13
Intermediate hospital cover	91	9
Top hospital cover	89	11
Gender		
Men	92	8
Women	87	13
Price Sensitivity		
Budget conscious	92	8
Pay regardless	87	13
<i>Based on Tiers n=1296. Percentages are rounded.</i>		

3. Awareness of Lifetime Health Cover

Awareness of the Lifetime Health Cover					
All privately insureds were told that "under the current private health insurance system, if people aged 31 or over drop their hospital cover and they want to rejoin later, they have to pay an additional 2% on their premium for every year they've been without private insurance". They were asked whether or not they were aware of this Lifetime Health Cover.					
	All Privately Insured	All Tiers	All Non Tiers	Single Sole Parent Cover	Couple Family Cover
	%	%	%	%	%
Aware	59	64	58	57	61
Not aware	41	36	42	43	39
<i>Based on Total Sample n=2000. Percentages are rounded.</i>					

Awareness of LHC among Tiers		
This table profiles the results for Tiers in more detail.		
	Aware	Not Aware
	%	%
All Tiers	64	36
Tier Level		
Tier One	62	38
Tier Two	66	34
Tier Three	63	37
Type of Policy		
Single/Sole parent	67	33
Couple/ Family	62	38
Type of Cover		
Hospital only	66	34
Extras only	63	37
Both hospital and extras	64	36
Hospital Cover		
Basic hospital cover	66	34
Intermediate hospital cover	63	37
Top hospital cover	64	36
Gender		
Men	67	33
Women	61	39
Price Sensitivity		
Budget conscious	67	33
Pay regardless	61	39
<i>Based on Tiers n=1296. Percentages are rounded.</i>		

4. Awareness of the Government's Planned Changes

Awareness of the Government's Planned Changes					
All privately insureds were told that "the federal government is planning to reduce the rebate, or eliminate it altogether for the higher income groups and also to increase the Medicare Levy Surcharge for some groups". They were asked whether or not they were aware of these plans.					
	All Privately Insured	All Tiers	All Non Tiers	Single Sole Parent Cover	Couple Family Cover
	%	%	%	%	%
Aware	23	29	21	24	23
Not aware	77	71	79	76	77
<i>Based on Total Sample n=2000. Percentages are rounded.</i>					

Awareness of Planned Changes among Tiers		
This table profiles the results for Tiers in more detail.		
	Aware	Not Aware
	%	%
All Tiers	29	71
Tier Level		
Tier One	27	73
Tier Two	30	70
Tier Three	31	69
Type of Policy		
Single/Sole parent	27	73
Couple/ Family	30	70
Hospital Cover		
Basic hospital cover	18	82
Intermediate hospital cover	29	71
Top hospital cover	33	67
Extras Cover		
Standard extras cover	24	76
Comprehensive extras cover	33	67
Age		
Under 45 years	24	76
45 – 54 years	27	73
55 – 64 years	38	62
Gender		
Men	31	69
Women	27	73
Price Sensitivity		
Budget conscious	27	73
Pay regardless	31	69
<i>Based on Tiers n=1296. Percentages are rounded.</i>		

5. Likely Impact of Planned Changes on Hospital Cover and Extras Cover among Tiers

Tiers with Hospital Cover Likely Impact of Means Testing on Hospital Cover						
Tiers were informed how the planned changes to the rebate and the MLS would affect their particular Tier: <ul style="list-style-type: none"> ▪ Tier One: rebate reduced from 30% to 20%; MLS unchanged ▪ Tier Two: rebate reduced from 30% to 10%; MLS increased from 1% to 1¼% ▪ Tier Three: rebate reduced from 30% to zero; MLS increased from 1% to 1½% Tiers were asked what they would be likely to do with the hospital aspect of their private health insurance.						
	All Tiers with Hospital Cover	Tier One	Tier Two	Tier Three	Single Sole Parent	Couple Family
	%	%	%	%	%	%
Keep as is	63	67	58	65	61	64
Downgrade	24	23	26	20	23	24
Drop altogether	11	9	12	11	12	10
Unsure	3	2	4	4	3	2
24% Downgrade Highest: Intermediate Hospital Cover (28%); Have set budget for health insurance (30%) 11% Drop Highest: Sole parent (19%); Intermediate Hospital Cover (14%); Have set budget (14%); 3+ Kids (15%)						
<i>Based on All Tiers with Hospital Cover, n=1255. Percentages are rounded.</i>						

Tiers with Extras Cover Likely Impact of Means Testing on Extras Cover						
Tiers were also asked what they would be likely to do with the extras aspect of their private health insurance.						
	All Tiers with Extras Cover	Tier One	Tier Two	Tier Three	Single Sole Parent	Couple Family
	%	%	%	%	%	%
Keep as is	46	49	43	47	46	46
Downgrade	34	35	36	26	33	34
Drop altogether	18	15	20	23	20	17
Unsure	2	2	2	3	1	2
34% Downgrade Highest: Intermediate Hospital Cover (38%); Have set budget (37%); Aged 18-34 (37%) 18% Drop Highest: Basic Hospital Cover (27%); Standard Extras Cover (25%); Sole parent (24%); Have set budget (24%)						
<i>Based on All Tiers with Extras Cover, n=1191. Percentages are rounded.</i>						

6. Likely Impact of Planned Changes among Key Tier Segments

Tiers with Hospital Cover: Likely Impact of Means Testing on Hospital Cover Analysed by the "Health" and Price Sensitivity of Tiers

Tiers were informed how the planned changes to the rebate and the MLS would affect their particular Tier:

- Tier One: rebate reduced from 30% to 20%; MLS unchanged
- Tier Two: rebate reduced from 30% to 10%; MLS increased from 1% to 1¼%
- Tier Three: rebate reduced from 30% to zero; MLS increased from 1% to 1½%

Tiers were asked what they would be likely to do with the **hospital** aspect of their private health insurance. Results are analysed by whether Tiers had **made a hospital claim in the last 2 years** ("Less Healthy") or had not made a hospital claim ("Healthy"); and by their **price sensitivity** – "Budget Conscious" or "Pay Regardless".

	All Tiers with Hospital Cover	Made Claim	No Claim "Healthy"	Budget Conscious	Pay Regardless
	%	%	%	%	%
Keep as is	63	66	60	52	73
Downgrade	24	23	24	30	18
Drop altogether	11	9	12	14	7
Unsure	3	2	3	3	2

Based on All Tiers with Hospital Cover, n=1255. Percentages are rounded.

Tiers with Extras Cover: Likely Impact of Means Testing on Extras Cover Analysed by the "Health" and Price Sensitivity of Tiers

Tiers were also asked what they would be likely to do with the **extras** aspect of their private health insurance. Results are analysed by whether Tiers had **made a hospital claim in the last 2 years** ("Less Healthy") or had not made a hospital claim ("Healthy"); and by their **price sensitivity** – "Budget Conscious" or "Pay Regardless".

	All Tiers with Extras Cover	Made Claim	No Claim "Healthy"	Budget Conscious	Pay Regardless
	%	%	%	%	%
Keep as is	46	50	43	38	54
Downgrade	34	32	35	37	32
Drop altogether	18	16	20	24	13
Unsure	2	2	2	2	2

Based on All Tiers with Extras Cover, n=1191. Percentages are rounded.

7. Price Sensitivity

Budgeting for Private Health Insurance Costs					
All privately insureds were asked which of the 2 statements best describes their attitude to the cost of private insurance:					
<ul style="list-style-type: none"> ▪ Prepared to pay only a certain amount each year... "Budget Conscious" ▪ Prepared to pay whatever it costs... "Pay Regardless" 					
	All Privately Insured %	All Tiers %	All Non Tiers %	Single Sole Parent Cover %	Couple Family Cover %
'Budget conscious'	56	47	59	62	51
'Pay regardless'	43	51	40	37	47
Unsure	1	2	1	1	2
<i>Based on Total Sample n=2000. Percentages are rounded.</i>					

Price Sensitivity in More Detail		
This table profiles the "Budget Conscious" and "Pay Regardless" in more detail.		
	'Budget Conscious' %	'Pay Regardless' %
All privately insured	56	43
Type of Cover		
Hospital only	72	27
Extras only	76	22
Both hospital & extras	51	47
Hospital Cover		
Basic hospital cover	78	21
Intermediate hospital cover	66	33
Top hospital cover	40	59
Extras Cover		
Standard extras cover	73	25
Comprehensive extras cover	44	55
Age		
18 – 34 years	67	32
35 – 44 years	61	37
45 – 54 years	53	46
55 – 64 years	50	49
Hospital Claim in Last 2 Years		
Made claim – "Less healthy"	43	56
Not made claim – "Healthy"	63	36
Gender		
Men	62	37
Women	53	46

8. Likely Impact of Premium Increases across Tiers

Tiers: Likely Impact of Premium Increases on Level of Cover

Tiers were asked what they would be likely to do if the cost of their private health insurance went up by **15%, 30% and 45%**. They were informed of the **\$ equivalent of these % increases** on their total premium, based on their particular type and level of private health insurance.

Those saying they would drop their cover at a particular level (15% and 30%) were not asked about the subsequent levels, and this has been taken into account in the results summarised below; for example, the % dropping their cover at 45% is the cumulative result of those dropping at 15%, 30% and 45%.*

The planned **means testing will result in** the following premium increases:

- **Tier One** - the reduction in the rebate from 30% to 20% is equivalent to about a **15% premium increase**.
- **Tier Two** - the reduction in the rebate from 30% to 10% is equivalent to about a **30% premium increase**.
- **Tier Three** - the loss of the 30% rebate is equivalent to about a **45% premium increase**.

TIERS WITH HOSPITAL COVER	15% INCREASE			30% INCREASE			45% INCREASE		
	Tier 1 %	Tier 2 %	Tier 3 %	Tier 1 %	Tier 2 %	Tier 3 %	Tier 1 %	Tier 2 %	Tier 3 %
Downgrade hospital	24	22	15	46	42	27	44	38	35
Drop hospital cover*	4	5	5	16	16	14	34	35	23
TIERS WITH EXTRAS COVER	%	%	%	%	%	%	%	%	%
Downgrade extras	30	29	21	43	42	34	35	34	36
Drop extras cover*	9	8	9	28	26	22	51	48	37

Based on Tiers with Hospital Cover n=1255 and Tiers with Extras Cover n= 1191. Percentages are rounded.



Tiers: Likely Impact of Premium Increases on Level of Cover

This table shows the impact of the premium increases associated with the planned rebate changes on the relevant Tiers, and indicates the outcome across the Tiers when the results for the particular Tiers are combined.

	Tier One 15% Premium Increase	Tier Two 30% Premium Increase	Tier Three 45% Premium Increase	Total Outcome
TIERS WITH HOSPITAL COVER	%	%	%	%
Downgrade hospital	24	42	35	33
Drop hospital cover	4	16	23	13
TIERS WITH EXTRAS COVER	%	%	%	%
Downgrade extras	30	42	36	36
Drop extras cover	9	26	37	21

Based on Tier 1 results for 15% increase, Tier 2 results for 30% increase and Tier 3 results for 45% increase.

9. Sensitivity to Premium Increases across Tiers

Likely Impact of Premium Increases on Tiers			
<p>The government's planned changes will result in premium increases for Tiers - from around 15-45% depending on the particular Tier. Tiers were asked what they would be likely to do if the cost of their private insurance went up by 15%, 30% and 45%. They were informed of the \$ equivalent of these % increases on their total premium, based on their particular type and level of private health insurance.</p> <p>*Those saying they would drop their cover at a particular level (15% and 30%) were not asked about the subsequent levels, and this has been taken into account in the results summarised below; for example, the % dropping their cover at 45% is the cumulative result of those dropping at 15%, 30% and 45%.</p>			
<u>TIERS</u>	<u>15% INCREASE</u>	<u>30% INCREASE</u>	<u>45% INCREASE</u>
IMPACT ON HOSPITAL COVER	%	%	%
Keep hospital cover as is	73	42	26
Downgrade hospital cover	21	40	40
Drop hospital cover*	5	16	32
Unsure	1	2	2
<i>Based on Tiers with Hospital Cover n=1255. Percentages are rounded.</i>			
<u>TIERS</u>	<u>15% INCREASE</u>	<u>30% INCREASE</u>	<u>45% INCREASE</u>
IMPACT ON EXTRAS COVER	%	%	%
Keep extras cover as is	63	32	17
Downgrade extras cover	28	40	35
Drop extras cover*	8	26	47
Unsure	1	1	1
<i>Based on Tiers with Extras Cover, n= 1191. Percentages are rounded.</i>			

Likely Impact of Premium Increases on Tiers						
<p>This table shows the results are analysed by whether Tiers had made a hospital claim in the last 2 years – the "Less Healthy" Tiers – or whether they had <u>not</u> made a claim - the "Healthy" Tiers (highlighted below).</p>						
<u>TIERS</u>	<u>15% INCREASE</u>		<u>30% INCREASE</u>		<u>45% INCREASE</u>	
IMPACT ON HOSPITAL COVER	Made Claim	No Claim	Made Claim	No Claim	Made Claim	No Claim
	%	%	%	%	%	%
Keep hospital cover as is	76	70	49	37	31	23
Downgrade hospital cover	19	23	36	43	40	39
Drop hospital cover*	4	6	13	18	27	37
Unsure	1	1	2	2	2	1
<u>TIERS</u>	<u>15% INCREASE</u>		<u>30% INCREASE</u>		<u>45% INCREASE</u>	
IMPACT ON EXTRAS COVER	Made Claim	No Claim	Made Claim	No Claim	Made Claim	No Claim
	%	%	%	%	%	%
Keep extras cover as is	66	61	35	30	19	14
Downgrade extras cover	26	30	40	41	34	34
Drop extras cover*	7	9	24	28	44	50
Unsure	1	1	2	1	2	1

10. Sensitivity to Premium Increases across Non-Tiers

Likely Flow-on Effect on Non-Tiers of Premium Increases

There may be flow-on premium increases as a result of the government's planned changes. Non-Tiers were asked what they would be likely to do if the cost of their private insurance went up by **5%, 10% and 15%**. They were informed of the **\$ equivalent of these % increases** on their total premium, based on their particular type and level of private health insurance.

*Those saying they would drop their cover at a particular level (5% and 10%) were not asked about the subsequent levels, and this has been taken into account in the results summarised below; for example, the % dropping their cover at 15% is the cumulative result of those dropping at 5%, 10% and 15%.

NON-TIERS	5% INCREASE	10% INCREASE	15% INCREASE
IMPACT ON HOSPITAL COVER	%	%	%
Keep hospital cover as is	73	44	30
Downgrade hospital cover	21	39	36
Drop hospital cover*	6	16	32
Unsure	-	1	2

Based on Non-Tiers with Hospital Cover, n=639. Percentages are rounded.

NON-TIERS	5% INCREASE	10% INCREASE	15% INCREASE
IMPACT ON EXTRAS COVER	%	%	%
Keep extras cover as is	72	43	22
Downgrade extras cover	21	37	37
Drop extras cover*	7	20	39
Unsure	-	1	1

Based on Non-Tiers with Extras Cover, n=594. Percentages are rounded.

Likely Flow-on Effect on Non-Tiers of Premium Increases

This table shows the results are analysed by whether Non-Tiers had **made a hospital claim in the last 2 years** – the "Less Healthy" Non-Tiers – or whether they had not made a claim - the "**Healthy**" Non-Tiers (highlighted below).

NON-TIERS	5% INCREASE		10% INCREASE		15% INCREASE	
	Made Claim	No Claim	Made Claim	No Claim	Made Claim	No Claim
IMPACT ON HOSPITAL COVER	%	%	%	%	%	%
Keep hospital cover as is	77	70	46	42	32	28
Downgrade hospital cover	18	23	40	39	38	35
Drop hospital cover*	4	7	12	18	28	35
Unsure	1	-	1	-	2	3
NON-TIERS	5% INCREASE		10% INCREASE		15% INCREASE	
IMPACT ON EXTRAS COVER	Made Claim	No Claim	Made Claim	No Claim	Made Claim	No Claim
	%	%	%	%	%	%
Keep extras cover as is	73	70	40	41	24	18
Downgrade extras cover	22	25	42	38	40	35
Drop extras cover*	5	6	17	21	34	45
Unsure	-	-	1	-	2	1

11. Importance of MLS as Driver of Hospital Cover among Tiers

Importance of the MLS in Having Hospital Cover				
All Tiers with hospital cover who were aware of the MLS were asked which was more important in having hospital cover – avoiding the MLS or having superior hospital treatment. The % 'Unaware of the MLS' were added to the % 'Unsure' in the results shown below.				
	All Tiers with Hospital Cover	Level of Hospital Cover		
	%	Basic	Intermediate	Top
	%	%	%	%
Superior treatment	69	35	69	79
Avoid the MLS	19	51	20	9
Unaware of MLS. Unsure	12	14	11	12
<i>Based on Tiers with hospital cover n=1255.</i>				

Importance of the MLS in Keeping Hospital Cover with the Government's Planned Changes				
After being informed of the government's planned changes, those Tiers keeping some form of hospital cover (either as is or downgraded) were asked which was more important in keeping hospital cover – avoiding the MLS or having superior hospital treatment.				
	Tiers Keeping Hospital Cover	Level of Hospital Cover		
	%	Basic	Intermediate	Top
	%	%	%	%
Superior treatment	80	52	77	89
Avoid the MLS	17	45	21	8
Unaware of MLS. Unsure	2	2	3	3
<i>Based on Tiers keeping or downgrading hospital cover after informed of planned changes n=1079.</i>				

Potential Reconsideration of Dropping Hospital Cover Because of the MLS and LHC	
After being informed of the government's planned changes, those Tiers who indicated they would drop their hospital cover altogether were told they would have to pay the MLS. They were asked whether this would make them reconsider. Those still planning to drop their hospital cover were then asked if they would reconsider because of Lifetime Health Cover (where it would cost more to rejoin after dropping out).	
Key findings among Tiers planning to drop hospital cover when informed of the planned changes are:	
<ul style="list-style-type: none"> • Among those aware of the MLS, only 1 in 4 (27%) would have second thoughts about their dropping hospital cover because of the MLS. • Among those aware of LHC, fewer than 1 in 5 (17%) would potentially reconsider because of LHC. 	
<i>Based on Tiers dropping hospital cover after informed of planned changes n=132. *Small base size.</i>	

12. Impact of Changes on Public Hospital System Usage

Likely Usage of the Public Hospital System under the Planned Changes to the Rebate					
All privately insureds were asked, if the health insurance rebate for higher income groups is reduced, whether or not some people will reduce their hospital cover and use the public hospital system more – and if so, how many (a lot, quite a few, hardly any).					
	All Privately Insured	All Tiers	All Non Tiers	Single Sole Parent Cover	Couple Family Cover
	%	%	%	%	%
Yes, a lot	31	38	29	30	32
Yes, quite a few	44	44	44	43	45
Yes, but hardly any/DK	5	6	4	4	5
No, not any more usage	15	10	16	16	13
Unsure	6	3	7	7	5
A lot + quite a few	75	82	73	73	77
<i>Based on Total Sample n=2000. Percentages are rounded.</i>					

Likely Public Hospital Usage by Tiers Dropping Hospital Cover			
Tiers who planned to drop their hospital cover altogether, after being reminded of Lifetime Health Cover, were asked, if they needed to go to hospital, whether or not they would be more likely to use the public hospital system.			
TIERS DROPPING HOSPITAL COVER	Tiers Dropping Hospital Cover	Single Sole Parent Tiers	Couple Family Tiers
	%	%	%
More likely to use public system	92	91	96
Not more likely to use	8	9	4
<i>Based on Tiers dropping hospital cover and not reconsidering when reminded of LHC n=91.</i>			

Likely Public Hospital Usage by Tiers Downgrading Hospital Cover			
Tiers who planned to downgrade their hospital cover, were asked, if they needed to go to hospital, whether or not they would be more likely to use the public hospital system.			
TIERS DOWNGRADING HOSPITAL COVER	Tiers Downgrading Hospital Cover	Single Sole Parent Tiers	Couple Family Tiers
	%	%	%
More likely to use public system	62	64	60
Not more likely to use	38	36	40
<i>Based on Tiers downgrading hospital cover n=294.</i>			

13. Profile of Tiers

Demographic Profile of Tiers				
	All Tiers	Tier One	Tier Two	Tier Three
TYPE OF COVER	%	%	%	%
Hospital only	10	10	9	13
Extras only	2	2	2	3
Both hospital and extras	88	89	88	<i>85</i>
SUMMARY				
Total hospital*	98	98	98	97
Total extras**	90	90	91	<i>87</i>
LEVEL OF HOSPITAL COVER* Adds to 98%				
Basic hospital cover	16	17	15	14
Intermediate hospital cover	25	27	24	<i>22</i>
Top hospital cover	57	54	58	61
LEVEL OF EXTRAS COVER** Adds to 90%				
Standard extras cover	25	27	25	<i>20</i>
Comprehensive extras cover	65	64	65	67
TYPE OF POLICY				
Single	40	39	40	40
Sole parent	5	5	4	6
Couple	21	23	21	<i>15</i>
Family	35	33	35	38
SUMMARY				
Single / Sole parent	44	43	44	47
Couple / Family	56	57	56	53
KIDS UNDER 18 IN HOUSEHOLD				
One	16	16	14	18
Two	14	14	14	14
Three plus	8	6	7	13
Total have kids under 18	38	36	36	44
HOSPITAL CLAIM				
Made hospital claim	43	44	40	47
No hospital claim in last 2 yrs	57	56	59	53
AGE				
Under 45	35	32	36	39
45 – 54	35	35	36	34
55 - 64	30	32	28	28
HOUSING				
Renting	11	9	11	12
Buying / Mortgage	52	57	51	45
Own outright	36	33	36	40
GENDER				
Male	45	39	50	50
Female	55	61	50	50
DEFINITION: Personal taxable income	\$80,000+	\$80 – 94,000	\$95 – 124,000	\$125,000+
Joint taxable income	\$160,000+	\$160 – 184,000	\$185 – 249,000	\$250,000+

Some %s may over-add or under-add slightly because of rounding.

APPENDIX: Survey Questions



This appendix contains the questions in the order in which they were asked. The full technical questionnaire (with interviewing and CATI programming instructions) is included in the separate volumes of printouts of results.

PHI Cover and Tier vs. Non-Tier Classification Questions

- Q **All** – Firstly, can you tell me which one of these best describes your health insurance cover – is it ...?
- 1 SINGLE COVER, that only covers you
 - 2 SOLE PARENT COVER, that is for you and dependent children
 - 3 COUPLE COVER, for you and your partner
 - 4 FAMILY COVER for you, your partner and dependent children
- Q **Single Cover/Sole Parents** – So that I can make the following questions relevant to you, can I ask you whether your personal **taxable** income, before tax is taken out is ...? READ OUT
- 1 LESS THAN \$80,000 A YEAR [Non-Tier]
 - 2 \$80,000 OR MORE [Tier]
 - 3 Unsure. Refused
- Q **Couples/Family** – So that I can make the following questions relevant to you, can I ask you whether the **combined** taxable income of you and your partner **before** tax is taken out is ...? READ OUT
- 1 LESS THAN \$160,000 A YEAR [Non-Tier]
 - 2 \$160,000 OR MORE [Tier]
 - 3 Unsure. Refused
- Q **All** – Private health insurance can cover hospital treatment and also extras such as optical, dental and physiotherapy. Do you have ...? READ OUT
- 1 HOSPITAL COVER ONLY
 - 2 EXTRAS COVER ONLY
 - 3 BOTH HOSPITAL AND EXTRAS COVER
- Q **All with Hospital Cover** – Which one of the following best describes the level of **hospital** cover you have? Would it be ...? READ OUT
- 1 BASIC HOSPITAL COVER
 - 2 INTERMEDIATE OR MEDIUM HOSPITAL COVER
 - 3 TOP HOSPITAL COVER
- Q **All with Extras Cover** – Which one of the following best describes the level of **extras cover** you have. Is it the ...? READ OUT
IF NECESSARY: Extras cover includes things like optical, dental and physiotherapy.
- 1 STANDARD OR BASIC LEVEL OF EXTRAS COVER
 - 2 COMPREHENSIVE OR TOP EXTRAS COVER (Medium)

Price Sensitivity Questions

- Q **All** – Thinking about the cost of your private health insurance. Which **one** of the following statements best describes your attitude to your private health insurance? READ OUT
- 1 You are prepared to pay only a certain amount each year for your cover
 - 2 You are prepared to pay whatever it costs to get the level of cover you want

Q **All** - Can you tell me roughly how much you pay for your private health insurance each year?

01	LESS THAN \$500 per year	<i>Less than \$40 per month</i>
02	\$500 - \$999 per year	<i>\$40 - \$84 per month</i>
03	\$1000 - \$1499 per year	<i>\$85 - \$124 per month</i>
04	\$1500 - \$1999 per year	<i>\$125 - \$169 per month</i>
05	\$2000 - \$2499 per year	<i>\$170 - \$209 per month</i>
06	\$2500 - \$2999 per year	<i>\$210 - \$249 per month</i>
07	\$3000 - \$3499 per year	<i>\$250 - \$289 per month</i>
08	\$3500 - \$3999 per year	<i>\$290 - \$329 per month</i>
09	\$4000 or more	<i>\$330 or more</i>
10	Don't know	

Note about Premium Increase Questions: Respondents were given \$ amounts from 44 cell (11x4) grids, based on their type of policy (single, sole parent, couple, family); type of cover (hospital only, extras only, both); level of hospital cover (basic hospital, intermediate hospital, top hospital); and extras cover (standard extras, comprehensive extras). There were 5 grids: for 5%, 10%, 15%, 30% and 45% increases. **Tiers** were asked about 15%, 30% and 45% increases; **Non-Tiers** about 5%, 10% and 15%.

Q **Hospital Cover Only** – I'm now going to ask you some questions about what you'd do if the cost of your private health insurance went up. First of all, if the cost of your hospital cover went up by [15% Tiers/ 5% Non Tier] a year. For somebody with your level of cover, this increase might be about \$... a year. What would you do if this happened? READ OUT

- 1 Would you probably keep your level of hospital cover as it is
- 2 Would you downgrade your hospital cover
- 3 Or would you drop it altogether
- 4 Unsure

Q **Extras Cover Only** – I'm now going to ask you some questions about what you'd do if the cost of your private health insurance went up. First of all, if the cost of your extras cover went up by [15% Tiers/ 5% Non Tier] a year. For somebody with your level of cover, this increase might be about \$... a year. What would you do if this happened? READ OUT

- 1 Would you probably keep your level of hospital cover as it is
- 2 Would you downgrade your hospital cover
- 3 Or would you drop it altogether
- 4 Unsure

Q **Both Hospital and Extras** – I'm now going to ask you some questions about what you'd do with your hospital and extras cover if the cost of your private health insurance went up. First of all, if the total cost of your hospital and extras cover went up by [15% Tiers/ 5% Non Tier] a year. For somebody with your level of cover, this increase might be about \$... a year in total. Now thinking about just the **hospital part** of your private health insurance, what would you do if this happened? READ OUT

- 1 Would you probably keep your level of hospital cover as it is
- 2 Would you downgrade your hospital cover
- 3 Or would you drop it altogether
- 4 Unsure

Q **Both Hospital and Extras** – And if the total cost of your hospital and extras cover went up by [15% Tiers/ 5% Non Tier] a year or about \$... a year, what would you do with the **extras part** of your private health insurance? READ OUT

- 1 Would you probably keep your level of hospital cover as it is
- 2 Would you downgrade your hospital cover
- 3 Or would you drop it altogether
- 4 Unsure

- Q **Hospital Cover Only** – Next, if the cost of your hospital cover went up by *[30% Tiers/ 10% Non Tier]* a year, or about \$... a year. What would you do if this happened? READ OUT
- 1 Would you probably keep your level of hospital cover as it is
 - 2 Would you downgrade your hospital cover
 - 3 Or would you drop it altogether
 - 4 Unsure
- Q **Extras Cover Only** – Next, if the cost of your extras cover went up by *[30% Tiers/ 10% Non Tier]* a year, or about \$... a year. What would you do if this happened?
- 1 Would you probably keep your level of extras cover as it is
 - 2 Would you downgrade your extras cover
 - 3 Or would you drop it altogether
 - 4 Unsure
- Q **Both Hospital and Extras** – Next, if the total cost of your hospital and extras cover went up by *[30% Tiers/ 10% Non Tier]* a year, or about \$... a year in total. What would you do to the **hospital part** of your private insurance if this happened? READ OUT
- 1 Would you probably keep your level of hospital cover as it is
 - 2 Would you downgrade your hospital cover
 - 3 Or would you drop it altogether
 - 4 Unsure
- Q **Both Hospital and Extras** – And if the total cost of your hospital and extras cover went up by *[30% Tiers/ 10% Non Tier]* a year or about \$... a year, what would you do with the **extras part** of your private health insurance? READ OUT
- 1 Would you probably keep your level of extras cover as it is
 - 2 Would you downgrade your extras cover
 - 3 Or would you drop it altogether
 - 4 Unsure
- Q **Hospital Cover Only** – And what if the cost of your hospital cover went up by *[45% Tiers/ 15% Non Tier]* a year, or about \$... a year. What would you do if this happened? READ OUT
- 1 Would you probably keep your level of hospital cover as it is
 - 2 Would you downgrade your hospital cover
 - 3 Or would you drop it altogether
 - 4 Unsure
- Q **Extras Cover Only** – And what if the cost of your extras cover went up by *[45% Tiers/ 15% Non Tier]* a year, or about \$... a year. What would you do if this happened? READ OUT
- 1 Would you probably keep your level of extras cover as it is
 - 2 Would you downgrade your extras cover
 - 3 Or would you drop it altogether
 - 4 Unsure
- Q **Both Hospital and Extras** – And what if the total cost of your hospital and extras cover went up by *[45% Tiers/ 15% Non Tier]* a year, or about \$... a year in total. What would you do to the **hospital part** of your private insurance? READ OUT
- 1 Would you probably keep your level of hospital cover as it is
 - 2 Would you downgrade your hospital cover
 - 3 Or would you drop it altogether
 - 4 Unsure

- Q **Both Hospital and Extras** – And if the total cost of your hospital and extras cover went up by [45% Tiers/ 15% Non Tier] a year or about \$... a year, what would you do with the **extras part** of your private health insurance? READ OUT
- 1 Would you probably keep your level of extras cover as it is
 - 2 Would you downgrade your extras cover
 - 3 Or would you drop it altogether
 - 4 Unsure

Awareness of Rebate and MLS Questions

- Q **All** – People with private health insurance receive a 30% rebate from the Federal Government on the cost of their private health insurance. Were you aware of this 30% rebate before now, or not?
- 1 YES, AWARE
 - 2 NO, NOT AWARE

- Q **If Unaware:** The private health insurance rebate is where the Federal Government subsidises 30% of the cost of private health insurance membership. This rebate reduces the cost of premiums by 30 cents in every dollar spent on private health cover.

Then to All: How important is this 30% rebate on private health insurance to you – is it ...? READ OUT

- 1 Very important
 - 2 Quite important
 - 3 Not very important
 - 4 Not at all important
 - 5 Unsure
- Q **All** – People on higher incomes who **don't** have **hospital** cover as part of their private health insurance have to pay an additional 1% on top of their Medicare tax levy. This is known as the Medicare Levy Surcharge. Were you aware of this additional 1% levy for those people **without** hospital cover – or not?
- 1 YES, AWARE
 - 2 NO, NOT AWARE

- Q **All Tiers with Hospital Cover and Aware of MLS** - Which **one** of these two reasons for having **hospital cover** is more important to you? READ OUT
- 1 To avoid paying the additional 1% levy Surcharge
 - 2 To have superior hospital insurance or treatment
 - 3 Unsure

Awareness and Impact of Planned Changes

- Q **All** – As I mentioned before, everyone with private health insurance currently receives a 30% rebate, but people on higher incomes who **don't** have hospital cover, have to pay an additional 1% levy. The Federal Government is planning to reduce the rebate or eliminate it altogether for higher income groups, and also to increase the levy for some groups. Were you aware of these plans before now, or not?
- 1 YES, AWARE
 - 2 NO, NOT AWARE

- Q **Tiers: Single Cover/Sole Parent**– The planned reductions to the rebate will depend on people's incomes. So I can tell you how it will affect you, could you please tell me which one of these three income groups you fit into. I'm talking about your total personal **taxable** income **before** tax is taken out. Is it ...? READ OUT
- 1 \$80,000 - \$94,000 **[Tier 1]**
 - 2 \$95,000 - \$124,000 **[Tier 2]**
 - 3 \$125,000 OR MORE **[Tier 3]**
 - 4 Unsure. Refused

- Q **Tiers: Couple/Family** – The planned reductions to the rebate will depend on people’s incomes. So I can tell you how it will affect you, could you please tell me which one of these three groups you and your partner’s **combined** income fits into. I’m talking about the total annual taxable income of you **and** your partner **before** tax is taken out? Is it ...? READ OUT
- 1 \$160,000 - \$184,000 [Tier 1]
 - 2 \$185,000 - \$249,000 [Tier 2]
 - 3 \$250,000 OR MORE [Tier 3]
 - 4 Unsure. Refused

- Q (a) **Tiers with Both Hospital and Extras** – These plans mean that for people in your income bracket, the private health insurance rebate will be reduced from ... to ... and the additional Medicare levy surcharge, if you dropped your hospital cover, would ...

The information relevant to each particular Tier was inserted in the question:

	Rebate	MLS
Tier One...	from 30% to 20%	remain at 1%
Tier Two...	from 30% to 10%.	increase from 1% to 1¼%
Tier Three...	from 30% to zero	increase from 1% to 1½%

Just thinking of your **hospital** cover. If this change happens, what would you do with the **hospital part** of your private health insurance...? PROBE: What do you think you would be most likely to do? READ OUT

- 1 Would you probably keep your level of hospital cover as it is
 - 2 Would you downgrade your hospital cover
 - 3 Or would you drop it altogether
 - 4 Unsure
- (b) **Tiers Who Will Keep or Downgrade Hospital Cover under Planned Changes** - So this means you would still have hospital cover. Which one of these two reasons **best** describes **why** you would still keep your hospital cover? Is it ...? READ OUT IF BOTH: Which one of these reasons is more important to you?
- 1 So you won't have to pay the additional Medicare Levy Surcharge
 - 2 So you can have superior hospital treatment
 - 3 Both (After probe)
- (c) **Tiers Who Will Drop Hospital Cover under Planned Changes** - If you drop your hospital cover you'll have to pay the additional Medicare Levy Surcharge. With this in mind, would you still drop your hospital cover altogether or would you reconsider?
- 1 STILL DROP
 - 2 RECONSIDER

- Q **Tiers with Both Hospital and Extras** - Now thinking about your **extras cover**. If the government’s planned changes go ahead, what would you do with the **extras part** of your private health insurance? PROBE: What do you think you would be most likely to do? READ OUT
- 1 Would you probably keep your level of extras cover as it is
 - 2 Would you downgrade your extras cover
 - 3 Or would you drop it altogether
 - 4 Unsure

- Q (a) **Tiers with Hospital Cover Only** – These plans mean that for people in your income bracket, the private health insurance rebate will be reduced from ... to ... and the additional Medicare levy surcharge, if you dropped your hospital cover, would ...

[As outlined above, the information relevant to each particular Tier was inserted in the question.]

If this change happens, what would you do with the hospital cover? PROBE: What do you think you would be most likely to do? READ OUT

- 1 Would you probably keep your level of hospital cover as it is
- 2 Would you downgrade your hospital cover
- 3 Or would you drop it altogether
- 4 Unsure

(b) **Tiers Who Will Keep or Downgrade Hospital Cover under Planned Changes -**

So this means you would still have hospital cover. Which one of these two reasons **best** describes **why** you would still keep your hospital cover? Is it ...? IF BOTH: Which one of these reasons is more important to you? READ OUT

- 1 So you won't have to pay the additional Medicare Levy Surcharge
- 2 So you can have superior hospital treatment
- 3 Both (After probe)

(c) **Tiers Who Will Drop Hospital Cover under Planned Changes -** If you drop your hospital cover you'll have to pay the additional Medicare Levy Surcharge. With this in mind, would you still drop your hospital cover altogether or would you reconsider?

- 1 STILL DROP
- 2 RECONSIDER

Q **Tiers with Extras Cover Only** – These plans mean that for people in your income bracket, the private health insurance rebate will be reduced from ... to ..., and the additional Medicare Levy Surcharge would ...

[As outlined previously, the information relevant to each particular Tier was inserted in the question.]

If this change happens, what would you do with your extras cover? PROBE: What do you think you would be most likely to do? READ OUT

- 1 Would you probably keep your level of extras cover as it is
- 2 Would you downgrade your extras cover
- 3 Or would you drop it altogether
- 4 Unsure

Awareness of Lifetime Health Cover (LHC)

Q **All** – Under the current private health insurance system, if people aged 31 or more **drop** their hospital cover and they want to **rejoin** later, they have to pay an additional 2% on their premium for every year they've been without private insurance. This is called the Lifetime Health Cover. Were you aware of this before now, or not?

- 1 YES, AWARE
- 2 NO, NOT AWARE

Q **Tiers Who Will Drop Hospital Cover under Planned Changes** – You mentioned before that you'd drop your hospital cover under the planned changes to the private health insurance system. With the Lifetime Health Cover in mind, where it costs more to **rejoin** after dropping out, would you still drop your hospital cover or would this make you reconsider?

- 1 STILL DROP
- 2 RECONSIDER

Q **Non-Tiers Who Will Drop Hospital Cover with 5% increase** – You mentioned earlier you'd drop your hospital cover if the cost of your health insurance went up by 5% a year. With the Lifetime Health Cover in mind, where it costs more to **rejoin** after dropping out, would you still drop your hospital cover or would this make you reconsider?

- 1 STILL DROP
- 2 RECONSIDER

Impact on Public Hospital Usage

- Q **Tiers Who Will Drop Hospital Cover under Planned Changes** - If you **were** to drop your hospital cover and you needed to go to hospital, do you think you'd be more likely to use the public hospital system, or not?
- 1 YES, MORE LIKELY
 - 2 NO, NOT MORE LIKELY
- Q **Tiers Who Will Downgrade Hospital Cover under Planned Changes** - You mentioned earlier the possibility of downgrading your hospital cover. If you **were** to downgrade your level of hospital cover and you needed to go to hospital, do you think you'd be more likely to use the public hospital system, or not?
- 1 YES, MORE LIKELY
 - 2 NO, NOT MORE LIKELY
- Q **All** – If the health insurance rebate for higher income groups **is** reduced, do you think some people will reduce their hospital cover and will use the public hospital system more, or not?
- 1 YES, Some people will
 - 2 NO
 - 3 Unsure
- Q **If Some Will Use Public Hospital System More** – How many people do you think will do that? Do you think it will be ...? READ OUT
- 4 A lot of people
 - 5 Quite a few
 - 6 Or hardly any
 - 7 Unsure
- Q **All** – Could I ask whether any claim has been made on your private health insurance for a **hospital stay** in the last 2 years – or not? (SAY IF NECESSARY The claim may have been made by the hospital)
- 1 YES, HOSPITAL CLAIM IN LAST 2 YEARS
 - 2 NO, NO CLAIM IN LAST 2 YEARS

Demographics

- Q (a) **All** – Finally some quick questions to help us analyse the results of this survey. Could you please tell me which of these age groups you fall into? READ OUT IF NECESSARY.
- 1 18-24
 - 2 25-34
 - 3 35-44
 - 4 45-54
 - 5 55-64
- (b) **All** – What is the total number of people of all ages living in this household, including yourself?
- 1 ONE (Live alone)
 - 2 TWO
 - 3 THREE
 - 4 FOUR
 - 5 FIVE OR MORE
- (c) **If More Than One in Household**– And how many of those are aged **under 18**?
- 1 ONE
 - 2 TWO
 - 3 THREE OR MORE
 - 4 NONE No-one under 18

(d) **All** – Are you currently renting where you live, or are you buying your home with a mortgage or do you own it outright?

- 1 RENTING (Boarding)
- 2 BUYING (Have mortgage)
- 3 OWN OUTRIGHT

(e) **All** – And what is your postcode?

TYPE IN _____

(f) **All** – RECORD GENDER

- 1 MALE
- 2 FEMALE

(g) Non-Tiers: Singles/Sole Parents

To help analyse the results, we also need to group people into various income levels. Could you please tell me which one of these income groups you fit into. I'm talking about your **personal** taxable income **before** tax is taken out? Is it ...? READ OUT

- 1 LESS THAN \$30,000 A YEAR
- 2 \$30,000 - \$49,000
- 3 \$50,000 - \$69,000
- 4 \$70,000 or over
- 5 Unsure. Refused (After Probe)

(h) Non-Tiers: Couple/Family

To help analyse the results, we also need to group people into various income levels. Can you please tell me which one of these groups you and your partner's **combined** income fits into – I'm talking about the **combined** taxable income of you and your partner **before** tax is taken out? Is it ...? READ OUT

- 1 LESS THAN \$30,000 A YEAR
- 2 \$30,000 - \$49,000
- 3 \$50,000 - \$69,000
- 4 \$70,000 - \$79,000
- 5 \$80,000 or over
- 6 Unsure. Refused (After Probe)