

# Media Release

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## **Cuts to private health insurance rebate disappointing for older Australians, health insurers say**

The Government's decision to cut the Private Health Insurance Rebate will disappoint thousands of older Australians, says Dr Rachel David, CEO of Private Healthcare Australia.

"Reducing funding that goes directly to patients for private hospital and medical care will place further strain on an already pressured sector," Dr David said.

"It will hurt consumers, impact the viability of private hospitals, and limit health funds' ability to deliver better patient experiences."

Preliminary estimates suggest more than 1.4 million older Australians will be affected by the policy announcement made by Health Minister Mark Butler during his National Press Club address today. Premiums for older Australians could rise by up to \$640 per year as a result.

Dr David acknowledged the changes are targeted at wealthier older Australians, most of whom are unlikely to drop their private health insurance.

"Health funds recognise this group receives significant benefits that could be better targeted elsewhere. PHA has previously recommended reducing the rebate for this cohort and redistributing it to lower-income Australians who rely on private health insurance," she said.

"Most Australians with private health insurance earn less than \$100,000 a year and make deliberate financial sacrifices to maintain their cover. Research consistently shows these consumers value the ability to choose their doctor and the private hospital where they receive care.

"At the same time, more than half a million high-income earners do not have private health insurance, despite having the means to contribute to their own healthcare costs rather than relying solely on Medicare. Increasing the Medicare Levy Surcharge and better targeting the rebate towards lower-income households and younger Australians would improve participation, affordability and equity across the system," she said.

But Dr David warned that removing funding from hospitals and doctors – even when well targeted – risks shifting pressures elsewhere in the health system.

"This must form part of a broader, carefully designed package to improve equity, access to private healthcare, and the long-term sustainability of the system."

She said PHA was looking to the May Budget for further measures to reduce healthcare costs for consumers.

"Key priorities that need addressing include high out-of-pocket costs for medical specialists and reducing the cost of medical devices, which cost around 30 per cent more for Australian patients than in New Zealand. Adjustments to the Medicare Levy Surcharge to encourage greater participation among higher-income earners are also needed," she said.

"As part of a comprehensive package to reduce costs for consumers, this measure may have merit. However, if it is simply a short-term revenue measure, it will not deliver a sustainable outcome for all Australians."

*Private Healthcare Australia is the peak representative body for Australia's private health insurance industry. PHA represents 22 Australian health funds and over 15 million Australians (55% of the population) who have private health insurance.*

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